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EXECUTIVE SUMMARY

ADDING FUEL **to the fire.** PUBLIC DEBT & climate **CHANGE** in Argentina.

This document seeks to contribute to the understanding of causal relations between public debt and climate change in Argentina, as well as to propose a course of action aimed at making progress in the compliance with human and environmental rights regarding debt policies. It is recommended to turn to the whole document to obtain a deeper understanding and check the relevant sources.

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Adding fuel to the fire

Public debt and climate change in Argentina

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Climate crisis and debt: interdependence¹

Argentina’s over-indebtedness has a deep and interdependent relation with two factors –productive specialization and almost zero investment to revert climate change– which have a negative impact on the environment, especially on global warming. If this situation is not changed, public debt will continue to be (almost literally) like adding fuel to the fire.

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If the causal relations between public debt and climate change were to be fully summarized, public finances determine economic policies and, ultimately, the economic model prevailing in the countries in debt, leading in many cases to an acceleration of climate change, as a consequence of furthering inefficient –or even counterproductive– biases regarding the capability of renewing natural resources and the environment.

As a consequence, debt services and creditors' demands make countries follow ways not compatible with climate emergencies. This is expressed in different manners, which include fiscal adjustment –which limits available resources to address climate actions– and the shaping of the economic reproduction pattern, which involves including specific biases in the economic policy.

The need to obtain foreign currency to comply with debt services pushes for the over-exploitation of natural resources and investments in the extractive and agriculture sectors, with an economy strongly-oriented to the export of raw material, which generates fast foreign exchange income and, at the same time, makes the most of the existing comparative advantages. In addition, it limits the available fiscal resources to invest in climate actions.

On the other hand, the climate crisis pushes States to mobilize resources to finance energy transition or, directly, to address climate emergencies. The new emergencies due to extreme climate events imply higher costs for States which –being in permanent fiscal crises– seek to solve them through debt and climate

insurance, which in turn strengthens dependence on credit. At the same time, the greater vulnerability of the countries of the region increases their fiscal risks as the climate shocks and default risks increase, as well as the cost of loans and the macroeconomic volatility.

Climate change and inequalities

At international level, there has been consensus building on the need to deal with climate change and its consequences. One key milestone has been the **United Nations Framework Convention on Climate Change** (1994), which attributed climate change to human activity and therefore led to the common but differentiated responsibilities among the countries. It specifically **established the obligation of developed countries to contribute funds and technology to reach common goals, preventing the remaining countries from committing their development to address the socio-energy transition process**. In this regard, at COP15 held in Copenhagen in 2009, developed countries committed to a collective goal of climate financing of USD 100 billion a year by 2020. These obligations were consolidated in 2015 at the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) held in Paris (which entered into force in 2016). In fact, they were included as part of the Sustainable Development Goals (SDG) in Goal 13: Climate Action.

Industrialized countries have been and are the main responsible for the historical Greenhouse Gases (GHG) emission, accounting for almost 70% accumulated since 1850. G8 countries are responsible for 85% of the excess national emissions. Latin America and the Caribbean generate

around 11% of GHG, but it is a region particularly affected by the effects of climate change, facing the risk of an escalation of adaptation and mitigation costs.

Changes in the land, aquifer and ocean ecosystems have been tried in the region, which have impacted on agriculture (especially in soy, corn, and wheat crops) and fishing, two key activities for the local economic activity. This has posed severe threats on food safety and water access in the region, leading to an increase in malnutrition cases. This disproportionated character is strengthened not only among regions, but also among social groups. **10% of the wealthiest population in the world account for 52% of the accumulated greenhouse emissions, while the richest 1% caused more than double of greenhouse emissions in comparison with the poorest 50% between 1990 and 2015.**

Finally, it must be highlighted that the double crisis of debt and climate emergency exacerbates existing inequalities (among them, gender inequalities) and add to the specific intersectional ones. Therefore, responsibility burden and impacts do not respond to the same distribution. This way, the poorest countries have less resources to deal with the effects of climate change or adapt to it, as well as to comply with the emission reduction goals. Similarly, people with lower incomes face a comparable situation. In both cases, they contribute very little to climate change, but suffer the consequences in a differentiated manner and have less economic resources to cope with the situation: they cannot make investments to circumvent the most detrimental effects of climate change. The other side of this situation is the wealth and consumption patterns of central

countries, which count on the ecosystem materials and services supply from the poor economies, which gives rise to the ecological debt.

For this reason, central countries (and the sectors with higher income) are obliged to contribute greater resources. The figure to which countries committed at COP15 is clearly insufficient in view of the investment needs of peripheral countries and regarding the responsibility for previous emissions. **It has been calculated that less than a quarter of the committed funds have been contributed and that almost three quarters of financing for climate actions came as credit, i.e., increasing debt.** Committed funds are insufficient, they are not complied with and they are mostly used as a way of increasing the exposure of countries to indebtedness.

93% of the countries most vulnerable to the climate crisis are also going through a debt crisis or are in serious risk of getting in debt. In view of the urgent need to mobilize resources (whether financing with extra resources, releasing them from the debt), **States, international organizations and the private sector have been designing financial resources aimed at addressing the environmental crisis and reverting climate change.**

In general terms, what is found is that most of the initiatives have laid on market mechanisms, where States do not mobilize sufficient funds, do not impose strict limits to credit towards polluting sectors, nor do they oblige these sectors to pay more taxes, but back (guarantee) investments, reducing the risk of investment or, if seen from another

standpoint, increase the expected profit from private capital, socializing the costs with the Borrower State's population.

To a great extent, the concept, debate, negotiation, and implementation of most of the financial instruments aimed at mobilizing finances for climate action are not part of the debates within the implementation and accountability context derived from the United Nations Framework Convention on Climate Change.

In fact, **there is a particular dissociation between these initiatives and the role of private capitals.** On the one hand, they are not obliged to participate in these commitments towards climate change, and it is the corporate players' decision whether to participate or not. On the other hand, the use of instruments simulating market solutions tend to involve them as investors that can take profitable opportunities. In other words, **they are allowed to consider as a business the need to invest to cover climate action, but they are not obliged to deal with the risks involved in that investment,** which is transferred to States.

Human rights relevance before the intersection of climate crisis and debt

For human rights to continue being relevant in these times, it is necessary to delve into, broaden and prioritize technical and theoretical knowledge, such as political and social activism to face the climate emergency. This task of urgently promoting climate action through rules, frameworks and tactics based on rights is what is called "climatizing human rights". Even if international law has broadened and consolidated regarding state and non-state players' obligations

in the field of human rights –in general– and environmental rights –in particular–, such process has been discontinuous, fragmented, not exempt from contradictions and with strong obstacles in the way.

There is a broad series of international and regional instruments, declarations and guidelines that acknowledge as autonomous the right to a healthy environment, both in its individual and collective aspect. The UN General Assembly approved in 2022 that it expressly “recognizes the human right to a clean, healthy, and sustainable environment”. This right is broken into a series of principles from the environmental law realm, such as prevention (due to the irreversibility or long-term effects of most of environmental damages, it is best to avoid damage than to remediate it) and precautionary (which means not taking risky decisions from the environmental standpoint when the possible consequences are not clearly known).

The International Covenant on Economic, Social and Cultural Rights establishes that States must allocate up to the maximum of their available resources to ensure the progressive realization of Economic, Social and Cultural Rights and the continuous improvement of living conditions (articles 1 and 2), which include environmental conditions obviously. In addition to the progressivity obligation, the non-regression obligation arises both regarding the regulation scope of the rights and the results of public policies implemented for their satisfaction. The American Convention on Human Rights and the Protocol of San Salvador offer similar provisions (articles 26 and 1, respectively).

In the Inter-American system, the IACHR resolution on Climate Emergency: Scope of Inter-American Human Rights Obligations” of 2021 is highly valuable since it ratified and broaden the IACHR interpretation of 2017 regarding the content and

implication of the right to an environment in a broad range of substantive and procedure aspects. While the IACHR in an Advisory Opinion of 2017 makes no reference to the debt, the IACHR Resolution of 2021 does mention in a generic way the challenge of financing climate actions.

It is important to remember that economic measures with regressive effects on human rights are inadmissible and that the Committee on Economic, Social and Cultural Rights (CESCR) established a series of conditions that must be met so as to recognize the legal feasibility of these measures in the term of validity of the cause justifying them (Ruling Principle 10). However, it is necessary to explain some matters regarding the CESCR test application with regards to the environment.

It is paramount to advance towards an interpretation in which the relaxation of environmental protection standards to which States can resort to so as to generate greater investments and foreign currency income as a means to restore the debt “sustainability” is never considered as a possible fiscal option, even when it seems CESCR conditions are met for the extraordinary admission of regressive measures.

This in accordance with the irreversible impact of most of the adverse effects this type of regressive measures have on environmental rights, which in turn compromise the legitimacy, reasonableness, proportionality, and minimum content requirements of a healthy environment. **Tax reduction in the benefit of**

the fossil fuel industry or the generation of fiscal incentives for that sector should be considered as measures that go against the progressive nature of the right to a healthy environment, unless the States proves (in this case, proof burden is inverted) these measures comply with all the conditions for the admissibility of regressive measures established by the CDESCR.

Borrower States must conduct impact assessments of the economic policies and reforms (including debt management) on human rights. Ruling Principles on economic reforms and human rights are explicit regarding the obligation of considering the debt incidence on the environment, as a consequence of the precautionary principle. This provision derives from the “consistency principle”, which demands consistency in state policies (fiscal, social, labor, environmental policies, among others) in the short, mid, and long term so as to ensure the State’s capacity to guarantee the realization of all human rights, including environmental ones.

Regarding creditors, both public (multilateral and bilateral) and private ones hold international and regional obligations in the debt and human rights, including the environment. As regards official creditors, this report will only state that despite the international financial entities’ insistence (mainly the IMF and the World Bank) in considering themselves to be above the international law of human rights, there are obligations in this area as explained by CDESCR and Special Procedures Mandates. The IMF’s role is particularly relevant as it acts as an access key to financing through reviews and recommendations.

Despite the growing IMF official rhetoric, environmental risks have been scarcely considered, evaluating that their incorporation imposes an

excessive and costly burden on countries. In fact, its adjustment and structural reform programs tend to reinforce the idea that an infinite growth is possible and that specializations based on the over-exploitation of natural resources are justifiable for the sake of debt payment.

Regarding creditor States (both in their lender and donor conditions, as members of IFIs) and as a consequence of the cooperation principle established in the International Covenant on Economic, Social and Cultural Rights (Articles 1 and 2) and in the Universal Declaration on the Right to Development of 1986 (Article 6), they should take steps to prevent their acts from hindering people living beyond their borders from having access to human rights, contributing to the creation of an international environment permitting the realization of those rights. It must be remembered that **the due diligence principle is cross-sectional to financial activities, and also when they are channeled to activities with (present or potential) impact on the environment.** It must also be highlighted that **the good faith participation of creditors in restructuring procedures includes debt relief agreements (as remittance and debt swap, staggering of due dates, reducing debt service and default interest).** In fact, in the case of official creditors, when it comes to States or international organizations formed by States, when entering into agreements or international commitments regarding emission reductions, their cooperation obligation in debt contexts is higher.

Debt sustainability, which includes an environmental dimension, is legal data to be highlighted, even if it is not usually considered seriously by Finance Ministries, Central Banks, IFIs and private creditors: so as to comply with

international and regional standards, a “green bond” or just expressing concern over the planet in the IMF Article IV review is not enough if, at the same time, they insist on increasing economic activities with known adverse consequences for the planet’s temperature and/or there is no fiscal margin to invest in the National Plan on Adaptation and Mitigation.

Argentina’s climate commitments

The Argentine State has undertaken international commitments on climate change. It ratified the United Nations Framework Convention on Climate Change and related instruments. Within the framework of the General Environment Act (Law No. 25675) of 2002 and under the commitment undertaken through Escazú Agreement towards access to information (approved through Law No. 27566 of 2020), Argentina established the obligation to measure Naturally Determined Contribution, task fulfilled in 2016 and 2020, committing not to exceed the 359 MtCO₂eq net emission by 2030. **However, carbon dioxide and methane emissions continue increasing in the country. Argentina is responsible for approximately 1% of global greenhouse gases emissions.**

Argentina’s problem is not limited to gases emissions, but to the fact that the country is exposed to extreme climate events that not only harm the environment and the directly-affected population, but which —for Argentina’s dependence on exports based on the primary sector— may cause macroeconomic destabilization. **So as to deal with the debt services commitments, the country is increasingly oriented to this type of production specialization, which, at the same time, exposes it greatly to moderate and extreme climate events.** When these happen, the country’s macroeconomics destabilizes (as in 2023, due to drought), and the State intends to alleviate it by seeking resources, among which

there is public debt. But these resources are conditioned in a non-favorable sense to make progress in the socio-energy transition since the fast generation of foreign currency is prioritized.

Argentina estimated the resources it may need to carry out climate actions. Through Law No. 27520 of 2019 on Minimum Requirements for the Adaptation and Mitigation to Global Climate Change (and Decree No. 1030/20), the National Climate Change Cabinet was created, which space estimated the needs for adaptation and mitigation investments. **A National Plan on Adaptation and Mitigation to Climate Change was drafted, which proposes 250 measures. Only the cost of 169 of these was estimated, which amounted to USD 296,594,000,000.** This cost does not involve expenses associated with social compensations of harmed persons –not just for the required structural change, but also for the present impact of the environmental damage caused by the production system as of today. **The investment volume is severely underestimated. All in all, it represents the equivalent to 75% of the total public debt at the end of 2022.**

The comparison between what is invested in adaptation and mitigation and what is allocated to honor the debt is significant: while Argentina is facing a fiscal and balance of payments crisis due to the obligations associated with the debt, it presents an emergency situation to afford the climate actions it deems necessary and urgent. For that reason, the mentioned National Plan states that “several financing sources” will be necessary, without assigning a central responsibility to the State and its collection capacity: **there are no references to changes or even reviews of a tax reform to generate the resources necessary to comply with such level of investments.**

The National Plan on Adaptation and Mitigation to Climate Change not only fails to make reference to a general fiscal reform under greater justice and escalation rules, but also to the need to review the subsidies scheme for the fossil fuel industry. It does not highlight the need to boost compliance with international commitments regarding funds either. International cooperation seems to refer centrally to education goals and improvements at institutional level, but not to access to funds.

Argentina's public debt

The *Cambemos* administration (2015–2019) deteriorated all the indicators of debt sustainability, significantly increasing its absolute and relative value (to GDP and exports), which resulted in the interruption of debt payments which was taken on by their own administration, amidst a generalized economic crisis, having resorted to the largest loan in the history of the IMF.

In 2020, the *Frente de Todos* administration restructured the debt with private creditors and renegotiated an Extended Fund Facility Arrangement with the IMF in 2022 (in order to pay the Stand By from 2018), in both cases extending the payment horizon, while recognizing the validity of the debts. **The arrangement with the IMF is subject to quarterly reviews, which imply permanent control of the entity on the Argentine fiscal and macroeconomic accounts.** Among their main conditions, the arrangement sets forth a 3-year fiscal consolidation path (instead of an immediate adjustment), the reduction of the Central Bank's

monetary financing of the deficit and the accumulation of reserves through a boost to exports. These aspects exerted pressure on the core of the coalition in office in different opportunities.

Total public debt as of December 2022 was USD 396,555,000,000, 38.3% of which was under foreign regulations and 66.2% in foreign currency (mostly, USD). Half of the debt in foreign currency was established at variable rates, which exposes it to variations in international monetary policies, as was the case from 2022 with the rise in benchmark interest rates in USA and Europe. After the relief provided by the debt swap in 2020, this debt has continued to shorten its average life and became more expensive. By the end of 2022, 73% of the total public debt was formed by public instruments and 19% by loans from international credit entities, which offered positive net financing to this administration (except for the IMF).

In the next presidential term of office (2023-2027), there will be a debt maturity for USD 127,085,000,000, and in the following one (2027-2031) another USD 106,260,000,000, which will be renewed, restructured, or paid. Maturities with international credit entities, including principal and interest, represent 22% of the total in the following administration and 27% of the one after that. **Taking into consideration the volumes implied, the structural pressure from creditors on the following administrations is evident, with relative independence of their political orientation.**

From the total of maturities, 90,877,000,000 are effectively in foreign currency in the referred first period (71.5% of the total), whereas in the following period they will be 101,123,000,000 (95.2% of the total). This exerts pressure not only due to the fiscal resources —which are destined to the payment of debt services— but also on the overall economy to obtain currency. This **implies a systemic compulsion**

to increase access to currency in order to honor the debt on a relatively short term to think of any type of exporting expansion that modifies the current bias, as will be addressed in the following section. Even though it is true that at least a part of those maturities can be renewed or restructured, this depends on the country following the policy guidelines driven by the interests of creditors –whose main interest is to keep service payments.

Debt and environmental degradation

There is a long-standing tradition in economic analysis which indicates that in Argentina access to currency is conditioning the possibility to grow. This is called “external constraint on growth”. However, this constraint has changed in respect to its original formulation. The basic transformation of primary products enabled a part of the industry to present systemic trade surplus (cereal and oilseed complexes), to which mining is added. However, other sectors present systematic deficits in terms of foreign currency, not only the rest of the industry, but also service accounts, as well as capital flight and debt payments. Some of the key factors of this deficit do not present direct correlation to the internal economic cycle (financial flows in first place), which dissociates the internal dynamic of constraints.

This is at the core of the systemic pressure which imposes the obligation to maximize exports urgently, which implies relying on the existing static comparative advantages or, in other words, to deepen the existing structural biases. **It is some kind of “exporting mandate”, which limits the possibilities of facing redistribution processes, of structural change, consistent with climate challenges.** In this regard, there is a striking confluence between orthodox trends –which consider exporting primary goods as a natural place in the distribution of

roles in the international market— and heterodox neo-developmental trends, which consider it as a necessary step for financing —stockpile currency— not only the growth process, but also a process of structural and distributive change. According to this trend, State intervention is necessary.

The problems related to the management of the debt are included in this point: debt is not associated with the accumulation process and its players, as well as the institutional structure that supports it. This way, the only proposed solution to the problem of the debt is to accumulate the necessary resources to honor it. In this regard, a boost to all possible exports is accepted as a need, even though the ones currently existing are the main beneficiaries.

So, there is a concerning shared inclination —by both wide political and economic sectors— towards increasing not only the exports of food, but also other resources which offer the possibility of rapid development of the business and find a dynamic market at international level. In this regard, lithium and gas in non-conventional deposits are presented as an array of opportunities which should be taken advantage of in an urgent manner, together with advances towards global energy transition.

The need to pay the debt pushes the country to foster activities which are contrary to its climate commitments. And, as the resources obtained are destined to the payment of the debt, the country is forced to seek new financing to invest in adaptation and mitigation. This creates a vicious circle, which keeps the country indebted and with a productive profile contrary to distributive improvements and efforts towards climate

change.

It is important to insist on the environmental impact of this export expansion, which has systematically modified land use and has provoked its growing depletion. The dependence on these agro-industrial exports to support the several capital flights lies on the growing exporting profile sustained by deforestation and intensive use of agrochemicals, highly transnationalized. It is worth mentioning that it is a scheme with strong exposure to extreme climate events, as proved by the drought that forced the government to manage the macroeconomic accounts in 2023 with a severe deficit, which puts the Argentine macroeconomics at risk. **The urge to incorporate activities related to mining exploitation and hydrocarbons adds another series of environmental objections related to the use of collective goods .**

The catalytic role of the IMF

The IMF has become once again a central player in the definition of Argentine public policies since 2018. In March 2022, the new Argentine administration reached an understanding with the IMF to pay the 2018 agreement. During the following years, quarterly disbursements of the 2022 agreement require prior technical review approval by the staff and the Executive Board of the IMF to pay the 2018 agreement. This way, an instability mechanism was incorporated –due to the uncertainty over the assessment that the entity performs on the Argentine accounts and policies. Once again, it is important to highlight that the agreement with the IMF explicitly suggests, as a double main goal, the reduction of public deficit and its monetary financing. **Deficit reduction does not consider in the agreement any debt relief from the IMF, nor even under a swap scheme for**

climate action, which would improve the result, reorienting the resources according to the urgencies experienced by the country.

The “fiscal consolidation path” was presented as a novelty, against the adjustment for shock, which is more usual under IMF conditions. The Memorandum of Understanding points out that the adaptation and mitigation policies upon climate change must be considered, but these are based on investment incentives regimes (as the Electric Mobility Act or the regulation of the hydrogen-producing sector), without any investment responsibility from the State, nor commitments from the IMF. If we consider the 2023 budget, **the subsidies to the offer of fossil fuel energy exceed the investment in renewable energy by 485**, so the direction seems to be the opposite. In this agreement there are no references to the goals of socio-energy transition, nor to the commitments taken by Argentina at COPs.

Point 29 promotes the expansion of electric energy generation by means of “Plan Gas” (Decree 892/2020), i.e., through hydrocarbon generation. Even though the main goals are self-supply and the reduction of imports, the expansion of exportable surplus through an investment-friendly environment in this business and the offer at competitive prices are also valued. Pursuant to Decree 730/22, the goal is to put every gas basin possible into production, including conventional and non-conventional deposits. This is far from being a goal under the precautionary, mitigation and adaptation principles in line with the intention to reduce dependency on fossil fuel. The National Plan on Adaptation and Mitigation proposes just to reduce emissions by using more efficient technologies and techniques in the upstream steps (industry) of the value chain.

The Memorandum with the IMF fails to mention, in the structural goals, an orientation change of the energy matrix towards a reduction of the dependency on fossil fuels, any other commitment associated with the socio-energy transition. In fact, energy efficiency and the boost to renewable energies are merely mentioned, while the focus is placed on making prices reflect the situation of the hydrocarbon market better.

It is worth mentioning that no reviews of the Extended Fund Facility Arrangement, nor the prior reviews corresponding to Section IV, have expressly taken into consideration the climate situation as macro-critical. In fact, since early 2023, the effects of the drought on agriculture production were foreseeable and also the effects on the following exports and on the balance of payments, and the international reserves administered by the Central Bank. The extreme climate event had already taken place and its effects on the country's macroeconomics were already known, which included, as mentioned before, an increase in inflation. Despite all this, up to mid-year, **the IMF did not introduce any type of relief to debt services, nor access to new concessional lines associated with the climate emergency. The IMF did not even remit or suspend the payments of surcharges, in spite of the recurrent requests from civil society organizations, academic organizations and governments of debtor countries.**

In fact, the financing of the National Plan on Adaptation and Mitigation to Climate Change does not even fall within the radar of fiscal debates between the government and the IMF. **The 2022 agreement —as the 2018 agreement— insists on fiscal austerity as a goal, which limits the funds available for the State to invest on socio-energy transition goals.** Specifically, could there have been

subsidies for any other activities to reduce the dependency of the Argentine energy matrix on fossil fuels? The total amount of the SBA loan restructured as AFE equals half of the estimated cost of the energy transition strategic line or triple the calculation for the productive transition. The government's course of action seems to be going the opposite direction. By 2023, subsidies to oil and gas will obtain almost 333 times more funds than the item allocated for the Preservation of Biodiversity. The mining promotion regime exceeds the total budget for the Ministry of Environment and Sustainable Development. **If we consider the budget as a priority indicator, it seems clear that climate action does not appear on top of the list.**

This way, through the reports —even the so-called “environmental assessments”—, the IMF fosters the strengthening of that primarization of the productive model, to ensure a flow of sufficient funds to face the debt service of the country. Its assessment period —quarterly or annually— demands for a fast exporting adjustment, inconsistent with the processes of structural change which take years, even decades. In the IMF reports, there are no signs of environmental concern, for example, in view of the growing development of the fossil industry in Patagonia, or the lack of financing provision for the National Plan on Adaptation and Mitigation to Climate Change. This way, **the same credit entity celebrates the reduction of domestic subsidies to energy, while fostering private investment in the fossil sector.** The “macro-criticality” of environmental degradation used by the IMF is a performative practice: “greenwashing”.

In a similar manner, the review of the agreement helps to confirm the argument aforementioned, about how the payment of the debt seems to be conditioned to the increase of existing exports. Regardless of the implicit recessive effects of this recipe, the key point lies in the intensification of the extractivist model, which

promotes the use of short-term tools (as accelerated devaluations) to that effect, instead of thinking of mid and long-term strategies.

Conclusions

There is international consensus on human activity to be the origin of climate change, and the need to act urgently to limit and revert the rise of global temperature. Therefore, governments must invest in mitigation, adaptation, and remediation, with inevitable differentiated responsibilities. Despite the fact that climate change is an indivisible reality at a global scale, it impacts differently depending on the countries and population groups.

Specifically, economies in the global periphery are affected the most by the recurrence of hurricanes, floods, droughts, and other extreme climate events. However, these countries usually have limited access to resources to remediate those disasters: due to the difficulties to collect and the lack of sufficient funds from international cooperation, they resort to non-concessional debt to address the emergency.

Despite the fact governments of developed countries have responsibility over this situation, they have committed insufficient funds, and do not comply with their disbursement. This reinforces the use of debt as a mechanism for climate actions. Most of the countries in the periphery are affected both by the climate crisis and indebtedness, which are intertwined and reinforce each other. The relations between both phenomena are multiple. This is precisely the case of

Argentina, which in the interest of honoring its debt obligations, invests insufficiently on climate actions and reinforces a specialization contrary to its commitments on the matter.

So, in the first place, excessive debt influences the productive model based on the exploitation of raw materials. In second place, the pressure of debt service on public finance relegates state investment on mitigation, remediation, and environmental transition, while adding pressure to the primary exporting capacity of the country (agriculture and fossil fuel industry) to generate currency and comply with the maturities of payment of public debt. Even though the investment to implement the National Plan on Adaptation and Mitigation to Climate Change 2022 has been calculated, the necessary financing is not available. The items destined to financing climate action fail before the fiscal resources offered to maximize the exporting capacity in the agriculture, mining, and hydrocarbon sectors.

If there was real awareness of the scale of economic (and social) destruction that would likely occur due to the continuous advance of climate change and biodiversity erosion, the results of the debt sustainability analysis assessments would show, without a cast of doubt, an urgent and immediate need (obligation) to demand and grant significant debt reliefs so that States stop heating the planet when producing and reimbursing debt, and to allow them to allocate resources to actions that ensure the survival of humankind on Earth. **This obligation comprises States and their creditors. Debt payment cannot be sustained in a way that leads, in a foreseeable manner, to the sacrifice of human rights and planet sustainability.**

A key problem that arose in this investigation is related to the “international financing model for climate action”, which prioritizes, almost absolutely, loan instruments and bonds in non-concessional conditions and fosters market schemes, which aggravate the over-indebtedness situation and therefore the vicious circle with environmental degradation and inequalities.

This explains the apparent paradox of the deficit of climate financing (industrialized countries do not comply with their international commitments on the matter) while an over-indebtedness situation can be seen in peripheral countries. **While the ecological debt the North has with the South continues to be unpaid, the financial debt the South has with the North deepens.**

Finally, an environmental transition should not be expected at any cost, but we should expect an inclusive one. In fact, transition policies, even fiscal ones, must handle their consequences on economic and social rights (“fair transition”). This definition carries two implications. On the one hand, **it is not possible for some countries and populations to sacrifice their rights to ensure the green transition of others. On the other hand, peripheral countries and vulnerable populations cannot be demanded to comply with climate action investment goals while the country is trying to pay a public debt which is unsustainable on fiscal, social, and environmental terms.**

Recommendations

1. To demand effective and immediate compliance with investment commitments on climate action which high-income countries took on over

a decade ago and systematically keep on failing to comply. This implies, for example, demanding in several forums and instances, and in coordination with other peripheral countries, to direct those resources towards the South as a donation and help for their development, thus avoiding new debt.

2. To incorporate the damage and environmental risk dimension to the analysis of debt sustainability, especially the one carried out by official entities and the IMF. This exercise must include the environmental impact on the short, mid, and long term of the productive model presented, prioritizing sufficient budget items destined at mitigation and adaptation, and creating resilience-contingent funds to face climate events. It is impossible to consider sustainable a debt whose funds flow is calculated on the basis of a productive model which accelerates climate change and a public budget that does not allocate enough resources to adaptation and mitigation.
3. To incorporate limitations on minimum investment levels regarding climate action –adaptation and mitigation– for those countries not subject to fiscal consolidation pressures and to demand that the country complies with the investment pledged in current regulations related to socio-ecological transition.
4. To substantially expand the lines resources of the National Plan on Adaptation and Mitigation. To seriously incorporate goals of fiscal reform that gradually eliminate subsidies and exemptions, while increasing taxes to pollution generation and to redirect those resources towards sustainable activities and/or social groups vulnerable to climate change. As a first measure, the State must stop subsidizing the use of energy based on fossil

fuels, both through incentive plans and fiscal exemptions, and to redirect those resources to the use of cleaner energies or to energy saving.

5. To incorporate clauses in loan agreements with provisions on redistribution of risk (default) in case of extreme climate events or pandemics, not only in loans with official entities but also in loan agreements with private investors. These provisions may include collection suspensions and/or principal and/or interest reductions.
6. To negotiate, claim and grant, as the case may be, debt reliefs related to climate action. This type of investment must involve not only the debtor State —going through a fiscal crisis—, but also access to new international funds in terms of donations and concessional credit. In case a debt swap is performed due to climate action, it must actively involve the civil society in the definition of projects to be included, intervening players and subsequent supervision.
7. To request the IMF to stop charging surcharges to countries. These surcharges have been proven to be inefficient and unfair, in addition to reinforcing the detrimental effects that link the debt to climate change.
8. To demand the IMF to issue climate SDR [Special Drawing Rights] to low and middle-income countries, and to allocate them to investments in mitigation and adaptation without policy adequation requirements towards fiscal consolidation or the application of structural opening reforms, and especially if they have adverse effects on the environment.
9. To demand engagement of private creditors in the mechanisms of relief and suspension of debt services, such as those which took place during the pandemic. The international financial architecture must be reformed so

that it is consistent with the urgencies of socio-energy transition upon climate change. This reform debate –as established throughout this report– with deep impact on the environment must also be held at the core of COPs.

10. The Argentine State must move towards a progressive and fair tax reform which improves its collection capacity in order to reduce its dependency on debt. In this sense, tax pressure on polluting activities must be increased –as those based on fossil fuel energy– or those which are especially hazardous for human life or health.
11. The issuance of “green bonds” in the local market may be a feasible instrument to attract national savings –reducing pressure on capital flight. However, this still means new debt. In this regard, placements in foreign currency must be avoided if projects do not generate this type of collection.
12. To boost and finance different public policies that reduce inequality, considering that the richest countries and sectors are responsible for most of the pollution and that the most disadvantaged groups in socio-economic terms are usually those more exposed to the consequences of climate change.