



# BUDGET BILL 2022

## PUBLIC DEBT

**Director**

Marcos Makón

**Director of Sustainability and Public Debt Analysis**

Mariano Ortiz Villafañe

**Analysts**

Florencia Calligaro – Eugenia Carrasco – Federico Cuba

October 27, 2021

ISSN 2683-9598

## Contents

Executive Summary .....	3
Interest Expenditure .....	4
Financing .....	4
Central Bank financial assistance to the Treasury .....	8
Debt Authorizations.....	8

## List of Tables

Table 1. National Government Financial Sources and Financial Applications.....	5
Table 2. Debt Authorizations: Sec. 39, 45 and 47.....	9
Table 3. Debt Authorizations: Sec. 40 and 41.....	10

## List of Figures

Figure 1. Interest Expenditure of the National Non-Financial Public Sector .....	4
Figure 2. Disbursements from International Organizations.....	6
Figure 3. Financial Program 2022.....	7
Figure 4. BCRA Net Financial Assistance to the Treasury .....	8
Figure 5. Amounts authorized for loan subscription.....	10
Figure 6. Debt Authorizations: intra-year bills to comply with the financial program .....	11

## Executive Summary

This report contains a summary of the main aspects of the 2022 Budget Bill (PP2022) related to public debt service and budgetary financing. The analysis is based on the Budget Bill and Message submitted to the Congress.

For next year, PP2022 includes National Government (NG) interest payments of ARS1,096,913 million, including interest within the public sector. The weight of interest on total expenditure would increase from 7.1% in 2021 to 8.2% in 2022. Including government-owned companies, trust funds and other entities, the estimated interest expenditure of the National Non-Financial Public Sector (NFPS) would increase from 1.7% of GDP in 2021 to 1.9% of GDP in 2022. Part of the projected increase is the result of the higher interest rates that will accrue in 2022 on securities issued under the restructuring of public debt in foreign currency completed in September 2020, which have an increasing coupon ("step up") structure.

Projected financing needs for 2022 total 17.5% of GDP, including the financial deficit, debt amortizations and net financial investment. They are expected to be covered by gross placements of government securities (including those within the public sector) for 10.7% of GDP, gross granting of Temporary Advances from the Central Bank of the Argentine Republic (BCRA) for 3.8% of GDP and gross disbursements from international organizations for 2.9% of GDP. Excluding amortizations, net financing from international organizations is expected to amount to 2.4% of GDP, Temporary Advances to 1.8% of GDP and the issuance of securities in pesos and foreign currency to 2.5% and 0.2% of GDP, respectively.

The BCRA's net assistance to the Treasury would reach 1.8% of GDP in 2022 and would be made effective exclusively through the net granting of Temporary Advances, since no profit transfers from the BCRA to the Treasury are expected and only the issuance of non-transferable bills in favor of the BCRA is considered to refinance the maturities scheduled for other similar securities.

Chapter VII of PP2022 contains several Sections that authorize the formalization of public credit operations during fiscal year 2022, under the terms of Section 60 of Law 24,156 of Financial Administration. Sections 39, 45 and 47 of the PP2022 set limits to the gross amounts of issuance of securities and contracting of loans maturing after the end of fiscal year 2022, with a total authorized amount of ARS6.59 trillion, USD32,993 million and EUR287 million. As for the authorization to obtain loans, 42% of the total amount authorized is for projects related to the energy sector.

Sections 40 and 41 authorize the use of short-term credit (maturing within the same fiscal year), establishing limits on the outstanding amounts of such instruments totaling ARS2.78 trillion. The maximum outstanding amount of these instruments reached 83% of the authorized limit in 2019, 84% in 2020 and 57% so far in 2021.

## Interest Expenditure

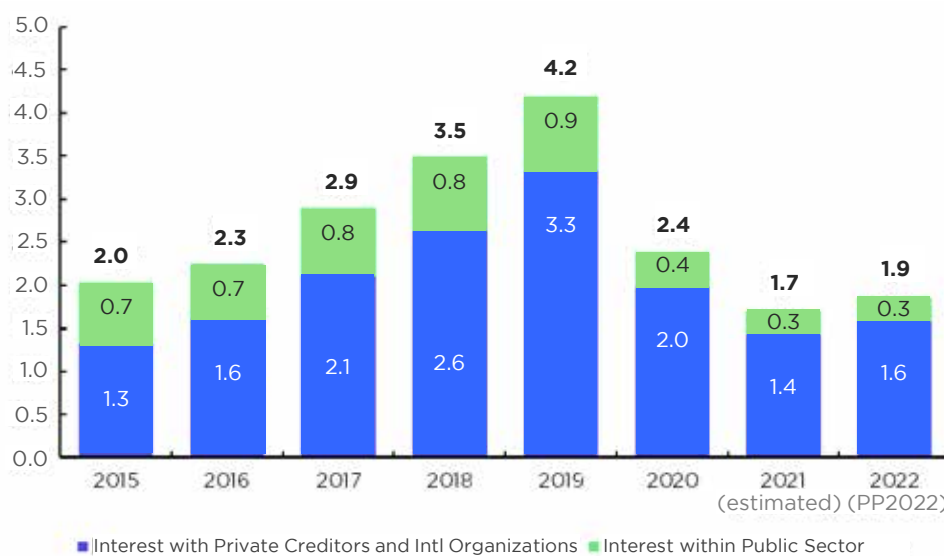
For 2021, **National Government** interest payments are estimated at ARS720,638 million, including interest to be paid to agencies within National Government and adding the increase of ARS30,000 million in the respective budget allocation, which was approved after the submission of the Budget Bill 2022 (PP2022) through Necessity and Urgency Decree (DNU) 622/2021. For next year, the PP2022 includes interests for ARS1,096,913 million, of which 38% would be in foreign currency. The proportion of Interest in total expenditure would increase from 7.1% in 2021 to 8.2% in 2022.

Also considering government-owned companies, trust funds and other entities, the estimated interest expenditure of the **National Non-Financial Public Sector (NFPS)** for 2021 is ARS733,968 million, equivalent to 1.7% of GDP. Of this total, 17% (0.3% of GDP) consists of interest paid to agencies of the NFPS, mainly the Sustainability Guarantee Fund (FGS). Therefore, interest expenditure in 2021 is ARS82,041 million higher than in 2020, but implies a drop of 0.7 percentage points in relation to GDP.

For next year, PP2022 includes interest payments on NFPS debt for ARS1,114,411 million, equivalent to 1.9% of GDP, of which 15% (0.3% of GDP) would be within the public sector. Part of the projected increase is the result of the higher interest rates that will accrue in 2022 on securities issued under the restructuring of public debt in foreign currency completed in September 2020, which have an increasing coupon ("step up") structure.

**Figure 1. Interest Expenditure of the National Non-Financial Public Sector**

% of GDP



SOURCE: OPC, based on 2022 Budget Bill and Ministry of Economy.

## Financing

Financial Sources and Financial Applications constitute what are commonly referred to as "below-the-line" operations of the Savings-Investment-Financing Scheme. They include the financing and payment of principal services of public debt operations with private creditors and public sector agencies, as well as movements of liabilities that are not part of the public debt (such as the consolidation of debts with suppliers) and other financial asset transactions classified as Financial Investments (advances to suppliers and contractors, cash and bank transactions, among others).

**Table 1. National Government Financial Sources and Applications**

In millions of ARS

	2022
<b>A. Financial Balance</b>	<b>-3,135,856</b>
<b>Financial Sources</b>	<b>10,606,437</b>
<b>1 - Public debt and increase of liabilities</b>	<b>10,503,966</b>
Government securities	3,100,673
Placement Consolidation Bonds (BOCON)	8,600
Trust Funds and others	2,101,410
Sustainability Guarantee Fund (FGS)	1,256,259
Disbursements from International Organizations	1,737,824
<i>IDB</i>	185,569
<i>IBRD</i>	83,750
<i>CAF, FIDA, FONPLATA and others</i>	1,468,505
Temporary advances from the BCRA	2,299,200
<b>2 - Decrease in Financial Investment</b>	<b>102,471</b>
Reimbursement from Provinces (Debt Service - Securities)	62,827
Financial Assistance to Provinces	2,122
Decrease in Cash and Banks (Rest of National Government)	33,537
Others	3,985
<b>Financial Applications</b>	<b>7,470,582</b>
<b>3 - Debt Amortization</b>	<b>6,762,346</b>
International Organizations	283,111
<i>IDB</i>	97,647
<i>IBRD</i>	36,132
<i>CAF</i>	66,339
<i>Others</i>	82,993
Government Securities	1,931,499
<i>BONAR</i>	58,456
<i>BONCER</i>	1,369,826
<i>BONAD</i>	200,865
<i>BONTE</i>	302,352
Consolidated Debt (BOCON)	8,600
Various Restructurings	17,624
Cancellation of Temporary Advances BCRA	1,219,200
Debt Secretariat of Energy Resolution No. 406/03	21,280
Social Security Institutions - Amortization Cash Debts	141,234
Treasury Bills	2,977,342
<i>Within Public Sector</i>	216,775
<i>Market</i>	1,870,831
<i>BCRA</i>	889,736
Executive Order 458/2021 - Refinancing Agreements with the Provinces	10,477
Court Rulings	10,076
Others National Government	141,902
<b>4 - Financial Investment</b>	<b>708,236</b>
Financial Assistance to Provinces/Financial Advances	113,586
National Treasury Contribution Fund (ATN)	45,736
Productive Infrastructure and Agricultural Services	7,083
Hydraulic Infrastructure Development	3,365
Support for the Development of Public Works	2,528
Advances to Suppliers and Contractors	57,944
Increase in Temporary Financial Investments (ANSES)	9,500
Production Financing	16,475
Investment in Securities (ANSES)	217,602
Increase in Cash and Banks	159,415
Loans - Argentine Integrated Pension System	73,913
Others	1,089

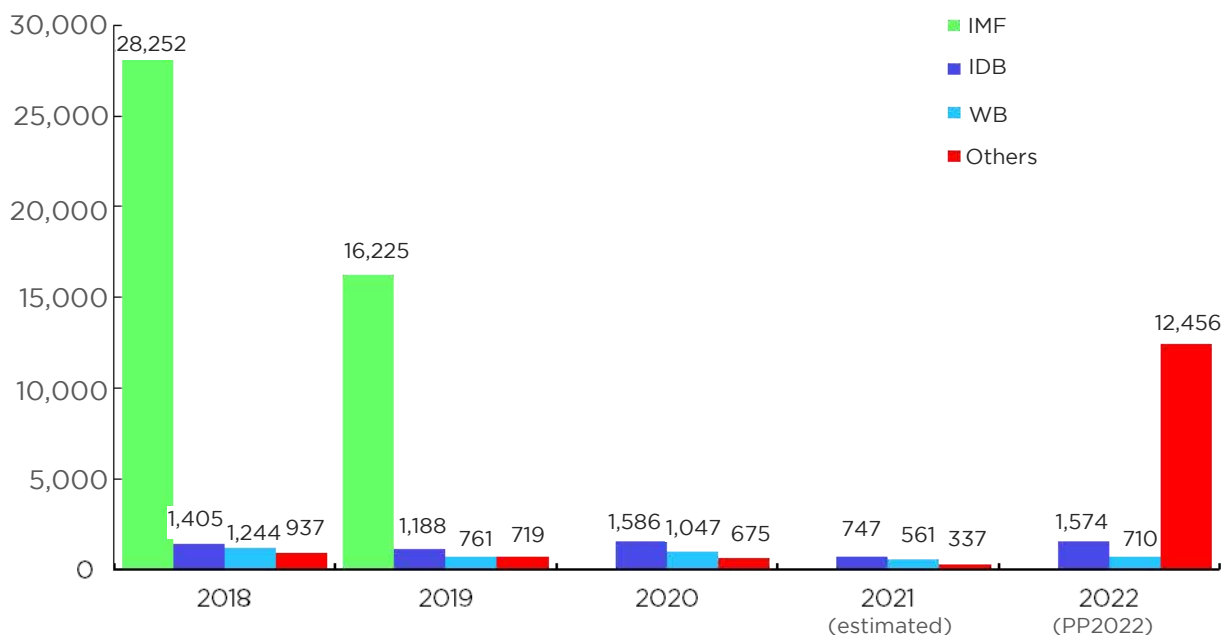
SOURCE: 2022 Budget Bill.

For 2022, the Budget Bill estimates that the National Government Financial Applications will reach ARS7,470,582 million (ARS6,762,346 million of Debt Amortization and ARS708,236 million of Financial Investments). The Financial Sources are estimated at ARS10,606,437 million (ARS10,503,966 million of Public Debt and Increase in Liabilities and ARS102,471 million of Decrease in Financial Investment). The difference between Sources and Applications represents the Net Financing necessary to cover the Financial Deficit of ARS3,135,856 million.

As for **Public Debt and Increase in Liabilities**, placements to the FGS, trust funds and other agencies for ARS3,357,669 million, other gross placements of government securities for ARS3,100,673 million and Temporary Advances from the BCRA for ARS2,299,200<sup>1</sup> million stand out. Furthermore, new disbursements from international organizations are expected for ARS1,737,824 million (equivalent to USD14,740 million, of which USD1,574 million would be from the IDB, USD710 million from the World Bank and the remaining USD12,456 million from CAF, FIDA, FONPLATA and others). This last amount is substantially higher than what has been received in recent years, except for the disbursements from the IMF Stand By program in 2018 and 2019 (Figure 2).

**Figure 2. Disbursements from International Organizations**

In millions of USD



Note: PP2022 does not specify all the organizations that are included in the "Others" category.

SOURCE: OPC, based on Ministry of Economy and 2022 Budget Bill.

Within **Debt Amortization**, Treasury bills for ARS2,977,342 million, of which ARS1,870,831 million are market bills, and bonds for ARS1,931,499 million, of which ARS1,369,826 million are BONCERs, stand out. On the other hand, the gross cancellation of Temporary Advances from the BCRA for ARS1,219,200 million is expected. Amortizations of loans from international organizations total ARS283,111 million, being the IDB the main one for ARS97,647 million.

Additionally, PP2022 includes payments for amortization of debts in cash to Social Security Institutions for ARS141,234 million and debts of other National Government entities for ARS141,902 million. In addition, ARS21,280 million are budgeted for the consolidation of debts related to the operation of the Wholesale Electricity Market (MEM) in accordance with Resolution of the Secretariat of Energy No.406/2003, ARS17,624 million for restructuring, ARS10,477 million for refinancing

<sup>1</sup> Financial sources include debt maturing after year-end. For securities that are issued and mature in the same fiscal year, placement and repayment have no budgetary impact and only the interest paid is recorded.

agreements with the provinces (Executive Order 458/2021), ARS10,076 million for the payment arising from court rulings and ARS8,600 million for the consolidation of debts.

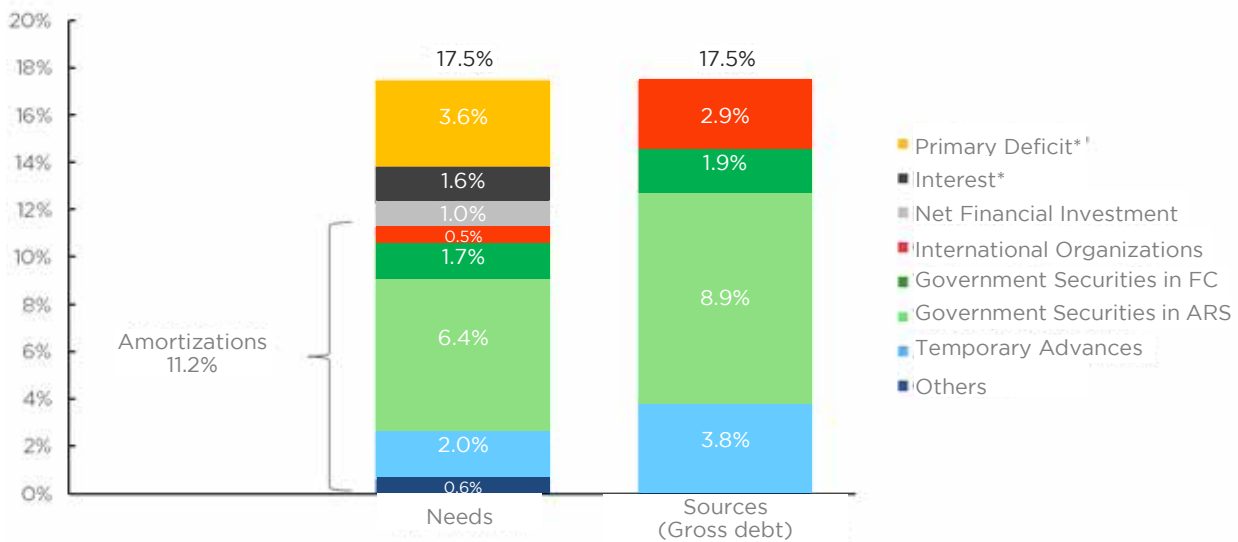
PP2022 does not include provisions for the amortization payments of the IMF Stand By loan (which by 2022 has principal maturities for the equivalent of USD17,867 million) or the outstanding debt with the Paris Club (after the partial payment of USD195 million scheduled for February 2022, there will be a remaining balance of approximately USD2,000 million). In accordance with the Budget Message, it is assumed that these obligations will be renegotiated and postponed beyond 2024.

As for the IMF, the usual practice for loan renegotiations does not formally imply a modification of the originally agreed payment dates, but rather a new loan is granted and used to cancel all or part of the maturities of the original loan, in which case simultaneous budgetary entries should be made for amortizations and new debt.

In relation to GDP, the projected financing needs for 2022 total 17.5% of GDP, including the financial deficit, debt amortizations and net financial investment. The PP2022 forecasts that they will be covered with gross placements of government securities (including within the public sector) for 10.7% of GDP, gross granting of Temporary Advances from the BCRA for 3.8% of GDP and gross disbursements from international organizations for 2.9% of GDP (Figure 3). After deducting the respective amortizations, net financing from international organizations for 2.4% of GDP, from Temporary Advances for 1.8% of GDP and from the issuance of securities in pesos and in foreign currency for 2.5% and 0.2% of GDP, respectively, are expected.

**Figure 3. Financial Program 2022**

National Government; as % of GDP



\* Excludes income received within the public sector and interest paid within the public sector.

SORUCE: OPC, based on 2022 Budget Bill

PP2022 Foreign Exchange Budget includes positive net debt in foreign currency for the coming year. New debt in foreign currency is projected to total 4.8% of GDP, while projected debt service in foreign currency includes amortization and interest of 2.2% and 0.7% of GDP, respectively.<sup>2</sup>

<sup>2</sup> Debt accounts for 99.9% of foreign currency resources, while debt service accounts for 92.3% of budgeted expenditures.

## Central Bank financial assistance to the Treasury

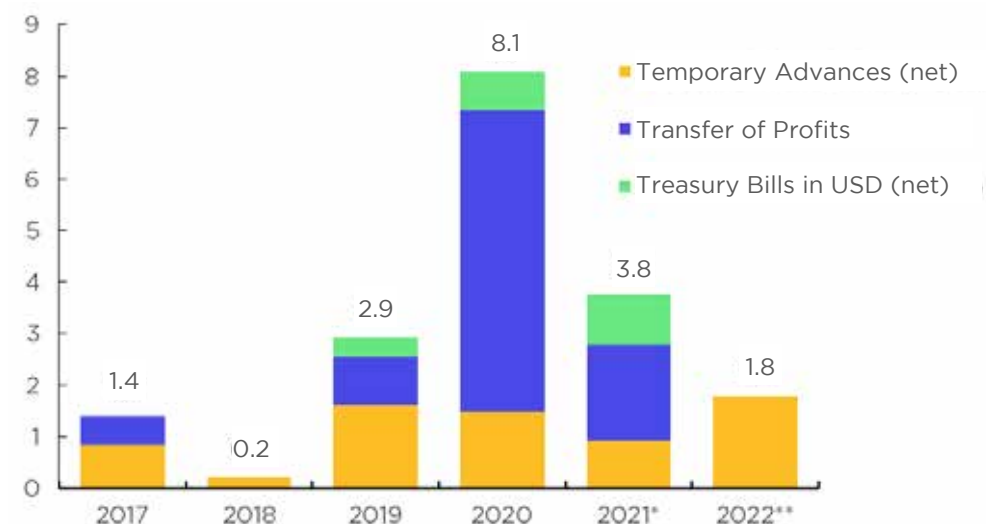
There are three main instruments through which the BCRA can provide direct financial assistance to the Treasury: the transfer of profits, the granting of Temporary Advances and the primary subscription of government securities (typically Treasury Bills) by the monetary authority<sup>3</sup>. Temporary Advances and Treasury Bills are part of the gross public debt, and their movements are recorded in the public accounts "below the line" as debt and amortizations. On the other hand, the BCRA's profit transfers to the Treasury do not imply variations in the public debt and are recorded in the budget as Treasury revenues from property income.

Under PP2022, the gross flows of amortization (ARS1,219,200 million) and new disbursements (ARS2,299,200 million) of Temporary Advances result in a net financing by this means of ARS1.08 trillion in 2022 (1.8% of GDP). On the other hand, two non-transferable bills issued by the Treasury in favor of the BCRA for a total of USD7,758 million mature in 2022. The PP2022 only includes the refinancing of these bills through the issuance of new non-transferable bills maturing after 2024. Finally, no transfers of profits by the BCRA to the Treasury are projected in 2022.

Thus, the BCRA's net assistance would total 1.8% of GDP, a decrease with respect to what was budgeted for 2021 (3.7% of GDP, Figure 4).

**Figure 4. BCRA Net Financial Assistance to the Treasury**

As % of GDP



\* Budget in force. \*\*Under PP2022

Note: Interest payments on government securities held by the BCRA are not considered.

SOURCE: OPC, based on 2022 Budget Bill and BCRA.

## Debt Authorizations

Chapter VII of PP2022 contains several Sections that authorize the formalization of public credit operations during fiscal year 2022, under the terms of Section 60 of [Law 24,156 of Financial Administration](#).

Sections 39, 45 and 47 of the PP2022 set limits to the gross amounts of issuance of securities and contracting of loans maturing after the end of fiscal year 2022, with a total authorized amount of ARS6.59 trillion, USD32,993 million and EUR287 million. By way of comparison, in accordance with



the [2021 Budget Law 27,591](#) as amended, the amount authorized for these operations for the current year is ARS4.62 trillion, USD20,899 million and EUR150 million.<sup>4</sup>

PP2022 does not include a maximum percentage for the issuance of government securities in foreign currency and under foreign legislation and jurisdiction with respect to the total amount of government securities issuances authorized for the fiscal year, a requirement established in Section 1 of [Law 27,612 on Strengthening the Sustainability of the Public Debt](#), enacted in March 2021.

**Table 2. Debt Authorizations: Sec. 39, 45 and 47**

Limits on issuance amounts; amounts in millions

Sec.	Instrument	Authorized entity	Purpose	Minimum term	Currency	Authorized amount
39	Government Securities or Loans	Central Administration	Debt and operating expenditures	90 days to 4 years	ARS	6,580,000
	Loans	Central Administration	Various	3 years	EUR	287
					USD	29,094
45	Guarantees	Secretariat of Treasury and Secretariat of Finance	Various	At sight/3 years	USD	3,899
47	Consolidation Bonds	Secretariat of Treasury and Secretariat of Finance	Debt consolidation	-	ARS	8,600

SOURCE: OPC, based on 2022 Budget Bill.

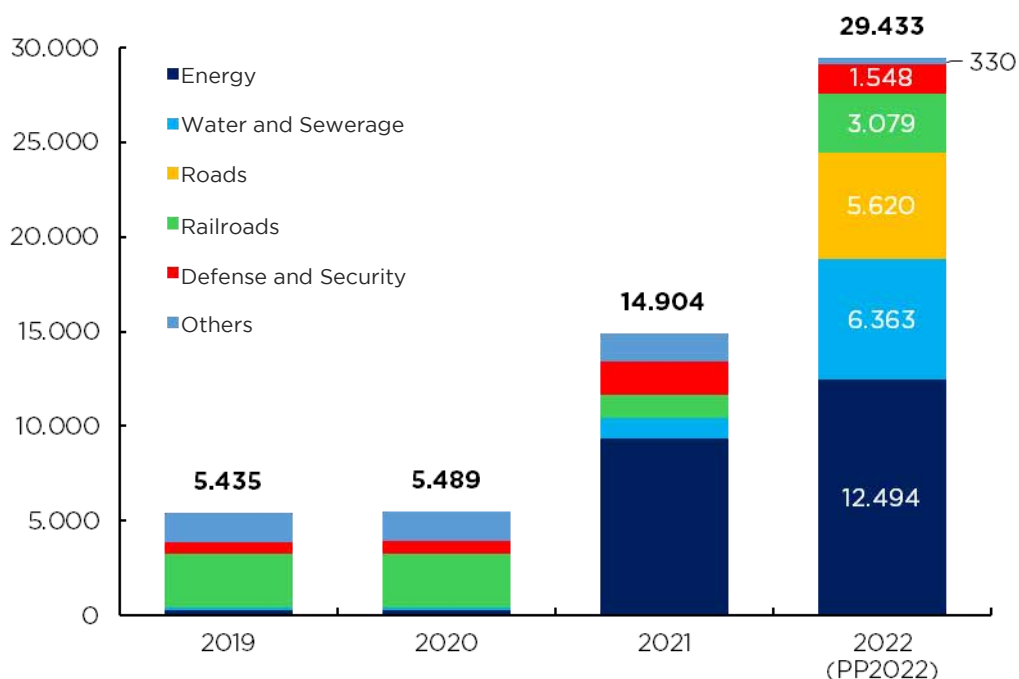
The maximum amount authorized for loans under Section 39 is detailed by loan in a spreadsheet annexed to PP2022<sup>5</sup>. As for the purpose of financing, 42% of the total amount authorized relates to energy projects, such as the Atucha III Nuclear Power Plant (US\$7,900 million), the Chihuidos Multipurpose Project (US\$2,300 million), electricity transmission works (US\$1,300 million) and the Greater Buenos Aires Area (AMBA) Electricity Transmission System (US\$709 million). Of the financing for projects related to water and sewerage, the USD5,600 million for aqueducts stands out. On the other hand, USD3,079 million of the authorized amounts are allocated to finance the rehabilitation, modernization, and procurement of rolling stock for various railroad networks, and USD3,390 million to works on national roads (Figure 5).

<sup>4</sup> In addition to the authorizations included in the Budget Law, [DNU 389/2021](#) authorized the issuance of guarantees to IEASA for USD 200 million and the placement of Consolidation Bonds for an additional ARS4,860 million. [DNU 517/2021](#) authorized the issuance and placement of ten-year term securities for ARS11,807 million to *Banco de la Nación Argentina* (Bank of the Argentine Nation).

<sup>5</sup> It does not include loans from international credit organizations since these do not require individual authorization in each Budget Law, in accordance with the exception provided for in Section 60 of Law 24,156 of Financial Administration.

**Figure 5. Amounts authorized for loan subscription**

Limits on total loan amount; amounts in billions of dollars



SOURCE: OPC, based on 2022 Budget Bill.

Sections 40 and 41 authorize the use of short-term credit (maturing within the same fiscal year), establishing limits on the outstanding amounts of such instruments totaling ARS2.78 trillion. Instead of establishing limits on the gross amount to be issued, maximum limits are set on the outstanding amounts of these instruments. Therefore, as these instruments mature, they free margin for new issuances. The maximum outstanding amount of these instruments reached 83% of the authorized limit in 2019, 84% in 2020 and 57% so far in 2021 (Figure 6).

**Table 3. Debt Authorizations: Sec. 40 and 41**

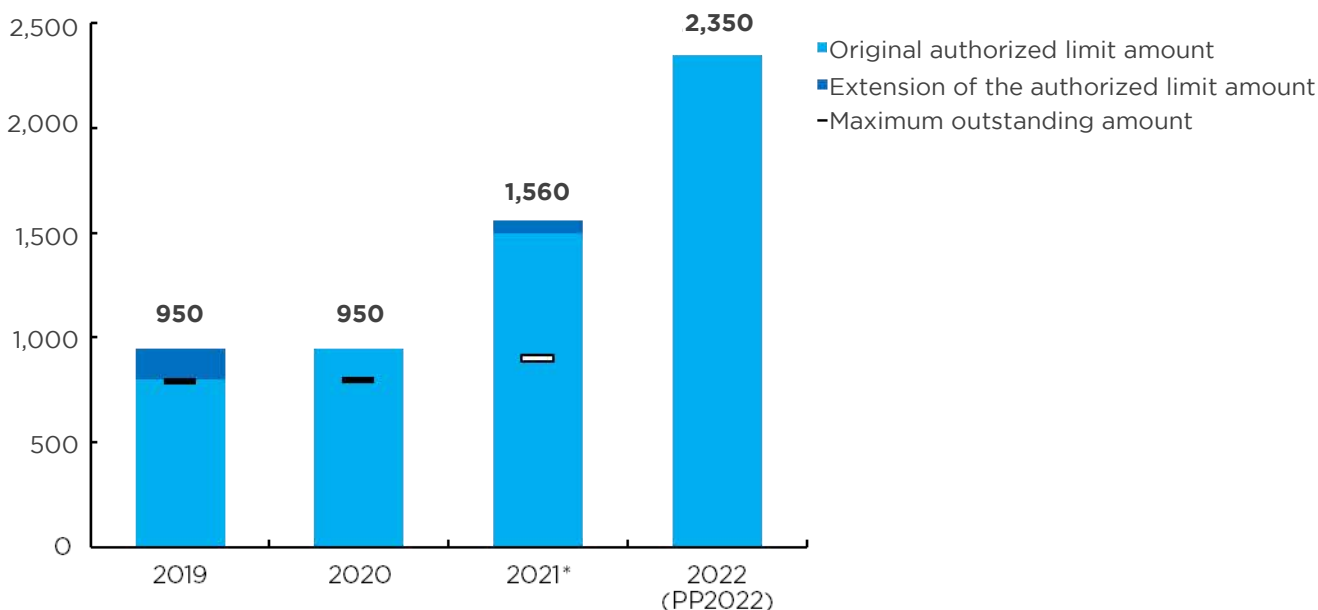
Limits on outstanding amounts; amounts in millions of ARS

Sec.	Instrument	Authorized entity	Purpose	Term	Authorized amount
40	Treasury Bills	Secretariat of Treasury and Secretariat of Finance	Financial Program	Same fiscal year	2,350,000
41	Short-term credit	General Treasury of the Nation	Seasonal cash shortages	Same fiscal year	250,000
	Short-term credit	National Social Security Administration	Seasonal cash shortages	Same fiscal year	180,000

SOURCE: OPC, based on 2022 Budget Bill.

**Figure 6. Debt Authorizations: intra-year bills to comply with the financial program**

Limits on outstanding amounts; amounts in billions of ARS



\*The maximum outstanding amount for 2021 represents the maximum amount recorded as of September 30.

SOURCE: OPC, based on 2022 Budget Law and previous Budget Laws as amended.

There are several factors that contribute to explain the difference between the amounts of debt authorized by PP2022 and the Financial Sources expected:

- The authorizations to obtain loans maturing after fiscal year 2022 (Sec. 39) refer to the total amount of loans, which could be disbursed in different fiscal years, while the Financial Sources only include the disbursements expected for 2022. Similarly, the budgeted Financial Sources may include disbursements of loans arranged in previous fiscal years.
- Section 39 authorizations include loans for specific projects (works, procurement of capital goods) that may not be considered in the budget appropriations (neither the debt nor the related expenditure). For such cases, Sec. 8 of PP2022 entitles the Chief of Cabinet of Ministers to increase budget appropriations to the extent that they are financed with such loans or with disbursements from international organizations. In other words, they are added to the budget only in those cases in which the authorized loans are made effective.
- The amount of authorized debt includes instruments maturing within the fiscal year 2022 (Sec. 40 and 41, mainly Treasury Bills), the issuance of which is not recorded in the budget under Financial Sources. Neither is their cancellation recorded under Financial Applications, only the respective interest is recorded under operating expenditures.
- Since this is indirect debt (in which the principal debtor is not the Treasury), the authorized issuance of guarantees does not provide financing to the Treasury.
- Financial Sources include disbursements from international organizations (World Bank, IDB, CAF) that do not require individual authorization in each Budget Law, in accordance with the exception provided for in Section 60 of Law 24,156 on Financial Administration.
- Financial Sources include financing through Temporary Advances from the BCRA, which does not require authorization in each Budget Law, but it is made in accordance with the limits established in [Law 24,144 \(Charter of the BCRA\)](#).

### **OPC Publications**

The Argentine Congressional Budget Office was created by Law 27,343 to provide support to the Legislative Branch and deepen the understanding of issues involving public resources, democratizing knowledge and decision making. It is a technical office of fiscal analysis that produces reports open to the public.

This report does not contain binding recommendations.

**[www.opc.gob.ar](http://www.opc.gob.ar)**

