

# INTERGOVERNMENTAL RELATIONS IN ARGENTINA: THE LACK OF INSTITUTIONALIZATION\*

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Argentinean federalism has recently witnessed the emergence of a more complex framework for the establishment of public policy at the national level. At the same time, one sees a lack of institutional routines that mediate interactions between stakeholders. The consequence of this phenomenon is public policy that lacks insight, is short-lived and inconsistent. This paper attempts to examine the determinants of this behaviour, as well as a number of measures that tend to modify them.

## PART I: POLITICAL DETERMINANTS

### a) Relations between the constituent elements of the federation

With the consolidation of democracy, provincial governors have adopted an increasingly active role as autonomous power brokers. A process of gradual territorial pluralization of political power is underway. Some of the factors that have resulted in this institutional preponderance are set out below.

In recent years there has been more regional voting across party lines. The votes in Congress regarding the extension of the tobacco fund, which united deputies from different parties who represented the tobacco-growing provinces, and the subsidy for Patagonian fuels that brought together legislators from those provinces, regardless of their party of origin are two examples.

Under a traditional separation of powers, the executive branch and the legislative branch negotiate the passage of legislation that the federal government requires for its operations. However, in recent years this pattern has changed. Provincial governors first negotiate with the executive branch regarding issues that affect their provinces and then they give instructions to their respective deputies and senators, telling them how to vote on these issues.

The lists of candidates for the national legislature are prepared at the provincial level. Since the governor normally is the party leader at the local level, he plays an extremely important role in determining which deputy will win another term or which local factions will predominate when

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the lists of candidates are drawn up. The re-election rate for governors is high, whereas the re-election rate for deputies is extraordinarily low: out of the 130 deputies who won a seat in the Chamber of Deputies in 1997, only 17 had held office in the previous administration.

This pattern of relations between the executive branch, the legislative branch and the provinces varies, depending on which party holds power within the executive branch at the national level and depending on the relative strength of the party forming the government in relation to the various provincial governments.

Ever since democracy was restored in 1983, during the two terms in which the Unión Cívica Radical (UCR) [Radical Civil Union] led the federal executive branch, most of the provinces have been held by the main opposition party. The UCR has always had a minority in the Senate. It has alternated between having an absolute majority in the Chamber of Deputies and being the largest minority in the Chamber. Generally speaking, this imbalance of party support between the two houses implies that the executive branch will have greater difficulty in implementing the political policies it has developed.

The Partido Justicialista [Justice Party] has also held the presidency for two terms. During both, it had an absolute majority in the Senate, relative or absolute majorities in the Chamber of Deputies, and held most of the governor's offices. Consequently, authority was concentrated in the executive branch. The head of the executive branch, the President of the Nation, was in turn the leader of the party forming the government.

This particular division of institutional authority can be seen as the combination of two factors: the distribution of the population within Argentina, and the prevailing electoral system. Federal systems tend to accord an equal number of representatives to geographically defined electoral districts, regardless of the number of people living in the district and its political and economic importance. Representation in second chambers is often on the basis of equality of the constituent units. The composition of the lower house, while based in principle on representation by population, may be modified through either the electoral system or specific constitutional provisions designed to satisfy concerns of individual provinces. However, to avoid distortions in representation, the federal system must have some kind of homogeneity in terms of the distribution of the population. The population of Argentina is distributed in an extremely uneven manner. One third of the population lives within a radius of forty kilometres of central Buenos Aires. Out of twenty-three provinces and one federal district, five provinces account for seventy five per cent of the population.

After the constitutional reform of 1994, the Argentinean election act stipulated that the Senate consist of 72 members, 3 per province; two representing the majority at the provincial level, and one representing the minority. As a result, the provinces with small populations hold enormous power in the Upper Chamber. Six provinces whose total inhabitants make up 3.6 per cent of the population hold 25 per cent of the seats in the Senate. The Chamber of Deputies has a total of 257 members elected proportionally following the d'Hont method, with a 3 per cent minimum. However, all provinces have at least five deputies, regardless of the size of their population. Thus, the province of Buenos Aires, which accounts for 38 per cent of the population, holds only 28 per cent of the seats in the Chamber of Deputies. The six provinces with the smallest populations (3.6 per cent of the total) hold 11 per cent of the seats in the Chamber of Deputies. These figures show a definite imbalance in representation in favour of the small provinces.

Finally, the President of the Nation is elected by way of a single district system. Consequently, if a candidate carries the urban centres of five provinces during his campaign, he is almost certain to win the presidency.

As a result of this combination of electoral systems, the executive branch is elected by the centre and the legislative branch is elected by the periphery. In the centre, where city dwellers predominate, voters are fickle, whereas on the periphery, the electorate is much more loyal, particularly during local elections. This geographical distribution of the population, together with these electoral systems, is yet another factor that underpins the growing power of the provincial governors.

So far, this paper has described the distribution of institutional power that Argentina has experienced in the past eighteen years of democratic government. But to understand fully the dynamics of inter-governmental relations, one must take into account a third factor: the different behaviours of the various parties, which stem from their internal structure and their historical leadership styles.

The relevant parties in Argentina's political system tend to behave differently, depending on the relative amount of power they hold in the executive and legislative branches, both federally and at the provincial level.

When the Partido Justicialista forms the federal government, it generally supports its President. When in opposition, it tends to be divided, until a new internal leadership emerges. The Partido Justicialista's patterns of opposition have varied significantly from 1983 to the present. During the presidency of Fernando de la Rúa, the Partido Justicialista did not block the work of Congress to any great extent – something that had been seen during the Alfonsín administration – although it continued its task of social protest through its union involvement.

The UCR during past presidencies has tended to support its President in the executive branch. This practice was called into question during the last term, owing to misunderstandings between the executive branch and the party in power. Some of these misunderstandings were due to the President and his party having different conceptions as to how a coalition should function. When the UCR is in opposition, the President of the party becomes more important, and to a lesser extent, so do the governors from this party. They tend to legitimize their real power by holding positions in the party's national structure.

In contrast, the provincial parties are distinctly pragmatic when the time comes to forge a coalition; normally they back the party forming the government, which is the one that can provide greater benefits to the provinces they govern.

In conclusion, the distribution of the population and the distribution of institutional power, along with the political patterns of the various parties that form the government or the opposition, are fundamental to understanding the Argentinean political system in general and the effective implementation of public policy in particular.

These factors show how the interactions between the federal government and the provinces can give rise to a divided government. However, this situation by itself has not led to governmental paralysis. Despite what is said in the literature critical of the presidential system, to date we have not seen the government paralysed as a result of this fragmentation of power within the Argentinean presidential system.

Rather, what we have seen is a stable political regime in the midst of a high level of institutional instability. On average, a federal minister holds his portfolio for only eight months. In short, there are disputes within the system, but no disputes as to the system itself.

Given this scenario of gradual pluralization, to introduce policy without the consensus of players such as the provincial governors, who are becoming more and more important within the political system, is to start off on the wrong foot. Many political players, especially those within the federal government, have not realized this new reality. Some are attempting to implement a broad range of policies on the basis of the old centralized framework, not realizing that the players and the processes have changed. As a result, many public policies applied in a decentralized manner require a decision-making mechanism that renders them qualitatively different. Since a multidimensional framework for analysis is not being applied, many policies fail. As a result, the wrong channels are being chosen to implement policy and the political consensus needed to sustain policy over time is not there.

## **b) Intergovernmental relations within the federal executive branch**

Many of the successes and failures of a government can be explained by the design of the executive branch. In the final analysis, one must determine how modifying the structure and organization of the executive branch provides incentives to members of a government to co-operate or to engage in confrontation.

Of all the prerogatives that the President enjoys, he probably enjoys the most discretion when he selects his cabinet ministers. Within the structure of Cabinet, there are multiple tensions that should be examined at the beginning of an administration. In the case of modern-day Argentina, the primary tensions are as follows:

- The asymmetrical distribution of power between the presidency and the other institutions, and the harmonization of this asymmetrical distribution of power within a coalition government.
- Autonomy versus control in the composition of Cabinet, particularly within a coalition government.
- Overlapping functions and unclear boundaries between areas of jurisdiction within the executive branch.
- The appearance of new forms of governance to introduce policy (e.g. federal/provincial councils, multi-stakeholder groups, or inter-agency groups that need a methodology to be operative).
- The resolution of latent conflicts between the economic ministries and the ministries that redistribute wealth, particularly the issue of independent control over budgets.
- Inter-ministry co-ordination through figures that are neutral, indifferent to the outcomes of power games.
- Regulation in accordance with representative criteria prior to short-term political negotiations of inter-jurisdictional relations, particularly relations having to do with taxes.

The design of the executive branch is particularly problematic in the case of a coalition government within a presidential system. Owing to the fact that within presidential systems in general, and within the Argentinean system in particular, presidents are extremely powerful figures, the leader's conception of what a coalition should be is of vital importance, in addition to the patterns of organization within the executive branch. In short, many of the results attained by a coalition depend on what the primary players see a coalition as being.

There are two competing visions of what constitutes a coalition in a presidential system. One is that the President is the true repository of popular legitimacy, and therefore, the coalition is seen as an instrument used for his own strategy. The other vision, which is very distinct, is that the President is elected as a representative of a coalition of parties, and he must protect the equilibrium of this coalition as the foundation of his legitimacy.

In the case of modern-day Argentina, the first factor to be borne in mind is that the executive branch is comprised of various parties that make up a coalition government. Consequently, the President may be from one party, a minister may be from another party, and secretaries and deputy secretaries may be from a third party or from an internal faction within the same party that is competing with other factions. Consequently, many of the conflicts within the executive branch can be seen as conflicts between "the President's men" and "the minister's men."

When the President does not allow his ministers the opportunity to choose their own staff, he wins in the short term, for his authority is strengthened. But in the medium term he loses out, for he does not have homogeneous teams to implement policy. In many cases, these situations can lead to paralysis in one particular area of the administration. If the same situation occurs in each ministry, the various stakeholders will not be "singing from the same hymnbook," and this leads to confederations of branches and divisions, with some sectors expanding their sphere of influence and establishing their own fiefdoms.

Overlapping functions within different areas of the executive branch, and unclear boundaries between areas of responsibility can also cause conflict and make it difficult to resolve public policy problems. Rather than allowing for interdisciplinary efforts, this kind of situation has often paralyzed the government.

One example of this problem is economic dealings with the provinces. Because of constitutional and legal provisions, federal and provincial officials who are at the same hierarchical level must often work together. As a result, inter-governmental relations are subject to patterns of cooperation or conflict, depending on the people who hold these positions. Thus, in practice, various stakeholders come and go and parallel negotiations are held with different players, depending on who the Minister of the Interior, the Minister of Finance, or the Chief of Cabinet may be. In many cases, the President himself becomes absorbed by this dynamic, becoming one more player in the game.

This dynamic also creates distortions for the provinces, insofar as uncoordinated efforts lead to results that are quite unfair to some. The provinces with governors who have a better personal relationship with the President or who can put greater pressure on the federal government get more benefits, even though these benefits may not fit into a broader development strategy for all the provinces.

Despite this situation, after the profound decentralization that the country went through in the mid-1990s, which will be described briefly later on in this paper, new opportunities for solv-

ing interjurisdictional problems appeared, as well as new opportunities for organizing inter-agency efforts and multi-stakeholder initiatives. These opportunities demonstrate both the complexities of the new organizational framework for public policy, as well as the possibilities for the emergence of new mechanisms their institutionalization. Thus, there are now many examples of federal-provincial councils, which normally are comprised of the federal minister responsible for the area in question and his provincial counterparts. The more important ones are the federal/provincial Education, Domestic Security, Infrastructure, Investment and Public Management Councils.

However, these new opportunities serve more as forums for generating consensus than as bodies that make decisions that are binding upon the parties. In many cases, valuable consensus developed after difficult deliberations are watered down over time because they are not implemented. Generally speaking, these organizations have lacked decision-making capacity and continuity over time, and have responded more to the political necessities of the day than to medium- or long-term strategies. Finally, they are unable to replace negotiations based on personal relationships and the capacity to exert pressure with criteria that may be unavoidably political in nature, yet at least established in advance of the particular negotiations under way and based on proper indicators.

Relations between ministries are marked by the tension between economic ministries, typically the Finance ministry, and ministries that redistribute wealth, such as Social Development or Health. Whether or not the latter are subordinate to the Finance ministry or equals of the Finance ministry depends on the rhetoric and symbolism that is politically mediated by the President by his selective allocation of power. But one must also analyse the financial relations between the ministries, insofar as this indicates the relative weight of each ministry with regard to the settlement of specific problems. Specifically, one must determine if each ministry has independent control over its budget, or if the Finance ministry, through the budget process, has a *de facto* veto over the policies to be implemented by the other ministries.

Many of the problems mentioned previously can be resolved by way of effective co-ordination between ministries. The Argentinean constitution now provides for a Chief of Cabinet. His duties include the general management of the country, and thus, the task of ensuring harmony amongst the various components of the federal executive branch. No doubt, this co-ordination is a key element of effective governance. However, if the Chief of Cabinet is to carry out this task, he must be above any power struggles within the executive branch. If the Chief of Cabinet were to lose his neutrality, he would lack credibility and would be less effective in carrying out his role.

The position of Chief of Cabinet, which was created as part of the 1994 constitutional reform, was envisaged as a mechanism to make the presidential system more flexible. The various coups d'état that occurred in the twentieth century showed the need for a mechanism to bring about major changes within government in response to a major crisis, without overthrowing the head of state, and thus the democratic system in its entirety. With this greater flexibility in the executive branch, the legislative branch now has the ability under the Constitution to remove the Chief of Cabinet as a way of censuring the government.

In practice, however, the Chief of Cabinet has been greatly subordinate to the President. When strong leaders such as Carlos Menem held the presidency, the Chiefs of Cabinet were low profile, whereas when more bureaucratic leaders, such as Fernando de la Rúa held the Presidency,

the Chiefs of Cabinet have had a much higher political profile. To date, one ultimate scenario has not occurred. Argentina has not had a President from one party and a Chief of Cabinet from an opposition party. The institutional system has anticipated such a possibility in the event of a major political crisis.

Finally, one factor necessary for the institutionalization of inter-governmental relations is the need for more effective standards governing relations between the federal government and the provinces and less discretionary authority in the allocation of benefits. There are two particularly good examples of this trend. The first is the *Aportes del Tesoro Nacional*, discretionary subsidy that the federal executive branch grants to provinces and municipalities. These subsidies currently exceed 150 million dollars per year, but in the mid-1990s they totalled more than 500 million dollars per year. The executive branch could allocate these subsidies at its discretion, entirely as it wished. The second example, even more significant than the first, is the *Federal/Provincial Tax Arrangements Act*, which governs relations between the federal government and the provinces with regard to tax collection and the distribution of tax revenues. Under the 1994 constitutional reform, new legislation was to be passed before 1996 that would set the criteria for such arrangements. To date, this legislation has not been passed, and consequently, tax matters with the provinces are decided by way of political negotiations between the federal players mentioned earlier and the governors. There is a problem, for there is a lack of uniform criteria established in advance and based on proper indicators.

## **PART 2: FISCAL AND ECONOMIC DETERMINANTS**

Although the primary thrust of this paper is to explain inter-governmental dynamics as the outcome of the relations between political players at the provincial and federal levels, there is another set of variables that is relevant when one attempts to explain such behaviour in a comprehensive manner.

In addition to analyzing the political relations between the federal government and the provinces, one should consider the provinces' financial situation and economic production. In particular, it is impossible to understand the power dynamics between the federal government and the provinces without considering the growth in provincial debt and consequently, the provinces' inability to implement policy at their level.

Historically, the Argentinean provinces have managed their finances erratically. Factors such as inefficient management and the use of government benefits to buy votes have played an important role in a significant number of provinces that have run deficits.

During the 1990s, three factors caused provincial debt to rise markedly, thus making it impossible for the provinces to implement policy. These factors were decentralization, the collapse of regional economies and the abundance of international capital to finance deficits. These factors explain the behaviour of the overwhelming majority of Argentina's provinces, although there were some cases of provinces avoiding deficits, such as the provinces of La Pampa and San Luis.

The downloading of services that began in the early 1990s was initiated by the federal government without first allowing the provinces to adjust to the new context. As a result of fiscal imperatives and the federal government's tendency to stop providing a very broad range of func-

tions and public services, decentralization policies were introduced without ensuring the provision of quality services and without regard to the financial health of the provinces. Services such as education and health care were transferred to the provinces without the corresponding funding, and without the necessary training of human resources that would have made it possible to provide such services. Furthermore, these services were downloaded so quickly that the provinces did not have the time to adjust gradually.

Although decentralization harmed the finances of most of the provinces and reduced the quality of services, some provinces were better able to adjust to the changes. In particular, the provinces that had already started to download provincial responsibilities to the municipalities fared better. This group of provinces was better able to deal with the new context. First of all, they had the experience of negotiating within their own province, so the officials dealing with the federal authorities already knew what were the most important variables to negotiate with the federal government. Furthermore, they had the necessary human resources in their bureaucracies to deal with the new context, that is, the middle and senior managers who had been trained to manage such policies. These examples show that a strategy of gradually decentralizing services works better than a direct transfer of functions from one jurisdiction to another.

Decentralization also caused an increase in recurring expenditures as well as provincial debt, which had a marked effect on cash flow and the provinces' capacity to introduce policy. The recurring expenditures at the provincial level that increased the most in the 1990s were personnel costs and interest payments on the public debt.

The second most important factor in explaining the provinces' fiscal position was the collapse of the regional economies. This was caused by the privatization of domestic state-owned companies and the opening of the economy to imports, which had a particularly harmful effect on local industries that were not used to foreign competition.

When YPF, the state oil company, was privatized, tens of thousands of workers were let go, by means of early-retirement and voluntary-departure packages that entailed large severance payments. The same thing occurred with the railway companies. In addition to providing transportation, these companies carried out a social function of communications and integration on a large scale, given the size of Argentina. The lack of policies to help laid-off workers get back into the labour force led to a strong demand for public employment at the provincial level. In addition to the economic problems, there was social conflict, for many of these people who were left without a job in the oil industry or with the railways, remembered their entitlements. They remembered certain patterns of employment and expected a certain standard of living and a suitable income. The contrast between their current situation and the memory of the entitlements they had lost gave rise to acute conflict in groups that had been formerly employed in the now privatized companies.

The opening up of the economy to imports by reducing tariffs without first restructuring local industries, particularly regional industries, dealt a harsh blow to local economies, and made it particularly difficult to collect provincial tax revenue.

The privatization of state-owned companies created strong pressure to boost employment in the provincial public sector, thus causing a large, permanent increase in expenditures. Furthermore, as regional economies deteriorated, it became more difficult to collect taxes at the local level, owing to the lack of economic activity. For these reasons, the provinces were unable to



generate needed revenue, and thus, the pressure mounted on the federal government to obtain funding or resort to debt.

The abundance of international capital during the past decade allowed the provinces to go even further into debt. Their indebtedness currently stands at 23 billion dollars, which is equal to 8.2 per cent of the GDP. In 1999, their combined deficit was 4.6 billion dollars (1.6 per cent of GDP).

In conclusion, both the relative power of the political players and the multidimensional nature of government processes must be recognized if one hopes to ensure the political sustainability of public initiatives. Both political and fiscal determinants must be considered in order to sustain a new vision of intergovernmental relations. However, all these elements are only the starting point on the path toward the creation of a medium- and long-term development strategy.