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**Province of Buenos Aires**  
**Republic of Argentina**  
**Public Financial Management Assessment**

July 2012

World Bank  
Country Management Unit for Argentina, Paraguay, and Uruguay  
Financial Management Unit, Operational Services Department  
Latin America and the Caribbean Region



World Bank Document

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## CURRENCY EQUIVALENCE AND APPROXIMATE EXCHANGE RATE

Currency Unit: (AR) Peso - US\$1 = 4,49 pesos

## ECONOMIC FISCAL YEAR

January 1st – December 31st

**ABBREVIATIONS AND ACRONYMS**

AGAs	Autonomous Government Agencies
ARBA	Spanish acronym for Tax Collection Agency of the province of Buenos Aires
BAPRO	Bank of the Province of Buenos Aires
CA	Central Administration
CDEs	Consolidated Decentralized Entities
CER	Spanish acronym for Reference Stabilization Coefficient
CFAA	Country Financial Accountability Assessment
COA	Court of Accounts
COFOG	Classification of Functions of Government
COSO	Committee of Sponsoring Organizations
DSA	Debt Sustainability Analysis
FRL	Fiscal Responsibility Law
GA	General Administration
GAO	General Accounting Office
GDP	Gross Domestic Product
GGP	Gross Geographic Product
GFS	Government Finance Statistics
IFIs	International Financial Institutions
IMF	International Monetary Fund
IOMA	Spanish acronym for Institute of Medical Assistance of the Province of Buenos Aires
LAF	Spanish acronym for Financial Management Law
MDAs	Ministries, Departments, and Agencies
MOF	Ministry of Finance
MPIS	Municipal Public Investment System
NA	National Administration
NB	National Bank
NFPS	Non-Financial Public Sector
NG	National Government
PDB	Province Directorate of Budgeting
PDPDC	Province Directorate of Public Debt and Credit
PEFA	Public Expenditure & Financial Accountability
PFM	Public Financial Management
PFMA	Public Finance Management Assessment
PGT	Province General Treasury
PI	PEFA Indicator
PPIS	Provincial Public Investment System
PPO	Public Prosecutor Office
RAFAM	Spanish acronym for Reform of Local Governments Financial Management
SAI	Supreme Audit Institution
SIAPE	Spanish acronym for Unique System of Personnel Administration
SIDIF	Spanish acronym for Provincial Integrated Financial Management System
SIGADE	Spanish acronym for Debt Management & Analysis System
SN	Sub-National
SOEs	State-Owned Enterprises
TSA	Treasury Single Account
TSS	Tax Sharing System
UF	Unified Fund
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WB	World Bank

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## PREFACE

Following the publication of Argentina's Country Financial Accountability Assessment in March 2008, the authorities of the Republic of Argentina agreed with the World Bank to conduct a sub-national public financial management assessment (PFMA) for four provincial governments: Buenos Aires, Cordoba, Santa Fe, and San Juan. The four were selected in consultation with the country authorities, based on their relative economic size and importance and their financial relationship with the Bank (size and numbers of active portfolio loan operations). Since the Bank's interaction with Argentina's sub-national governments has been increasing significantly, measuring the performance of provincial public financial management systems and identifying opportunities for improving systems, processes, and institutions are critical aspects of the Bank's prudent management of its fiduciary exposure. Also, the results of the sub-national assessments could serve as an entry point for the Bank's assistance on building more sustainable PFM capacity at the sub-national level in Argentina, based on action plans prepared by provincial governments and agreed with the Bank.

The assessment for the Province of Buenos Aires was prepared jointly by the Ministry of Finance of the Province of Buenos Aires and the World Bank (WB) on the basis of findings from missions. It seeks to: (i) provide the provincial government with a reference tool for dialogue and action to strengthen their public financial management systems; (ii) assess the province's PFM systems and identify and address their main fiduciary issues, as well as their impact on the implementation of World Bank operations; and (iii) contribute in a broader sense to the dialogue between the Bank and Argentina's national and provincial authorities regarding fiduciary portfolio management and reliance on the country's systems. The assessment is not a fully fledged PFM performance report using all PEFA performance indicators. As agreed with the provincial government and the World Bank's Country Management Unit, the team selected and used 19 PFM performance indicators (PI 1, PI 4, PI 5-7, PI 9-12, PI 16-18, and PI 20-26) to review the status of PFM in the province.

The assessment was prepared based on the findings of missions that visited Argentina in the period 2006-2009 and is based on 2006 to 2008 fiscal years. It was completed with a closing mission and workshop that took place in La Plata, on June 25, 2012 to incorporate the provincial government comments in the final version. The PFMA team was led by Alexandre Arrobbio and Mamadou Deme (WB). Core team members were: M. Alejandro Solanot, Mozammal Hoque, Santiago Pinto, Federico Guala, Marcelo Barg, Luis Anconetani, Delia Grisolia, and Carolina Biagini Majorel. Mercy Sabai, Eliana Dam, Angie Vanoli, Febe MacKey, and Alfredo Le Pera also contributed to the report.

Quality assurance was provided through internal meetings and by the peer reviewers: Rajeev Swami (Sr. FM Specialist), Joseph Kisito Mubiru (Sr. FM Specialist), and Pedro Arizti (Public Sector Specialist). The preparation of the PFMA also benefited from comments and support from Jose Roberto Lopez Calix, Felipe Saez, Trichur K. Balakrishnan, Daniel Boyce, Patricia Mc Kenzie, Nick Manning, and Jamil Sopher. The report was also reviewed by the PEFA Secretariat and their comments were also incorporated in the PFM rating section.

The PFMA Team would like to thank the government team of the Province of Buenos Aires led by Mr. Arlía, and Mrs. Batakis, Ministers of Finance; and consisting of, Mr Gerardo Hita, Undersecretary of Coordination with Creditors and International Financial Institutions;; Mr. Esterelles, Provincial Director of Budget; Mr. Saracco, Provincial Director of Public Debt and Credit; and Mr. Gobbi, Vice General Public Accountant of the Province. The Team gratefully acknowledges all the support received.

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## EXECUTIVE SUMMARY

i. This public financial management assessment has been prepared jointly by the Provincial Government of Buenos Aires and the Bank. As agreed with the provincial government and the World Bank's Country Management Unit, the team has selected a subset of 19 PEFA performance indicators to review the PFM status in the province (PI 1, PI 4, PI 5-7, PI 9-12, PI 16-18, and PI 20-26, as detailed in the summary table below).

### **Economic and Institutional Framework**

ii. Argentina is organized as a quasi-confederal state with 24 provinces and three levels of government: national, provincial, and municipal. The national level corresponds to the central government and accounts for around 55 percent of national-provincial consolidated non-financial public sector spending, while the 23 provinces and the City of Buenos Aires account for the remainder.

iii. Argentina's provinces enjoy considerable autonomy in their budgetary processes, which are approved and monitored by their own legislative and oversight structures, but tax revenues are collected mainly by the national government. The resulting vertical fiscal gap is filled mainly through a constitutionally based tax-sharing system, in which the taxes collected by the national administration are redistributed between the national government and the provinces, and through other transfers from the national budget. Another key feature of Argentina's intergovernmental fiscal relationships is the high level of provincial debt contracted to the national government.

iv. The Province of Buenos Aires is the most populated province of Argentina, with 39 percent of the country's population, and generates more than one third of the country's GDP. This province has had one of the largest increases in poverty levels in the last 15 years, especially after the economic recession that ended in the social and economic crisis of 2001. Even though the country started to recover, with annual GDP growth rates between 2003 and 2008 of around 9 percent, the province still faces big economic and social challenges.

v. The Constitution of the Province of Buenos Aires reflects the quasi-confederal nature of the Argentine state, and defines the respective roles and responsibilities of the executive, legislative, and judicial branches and control entities at the provincial level. In Buenos Aires Province, the non-financial public administration consists of three subgroups: (i) the central administration (CA), (ii) decentralized entities, and (iii) non-consolidated entities. In 2008, the central administration represented 42 percent of the budgeted expenditure while the decentralized entities and non-consolidated entities represented 27 percent and 31 percent of respectively.

vi. The provincial PFM system is based on clearly defined roles and responsibilities. The provincial Ministry of Finance (MOF) is in charge of financial management while the provincial General Accounting Office, which is administratively part of the MOF but enjoy functional independence under the Constitution, is responsible for accounting and internal control. In addition, the Provincial General Treasury (TGP) is an independent body managing the province's income and spending, bank accounts and financing. The Court of Accounts and the Public Prosecutor's Office are in charge of external control.

## Recent Public Financial Management Reforms

vii. Recent reforms by the provincial government in PFM and capacity development are demonstrably improving transparency and accountability in the use of public resources:

viii. **Legal reforms.** The approval of a new provincial Financial Administration Law (LAF) in December 2007 was an important achievement in PFM reform. First, the LAF improves budget transparency and comprehensiveness by requiring the inclusion of state-owned enterprises' accounts, fiduciary funds, and a public debt statement in the annual provincial budget law. The LAF contributes to the efficiency of public expenditure management by offering a complete legal framework covering all relevant areas of budget administration and the distribution of fiscal functions throughout the provincial public sector. The new law has introduced the concept of “accrued expenditures,” with corresponding improvements in the adequacy of accounting registration since the end of 2008; this is helping to improve the internal control effectiveness of budget execution.

ix. **Integrated financial management information system.** The province is working on the implementation of two key financial management information systems: (i) the Integrated System of Financial Information (SIDIF), which will integrate the budget, accounting, and treasury sub-systems into a single computational platform; and (ii) the SIGADE, a modern system of provincial public debt recording and administration.

x. **Tax administration reforms.** The provincial government made significant progress in provincial tax administration and tax collection during 2008-09.

## Public Financial Management Performance

xi. Buenos Aires's budget process and PFM systems and practices display a mix of strengths and challenges. Well-functioning accounting and financial management systems are already in place and facilitate the control of budget execution. Buenos Aires is doing quite well in:

- **Budget comprehensiveness and transparency.** The provincial budget law is comprehensive, covering more than 95 percent of the total resources of the non-financial public administration. Also, annual budgetary documentation allows for a complete picture of the provincial government's fiscal forecasts, budget proposals, and out-turns from previous years. Budgetary expenditures are classified and reported by institution, category, financing source, economic use, programs, and function.
- **Accounting, recording, and reporting.** Buenos Aires has a uniform and reliable accounting system, which helps in preparing timely budget reports and annual financial statements. The financial statements of the province contain comprehensive information on revenues, expenditures, and financial assets/liabilities. Besides, the accounting records are subject to reliable and regular controls and reconciliations.
- **Control environment.** Overall, the control environment is quite good. The internal control system is effective: there is a commitment stage for almost all expenditure categories, and expenditure control procedures limit commitments to the cash available.

## Key PFM Challenges

xii. Some significant challenges nonetheless remain, particularly with regard to the budget—to improve its performance orientation, cash-flow predictability, and the link to policy—and to the effectiveness and efficiency of the control framework.

xiii. ***Policy-based budgeting.*** Though the province has a good record of orderliness and participation in the annual budget process—as shown, for example, by its regular adherence to a fixed budget calendar—the provincial budget system remains almost exclusively focused on inputs and annual data and is not used as an instrument to measure whether public spending is producing intended results at minimum costs. Multi-year budgeting has yet to be effectively developed. Although multi-year projections of expenditures and revenues for the following two years were included in the 2006-08 budgets, to meet the requirements of the Fiscal Responsibility Law, no evidence suggests that these projections were then used to set financial ceilings on subsequent budgets.

xiv. ***Cash flow predictability.*** Accurate cash flow forecasting improves the efficiency of budget execution and service delivery. The Provincial General Treasury, in coordination with the Provincial Directorate of Budgeting, prepares estimates of monthly cash flow and sends them to spending units at the beginning of the fiscal year. However, these monthly projections are not accurate, because they are based on the assumption that the annual budget allocations are distributed proportionally. Besides, reliable information on ceilings for expenditure commitments to MDAs is provided only one month in advance, depending on the availability of provincial resources and the financial needs of these MDAs. Finally, cash flow predictability is also affected by frequent changes made to original budget allocations throughout the fiscal year, which represented 11.2 percent of the original budget in FY2007.

xv. ***Control Framework effectiveness: Implementation of SIDIF.*** The provincial government is still working on the full integration of budget, treasury, and accounting functions under the SIDIF, following the LAF mandate. The General Accounting Office is expected to have SIDIF operational by the end of fiscal year 2010. When fully implemented, SIDIF will improve the reliability of the internal control system and the timely availability of financial data.

xvi. ***Control Framework effectiveness: Payroll control and management response to internal audit findings.*** Payroll remains an important opportunity to improve the internal control framework. First, payroll data is not fully integrated with the human resources dataset through an integrated information management system. Second, delays (of up to three months) in processing changes to personnel records cause a need for retroactive adjustments and prevent timely checks on the integrity of the data. Third, internal controls on changes to personnel records are not adequate to ensure the full integrity of data and over the last three years payroll was partially audited or subject to staff surveys, rather than full audits to identify control weaknesses. Regarding internal audits, responses to their findings are limited in most cases, which reduce the effectiveness of the internal audit function.

xvii. ***Control Framework Efficiency:*** The execution of provincial expenditures entails excessive automated and manual controls, allowing for potential redundancies and a possible drag on control efficiency. For example, prior to the commitment stage, MDAs expenditures have to be submitted to three different control entities for the same control purpose. Therefore, better coordination and a clear definition of the respective control duties assigned to internal and external control institutions would encourage focusing on strategic issues,

allowing for a better use of the various institutions' comparative advantages, and improving timeliness and efficiency.

TABLE 0.1. PROVINCE OF BUENOS AIRES: SUMMARY OF PEFA INDICATORS

Indicator	Score
<b>PI-1: Aggregate expenditure out-turn compared to original approved budget</b>	<b>C</b>
<b>PI-4: Stock and monitoring of expenditure payment arrears</b>	<b>C+</b>
• <i>Stock of expenditure payment arrears</i>	C
• <i>Availability of data for monitoring the stock of expenditure payment arrears</i>	B
<b>PI-5: Classification of the budget</b>	<b>B</b>
<b>PI-6: Comprehensiveness of information included in budget documentation</b>	<b>A</b>
<b>PI-7: Extent of unreported government operations</b>	<b>B+</b>
• <i>The level of unreported extra-budgetary expenditure (other than donor funded projects), i.e. not included in fiscal reports</i>	B
• <i>Income/expenditure information on donor-funded projects which is included in fiscal reports</i>	A
<b>PI-9: Oversight of aggregate fiscal risk from other public sector entities</b>	<b>D+</b>
• <i>Extent of provincial government monitoring of AGAs and PEs</i>	C
• <i>Extent of provincial government monitoring of sub-national governments' fiscal position</i>	D
<b>PI-10: Public access to key fiscal information</b>	<b>B</b>
<b>PI-11: Orderliness and participation in the annual budget process</b>	<b>B+</b>
• <i>Existence of and adherence to a fixed budget calendar</i>	A
• <i>Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent)</i>	D
• <i>Timely budget approval by the legislature or similarly mandated body (within the last three years)</i>	A
<b>PI-12: Multi-year perspective in fiscal planning, expenditure policy and budgeting</b>	<b>D+</b>
• <i>Preparation of multi-year fiscal forecasts and functional allocations</i>	C
• <i>Scope and frequency of debt sustainability analysis</i>	D
• <i>Existence of sector strategies with multi-year costing of recurrent and investment expenditure</i>	C
• <i>Linkages between investment budgets and forward expenditure estimates</i>	C
<b>PI-16: Predictability in the availability of funds for commitment of expenditures</b>	<b>D+</b>
• <i>Extent to which cash flows are forecast and monitored</i>	D
• <i>Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment</i>	C
• <i>Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs</i>	C
<b>PI-17: Recording and management of cash balances, debt and guarantees</b>	<b>B</b>
• <i>Quality of debt data recording and reporting</i>	C
• <i>Extent of consolidation of the government's cash balances</i>	B
• <i>Systems for contracting loans and issuance of guarantees</i>	A
<b>PI-18: Effectiveness of payroll controls</b>	<b>C</b>
• <i>Degree of integration and reconciliation between personnel records and payroll data</i>	C
• <i>Timeliness of changes to personnel records and the payroll</i>	C
• <i>Internal controls of changes to personnel records and the payroll</i>	C
• <i>Existence of payroll audits to identify control weaknesses and/or ghost workers</i>	C
<b>PI-20: Effectiveness of internal controls for non-salary expenditure</b>	<b>B</b>
• <i>Effectiveness of expenditure commitment controls</i>	B
• <i>Comprehensiveness, relevance and understanding of other internal control rules/ procedures</i>	B
• <i>Degree of compliance with rules for processing and recording transactions</i>	B
<b>PI-21: Effectiveness of internal audit</b>	<b>D+</b>
• <i>Coverage and quality of the internal audit function</i>	B
• <i>Frequency and distribution of reports</i>	C
• <i>Extent of management response to internal audit findings</i>	D
<b>PI-22: Timeliness and regularity of accounts reconciliation</b>	<b>B+</b>
• <i>Regularity of bank reconciliations</i>	A
• <i>Regularity of reconciliation and clearance of suspense accounts and advances</i>	B
<b>PI-23: Availability of information on resources received by service delivery units</b>	<b>C</b>
<b>PI-24: Quality and timeliness of in-year budget reports</b>	<b>B+</b>
• <i>Scope of reports in terms of coverage and compatibility with budget estimates</i>	B
• <i>Timeliness of the issue of reports</i>	A
• <i>Quality of information</i>	A
<b>PI-25: Quality and timeliness of annual financial statements</b>	<b>C+</b>
• <i>Completeness of the financial statements</i>	B
• <i>Timeliness of submission of the financial statements</i>	A
• <i>Accounting standards used</i>	C
<b>PI-26: Scope, nature and follow-up of external audit</b>	<b>C+</b>
• <i>Scope/nature of audit performed (incl. adherence to auditing standards)</i>	C
• <i>Timeliness of submission of audit reports to legislature</i>	B
• <i>Evidence of follow up on audit recommendations</i>	C

## 1. INTRODUCTION: THE BUENOS AIRES ASSESSMENT IN CONTEXT

1. This public financial management assessment for Buenos Aires has been prepared jointly by the Provincial Government of Buenos Aires and the World Bank, and forms part of a broader study of the public finances of four provincial governments in Argentina: Buenos Aires, Córdoba, Santa Fe, and San Juan.<sup>1</sup> The objectives of the study are to: (i) provide the provincial governments with a reference tool for dialogue and action to strengthen their public financial management (PFM) systems; (ii) provide an assessment of provincial PFM systems, identifying and addressing their main fiduciary issues, as well as the impact of these issues on the implementation of World Bank operations; (iii) contribute to the Bank dialogue with Argentina's national and provincial authorities on fiduciary portfolio management and reliance on country systems.

2. The study focuses on two main aspects: budget preparation and execution, with emphasis on budget comprehensiveness and performance, and on public accountancy and control. It describes strengths and weaknesses of the provincial systems and analyzes their impact on fiscal discipline and the allocation of resources.

3. The methodology used in the study is based on the application of selected public expenditure and financial accountability (PEFA) indicators that are designed to measure the performance of public financial management.<sup>2</sup> Like the other three provincial assessments, the assessment for Buenos Aires is not a full-fledged PFM performance report using all PEFA performance indicators. Rather, as agreed by the provincial government and the Bank's Country Management Unit, the team selected 19 PFM performance indicators (PI 1, PI 4, PI 5-7, PI 9-12, PI 16-18, and PI 20-26) to review the PFM status in the province. To prepare for the study, a seminar on PEFA methodology was organized and delivered to the government counterparts of all four selected provinces. The goal was to disseminate the PEFA methodology and to exchange ideas and achieve consensus on the selection of PEFA indicators consistent with the scope and feasibility of the analysis, considering both methodological and contextual factors.

4. Implementation of the study was highly participative, relying on interdisciplinary teams formed by members of the ministries of finance representing the provincial governments, and the World Bank. Representatives of the provincial governments were in charge of information and data collection, whereas the analysis and report drafting were performed by the Bank technical team in cooperation with the respective provincial governments. A closing workshop took place in La Plata, on June 20, 2012 to get provincial government's final comments and finalize the report.

5. Chapter 2 of this assessment describes the economic and institutional framework of the Province of Buenos Aires. Chapter 3 summarizes the province's main achievements and challenges ahead in public financial management reform, drawing on Chapter 4, which gives

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<sup>1</sup> On average for 2005-07, the total expenditures of these four provinces represented 42.4 percent of overall consolidated provincial public expenditures (24 provincial jurisdictions).

<sup>2</sup> Public Financial Management Performance Measurement Framework, by the PEFA Secretariat, available at <http://www.pefa.org/Documents.htm>. The set of indicators covers the entire PFM cycle, and draws on international standards. This provincial assessment uses the PEFA guidelines for assessing sub-national governments.

a detailed analysis of public financial management in the province, using the PEFA indicators agreed with the provincial government.

## **2. ECONOMIC AND INSTITUTIONAL FRAMEWORK**

### **A. Economic Framework**

6. The Province of Buenos Aires is Argentina's most populated province, with 39 percent of the country's population, and generates more than one third of the country's GDP. The province has had one of the largest increases in poverty levels in the last 15 years, especially after the economic recession that ended in the social and economic crisis of 2001. Even though the country started to recover, with annual GDP growth rates between 2003 and 2008 of around 9 percent, the province still faces big economic and social challenges. These are expected to get worse as the result of the global economic crisis that began in the last quarter of 2008.

7. An important issue for the Province of Buenos is the evolution of its fiscal situation. Despite the recent economic growth, the province went from a surplus of 0.2 percent of the GGP in 2005 to a deficit of 0.9 percent in 2008. Although the fiscal gap could be temporarily financed with additional loans from the national government, fiscal sustainability will rely in the medium/long run on: (i) provincial government's efforts to increase tax revenues and contain expenditures, and (ii) eventual changes to the current intergovernmental fiscal-institutional setup.

### **B. Legal and Institutional Framework**

8. The framework governing financial management in Buenos Aires is provided by federal legislation (the most relevant laws are the federal Tax-Sharing Law and Fiscal Responsibility Law), and by provincial norms and regulations (the provincial Constitution, the provincial Financial Management Law<sup>3</sup>, and the provincial Court of Auditors Organic Law).<sup>4</sup>

#### ***Federal Government***

9. Public finance in Argentina reflects the quasi-confederal structure given by the country's Constitution. There are three levels of government: national, provincial, and municipal. Each province has its own constitution, executive, legislative, and judicial branches, and its own control entities. In 2008 the national government accounted for 55 percent of national-provincial consolidated non-financial public sector spending, while the 23 provinces and the Autonomous City of Buenos Aires accounted for the rest.

10. Argentina is a good example of a federal system in which public expenditures are decentralized, being delegated to a great extent to the provinces, and tax revenue collection is centralized, remaining concentrated at the national level. The resulting vertical fiscal gap is financed through a system of transfers from the national government to the provinces. In 2007, these transfers represented almost 62 percent of the total consolidated provincial tax revenue.

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<sup>3</sup> Provincial Law N° 13767, approved 17/12/2007.

<sup>4</sup> Provincial Law N° 10869. This Law establishes functions and responsibilities of the external control entity.

11. The taxes collected by the national administration are allocated among the national and provincial governments through the tax-sharing system, named “*Régimen de Coparticipación Federal de Impuestos*”. This system distributes the resources according to coefficients defined by Law N° 23.548/88, as modified by many subsequent laws and federal and bilateral agreements.<sup>5</sup> On average, in 2007, overall tax-sharing system transfers received by all 23 provinces and the city of Buenos Aires represented 46 percent of total consolidated provincial revenues.<sup>6</sup>

12. Argentina’s Fiscal Responsibility Law<sup>7</sup> (FRL) defines the objectives and criteria of provincial fiscal discipline, and establishes the regulatory framework for bilateral financial agreements between the national government and provinces. The FRL also governs aspects related to PFM transparency, accountability, and sound fiscal performance. The Province of Buenos Aires adheres to the Federal System of Fiscal Responsibility through Provincial Law N° 13295, 2005. In October 2009, Congress approved a suspension of key provisions of the Fiscal Responsibility Law for two years to avoid non-compliance with some of the provisions of the law.

### ***Provincial Government***

13. The Financial Management Law (LAF) of Buenos Aires Province defines the general principles regulating the formulation and execution of the budget, treasury management, accounting, and control systems. In addition, it provides the conceptual and implementation framework for the integrated financial information system. Approved in December 2007 and in force since the start of 2009, the LAF modified its precursor, the Accounting Law, in several ways: public enterprises and fiduciary funds are now included in the accounting and budget process; a commitment quota determines that expenditures should be in line with available resources; the Treasury Single Account (TSA) is implemented; and the LAF introduces the concept of “accrued expenditure.”

14. The 2007 Province Public Investment Law, based on a similar national law, creates the provincial public investment system (PPIS) and the municipal public investment system, both of which are integrated with the financial management system. The law formulates the public investment provincial plan, which is executed jointly by the budgeting and public credit subsystems. The PPIS is still at the design stage—the institutional framework in which public investment will take place is yet to be defined—and the Law still needs to be regulated.

15. The Ministry of Finance (MOF) of Buenos Aires Province is responsible for the province’s financial management through the Sub-secretariat of Income, the Provincial Directorate of Budget (PDB)<sup>8</sup>; the Provincial Directorate of Public Debt and Credit (PDPDC); and the provincial General Accounting Office (GAO). The GAO, created by the provincial Constitution, is in charge of accounting and internal control and has complete functional independence. Likewise, the Provincial General Treasury (TGP)<sup>9</sup> is an independent body managing the province’s income and spending, bank accounts and

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<sup>5</sup> Article 75 of the 1994 national Constitution establishes that a new tax-sharing agreement should be approved by the end of year 1996, but this constitutional requirement has not yet been satisfied, despite of several (failed) attempts to introduce such a law in recent years.

<sup>6</sup> Data provided by the National Directorate of Fiscal Coordination with the Provinces, MOF.

<sup>7</sup> Law N° 25917, 2004.

<sup>8</sup> This Directorate is in charge of supervising the formulation and evaluation of the provincial budgeting system.

<sup>9</sup> PGT is a constitutional entity created in 1821 which enjoy independence and high institutional ranking statute in the province.

financing. The Court of Accounts and the Public Prosecutor's Office are in charge of external control. The Court of Accounts exercises ex-post control and is the supreme audit institution of the province. The Office of the Prosecutor is in charge of supervising the legality of administrative acts.

### ***Public Sector in Buenos Aires Province***

16. As shown in Table 2.1, the non-financial public administration consists of:

- The general administration (GA), accounting for some 69 percent of the budgeted provincial expenditure in 2008. In turn, the GA consists of (i) the central administration (CA), which comprises the three branches of the provincial state (42 percent of the budget), and (ii) those decentralized entities that are consolidated with the central administration<sup>10</sup> (26 percent of the budget); and
- Non-consolidated entities<sup>11</sup>, including three social security institutions<sup>12</sup> (31 percent of the budget).

**Table 2.1. Buenos Aires Provincial Public Expenditure: Non-Financial Public Administration Administrative Classification (used until 2008)**

*In millions of AR\$*

<b>Non Financial Public Administration (NFPA)</b>	<b>Budget Law 2008</b>	<b>%</b>
<b>General Administration (GA)</b>	<b>34,906.00</b>	<b>68.7</b>
Central Administration (CA)	21,464.53	42.2
Consolidated Decentralized Entities (CDEs)	13,441.46	26.4
<b>Non-consolidated decentralized entities</b>	<b>15,935.16</b>	<b>31.3</b>
<b>Total NFPA</b>	<b>50,841.15</b>	<b>100.0</b>

Source: Own elaboration based on information from the General Budget 2008. Provincial Direction of Budgeting, MOF, Province of Buenos Aires.

### **C. The Province's Fiscal Situation**

17. The GA's total revenue was AR\$36,557 million in 2008, representing about 10 percent of GGP. In 2008, 89 percent of the province's total revenue was tax revenue. Some 54 percent of the tax revenue originates in the province<sup>13</sup>, and the rest comes from transfers from the national government to Buenos Aires through the tax-sharing system.<sup>14</sup> Between 2005 and 2008, the GA's revenues increased strongly (in nominal terms the accumulated growth was 87 percent), driven by a solid tax administration and strong economic growth. A jump in revenues in 2008 reflected the implementation of a tax reform at the end of that

<sup>10</sup> There are currently 18 CDEs, including regulatory entities, agencies, commissions, directorates, universities, etc. The tax-collection unit (ARBA), the Directorate of Transport, and the General Directorate of Education and Culture, among others, also belong to this group of entities.

<sup>11</sup> The Province Institute of Lottery and Casinos; the Bank of the Province of Buenos Aires (BAPRO); and three social security institutions.

<sup>12</sup> Beginning in 2009, two of the three institutions will present consolidated budgets.

<sup>13</sup> The main provincial taxes are: turnover tax (70.6 percent), stamp tax (7.9 percent) and property tax (7.6 percent). The information is expressed as a percentage of the total tax collection originating in the province in 2008.

<sup>14</sup> For the Province of Buenos Aires, the amount of resources received from the national government (as determined by the Law of Fiscal Co-participation) as a percentage of total provincial resources is well below the provincial average of 61.7 percent.

year.<sup>15</sup> The province's total tax collection in 2008 was 34 percent above that in 2007, measured in nominal terms.

**Table 2.2. Province of Buenos Aires: Executed Revenues and Expenditures of General Administration (CA and CDEs)**

*In millions of AR\$ and percentage of GGP*

	2005	% of GGP	2006	% of GGP	2007	% of GGP	2008	% of GGP
<b>a. TOTAL INCOME</b>	<b>19,558.9</b>	<b>10.2</b>	<b>22,660.5</b>	<b>9.7</b>	<b>28,479.1</b>	<b>9.8</b>	<b>36,557.0</b>	<b>9.8</b>
<b>I. Current Income</b>	<b>18,968.1</b>	<b>9.9</b>	<b>21,824.9</b>	<b>9.4</b>	<b>27,690.0</b>	<b>9.5</b>	<b>35,689.7</b>	<b>9.6</b>
Tax revenue (provincial origin)	8,595.3	4.5	10,602.0	4.5	13,029.0	4.5	17,749.7	4.8
Tax revenue (national origin)	7,969.5	4.1	9,244.6	4.0	12,341.0	4.3	14,874.0	4.0
Other taxes	2,403.4	1.3	1,978.3	0.8	2,320.0	0.8	3,065.9	0.8
<b>II. Capital income</b>	<b>590.8</b>	<b>0.3</b>	<b>835.6</b>	<b>0.4</b>	<b>789.0</b>	<b>0.3</b>	<b>867.4</b>	<b>0.2</b>
<b>b. TOTAL EXPENDITURES</b>	<b>19,117.3</b>	<b>9.9</b>	<b>23,762.6</b>	<b>10.2</b>	<b>29,404.5</b>	<b>10.1</b>	<b>39,726.2</b>	<b>10.7</b>
<b>III. Current Expenditures</b>	<b>17,747.8</b>	<b>9.2</b>	<b>21,927.0</b>	<b>9.4</b>	<b>26,962.3</b>	<b>9.3</b>	<b>37,580.4</b>	<b>10.1</b>
Payroll expenses	9613.9	5.0	12,310.6	5.3	15,829.6	5.5	22,745.8	6.1
Debt Interests	499.9	0.3	777.3	0.3	894.8	0.3	1,020.5	0.3
Other current expenditures	7,634.0	4.0	8,839.1	3.8	10,238.0	3.5	13,814.1	3.7
<b>IV. Capital Expenditures</b>	<b>1,369.5</b>	<b>0.7</b>	<b>1,835.6</b>	<b>0.8</b>	<b>2,442.2</b>	<b>0.8</b>	<b>2,145.8</b>	<b>0.6</b>
Public works	719.1	0.4	1,029.9	0.4	1,302.1	0.4	1,114.5	0.3
Financial investment	221.8	0.1	404.6	0.2	549.2	0.2	488.3	0.1
Other capital expenditures	428.6	0.2	401.1	0.2	590.8	0.2	543.0	0.1
<b>V. Economic Result (I-III)</b>	<b>1,220.3</b>	<b>0.6</b>	<b>-102.2</b>	<b>0.0</b>	<b>727.7</b>	<b>0.3</b>	<b>-1,890.8</b>	<b>-0.5</b>
<b>VI. Financial Result (a-b)</b>	<b>441.6</b>	<b>0.2</b>	<b>-1,102.2</b>	<b>-0.5</b>	<b>-925.5</b>	<b>-0.3</b>	<b>-3,169.2</b>	<b>-0.9</b>
<b>VII. Primary Result (VI + Debt Interests)</b>	<b>941.5</b>	<b>0.5</b>	<b>-324.8</b>	<b>-0.1</b>	<b>-30.7</b>	<b>0.0</b>	<b>-2,148.7</b>	<b>-0.6</b>

Source: Own elaboration based on information from the Province and National MOFs.

18. The primary expenditures of the general administration of Buenos Aires Province are larger than those of any other province. In 2007, they amounted to AR\$28,509 million, representing 11 percent of Argentina's consolidated public expenditure and approximately 23.5 percent of all provincial primary expenditures. During 2005-08, they grew 107.8 percent in nominal terms, outpacing the growth in revenues. Their growth is explained largely by increases in the wage bill and in higher education spending (mostly for teachers' wages).

<sup>15</sup> Province Tax Reform Law N° 13850. Although there is no evidence of a direct link, since its partial application from August until December 2008, the estimated increase in proceeds from the turnover tax was about \$900 million.

19. In what follows, government expenditures are analyzed in more detail.<sup>16</sup> First, GA expenditures are very rigid, given that a large share of them is used for payroll expenses<sup>17</sup> and for interest payments on public debt (57 percent, combined, in 2008). Second, expenditures on education and culture, health services, and social assistance represent about 45 percent of total expenditures. The large share of social services in the budget is consistent with the expenditure responsibilities assigned to the provinces by the country's federal system. Third, during 2008, current expenditures increased by 39.4 percent on an annual basis, basically explained by higher wages, and the expansion of social plans and subsidies to private educational institutions. Capital expenditures were 8.3 percent of total expenditures in 2007; although this proportion was still low, public investment significantly increased during the period 2005-07—rising by a cumulative 78.3 percent—mainly as the result of changes in the category “Real Direct Investment” which represents more than half of total capital expenditures [clarify—were these actual increases in investment or just on paper, as the result of a change in accounting categories?].

20. The unequal growth of expenditures and revenues caused a gradual and but steady increase in the province's financial deficit: from a surplus of 0.2 percent of GGP in 2005 to deficits of 0.5 percent in 2006 and 0.9 percent in 2008. The public debt stock of the province rose by 37.2 percent, to AR\$40.600 in December 2008 (Table 2.3).

21. Reasons for the growth in debt include the indexation of past obligations<sup>18</sup> and the use of new (short-term) financing from the national government. Specifically, during the last few years the province has signed several financial assistance agreements with the national government (called Orderly Financing Programs and Financial Assistance Programs), within the legal framework established by the Federal Fiscal Responsibility Law. The Financial Assistance Programs in 2008 amounted to AR\$2,820 million, and covered the bulk of the province's principal repayments of that year. The province also benefited from rescheduling its interest payments to the national government, to the value of AR\$391 million in 2008.

**Table 2.3. Province of Buenos Aires: Public Debt Stock, by Type of Creditor**

*In millions of AR\$ and percentage*

Type of Creditor	2005	%	2006	%	2007	%	2008	%
National Government <sup>(1)</sup>	18,549.3	62.7	18,549.3	60.6	22,301.8	59.4	24,660.0	60.7
International Institutions	2,618.2	8.8	2,618.2	7.9	2,682.8	7.1	3,216.8	7.9
Banking and Financial Institutions	167.4	0.6	167.4	0.5	172.3	0.5	0.0	0.0
Consolidated Debt	1.6	0.0	1.6	0.0	2.1	0.0	0.0	0.0
Public Bonds	8,260.4	27.9	8,260.4	31.0	12,380.6	33.0	12,721.5	31.3
<b>Total Public Debt</b>	<b>29,596.9</b>	<b>100.0</b>	<b>29,596.9</b>	<b>100.0</b>	<b>37,539.6</b>	<b>100.0</b>	<b>40,598.3</b>	<b>100.0</b>

<sup>(1)</sup> Includes debts with the Fiduciary Fund for the Province Development, Federal Regional Infrastructure Fiduciary Fund, and other debts with the National Government.

Source: Province and National MOF.

<sup>16</sup> Annex A provides more detailed information.

<sup>17</sup> There are 390,000 public employees in the province, 80 percent of them with permanent jobs, and 40 percent are teachers.

<sup>18</sup> After a voluntary restructuring of the province debt with the national government in 2002, most of the province obligations are in AR\$ and indexed using the Reference Stabilization Coefficient (CER in Spanish).

### **3. PFM REFORM: MAIN ACHIEVEMENTS AND CHALLENGES AHEAD**

22. Buenos Aires' budget process and PFM systems and practices show a mix of strengths and opportunities for improvement. On the one hand, functioning accounting and financial management systems contribute to fiscal discipline by making available adequate information and by reporting and exercising control over budget execution. On the other hand, there are opportunities for improvement, related to the budget process—which focuses mostly on inputs without offering a clear link to outcome and policy planning—and to the control framework. This chapter describes the provincial government's recent PFM reforms and then, based on evidence obtained through the systematic use of PEFA indicators for 2006-08 (see Chapter IV), it highlights the main PFM-related strengths and opportunities for improvement.

#### **A. Recent Achievements in PFM Reform**

23. Since 2007, the Provincial Government of Buenos Aires has undertaken important PFM reforms: approving a new Financial Administration Law, introducing a financial management information system (SIDIF), and developing a provincial treasury single account (TSA), as well as introducing a debt management system (SIGADE), and reforming the tax administration.

##### ***Financial Administration Law***

24. The approval of the new Financial Administration Law (LAF) in December 2007 was an important achievement in PFM reform. Through the LAF, the province seeks to reorganize its financial administration and reinforce the use of the public budget as a management instrument. The law provides the legal framework for building budgets based on programs and sets the grounds for an effective application of performance-based management.

25. The LAF improves budget transparency and comprehensiveness in several ways. It requires the inclusion of state-owned enterprises' accounts, fiduciary funds, and a public debt statement in the provincial budget law. Second, it contributes to the efficiency of public expenditure management by integrating the budget, accounting, treasury, and debt management functions, and thus offering a complete legal framework covering all relevant areas of budget administration and the distribution of fiscal functions throughout the provincial public sector. Third, the new law has introduced the concept of "accrued expenditures" with corresponding improvements in accounting registration since the end of 2008; this is helping to improve the internal control effectiveness of the budget execution. The LAF designated the Ministry of Finance and Public Services as a coordinating unit responsible for optimizing the interaction between the heads of each of the four financial administration sub-systems—accountancy, treasury, budget, and public debt—and provides a clear role to the Provincial Directorate of Budgeting in the programming of budget execution.

26. These improvements notwithstanding, the full application of LAF principles requires the General Accounting Office to strengthen the internal control system and implement the Financial Management Information System (SIDIF) and the Treasury Single Account (TSA). All of these reforms will contribute to strengthening the effectiveness and efficiency of provincial PFM systems.

### ***SIDIF Design and the Management of Treasury Payments***

27. The Information Technology Directorate within the General Accounting Office is working on the design and development of the SIDIF, the new financial management information system that will replace and consolidate the former systems. In line with LAF principles, this initiative will allow for the integration of budget, accounting, and treasury sub-systems on a unique platform that will also be linked to the Debt Analysis and Management System (SIGADE). Once the SIDIF becomes operational, the Secretariat of Hacienda will monitor the budget execution decentralized to spending units. The SIDIF will provide easier and faster access to information, and at the same time greater security, more effective and integrated control, and transparency, as required by LAF. It will also allow for better planning, processing, and reporting of public sector financial information.

28. The introduction of SIDIF is complemented by the rationalization of the treasury function. The government has started a process to clearly identify official bank accounts and reduce their number, with a view to improving transparency and the efficiency of treasury management.<sup>19</sup> The medium-term target of this reform is the implementation of the Treasury Single Account, as the treasury management instrument for the execution of all government payments.

### ***Introduction of SIGADE***

29. The Public Debt Directorate within the Sub-Secretariat of Hacienda has begun implementing a program with UNCTAD for the set-up and operation of SIGADE, a modern software system that is used by many middle-and lower-income countries to register and manage public debt. This system provides the on-line reliable and updated information needed for optimal provincial debt management practices. When fully implemented it will be directly linked to the SIDIF, in keeping with the integration mandate provided by the LAF.

### ***Reform of Tax Administration***

30. The Tax Collection Agency of the Province of Buenos Aires (ARBA) led a reform of tax administration during 2008-09 that resulted in significant increase in provincial tax revenue, as noted in Chapter 2, and better forecasting of tax revenues as well as greater transparency in ARBA's financial management.

## **B. Strengths of the PFM System**

31. The Buenos Aires provincial government has effective basic processes for the budget, accounting, and internal control. The budget is comprehensive and transparent and the administration also performs well in accounting, recording, and reporting—two core PFM dimensions as defined by the PEFA methodology.

### ***Budget Comprehensiveness and Transparency***

32. The provincial budget law is significantly comprehensive, covering more than 95 percent of the total resources of the non-financial public administration.<sup>20</sup> Annual budgetary documentation allows for a complete picture of the provincial government's fiscal forecasts, budget proposals, and out-turns from previous years.<sup>21</sup> Budgetary expenditures are classified

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<sup>19</sup> Resolution 29/09 of the Ministry of Finance.

<sup>20</sup> See PEFA Indicator 7 in Chapter 4.

<sup>21</sup> See PEFA Indicator 6 in Chapter 4.

and reported by institution, category, financing source, economic use, programs, and function.<sup>22</sup>

### ***Accounting, Recording, and Reporting***

33. The province's has a uniform and reliable accounting system, which facilitates preparing timely budget reports and annual financial statements. The financial statements of the province contain comprehensive information on revenues, expenditures, and financial assets/liabilities. The accounting records are subject to reliable and regular controls and reconciliations.

34. Overall, the Buenos Aires provincial PFM systems show solid and strong results in terms of the quality and timeliness of in-year budget execution reports and financial statements (PI 24 and PI 25). The General Accounting Office prepares monthly reports on budget execution; these contain accurate and reliable information and are published in a timely manner within four weeks after the end of each month; they are accessible to jurisdictions through the official website. The GAO also timely submits financial statements: during 2006-08 these were received by the Court of Accounts within four months after the end of the fiscal year, in compliance with relevant legal norms.<sup>23</sup>

35. Reconciliations of all provincial bank accounts are regularly performed at least monthly. Ninety percent of the payments of the central administration are executed through only two bank accounts, which are reconciled daily.<sup>24</sup>

36. The internal control system is effective: there is a commitment stage for almost all expenditure categories, and expenditure control procedures limit commitments to the amounts of cash available.

### **C. Main PFM Challenges**

37. The main identified areas of potential improvement in Buenos Aires Province relate to the budget—where the challenges are to improve performance orientation, cash-flow predictability, and the link to policy—and strengthening the efficiency and effectiveness of the control framework.

### ***Performance-oriented Allocation and Use of Resources***

38. *Policy-based budgeting.* Though the province has a good record of orderliness and participation in the annual budget process—as shown, for example, by its regular adherence to a fixed budget calendar<sup>25</sup>—the provincial budget system remains almost exclusively focused on inputs and annual data and is not used as an instrument to measure whether public spending is producing intended results at minimum costs. Multi-year budgeting has yet to be effectively developed. Although multi-year projections of expenditures and revenues for the following two years were included in the 2006-08 budgets, to meet the requirements of the Fiscal Responsibility Law, no evidence suggests that these projections were used to set financial ceilings on subsequent budgets.<sup>26</sup>

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<sup>22</sup> See PEFA Indicator 5 in Chapter 4.

<sup>23</sup> Financial statements corresponding to the fiscal year closing December 31<sup>st</sup>, should be sent before April 30<sup>th</sup> of the following year.

<sup>24</sup> See PEFA Indicator 22 in Chapter 4.

<sup>25</sup> See PEFA Indicator 11 in Chapter 4.

<sup>26</sup> See PEFA Indicator PI-12, first dimension, in Chapter 4.

39. The poor links between budgeting and policy planning stem partly from the absence of debt sustainability analysis by the Provincial Directorate of Public Debt and Credit<sup>27</sup>, and partly from the fact that sector strategies with multi-year costing of recurrent and investment expenditure are prepared only for the most important transport and housing infrastructure projects.<sup>28</sup> Most of the province's public investment decisions show only weak links to sector strategies. Their implications for recurrent costs are included in forward budget estimates in only a few (though major) cases.<sup>29</sup>

40. *Cash flow predictability.* Accurate cash flow forecasting improves the efficiency of budget execution and service delivery. The Provincial General Treasury, in coordination with the Provincial Directorate of Budgeting, prepares estimates of monthly cash flow and sends them to spending units at the beginning of the fiscal year. However, these monthly projections are not accurate, because they are based on the assumption that the annual budget allocations are distributed proportionally.<sup>30</sup> Besides, reliable information on ceilings for expenditure commitments of MDAs is provided only one month in advance, depending on the availability of provincial resources and the financial needs of these MDAs.<sup>31</sup> Finally, cash flow predictability is also affected by frequent changes made to original budget allocations throughout the fiscal year, which represented 11.2 percent of the original budget in FY2007.<sup>32</sup>

### ***Effectiveness and Efficiency of the Control Framework***

41. Despite the overall reliability of the provincial control system, there are several opportunities for further improving its effectiveness: full implementation of the SIDIF; improvement of the payroll control environment; and monitoring of fiscal risks through consolidated and regular control of financial statements from SOEs and other relevant decentralized public entities.

42. *Implementation of SIDIF.* The province still lacks a fully operational financial management information system that fully integrates the budget, treasury, and accounting functions. This potentially affects the reliability of the internal control system and the timely availability of financial data. As described above, the General Accounting Office is working on the first stage of design and development of the SIDIF, which is expected to become operational by the end of fiscal year 2010.

43. *Payroll control.* Payroll remains an important opportunity to improve the internal control framework. First, payroll data is not fully integrated with the human resources dataset through an integrated information management system.<sup>33</sup> Second, delays (of up to three months) in processing changes to personnel records cause a need for retroactive adjustments and prevent timely checks on the integrity of the data.<sup>34</sup> Third, internal controls on changes to personnel records are not adequate to ensure the full integrity of data and over the last three

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<sup>27</sup> See PEFA Indicator 12, second dimension, in Chapter 4.

<sup>28</sup> See PEFA Indicator 12, third dimension, in Chapter 4.

<sup>29</sup> See PEFA Indicator 12, fourth dimension, in Chapter 4.

<sup>30</sup> See PEFA Indicator 16, first dimension, in Chapter 4.

<sup>31</sup> See PEFA Indicator 16, second dimension, in Chapter 4.

<sup>32</sup> The legal framework regulating these changes remains weak: the issuance of a law should be required in cases where the changes entail additional financing or an increase in provincial debt. See PEFA Indicator 16, third dimension, in Chapter 4.

<sup>33</sup> See PEFA Indicator 18, first dimension, in Chapter 4.

<sup>34</sup> See PEFA Indicator 18, second dimension, in Chapter 4.

years payroll was partially audited or subject to staff surveys, rather than full audits to identify control weaknesses.<sup>35</sup>

44. The province has no formal regular monitoring mechanism of the financial situation of state-owned enterprises and other relevant decentralized entities. The General Accounting Office receives quarterly fiscal reports from each public enterprise and decentralized public entity, but an annual consolidated fiscal plan is not prepared and there is no formal assessment of provincial fiscal risks.<sup>36</sup> Further, there is no evidence that the government systematically consolidates the expenditure budgets of all municipal governments or monitors their fiscal positions.<sup>37</sup>

45. *Control efficiency and potential overlap in control procedures.* As reflected in PEFA Indicator 20, the execution of provincial expenditures entails excessive automated and manual controls, allowing for potential redundancies and a possible drag on control efficiency. For example, prior to the commitment stage, MDAs expenditures have to be reviewed by representatives from three control entities: (i) an Advisory Unit; (ii) the General Accounting Office; and (iii) the Office of the Public Prosecutor. Therefore, better coordination and a clear definition of the respective control duties assigned to internal and external control institutions would encourage focusing on strategic issues, allowing for a better use of the various institutions' comparative advantages, and improving timeliness and efficiency.

46. *Management response to internal audit findings.* As shown by PEFA Indicator 21, management response to internal audit findings is limited and changes that could result from audit recommendations are not implemented. This negatively affects the credibility and effectiveness of the internal audit function.<sup>38</sup>

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<sup>35</sup> See PEFA Indicator 18, third and fourth dimensions, in Chapter 4.

<sup>36</sup> See PEFA Indicator 9, first dimension, in Chapter 4.

<sup>37</sup> See PEFA Indicator 9, second dimension, in Chapter 4.

<sup>38</sup> See PEFA Indicator 21, third dimension, in Chapter 4.

## 4. ASSESSMENT OF PFM SYSTEMS, PROCESSES, AND INSTITUTIONS

### A. Budget Credibility

#### PI-1. Aggregate expenditure out-turn compared to original approved budget

##### Overall assessment “C”

Dimensions to be assessed	Scoring
Difference between actual primary expenditures and originally approved budgeted primary expenditures. In no more than one out of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 15 percent of budgeted expenditure.	C

47. The government’s ability to implement expenditure as budgeted is crucial to its ability to deliver public services for the year, fulfilling its commitments expressed in policy statements, output commitments, and work plans. PEFA Indicator 1 measures this ability by comparing annual actual government expenditures to the original approved budget as defined by budget documentation and fiscal reports. The indicator is based on primary expenditures, which are measured by deducting from total expenditures two categories over which the government has little or no control: (i) interest payments on debt, and (ii) expenditures related to projects financed with external resources<sup>39</sup>, whose management and reporting are typically under donor agencies’ control.

48. The performance of Buenos Aires Province on PEFA Indicator 1 is evaluated considering expenditures budgeted and executed by the general administration, as defined in the budget law.<sup>40</sup> These expenditures represent about 69 percent of the expenditures of the non-financial public administration

**Table 4.1. Buenos Aires: Primary Expenditure <sup>(1)</sup> Deviations: Original Approved Budget vs. Out-turn, 2006-08**

Millions of AR\$ and percentage

Year	Budget Law <sup>(2)</sup> (millions of AR\$) (a)	Executed <sup>(3)</sup> (millions of AR\$) (b)	Deviation (b) - (a) (%)
2006	21,620.0	22,985.3	6.3
2007	26,809.0	28,509.7	6.3
2008	33,434.9	38,705.7	15.8

<sup>(1)</sup> Primary expenditures = total expenditures – interest debt payments.

<sup>(2)</sup> Original approved expenditures of the General Administration.

<sup>(3)</sup> Budget executed until December 31<sup>st</sup>. Accrual accounting method.

Source: Provincial Direction of Budgeting and General Accounting Office of the Province of Buenos Aires.

49. Table 4.1 shows the deviations of executed primary expenditures from budgeted expenditures for the GA in 2006-08, comparing actual expenditures to the expenditures quoted in the budget law for each year. The table shows that during 2006-08 actual

<sup>39</sup> In 2008, loans from international financial institutions spent by the NFPA amounted to AR\$259 million, representing less than 1 percent of the executed consolidated expenditure. Fiscal reports provide complete information about external financing. Given the small relative importance of this category, the latter are not excluded from the construction of the indicator.

<sup>40</sup> Source: Provincial Direction of Budgeting of the Province of Buenos Aires (<http://www.ec.gba.gov.ar/SubHacienda/Presupuesto/index.htm>).

expenditures were significantly over-executed, being on average 9.5 percent higher than budgeted.

50. As shown in Annex A, while current expenditures tended to be over-executed relative to the original budget, capital expenditures were under-executed. In 2006, actual current expenditures were 7.3 percent higher than budgeted, while actual capital expenditures were -7.4 lower. Similarly in 2007 and 2008, current expenditures were higher than budgeted (by 7.7 percent and 18.5 percent, respectively) and capital expenditures were lower (by -14.1 percent and -32.9 percent, respectively).

51. Once the adjustments and modifications to the budget introduced during the corresponding fiscal year are considered, the deviations turn out to be negative; available resources are underused by approximately 3 percent each year. During the period under analysis, most of the modifications to the budget were made because provincial and national revenue out-turns turned out to be greater than forecast. The provincial authorities have taken a conservative approach to projecting their resources. But because 46 percent of provincial tax revenues are national in origin (the rest originate within the province<sup>41</sup>), the provincial government's ability to forecast and execute expenditures as budgeted critically depends on the national government's revenue estimations included in the national budget law.<sup>42</sup>

#### ***PI-4: Stock and monitoring of expenditure payment arrears***

##### ***Overall rating "C+"***

<b>Dimensions to be assessed</b>	<b>Scoring</b>
<i>Stock of payment arrears (as a percentage of total actual expenditure for the corresponding fiscal year) and any recent change in the stock.</i> The stock of arrears constitutes 2-10 percent of total expenditure; and there is no evidence that it has been reduced significantly in the last two years.	<b>C</b>
<i>Availability of data for monitoring the stock of expenditure payment arrears.</i> Data on the stock of arrears is generated annually, but may not be complete for a few identified expenditure categories or specified budget institutions.	<b>B</b>

52. Expenditure payment arrears are expenditure obligations that have been incurred by the government and whose payment is overdue. For the government, they constitute a form of non-transparent financing. A high level of arrears can indicate a number of different problems, such as inadequate commitment controls, cash rationing, inadequate budgeting for contracts, under-budgeting of specific items, or lack of information. PEFA Indicator 4 measures the stock of arrears and the extent to which the systemic problem is being addressed. While special exercises may be needed to identify and pay off old arrears, they will not be effective if new arrears continue to be created (payments due during the last year but not made). Most fundamental, however, is the assessment of the existence and completeness of data on arrears.<sup>43</sup>

53. In Buenos Aires Province, the amount of public sector payment arrears is defined as the balance of non-imputed obligations, or residual liabilities. The latter are calculated as the

<sup>41</sup> Most of these resources are distributed according to the Federal Tax Co-participation System, Law N° 23548, 1998 and modifications. Execution year 2007. National Direction of Fiscal Coordination with the Provinces, MOF.

<sup>42</sup> On average, the national government underestimated resources during 2006-08 by about 17 percent per year. See Annex A.

<sup>43</sup> The available data for monitoring the stock of expenditure payment are rated "C." Data on the stock of arrears have been generated by at least one comprehensive ad hoc exercise within the last two years.

difference between the actual obligation and the category “amount issued for payment.”<sup>44</sup> Beginning in 2009, the concept of residual liability is no longer in use. The obligation is equivalent to what has been sent to pay until the accrual stage is defined.

54. *Stock of expenditure payment arrears.* The stock of payment arrears of the general administration, measured as residual liabilities, decreased from 4.3 percent of total expenditure in 2005 to 3.8 percent in 2007 (Table 4.2). Most of these payment arrears are related to transfers, capital goods, consumption goods, and non-personnel services.

55. *Data availability on payment arrears.* In the general administration, information about payment arrears is classified by expenditure categories, but no information is provided about the seniority of arrears or when they should be paid. The calculation of payment arrears is made through an ad-hoc exercise by the end of each fiscal year.

**Table 4.2. Province of Buenos Aires: General Administration – Residual Liabilities<sup>a</sup>**

*Millions of \$AR and percent of total expenditure (2005-2007)*

Expenditure Category	2005		2006		2007	
	Residual Liabilities	%	Residual Liabilities	%	Residual Liabilities	%
1. Expenditures on Personnel	34.4	0.2	20.7	0.1	33.3	0.1
2. Consumption Goods	68.0	0.3	137.5	0.5	147.2	0.4
3. Non-Personal Services	221.9	1.0	208.6	0.8	263.4	0.8
4. Capital Goods	198.7	0.9	183.6	0.7	196.2	0.6
5. Transfers	325.2	1.5	377.1	1.4	405.5	1.2
6. Financial Assets	17.3	0.1	13.7	0.0	177.1	0.5
7. Debt Services and Reduction of Liabilities	71.9	0.3	47.2	0.2	61.2	0.2
8. Other Expenditures	0.0	0.0	0.4	0.0	2.8	0.3
<b>TOTAL</b>	<b>937.4</b>	<b>4.3</b>	<b>988.9</b>	<b>3.6</b>	<b>1,286.7</b>	<b>3.8</b>

<sup>a</sup> Credit in force.

Source: General Accounting Office of the Province of Buenos Aires.

<sup>44</sup> According to the PFM Manual (2005), expenditure arrears assume that the outstanding payment is due under a specific legal obligation or contractual commitment, which the government has entered, and may include due but unpaid claims for salaries, pensions, supplies, services, rents, interest on domestic and external debt, and transfers.

## B. Budget comprehensiveness and transparency

### PI-5. Classification of the budget

#### Overall assessment “B”

Dimensions to be assessed	Scoring
<p>The classification system used for formulation, execution and reporting of the provincial government's budget.</p> <p>The budget formulation and execution is based on administrative, economic, and functional classification (using at least the 10 main COFOG functions), using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards.</p>	<b>B</b>

56. A robust classification system allows spending to be tracked on the basis of administrative unit, economic use, function, and program. Where standard international classification practices are applied, governments can easily track and monitor selected categories of expenditure. The international standard for classification systems is *Government Finance Statistics* (GFS), which provides the framework for economic and functional classification of transactions (Table 4.3). Under the UN-supported *Classification of Functions of Government* (COFOG), which is the functional classification applied in GFS, there are ten main functions at the highest level and 69 functions at the second (sub-functional) level.

57. The General Administration of the Province of Buenos Aires uses comprehensive expenditure classifications in the budget law and its execution. Expenditures are classified and reported by institution, category, financing source, economic use, programs, and function. Program budgeting has been applied in the Province of Buenos Aires since 1997. However, the description of programs is less detailed than that followed by the national government (program, sub-program, activity, project, and public works). The functional classification only reports five different expenditure purposes<sup>45</sup>, and the information is less detailed than required by the GFS.

**Table 4.3. Functions Defined by GFS**

Nº	Function
1	General public services
2	Defense <sup>(1)</sup>
3	Security and law enforcement
4	Economic affairs
5	Environment protection
6	Housing and community services
7	Health Services
8	Recreation, culture, and religion
9	Education
10	Social protection

<sup>(1)</sup> Not relevant for provinces.

Source: IMF *Government Finance Statistics Manual*, 2001.

### PI-6. Comprehensiveness of information included in budget documentation

#### Overall assessment “A”

<sup>45</sup> The five expenditure categories by purpose are: Government Administration, Security Services, Social Services, Economic Services, and Public Debt. The purposes are subsequently divided into 28 functions. This is the same type of scheme as the one used by the National Administration.

Dimensions to be assessed	Scoring
<p><i>Share of the above listed information in the budget documentation most recently issued by the provincial government (in order to count in the assessment, the full specification of the information benchmark must be met).</i></p> <p>Recent budget documentation fulfils 7-9 of the 9 information benchmarks.</p>	<b>A</b>

58. The PEFA methodology establishes that annual budget documentation (the annual budget and budget supporting documents), as submitted to the legislature for scrutiny and approval, should allow a complete picture of provincial government fiscal forecasts, budget proposals, and out-turn of previous years. To be considered complete, the annual budget documentation should include information on the nine elements listed in Table 4.4.

59. In Buenos Aires province, information is provided on seven out of the nine items shown in Table 4.4. Explanation of budget implications of new policy initiatives (item 9), and detailed information about financial assets (item 5) are not included in the documentation presented to the Legislature.<sup>46</sup>

**Table 4.4. PEFA Methodology: Information That Should Be Included in the Budget Documentation**

1. Macroeconomic assumptions, including at least estimates of aggregate growth, inflation, and exchange rate.
2. Fiscal deficit, defined according to GFS or other internationally recognized standard.
3. Deficit financing, describing anticipated composition.
4. Debt stock, including details at least for the beginning of the current year.
5. Financial assets, including details at least for the beginning of the current year.
6. Prior year's budget outturn, presented in the same format as the budget proposal.
7. Current year's budget (either the revised budget or the estimated out-turn), presented in the same format as the budget proposal.
8. Summarized budget data for both revenue and expenditure according to the main heads of the classifications used (ref. PI-5), including data for the current and previous year.
9. Explanation of budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs.

### ***PI-7: Extent of unreported government operations***

#### ***Overall rating "B+"***

Dimensions to be assessed	Scoring
<p><i>The level of extra-budgetary expenditure (other than donor funded projects) which is unreported i.e. not included in fiscal reports.</i></p> <p>The level of unreported extra-budgetary expenditure (other than donor funded projects) constitutes 1-5% of total expenditure.</p>	<b>B</b>
<p><i>Income/expenditure information on donor-funded projects which is included in fiscal reports.</i></p> <p>Complete income/expenditure information for 90% (value) of donor-funded projects is included in fiscal reports, and these expenditures represent less than 1% of executed expenditures of General Administration in 2008.</p>	<b>A</b>

60. Annual budget estimates, in-year execution reports, year-end financial statements, and other fiscal reports for the public should cover all the budgetary and extra-budgetary activities of provincial government to allow a complete picture of government revenue, expenditures across all categories, and financing. PEFA Indicator 7 accounts for the relative size of extra-budgetary operations (government activities that are not included in the annual budget law, such as those funded through extra-budgetary funds), and for activities that are

<sup>46</sup> The budget proposal sent to the Legislature includes macroeconomic assumptions, the fiscal deficit and its deficit financing, and the debt stock. Remaining information is contained in the current year budget execution reports and the investment account.

included in the budget but managed outside the government's budget management and accounting system (mainly donor-funded projects).

61. *Level of unreported extra-budgetary expenditures.* In the Province of Buenos Aires, the documentation included in the budget law (consolidated and annexes) covers more than 95 percent of the total resources of the NFPA. The consolidated budget pertains to about 70 percent of the general administration's total resources. Annexes to the budget law provide information about the non-consolidated decentralized entities<sup>47</sup> and fiduciary funds.

62. *Income/expenditure information on donor-funded projects that is included in fiscal reports.* External financing includes loans from international financial institutions (IFIs). The budget and fiscal reports provide complete information about the debt stock over time, the applications, and services of the IFIs [. In 2008, AR\$259 million was paid by the government for donor-funded projects representing less than 1 percent of the consolidated budgeted expenditures.

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<sup>47</sup> Five entities fall in this category: two decentralized entities (Institute of Provincial Lottery and Casinos, and Bank of the Province of Buenos Aires), and three social security institutes (Institute of Medical Assistance, Police Retirement and Pension Fund System, and Institute of Social Security).

**PI-9. Oversight of aggregate fiscal risk from other public sector entities****Overall rating “D+”**

Dimensions to be assessed	Scoring
<i>Extent of provincial government monitoring of AGAs and PEs.</i> Most major AGAs/PEs submit fiscal reports to the provincial government at least annually, but a consolidated overview is missing or significantly incomplete.	<b>C</b>
<i>Extent of provincial government monitoring of SN governments’ fiscal position.</i> No annual monitoring of SN governments’ fiscal position takes place or it is significantly incomplete.	<b>D</b>

63. Municipal governments, autonomous government agencies (AGAs), public enterprises (PEs), and state-owned banks can potentially generate fiscal risks with important implications at the provincial level. Thus, the provincial government should require and receive quarterly financial statements and audited year-end statements from AGAs and PEs, and monitor their performance against financial targets. Consolidation of information is important for achieving an overview and reporting the total fiscal risk for the provincial government.

64. *Extent to which the provincial government monitors autonomous public sector entities and public enterprises.* The provincial General Accounting Office receives quarterly fiscal reports from each public enterprise and decentralized public entity. However, an annual consolidated fiscal plan is not prepared and there is no assessment of fiscal risks. In order to request a loan from either the public or the private sector, a public enterprise must require an authorization from the national MOF, which is then forwarded for approval by the provincial Legislature, General Accounting Office, and Public Prosecutor’s Office. In addition, an up-to-date statement is required on the financial structure and the origin and destination of the borrowed funds.<sup>48</sup> Information certifying the presentation of fiscal reports to the provincial general administration by some public enterprises is not available.

65. *Extent to which the provincial government monitors the fiscal situation of local governments.* There is no evidence that the provincial government consolidates the municipalities’ expenditure budgets or systematically follows their fiscal situation. It does register, however, the transfers that local governments receive through the tax co-participation system (these transfers provide most of their resources). The Court of Accounts audits municipal public accounts. Local governments prepare annual fiscal reports as part of the program of Financial Management Reform in the Municipal Area of the Province of Buenos Aires. That program consists of a model financial management system (RAFAM) that allows local governments to correctly prepare, monitor, and evaluate the municipal budgets.<sup>49</sup>

66. The procedure that municipal governments must follow to request loans is similar to that followed by the provincial government: local governments must request an explicit

<sup>48</sup> According to the Fiscal Responsibility Law and regulatory decree.

<sup>49</sup> The program was approved by Provincial Decree 2980/2000 and is based on the national LAF, Law N° 24156, approved in 1992. The main purpose of the program is to combine and integrate information from several sources about budgets, accounting systems, contracting, public revenues, treasuries, public investment, personnel, and physical goods. This information can then be used to organize the budget and control municipal expenditures.

approval from the provincial government through a report that is later monitored by the Court of Accounts, and, in addition, they must accept the conditions stated in the FRL.<sup>50</sup>

### ***PI-10. Public access to key fiscal information***

#### ***Overall rating “B”***

Dimensions to be assessed	Scoring
<p><i>Number of the above listed elements of public access to information that is fulfilled (in order to count in the assessment, the full specification of the information benchmark must be met).</i></p> <p>The government makes available to the public 4 of the 6 listed types of information.</p>	<b>B</b>

67. Transparency in the budget process depends on whether information on the government’s fiscal plans, positions, and performance is easily accessible to the general public or at least the relevant interest group.

68. It was not possible to evidence in the province of Buenos Aires, the public access to external audit reports and the availability of information on resources allocated to primary service delivery units, especially in Education. In short, for the essential information considered by the PEFA methodology, the provincial government provides documentation as follows:

- *Annual budget documentation:* The public can obtain a complete set of documents through the provincial government website when the budget is submitted to the Legislature.
- *In-year budget execution reports:* The reports are routinely made available to the public through the provincial General Accounting Office website. Monthly information at the general administration level is provided by jurisdictions.
- *Year-end financial statements:* Financial statements are made available to the public through the provincial General Accounting Office website within six months after the end of the fiscal year. The information, however, does not specify whether these statements have been audited.
- *External audit reports:* Audit reports for the fiscal year are not available in the website.
- *Contract awards:* Contracts awarded with value above approximately USD 100,000 are published at least monthly on the provincial government’s website.<sup>51</sup>
- *Resources available to primary service units:* On health services, detailed information is publicized by primary service units. For the education sector, given its size, the information is available by programs and educational level (primary, secondary, tertiary education).

<sup>50</sup> Article 25 and Annex VI of the National Decree N° 1731/2004. For municipal governments of the Province of Buenos Aires there is a Council of Fiscal Responsibility that meets regularly, divided into eight sectional units, with three representatives per section.

<sup>51</sup> <http://www.gba.gov.ar>.

### C. Policy-Based Budgeting

#### PI-11: Orderliness and participation in the annual budget process

##### Overall rating “B”

Dimensions to be assessed	Scoring
<p><i>Existence of and adherence to a fixed budget calendar.</i> A clear annual budget calendar exists, is generally adhered to and allows MDAs enough time (and at least six weeks from receipt of the budget circular) to meaningfully complete their detailed estimates on time.</p>	A
<p><i>Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent).</i> A budget circular is issued to MDAs, including ceilings for individual administrative units or functional areas. The budget estimates are reviewed and approved by Cabinet only after they have been completed in all details by MDAs, thus seriously constraining Cabinet's ability to make adjustments.</p>	D
<p><i>Timely budget approval by the legislature or similarly mandated body (within the last three years).</i> The legislature has, during the last three years, approved the budget before the start of the fiscal year.</p>	A

69. While the Ministry of Finance is usually driving the annual budget formulation process, extent of participation in this process by other ministries, departments, and agencies, as well as by the political leadership<sup>52</sup>, affects the extent to which the budget reflects macroeconomic, fiscal, and sector policies. Full participation requires an integrated top-down and bottom-up budgeting process, involving all parties in an orderly and timely manner, in accordance with a pre-determined calendar for budget formulation. Clear guidance on the budget process should be provided in the budget circular and budget formulation manual.

70. *Existence of and adherence to a fixed budget calendar.* The MOF of the Province of Buenos Aires, through the Provincial Directorate of Budgeting, prepares a timetable for each stage of the budget formulation. During 2006-08, the budget formulation process was begun between July and September.

**Table 4.5. Province of Buenos Aires: Budget Preparation Calendar**

Approximated Corresponding Dates	Processes and Responsibilities
Aug 1 <sup>st</sup> – Aug 10 <sup>th</sup>	PDB prepares the projections for the end of the fiscal year
Aug 10 <sup>th</sup> – Sep 1 <sup>st</sup>	PDB prepares global and jurisdictional expenditure and revenue projections for the following year
Sep 1 <sup>st</sup> – Sep 2 <sup>nd</sup>	PDB communicates the guidelines that should be followed to prepare budget documentation, payroll, policies, and program descriptions
Sep 2 <sup>nd</sup> – Sep 27 <sup>th</sup>	Jurisdictions prepare budget documentation, payroll, policies, and program descriptions
Sep 27 <sup>th</sup> – Oct 27 <sup>th</sup>	PDB analyzes the proposals presented by the jurisdictions
Oct 27 <sup>th</sup> – Nov 17 <sup>th</sup>	PDB communicates the financial ceilings and jurisdictions prepare detailed allocation of resources
Nov 17 <sup>th</sup> – Dec 7 <sup>th</sup>	PDB analyzes the proposed detailed allocation of resources by jurisdiction
Dec 7 <sup>th</sup> – Dec 15 <sup>th</sup>	PDB consolidates the budget
Dec 15 <sup>th</sup> – Dec 17 <sup>th</sup>	Presentation of the Analytical Decree to the governor
Dec 17 <sup>th</sup> – Dec 31 <sup>st</sup>	Presentation of the budget proposal to the Legislature for its analysis and approval

Source: Own elaboration, based on the province actual calendars for the budget proposals of 2008 and 2009.

71. *Clarity and comprehensiveness of, and political involvement in, the guidance on the preparation of budget submissions.* Budget preparation is guided by a budget booklet that communicates the financial ceilings for each jurisdiction. Credit limits are set by functional

<sup>52</sup> By “political leadership” is meant the leadership of the executive, such as the Cabinet or equivalent body.

area and type of resource. However, the ceilings are approved by the Governor after the jurisdictions determine the detailed allocation of resources adjusted to those ceilings.

72. *Timely budget approval by the legislature.* During 2006-08, the Legislature consistently approved the budget in a timely manner before the beginning of the fiscal year.<sup>53</sup> The budget law has always been published before December 31<sup>st</sup>.<sup>54</sup>

### ***PI-12. Multi-year perspective in fiscal planning, expenditure policy and budgeting***

#### ***Overall rating “D”***

<b>Dimensions to be assessed</b>	<b>Scoring</b>
<i>Preparation of multi -year fiscal forecasts and functional allocations.</i> Forecasts of fiscal aggregates (on the basis of the main categories of economic classification) are prepared for at least two years on a rolling annual basis.	<b>C</b>
<i>Scope and frequency of debt sustainability analysis.</i> No DSA has been undertaken in the last three years.	<b>D</b>
<i>Existence of sector strategies with multi-year costing of recurrent and investment expenditure.</i> Statements of sector strategies exist for several major sectors but are only substantially costed for sectors representing up to 25 percent of primary expenditure OR costed strategies cover more sectors but are inconsistent with aggregate fiscal forecasts.	<b>C</b>
<i>Linkages between investment budgets and forward expenditure estimates.</i> Many investment decisions have weak links to sector strategies and their recurrent cost implications are included in forward budget estimates only in a few (but major) cases.	<b>C</b>

73. Expenditure policy decisions should have a multi-year perspective and be aligned with the availability of resources in the medium-term perspective. For effective allocation of resources and to allow budget planning of public policies, budget formulation needs to take a multi-year perspective, founded on multi-year fiscal forecasts of revenue, medium-term expenditure aggregates for mandatory expenditure, and potential deficit financing.

74. *Multi-year fiscal forecasts and functional allocations.* As specified by the FRL, during 2006-08 the Buenos Aires provincial budget laws included multi-year projections of expenditures and revenues for the following two years.<sup>55</sup> But there is no evidence that the multi-year projections were used to set financial ceilings on subsequent budgets.

75. *Scope and frequency of debt sustainability analysis.* The Provincial Directorate of Public Debt and Credit, which is part of the Finance Sub-secretariat, prepares a quarterly report on public debt management.<sup>56</sup> That report contains, among other things, an analysis of the debt stock and services, evolution of debt indicators, and projections about financing needs for the current fiscal year. Since most of the analysis is retrospective and the consideration of future indebtedness is limited to the very short run (current fiscal year), the score assigned to this dimension of public finance management is the lowest, i.e., “D.”<sup>57</sup>

<sup>53</sup> For 2006, Provincial Law N° 13403, published on 30/12/05; for 2007, Provincial Law N° 13612, published on 29/12/06; and for 2008, Provincial Law N° 13786, published on 30/12/07.

<sup>54</sup> The provincial Constitution establishes that the presentation must be made before August 31<sup>st</sup> of the previous year. The latter is almost never respected because the provincial budget has to wait until the national budget is presented. The deadline for the presentation of the budget to the National Congress is September 15<sup>th</sup>, according to the LRF.

<sup>55</sup> The multi-year budget projections include resources by type of expenditure, function, object, investment programs, municipal co-participation, type of debt, and budget policies.

<sup>56</sup> The last publication of the report was on February 2009 as the Public Debt Management Report, year VIII, number 22.

<sup>57</sup> An adequate debt sustainability analysis would consist in this case of the construction of medium-run projections (at least two or three years) of the ratio of debt/GGP under different assumptions about economic

76. *Existence of sector strategies with multi-year costing of recurrent and investment expenditure.* The budget formulation process in Buenos Aires Province incorporates strategic considerations for primary sectors, with a clear explanation of their goals. For example, strategy-linked selection criteria have been established for public investment projects. Detailed information about the cost of the most important transport and housing infrastructure projects is also provided. Concerning the productive sectors, the provincial government will attempt to introduce important simplifications in all administrative procedures and paperwork for firms through the implementation of the Unique Simplified Procedure. However, detailed strategies with a thorough explanation of costs for the main components are not specified for all sectors.

77. *Linkages between investment budgets and forward expenditure estimates.* Investment plans are presented for the main sectors, including information about costs for all years. When the multi-year budget is formulated, operating costs throughout the years of operation are included for the most important projects. However, the limitations described earlier concerning sectoral strategies affect the linkage between investment planning and the subsequent budget. The provincial government has just created the Directorate of Public Investment<sup>58</sup> whose main responsibility will be to centralize the administration of public investment projects from different sectors.

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growth, provincial fiscal performance, interest rates, exchange rates, the institutional and financial relationship with the national government, etc.

<sup>58</sup> Within the Provincial Directorate of Debt and Public Credit.

## D. Predictability and control in budget execution

### PI-16 Predictability in the availability of funds for commitment of expenditures

#### Overall assessment “D+”

Dimensions to be assessed	Scoring
<i>Extent to which cash flows are forecast and monitored.</i> Cash flow planning and monitoring are not undertaken or of very poor quality.	D
<i>Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment.</i> MDAs are provided reliable information for one or two months in advance.	C
<i>Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.</i> Significant in-year budget adjustments are frequent, but undertaken with some transparency.	C

78. Effective execution of the budget, in accordance with the work plans, requires that the spending ministries, departments, and agencies (MDAs) of the non-financial public administration receive reliable information on the availability of funds that they can commit for recurrent and capital inputs. PEFA Indicator 16 assesses the extent to which the provincial MOF provides reliable information on the availability of funds to the MDAs that manage administrative (or program) budget heads (or votes) in the provincial government budget and are therefore the primary recipients of such information from the MOF.

79. *Extent to which cash flows are forecast and monitored.* At the beginning of the fiscal year, the Provincial General Treasury (PGT), in coordination with the Provincial Directorate of Budgeting (PDB), prepares the annual cash flow forecast for the jurisdictions. However, the monthly projections are inaccurate, being based on the assumption that the annual budget allocations are proportionally distributed. During the fiscal year, the PGT regularly monitors the cash flows of provincial and national resources, while the jurisdictional treasuries are responsible for their own resources.

80. *Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitments.* Ceilings for expenditure commitments are set monthly and are adjusted depending on the availability of resources and the financial needs of the jurisdictions. Reliable information is provided one month in advance. As long as the jurisdictions comply with the established expenditure ceilings, they are free to spend what they have been assigned. If the jurisdictions need to spend more than their quota, they must seek the approval of PDB and PGT one month in advance. Additional spending requirements must not exceed the annual budget credit unless the budget has previously been adjusted.

81. *Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.* As noted above, adjustments to budget allocations are frequent, and in 2007 they represented AR\$3,050.2 million or 11.2 percent of the original budget. The Buenos Aires provincial budget law normally delegates to the Executive the power to modify the budget. However, to make the process more transparent the Executive ought to follow certain specific rules and regulations. In particular, a new law should be approved if the modifications entail additional financing or an increase in provincial debt.

### PI-17: Recording and management of cash balances, debt and guarantees

#### Overall rating “B”

Dimensions to be assessed	Scoring
<i>Quality of debt data recording and reporting.</i> Domestic and foreign debt records are complete, updated, and reconciled on at least annually. Data quality considered of fair, but some gaps and reconciliation problems are recognized. Reports on debt stocks and service are produced only occasionally or with limited content.	C

<i>Extent of consolidation of the government's cash balances.</i> Most cash balances calculated and consolidated at least weekly, but some extra-budgetary funds remain outside the arrangement.	<b>B</b>
<i>Systems for contracting loans and issuance of guarantees.</i> Provincial government's contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets, and always approved by a single responsible government entity.	<b>A</b>

82. *Quality of debt data recording and reporting.* The maintenance of a debt data system and regular reporting on the main features of the debt portfolio and its development are critical for ensuring data integrity and related benefits such as accurate debt service budgeting, timely service payments, and well planned debt roll-over.

83. The province's public debt is registered by the Provincial Directorate of Public Debt and Credit, under the MOF, using spreadsheets. The information is up-to-date, checked, and verified using accounting records, and provides a complete description of debt service payments. The volumes of the operations involved call for the use of a more sophisticated and reliable information system. As noted in Chapter 3 above the provincial government has begun introducing the SIGADE software developed by UNCTAD.

84. *Extent of consolidation of the government's cash balances.* There are approximately 2,000 bank accounts in the GA. Ninety nine percent of these accounts are part of the Unified Fund (UF) in the Bank of the Province of Buenos Aires (BAPRO). The UF represents a contract between the Bank and the Provincial General Treasury under which BAPRO performs a daily consolidation of the bank accounts, regrouping their balances into a single temporary account. At the beginning of the following day, the balance of the UF is automatically redistributed without modifications to the original accounts. The remaining one percent of the GA's accounts are related to specific expenditures financed by the national government and are held in the National Bank, which consolidates their cash balances monthly.<sup>59</sup>

85. *Systems for contracting loans and issuing guarantees.* The provincial MOF contracts loans and issues guarantees following transparent criteria and fiscal goals established by the Fiscal Responsibility Law. The national MOF checks the fulfillment of these criteria.<sup>60</sup> Next, the provincial government requires the approval of an indebtedness law authorizing these operations and delegates the management of debt exclusively to the provincial MOF.

### ***PI-18 Effectiveness of payroll controls***

#### ***Overall rating "C"***

<b>Dimensions to be assessed</b>	<b>Scoring</b>
<i>Degree of integration and reconciliation between personnel records and payroll data.</i> A personnel database is not fully maintained but reconciliation of the payroll with personnel records takes place at least every six months.	<b>C</b>
<i>Timeliness of changes to personnel records and the payroll.</i> Up to three months delay occurs in processing changes to personnel records and payroll for a large part of changes, which leads to frequent retroactive adjustments.	<b>C</b>
<i>Internal controls of changes to personnel records and the payroll.</i> Controls exist, but are not adequate to ensure full integrity of data.	<b>C</b>
<i>Existence of payroll audits to identify control weaknesses and/or ghost workers.</i> Partial payroll audits or staff surveys have been undertaken within the last 3 years.	<b>C</b>

<sup>59</sup> During 2006-08, the GAO was responsible for the bank accounts. Since 2009, the PGT is responsible for administering all issues related to the opening and management of bank accounts. Also, since 2009, the PGT is implementing the Unique Registry of Official Accounts. This database contains up-to-date information about all official bank accounts.

<sup>60</sup> If the criteria are not fulfilled, the national MOF does not authorize the loan or the issuance of the guarantee.

86. The effectiveness of payroll controls depends on the extent to which payroll information is integrated in a personnel database. This database, sometimes called the “nominal roll,” should provide a list of all staff who should be paid every month; it should be verifiable against the approved establishment list and the individual personnel records (or staff files). The link between the personnel database and payroll is a key control. Any amendments required to the personnel database should be processed in a timely manner through a change report, and should result in an audit trail.

87. In Buenos Aires Province, the wage bill represented 44 percent of the total budgeted expenditures in 2008.<sup>61</sup>

88. *Degree of integration and reconciliation between personnel records and payroll data.* Payroll data is not fully integrated with the human resources dataset<sup>62</sup> through an integrated information management system, which prevents the undertaking of on-line consistency checks and controls between actual payments and corresponding beneficiaries. Human resources records are semi-manually loaded into the payroll system. Based on this information, the Provincial General Treasury calculates monthly payroll payments, and transfer the corresponding funds to MDA treasuries. Consolidated reconciliation between payroll payments and accounting records exists, but with some limitations: (i) the calculation and payment of the wage bill is not compared to the wage bill of the previous month for error detection purposes; and (ii) the reconciliation with the human resources data is less regular, usually taking place after changes made on personnel records.

89. *Timeliness of changes to personnel records and the payroll.* Changes in personnel records are recorded in the SIAPE, but typically with a lag (in some cases up to three months, especially for employees in distant locations), causing a frequent need for retroactive payroll adjustments.

90. *Internal controls on changes to personnel records and the payroll.* All changes related to human resources and payroll follow very clear rules. Modifications to statutes and wages are registered by qualified personnel. To hire new employees, a decree from the executive branch is required which also authorizes the incorporation of the new employees' records into the database. However, these controls are not enough to allow timely checks on the integrity of the data, again resulting in frequent retroactive payments.

91. *Existence of payroll audits.* The Court of Accounts audits annually payroll balances, and carries out a review of payroll internal control procedures. However, the latter focuses on financial aspects only, and does not cover all MDAs.

## ***PI-20. Effectiveness of internal controls for non-salary expenditure***

### ***Overall assessment “B”***

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<sup>61</sup> Budget Law 2008.

<sup>62</sup> Human resources have a central database, called the Provincial Unique System of Personnel Administration (SIAPE) that collects information from the MDAs.

Dimensions to be assessed	Scoring
<p><i>Effectiveness of expenditure commitment controls.</i> Expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations for most types of expenditure, with minor areas of exception.</p>	<b>B</b>
<p><i>Comprehensiveness, relevance, and understanding of other internal control rules/ procedures.</i> Other internal control rules and procedures consist of a comprehensive set of rules for processing and recording transactions, which are understood by those directly involved in their application. Some rules and procedures may be excessive, while controls may be deficient in areas of minor importance.</p>	<b>B</b>
<p><i>Degree of compliance with rules for processing and recording transactions.</i> Compliance with rules is fairly high, but simplified/emergency procedures are used occasionally without adequate justification.</p>	<b>B</b>

92. *Effectiveness of expenditure commitment controls.* Buenos Aires Province has a commitment stage for all expenditure categories except for minor expenditures that are paid using revolving funds. The commitment stage is registered in the budget system by the accounting departments of each jurisdiction. The system also incorporates comprehensive controls that limit expenditure commitments according to cash availability (conformity with budget allocations and availability). However, there is no effective and comprehensive procurement plan to ensure that the product acquired fulfils the intended purpose of the expenditure.

**Table 4.6. Province of Buenos Aires: Stages of the Budgeting Process**

Stage	Registry of Budget Execution	Responsible
Preventive allocation of expenditure and verification of the budget allocation	In the budget system	Accounting area of each MDA
Review of proposed expenditures by 3 entities	Discussion about the relevancy of expenditures Budget review Legal control	Advisory Unit GAO Delegate Office of Public Prosecutor
Committed expenditure	In the budget system	Accounting area of each MDA
Accrued expenditure <sup>(1)</sup>	In the budget system	Accounting area of each MDA
Sent to Pay Issuance of payment order	In the budget system	Treasury of each MDA
Control and intervention of the payment order		General Accounting Office (GAO) Delegate
Payment of expenses less than AR\$ 19.000 by revolving funds	Registered in the Movement of Funds System	MDA Treasury
Payment of expenses greater than AR\$ 19.000	Registered in the Treasury and Movement of Funds System	PGT
Control of public accounts		Court of Accounts (COA)

Note: The accounting registration is done automatically through the budgeting system, from the accrual stage.

<sup>(1)</sup>This expenditure stage is effective beginning in 2009.

93. *Comprehensiveness, relevance, and understanding of other internal control rules/procedures.* Internal controls are implemented through the available computerized systems<sup>63</sup> and by the General Accounting Office, the Office of the Public Prosecutor, and the Advisory Unit. The controls are comprehensive at all budget execution stages. Also, The GAO has a procedures manual that disseminates and communicates internal control rules. All employees involved in expenditure management are familiar with the regulatory framework compiled in the financial administration legislation, which is published on the provincial government's website.

94. However, as shown in Table 4.6, there is some overlap of controls, which can potentially generate delays and reduce the effectiveness of budget execution. For example, prior to the commitment stage, MDAs expenditures have to be reviewed by representatives from three control entities: (i) an Advisory Unit; (ii) the General Accounting Office; and (iii) the Office of the Public Prosecutor. Therefore, better coordination and a clear definition of the respective control duties assigned to internal and external control institutions would encourage focusing on strategic issues, allowing for a better use of the various institutions' comparative advantages, and improving timeliness and efficiency.

95. *Degree of compliance with rules for processing and recording transactions.* Employees are familiar with existing control mechanisms and the degree of compliance with the rules is high) However, simplified procedures are occasionally used without further justification.

<sup>63</sup> Fund Movement System, Budget Execution System, Procurement System, and Financial and Asset System. Even though each of the systems provides thorough information, the systems do not operate in an integral and coordinated way. The process for extracting information from accounting records is somewhat complicated.

**PI-21. Effectiveness of internal audit****Overall rating “D+”**

Dimensions to be assessed	Scoring
<i>Coverage and quality of the internal audit function.</i> Internal audit is operational for the majority of provincial government entities (measured by value of revenue/expenditure), and substantially meet professional standards. It is focused on systemic issues (at least 50 percent of staff time).	<b>B</b>
<i>Frequency and distribution of reports.</i> Reports are issued regularly for most government entities, but may not be submitted to the Ministry of Finance and the Supreme Audit Institution.	<b>C</b>
<i>Extent of management response to internal audit findings.</i> Internal audit recommendations are usually ignored (with few exceptions).	<b>D</b>

96. In Buenos Aires Province the General Audit Directorate under the GAO is in charge of internal audit. The Directorate comprises a General Director, a Director of Accounting and Special Audits, a Director of Operative Audits, four departmental chief officers, and four auditors, all of whom have the required professional background. The provincial administration also offers optional training courses to the personnel through each jurisdiction.

97. *Coverage and quality of the internal audit function.* The General Audit Directorate only performs ex-post audits. Its activities are part of the internal control system and follow the guidelines in the Committee of Sponsoring Organizations (COSO) report.<sup>64</sup> The audits are defined in the Directorate’s annual plan, and focus on the activity of the MDA being audited. Audits are performed in a timely manner and cover most of the MDAs. Even though the Directorate does not have a procedures manual, it prepares an initial report, following certain standards, that describes the audit plan and the rules that need to be followed to prepare the final report; the rules require the final report to provide additional clarifying information about the observations, conclusions, and recommendations included in it.

98. *Frequency and distribution of reports.* The General Audit Directorate provides a report after concluding each audit. The conclusions and recommendations are sent to the audited jurisdictions.

99. *Extent of management response to internal audit findings.* Some of the jurisdictions adopt corrective measures in response to recommendations by the General Audit Directorate but most of the time they do not respond to the observations.

<sup>64</sup> The objective of the COSO report is to help the organizations improve the control of their activities. It establishes a framework that sets the guidelines for common internal control practices.

## E. Accounting, Recording, and Reporting

### ***PI-22. Timeliness and regularity of accounts reconciliation***

#### ***Overall assessment “B+”***

Dimensions to be assessed	Scoring
<i>Regularity of bank reconciliations.</i> Bank reconciliation for all provincial government bank accounts take place at least monthly at aggregate and detailed levels, usually within 4 weeks of end of period	<b>A</b>
<i>Regularity of reconciliation and clearance of suspense accounts and advances.</i> Reconciliation and clearance of suspense accounts and advances take place at least annually within two months from the end of financial year. However, some accounts have uncleared balances and are brought forward.	<b>B</b>

100. *Regularity of bank reconciliations.* As explained earlier in this chapter, the province’s flows of funds are administered through a bank account management system in two ways: (i) the bank accounts of jurisdictions and decentralized entities are held within the Unified Fund in the Bank of the Province of Buenos Aires; and (ii) special accounts with allocations earmarked by the national government are mostly held in the National Bank.

101. The reconciliation of these bank accounts is performed as follows:

- Accounts within the Unified Fund: (i) two accounts managed by the PGT that are used to carry out 90 percent of the payments by the central administration receive daily automatic reconciliation by the PGT; (ii) accounts that contain deposits of tax revenues managed by the PGT receive monthly reconciliation by the provincial GAO; and (iii) jurisdictional bank accounts receive reconciliation by the accounting department of each jurisdiction.
- Jurisdictional special accounts: monthly reconciliation is performed by the accounting department at each jurisdiction.

102. *Regularity of reconciliation and clearance of suspense accounts and advances.* Advances, defined as cash payments made, from which no expenditures have yet been recorded, are only authorized for the management of minor expenditures and revolving funds. During the fiscal year, advances are registered in revolving funds, compensated in the corresponding budget accounts once expenditures are incurred, and later restored. The balances of the holding accounts are closed at the end of each fiscal year.

### ***PI-23. Availability of information on resources received by service delivery units***

#### ***Overall assessment “C+”***

Dimensions to be assessed	Scoring
<i>Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units.</i> Special surveys undertaken within the last 3 years have demonstrated the level of resources received in cash and in kind by either primary schools or primary health clinics covering a significant part of the country OR by primary service delivery units at local community level in several other sectors.	<b>C</b>

103. Information about the resources actually received by front-line service delivery units (for example, schools, health clinics) is very important to guarantee that the resources are used for their intended purpose, avoid delays in transfers of resources, and prevent unjustified reallocations.

104. In the Province of Buenos Aires, the budget contains all relevant information about transfers to every health service unit, including primary health care centers. For education, the financial information available at the General Direction of Culture and Education is aggregated by educational level.<sup>65</sup> Information about the resources received by each school is not readily available.

**PI-24. Quality and timeliness of in-year budget reports**

**Overall rating “B+”**

Dimensions to be assessed	Scoring
<i>Scope of reports in terms of coverage and compatibility with budget estimates.</i> Classification allows comparison to budget but only with some aggregation. Expenditure is covered at both commitment and payment stages.	<b>B</b>
<i>Timeliness of the issue of reports.</i> Reports are prepared quarterly or more frequently, and issued within 4 weeks of end of period.	<b>A</b>
<i>Quality of information.</i> There are no material concerns regarding data accuracy.	<b>A</b>

105. *Scope of reports in terms of coverage and compatibility with budget estimates.* The budget execution reports elaborated by the GAO are complete and cover the whole general administration. It is possible to compare (at an aggregate level, since detailed information by type of expenditure by the jurisdictions is not included) the budget execution to the estimates in the original budget. The budget and accounting classifications are equivalent and they are incorporated into the budget execution and fund movement systems. The reports also include the commitment, accrual, and payment stages of the budget execution.

106. *Timeliness of the issue of reports.* Reports on budget execution are prepared monthly by the GAO and published in a timely manner within four weeks after the end of the month. Jurisdictions have access to these reports through the official website.

107. *Quality of information.* Information about budget execution is accurate and reliable and is provided by the budget execution and fund movement systems.

**PI-25. Quality and timeliness of annual financial statements**

**Overall assessment “C+”**

Dimensions to be assessed	Scoring
<i>Completeness of the financial statements.</i> A consolidated government statement is prepared annually. They include, with few exceptions, full information on revenue, expenditure, and financial assets/liabilities.	<b>B</b>
<i>Timeliness of submission of the financial statements.</i> The statement is submitted for external audit within 6 months of the end of the fiscal year.	<b>A</b>
<i>Accounting standards used.</i> Statements are presented in consistent format over time with some disclosure of accounting standards.	<b>C</b>

108. *Completeness of financial statements.* The financial statements of the provincial administration are consolidated by the GAO, including all financial statements of the central administration and decentralized entities except the provincial Institute of Lottery and Casinos, Bank of the Province of Buenos Aires (BAPRO), Institute of Medical Assistance (IOMA), Police Retirement and Pension Fund System, and Institute of Social Security. Together these non-consolidated entities represent 29.7 percent of the total expenditures of the non-financial public administration.

<sup>65</sup> For example, primary or secondary.

109. *Timeliness of submission of the financial statements.* The GAO complies with the submission requirements of the financial statements. During 2006-08, the financial statements were received by the Court of Accounts within four months after the end of the fiscal year, in compliance with the legal norms.<sup>66</sup>

110. *Accounting standards used.* Financial statements are presented in a coherent format over time in line with national accounting practices and norms.

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<sup>66</sup> Financial statements corresponding to the fiscal year closing December 31<sup>st</sup>, should be sent before April 30<sup>th</sup> of the following year.

## F. External Scrutiny and Audit

### PI-26. Scope, nature, and follow-up of external audit

#### Overall assessment “C+”

Dimensions to be assessed	Scoring
<p><i>Scope and nature of audit performed.</i> Provincial government entities representing at least 50 percent of total expenditures are audited annually. Audits predominantly comprise transaction level testing, but reports identify significant issues. Audit standards may be disclosed to a limited extent only.</p>	<b>C</b>
<p><i>Timeliness of submission of audit reports to legislature.</i> Audit reports are submitted to the legislature within 08 months of the end of the period covered (for audit of financial statements from their receipt by the auditors).</p>	<b>B</b>
<p><i>Evidence of follow up on audit recommendations.</i> A formal response is made, though delayed or not very thorough. but there is little evidence of follow-up.</p>	<b>C</b>

111. The Court of Accounts (COA) is responsible for the external control of the public sector in the Province of Buenos Aires. Its functions are established by the Constitution of the Province of Buenos Aires and the Organic Law (Province Law N° 10869).

112. *Scope and nature of audit performed.* The COA audits all revenues and expenditures of the public sector every year, with the exceptions referred to in Indicator PI-25 (provincial Institute of Lottery and Casinos, Bank of the Province of Buenos Aires (BAPRO), Institute of Medical Assistance (IOMA), Police Retirement and Pension Fund System, and Institute of Social Security). The audit focuses mainly on financial aspects and the review of transactions.

113. *Timeliness of submission of audit reports to legislature.* According to the provincial Constitution, the COA must send an audit report of the public accounts to the Legislature within twelve months after the end of the period covered and this requirement is complied with by the COA. This implies the COA analyzes and sends its audit report to the Legislature within 8 month-period since the GAO consolidates and submits its reports by end of April (as indicated in footnote 65)

114. *Evidence of follow-up on audit recommendations.* A partial formal response is presented but with some delay. There is little evidence of follow-up on audit recommendations.

## ANNEX A – TABLES

**Table A.1. National Administration: Deviations Between Budgeted and Revenue Out-turns <sup>(1)</sup>***In millions of AR\$*

Year	Budget Law (a)	Revenue Out-turns (b)	Deviation (b) - (a) (%)
2006	112,419	126,406	12.4
2007	137,802	164,451	19.3
2008	185,601	218,231	17.6
<b>Average 2006-2008</b>	<b>145,274</b>	<b>169,696</b>	<b>16.8</b>

<sup>(1)</sup> Revenues include domestic taxes and taxes on international trade.

Source: Own elaboration based on information from the Budget Laws, MOF.

**Table A.2. Province of Buenos Aires: Primary Expenditure Deviations: Original Approved Budget vs. Out-turn, 2006.***In millions of AR\$*

	Budget Law <sup>(1)</sup> (a)	Modifications <sup>(2)</sup> (b)	Definitive budget (c) = (a) + (b)	Variation in Budget Law (%)	Executed (d)	Deviation (d) - (a) (%)	Deviation (d) - (c) (%)
Current Expend.	20,436.6	1,745.2	22,181.8	8.5	21,927.0	7.3	-1.1
Capital Expend.	1,981.9	459.6	2,441.5	23.2	1,835.6	-7.4	-24.8
<b>Total</b>	<b>22,418.4</b>	<b>2,204.8</b>	<b>24,623.2</b>	<b>9.8</b>	<b>23,762.6</b>	<b>6.0</b>	<b>-3.5</b>
Debt Interests	798.5	-2.3	796.2	-0.3	777.3	-2.7	-2.4
<b>Total Primary Expend.</b>	<b>21,620.0</b>	<b>2,207.1</b>	<b>23,827.1</b>	<b>10.2</b>	<b>22,985.3</b>	<b>6.3</b>	<b>-3.5</b>

<sup>(1)</sup> Original approved expenditures of the General Administration.<sup>(2)</sup> Modifications to the Budget Law introduced during the fiscal year.Source: Budget Law 2006 and Savings Investment Financing Account until December 31<sup>st</sup>, 2006.**Table A.3. Province of Buenos Aires: Primary Expenditure Deviations: Original approved budget vs. out-turn, 2007***In millions of AR\$*

	Budget Law <sup>(1)</sup> (a)	Modifications <sup>(2)</sup> (b)	Definitive budget (c) = (a) + (b)	Variation in Budget Law (%)	Executed (d)	Deviation (d) - (a) (%)	Deviation (d) - (c) (%)
Current Expend.	25,024.5	2,691.1	27,715.6	10.8	26,962.3	7.7	-2.7
Capital Expend.	2,842.60	217.5	3,060.1	7.7	2,442.2	-14.1	-20.2
<b>Total</b>	<b>27,867.0</b>	<b>2,908.6</b>	<b>30,775.6</b>	<b>10.4</b>	<b>29,404.5</b>	<b>5.5</b>	<b>-4.5</b>
Debt Interests	1,058.00	-141.5	916.5	-13.4	894.8	-15.4	-2.4
<b>Total Primary Expend.</b>	<b>26,809.0</b>	<b>3,050.1</b>	<b>29,859.1</b>	<b>11.4</b>	<b>28,509.7</b>	<b>6.3</b>	<b>-4.5</b>

<sup>(1)</sup> Original approved expenditures of the General Administration.<sup>(2)</sup> Modifications to the Budget Law introduced during the fiscal year.Source: Budget Law 2007 and Savings Investment Financing Account until December 31<sup>st</sup>, 2007.

**Table A.4. Province of Buenos Aires: Primary Expenditure Deviations: Original approved budget vs. out-turn, 2008***In millions of AR\$*

	<b>Budget Law<sup>(1)</sup></b> <b>(a)</b>	<b>Modifications<sup>(2)</sup></b> <b>(b)</b>	<b>Definitive budget</b> <b>(c) = (a) + (b)</b>	<b>Variation in Budget Law</b> <b>(%)</b>	<b>Executed</b> <b>(d)</b>	<b>Deviation</b> <b>(d) - (a)</b> <b>(%)</b>	<b>Deviation</b> <b>(d) - (c)</b> <b>(%)</b>
Current Expend.	31,709.9	4,729.9	36,439.8	14.9	37,580.4	18.5	3.1
Capital Expend.	3,196.1	370.6	3,566.7	11.6	2,145.8	-32.9	-39.8
<b>Total</b>	<b>34,906.0</b>	<b>5,100.5</b>	<b>40,006.5</b>	<b>14.6</b>	<b>39,726.2</b>	<b>13.8</b>	<b>-0.7</b>
Debt Interests	1,471.1	-432.3	1,038.8	-29.4	1,020.5	-30.6	-1.8
<b>Total Primary Expend.</b>	<b>33,434.9</b>	<b>5,532.8</b>	<b>38,967.7</b>	<b>16.5</b>	<b>38,705.7</b>	<b>15.8</b>	<b>-0.7</b>

(1) Original approved expenditures of the General Administration.

(2) Modifications to the Budget Law introduced during the fiscal year.

*Source:* Budget Law 2008 and Savings Investment Financing Account until December 31<sup>st</sup>, 2008.

**ANNEX B – STAKEHOLDERS INTERVIEWED**

<b>NAME</b>	<b>POSITION/ORGANIZATION</b>
Arlía, Alejandro	Minister of Finance.
Di Bella, Martín	Undersecretary of Finance. Ministry of Finance.
Hita, Gerardo	Subsecretario de Coordinación de Créditos de Estados y Instituciones Internacionales
Batakis, Silvina	Chief of Advisors of the Ministry of Finance.
Esterelles, Gabriel	Provincial Director of Budgeting. Ministry of Finance.
Saracco, Walter	Provincial Directors of Debt and Public Credit. Ministry of Finance.
Gobbi, Ricardo	Sub-accountant of the Province General Accounting Office.
Brito, Gustavo	Provincial General Accounting Office.