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**Promotion and protection of all human rights, civil,
political, economic, social and cultural rights,
including the right to development**

Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, on her visit to Argentina

Comments by the State*

* The present document is being issued without formal editing.



Comments by Argentina

With regard to the information contained in the report, the Ministry of Economy considers it pertinent to make the following clarifications.

All comments marked in **BOLD**, because they are erroneous data, **point out red lines** that Argentina considers that should have been corrected and/or eliminated from the final report.

II. Background

A. Impact of COVID-19

Parr.9. When referring to the country's reserves, the report refers to the 2015-2019 capital flight of USD 45 billion by the private sector, USD 11 billion of speculative capital flight and almost USD 37 million in public and private debt payments.

It should be clarified that the figures refer to the flight produced between May 2018 and October 2019.

Parr.10. According to provisional estimates, between 2018 and 2019 public spending in Argentina on education, culture and science and technology fell by 4.8%, on drinking water and sewage fell by 11.7% and on housing and urban planning fell by 13.1%.

These falls should be expressed in percentage points of GDP: According to provisional estimates, between 2018 and 2019 public spending in Argentina on education, culture and science and technology fell -0.27 percentage points of GDP, on drinking water and sewage -0.06 percentage points of GDP and on housing and urbanism -0.12 percentage points of GDP.

Source: https://www.argentina.gob.ar/sites/default/files/gasto_publico_consolidado_1980-2020.xls

Parr.11. This section of the report aims to account for the impact of the COVID-19 pandemic on the socioeconomic situation of the country. For this purpose, it provides information on certain indicators (poverty and indigence rate and salary) as of the first semester of 2021.

However, the worst moment of the pandemic was the second quarter of 2020, therefore, showing data for the first semester of 2021 when the economy and the labor market were already reactivating is not entirely representative of the impact of the pandemic.

Parr.12. Here it is also mentioned that in 2020 the Argentine economy recorded a recession due to the imposition of a "long quarantine" due to the COVID-19 pandemic.

We consider it important to clarify that the recession had started in 2018, so that at the time of the outbreak of the pandemic Argentina was already in its third recessionary year. On the other hand, it is worth mentioning that the quarantine served to fine-tune the health system, and thanks to that Argentina avoided the collapse of its intensive care units. This, in turn, allowed an accelerated and more vigorous recovery in economic activity than would have been possible after a health collapse.

Par.16. A reference is made to measures contained in the Extended Fund Facility in the second review. It should be noted that, in addition to making reference to the promotion of regulatory frameworks to combat tax evasion, the agreement involves combating money laundering and the financing of terrorism.

Par.20. It is noteworthy that the investment in some of the activities mentioned in this paragraph, such as the construction of the Néstor Kirchner gas pipeline, allows replacing the import of liquid fuels for electricity generation with gas, i.e., replacing dirty fuels with cleaner ones. This strategy is part of the transition towards the decarbonization of the energy matrix, in order to comply with the environmental commitments assumed by the country.

Par.21. According to the General Environmental Law in force, whoever is going to carry out a project must submit an affidavit stating whether it will affect the environment. The authorities require the presentation of an environmental impact study and then make an evaluation of that study. It is also important to take into account the productive chains and

the benefits that many of these activities generate in terms of job creation and salary increases.

B. Maximum Available Resources

3. Budget

This section seems to be elaborated over erroneous information or not clear what the source of the info is. This might end with erroneous assumptions over which recommendations might arise thereafter.

Parr. 27. In this section, the report refers to the fact that in 2022 Argentina operated on the basis of the 2021 budget, which did not constitute an efficient use of available resources.

The legal and regulatory framework establishes that, in the absence of a National Budget Law, the Executive Branch may extend the Budget Law of the previous year and make the necessary adjustments to adapt the budgetary scheme to the needs and challenges posed by the situation of the new fiscal year. For this reason, and despite the fact that the Budget Law for 2022 has not been approved, the Executive Branch modified the budget appropriations of the different programs through Administrative Decisions in accordance with the needs of the global crisis posed by the pandemic.

Parr. 28. The same section delves into the draft bill that the National Executive Branch sent to Congress for the year 2023, which contemplates a reduction in total spending of almost 3 percent year-on-year in constant currency and 1.0 point in terms of GDP, due to lower subsidies and social benefits (Family Allowances, Social Security Benefits and Non-Contributory Pensions).

We identified that the data used would seem to correspond to the report "General description of the content of the 2023 budget bill of the National Administration" of the Congressional Budget Office. However, this is not supported by an explicit bibliographic citation. The inflation data used in the abovementioned report does not correspond to the data presented in the 2023 Budget Bill, and the 2022 Budget data used for the calculation of variations is not specified. The same considerations apply to the rest of the document in relation to comparisons for 2023.

When evaluated on the basis of the executed budget data as of 12/25/2022 and considering the projected inflation figure of 60% presented in the 2023 Budget Bill, a real reduction in total expenditure of 0.3% year-on-year is expected (not of almost 3% as stated in the report). Primary spending is expected to fall by 1.6% year-on-year in real terms (and not by 4.3% as reported in the report), the allocation to public debt increased by 12.5% (against 25% reported in the same report) and the allocation to defense and security services increased by 19.5% in real terms (against 10% reported in the report).

On the other hand, it is not possible to infer from the Expert's report the estimation methodology in terms of GDP, considering that the GDP data for 2022 is not yet public and it is not detailed or cited in the report.

See: <https://www.economia.gob.ar/onp/presupuestos/2023>.

In reference to the Social Benefits projected for 2023, it should be noted that the Chamber of Deputies made amendments to the Draft Budget, including an increase of \$90.8 billion for the item of Active Family Allowances to be granted during the course of 2023.

Parr. 29. Here the report refers to the reduction in spending on social services and economic services of 1% and 3%, respectively, in the share of spending on social services in the total budget.

It is possible to consider that the reductions of 1% in the share of spending on social services in the total budget and 3% in the share of spending on economic services in the total budget mentioned refer to percentage points instead of percentages. Even so, there is still inconsistency in the calculation with respect to the Secretariat of Economic Policy calculations given that if compared to the Draft Budget Law 2021 the reduction is 2 p.p. for social services and 1 p.p. for economic services, in the share of these items in the

total budget. If compared to the budget in force as of 12/25/22 the reduction in the share in the total budget is 0.7 p.p. for social services and 0.9 p.p. for economic services. See comment above.

Likewise, the total modifications made by Congress regarding social spending items amount to \$322,575 million to be granted in the course of fiscal year 2023.

Parr.30. The report refers to the reduction in the 2023 budget proposal of the items allocated to support families in raising children (Early Years program), protection of victims of violence, construction and improvement of daycare centers, food allowance or card (“tarjeta alimentaria”), non-contributory pensions and scholarships for students, among others.

It is highly feasible that the items identified as “reduced” are linked to the budget reallocations made in August 2022, given the coincidence with the programs that underwent reallocations through Administrative Decision 826/2022 based on adjustments inherent to the budgetary dynamics given the delayed executions in those programs.

In this regard some clarifications are pertinent:

- Regarding the First Years Program the initial appropriation for 2022 amounted to \$208.8 million. Then, as a result of reallocations, this appropriation was reduced to \$169 million, of which \$159 million was executed. The 2023 Budget allocates \$169 million, in line with execution in 2022.
- The Early Childhood Spaces Remodeling (EPI) program in 2022 had an initial appropriation of \$280 million. Later, as a result of budget reallocations and an IDB loan granted specifically for this activity, the current credit stood at \$1,474.9 million, of which \$1,451.3 million was executed. The 2023 Budget foresees \$1,245 million for this project, foreseen in Phase II of the IDB loan.
- Regarding the protection of victims of violence, the Program for the Formulation of Policies against Gender-Based Violence had an initial budget of \$16,361.9 million, which was increased to \$40,775.9 million, of which \$36,276.2 million were executed as of 12/25/2022. In this sense, the 2023 Budget foresees \$50,627.4 million, which represents an increase with respect to the appropriation allocated in 2022.

Meanwhile, the modifications made to the 2023 project contemplate:

- Rights Reparation Actions of NNA Children of Victims of Femicide: +\$200 million.
- Actions of Accompaniment for the Graduation of Young People without Parental Care: +\$200 million.
- Food Card +101.890 million.
- Food Policies (Buenos Aires Province school canteens) +\$12,969 million.
- Management and Allocation of Student Scholarships +\$59,542 million.

These modifications will be implemented during fiscal year 2023 through Administrative Decisions. Additionally, in January 2023, the value of the Progresar scholarships was increased by 40% (Resolution 29 of the Ministry of Education) and the Universal Child Allowance was extended for children and adolescents without parental care, living in residential or family care facilities (Decree No. 5/2023).

4. *Tax System*

Par. 34. When talking about the Wealth Tax, there is mention that part of the proceeds were destined to gas projects, which is a missed opportunity to accelerate the energy transition. This is a conceptual error, given that gas is considered a transition energy, a bridge fuel, and thus Argentina is deeply committed to its environmental commitments.

Natural gas produces 25–30% and 40–45% less carbon dioxide per joule delivered than oil and coal respectively. Reducing CO₂ emissions through a shift from coal to natural gas power plants is a key strategy to support pathways for climate stabilization. Natural gas is considered to serve as a bridge fuel towards achieving SDG7 and the Paris Agreement. IEA

reports that global energy demand grew by 2.3% in 2018, natural gas consumption was the main contributor to this increase, accounting for nearly 45% of total energy demand growth.

Par. 36. It should be noted that the Argentine State has made efforts to generate a more progressive Tax System, namely: payment of Income Tax for new entrants to the Judiciary and a bill submitted for all members of the Judiciary to be covered by the tax.

5. *Inflation and exchange rates*

Parr. 43. In this section, within the framework of inflation and particularly in food and the impact this has on the income of the most vulnerable sectors, it is mentioned that the Basic Food Basket in the Great Buenos Aires (GBA) registered an average monthly increase rate in July and August of 6.7%.

Although this data is true, it should be noted that, according to the latest available values, the monthly variation of the basic food baskets slowed down considerably, even below the CPI. The Basic Food Basket increased 3.1% monthly in November and 5.0% in December, and the Total Basic Food Basket increased 4.4% in November and 4.5% monthly in December, both below the averages of over 6% in the January-October accumulated period.

Par. 45. It should be added the creation of the Fair Prices Program launched in November 2022, which aims to achieve access to a quality food basket for Argentine men and women. Today it contemplates more than 482 companies of various items and more than 49,900 products with an average price guideline that drops from 4% to 3.2% per month. Since February 2023, the program has been extended to 15 sectors of mass consumption, clothing, sports footwear, home and construction, cell phones, small household appliances, school and education basket, industrial supplies, textiles, motorcycles, bicycles, medicines and catalog sales. It has an app that allows consumers to know the products and their prices, and to report irregularities.

III. Human rights impact

Parr. 51. Here the report mentions the unemployment rate as of the second quarter of 2022 at 7.0% of the EAP, but with an informality rate close to "40%".

However, the average non-registration rate for 2022 (first three quarters) was 37%. It is suggested that the value be specified with greater certainty, since to say that it is close to 40% is to add 3 p.p. and this statistic has not reached these values since 2007.

Parr.53. Here it refers to Argentina devoting 3% of its GDP to social assistance in 2020 and 2021. The levels of assistance provided, coupled with the negative effects of inflation and a 2-year old federal budget, have not had a considerable impact on reducing poverty levels. It also devotes 8% of its GDP to pensions; however, retirement benefits are not sufficient to maintain an adequate standard of living for many retirees and pensioners.

We highlight that during these last years, compensatory bonuses/reinforcements were granted together with the increase in pension mobility to sustain the purchasing power of retirees and pensioners. Also, in 2022, spending on income policies (national cash transfer programs) amounted to approximately 10% of GDP.

It is also important to mention that poverty decreased from 42% of people in the second half of 2020 to 36.5% in the first half of 2022. In addition, poverty among the elderly is 24.4 p.p. below the population average. In the first half of 2022 it was 12.1% for those over 65.

Parr. 54. Here the report refers to Administrative Decision 826/2022, which foresaw cuts in important programs, such as the "Conectar Igualdad" Program and the Territorial Planning and Development Program, in the education and housing sectors, and in the construction of daycare centers.

The "Conectar Igualdad" program, corresponding to the Ministry of Education, had an initial budget of \$20,930.4 million in 2022, a current appropriation at the time of the reallocation provided for in the aforementioned AD of \$55,758.7 million and an execution percentage of 71% (\$39,622.5 million). In the AD, reallocations were made in two budget activities: Activity 7 ("Connectivity and Infrastructure") and Activity 2 ("Acquisition of Equipment"). In Activity 7 - "Connectivity and infrastructure", which had an initial budget of \$3,810.2 million, a budget in force at the time of reallocation of \$6,772.7 million and an execution of 27.8% (\$1,882.9 million), the budget reduction did not represent a limit for the development of the activity, considering the execution percentage at the time of reallocation. Activity 2 - "Acquisition of equipment" had a current budget of \$36,398.1 million in 2022. Finally, the draft Budget 2023 foresees an allocation of \$121,098.5 million for the entire "Conectar Igualdad" program, with the aim of strengthening access to education for boys and girls.

Regarding the construction of Day Care Centers, no reallocation was detected that would undermine the scope of the objectives set by the different construction programs and the infrastructure strengthening of these spaces. Although the AD cited by the Expert specified a reduction in Activity 40 "Construction of New Kindergartens with Decentralized Bidding of Program 46: Strengthening of Kindergartens" (Ministry of Education), the level of execution of this activity at the time of the AD was 15.8, so that the modifications are necessary adjustments in the budgetary dynamics. Finally, the 2023 Budget proposal foresees a budget of \$37,483.2 million for the Kindergarten Building Strengthening program, which exceeds by 59.5% the current appropriation for 2022 (\$23,500 million) and by 144.8% the amount executed by this program in the same year (\$15,309.1 million).

B. Right to a healthy environment and debt related climate swaps

Par. 63. This paragraph states that "in 2021, the authorities launched a proposal for a debt-for-climate action swap mechanism, also supported by the IMF."

Although in 2021 the authorities expressed the need for studying a debt-for-climate action swap mechanism, also supported by the International Monetary Fund (IMF), no formal proposal was launched.

V. Conclusions and recommendations

Par. (86)(j). Argentina would like to clarify that in 2021 the "Strengthening of Public Debt Sustainability Law" (L.27.612) was enacted. Together with the "Financial Administration Law" (L. 24.156), both laws comprise a sufficient framework for sovereign debt administration, including possible instances of restructuring.

As regards to credit agencies, even though we share the report's concern, it is not clear how a local regulation could promote a more constructive stance from them.

Par. (86)(l). Following the comment made above to paragraph 63, Argentina could only adopt this recommendation in the potential event that such a proposal materializes.