

# Two Years After Handing It the Biggest Ever Bailout Loan, IMF Finds Argentina Debt Levels Are “Unsustainable”

By [Zero Hedge](#)

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Region: [Latin America & Caribbean](#)

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*Back in the summer of 2018, when the IMF handed Argentina an unprecedented \$56 billion bailout loan, the largest in IMF history, some warned that this is a case of deja vu similar to the 2001/2002 precedent when Argentina eventually defaulted on its foreign creditors, while humiliating the IMF which had signed off on Argentina’s economic policies that ended up in bankruptcy court. The IMF, however, was confident that this time would be different, and rushed – under now-ECB head Christine Lagarde – to hand to Argentina the greatest amount of money the IMF had ever disbursed to a struggling nation.*

It turned out that this time wasn’t different, and after completing a week of meetings in Argentine, the IMF – which so generously handed out other people’s money to prop up the crumbling, corrupt Latin American nation less than two years ago – finally threw in the towel and admitted that Argentina’s debt load is unsustainable, paving the way for the government to ask private bondholders to take on losses as it prepares to renegotiate its obligations.

The last time IMF officials commented on Argentina’s debt was in the fourth review of the credit line in July 2019, when they called it “sustainable, but not with a high probability.”

Oops. But it gets better.

A “meaningful contribution” will be necessary from private bondholders to restore the country’s debt sustainability, the IMF wrote in a statement Wednesday following talks with Argentine officials during its first technical mission in Buenos Aires under Alberto Fernandez’s presidency.

“The primary surplus that would be needed to reduce public debt and gross financing needs to levels consistent with manageable rollover risk and satisfactory potential growth is not economically nor politically feasible,” the Fund said, in what may be the most embarrassing moment in the Fund’s history.

Why embarrassing? Because as Hector Torres, a former executive director at the Fund who represented South American countries, [said last summer](#), “The IMF has put a lot in — not just money, but prestige,” to avoid a default. “The fact that the arrangement is not performing well right now is an embarrassment,” he said. Little did he know just how embarrassing it would get.

As discussed previously, Fernandez is seeking to renegotiate billions of dollars in debt with private creditors, including the infamous \$56 billion loan with the Washington-based organization.

Argentina's record IMF loan has been on hold since August after Fernandez pulled off a shock upset of incumbent Mauricio Macri in a presidential primary vote, sending markets reeling.

"IMF staff emphasized the importance of continuing a collaborative process of engagement with private creditors to maximize their participation in the debt operation," according to the statement. Meanwhile, Argentina's economy has collapsed, the currency has plunged, bonds prices have been in freefall and debt rose to nearly 90% of GDP at the end of 2019, the Fund said.

But the biggest pain now await bondholders, some of whom were so dumb to actually buy 100 year bonds from Argentina. Guzman warned investors (or at least their replacement since those who made the original investment were surely summarily fired) last week they'll probably be frustrated with negotiations, which he intends to wrap up by the end of March. South America's second-largest nation owes over \$38.7 billion to bondholders just this year, and payments peak in May. There is no way it can make those payments without magic.

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