

Examining Budget Credibility in Argentina's Education Sector

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Introduction

Argentina has made progress on transparency and accountability for public spending but still faces significant budget credibility challenges.¹ For the 2018-2022 period, the total current budget had high levels of execution (between 87 and 98 percent), while the deviations between the initial and executed budget were considerable (exceeding 60 percent) in 2020 and 2022.² This situation was similar in sectors such as Education, which saw steadily increasing deviations over the last half-decade, from between 2 and 6 percent in 2018 and 2019, to 35 percent in 2020, 28 percent in 2021, and 95 percent in 2022.³ Across the social sectors, recurrent spending deviations can undermine efforts by the Legislative Branch—through its annual budget—to guarantee fundamental rights and meet the Sustainable Development Goals (SDGs).

Argentina's Voluntary National Review of the SDGs for 2022 indicates that the national government considers education the central axis of the social fabric and an equalizing instrument and generator of opportunities.⁴ Argentina incorporated the International Convention on the Rights of the Child into the National Constitution and enacted the National Law on the Comprehensive Protection of the Rights of Children and Adolescents (No. 26,061). Through these, the government committed to allocate resources to guarantee the rights of children and adolescents and ensure that these funds would never be less than that of previous years' forecast or execution (arts. 5 and 72). Argentina also approved the National Education Law (No. 26,206), which established that the consolidated budget for education must be no less than six percent of the Gross Domestic Product and regulated the obligation to universalize educational services for four-year-old children. However, annual spending on education has not yet

1 Among these achievements are the publication of updated information on the expenditure budget with a periodic update of 48 hours and cross-cutting reports on expenditure for Children and Adolescents (NNA), Persons with Disabilities (DIS), and with a Gender Perspective (PPG) with a quarterly update, which allow monitoring and understanding in a more accessible way the national budget execution for these sectors. See: https://www.economia.gob.ar/onp/presupuesto_ciudadano/seccion6.php

2 Maximum limit available to spend at the time certain information is submitted, regardless of what was approved at the beginning of the year (if the budget had no changes during the year, the current appropriation will match the original) because it incorporates budget modifications that affect the original budget by more or less.

3 On June 16, 2022, Decree of Necessity and Urgency 331 was published in the Official Gazette, which contained a budgetary modification by which the budget of planned expenses and the estimate of the calculation of the resources of the National Administration were increased, as well as corrected the credits available for the amortization of the debt and the estimation of public indebtedness. It should be noted that at the beginning of the 2022 financial year, the General Budget bill for the National Administration sent to Congress was not approved, which is why, through Decree 882/2021, the extension of the current budget to 12/31/2021 governed. The increase in the Ministry of Education was justified as follows: "That it is necessary to strengthen the budget of several programs developed by the Ministry of Education to contribute to the maintenance of the actions implemented in its orbit."

4 See: https://www.argentina.gob.ar/sites/default/files/informe_nacional_voluntario.pdf

reached six percent.⁵ As such, educational coverage is not universal, showing significant disparities according to provinces.⁶

Understanding the scope of Argentina's budgetary challenges can also be complicated by inflation, which the government routinely underestimates, leading to considerable differences between planned expenditures and what the state ultimately has to spend at the end of the year.⁷ In any case, the 2020 and 2022 budgets were not even approved by Argentina's Congress, and the country was governed with extension budgets during those years.⁸

This brief analyzes the credibility of Argentina's education budget, taking as an example the Kindergarten Building Strengthening Program, which aims at reversing inequality in access to initial level schooling. This brief analyzes the reasons for budget deviations and makes recommendations to improve budget credibility and advance the achievement of SDG 4: "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all."

The study uses a mixed-method approach that includes reviews of budget documents and requests for public information.⁹ Expenditure datasets published by the Ministry of Economy on childhood and adolescence in the National Budget (with the tag NNA – Niñas, Niños y Adolescentes) were used.¹⁰ Data available on the Ministry of Economy's Open Budget site were also used. For the analysis of the physical goals, both the data of Programming and Physical Execution and the Budget Law of each year were

5 See: <https://datos.bancomundial.org/indicador/SE.XPD.TOTL.GD.ZS?locations=AR>

6 See CIPPEC and UNICEF, Map of Early Childhood Education in Argentina, February 2021. Available in: <https://www.unicef.org/argentina/media/10056/file/Mapa%20de%20la%20Educaci%C3%B3n%20Inicial%20en%20Argentina.pdf>

7 Most of the targets established in terms of inflation, growth or fall in GDP, deficit and dollar value in the annual budgets were not met from 2012 to 2021. See: Chequeado, "Expectation vs. reality: the main economic goals of the last 10 budgets were not met": <https://chequeado.com/el-explicador/expectativa-vs-realidad-las-principales-metas-economicas-de-los-ultimos-10-presupuestos-fueron-incumplidas/>. For example, in 2021 the expected inflation according to the budget law was 29% while the price increase was 50.9% and in 2022 it was expected to be 33% but ended up being 94.8%.

8 Article 27 of the Financial Administration Law establishes that if the general budget is not approved at the beginning of the financial year, the budget that was in force the previous year shall apply, with the corresponding adjustments to be made by the National Executive Power in the budgets of the central administration and decentralized agencies.

9 Although through NO-2023-03767011-APN-DGI#ME and NO-2023-03630510-APN-DPRESU#ME within the framework of EX-2022-126372751- -APN-DNPAIP#AAIP the authorities provided a follow-up form of the works of the analyzed program, they omitted to give detailed explanations. It is for this reason that an administrative claim is being processed before the Agency for Access to Public Information.

10 See: https://www.economia.gob.ar/onp/presupuesto_ciudadano/seccion6.php#ninez

used.¹¹ In the Physical Execution data it is possible to find systematized explanations about deviations, which were in turn compared with what was published in the Investment Accounts and in the Quarterly Monitoring Reports. Interviews with officials in the General Directorate of Infrastructure of the Ministry of Education were requested but were denied because a complaint was pending before the Agency for Access to National Public Information regarding the program analyzed in this report.

11 It is the physical measurement, in terms of goods and services, of the results sought with budgetary programs (for example, the number of books that will be distributed, or the amount of food and scholarships that will be awarded).

Budget Credibility of Education Sector Policies Aimed at Children and Adolescents

Thirty-five percent of programs linked to the education sector that are aimed at children and adolescents (labeled as NNA – Niñas, Niños y Adolescentes) showed levels of reallocation above 40 percent. At the same time, 42 percent of these programs suffered budget cuts while 15 percent of them exhibited execution percentages above 100 percent and 24 percent of them exhibited execution percentages below 80 percent.¹² Within these, the most preponderant type of expenditure is Transfers, followed by Fixed Assets. The reallocation of Transfers in 2020 was 31 percent; in 2021, it was -5 percent; and in 2022, it was 73 percent. Fixed Assets were characterized by a low level of execution of around 29 percent. In 2020, the main expenditure was on Transfers, which were reallocated by 31 percent. The main problems occurred in objects such as Fixed Assets, where budget deviations fluctuated 49 percent, and Consumer Assets, whose budget cuts fluctuated -66 percent. In 2021, Transfers suffered a five percent cut while Fixed Assets increased by 44 percent. Among the budget categories that were executed above 100 percent are Transfers and Non-Personal Services. In 2022, there were important reallocations in all concepts, including 73 percent in Transfers, 144 percent in Fixed Assets, and 534 percent in Consumer Goods. Expenditure was characterized by low levels of implementation (88 per cent in total).¹³

Due to the heterogeneity of the programs in the education sector, this brief focuses on the Kindergarten Building Strengthening Program, which aims to expand the coverage of Initial Level Schools, which serve three to five-year-olds. Demand for Initial Level Schools has been increasing in recent years, due particularly to the increase in enrollment of three and four-year-olds. Despite early childhood care being a central policy of the Ministry of Education, the program executed, on average, 71 percent of its current funds between 2018 and 2022.¹⁴ In turn, the current budget of the program suffered cuts of 52 percent

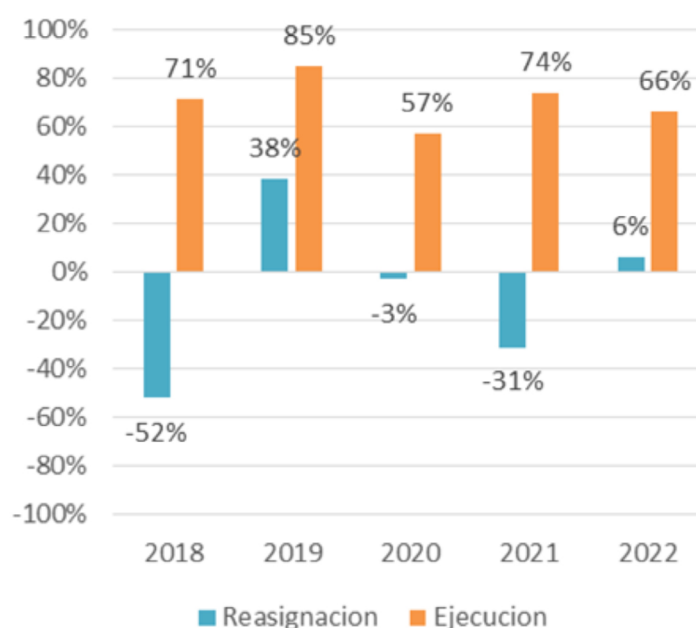
¹² Budget diversion or reallocation is the change in the destination of funds that had been allocated for a certain purpose in the Budget Law approved by Congress.

¹³ Because information with NNA tags is available from 2020, in this paragraph the analysis focuses on the years 2020 to 2022.

¹⁴ The description of Program 46 "Building Strengthening of Kindergartens" is available at: <https://www.economia.gob.ar/onp/documentos/presutexto/proy2022/jurent/pdf/P22J70.pdf>.

and increases of 38 percent compared to the original budget throughout the period.¹⁵

Figure 1. Deviations according to percentage of reallocation* and execution (2018–2022), Kindergarten Building Strengthening Program**



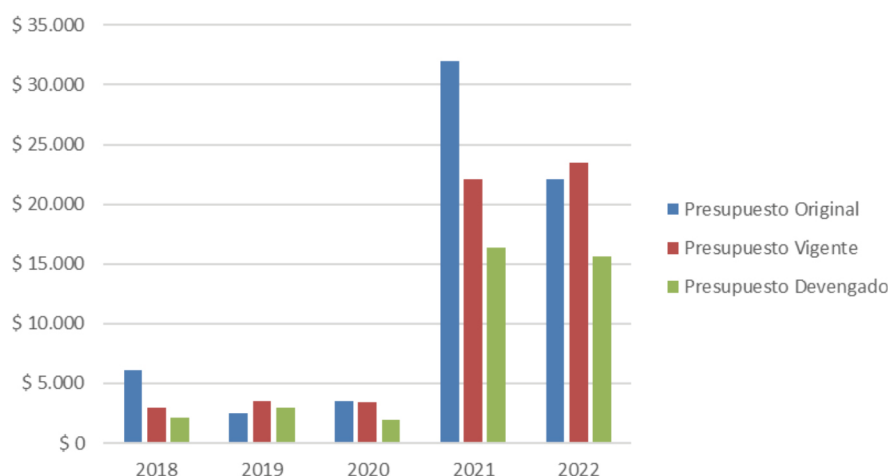
Source: Own calculations using data from the Ministry of Economy

* Percentage difference between the original budget and the current budget of each year

** Percentage of accrued budget over current budget of each year.

15 In Argentina, the budget cycle consists of four stages: 1° formulation of the national budget, 2° discussion and approval of the law, 3° execution of expenditure and 4° control and accountability. The deviations occur in the 3rd stage through three practices: reassignment, under-execution and budget expansion by decrees of necessity and urgency of the Presidency and Chief of the Cabinet of Ministers or by ministerial resolutions. The Financial Administration Law No. 24,156 establishes that it is Congress that has the power to make budgetary modifications while the Chief of the Cabinet of Ministers can make changes that do not exceed 5% of the total amount or 15% approved for purpose. These limits apply to total amounts and not to individual budget items. However, the ceilings have also increased under the justification of "the exceptionality of the economic situation" and the health emergency in the years of the COVID-19 pandemic.

Figure 2. Budget of the Kindergarten Building Strengthening Program, Current Prices (2018–2022)



When analyzed by type of expenditure, the program's deviations are heterogeneous and, although it is very difficult to draw trends, except in exceptional situations for all years, these deviations—whether they are increases or reductions in the current amounts or characterized by low levels of execution—are significant.

Spending on Fixed Assets, for example, represents 40 percent of the initial budget but 50 percent of the program's current budget.¹⁶ Year after year, spending on Fixed Assets exhibits very different levels of reallocation, ranging from reductions of 34 percent to increases of 75 percent. The same situation occurs with the execution, which did not accrue above 84 percent in any of the years analyzed for this brief. Something similar happens with the category of Transfers.¹⁷ Transfers represent 59 percent of the initial budget, but when looking at the current budget, they drop to 47 percent. Reallocation levels range from reductions of 82 percent to increases of 65 percent. The execution exhibits better results than Fixed

¹⁶ Within Fixed Assets is the expenditure on goods, constructions, machinery and equipment.

¹⁷ These are transfers to provincial and municipal institutions to finance current expenses (salaries, goods and services) and capital (real direct investment in construction).

Assets, which registered significant under-execution only in 2022.¹⁸

Table 1. Kindergarten Building Strengthening Program according to Object of Expenditure.^{19*}

Category and Year		Initial Budget	Current Budget	Accrued Bud- get ²⁰	Reallocation %	Execution %
Fixed Assets	2018	20.135	13.318	8.769	-34%	66%
	2019	5.872	6.215	5.194	6%	84%
	2020	4.376	4.355	657	0%	15%
	2021	10.561	18.489	8.619	75%	47%
	2022	10.723	8.101	6.732	-24%	83%
Total Fixed Assets		51.667	50.477	29.970	-2%	59%
Transfers	2018	13.699	2.500	2.498	-82%	100%
	2019	3.319	5.479	4.771	65%	87%
	2020	3.858	3.876	3.850	0%	99%
	2021	44.607	19.619	19.617	-56%	100%
	2022	11.378	15.350	8.842	35%	58%
Total Transfers		76.861	46.824	39.577	-39%	85%
Total Building Strengthening of Kindergartens		129.252	99.308	71.271	-23%	72%

Source: Own calculations using data from the Ministry of Economy

* Constant prices to 2022 expressed in millions of pesos.

18 During the period analyzed, the execution levels of Transfers are above Fixed Assets. If the expenditure by object of the total budget is observed, between 2018 and 2022, 87% of the current budget of Fixed Assets and 97% of Transfers were executed. Within Social Services, the levels of execution of Fixed Assets are lower (78%) and Transfers are maintained (97%). Within the Education and Culture function, the execution of Fixed Assets is even lower (72%) while Transfers is sustained (96%). Although there are no explanations about the deviations in these categories, the justifications given to the deviations in the execution of works and tenders are applicable, which require more complex operational procedures (such as purchases, contracts, tenders) than the realization of direct transfers.

19 The table includes the main categories. Non-Personal Services is not included in the table because it represents a marginal value over the total program for the years analyzed.

20 Within the budget execution, the accrued credit is that corresponding to the moment in which a payment obligation arises for the receipt of conformity of goods or services duly contracted or because the administrative requirements for cases of expenses without consideration have been met.

Impact of Budget Credibility Challenges on the Results of the Kindergarten Building Strengthening Program

During the years analyzed, the Kindergarten Building Strengthening Program did not meet the projected goals: fewer classrooms and square meters were built than expected, and the budget suffered significant modifications and under-execution. Between 2018 and 2022, the construction of 7,537 new classrooms was proposed, of which only 1,419—or 19 percent—were built. That translates into just 38 percent of the 896,267 square meters of planned classroom space. These values are not correlated with the financial execution of the program, as 72 per cent of the current budget was implemented throughout the period.

The program's results are measured through an indicator on "Increase in Initial Level Capacity" and two physical goals—the construction and expansion of kindergartens by "Built Classroom" and "Built Square Meter." Between 2018 and 2019, the indicator "Increase in Initial Level Capacity" showed negative reallocations, while in 2020 and 2021, it showed a slight modification above the initial goal.²¹ Throughout the four-year period, execution against the indicator increased, beginning at eight percent in 2018 and reaching levels of 72 percent, 83 percent, and 215 percent in 2019, 2020, and 2021, respectively. However, in 2022, the indicator was no longer measured, and there is no justification for this lack of measurement in official documents.

Regarding physical goals, until 2019 there was no deviation between original allocations and the revised targets. However, in 2020 and 2022 revised targets experienced negative deviations, and in 2021 revised budget targets more than doubled what was originally planned. Despite these revisions, the period was characterized by low levels of execution. In 2018, just eight percent of classrooms and 21 percent of planned square meters were built. In 2019, those numbers still fell short, though they grew to 48 percent

21 The indicator reflects the progress made in educational infrastructure to address the shortage of places to serve the entire initial school population. Descriptor of the numerator: number of children that are incorporated with the construction of the gardens. Description of denominator: out-of-school population at the start of the program. The indicator's original target (in 2016) was to reach 100% by 2018. Source: Result indicators in the Investment Account (2016).

of planned classrooms and 61 percent of planned square meters. In 2020, those numbers fell again to 38 percent and 52 percent, respectively; and in 2021, they fell to only six percent and 29 percent. In 2022, the numbers jumped again to 56 percent and 81 percent but still missed the goals set out in the budget.

Across the years analyzed in this brief, the lowest levels of execution occurred in the South Central region (50 percent), the Autonomous City of Buenos Aires and Greater Buenos Aires (51 percent) and the Northwest (54 percent). Unsurprisingly, this under-execution disproportionately affects lower-income individuals and families, who do not have the income to pay for private schooling—a fact that disproportionately impacts women, as they assume the bulk of care work.

The national government gave explanations regarding the cause of the deviations. In 2018, credit restrictions, delays in bidding and execution processes, as well as contract terminations were reported. In 2019, a credit restriction and consequent reduction in the contracting of new works were reported. In 2020, the difference was reportedly due to the payment of price redeterminations and financial advances on works. In 2021, there were bidding and administrative delays, with the execution of some jurisdictions affected by Covid-19 restrictions, which directly impacted the scheduled execution times. In 2022, the program suffered a budget cut (reported through DA 826/22²²) of \$15,000 million which, added to the economic context, slowed down the execution of the works and whose causes of deviation were redeterminations and delays in the liquidation circuit as determining factors in the execution.

These informed explanations allow us to understand part of the problem, but they are not enough. For example, they do not detail how many terminations there were or the reasons behind it. Changes in physical and financial programming show a reduction to the expectations of the program, but there are no indicators of having achieved the result through other programs or actions. Although Argentina began to implement the 2030 Agenda in January 2016 and, from the beginning, showed a commitment to adapting the goals and generating SDG monitoring tools, the results indicator of the analyzed program (eliminated in 2022) does not have a directly associated SDG. Nevertheless, when consulting the voluntary reports of Argentina, it is possible to glimpse, in Goal 4.a, references to the Kindergarten Building Strengthening Program, where the national government explained that it carried out the expansion, construction, and completion of institutions oriented to the initial level of compulsory education.²³

22 The justification of the decree says: "it is appropriate to modify the current budget of the National Administration according to the execution registered to date and in order to carry out an adequate administration of the credits in force."

23 Target 4.2. "By 2030, ensure that all girls and boys have access to quality early childhood care and development and pre-primary education to prepare them for primary school." See: https://www.argentina.gob.ar/sites/default/files/informe_nacional_voluntario.pdf (page 124)

Conclusions and Recommendations

The inability of the Ministry of Education to implement its budget as planned postpones the fulfillment of children's rights and runs contrary to the legal commitment to universalize access to education from the age of four. The government's under-execution also undermines its obligation to have a reliable budget and weakens government efforts to achieve the targets of the Sustainable Development Goals.

There is a high risk of persistent budget credibility issues in Argentina's government, given the worsening economic situation and the high levels of indebtedness that impose conditions when prioritizing the allocation of spending. It does not appear as though measures have been taken to solve the problems in the management of funds that the Kindergarten Building Strengthening Program has been experiencing for years. This is problematic if we consider that it ends up being the families who must face the educational and care costs of children and adolescents privately when the state fails to provide universal access to education.

During the budget year, the Executive Branch must respect the will expressed by Congress when approving the budget law and must justify all deviations in the government plan that the budget outlines. To reverse budget credibility problems, the Ministry of Education must deepen accountability by providing comprehensive explanations for financial and physical deviations. It must incorporate interannual and comparative explanations with past experiences, indicating—in cases where programmatic and budgetary conditions are modified—why conditions have changed and what is sought with these modifications. This is essential to improve resource management. Otherwise, it will be very difficult to reverse problems that recur year after year. In addition, it would be desirable to institutionalize public policy impact assessments that allow us to know if specific policies' results and scope are consistent with their proposed objectives and goals and, ultimately, if they are addressing the problems they seek to solve.

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