

Report N°: +& \$( -AR

**Province of Santa Fe**  
**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
BOGAR	Spanish acronym for Guaranteed National Bonds
CA	Central Administration
CDEs	Consolidated Decentralized Entities
COA	Court of Accounts
COFOG	Classification of Functions of Government
DSA	Debt Sustainability Analysis
PFMC	Spanish acronym for Financing Program for Municipalities and Communes
FRL	Fiscal Responsibility Law
GA	General Administration
GAO	General Accounting Office
GDB	General Directorate of Budgeting
GFS	Government Finance Statistics
GGP	Gross Geographic Product
HRCSS	Human Resources and Civil Service Sub secretariat
HRMS	Human Resource Management System
IBRD	International Bank for Reconstruction and Development
IDB	Inter-American Development Bank
IFIs	International Financial Institutions
IMF	International Monetary Fund
LAECE	Spanish Acronym for Law of the State Administration, Efficiency, and Control
MDAs	Ministries, Departments, and Agencies
MOF	Ministry of Finance
NB	National Bank
NFPA	Non-Financial Public Administration
PAF	Spanish acronym for Financial Assistance Programs
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMA	Public Finance Management Assessment
PFO	Spanish acronym for Ordered Financing Programs
PGT	Province General Treasury
PI	PEFA Indicator
PPIS	Province Public Investment System
PPO	Public Prosecutor's Office
SIGEP	Spanish acronym for Provincial Internal Audit Agency
SIPAF	Spanish acronym for Financial Information Integrated System
SN	Sub-National
SOEs	State-Owned Enterprises
SSI	Social Security Institutions
TSA	Treasury Single Account
TSS	Tax Sharing System
UF	Unified Fund
UN	United Nations
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 Santa Fe was prepared jointly by the Ministry of Finance of the Province of Santa Fe 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 report was prepared based on the findings of the missions that visited Argentina in the first semester of 2009 and refers to the 2006-2008 fiscal years. The report was completed in June 2012 and highlights the progress and improvement in some PFM areas since 2009 whenever provided by the Province (in footnotes wherever appropriate)

The PFMA team was led by Alexandre Arrobbio and Mamadou Deme (WB). Core team members were: Mozammal Hoque, Alejandro Solanot, Santiago Pinto, Federico Guala, Marcelo Barg, Luis Anconetani, Delia Grisolia, and Carolina Biagini Majorel. Gerardo Hita, 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 McKenzie, Nick Manning, and Jamil Sopher.

The PFMA team would like to thank the government team of the Province of Santa Fe led by Mr. Angel Sciara, Minister of Economy; and consisting of Mr. Julio Schneider and Gonzalo Saglione, Secretaries of Finance; Mr Paolo Gorban, Sub-Secretary of Finance, Mrs. Maria Cristina Gonnet, General Accountant of the Province; Mr. Carlos Rojas, General Director of Treasury; Mrs. Carina Aragona, General Trustee of the Province; Mrs. Maria Stella Rodríguez, General Director of Budget; Mrs. Monica Bifarello, Secretary of Regions, Municipal Governments, and Communes; and Mrs. Carolina Piedrabuena, technical assistant to the Secretary of Finance. 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 Santa Fe and the World 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. Santa Fe is one of Argentina's largest provinces in terms of population, only behind Buenos Aires and Córdoba, and has a high level of economic development. In 2007, its share in the national gross product was around 8 percent. The most important sectors are agriculture and cattle rearing; Santa Fe produces 25 percent of the country's beef exports and one-third of the national milk production, and it is the main producer of soy.

iv. Like most Argentine provinces, Santa Fe has a tax system that follows very closely the national and provincial economic cycles, and a rigid expenditure structure. Even though during 2002-08 tax revenues increased by less than expenditure, the government's financial result was mostly positive. However, it turned slightly negative in 2008.

v. The Constitution of the Province of Santa Fe 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. The federal system of Argentina assigns provincial governments most of the spending responsibilities for providing basic services such as health and education to its citizens, while most of the tax revenues are collected by the national government and redistributed to the provinces through the tax sharing system.

vi. In Santa Fe Province, the non-financial public administration consists of two subgroups: (i) the general administration (GA), representing almost 88 percent of budgeted expenditures; and (ii) public enterprises, societies, and other non-consolidated public entities (12 percent). The GA comprises the central administration (accounting for about 61 percent of the provincial budgeted expenditures), the social security institutions (14 percent) and decentralized entities (13 percent).

vii. The provincial PFM system is based on clearly defined roles and responsibilities. The provincial Ministry of Finance is in charge of financial management. The Internal Audit Agency, SIGEP, is responsible for the internal audit function, while the Court of Accounts provides independent assurance on the provincial government's financial statements.

## Recent Public Financial Management Reforms

viii. The government has undertaken significant PFM reforms in recent years, including comprehensive legal reforms and the implementation of an integrated financial administration system:

- **Legal reforms.** The provincial Law of Administration, Efficiency, and Control of the State (LAECE in its Spanish acronym), enacted in 2005, provides a comprehensive legal framework. The LAECE clearly defines general principles for budget formulation and execution, accounting, reporting, debt issuance and debt management, procurement, human resource management, and internal and external oversight. It includes provisions for strengthening fiscal discipline that limit the government's capacity to raise total expenditures, prohibit the creation of "special accounts," and prevent budgeted capital expenditures from being reallocated to finance recurrent expenditures. The LAECE empowers the Ministry of Finance as a coordinating unit for facilitating interaction between the heads of units from each of the five financial administration sub-systems: Accounting, Treasury and Financial management, Budget and Public Debt and Revenue. This law also provides a clear role to the provincial General Budget and Public Investment Directorate for budget programming and execution. The provincial Internal Audit Agency SIGEP was set up to strengthen internal control and oversight arrangements in line with the requirements of the LAECE, and thus improve the control environment.
- **Integrated financial administration system (SIPAF).** The provincial government gradually introduced an integrated system of financial information (SIPAF) from 2002. The SIPAF provides on-line information on budget and budget execution reports, treasury, and accountancy sub-systems. Its systematic use provides ready access to government financial information and has underpinned the simplification and harmonization of budget execution processes.

## Strengths of the PFM System

ix. Santa Fe has effective basic budget, accounting, and internal control processes:

- **Budget comprehensiveness and transparency.** Santa Fe uses detailed revenue and expenditure classifications, improved budget documentation, and consolidated provincial fiscal reports. Transparency is assured by public access to key fiscal information such as annual budget documentation, in-year budget execution reports, and year-end financial statements that are available in real time.
- **Accounting, recording, and reporting.** Santa Fe has significantly improved the quality and timeliness of its in-year budget reports. The budget execution reports are quite elaborate and facilitate comparisons between the original budget and actual expenditures; monthly budget execution reports are prepared and published in a timely manner and submitted quarterly to the Legislature. The consolidated provincial financial statements are submitted to the external auditor (Court of Accounts) within six months after the end of the fiscal year to comply with the requirements of the fiscal law.
- **Budget preparation process.** Santa Fe follows an orderly budget formulation process. First, the provincial Ministry of Finance issues a budget booklet to each ministry, department, and agency, requesting the elaboration of their preliminary budgets. Second, the MOF receives and analyzes these budgets and communicates the

financial ceilings to decentralized units by expenditure categories and financing sources.

### **Challenges and Opportunities for Improvement**

x. Some significant challenges remain, particularly with regard to the budget—to improve its performance orientation, the predictability of budget allocations, and the link to policy—and to the control framework—to establish an effective internal audit system to audit public expenditures on a continuous basis.

- ***Credibility of the budget.*** Santa Fe’s budget resources have always been underestimated, undermining the credibility of the budget. This serious problem is difficult to deal with at the provincial level, because about 67 percent of the budget resources come from the central government in Argentina; the provincial government’s budget forecasts depend critically on the national government’s revenue estimations as set out in the national budget law. The actual revenue transfer from the central government may significantly change during the year, depending on how much revenue the central government has collected. In 2006-08 about 8.4 percent of Santa Fe’s available resources remained unused as a result of this problem, and actual primary expenditures differed from their budgeted amounts by about 17 percent. Current expenditures have exceeded their budgeted amounts in most years, while capital expenditures have always been under-executed.
- ***Cash flow predictability.*** Since the provincial government depends on the national government for about two thirds of its revenue, the predictability of cash flow still is a problem. However, available cash is managed through a suitable forecasting instrument. Still, frequent changes in budget appropriations negatively affect budget execution and the delivery of services by the provincial and local governments.
- ***Policy-based budgeting.*** As specified by Argentina’s Fiscal Responsibility Law, in 2006 and 2007 the provincial budget laws included multi-year projections of expenditures and revenues for the following two years. Santa Fe’s 2008 budget did not contain multi-year fiscal forecasts, however, and there is no evidence that the multi-year projections were used to set financial ceilings on subsequent budgets. In turn, the limits of debt sustainability analysis do not help in medium term financial planning.
- ***Effectiveness and efficiency of the control framework.*** In Santa Fe, the overall effectiveness of control framework is undermined by the lack of internal audit at the provincial level. SIGEP is still under development, focusing thus far exclusively on training its personnel. No audits were carried out during 2006-08. On the other hand, the external audit is undertaken by the Court of Accounts (COA), covers all expenses and revenues of consolidated public sector and its reports are timely submitted to the Parliament. But audits focus mainly on financial aspects and review of transactions, without introducing performance audit consideration



**Table 0.1. PROVINCE OF SANTA FE: SUMMARY OF PEFA INDICATORS**

Indicator	Score
<b>PI-1: Aggregate expenditure out-turn compared to original approved budget</b>	<b>D</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>	A
<b>PI-5: Classification of the budget</b>	<b>A</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>A</b>
<i>The level of unreported extra-budgetary expenditure (other than donor funded projects), i.e. not included in fiscal reports</i>	A
<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>A</b>
<i>Extent of provincial government monitoring of AGAs and PEs</i>	A
<i>Extent of provincial government monitoring of sub-national governments' fiscal position</i>	A
<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>	C
<i>Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent)</i>	A
<i>Timely budget approval by the legislature or similarly mandated body (within the last three years)</i>	B
<b>PI-12: Multi-year perspective in fiscal planning, expenditure policy and budgeting</b>	<b>C</b>
<i>Preparation of multi-year fiscal forecasts and functional allocations</i>	D
<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>	B
<i>Linkages between investment budgets and forward expenditure estimates</i>	B
<b>PI-16: Predictability in the availability of funds for commitment of expenditures</b>	<b>C+</b>
<i>Extent to which cash flows are forecast and monitored</i>	A
<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>	B
<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>	B
<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>	A
<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>	D
<i>Frequency and distribution of reports</i>	D
<i>Extent of management response to internal audit findings</i>	D
<b>PI-22: Timeliness and regularity of accounts reconciliation</b>	<b>A</b>
<i>Regularity of bank reconciliations</i>	A
<i>Regularity of reconciliation and clearance of suspense accounts and advances</i>	A
<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>A+</b>
<i>Scope of reports in terms of coverage and compatibility with budget estimates</i>	A
<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>	A
<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>	A
<i>Evidence of follow up on audit recommendations</i>	C

## 1. INTRODUCTION: THE SANTA FE ASSESSMENT IN CONTEXT

1. This public financial management assessment for Santa Fe has been prepared jointly by the Provincial Government of Santa Fe 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; and (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 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 Santa Fe 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's technical team in cooperation with the respective provincial governments. The final report incorporates comments from the provincial government and the ratings were validated after a visit in Santa Fe in June 2012.

5. Chapter 2 of this assessment describes the economic and institutional framework of the Province of Santa Fe. Chapter 3 summarizes the province's main achievements and challenges ahead in public financial management reform, drawing on Chapter 4, which gives a detailed analysis of public financial management in the province, using the PEFA indicators agreed with the provincial government.

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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.

## **2. PROVINCE OF SANTA FE: ECONOMIC AND INSTITUTIONAL FRAMEWORK**

### **A. Economic Framework**

6. The Province of Santa Fe is one of Argentina's most economically developed. It has a population of about 3 million, behind the provinces of Buenos Aires and Córdoba, and in 2007 it contributed about 8 percent of the national geographical gross product (GGP). The most important sectors are agriculture, cattle rearing, hunting, and forestry (together contributing 16 percent of GGP), and real estate, business, and leasing services (together contributing another 16 percent). Santa Fe supplies around 25 percent of national meat exports and one-third of national milk production, and is the largest soybean producer.

7. Growth in the province's economy was steady between 2002 and 2008, but slowed down abruptly in 2008. A drought in that year inflicted big agricultural losses on Argentina and particularly on Santa Fe. Compounding the problem, the international financial crisis negatively affected the demand for the province's exports, and brought about a fall in the prices of commodities.

8. Like most other Argentine provinces, Santa Fe has a tax regime that closely follows the national and provincial business cycle, and a very rigid spending structure. Even though in 2002-08 income rose more slowly than spending, the fiscal balance stayed positive. But the current slow economic growth has triggered an important fall in income, inevitably deteriorating the province's public accounts.

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

9. The framework governing financial management in Santa Fe 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 (LAECE)<sup>3</sup> which substituted the previous Accountancy Law<sup>4</sup>, and the provincial Court of Accounts Organic Law.<sup>5</sup>

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

10. 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.

11. 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

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<sup>3</sup> Provincial Law N° 12510, approved on 11/30/2005.

<sup>4</sup> Ley N.º 1757/56.

<sup>5</sup> Provincial Law N° 6592/70.

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.

12. The taxes collected by the national administration are allocated among the national and provincial governments through the tax sharing system. This system distributes the resources according to coefficients defined by Argentina's Law N° 23.548/88, as modified by many subsequent laws and federal and bilateral agreements. On average in 2007, the transfers received by the provinces through the tax sharing system represented 46 percent of the total provincial tax revenue.<sup>6</sup> Article 75 of the 1994 national Constitution establishes that a new tax-sharing agreement should be approved by the end of 1996, but this constitutional requirement has not yet been satisfied; recent years have seen many failed attempts to introduce such a law.

13. Argentina's Fiscal Responsibility Law (FRL)<sup>7</sup> 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 Santa Fe adheres to the Federal System of Fiscal Responsibility through Provincial Law N° 12402, 2005. In October 2009, Congress approved a suspension of key provisions of the National Fiscal Responsibility Law for two years.

### ***Provincial Government***

14. The LAECE of Santa Fe Province defines the general principles regulating the financial management of goods and services and information, and establishes budget, treasury and financial management, public credit, accounting and public income, goods and services management, human resources management and civil service, and public investments subsystems.

15. The Ministry of Finance (MOF) is responsible for the province's financial management through the Revenue Secretariat which manages collection of taxes; the Directorate of Budgeting, in charge of budgetary formulation<sup>8</sup>; the General Accounting Office, in charge of provincial accountancy and internal control; and the General Treasury, in charge of cash and financial management. The LAECE also establishes, within the Goods and Services Management System, the Public Investment Subsystem. This comprises the principles, units, norms, and procedures required to formulate the provincial public investment plan and to identify, outline, and evaluate investment projects.<sup>9</sup>

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<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 supervises the formulation and evaluation of the provincial budgeting system through (i) formulation of budgetary aspects of financial policies that the MOF elaborates; (ii) guidelines for budgeting elaboration; (iii) technical norm dictation for the formulation, exposition, execution programming, modification, and evaluation of central administration and decentralized entities' budgets; (iv) joint formulation, with the provincial General Accounting Office, of budgetary execution; and (v) formulation and foundation of the general budget law.

<sup>9</sup> In January 2004, the province of Santa Fe adhered to the national public investment system. Later, in April 2004, Decree N° 469/04. the provincial Executive created the Provincial Public Investment System (PPIS) and the Project Bank. The Sub-secretariat of Investment Projects and External Financing is designated as the Central Administrative Unit. The Sub-secretariat's main responsibility is to implement the PPIS.

16. The provincial Internal Audit Office (SIGEP in its Spanish acronym) , created by the LAECE, is in charge of the internal audit of the Executive Branch.<sup>10</sup> The LAECE assigns this unit complete functional independence and its head reports directly to the Governor. Thus far, however, the SIGEP is still under development, drafting its work plan and audit procedures manuals.

17. As provided by the provincial Constitution, the Court of Accounts (COA) is in charge of ex-post external control of the NFPA.<sup>11</sup> The COA is granted legal status, functional autonomy, and managerial and financial independence. It has the power to control the legality of managerial acts and to examine accountability and the investment account of each fiscal year. The Public Prosecutor's Office provides legal advice and legal support to the Executive Branch.<sup>12</sup>

### ***Public Sector in Santa Fe Province***

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

- The general administration (GA), representing almost 88 percent of budgeted expenditure in 2008. The GA is divided into the central administration<sup>13</sup> (about 61 percent of the budget), the Social Security institutions<sup>14</sup>, representing 14.3 percent of budgeted expenditures and decentralized entities<sup>15</sup> (13 percent); and
- Public enterprises, societies, and other non-consolidated public entities, representing the remaining 12 percent of budgeted expenditures.

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<sup>10</sup> As stipulated by the LAECE, the internal control system comprises the Internal Audit Office of the province (SIGEP), which provides oversight and coordination, and the internal audit units that will be created in each jurisdiction and in the entities that are part of the provincial Executive Branch. Internal audit is a service to the organization as a whole and is basically an examination of the financial and managerial activities of jurisdictions and other entities subject to control, performed by auditors from the respective internal audit units.

<sup>11</sup> According to the powers granted by the National Constitution, through article 81°.

<sup>12</sup> It defends the province of Santa Fe at judicial and administrative courts, provides legal support on all administrative acts, and assists with the implementation of technical legal norms required to enhance the functioning of the provincial government.

<sup>13</sup> The CA consists of the Executive, Legislative, and Judiciary branches, the Public Prosecutor's Office, and ministries and secretaries.

<sup>14</sup> Two social security institutions: the Retirement and Pension Agency, and the Provincial Social and Medical Insurance Agency.

<sup>15</sup> There are ten decentralized entities: the Provincial Internal Audit Agency; the Provincial Institute of Penitentiary Industries; Santa Fe Free Zone Entity; Provincial Revenue Administration; Fiscal and Land Assessment and Information Units; Social Assistance and Lottery Agency; Provincial Roads Directorate; Provincial Urban and Housing Directorate; Rosario International Airport; and Health Services Regulating Agency.

**Table 2.1. Province of Santa Fe: Non Financial Public Administration Expenditures.**  
**Administrative Classification**  
*In millions of AR\$*

<b>Non Financial Public Administration (NFPA)</b>	<b>Budget Law 2008</b>	<b>%</b>
<b>General Administration (GA)</b>	<b>11,906.49</b>	<b>88.0</b>
Central Administration (CA)	8,203.45	60.6
Consolidated Decentralized Entities (CDEs)	1,763.36	13.0
Social Security Institutions (SSI)	1,939.68	14.3
<b>Public Enterprises and Other Public Entities</b>	<b>1,620.97</b>	<b>12.0</b>
<b>Total NFPA</b>	<b>13,527.46</b>	<b>100.0</b>

*Source:* Own elaboration based on information from the General Budget 2008. Provincial Directorate of Budgeting, MOF, Province of Santa Fe.

### C. The Province's Fiscal Situation

19. The total revenue of the Province of Santa Fe was AR\$10,087 million in 2008, representing about 12 percent of GGP; more than 90 percent of it was tax revenue (Table 2.2). One third of the tax revenue originates in the province<sup>16</sup> and the remaining two third comes from transfers from the national government to Santa Fe through the tax-sharing system. In Santa Fe, the share of central government transfers in total tax revenue is slightly higher than in the 24 provincial jurisdictions on average (61.7 percent in 2007).<sup>17</sup> In 2005-08, the province's total revenue increased strongly (by a cumulative 85.4 percent), driven mainly by the strong economic recovery during those years and by improvements in tax administration.<sup>18</sup>

20. In 2007, the primary public expenditures executed by the Santa Fe GA amounted to AR\$7,794 million, equivalent to 3.1 percent of Argentina's consolidated public expenditures<sup>19</sup> and 6.9 percent of the primary expenditures of the 23 provinces and Buenos Aires Autonomous City. During 2005-08 they grew 119 percent.

<sup>16</sup> The province's main taxes are gross income tax (69 percent), stamp tax (13 percent), and vehicle tax (about 9 percent). Data over total tax income of provincial origin in 2008. The information is expressed as a percentage of the total tax collection originating in the province in 2008.

<sup>17</sup> Most of the revenue is distributed according to the federal tax sharing system.

<sup>18</sup> The Sub-secretariat of Public Revenue plays a leading role in the implementation of technological advances to reduce tax evasion. Among other approaches, it uses a photographic survey to spot undeclared buildings to improve the collection of the property tax.

<sup>19</sup> Santa Fe is the fourth largest Argentine province in terms of budget size, behind Buenos Aires, Buenos Aires Autonomous City, and Cordoba.

**Table 2.2. Province of Santa Fe: Executed Revenues and Expenditures. General Administration (CA and CDEs)***In millions of AR\$ and percentage of GGP*

General Administration	2005	% of GGP	2006	% of GGP	2007	% of GGP	2008	% of GGP
<b>a. TOTAL INCOME</b>	<b>5,441.8</b>	<b>12.5</b>	<b>6,523.1</b>	<b>12.7</b>	<b>8,219.1</b>	<b>12.5</b>	<b>10,086.9</b>	<b>12.0</b>
<b>I. Current Income</b>	<b>5,286.0</b>	<b>12.2</b>	<b>6,268.9</b>	<b>12.2</b>	<b>8,014.2</b>	<b>12.2</b>	<b>9,957.0</b>	<b>11.8</b>
Tax revenue (provincial origin)	1,662.3	3.8	1,977.7	3.8	2,509.4	3.8	3,009.9	3.6
Tax revenue (national origin )	3,010.0	6.9	3,702.9	7.2	4,856.3	7.4	6,210.8	7.4
Other taxes	613.7	1.4	588.3	1.1	648.5	1.0	736.3	0.9
<b>II. Capital Income</b>	<b>155.8</b>	<b>0.4</b>	<b>254.2</b>	<b>0.5</b>	<b>204.9</b>	<b>0.3</b>	<b>129.9</b>	<b>0.2</b>
<b>b. TOTAL EXPENDITURES</b>	<b>4,649.5</b>	<b>10.7</b>	<b>6,157.2</b>	<b>12.0</b>	<b>7,868.9</b>	<b>12.0</b>	<b>10,193.2</b>	<b>12.1</b>
<b>III. Current Expenditures</b>	<b>3,894.1</b>	<b>9.0</b>	<b>4,930.8</b>	<b>9.6</b>	<b>6,823.1</b>	<b>10.4</b>	<b>8,920.9</b>	<b>10.6</b>
Payroll Expenses	2,271.0	5.2	2,985.1	5.8	4,037.7	6.1	6,268.9	7.4
Debt Interests	94.0	0.2	95.1	0.2	75.1	0.1	51.0	0.1
Other Current Expenditures	1,529.1	3.5	1,850.7	3.6	2,710.3	4.1	2,601.0	3.1
<b>IV. Capital Expenditures</b>	<b>755.4</b>	<b>1.7</b>	<b>1,226.4</b>	<b>2.4</b>	<b>1,045.8</b>	<b>1.6</b>	<b>1,272.3</b>	<b>1.5</b>
Public works	645.9	1.5	965.3	1.9	794.3	1.2	896.6	1.1
Financial Investments	41.4	0.1	111.9	0.2	87.4	0.1	83.6	0.1
Other capital expenditures	68.2	0.2	149.2	0.3	164.1	0.2	292.1	0.3
<b>V. Economic Result (I-III)</b>	<b>1,391.9</b>	<b>3.2</b>	<b>1,338.1</b>	<b>2.6</b>	<b>1,191.0</b>	<b>1.8</b>	<b>1,036.0</b>	<b>1.2</b>
<b>VI. Financial Result (a-b)</b>	<b>792.3</b>	<b>1.8</b>	<b>365.8</b>	<b>0.7</b>	<b>350.1</b>	<b>0.5</b>	<b>-106.4</b>	<b>-0.1</b>
<b>VII. Primary Result (VI + Debt Interest)</b>	<b>886.3</b>	<b>2.0</b>	<b>460.9</b>	<b>0.9</b>	<b>425.3</b>	<b>0.6</b>	<b>-55.3</b>	<b>-0.1</b>

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

21. In what follows, these expenditures are analyzed in more detail.<sup>20</sup> First, GA expenditures are very rigid: 90 percent of them are used for payroll, transfers to municipalities, input and food purchases, basic operation services, and debt service. Payroll expenditures finance 102,300 public officers; 95 percent of which are staffed by permanent personnel, mostly of the central administration. Second, the capital budget of the GA for 2008 was \$1,272 million, representing 12.5 percent of total provincial expenditures—well below the average of 17.7 percent for Argentina’s 24 provinces.<sup>21</sup> Capital expenditures grew almost 68 percent between 2005 and 2008, mainly as the result of capital transfers 328 percent. The operating costs of the provincial government take about 23 percent of the expenditures of the GA. Social purposes take about 60 percent of public expenditures and have been increasing their share continuously since 2005. They are followed in relative importance by expenditures on security services and economic services, each of which represented around 8 percent of GA expenditures during 2005-07.

22. The unequal growth of expenditures and revenues caused a gradual and persistent decline in the province’s fiscal surplus, from 1.8 percent of GGP in 2005 to 0.5 percent in 2007, and to a deficit of 0.1 percent in 2008.

<sup>20</sup> Annex A provides detailed information.

<sup>21</sup> The autonomous City of Buenos Aires is considered a “province” from the point of view of the PFMA study.

23. The public debt stock of the Province of Santa Fe in December 2008 was AR\$1,015 million—41 percent lower than in December 2006 (Table 2.3). Loans from IFIs make up a large part of the debt, rising from 61.5 percent in 2005 to 83.8 percent in 2008 even though in absolute terms the nominal amount of debt with these agencies has been decreasing. After exchanging provincial bonds for guaranteed bonds (BOGAR), as part of the provincial debt exchange program implemented by the national government, the province contracted new debt with the national government in 2004 through the Orderly Financing Program. As a result, the share of the province's debt held by the national government decreased significantly, from 23.6 percent in 2005 to 11.7 percent in 2008.

**Table 2.3. Province of Santa Fe: 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>	407.2	23.6	335.1	22.4	237.1	19.8	118.8	11.7
International Institutions <sup>(2)</sup>	1,060.4	61.5	978.3	65.3	863.7	72.0	851.0	83.8
Banking and Financial Institutions	27.3	1.6	23.9	1.6	16.6	1.4	9.5	0.9
Consolidated Debt	14.4	0.8	14.4	1.0	14.4	1.2	14.4	1.4
Public Bonds	214.9	12.5	145.9	9.7	67.8	5.7	21.2	2.1
<b>Total Public Debt</b>	<b>1,724.2</b>	<b>100.0</b>	<b>1,497.6</b>	<b>100.0</b>	<b>1,199.6</b>	<b>100.0</b>	<b>1,015.0</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.

<sup>(2)</sup> Includes loans from IBRD, and IDB.

Source: Province and National MOF.

24. The ratio of consolidated public debt to GGP fell from 3.8 percent to 1.1 percent between 2005 and 2008, for two reasons: strong provincial economic growth, and a decline in the provincial public debt stock in absolute terms.



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

25. Santa Fe's PFM systems and practices show a mix of strengths and opportunities for improvement. The province has well functioning accounting and financial management systems that contribute to fiscal discipline by providing adequate information, reporting, and control over budget execution. Some significant challenges remain, particularly with regard to the budget process—to improve its performance orientation, the predictability of budget allocations, and the link to policy—and to the control framework—to establish an effective internal audit system to audit public expenditures on a continuous basis. 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 4), it highlights the main PFM-related strengths and opportunities for improvement.

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

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

26. The provincial Law of Administration, Efficiency, and Control of the State (LAECE) was enacted in November 2005, replacing the Government Accountancy Law of 1956. The LAECE deals with all public financial management aspects of the provincial government, SOEs, and other decentralized public entities. LAECE provides a comprehensive legal framework, providing clearly defined general principles for budget formulation and execution, accounting, reporting, debt issuance and debt management, the public control system, procurement, and human resource management. The LAECE also specifies requirements for the presentation of provincial public accounts.<sup>22</sup> It incorporates fiscal discipline principles that limit the government's capacity to increase total expenditures, prohibit the creation of "special accounts," and prevent budgeted capital expenditures from being reallocated to finance recurrent expenditures.

27. The LAECE designates the Ministry of Finance as responsible for coordinating the interaction between heads of units from each of the five financial administration sub-systems: Accounting, Treasury and Financial Management, Budget, Public Debt and Revenue. It also provides a clear role to the provincial budget directorate in terms of programming and budget execution. The provincial Internal Audit Agency, SIGEP, was set up to strengthen internal control and oversight arrangements in line with the requirements of the LAECE, and thus improve the control environment.

##### ***Integrated Financial Administration System (SIPAF)***

28. The provincial government started to introduce an integrated system of financial information (SIPAF) in 2002. The SIPAF provides on-line information on budget and budget execution reports, treasury, and accountancy sub-systems. Its systematic use provides ready access to government financial information and has underpinned the simplification and harmonization of budget execution processes. Hence the system facilitates provincial government decision making in planning, budgeting, and the appropriate use of resources.

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<sup>22</sup> Ruling on how the Provincial General Accounting Office presents the Annual Investment Account.

## B. Strengths of the PFM System

29. Santa Fe Province has effective basic budget, accounting, and internal control processes.

### *Budget Comprehensiveness and Transparency*

30. Here Santa Fe has several strong characteristics:

- Comprehensive expenditure classifications are used in the budget law and its execution.<sup>23</sup>
- Annual budget documentation allows for a complete picture of provincial government fiscal forecasts—debt financing, budget proposals and out-turns from previous years.<sup>24</sup>
- Consolidated provincial fiscal reports cover all public sector operations and are reflected in the budget law. The reports cover GA expenditures, which represent about 90 percent of total public expenditures. Annexes to the budget law provide information on public enterprises and other decentralized agencies and entities.<sup>25</sup>
- The fiscal reports provide a good picture of projects funded by donors and international financial institutions.<sup>26</sup>
- Though the municipalities cannot generate fiscal liabilities for the provincial government, monitoring of the fiscal performance of municipalities is comprehensive, and conducted annually. A provincial Commission for Fiscal Coordination was created in 2008 to standardize the budget execution reports presented by the municipalities.<sup>27</sup>
- Transparency is assured by public access to key fiscal information. For example, the annual budget documentation, in-year budget execution reports, and year-end financial statements are published on the government's website.<sup>28</sup>

### *Budget Preparation Process*

31. Santa Fe has also made significant progress in implementing an orderly two-stage budget formulation process<sup>29</sup>. First, the provincial Ministry of Finance, after setting up the budget preparation activities calendar, issues a circular to each ministry, department, and agency, requesting the elaboration of its preliminary budget. Second, the MOF receives and analyzes these budgets and communicates the financial ceilings to budget management units by expenditure categories and financing sources.

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<sup>23</sup> See PEFA Indicator 5 in Chapter 4.

<sup>24</sup> See PEFA Indicator 6 in Chapter 4.

<sup>25</sup> See PEFA Indicator 7, first dimension, in Chapter 4.

<sup>26</sup> See PEFA Indicator 7, second dimension, in Chapter 4.

<sup>27</sup> See PEFA Indicator 9, second dimension, in Chapter 4.

<sup>28</sup> See PEFA Indicator 10 in Chapter 4.

<sup>29</sup> See PEFA Indicator 11 in Chapter 4.

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

32. Santa Fe has significantly improved the quality and timeliness of in-year budget reports. The budget execution reports are quite elaborate and facilitate comparisons between the original budget and actual expenditures. The budget execution reports are prepared and published in a timely manner, being issued monthly by the General Accounting Office and published within four weeks after the end of the month and submitted quarterly to the Legislature. It should also be noted that the budget execution reports are obtained in real-time from the integrated financial management system and the information contained in these financial reports is reliable<sup>30</sup>. The Chart of Accounts used by the provincial government captures all the required information and is very useful for financial analysis. The provincial financial statements consolidated by the GAO are comprehensive, and submitted to the external auditor (the Court of Accounts) within six months after the end of the fiscal year to comply with the requirements of the fiscal law.<sup>31</sup> All the province's bank accounts are reconciled monthly.<sup>32</sup> Advances are not normally authorized. All expenditures are registered in the corresponding expenditure category within the same month that they are incurred.<sup>33</sup>

### **C. Challenges and Opportunities for Improvement**

33. Some significant challenges remain, particularly with regard to the budget—to improve its performance orientation and the link to policy—and to the control framework, where the need is to establish an effective internal audit system to audit public expenditures on a continuous basis.

#### ***Budget Credibility***

34. The province of Santa Fe still faces a challenge in improving the credibility of its budget. Santa Fe's budget resources have always been underestimated, undermining the credibility of the budget. This serious problem is difficult to deal with at the provincial level, because about 67 percent of the budget resources come from the central government in Argentina; the provincial government's budget forecasts depend critically on the national government's revenue estimations as set out in the national budget law.<sup>34</sup> The actual revenue transfer from the central government may significantly change during the year, depending on how much revenue the central government has collected. In 2006-08 about 8.4 percent of Santa Fe's available resources remained unused as a result of this problem, and actual primary expenditures (as measured by PEFA Indicator 1) differed from their budgeted amounts by about 17 percent.<sup>35</sup> The province's current expenditures have exceeded their budgeted amounts in most years, while capital expenditures have always been under-executed. This is becoming a trend in budget execution in most Argentine provinces.

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<sup>30</sup> See PEFA Indicator 24, in Chapter 4

<sup>31</sup> See PEFA Indicator 25, first and second dimensions, in Chapter 4.

<sup>32</sup> See PEFA Indicator 22, first dimension, in Chapter 4.

<sup>33</sup> See PEFA Indicator 22, second dimension, in Chapter 4.

<sup>34</sup> On average, the national government underestimated resources during 2006-08 by about 17 percent per year. See Annex A.

<sup>35</sup> See PEFA Indicator 1, in Chapter 4.

### ***Policy-based Budgeting***

35. As specified by Argentina's Fiscal Responsibility Law, in 2006 and 2007 the provincial budget laws included multi-year projections of expenditures and revenues for the following two years.<sup>36</sup> Santa Fe's 2008 budget did not contain multi-year fiscal forecasts, however, and there is no evidence that the multi-year projections were later used to set financial ceilings on subsequent budgets. Nor is a report produced explaining the differences between the estimates and the actual values.<sup>37</sup> In addition, the lack of debt sustainability analysis<sup>38</sup> generates poor links between budgeting and policy planning.

### ***Cash Flow Predictability***

36. Since the provincial government depends on the national government for about two thirds of its revenue, the predictability of cash flow is always a problem. The Secretariat of Finance prepares annual estimates of monthly cash flows using projections of provincial and national resources, and expenditure forecasts using the data entered in the provincial Financial Management Integrated System (SIPAF). However, the MDAs do get information on cash availability only with one month of anticipation.<sup>39</sup> This shortage combined with frequent changes in budget allocations negatively affect budget execution and the delivery of services by the provincial.

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

37. In Santa Fe, the overall effectiveness of the control framework is undermined by the lack of internal audit at the provincial level. SIGEP is still under development, thus far focusing exclusively on training its personnel. No audits were carried out during 2006-08. PEFA Indicator 21 in Chapter 4 captures this poor performance. On the other hand, the external audits are undertaken by the COA and cover all expenses and revenues of the public sector. Their reports are submitted to the Parliament but focus mainly on financial aspects and review of transactions, without introducing performance audit considerations.

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<sup>36</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>37</sup> See PEFA Indicator 12, first dimension, in Chapter 4.

<sup>38</sup> See PEFA Indicator 12, second dimension, in Chapter 4.

<sup>39</sup> See PEFA Indicator 16, second 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 rating “D”*

Dimensions to be assessed	Score
Difference between actual primary expenditures and originally approved budgeted primary expenditures. In two or all of the last three years the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 15 percent of budgeted expenditure.	D

38. A 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, whose management and reporting are typically under donor agencies’ control.<sup>40</sup>

39. The performance of the Province of Santa Fe on Indicator 1 is evaluated considering expenditures budgeted and executed by the general administration and social security institutions, as defined by the budget law.<sup>41</sup> These expenditures represent about 88 percent of the non-financial public administration’s total expenditures.<sup>42</sup>

40. Table 4.1 shows the deviation of executed expenditures from budgeted expenditures during 2006-08, comparing actual primary expenditures to the expenditures reported in the original budget law. The table shows that during 2006-08 actual expenditures were significantly over-executed, being on average 16.7 percent higher than budgeted.

**Table 4.1. Province of Santa Fe: Primary Expenditure Deviations <sup>(1)</sup>: 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	6,330.2	7,312.3	15.5
2007	7,999.7	9,508.7	18.9
2008	11,659.7	13,503.1	15.8

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

<sup>(2)</sup> Original approved expenditures of the general administration and social security institutions.

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

Source: Own elaboration based on information from the provincial Financial Management System (SIPAF) provided by the General Directorate of Budgeting (GDB), Province of Santa Fe.

<sup>40</sup> For 2008, loans from international financial institutions executed by the GA amounted to AR\$38.5 million, representing less than 1 percent of the executed consolidated expenditures.

<sup>41</sup> Source: General Directorate of Budgeting (GDB) of the Province of Santa Fe (<http://www.santafe.gov.ar/index.php/web/content/view/full/18031>).

<sup>42</sup> See Table 2.1.

41. As shown in Annex A, while current expenditures have always been over-executed relative to the original budget, capital expenditures have always been under-executed. The deviations are quite large: actual current expenditures were higher than budgeted current expenditures by 12.4 percent in 2006, 24.4 percent in 2007, and 21.8 percent in 2008; for capital expenditures the deviations were 34.7 percent, -13.6 percent, and -23.8 percent, respectively.

42. Once the adjustments and modifications to the budget introduced during the corresponding fiscal year<sup>43</sup> are considered, the deviations turn out to be negative; available resources are underused by approximately 8.4 percent each year. During the period under analysis provincial and national revenue out-turns typically turned out to be greater than forecast. The provincial authorities have taken a conservative approach to projecting their resources. But because 67 percent of the province's revenues come from the national government, the provincial government's ability to forecast and execute expenditures as budgeted depends critically on the national government's revenue estimations incorporated in the national budget law.<sup>44</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> Reliable and complete data on the stock of arrears is generated through routine procedures at least at the end of each fiscal year (and includes an age profile).	<b>A</b>

43. 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 problems, such as inadequate commitment controls, cash rationing, inadequate budgeting for contracts, under-budgeting of specific items, or lack of information. This indicator 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.

44. For this assessment, the amount of payment arrears is approximated through the concept of “deuda del Tesoro” or floating debt, measured as the difference between accrued and actually paid amounts. The province's financial management system can estimate the floating debt at any point in time.

<sup>43</sup> Modifications and adjustments to the original budget are introduced by specific resolutions from the MOF.

<sup>44</sup> On average during 2006-08, the national government underestimated resources by approximately 17 percent per year. See Annex A.

45. *Stock of expenditure payment arrears.* The used concept of "*deuda del tesoro*", exceeds the definition of arrears since it includes accrued obligations which are not yet due. This being said, the stock of payment arrears of the GA decreased from 10.4 percent of total expenditure in 2006 to 9.0 percent in 2008 (Table 4.2). Most of these payment arrears are unpaid obligations with contractors and beneficiaries of retirement funds and social assistance programs, or personnel expenditures. The latter are basically unpaid salaries at the end of the period, since they are generally disbursed at the beginning of the following period. It should be emphasized that a few days after the end of the period the floating debt declines considerably once salaries have been paid.

46. *Data availability on payment arrears.* In the GA, information about payment arrears is classified by jurisdiction and type of expenditure. The General Accounting Office is in charge of the SIPAF system. This system provides detailed information about payment arrears including each payment, order and payment execution dates, etc., so that the seniority of arrears can be determined at any moment in the fiscal period. The system, which can avail information in real time, can register the maturity of all expenditure, even though the registration is not done systematically.

**Table 4.2. Province of Santa Fe: General Administration – Floating Debt**

*Millions of \$AR and percent of total expenditure*

<b>Expenditure Category</b>	<b>12/31/2006</b>		<b>12/31/2007</b>		<b>12/31/2008</b>	
Expenditures on Personnel	203.4	2.7%	288.9	3.0%	380.5	2.8%
Contractors	168.7	2.3%	163.4	1.7%	180.4	1.3%
Retirement Fund System and Social Assistance	101.0	1.4%	145.5	1.5%	194.6	1.4%
Suppliers	76.6	1.0%	97.4	1.0%	125.9	0.9%
Municipalities and Communes	35.7	0.5%	29.5	0.3%	36.7	0.3%
Debt Service	33.7	0.5%	38.8	0.4%	34.5	0.3%
Other Expenditures	156.1	2.1%	182.3	1.9%	271.8	2.0%
<b>TOTAL</b>	<b>775.1</b>	<b>10.4%</b>	<b>945.9</b>	<b>9.9%</b>	<b>1,224.4</b>	<b>9.0%</b>

Source: General Accounting Office of the Province of Santa Fe.

## **B. Budget Comprehensiveness and Transparency**

### ***PI-5. Classification of the budget***

#### ***Overall rating “A”***

<b>Dimensions to be assessed</b>	<b>Scoring</b>
<p><i>The classification system used for formulation, execution and reporting of the provincial government's budget.</i></p> <p>The budget formulation and execution is based on administrative, economic and sub-functional classification, using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards. (Program classification may substitute for sub-functional classification, if it is applied with a level of detail at least corresponding to sub-functional.)</p>	<b>A</b>

47. 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 the GFS, there are ten main functions at the highest level and 69 functions at the second (sub-functional) level.

48. In the Province of Santa Fe, the expenditure classifications used in the budget law and its corresponding budget execution are comprehensive. Expenditures are classified and reported by institution, purpose, geographic localization, programs, financing source, economic use, and function. Although the functional classification reports only five different expenditure purposes,<sup>45</sup> —in contrast to ten functions defined by GFS—, the budget covers more than 160 programs, and categories included in program budgeting allow for a classification of budgeted resources by program, sub-program, activity, project, and, public work.

**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 rating “A”***

Dimensions to be assessed	Scoring
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). Recent budget documentation fulfils 7-9 of the 9 information benchmarks.	<b>A</b>

49. The PEFA methodology establishes that annual budget documentation (the annual budget and its 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-turns of previous years. To be considered complete, the annual budget documentation should include information on the nine elements listed in Table 4.4.

50. In the Province of Santa Fe, information is provided on eight out of the nine items shown in Table 4.4<sup>46</sup>. Detailed information about financial assets (item 5) is not included in the documentation presented to the Legislature.<sup>47</sup>

<sup>45</sup> The five expenditure categories are: General Administration, Security Services, Social Services, Economic Services, , and Public Debt.

<sup>46</sup> See for example:

<http://portal2005.santafe.gov.ar/index.php/web/content/download/7929/43536/file/Presupuesto%2012511.pdf>;

<http://portal2005.santafe.gov.ar/index.php/web/content/download/7937/43566/file/capitulo1.pdf>;

[http://www.portal.santafe.gov.ar/cuentainversion\\_2006/tomo1/gtoecins.pdf](http://www.portal.santafe.gov.ar/cuentainversion_2006/tomo1/gtoecins.pdf);

[http://www.portal.santafe.gov.ar/cuentainversion\\_2006/tomo1/diciembre-deuda-definitiva.pdf](http://www.portal.santafe.gov.ar/cuentainversion_2006/tomo1/diciembre-deuda-definitiva.pdf).

<sup>47</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.



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

1.	Macro-economic 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 "A"**

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

51. Annual budget estimates, in-year execution reports, year-end financial statements, and other fiscal reports for the public should cover all 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 included in the budget but managed outside the government's budget management and accounting system (mainly donor funded projects).

52. *Level of unreported extra-budgetary expenditures.* In the Province of Santa Fe, the documentation included in the budget law (consolidated and annexes) covers the total resources of the NFPA. The consolidated budget, which refers to expenditures by the provincial GA and SSI, covers about 90 percent of the total public expenditure. Annexes to the budget law provide remaining information, which refers to public enterprises, agencies, and other entities.

53. *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 expenditure funded by the IFIs. In 2008, the government executed AR\$38.5 million for donor-funded projects, representing less than 1 percent of the consolidated budgeted expenditures.

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

Dimensions to be assessed	Scoring
<p><i>Extent of provincial government monitoring of AGAs and PEs.</i> All major AGAs/PEs submit fiscal reports to provincial government at least six-monthly, as well as annual audited accounts, and provincial government consolidates fiscal risk issues into a report at least annually.</p>	<b>A</b>
<p><i>Extent of provincial government monitoring of sub-national governments' fiscal position.</i> SN government cannot generate fiscal liabilities for provincial government</p>	<b>A</b>

54. 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 performance against financial targets. Consolidation of information is important for achieving an overview and reporting the total fiscal risk for the provincial government.

55. *Extent to which the provincial government monitors autonomous public sector entities and public enterprises.* All public enterprises directly register their expenditure and resource execution through the SIPAF, and the expenditures are audited annually by the Court of Accounts,<sup>48</sup> which, in addition, has representatives in each of the SOE and AGAs. Moreover the SOEs and AGAs provide annual financial statements that are consolidated in the public sector annual reports that are submitted to the Parliament. To request a loan, a public enterprise must obtain the approval of the provincial Legislature and General Accounting Office, and the national MOF.<sup>49</sup> Hence, the province exercises very broad and strict controls on fiscal risks likely to come from SOEs and AGAs.

56. *Extent to which the provincial government monitors the fiscal situation of local governments.* Municipalities enjoy political, administrative, economic, financial and institutional autonomy, and consequently they cannot generate fiscal liabilities to the provincial government. The Province has no legal obligation to assist municipalities in financial difficulties but can do so provided the local government commit to meeting strict conditions imposed by the Financial Assistance to Municipals and Cities Provincial Law<sup>50</sup>. The Ministry of Government and State Reform, through the Secretariat of Regions, Municipalities, and Communes, receives an annual budget execution report from the 362 municipal governments and provincial communes.<sup>51</sup> In this (limited) way, the provincial government can monitor annually the fiscal position of local governments. The provincial Commission for Fiscal Coordination was created in 2008 with the main objective of standardizing the budget execution reports presented by the municipal and communal governments. But the Court of Accounts exerts no legal power over municipal governments or communes.<sup>52</sup> In 2009, the Secretariat of Regions, Municipalities, and Communes signed

<sup>48</sup> The Court of Accounts has representatives at every public enterprise.

<sup>49</sup> According to the Fiscal Responsibility Law and regulatory decree.

<sup>50</sup> Provincial Law # 10.047/87

<sup>51</sup> Municipal governments can present their budget execution reports until August 30th of the following year. The deadline for the provincial communes is not determined.

<sup>52</sup> The municipal governments of Santa Fe and Rosario have their own local Courts of Accounts.

an agreement with the Professional Council of Economic Sciences of the Province of Santa Fe to start auditing the municipal public accounts.<sup>53</sup>

57. 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 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>54</sup>

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

#### ***Overall rating “B”***

Dimensions to be assessed	Scoring
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). The government makes available to the public 4 of the 6 listed types of information	<b>B</b>

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

59. In the case of the province of Santa Fe, it was not possible to evidence public access to external audit reports and to information about resources for primary service units, mainly in education. In short, for the information considered essential by the PEFA methodology, the documentation provided by the provincial government is 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:* Budget execution reports at the general administration level are provided by jurisdictions on a monthly basis. The reports are made available to the public through the GAO’s website within one month of their completion.
- *Year-end financial statements:* The GAO publishes the investment account before June 30<sup>th</sup> of every year, which contains a detailed report on budget execution and a consolidated year-end financial statement for the whole NFPA.<sup>55</sup> After reviewing the information, the Court of Accounts publishes a report about this account.
- *External audit reports:* Audit reports by the Court of Accounts concerning the consolidated operations of the provincial government are not publicly available.
- *Contract awards:* The website of the Directorate of Procurement, under the Secretariat of Technical Coordination of the MOF, publishes all contracts awarded with values higher than USD 100,000 within one month from the time of award.

<sup>53</sup> The communes choose through popular vote their own commission to be in charge of overseeing the public accounts and providing ex-post control.

<sup>54</sup> Article 25 and Annex VI, National Decree N° 1,731/2004.

<sup>55</sup> [http://www.portal.santafe.gov.ar/cuentainversion\\_2008/tomo1.html](http://www.portal.santafe.gov.ar/cuentainversion_2008/tomo1.html)

- *Resources available to primary service units:* In the health sector, detailed information is publicized by primary service units.<sup>56</sup> In the education sector, information is available by programs but not by service units.

### C. Policy-Based Budgeting

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

##### Overall rating “B”

Dimensions to be assessed	Scoring
<i>Existence of and adherence to a fixed budget calendar.</i> An annual budget calendar exists, but is rudimentary and substantial delays may often be experienced in its implementation, and allows MDAs so little time to complete detailed estimates, that many fail to complete them timely.	<b>C</b>
<i>Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent).</i> A comprehensive and clear budget circular is issued to MDAs, which reflects ceilings approved by Cabinet (or equivalent) prior to the circular’s distribution to MDAs.	<b>A</b>
<i>Timely budget approval by the legislature or similarly mandated body (within the last three years).</i> The legislature approves the budget before the start of the fiscal year, but a delay of up to two months has happened in one of the last three years.	<b>B</b>

60. While the Ministry of Finance is usually the driver of the annual budget formulation process, effective participation in this process by other ministries, departments, and agencies, as well as by the political leadership,<sup>57</sup> affects the extent to which the budget will reflect 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 budget formulation calendar. Clear guidance on the budget process should be provided in the budget circular and budget formulation manual.

61. *Existence of and adherence to a fixed budget calendar.* The MOF of the Province of Santa Fe, through the Secretariat of Finance, prepares a timetable for each stage of the budget formulation. In mid-May, the General Directorate of Budgeting (GDB) initiates the process by reviewing the budget formulation manual. Several subsequent stages involve active participation by jurisdictions, GDB, and MOF. Special attention is devoted to the jurisdictions’ preliminary budgets. Once budget ceilings are communicated, the jurisdictions have ten days to prepare their own budget projects, based on the preliminary budgets. The process concludes with the submission of the budget project to the Legislature at the end of September. The review by the Legislature takes on average 60 days.

<sup>56</sup> Detailed information about twelve of the largest hospitals in the Province of Santa Fe is available through the SIPAF.

<sup>57</sup> By “political leadership” is meant the leadership of the executive, such as the Cabinet or equivalent body.

**Table 4.5. Province of Santa Fe: Budget Preparation**

Initial date	Final date	Activities and responsibilities
May 12	May 16	Revision of the budget formulation manual, GDB
May 12	May 30	Training of executive units, Training Center
May 12	May 30	Formulation of the general budget policy, MOF
May 12	June 30	Elaboration of preliminary budget, jurisdictions
May 12	June 30	Preliminary projections, GDB
July 1	July 21	Comparison and compatibility of preliminary projections and preliminary budgets, GDB and MOF
July 21	July 30	Discussion and approval of budget ceilings, Governor and Ministry Cabinet
July 31	August 1	Communication of budget ceilings, MOF
August 1	August 11	Elaboration of budget projects, jurisdictions
August 1	August 31	Elaboration of the law and message to the Legislature, GDB
August 11	August 31	Analysis and preparation of the Budget Law, GDB
September 1	September 10	Approval of the Budget Law Project and final adjustments, Ministry Cabinet and MOF
September 11	September 24	Elaboration of the final document and submission form the Secretariat of Income to the Province Executive Branch
September 27	September 28	Approval by Decree of the Budget Law Project, Executive Branch
September 29	September 28	Submission of the Budget Law Project to the Province Legislature

Source: Own elaboration based on the budget preparation chronogram 2009. General Directorate of Budgeting (GDB). Secretariat of Income. MOF, Province of Santa Fe.

62. *Clarity and comprehensiveness of, and political involvement in, the guidance on the preparation of budget submissions.* The Secretariat of Finance, under the MOF, submits a budget booklet requesting the preparation of preliminary budgets. Once these budgets are received and analyzed, the Secretariat communicates the financial ceilings<sup>58</sup> by expenditure purpose and financing source, defined according to the preliminary budgets. Before these ceilings are communicated, they are approved by the Governor and the Ministry Cabinet.

63. *Timely budget approval by the legislature.* In two out of the three years during the period 2006-08, the Legislature approved in a timely manner the budget before the beginning of the fiscal year.<sup>59</sup>

<sup>58</sup> The ceilings are also registered in the SIPAF.

<sup>59</sup> For 2006, Provincial Law N° 12511, approved on 12/22/05; for 2007, Provincial Law N° 12705, approved on 2/16/07; and for 2008, Provincial Law N° 12850, approved on 12/27/07.

**PI-12. Multi-year perspective in fiscal planning, expenditure policy, and budgeting****Overall rating “C”**

Dimensions to be assessed	Scoring
<i>Preparation of multi-year fiscal forecasts and functional allocations.</i> No forward estimates of fiscal aggregates are undertaken.	<b>D</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 and are fully costed, broadly consistent with fiscal forecasts, for sectors representing 25-75% of primary expenditure.	<b>B</b>
<i>Linkages between investment budgets and forward expenditure estimates.</i> The majority of important investments are selected on the basis of relevant sector strategies and recurrent cost implications in accordance with sector allocations and included in forward budget estimates for the sector.	<b>B</b>

64. 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.

65. *Multi-year fiscal forecasts and functional allocations.* As specified by the FRL, in 2006 and 2007 Santa Fe’s provincial budget laws included multi-year projections of expenditures and revenues for the following two years.<sup>60</sup> However, the 2008 budget did not contain multi-year fiscal forecasts. There is no evidence that the multi-year projections were later used to set financial ceilings on subsequent budgets, and no report explaining the differences between the projections and the actual values.<sup>61</sup>

66. *Scope and frequency of debt sustainability analysis.* The GAO registers and performs projections of the provincial public debt; it prepares a quarterly report on all the public debt, and annually publishes information about the investment account. This information incorporates projections about amortizations and debt interest for the current fiscal year. Because of the lack of a multi-year analysis of future provincial indebtedness, the score assigned to this dimension of public finance management is the lowest, i.e., “D.”<sup>62</sup>

67. *Existence of sector strategies with multi-year costing of recurrent and investment expenditure.* Santa Fe has a provincial strategic plan, reflected in a public document published in December 2008, which was coordinated by the Ministry of Government and State Reform through the Secretariat of Regions, Municipal Governments, and Communes.<sup>63</sup> The plan has a geographic focus. The provincial government is now initiating a second stage of the strategic plan, with cost estimates for all the projects included in the documentation

<sup>60</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>61</sup> Being the last year of the covered period of analysis, 2008 was considered as the most relevant basis for the assessment of this dimension.

<sup>62</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 growth, provincial fiscal performance, interest rates, exchange rates, the institutional and financial relationship with the national government, etc.

<sup>63</sup> *Santa Fe Provincial Strategic Plan: Five Regions, One Province.* The European Union helped with the elaboration of this document, which establishes three strategic lines (integrated territory, social quality, and economic development) and a division of the province into five regions.

along with a feasibility analysis. Since 2005, there is a clear education strategy that covers about 25 percent of total spending. From 2008 a health sector strategy also was designed, based on the creation of health centers and hospitals.

68. *Linkages between investment budgets and forward expenditure estimates.* Investment plans are presented for the main sectors, including information about multi-year investment costs. When the multi-year budget is formulated, operating costs throughout the years of operation are included for all the important projects.

#### D. Predictability and Control in Budget Execution

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

Overall rating “C+”

Dimensions to be assessed	Scoring
<i>Extent to which cash flows are forecast and monitored.</i> A cash flow forecast is prepared for the fiscal year, and are updated monthly on the basis of actual cash inflows and outflows.	A
<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

69. Effective execution of the budget, in accordance with the work plans, requires that the spending ministries, departments, and agencies (MDAs) of the provincial administration receive reliable information on 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.

70. *Extent to which cash flows are forecast and monitored.* The Secretariat of Finance prepares annual estimations of monthly cash flows using projections of provincial and national resources, and expenditure forecasts using the data entered in the SIPAF. During the fiscal year, the Secretariat of Finance ensure a daily monitoring of the cash flows from provincial and national resources, relying on information provided by the General Accounting Office and the provincial Treasury.

71. *Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment.* Ceilings for expenditure commitments are set monthly and are adjusted depending on the availability of resources and 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 for a three-month period. If the jurisdictions need to spend more than their quarterly quota, they must seek the approval of the General Directorate of Budgeting. Additional spending requirements must not exceed the annual budget credit unless the budget has been previously adjusted.

72. *Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.* As noted above, adjustments to budget allocation are frequent, and in 2008 they represented AR\$2,998 million or 16 percent of the original budget. Even though the provincial Financial Management Law delegates to the Executive branch the power to modify the budget,<sup>64</sup> a new law is required if the modifications entail an increase in subsidies, provincial debt, or the number of public employees. The process is transparent to the extent that the Executive must follow certain specific rules and regulations to introduce these modifications. All changes must be communicated to the Legislature.

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

#### **Overall rating “B”**

Dimensions to be assessed	Scoring
<p><i>Quality of debt data recording and reporting.</i> Domestic and foreign debt records are complete, updated and reconciled quarterly. Data considered of fairly high standard, but minor reconciliation problems occur. Comprehensive management and statistical reports (cover debt service, stock and operations) are produced at least annually.</p>	<b>B</b>
<p><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.</p>	<b>B</b>
<p><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.</p>	<b>A</b>

73. *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.

74. The province's public debt is registered by the GAO using spreadsheets. The information is up-to-date, checked, and verified using accounting records, and provides a complete description of debt service payments. It should be underlined that the province of Santa Fe counts with only three creditors (the Federal Government, the World Bank and the IADB) and presents a limited number of credits and levels of public debt, which was significantly reduced in Nominal and relative values in the period<sup>65</sup>. While the volumes of the debt operations are not currently very important, the use of a more sophisticated and reliable information system is advisable if the province wants to enlarge its access to credit markets in the future. Annual reports are published containing basic statistical data and occasional information on debt management issues.

75. *Extent of consolidation of the government's cash balances.* The GA has approximately 798 bank accounts. The great majority (769) of these accounts are part of the Unified Fund (UF) in the Bank of the Province of Santa Fe. The UF is a contract between the provincial bank and the provincial General Treasury under which the provincial bank 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

<sup>64</sup> It also authorizes the Legislature and the Judicial Branch to modify their own budgets.

<sup>65</sup> Total debt was AR \$ 1,015 million and only represented 1.1% of GDP in 2008 against 1.724 million and 3.8% in 2006 (see Table 2.3).



automatically redistributed without modifications to the original accounts. As a consequence, the consolidation and calculation of the cash balances is performed daily for those accounts in the UF. Six of the GA's bank accounts belong to the Financing Program for Municipalities and Communes (FPMC) and 23 accounts are in the National Bank.<sup>66</sup> For the accounts in the FPMC and the National Bank, the cash balances are consolidated monthly. Even though the LAECE includes the possibility of using a single treasury account system, this has not yet been implemented in the province.

76. The provincial General Treasury is responsible for administering all issues related to the opening, closing, and management of bank accounts.

77. *Systems for contracting loans and issuance of guarantees.* The government contracts loans and issues guarantees following transparent criteria and fiscal goals established by the FRL. The National MOF checks the fulfillment of these criteria.<sup>67</sup> Next, the provincial government requires the approval of an indebtedness law authorizing these operations and delegates its management 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 may not be 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> Authority and basis for changes to personnel records and the payroll are clear.	<b>B</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>

78. 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.

79. In Santa Fe Province, the wage bill represented 37.3 percent of the total budgeted expenditures in 2008.

80. *Degree of integration and reconciliation between personnel records and payroll data.* Personnel and payroll data are not directly linked in the Province of Santa Fe. The nominal roll data are generated by data from human resources, but the information is not integrated which limits the reliability of payroll controls. Concerning personnel registries, there are four

<sup>66</sup> The bank accounts at the National Bank are related to specific expenditures financed by the National Government.

<sup>67</sup> If the criteria are not fulfilled, the National MOF does not authorize the loan or the issuance of the guarantee.

human resource databases<sup>68</sup> that digitally collect information from the jurisdictions or from the Human Resource Management System (HRMS).<sup>69</sup> This information is then used to calculate and pay the monthly wage bill, which is sent electronically to each jurisdiction. Once they receive this information, the jurisdictions introduce the necessary adjustments, update the information electronically in the SIPAF, and issue payment orders. Next, the provincial General Treasury transfers the corresponding funds to the corresponding jurisdictional treasury. But despite this procedure, there is no overall data integration between the MDA treasuries and human resources that would allow effective and systematic control of the payroll process<sup>70</sup>. Consequently, the reconciliation between payroll payments and personnel records, which is made at least twice a year, is also undermined by these deficiencies.

81. *Timeliness of changes to personnel records and the payroll.* Changes in personnel records are introduced electronically or communicated through the HRMS. However, they are usually incorporated with some lag (in some cases up to three months), causing a frequent need for retroactive payroll adjustments<sup>71</sup>.

82. *Internal controls of changes to personnel records and the payroll.* All changes related to human resources and payroll follow clear rules. Modifications to statutes and wages are registered by qualified personnel. To hire new employees, a decree from the Executive branch is required that also authorizes the incorporation of the new employees' records into the database. However, these controls are not enough to insure in a timely manner the integrity of the data.

83. *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.

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<sup>68</sup> The databases are the Unique Payroll System, Ministry of Government Payroll, Council Payroll System, and Private Education Payroll.

<sup>69</sup> The HRMS is a registry system of personnel data. Currently it is implemented in educational units, but it will be implemented in other sectors.

<sup>70</sup> There is good progress in this issue of integration with the unification of the database of personnel and payroll of the four prior sub-systems since 2010

<sup>71</sup> In this topic also, there is significant progress with the current system that allows real-time monitoring of changes in the sub-systems.

**PI-20. Effectiveness of internal controls for non-salary expenditure****Overall rating “B+”**

Dimensions to be assessed	Scoring
<i>Effectiveness of expenditure commitment controls.</i> Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations (as revised).	<b>A</b>
<i>Comprehensiveness, relevance, and understanding of other internal control rules/procedures.</i> Other internal control rules and procedures incorporate a comprehensive set of controls, which are widely understood, but may in some areas be excessive (e.g. through duplication in approvals) and lead to inefficiency in staff use and unnecessary delays.	<b>B</b>
<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.	<b>B</b>

84. *Effectiveness of expenditure commitment controls.* Santa Fe Province has a commitment stage for all expenditure categories. The commitment stage is divided into two steps consisting of prior and final commitment. All these steps are registered in the SIPAF by the accounting department of each jurisdiction. The system also incorporates comprehensive controls that limit expenditure commitments to the cash available.

**Table 4.6. Province of Santa Fe: Stages of the Spending Execution Process**

Stage	Registry of Budget Execution	Responsible
Preventive expenditure assignment and verification of the budget entry	Registration in the SIPAF	Jurisdictional Accounting Area
Commitment	Registration in the SIPAF	Jurisdictional Accounting Area
Expenditure accrued – Issuance of payment order	Registration in the SIPAF	Jurisdictional Accounting Area
Request of fund to the PGT		Jurisdictional Treasury
Expenditure payment	Registration in the SIPAF	Jurisdictional Treasury of Central Administration and Decentralized Entities <sup>(1)</sup>
Expenditure payment	Registration in own systems and the SIPAF	Jurisdictional Treasury of Decentralized Entities <sup>(2)</sup>
Accounting & reporting	Automatic generation	Jurisdictional Accounting Area
Control of public accounts		COA

<sup>(1)</sup> Only for those entities that use the SIPAF module for bank transactions.

<sup>(2)</sup> Only for those entities that do not use the SIPAF module for bank transactions.

85. *Comprehensiveness, relevance, and understanding of other internal control rules/procedures.* Internal controls are implemented through the SIPAF, which covers all the execution stages, and a public procurement module. It's not possible to approve any expenditure if not for its initially defined purpose and from its corresponding funding source. However, the requirement of two stages (prior and final) and a prior authorization from the Secretary of the Finance to commit budget resources stretch the spending process and can be considered as redundant controls. Moreover, there is no formal procedures manual to disseminate and communicate internal control rules. However, the regulatory framework of all administrative processes is set out in the financial management legislation as published in the provincial government website, and also in a detailed manual used by the SIPAF. The provincial Internal Audit Agency (SIGEP) is considering preparing internal control manuals.

86. *Degree of compliance with rules for processing and recording transactions.* Existing control mechanisms are understood and followed in almost all transactions. However, simplified procedures are occasionally used without further justification.

### **PI-21. Effectiveness of internal audit**

#### **Overall rating “D”**

<b>Dimensions to be assessed</b>	<b>Scoring</b>
<i>Coverage and quality of the internal audit function.</i> There is little or no internal audit focused on systems monitoring.	<b>D</b>
<i>Frequency and distribution of reports.</i> Reports are either non-existent or very irregular.	<b>D</b>
<i>Extent of management response to internal audit findings.</i> Internal audit recommendations are usually ignored (with few exceptions).	<b>D</b>

87. The provincial Internal Audit Agency, SIGEP, is in charge of internal audit. SIGEP is chaired by a General Syndic designated by the Executive Branch.<sup>72</sup> All of SIGEP’s 30 employees are experienced permanent staff of the public sector. SIGEP is still at the developmental stage, training its personnel.

88. *Coverage and quality of the internal audit function.* During 2006-08 no audits were carried out, since SIGEP focused exclusively on training its staff<sup>73</sup>.

89. *Frequency and distribution of reports.* During 2006-08, no internal audit reports were produced since SIGEP was in its initial steps.

90. *Extent of management response to internal audit findings.* During 2006-08, no recommendations were made.

## **E. Accounting, Recording, and Reporting**

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

#### **Overall rating “A”**

<b>Dimensions to be assessed</b>	<b>Scoring</b>
<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 quarterly, within a month from end of period and with few balances brought forward.	<b>A</b>

91. *Regularity of bank reconciliations.* Treasury management is decentralized in Santa Fe Province. As explained earlier, the province’s flows of funds are managed through a bank account management system in two ways: (i) the bank accounts of the central administration and decentralized entities are held within the Unified Fund at the New Bank of the Province of Santa Fe S.A. which is the financial agent of the province; and (ii) special accounts with

<sup>72</sup> Even though the LAECE approved in 2005 included the creation of the provincial General Syndicate as the unit of internal audit, the first syndic was designated in 2007.

<sup>73</sup> Progress was noted in the establishment of the SIGEP during the 2010-2012 period. More than 20 audits were produced in various ministries but challenges remain with respect of staff training and coverage of the audits, especially in the financial area (the finance ministry units have yet to receive an audit mission).

allocations earmarked by the national government or international organizations are mostly held at the National Bank.

92. The reconciliation of these bank accounts is performed through the SIPAF in line with the following :

- Accounts within the Unified Fund: (i) daily automatic reconciliation of accounts by the provincial General Treasury; (ii) monthly reconciliation of the jurisdictional bank accounts (the reconciliation is performed by the accounting person at the respective jurisdiction).
- Jurisdictional special accounts: monthly reconciliation is performed by the jurisdictional treasuries and GAO verifies, in the case of a financial surplus, what are the available balances in the bank before the appropriation is rolled over to the following year.
- .

93. *Regularity of reconciliation and clearance of suspense accounts and advances.*<sup>74</sup> Both suspense accounts and advances are not used in Santa Fe Province. Minor expenditures are registered in the corresponding expenditure category within the same month that they were incurred.

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

#### ***Overall rating “C”***

Dimensions to be assessed	Scoring
<p><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></p> <p>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.</p>	<b>C</b>

94. 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.

95. In the Province of Santa Fe, the budget contains all relevant information about transfers to every hospital, including a program for each of the twelve main hospitals. In education, information about the resources received by each school (in-kind or financial resources) is not readily available.

<sup>74</sup> Advances are cash payments made, from which no expenditures have yet been recorded.

**PI-24. Quality and timeliness of in-year budget reports****Overall rating “A+”**

Dimensions to be assessed	Scoring
<i>Scope of reports in terms of coverage and compatibility with budget estimates.</i> Classification of data allows direct comparison to the original budget. Information includes all items of budget estimates. Expenditure is covered at both commitment and payment stages.	<b>A</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>

96. *Scope of reports in terms of coverage and compatibility with budget estimates.* The budget execution reports prepared by the GAO are complete and cover the whole general administration and social security institutions. It is possible to compare the budget execution to the estimates in the original or current budget. The budget and accounting classifications are equivalent and they are incorporated into the SIPAF. This system integrates budget, accounting, treasury, purchases, and accounting and reporting. The reports cover the prior and final commitment, accrual, and payment stages of the budget execution.

97. *Timeliness of the issuance 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 period, and submitted quarterly to the Legislature. Jurisdictions and other government entities have access to these reports through the official website.

98. *Quality of information.* Information about budget execution is accurate and reliable. The data is obtained from the SIPAF, which also consolidates the data registered in the budget, treasury, and budget execution systems.

**PI-25. Quality and timeliness of annual financial statements****Overall rating “C+”**

Dimensions to be assessed	Scoring
<i>Completeness of the financial statements.</i> A consolidated government statement is prepared annually and includes full information on revenue, expenditure and financial assets/liabilities.	<b>A</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>

99. *Completeness of the financial statements.* The GAO consolidates annually all financial statements of the central administration and decentralized entities, including public enterprises. These financial statements include full detailed information on revenue, expenditure, and financial assets/liabilities and are referred as “Annual Investment Accounts”.<sup>75</sup>

<sup>75</sup> The annual “investment accounts”, are published at:  
[http://www.portal.santafe.gov.ar/cuentainversion\\_2008/tomol.html](http://www.portal.santafe.gov.ar/cuentainversion_2008/tomol.html)

100. *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 six months after the end of the fiscal year, in compliance with the legal norms.<sup>76</sup>

101. *Accounting standards used.* Financial statements are presented in a coherent format over time in line with national accounting practices and norms. The GAO is currently introducing accounting norms in line with international accounting standards for the public administration.

## F. External Scrutiny and Audit

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

#### *Overall rating “C+”*

Dimensions to be assessed	Scoring
<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.	<b>C</b>
<i>Timeliness of submission of audit reports to legislature.</i> Audit reports are submitted to the legislature within 4 months of the end of the period covered and in the case of financial statements from their receipt by the audit office.	<b>A</b>
<i>Evidence of follow up on audit recommendations.</i> A formal response is made, though delayed or not very thorough. There is little evidence of any follow-up.	<b>C</b>

102. The Court of Accounts (COA) is responsible for the external control of the public sector in the Province of Santa Fe. Its functions are established by the Constitution of the Province of Santa Fe and the provincial Financial Management Law. It has both functional and financial independence.

103. *Scope and nature of audit performed.* The annual external audit by the COA covers all revenues and expenditures of the public sector. It focuses mainly on financial aspects and the review of transactions, without incorporating consideration of performance auditing. All the COA’s audit and control activities are exclusively ex-post.

104. *Timeliness of submission of audit reports to legislature.* According to the LAECE, the COA must send an audit report of the public accounts to the Legislature within four months after the audit has been completed.

105. *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.

<sup>76</sup> Financial statements corresponding to the fiscal year closing December 31<sup>st</sup>, should be sent before June 30<sup>th</sup> of the following year.

## 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 Santa Fe: 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. <sup>(3)</sup>	5,508.1	986.7	6,494.8	17.9	6,192.7	12.4	-4.7
Capital Expend. <sup>(4)</sup>	901.7	672.4	1,574.1	74.6	1,214.7	34.7	-22.8
<b>Total</b>	<b>6,409.8</b>	<b>1,659.1</b>	<b>8,068.9</b>	<b>25.9</b>	<b>7,407.4</b>	<b>15.6</b>	<b>-8.2</b>
Debt Interests	79.6	20.5	100.1	25.8	95.1	19.4	-5.0
<b>Total Primary Expend.</b>	<b>6,330.2</b>	<b>1,638.6</b>	<b>7,968.8</b>	<b>25.9</b>	<b>7,312.3</b>	<b>15.5</b>	<b>-8.2</b>

<sup>(1)</sup> Original approved expenditures of the general administration and social security institutions.<sup>(2)</sup> Modifications to the budget law introduced during the fiscal year.<sup>(3)</sup> Current expenditures financed by IFIs have been deducted.<sup>(4)</sup> Capital expenditures financed by IFIs have been deducted.

Source: Own elaboration based on information from the Province Financial Management System (SIPAF) provided by the General Directorate of Budgeting (GDB) of the Province of Santa Fe.

**Table A.3. Province of Santa Fe: 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. <sup>(3)</sup>	6,867.4	2,086.9	8,954.3	30.4	8,541.1	24.4	-4.6
Capital Expend. <sup>(4)</sup>	1,206.6	376.7	1,583.3	31.2	1,042.7	-13.6	-34.1
<b>Total</b>	<b>8,074.0</b>	<b>2,463.6</b>	<b>10,537.6</b>	<b>30.5</b>	<b>9,583.8</b>	<b>18.7</b>	<b>-9.1</b>
Debt Interests	74.3	9.4	83.7	12.7	75.1	1.1	-10.2
<b>Total Primary Expend.</b>	<b>7,999.7</b>	<b>2,454.2</b>	<b>10,453.9</b>	<b>30.7</b>	<b>9,508.7</b>	<b>18.9</b>	<b>-9.0</b>

<sup>(1)</sup> Original approved expenditures of the general administration and social security institutions.<sup>(2)</sup> Modifications to the budget law introduced during the fiscal year.<sup>(3)</sup> Current expenditures financed by IFIs have been deducted.<sup>(4)</sup> Capital expenditures financed by IFIs have been deducted.

Source: Own elaboration based on information from the Province Financial Management System (SIPAF) provided by the General Directorate of Budgeting (GDB) of the Province of Santa Fe.



**Table A.4. Province of Santa Fe: Primary Expenditure Deviations: Original Approved Budget vs. Out-turn, 2008***In millions of AR\$*

	<b>Budget Law<sup>(1)</sup></b>	<b>Modifications<sup>(2)</sup></b>	<b>Definitive budget (c) = (a) + (b)</b>	<b>Variation in Budget Law (%)</b>	<b>Executed (d)</b>	<b>Deviation (d) - (a) (%)</b>	<b>Deviation (d) - (c) (%)</b>
	<b>(a)</b>	<b>(b)</b>			<b>(d)</b>	<b>(d) - (a) (%)</b>	<b>(d) - (c) (%)</b>
Current Expend. <sup>(3)</sup>	10,109.5	2,684.9	12,794.4	26.6	12,313.2	21.8	-3.8
Capital Expend. <sup>(4)</sup>	1,629.0	311.9	1,940.9	19.1	1,240.5	-23.8	-36.1
<b>Total</b>	<b>11,738.5</b>	<b>2,996.8</b>	<b>14,735.3</b>	<b>25.5</b>	<b>13,553.7</b>	<b>15.5</b>	<b>-8.0</b>
Debt Interests	78.8	-17.6	61.2	-22.3	50.6	-35.8	-17.3
<b>Total Primary Expend.</b>	<b>11,659.7</b>	<b>3,014.4</b>	<b>14,674.1</b>	<b>25.9</b>	<b>13,503.1</b>	<b>15.8</b>	<b>-8.0</b>

<sup>(1)</sup> Original approved expenditures of the general administration and social security institutions.<sup>(2)</sup> Modifications to the budget law introduced during the fiscal year.<sup>(3)</sup> Current expenditures financed by IFIs have been deducted.<sup>(4)</sup> Capital expenditures financed by IFIs have been deducted.*Source:* Own elaboration based on information from the Province Financial Management System (SIPAF) provided by the General Directorate of Budgeting (GDB) of the Province of Santa Fe.

**ANNEX B – LIST OF STAKEHOLDERS INTERVIEWED**

<b>NAME</b>	<b>POSITION/ORGANIZATION</b>
Schneider, Julio	Secretary of Finance. Ministry of Finance.
Bifarello, Mónica	Secretary of Regions, Municipal Governments, and Communes. Ministry of Government and State Reform.
Gonnet, María Cristina	General Accountant of the Province. Ministry of Finance.
Aragona, Carina	General Auditor of the Province.
Rojas, Carlos	General Treasurer of the Province. Ministry of Finance.
Amlser, Juan Manuel	General Sub-treasurer of the Province. Ministry of Finance.
Rodríguez, Stella Maris	General Director of Budgeting. Ministry of Finance.
Epelbaum, Alejandro	General Sub-director. General Directorate of Budgeting. Ministry of Finance.
Piedrabuena, Carolina	Secretary of Finance Technical Assistant. Ministry of Finance.
Tribolo, Mónica	General Director of Human Resources. Sub-secretariat of Human Resources. Ministry of Finance.
Fernández, Liliana	Person in charge of Information Technology. Directorate of Human Resources. Ministry of Finance.
Gonzalo Saglione	Secretary of Finance. Ministry of Finance.
Pablo Gorban	Secretary of Treasury. Ministry of Finance.
Raúl Gimenez	Sub-General Accountant of the Province. Ministry of Finance.
José Carlos Farías	Advisor, General Treasurer of the Province. Ministry of Finance.
Lucrecia Inés Maldonado	Director Public Investment of the Province
Silvina Michelli	Head, IT Unit Ministry of Finance
Daniela Capozzolo	Head, SIPAF Project
Adriana Sacc	Head, SIPAF Project
Luis Nocioni	Head, HRM IT teams, HRCSS