



Public Finance

I. Result of the National Non-Financial Public Sector

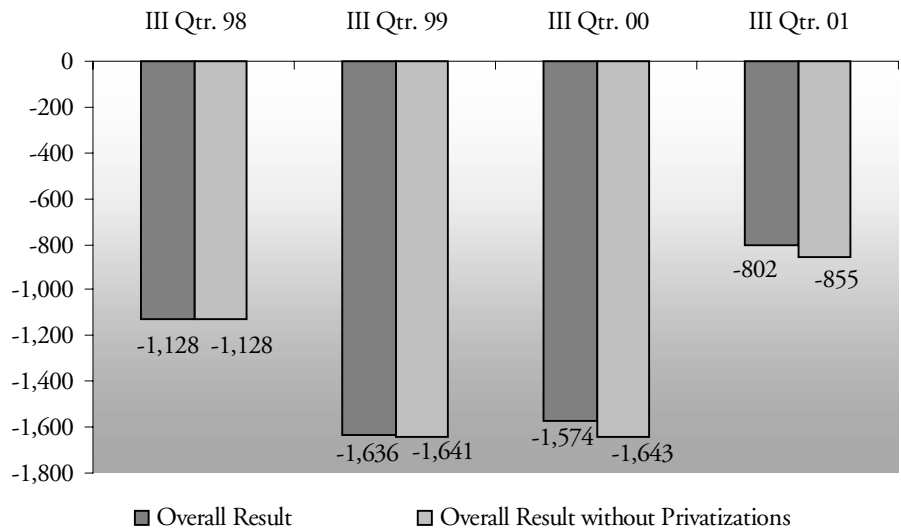
In the third quarter of 2001, the overall result of the National Non-Financial Public Sector (NNFPS) based on actual income and outlays¹ recorded an \$ 855.3 millions deficit. As for the same quarter of 2000, it represented a \$ 787.5 million fall, as a result of the fact that the expenditure reduction was greater than the income reduction (Graph 6.1).

The improvement of overall result was affected by the reduction of current expenses (\$ 1,843.1 millions) and of cap-

ital expenses (\$ 8.9 millions), which exceeded the reduction of revenues of such items (-\$ 1,075 millions and -\$ 5.1 millions, respectively) (Table 6.1).

During the quarter, the fall of current revenues was mainly the result of the behavior of fiscal resources, followed - to a lesser extent - by contributions to Social Security, real estate returns and operating income. Tax revenues decreased by \$ 753.1 millions. This fall, accounting for 70% of the quarter's

GRAPH 6.1
National Non-financial Public Sector Overall Result
In million of pesos



¹ The NNFPS is made up of the National Administration, State owned companies and Trust Funds. In turn, the National Administration is made up of the Central Administration, Decentralized Agencies and Social Security institutions. Within the latter there are the former provincial pension funds. Besides, the National Administration includes, within tax revenues and expenses for current transfers, the revenues co-participated to the Provinces. Thus, the global tax pressure of the public sector can be seen when making up the national Public sector.

PUBLIC FINANCE

TABLE 6.1
Non Financial Public Sector - Cash Basis
In million pesos

	I-00	II-00	III-00	IV-00	I-01	II-01	III-01	Variation III-01 / III-00	
								Million \$	%
I CURRENT REVENUE	13,752.0	15,023.8	14,232.1	13,161.3	13,454.0	14,483.2	13,157.1	-1,075.0	-7.6
- Tax Revenue	9,583.7	11,084.2	10,149.6	9,854.3	9,268.5	11,042.5	9,396.5	-753.1	-7.4
- Contributions to Social Security	2,887.3	2,474.1	2,940.3	2,382.6	2,723.4	2,393.9	2,529.6	-410.7	-14.0
- Non-Tax Revenue	466.0	841.3	477.3	301.3	722.0	437.9	689.3	212.0	44.4
- Sales of Goods and Services of Civil Services	44.4	50.3	44.3	46.0	47.5	55.6	52.1	7.8	17.6
- State-owned Companies Operating Income	235.3	258.9	259.8	285.2	265.4	231.1	193.5	-66.3	-25.5
- Property Income	248.7	230.3	309.0	192.2	257.7	243.0	178.8	-130.2	-42.1
- Current Transfers	286.6	84.7	51.8	99.7	169.5	79.2	117.3	65.5	126.4
II CURRENT EXPENSES	15,136.3	14,756.7	15,203.6	15,362.4	15,689.0	15,417.5	13,360.5	-1,843.1	-12.1
- Consumption and Operating Expenses	2,432.1	2,302.5	2,454.2	2,387.5	2,552.9	2,211.3	2,275.8	-178.4	-7.3
. Wages	1,822.4	1,661.9	1,786.4	1,628.4	1,836.6	1,594.8	1,677.3	-109.1	-6.1
. Goods and Services	579.7	541.9	556.3	637.2	621.6	522.7	528.6	-27.7	-5.0
. Other current expenses	30.0	98.7	111.5	121.9	94.7	93.8	69.9	-41.6	-37.3
- Yield	2,389.8	2,376.6	2,114.2	2,775.8	2,677.0	3,247.1	1,490.0	-624.2	-29.5
. Interest	2,389.7	2,376.6	2,114.1	2,775.6	2,676.7	3,247.0	1,489.6	-624.5	-29.5
.. Interest on Domestic Debt	45.8	35.5	31.6	39.2	26.3	21.2	10.9	-20.7	-65.5
.. Interest on External Debt	2,343.9	2,341.1	2,082.5	2,736.4	2,650.4	3,225.8	1,478.7	-603.8	-29.0
. Other Yield	0.1	0.0	0.1	0.2	0.3	0.1	0.4	0.3	300.0
- Social Security Benefits	4,386.8	4,073.9	4,686.1	4,284.5	4,424.5	4,049.1	4,281.2	-404.9	-8.6
- Other Current Expenses	10.0	0.0	0.1	0.5	0.1	0.3	0.0	-0.1	-100.0
- Current Transfers	5,917.6	6,003.7	5,937.1	5,914.0	6,033.5	5,909.4	5,313.2	-623.9	-10.5
. To the Private Sector	1,556.8	1,541.9	1,505.2	1,551.3	1,564.0	1,491.6	1,357.1	-148.1	-9.8
. To the Public Sector	4,351.2	4,451.0	4,414.5	4,333.7	4,453.7	4,392.1	3,929.6	-484.9	-11.0
.. Provinces and Gov. of City of Buenos Aires	3,927.9	4,043.2	3,969.0	3,883.0	3,991.0	3,972.1	3,499.8	-469.2	-11.8
... Shared Revenue	3,133.7	3,292.5	3,266.4	3,254.6	3,071.1	3,178.9	2,708.4	-558.0	-17.1
... Prov. Agreement Guarantee	161.8	49.3	39.9	52.5	258.3	226.7	241.3	201.4	504.8
... Special Laws	121.2	135.0	129.1	130.8	126.7	124.0	133.1	4.0	3.1
... Others	511.2	566.4	533.6	445.1	534.9	442.5	417.0	-116.6	-21.9
.. Universities	421.5	404.6	443.5	448.8	457.1	416.6	425.7	-17.8	-4.0
.. Others	1.8	3.2	2.0	1.9	5.6	3.4	4.1	2.1	105.0
. To the External Sector	9.6	10.8	17.4	29.0	15.8	25.7	26.5	9.1	52.3
- Other Expenses	0.0	0.0	11.9	0.1	1.0	0.3	0.3	-11.6	-97.5
III CURRENT SAVINGS (I-II)	-1,384.3	267.1	-971.5	-2,201.1	-2,235.0	-934.3	-203.4	768.1	-79.1
IV CAPITAL RESOURCES	67.8	129.9	103.8	99.8	25.7	50.9	98.7	-5.1	-4.9
- Privatizations	2.8	0.7	69.1	72.1	2.8	3.0	53.5	-15.6	-22.6
- Others	65.0	129.2	34.7	27.7	22.9	47.9	45.2	10.5	30.3
V CAPITAL EXPENDITURE	718.6	695.4	706.0	783.1	805.8	696.9	697.1	-8.9	-1.3
- Direct Real Investment	105.9	72.1	85.6	138.4	152.4	88.1	79.8	-5.8	-6.8
- Capital Transfers	590.9	619.9	617.1	638.9	638.2	588.4	614.3	-2.8	-0.5
. Provinces and Gov. of City of Buenos Aires	538.9	548.4	567.5	563.1	580.8	507.0	571.0	3.5	0.6
... Special Laws	255.4	271.3	274.9	264.3	258.5	250.4	241.3	-33.6	-12.2
... Others	283.5	277.1	292.6	298.8	322.3	256.6	329.7	37.1	12.7
. Others	52.0	71.5	49.6	75.8	57.4	81.4	43.3	-6.3	-12.7
- Financial Investments	21.8	3.4	3.3	5.8	15.2	20.4	3.0	-0.3	-9.1
. To provinces and Gov. of City of Buenos Aires	0.3	0.1	0.8	0.3	0.0	0.0	0.2	-0.6	-75.0
. Others	21.5	3.3	2.5	5.5	15.2	20.4	2.8	0.3	12.0
VI TOTAL REVENUE (I+IV)	13,819.8	15,153.7	14,335.9	13,261.1	13,479.7	14,534.1	13,255.8	-1,080.1	-7.5
VII TOTAL EXPENSES (II+V)	15,854.9	15,452.1	15,909.6	16,145.5	16,494.8	16,114.4	14,057.6	-1,852.0	-11.6
VIII GLOBAL SURPLUS (VI-VII)	-2,035.1	-298.4	-1,573.7	-2,884.4	-3,015.1	-1,580.3	-801.8	771.9	-49.1
IX SURPLUS BEFORE PRIVATIZATIONS	-2,037.9	-299.1	-1,642.8	-2,956.5	-3,017.9	-1,583.3	-855.3	787.5	-47.9
X PRIMARY EXPENDITURE (*)	13,465.2	13,075.5	13,795.5	13,369.9	13,818.1	12,867.4	12,568.0	-1,227.5	-8.9
XI TOTAL PRIMARY SURPLUS (VI-X)	354.6	2,078.2	540.4	-108.8	-338.4	1,666.7	687.8	147.4	27.3
XII PRIMARY SURPLUS excl. PRIVATIZ.	351.8	2,077.5	471.3	-180.9	-341.2	1,663.7	634.3	163.0	34.6

(*) Excludes payment of interest

Source: Treasury Secretariat, Ministry of Economy

income reduction, was partly softened by non-tax revenues, which, when amounting to \$ 689.3 millions, were \$ 212 millions higher than the figure recorded in the same quarter of 2000, as a consequence of the sale of Brady bonds collateral and of the net proceeds of the convergence factor. Current transfers also increased an additional \$ 65.5 millions. In the case of contributions to Social Security, the fall amounted to \$ 410.7 millions.

Besides, operating income were \$ 66.3 million lower than in same period of the previous year, whereas income generated by Real estate returns evidenced a fall of \$ 130.2 millions, due to the distribution of profits from the B.C.R.A. to the National Treasury that had taken place in July, 2000.

In the quarter, overall expenses experienced a fall of \$ 1,843.1 millions with respect to what was executed in the same period of 2000. The decrease was the consequence of a strong reduction of debt interest payments (which fell \$ 624.5 millions), the decrease in current transfers (-\$ 623.9 millions), the cut over Social Security Benefits (-\$ 404.9 millions) and the

reduction of expenses corresponding to salaries and goods and services (-\$ 178.4 millions). These expenditure falls were partly offset by the increase of Transfer of Guarantees from Provincial Agreements, \$ 201.4 millions higher than one year before.

As can be seen, the item that underwent the greatest reduction was external debt interest payments, which for the first time in eleven quarters shows a fall as a consequence of the incidence of the debt swap performed last June. In any case, primary expenditure (which includes interest payments) underwent a \$ 1,227.5 million decrease with respect to the same quarter of 2000, which allowed for a primary surplus increase of \$ 147.4 millions in said period (Graph 6.2).

These results, plus outlays for extraordinary expenses from the Organization Restructuring Fund, the estimate of the BCRA quasi-fiscal result and the adjustment as per the IMF agreement for the debt swap (which includes interests paid, savings for interests of bonds repurchased and revenues for Profits from Brady securities) implied a deficit of \$ 6,572.5 millions for the first nine months of the year, thus achieving an

GRAPH 6.2
Primary surplus and interest expenditure
Third quarters - In million of pesos

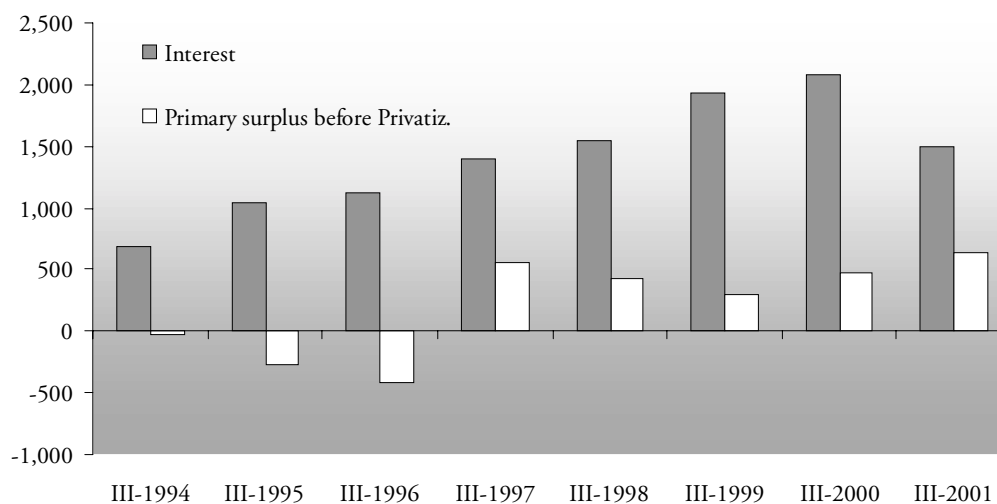


TABLE 6.2
Compliance with IMF targets
Public Sector - Cash Basis
Result Excluding Privatizations - In millions of pesos
First nine months

	2001		
	Execution (1)	IMF Prog. (*) (2)	Difference (1)-(2)
Result for non-financial public sector	-6,065.5		
Organization Restructure Fund (1)	-164.1		
Quasi-fiscal BCRA result (IMF measurement (**))	87.8		
<i>Adjustments due to bond swap transaction</i>	<i>-430.7</i>		
Interest paid	611.5		
Interest savings from bonds redeemed	-791.0		
Incomes from sale of collateral of Brady bonds redeemed	-251.2		
Resultado Global	-6,572.5	-6,601.0	28.5

(*) Includes \$ 544,5 million of accrued interest paid in advance in June and other losses for \$ 64,5 due to the swap bond transaction

(**) Estimates up to third quarter

(1) Corresponds to payments for voluntary lay-offs

Source: Treasury Secretariat, Ministry of Economy

over compliance of \$ 28.5 millions with respect to the fiscal deficit target agreed upon in the Economic Policy Memorandum with the IMF² for said period. As usual, such surplus can be carried onto the next quarter. It is also worth highlighting the simultaneous over compliance of the Primary Expenses target, having accumulated a favorable gap of \$ 381.7 millions in the first nine months of the year.

However, in October, the National Non-Financial Public Sector showed, based on effective income and outlays and less income for privatizations, a \$ 696.8 million deficit, which accounts for a \$ 223.7 million increase with respect to the deficit recorded in same period of 2000.

This difference was the result of resources decreases (-\$ 331.2 millions) that were partially softened by the reduction of expenses (-\$ 127.2 millions), always without including in the

respective calculations resources and transfers for Federal Taxes Co-participation. The reduction of resources is the result of the lower tax receipts and the fall of real estate returns, practically in the same proportion, the latter due to the incidence of the BCRA profit distribution to the National Treasury of \$150 millions that had taken place in October, 2000.

On the side of expenses, payments for public debt interests in October showed an increase of around \$ 186.1 millions. On the other hand, primary expenditure recorded a decrease of \$ 293.6 millions, there standing out the fall evidenced by Social Security Benefits (-\$ 96.4 millions), total transfers to the provinces (-\$ 85.2 millions), consumption expenses (-\$ 62.7 millions) and transfers to universities (-\$ 33 millions)³.

II. Current revenues of the National Non-Financial Public Sector

During the third quarter of 2001, current revenues amounted to \$ 13,157.1 millions (please see Table 6.1, before), thus being 7.6% lower than the same period of the previous year.

The fall of resources was mainly determined by tax revenues generated in the period, which were \$ 753.1 millions lower (a fall of 7.4% year-on-year), and by the fall of Contributions to Social Security, which were 14% with respect to the third quarter of last year. Besides, an important fall of Real estate returns was recorded (-\$ 130 millions), as well as a reduction around \$ 66.4 millions of Operating income.

² The fiscal result agreed upon does not include income from privatizations but does consider BCRA's quasi-fiscal result and the deficit of the provincial pension funds transferred to the National Administration.

³ When closing this Chapter, the November budget deficit was made known, which dropped to \$ 860.6 millions, compared to the \$ 1,640 millions recorded in the same month of the previous year. With such performance, deficit amounts to an annual \$ 1,580 millions in excess of the fiscal targets agreed upon with the International Monetary Fund, namely a \$ 6,500 million deficit for the whole 2001.

PUBLIC FINANCE

II.1 Tax revenues of the National Administration⁴

8.7% less than the same period of 2000 and 10.9% below the second quarter of the year.

In the third quarter of 2001, tax receipts of the National Administration amounted to \$ 11,424.5 millions⁵, being

Both comparisons are significantly influenced by the reduction of economic activity and imports, by the very high

TABLE 6.3
Total Tax Revenue
In million pesos

	I-00	II-00	III-00	IV-00	I-01	II-01	III-01	Variation III-01 / III-00	Million \$	%
I - DGI (excl. Soc. Sec. Syst.)										
Income Tax	2,141.9	3,324.8	2,434.6	2,553.9	2,300.6	3,481.1	2,222.4	-212.2		-8.7
VAT										
National	3,489.0	3,480.0	3,495.6	3,351.0	3,514.7	3,182.0	2,980.0	-515.6		-14.7
Imports	1,413.7	1,485.0	1,580.0	1,573.2	1,328.4	1,353.0	1,174.0	-406.0		-25.7
Gross	4,902.7	4,965.0	5,075.6	4,924.2	4,843.1	4,535.0	4,154.0	-921.6		-18.2
Rebates (-)	374.9	300.0	340.1	452.1	440.6	420.0	437.0	96.9		28.5
Allocation from Payment Plans	117.0	152.0	201.8	137.0	62.0	76.0	47.3	-154.5		-76.6
Net Total	4,644.8	4,817.0	4,937.3	4,609.1	4,464.5	4,190.0	3,764.3	-1,173.0		-23.8
Reimbursements (-)	142.0	146.0	152.4	142.2	164.3	141.4	122.8	-29.6		-19.4
Excise Taxes	388.3	357.2	379.1	403.9	466.0	519.6	315.5	-63.6		-16.8
Lottery Prizes	29.1	13.8	15.3	24.1	20.7	13.9	13.3	-2.0		-13.0
Transfers of Real Estate	12.5	13.1	14.6	14.1	12.5	11.9	10.6	-4.0		-27.5
Minimum Notional Income Tax	145.7	151.9	138.2	164.4	153.1	160.0	118.9	-19.3		-14.0
Interest Paid	221.4	222.0	209.4	202.3	156.2	127.8	103.0	-106.4		-50.8
Other shared taxes (1)	17.4	104.1	77.3	28.0	15.5	19.2	14.3	-63.0		-81.5
Stamp Tax	10.5	11.8	11.1	12.6	17.3	9.9	9.1	-2.0		-17.8
Personal Assets	109.1	350.0	248.3	316.9	168.7	228.2	147.2	-101.1		-40.7
Financial Transactions						759.5	1,100.6	1,100.6		-
Fuels and Gas	785.8	878.3	909.8	904.4	754.3	803.7	982.0	72.2		7.9
Excise Tax on Insurance Policies	55.6	55.8	47.0	35.7	35.7	38.2	24.5	-22.5		-47.8
Other Taxes (2)	315.0	359.8	207.7	242.5	221.8	162.2	169.9	-37.8		-18.2
Total DGI (excl. Soc. Sec. Syst.)	8,735.2	10,513.5	9,477.2	9,369.6	8,560.5	10,381.0	8,873.0	-604.2		-6.4
II - FOREIGN TRADE										
Export Duties	2.1	21.9	6.3	1.7	0.3	20.3	23.4	17.1		271.0
Import Duties	491.6	476.9	493.8	475.5	444.1	442.8	366.2	-127.6		-25.8
Statistics Tax	9.8	9.4	9.5	9.8	9.7	9.5	8.4	-1.1		-11.8
Others						35.7	6.6	6.6		
Total Foreign Trade	503.5	508.3	509.6	487.0	454.1	508.3	404.6	-105.0		-20.6
III - SOCIAL SECURITY										
Employee Contributions	1,688.0	1,475.2	1,662.6	1,434.4	1,700.1	1,423.8	1,543.9	-118.7		-7.1
Employer Contributions	1,743.2	1,503.1	1,786.9	1,493.6	1,695.8	1,376.9	1,644.1	-142.8		-8.0
Payment Plans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other Social Security (3)	94.4	111.6	116.9	101.0	96.4	94.7	86.2	-30.7		-26.3
Capitalization (-)	1,184.9	996.5	1,120.4	1,006.4	1,202.1	1,003.8	1,090.0	-30.4		-2.7
Delays and Temporary Contributions (-)	-83.4	57.4	-73.7	4.1	18.7	37.4	37.4	111.1		-150.7
Total Social Security	2,424.0	2,036.1	2,519.7	2,018.5	2,290.2	1,929.2	2,146.9	-372.8		-14.8
TOTAL TAX RESOURCES	11,662.8	13,057.8	12,506.5	11,875.1	11,304.8	12,818.4	11,424.5	-1,082.0		-8.7

(1) Includes high incomes since second quarter of 2000

(2) Excise tax on gas oil, cigarettes, broadcasting, cinema tickets, Monotributo, emergency vehicle tax and other minor taxes.

(3) Includes Monotributo social security

Source: National Bureau of Fiscal Research and Analysis - Treasury Secretariat - Ministry of Economy

⁴ The following text is partly based on analyses made by the National Bureau of Fiscal Research and Analysis [Dirección Nacional de Investigación y Análisis Fiscal] through the Report on Tax Collection for the second quarter of 2001. At the Internet, the following report can be consulted "Destination of Tax Collection" ["Destino sobre la Recaudación de los Impuestos"], prepared by said National Bureau, which details the institutional distribution mechanism of tax collection set forth in the rules prevailing as of July 31, 2001, at "<http://www.mecon.gov.ar/sip/dniaf/dniaf.htm>".

⁵ This figure of fiscal revenues corresponds to collections from DGI (taxes), ANA (Customs) and the Social Security system (family allowances are recorded with their net value). In Table 6.1, however, "tax revenue" and "Social Security contributions" also include other sources (Tobacco Special Fund, Electric Energy Fund and contributions of Army and Security Forces social security) and take into account the gross value of contributions to the system of family allowances.

interest rates and by the reduction of credit for the private sector. The evolution of these financial variables has provoked, necessarily, an increase of delays in tax payments. In turn, the particular analysis of taxes evolution is affected by the growth of payments-on-account among taxes recorded during the quarter. This increase was originated by the rise of the rates corresponding to the tax on Bank Debits and Credits and of Employers' Contributions to Social Security and by the enforcement of competitiveness plans.

Aside from the factors discussed in the paragraph above, the comparison with the previous quarter has a significant influence from the maturity differences that take place in these periods in relation to Income Tax, Minimum Assumed Income Tax and Personal Asset Tax.

The variation with respect to the same quarter of the previous year receives an even greater influence from the factors discussed at the beginning and, besides, from the lower revenues obtained due to payment facilities plans. There were also changes in the tax structure that had a positive effect when making the comparison. Among them, there stand out the tax on Bank credit and debits –which contributed a net figure around \$ 500 millions⁶- and the increase of the tax on diesel oil. The reduction of VAT rate to 10.5% for certain capital goods had, on the contrary, a negative effect, as the reduction of the rates corresponding to the Additional tax over Cigarettes and Excise tax over Insurance and the lack of receipt of the tax over Higher Revenues.

Evolution by tax

Receipts from the **Value Added Tax** dropped 10.2% with respect to the previous quarter and 23.8% compared to the same period of 2000. The fall of revenues as compared to the previous quarter was the result of the higher payments on account and of fiscal credits, the reduction of the rate corresponding to capital goods to 10.5% and the lower level of economic activity. Compared to the same quarter of the previous year, the variation is the result of the decrease of economic activity (particularly imports), the modification of the legal rules mentioned in the previous paragraph and the strong growth of payments on account and fiscal credits among taxes. Such fall was enhanced by the lower income from payment facility regimes and the growth of reimbursements to exporters.

As for **Income Tax**, receipts dropped 36.2% with respect to the second quarter and 8.7% compared to the same quarter of the previous year. The fall of receipts recorded with respect to the second quarter is mainly the result of the diverse importance of maturities of each period. Particularly, there stand out the May revenues corresponding to the balances of tax presentations of corporations closing their fiscal years in December⁷ and individuals' annual tax presentations in April and May. In addition to this effect, there is the revenue fall due to withholding regimes, the decrease of advances payments from corporations and the increase of payments on account of the tax over Bank Credits and Debits. The lower revenues from withholdings are linked to the contraction of economic activity⁸, whereas the fall of advances would be the result of lower

⁶ Revenues are taken at a rate of just 2.5 per thousand, since they may not be used as payment on account of other taxes. Consequently, this calculation does not include revenues originated by the lack of use of payments on account of other taxes within the period.

⁷ The most important of the year, in quantitative terms, and especially this year, due to the higher profits obtained by oil companies, which was discussed in Economic Report N° 38.

⁸ There was also the influence of the reduction of Public Administration personnel expenses, in force since last July.

profit expectations.

As for the comparison with the same quarter of the previous year, the change was the result of lower revenues due to payment facilities plans, the reduction of receipts due to withholding regimes and the fall of payments of individuals' advances during 2001 in view of lower projected income. Payments on account of the tax over bank credits and debits already mentioned had the same effect. The increase of advances paid by corporations⁹ and the amounts of installments of payment facilities corresponding to the balances of corporations' tax presentations whose fiscal years close in December had a positive effect.

Meanwhile, collection of **co-participated excise taxes** dropped 39.3% with respect to the previous quarter and 16.8% compared to the same period of the previous year. The fall with respect to the second quarter of this year is explained by extraordinary revenues recorded in June –related to the compliance of the agreement in force with the tobacco industry¹⁰ – and by a decrease of the sales of taxed goods. The fall with respect to the same quarter of 2000 is also the result of a revenues decrease linked to the agreement recently mentioned and of a fall of sales. On the contrary, the increase of the taxable base for the tax over cigarettes, due to changes in the rate of the Additional Tax on Cigarettes had a positive effect¹¹.

Collection of the **minimum assumed income tax** dropped 25.7% with respect to the previous quarter and 13.9% compared to the same quarter of the previous year. The fall recorded in relation to the second quarter is the consequence of the diverse importance of maturities of each period¹², the enforcement of competitiveness plans¹³ and the payments on account of the tax over bank Credits and debits. The fall with respect to the third quarter of 2000 is the result of the enforcement of competitiveness plans and the already mentioned payment-on-account regime.

As for the tax over **interests paid**, receipts fell 19.4% with respect to the previous quarter due to the reduction of the rates prevailing since January and July 2001¹⁴, the decrease of loans to the private sector and the enforcement of competitiveness plans¹⁵.

The funds collected for the **personal assets tax** fell 40.7% with respect to the same quarter of the previous year, due to the lower number of installments corresponding to payment facilities plans related to tax presentations filed in fiscal year 2000¹⁶ and the decrease of income for advances.

Collection of the tax **on fuels** recorded a 22% increase with respect to the previous quarter, which is the result of the

⁹ The increase of advances made by corporations was the result of higher profits obtained by oil companies during 2000.

¹⁰ Extraordinary revenues in June 2001 generated credit balances for tobacco companies, which were partially discounted from payments made during the third quarter.

¹¹ The rate of the Additional tax over Cigarettes dropped from 16% to 7%.

¹² During May, there was income from companies' tax presentations closing in December, the most important of the year in quantitative terms. This was partly offset by the payment of three advances in the third quarter, instead of the two paid by these companies in the second quarter.

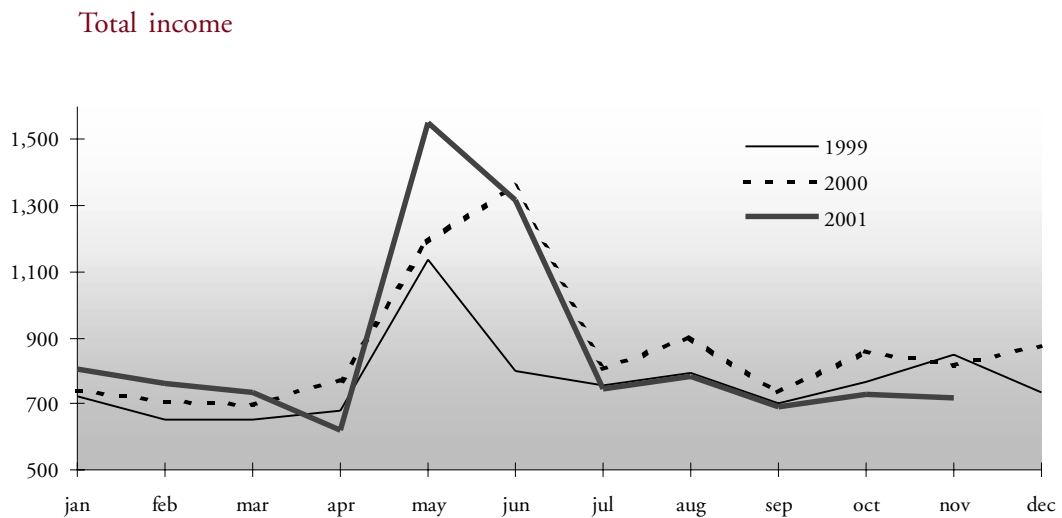
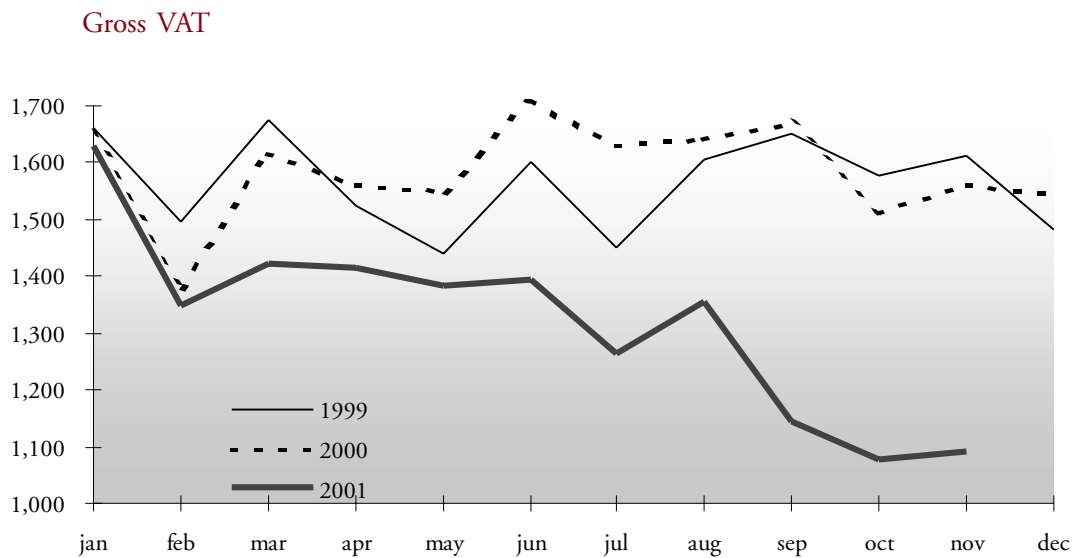
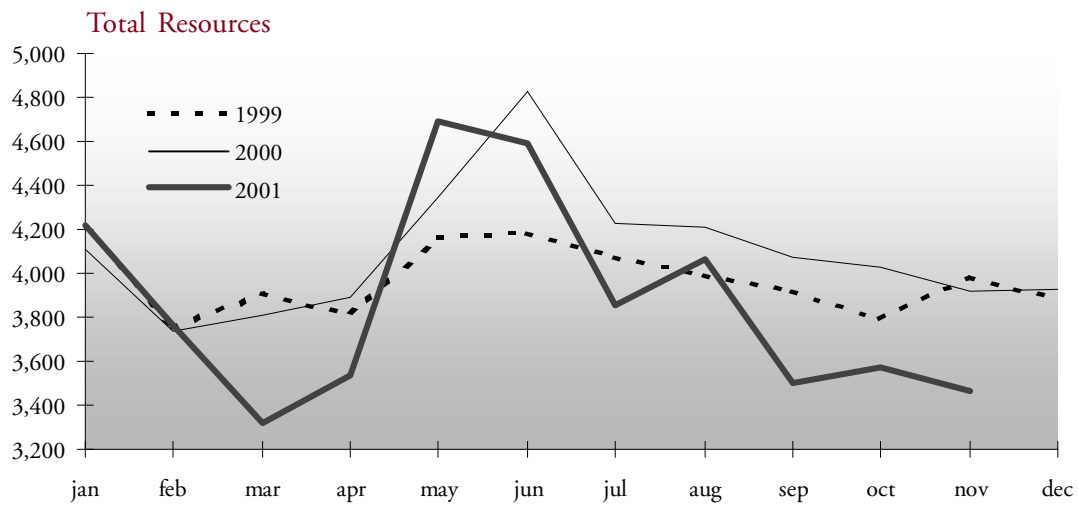
¹³ The companies included in competitiveness plans are exempted from this tax.

¹⁴ For credit transactions performed with financial entities and negotiable obligations, the rate dropped from 15% to 10% and then to 8%. For loans made by individuals to companies, it dropped from 35% to 25% and then to 20%.

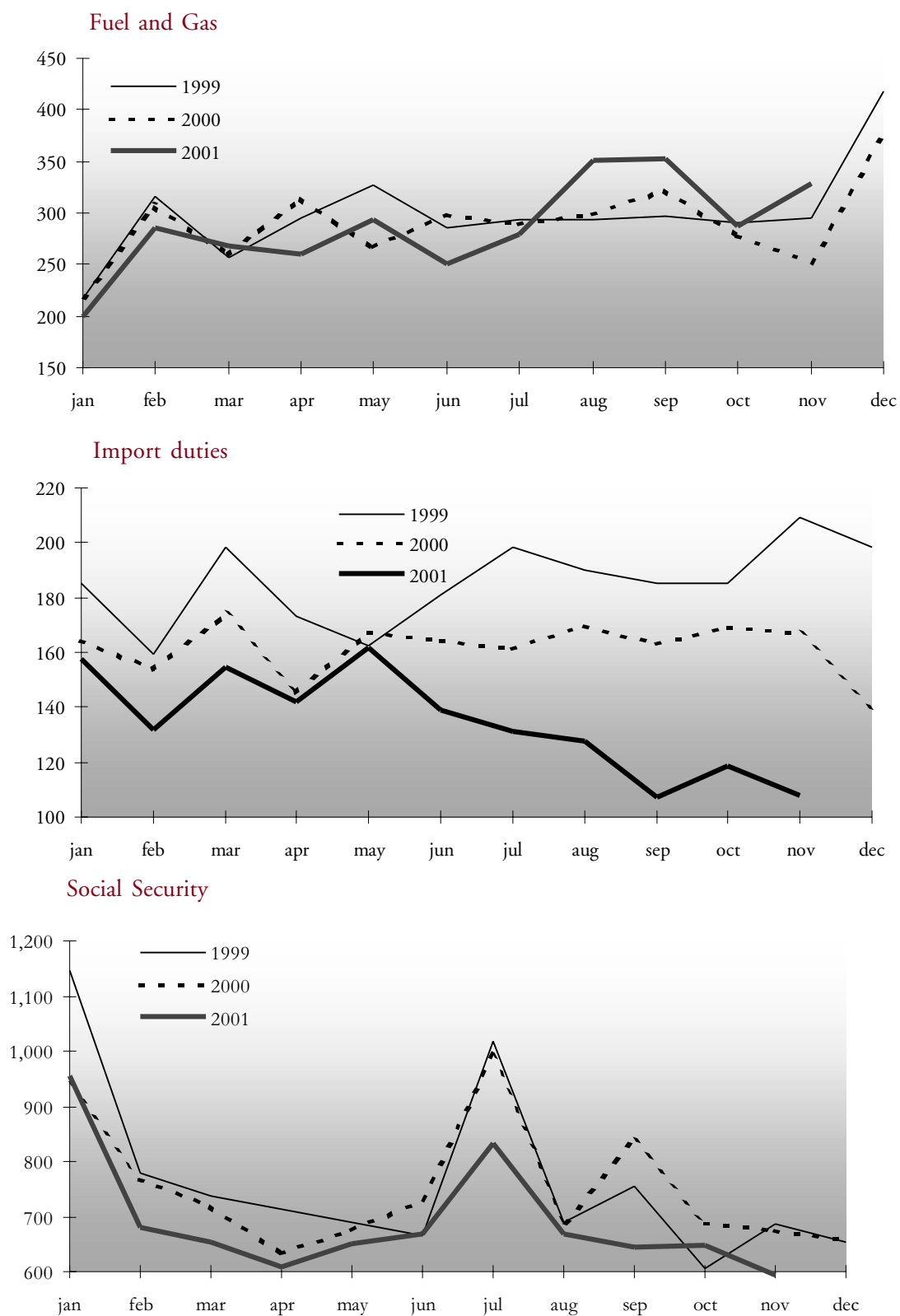
¹⁵ The companies included in competitiveness plans are exempted from this tax.

¹⁶ Taxpayers were able to pay in the balances of their tax presentations of fiscal year 1999 in up to 6 monthly installments, equal and consecutive. Besides, it has to be taken into account that 1999 balances included the difference due to the increase of the rate to 0.75% for taxpayers, with a total asset value subject to taxation (net of the exempted minimum) in excess of \$ 200,000.

GRAPH 6.3
Evolution of Tax Collection
In million pesos



GRAPH 6.3
Evolution of Tax Collection
In million pesos



changes in the rate over diesel oil prevailing since June¹⁷. These changes were partially set off by a fall in the sales of taxed fuels. As for the comparison with the same quarter of the previous year, there was a 7.9% increase of receipts that is related to the legislation changes recently mentioned. The contrary effect had the decrease of sales of taxed fuels and the payment system of the tax.

Meanwhile, collection corresponding to employers' and employees' contributions to Social Security recorded a 11.3% increase with respect to the previous quarter due to the seasonality evidenced by the taxable base in the third quarter as a consequence of the payment of half of the statutory annual bonus and the modifications of employers' contribution's rate¹⁸. Besides, receipts were favored by a decrease of offsetable family allowances due to, on the one hand, the increase usually shown in the second quarter and, on the other hand, a 13% reduction of allowances amount¹⁹. The contrary effect had the decrease of salaried, self-employed taxpayers and those who are filed within the Simplified Regime for Small Taxpayers, the reduction of National Administration salaries, the payments on account within Employers' contributions and the lesser distribution of payment facilities. These latter factors also explain, though in general with much more significant effects, the 14.8% collections fall in this item with respect to the same quarter of the previous year. The lower number of contributors to the State pension system also had some influence²⁰. The increase of the already discussed Employers' contributions had a positive effect.

Receipts of the **tax over current account credits and debits** recorded an increase of 44.9% with respect to the previous quarter, which is the result of the rise of the rate from 2.5 to 4 per thousand since May and to 6 per thousand since August. Together with these rate increases, it was established that taxpayers may consider 37.5% of the amounts paid since June and 58% since September as payments on account of other taxes.

The 25.8% fall of **import duties** compared with the same period of the previous year was mainly due to a drop of import levels and to the changes introduced to duty levels for certain capital goods, information technology, telecommunications and consumption²¹.

Payments for **exports reimbursements** were reduced by 19.4% with respect to the same period of the previous year. The fall is the consequence of the decrease of reimbursement levels as the result of the implementation of the Convergence factor payment to exports since mid June 2001²², an effect that was partly offset by the extension of the benefit to exports to the MERCOSUR.

Performance in October and November

Tax receipts in October 2001 were \$ 3,564.3 millions, 11.3% below the same month of 2000. Compared with last September, said level recorded an increase of around 1.9% (mainly due to seasonal reasons).

¹⁷ Since June 19, 2001, the tax on diesel oil rose from \$ 0.12 to \$ 0.15 per liter and the \$ 0,05 per liter Assessment over Diesel Oil is in force

¹⁸ Through Decree N° 814/01, rates by geographical area were eliminated and a unique rate of 16% was established since July. Besides, it was established that the difference between the new rate and the previous ones would generate a fiscal credit for Value added tax. In addition, Act N° 25453 increased the rate from 16% to 20% for employers whose main activity was the retainment and rendering of services, except if their sales are lower than \$ 48 millions, starting with contributions accrued during August. Said increase does not generate fiscal credits.

¹⁹ Since July, a 13% reduction was established, except for those paid only once.

²⁰ At present, 14.6% of salaried workers registered and 39.4% of self-employed contribute to the state pension system, while in the third quarter of 2000, both proportions were, respectively, 16.1% and 40.1%.

²¹ As a result of the implementation of the Convergence Factor, duties for certain consumption goods dropped from 35% to 28%, and computer and telecommunication goods were reduced as a function of the level of said Factor.

²² Decree N° 803/2001 established a temporary regime for foreign trade, with the implementation of the Convergence Factor. This mechanism taxes imports and favors exports. Aligned with this regime, reimbursement levels were reduced by 7 points.

Year-on-year falls were recorded around 15.4% and 29.3% for receipts of income tax and VAT, respectively, as well as losses in the collection of the rest of the taxes. In turn, the Tax over financial transactions (current accounts credits and debits) recorded a total of \$ 406.5 millions in October.

In turn, tax revenues in November amounted to \$ 3,467.6 millions which implied a fall of 2.8% compared to October 2001 and of 11.6% with respect to November 2000. Accumulated losses of 5.7% comparing the period January-November this year and the same period of 2000.

The amount collected for VAT was 30% below November 2000 and 0.8% below October 2001. Besides, losses were recorded in foreign trade revenues, which dropped \$ 213.4 millions with respect to the previous year (-40.2%). In the case of the bank debit and credit tax, monthly receipts amounted to \$ 368.6 millions, with a daily average of \$ 15.5 millions, one million less than in October. Results for Income Tax were also negative (the last advance took place that month), which fell 12.1%, and for Minimum Assumed Income and interests paid, where revenues fell 6.7 and 78.5%, respectively. Favorable to receipts, aside from the tax on checks, which did not exist in 2000, there was the increase of fuels taxes, which allowed for a fiscal increase of \$ 86 millions in diesel oil.

III. Expenses of the National Non-Financial Public Sector

In the third quarter of 2001, current expenses of the NNFPS (i.e., the National Administration, national state-owned companies and former provincial pension funds) amounted to \$ 13,360 millions, 12.1% below the previous year. Capital expenses, which accounted for 5% of overall expenses, recorded a loss of around 1.3%, due to falls in real direct investment (-\$ 5.8 millions) and in financial investment (-\$ 0.3 millions),

plus the loss of \$ 2.8 millions in capital transfers (please see Table 6.1, above).

With the exception of a few items, such as the Guarantee of Provincial Agreements and Transfers to the External Sector (to a lesser extent), which increased, the remaining current expenses recorded negative growth rates.

The structure of current expenses shows that the share of interests paid by the NNFPS accounts for 11% of the total, after a fall of 29.5% year-on-year, due to the lower weight of interests - based on actual income and outlays - generated by the last debt swap (please see “Megaspw” in Economic Report N° 38). Instead, in the same period of 2000, interests were 13.9% of total current expenses. Consumption and operating expenses, which account for 17% of total current expenses, showed a fall of 7.3%, whereas Social Security Benefits (32% of the total) recorded another important fall (-8.6 %).

In turn, the main component of current expenses, Current transfers (39.8% of the total), made up of 65.9% Transfers to the Provinces and the Municipality of the City of Buenos Aires (GCBA), recorded a total of \$ 5,313.2 millions, 10.5% below the figure corresponding to last third quarter.

It is worth pointing out that within Consumption and operating expenses, whose share is 17% of current expenses, there was an important fall of expenses in Salaries (-6.1% year-on-year), partly as a consequence of the 13% cut of public administration employees' salaries and pensions, and a drop of around 27.7% in Goods and Services.

Thus, it can be seen how the public administration continues increasing efforts to achieve balance of public accounts, and there is starting to be the short-term effect of the Megaspw, based on actual income and outlays, which allows a

decrease of the weight of public debt interests for the first time in several years.

IV. Public debt

Argentine public debt, as of September 30, 2001, amounted to \$ 141,252 millions, equivalent to 52% of GDP. If compared to the balance as of the end of the second quarter of 2001, there is an increase of around 6.9%. This variation should be deduced the transactions that do not correspond to the period, such as placement of securities for the consolidation of debts accrued in previous fiscal years (\$ 661 millions) and exchange differences (\$ 2.192 millions). Besides, \$ 66 millions correspond to the compounding of securities' and bonds' interests that would start servicing amortization and interests in the future (Table 6.4).

In the third quarter of 2001, public sector debt place-

TABLE 6.4
Public Sector Debt - Flow Analysis (*)
In million pesos

Balance of Public Sector Debt at 06-30-00	132,143
Securities issued to consolidate debt	661
Other adjustments to the Base	62
Exchange differences	2,192
Capitalization of interest of securities and bonds	66
Debt issue and repayment	6,128
Issues	9,889
<i>Securities issued</i>	2,441
<i>Sundry disbursements (Bilateral and multilateral loans, others)</i>	9,479
<i>Treasury Bills</i>	-2,031
Payments	3,761
<i>Repayments</i>	3,761
- <i>Government Bonds</i>	2,879
<i>Amortization</i>	1,790
<i>Repurchases, exchanges and cancellations</i>	544
<i>Debts cancelled with Consolidation Bonds III</i>	545
- <i>Multilateral agencies</i>	541
- <i>Bilateral agencies</i>	148
- <i>Others</i>	193
Total Public Sector Debt at 09-30-01	141,252

(*) Includes short-term transactions

Source: Secretariat of the Treasury, Ministry of Economy

ments amounted to \$ 9,889 millions and amortizations, repurchase, swap and pre-payments to \$ 3,761 millions, which accounted for an increase of indebtedness for transactions of around \$ 6,128 millions.

Contrary to what happened in the last quarters, the exchange differences during the period were unfavorable, and increased debt by \$ 2,192 millions, mainly due to the appreciation of the euro with respect to the dollar.

TABLE 6.5
Total Public Sector Debt (1)
By Type of creditor - As of 09/30/01

Type of Creditor	Millon Pesos
MEDIUM AND LONG-TERM TRANSACTIONS	138,010
Bilateral	4,826
Paris Club	2,038
Other Bilateral Agencies	2,788
Multilateral	33,141
IDB	8,768
IBRD	9,747
IMF	14,592
FONPLATA	28
FIDA	6
Others	1,488
Private Banking	2,765
Government Bonds and Securities	95,788
In domestic currency	2,269
In foreign currency	93,519
SHORT-TERM TRANSACTIONS	3,242
Treasury Bills	3,242
In domestic currency	0
In foreign currency	3,242
TOTAL DEBT	141,252

(1) Domestic and external debt of the financial and non-financial public sector. The former includes the debt of the BCRA and that taken by government-owned banks guaranteed by the Nation, but excludes the debt destined to their own financing.

(*) Only includes \$ 27.4 millions for debts from the former Instituto Nacional de Reaseguros (INDER [National Underwriting Institute]) and do not include the "Consolidated National Treasury Bond 1990" within the portfolio of the Central Bank of the Republic of Argentina for an original value of \$ 881.5 millions. Said bond is the result of the consolidation of temporary advances and other financing granted by the Central Bank to the National Administration along the times.

Source: Secretariat of the Treasury, Ministry of Economy

PUBLIC FINANCE

As for public debt by type of creditor, there appears that 70.1% of it is instrumented in bonds and public securities (including Short term Bills), and increased only 0.6% in the quarter. Thus, it is apparent how debt stock in bonds and securities (97.7% of which is denominated in foreign currency) stops its upward trend as a consequence of the closing of international financial markets as source of financing. On the other hand, what did record an important increase was the stock of debt with multilateral agen-

cies, being \$33,141 millions, i.e. 33% above the level shown in the second quarter of the year. Its share thus increased from 18.8% to 23.5% of the total. In turn, debt with the Paris Club and other bilateral agencies, accounting for 3.4% of the total, underwent an increase of around 4% with respect to June this year. With respect to private banking, there was a slight fall of 1% between the end of June and September 2001, thus the last month evidencing a stock of \$ 2,765 millions (Table 6.5).

TABLE 6.6
Distribution of National Resources (1)
In Millions Pesos

	January-September		Variation		Percentage share over total	
	2001	2000	Millones	%	Jan-Sep. 2001	Jan-Sep. 2000
Federal revenue-sharing	9,130	9,355	-224.4	-2.4	77.7	77.0
Net federal revenue-sharing	7,737	7,962	-224.4	-2.8	65.9	65.5
Service transfers (2)	981	981	0.0	0.0	8.4	8.1
Compensatory Fund for Prov. Imbalances	412	412	0.0	0.0	3.5	3.4
Social Security System	113	122	-9.7	-8.0	1.0	1.0
V.A.T.	88	93	-5.3	-5.7	0.7	0.8
Personal Assets	25	29	-4.4	-15.2	0.2	0.2
Distribution of Fuels	905	1,026	-120.6	-11.8	7.7	8.4
Highway Authority	207	217	-10.0	-4.6	1.8	1.8
Fund for Electric Power Infrastructure	104	109	-5.0	-4.6	0.9	0.9
Special Fund for Electr. Distr. in the Int. (3)	38	37	1.5	4.2	0.3	0.3
National Housing Fund (4)	556	663	-107.1	-16.1	4.7	5.5
Education Fund	3	4	-0.6	-17.7	0.0	0.0
Income Tax Law 24.621	1,213	1,226	-12.9	-1.1	10.3	10.1
Unsatisfied Basic Needs (5)	734	736	-2.1	-0.3	6.2	6.1
Surplus from the Fund for the GBA (6)	150	161	-10.8	-6.7	1.3	1.3
Fixed Amount Law 24.699 (7)	330	330	0.0	0.0	2.8	2.7
Personal Assets (Law 24.699) (8)	212	250	-38.0	-15.2	1.8	2.1
Law Ner. 24,699	212	250	-38.0	-15.2	1.8	2.1
Electricity Fund Regime	118	115	2.7	2.4	1.0	0.9
Fund for Electric Power Rate Compensation	60	59	0.6	1.0	0.5	0.5
Transfer to Electric Power Companies	20	19	0.8	4.4	0.2	0.2
F.E.D.E.I.	38	37	1.3	3.5	0.3	0.3
Monotributo Regime	50	50	0.5	1.0	0.4	0.4
Total	11,744	12,147	-403.1	-3.3	100.0	100.0

(1) Pursuant to the Federal Commitment [Compromiso Federal] of December 1999 (Act N° 25,235, article 3), transfers to the provinces under any concept (tax co-participation and specific funds) will be treated as a unique global amount, equivalent to \$ 1,350 millions per month.

(2) Corresponds to cash kept. Education and health services were transferred to provincial jurisdiction in 1992.

(3) Includes the amount distributed as Electric Power

(4) Las transferencias en concepto de FO.NA.VI consignan el pago de la Garantía y no incluyen el pago del SVOA-BIRF

(5) 4% of income tax revenues (net of deduction of fixed amounts mentioned at note 7) are distributed among all provincial jurisdictions, except that of Buenos Aires, on the basis of the Unsatisfied Basic Needs indicator.

(6) 10% of revenues (net of deduction of fixed amounts mentioned at note 5) up to an annual amount of \$650 million is assigned to the province of Buenos Aires for social welfare programs. If 10% exceeds that limit, the surplus is shared among the rest of the provinces.

(7) According to section 5 of Law 24,699, before distribution is made of income tax revenues a deduction of \$580 million annually should be made, to be distributed as follows: \$ 120 million to the Integrated Pension System, \$ 20 million for advances from the National Treasury and \$ 440 million to the provinces.

(8) In the second half of 1996 the specific allocation to the Social Security System of the funds from this tax was suspended and it is now distributed among the provinces.

Source: Secretariat of the Treasury, Ministry of Economy

V. Provinces: Distribution of national resources

During the first nine months of 2001, total national resources transferred to the provinces amounted to \$ 11,858 millions, \$ 402.1 millions less than the same period of 2000, accounting for a fall of around 3.3%. From said total, 99.9% was made up of automatic transfers.

V.1 Automatic Transfers

The amount remitted to the provinces under the concept of automatic transfers and guarantee clause was \$ 11,744.1

millions (Table 6.6), also recording a fall of 3.3% below the level recorded in the same period of the previous year.

It is worth pointing out that the level of tax receipts was not sufficient to meet the amount of guarantee established in Act N° 25400, which for the third quarter of 2001 amounted to \$ 1,364 millions. Decree N° 1584/2001 of December 5, 2001 ratified the Second Addendum of the Federal Agreement for Growth and Fiscal Discipline, so unpaid balances in favor of Jurisdictions for the guarantee set forth in said Agreement that take place between July 1° and December 31 of the present fiscal year shall be recognized in the Trust Fund for Provincial Development as credits in favor of each Jurisdiction.

TABLE 6.7
National Revenues - Distribution by Province
Automatic Transfer
In Million Pesos

	January-September		Variation		% Share	
	2001	2000	Absolute	%	2001	2000
Buenos Aires	2,817.7	2,897.1	-79.4	-2.7	24.0	23.8
Catamarca (*)	299.9	312.0	-12.1	-3.9	2.6	2.6
Córdoba	951.3	984.4	-33.1	-3.4	8.1	8.1
Corrientes	419.2	435.8	-16.5	-3.8	3.6	3.6
Chaco	520.6	539.5	-18.9	-3.5	4.4	4.4
Chubut	218.2	226.1	-7.9	-3.5	1.9	1.9
Entre Ríos	541.7	561.0	-19.3	-3.4	4.6	4.6
Formosa	392.5	407.2	-14.7	-3.6	3.3	3.4
Jujuy	325.5	336.5	-11.1	-3.3	2.8	2.8
La Pampa	223.8	231.1	-7.3	-3.1	1.9	1.9
La Rioja	238.2	246.9	-8.6	-3.5	2.0	2.0
Mendoza	474.2	490.4	-16.2	-3.3	4.0	4.0
Misiones	386.6	401.4	-14.9	-3.7	3.3	3.3
Neuquén	223.6	233.3	-9.7	-4.2	1.9	1.9
Río Negro	291.6	303.7	-12.1	-4.0	2.5	2.5
Salta	433.1	448.7	-15.6	-3.5	3.7	3.7
San Juan	367.5	381.2	-13.7	-3.6	3.1	3.1
San Luis	265.3	273.3	-7.9	-2.9	2.3	2.2
Santa Cruz	220.9	228.8	-7.9	-3.5	1.9	1.9
Santa Fe	991.3	1,024.9	-33.6	-3.3	8.4	8.4
Santiago del Estero	449.7	468.4	-18.8	-4.0	3.8	3.9
Tucumán	522.1	540.3	-18.2	-3.4	4.4	4.4
Tierra del Fuego	169.6	175.3	-5.6	-3.2	1.4	1.4
Total	11,744.1	12,147.2	-403.1	-3.3	100.0	100.0

(*) In 2000, funds from prior years were transferred against the presentation of work liquidations (Electric Energy regime)

Source: Secretariat of the Treasury, Ministry of Economy

Thus, the \$ 403 million fall of remittances was basically the result of a decrease of \$ 224.4 millions (-2.4%) for net federal co-participation, of the transfer losses corresponding to Distribution of Fuels (-\$ 120.6 millions) and, to a lesser extent, Personal Assets (-\$ 38 millions) and Income Tax (-\$ 12.9 millions).

Table 6.7 shows the distribution of these automatic transfers for the provinces. Given that there was a cut in net federal co-participation in the period analyzed, there are losses in automatic transfers to all the provinces. Although the cuts were uniform for all the provinces (between 3 and 4%), there stand out those corresponding to transfers to the Provinces of Santiago del Estero, Río Ne-

gro and Neuquén, which amounted to around 4%.

V.2 Other transfers

Besides automatic transfers, the provinces received from the National Administration other non-automatic transfer for \$ 114.4 millions, recording a year-on-year increase of 0.9% in the first nine months of 2001 (Table 6.8).

The increase is the consequence of the balance of a 17% increase of the Fund of Contributions to the National Treasury, and a 21.6% fall of the Subsidy for consumption of gas for the Patagonia region.

TABLE 6.8
Non Automatic Budget Transfer to Provinces
In million pesos

	January-September			% Share		A.T.N. Funds	
	2000	2001	Var. %	2000	2001	2001	% share
	(1)					(2)	(2) / (1)
Buenos Aires	10.6	6.1	-43.1	9.4	5.3	5.8	96.0
Catamarca	1.7	5.6	242.3	1.5	4.9	5.6	100.0
Córdoba	1.4	5.6	294.7	1.3	4.9	5.6	100.0
Corrientes	8.3	4.1	-50.1	7.3	3.6	4.1	100.0
Chaco	7.0	8.4	20.0	6.2	7.3	8.4	100.0
Chubut	12.5	9.8	-21.4	11.0	8.6	2.4	24.7
Entre Ríos	1.1	2.8	161.7	0.9	2.4	2.8	100.0
Formosa	1.4	0.0	-100.0	1.2	0.0	0.0	
Jujuy	1.7	2.7	51.5	1.5	2.3	2.7	100.0
La Pampa	4.5	3.8	-16.9	4.0	3.3	1.9	51.5
La Rioja	8.6	3.8	-55.8	7.6	3.3	3.8	100.0
Mendoza	2.5	4.6	84.5	2.2	4.0	4.6	100.0
Misiones	1.8	1.2	-34.2	1.6	1.0	1.2	100.0
Neuquén	8.4	8.8	3.8	7.4	7.7	2.1	23.9
Río Negro	11.1	9.8	-11.6	9.8	8.6	4.2	43.0
Salta	1.0	0.2	-79.1	0.8	0.2	0.2	100.0
San Juan	2.4	5.6	140.0	2.1	4.9	5.6	100.0
San Luis	2.2	0.0	-100.0	1.9	0.0	0.0	
Santa Cruz	13.9	10.9	-21.4	12.2	9.5	0.0	0.0
Santa Fe	1.7	7.8	348.8	1.5	6.8	7.8	100.0
Santiago del Estero	1.7	2.8	62.6	1.5	2.4	2.8	100.0
Tucumán	1.3	3.8	183.8	1.2	3.3	3.8	100.0
Tierra del Fuego	6.5	6.2	-5.6	5.8	5.4	1.6	25.1
Total	113.4	114.4	0.9	100.0	100.0	77.2	67.4

Source: Secretariat of the Treasury, Ministry of Economy