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Principles for Promoting Responsible Sovereign Lending and Borrowing

by

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD

VIII Debt Management Conference

**PRINCIPLES FOR PROMOTING
RESPONSIBLE SOVEREIGN LENDING
AND BORROWING**

The Argentinean perspective

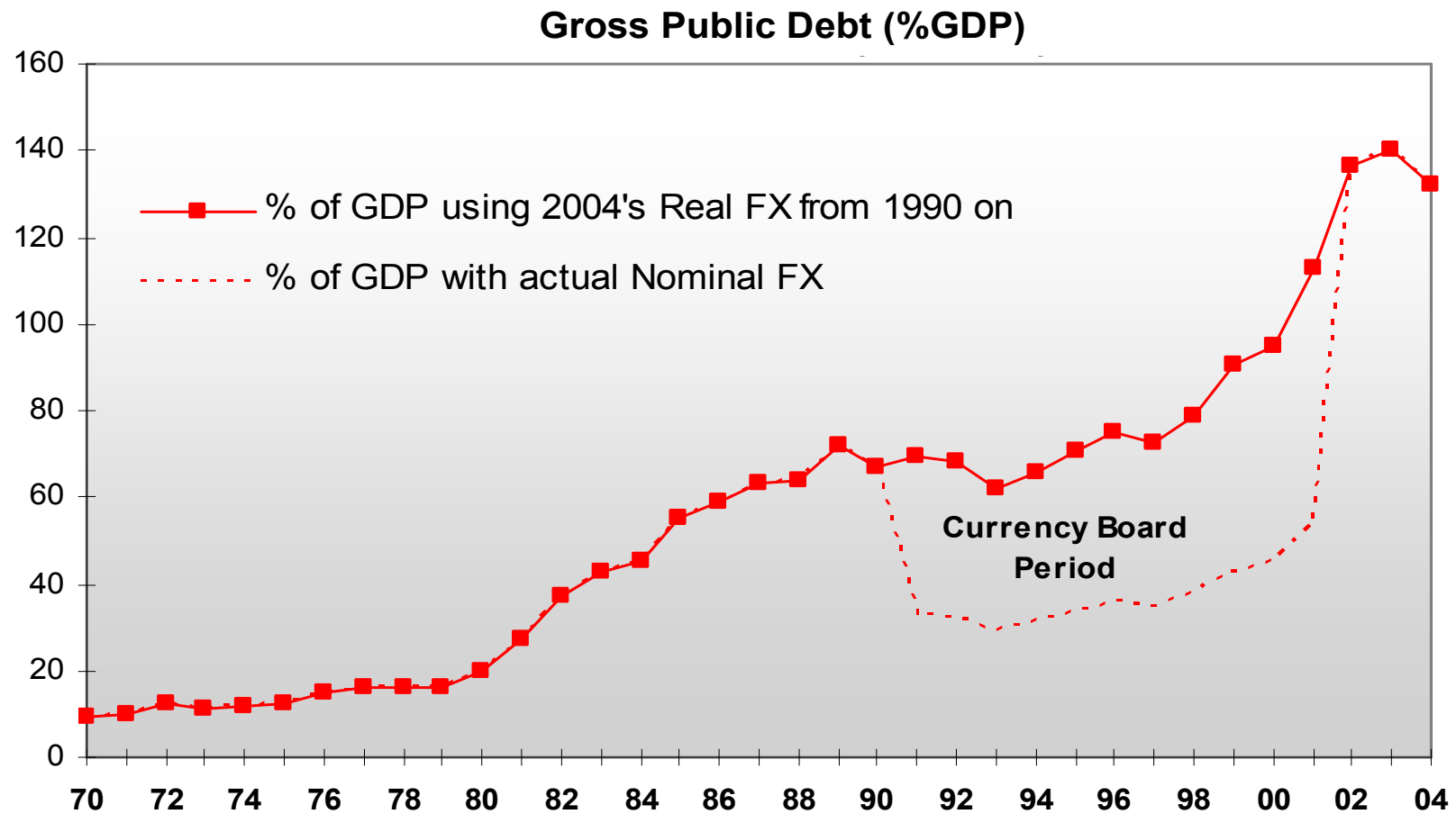
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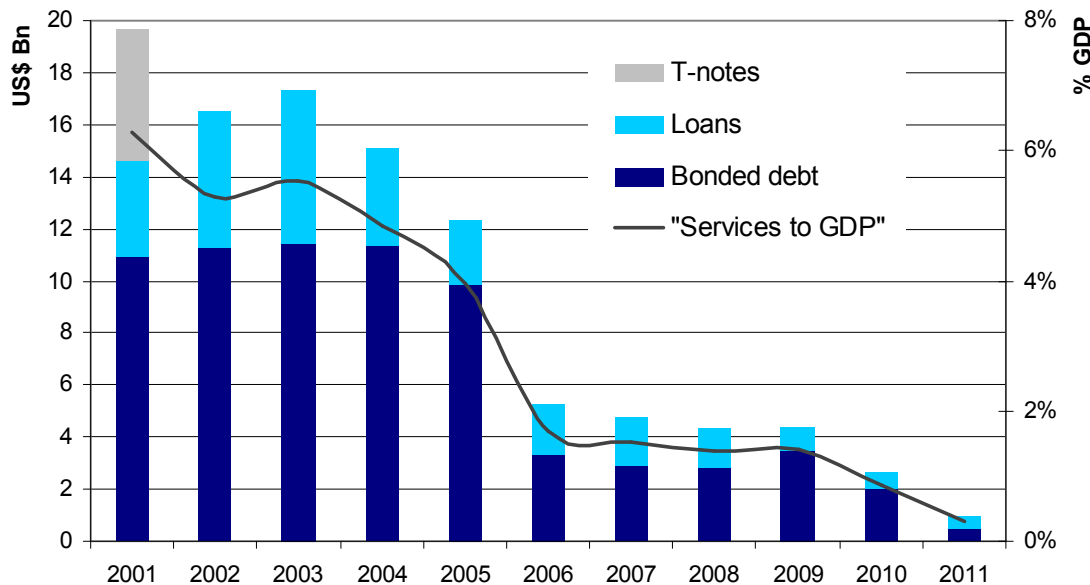
- **Situation that led to the default – Spiraling debt burden and default over USD 82 Bn of bonded debt**



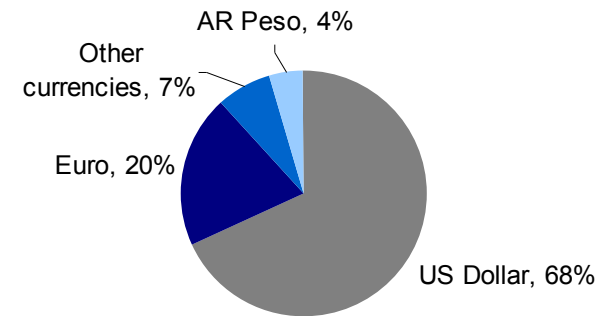
- During the currency board regime ('91-'01), the “debt problem” was hidden by full access to debt markets and an artificially low FX.

- **Situation that led to the default – Maturities concentrated in the short term**

Debt maturity profile prior to the default
(capital, Mn US\$, % GDP2001)



Debt composition by currency prior to the default US\$ 128 Bn



- Half of debt maturing within 3 years.
- 88% of debt services (k+i) maturing in 5 years.
- A decade of BoP structural deficit.
- Financial markets closed for new Argentine financing.
- 96% of total debt denominated in foreign currency.
- 93% of total debt held by private creditors and IFIs.

**NO ACCESS TO NEW FUNDING
+
DEEP ECONOMIC RECESSION
=
INEVITABLE DEFAULT**

- Economic indicators

	1998	2002	2010	2011P
GDP (Bn USD)	299	101 (-66%)	369	429
Ave. Exchange Rate (ARP/US\$)	1,00	3,09 (+209%)	3,91	4,13
Imports (% GDP)	13%	13% (0%)	18%	20%
Investment (% GDP)	20%	12% (-40%)	23%	22%
International Reserves (% GDP)	18	11 (-39%)	50	48
Total Deposits (Bn USD)	77	26 (-64%)	87	103

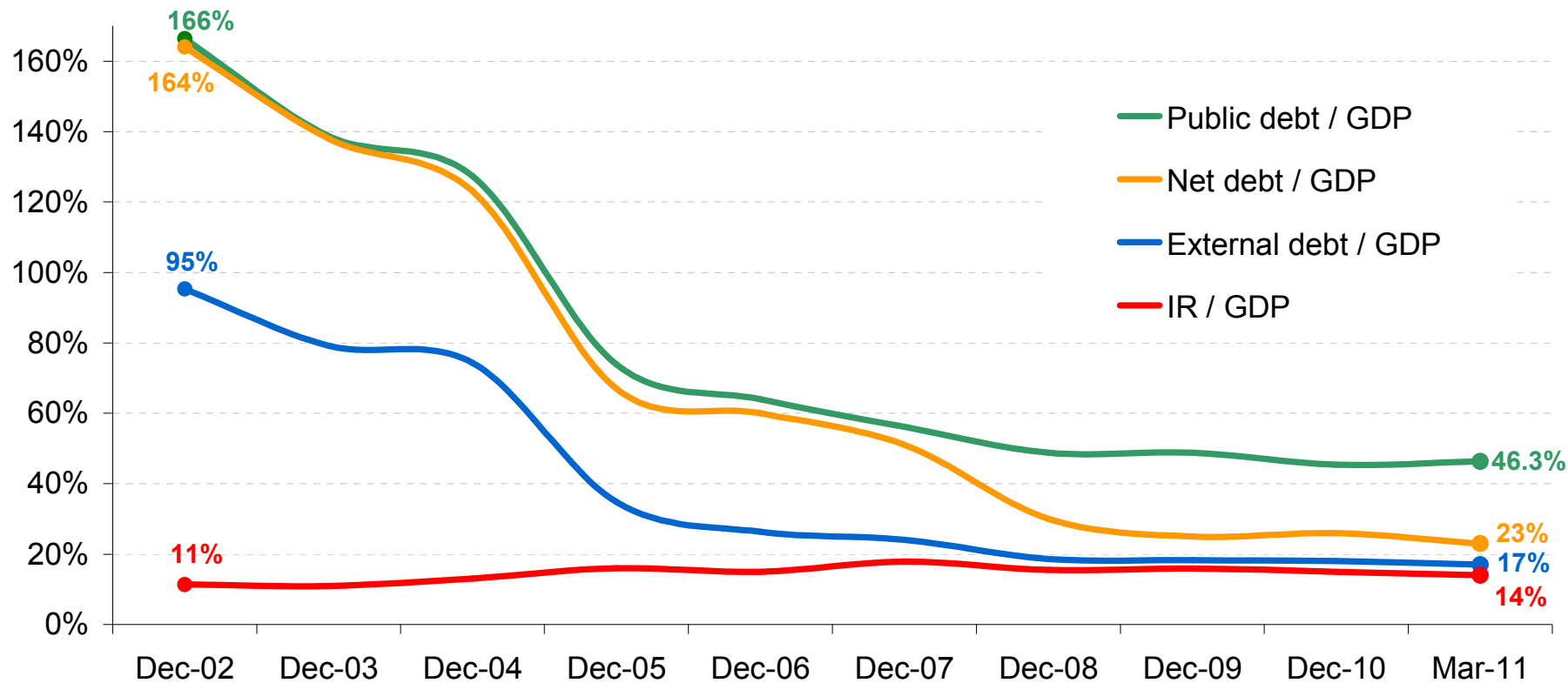
- Social indicators

	1998	2002	2010	2011P
GDP per capita (USD)	8.300	2.700 (-67%)	9.100	10.500
Unemployment	13%	20% (+54%)	8%	7%
Poverty	25%	52% (0%)	12%	8%
Extreme Poverty	6%	24% (+300%)	3%	2%

	2005	2010
Securities Offered	<ul style="list-style-type: none"> • Par • Discount • Cuasi-Par • GDP warrants 	<ul style="list-style-type: none"> • Par • Discount • GDP warrants
Payment of PDI*	In cash to all holders	In cash for the Par option and Global 17 for the Discount option
Commissions	Charged to the Republic	Charged to the holder
Marketability of the issuance	New instruments	Liquid secondary market
Macroeconomic context	Recovering from the crisis	High & stable 7-year growth track-record

*Recognized from 12/31/2003

Gross Debt, Net Debt, External Debt & International Reserves (all as % of GDP)



- Sustained downward trend in external debt as a consequence of a sustained GDP growth and a significant improvement in the debt composition.

THANK YOU

