OFICINA DE PRESUPUESTO
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Loans from International Financial Institutions

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Executive Summary

International Financial Institutions (IFIs) are an important source of financing for emerging countries, especially in times of crisis when market access is restricted. In general, their loans enable their borrowers to access financing on better terms than they would obtain from the market. Their main members and shareholders are sovereign governments of developed and developing countries.

The IFIs include the International Monetary Fund (IMF), whose main purpose is to ensure the stability of the international monetary system, and the multilateral development banks (MDBs), whose purpose is to reduce poverty, improve the quality of life, promote economic, social, and institutional development in developing countries, and promote regional cooperation and integration.

IFIs play an important role in the financing of the Argentine public sector. In recent years, Argentina has received loans mainly from the IMF, the Inter-American Development Bank (IDB) and the World Bank, and to a lesser extent, from the Development Bank of Latin America (CAF), the International Fund for Agricultural Development (IFAD), the Financial Fund for the Development of the Countries of the La Plata Basin (FONPLATA), the European Investment Bank (EIB), the OPEC Fund for International Development (OFID) and the Central American Bank for Economic Integration (CABEI).

The total stock of IFI loans to our country as of September 30, 2021, amounts to the equivalent of USD68.062 billion and represents 21% of the total gross debt stock and 16% of GDP. Of the total amount, 63% is owed to the IMF, 19% to the IDB, 11% to the World Bank, 5% to CAF and 1% to the other organizations. Approximately two-thirds of the debt is denominated in SDRs since the 2018 IMF Stand-By Arrangement (SBA) loan, and the remaining third is denominated almost exclusively in U.S. dollars.

Excluding IMF loans, the average annual net capital flows (disbursements minus amortizations) between 1993 and 2001 was USD1.481 billion, in the period 2002-2008 net cancellations were recorded for an annual average of USD633 million and in 2009-2020 positive net flows were received for an average of USD885 million per year.

Between 2005 and 2020, gross IFI disbursements of approximately USD83.574 billion were received, of which USD44.477 billion were from the 2018 SBA loan, USD19.731 billion from IDB loans, and USD12.299 billion from World Bank loans. Of the total disbursements, excluding the IMF loan, 21% were for social development projects, 16% for roads and transportation, 8% for health, education, energy and water supply and sanitation, and 7% for public management strengthening.

Argentina paid interest to IFIs for approximately USD13.650 billion between 2005 and 2020, of which USD3.258 billion were payments on IMF loans. Excluding the latter, interest payments represented an average of 0.2% of GDP. On the other hand, the effective interest rate of the three main IFIs averaged close to 5% between 2005 and 2007 and fell to 3% in the following years, in line with the period of low interest rates at the global level.

Prior to the 2018 SBA loan, the average life of the remaining IFI debt stock remained for almost a decade between 7 and 8 years, with a slightly increasing trend. As a result of the subsequent disbursements of the 2018 and 2019 IMF loan, the average life fell to 4 years as of September 30, 2021. Excluding the IMF loan, the average life is currently 9 years.

Introduction

International Financial Institutions (IFIs) are an important source of financing for emerging countries, especially in times of crisis when access to markets is restricted. IFIs are organizations whose main members and shareholders are sovereign governments of developed and developing countries. IFIs include the International Monetary Fund (IMF) and various multilateral development banks (MDBs) of global and regional scope.

The IMF's main purpose is to ensure the stability of the international monetary system. IMF financing is provided to countries with balance of payments difficulties to enable them to meet their international payment commitments, rebuild their international reserves, stabilize their currencies, and restore conditions for economic growth. IMF loans provide financing to member countries under arrangements between the parties. In general, financing is provided through staggered disbursements made on condition of the implementation of economic policies. Thus, unlike development banks, the IMF does not finance specific projects but rather the implementation of an economic policy program. Its main borrowers are middle- and low-income countries facing situations of external vulnerability or crisis.

On the other hand, MDBs aim at reducing poverty and improving people's quality of life, promoting economic, social, and institutional development in developing countries, and regional cooperation and integration. In general terms, MDBs provide loans and guarantees to public and private sector institutions, in many cases related to the implementation of social development or infrastructure projects. However, the nature of these institutions is varied, and the products offered by the different ones respond to their own goals. For example, those that focus on providing financial assistance have instruments such as loans and grants, while those whose activity is focused on technical assistance for the development of investment projects have different alternatives for the design, preparation, and implementation of their projects. Occasionally, MDB financing of these projects is complemented by grants from third countries.

To increase their lending capacity beyond the capital contributed by their members, financial institutions often rely on a variety of financing alternatives. The IMF relies on bilateral credits from some of its members with a strong financial position. On the other hand, the MDBs are financed mainly through placements of securities.

In general, IFI loans allow borrowers to access financing on better terms (lower interest rates and longer maturities) than they would obtain in the market. However, in some cases sovereign governments prefer to borrow from the market because IFI disbursements are often conditioned on compliance with conditionalities, audits and accountability. IFI financing tends to be countercyclical and to move inversely to private capital flows. This is because the availability of MDB financing is less vulnerable to a deterioration in countries' macroeconomic conditions, while IMF financial assistance is provided precisely in situations of stress and lack of sources of financing.

For decades, the IFIs have had a prominent role in the financing of the Argentine public sector, both through programs agreed with the IMF in the face of crises and loans from different MDBs to finance specific programs and projects.

The purpose of this paper is to analyze the main features of the multilateral financing received by Argentina. The focus is on the IFIs that have an active relationship with the country. In the following section, we describe the most important multilateral organizations for Argentina in terms of financing. Each institution is described by its purpose, objectives and functions, its member countries and main borrowers, its structure and financing. In addition, the different financing modalities offered and the features of the financial instruments with which they are implemented are mentioned. Finally, the governance and organization of each institution is discussed.

The following is an overview of Argentina's relationship with these IFIs, the recent evolution of the debt with these organizations and its status. For this purpose, we analyze the statistics of the loans stock and flows, their share in the total public debt, their composition by institutional sector and funding allocation, their financial conditions (rate, term) and their maturity profile.

International Financial Institutions

At the initiative of the international community, at the end of World War II, the main IFIs of global scope emerged with the purpose of collaborating in the reconstruction of the countries affected by the war and in the administration and preservation of the global financial system. In July 1944, representatives of 44 countries participated in a United Nations conference at Bretton Woods (New Hampshire, USA) and agreed to establish a framework for international economic cooperation to avoid a currency war (i.e., countries choosing to devalue their currencies to achieve a more competitive exchange rate).

In this context, the IMF and the International Bank for Reconstruction and Development (IBRD, currently one of the entities comprising the World Bank) were created, whose original mission was to ensure the stability of the exchange rate and capital flows, and to finance the reconstruction of European countries devastated by the war by granting loans for infrastructure works, respectively.

The World Bank and other MDBs were created based on capital commitments from the most developed countries, so their cost of financing was relatively low, to financially assist countries with restricted market access that had urgent needs, those affected by war and developing countries (Gurria et al., 2001). Initially, the loans granted by these institutions to sovereign governments were earmarked for different projects related to transportation, energy and the development of infrastructure works to facilitate private investment.

In the 1980s, IFI financing focused on projects that sought to promote human capital development in emerging countries, which led to the inclusion of human development programs in middle- and low-income countries (Perry et al., 2017) and the granting of concessional loans for poverty reduction in lower-income countries (Gurria et al., 2001). During this period, Latin American and Caribbean countries went through the so-called "lost decade", which resulted in very limited access to private financing[1].

In the late 1980s and early 1990s, many countries in the region implemented structural reforms. The predominant view at the time, known as the "Washington consensus", was that developing countries should open their economies, reduce state intervention, and adopt prudential macroeconomic policies. In this context, IFIs supported policies of privatization of government-owned companies and modernization of the public sector (Artecona et al., 2019).

On the other hand, to assist countries with balance of payments and debt sustainability problems, the MDBs implemented new tools that went beyond financing investment projects. Policy loans are staggered loans whose disbursements are conditional on the implementation of institutional and economic reforms, with the expectation that the borrowing country will be able to overcome the problems that led to the crisis.

[1] In the early 1980s, the U.S. Federal Reserve triggered a sharp increase in interest rates. Consequently, international capital flows reversed from emerging to developed countries, leading to the debt crisis in many Latin American and Caribbean countries.

In the late 1980s and early 1990s, the placement of Brady bonds[2] and the trade liberalization policies implemented by some of the region's countries facilitated the financing through international debt securities markets.

In 1996, the IMF and the World Bank jointly launched the Heavily Indebted Poor Countries (HIPC) Initiative to provide substantial debt relief to the poorest and most heavily indebted countries (most of them located in Africa). This program was expanded in 1999 and complemented in 2005 by the Multilateral Debt Relief Initiative (MDRI).

In the late 1990s, the MDBs adopted a more comprehensive vision of development, promoting loan financing aimed at improving the efficiency of the public sector and the quality of institutions in the provision of services (Artecona et al., 2019).

Since the beginning of this century (and especially after the Global Financial Crisis), lower-income countries have gained access to international financial markets, which has increased the capital flow to Latin America and the Caribbean.

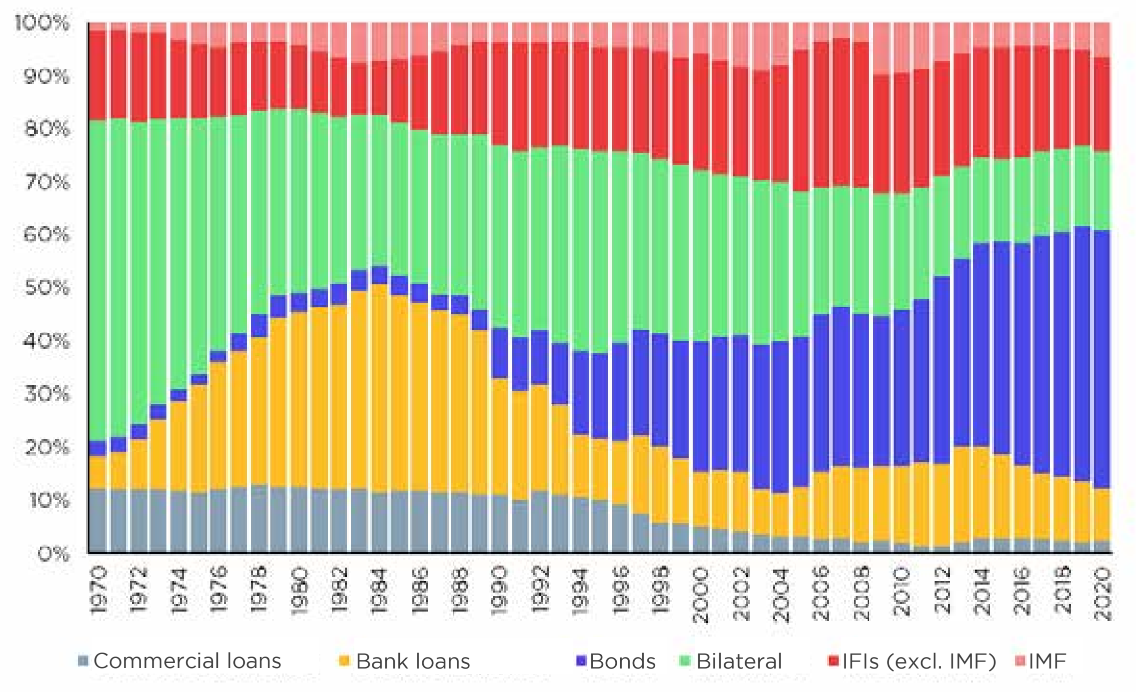
Analyzing the structure of the public debt of emerging and developing countries in relation to their creditors, the IFIs increased their share until 2010 and decreased thereafter, currently standing at around 20% of the total (Figure 1).

As for the financing of MDBs, a change in the purpose and modality of loans has been observed. Currently, the programs financed are mostly related to poverty reduction, social equality, and sustainable economic growth and, to a lesser extent, to climate change and the promotion of renewable energies. Other cross-cutting issues are related to gender policies, public-private partnerships, and the fight against corruption. On the other hand, policy loans (as a budget support mechanism) were modified to adapt a more flexible view on conditionalities, so that these can be reassessed and modified jointly with borrowers (Artecona et al., 2019).

[2] The Brady Plan allowed developing countries that had defaulted on their bank debts in the 1980s to restructure those liabilities by issuing bonds that were collateralized by U.S. Treasury bonds.

Figure 1. External public debt of emerging and developing countries by type of creditor

Long-term public and guaranteed external debt; as % of total



SOURCE: World Development Indicators (WDI) of the World Bank.

Currently, Argentina's IFI debt stock amounts to USD68.062 billion. Debt with the IMF, the World Bank, the Inter-American Development Bank (IDB) and the Development Bank of Latin America (CAF, by its original name, *Corporación Andina de Fomento*) represents 99% of the total. These institutions are different in terms of composition, purpose, geographic scope, volume of assets and funding allocation (Table 1).

The IFIs are complex organizations, consisting of different entities and funds, each with different members, governance structures and operating rules. In terms of shareholder composition, developed countries, which are not usually borrowers, have greater voting power in global institutions (IMF and World Bank), while in regional institutions, borrowing countries have greater control in the IDB and the CAF.

In terms of geographic coverage, the World Bank lends to low- and middle-income countries around the globe, while the IDB and CAF are limited to Latin America and the Caribbean. The IMF has a global reach, but its financing is focused on countries with balance of payments difficulties.

The four IFIs that constitute the main sources of multilateral financing for Argentina (IMF, World Bank, IDB and CAF) are described in Table 4.

Table 1. Overview of main IFIs

	IMF	World Bank	IDB	CAF
Founded	1944	1944	1959	1968
Members	190 countries	189 countries	48 countries (26 borrowers from Latin America and the Caribbean and 22 non-borrowers)	17 countries in Latin America and the Caribbean, Spain, Portugal and 13 Latin American private banks
Main purpose	Ensure the monetary system stability	Poverty reduction and promotion of shared prosperity	Sustainable and climate-friendly economic and social development	Promote sustainable development and regional integration
Largest shareholders	USA, Japan, China, Germany, France	USA, Japan, China, Germany, France	USA, Argentina, Brazil, Mexico, Japan	Peru, Colombia, Venezuela, Argentina, Brazil
Total assets*	USD 719.465 billion (GRA)	USD 317.301 billion (IBRD)	USD 151.737 billion	USD 46.846 billion
Total credits*	USD 127.084 billion (GRA)	USD 218.799 billion (IBRD)	USD 104.761 billion	USD 28.118 billion
Main borrowers	Argentina (29%), Egypt (14%), Ukraine (6%), Pakistan (5%), Ecuador (5%)	Indonesia (8%), India (8%), Mexico (7%), China (7%), Brazil (7%)	Mexico (16%), Brazil (16%), Colombia (10%), Ecuador (6%), Panama (4%)	Ecuador (15%), Argentina (14%), Venezuela (11%), Colombia (10%), Brazil (9%)

* Based on the latest available financial statements.

SOURCE: IMF.

IFIs grant loans to sovereign governments under financial conditions that are generally more advantageous than those they would obtain by placing market debt. However, disbursements are usually linked to the fulfillment of economic policy and accountability conditionalities, as well as to the performance of audits by these organizations.

IFI debt tends to be countercyclical and moves inversely to private capital flows. In other words, IFI financing flows increase when sovereign governments find it more difficult to place debt in the market (Boz, 2011; Horn et al., 2021). Therefore, at times of regional and international crises (1995, 1999-2003 and 2009), there were temporary increases in flows from IFIs in Latin America. Likewise, in the periods 2003-2008 and 2010-2014, when many countries in the region were favored by the terms of trade and the capital inflows (because of high international liquidity), loans from international institutions recorded their historical minimum (Perry et al., 2017).

Historically, those countries facing difficulties in servicing their debt have prioritized payment to multilateral financial institutions over their private creditors. Given that the IFIs have the capacity to continue making disbursements to countries in financial difficulties, there is an incentive for these countries to prioritize repayment to the organizations to avoid defaulting on their debt and stopping the arrival of new disbursements. In contrast, in the event of a crisis, countries tend to lose access to voluntary debt markets. On the other hand, the overcoming of eventual defaults is generally carried out on separate tracks and under different conditions than debt restructurings with private parties. Thus, the IMF's de facto privileged creditor status allows it to grant financing to countries in crisis at below market rates, facilitating its role as international lender of last resort (Fischer, 1999; Schlegl et al., 2019).

The International Monetary Fund

Since its inception at Bretton Woods in 1944, the IMF has expanded its scope to its current 190 member countries. The headquarters is in Washington DC, United States. The IMF's financial and governance structure is organized under a system of quotas, denominated in the IMF's unit of account, the Special Drawing Rights (SDR)[3]. Each country's quota reflects its relative position in the world economy. Quotas serve multiple functions in the IMF: (i) they set the maximum amount of each member country's contributions to the IMF, (ii) they establish a country's voting power in IMF decisions, (iii) they define the maximum amount of financing a member country can obtain, and (iv) they establish each country's share in the overall SDR allocations[4].

The IMF's main purpose is to ensure the stability of the international monetary system. To this end, the IMF seeks to promote international monetary cooperation, facilitate the expansion and balanced growth of international trade, promote exchange rate stability, contribute to the establishment of a multilateral payments system, and make resources available to member countries experiencing balance of payments imbalances.

The IMF provides financing to countries with balance of payments problems, i.e., those that are unable to obtain financing on affordable terms to meet their international payment commitments (such as imports and external debt service). The purpose of IMF assistance is to enable countries to rebuild their international reserves, stabilize their currencies, continue to make import payments, and reestablish conditions for economic growth.

Loan modality

IMF loans are intended to support countries with balance of payments difficulties so that they can implement structural macroeconomic and fiscal policies in an orderly and gradual manner to restore the conditions necessary to maintain a stable economy and promote sustainable growth.

Loan operations are implemented through agreements between the Fund's staff and the country's authorities. The programs are formalized through a Letter of Intent at the time of requesting financing, which is generally attached to a Memorandum of Economic and Financial Policies. They usually include staggered disbursements that are conditioned to the implementation of economic policies established in the agreement, with the intention that the country manages to overcome the problems that led it to request financial assistance from the international community and guarantee the repayment of the loan. Therefore, unlike development banks, the IMF does not finance specific projects, but rather the implementation of an economic policy program. Compliance with conditionalities throughout the program is verified by means of qualitative and quantitative goals, which may include variables such as the stock of international reserves, fiscal results, Central Bank financing to the Treasury, among others.

Financing to emerging and developed market countries is provided through the General Resources Account (GRA), which is mainly funded by capital contributions from IMF member countries. Financial assistance instruments are diverse. On the one hand, the Stand-By Arrangement (SBA) and the Extended Fund Facility (EFF) are credit programs that provide rapid financing to countries facing external financing difficulties, subject to the implementation of economic policies.

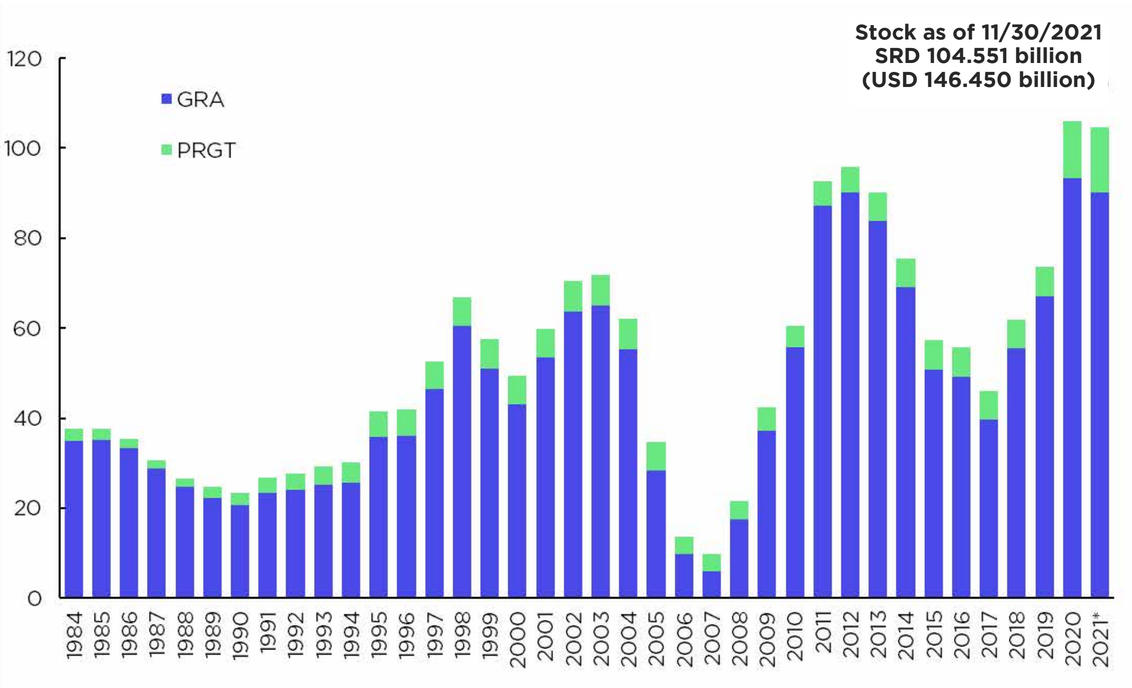
[3] SDRs are international reserve assets created by the IMF in 1969 to supplement the reserves of member countries. They are not a currency in the strict sense but represent a potential claim by their holders on currencies of other IMF members. Among other functions, SDRs are used as a unit of account by the IMF and other international organizations. Their value is defined by a basket of currencies, which currently consists of five currencies: the U.S. dollar (42%), the euro (31%), the Chinese yuan (11%), the Japanese yen (8%) and the pound sterling (8%).
[4] Under certain conditions defined in its Charter, the IMF may make a general allocation of SDRs among its members. The purpose is to meet a long-term global need to supplement existing reserve assets to prevent economic stagnation and deflation but avoiding excess demand leading to inflationary processes at the global level.

On the other hand, the Flexible Credit Line (FCL) is available to members with solid fundamentals and a good track record in the implementation of economic policies, with the purpose of preventing and mitigating liquidity crisis scenarios. The Precautionary and Liquidity Line (PLL) applies to countries with solid macroeconomic fundamentals but experiencing vulnerabilities that prevent them from accessing the FCL. The Rapid Financing Instrument (RFI) is for those members facing an urgent imbalance in their balance of payments, but do not have the need or capacity to implement a full program. And as part of the IMF's response to the crisis generated by the Covid-19 pandemic, it recently created the Short-term Liquidity Line (SLL), an FCL-like instrument designed to address a potential moderate short-term balance of payments need.

Assistance to low-income countries is provided mainly through the Poverty Reduction and Growth Trust (PRGT), which provides concessional financing[5], with interest rates ranging from 0% to 0.75%. These loans are aimed at improving countries' ability to implement sustainable macroeconomic policies, promote growth and reduce poverty. The IMF also provides debt forgiveness to heavily indebted poor countries (HIPC).

Figure 2. IMF: Loan stock

in billions of SDRs



* As of November 30, 2021.

SOURCE: IMF.

The most used financing instruments for emerging and developed market countries are the SBA and EFF. Under these programs, the maximum amount of financing depends on the country's need, its repayment capacity, and its track record in the use of IMF resources.

The SBA provides a rapid response to the countries' external financing needs and supports the implementation of policies that contribute to recovering from crises and returning to sustainable growth. Quarterly disbursements are made for a term no longer than 3 years, which are repayable in eight equal quarterly payments starting 3 years and one quarter after the date of each

[5] Concessional loans are those with financial conditions (rate, term, grace period) that are substantially more generous than market conditions. They are considered to have an implicit grant component.

disbursement. Historically, most of the financing to developed and emerging market economies has been made through this instrument.

On the other hand, the EFF is a longer-term assistance program. It was created to help countries experiencing severe balance of payments problems due to structural weaknesses or slow growth and a severely weakened balance of payments position. EFFs support comprehensive programs that address the policies needed to correct structural imbalances over an extended period. Disbursements are made quarterly or semiannually for at least 4 years and each disbursement is paid in 12 equal semiannual payments starting 4 and a half years after the date of each disbursement.

Table 2. IMF: Main features of the SBA and EFF programs

	Stand-By Arrangement SBA	Extended Fund Facility EFF
Purpose	Provide a rapid response to countries' external financing needs	Assist countries experiencing severe balance of payments difficulties because of structural deficiencies or slow growth and a severely weakened balance of payments
Conditions	Adopt policies that build confidence to solve balance of payments difficulties within a reasonable time frame	At the time of approval, adopt a program of up to 4 years with structural reforms and a detailed annual program of policies for the next 12 months
Term	Generally, between 1 and 2 years, no longer than 3 years	Between 3 and 4 years
Loan repayment	Each drawing is repayable in eight equal quarterly payments starting 3 years and one quarter after the date of each disbursement	Each drawing is repayable in twelve equal semi-annual payments starting 4 and a half years after each disbursement date
Staggering and monitoring	In general, quarterly disbursements subject to compliance with execution criteria and other conditions	Quarterly or semiannual disbursements subject to compliance with execution criteria and other conditions

SOURCE: IMF.

The base interest rate on GRA loans is composed of the SDR market interest rate - minimum of 5 basis points (b.p.) - and a margin, currently equivalent to 100 b.p. Surcharges are also applied, depending on the loan amount and repayment term, which are designed to create incentives for rapid repayment of principal. A surcharge of 200 b.p. is payable on the loan balance above 187.5% of the quota. If the balance remains above this level for a certain period, the surcharge increases to 300 basis points.

In addition, the IMF applies a commitment fee, payable at the beginning of each year, of between 30 and 60 b.p. on the amounts committed, depending on the debtor country's quota. This fee is then refunded pro rata if disbursements are made in the respective term. Therefore, if the country receives the total disbursements committed in the year, the commitment fee is refunded in full. Finally, a service charge of 50 b.p. is applied on each disbursement. Interest rates do not vary from country to country. There may only be differences from one loan to another depending on whether surcharges are applied, which depends on the amount of the loan and not on the sovereign's risk profile.

The IMF has existing 37 programs with low- and middle-income countries (Table 3). Existing programs are those that maintain the preset schedule of disbursements and periodic reviews to verify compliance with quantitative targets and other conditionalities established under each agreement[6].

The most important programs in terms of agreed volume are FCL instruments with Latin American countries (Chile, Colombia, Mexico, Peru). These are contingent credit lines, without conditionalities, designed to prevent and mitigate liquidity crises in countries with solid economic fundamentals. Since they are precautionary in nature, disbursements are made only in the event of any pressure on the balance of payments. Of the four existing programs of this type, disbursements of 4% of the total agreed amount have been made to date.

On the other hand, the EFF agreements are mainly for African countries for an average amount of USD2.068 billion. In these agreements, most of the disbursements have already been made, except for those that were agreed recently.

[6] The last SBA agreed by Argentina in 2018 is no longer in force since it was cancelled by the authorities in July 2020.

Table 3. IMF: Existing programs

As of November 30, 2021

Type of program		Country	Date of Agreement	Total agreed	Pending disbursement
				In millions of USD	
General Resources Account (GRA) Agreements for USD 136,626 million	Stand-By Arrangements (SBA)	Armenia	05/17/2019	433	108
		Honduras	07/15/2019	502	107
		Senegal	06/07/2021	423	302
		Ukraine	06/06/2020	5,043	2,942
	Extended Arrangements (EFF)	Angola	12/07/2018	4,501	750
		Barbados	10/01/2018	451	48
		Cameroon	07/29/2021	451	335
		Costa Rica	03/01/2021	1,733	1,444
		Ecuador	09/30/2020	6,464	1,691
		Equatorial Guinea	12/18/2019	287	246
		Ethiopia	12/20/2019	1,053	927
		Gabon	07/28/2021	545	431
		Jordan	03/25/2020	1,499	1,009
		Kenya	04/02/2021	1,749	1,274
		Pakistan	07/03/2019	5,978	4,026
		Seychelles	07/29/2021	104	70
	Flexible Credit Line (FCL)	Chile	05/29/2020	24,433	24,433
		Colombia	05/01/2020	17,183	11,930
		Mexico	11/19/2021	49,938	49,938
		Peru	05/28/2020	11,216	11,216
	Precautory and Liquidity Line (PLL)	Panama	01/19/2021	2,639	2,639
Poverty Reduction and Growth Trust (PRGT) Agreements for USD 8,018 million	Extended Credit Facility (ECF)	Afghanistan	11/06/2020	363	104
		Cameroon	07/29/2021	226	168
		Central African Republic	12/20/2019	117	67
		Congo	07/15/2021	1,493	1,280
		Gambia	03/23/2020	77	21
		Kenya	04/02/2021	570	342
		Liberia	12/11/2019	217	122
		Madagascar	03/29/2021	308	240
		Mali	08/28/2019	196	84
		São Tomé and Príncipe	10/02/2019	21	8
		Sierra Leone	11/30/2018	174	65
		Somalia	03/25/2020	354	49
		Sudan	06/29/2021	2,428	1,039
		Uganda	06/28/2021	1,011	759
	Standby Credit Facility (SCF)	Honduras	07/15/2019	251	50
		Senegal	06/07/2021	212	151

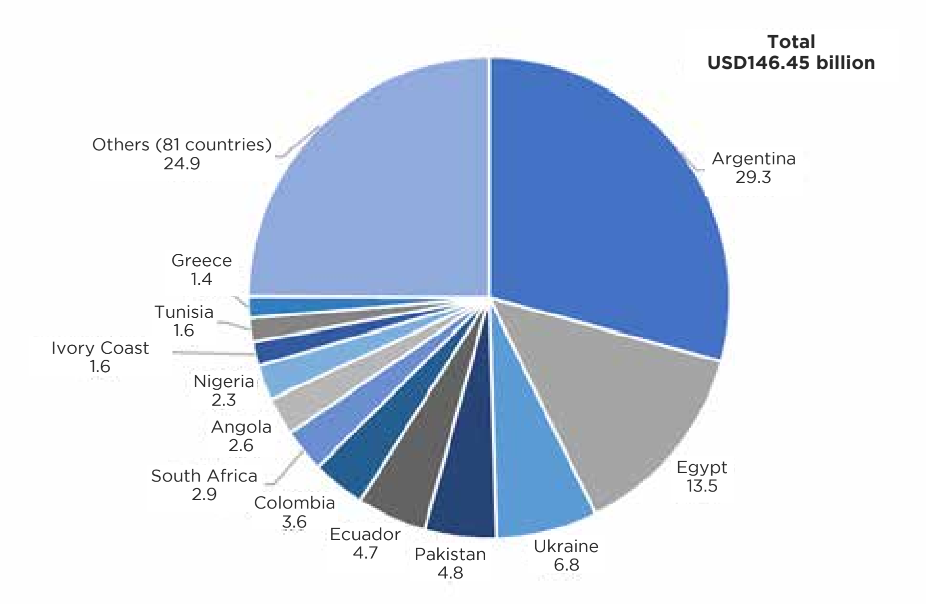
Note: SDR amounts are expressed in USD at the exchange rate of November 30, 2021.

SOURCE: IMF.

Considering not only disbursements already made for the existing programs but also disbursements from previous programs that have not yet been repaid, the stock of IMF loans to its member countries totals USD146.45 billion. The main borrowers are Argentina, Egypt, and Ukraine, which together account for almost half of the portfolio.

Figure 3. IMF: Loan Portfolio

As of November 30, 2021; as a % of total



Note: SDR amounts are expressed in USD at the exchange rate of November 30, 2021.

SOURCE: IMF.

Box 1. Arrears to the IMF

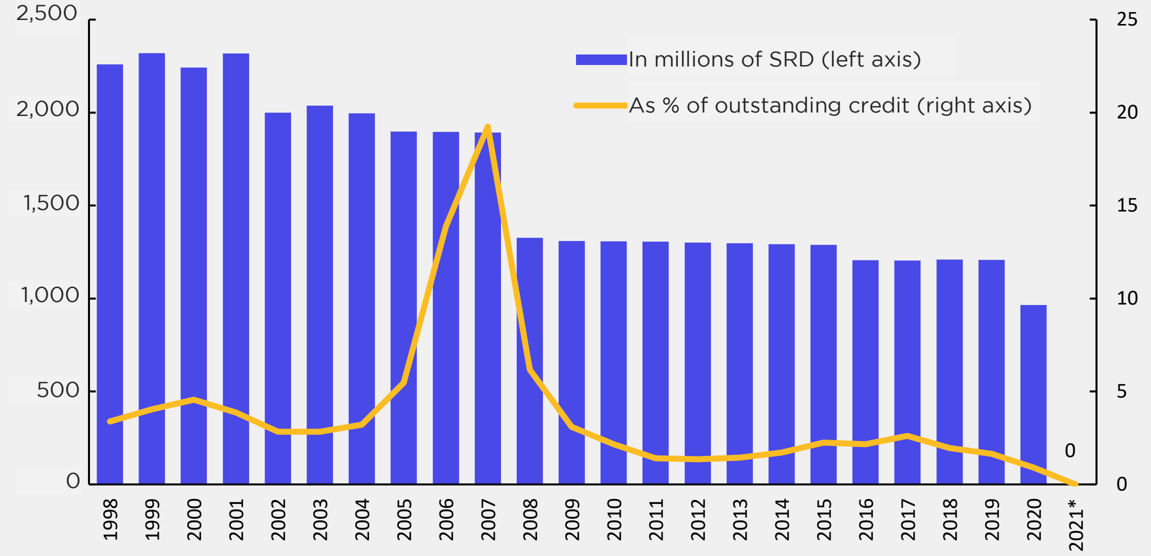
Given the absence of an international legal framework that determines an order of priority for a sovereign's creditors, there is a certain margin of discretion when undertaking a debt restructuring process. Historically, the IMF and later other multilateral lending institutions have been given priority in the collection of debt services over bondholders and commercial creditors (Shlegl et al., 2019). This is consistent with the incentive scheme that arises from the impossibility to honor all creditors. Defaulting with multilateral financial institutions could further worsen financial conditions as new disbursements from these entities would be stopped. On the other hand, defaulting with private creditors in the debt markets may have less serious consequences since, in a situation of financial vulnerability, the issuance of market debt would already be more inaccessible. However, private creditors were traditionally subject to lower debt relief in restructuring processes than official creditors (Shlegl et al., 2019).

Since 1986, the IMF has implemented a compensation mechanism to address the financial burden of the default of some of its members. Under this mechanism, the cost is temporarily distributed equally between the creditor and debtor members of the IMF through a temporary increase in the rate of charge to debtor members and a reduction in the rate of remuneration to creditor members. This allows the IMF to cover the shortfall in its projected income and to accumulate precautionary balances. The higher the number of debtors in arrears, the smaller the base of debtors contributing to the financing of the compensation mechanism. The resources obtained by the IMF under this scheme are then returned to its members once the arrears of the defaulting countries are regularized.

Currently, no member country is in arrears with the IMF since Somalia cancelled its obligations in April 2020 and Sudan in June 2021, after entering a debt relief program for highly indebted poor countries (HIPC) (Figure 4).

Figure 4. IMF: Arrears

Includes obligations in arrears for over six months



* As of November 30, 2021.

Note: Sharp drops reflect arrears regularization agreements with Congo (2002), Liberia (2008), Somalia (2020) and Sudan (2021).

SOURCE: OPC, based on IMF.

In the past, to regularize arrears of a debtor country, the IMF implemented a mechanism whereby a third country granted a bilateral bridge loan to the country in arrears, so that the country could cancel its debts with the IMF. Once the arrears were cancelled, the possibility of accessing a new financial agreement with the IMF was enabled, which the debtor country used in part to repay the bridge loan.

Financing

The IMF's lending capacity is based mainly on member countries' quotas, which reflect each country's economic position in the world economy, in relation to its GDP and degree of insertion in the global economy.

Currently, IMF quotas total USD670.152 billion, half of which comes from 8 countries: the United States, Japan, China, Germany, France, the United Kingdom, Italy, and India. Argentina ranks 33rd, with a quota equivalent to 0.66% of the total (SDR 3.187 billion).

The IMF reviews the quota system every five years, analyzing both the amount of the total increase and the distribution of the increase among its members. The current formula was approved in December 2010 and became effective in 2016 and resulted in a doubling of quota resources.

In addition, if the IMF considers that its quota resources may be insufficient to meet the needs of member countries (e.g., in the face of a global financial crisis), it can resort to two multilateral lending mechanisms: the New Arrangements to Borrow (NAB) and the Bilateral Borrowing Arrangements (BBA). Through NABs, some IMF member countries and other institutions commit to lend funds at the request of the IMF totaling USD507 billion between 2021 and 2025. The IMF used this type of lending 10 times (between April 2011 and February 2016). On the other hand, BBAs are bilateral agreements with 40 lenders for USD190 billion, for a term of three years.

The amount available for new (non-concessional) financing equals usable resources (including multilateral loans), plus projected loan repayments over the next 12 months, minus resources already committed under existing loan agreements and minus a precautionary balance.

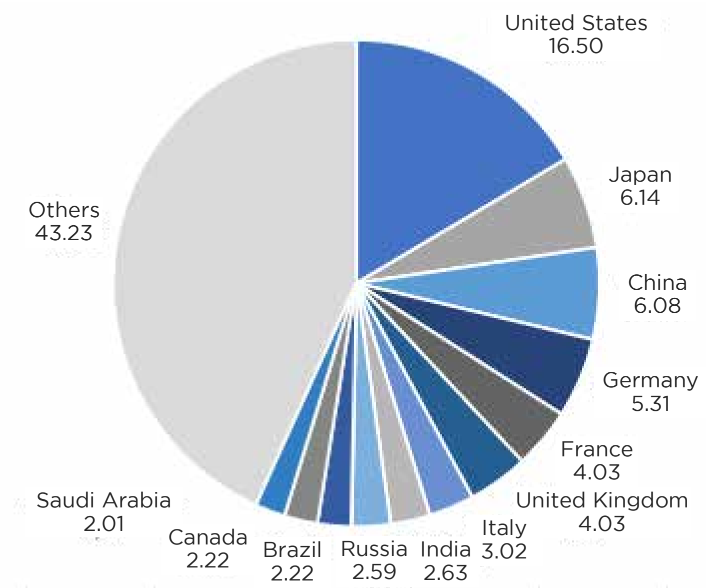
Governance and organization

The Board of Governors is the highest authority in the IMF's organizational structure. It consists of a Governor and an alternate representing each member country, usually the President of the Central Bank and the country's Minister of Finance. The Board of Governors is responsible for decisions on quota increases, SDR allocations, the admission of new members or compulsory withdrawal, amendments to the Articles of Agreement and the By-Laws. Decisions are generally made by majority vote. The Board of Governors meets at least once a year at the Annual Meetings of the IMF and the World Bank. The Board of Governors is advised by the International Monetary and Financial Committee and the Development Committee.

On the other hand, the Executive Board is composed of 24 Directors, each representing a country or group of countries. It is responsible for the day-to-day management of the IMF and exercises the functions delegated by the Board of Governors. The Executive Board reviews all aspects of the IMF's work, including the annual assessments of the economic situation of member countries by the IMF's technical staff and economic policy issues of importance to the world economy. The Executive Board usually makes decisions by consensus, but formal voting is sometimes conducted. The voting power of each member country basically reflects its capital share (Figure 5).

Figure 5. IMF: Distribution of voting power

As % of total



SOURCE: IMF.

The Managing Director of the IMF is the Chairman of the Executive Board and Chief of Staff of the IMF. He is appointed by the Executive Board and serves a renewable term of five years. The Managing Directors is assisted by a First Deputy Managing Director and three Deputy Managing Directors.

The World Bank

Created in 1944 at Bretton Woods together with the IMF, the World Bank emerged to facilitate post-war reconstruction. The World Bank Group promotes long-term economic development and poverty reduction by providing technical and financial support to enable countries to implement reforms in specific sectors or implement specific projects. The World Bank Group is based in Washington DC and is composed of five institutions: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID).

The IBRD and IDA constitute the actual World Bank, which provides financing, policy advice and technical assistance to developing country governments. The World Bank currently has 189 member countries. IBRD lends to creditworthy middle-income and poor country governments, while IDA provides concessional financing (in the form of grants or interest-free or low-interest loans) to governments of the poorest countries.

On the other hand, IFC, MIGA and ICSID focus on strengthening the private sector in developing countries: IFC mobilizes private sector investment and provides technical advice, MIGA offers insurance and guarantees against political risks, and ICSID provides investment dispute settlement mechanisms.

Table 4. World Bank Group: Commitments, Disbursements, and Guarantees Issued

In millions of USD

		2017	2018	2019	2020	2021
IBRD	Commitments	22,611	23,002	23,191	27,976	30,523
	Disbursements	17,861	17,389	20,182	20,238	23,691
IDA	Commitments	19,513	24,010	21,932	30,365	36,028
	Disbursements	12,718	14,383	17,549	21,179	22,921
IFC	Commitments	18,345	19,027	14,684	17,604	20,669
	Disbursements	10,355	11,149	9,074	10,518	11,438
MIGA	Gross guarantees issued	4,842	5,251	5,548	3,961	5,199
Recipient-executed trust funds	Commitments	2,962	2,976	2,749	3,641	6,411
	Disbursements	2,919	2,803	2,590	2,433	2,546
World Bank Group	Commitments	66,274	74,265	68,105	83,547	98,830
	Disbursements	43,853	45,724	49,395	54,367	60,596

SOURCE: World Bank Group.

The World Bank Group's purposed are to reduce poverty and promote "shared prosperity", i.e., a sustainable increase in the well-being of the poorest sectors of society. To this end, its goals are to reduce the percentage of the population living on less than USD 1.90 a day to 3% by 2030 and to promote income growth for the poorest 40% of the population in each developing country.

Loan modality

World Bank loans are classified into three categories depending on their purpose:

1. Investment project financing (IPF): assists governments to promote the development of physical and social infrastructure for poverty reduction and sustainable development. This category accounted for almost half of the World Bank's loans in the last financial year.
2. Development Policy Financing (DPF): provides budgetary support to governments for policy programs or actions.
3. Program for Results (PforR): assists countries in designing and implementing their own development programs and achieving specific results through institutional strengthening and capacity building. Disbursements are made once compliance with the agreed results has been verified.

Beyond the purpose of financing, IBRD's loan offerings include Flexible Lending (IFL), Deferred Drawable Option Loans (DDO), Special Development Policy Financing (SDPL), and derivative instruments such as currency and interest rate swaps.

Currently, most IBRD loans are flexible (IFL) and allow the repayment terms (i.e., grace period and amortization schedule and term) to be tailored to the borrower's needs. The final term can be up to 35 years, provided that the average term does not exceed 20 years. The loan may be denominated in different currencies, the most common of which are euro, pound sterling, Japanese yen, and US dollar. Loan terms are defined at the negotiation stage.

The cost is the interest rate, an upfront fee, and a commitment fee. The interest rate consists of a variable market reference rate and a variable margin. The reference rate varies depending on the currency, being 6-month LIBOR for loans in US dollars, Japanese yen and pounds sterling and 6-month EURIBOR for loans in euros. The variable margin is composed of IBRD's average funding cost relative to the applicable average rate, plus a contractual margin (50 b.p.) and a maturity premium for loans with an average maturity of more than 8 years.

On the other hand, the initial fee is applied on the total amount of the loan at the beginning of the contract and is equivalent to 0.25% of the loan amount. The commitment fee is paid on the undisbursed amount of the loan, every 6 months, and starting 60 days after the signing of the loan. It is equal to 0.25% of the loan amount[7].

Additionally, deferred draw option loans (DDO) are contingent and offer immediate liquidity in case of adverse events. Functioning as a line of credit, the borrower can postpone the disbursement of funds for a defined time term. The conditions of these loans are comparable to those of IFLs. The interest rate includes a variable reference rate plus a fixed or variable margin. Also included is the initial commission and, if applicable, renewal and immobilization of funds commissions. Special Financing for Development Policies (SDPL) is offered to countries undergoing a crisis with substantial structural and social dimensions and have an urgent and extraordinary need for financing. Its financial conditions include a fixed margin, a grace period of 3 to 5 years and a maturity of 5 to 10 years. They also include an initial commission of 100 b.p.

The disbursement schedule is agreed with the borrower country and depends on cash flow needs. There are 4 disbursement methods:

a. Advance: The World Bank deposits funds in advance into an account designated by the borrower, which are then used to finance eligible expenditures as they are incurred.

[7] In addition, to limit the risk of IBRD's exposure to large borrowers, a surcharge of around 50 b.p. is applied in some cases.

b. Reimbursement: The World Bank may reimburse the borrower for eligible expenditures that the borrower has prefinanced with its own resources.
c. Direct Payment: The World Bank may make direct payments to third parties (suppliers, contractors, consultants), if requested by the borrower.
d. Special Commitment: The World Bank may make payments to third parties for special commitments at the request of the borrower.

Whichever method of disbursement is chosen, the World Bank requires the borrower to submit supporting documentation (such as financial reports, expenditure statements, records, etc.) and may also require the borrower to comply with certain conditions before funds may be withdrawn from the financing account. If the borrower fails to comply with the agreed conditions, disbursements may be suspended. For debt service defaults, the World Bank's policy is to suspend disbursements on all loans made to or guaranteed by the member country.

Table 5. World Bank: IBRD Commitments and Disbursements

Fiscal year ended June 30, 2021; in millions of USD

Region	Net commitments	Gross disbursements
Eastern and Southern Africa	1,525	325
West and Central Africa	500	132
East Asia and Pacific	6,753	4,439
Europe and Central Asia	4,559	3,625
Latin America and the Caribbean	9,464	8,741
Middle East and North Africa	3,976	2,764
South Asia	3,746	3,665
Total	30,523	23,691

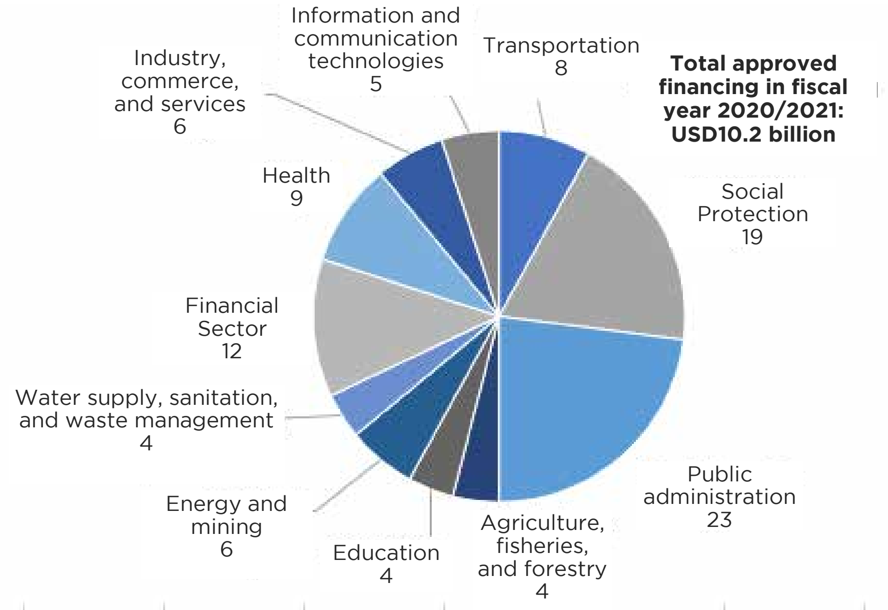
SOURCE: World Bank.

Another World Bank instrument is IDA concessional lending. IDA provides funds to the poorest developing countries in the form of interest-free or very low-interest loans with repayments spread over 25 to 40 years, including a grace period of 5 to 10 years. IDA also offers grants to help low-income countries recover or maintain the sustainability of their external debt.

In 2021, the World Bank approved financing for the equivalent of USD10.2 billion for 49 operations in Latin America and the Caribbean, of which USD9.5 billion were IBRD commitments and USD769 million IDA commitments (Figure 6).

Figure 6. World Bank: Approved financing to Latin American and Caribbean countries by sector

As % of total



SOURCE: World Bank.

Financing

IBRD is financed mainly in the international financial markets, issuing bonds in different currencies, with different maturities, at fixed or variable rates. In 2021, it placed bonds for USD68 billion. Funds not used directly for lending are kept in the investment portfolio to provide liquidity to its operations.

IDA is financed mainly by contributions from middle- and high-income member countries, transfers from other World Bank Group institutions, repayments from borrowers of previous loans, and funds raised in the capital markets.

Governance and organization

Each of the World Bank Group organizations has its own governing bodies, constituent agreements and member countries. The World Bank operates as a cooperative with 189 member countries. Only IMF member countries may join the World Bank. Countries are represented by the Board of Governors, which is responsible for policy formulation at the institution. The Governors are usually ministers of finance or development of the member countries. Annual meetings are held with the participation of the Board of Governors and the IMF. The Governors elect 25 Executive Directors, who are responsible for the Bank's operations and exercise the powers granted to them by the Board of Governors.

The five major shareholders - currently the United States, Japan, Germany, France, and the United Kingdom - appoint five Executive Directors, while China, Russia and Saudi Arabia also elect their own Executive Director. The other member countries are represented in groups by the remaining Executive Directors.

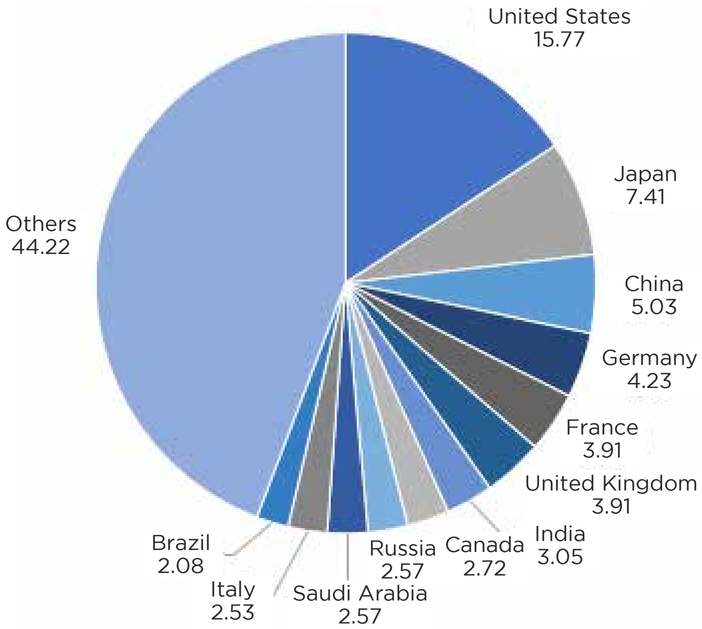
The President of the World Bank is also a member of the Board of Executive Directors, where he or she has no voting rights except in the event of a tie. The President chairs the meetings of the Board of Executive Directors and carries out the general management of the institution. The President is elected by the Board of Executive Directors for a term of five years. Executive Directors generally meet at least twice a week to review the institution's activities, including loan and guarantee approvals, new policies, budget, country assistance strategies, and lending and financial decisions.

The voting power of World Bank members is mainly determined by their capital subscription to the institution. Currently, six countries account for 40% of the votes: the United States, Japan, China, Germany, France, and the United Kingdom. Argentina ranks 22nd, with 27,155 votes, representing 1.04% of the total (Figure 7).

In general, decisions are taken by a simple majority of the votes cast. However, amendments to the Articles of Agreement of the World Bank require the approval of 85% of the votes (which implies that the United States has the right of veto).

Figure 7. World Bank: Distribution of voting power

As % of total



SOURCE: World Bank.

The Inter-American Development Bank

The IDB Group consists of the Inter-American Development Bank (IDB), the Inter-American Investment Corporation (called IDB Invest) and the Multilateral Investment Fund (IDB Lab).

The IDB was created in 1959 as a partnership between 19 Latin American countries and the United States. It currently has 48 members, of which 26 are borrowing members from Latin America and the Caribbean and the rest are non-borrowing members, including two countries from the Americas (Canada and the United States) and other countries from Asia and Europe. The IDB is headquartered in Washington, D.C., USA.

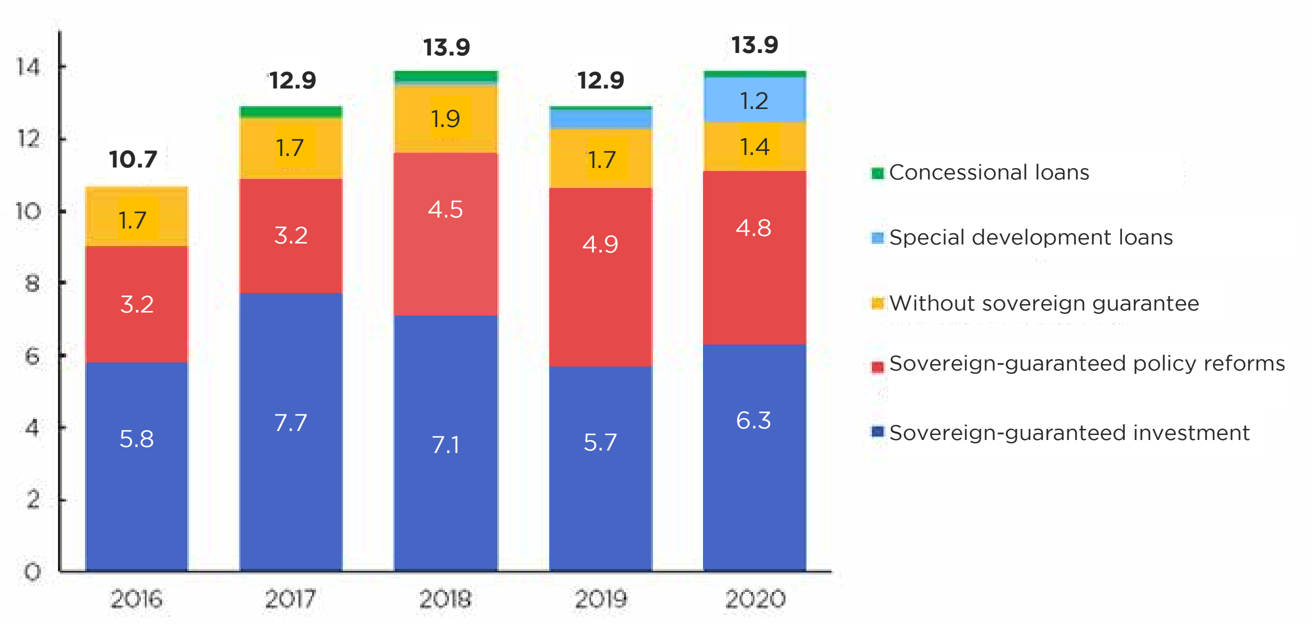
The IDB's purpose is to improve the lives of people in Latin America and the Caribbean by contributing to the economic and social development of its members in a sustainable and climate-friendly manner. Currently, the IDB has three development challenges: social inclusion and inequality, productivity and innovation, and economic integration; and three cross-cutting issues: gender equality and diversity, climate change and environmental sustainability, and institutional capacity and rule of law.

Loan modality

IDB loans to sovereign governments (or guaranteed by them) can be made on concessional or non-concessional terms. They are grouped into 3 categories based on several criteria including purpose and financial terms: (i) Investment Loans, (ii) Policy Reform Support Loans, and (iii) Special Development Financing. Each category has different lending options (Figure 8).

Figure 8. IDB: Approved loans by category

In billions of USD



SOURCE: IDB.

Investment Loans finance the procurement of goods and services and the execution of public works to promote social and economic development (or to support countries in the event of natural disasters). They can be executed under two approaches: conditional credit lines or programs with a broad sectoral approach. This category includes different instruments, among which Investment Loans for Specific Projects stand out.

In addition, Policy Reform Support Loans provide flexible and liquid financing to support policy reforms or institutional changes in a specific sector. Disbursements are made over a three-year period once the borrower has complied with agreed conditionalities. The instruments are Programmatic Policy Reform Support Loans and Multi-tranche Policy Reform Support Loans.

Finally, Special Development Financing Loans are used to support macroeconomic crisis scenarios. Their goal is to prevent the reversal of public policies or support the strengthening of certain reforms, contribute to the financing of social programs against poverty and infrastructure spending, mitigate the effects of crises on vulnerable and low-income sectors, and facilitate access to credit for small and medium-sized enterprises.

IDB loans with sovereign guarantee accounted for 95% of the total in 2020. As for financing products, since 2012, the Flexible Financing Facility (FFF) is the only product platform for regular sovereign-guaranteed loans. Under this scheme, borrowers can adjust the financial terms at the time of loan negotiation or even during the term of the loan (subject to market availability and operational considerations). In addition, there is the option to split a loan into tranches, each with different financial terms such as currency, repayment schedule and interest rate.

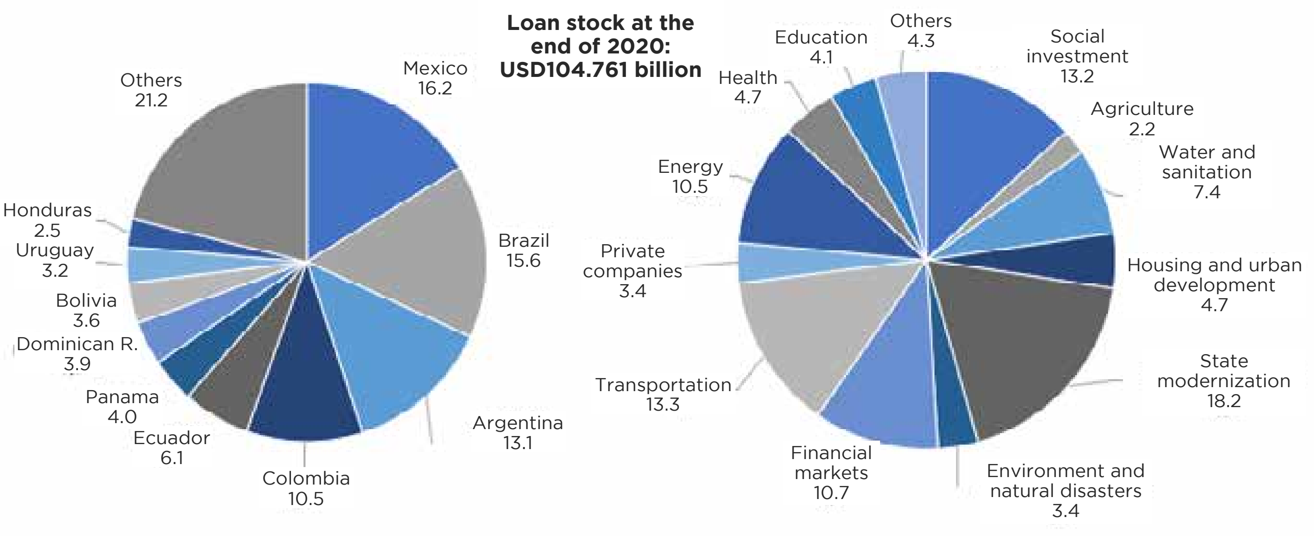
FFF loans may be denominated in U.S. dollars or other regional currencies. Investment Loans have a term of 25 years, while Policy Reform Support Loans have a term of 20 years, with an average life of 15.25 and 12.75 years, respectively. The amortization schedule is linear, although borrowers may opt for different structures (bullet, extended grace period, shorter repayment periods, etc.).

The interest rate is composed of a base cost, equivalent to the three-month LIBOR rate; a funding margin, which depends on the type of loan; and the applicable finance charges, which include a margin of 90 b.p., the credit fee of 50 b.p. and the supervision and inspection fee, which is currently zero.

At the end of 2020, 4 countries concentrated more than 50% of the IDB portfolio: Mexico (USD17.021 billion), Brazil (USD16.333 billion), Argentina (USD13.765 billion) and Colombia (USD10.948 billion) (Figure 9). In terms of the sectors targeted for financing, loans for state reform and modernization accounted for 18.2% of the IDB's total portfolio. These are projects related to the strengthening of different government sectors (e.g., judicial, tax administration and public debt management) for the efficient, transparent, and effective delivery of public services. Loans for social investment account for 13.2% of the total portfolio. This includes various programs focused on strengthening the rights of individuals and diversity, gender equality, migration issues, workforce training and improving employability, poverty reduction policies, and the institutional design of social security and pension systems, among others.

Figure 9. IDB: Debt stock by country and by sector

As of December 31, 2020; as % of total

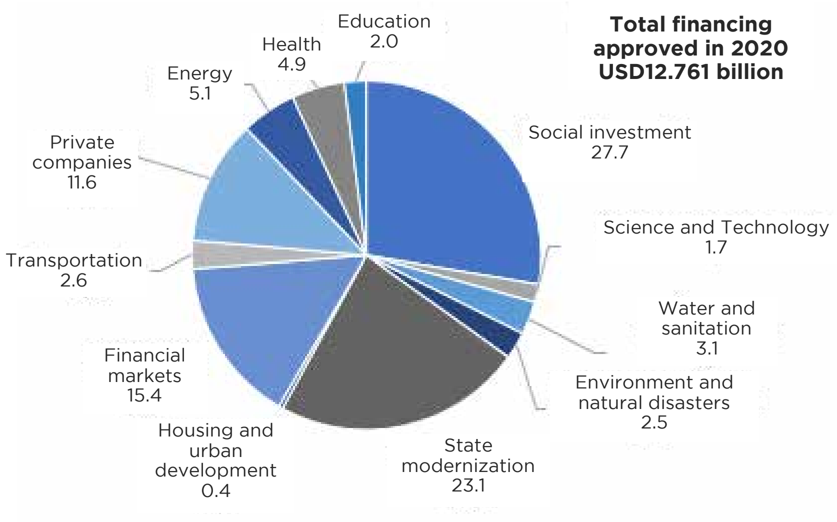


SOURCE: IDB.

In addition, in 2020 the IDB approved loans for USD12.64 billion. In terms of importance, loans approved for social investment and projects focused on State reform and modernization stand out, accounting for 27.7% and 23.1% of the total, respectively (Figure 10).

Figure 10. IDB: Approved financing by sector

Year 2020; as % of total



SOURCE: IDB.

Financing

The IDB is financed by subscriptions and contributions from member countries, the placement of securities in international debt markets (and, to a lesser extent, short-term loans), the return on the financial funds it manages, and through co-financing operations. In 2020, the IDB issued 3-, 5- and 7-year dollar-denominated bonds for a total amount equivalent to USD17.248 billion.

Governance and organization

The IDB's shareholder members are represented on the Board of Governors, which is the highest authority and is composed of one governor per country (usually ministers of finance, central bank presidents or senior officials). The Board of Governors meets annually to review operations and make important decisions.

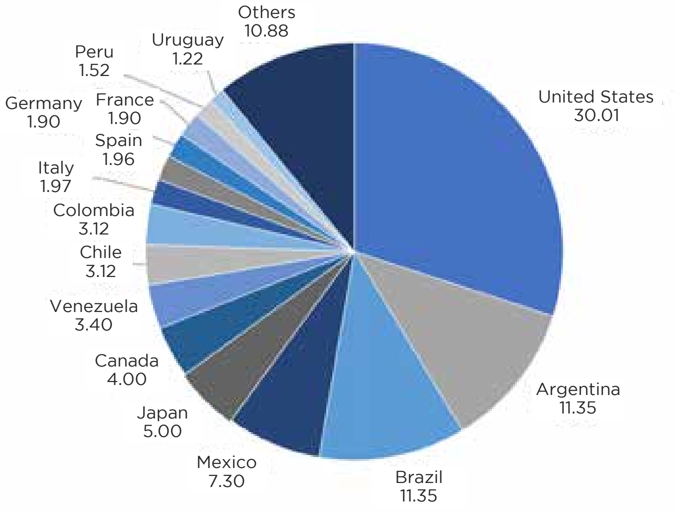
The Governors delegate many of their powers to the Board of Executive Directors, which consists of 14 members elected for three-year terms. The United States and Canada have one Executive Director each, while the other Directors represent groups of countries. The Executive Board conducts day-to-day operations, defines the institution's policies, approves projects, sets lending rates, authorizes borrowing in the capital markets, and approves the institution's administrative budget.

The voting power of each country depends mainly on its subscriptions to the institution's ordinary capital. Latin American and Caribbean countries hold majority voting power (totaling 50.02% of the total), while the non-borrowing member country with the most votes is the United States with 30%. After the United States, the four countries with the greatest voting power are Argentina (11.4%), Brazil (11.4%), Mexico (7.3%) and Japan (5.0%) (Figure 11).

Finally, the President of the IDB, elected by the Board of Governors, conducts the day-to-day affairs of the institution. He has no voting power, except in the event of a tie.

Figure 11. IDB: Voting power distribution by country

As % of total



SOURCE: IDB.

The Development Bank of Latin America

The Development Bank of Latin America (CAF) grants loans, non-reimbursable resources, and support in the technical and financial structuring of public and private sector projects in Latin American countries, aimed at promoting a sustainable development model. It was created in 1970 and is currently comprised of 17 Latin American and Caribbean countries, Spain, Portugal and 13 private Latin American banks. Its headquarters are in Caracas, Venezuela.

CAF's purpose is to promote sustainable development and regional integration by providing financial services to public and private sector institutions. To this end, it grants short, medium, and long-term loans for the execution of projects, working capital and trade activities to governments, public and private institutions, corporations, and joint ventures of member countries. It also conducts feasibility studies of investment opportunities in its shareholder countries.

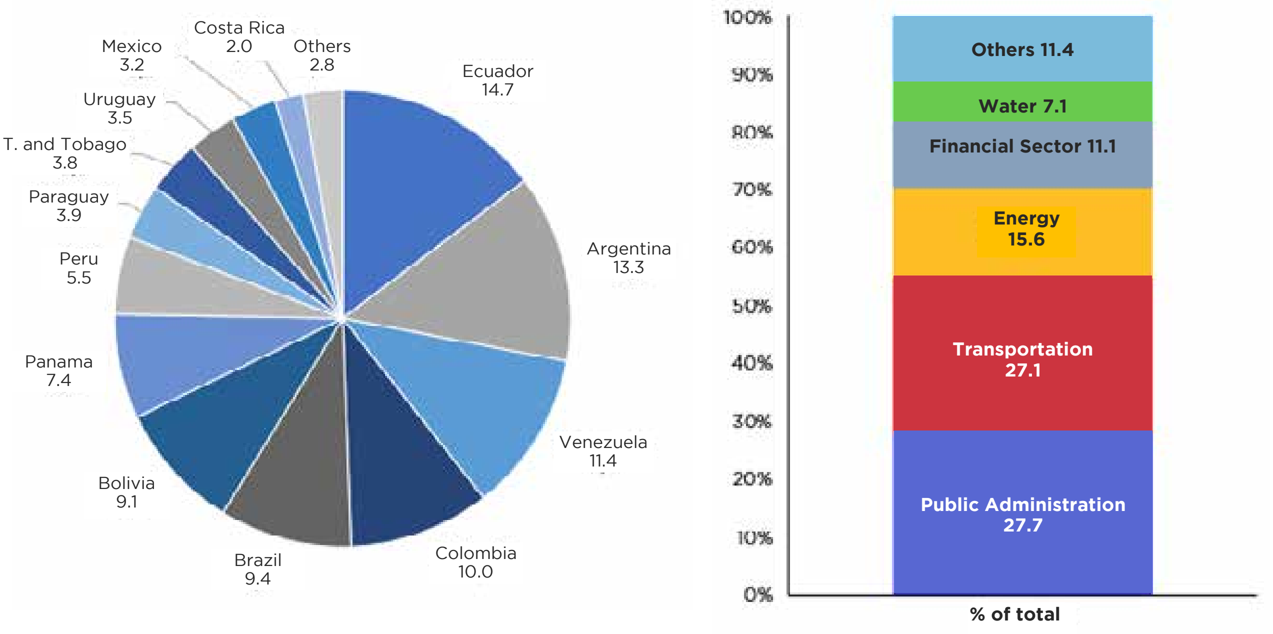
Loan modality

CAF finances investment projects in different sectors, such as roads, transportation, telecommunications, energy generation and transmission, water, and environmental sanitation, and plans for border development and physical integration between shareholder countries. CAF loans may be short-term (1 year), medium-term (up to 5 years) and long-term (more than 5 years).

In 2020, CAF's loan portfolio balance totaled USD28.118 billion, 92% of which went to public sector institutions in member countries. Ecuador, Argentina, Venezuela, and Colombia accounted for 49% of total loans (Figure 12).

Figure 12. CAF: Loan portfolio by country and sector

As of December 31, 2020; as a % of total



SOURCE: CAF.

Some of CAF's loans are syndicated loans. In a syndicated loan, a financial institution carries out a credit operation by bringing together a group of banks and other institutions to jointly respond to the client's financing needs under a single loan. This structure allows the creditors to share the rights and obligations in proportion to the economic contribution they have made.

CAF's syndicated loans can be made under the co-financing or A/B Loan structure, depending on the financing and the degree of control CAF retains over the project. In the co-financing structure, CAF and the banks or other institutions jointly address the borrower's financing needs. It may be carried out under the same loan contract or through separate contracts, with an agreement between the creditors. On the other hand, under an A/B Loan, CAF is the sole holder of the total loan, which gives it greater control over loan administration. Specifically, it finances a tranche of the loan, on which it acts on its own account (representing at least 25% of the total loan amount), and sells another tranche to banks and other institutions, retaining certain rights and obligations.

The interest rate on loans includes a fixed margin. In addition, there is a commitment fee on undisbursed balances and a one-time financing fee on the loan amount. Finally, prior to the date of the first disbursement, a fixed amount agreed between the parties is payable for loan appraisal fees.

Financing

CAF has a subscribed and paid-in capital equivalent to USD 5.366 billion, which is distributed in three series of shares. Series A shares belong to 11 countries (Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay, and Venezuela), called Member Countries. Each of these countries has one series A share, totaling USD 13 million. Series B shares are owned by the Member Countries, except for a small fraction of them, which is distributed among 13 private sector financial institutions. The B shares total USD 4.862 billion. Finally, Series C shares may be subscribed by countries that are not Member Countries and are currently distributed among 8 associate countries: Barbados, Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Portugal, and Spain, for a total amount of USD491 million.

CAF's main source of financing is the issuance of bonds in international markets. To a lesser extent, it has also issued short-term commercial paper in the United States and Europe. At the end of 2020, CAF's bond stock amounted to an equivalent of USD24.882 billion, 35% of which was denominated in dollars. Bond issuance accounted for 79% of CAF's funding sources in 2020.

Governance and organization

The Shareholders' Meeting is CAF's most important body. It meets once a year in Ordinary and Extraordinary Meetings. At the Ordinary Meetings, the balance sheet and income statement are analyzed, the allocation of profits is determined, and the members of the Board of Directors are elected.

The Board of Directors is composed of five directors and their alternates, appointed by the Series A shareholders, Series B and C holders, and private banks and financial institutions of the member countries. In addition, Series C holders may appoint up to two additional directors. For the election of directors, each shareholder has as many votes as the number of paid-in shares it represents. For Series C shares, directors and alternates must be of different nationalities and represent different holders.

Each director holds one vote at meetings, and decisions are taken by a majority of not less than one-half plus one of the directors. The Board of Directors determines CAF's financial, credit and economic policy, approves the annual budget (proposed by the executive president), approves active and passive credit operations, investments and other operations, agrees the issuance of bonds, debentures or other financial obligations, grants guarantees for the subscription of shares and other securities, issues certificates of participation and authorizes meetings to create trusts, submits the annual report and balance sheet to the stockholders' meeting, and proposes the distribution of profits and the constitution of reserves, among other matters. The Board of Directors also elects the Executive President.

The Executive President is CAF's legal representative and is appointed for a term of five years and may be reelected. The President exercises the general management and administration of CAF and is responsible for all matters not reserved to the Shareholders' Meetings, the Board of Directors, the Executive Committee, and other subsidiary bodies. In addition, the Executive President appoints the Vice Presidents and the staff, and determines their powers, responsibilities, and remuneration.

Other institutions

There are other multilateral institutions that provide financial assistance to the public and private sectors of developing countries to mobilize resources for investment in specific sectors. Currently, our country maintains financial relations with the following:

- The Financial Fund for the Development of the Countries of the La Plata Basin (FONPLATA) is a regional organization comprising five countries: Argentina, Bolivia, Brazil, Paraguay, and Uruguay. Its purpose is to promote the integration of its member countries to achieve harmonious and inclusive development through loans and grants.

  The financing granted by FONPLATA to its members focuses on small and medium-size projects that complement the financing provided by other regional or multilateral development banks, prioritizing projects in border areas that have an impact on more than one country. FONPLATA's loans are mainly for infrastructure projects. Over time, subnational governments (states, provinces, and municipalities) have been increasingly important recipients of FONPLATA loans.

At the end of 2020, FONPLATA's portfolio consisted of 66 loans (of which 11 had not yet been implemented) for a total of USD2.589 billion. The main borrowers were Argentina and Bolivia, which accounted for 26% each. The logistics and transportation sector represented 58% of the total portfolio, followed by housing and urban development (16%) and health and education (9%).

- The International Fund for Agricultural Development (IFAD) is an international financial institution created to mobilize resources for agriculture and rural development in developing countries. It seeks to reduce rural poverty, improve nutrition, and increase food production through loans and grants.

  IFAD provides financial assistance to low-income countries on highly concessional terms, with repayment terms of up to 40 years and grace periods of up to 10 years. In 2020, the loan portfolio totaled USD1.165 billion.

- The European Investment Bank (EIB) is headquartered in Luxembourg and its shareholders are the 27 member countries of the European Union. It supports various projects to promote the priorities and goals of the European Union.

  At the end of 2020, the EIB's portfolio amounted to USD543.043 billion, 16% of which went to 102 countries outside the European Union. Projects in the transportation and energy sectors accounted for 29% and 15% of the total, respectively.

- The OPEC Fund for International Development (OFID) is a multilateral financial institution comprising 12 countries: Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, United Arab Emirates, United States and Venezuela. It was created in 1976 by the member states of the Organization of the Petroleum Exporting Countries (OPEC) to promote cooperation through financial support for projects and programs related to economic development.

  OFID´s purpose is to promote economic growth and social progress in low- and middle-income countries around the world. It provides financing and grants to public- and private-sector institutions. In 2020, OFID's loan portfolio totaled USD4.284 billion.

- Finally, the Central American Bank for Economic Integration (CABEI) is a multilateral financial institution comprising 15 countries, 8 of them from Central America. Its purpose is to promote the integration and economic and social development of the region, consistent with the interests of all its members.

  CABEI's loan portfolio totaled USD8.002 billion by mid-2021, 88% concentrated in the public sector. Loans for construction and energy sector project development accounted for 36% and 20% of the total, respectively.

Multilateral loans to Argentina

The IFIs play a fundamental role in the financing of the Argentine economy. The loans' allocation and the instruments used have been changing over time, depending on the IFIs' own strategies, the country's financing needs and the economic and social policy guidelines.

In recent years, Argentina has received financing through loans, both in cash and in kind (through the delivery of equipment, materials, technical support, etc.) from nine IFIs. Argentina is a member of the IMF, World Bank, CAF, IFAD, FONPLATA and CABEI (as an extra-regional member). It has also received financial assistance from OFID and the EIB, of which the country is not a member.

Unlike any other public debt operation, loans from international institutions to which Argentina is a member do not require an authorization through the Budget Law or a special law, in accordance with the exception set forth in Section 60 of Law 24,156 on Financial Administration. However, at the beginning of 2021, Law 27,612 on Strengthening the Sustainability of the Public Debt was enacted, which establishes that any financing program or public credit operation with the IMF requires authorization through a Law passed by the Congress.

Argentina joined the IMF in 1956 and has requested financing through 21 programs since then: 19 SBAs and 2 EFFs (Table 6). In terms of amounts, the most important program was the SBA agreed in June 2018, originally for the equivalent of USD49.809 billion but in October of the same year it was extended to USD57.320 billion, of which approximately USD44.931 billion were disbursed. Currently, Argentina's debt with the IMF consists of disbursements made under the 2018 SBA.

Table 6. IMF Programs for Argentina

Type of program	Date of agreement	Agreed amount	Disbursed amount
		In millions of USD	
SBA	06/20/2018	57,320	44,931
SBA	09/20/2003	12,569	5,837
SBA	01/24/2003	2,988	2,988
SBA	03/10/2000	22,726	13,091
EFF	02/04/1998	2,813	0
SBA	04/12/1996	1,042	887
EFF	03/31/1992	5,515	5,515
SBA	07/29/1991	1,040	585
SBA	11/10/1989	938	645
SBA	07/23/1987	1,199	780
SBA	12/28/1984	1,161	1,161
SBA	01/24/1983	1,622	649
SBA	09/16/1977	160	0
SBA	08/06/1976	260	160
SBA	04/15/1968	125	0
SBA	05/01/1967	125	0
SBA	06/07/1962	100	100
SBA	12/12/1961	100	0
SBA	12/12/1960	100	60
SBA	12/03/1959	100	100
SBA	12/19/1958	75	43

Note: SDR amounts are expressed in US dollars at the exchange rate at the date of the agreement.

SOURCE: OPC, based on IMF data.

Argentina's financial relationship with the IDB and the World Bank began in the early 1960s. Until the mid-1980s, loans for investment in economic and social infrastructure were predominant, mainly to government-owned companies, within the framework of Argentina's import substitution policies and the strengthening of the domestic market. At the end of the 1980s and during the 1990s, the number of operations and the resources provided increased. Loans aimed at promoting structural changes in the economy to support the economic reforms implemented during the decade (support for the privatization process, the restructuring of the external debt and the reform of the State) predominated, and cushioned the shocks caused by external financial crises.

The World Bank provides loans to Argentina through the IBRD for the promotion of sustainable development. Currently, the portfolio focuses on supporting programs in health, environment, education, infrastructure, labor market, and social protection. The World Bank Group's Argentina Partnership Framework 2019-2022 is aimed at contributing to poverty reduction through the promotion of sustainable and inclusive growth.

The IDB plays a fundamental role in financing development programs in the region, particularly in Argentina. After Brazil, Argentina is the country with the largest number of projects approved by the institution, holds 11% of the votes and was one of the founding members. The IDB's strategy with Argentina for 2021-2023 is structured in four strategic pillars: (i) poverty reduction and social protection for the most vulnerable; (ii) economic recovery and productive development 4.0; (iii) macroeconomic stability and effectiveness of public policies; and (iv) digital transformation as a cross-cutting pillar for development. Each pillar also includes a diversity and gender approach, and environmental sustainability.

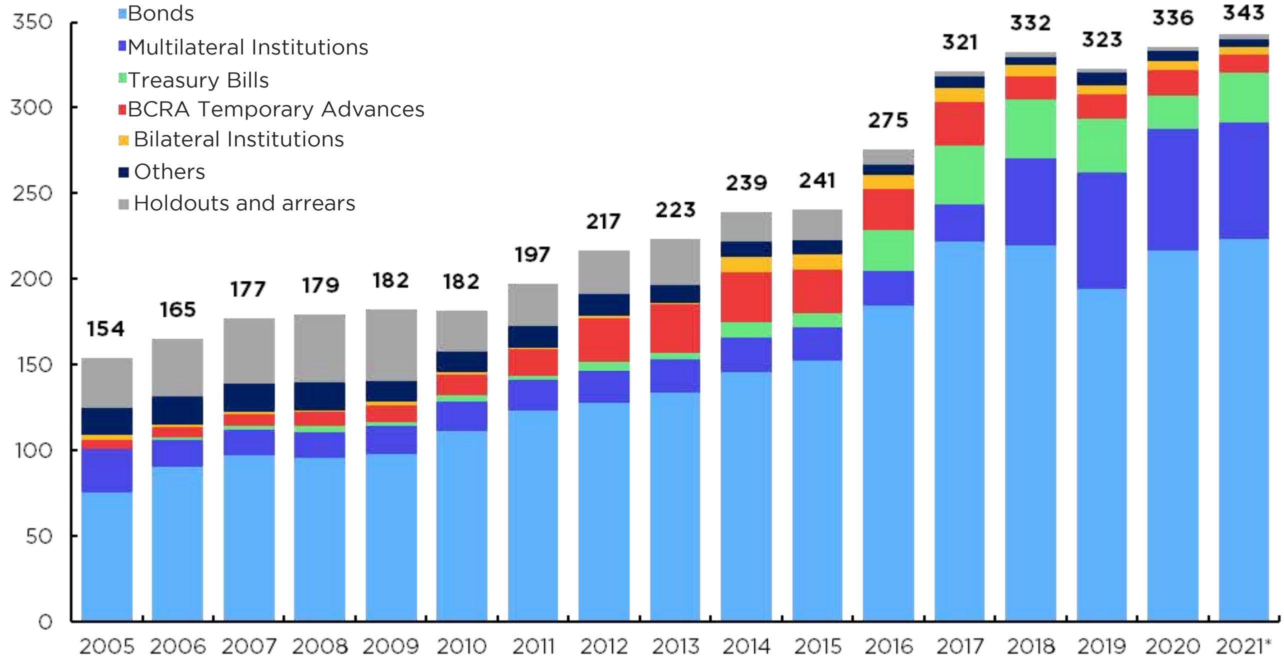
In 2007, Argentina joined CAF as a full member, and this allowed the Bank to expand its presence in the financing of economic infrastructure development projects (mainly in the energy and transportation sectors) and integration. Argentina currently accounts for 13% of CAF's total loan portfolio.

Debt Stock

As of September 30, 2021, the National Government debt stock with IFIs amounted to USD68.062 billion, including indirect guaranteed debt, and it accounted for 21% of the total gross public debt stock and 16% of GDP (Figure 13).

Figure 13. Argentina: Gross debt stock by creditor

As of December 31 of each year; in billions of USD



*As of September 30, 2021.

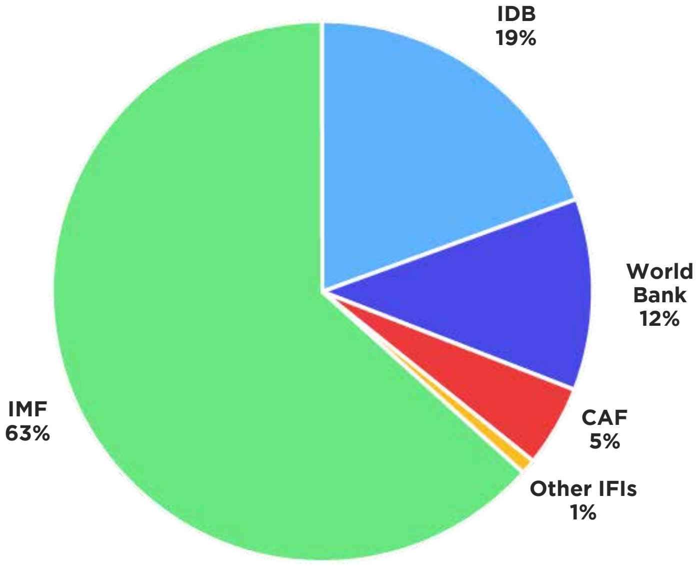
SOURCE: OPC, based on data from the Ministry of Economy.

Argentina's main IFI creditors as of September 30, 2021, were the IMF, with a stock of USD43.092 billion (63% of total debt with IFIs); the IDB with USD13.247 billion (19%); the World Bank with USD7.805 billion (12%) and the CAF with USD3.314 billion (5%). The remaining IFIs -FONPLATA, IFAD, CABEI, EIB, OFID- totaled USD604 million (1%). Approximately two thirds of the debt is denominated in SDRs, because of the IMF SBA loan, and the remaining third is denominated almost exclusively in U.S. dollars (Table 7).

Table 7. Argentina: IFI debt stock

As of September 30, 2021

Institution	Currency	Stock (in millions of USD)
IMF	SDR	43,092
IDB	USD	13,247
World Bank	USD	7,805
CAF	USD	3,314
FONPLATA	USD	367
OFID	USD	97
EIB	USD	96
IFAD	Different	37
	EUR	*25*
	SDR	*9*
	USD	*3*
CABEI	USD	7
Total		68,062

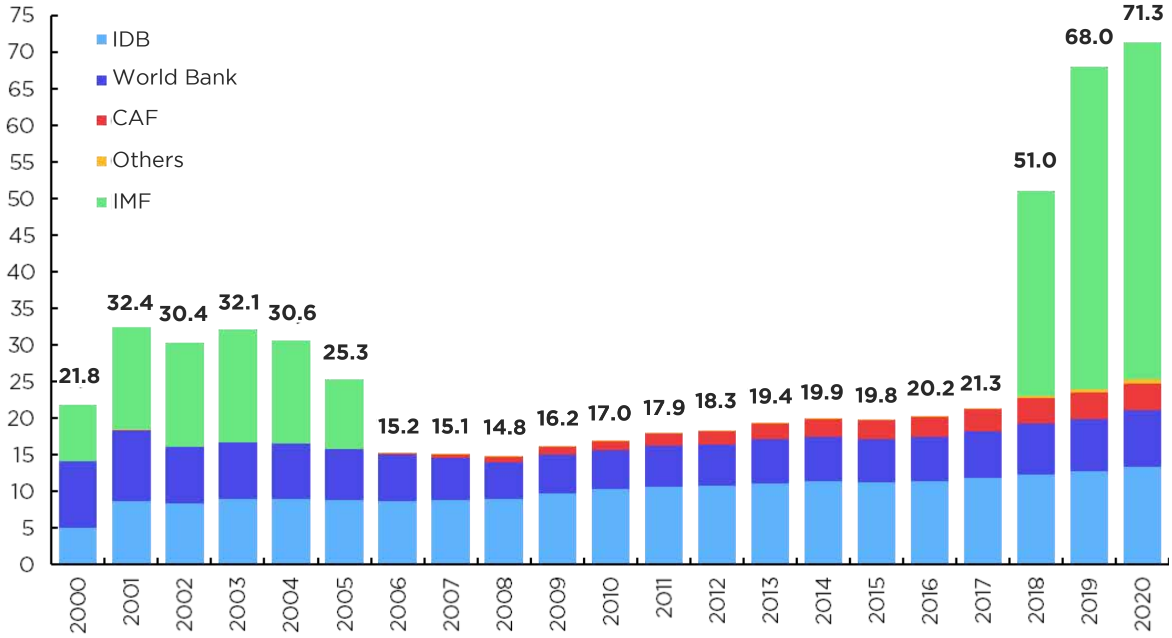


SOURCE: OPC, based on data from the Ministry of Economy.

Between 2000 and 2005, about one third of the debt stock with IFIs was the remainder of the 2000 and 2003 SBA loans with the IMF. In early 2006, Argentina prepaid its entire debt with the IMF for USD9.53 billion. After this payment, the total debt with IFIs was reduced to approximately USD15 billion. Thereafter, a sustained increase was observed, driven by new disbursements from the World Bank, IDB and CAF. In 2018, a new SBA program was subscribed with the IMF involving the disbursement of approximately USD44.477 billion between 2018 and 2019 (Figure 14).

Figure 14. Argentina: Evolution of IFI debt stock

In billiions of USD



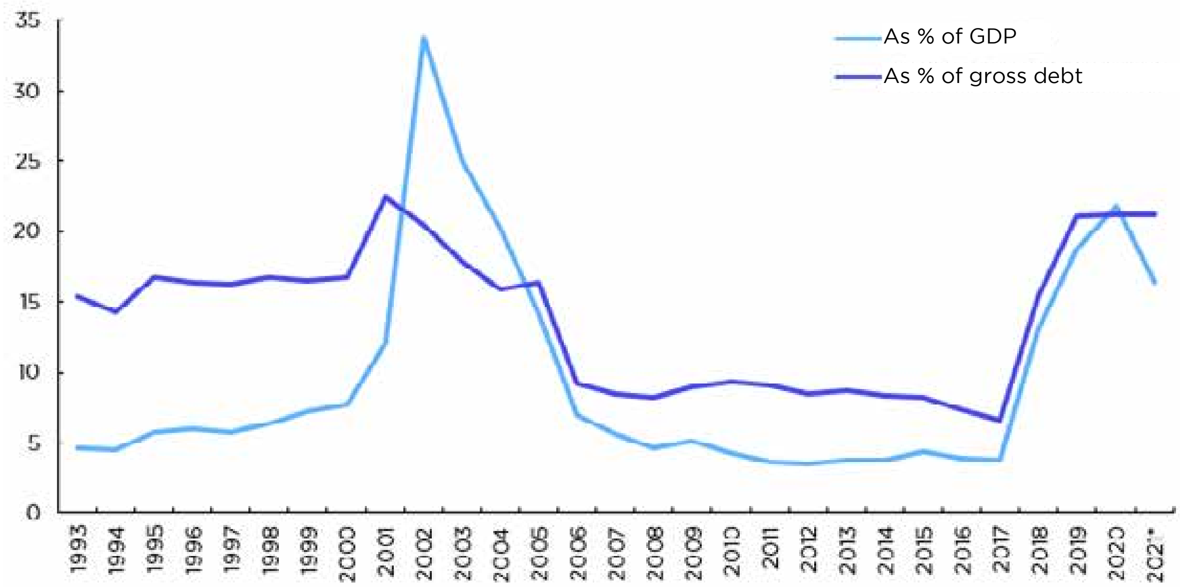
SORUCE: OPC, based on data from the Ministry of Economy.

For the term 2000-2020, without considering debt with the IMF, the stock of IDB loans represented on average 55% of the total stock of IFI loans and that of the World Bank 37% (50% until 2005 and 32% in the last 15 years), while CAF loans, after the inclusion of Argentina as a full member in 2007, increased from 1% in 2006 to 14% in 2020.

During the 1990s, IFI loans accounted for an average of 16% of the total debt stock and 6% of GDP. At the beginning of the following decade, with the restriction of access to the capital market because of the economic, political, and social crisis, Argentina requested greater financial assistance from the IFIs. By 2002, these loans represented 22% of the public debt. After the full repayment of the debt with the IMF in January 2006, the IFIs' share remained at around 8% of the total debt for more than a decade, until the agreement with the IMF in mid-2018 (Figure 15).

Figure 15. Argentina: IFI debt stock indicators

As of December 31 of each year



* As of September 30, 2021.

SOURCE: OPC, based on data from the Ministry of Economy.

Evolution of flows

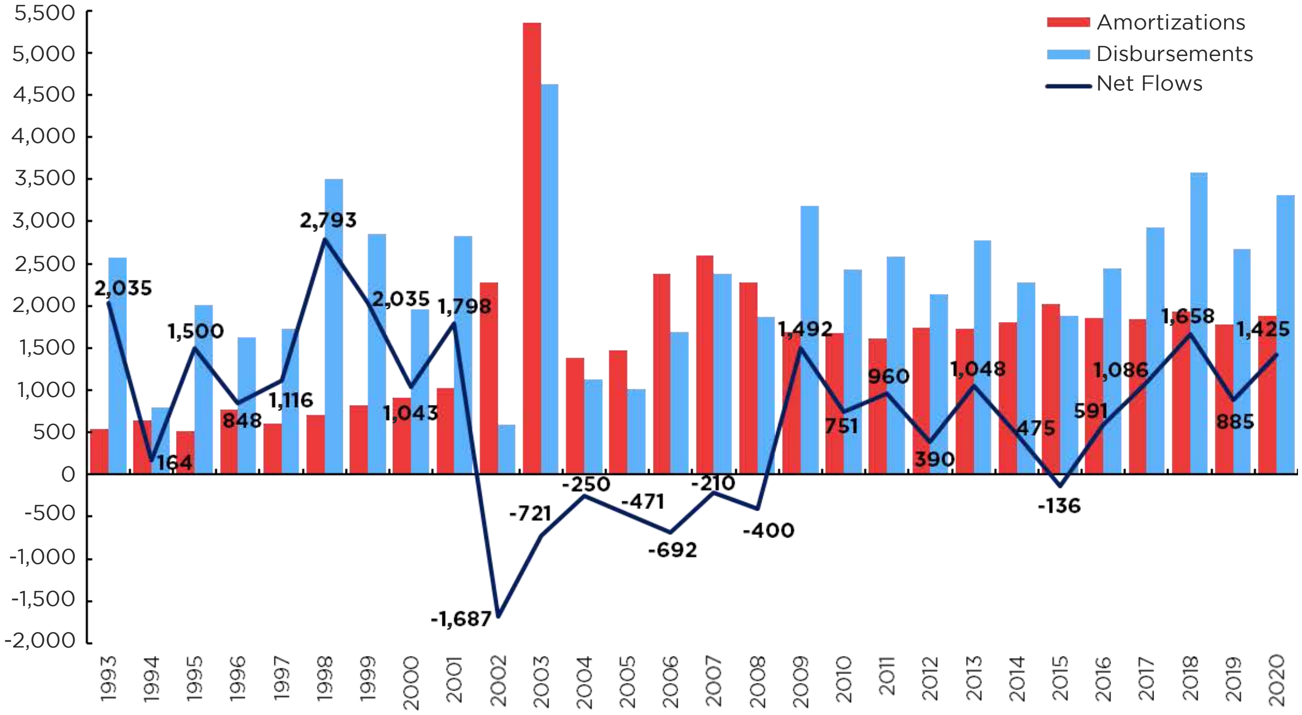
Disbursements and amortizations

The total amount of the loan with the IFIs depend on the program they fund with a specified disbursement schedule, which may be made in one or more tranches following the progress and execution of the works or the fulfillment of the conditions established in the contracts. The debt stock increases as disbursements are received and decreases as principal repayments are made. Debt repayment continues after the project or program has been completed and is no longer in execution.

Excluding IMF programs, the average annual net capital flows (disbursements minus amortizations) of IFI loans between 1993 and 2001 was USD1.481 billion. Subsequently, between 2002 and 2008, net principal repayments averaged USD633 million per year. And between 2009 and 2020 net flows averaged USD885 million per year (Figure 16).

Figure 16. Argentina: Disbursements and amortizations of IFI loans (excluding IMF)

In millions of USD



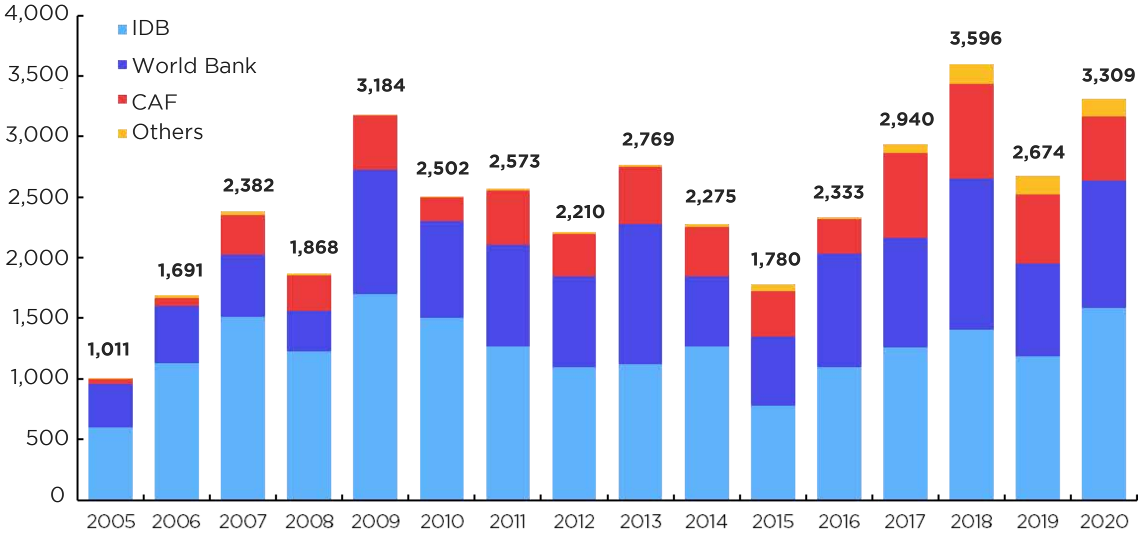
SOURCE: OPC, based on data from the Ministry of Economy.

Between 2005 and 2020, gross disbursements were received from IFIs for a total equivalent to USD83.574 billion (for about 400 loans). Additionally, during the same period, financial assistance from the IDB and the World Bank stood out, with disbursements totaling USD19.731 billion and USD12.299 billion, respectively, mainly aimed at financing social development programs, road and transportation infrastructure, education, health, and public management strengthening.

Since 2007, CAF disbursements have averaged USD442 million per year, accumulating USD6.284 billion during 2005-2020, especially for energy generation and transmission, and road infrastructure programs (Figure 17).

Figure 17. Argentina: Disbursements by Institution (excluding IMF)

In millions of USD

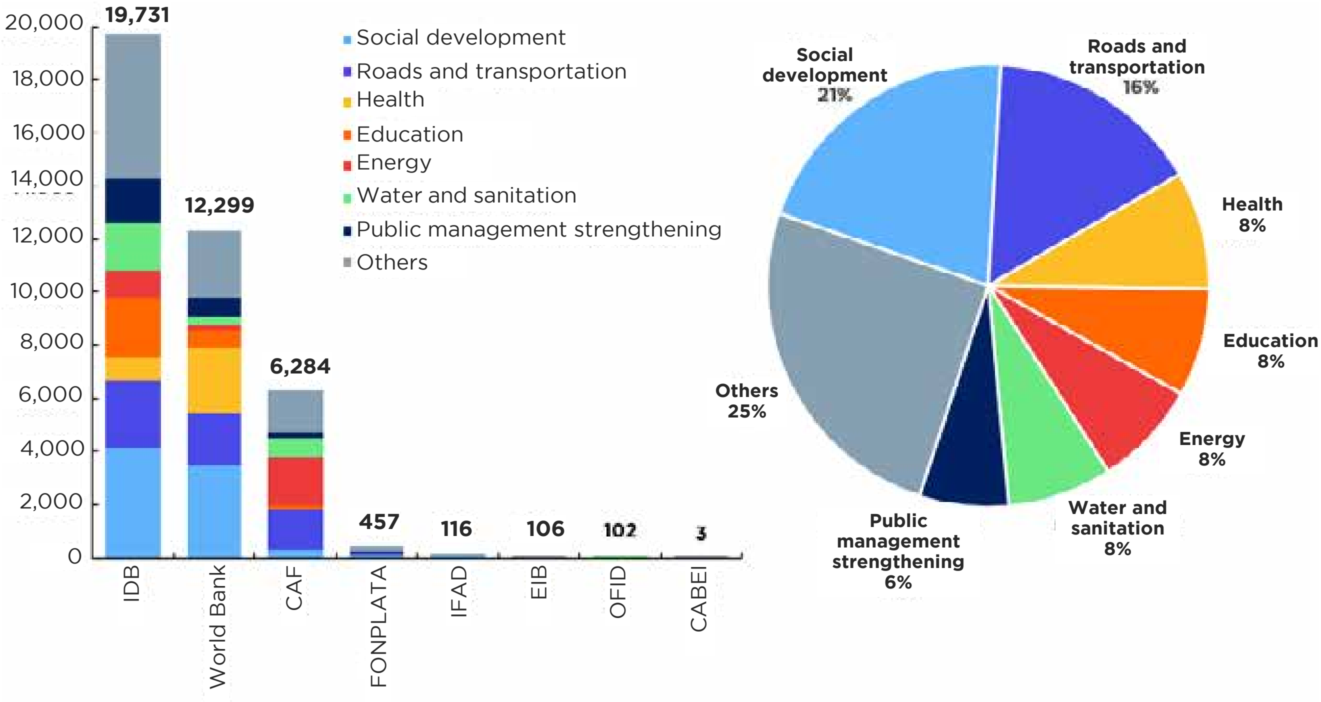


SOURCE: OPC, based on data from the Ministry of Economy.

Between 2005 and 2020, excluding the IMF, 21% of cumulative disbursements were for social development projects (USD8.070 billion), 16% for roads and transportation (USD6.140 billion), 8% for health (USD3.367 billion), 8% for education (USD3.085 billion), 8% for energy (USD3.026 billion), 8% for water supply and sanitation (USD2.991 billion), and 7% for public management strengthening (USD2.554 billion). The remaining items accounted for 25% of disbursements and were for emergency assistance for natural disasters, support for productive development, SME incentive programs, tourism, and infrastructure projects, among others (Figure 18).

Figure 18. Argentina: IFI disbursements by insitutional sector and allocation

Excludes IMF; cumulative 2005-2020; in millions of USD

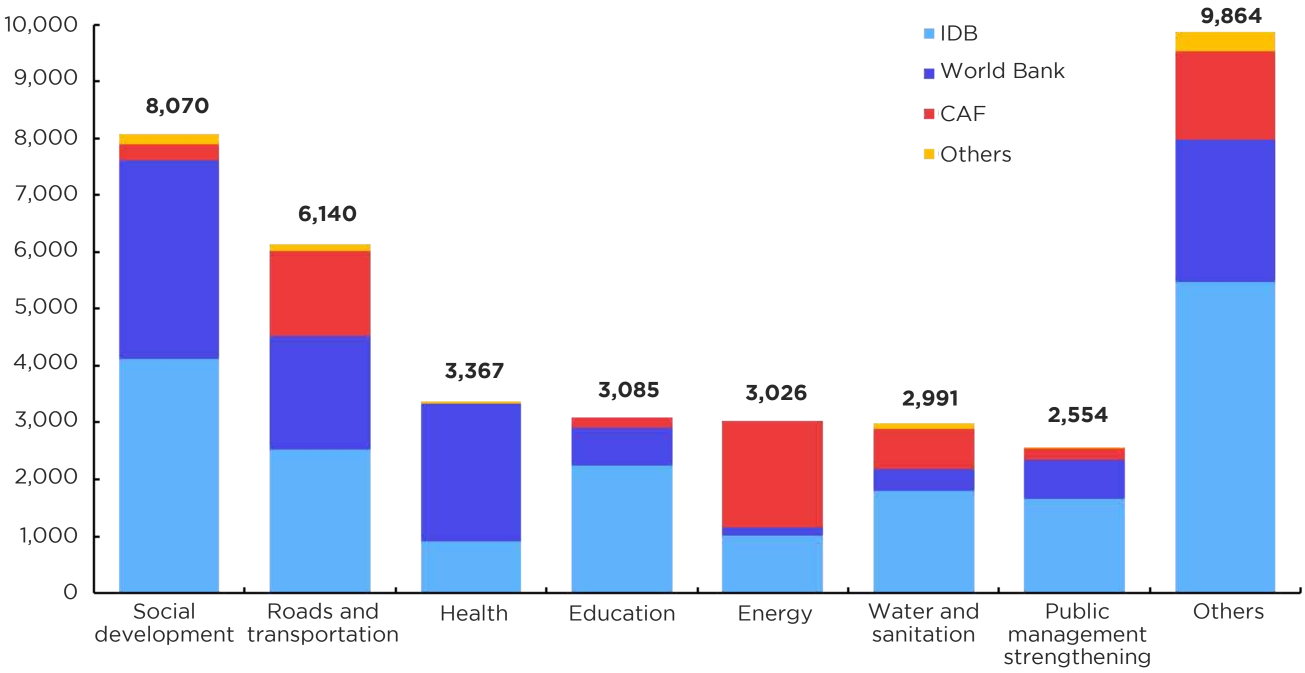


SOURCE: OPC, based on data from the Ministry of Economy.

Social development programs received financing mainly from the IDB and the World Bank for approximately USD4.1 billion and USD3.5 billion, respectively, while road development and transportation programs were financed by both the IDB and the World Bank and CAF. World Bank financing for health programs, IDB for education, public management strengthening, and water and sanitation, and CAF for energy programs stand out (Figure 19). Additionally, in 2018 and 2019 disbursements were received by the SBA with the IMF for USD28.252 billion and USD16.225 billion, respectively.

Figure 19. Argentina: IFI disbursements by institutional sector and allocation

Excludes IMF; cumulative 2005-2020; in millions of USD

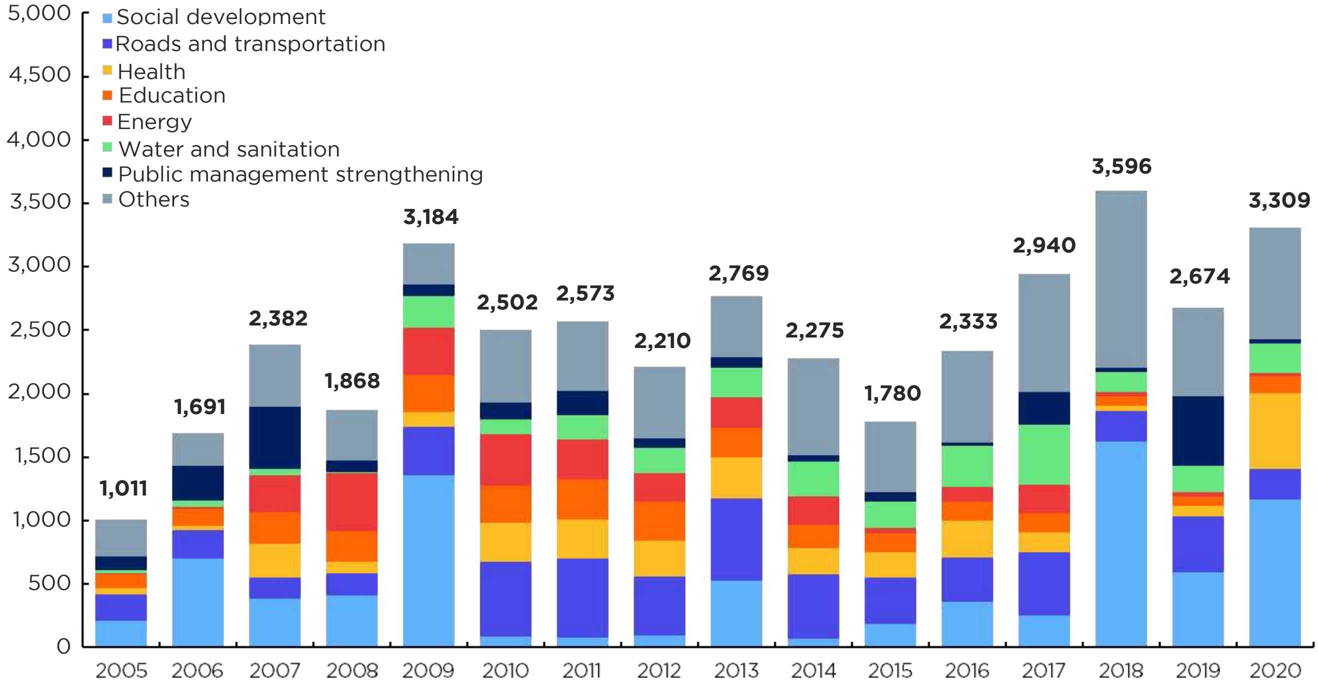


SOURCE: OPC, based on data from the Ministry of Economy.

During 2005-2020, in addition to the disbursements made by the 2018 SBA loan, the following stand out: in 2009 from the IDB for the Program to Support the Social Protection and Inclusion System for USD830 million and from the World Bank for the Basic Protection Project for USD445 million, in 2013 from the World Bank for the Basic Social Protection Project for USD450 million, and in 2018 from the IDB for the Program to Support the Equity and Effectiveness of the Social Protection System for USD620 million and the First Programmatic Loan for Inclusive Development Policies from the World Bank for USD500 million.

Figure 20. Argentina: IFI disbursements by allocation

Excludes IMF; in millions USD



SOURCE: OPC, based on data from the Ministry of Economy.

Of the nearly 400 loans disbursed during the period, the largest amounts were the loans for the Program to Support the Equity and Effectiveness of Argentina's Social Protection System for USD893 million (IDB), the Program to Support Argentina's Social Protection and Inclusion System for USD841 million (IDB), Norte Grande Road Infrastructure for USD760 million (IDB), the Contingent Credit Line Agreement for USD750 million (CAF), the Sustainable Development of the Matanza-Riachuelo Basin Project for USD701 million (World Bank), Support for the *Familias* Program for USD700 million (IDB) and the Support Program for the Educational Equity Improvement Policy for USD626 million (IDB) (Table 8).

Table 8. Argentina: 30 loans with the highest disbursed amount 2005-2020

Allocation of funds/ Institution	Loan	Total disbursements (in millions of USD)
Financial assistance		44,477
IMF	SBA 2018	44,477
Social development		5,432
World Bank	(8633) Project for the Protection of Children and Adolescents	500
	(8904) First Programmatic Loan for Inclusive Development Policies	500
	(8017) Basic Social Protection Project	480
	(8903) Project for the Protection of Children and Adolescents	450
	(7703) Basic Protection Project	449
	(8464) Youth Employment Promotion Project	447
	(7369) Heads of Household Transition Project	400
IDB	(4648) Program to Support the Equity and Effectiveness of the Social Protection System	395
	(2159) Program to Support the Social Protection and Inclusion System - Phase I	393
	(1669) Support to the *Familias* Program	367
	(1606) *Argentina Avanza*	360
	(4806) Program to Support Equity and Effectiveness of the Social Protection System - Phase II	350
CAF	(11367) Program to Support the *Argentina contra el hambre* National Plan in the Health and Social Emergency COVID-19	341
Roads		2,494
World Bank	(7991) Norte Grande Road Infrastructure Project	893
IDB	(1851) Norte Grande Road Infrastructure Project	841
CAF	(9710) *Paseo del Bajo* Project	760
Energy		2,446
CAF	(6966) Extra High Voltage 500 kw Line Project Pico Truncado - Rio Turbio - Rio Gallegos - Calafate	626
	(4238) Rincón Santa María - Rodriguez Electrical Interconnection Project	586
	(5062) Support Program for Public Investment in the Argentinean Electric Sector	534
IDB	(1764/2250) Norte Grande Electric Power Transmission Program	700
Health		1,451
World Bank	(7993) Essential Health Functions Project II	750
	(8062) Provincial Public Health Insurance Development Project	701
Education		1,000
IDB	(1966) Support Program for the Educational Equity Improvement Policy	500
	(1345) Educational System Improvement Program	500
Others		1,472
IDB	(1728) Technological Modernization Program III	300
	(4569) Program to Promote Growth	300
	(1720) Sectorial Program for Public Financial Administration	292
	(4755) Program for the Strengthening of the Digital Agenda: Connectivity, Electronic Government and Digital Productive Transformation	280
World Bank	(7706) Project for the Sustainable Development of the Matanza-Riachuelo Basin	300
Total		58,772

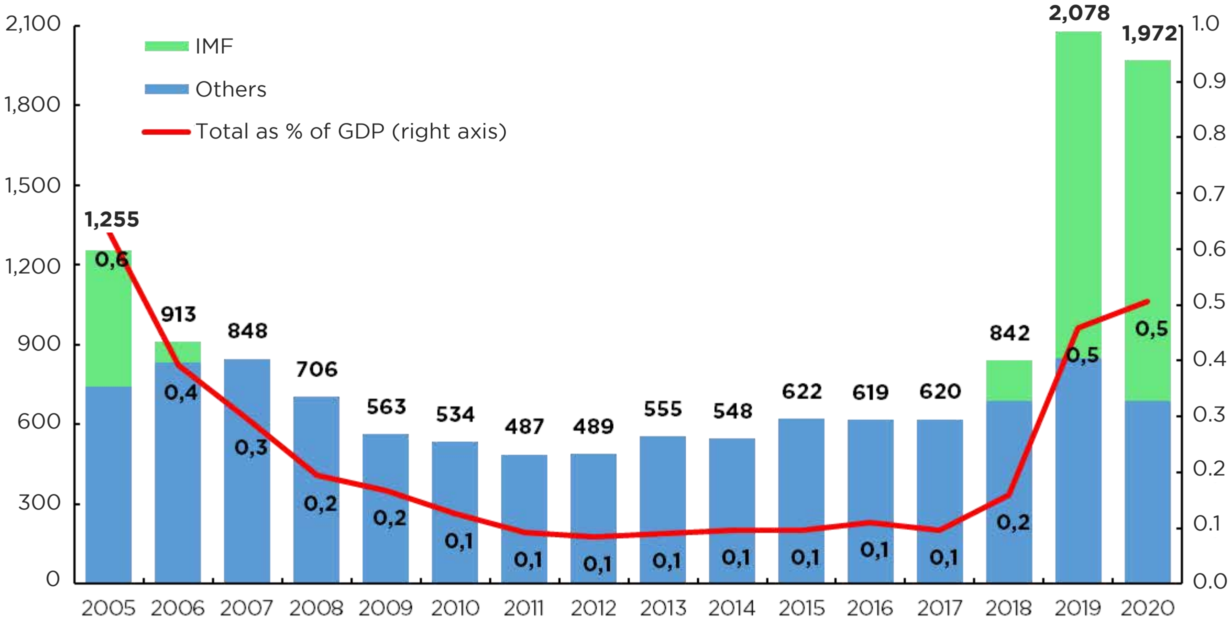
SOURCE: OPC, based on data from the Ministry of Economy.

Interest

Between 2005 and 2020, interest payments on IFI loans amounted to around USD13.65 billion, of which USD3.258 billion were payments on IMF loans. Excluding the latter, interest represented an average of 0.2% of GDP over the period, with a larger share between 2005 and 2007 (Figure 21). On the other hand, the effective interest rate of the three main IFIs had a similar behavior, averaging close to 5% between 2005 and 2007 and falling to 3% in the following years, in line with the period of low rates at the global level (Figure 22).

Figure 21. Argentina: Interest paid on IFI loans

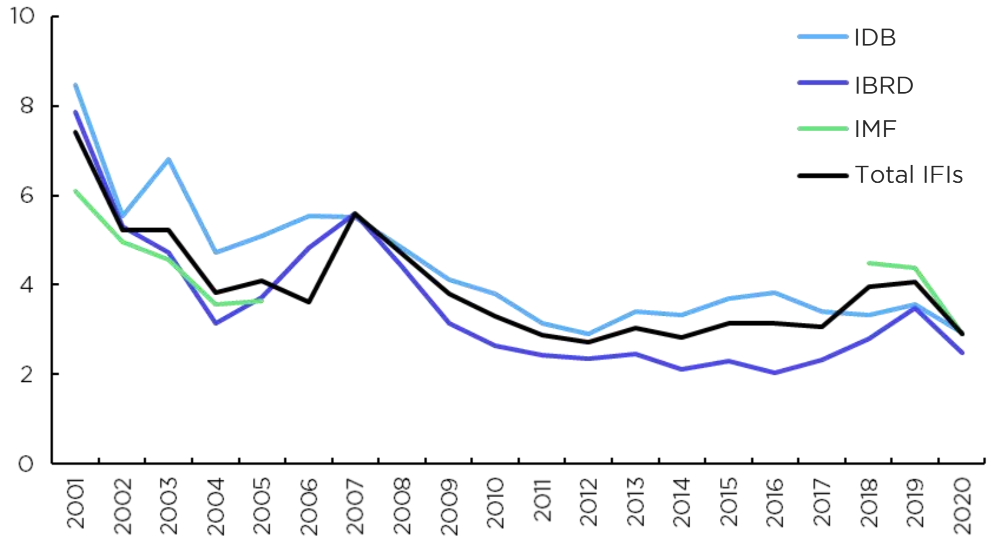
In millions of USD and as %



SOURCE: OPC, based on data from the Ministry of Economy.

Figure 22. Argentina: Effective interest rate on IFI debt

As %



SOURCE: OPC, based on data from the Ministry of Economy.

Projects under execution

According to the Secretariat of Strategic Affairs, Argentina has 206 projects financed with loans from IFIs that are currently being executed for a total of USD22.891 billion, of which 54% (USD12.417 billion) has been disbursed. Of the total amount agreed, 44% came from the IDB (USD10.137 billion), 33% from the World Bank (USD7.535 billion) and 17% from the CAF (USD3.806 billion) (Table 9). Projects under execution that have received disbursements and have not yet been fully repaid constitute public debt for the balance pending reimbursement, while those that have not yet received disbursements do not represent a liability for the Treasury.

Table 9. Argentina: Projects under execution with IFI financing by institution

As of November 15, 2021.

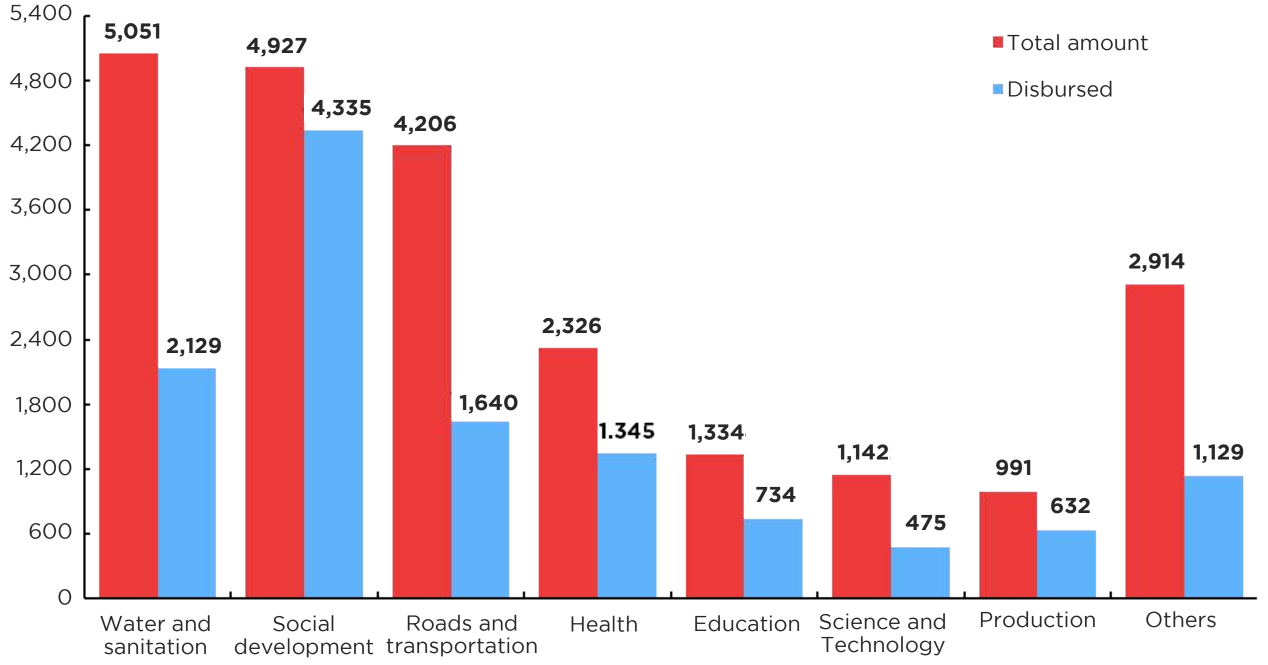
Institution	Number of projects	Total amount (in millions of USD)	Disbursed (in millions of USD)	Pending disbursement (in millions of USD)
IDB	78	10,137	5,523	4,614
World Bank	34	7,535	4,903	2,632
CAF	42	3,806	1,572	2,234
FONPLATA	31	622	278	345
CABEI	13	379	33	346
EIB	2	214	28	186
IFAD	3	36	11	25
OFID	3	160	71	89
Total	206	22,891	12,417	10,473

SOURCE: OPC, based on data from the Secretariat of Strategic Affairs.

The main projects include infrastructure development works for potable water and sewage networks (such as the sanitation of the Matanza-Riachuelo Basin for a total of USD963 million), funds for social development programs (such as the Support for Equity and Effectiveness of the Social Protection System for Social Inclusion and Poverty Reduction for USD1.5 billion, the Universal Child Allowance for USD1.35 billion, and the *Argentina contra el hambre* National Plan in the Social and Health Emergency COVID-19 for USD800 million), strengthening of road and transportation infrastructure (such as the *Paseo del Bajo* project for USD400 million) and the health system (emergency for the prevention and management of disease by COVID-19 for USD1.08 billion), among others (Figures 23 and 24).

Figure 23. Argentina: Projects under execution with IFI financing by allocation

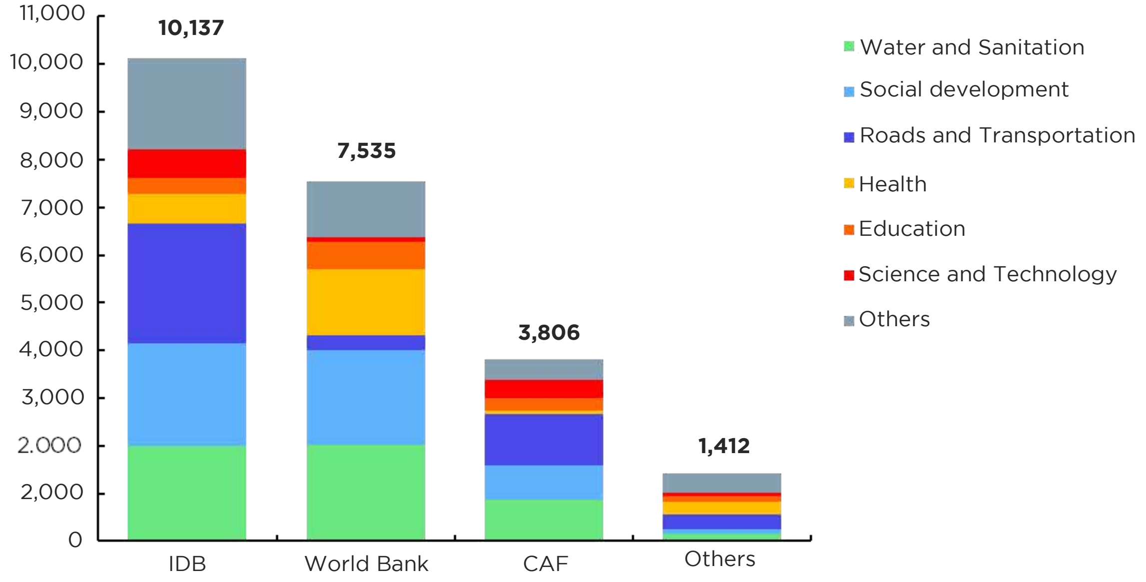
As of November 15, 2021; in millions of USD



SOURCE: OPC, based on data from the Secretariat of Strategic Affairs.

Figure 24. Projects under execution with IFI financing

As of November 15, 2021; in millions USD



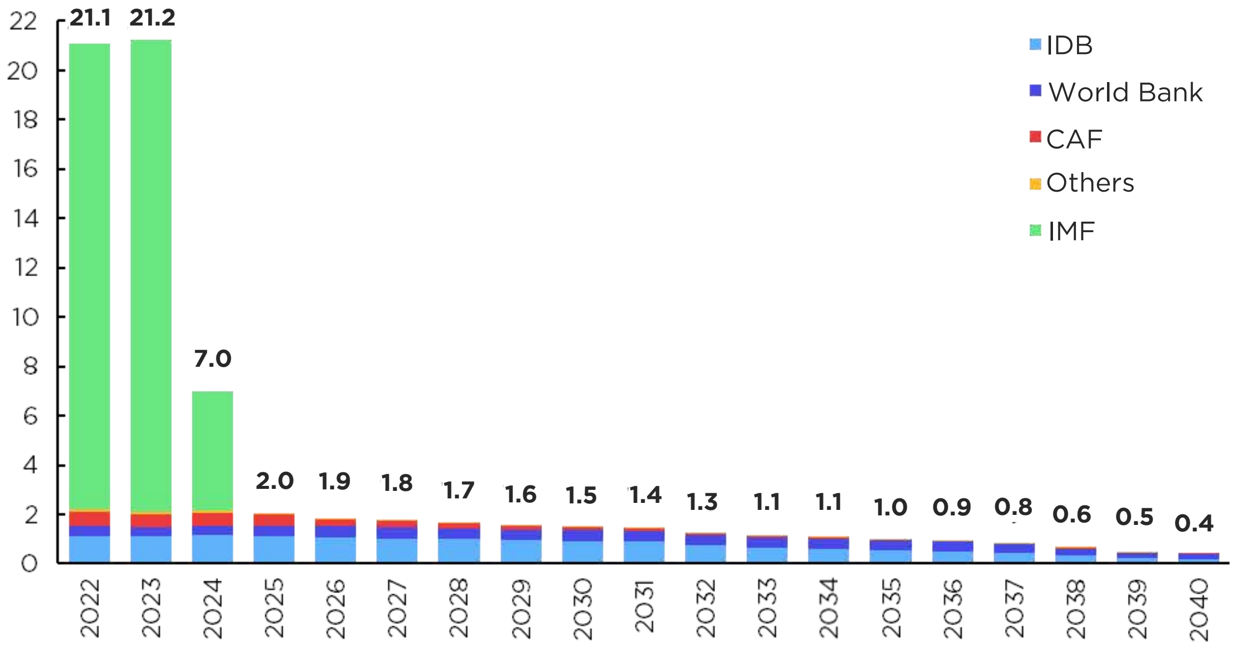
SOURCE: OPC, based on data from the Secretariat of Strategic Affairs.

Maturity profile

Debt maturities with IFIs are concentrated in the next three years resulting from the IMF SBA loan services amounting to USD18.908 billion for 2022, USD19.156 billion for 2023 and USD4.828 billion for 2024 (Figure 25).

Figure 25. Argentina: Maturity profile of IFI loans

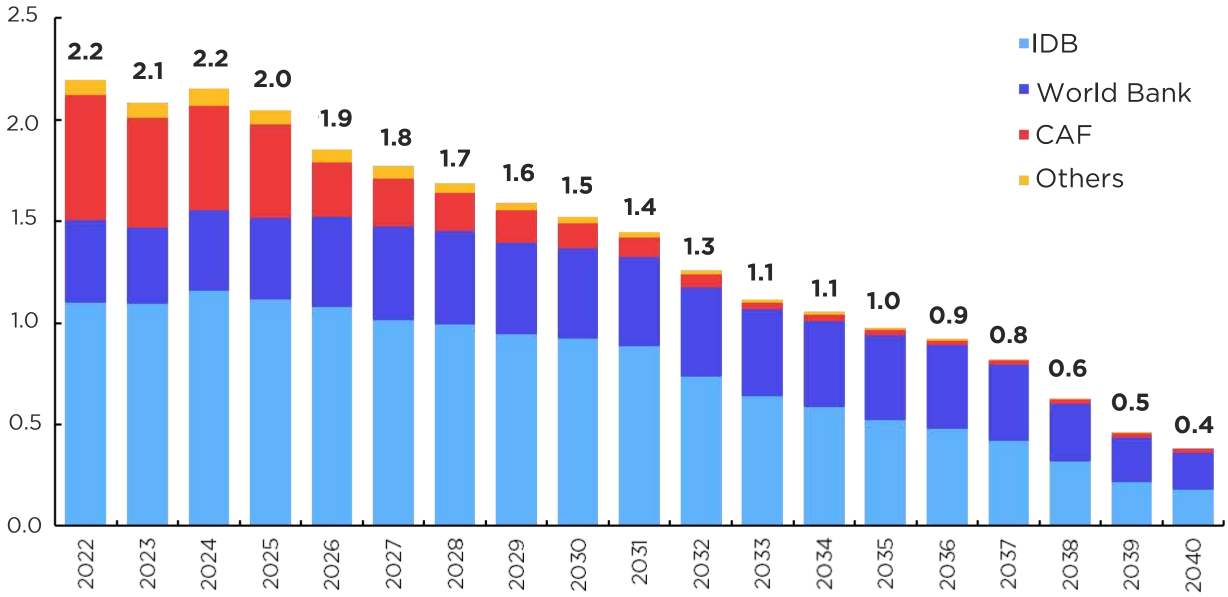
In billions of USD



SOURCE: OPC, based on data from the Ministry of Economy.

Figure 26. Argentina: Maturity profile of IFI loans (excluding IMF)

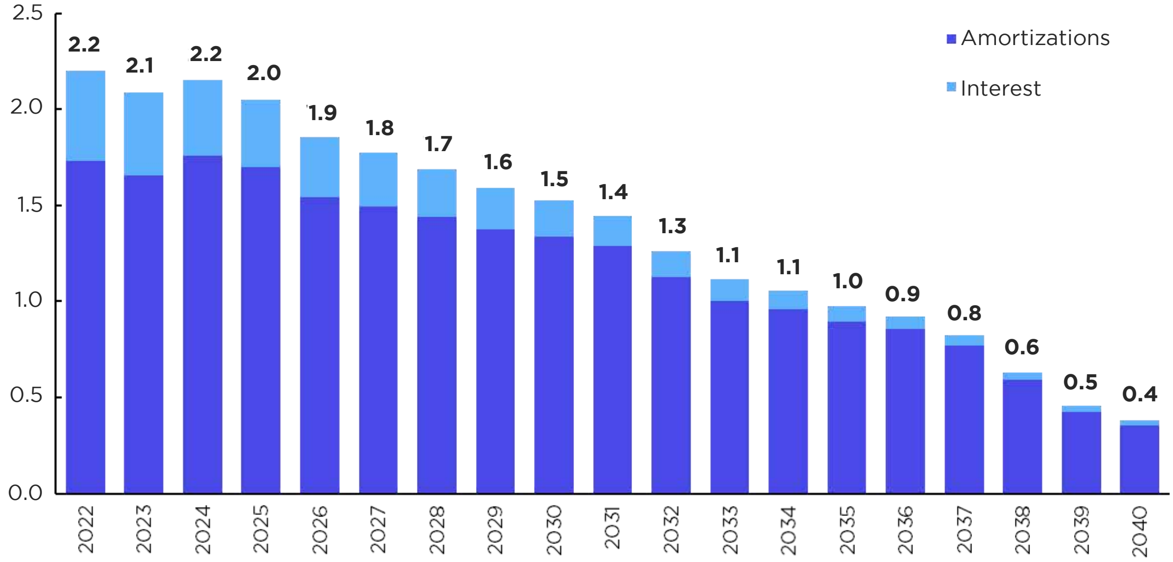
In billions of USD



SOURCE: OPC, based on data from the Ministry of Economy.

Figure 27. Argentina: Maturity Profile of IFI Loans by service (excluding IMF)

Excludes IMF; in billions of USD



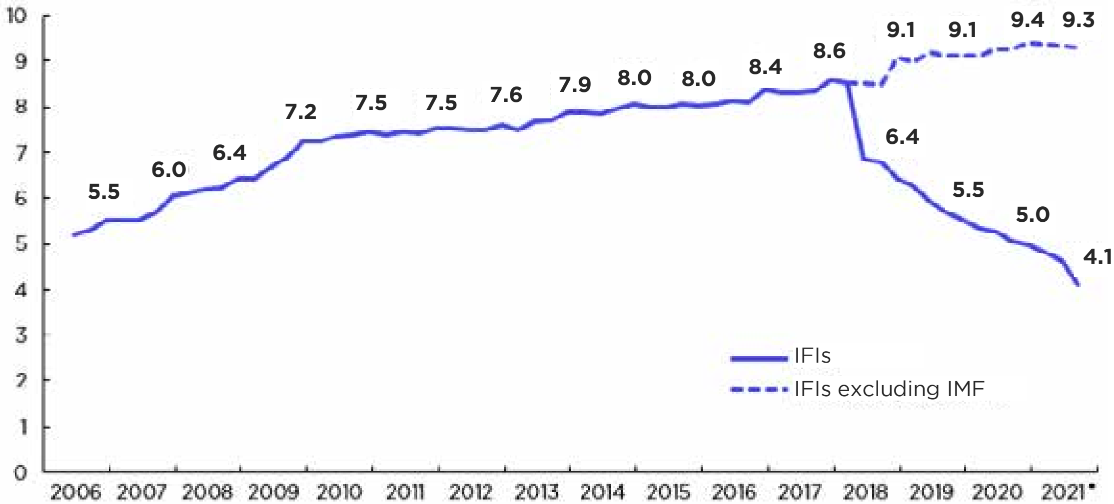
SOURCE: OPC, based on data from the Ministry of Economy.

From late 2009 through the first quarter of 2018, prior to the first disbursement of the 2018 IMF SBA loan, the average life of the remaining IFI debt stock ranged between 7 and 8 years, with a slightly increasing trend (Figure 28).

Following the successive disbursements of the IMF loan in 2018 and 2019, the average term was shortened to 4 years as of September 30, 2021, and that of the total stock of public debt increased to 6 years. Under the terms of the SBA, each disbursement is repayable in eight equal quarterly payments starting 3 years and one quarter after the date of each disbursement. Excluding the IMF loan, the average life of the IFI debt is 9 years. The stock of World Bank loans has an average life of 12 years and that of the IDB of 8 years (Table 10).

Figure 28. Argentina: Average life of IFI debt

In years



* As of September 30, 2021

SOURCE: OPC, based on data from the Ministry of Economy.

Table 10. Argentina: Average life of IFI debt by institution

As of September 30, 2021.

Institutions	Remaining Capital (in millions of USD)	Average life (in years)
IMF	43,092	1.4
IDB	13,247	8.2
IBRD	7,805	11.9
CAF	3,314	4.3
FONPLATA	367	5.6
OFID	98	5.8
EIB	96	5.7
IFAD	37	2.5
CABEI	7	7.1
Total IFIs	68,062	4.1
Total IFIs excluding IMF	24,970	9.3

SOURCE: OPC, based on data from the Ministry of Economy.

Box 2. Loans to subnational governments.

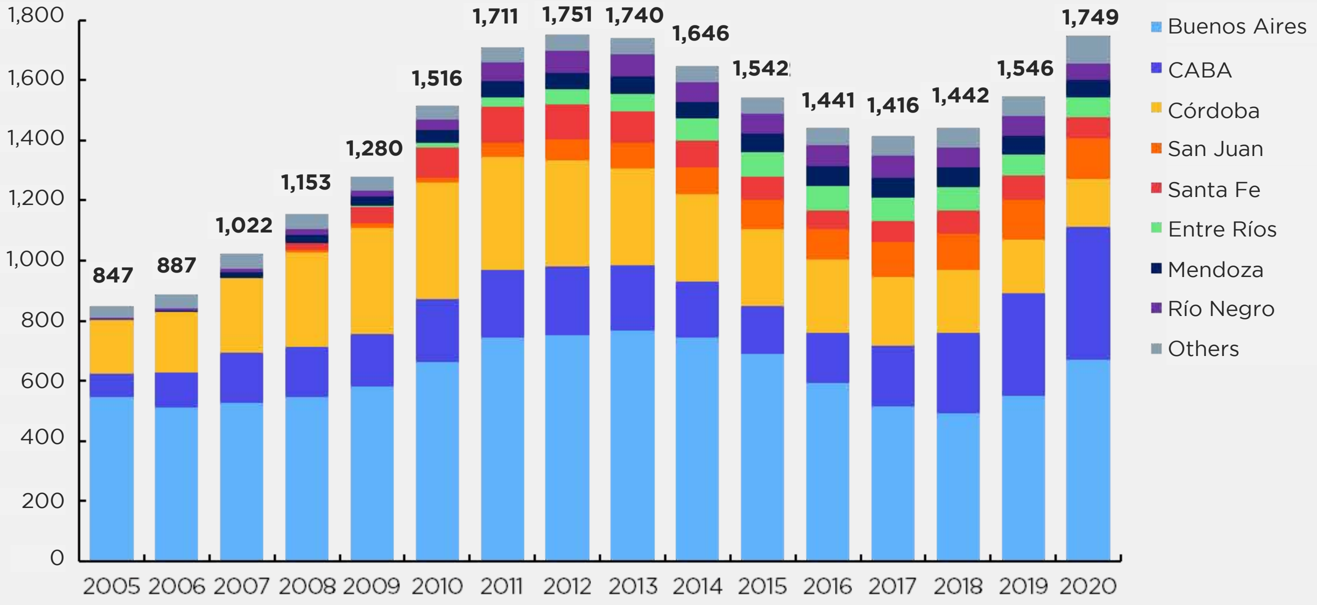
The provinces receive loans from international institutions mainly for the financing of projects related to the development of infrastructure works in the energy, transportation, and communications sectors; the provision of social services in sanitation, urban development, education, and environment; and the modernization of the State and institutional development. These loans are backed by the Nation since the operating policies of international financial institutions require a sovereign guarantee for the approval of financing to subnational governments. Therefore, in the loans from these institutions to the provinces, the National Government is part of the operation, either by assuming the role of principal debtor and then "on lending" the credit to the provinces, or by acting as guarantor of the loan. If the guarantee is executed, the National Treasury has the right to use the funds of the Federal Tax Sharing Regime of the debtor province.

Under the first scenario, the international institution grants a loan to the National Government and then the latter enters into a subsidiary loan agreement with the province. The loan with the international institution is part of the direct debt of the National Government and is also recorded as a financial asset against the province. In the second scenario, the contract is between the international institution and the province, and the National Government acts as guarantor. Simultaneously, the National Treasury enters into a counter-guarantee contract with the province, in which the province commits to pay the financial obligations arising from the loan and, if it fails to do so, authorizes the National Government to withhold the amount owed from the funds of the Federal Tax Sharing Account. The granting of the guarantee is classified as an indirect debt of the National Government.

As of December 2020, the stock of IFI loans to the provinces totaled USD1. 749 billion (Figure 29).

Figure 29. Argentina: Stock of Multilateral Loans to provinces

In millions of USD

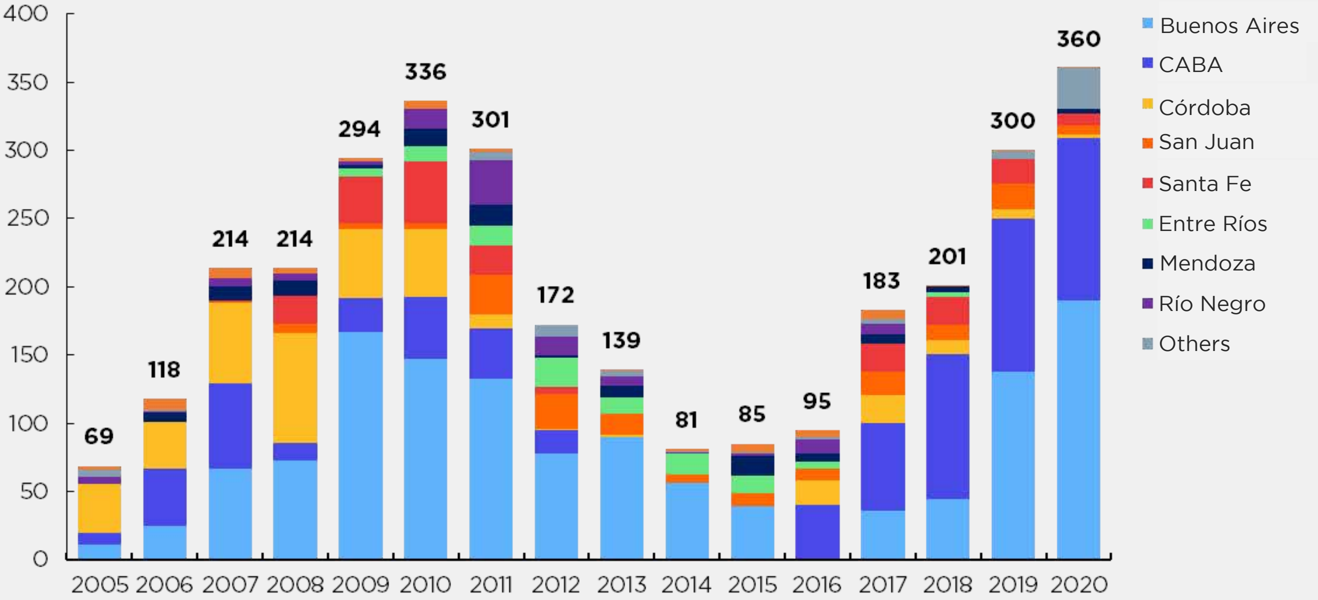


Note: does not include loans for projects involving more than one province.

SOURCE: OPC, based on data from the Ministry of Economy.

Figure 30. Argentina: IFI disbursements to provinces

In millions of USD



SOURCE: OPC, based on data from the Ministry of Economy.

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Links of interest

Development Bank of Latin America (CAF): https://www.caf.com

Central American Bank for Economic Integration (CABEI): https://www.bcie.org

European Investment Bank (EIB): http://www.eib.org

Inter-American Development Bank (IDB): https://www.iadb.org

World Bank: https://www.bancomundial.org

Financial Fund for the Development of the Countries of the La Plata Basin (FONPLATA): https://www.fonplata.org

International Fund for Agricultural Development (IFAD): https://www.ifad.org

International Monetary Fund (IMF): https://www.imf.org

OPEC Fund for International Development (OFID): https://opecfund.org

Secretariat for Strategic Affairs: https://www.argentina.gob.ar/asuntos-estrategicos

Secretariat of Finance: https://www.argentina.gob.ar/economia/finanzas

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