

INTERNATIONAL FISCAL CONFERENCE Fiscal Equalization and Economic Development Policy within Federations

Published by the Forum of Federations · www.forumfed.org · Publié par le Forum des fédérations

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*Charlottetown
PRINCE EDWARD ISLAND
October 28-29, 2002.*

**FISCAL FEDERALISM AND
REGIONAL DEVELOPMENT:
THE CASE OF ARGENTINA**

I. BASIC DATA OF ARGENTINA

- FEDERAL REPUBLIC.
- POPULATION: 36 Millions People.
- CONTINENTAL SURFACE: 2,76 Millions of square kilometers.
- LEVELS OF GOVERNMENT:
 - * 1 Federal Government.
 - * 24 Intermediate Governments (23 Provinces and 1 Autonomous Federal District).
 - * 2.155 Local Governments.

II. ARGENTINA AS ASYMMETRICAL FEDERATION

- ↓ Demographic asymmetries.
- ↓ Regional Asymmetries.
- ↓ Urban Asymmetries.

Existence of an historical actor: the city of Buenos Aires. Jointly with the homonymous Province produces 65% of Argentinean GDP.

EXPENDITURE ASSIGNMENT

Argentina has a reasonable and not concluded decentralization of expenditure

EXPENDITURE	POLICY AND CONTROL	ADMINISTRATION/PROVISION
▪ National Defence	N	N
▪ Foreign Relations	N	N
▪ Foreign Trade	N	N
▪ Macroeconomics and Monetary Police	N	N
▪ Social Security	N,P,M	N,P,M
▪ Transport	N,P	N,P
▪ Interprovincial Roads	N	N,P
▪ Intraprovincial Roads	P	P
▪ Communal and Local Roads	L	L
▪ Higher Education	N	N
▪ Secondary Education	P	P
▪ Primary Education	P	P
▪ Educative Evaluation	N	N,P
▪ Health	N,P	P
▪ Security	N,P	N,P
▪ Water and disposal	P,L	P,L
▪ Parks and Recreation	L	L
▪ Fire Protection	P,L	P,L
▪ Environment	N,P	N,P,L

NOTE: N: National; P: Provincial; L: Local

ARGENTINA: THE LAST DECADE OF INTERGOVERNMENTAL FISCAL ARRANGEMENTS (1991-2002)

- PRIOR TO CONSTITUTIONAL REFORM (1992-1993).
- NEW CONSTITUTION (1994).
- AFTER CONSTITUTION (1999, 2000, 2001, 2002).

IV. FISCAL CAPACITY OF NATION AND PROVINCES (% GDP)

■ CONCEPTS 2000	1994	1996	
■ National Fiscal Burden	17,69	16,14	17,21
■ Provincial Fiscal Burden 3,81	-	-	
■ Total Fiscal Burden 21,22	17,69	16,14	

SOURCE: Ministry of Economics, Argentina.

TAX ASSIGNMENT

Taxing powers are far from the model of separation of the Constitution of 1853. Nowadays prevails revenue sharing.

MAIN TAXES IN ARGENTINA

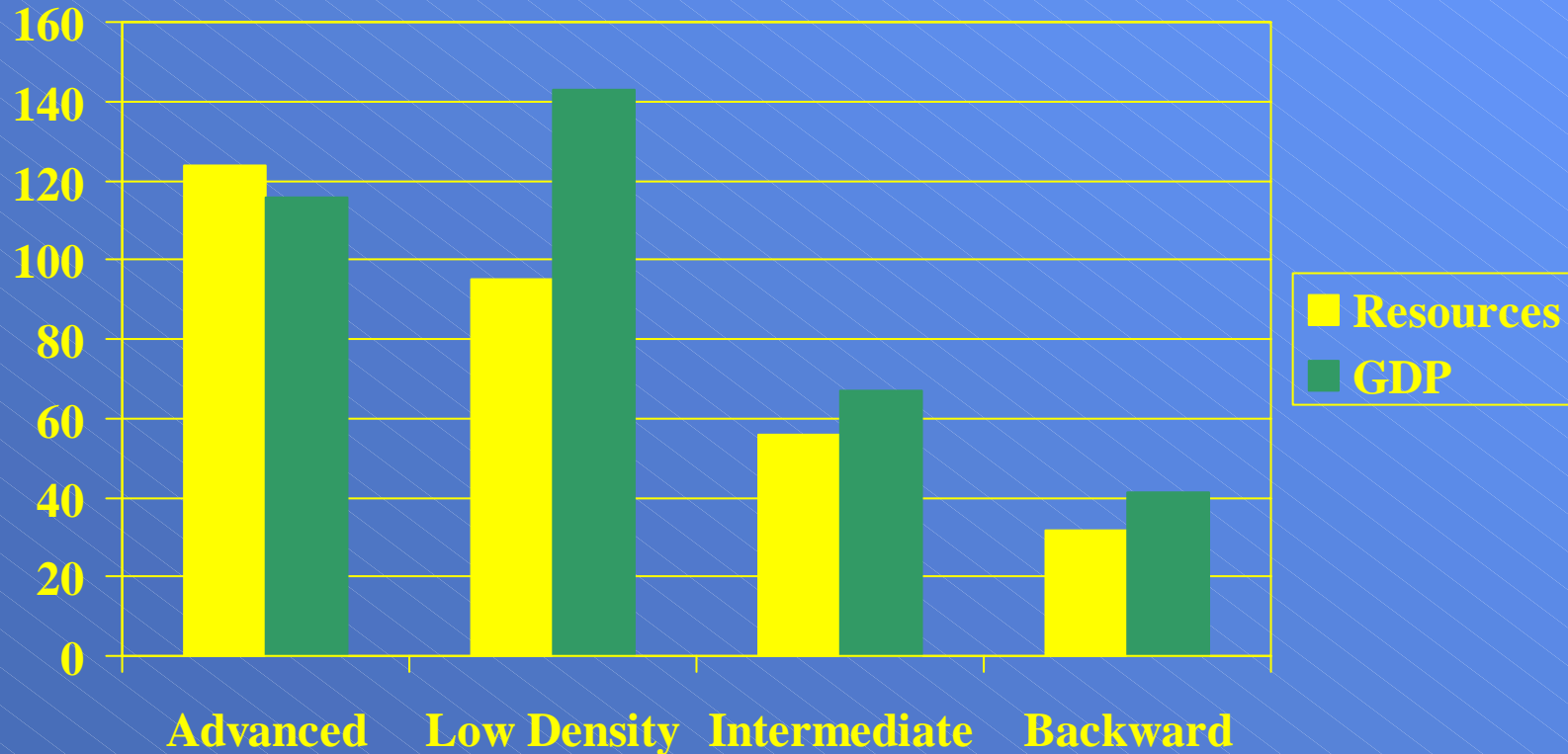
<i>NATIONAL ONLY</i>	<i>SHARED</i>	<i>PROVINCIAL ONLY</i>	<i>TAXES</i>
<ul style="list-style-type: none">•Taxes on foreign trade• Stamp tax• Administrative user frees	<ul style="list-style-type: none">•Personal income tax•Corporate income tax•Gasoline tax•Value Added tax•Personal wealth•Wages•Financial Transactions•Otros	<ul style="list-style-type: none">•Turnovar tax•Real Estate•Motor vehicles•Stamp tax•Otros	<ul style="list-style-type: none">•Real Estate•Contribution on urban improvements.•User charges and fees.

V. VERTICAL FISCAL IMBALANCE

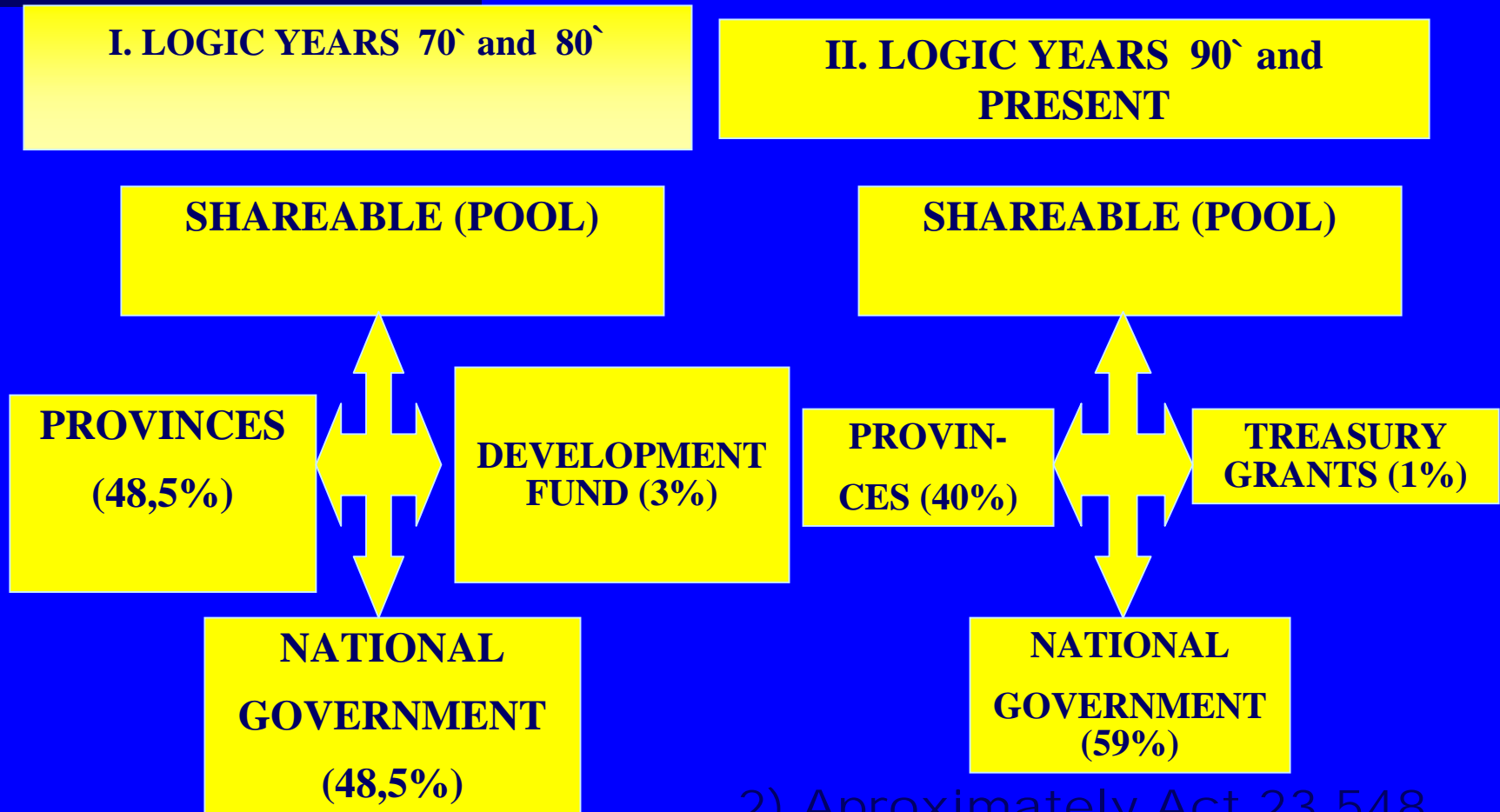
EXPENDITURES AND RESOURCES (%)

CONCEPTS	NATION	PROVINCES	TOTAL
EXPENDITURES	49	51	100
REVENUES	80	20	100

VI. HORIZONTAL IMBALANCE: OWN RESOURCES AND PROVINCIAL GDP



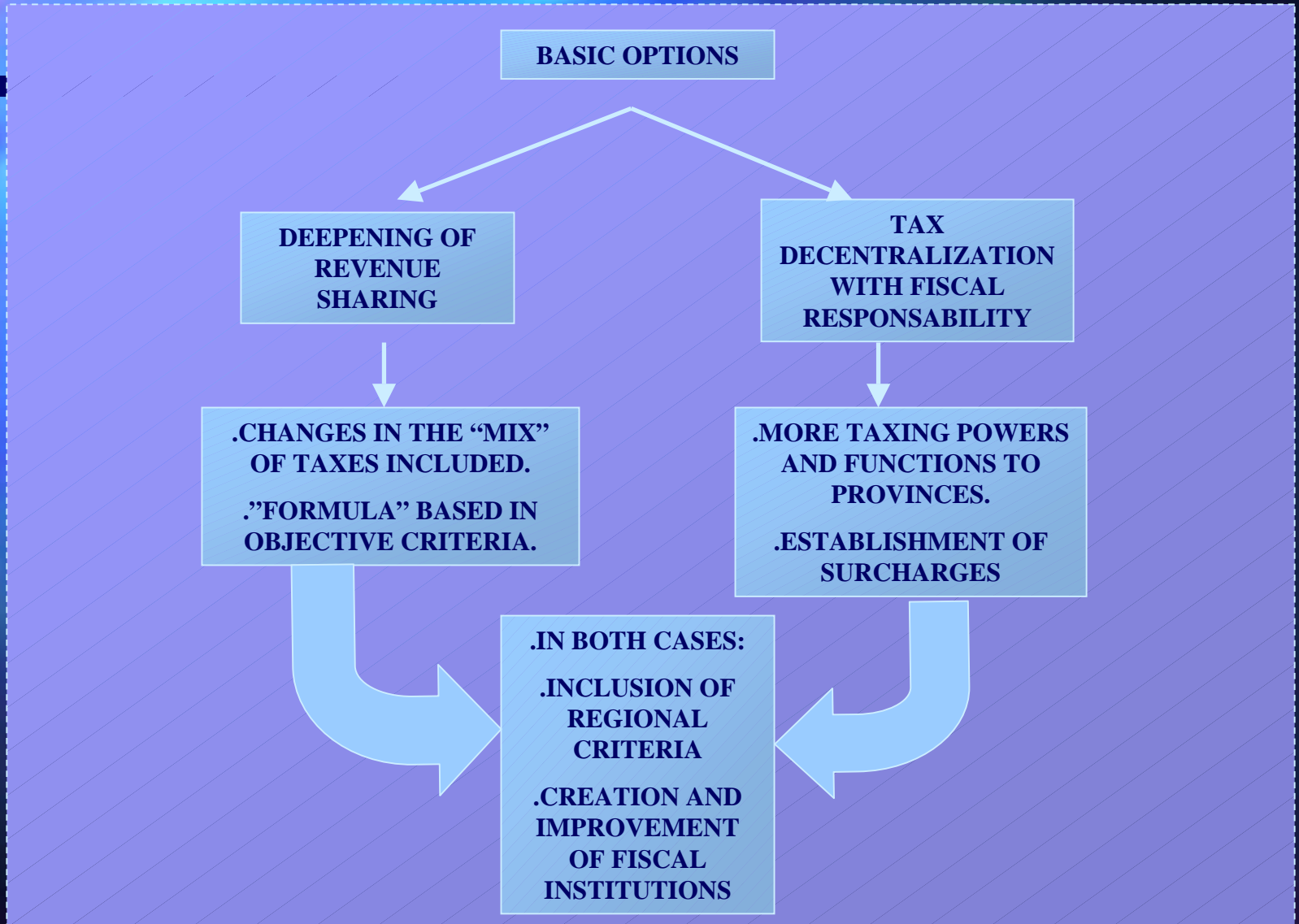
VII. REGIONAL DEVELOPMENT AND REVENUE SHARING



1) Act 20.221.

2) Aproximately Act 23.548 and others.

FUTURE SCENARIOS FOR FISCAL FEDERALISM AND EQUALIZATION IN ARGENTINA



FISCAL FEDERALISM IN ARGENTINA: AN AGENDA FOR THE FUTURE

- 1 REVISION OF THE LINK BETWEEN REGIONAL POLICY AND REVENUE SHARING (TREATMENT OF HORIZONTAL IMBALANCE).
- 2 CO-OCUPATION OF "TAX ROOM".
- 3 COMPENSATIONS FOR THE USE OF EXTRAORDINARY TAXES ON FOREIGN TRADE.
- 4 COMPENSATIONS FOR COMPSUMPTION OF NON TRADITIONAL NATURAL RESOURCES.
- 5 DECISION ABOUT "CONSTITUTIONAL MANDATED" FEDERAL GRANTS IN AID TO PROVINCES.