OFICINA DE PRESUPUESTO DEL CONGRESO

GENERAL DESCRIPTION OF THE CONTENTS OF THE 2023 NATIONAL GOVERNMENT BUDGET BILL

Director
Marcos Makón

Director of Fiscal and Tax Analysis
Carlos Guberman
Director of Sustainability and Public Debt Analysis
Mariano Ortíz Villafañe
Director of Studies, Analysis and Evaluation
María Eugenia David Du Mutel de Pierrepont

Analysts
Pablo Barousse – María Laura Cafarelli – Julieta Olivieri
Marcela de Maya – Pedro Velasco – Luciana Tobes
Florencia Calligaro – Eugenia Carrasco
María Pía Brugiafreddo - Ruth Petcoff

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Contents

List of Tables

List of Figures

Executive Summary

The 2023 National Government Budget Bill (PP2023) estimates a growth in Gross Domestic Product (GDP)[1] of 4% year-on-year (YoY) in real terms for 2022 and 2% for 2023. In addition, all components of aggregate demand are expected to increase in real terms in both fiscal years.

The Bill estimates an inflation rate of 95% YoY up to December 2022 and 60% for December 2023. Thus, average inflation for 2022 would be 72.5% YoY and 76.1% YoY in 2023. As for the nominal exchange rate, the projected variations for both year-end reach 63.4% YoY and 62.1% YoY, respectively. These values imply average annual variations of 36.3% and 68.2% for 2022 and 2023, respectively.

It is estimated that Exports of Goods and Services will grow 18.4% and Imports will increase 32.8% in 2022, resulting in a Trade Balance of USD 7.751 billion, a value lower than that recorded in 2021. In 2023 this balance would increase, again reaching historically high values.

National Accounts projections show GDP dynamics compatible with those of the different components of aggregate demand. However, changes are expected in the composition of the different components of aggregate demand with an increasing importance of foreign trade.

The Bill forecasts a real growth in total revenues of 1.1% YoY[2] for 2023, because of the increase in tax revenues (0.4% YoY), Social Security contributions (4.1% YoY) and non-tax revenues (21.0% YoY). Tax revenues are expected to be boosted by the expected collection of the two main taxes, VAT, and Income Tax, which are estimated to increase by 2.6% YoY and 1.6% YoY, respectively.

Primary expenditure is projected to fall by 4.3% YoY, mainly due to the drop in energy subsidies (16.0% YoY) and in social benefits (2.8% YoY). The drop in social benefits is due to the high base of comparison, since the year 2022 includes an amount of ARS499.806 billion in extraordinary bonuses. On the other hand, the component of primary expenditure that would increase the most in 2023 is capital expenditures (5.1% YoY), and personnel expenses is expected to increase by 0.4% YoY. Likewise, debt interest is estimated to grow by 15.1% YoY.

The dynamics between revenues and expenditures would result in improvements in economic (-3.7% to -2.8%), primary (-3.6% to -2.5%) and financial (-5.2% to -4.3%) results in relation to GDP.

The Bill contains 101 Sections, of which 38 are new, 15 are amended and 48 are unchanged, with respect to the Budget Law in force, which is an extension of the Budget enacted for the fiscal year 2021. Of these, there are approximately 55 Sections that are not directly and exclusively related to the approval, execution, and evaluation of the Budget, in accordance with the provisions of Section 20 of Law 24,156, on Financial Administration and Control Systems of the National Public Sector.

[1] GDP amounts are those reported by the Secretariat of Economic Policy of the Ministry of Economy. For 2022: 81,755,642 and for 2023: 147,171,896 (in millions of current ARS).
[2] For the calculation of real variations, an average annual inflation rate of 76.1%, provided by the Secretariat of Economic Policy of the Ministry of Economy, is used.

Introduction

The National Executive Branch submitted the National Government Budget Bill for fiscal year 2023 to the Chamber of Deputies, within the framework of the provisions of Section 100, subsection 6 of the National Constitution.

The Budget proposal includes the Message, the Bill, the annexes, the fascicles by jurisdiction and entity, and the annex of statistics by geographic location.

The 2023 Budget Bill Message includes the budgetary policy on expenditure priorities in five pillars: 1) Infrastructure, 2) Health, 3) Education, 4) Science and Innovation and 5) Social Inclusion with a Gender Perspective. It also details the public investment policy, estimated tax revenues and expenditures, public financing and public debt, public sector employment policy and management, and fiscal coordination with the provinces. There is a section on the analysis of expenditure by purpose and function and of the cross-cutting categories of the national budget, which includes: 1) gender equality, 2) children and adolescents, 3) assistance to persons with disabilities, and 4) sustainable environment and climate development. It also includes the detail of the estimated public production of the main budgetary programs for 2023 and the linkage of the National Budget with the Sustainable Development Goals (SDGs).

Finally, in accordance with current regulations, the projections for Trust Funds, State-Owned Enterprises and Other Entities, as well as the consolidated Budget of the National Public Sector, and the Foreign Exchange Budget are included.

This report analyzes the estimates of the macroeconomic variables on which the 2023 Budget and the 2022 closing projection are formulated, the results expected for next year compared to the estimates for the closing of this fiscal year, the evolution and expected composition of the resources of the National Government and of the expenditures by economic nature. The following are presented as annexes: I. Analysis of the consistency of macroeconomic projections, and II. Analysis of the Budget Bill provisions.

This report is of a general nature and contains the main aspects of the Budget Bill for the year 2023. Additionally, and separately, the OPC will analyze in detail specific budgetary aspects[3], complementing and enriching the study presented in this report.

[3] Specific reports will analyze national public sector tax revenue, financing, national public investment, and cross-cutting policies (gender equality, assistance to persons with disabilities, children and adolescents and sustainable environment and climate change). These reports will be available at: https://opc.gob.ar/

Description of macroeconomic projections

The Budget Bill for the year 2023 included macroeconomic projections up to the year 2025. However, this section analyzes the projections for fiscal years 2022 and 2023, since those are the projections that have an impact on revenue and expenditure estimates for fiscal year 2023.

Gross Domestic Product (GDP) and components of aggregate demand

The Executive Branch projects a real GDP growth of 4% (YoY) for 2022. Based on the information published by INDEC (National Institute of Statistics and Census) at the time this report was prepared, GDP recorded a 6.5% (YoY) growth in the first half of the year. Therefore, the annual projection in PP2023 implies that in the second half of 2022 the Argentine economy would grow by 1.6% YoY.

As for the components of aggregate demand, the official projection forecasts that all of them will show growth throughout 2022. Investment and Imports would record the highest expansion rate, with a growth of 10% YoY and 16.7% YoY, respectively. Private Consumption, which is the main component of aggregate demand, would increase by 6.5% YoY in 2023.

Except for Public Consumption, a strong reduction in the year-on-year growth rates between the first and second half of the year can be observed for all the components of Aggregate Demand.

For 2023, the Budget Bill projects a GDP growth of 2%. The components of aggregate demand would also show a positive variation in 2023, although more moderate than that projected for 2022.

Table 1. Projected 2022 GDP and components of aggregate demand, constant prices

2022 and 2023, YoY var. %

Concept	GDP	Imports	Private Consumption	Public Consumption	Exports	Investment
First half of 2022	6.5%	24.9%	10.8%	5.1%	9.1%	14.8%
PP2023 Projection for 2022	4.0%	16.7%	6.5%	5.2%	5.5%	10.0%
Implied year-on-year variation 2nd half of the year	1.6%	9.6%	1.9%	5.3%	2.3%	5.6%
PP2023 Projection for 2023	2.0%	2.0%	2.0%	2.0%	7.1%	2.9%

SOURCE: OPC, based on 2023 Budget Bill and INDEC.

Growth projections for 2023 are impacted by statistical carryover, so growth in 2023 depends on the assumptions made in terms of the quarterly dynamics of macroeconomic aggregates.

Inflation, exchange rate and deflator

Based on PP2023 projections, the nominal exchange rate (NER) would be ARS 166.5 per dollar in December 2022 and ARS 269.9 per dollar in December 2023. These values imply an average for 2022 and 2023 of ARS 129.7 and ARS 218.9 respectively. These projections imply that the depreciation rate in the last three months of 2022 would be 5.2% per month[4], in line with that recorded in August. Throughout 2023, the average monthly rate of depreciation would be 4.1%.

As for prices, PP2023 projects a CPI variation of 95% as of December 2022 and 60% as of December 2023. The 2022 projection implies an average monthly inflation rate of 5.7% for the last quarter of the year (below the average observed in the first nine months). For 2023, the year-on-year target as of December calls for a deceleration of the monthly inflation rate towards the second half of the year, from 4.3% to 3.7% (consistent with an average inflation rate of 76.1%, as reported by the Secretariat of Economic Policy).

Table 1. Projections of NER, CPI and GDP Deflator

2022 and 2023, YoY var. %

Concept	NER December	TCN average	CPI December	CPI average	IPI 4th Quarter	IPI average
PP2023 Projection for 2022	63.4%	36.3%	95.0%	72.5%	94.0%	69.8%
PP2023 Projection for 2023	62.1%	68.2%	60.0%	76.1%	64.9%	76.4%

SOURCE: OPC, based on 2023 Budget Bill.

As a result of the dynamics of the NER and CPI, the bilateral real exchange rate would appreciate 13.1% YoY in 2022 (-8.6% as of December) and 1.8% YoY in 2023 (1.6% as of December).

Foreign trade in Goods and Services

The Executive Branch projects that the Argentine economy will have a trade surplus in Goods and Services in 2022 and 2023.

The Executive Branch projects that the Argentine economy will have a trade surplus in Goods and Services in 2022 and 2023. This year, exports of Goods and Services would amount to USD 103.523 billion, 18.4% higher than in 2021. This projection implies that the growth rate of foreign sales would increase by 3% in the second half of the year. As for imports, a total of USD 95.772 billion is projected for this year. For this to happen, imports would have to fall 4.2% compared to what was observed in the first half of the year. As a result of these dynamics, the Trade Balance in 2022 would be USD 7.751 billion, a value below than that observed in 2021.

A continuous growth of exports and a deceleration of imports is projected for 2023, resulting in an increase of 59.3% YoY in the Trade Balance, changing the trend recently observed.

This dynamic is essential for the Central Bank's strategy of accumulating international reserves to achieve the goals set forth in the agreement with the International Monetary Fund.

[4] Based on a depreciation rate of 5.7% for September, consistent with the data observed as of 09/28/22.

Table 2. Projections of Foreign Trade in Goods and Services

2022 and 2023, In millions of USD and YoY variation %

Concept	In millions USD			YoY Var. %		
	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance
First Half 2022	51,000	48,914	2,086	+28.6%	+50.6%	-70.9%
PP2023 Projection for 2022	103,523	95,772	7,751	18.4%	32.8%	-49.1%
Second Half 2022 implicit	52,523	46,858	5,665	+10.0%	+17.5%	-28.3%
PP2023 Projection for 2023	105,550	93,203	12,347	2.0%	-2.7%	59.3%

SOURCE: OPC, based on 2023 Budget Bill and INDEC.

Consistency analysis

The Budget Bill for the year 2023 includes a macroeconomic scenario until 2025, based on projections of National Accounts, Foreign Trade, Exchange Rate, and Inflation. This section analyzes the consistency between the projected values for this set of variables and identifies the possible risks in the projected trajectory.

GDP and components of aggregate demand

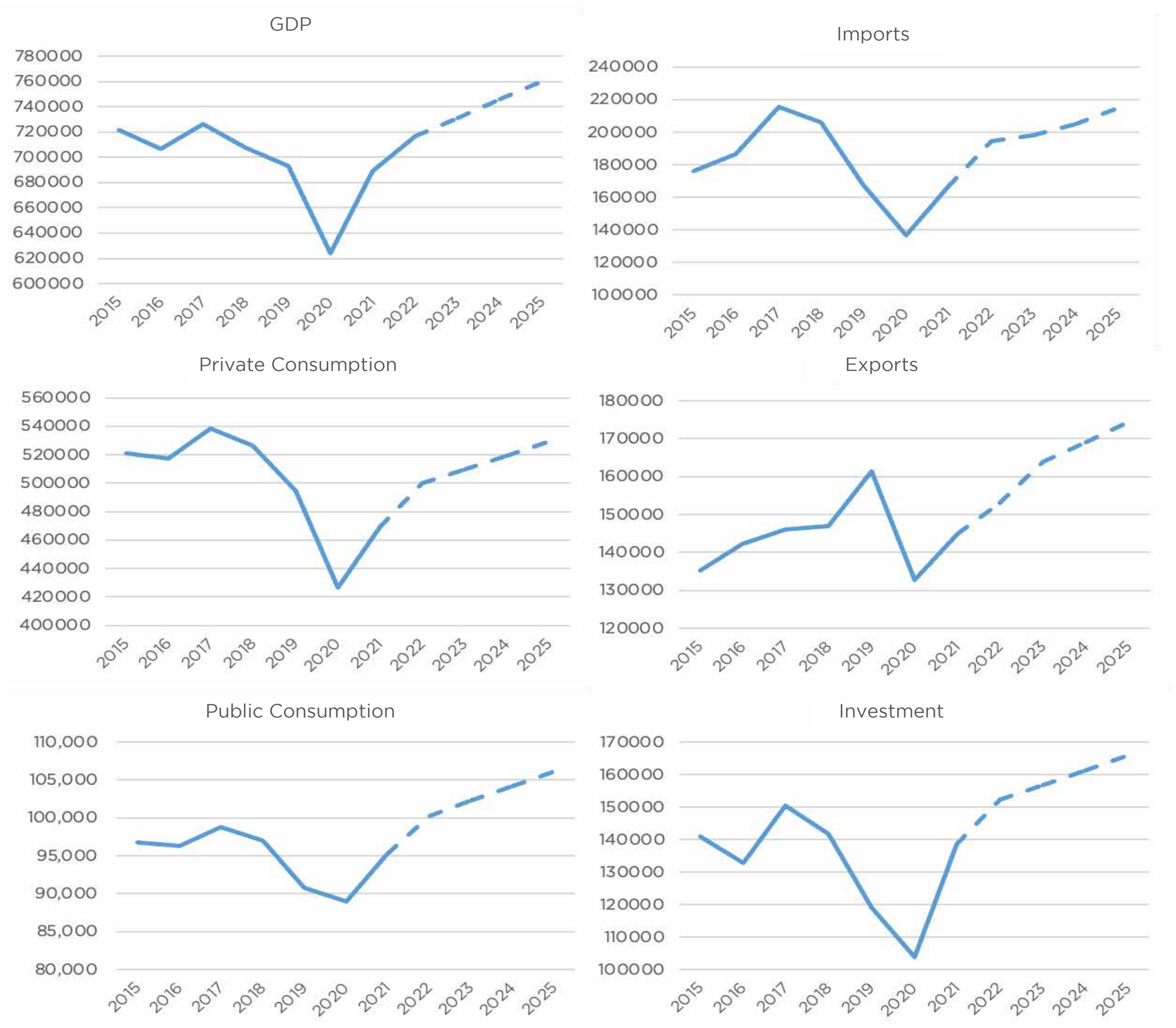
Gross Domestic Product (GDP) and aggregate demand projections are consistent with each other under some considerations and assumptions. In addition to the projections per se, PP2023 reports global growth projections (3.2% in 2022 and 2.9% in 2023).

This implies a continued upward trend in the main variables, but at a slower pace. In addition, by 2025, GDP, Public Consumption, Exports, and Investment would exceed the recently observed peaks.

The components whose deceleration would not allow surpassing their recent peaks are Imports and Private Consumption, implying a change in the behavior of these variables with respect to the recent period.

Figure 1. Expected dynamics of GDP and its components

2015-2025, in millions of constant ARS



SOURCE: OPC, based on 2023 Budget Bill and INDEC.

The description of the macroeconomic context included in PP2023 does not provide explanations on these medium-term dynamics, particularly on how the expected evolution of exports and the (albeit moderate) decoupling of investment dynamics from imports will be achieved. The change in the composition of aggregate demand, as well as the contribution of each of these components to GDP growth, is analyzed further in the Annex to this report.

Prices and Nominal Exchange Rate

PP2023 makes explicit the CPI (Consumer Price Index) and NER (Nominal Exchange Rate) projections for 2022-2025. This allows, with an estimate of RIPTE (Average taxable remuneration of stable workers) evolution for 2022-2025, inferring the underlying dynamics of the Regulated CPI, based on the correlation observed between these variables, as well as the historical incidence of these components on prices.

These scenarios show the tensions between the nominal projections included in PP2023 by requiring a growth in tariffs below that estimated for the general price level. If regulated prices were to increase above the inflation guideline, it would be necessary to use other nominal anchors (such as the nominal exchange rate or wages) to keep prices at the values projected by the Ministry of Economy.

Real Exchange Rate and Foreign Trade

The 2023 Budget Bill projects a robust real growth of Exports and Imports of Goods and Services for 2022-2025. This would also take place in a context in which relative prices of foreign trade would allow maintaining this dynamic.

From the projected evolution of the NER and CPI, using reasonable inflation assumptions in the United States and the world, we can obtain the dynamics of the Multilateral Real Exchange Rate (ITCRM) consistent with the forecasts of PP2023. It is observed that the ITCRM would fall 8.6% as of December 2022 and would have a moderate recovery in the following years.

As a result, the ITCRM at the end of 2025 would have a value similar to the average of the first four months of 2022. Thus, the ITCRM in December 2025 would be 22.7% lower than the most recent peak, reached in September 2019. This would hinder a linkage of Argentine economic dynamics with an exports-led growth scheme[5], increasing the dependence on trade policy to achieve positive net export growth contributions.

This real exchange rate dynamic would not be proportionate to explain the dynamism of foreign sales that PP2023 anticipates, which exposes the strong dependence of PP2023 export projections on crop forecasts.

Monetary aggregates, interest rate and external sector

Budget Bill 2023 does not include projections of monetary aggregates or interest rates. Although the amount on Temporary Advances projected for 2023 is made explicit, which would represent 0.6% of GDP, it is not possible to infer the projection of the Executive's Monetary Base from this value, since there are several additional unknowns, among which the Central Bank's sterilization policy and its absorption capacity, and the interest rate projection are worth mentioning. A positive real interest rate scheme, consistent with what was agreed with the IMF and a policy of control of monetary aggregates, would work against private consumption and investment, components that are projected to grow.

As for the external sector, PP2023 reports projections on the Trade Balance, but not on the rest of the Balance of Payments components. For this reason, it is not possible to analyze the consistency of the macroeconomic projections from the point of view of the relationship between the Balance of Payments, the exchange rate and the Central Bank's International Reserves.

[5] Scheme in which GDP growth is mainly driven by the increase in exports.

National Government Savings-Investment-Financing Scheme

The Budget Bill for fiscal year 2023 estimates revenues for ARS 22,304.058 billion, which would imply a real increase of 1.1% YoY and would represent a 15.2% share of GDP (15.3% in 2022). On the other hand, primary expenditures would reach ARS 26,047.602 billion implying a 4.3 % real decrease and 17.7% share of GDP (18.9% in 2022).

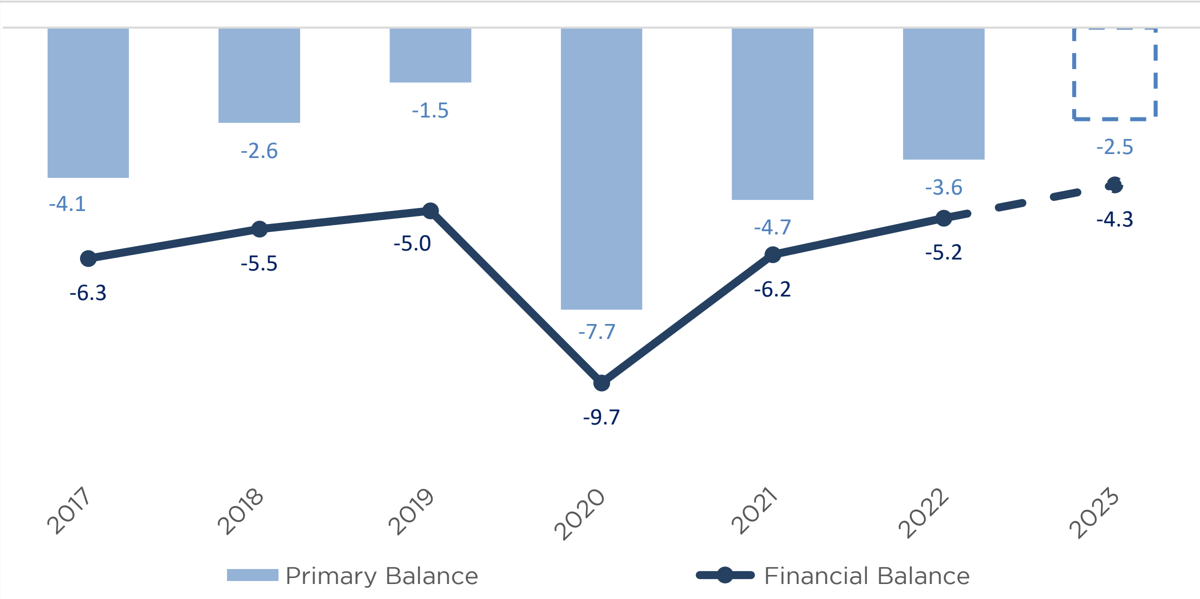
Debt interest payments are projected at ARS 2,656.308 billion, which would represent a real increase of 15.1% YoY, equivalent to 1.8% of GDP. Consequently, in the year-on-year comparison, total expenditure would fall 2.8% YoY representing a 19.5% share of GDP (-1.1 p.p. with respect to 2022).

The dynamics between revenues and primary expenditures result in a primary deficit equivalent to 2.5% of GDP (3.6% in 2022), a financial deficit of 4.3% of GDP (5.2% in 2022) and an economic deficit of 2.8% of GDP (3.7% in 2022).

The financial deficit of ARS 6,399.852 billion is expected to be financed with the difference (net financing) between estimated financial sources of ARS 30,194.668 billion and expected financial applications of ARS 23,794.816 billion.

Figure 2. Primary and financial results of the National Government

2017- 2023, as a % of GDP



Excludes BCRA profits and property income from National Government assets.
Excludes interest paid within the National Government.

SOURCE: OPC, based on 2023 Budget Bill, National Government Financial Report and INDEC.

Table 3. Savings-Investment-Financing Scheme. National Government

2022 and 2023, in millions of ARS, nom. and real var. % YoY, % of GDP and dif. in percentage points (p.p.)

Concept	Estimate for 2022	Budget Bill 2023	YoY Nom Var. %	YoY Real Var. %	2022 GDP %	2023 GDP %	DIF (p.p.)
I. Current Revenues	**12,498,620**	**22,217,285**	**77.8**	**1.0**	**15.3**	**15.1**	**-0.2**
Tax Revenues	8,484,660	14,992,864	76.7	0.4	10.4	10.2	-0.2
Social Security Contributions	3,585,710	6,570,534	83.2	4.1	4.4	4.5	0.1
Non-tax Revenues	144,253	307,276	113.0	21.0	0.2	0.2	0.0
Sale of Goods and Service	21,604	34,492	59.7	-9.3	0.0	0.0	0.0
Property Income (*)	252,734	299,900	18.7	-32.6	0.3	0.2	-0.1
Current Transfers	9,660	12,219	26.5	-28.2	0.0	0.0	0.0
II. Current Expenditures	**15,508,025**	**26,372,489**	**70.1**	**-3.4**	**19.0**	**17.9**	**-1.0**
Social Benefits	8,650,494	14,803,060	71.1	-2.8	10.6	10.1	-0.5
Economic subsidies	2,175,676	3,221,459	48.1	-15.9	2.7	2.2	-0.5
Payroll	1,720,732	3,040,276	76.7	0.4	2.1	2.1	0.0
Goods and Services	484,091	857,647	77.2	0.6	0.6	0.6	0.0
Transfers to provinces	540,000	818,151	51.5	-13.9	0.7	0.6	-0.1
Transfers to universities	521,122	805,439	54.6	-12.2	0.6	0.5	-0.1
Other current expenditures	105,566	170,149	61.2	-8.5	0.1	0.1	0.0
Interest (**)	1,310,344	2,656,308	102.7	15.1	1.6	1.8	0.2
III. Economic Result	**-3,009,405**	**-4,155,203**	**38.1**	**-21.6**	**-3.7**	**-2.8**	**0.9**
IV. Capital Revenues	**28,215**	**86,772**	**207.5**	**74.7**	**0.0**	**0.1**	**0.0**
V. Capital Expenditures	**1,259,671**	**2,331,421**	**85.1**	**5.1**	**1.5**	**1.6**	**0.0**
Real Direct Investment	394,725	717,557	81.8	3.2	0.5	0.5	0.0
Capital transfers	831,132	1,544,023	85.8	5.5	1.0	1.0	0.0
Financial investments	33,813	69,841	106.5	17.3	0.0	0.0	0.0
VI. Total Revenue	**12,526,836**	**22,304,058**	**78.1**	**1.1**	**15.3**	**15.2**	**-0.2**
VII. Total Expenditure	**16,767,696**	**28,703,910**	**71.2**	**-2.8**	**20.5**	**19.5**	**-1.0**
VIII. Primary Expenditures	**15,457,352**	**26,047,602**	**68.5**	**-4.3**	**18.9**	**17.7**	**-1.2**
IX. Primary Result (VI-VIII)	**-2,930,516**	**-3,743,544**	**27.7**	**-27.4**	**-3.6**	**-2.5**	**1.0**
X. Financial Result (VI-VII)	**-4,240,861**	**-6,399,852**	**50.9**	**-14.3**	**-5.2**	**-4.3**	**0.8**
XI. Financial sources	**17,724,131**	**30,124,615**	**70.0**	**-3.5**	**21.7**	**20.5**	**-1.2**
XII. Financial applications	**13,483,270**	**23,724,763**	**76.0**	**-0.1**	**16.5**	**16.1**	**-0.4**
Profits from within the National Government	138,739	250,121	80.3	2.4	0.2	0.2	0.0
Interest expenditure within National Gov.	138,739	250,121	80.3	2.4	0.2	0.2	0.0

There may be discrepancies between the values reported for each year and variations because of rounding.

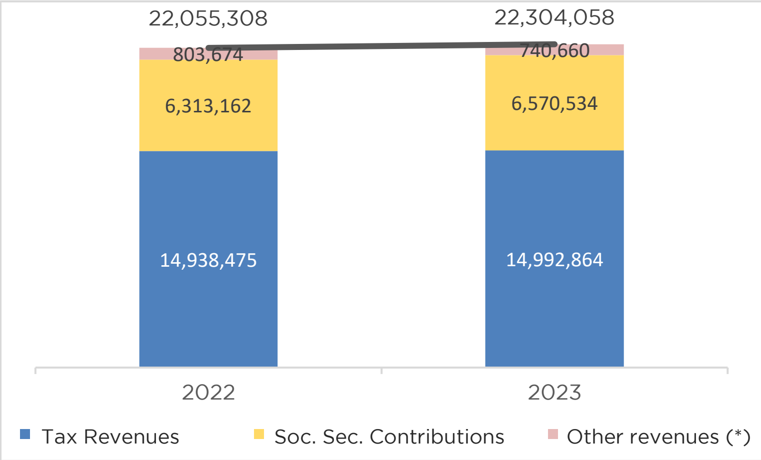
(*) Excludes property income generated by National Government assets
(**) Excludes interest paid within the National Government

SOURCE: OPC, based on 2023 Budget Bill.

Revenues

Figure 3. National Government Revenues

2022 and 2023, in millions of 2023 constant ARS



For fiscal year 2023, the Budget Bill submitted by the National Executive Branch estimates revenues for ARS 22,304.058 billion, which represents a share in GDP of 15.2% (15.3% in 2022), and an expansion in real terms of 1.1% YoY, with respect to the amount estimated for the year 2022.

(*) Excludes property income generated by National Government assets

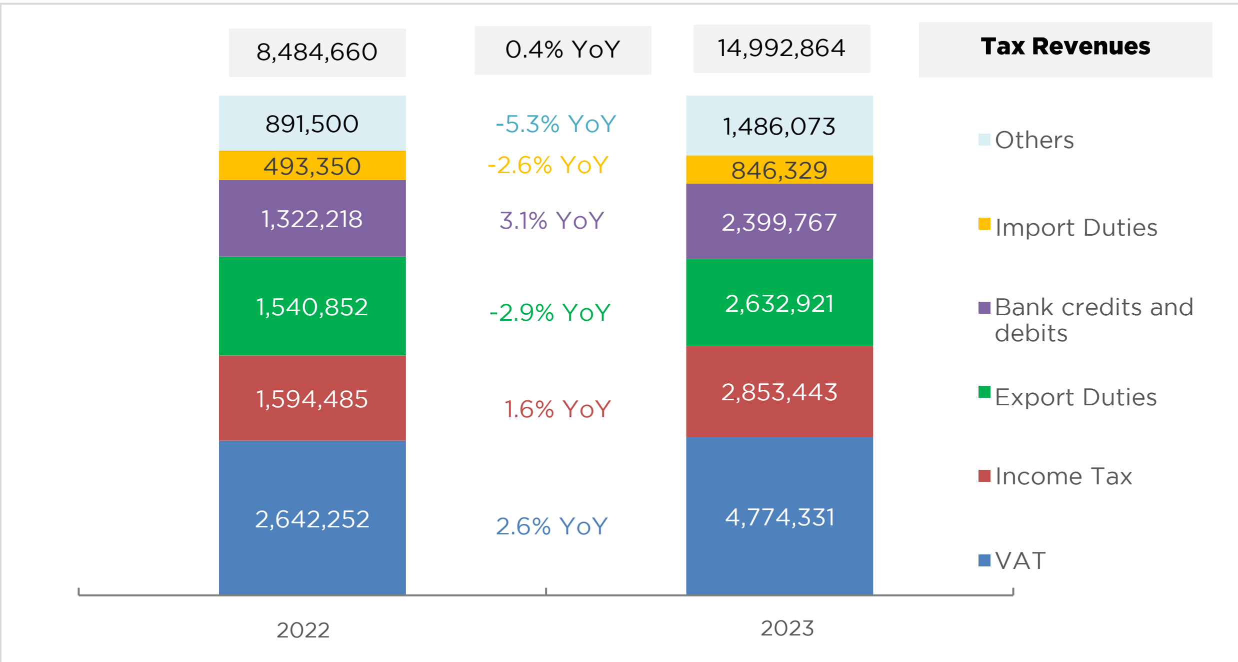
SOURCE: OPC, based on 2023 Budget Bill.

As for tax revenues, main item among resources, ARS 14,992.864 billion are expected to be collected, which would imply a slight drop of 0.2 p.p. in terms of GDP (10.4% in 2022 and 10.2% in 2023) and a recovery in real terms of 0.4% p.p. YoY.

The estimates for VAT collection (ARS 4,774.331 billion) and Income Tax (ARS 2,853.443 billion) stand out for their amounts, both taxes showing real growth with respect to the estimate for the end of 2022. On the other hand, Export Duties (ARS 2,632.921 billion) would show a 2.9% YoY drop next year.

Figure 4. Tax Revenues

2022 and 2023, in millions of ARS and YoY real var. %



SOURCE: OPC, based on 2023 Budget Bill.

Social Security contributions are estimated at ARS 6,570.534 billion, which would imply a variation in real terms of 4.1% YoY and an improvement in its GDP share, going from 4.4% to 4.5%.

Non-tax revenues, which include resources from fees, duties, premiums, fines, royalties, rents among others, are expected to reach ARS 307.276 billion, with a real increase of 21.0% YoY.

From the sale of goods and services, an amount of ARS 34.492 billion is expected to be received, with a contraction of 9.3% YoY, and ARS 12.219 billion from current transfers, implying a drop of 28.2% YoY.

With respect to property income, revenues are expected to amount to ARS 299.900[6] billion, which represents a real decrease of 32.6% YoY.

Finally, capital revenues, which include the sale of machinery, buildings, and facilities, are expected to amount to ARS 86.772 billion, reflecting an increase of 74.7% YoY in real terms. Capital transfers are projected to be the most important item, reaching ARS 86.506 billion, of which 94.9% (ARS 82.109 billion) are allocated to the National Directorate of Roads and refer to those made from the Transportation Infrastructure System Trust Fund (FFSIT). For the remaining components, equity capital resources (sale of assets) and the decrease in financial investment (recovery of short and long-term loans), resources of ARS 117 million and ARS 149 million, respectively, are projected.

Expenditures

The 2023 Budget Bill forecasts total expenditures of ARS 28,703.910 billion (19.5% of GDP), which would imply a reduction of 2.8% YoY in constant currency and of 1.0 p.p. in terms of GDP.

As primary expenditures reach ARS 26,047.602 billion (17.7% of GDP) and are down 1.2 p.p., basically due to the contraction of social benefits (0.5 p.p.) and economic subsidies (0.5 p.p.), interest on debt is estimated at ARS 2,656.308 million (1.8% of GDP), implying an increase of 0.2 p.p. with respect to 2022.

As for the degree of expenditure rigidity[7], similar behavior to previous years is observed. Pensions, personnel expenses, debt interest, family allowances, transfers to universities, among others, would account for 69.5% of total expenditures. These expenditures are grouped as those with high rigidity and their share would increase by 3.8 points next year with respect to the current fiscal year.

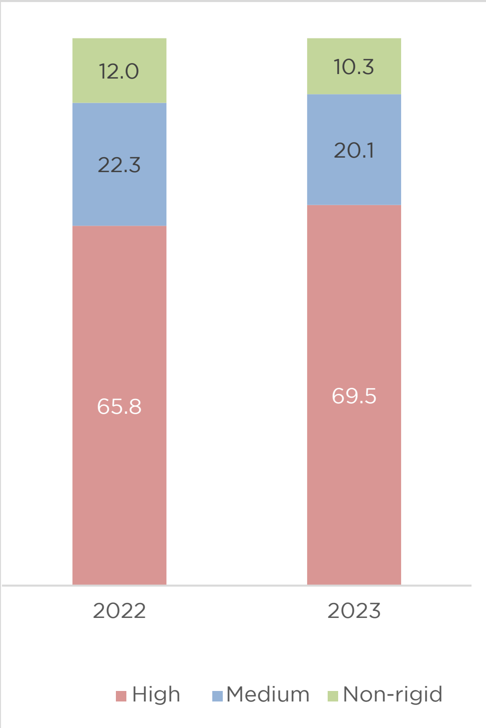
About 20.1% of total expenditures would consist of medium rigidity expenditures, which mostly relate to economic subsidies and social programs. In the year-on-year comparison, their relative weight would be reduced by 2.1 points.

The remaining category includes non-rigid expenditures, which mainly include capital expenditures. Its relative weight would decrease from 12.0% in 2022 to 10.3% in 2023.

[6] Excludes property income from National Government assets for an estimated amount of ARS250.121 billion.
[7] For more details on the historical evolution of rigid expenditures and the methodology used to identify them, see the OPC report at: https://www.opc.gob.ar/otras-publicaciones/estudio-de-rigideces-presupuestarias-de-la-administracion-nacional-2010-a-2021/

Figure 5. Expenditures as per their rigidity

2022 and 2023, as % share of total expenditures, in millions of ARS, real YoY var. % and % of GDP.



Concept	Budget Bill 2023	YoY real var. %	2023 % GDP
Total Expenditures	**28,703,910**	**-2.8**	**19.5**
Non-rigid	**2,968,438**	**-16.0**	**2.0**
Capital Expenditures	2,331,421	5.1	1.6
Financial assistance (*)	348,036	-61.4	0.2
Other current expenditures	170,149	-8.5	0.1
Current transfers to provinces	118,832	-48.2	0.1
Medium rigidity	5,778,198	-12.1	3.9
Economic subsidies	3,221,459	-15.9	2.2
Social programs (**)	1,514,954	-11.7	1.0
Goods and services	857,647	0.6	0.6
Current transfers to provinces	184,138	4.3	0.1
High rigidity	19,957,273	2.8	13.6
Pensions	10,137,806	2.9	6.9
Personnel expenses	3,040,276	0.4	2.1
Interest (***)	2,656,308	15.1	1.8
Family allowances	1,502,118	0.5	1.0
Non-contributory pensions	970,416	2.4	0.7
Transfers to universities	805,439	-12.2	0.5
Current transfers to provinces	515,181	-5.5	0.4
Transfers to INSSJP	329,730	3.5	0.2

(*) Includes the main bonds accrued in fiscal year 2022.
(**) Does not include financial assistance or transfers to INSSJP (National Institute of Social Services for Retirees and Pensioners)
(***) Excludes interest paid within the National Government.

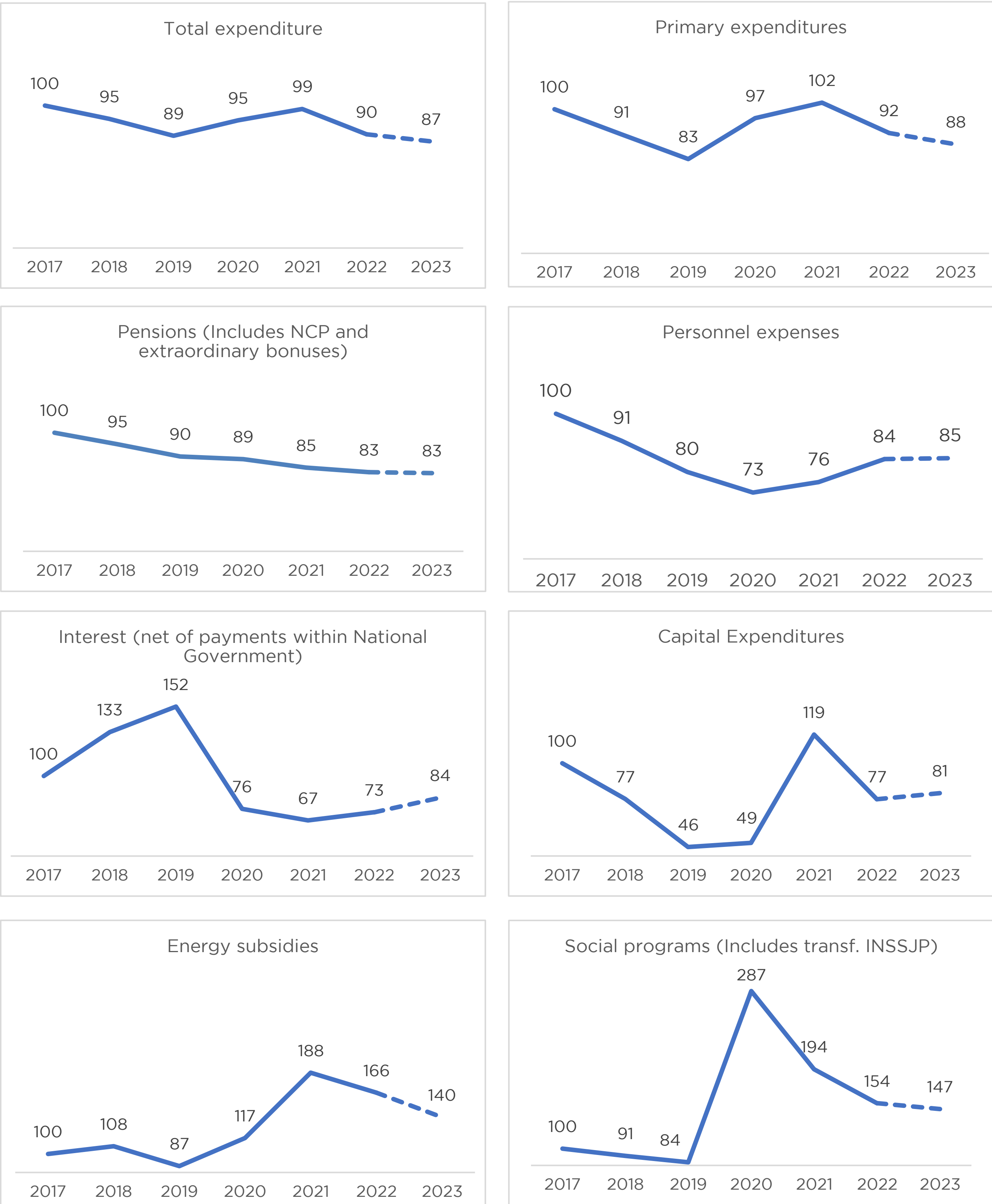
SOURCE: OPC, based on 2023 Budget Bill.

For next year, PP2023 includes a scenario of a reduction in primary expenditure (4.3% YoY), mainly due to the expected decrease in energy subsidies (16.0% YoY) and in social benefits (2.8% YoY). On the other hand, the component of primary expenditure that will increase the most is capital expenditures (5.1% YoY), whereas personnel expenses are expected to increase by 0.4% YoY. Likewise, interest on debt is expected to grow by 15.1% YoY.

The evolution of the main expenditure items for the 2017-2023 term is shown in Figure 6. The scenario forecast for next year shows that the level of primary expenditure will be at pre-pandemic levels (average 2018-2019).

Figure 6. Expenditure dynamics and its main components

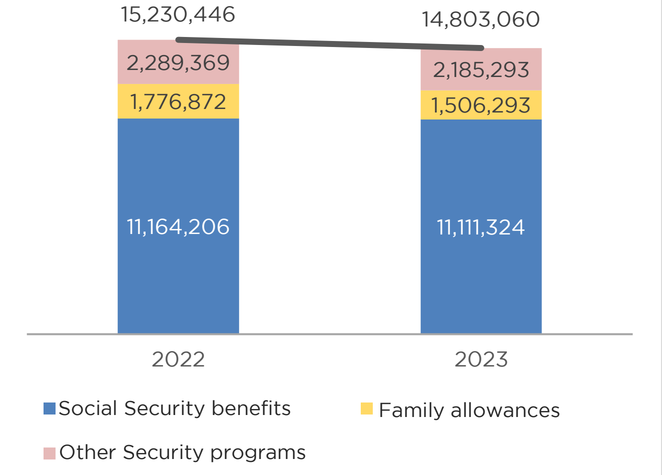
2017-2023, in constant ARS (Base 2017=100)



SOURCE: OPC, based on 2023 Budget Bill, National Government Financial Report and INDEC.

Figure 7. Social benefits

2022 and 2023, in millions of constant 2023 ARS



SOURCE: OPC, based on 2023 Budget Bill and INDEC.

Social benefits for 2023 are projected at ARS 14,803.060 billion, a decrease of 2.8% YoY in constant currency and 0.5 p.p. in terms of GDP. As for the components, all of them show decreases in constant currency. The most significant decreases are in family allowances and social programs, which would be 15.2% YoY and 4.5% YoY, respectively. On the other hand, the appropriations for Social Security benefits are estimated to fall by 0.5% YoY.

Expenditures allocated to Social Security benefits, including contributory and non-contributory pensions, and bonuses, would reach ARS 11,111.324 billion in 2023, which implies a drop in constant currency of 0.5 YoY. If this behavior were to be verified, they would go from representing 7.8% of GDP this year to 7.5% in 2023.

This decrease is influenced by this year's bonuses to pensioners for ARS 207.476 billion, which increase the basis for comparison. Excluding the effect of this item, expenditure would have increased 2.9% YoY. This last variation is mainly explained by the projected increases in the number of benefits, which goes from 8.68 million in 2022 to 8.89 million in 2023, implying an increase of 2.5% YoY. Among the programs with the highest positive percentage variation, the Universal Pension for Older Adults (PUAM) stands out (+19.7% YoY), whereas the largest reduction is observed in non-contributory pensions under ANSES (-7.3% YoY).

On the other hand, the average benefit amount would have a moderate real increase of 0.3% YoY, basically because of both the expected variation in wages and in tax revenues allocated to ANSES. Thus, the benefits updated by the Mobility Law would record an increase of 0.9% YoY in the average benefit, while the pension and retirement benefits of the armed and security forces show a drop of 13.2% YoY. However, including the reserves set under the Treasury Obligations category (ARS 74 billion), the fall in the average benefit of the latter grouping is reduced to 4.4% YoY.

Table 4. Social Security Benefits

2022 and 2023, in millions of ARS, number of benefits, monthly benefit, YoY real var. % and as a %

Institution / Program		Estimate 2022			Budget Bill 2023			Variation %		
		ARS	Physical Target	Average Monthly Benefit (ARS)	ARS	Physical Target	Average Monthly Benefit (ARS)	YoY real var. %	Ph. Target	YoY Real Average Benefit
ANSES	Pension benefits ANSES	4,825,093	6,657,549	55,750	8,789,342	6,835,514	98,910	3.5	2.7	0.8
ANSES	Former provincial pension funds	149,613	108,896	105,685	257,684	104,294	190,057	-2.2	-4.2	2.1
ANSES	Former Combatants and Reparatory Regime Law 26,913	37,899	28,739	101,442	66,918	28,916	178,017	0.3	0.6	-0.3
ANSES	Universal Pension for Older Adults	101,320	252,394	30,880	214,031	302,149	54,489	20.0	19.7	0.2
Subtotal ANSES		5,113,925	7,047,578	55,818	9,327,975	7,270,873	98,686	3.6	3.2	0.4
Magistrate Council Pensions		823	225	281,142	1,086	259	322,495	-25.1	15.0	-34.8
Park Rangers' Pensions		483	226	164,409	771	237	250,179	-9.4	4.9	-13.6
Security Forces and Federal Penitentiary Service		291,587	103,266	217,204	454,497	103,839	336,688	-11.5	0.6	-12.0
Military Personnel		188,190	80,812	179,133	279,478	80,401	267,388	-15.7	-0.5	-15.2
Other financial assistance (J91)					74,000	-	-	-	-	-
Subtotal Pensions		5,595,009	7,232,107	59,510	10,137,806	7,455,609	104,597	2.9	3.1	-0.2
ANSES	NCP (DNU 746/2017)	162,269	335,272	37,230	285,134	310,764	70,579	-0.2	-7.3	7.7
ANDIS	NCP for Occupational Disability	376,221	1,113,899	25,981	685,282	1,133,415	46,509	3.5	1.8	1.7
Subtotal Non-contributory pensions		538,490	1,449,171	28,583	970,416	1,444,179	51,688	2.4	-0.3	2.7
Subtotal Pension benefits		6,133,500	8,681,278	54,348	11,108,222	8,899,788	96,011	2.9	2.5	0.3
Bonuses and supplements to pensioners		163,018			3,102			-98.9		
Subsidies to non-contributory pensions		44,458			0			-100		
Subtotal bonuses		207,476			3,102			-99.2		
Total Pension Benefits		6,340,976			11,111,324			-0.5		

SOURCE: OPC, based on 2023 Budget Bill

Family allowances are expected to amount to ARS 1,506.293 billion, which represents a reduction of 15.2% YoY in constant currency. Expenditure allocated to Universal Child Allowances amounts to ARS 684.360 billion and implies a reduction of 2.6% YoY, whereas that allocated to pensions to the active population and the National Public Sector is estimated at ARS 821.933 billion, with a reduction of 23.5% YoY. Although the evolution of expenditure in both items depends fundamentally on the expected mobility in the value of benefits (Law 27,609), the higher negative variation in the latter item is explained by the high base of comparison, given that during 2022 ARS 160.213 billion of extraordinary supplements were disbursed. Net of this item, the expected real increase would be 0.5% YoY.

On the other hand, transfers in other social programs (ARS 2,185.443 billion) would be reduced by 4.5% YoY in real terms. It is important to note that this drop is affected by the reinforcement of income supplements to informal workers this year, amounting to ARS 132.117 billion, which raises the base of comparison. In turn, ARS 340,759 billion were allocated as other financial assistance in the Treasury Obligations category for 2023.

As for social programs, three concepts are significant, accounting for almost half of the allocations. First, the National Program for Social and Productive Inclusion and Local Development - *Potenciar Trabajo* - stands out, with an expenditure of ARS 584.938 billion (+4.9% YoY). The amount forecast for this initiative is mainly affected by the expected evolution of the Minimum Wage and the number of beneficiaries (which remains unchanged at 1.3 million).

Secondly, there is the Food Policies program (ARS 356.117 billion, -24.5% YoY), which mainly funds the granting of food cards for 2.4 million cardholders and 4 million beneficiaries.

Finally, with the allocations to the Program to Support Students in Argentina (PROGRESAR), which would amount to ARS 138.240 billion (-23.6% YoY), 1.56 million grants are expected to be covered in 2023, of which 805,000 are for Young Students for the Completion of Compulsory Education, 396,000 for Young University Students, 276,250 for Young Non-University Students and 81,826 for Young Students in Professional Training Programs.

In line with what is projected for the *Potenciar Trabajo* program, the physical targets set for these last two programs do not include variations in the number of beneficiaries.

Table 5. Transfers to other social programs

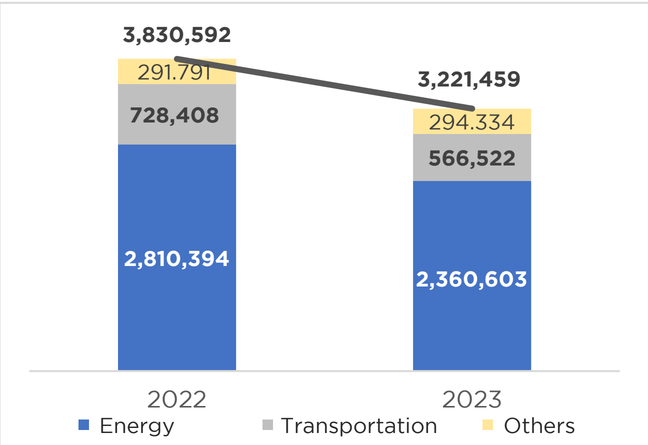
2023, in millions of ARS, YoY real and nominal var. %

Concept	Estimate 2022	Budget Bill 2023	YoY Nom. var. %	YoY Real var. %
Other programs	1,168,185	1,844,684	57.9	-10.3
Potenciar trabajo	316,832	584,938	84.6	4.9
Food policies	267,873	356,117	32.9	-24.5
Transfers to INSSJP	180,973	329,730	82.2	3.5
Progresar grants	102,711	138,240	34.6	-23.6
Others	299,796	435,659	45.3	-17.5
Bonuses	132,117	0	-	-
Income supplements	132,117	0	-	-
Other financial assistances (J91)	0	340,759	-	-
Health	0	138,000	-	-
Social Promotion and Assistance	0	95,000	-	-
Science and Technology	0	77,759	-	-
Education and Culture	0	30,000	-	-
Total Social programs	**1,300,301**	**2,185,443**	**68.1**	**-4.5**

SOURCE: OPC, based on 2023 Budget Bill

Figure 8. Economic subsidies

2022 and 2023, in millions of 2023 constant ARS



SOURCE: OPC, based on 2023 Budget Bill

Economic subsidies (ARS 3,221.459 billion) are estimated to fall by 15.9% with respect to the year 2022. This implies a reduction of 0.5 p.p. in terms of GDP, from 2.7% to 2.2%. Energy subsidies shrink 16.0% YoY in real terms and 0.3 p.p. of GDP, and transportation subsidies reflect a reduction of 22.2% YoY, implying a drop of 0.1 p.p. of GDP. On the other hand, economic subsidies in other functions remained practically constant (0.9% YoY).

Table 6. Economic subsidies

2023, in millions of ARS, as a % of GDP and percentage points difference

Concept	Estimate 2022	Budget Bill 2023	2022 GDP %	2023 GDP %	P.p. dif.
Energy	1,596,230	2,360,603	2.0	1.6	-0.3
Transportation	413,716	566,522	0.5	0.4	-0.1
Other subsidies	165,730	294,334	0.2	0.2	0.0
Total	**2,175,676**	**3,221,459**	**2.7**	**2.2**	**-0.5**

SOURCE: OPC, based on 2023 Budget Bill

The expected savings in energy subsidies are mainly explained by lower transfers to *Compañía Administradora del Mercado Eléctrico Mayorista S.A.* (CAMMESA) because of next year's tariff policy, which would bring the coverage of the tariff in relation to the wholesale costs of the electricity system to 49% (compared to an estimated 41% for this year). The expected improvement in the collection rate for distributors would also have a positive impact. In this context, transfers to CAMMESA would be reduced by 29.8% YoY, reaching ARS 1,427.736 billion. In terms of GDP, they would be cut by 0.4 p.p., from 1.4% to 1.0%.

As for natural gas subsidies, transfers to *Energía Argentina SA* (ENARSA), aimed at covering the difference between the import price of natural gas and LNG and the price covered by the tariffs paid by users, are estimated at ARS 570 billion, an increase of 5.3% YoY. This variation would be mainly explained by the increase in the import prices of hydrocarbons which, as explained by the Secretary of Energy in the Budget Committee of the Chamber of Deputies, would reach up to USD 55/MMBtu for LNG. On the other hand, both the tariff review process and the reduction in LNG import quantities are factors of subsidy reduction.

In terms of supply subsidies, the AR Gas Plan 2020-2024 stands out, with an allocation of ARS 132.239 billion (+91.6% YoY) for 2023, with a stimulus price of USD 3.5/MMBtu to promote the increase in natural gas production and thus reduce the need for imports. A subsidized production volume of 8,268 million cubic meters (MMm3) is expected for 2023, 29.3% more than the estimated closing for this year (6,368 MMm3). As for performance indicators, gas production is expected to grow by 1.94%, and a Production Stimulus Rate of 14.00%.

In addition, allocations to the *Hogares con Garrafa* Program (HOGAR) will reach ARS 98.261 billion, an increase of 64.2% YoY. The program is expected to assist 4.2 million households in 2023, implying an increase of 20.1% with respect to the estimated closing of this year (3,496,076).

Table 7. Energy subsidies

2022 and 2023, in millions of ARS, YoY nominal and real var. %

Recipient	Estimate 2022	Budget Bill 2023	YoY Nom. var. %	YoY Real var. %
Electric Power	1,163,681	1,440,445	23.8	-29.7
CAMMESA	1,155,366	1,427,736	23.6	-29.8
Yacyretá Binational Entity	8,094	12,399	53.2	-13.0
Others	222	309	39.3	-20.9
Natural Gas	421,355	823,458	95.4	11.0
Energía Argentina S.A (ENARSA)	307,517	570,000	85.4	5.3
Plan Gas (New scheme 2020 - 2024)	39,204	132,239	237.3	91.6
Plan Gas (Resolution Min. Econ. 46/2017)	13,526	-	-	-
Hogares con Garrafas Program (Law 26,020)	33,992	98,261	189.1	64.2
Others	27,116	22,958	-15.3	-51.9
Others	11,194	96,700	763.9	390.6
Other financial assistances	-	80,000	-	-
Others	11,194	16,700	49.2	-15.3
Total	**1,596,230**	**2,360,603**	**47.9**	**-16.0**

SOURCE: OPC, based on 2023 Budget Bill.

On the other hand, the expected savings in transportation subsidies (-22.2% YoY) are mainly explained by lower transfers to the Transportation Infrastructure System Trust Fund (FFSIT) due to the lower tariff compensation projected for motor public passenger transportation in the Greater Buenos Aires Area (AMBA) during 2023[8]. The number of subsidized passengers in the AMBA is estimated at 9.395 million per working day in 2023, practically unchanged with respect to 2022. In this context, transfers to the FFSIT destined to subsidize public passenger transportation in the AMBA would be reduced by 42.8% YoY, reaching ARS 104.541 billion in 2023. In terms of GDP, these transfers would be reduced by 0.06 p.p., from 0.13% to 0.07%. As for transfers to the FFSIT for the Compensation Fund for Urban and Suburban Public Transportation outside AMBA, a contraction of 1.3% YoY is estimated, amounting to ARS 66.054 billion in 2023, even though the subsidized passengers would increase by 10.8%.

In terms of rail transportation, subsidies in 2023 are estimated to fall 11.5% YoY and remain constant at 0.2% of GDP. Within these subsidies, transfers to the *Operador Ferroviario S.E.*, intended to cover the difference between the operating cost of public passenger rail transportation in the AMBA and the one covered by the fares paid by users, are estimated at ARS 260 billion, a decrease of 11.0% YoY. However, this is expected to occur within the framework of an estimated 44.6% YoY growth in the number of subsidized passengers in AMBA. Transfers to *Belgrano Cargas y Logísticas S.A.* to subsidize freight transportation would decrease 14.6% YoY in 2023, reaching ARS 22.7 billion.

In addition, subsidies to commercial air transportation will be allocated to *Aerolíneas Argentinas* amounting to ARS 90 billion in 2023 (-29.9% YoY).

[8] Another important share of the subsidies to passenger transportation is channeled through the FFSIT's own sources generated by the collection of the tax on fuels, which are estimated at ARS 228.646 billion for 2023 (0.16% of GDP).

Table 8. Transportation subsidies

2022 and 2023, in millions of ARS, YoY nominal and real var. %

Recipient	Estimate 2022	Budget Bill 2023	YoY Nom. var. %	YoY Real var. %
Motor Transportation (*)	141,720	170,595	20.4	-31.6
Motor Transportation Compensation Regime	103,720	104,541	0.8	-42.8
Compensation Fund for Urban and Suburban Transportation outside AMBA	38,000	66,054	73.8	-1.3
Railroad Transportation	190,382	296,625	55.8	-11.5
Operador Ferroviario S.E.	165,987	260,000	56.6	-11.0
Belgrano Cargas y Logística S.A.	15,103	22,700	50.3	-14.6
Desarrollo del Capital Humano Ferroviario S.A.	6,577	9,502	44.5	-17.9
Administración de Infraestructuras Ferroviarias S.E.	2,587	3,803	47.0	-16.5
Ferrocarriles Argentinos S.E.	128	619	384.2	175.0
Aero commercial Transportation	81,568	99,253	21.7	-30.9
Aerolíneas Argentinas S.A.	72,908	90,000	23.4	-29.9
Empresa Argentina de Navegación Aérea S.E.	6,600	6,358	-3.7	-45.3
Intercargo S.A.	2,060	2,895	40.6	-20.2
Others	47	50	6.4	-39.6
Total	**413,716**	**566,522**	**36.9**	**-22.2**

(*) It does not include funds obtained from subsidies financed with FFSIT's own sources amounting to ARS 228.646 billion.

SOURCE: OPC, based on 2023 Budget Bill.

The rest of the economic subsidies (excluding energy and transportation) amount to ARS 294.334 billion and would remain practically constant in real terms (+0.9% YoY) at 0.2% of GDP. Transfers to AYSA (water and sewerage) to compensate the public policy on tariffs for potable water and sanitation in the AMBA, lower than the operating cost of providing the service, would be reduced by 16.8% YoY. A drop in allocations is also observed in the funds for Tourism Promotion (*PreViaje* program) and in the transfers to *Correo Argentino* (postal service), of 39.2% and 32.2% YoY, respectively.

On the other hand, the funds allocated to financing MiPyME (FONDEP) would increase 108.6% YoY, reaching ARS 61.364 billion in 2023. In addition, transfers to *Radio y Televisión Argentina*, FOGAR (Argentine Guarantee Fund) and the rest of the economic subsidies are expected to increase (34.1%, 5.8% and 19.5% YoY, respectively).

Table 9. Other subsidies

2022 and 2023, in millions of ARS, YoY nominal and real var. %

Recipient	Estimate 2022	Budget Bill 2023	YoY Nom. var. %	YoY Real var. %
AYSA	47,772	70,000	46.5	-16.8
FONDEP	16,706	61,364	267.3	108.6
Correo Oficial de la República Argentina S.A.	24,730	29,500	19.3	-32.2
Tourism Promotion	26,068	27,902	7.0	-39.2
FOGAR	11,500	21,421	86.3	5.8
Radio y Televisión Argentina S.E.	8,474	20,000	136.0	34.1
Others	30,480	64,147	110.5	19.5
Total	**165,730**	**294,334**	**77.6**	**0.9**

SOURCE: OPC, based on 2023 Budget Bill.

In terms of personnel expenses, ARS 3,040.276 billion are estimated for the next fiscal year, which would imply an increase in real terms of 0.4% with respect to the expenditure projection for the closing of 2022 (ARS 1,720.732 billion)[9]. This amount would represent a 2.1% share of GDP, equal to that projected for the current fiscal year.

For 2023, ARS 593.008 billion allocated to the Treasury Obligations category, as financial assistance, are included. The projection at the end of 2022 for the same concept was estimated at ARS 323.442 billion.

As for the number of employees, an increase of 1.0% (+3,730 positions) is expected for the next fiscal year, in relation to the number of positions in 2022.

Table 10. National Government employees

2022 and 2023, in number of positions and YoY var. %

Sector	Distribution 2022	Budget Bill 2023	Absolute var.	Var. %
Executive Branch	313,643	316,292	2,649	0.8
Judicial Branch	26,513	26,864	351	1.3
Legislative Branch	15,973	16,224	251	1.6
Public Prosecutor's Office	10,436	10,915	479	4.6
Total	**366,565**	**370,295**	**3,730**	**1.0**

SOURCE: OPC, based on 2023 Budget Bill, Necessity and Urgency Decree (DNU) 331/22 and Administrative Decision 880/22.

Within the Executive Branch, which would group 85.4% of the positions estimated for 2023, the increase occurs mainly in the Ministry of Health (+1,104 positions), in the National Gendarmerie (+512 positions), in the Airport Security Police (+477 positions), in the General Staff of the Navy (+299 positions), in the Ministry of Culture (+149 positions) and in the National Water Institute (+93 positions).

The increase in the Ministry of Health relates to positions within the framework of the program for the training of health and assistance human resources.

In the Judicial Branch, the share in the total would amount to 7.3% with 351 additional positions in the Magistrates Council.

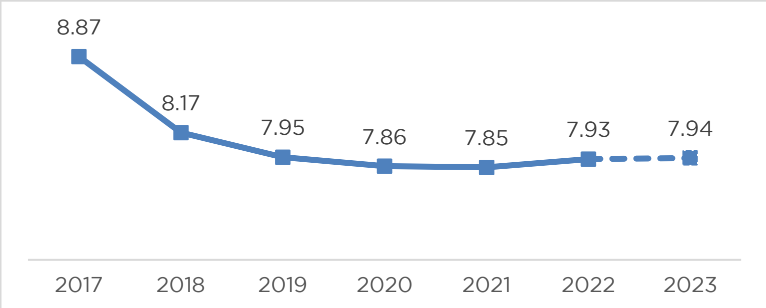
In the Legislative Branch, which represents 4.4% of the total, the number of positions in the Office for the Defense of the Rights of Children and Adolescents (+150 positions) and in the General Auditing Office of the Nation (+50 positions) will be increased. In addition, 70 positions are included for the National Committee for the Prevention of Torture, a body currently under the authority of the Senate of the Nation.

Finally, for the Public Prosecutor's Office, 479 additional positions are estimated, of which 441 are for the General Attorney's Office and 38 for the Public Defender's Office.

As for teaching hours, PP2023 includes 346,891 hours, 9.5% more than those for 2022 (316,917 hours). Of the total estimated hours, 55.8% are for the Ministry of Defense (26.9%), the Office of the Chief of Cabinet of Ministers (18.6%) and the Ministry of Security (10.3%).

[9] During the first months of 2022, a salary guideline of 29.0% (5.0% in January, 7.0% in February, 7.0% in April and 10.0% in May) was accrued for the personnel grouped under the National Government General Collective Bargaining Agreement (Executive Order 214/06) within the Executive Branch, as salary increases for the previous fiscal year. In addition, increases of 16.0% in June, 12.0% in August, 12.0% in October, 10% in November and a bonus of ARS 30,000 in December were negotiated for the current fiscal year. In the Legislative Branch, a 30% increase was agreed in June and another 30% in October. In the Judicial Branch and the Public Prosecutor's Office, the agreed guidelines were: 15.0% in January, 10.0% in April, 10.0% in May, 9.0% in July and 6.0% in September.

Figure 9. National Government Employees per thousand inhabitants
2017-2023, as a %



During the last few years, the number of National Government positions per thousand inhabitants has remained almost constant. For the next fiscal year, a share analogous to that recorded since fiscal year 2019 (7.9%) is expected. (7,9%).

SOURCE: OPC based on 2023 Budget Bill, Budget Laws of each year and INDEC.

Expenditures for goods and services are estimated at ARS 857.647 billion, which implies an increase in real terms of 0.6% YoY and the same share in GDP that these expenditures would have at the end of 2022 (0.6%).

Among these expenditures, ARS 30.485 billion are allocated for goods and services for the preparation and execution of elections. In addition, ARS 40.227 billion are projected for the *Conectar Igualdad* program, with an expansion of 198.4% YoY, and ARS 83.071 billion for other financial assistance, allocated to the Treasury Obligations category. On the other hand, the program for the Prevention and Control of Communicable and Immunopreventable Diseases (ARS 116.726 billion), which includes expenditures for the purchase and shipment of vaccines for COVID-19, reflects a decrease of 12.9% YoY. The appropriation allocated to these vaccines would amount to ARS 36.774 billion, implying a drop of 49.5% YoY. Likewise, expenditures for goods and services allocated to the activities of direction and management of government agencies are expected to decrease, totaling ARS 116.301 billion, with a contraction of 14.3% YoY.

Table 11. Current transfers to provinces
2022 and 2023, in millions of ARS and YoY nominal and real var. %

Program	Estimate 2022	Budget Bill 2023	YoY Nom. var. %	YoY Real var. %
Fund for the Fiscal Strengthening of the Province of Buenos Aires	104,500	199,160	90.6	8.2
National Teacher Incentive Fund (FONID)	91,655	124,752	36.1	-22.7
Provincial Pension Funds	65,690	100,923	53.6	-12.7
Regulation of Law 27,606 - Transfers to CABA (Autonomous City of Buenos Aires)	47,700	90,346	89.4	7.6
Transfers to hospitals (Ministry of Health)	31,359	59,711	90.4	8.1
Contributions from the National Treasury (ATN)	33,881	54,196	60.0	-9.1
Food Policy (*)	28,378	46,707	64.6	-6.5
Educational Management and Socio-educational Policies	13,712	36,983	169.7	53.2
Development of Public Health Insurance	16,722	22,865	36.7	-22.3
Formulation and Execution of Hydrocarbon Policies	10,080	17,873	77.3	0.7
Financial Assistance to Provinces and Municipalities	39,915	456	-98.9	-99.4
Other programs	56,409	64,180	13.8	-35.4
Total	**540,000**	**818,151**	**51.5**	**-13.9**

(*) Includes transfers for school canteens (ARS 24.515 billion in 2022 and ARS 41.754 billion in 2023).
SOURCE: OPC based on 2023 Budget Bill.

Current transfers to provinces would reach ARS 818.151 billion, implying a decrease in real terms of 13.9% YoY and a share in GDP of 0.6% (0.7% in 2022).

This behavior is mainly driven by appropriations allocated to FONID (National Teacher Incentive Fund), which would have a contraction of 22.7% YoY, and by transfers to provincial pension funds, which show a drop of 12.7% YoY. In addition, the financial assistance program to provinces and municipalities shows a 99.4% YoY decline.

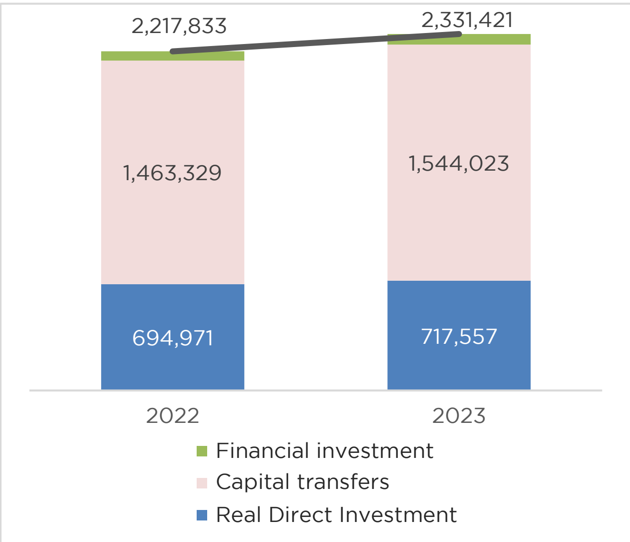
Contrary to this dynamic, transfers to the province of Buenos Aires, through the Fiscal Strengthening Fund, and to the Autonomous City of Buenos Aires, by virtue of the regulation of Law 27.606, which provided for the transfer of certain security powers and functions, show an expansion of 8.2% YoY and 7.6% YoY, respectively.

On the other hand, transfers to universities would amount to ARS 805.439 billion, down 12.2% in real terms with respect to the projection for 2022[10], and with a share of 0.5% in GDP (0.6% in 2022). For 2023, ARS 29.202 billion allocated to the Treasury Obligations category as financial assistance is included.

Other current expenditures, which include mostly outlays related to management activities, would amount to ARS 170.149 billion, with a real decrease of 8.5% YoY and a share in GDP equal to that estimated for the current fiscal year (0.1%). For 2023, ARS 7.467 billion allocated to the Treasury Obligations category as financial assistance is included.

The last item included as current expenditure is debt interest, estimated at ARS 2,656.308 billion, which implies a real expansion of 15.1% YoY. The proportion of interest in the total expenditure of the National Government would increase from 7.8% in 2022 to 9.3% in 2023. Part of the increase is the result of the higher interest rates that will accrue next year on securities issued in the framework of the restructuring of public debt in foreign currency completed in September 2020. In addition, debt interest is expected to increase its share in terms of GDP by 0.2 percentage points during 2023 (1.6% in 2022 and 1.8% in 2023).

Figure 10. Capital Expenditures
2022 and 2023, in millions of 2023 constant ARS



SOURCE: OPC based on 2023 Budget Bill.

Capital expenditures projected for 2023 would amount to ARS 2,331.421 billion, which implies an increase of 5.1% with respect to the 2022 closing projection. Capital transfers, which account for 66.2% of the total, would increase by 5.5% YoY, and real direct investment would grow at a slower rate, equivalent to 3.2% YoY. Financial investment, which mainly includes capital contributions to international organizations, would grow by 17.3% YoY. In terms of functions, energy expenditure is the main driver of growth (ARS 231.127 billion projected for 2022 and ARS 404.996 billion for 2023), with a real variation of 75.2% YoY.

Real direct investment, totaling ARS 717.557 billion, is mainly concentrated in investment projects (ARS 489.252 billion) and secondly in the acquisition of capital goods (ARS 228.305 billion). Among

[10] During 2022, the salary policy includes a 12.0% salary increase for the 2021 period, accrued during the first months of the year (4.0% in January, 5.0% in February and 3.0% in March). As for the current fiscal year, the agreement has accumulated an increase of 62.0%, in 6 tranches (13% in March, 16% in June, 12% in July, 7% in August, 5% in September and 9% in December). A salary review clause was agreed for October 2022.

the former, ten projects stand out, accounting for 32.7% of total project expenditures out of the 1,561 projects budgeted:

Table 12. Top 10 investment projects

2023, in millions of ARS

Projects	Budget Bill 2023
Construction and Rehabilitation of Urban Corridors in the Buenos Aires Metropolitan Area ("MAS" Program, Stage III).	37,300
Maintenance by Administration and Emergency Assistance in Several Routes.	25,671
Track and Corridor Renovation of the *General Belgrano Cargas* Railroad (CDB S/N)	23,156
Construction of CAREM Low Power Reactor - Phase II.	18,779
Construction of Highway NR 33 RUFINO - ROSARIO, Section: RUFINO - ROSARIO.	14,451
Construction of RA-10 Reactor	9,914
Complete Renovation of the *Belgrano Sur* Railroad, Branch M - Tapiales - Marinos del Crucero General Belgrano Section (CAF 11175)	8,026
National Route 33 Rufino - San Eduardo Highway	7,795
MAS Program, AMBA - Stage IV - Construction and Rehabilitation of Urban Corridors in the Buenos Aires Metropolitan Area	7,524
Northwest Region Corridor: Highway NR 66 Access to Salta - San Pedro de Jujuy - Int. NR 1V66 - Int. PR 9.- GROUP 3 (IBRD 8810)	7,151
Total	159,768

SOURCE: OPC based on 2023 Budget Bill.

As part of the acquisition of capital goods (ARS 228.305 billion), the purchase of computer equipment by the Ministry of Education within the framework of the *Conectar Igualdad* program leads with ARS 78.746 billion. The purpose of this program is to distribute 1,000,000 technological equipment for access to educational content and provide connectivity to 51,402 schools. Secondly, the acquisition of military and security equipment by the Ministry of Defense, within the framework of the National Defense Fund (FONDEF) stands out. Both programs account for almost half of the budget allocated to the acquisition of capital goods (48.0%).

On the other hand, capital transfers, which would total ARS 1,544.023 billion in 2023, are expected to be used mainly to finance capital expenditures of other entities of the National Non-Financial Public Sector, such as state-owned enterprises and trust funds (ARS 1,055.265 billion). The second largest recipients are provincial and municipal governments (ARS 391.974 billion). In terms of functions, housing and urban development (ARS 417.843 billion) and energy (ARS 404.241 billion) represent more than half of the expenditures (53.2%).

Table 13. Capital transfers by recipient

2023, in millions of ARS

Recipient	Budget Bill 2023
To other entities of the National Public Sector	**1,055,265**
Energía Argentina S.A.	355,020
Pro.Cre.Ar Trust Fund	183,094
Agua y Saneamientos Argentinos S.A.	182,319
Social Housing Trust Fund	165,483
To provinces and municipalities	**391,974**
Others	**96,784**
Total	1,544,023

SOURCE: OPC based on 2023 Budget Bill.

Table 14. Capital transfers by functions
2023, in millions of ARS

Functions	Budget Bill 2023
Housing and Urban development	417,843
Energy, fuel, and mining	404,241
Potable Water and Sewerage	259,724
Transportation	120,097
Education and Culture	103,188
Science and Technology	49,870
Others	189,059
Total	1,544,023

SOURCE: OPC based on 2023 Budget Bill.

Finally, Table 16 shows the appropriations allocated to the different agencies of the Centralized and Decentralized Administration.

Table 15. Expenditures by entity
2023, in millions of ARS and % of share

Agency	Estimate 2022		Budget Bill 2023	
	ARS	Share %	ARS	Share %
National Legislative Branch	81,678	0.5	133,233	0.5
National Judicial Branch	210,373	1.3	337,869	1.2
Public Prosecutor's Office	68,165	0.4	121,419	0.4
Office of the President of the Nation	527,756	3.1	868,313	3.0
Office of the Chief of Cabinet of Ministers	56,059	0.3	95,993	0.3
Min. of Internal Affairs	78,099	0.5	192,811	0.7
Min. of Foreign Affairs, International Trade and Worship	61,239	0.4	100,994	0.4
Min. of Justice and Human Rights	56,589	0.3	96,001	0.3
Min. of Security	647,710	3.9	1,074,584	3.7
Min. of Defense	496,929	3.0	826,650	2.9
Min. of Economy	1,620,263	9.7	2,375,912	8.3
Min. of Tourism and Sports	44,870	0.3	61,532	0.2
Min. of Transportation	200,088	1.2	306,472	1.1
Min. of Public Works	419,233	2.5	716,110	2.5
Min. of Territorial Development and Habitat	229,611	1.4	387,237	1.3
Min. of Education	870,044	5.2	1,362,084	4.7
Min. of Science, Technology, and Innovation	118,306	0.7	207,567	0.7
Min. of Culture	26,406	0.2	43,543	0.2
Min. of Labor, Employment and Social Security	7,030,283	41.9	11,869,770	41.4
Min. of Health	301,838	1.8	451,695	1.6
Min. of Environment and Sustainable Development	35,825	0.2	55,872	0.2
Min. of Social Development	734,339	4.4	1,169,155	4.1
Min. of Women, Genders, and Diversity	34,641	0.2	54,683	0.2
Public Debt Service (*)	1,332,501	7.9	2,912,758	10.1
Treasury Obligations	1,484,853	8.9	2,881,653	10.0
Total	**16,767,696**	**100.0**	**28,703,910**	**100.0**

(*) Excludes interest paid within the National Government.
SOURCE: OPC based on 2023 Budget Bill.

Financial sources and applications

In budgetary terms, financial sources and applications constitute what is commonly known as "below the line" operations of the Savings-Investment-Financing Scheme. They include the financing and payment of amortization services of public debt operations with private creditors and public sector agencies, in addition to movements of liabilities that are not part of the public debt (such as the consolidation of debts with suppliers or the payment of court rulings) and other financial asset transactions classified as Financial Investments (advances to suppliers and contractors, cash and bank movements, among others).

The Budget Bill forecasts that the National Government's financial applications will reach ARS 23,724.763 billion in 2023 (ARS 22,497.220 billion in Debt Amortization and Decrease in Other Liabilities and ARS 1,227.543 billion in Financial Investments).

Financial sources will total ARS 30,124.615 billion (ARS 29,946.764 billion of Public Debt and Increase in Other Liabilities and ARS 177.851 billion for Decrease in Financial Investments).

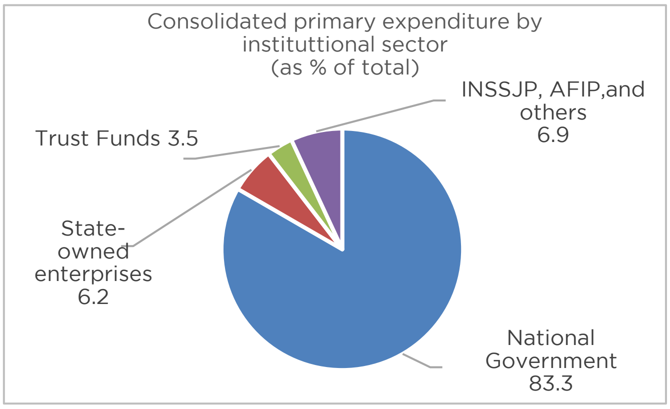
The difference between sources and applications represents the net financing necessary to cover the financial deficit of ARS 6,399.852 billion.[11]

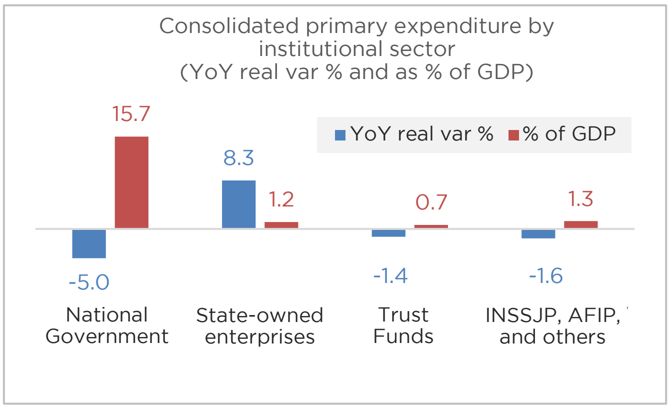
Rest of the National Non-Financial Public Sector

The rest of the National Non-Financial Public Sector (NPS) included in PP2023 is composed of 29 trust funds, whose annual financial flows are approved together with the National Government Budget Bill. It also comprises 33 state-owned enterprises and non-financial corporations with a state majority and other national entities (AFIP, INSSJP and 7 other public entities), which report provisional figures and estimates and whose budgets are approved after the approval of the Budget Bill.

The primary expenditure of the other NPS entities estimated for 2023 amounts to 3.1% of GDP and would grow 1.9% YoY in real terms, because of the combined effect of the 8.3% YoY increase estimated for the state-owned enterprises sector and the 1.4% and 1.6% YoY drop in the primary expenditure of trust funds and other national entities (AFIP, INSSJP and others), respectively. Thus, in 2023 the expenditure of other NPS entities would represent 16.7% of the total consolidated expenditure of the NPS.

Figure 11. National Non-Financial Public Sector
2023, in % share, YoY real var. % and as % of GDP





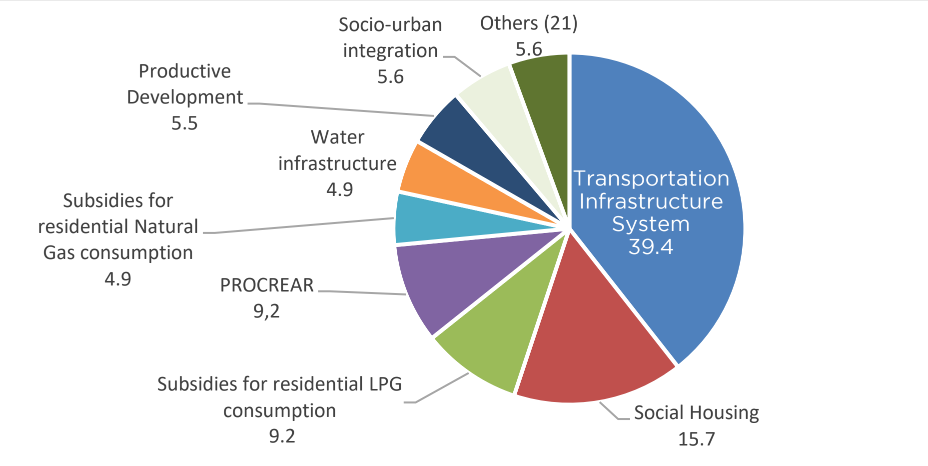
SOURCE: OPC based on 2023 Budget Bill.

[11] For further details see OPC report: "Budget Bill 2023. Financing".

Trust Funds

Figure 12. Trust funds

2023, % of share



SOURCE: OPC based on 2023 Budget Bill.

PP2023 projects the financial flows of 29 trust funds (TFs).

In terms of significance, the Transportation Infrastructure System Trust Fund (FFSIT) would account for 39.4% of total Trust Fund expenditure, a ratio that would increase to 94.4% if the TF's shown in Figure 12 are added.

- Trust Fund for Social Housing (FFVS) (15.7%)
- Trust Fund for Subsidies to Residential Liquefied Petroleum Gas Consumption. Law 26,020 (LPG consumption) (9.2%)
- PROCREAR Trust Fund (9.2%)
- Trust Fund for Subsidies for Residential Gas Consumption (FFGAS) (4.9%)
- Water Infrastructure Trust Fund (FFIH) (4.9%)
- Productive Development Trust Fund (FONDEP) (5.5%)
- Social and Urban Integration Trust Fund (FISU) (5.6%)

These Trust Funds implement the policies of subsidies for public transportation (FFSIT), housing (PROCREAR, Social Housing and Socio-Urban Integration) and credit to the industrial sector (FONDEP and FOGAR). The main outflows of FOGAR, PROCREAR and FONDEP are recorded below the line as an increase in financial investment (increase in accounts receivable from the mutual guarantee fund and concessionary loans to MiPyMES).

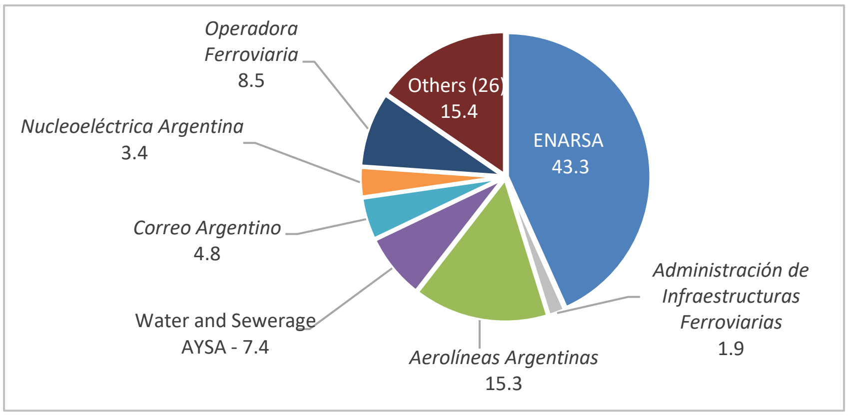
In 2023, total revenues of Trust Funds would decrease 14.5% YoY, whereas total expenditures would grow 1.6% YoY. The drop in revenues is largely explained by the 35.9% YoY decline in property income (FOGAR and FONDEP for interest received), 11.9% YoY in current transfers from the National Government (FFSIT, FONDEP and LPG Consumer for subsidies to transportation, the industrial sector and energy) and 9.6% YoY in capital transfers from the National Government (FFVS and PROCREAR for housing construction). On the other hand, the increase in total expenditure is the result of an increase of 7.8% YoY in capital transfers (FFVS, FFSIT and PROCREAR for housing construction and public works in different provinces).

In 2023, Trust Funds would be financed mainly by current and capital transfers from the National Government (51.4% of total revenues) (FFSIT, FOGAR, FONDEP, FFVS and LPG Consumption), tax revenues (20.3%) (FFSIT), property income (17.6%) (FOGAR and FONDEP) and non-tax revenues (9%) (LPG Consumption). As for the structure of Trust Funds expenditure, current and capital transfers account for 96.2% of the total (FFSIT for subsidies to public transportation, LPG consumption, energy subsidy and PROCREAR housing construction).

On the other hand, in below-the-line operations, a real drop of 28.6% YoY in the increase of financial investment stands out, explained by lower concessional loans from FONDEP and PROCREAR and guarantee funds for access to credit in the financial system (FOGAR).

State-Owned Enterprises

Figure 13. State-Owned Enterprises
2023, % of share



SOURCE: OPC based on 2023 Budget Bill.

PP2023 projects a universe of 33 state-owned enterprises and majority state-owned companies.

In terms of importance, ENARSA (former IEASA) represents 43.3% of the total expenditure of state-owned enterprises (SOEs), a ratio that would increase to 84.7% if other 6 SOEs are added:

- *Administración de Infraestructuras Ferroviarias* (Rail Infrastructure Management) (ADIF) (1,9%)
- *Aerolíneas Argentinas* (15,3%)
- Water and Sewerage (AYSA) (7,4%)
- *Correo Argentino* (Argentine Postal Service) (4,8%)
- *Nucleoeléctrica Argentina* (NASA) (3,4%)
- *Operadora Ferroviaria* (SOFSE) (8,5%)

Both SOEs' total revenues and expenditures would increase by 2.2% YoY in 2023. The increase in revenues is largely explained by the growth in capital transfers from the National Government (48.8% YoY), as current transfers and operating revenues would decrease by 7% YoY and 2.9% YoY, respectively. The increase in total expenditure reflects the projected increase in real direct investment (RDI) of 48.5% YoY (ENARSA, AYSA and ADIF account for 78.3% of total RDI).

The financial autonomy of the SOEs, measured by the ratio between revenues net of transfers from the National Government and total revenues, would reach 47.1% in 2023 (48.9% in 2021). In turn, the financial result net of National Government transfers is estimated at a deficit of 1.1% of GDP in 2023 (1.0% in 2021).

In 2023, SOEs would be financed mainly by transfers from the National Government (52.9% of total revenues) (ENARSA, AYSA, ADIF and SOFSE) and operating revenues (44.0%). The financial autonomy of ADIF, ENARSA, SOFSE and AYSA, measured by the ratio of operating revenues and total revenues, would amount to 20.7%, 36.3%, 4.3% and 15.3%, respectively, because of the extension of differential pricing policies between the import of liquid fuels and their sale in the local market, and tariffs lower than operating costs and public investment in railroad transportation and water and sewage services.

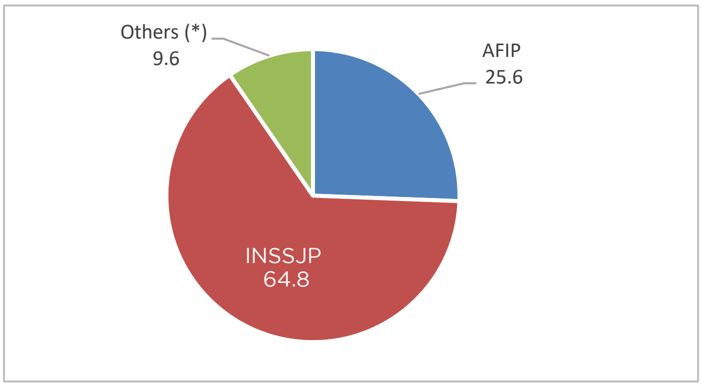
As for the structure of SOE expenditure for 2023, operating expenses would account for 78.5% of the total and RDI for 20.5% (ENARSA for the construction of the Néstor Kirchner natural gas pipeline and hydroelectric dams in Santa Cruz, AYSA for the water and sanitation plan and ADIF for railroad works)[12].

State-owned enterprises' RDI would reach 0.5% of GDP in 2023 (0.3% in 2019-2022), accounting for 48% of the consolidated National Public Sector's RDI.

Other entities of the National Non-Financial Public Sector

Figure 14. Other National Public Sector entities

2023, % of share



Given their importance, AFIP and INSSJP will account for 90.4% of the total expenditure of "other NPS entities" in 2023.

The remaining 9.6% is composed of expenditures by IOSFA, SBPFA, OSSPF, INCAA, the Anti-Doping Commission, INAMU and UESTEE.

As for the size of INSSJP and AFIP expenditure, they would represent 0.85% and 0.34% of GDP, respectively, equivalent to 6.3% of the NPS primary expenditure.

(*) Includes IOSFA, SBPFA, OSSPF, INCAA, the Anti-Doping Commission, INAMU and UESTEE.
SOURCE: OPC based on 2023 Budget Bill.

Annex I - Consistency analysis of macroeconomic projections

Contribution of Aggregate Demand Components to Growth

As previously mentioned, the 2023 Budget Bill macroeconomic projections imply a gradual change in the composition of aggregate demand, with an increasing importance of foreign trade.

Table 16. Components of aggregate demand

As % of GDP

GDP	Imports	Private Consumption	Public Consumption	Exports	Inverstment
Average 2015-2019	26.8	73.1	13.5	20.6	19.3
2020	21.9	68.3	14.3	21.3	16.6
2021	24.2	68.1	13.8	21.0	20.1
2022	27.1	69.7	14.0	21.3	21.3
2023	27.1	69.7	14.0	22.4	21.4
2024	27.5	69.6	14.0	22.7	21.6
2025	28.3	69.6	14.0	23.0	21.8

SOURCE: OPC based on 2023 Budget Bill and INDEC.

A breakdown of aggregate demand growth by each of its components shows that Exports would be an important driver of growth, second only to Private Consumption. This contribution of Exports to the growth of aggregate demand reflects the harvest forecasts, based on the projection for world GDP and the dynamics of the real exchange rate.

[12] The rest is explained by financial and tax expenditures.

Table 17. Contribution of aggregate demand to growth

2022-2025, in percentage points

Year	Private Consumption	Public Consumption	Exports	Inverstment
2022	4.4	0.7	1.2	2.0
2023	1.4	0.4	1.5	0.4
2024	1.3	0.4	0.7	0.7
2025	1.3	0.4	0.8	1.0

SOURCE: OPC based on 2023 Budget Bill.

Real Exchange Rate and Foreign Trade

Consistency between Foreign Trade and ITCRM projections can be analyzed by calculating the ITCRM consistent with the variations of Exports and Imports projected in PP2023. To this end, an estimation exercise of the real exchange rate necessary to obtain the projected growth rates for Exports and Imports was conducted, taking as input the PP2023 projections and reasonable assumptions of world inflation. For the other variables, average behaviors observed in recent years were considered. The results are presented in Table 19.

Table 18. Multilateral Real Exchange Rate, annual average

2022-2025, as YoY var. %

Year	ITCRM		
	Budget Bill 2023	Compatible with Exports growth	Compatible with Imports growth
2022	-15.8	-3.4	-15.5
2023	-0.6	13.9	-0.8
2024	3.3	15.6	-3.2
2025	1.8	4.5	-3.9

SOURCE: OPC based on 2023 Budget Bill and own estimates.

The variations of the ITCRM compatible with the growth of Exports and Imports are different from each other given the other assumptions. The PP2023 variations, at least for the 2022-2023 term, are closer to the ITCRM compatible with the dynamics predicted for Imports than for that of Exports. Although this exercise has a high margin of error due to the multiplicity of determinants of Foreign Trade, it is indicative of the difficulty to explain the variations of Foreign Trade from the rest of the PP2023 projections.

On the other hand, a potential overestimation of imports would also imply an overestimation of investment, since these two components of aggregate demand are strongly correlated.

Annex II – Analysis of Budget Bill provisions

The following is an analysis of new sections that are included in the 2023 Budget Bill and those amended with respect to 2021 Budget Law 27.591, by virtue of the extension provided by Executive Order 882/21 for fiscal year 2022, and to DNU 331/22, which modified the National Government Budget for fiscal year 2022. The Budget Law in force consists of 134 sections, whereas the Budget Bill for fiscal year 2023 consists of 101 sections.

- *38 new sections*
- *14 amended sections*
- *49 sections remain unchanged*

Title I- General Provisions

Chapter I- The budget of expenditures and resources of the National Government

Section 6 (amended): establishes the number of National Government employment positions and teaching hours and states that increases that exceed the totals set forth in the schedules annexed to the Section cannot be approved.

Among the exceptions to the restriction on the increase of positions and teaching hours, personnel of the National Orchestras, Choirs and Ballet and positions of the National Directorate of Roads are included, with respect to the change in the modality of fixed-term personnel hired after selection processes.

In addition, within the powers granted to the Chief of Cabinet, it is specified, with respect to the increase in the number of positions and teaching hours by virtue of the conversion of positions to comply with promotions by evaluation and merit, that it shall be under the terms of Executive Order 415/21 and within the scopes determined by the regulations.

Executive Order 415/21 establishes that for a one-time period and until December 31, 2023, the permanent personnel of the Sector Collective Bargaining Agreement for the personnel of the National Government Employment System, approved by Executive Order 2098/08, who meet the requirements for access to a higher scale level and up to a maximum of two levels, may request their relocation in accordance with the evaluation system for promotion by evaluation and merit established by the Government. For the effective change of hierarchical level by means of the conversion of position, each jurisdiction or decentralized agency shall have the necessary budget appropriations.

Section 7 (amended): it establishes the restriction to cover vacant positions without the prior authorization of the Chief of Cabinet and lists exceptions, including positions in National Orchestras, Choirs and Ballet, and the National Directorate of Roads with respect to the change of modality of fixed-term personnel hired after selection processes.

Chapter III- Resources

Section 19 (amended): establishes an amount of ARS 8.22 billion as contribution to the National Treasury in accordance with the distribution set forth in the schedule annexed to the Bill.

As compared to the Section in force, the Chief of Cabinet is empowered to make the necessary budget amendments to include new resources.

Section 22 (new): substitutes Section 51 of Law 11,672, Permanent Budget Supplementary Law (2014) as amended, which refers to the power of the Secretary of Treasury to request temporary advances from the Central Bank of the Argentine Republic.

It is established that those requests for a maximum term of 12 months shall be submitted by the Secretariat of Treasury. Requests for a maximum term of 18 months must be submitted by the Minister of Economy. In addition, it is provided that the Ministry of Economy, the Secretariat of Finance, or the Secretariat of Treasury of the Ministry of Economy may request a pre-cancellation of the temporary advances, if necessary.

Chapter IV- Tax quotas

Section 30 (amended): establishes a quota for the promotional benefits provided for in Sections 8 and 9 of the Law for the Promotion of the Knowledge Economy 27,506, as amended. Law 27.591 established that the quota included both the fiscal year 2021 and the one applicable to the benefits granted for the year 2020 to the beneficiaries who joined the regime retroactively.

This Bill establishes that the competent authority shall consider, for quota allocation purposes, the incidence of the benefits granted to the different categories of the registered companies, promoting those companies of smaller size.

Chapter VII- Public credit operations

Section 40 (amended): the suspension of various regimes for the cancellation of national tax obligations with public securities, originally provided for by DNU 493/2004 and extended since then by the successive Budget Laws, is maintained during 2023.

Section 44 (amended): specifies that the amount authorized for heading 90 (Public Debt Services) includes ARS 20 million for the payment of the debts referred to in Section 7 of Law 23,982 (related to the resources allocated to meet the consolidated liabilities of the National Government) pending cancellation and that have been submitted to the National Public Credit Office up to April 30, 2022.

Section 45 (amended): sets a maximum amount of ARS 12.1 billion for the issuance of tenth series consolidation bonds. These bonds are issued to cancel benefits, compensations and indemnifications derived from Laws 24,043, 24,411, 25,192, 25,471, 26,572, 26,690, 26,700, 27,133, 27,139 and 27,179.

Section 47 (new): modifies the maximum interest rate that non-transferable bills accrue to the BCRA as from 2023, in view of the imminent discontinuation of the LIBOR reference rate. Specifically, it provides that the non-transferable bills to the BCRA that accrue interest at a maximum rate equivalent to the LIBOR rate minus 1 percentage point will accrue, as from January 1, 2023, the international reserves rate with a maximum equivalent to the one-year SOFR rate plus a margin of 0.71513% minus 1 percentage point on the subscribed principal.

Since this provision is not included in Law 11,672, Permanent Budget Supplementary Law (2014), as amended, it expires on December 31, 2023.

Section 48 (new): substitutes Section 179 of Law 11,672, Permanent Budget Supplementary Law (2014), as amended, referring to the term provided to comply with various obligations arising from debt consolidations provided for in Laws 23,982, 25,344, 25,565 and 25,725 (judicial and administrative credits and claims, social security obligations and debts with creditors, among others). Specifically, it establishes that the Executive Branch will propose to Congress to annually allocate the necessary resources to meet such consolidated liabilities within a maximum term of 7 years, so that the time required to meet such liabilities can be provisionally estimated.

Chapter IX- Relations with Provinces

Section 51 (amended): establishes the non-application of Sections 7 and 10 of Law 23,928 of Convertibility for the financial assistance agreements granted by the Trust Fund for Provincial Development to the provinces and the Autonomous City of Buenos Aires. The mentioned sections refer to the non-admission and repeal of rules that establish or authorize monetary updating, price indexation, cost variation or restatement of debts, taxes, prices, or tariffs of goods, works or services.

With respect to the Section in force, financial assistance agreements granted by other programs implemented by the National Government are included.

This provision, since its inclusion in Law 11,672, Permanent Budget Supplementary Law (2014), as amended, expires on December 31, 2023.

Section 52 (new): establishes the non-application of Sections 7 and 10 of Law 23,928 of Convertibility (non-admission and repeal of rules that establish or authorize monetary updating, price indexation, cost variation or restatement of debts, taxes, prices or tariffs of goods, works or services) to the operations of issuance of Government Securities in domestic currency to the provinces and the Autonomous City of Buenos Aires for the purpose of financing infrastructure works or debt restructuring, which have the authorization provided for in Section 25 and the powers conferred by the first paragraph of Section 26, both of Law 25,917 of the Federal Fiscal Responsibility System, as amended and supplemented.

The above-mentioned Section 25 establishes that this authorization must be granted jointly by the Ministries of Internal Affairs and Economy, referring to the access to debt operations and the granting of guarantees by provincial governments, the Autonomous City of Buenos Aires, and municipalities. The powers of Section 26 refer to the fact that the National Government may implement programs related to the debt of those jurisdictions that do not count with the respective financing, if fiscal and financial behavior guidelines compatible with the law are observed.

This provision, not being included in Law 11,672, Permanent Budget Supplementary Law (2014), as amended, expires on December 31, 2023.

Section 53 (amended): it empowers the Ministry of Internal Affairs to reimburse the interest debts incurred by municipalities in the agreed programs and which had originated in transfers made to finance current or capital expenditures.

In contrast to the Section in force, which establishes that such power may be exercised within 180 days as from the publication of the Budget Law 2021, the proposed Section establishes a longer term, as from the approval of this Bill and until December 31, 2023.

Chapter X- Tax policy and administration

Section 54 (new): establishes tax and customs exemptions for imports made by IMPSA S.A. (C.U.I.T. No. 30-50146646-4), only if the domestic industry is not able to supply the goods involved.

Section 56 (new): VAT exemption for sales of imported natural gas made by *Energía Argentina Sociedad Anónima* (C.U.I.T. No. 30-70909972-4) to *Compañía Administradora del Mercado Mayorista Eléctrico Sociedad Anónima* (C.U.I.T. No. 30-65537309-4), for the supply of the electricity generation market.

This section would be included in Law 11,672, Permanent Budget Supplementary Law (2014) as amended, by means of Section 97 of the Bill.

Section 57 (new): exemptions on tax and customs duties for imports made by *Energía Argentina Sociedad Anónima* to develop hydrocarbon and electric power projects and works. The benefit is valid if the goods are new, and the national industry is not able to supply them.

Section 58 (new): exemption from Income Tax for *Energía Argentina Sociedad Anónima*, to the extent that its capital stock is majority owned by the National Government.

This section would be included in Law 11,672, Permanent Budget Supplementary Law (2014) as amended, by means of Section 97 of the Bill.

Section 59 (amended): exemption on tax and customs duties for imports of port equipment and other related goods, destined to investment projects for the strengthening and improvement of the passenger and cargo port system. It is condition that the importer is the National Government, the provinces, the Autonomous City of Buenos Aires, and the local port authorities of state-owned ports. In place of the latter, Law 27,591 established as importer the General Administration of Ports S.E. These exemptions will only be applicable if the goods are new and the national industry is not able to supply them, on which the Ministry of Economy must issue an opinion. Instead of empowering this Ministry, Law 27,591 empowered the Ministry of Productive Development.

Section 60 (new): exemption on tax and customs duties for imports for the naval industry, destined to the strengthening and improvement of the national passenger and cargo transportation system. The measure is applicable if the national industry is not able to supply them. It is a condition that the importer is the National Government, the provinces, the Autonomous City of Buenos Aires, State Corporations, local port authorities of state-owned ports and dockyards registered in the National Registry of Ports.

Section 61 (new): exemption on tax and customs duties for imports destined to the strengthening of the national airport system and for the reimportation of temporarily exported goods. The beneficiary of this measure is the Regulatory Agency of the National Airport System, whenever the national industry is not able to supply such goods.

Section 62 (amended): exemption on tax and customs duties for the import of railroad equipment and services rendered by foreign entities, destined to investment projects for the strengthening and improvement of the passenger and cargo railroad transportation system. The beneficiaries of this measure will be the same mentioned in Section 68 of Law 27,591, including in this Bill the company *Desarrollo del Capital Humano Ferroviario Sociedad Anónima* with majority state participation. Unlike the Law, this Bill includes VAT as a resource subject to the exemption. The benefits will only be applicable if the national industry is not able to supply the goods involved.

Section 64 (new): reimbursement (remission) of VAT on the acquisition of goods, works, leases and services rendered for the construction of infrastructure works to expand the existing natural gas transportation system and capacity, which are required to guarantee the development and supply of natural gas in the long term. The beneficiary company is ENARSA.

This Section would be included in Law 11,672, Permanent Budget Supplementary Law (2014), as amended, by means of Section 97 of the Bill.

Section 65 (new): exemption on tax and customs duties on imports required for the execution of the work "President Néstor Kirchner Natural Gas Pipeline". Likewise, the taxes due for such work shall be remitted.

Section 66 (new): implementation of the provisions of Section 92 of Law 11.683, with respect to tax enforcement proceedings for bank accounts, and the institutions where those accounts are held.

Section 67 (new): Legislative Delegation. During 2023, the National Executive Branch is empowered to increase the amounts set forth in Section 26 (z) (exemption for supplementary annual salary) and in the second to last paragraph of Section 30 (c) of the Law (special deduction computable for the calculation of the non-taxable minimum).

Section 68 (new): establishes that the monetary allowance on account of the payment of remunerations established by Executive Order 551/22 does not compute for the determination of personal contributions and employer's contributions.

Section 69 (new): establishes that the goods produced within the Free Zone of La Plata may be destined to the General Customs Territory. Likewise, the exemption on tax and customs duties for imports to that Territory is determined, and conditions for the transfer of imports are established.

Section 70 (new): exemptions on tax and customs duties on imports of capital and consumption goods (including their spare parts), acquired by the National Civil Aviation Administration. The benefits shall be valid only if the national industry is not able to supply the goods involved.

Section 71 (new): amends Law 27,679. It establishes that the beneficiaries of the Argentine Investment, Construction and Production Incentive Regime may use the declared funds for the purchase of used real estate, under certain conditions.

Section 72 (new): amends Law 27.679. It creates the Argentine Investment and Production Incentive Regime, by means of which foreign currency holdings may be voluntarily externalized. The declared funds must be used only for the transfer of foreign currency for the payment of imports for consumption, destined to productive processes. A special tax on the value of the declared holdings is established.

Chapter XI- Other provisions

Sections 74 (new), 75 (new) and 76 (amended): refer to the subscription of shares of international credit organizations. Specifically, they approve the subscription of capital to the Andean Development Corporation (CAF), the Central American Bank for Economic Integration (CABEI) and the International Development Association (IDA) for USD808 million, USD40 million and USD3 million, respectively. The capital will be subscribed in installments over a 10-year term.

Section 77 (new): replaces the first paragraph of Section (unnumbered) of Law 11,672, Permanent Budget Supplementary Law (2014), as amended, relating to Section 55 of Law 27,431 of the 2018 Budget. The Section refers to the approval by the Secretariat of Administrative Management of the Ministry of Public Works, at the proposal of the Secretariat of Infrastructure and Water Policy, of the financial planning and disbursements for the execution of works to be financed with resources from the Water Infrastructure Trust Fund, for which purpose the Section indicates that a Water Infrastructure Trust Management Unit shall be created.

The Section proposed in 2023 Budget Bill establishes that this Management Unit, which has already been created by means of Joint Resolution 1/21 of the secretariats mentioned in the preceding paragraph, shall be responsible for instructing *Banco e la Nación Argentina* to make the respective payments.

Section 78 (new): approves the Agreement on the joint implementation of the Regulation and Control of the Public Service of Electric Power Distribution between the National Government, the Province of Buenos Aires and the Autonomous City of Buenos Aires executed on January 19, 2021 and subscribed by the National Government, the Autonomous City of Buenos Aires, the Province of Buenos Aires, the National Electricity Regulatory Agency (ENRE), *Empresa Distribuidora y Comercializadora Norte S. A.* (EDENOR S.A.) and *Empresa Distribuidora Sur S.A*. (EDESUR S.A).

Section 79 (new): states that the entity created by the second clause of the Agreement that approves Section 78 will be financed, once it is created and in operation, among other resources, with those of EDENOR S.A. and EDESUR S.A. from the collection of the inspection and control fee created by Section 67 of Law 24,065.

This provision, not being included in Law 11,672, Permanent Budget Supplementary Law (2014), as amended, expires on December 31, 2023.

Section 80 (new): authorizes the National Executive Branch to promote the acts required to give effect to the Agreement approved by Section 78 of this Bill.

Section 81 (amended): provides for the extension of the Compensation Fund for Urban and Suburban Public Transportation of Passengers by Motor Vehicle outside the Greater Buenos Aires Area.

It is added to the Section in force that the provinces or municipalities that have joined the Fund must provide evidence of the measures adopted for the implementation of the Single Electronic Ticket System (SUBE) as a means of payment of the fare of all the public transportation services, to receive credit from the Fund.

In addition, it states that the Ministry of Transportation will be responsible for establishing the criteria for the allocation and distribution of such Fund. It will also be responsible for issuing all necessary regulations. For such purpose, it may consider the convenience of harmonizing these compensations with those deriving from the implementation of the federal social attribute within the framework of the Single Electronic Ticket System (national SUBE).

This provision, not being included in Law 11,672, Permanent Budget Supplementary Law (2014), as amended, expires on December 31, 2023.

Section 82 (amended): extends DNU 346/20, which provides for the deferral of debt services in foreign currency, and Sections 1, 2 3 and 8 of DNU 668/19, referring to the use of transitory liquidity surpluses of the National Public Sector until December 31, 2023.

Specifically, DNU 346/20 establishes the deferral of payments of interest and amortization services of government securities in dollars issued under Argentine law and exempts from such deferral a series of instruments among which are included the non-transferable bills held by the BCRA and bills subscribed by the FGS (Sustainability Guarantee Fund), and the intra public sector bills issued under DNU 668/2019.

On the other hand, DNU 668/19 provides that the agencies and entities of the National Public Sector and the funds and assets of specific allocation administered by them may only invest their temporary liquidity surpluses through the subscription of pre-cancelable Treasury Bills issued with a term of less than 180 days.

The provisions of subsection j) of Section 74 of Law 24,156 on Financial Administration, which refer to the authority of the National Treasury to issue a prior opinion on the temporary investments of funds made by the entities of the National Public Sector and the requirement of the entities of the National Banking System to inform the Ministry of Treasury, at its request, of the temporary investments made by the entities of the National Public Sector, are suspended for the same term.

In addition, it establishes the suspension of the applicability of the third paragraph of subsection a) of Section 74 of Law 24,241 until December 31, 2023, which implies that the FGS is covered by DNU 668/19. Finally, it establishes that the interest payments and amortizations of bills in dollars issued under those regulations shall be replaced at maturity by new securities, under the conditions defined by the Secretariat of Finance and the Secretariat of Treasury.

Section 84 (new): amends subsection 5 of Section 7 of Law 27,605 on the creation of the Solidarity and Extraordinary Contribution to help mitigate the effects of the pandemic, which refers to the allocation of the proceeds of the contribution. In this respect, it indicates that 25% is allocated to programs and projects approved by the Secretariat of Energy of the Ministry of Economy for the exploration, development, and production of natural gas.

It is also established that the programs and projects shall also have the purpose of construction and maintenance of infrastructure and transportation of natural gas.

Section 85 (new): establishes that the investment projects submitted by the company *Energía Argentina Sociedad Anónima* (ENARSA) related to the production of green hydrogen, from the use of renewable energy sources, with the purpose of producing electric energy for the Wholesale Electricity Market or the rendering of public services, shall be subject to evaluation and approval within the framework of Law 26,190, of the National Promotion Regime for the use of Renewable Energy Sources for the Production of Electric Energy, as amended by Law 27,191.

This Section would be included in Law 11,672, Permanent Budget Supplementary Law (2014) as amended, by means of Section 97 of the Bill.

Section 86 (new): provides for the creation of the initiative of Infrastructure for the Development of the Bi-Oceanic Corridor of Northern Argentina to prioritize investment projects to correct historical asymmetries in transportation, energy, health, education, telecommunications, water and sewage infrastructure, among others.

For such purpose, the National Executive Branch shall have to identify and monitor the investments to be executed with resources of the National Government, regardless of their source of financing, including those coming from agreements with multilateral credit organizations or bilateral agreements with certain countries, with the guarantee of the National Treasury, within the framework of the National System of Public Investments.

Section 87 (new): provides for the extension of the National Food Emergency until December 31, 2025, inclusive.

This provision, since it was not included in Law 11,672, Permanent Budget Supplementary Law (2014) as amended, expires on December 31, 2023.

Section 88 (new): repeals Section (unnumbered) of Law 11,672, Permanent Budget Supplementary Law (2014), as amended, relative to Section 17 of Law 27,431, which approved the National Government Budget for fiscal year 2018.

This Section establishes that the financial assistance received by *Aerolíneas Argentinas Sociedad Anónima* and *Austral Líneas Aéreas - Cielos del Sur Sociedad Anónima* from the National Government must be recorded as contributions made on account of future capital increases.

Section 89 (new): empowers the Chief of Cabinet to make the appropriate amendments to the Budget, when distributing the appropriations of this Bill, to include the National Waterway Control and Management Agency, created by Executive Order 556/21.

Section 90 (new): establishes that the National Executive Branch, the provinces, and the municipalities, in their capacity as owners of the service, shall be responsible for the control and strict compliance with the payment of transactions for the consumption of energy, power and related items by the providers of the public electric power distribution service in each jurisdiction.

For such purpose, it provides for a term of 6 months as from the effective date of this Bill as a law, for each grantor to determine, establish or adapt its regulations to ensure and guarantee the payment of the invoices issued or to be issued in the future by the *Compañía Administradora del Mercado Mayorista Eléctrico S.A.* (CAMMESA) for such concepts.

In addition, it is stated that the provinces will be jointly and severally liable within the framework of this regime and that, upon expiration of the term, the Office of the Chief of Cabinet through the Ministry of Economy may withhold, from the funds committed in the budget transfer agreements executed between each province and any entity of the National Public Sector, the amount owed to CAMMESA by the electric power distribution service provider for energy and power consumption.

Since this provision is not included in Law 11,672, Permanent Budget Supplementary Law (2014), as amended, it expires on December 31, 2023.

Section 91 (new): extends the concession term provided for in Chapter I.8 of the Instrument of Connection between the National Government and AySA S.A., approved by Resolution 170/10 of the former Ministry of Federal Planning, Public Investment and Services, as from its expiration and for 10 years. In addition, the Minister of Public Works or his designee is empowered to execute the necessary documents or acts.

Section 92 (new): empowers the National Executive Branch to establish a debt compensation system between the National Government and the provinces. For such purpose, the Minister of Economy shall create a register of debits and credits.

This provision, since it is not included in Law 11,672, Permanent Budget Supplementary Law (2014) as amended, expires on December 31, 2023.

Section 93 (new): refers to the provisions of Section 50 of the Budget Bill, which establishes an appropriation of ARS 100.923 billion for transfers to provincial pension funds of ANSES to finance current expenditures. It also provides that ANSES will monthly transfer the equivalent to one twelfth of the total amount of the last annual deficit, provisional or definitive, for those provinces that did not transfer their pension systems to the National Government. Such transfer will be an advance on account of the result of the deficit of each pension system.

It is provided that such transfer shall be made before the 20th day of each month and that each monthly advance shall be updated with the variations in the SIPA's pension mobility index. The update will be calculated considering the variation of the index between the month of July of the year to which the last deficit, provisional or definitive, determined and the month prior to the month of payment.

This provision, since it is not included in Law 11,672, Permanent Budget Supplementary Law (2014), as amended, expires on December 31, 2023.

Section 94 (new): in reference to Section 93, it provides that advances at historical values shall be deducted from the total amount to be transferred by the National Government. This shall be implemented when the result of the pension deficit has already been calculated. In addition, it is established that the resulting difference will be updated with the variation of the pension mobility index between July of the year that is being cancelled and the month prior to the month of payment.

Since this provision is not included in Law 11,672, Permanent Budget Supplementary Law (2014), as amended, it expires on December 31, 2023.

Section 95 (new): provides that the National Executive Branch is empowered to issue the clarifying rules with respect to Sections 93 and 94 of the Budget Bill.

Section 96 (new): extends until 12/31/23 the power of the National Executive Branch to establish Export Duties with a rate ceiling.

General Remarks

Sections 16, 22, 23, 24, 25, 26, 27, 28, 29, 30, 41, 42, 46, 47, 48, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 74, 75, 76, 78, 79, 80, 81, 82, 84, 85, 86, 87, 90, 91, 92, 93, 94, 95 do not comply with the provisions of Section 20 of Law 24,156[13], since they are not directly and exclusively related to the approval, execution, and evaluation of the Budget. The amendments proposed by those Sections should be promoted by other regulations.

[13] Law 24,156 on Financial Administration and Control Systems of the National Public Sector, Section 20: the general provisions constitute the complementary rules to the present law that shall govern for each financial year. They shall contain rules directly and exclusively related to the approval, execution, and evaluation of the Budget to which they belong. Consequently, they may not contain provisions of a permanent nature, nor may they amend or repeal laws in force, nor create, modify, or suppress taxes or other revenues. Title I shall also include the aggregate tables that allow an overall view of the Budget and its main outcomes."

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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.

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OPC
OFICINA DE PRESUPUESTO DEL CONGRESO

Hipólito Yrigoyen 1628. Piso 10 (C1089aaf) CABA, Argentina.
T. 54 11 4381 0682 / contacto@opc.gob.ar
www.opc.gob.ar