Argentina's

Sustainable Finance National Strategy

Contents

Acronyms

ANSES: Argentine Social Security Administration (*Administración Nacional de Seguridad Social*)

BCRA: Central Bank of Argentina (*Banco Central de la República Argentina*)

BICE: Banco de Inversión y Comercio Exterior S.A.

BNA: Banco de la Nación Argentina

CAF: Development Bank of Latin America (formerly, *Corporación Andina de Fomento*)

CNV: National Securities Commission (*Comisión Nacional de Valores*)

COP: Conference of the Parties

ENFS: Sustainable Finance National Strategy (*Estrategia Nacional de Finanzas Sostenibles*)

ESG: Environmental, social and governance

ESMS: Environmental and Social Management System

GHG: Greenhouse gasses

GRI: Global Reporting Initiative

GSS bonds: Green, social and sustainable bonds

GSS+: Financial instruments and negotiable securities classified as green, social, sustainable, and sustainability-linked; this categorization includes the instruments and securities that may be developed to reach economic and social goals within the framework of the SDGs.

IR: Integrated Report

MECON: Argentine Ministry of Economy (*Ministerio de Economía de la Nación*)

MRV: Monitoring, reporting and verification system

MSMEs: Micro-, small- and medium-sized enterprises

MTFS: Technical Roundtable on Sustainable Finance (*Mesa Técnica de Finanzas Sostenibles*)

OECD: Organisation for Economic Co-operation and Development

ON: Corporate bonds (*obligaciones negociables*)

SDGs: Sustainable Development Goals

SGR: Reciprocal guarantee company (*sociedad de garantía recíproca*)

SMEs: Small- and medium-sized enterprises

SSN: National Superintendence of Insurance (*Superintendencia de Seguros de la Nación*)

TCFD: Task Force on Climate-related Financial Disclosures

UN: United Nations

UNFCCC: United Nations Framework Convention on Climate Change

Recent Advances in Development of Sustainable Finance in Argentina

Why are we Fostering Sustainable Finance?

Sustainable finance is currently underdeveloped in Argentina. Prior to the outbreak of the crisis caused by the COVID-19 pandemic -and according to a report prepared by UN Environment Inquiry in 2018[1]- it was estimated that the need for sustainable finance in Argentina for the period 2019-2030 was, at least, USD51 billion per year. At the same time, the flow of sustainable finance in 2018 was estimated to be approximately USD14.1 billion.

> **What is Sustainable Finance?**
>
> *The Technical Roundtable on Sustainable Finance (MTFS) agreed in December 2020 that sustainable finance will be understood as: "financing and the respective institutional and market arrangements, which contribute to achieving strong, sustainable, balanced and inclusive growth, through direct and indirect support to the Sustainable Development Goals (SDGs) framework." Specifically, sustainable finance refers to the inclusion of environmental, social and governance issues (ESG criteria) in investment decision-making (Global Compact, 2020). In line with the definition of sustainable development and the SDGs, sustainable finance should generate measurable impact in economic, social and environmental terms. They are also commonly referred to as "impact investment," "triple impact investment," "socially responsible finance," or "responsible investing" depending on the positive and measurable impact on the dimensions of sustainable development.*

With the aim of strengthening the financial system and deepening the domestic capital market in order to advance along a path of sustainable economic recovery, it was time to initiate discussion at the national level on policies and actions that can contribute to the development of a sustainable financial market.

In recent years, important steps have been taken to accelerate the development and consolidation of investment flows that include environmental, social and governance issues, incorporating the lessons learned from other regional markets that are more developed in this area and taking advantage of the opportunity (given the country's current socio-economic context, exacerbated by the consequences of the pandemic and the Ukraine's War) to develop sustainable finance as part of the efforts of the economic recovery plan.

Faced with the challenge of designing and promoting economic and financial instruments that facilitate public and private investments towards initiatives that promote the sustainable development of our country and, recognizing that productive transformation for environmental and social sustainability is not only a matter of development but also of macroeconomic stability, in July 2020 the Technical Roundtable on Sustainable Finance (MTFS) of Argentina was established.

[1] CAPITALIZING SUSTAINABLE FINANCE IN ARGENTINA: A stocktake and review of sustainable finance opportunities for Argentina, UN Environment (2018). The estimates of the report are used in the absence of any data available from other sources.

Thus, the MTFS is created with the objective of providing a framework, within the public sector, for the exchange of information, discussion, coordination and evaluation of public policy actions, to develop Sustainable Finance in Argentina.

Initial Goals of the MTFS:

- Develop a roadmap for the development of the Sustainable Finance National Strategy.
- Agree and sign a joint declaration of Argentine financial sector regulators in order to promote the development of a sustainable financial system, in line with the 2030 Agenda and its SDGs.
- Promote public policy actions (including potential regulatory changes) necessary for the transition towards a sustainable financial system.
- Promote the design of appropriate incentives, guidelines and signals to catalyze the development of sustainable financial markets.
- Contribute to the development of tools and instruments for the mobilization and leveraging public and private sustainable financing.

The MTFS is composed of the **main public sector stakeholders** in the field of sustainable finance and is **coordinated by the Secretariat of International Economic and Financial Affairs of the Ministry of Economy of Argentina**, coordinating its work with the National Cabinet on Climate Change (*Gabinete Nacional de Cambio Climático*, GNCC).

Its permanent members are:

- Ministry of Economy of Argentina (Secretariat of International Economic and Financial Affairs, Secretariat of Finance, and Secretariat of Industry and Sustainable Development).
- National Securities Commission (CNV).
- National Superintendence of Insurance (SSN).
- Central Bank of Argentina (BCRA).
- Banco de la Nación Argentina (BNA).
- Banco de Inversión y Comercio Exterior S.A. (BICE).
- Ministry of Environment and Sustainable Development of Argentina.
- Sustainability Guarantee Fund – Argentine Social Security Administration (ANSES).

Strategic Lines of Action of the MTFS

- Information management to ensure standardization in sustainability criteria and adequate data flow for impact monitoring, reporting and verification.
- Generation and strengthening of capacities for the identification and structuring of sustainable projects.
- Design and promotion of financial and economic instruments to facilitate public and private investments in initiatives that promote sustainable development.
- Development of a public-private dialogue at the national level and international cooperation.
- Build the capacities of the Argentine financial market stakeholders to address climate-related financial risks and opportunities.

In order to meet its objective, the MTFS prepared in 2020 a **Roadmap for the Development of Sustainable Finance** that had five strategic lines of action that would guide the work of developing the **Sustainable Finance National Strategy (ENFS).**

The objective of the ENFS[2] is to **identify alternatives to mobilize in a scalable way the necessary resources to catalyze public and private investments that contribute to achieving economic and social objectives within the framework of the SDGs, including the country's climate change mitigation and adaptation goals.**

The strategy will also begin the process of **identifying the climate change-related risks to which the various financial sector participants are exposed and strengthen the cross-cutting capacities of both the public and private sectors to manage them**. In April 2021, the highest authorities of the Ministry of Economy, the Central Bank, the National Securities Commission and the National Superintendency of Insurance signed the **Joint Declaration of the Regulatory Authorities of the Banking, Insurance and Capital Markets Sector to the Development of Sustainable Finance in Argentina[3],** which express the Government’s commitment to promote the development of sustainable finance in Argentina.

[2] Goal agreed-upon by members of the MTFS.
[3] Available at: https://www.argentina.gob.ar/sites/default/files/2021/09/ssn_210807_desarrollosostenible.pdf.

Towards a Strategy for Sustainable Finance in Argentina

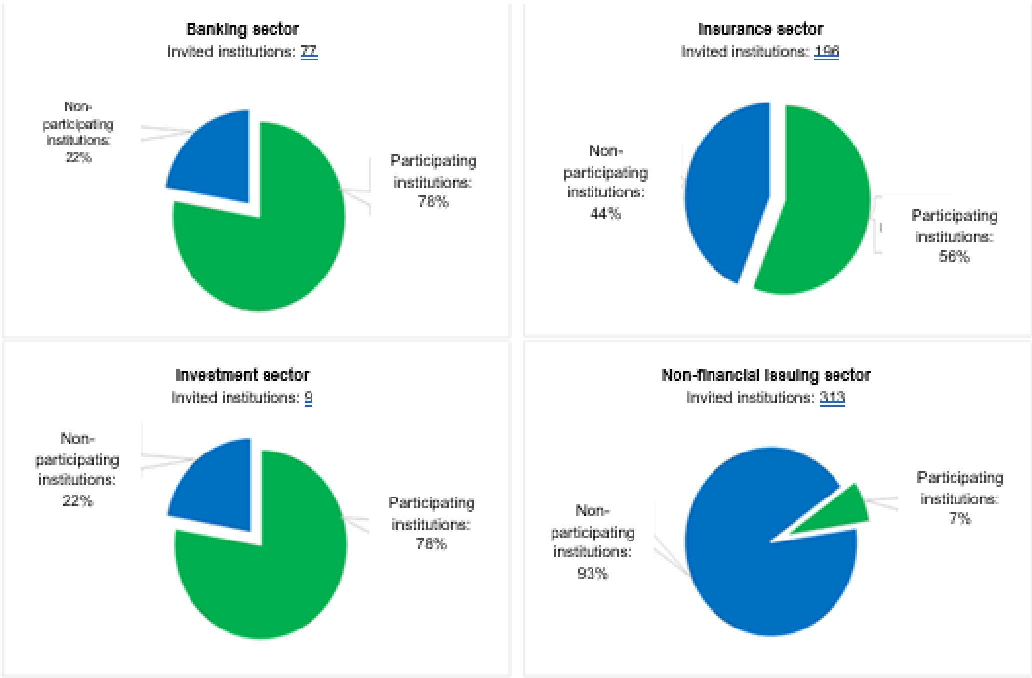
The Sustainable Finance National Strategy (ENFS) in Argentina draws on the analysis and lessons learned from other initiatives on the subject at a global level, adapting these experiences to the national productive system and the economic and social context.

From the observation of the frameworks used for coordination of actions aimed at the development of sustainable finance at a regional level in Latin America and at the global level, relevant for the Sustainable Finance Roundtable which gave rise to certain needs: to define sustainable finance in the economic, financial and productive national context; to benefit from international best practices and experiences; to review the importance of sustainable finance for local priorities; to continue working to improve the governance, the management, and the reporting of environmental and social risks in the financial sector, as well as the reporting the work done on the subject by financial institutions from the public and private sectors.

In this regard, understanding the state of play of sustainable finance in Argentina was a matter of the utmost importance.

State of play of sustainable finance and tackling climate-related risks in Argentina: results and analysis of the National Survey on Sustainable Finance and Climate Change in Argentina in 2023, and surveys carried out to key stakeholders of the MTFS Argentina.

The **National Survey on Sustainable Finance and Climate Change in Argentina** was commissioned by the Technical Roundtable for Sustainable Finance between November and December 2022. The survey provides a detailed diagnosis about Argentine banking, insurance and capital market institutions' level of knowledge and of importance, and approach to sustainability issues and, particularly, to the financial effects linked to climate change in terms of risks and opportunities. The survey has been answered by institutions from the banking, investment and insurance sectors.



The survey includes an analysis on the following topics:

- Knowledge and incorporation of ESG and climate change-related factors.
- ESG risk management.
- Development of financial products that provide environmental benefits (including mitigation and adaptation to climate and social change).
- Institutional governance pivoting around risks and opportunities associated with environmental, climate, social and corporate governance factors.
- Disclosure and metrics related to climate and ESG factors.

The outcomes bring about numerous benefits for each sector: (i) they provide information to financial regulators in order to elaborate comprehensive diagnosis about financial institutions' level of knowledge and importance, and approach to sustainability issues and, particularly, to climate change in terms of risks and opportunities; (ii) they allow identifying common opportunity and improvement areas both to improve the capacities of the Argentine financial and corporate sectors regarding sustainable finance and to contribute to climate change mitigation and adaptation in Argentina; (iii) they allow identifying and implementing specific actions to support the development of sustainable finance in Argentina; iv) they allow taking advantage of the growing interest of local and international financial stakeholders in directing financial flows towards activities and companies that contribute to a sustainable and inclusive economy aimed at carbon neutrality.

Why do we promote sustainable finance?

The **survey mainly focused** on:

i. Focus on Risk.
ii. Regulatory framework for ESG factors management.
iii. Development of the Argentine Market Stakeholders' Capacities. Federalization, transparency and reporting.
iv. Decision-Makers' Impact and Commitment.
v. Common language - transparency and reporting.

The following are the highlights of the surveys carried out in each sector, which are relevant for the development of the ENFS, and of the surveys to key stakeholders in the MTFS that report the strategy.

I. Focus on Risk

Out of the stakeholders surveyed, **85.3% consider that climate change is a financial risk** for themselves and for the financial system. However, **the risk is not noticed to the same extent.**

The **banking and insurance sectors** identify it as a **material risk in their portfolios**, beyond the perception of reputational risk—which is viewed as a growing determining factor by all sectors.

→ *As for **companies**, **91.3%** of them consider that climate change is a financial risk. In turn, **78.3%** of **companies** acknowledge that climate change is a risk that may affect the stability of the financial sector in Argentina.*

→ *Regarding **investment institutions**, **71.4%** see climate change as a financial risk. Also, 71.4% of institutions consider that climate change is a risk that may affect the stability of the financial system in Argentina.*

→ *Climate change is considered a financial risk for **89.1%** of **insurance institutions**, and 86.4% of institutions see that climate change is a risk that may affect the stability of the financial system and, in particular, of the insurance sector in Argentina.*

→ *Regarding **banking institutions**, **88%** see climate change as a source of financial risks. Of all institutions, 41.2% have identified risks related to climate change that may have financial and material impacts on their credit and investment portfolios in clients, economic sectors or regions that are highly vulnerable.*

The noticed **risk** gives rise to the **opportunity of working with different sectors in order to develop their technical capacities. On the one hand, it leads to an opportunity to incorporate ESG factors and, on the other, to include climate change variables and scenarios in their analysis and management of climate related risks and impact** in their transactions as well as in their portfolio management.

→ *The surveyed **banking institutions** having no risk identification and management framework consider that the main obstacles they face to implement it are:*

- ***lack of accessible and up-to-date technical information on how environmental or social risks are considered potential financial, credit and reputational risks** (33%).*
- *the institution cannot bear the additional costs associated with its implementation (27.3%).*
- *the institution does not have the technical capacity/qualified human resources for its implementation (27.3%).*

The last item is particularly relevant for the Argentine corporate sector, mainly for smaller companies (SMEs), since they constitute the major productive economic network in Argentina and, in addition, they face their needs with more difficulties.

This poses an opportunity for the MTFS to **work on a better disclosure and training of the Argentine financial and corporate sector** with respect to the different worldwide accepted methodological frameworks[4] with a view to paving the way for the incorporation of ESG issues in their processes and products and reporting these actions openly.

In this regard, the MTFS Argentina has solid foundations[5] for leveraging training efforts and market awareness. Along the same lines, in the scope of the capital market, the National Securities Commission (CNV) published regulations and disclosure documents with the aim of making local capital market stakeholders aware of the importance of responsible investment[6] as well as creating the appropriate framework for financing projects with a positive social and/or environmental impact.

Last, the present approach on risk, and the importance of proper management of ESG issues and climate change-related risks shows the stage of development that the local market presents with regards to sustainable finance. At a global level, the first step towards the development of sustainable finance was the incorporation of ESG variables in the risk and return assessment as a reliever to potential reputational and value loss risks or investment returns.

In Argentina, the use of exclusion lists[7] (exclusion policy for portfolio investment in carbon-intensive sectors or economic activities) is still emerging. This is the first step taken by financial institutions to develop sustainable finance strategies to enter other markets, among other mechanisms and tools used during the transition period. The reason for this is the incipient level of market development in Argentina, and also the lack of investment or sustainable business options considered profitable to the same extent as non-profitable options in equal market conditions.

The **investment, insurance and banking sectors** consider that the role of their institutions is to channel financial flows or the financial coverage and investments towards activities and companies that contribute to a carbon-neutral economy. Indeed, they have advanced on this point. However, **companies and investors that operate in the local market have not perceived it as a real opportunity yet**:

[4] For instance, the Global Reporting Initiative (GRI), the International Organization for Standardization (ISO), the Task Force on Climate-related Financial Disclosures (TCFD) or the International Financial Reporting Standard (IFRS).

[5] For further information on the regulation, disclosure documents and situation of the sustainable debt market, visit: https://www.argentina.gob.ar/sites/default/files/informe_deuda_sostenible_2023-0304.pdf.

[6] According to the Principles for Responsible Investment, responsible investment is the express and systematic integration of environmental, social and governance (ESG) criteria in the financial management of investments. For this reason, it brings two dimensions together: the financial aspect—as long as profitability is not left apart—and the extra financial aspect, i.e., ESG factors.

[7] With regard to the decarbonization strategy of banking institutions' portfolios, 54.4% of institutions have not adopted an exclusion policy or a strategy of gradual decrease of portfolio investments in carbon-intensive sectors or economic activities, 24.5% of them will not adopt an exclusion policy or a gradual decrease in the short-term, 12.3% of institutions intend to adopt an exclusion policy in some carbon-intensive economic activities, and 8.8% of them have set a corporate target of their portfolios' gradual decrease exposure in carbon-intensive economic sectors or activities.

- → *All the **investment institutions** surveyed **consider that their role is to channel financial flows towards activities and companies that contribute to a carbon-neutral economy**. Then, **71.4%** of institutions have **incorporated environmental, climate change or social criteria in their process of fund design or other investment means. Nevertheless, 57.1%** of institutions **have not yet set corporate targets or indicators for investments in companies/projects/sectors or economic activities that create environmental or social benefits**.*
- → *As for **financial products**, **71.4%** of institutions have **implemented investment/deposit/savings funds with "green" criteria**, i.e., they incorporate environmental or climate change factors (mainly energy efficiency or renewable energy) while **42.9%** of institutions have **implemented investment/deposit/savings funds with "social" criteria** (particularly regarding financial inclusion).*
- → *Out of the surveyed **banking institutions**, **82.5%** consider that the main role that the financial sector should have to support the transition towards a carbon-neutral economy and be resilient to climate change effects is to **channel financial flows** towards activities and companies that contribute to a carbon-neutral economy. More than half the number of institutions take into account opportunities related to ESG factors, including climate change within the commercial lending strategy.*
- → *Out of the surveyed **insurance institutions**, **60%** consider that the main role that the insurance sector should have to support the transition towards a carbon-neutral economy and be resilient to climate change effects is to **channel insurance, coverage and financial investments** towards activities and companies that contribute to a carbon-neutral economy.*
- → *Just over **40%** of **banking institutions** incorporate differentiating attributes in the design of these new "green" or "social" financial products, consisting of special financial conditions (lower interest rates, longer terms or grace periods, among others). Also, training or technical assistance is incorporated by nearly **29%** of the surveyed **institutions,** whereas **13%** chooses fewer collateral requirements for granting this type of credit. Nearly **11%** of **institutions** take into account incentives for the results obtained or for compliance with indicators associated with the client's performance in the financed project. Some of the **institutions surveyed, 31%,** do not incorporate characteristic features in the design of this type of product.*

Accordingly, it is necessary to make a deep analysis of financing opportunities (both on a domestic and international basis) and incentives to focus on risk and opportunity taking into consideration issues on ESG and the impact of climate change.

A clear example on incentives is provided by the recent issuances of corporate bonds for social purposes under the simplified regimes approved by the CNV in Argentina. This entity created, through General Resolution No. 940/22, a Simplified and Secured Regime for Issuances of Corporate Bonds with Social Impact. By this Regime, issuers other than SMEs were authorized to issue bonds under a regime similar to the one available for SME issuers. That is, they were allowed to issue instruments secured by institutions registered in the CNV as guarantee entities through simplified public offering procedures. The CNV recently adopted General Resolution No. 958/23 by which SME Mutual Funds were also authorized to invest up to 5% of their portfolios in social corporate bonds under this simplified and secured regime.

In addition, the analysis of the surveys' outcomes shows two other guidelines for MTFS actions to be included in the strategy.

II. Regulatory Framework for ESG Factors Management

The development of sustainable finance (at a global and local level) requires both the **creation of an adequate environment and the necessary regulatory certainty for financial and market system stakeholders to be able to operate and increase the flow of funds aimed at sustainable finance**. An **agreed common language** (taxonomy), which takes into account local aspects and international standards, streamlines the actions fulfilled by local market stakeholders to identify investment opportunities and risks regarding ESG; to compare product or investment options in local or international markets; to adequately report and, over time, to reduce the costs for developing products or investment opportunities that may ease the transition towards a low-carbon economy and enable the compliance with the Paris Agreement and with the 2030 Agenda; and to turn Argentina into a favorable destination for international funds aimed at the fight against climate change (COP26 agreed upon investments for USD100,000 million as from 2020).

The National Survey on Sustainable Finance and Climate Change in Argentina and the individual surveys to key stakeholders of the MTFS show that it is **necessary to delve into the review and development of local regulations in order to make progress on sustainable finance in Argentina. Thus, regulations should be adapted to the needs and context of the local market with a view to establishing a framework for the market to operate and grow on solid ground.** The first step is to share a **common language and assessment methodologies**.

→ *Out of all **surveyed companies, 73.9%** states that the **current regulation** for the corporate sector in Argentina **is not adequate for the companies' needs to manage ESG factors**, in particular, those related to climate change that may affect their performance either positively or negatively.*

→ *As for **insurance institutions, 66.4%** consider that the **current regulation in Argentina does not meet the requirements that institutions conform to in order to manage ESG factors**, in particular, those requirements related to climate change that may affect their performance either positively or negatively.*

→ *Regarding **investment institutions, 71.4% consider that the current regulations are adequate for the companies' needs to manage ESG factors,** in particular, those related to climate change. Most investment institutions acknowledge that regulations in Argentina allow them to manage ESG factors. However, many others disagree with this idea, stating that current regulations are scarce and some of them are in the process of development. Moreover, institutions' main hindrance to implement identification mechanisms or processes and risk management lies in the fact that regulations do not require such implementation either due to the type or size of the institution.*

→ *For the **banking sector, further national and international regulations on ESG and climate change are seen as one of the risk factors** for clients and economic sectors generating high GHG emissions that could be affected by political actions, changes in the regulatory framework and international environmental commitments that seek to mitigate the adverse effects of climate change or to promote adaptation to climate change.*

→ *In relation to **banking institutions, 93% does not have comparative metrics to assess climate change-related risks in portfolios, and 96.5% does not have metrics to assess climate change-related opportunities in their portfolios.** It is appropriate to set a clear and shared framework to be used as a parameter for identifying ESG investment and risk opportunities, or developing products aimed at climate-proofing.*

The MTFS participating financial regulators (BCRA, CNV, SSN) have agreed on the following:

→ *The development of a taxonomy as a framework to order and provide a common language to the parties concerned is relevant and necessary, and should be* ***adapted to the needs of Argentina's economic development, which involves a great investment in the transition towards environmental and social sustainability. In this regard, transition finance is a reasonable move****.*

The MTFS participating financial regulators are aligned with OCDE's[8] views on this issue. Hence, a green transition will neither be feasible nor wanted if it is unfair. A green and fair transition must reinforce the social protection systems, promote formal work, and bridge the gaps among socioeconomic groups, territories and generations. Active labor policies will be essential to provide people with the necessary skills and help them to move from the brown to the green industries, and from low-quality to better-quality jobs.

The transition towards a low-carbon and inclusive economy requires the mobilization of considerable numbers of financial resources. Fiscal policy, domestic and multilateral development banks, and the private sector will have to play a more important and coordinated role to boost investment, develop market instruments and regulatory tools, and compensate the most affected and vulnerable sectors.

→ *The analysis of the surveys to MTFS stakeholders shows that* ***Argentine taxonomy should draw on the international experience****, and should* ***have a governance framework to ensure its appropriate development and future implementation****. In line with this, the roles of the Ministry of Economy as leading organizer, and of the BCRA, the CNV, and the SSN as implementing bodies should be highlighted. In addition, it will be of key importance to count on the participation of other government agencies from the real productive sector.*

→ *For the taxonomy to be accepted and politically feasible, a* ***wide consensus of its objectives should be achieved. In addition, the private and public market stakeholders should engage in a deep collaborative and inclusive dialog*** *with a view to supporting the taxonomy's development and implementation. The stakeholders surveyed consider that* ***the taxonomy should be implemented gradually (willingly at first, but compulsorily later) so as to ease its adaptation to processes and use by local stakeholders.***

This exhibit highlights the **coordination opportunity that the MTFS offers in order for the financial regulators from the financial sector, to work on regulatory frameworks and parameters aimed at improving the management and transparency of ESG factors**. This is presented, in particular, in relation to specific guidelines and regulations to apply management and ESG assessment methodologies, incentives for its application, and an adequate territorial implementation, making allowances for the different territorial levels (national, provincial, municipal) where companies and financial and insurance sector

[8] Latin American economic perspectives 2022: towards a green and fair transition - OCDE/CAF/EUROPEAN UNION 2022 https://www.oecd-ilibrary.org/docserver/f2f0c189-es.pdf?expires=1677088628&id=id&accname=guest&checksum=9D4D3A7A83494BE20B895A488D60BFEB

stakeholders operate. The **regulation must be paired with adequate work on disclosure and training of the Argentine financial and corporate system stakeholders**.

III. Development of the Argentine Market Stakeholders' Capacities. Federalization, transparency and reporting

The surveys pose that one of the major current worries of institutions that conform the MTFS is about the regulation of non-financial information disclosure, which should be demanding. Even though all surveyed stakeholders know that this is the key point of discussion at an international level, which is already regulated in several countries, they consider that most Argentine **investors** and market stakeholders are far from understanding that this requirement is gaining ground. They notice that there is great **disparity of knowledge** and that virtually no sectors (such as institutional funds) have it on agenda.

Investors are increasingly called to meet the requirements of transparency and disclosure of ESG information. However, this does not happen in Argentina, except for capital market debt issuances classified as social, green or sustainable. **Investors** and institutions that develop new sustainable/ESG products or instruments are expected to play an active role by requesting information on their impact, progress, environmental and social issues. As an example of the survey to **investors** commissioned by the MTFS, **85.7% of institutions would be willing to make reports on sustainability if their main counterparties requested information on ESG factors.**

Therefore, it is vital to raise awareness among Argentine capital and financial market stakeholders, and to have clear rules and a common language as well. In that sense, the job carried out by the MTFS is essential.

The **need for further federalization** has also been highlighted in the surveys. For that purpose, the **role of the national government in getting provinces to move towards sustainability is critical**. The strategy for sustainable finance is the first step to go. However, it will be hardly possible for provinces to move ahead in the absence of the national government support. In most countries, this market is making progress based on the issuance of GSS or sovereign SDG bonds. However, it has not happened in Argentina, yet. Hence, if the Argentine government could get involved, sustainable finance would be a matter of concern at a provincial level.

Moreover, the Law on Financial Administration (under the section on public credit) refers to an **ESG public credit system** as a way of opening the door to sustainability at a provincial level.

In terms of disclosure and the creation of capacities, the surveyed stakeholders highlight the importance of **working on real cases and leveraging the role of business chambers to have positive results at a federal level.** In that sense, the CNV has acquired valuable experience with the use of leading cases of GSS issuances or non-conventional stakeholders that created capacities and a demonstration effect in local capital markets. BICE has focused its efforts on training SMEs on energy efficiency-related topics.[9] It is

[9] In 2022, more than 200 SMEs, SGRS, business chambers, and industrial parks did 10 training courses in which presenters posed real cases as well as the economic and non-economic benefits of making investments in energy efficiency and its impact on climate change.

then considered relevant for MTFS to work on the dissemination of these successful cases and extend them to a wider audience.

The surveyed stakeholders consider that it is important and necessary to make private sector stakeholders get involved through specific **Working Tables aimed at the insurance, banking, and investment fund sectors and to make an action plan together with MTFS stakeholders. This plan should have** the detailed objectives to reach and the expected outcomes with a view to the consolidation of an Argentine market of sustainable finance.

Moreover, stakeholders consider that the **SME segment has specific needs** in terms of capacity building and response capacity. Also, public institutions that offer financing to this segment should work to generate SMEs' demand for financing in line with sustainability criteria and requirements.

Capacity Building

The conclusions drawn from the National Survey on Sustainable Finance and Climate Change commissioned by the Technical Roundtable for Sustainable Finance show that there is **great disparity regarding: the degree of improvement, knowledge, and use of ESG risk management and identification mechanisms; transparency in the communication of improvements or ESG issues**, not only among sectors but also among entities (the internal ESG policies approved by the boards of directors, as well as their application and reporting).

Even though the aforesaid is due to the scarce development of sustainable finance in Argentina, **it is relevant to turn from discourse (ESG policies) to concrete action**: corporate targets and indicators for investment in companies, projects, economic sectors or activities that generate environmental or social benefits; decisions by institutions' boards of directors to include, in particular, ESG factors or climate change-related factors in their business strategy; the development of sustainability reports according to international standards and methodologies.

The **results of the survey exhibit this disparity and contribute to devising an action plan focused on the necessary areas to develop the capacities** of Argentine market stakeholders.

- → *Regarding **investment institutions, 85.7%** agree that they should **include ESG factors** and, in particular, climate change impact on their transactions and investment portfolio management as not doing it conveys reputational risks.*
- → *A portion of the **institutions surveyed, 57.1%**, has an **ESG risk identification and management process or mechanism in place**.*
- → *Some **institutions, 85.7%,** have a **defined or specific criteria to identify and classify companies, productive projects, economic sectors or activities** that contribute to **climate*** change mitigation and adaptation.
- → *Then, **71.4%** of **institutions** have **incorporated environmental, climate change or social criteria in their process of fund design or other investment means**.*

Nevertheless, **100% of institutions have not yet set corporate targets or indicators for investments in companies/projects/sectors or economic activities that create environmental or social benefits.**

→ *Only **42.9% of institutions have an ESG policy**.*
→ **All of them lack metrics to assess climate change-related risks and opportunities** in their investment portfolios.

The gap between the first step, which involves considering ESG issues from a reputational risk viewpoint, and the incorporation of such issues in the investment and management process is still wide. It requires incentives related to regulations; transparency and reporting requirements (**85.7%** of **institutions** would be willing to make reports on sustainability if their main counterparties requested information on ESG factors); training/monitoring for the development of frameworks or methodologies in order to write sustainability reports; metrics to assess risks and opportunities associated with climate change in their investment portfolios; and the development and execution of their ESG policies and exclusion policies.

MTFS work is essential to get local stakeholders involved into developing capacities, institutional culture and incentives in order to devise ESG requirements in coordination with their peers in the local regulatory framework, in a context in which international **investors** exhibit a limited role in creating incentives in the local market.

In the **insurance sector**, the degree of **development is even more incipient**. Insurance institutions, **66.5%**, agree that they should include ESG factors and, in particular, climate change impact on their transactions and investment portfolio management as they convey potential financial and reputational risks. **Only 20.9% of institutions refer to ESG factors in the company vision, and just 13.6% have an ESG policy.**

→ *Even though insurance institutions are aware of the risk that climate change represents for their business, **89.1% of them consider that climate change is a financial risk**; only **8.2%** of **institutions** have an ESG risk identification and management process or mechanism that includes climate change risks; and **84.5% of institutions have not incorporated climate change in the management of their investment portfolios, yet.***
→ ***Insurance institutions, 85.5%, do not have a defined or specific criteria to identify and classify clients, projects and companies that generate environmental benefits**, which contribute to climate proofing, or have a positive social impact.*
→ ***Out of these institutions, 77.3% lack metrics to assess climate change-related risks and opportunities in their investment portfolios.***
→ ***As for institutions, 69.1% have not analyzed the adoption of an exclusion policy** or a strategy to gradually reduce their portfolio investments in carbon-intensive sectors or economic activities.*
→ **Companies (non-financial issuing sector)**, **87%**, **agree that they should include ESG factors and, in particular, climate change impact on their transactions and investment portfolio management** because these factors convey potential financial and reputational risks, and there is an opportunity for growth for companies that include them. **Only 39.1% of companies have an ESG risk identification and management process or mechanism** that includes climate change risks.

Non-financial issuing institutions are aware of the importance of including ESG factors and, specifically, the impact of climate change on their transactions and on the management of their investment portfolios. **Few companies have an ESG risk identification and management process or mechanism that** includes climate change risks. Indeed, there is a lack of regulatory requirements and scarce accessible and up-to-date technical information on how environmental or social risks may trigger potential financial and reputational risks.

- → ***Out of the surveyed companies, 8.7% have corporate metrics to assess climate change-related risks*** *in their clients' portfolios or chain of suppliers.*
- → ***As regards companies, 78.3% have not analyzed the adoption of an exclusion policy*** *or a strategy to gradually reduce their client's portfolio or their chain of suppliers in carbon-intensive sectors or economic activities.*

As for the **banking sector**, the gap between acknowledging the importance of including ESG factors and accomplishing specific actions is clear. **Out of all institutions, 85% agree that they should include ESG factors** and, in particular, climate change impact on their transactions and investment portfolio management; and **73.7% of the surveyed banking institutions consider that climate change is a source of financial risks**.

Only 33.3% of institutions have an ESG policy; and 40% of institutions with an ESG risk identification and management framework do not include climate change variables and contexts in their risk analysis and management.

On the contrary, the banking sector is more **proactive in the development or adaptation of financial and credit products or services to investments that exert a positive social or environmental impact**.

- → ***Regarding surveyed banking institutions, 17.5% have a defined or specific criteria to identify and classify credit transactions or productive projects that bring environmental benefits****, contribute to climate change mitigation or adaptation, or have a positive social impact.*
- → ***As for institutions, 36.8% have commercial strategies for lending that address social factors****, such as improving the living conditions of the vulnerable population, gender equality and equity and diversity factors, and financial inclusion, among others.*
- → ***Among them, 57.9% grants or is considering granting financing or credit lines aimed at energy efficiency, electric mobility, waste disposal and use, renewable energy, sustainable construction or similar projects****.*

IV. Decision-Makers' Impact and Commitment

The survey answered by different market stakeholders shows **that effort should go into exerting influence on decision-makers and institutions' boards of directors operating in the Argentine market so that they may move from discourse to concrete actions.**

It is a common practice at an international level, among multilateral, international or local institutions, to analyze and work with decision-makers so that the institution's perspective, mission, policies, risk management processes and the development of services or products incorporate ESG criteria with a long-term sustainability perspective. In this sense, sustainability applies to both institutions and the financial system as a whole. Decision-makers' support is also important to provide the necessary resources (human and financial) for the adoption and management of sustainable policies.

→ *Out of the **insurance institutions surveyed, 86.4% stated that the board of directors has not** specifically requested to include climate change factors in their business strategy. Only **18.2%** of **institutions** have an officer or else have created an area or a committee for managing ESG factors.*

→ *As for investment institutions, **71.4% of institutions' boards of directors have not specifically requested to include climate change** factors in their business strategy, and only **57.1%** of **institutions** have an officer, area or committee for managing ESG factors.*

→ *In relation to institutions' reference to ESG factors, **78.3%** do so in their perspective, and **56.5%**, in their mission. However, **only 39.1% of institutions' boards of directors have specifically requested to include climate change factors** in their business strategy.*

→ *As for banks, **43.9% stated that the board of directors or management body monitors the institution's level of accomplishment of objectives related to ESG factors**, and 42.1% of them have an officer, area or committee for managing ESG factors.*

V. Common Language - Transparency and Reporting

Within the framework of the survey, the need for a taxonomy or common language, criteria and training for market stakeholders, it is vital to **build up and have standardized baselines in place to develop solid investment options**. The survey respondents believe that information is neither available nor shared. In the absence of information, it is hard to either encourage or punish market stakeholders with good or bad credentials on social and environmental sustainability or else develop products for promoting sustainable development.

The market stakeholders surveyed stated that relying on common frameworks and clear rules on reporting requirements is essential. They further made clear that they are open to draw up reports on sustainability issues.

→ *Regarding **banks**, **33%** of them **prepare and publish annual sustainability reports (whether subject to external audit or not).** The Global Reporting Initiative (GRI) is the methodology most frequently used for preparing reports.*

→ *In this sense, **84.2%** of them answered that it **may be useful to disclose information on ESG factors to their stakeholders** (clients, natural and legal persons from which they receive financing, shareholders, suppliers and regulators).*

→ *A portion of the banks surveyed, **80.7%, answered that they are willing to prepare environmental sustainability reports.***

→ *Regarding the **investors surveyed, 85.7% of them do not prepare annual sustainability reports** and **71.4% of institutions are not aware of any framework or methodology to prepare sustainability reports.***

→ *As for **insurance institutions**, **80%** of them do not prepare sustainability reports and **73.9%**, are not aware of the practice for drafting disclosure reports on information related to ESG factors.*

→ *Finally, **100%** of the **companies** surveyed stated that it may be useful to disclose information on ESG factors to their stakeholders, but only **65.2%** prepare annual sustainability reports.*

Sustainable Finance National Strategy

The **Sustainable Finance National Strategy (ENFS by its Spanish acronym)** focuses on creating the ecosystem and conditions to identify options for the scalable mobilization of resources to foster public and private investments, and reach economic and social goals within the framework of the 2030 Agenda. This includes the country's climate change adaptation and mitigation goals under the Paris Agreement, and those commitments derived from the 1992 Rio Conventions and the Post-2020 Biodiversity Framework. Additionally, the ENFS involves the development of a guide for the consistent implementation of actions aimed at improving the micro- and macro-prudential management of climate-related financial risks. These actions are expected to strengthen capacities across the private and public sectors, thus enhancing the financial sector's resilience and consolidating its contribution to sustainable finance.

The strategy is based on the following resources: the roadmap set by the MTFS in December 2020; the commitments made under the Joint Declaration of Regulatory Authorities[10] of the financial sector for the promotion of a sustainable financial system in Argentina in September 2021; the instruments, guidelines and directives already developed in the country for the mobilization and leverage of public and private sustainable financing; and actions taken by private-sector stakeholders. It also draws on the results and discussion of the National Survey on Sustainable Finance and Climate Change conducted in Argentina in 2022, and on interviews with key stakeholders of the MTFS Argentina held between 2022 and 2023.

The **Sustainable Finance Technical Roundtable** will implement the **Sustainable Finance National Strategy**, which defines 5 strategic axes, and a series of concrete actions for its practical implementation. It also proposes a transversal approach of awareness-raising and training, which permeates al the actions proposed by the strategy.

Strategic axis 1 - Regulatory Framework

Strategic axis 2 - Common Language: Taxonomy

Strategic axis 3 - Data generation, Transparency, Reporting, Indicators and Data Analysis

Strategic axis 4 - Incentives

Strategic axis 5 - Sustainable Financial Instruments

[10] The Joint Declaration seeks to boost sustainable finance in Argentina and was signed by the heads of the Ministry of Economy, the Central Bank of Argentina, the National Securities Commission and the Superintendence of Insurance: https://www.argentina.gob.ar/sites/default/files/2021/09/ssn_210807_desarrollosostenible.pdf.

Strategic axis 1 - Regulatory Framework

Description: to review and enhance local regulations to pave the way for the advancement of sustainable finance in Argentina. These regulations must be tailored to suit unique needs and dynamics of the local market, establishing a robust framework that fosters a stable and thriving marketplace. for the market to operate and grow on solid foundations.

The regulatory framework must harmonize with Argentina's evolving sustainable finance landscape, with a particular emphasis ***on facilitating financing for just, sustainable an inclusive transitions to a low-carbon economy*** **and society.**

Additionally, *there should be an* ***adequate territorial implementation,*** *observing the different territorial levels (national, provincial, municipal) where both* ***companies*** *and stakeholders of the* ***financial*** *and* ***insurance sector*** *operate. The regulatory guidelines should also consider the distinctive impacts on different market participants,* ***differentiating between small- and medium-sized enterprises (SMEs) from larger corporations. Furthermore,*** *these frameworks should be* ***complemented by comprehensive outreach and training*** *initiatives, directed towards stakeholders within the Argentine corporate and financial ecosystem.*

Actions:

1. **Analyze the state of the current legal framework** (at national, provincial and municipal level), as well as the jurisdiction in which a rule conducive to the development of sustainable finance in Argentina is intended to be applied or replicated.

- Encourage **a favorable environment for the ecosystem that aligns with its context and characteristics**, facilitate its implementation, and promote the development of appropriate public policies.
- **Address the subject from the perspective of a just transition, considering the role of transition finance** in Argentina, avoiding setting **"net zero"** as the initial objective.[11,12]
- Take into account the needs and characteristics of diverse market stakeholders, including the SME segment,[13] which have limited capacity and resources to meet demanding requirements in terms of technical capabilities or human resources.

2. **Identify international, national, provincial and municipal regulations and/or projects that are currently in force and can be leveraged**, if necessary, for **the development of new regulatory frameworks or incentives** aimed at fostering sustainable finance in the country.

[11] "Net zero" refers to climate neutrality. In other words, it conveys the idea of achieving net zero greenhouse gas emissions by balancing those emissions so they are equal to (or less than) the emissions that get removed through the planet's natural absorption; in basic terms it means we reduce our emissions through climate action (UNFCCC).

[12] Beyond the global discussions on the concept of "net zero," Argentina should focus its efforts on a fair, sustainable and inclusive transition from an economic and social perspective.

[13] The regulations laid down by the CNV are especially relevant, as they focus on furthering the development of guidelines and instruments to meet the needs of the Argentine capital market, and to connect ESG-oriented capital with investment opportunities that are appropriate for traditional and non-conventional issuers (SMEs, not-for-profit organizations and micro-credit institutions).

3. Generate and establish **capabilities** within relevant entities **for the monitoring and promotion of both the legal framework and its regulation, subsequent implementation and even future modification.**

4. **Disseminate, train, and support market stakeholders in the applicability of the developing or existing regulations, as well as building their internal capacities**. building upon the training and dissemination efforts already initiated by financial regulators, along with various other national and international agencies and associations within the Argentine market.

Strategic axis 2 - Common Language and Taxonomy

Description: to develop common evaluation and reporting language and methodologies as a crucial step towards the consolidation of the Argentine sustainable finance market. The taxonomy should be established through a gradual process (starting as voluntary and later becoming mandatory) to facilitate the adjustment of process and its adoption by local stakeholders.

A Sustainable Finance taxonomy[14] *is a set of criteria that can form the basis for assessing whether, and to what extent, a financial asset can support sustainability objectives. Its purpose is to send a strong signal to investors and other stakeholders, aiding their decision-making by identifying the kind of information investors need to evaluate the sustainability benefits of an asset and classify it based on its contribution to specific sustainability goals. Therefore, it offers a clear framework that contributes to the coordinated and large-scale mobilization of resources -both local and international, public and private- and enhances transparency, integrity and the development of the financial market.*

Having a taxonomy is the first step in achieving a common language, generating reliable data that allow the outlining of objectives regarding the development of sustainable finance in Argentina, and enabling proper assessment and comparability among investments, stakeholders, and assets with respect to sustainability. It also provides a solid foundation for what a stakeholder reports regarding their ESG performance.

Developing a taxonomy is a dynamic, long-term process that will require interaction and consensus-building among various actors -both public and private- across different sectors of the economy as a whole.

Actions:

1. **Establish an appropriate governance framework for the development and implementation of the taxonomy**.
2. **Set up a multidisciplinary working group to lead the process and design a Roadmap for Taxonomy Development, including gender and diversity dimensions.** For the taxonomy to gain acceptance and politically viability, it requires broad consensus on its objectives and should be developed and implemented through a collaborative and inclusive dialog involving both public actors (notably the Ministry of Economy[15], the Ministry of Environment and Sustainable Development, the Central Bank, the National Securities Commission, and the National Insurance Superintendence), and private stakeholders. This includes the involvement of expert entities and individuals in the field (universities and organizations specialized in environmental and development-related issues).

[14] PNUD Report - Pablo Cortinez - *Hacia una hoja de ruta para el desarrollo de una taxonomía de finanzas sostenibles para la República Argentina* (Towards a Roadmap for a Taxonomy of Sustainable Finance for the Argentine Republic) (2022).

[15] The participation of the following secretariats under the scope of the Ministry of Economy that are part of the MTFS will be considered:: Secretariat of Industry and Productive Development; Secretariat of Finance, and Secretariat of International Economic and Financial Affairs (as coordinator of the MTFS); and the following secretariats under the scope of the MECON, which though not being part of the MTFS have a key role in developing a taxonomy: Secretariat of Agriculture and Fisheries; Secretariat of Energy; and Secretariat of Mining.

3. **Structure the development and implementation of the taxonomy in a progressive and sequential manner**, starting with key sectors and expanding to other areas. Apply sections that have already been developed and agreed upon as they are launched, and incorporate learnings from implementation into the development of subsequent stages. Consider "adopting" existing taxonomies from other countries or regions that have been tested and hold international credibility and are relevant to the national context. Also, "adapt" other taxonomies to the Argentine reality, with a central focus on transition activities and differentiating taxonomy application based on company/entity size.
4. Develop the **regulatory framework that will govern the application of the taxonomy, including a public consultation process** to ensure consensus among private sector actors. Such a process should involve representatives from the SME segment and take into account gender and diversity considerations. The taxonomy should be rolled out through a gradual process (starting as voluntary and later becoming mandatory) to facilitate the adjustment of processes and its utilization by local stakeholders.
5. **Disseminate, train and support market stakeholders in the use and application of the taxonomy,** building upon the training and dissemination efforts already initiated by various market actors and associations within the Argentine market. Draw lessons from the experiences of other countries/regions in this field.

Strategic axis 3 – Data generation, Transparency, Reporting, Indicators and Data Analysis

Description: develop common methodologies for assessment, analysis, indicators, and reporting, as a fundamental step towards the consolidation of the Argentine sustainable finance market. Establishing reliable ESG data sources to serve as the foundation for decision-making and the establishment of specific objectives and actions for the advancement of sustainable finance in Argentina.

Information is crucial for various actors within the broader economy to identify the opportunities associated with transitioning towards a sustainable economy, while managing risks and interests. Hence, a coordinated effort between public and private sector stakeholders across all economic sectors is essential for the generation, processing, analysis, and dissemination of ESG data, enabling well-informed decision-making.

Considering that the public budget fundamentally serves as a tool for economic and social planning, incorporating sustainability perspectives[16] *allows for the evaluation of the performance, effectiveness and impact of policies, plans, programs, and economic sustainability management instruments. Furthermore, measuring process and makings adjustments to sustainability-related policies necessitates systematic, continuous and standardized measurements.*

Actions:

1. **As an initial step from the public sector, incorporate the sustainability perspective** into the budget definition of public institutions.
2. **Identify within the national budget the flows allocated to address climate action**.
3. **Introduce the category "Sustainable Environment and Climate Change" in the national budget, including the development of a methodological section.**
4. Define/generate/adjust **guidelines and tools for calculating carbon footprints based on credit and investment portfolios**.
5. **Define sustainability criteria** to establish goals, objectives, and impact monitoring in adopted sectoral/ thematic public policy strategies.
6. **Identify sources and uses of information in the banking, insurance and capital markets sectors** for verifying compliance and the impact of ESG factors.
7. **Identify sources for verifying eligibility criteria** (certifications, verifications, labels, etc.) for sustainable products.
8. **Conduct a diagnosis of needs, technical challenges, and barriers to financing** faced by various **productive sectors when incorporating sustainability criteria, with an emphasis on MSMEs and including a gender perspective**.
9. **Identify investment needs** and establish a roadmap contributing to achieving economic and social objectives within the framework of the Sustainable Development Goals (SDGs), including a gender dimension, as well as the country's mitigation, adaptation to climate change, and biodiversity goals.

[16] Spending in environmental promotion, control and planning in order to encourage social and economic development in a sustainable environment and to fight against climate change.

10. **Develop a robust project database**[17] that contributes to closing the financing gap for economic and social objectives within the SDG framework, including a gender dimension, as well as climate change mitigation, adaptation, and biodiversity goals.
11. **Design a methodology** that allows the incorporation of **the climate change dimension into macroeconomic projections**, including the effects of climate change on economic activity and exports.
12. **Design a methodology to internalize climate-related aspects in fiscal analysis**, considering the perspective of fiscal risks associated with climate transition, as well as the impact on public expenditure.
13. **Develop alternative evaluations of financial risks related to climate change** from an aggregate macroeconomic and financial stability perspective.
14. **Conduct a diagnosis of the main physical and transitional risks** faced by the financial system at the national, regional, and sectoral levels, along with its degree of exposure.
15. **Develop, within the scope of the MTFS, a regulatory framework and parameters conducive to improved management and transparency of ESG factors**. This includes specific guidelines and standards for implementing ESG management and assessment methodologies, incentives for their application, and appropriate territorial implementation (national, provincial, municipal) where both companies and financial and insurance sector participants operate. Additionally, it is important to define rules and regulations tailored to the needs and characteristics of diverse market stakeholders, including the SME segment, which has limited capacity and resources to fulfill demanding requirements in terms of technical capabilities or human resources. It will be essential for this action to be accompanied by effective dissemination and training efforts aimed at actor within the Argentine financial and corporate system. It is important to reference **international disclosure and transparency standards and regulatory frameworks**, adapting them to the local context and avoiding the creation of new parameters that may later misalign with the level of development and scope of international standards in the field. Furthermore, it is important to consider and build upon existing reporting standards or methodologies already utilized by market stakeholders, especially: GRI[18], IR[19], TCFD[20], or SARAS,[21] among others.
16. **Work on monitoring, reporting and verification (MRV)** system that gathers information associated with resources allocated to finance actions with social and environmental impacts, including the gender dimension, contributing to climate change mitigation and adaptation in the country.

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[17] The Bank of Public Investment Projects (BAPIN) and/or the National Registry of Climate Change Mitigation Projects (ReNaMi), among others, could be used as data sources.

[18] The Global Reporting Initiative (GRI) is the scheme most frequently used by stakeholders in the Argentine market according to the survey. It provides a common and global language for sustainability reports. It introduced sustainability reports as a standard practice for companies and other organizations. The initiative created the world's most frequently used sustainability reporting scheme for companies wishing to evaluate and disclose their economic, environmental and social performance.

[19] The Integrated Report (IR) includes financial and non-financial information from an organization. As established by the International Integrated Reporting Council (IIRC), the main purpose of the IR is to explain an institution's strategy to create value over time to financial capital providers. It provides both financial and non-financial information under the idea of "integrated thinking" defined as the adoption of decisions and actions that consider the creation of value over the short, medium and long term.

[20] Recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). Applicable to large companies from all sectors of the economy. For the disclosure of climate-related risks and opportunities and their financial implications on the company's business.

[21] ESMS: a financial institution's Environmental and Social Management System that sets out the commitments, policies, procedures, tools, and in-house capacity to identify, assess, mitigate and monitor socio-environmental risks of its portfolio. It provides a mechanism to manage risks in a consistent, systematic, replicable, and documented manner. Moreover, the correct use of the ESMS maximizes the environmental and social benefit opportunities of the institution's portfolio.

17. **Encourage the non-financial private sector** (listed or not) **to align with international standards for disclosing climate-related risks.**

18. Foster increased collaboration among **policymakers, regulators, and local and international financial institutions**, promoting cooperation between government/regulatory bodies and private sector associations to develop and promote the use of regulations, standards, and methodologies focused on transparency and reporting of ESG issues in the country. The development and implementation of standards and regulations **should be collective and not individual or specifically sectorized**. Facilitating public-private dialogue addresses a critical challenge, ensuring effective coordination between government and regulatory bodies and different stakeholders of the private sector, and accelerates the acceptance and adoption processes of standards and regulations developed for those intended to use them.

19. **Disseminate, train and support market stakeholders in building their internal capacities for enhanced management and transparency of ESG factors.** Building upon training and dissemination efforts already initiated by various actors or associations within the Argentine market, both public and private.

Specifically, this action should focus on:

- Raising awareness and advocacy among decision-makers to exercise their leadership in aligning their organizations' mandates with the consideration of ESG factors and climate change. This enables allocating human and financial resources to the teams responsible for practical implementation.
- Generating and strengthening competencies/capabilities in sustainable finance for both public and private actors.
- Developing and enhancing skills/capabilities in environmental and sustainable development integration across actors in the productive sector.
- Studying and evaluating financial education programs regarding ESG criteria for financial system participants.
- Providing support to market stakeholders in the development of their sustainability and ESG strategies and policies.
- Assisting financial sector actors in the integrating ESG factors and the impact of climate change into their operations and investment portfolio management.
- Developing technical capacities for incorporating climate change variables and scenarios into risk analysis and management.
- Providing practical support in creating disclosure reports on relevant ESG and sustainability information aligned with established national and internationally relevant standards for different groups of stakeholders.

Data Generation and Management

- **Gradually request financial institutions to report to sector regulators on**: i) their application of ESG frameworks, ii) their allocation of capital to sustainable sectors, and/or iii) their management of climate risk. This requirement calls for guidance, clear standards, and a common language to be efficient and embraced by the market. The role of capital market, banking and insurance regulators is of significant importance in this regard, as they have the ability to promote public disclosure that benefits all market participants.

At this point, the following is required:

→ Having a dedicated **team** with expertise in the field to lead the task. The engagement of universities, entities specialized in data management, internationally experienced organizations, and regulatory experts in the team is essential.
→ Developing common frameworks, clear **requirements and rules regarding the public reporting requirement** for market stakeholders and the Argentine financial system.
→ **Aligning** the transparency and reporting requirement with specific data requirements of the MTFS for **defining concrete action objectives and the reporting requirements of the 2030 Agenda.**
→ **Considering** the potential benefits of **adopting technological advancements to enhance the disclosure** of ESG data and its utilization by financial stakeholders.
→ Establishing an **architecture or repository of publicly available information data** related to climate and environmental and social risks and its use by financial institutions to reduce transaction costs for data collection and publication.

Strategic axis 4 - Incentives

Description: Generating the right incentives to catalyze the sustainable finance market in Argentina is as relevant and important as creating the common language and regulatory framework that guides its development.

Given the level of development of sustainable finance in Argentina, it is pertinent to deepen the work on the generation of opportunities and incentives (for attracting both local and international funds) to move from a focus solely on risk to one where both the risks and opportunities presented by considering ESG factors and the impact on climate change are taking into account. In capital markets, where the natural pressures and incentives that international investors already advanced in sustainable finance can exert or encourage are not evident, the role of regulators becomes more relevant as promoters of such market. From the aforementioned, the importance of the coordination work of the MTFS with local stakeholders to build capacities, institutional culture, and incentives for developing ESG requirements among peers and through local regulatory frameworks becomes evident.

Actions:

1. Establish a **multi-sectoral team or working group**, including decision-makers, to define, based on the priority sectors of the economy the country's financing needs, the types and forms of incentives to be developed, as well as the entities responsible for their implementation (this action is closely related to action 3 on data generation).

2. Explore the **role of public procurement** at national, provincial and municipal level as an incentive for the development of **companies**, goods and services with a focus on environmental sustainability and social equality.

3. Map and leverage the generation of incentives based on existing learning and **incentive programs developed at the national and provincial levels**.

4. Study **regional and international experiences in using incentives** to promote sustainable finance.

5. **Analyze international experiences** on the **use of environmental taxes**, including carbon tax, and assess potential applications in Argentina.

6. **Study potential fiscal incentives for climate mitigation and adaptation.**

7. **Evaluate and formulate proposals for designing fiscal incentives** (analysis of carbon tax or other taxes and fiscal incentives) that encourage sustainable production practices and the sustainable productive sector.

8. **Collaborate with and leverage local development banks to develop incentives** for channeling investment into goods or services that promote the incorporation of ESG criteria. Local development banks are not only well-positioned to support sustainable and low-carbon investments but also to mobilize private capital towards these public goods.

Strategic axis 5 - Sustainable Financial Instruments

Description: further the work undertaken by public and private institutions in the local market for the design and development of financial instruments and innovative projects that stimulate capital flows into sectors and activities with environmental and social benefits, ensuring a just transition towards the fulfillment of the SDGs adapted to the reality and needs of the Argentina.

Sustainable financial instruments are designed to support specific projects or environmental and social objectives. In other words, these are investments that finance one or more economic activities generating positive social, environmental and/or governance impact through the capital market. The design and implementation of sustainable and innovative financial instruments will facilitate and enable the flow of capital needed to meet sustainable development goals, including the gender dimension, and advance the transitions towards a low-emission and climate-resilient economy.

Actions

- **Map and document sustainable or ESG-focused financial instruments** already developed and used by actors in the Argentine market.
- **Identify priority areas of investment** towards Argentine sustainable development align with the country's commitments in the 2030 Agenda, including the gender dimension and the nation's climate mitigation and adaptation goals under the Paris Agreement. This is important for defining the suitable types of instruments to promote. Of particular significance in this context are instruments that allow the alignment and fusion of public and private capital sources and those that can provide the framework for transition finance.
- **Study international experiences in the development of financial instruments focusing on sustainability.**
- **Promote the design and issuance of financial instruments** that foster public policies to **eliminate inequality gaps, particularly, gender and diversity gaps** existing in the economic sphere.
- **Foster** the development and consolidation of the **GSS+ financial instrument markets**[22].
- **Design a framework for sustainable sovereign bonds and potentially carry out issuances under the guidelines established by the framework**.
- **Study international experiences in the development and implementation of financial instruments and markets with a focus on sustainability and GSS+** (such as **debt-for-climate action swaps,** new bonds or other carbon pricing mechanisms).
- **Support and train market actors in the development of sustainable financing vehicles,** which is closely tied to the incentive generation discussed in the previous section.

[22] In this document, SVS+ are financial instruments and negotiable securities classified as green, social, sustainable, and sustainability-linked; this categorization includes the instruments and securities that may be developed to reach economic and social goals within the framework of SDGs.