

# FISCAL FEDERALISM IN ARGENTINA



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# FISCAL FEDERALISM IN ARGENTINA



- **MAIN FEATURES**

- **ARGENTINA IS A THREE-TIERED FEDERATION**
- **CONSTITUTION GRANTS AMPLE TAXING AND SPENDING POWERS TO ALL THE THREE LEVELS**
- **SUBNATIONAL LEVELS INCLUDE 24 PROVINCES AND 1,100 MUNICIPALITIES**

# FISCAL FEDERALISM IN ARGENTINA



- IS IT ARGENTINA ONLY A 'FORMAL' FEDERATION?
- MARKED TAX COLLECTION CONCENTRATION
- FAIRLY AMPLE SPENDING DECENTRALIZATION

# FISCAL FEDERALISM IN ARGENTINA

- **VERTICAL IMBALANCE - 2001**

- (million of current pesos)

	NATION	PROVINCES
• REVENUE	36,532,1	29,982,1
• SPENDING*	35,076,8	32,487,5
• SUP-DEFIC.	1,455,3	- 2,595,4

- (\*) Exclusive of Interest Payments

# FISCAL FEDERALISM IN ARGENTINA

- **VERTICAL IMBALANCE - 2001**

- (million of current pesos)

	NATION	PROVINCES
• REVENUE	36,532,1	29,982,1
• SPENDING*	45,251,4	35,155,5
• SUP-DEFIC.	- 8,719,3	- 5,263,4

- (\*) Inclusive of Interest Payments

# FISCAL FEDERALISM IN ARGENTINA

- **PROVINCIAL REVENUES - 2001**
  - (million of current pesos)

• <b>PROVINCES' OWN TAXES</b>	<b>9,850,8</b>	<b>33.1%</b>
• <b>REVENUE SHARING SYSTEM</b>	<b>15,763,3</b>	<b>52.7%</b>
• <b>CURRENT TRANSFERS</b>	<b>1,174,7</b>	<b>3.9%</b>
• <b>OTHER CURRENT REVENUES</b>	<b>2,672,2</b>	<b>8.9%</b>
• <b>CAPITAL REVENUES</b>	<b>427,1</b>	<b>1.4%</b>
• <b>TOTAL REVENUES</b>	<b>29,892,1</b>	

# FISCAL FEDERALISM IN ARGENTINA



- **PROVINCIAL TAX REVENUES - 2001**
  - (per cent share)

• <b>TURNOVER TAX</b>	<b>55.69%</b>
• <b>PROPERTY AND LAND TAX</b>	<b>16.83%</b>
• <b>CAR TAX</b>	<b>8.47%</b>
• <b>OTHER TAX REVENUES</b>	<b>19.01%</b>

# FISCAL FEDERALISM IN ARGENTINA

## • HORIZONTAL FISCAL IMBALANCE - 2001

•	POPUL.	GDP	GDPpc	TAX REV.	
•					
•	B. Aires	13,756,0	96,965,9	7,049	3,648 0.370
•	C.of B.Aires	2,729,4	68,695,3	25,168	2,490 0.253
•	Córdoba	3,052,7	24,174,7	7,919	815 0.083
•	Santa Fé	2,976,0	22,885,2	7,690	781 0.079
•	Mendoza	1,573,7	12,140,8	7,715	357 0.036
•	19 provinces	11,950,1	68,467,5	5,729	1,760 0.179



# FISCAL FEDERALISM IN ARGENTINA

## • TOTAL SPENDING BY GOVERNMENT LEVEL

	NAT. GOV.	PROV.	MUNICIP.
• Admin. Law and Order	56.0%	36.0%	8.0%
• Social and Human Resources Spending	34.0%	64.0%	2.0%
• Economic Spending	57.0%	40.0%	3.0%
• Public Debt	81.0%	17.0%	2.0%

# FISCAL FEDERALISM IN ARGENTINA



- **MAIN PROBLEMS**
- **SUBNATIONAL LEVELS DO NOT MEET PRINCIPLE OF FINANCIAL AUTONOMY**
- **EXISTING INTERJURISDICTIONAL FISCAL ARRANGEMENTS DO NOT ENHANCE SUBNATIONAL LEVELS' ACCOUNTABILITY**

# FISCAL FEDERALISM IN ARGENTINA



- **MAIN PROBLEMS**
- **CONTINUOUS 'BAIL OUT' TO SUBNATIONAL BORROWING FAVOURS UNWISE BUDGETARY BEHAVIOURS AND EXCESSIVE PUBLIC SPENDING**
- **PUBLIC EMPLOYMENT PRACTICES RUN COUNTER EFFECTIVE PROVISION OF PUBLIC GOODS AND SERVICES**

# FISCAL FEDERALISM IN ARGENTINA

- **STOCK OF SUBNATIONAL PUBLIC DEBT 2001**

- (million of u\$s dollars)

• BUENOS AIRES	6,040	TUCUMAN	1,370
CHACO	1,660	RIO NEGRO	1,250
• CORDOBA	1,590	MISIONES	1,200
• MENDOZA	1,410	E. RIOS	1,100
• FORMOSA	1,400	C.B.AIRES	850
• REST	8,230	TOTAL	26,100

# FISCAL FEDERALISM IN ARGENTINA

- **STOCK OF SUBNATIONAL PUBLIC DEBT IN RELATION TO REVENUES - 2001**

• BUENOS AIRES	66%	TUCUMAN	133%
CHACO	179%	RIO NEGRO	184%
• CORDOBA	66%	MISIONES	154%
• MENDOZA	104%	E. RIOS	98%
• FORMOSA	231%	C.B.AIRES	26%

# FISCAL FEDERALISM IN ARGENTINA

## • SUBNATIONAL PUBLIC EMPLOYMENT 2002

•	<u>Employees</u>	<u>E/1000</u>	<u><math>\Sigma</math>wages/Rev</u>	
•				
•	Córdoba	76,100	24.9	55.3
•	Buenos Aires	438,000	28.0	72.7
•	Santa Fé	104,500	33.0	61.7
•	Mendoza	63,250	35.0	64.8
•	C.B.Aires	112,500	37.5	

# FISCAL FEDERALISM IN ARGENTINA

## • SUBNATIONAL PUBLIC EMPLOYMENT 2002

•	<u>Employees</u>	<u>E/1000</u>	<u><math>\Sigma</math>wages/Rev</u>
• Neuquen	36,500	65.2	56.9
• Formosa	33,700	68.2	72.7
• Catamarca	23,800	70.0	54.4
• La Rioja	23,250	89.2	60.8
• Santa Cruz	17,400	90.5	44.4
• All prov.	1,471,650	40.8	

# FISCAL FEDERALISM IN ARGENTINA



THE ENHANCEMENT OF FISCAL  
FEDERALISM IN ARGENTINA  
CALLS FOR THE ENSUING  
MATTERS TO BE URGENTLY  
ADDRESSED:



# FISCAL FEDERALISM IN ARGENTINA



A. TO MEET THE  
CONSTITUTIONAL MANDATE  
OF A NEW INTER  
JURISDICCIONAL FISCAL  
ARRANGEMENT

# **FISCAL FEDERALISM IN ARGENTINA**



## **B. TO AIM AT ENHANCING SUBNATIONAL LEVELS' ACCOUNTABILITY BY:**

- INDUCING THEM TO EXERCISE  
THEIR FISCAL FACULTIES**
- STRENGTHENING THEIR TAX  
COLLECTION CAPABILITIES**

# **FISCAL FEDERALISM IN ARGENTINA**



**C. TO INTRODUCE SOME DEGREE OF  
DISCIPLINE IN SUBNATIONAL  
BORROWING BY:**

- **STOPPING BAIL OUT PRACTICES**
- **USING SOME VARIETIES OF  
COOPERATIVE OR RULES-BASED  
APPROACHES TO SUBNATIONAL  
BORROWING**

# FISCAL FEDERALISM IN ARGENTINA



**D. TO IMPROVE GOVERNANCE IN  
SUBNATIONAL LEVELS BY  
INDUCING THEM TO:**

- **RESORT TO MORE TRANSPARENT  
BUDGETARY PRACTICES**
- **TO RELEASE RELIABLE AND  
COMPLETE INFORMATION ON TAX  
AND SPENDING FIGURES**

# FISCAL FEDERALISM IN ARGENTINA



**E. TO FAVOUR UNCONDITIONAL  
TRANSFERS, IN PLACE OF  
CONDITIONAL TRANSFERS  
(‘PRINCIPAL-AGENT’ RELATIONS),  
SPECIALLY IF THE POSSIBILITY OF  
OCURRENCE OF  
ASYMMETRIC INFORMATION AND  
MORAL HAZARD IS HIGH**