



OXFORD ANALYTICA

ARGENTINA

FISCAL TRANSPARENCY

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ARGENTINA



COMPLIANCE RATINGS

<i>Fiscal transparency</i>	2006	2005	2004	2003
Clarity of roles	•••	•••	•••	•••
Availability of information	••••	••••	••••	••••
Budget preparation	••	•••	•••	•••
Accountability	•••	•••	•••	•••
Score	3.00	3.25	3.25	3.25

OUTLOOK & COMMENTARY

In the coming year, the political scenario in Argentina will be dominated by the October presidential and parliamentary elections. Consequently, a lack of comprehensive reform in the fiscal transparency framework has to be expected. The cabinet chief has been formally granted discretionary powers to make budgetary reallocations -- a significant setback for the budgetary process and the Congress' constitutionally mandated role, and one that will prove difficult to reverse in the future. The lack of congressional budgetary oversight could compromise fiscal transparency, as well as the credibility of state institutions more generally.

Curbing legislative control powers will not resolve entrenched flaws in the federal system, already dominated by short-term political interests rather than long-term objectives. This would require a fundamental reform of the federal revenue-sharing system, an increasingly difficult move after the early repayment of IMF debts and the 2007 forthcoming elections. However, the proposed introduction of results-based budgeting for the 2007 budget, using performance indicators -- although limited to specific pilot budget programmes only -- represents a positive step and needs to be closely followed in the coming year, owing to the positive consequences it could have for budgetary management.

EXECUTIVE SUMMARY

Argentina is a federal state and, under the terms of the constitution, National Treasury funds are used to finance federal government expenditures. The federal government has little constitutional authority to control provincial spending. While a new revenue-sharing accord between the federal government and the provinces was one of the main demands of the IMF, the government's decision to pay off its debt to the Fund in January this year has removed one of the chief motivations to advance on this politically charged issue.

A major problem lies in the country's fiscal transparency legal framework, which has been constantly changing in the past few years, showing a lack of long-term coherence. Moreover, shortcomings in the implementation of theoretically adequate laws represent a cause of concern. The Fiscal Responsibility Law (LRF), approved by Congress in August 2004, intended to increase sub-national governments' fiscal efficiency, and limited future spending and debt issuance by the provinces. However adherence to the law is questionable. Some advances have taken place in the standardisation of provincial budgets, and some executive summaries containing aggregated information on LRF compliance have started to be publicly available.

Public provision of information on fiscal activity is adequate at the national level, although variable on a provincial level. Starting this year, some aggregate information on the execution of fiduciary funds has started to be published on a quarterly basis. Moreover, some progress has occurred in the budget consolidation of extra-budgetary funds and bodies. Publicly available information is considered reliable, but its presentation could be improved. The Ministry of Economy (MEcon) website contains relevant and up to date information, but it is not considered to be user-friendly. Timely publication of debt information is available. Even though the legal framework for taxation is perceived as unclear, the tax agency has been making efforts to present the information within its updated and easily accessible website. Information on public companies is included in the budget documentation, although it is presented on a consolidated basis and there is no monitoring of their budget-execution. Enforcement of independent fiscal audit reports is weak and the lack of effective, ex-post controls remains an issue of concern.

The preparation procedures for the national budget and information on its administrative rules are publicly available on the MEcon website. A wide range of fiscal information, including drafts, proposals and consolidated reports on national budgets, is available. However, after the approval of Law 26.126, granting permanent powers and allowing the cabinet chief to redistribute budget funds (the so-called 'superpowers law'), the whole institutional process of budget preparation has been severely devalued. Figures approved by Congress can be reallocated and even though total budget or debt figures cannot be increased, annual projected expenditures could eventually be increased by presidential decree, transferring the administration of national resources almost entirely from the legislative to the executive branch of government.

Argentina's overall score has been downgraded from 3.25 in 2005 to 3.00.

1. CLARITY OF ROLES, RESPONSIBILITIES, AND OBJECTIVES

●●● Enacted

The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and publicly disclosed.

Structure, functions, and responsibilities of government

The National Constitution, reformed in 1994, sets out the division of responsibilities between the central government, provincial governments and municipalities.¹ The structure, functions and responsibilities of the government are clearly explained on the website of the Cabinet Chief Office. This has a detailed outline of authorities, functions and objectives of the executive branch, including the cabinet chief, ministries and independent government agencies.²

Argentina is a federal state and, under the terms of the constitution, National Treasury funds are used to finance federal government expenditures. The federal government has little constitutional authority to control provincial spending. The traditional system of revenue sharing known as ‘co-participation’ gives the federal government the power to collect a range of taxes, which are then distributed to the provinces to cover their spending requirements.

Yet with the expiry of the previous co-participation agreement in 1994, the revenue-sharing system has been governed by a series of interim accords, which have maintained the percentages received by the nation and the provinces as a whole (42.3% and 56.66%, respectively), as well as the percentages received by each province.³ The percentages disbursed to each province (secondary distribution) have remained the same since the implementation of the now-expired Law 23.548 of 1988.⁴ However, the percentages received by each province were calculated on the basis of political, rather than economic or social criteria, and the system has not been functioning efficiently. While some provinces generate around 50% of their own revenues, others depend on co-participated revenues for up to 90% of their spending. As revenues are not collected locally, there is little pressure for responsible public spending from local voters. A chief demand of the IMF was a new revenue-sharing accord between the federal government and the provinces, but the government’s decision to pay off its debt to the Fund in January this year has removed the chief motivation to advance on this politically charged issue.⁵

The Fiscal Responsibility Law (LRF), approved by Congress in August 2004, intended to increase sub-national governments’ fiscal efficiency, and to limit provincial future spending and debt issuance -- a goal that had proved elusive in the past. Based on LRF provisions, the nominal rate of increase in provincial primary public spending may not exceed that of GDP growth. In addition, all expenditures have to be included in the budget legislation and it is only possible to increase them if tax revenues grow. Some commentators have expressed their doubts about the technical capacity of provinces to implement some of the LRF provisions.⁶ Decree 1382/05 has clarified the compensation of debts between the central government and those provinces adhering to the law. The 2007 budget exempts from LRF control some of the resources transferred by the national government to the provinces.

Despite isolated incidents of progress, there is an increasing perception that many provinces are not complying with the LRF. Several provinces will be in a difficult position to follow the law’s spending limits this year and, according to some commentators, enforcement procedures remain weak. The IMF has recently encouraged the government to review the functioning of its fiscal responsibility regime.⁷

The government continues its efforts to strengthen the financial position of a number of provinces through bilateral agreements. These ‘ordered financing programmes’ (PFO), recently renamed as ‘financial assistance programmes’ (PAF), impose spending limits on provinces by stipulating that any overspending will result in the loss of the national government’s assistance in financing that province’s deficit. These bilateral accords have improved provincial finances and emphasised the importance of fiscal policy transparency at the sub-national level. However, the PAF’s requirements are not uniform across provinces, and are difficult to monitor. Publicly available information for PAFs is limited. Yet the terms of these agreements have changed in the past year, favouring provincial positions. Lending programmes are extended for longer periods and with lower nominal interest rates. In the absence of a new comprehensive law, implementation of PAFs is likely to continue in the near future.⁸

Coordination and management of budgetary activities

The coordination and management of budgetary activities is set forth in Articles 99 and 100 of the constitution, in Law 24.156 on financial administration (1992), in Law 25.152 on the federal administration of public resources (1999), and in Law 25.917 on the federal fiscal responsibility system (2004).⁹ In the past year, Law 26.124 has modified article 37 of the law on financial administration and article 15 on the federal fiscal responsibility system.

The National Budget Office (ONP) at the Ministry of Economy (MEcon) is responsible for preparing and publishing the national budget according to a fixed timetable. Provincial governments prepare their own budgets, although these are not necessarily made fully public or presented to the MEcon. Congress is charged with reviewing and controlling tax and budget information, although these controls are only partial in practice.

The LRF established the Federal Council for Fiscal Responsibility (FCFR) in order to monitor compliance with the law, to develop the tools necessary to implement it, and to impose sanctions for non-compliance. The complementary regulations to the LRF issued by Decree 1731/04 have reinforced this prerogative. The Council is formed by the economy ministries of the provinces subscribing to the law and meets on a quarterly basis. However, oversight under the FCFR is very limited, and monitoring mechanisms are still being developed. Article 30 of Decree 1731/04 grants excessive prerogatives to the FCFR to avoid imposing the sanctions scheme.¹⁰ The LRF was originally envisaged to come into force in 2005. However, delays in the establishment of the Council -- which started operations earlier this year -- have precluded it from analysing the macro-fiscal framework for 2005 prepared by the MEcon at the end of last year. Enforcement of the LRF is now under way, although limited information is available on compliance levels.¹¹

The LRF called for the budget consolidation of extra-budgetary funds and bodies (like fiduciary funds, the tax agency and the National Pension Office). Indeed, efforts are under way to follow the LRF provisions and consolidate these items within the annual budget law.

In 2005, the IMF underscored the importance of strengthening the institutional fiscal framework, including the LRF, while acknowledging the political constraints facing authorities. The establishment of clear rules to reinforce the role of the FCFR was also highlighted. The IMF also called for less discretion of federal financing to provinces; better coordination of fiscal policies across different levels of government; increased budgetary transparency and consistent accounting standards at the provincial level; and more equitable and stable intra-governmental revenue-sharing.¹²

Relations between government and public sector agencies

The main extra-governmental public sector agencies are the central bank (BCRA) and, to some extent, the tax administration.¹³ The BCRA is in principle autonomous, and it now exercises control over monetary policy.

Historically, the MEcon has had considerable (unofficial) influence on the choice of the BCRA's president -- although the Argentine president has formal responsibility for filling this post. The BCRA may grant temporary advances to the national government as long as they do not exceed 12% of the monetary base, which consists of money in circulation plus the financial institutions' demand deposits held in current or special accounts at the central bank. These advances must be reimbursed within twelve months. The only exception to the 12% monetary base limit relates to those that are exclusively allocated for payment of obligations to multilateral credit agencies. In addition, the BCRA is allowed to grant advances as long as they do not exceed 10% of the funds obtained by the government in the last twelve months. The BCRA advises the MEcon and Congress, to which it must report quarterly on exchange and monetary policy.

The National Inland Revenue Office (AFIP) is responsible for national tax collection and administration. It is one of the main departments of the national government and is directly accountable to the MEcon. Its director is appointed for four years, one year after the president takes office, and cannot be dismissed without just cause. The legal framework underpinning AFIP's autonomy has been improved several times, but it does not grant statutory protection against political interference and dismissals.

Government involvement in the private sector

Most government involvement in the private sector used to be minimal, following the extensive privatisation and deregulation that took place in the 1990s. However, gradual re-involvement of the state has taken place recently. Subsidies to the private sector have also been increasing, although publicly available information about them is limited.¹⁴ The 2007 budget includes subsidies to seven of the 27 public enterprises. These subsidies amount to 600 million pesos, with the total amount of transfers and subsidies reaching 7.7 billion pesos.

Public investment soared by 246% in 2002-2005, much faster than the expansion of private investment (114%), raising the share of public investment in total capital formation from 5.6% in 2002 to 8.8% in 2005.¹⁵ Investments in public enterprises accounted for 5% of the total, reflecting the major state role in the economy. Not only has the government re-nationalised some public utilities (such as former water company Aguas Argentinas, now renamed Aysa) but it has also created new ones, such as the state-owned energy company ENARSA -- created by Law 25.943 in October 2004.

The state holds small percentages in some 'residual companies' and serves as the regulators of the telecoms and gas sectors (*Comisión Nacional de Comunicaciones* and *Ente Nacional Regulador del Gas*). Two of the largest banks, *Banco Nación* (BN) and *Banco de la Provincia de Buenos Aires* (Bapro), continue to be state-owned. In line with IMF recommendations, the government has strategically reviewed both Bapro and BN operations, with the objective of strengthening their roles and functions. The auditing firm for Bapro delivered its report in 2005, which identified several areas to be strengthened to improve Bapro's performance: better risk-assessment and monitoring systems, more efficient loan collection mechanisms, and improvements in governance practices. The *Strengthening and Efficiency Plan for Banco Nación* was also conducted and final results were delivered in April this year. This comprehensive review of BN's operations (including its business profile, human resources capabilities, and assessing its insurance, capital markets and pension areas) praised the recovery of the bank's financial position after the crisis.

There should be a clear legal and administrative framework for fiscal management

Legal framework for budgetary activities

A permanent Budget Law (Law 11.672 of 1933) and a Law for Budget Execution and Public Administration Organisation (Law 24.629 of 1996), together with the aforementioned regulations, are key components of the budgetary legal framework. Law 25.152 on the federal administration of public resources aims to reduce the public

deficit and improve the operation of the public sector, including better public availability of information. In addition, the LRF establishes among its key priorities public management transparency both at a national and sub-national level.

The preparation procedures for the national budget and information on its administrative rules are publicly available on the MEcon website. The country's legal framework for budgetary activities is adequate, but concerns remain regarding the actual implementation of that framework.

Legal framework for taxation

The legal framework for taxation is unclear, mainly because of its numerous regulations. As a consequence, some provisions of the different tax laws may not be fully implemented. Article 4 of the constitution establishes that Congress must levy taxes equitably and proportionally. The AFIP website has an updated and easily accessible information system regarding tax laws, including a specific section aimed at facilitating understanding of the tax and customs system. The AFIP's budget forms part of the national consolidated budget.

Information on tax collection is updated on a monthly basis and is publicly available. Data include statistical information of previous years and aggregate information for the tax year in progress. In addition, the MEcon website provides a wide-range of tax information, including a list of current national taxes, a schedule for their application and amendments to tax laws.

Even though some 'disruptive' taxes introduced to deal with the country's economic crisis were scheduled to be eliminated in 2004, many retained and will not be eliminated in the near future. These taxes are applied to exports on natural gas, hydrocarbons, manufactured products, and primary products. In 2005, these taxes represented around 4% of GDP and some experts consider that the consolidation of these taxes could create a discretionary system, which is difficult to manage and supervise.¹⁶ Current record tax revenues would be substantially reduced if these temporary export taxes were excluded. Disruptive taxes collection mostly goes to the National Treasury, and falls outside of the co-participation system.

Tax collection mechanisms have been strengthening in the past few years, improving overall figures: the 2006 tax goal of 132 billion pesos was reached in November this year. Regulations in the 2003 'anti-evasion' package sent by the government to Congress were approved in 2004. During 2005, complementary measures were passed -- mainly through the approval of Law 26.044 -- including the strengthening of the tax agency's powers to investigate and prosecute tax evasion the creation of a unified database of companies along the country, and the granting of deductions in some taxes for registered taxpayers. Judicial prosecution of tax evasion has also been increasing. In the past year, some concerns have been raised regarding the lack of uniform criteria to adjust income taxes, more linked to sectorial pressures than to a comprehensive assessment.¹⁷

Ethical standards for public servants

Ethical standards for public servants are set forth in the *Code of Conduct for Public Officials* established through Law 25.188 of 1999. Higher public officials have to submit annual sworn declarations of their possessions to the anti-corruption office. There is also a special *Code of Conduct for Public Officials* employed in the AFIP. However, auditing controls are aimed primarily at staff above managerial level and, as such, controls over lower staff levels are rather limited. In addition, there are no incentives for staff to work efficiently.

The 2006-2007 World Economic Forum *Global Competitiveness Report* notes that the business community has concerns about the property rights environment, the independence of the judiciary, and the lack of even-handedness in the government's relations with the private sector. It states that public officials are not sufficiently impartial in their dealings. The country's ranking position this year is 69th, down from the 54th place in 2005.¹⁸ Argentina is

ranked 93rd out of 163 countries in the 2006 Transparency International's Corruption Perceptions Index. Although this was slightly better than its 2005 performance, some commentators have noted that government promises to root out corruption have not been matched by concrete public policies. In particular, they have referred to the weakening of congressional oversight *vis-à-vis* the executive and the lack of private sector and trade union commitment to end corruption.¹⁹

Even though the 2005 reform of the Criminal Code clarified procedures relating to the duration of criminal cases, it also had a direct impact on ongoing corruption investigations, closing judicial proceedings against former public officials and businessmen.

2. PUBLIC AVAILABILITY OF INFORMATION

●●●● Compliance in progress

The public should be provided with full information on the past, current, and projected fiscal activity of government.

Public provision of information on fiscal activity is adequate at the national though not on the provincial level. The timeliness of provision of provincial data differs substantially. At the national level, the standards of data presentation by different ministries are harmonised, although some programmes provide greater detail than others. The MEcon publishes a wide range of fiscal information on its website, while the ONP publishes drafts, proposals and consolidated reports on national budgets. Users consider the fiscal information for provinces (available through the MEcon) reliable.

The *Saving-Investment Account of the Public Sector Report* provides detailed information on revenues and expenditures at the national level. Annual accrual-based reports and monthly cash-based reports are publicly available. The annual consolidated budget includes statements on fiscal and quasi-fiscal activities of the public administration, as well as budgetary information on social security and other public institutions. Article 3 of the LRF introduces provisions to report on the consolidated budget funds and operation of public institutions.²⁰

Central government operations

There is no information about extra-budgetary funds in the budget documentation, although off-budget spending items have been reported in recent years. This is particularly the case at the provincial level, where fiduciary funds allow the local authorities to evade fiscal controls on extra-budgetary spending. Even though the government maintains that published results for these funds reflect spending items, information is difficult to discern. Publicly available information for fiduciary funds is limited and completion of a single report including all the relevant information on these funds is still pending.

Most fiduciary funds -- which are created by law -- are within the jurisdiction of the MEcon and the Ministry of Planning.²¹ These funds are not accounted for within the total consolidated national spending -- generating a 'parallel budget' not subject to congressional controls. The IMF has repeatedly expressed particular concern over this issue. Despite demands that these funds be subject to the same accounting criteria and disclosure requirements as budgetary spending, they have continued proliferating as provincial administrators seek to defend their funding against any unexpected cuts. Since 2002, some funds have appeared as an annex to the national budget, although the amounts involved are not included within the total budget. Fiduciary funds have the same status as public companies and are in fact required to present budget information; in practice this requirement is not complied with. Starting this year and following a legal obligation, some aggregate information on the execution of fiduciary funds has started to be published on a quarterly basis.²²

The number of fiduciary funds reported in the 2006 budget reached 16, with information on financial flows publicly available. However, some funds are not reported in the annual budget, in conflict with what established by Law 25.152.²³ The 2007 budget assigns 5.6 billion pesos to fiduciary funds -- an increase of 281% since 2002. A National Audit Office report based on the 16 fiduciary funds in place during 2004 criticised the lack of coordinated and homogenous information of these funds, the limited information provided for the objectives and management of most funds, and their deficient accounting structure.²⁴

The budget process includes the elaboration of a multi-year framework (PPL), which establishes macroeconomic and fiscal projections for a two-year period beyond the term of the budget. However, there is no public document explaining the extent to which the goals declared therein are met. Projections on debt servicing are included in the PPL. The government submits revised versions of the multi-year budgets every year, together with the annual budget proposal. This aims at improving the reliability of medium-term projections and updating macroeconomic trends. Congress approves only the budget for the coming year, with forecasts for the next two years.²⁵ However, the amount of annual modifications diminishes PPL reliability as a medium-term reference tool.

Based on LRF provisions, the national government has to include an estimation of how public resources will be distributed among provinces in the multi-year budget. Moreover, provinces adhering to the law have to submit to their respective legislatures three-year projections of revenues, expenditures, investment plans, debt progressions, and a description of budgetary policy sustaining these forecasts.²⁶ Even though the LRF prescribes that sub-national levels of government have to make information on their annual budgets and multi-year projections available through their websites, little progress has been made in this area during the past year.

Published information on tax expenditures is included in the budget. Information on changes in fiscal legislation is contained in the budget and in the digest of administrative norms and systems for the public sector on the MEcon website. Information on contingent liabilities is not publicly available.²⁷ The worsening fiscal position in the provinces has led to a renewed increase in the use of National Treasury Contributions (ATNs), a discretionary source of provincial financing to be used in the event of emergencies or temporary fiscal imbalances. Total ATNs in 2005 reached some 160 million pesos, up from an estimated 56 million in 2004 (although the federal government itself has published a range of contradictory estimates for 2004, between 52 million and 82 million pesos).²⁸

Public sector operations

Data are disseminated in millions of pesos on the operations of the non-financial public sector, including central government (central administration, decentralised bodies and social security institutions), the provincial and municipal governments (to the extent available), and non-financial public enterprises. Data for provincial governments include information on the operations of centralised and decentralised administrations, but not on operations of social security institutions. Data are provided by the Ministries of Economy and Planning and are based on the accounting records of all units. Publicly available information on revenues transferred by the central government to the provinces has increased in the past few years. Information is updated on a monthly basis and is available online.

A commitment should be made to the timely publication of fiscal information.

Argentina subscribes to the IMF Special Data Dissemination Standard (SDDS).²⁹ Data are disseminated on revenue, expenditure, the current balance, the deficit/surplus (borrowing requirement) of non-financial public enterprises, the primary deficit/surplus, the overall deficit/surplus, and financing. Information on methodological issues is published in the *Fiscal Bulletin*, available on a quarterly basis. The *Economic Report* -- now released on a bi-annual basis -- contains information on the country's economic performance, employment, revenues, public finances, including analytical frameworks, and macroeconomic indicators.³⁰ The year-end issue of this report publishes detailed annual revenue and expenditure data (broken down by economic type, purpose, and function) for the reference year and the previous year; data on provincial and municipal public bonds; and an annex detailing the public bonds issued by each government during the previous year.

Publicly available information is considered reliable, but its presentation could be improved. The MEcon website contains relevant and up to date information, but it is not user-friendly. Even though the LRF contains clear

provisions to align provincial fiscal reporting, closer to the standards used at the national level, implementation of these provisions is taking longer than expected.³¹ A recent study has found that fiscal information publicly available at a sub-national level is limited. However, starting in 2004, most provincial governments have a website with at least some fiscal information. Moreover, 15 out of 24 provinces submit budget execution information.³²

Debt reporting

Timely publication of debt information is available. Data on central government debt are compiled under the terms of Law 17.622 on the National Statistics Institute and the National Statistics System (1968) and Regulatory Decree 3110/70. Debt and fiscal information is published on a regular basis on the MEcon and BCRA websites. The MEcon website includes a detailed section on the country's public debt, which is periodically updated. Information on the January's early repayment to the IMF has been updated and explained in a timely manner. Information on provincial indebtedness is also publicly available online, although its timeliness has decreased in the past year.³³ Following debt restructuring during 2005, the Treasury has regained its exclusive powers to issue medium and long-term debt.

Advance release calendars

An advance release calendar is updated every month and published on the MEcon website to show the data release dates for the next four months.³⁴ Article 8 of Law 25.152 includes a legal requirement to publish this information online, together with other information on fiscal laws and the national budget. Some provisions regarding the fiscal management of the country are also published in the country's *Official Bulletin* whose daily edition, as of 2004, is available online for free.

3. OPEN BUDGET PREPARATION, EXECUTION AND REPORTING

●● Intent declared

Fiscal policy objectives, macroeconomic framework, and risks

Fiscal policy objectives

Law 24.156 on financial administration brought the national budgetary system into line with international standards. Budget documentation specifies clear fiscal objectives, and is presented within a consistent macroeconomic framework. Even though the LRF was envisaged to further strengthen transparency and management, commentators agree that delays in implementation could diminish its impact. Budget documentation is publicly available on the website of the National Budget Office (ONP), including the country's fiscal position, deficit/surplus and debt targets.³⁵ A new version of the website has been launched this year, and information is now presented in a more user-friendly format.

Macroeconomic framework

Macroeconomic projections are made publicly available by the MEcon in September each year and are widely published in the local press. The information contains estimates on GDP, investment, exports and imports. The consolidation of more conservative macroeconomic forecasts is perceived as a positive sign in order to keep fiscal accounts under control. Some commentators suggested that the downside of current conservative macroeconomic forecasts is that the government controls a significant fiscal surplus without congressional approval.

GDP growth for 2005 was forecasted at 4%, while the final figures showed a 9.2% increase. Given the fact that the current system of checks and balances is weak and that the LRF does not limit central government discretion in allocating extra-budgetary funds, a system where politics prevails over fiscal management is being consolidated.³⁶ In 2005, the overall cash surplus of the consolidated government was 2.5% of GDP, underpinned by strong revenue performance. However, non-interest spending rose by 11% in real terms, leading to an erosion of the primary surplus despite the high rate of economic growth. Provincial primary spending has been rising even more rapidly.

The government has been closely following inflation figures, to avoid repeating past hyperinflation scenarios. Even though the issue appears to be under control, official inflation figures are calculated exclusively on the basis of a limited basket of goods and services subject to government-imposed price controls. Consequently, true inflation is substantially higher. The policy of new Central Bank issues of pesos and bonds in order to buy dollars, ostensibly to increase reserves (though in practice to maintain a competitive exchange rate), is perceived to create inflationary trends.

The 2007 budget again underestimates growth, although arguably it does not underestimate revenues to the same extent, since this would result in a lower surplus.

Fiscal risks

Argentine budgetary documentation does not provide an assessment of fiscal risks, and no steps have been taken to identify and quantify those risks. Moreover, fiscal risks such as a rise in rates or fall in GDP are not quantified. At the same time, no estimation of revenue allocation for tax increases is provided. The fact that budget proposals do

not include alternative scenarios for either lower or higher tax collection than the one projected could further increase government's discretionary use of resources. With the recent increases in tax collection, fiscal transparency would benefit from incorporating different scenarios for tax revenues.

Fiscal sustainability

After a period where fiscal sustainability assessments were not included in the budget, Budget Laws now provide general information on this issue, although growth projections are conservative. The existence of simultaneous trade and fiscal surpluses is virtually unprecedented, and ensures that both public spending and debt servicing are sustainable in the short term.

The 2005 bond swap reduced debt servicing costs to manageable levels. As a result of the swap, public debt fell from 191.3 billion US dollars to 125.3 billion. Before the restructuring, 66% of the eligible debt was denominated in dollars, while peso bonds accounted for only 10%. After the swap, 37% of debt is denominated in local currency, while the share of dollar bonds has narrowed, also to 37%. Most new bonds offer a fixed interest rate. This, combined with longer maturities has reduced exposure to future financial crises. New peso-denominated bonds are adjusted by an inflation-linked coefficient (CER). In the next five years debt servicing will represent 53% of total debt, down from 88% before the restructuring.³⁷

The entire debt to the IMF has also been cancelled this year, reducing short-term financing needs. The government now plans to continue reducing debt, in order to reach a debt-to-GDP ratio of 65% in 2007. The maintenance of the fiscal surplus is crucial to the official debt repayment scheme. The fiscal surplus, new bonds, temporary advances and buy-backs of the bonds involved in the 2005 swap are the main components of the government's plan to pay the debt, both in 2007 and in the future.³⁸

Since 2005, the government has been using alternative financing sources to face international debt commitments, including selling treasury bonds to the AFIP.³⁹ In 2006, the government sold treasury bonds to the national social security administration (ANSES) as an alternative financing source to meet debt commitments. In the past years, funded with additional incomes from those originally projected, the anti-cyclical fund has been substantially increasing, reaching 3 billion pesos. However, the 2007 budget law suspends the integration of this fund.

Budget presentation

Budgets are usually submitted to Congress. Representatives from the Ministry of Economy -- including the minister -- attend a joint session of the budgetary and finance commissions of the lower chamber of Congress in order to explain the budgetary goals for the following year and to set out its macroeconomic framework.

Detailed information about the budget is available on the MEcon website, and budget documentation distinguishes revenue, expenditure and financing. The classification of budget revenues and expenditures is compatible with the IMF's Government Finance Statistics Manual (GFSM) 1986 methodology, which is claimed to be more suited to the country's legal framework than the GFSM 2001, due to the accounting structure.

The ONP collects information on revenues and expenditures of some budget programmes, including a description of their core objectives. The quality of information is not homogeneous for all programmes. Some programmes do not include an impact assessment, leading to the creation of unnecessary budget allocations.

Data reporting

The ONP prepares the budget -- disaggregated into resources for the central government, decentralised institutions and social security -- that is submitted to Congress by 15 September each year. Budgets for public companies must be presented by 30 September and must be approved by the executive by 31 December. The consolidated budget goes to Congress for its information before 31 March. The government's annual budget proposal is given wide media attention. Starting in 2005, information publicly available also includes a *Progress Report* on the draft budget that the government prepares and submits to Congress for its information in June each year, before the final version is presented in September.⁴⁰

State companies receive crossed state subsidies -- especially in the energy sector -- but they are difficult to monitor because information is not presented in a systematic format. With the exception of the new water company Aysa, public companies (postal service, satellites, railways, etc.) are included in the budget documentation, although information is presented on a consolidated basis. There is no monitoring of their budget-execution.

The MEcon website regularly updates its information on the country's economic performance and macroeconomic projections. Publicly available information on budgetary documentation is comprehensive, but annual corrections conducted by the executive are not systematically presented. The quality and timeliness of information and standards of disclosure are of a lower standard at the provincial than at the national level. Progress in budget transparency practices in several provinces has slowed during recent years.⁴¹ The LRF should establish a uniform system of accounting and reporting for fiscal data among provinces. However, experts concluded that unless an improvement in the provinces' technical capacity occurs, these provisions are unlikely to have any impact.

Presidential Decree 838 of 1994 allows ministries of the national government to use resources for 'non-personal services', including protocol expenses, without establishing a system of accountability for those operations. At present there are several judicial investigations into past governments officials who could have used these resources to increase their monthly salaries. No clarification of the execution of these funds has been given.

Budget execution and monitoring

Budget execution information is publicly available and regularly updated. The MEcon publishes a monthly report on budget execution.⁴² In addition, more detailed information is submitted in the annual *Budget Execution Report*. The quarterly *Fiscal Bulletin* provides information on budgetary execution for the national administration, public sector agencies and companies, national transfers to provinces, public debt, financial assets, and some fiduciary funds. The statistical annex of the *Fiscal Bulletin* has improved the amount of data available. The *Public Administration Indicators Report* contains a comprehensive assessment of programme evaluation for the 1994-2003 period, although information is submitted on an aggregate basis.⁴³ Information for 2004 and 2005 is yet to be incorporated in this report. Monthly budget execution information is provided on a programme basis at the MEcon website.⁴⁴ The *Savings-Investment Account of the Public Sector Report* -- released on a monthly basis and consolidated in annual reports -- also includes information on budget execution. Representatives from the MEcon attend Congress sessions' on a quarterly basis in order to report on budget execution.

There is no systematic analysis of budgetary changes introduced by the government during the fiscal year, although this information is prepared internally by the MEcon. Information on budget execution with a comparison of the amounts approved by Congress each year is not publicly available. Moreover, no comprehensive evaluation of spending efficiency is available, although this shortcoming should have been addressed by the LRF.

The 2007 budget introduces the concept of results-based budgeting, in order to orient public management towards results and improve the efficiency of public allocations and spending. A pilot implementation stage of this system

will start next year, and information on selected programmes has already been submitted using performance and impact indicators.

In recent years, the government has made numerous reallocations of money within budget programmes, with consequent distortions of the budget approved by Congress. Budget reallocations during 2005 reached 4.6 billion pesos. In 2005, the budget was augmented by 10.7 billion pesos through presidential decrees, following an unanticipated increase in tax revenues. Moreover, in November this year, the budget has been increased 11.4% through a law proposed by the government. Budget changes introduced by the government during the fiscal year are released through the *Official Bulletin*, but information is neither presented in a user-friendly format nor consolidated in official reports.

The 2007 budget will be the first executed since the Lower House voted on August 3 to make permanent the executive's so-called 'superpowers' over the national budget, modifying Article 37 of the financial administration law. Since 1997, budgets have included temporary powers authorising the cabinet chief to alter the budget as adopted without recourse to Congress.⁴⁵ The new Law 26.124 grants the cabinet chief permanent powers and allows him to redistribute budget funds -- with the exception of expenditures allocated to national security and intelligence -- without seeking congressional approval.⁴⁶ The only limitation is that figures of the total budget or debt cannot be increased. However, annual projected expenditures could eventually be increased by presidential decrees, removing the administration of national resources almost entirely from the legislative to the executive branch of government. Spending can also be increased at the cabinet chief's discretion if fiscal income exceeds budgeted projections. Potential uses of the reallocations powers are endless. The new law also overrides Article 15 of the 2004 LRF that prohibited any increase in current expenditures in exchange for capital expenditures or financial application, showing a lack of long-term coherence on fiscal policy transparency.⁴⁷

In the past few years, concerns have increased over the use of budgetary funds under Jurisdiction 91 -- also called 'Treasury Obligations' -- whose items include 'financial assistance to provinces' and 'financial assistance for provincial social spending' and can be distributed by the government without Congressional approval. These items are included in the annual budget without a detailed allocation plan for at least half of the funds. In the 2007 budget, eleven billion pesos have been allocated to this account -- an increase of 256% since 2002 -- mainly to face contingency expenditures coming from the Financial Education Law (not yet approved), and different agreements signed with the provinces (for which no specific information is disclosed). Disaggregate information on the use of these resources is unavailable.

Accounting basis

The government accounting system is established in Law 24.156 on financial administration, which sets forth clear procedures and objectives common to all levels of the national public sector. The law also establishes the functions of the National Accounting Office (NAO).⁴⁸ Argentina uses both an accrual and cash-based accounting system for spending, while maintaining a cash-based system for incomes. Accounting standards are publicly available through the NAO website.

The NAO maintains records of the central government's accounts and of its operational, economic and financial results, as well as of budgetary execution. Since 1993, the NAO publishes a detailed annual report on government accounts. This report -- publicly available on the NAO website -- provides information on saving investment financing accounts, financial statements of the central administration (including the general balance sheet, statement of results, statement of origin and application of funds, and statements of changes in net position), and consolidated financial performance of the national non-financial public sector.

Procurement and employment

Procurement for the national government is centralised in the National Procurement Office (NPO), which has operated under the cabinet chief since 2000.⁴⁹ Decree 1023/01 approves the national system of procurement, which is based on the principle of transparency for public sector contracts. Information about procurement is publicly available through the NPO website, which also includes a recent list of contracts for goods and services. In practice, however, established procurement policies are not always followed. Shortcomings in the areas of development and assessment are still noticeable, and some concerns over price cartels from companies engaged in public works have been raised.⁵⁰ To ensure the effectiveness and integrity of investments projected under its Country Assistance Strategy 2006-2008, the World Bank emphasises concrete measures to strengthen the operating environment for its projects. In this context, a Fiduciary Action Plan will promote broader awareness of public investment, enhance World Bank supervision, and help to ensure transparent and competitive procurement.⁵¹

The National Civil Service Career System (SINAPA) has a decent reputation. However, most of the recruitment for state employees is conducted outside SINAPA's procedures. In addition, each state agency has its own internal hierarchy personnel procedures. At the provincial level, most public employees are contracted. As a consequence, the public has little information on the rules for selection of public servants, and the monitoring system to evaluate their performance is weak. Some commentators suggested that the shortage of technical staff is an obstacle to carrying out government programmes, and is in part responsible for government under-spending, especially in areas where tenders are delayed owing to the lack of technicians.

Fiscal reporting

Under Law 24.156, the government must present a preliminary report on the execution of the budget to Congress by 30 June. This information must include data on the degree of compliance with objectives and goals. At the same time, quarterly and cumulative data on budget execution at the national level are published in the *Fiscal Bulletin*. Information on final public accounts is submitted to Congress and also published on the MEcon website.

Government decrees through which budget funds are reallocated to different programmes are usually published in the *Official Bulletin*, but Congress does not exercise any monitoring role. Since 2004, publicly available information has included the annexes of those resolutions, which contain the most important data. However, completion of a consolidated report, including all budget reallocations by presidential decrees, is still pending. A permanent Budget Commission -- comprised of members of both chambers of Congress -- controls fiscal accounts and budget execution. However, its fiscal oversight role is very limited. Congress approves the consolidated budget, but in practice the legislature does not exercise any real control.⁵² Congress has some discretion over the amounts applied to fiduciary funds, but not over the use or allocation of funds.

Although in-year reports are relatively detailed, the executive does not prepare a comprehensive mid-year review. Progress information on budget execution is usually provided to the Congress on a quarterly basis, but the parliamentary role in budget execution and monitoring is very limited. This is partly due to the lack of proper skills and resources. At present, there is no budget office in Congress. Pressures from non-governmental organisations and some congressmen to create such an office along the lines of the US Congressional Budget Office have reassumed in the past year, but the question of its composition remains divisive.

Following the approval of the so-called 'superpowers law', Congress is now charged only with approving the global budget and the amount of debt to be issued during the fiscal year. In practice, the global budget amount recently has also been increased through emergency decrees, despite the legal requirement that Congress approve increases in total spending: in 2005, total spending was 14% in excess of the total budget approved as a result of this process. Under legislation adopted on July 20 this year, such decrees -- and all other presidential decrees -- are now valid

unless and until both houses of Congress specifically vote to reject them, and no time limit is set for this purpose.⁵³ The coincidence of these two government legislative initiatives has strengthened concerns over the concentration of decision-making and the apparent lack of Congressional powers, transforming the annual budget law into a mere declaration of intent. The budget as a description of the country's fiscal policy objectives is less useful.

The combination of the measures described reinforces the so-called 'hyper-presidential' system and affects the checks and balances between the different branches of government.⁵⁴ Following these new powers, and contrary to previous years, the 2007 budget hardly has been debated in Congress, indicating the limited influence that this branch of government now has on this issue.

Congress has been extending on a yearly basis the validity of the Economic Emergency Law, originally adopted for one year in January 2002. The law, approved during the peak of the political and economical crisis, grants the president broad powers to renegotiate public service contracts with privatised companies, and represents a further sign of Congress increasing its power to delegate. The ending of the so-called 'emergency period' would imply that some disruptive taxes should be abolished, altering the current fiscal surplus scenario. The delegation of widespread economic powers to the executive renews doubts over fiscal transparency and the efficacy of legislative control.

4. ACCOUNTABILITY AND ASSURANCES OF INTEGRITY

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Data quality standards

Publicly available information is considered reliable by its users, and includes detailed methodological issues, and execution reports. However, some delays in the release of information -- especially at the provincial level -- are noticeable.⁵⁵ Budget data specify clear fiscal objectives within a consistent macroeconomic framework -- with the limitations explained above -- but there is no systematic mechanism to assess compliance with fiscal goals, or to determine the efficiency of spending. Moreover, the constitutional limits on national power over provincial administrations means that consistency cannot be guaranteed at the sub-national level.⁵⁶ The Research and Development Centre, within the MEcon, prepares manuals and guidelines to help data submission by different government departments, public enterprises, decentralised agencies, and fiduciary funds. Guidelines to submit information on budget execution are also available.⁵⁷

Law 24.156 on financial administration states that the national budget must include revenue and expenditure trends and an explanation of the information used in those calculations. The manual of budgetary classifications published by the MEcon governs the formulation and execution of the budget. Following Article 8 of the LRF, sub-national governments subscribing to the law will have to develop homogeneous public management indicators in order to allow a more structured and comprehensive comparison for tax collection efficiency and public expenditure. Some progress has been made since the approval of the LRF in the standardisation of provincial budgets. Fiscal data are disseminated and regularly updated on the MEcon website, in accordance with Argentina's SDDS commitment. However, publicly available information remains, in general, descriptive rather than analytical.

The annual *Saving-Investment Account of the Public Sector Reports* are approved by Congress, but with a significant delay. In the past year, the accounts for 1997 and 1998 have been approved, but pending reports of the early 1990s have yet to be debated.

Independent scrutiny of fiscal information

Independent Audit

The National Audit Office (AGN) undertakes the independent auditing of the public sector and operates within a clearly established legal framework. It is a technical advisory body of Congress and has functional autonomy. The AGN is charged with controlling the legal aspects, management and auditing of all activities of the centralised and decentralised government agencies, and takes part in approving or rejecting the revenue and investment accounts of public funds. AGN reports are submitted to Congress, which may then pass resolutions recommending that the audited entities adopt measures to implement its recommendations. However, those reports are rarely analysed or approved by Congress, weakening the external control of fiscal accounts. The AGN's lack of power to enforce its recommendations severely limits its functions. A bill to extend AGN's powers is yet to be debated in Congress. Efforts to increase its auditing role have been noticed in the past year -- especially through assessments over the misuse of official subsidies to the transport sector and the use of fiduciary funds -- although the lack of enforcement capacity still precludes real advances.

In September 2005, the AGN signed an agreement with the judicial branch of government -- constitutionally independent from the executive and legislative branches -- in order to audit its accounts. Independent experts have welcomed the initiative, which is likely to improve the auditing procedures of funds included in the annual budget law.

The National General Syndic (SIGEN) internally audits the public sector. The role of this body is limited and in-depth investigations are rarely conducted. The fact that the current deputy director of the SIGEN is the wife of Planning Minister Julio De Vido -- who oversees one of the most significant budgets within the national administration -- has cast a shadow over the integrity of the SIGEN's audits.

Independent reviews of the quality of macroeconomic forecasts are made available through the BCRA's *Market Expectations Survey* (REM). The REM is based on the main short and medium-term macroeconomic forecasts prepared by independent analysts and consulting firms for the country's economy. REM information is publicly available and regularly updated.

National Statistics Agency

The National Statistics Institute (INDEC) is responsible for the methodological design, organisation and management of national data through censuses and surveys, the development of basic social and economic indicators, and the production of other basic statistics, all of which can be found on its website.⁵⁸ The INDEC is in the process of updating the basket of goods and services used to measure inflation in order to reflect the change in consumer habits in recent years. The change will be finished during 2007. The consumer price index reflects information gathered across the country, improving comparative data on a provincial basis.

INDEC has technical independence, meets SDDS standards for data integrity and quality, and has a solid reputation for its reliability and independence. INDEC does not possess auditing functions to verify the government's financial statistics. INDEC is a department within the MEcon, and in the past year, pressures have been reported -- especially coming from the Secretary of Internal Trade at MEcon -- aimed at influencing the criteria to build the basket of goods used to measure monthly inflation. Given the fact that the official economic policy includes price controls in order to keep annual inflation at around 10%, pressures on INDEC have raised concerns.⁵⁹

INTERVIEWS

Representatives of *Oxford Analytica* interviewed the following individuals during a visit to Argentina between 13 and 17 November 2006:

Central Bank of Argentina

17 November 2006

George McCandless	Deputy Manager	Economic and Financial Research Department
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Ministry of Economy (MEcon)

13 November 2006

Mario Saccone	Senior Analyst	National Budget Office
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ADDITIONAL INTERVIEWS

13 November 2006

Ernesto Ramirez Rigo	Resident Representative	International Monetary Fund
Luciana Diaz Frers	Fiscal Policy Department Director	Centre for the Implementation of Public Policies Promoting Equity and Growth
Paula Gosis	Research Fellow	Latin American Faculty of Social Sciences (FLACSO)

15 November 2006

Sergio Berensztein	Professor	University Torcuato Di Tella
Tom Scheetz	Independent Consultant	UNDP/Oxford Analytica
Martín Kanenguiser	Journalist	<i>La Nación</i> Newspaper

16 November 2006

Laura Alonso	Executive Director	Citizen Power Foundation - Argentine Chapter of Transparency International
Daniel Oks	Consultant	World Bank Regional Delegation

17 November 2006

Adrián Pérez	Deputy	National Congress
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NOTES

¹ National Constitution, 1853 (last amended 1994), available at: <http://pdba.georgetown.edu/Constitutions/Argentina/argentina.html>

² See www.jgm.gov.ar

³ Two of the most significant sources of federal government revenue, export taxes and the financial transactions tax, which account for 17% of the total, are not among the revenues transferred to the provinces on the basis of a 56.66% share. Only 30% of the financial transactions tax is shared with the provinces, while export taxes are wholly retained by the federal government.

⁴ Law 23.548, which established the revenue-sharing mechanism between the federal government and the provinces, and other laws on the fiscal management of the country can be found (in Spanish only) at <http://infoleg.mecon.gov.ar>

⁵ Although at present lack of an accord does not represent a serious fiscal threat, it will do so again in future if the national government's political and fiscal position weakens, and the government may yet regret failing to negotiate an agreement while in a position of strength. Under the 1994 constitution, a new accord will need to be approved by all 24 provincial legislatures, and it will have to include the sharing of the financial transactions and export taxes, which currently account for most of the federal surplus.

⁶ Interviews in Argentina, 13-17 November 2006.

⁷ 'IMF Executive Board Concludes Article IV Consultation with Argentina', IMF Public Information Notice 06/93, July 2006, available at: www.imf.org. In this Article IV consultation, the IMF has also welcomed the authorities' intention to participate in the Financial Sector Assessment Programme during 2007, although no specific dates have been given. This Article IV consultation was the first carried out since 1984 without a Fund arrangement in place and without any outstanding credit to the institution. According to the government, this has helped to improve the quality of the policy dialogue both with the Fund staff and within the country.

⁸ A number of provincial administrations are increasingly complaining of the short-term debt burden imposed by the PAFs which involve total debts to the federal government of some 60 billion pesos. While the terms of these arrangements envisaged repayment within seven years, several provincial governments are seeking an extension of up to 20 years. The national government, having agreed this year to eliminate the index-linking of the debt to inflation, has rejected any possibility of further debt relief.

⁹ Law 24.156, on Financial Administration and Control Mechanisms, October 1992 also includes general rules for budget preparation, approval and execution.

¹⁰ Interviews in Argentina, 13-17 November 2006.

¹¹ Nevertheless, the FCFR has released a general assessment of 2005 provincial compliance with the law, available at: www2.mecon.gov.ar/cfrf/resumenes_ejecutivos/resumenes_ejecutivos_2005.pdf. The assessment will be released on a yearly basis. The 2006 version should include more detailed information, with an evaluation of public expenditure for the 22 provinces adhering to the system.

¹² 'IMF Executive Board Concludes Article IV Consultation with Argentina', IMF Public Information Notice 05/83, June 2005, available at: www.imf.org

¹³ See Central Bank of Argentina website at: www.bcra.gov.ar and Argentine Inland Revenue Office (AFIP) website at: www.afip.gov.ar

¹⁴ Interviews in Argentina, 13-17 November 2006.

¹⁵ In August 2005, the government issued two decrees aiming to stimulate private investment. Decree 967/05 relates to the creation of public-private partnerships, while Decree 966/05 resurrects the private initiatives regime implemented in the 1980s, allowing private companies to propose projects and to receive 'preferential treatment' when the project is adjudicated.

¹⁶ Interviews in Argentina, 13-17 November 2006.

¹⁷ Interviews in Argentina, 13-17 November 2006.

¹⁸ 'Global Competitiveness Report 2006-2007', available at: www.weforum.org

¹⁹ Interviews in Argentina, 13-17 November 2006.

²⁰ Fiscal Responsibility Law, Article 3.

²¹ Fiduciary funds operate as trusts -- that is, resources assigned for specific purposes, which are not accounted as part of the resources of either the grantor or the grantee. They were first used in the public sector in 1995 and have been expanding since then.

²² Available at: www.mecon.gov.ar/onp/html/empresas/ejecufondosfidu/2006.htm

²³ 'Fondos Fiduciarios Estatales', Centro de Implementación de Políticas Públicas para la Equidad y el Crecimiento & Centro de Evaluación de Políticas Públicas, October 2005, available at: www.cippecc.org/espanol/index.html

²⁴ 'Informe Especial – Relevamiento de la Actividad Fiduciaria del Sector Público Nacional', Auditoría General de la Nación, 2005, available at: www.agn.gov.ar/informes/informesPDF2005/2005_023.pdf

²⁵ The multi-year budget is informal, in the sense that it does not represent a formal assignment of funds to specific areas or programmes.

²⁶ Fiscal Responsibility Law, Articles 5 and 6.

²⁷ Mandatory court liabilities (judicial cases where the government is defeated) are not always included in budgetary information. This issue is becoming more relevant due to the fact that more judicial resolutions include a relevant economic aspect. As an example, recent Supreme Court resolutions command the government to increase the minimum pension and to undertake a comprehensive recovery of the contaminated River Plate.

²⁸ The use of ATNs has been widely criticised from the start, given their susceptibility to political misuse and the possibilities for corruption. This issue was of particular salience during the government of former President Carlos Menem (1989-99), whose home province of La Rioja received a disproportionate percentage of ATNs during his term. However, the lack of transparency surrounding their use -- no accounting of how they are spent is required of the government -- arguably mirrors other concerns over fiscal transparency which have increased in recent years with the granting of discretionary powers to the cabinet chief (now permanent) to redistribute budget funds without congressional approval. This is also the case of fiduciary funds, budgeted to total some 4.5 billion pesos in 2006.

²⁹ IMF Special Dissemination Standard (SDDS) - Argentina, at:

<http://dsbb.imf.org/Applications/web/sddscountrycategorylist/?strcode=ARG>

³⁰ *Economic Reports*, available at: www.mecon.gov.ar/peconomica/informe/indice.htm

³¹ Interviews in Argentina, 13-17 November 2006.

³² 'Hacia una mayor transparencia fiscal en Argentina', IERAL, August 2006, available at:

www.cargafiscal.com.ar/site/data/informe/informe_final_2006_acceso.pdf

³³ See www.mecon.gov.ar/hacienda/info_ende.htm

³⁴ Available at: www.mecon.gov.ar/progeco/calendar.htm

³⁵ National Budget Office website (in Spanish only) at: www.mecon.gov.ar/onp/html/index.html

³⁶ Interviews in Argentina, 13-17 November 2006.

³⁷ As 24% of the defaulted debt was not restructured, Argentina could face potential lawsuits for a total of some 20 billion US dollars (around 13% of GDP). However, no solution for holdouts has been presented. For an in-depth analysis on debt restructuring see: 'Bond swap opens window of opportunity', Oxford Analytica Daily Brief, 7 March 2005.

³⁸ The fundamental question centres on the deterioration of public accounts: public spending is rising faster than revenues, while the fiscal position in some provinces is worsening and could have an effect on the national accounts. While a primary surplus is likely to be sustained next year, the situation may become more complicated in the medium term. The placement of new debt will depend on the behaviour of international interest rates, although financing needs are not significant and could be obtained on the domestic market. For an in-depth analysis of this issue, see: 'Debt declines but long-term doubts persist', Oxford Analytica Daily Brief, 19 October 2006.

³⁹ The system is legally allowed, although for a limited period of 90 days, after which the bonds must be resold. Each month, the AFIP retains 1.9% of tax collection. Given the fact that tax collection has increased this year above original estimates, the agency has enough resources to make these operations.

⁴⁰ Law 24.629 establishes the government's obligation to submit this report to Congress. *Progress Report on the 2007 Budget Proposal*, available at: www.mecon.gov.ar/onp/html/info_avance/2007.pdf

⁴¹ For an in-depth analysis on provincial fiscal information, including budget execution and data reliability, see: Uña, Gerardo & Bertello, Nicolás. 'Reglas Fiscales en Argentina', June 2004.

⁴² Available at: www.mecon.gov.ar/onp/html/ejecu_mensual/index.htm

⁴³ *Public Administration Indicators Report 1994-2003*, available at: www.mecon.gov.ar/onp/html/index.html

⁴⁴ *Public Budget Execution Site*, available at: <http://sg.mecon.ar/ejecucion/>

⁴⁵ In 2005, budget reallocations through the use of these special powers reached 2.4% of the total funds included in the budget, and expenditures were increased nearly 6%. In addition, expenditures were also increased through presidential decrees to 14%.

⁴⁶ Even though opinions diverge, after the approval of this law, budgetary reallocations would not necessarily have to be submitted before Congress because they are now exercised following a legally established power and not a delegated attribution. It remains to be seen whether government will rely on this interpretation to avoid informing Congress about budget decisions.

⁴⁷ The approval of this law has been widely criticised by independent experts and its debate has been closely followed and reported in the media. See *Clarín Newspaper* (www.clarin.com) and *La Nación Newspaper* (www.lanacion.com.ar) of August 2006.

⁴⁸ National Accounting Office at: www.mecon.gov.ar/hacienda/cgn/default1.htm

⁴⁹ National Procurement Office at: <http://onc.mecon.gov.ar/>

⁵⁰ Interviews in Argentina, 13-17 November 2006.

⁵¹ 'World Bank Country Assistance Strategy 2006-2008', available at www.worldbank.org

⁵² Annual reports sent to Congress are available at: www.mecon.gov.ar/hacienda/cgn/cuenta/

⁵³ According to a study conducted by the Public Policy Research Centre (CEPPA), between May 2005 and May 2006, the government has sent to Congress 57 bills, while it has issued 61 decrees -- mostly related to budgetary issues.

⁵⁴ Interviews in Argentina, 13-17 November 2006. Moreover, the report 'El Congreso bajo la Lupa 2005' (published this year by the NGO Poder Ciudadano, and publicly available online at www.poderciudadano.org) describes the process of Congress deterioration in exercising its constitutional role of controlling the executive.

⁵⁵ Even though delay in the presentation of provincial information could in theory be linked to the lack of human resources, some commentators have suggested that information is actually collected, but not timely released to avoid showing the gradual deterioration of sub-national fiscal accounts.

⁵⁶ As mentioned above, the LRF could overcome this problem.

⁵⁷ Available at: <http://capacitacion.mecon.gov.ar/manuales.php>

⁵⁸ National Statistics Institute, available at: www.indec.gov.ar

⁵⁹ Interviews in Argentina, 13-17 November 2006.