

By Daniel Santoro

Every time Argentines fill their cars with gasoline, they are paying for corruption. Every petrodollar spent in Argentina sends cents to a special account that President Néstor Kirchner's government manages with little accountability. Every time Argentines vote, they don't know for sure who financed their candidate's electoral campaign. Every time honest Argentines pay taxes, they are paying at rates above the world average, because they must pay for the thousands of Argentines who dodge their taxes. The *Impuesto al Valor Agregado*, the tax on consumption, is a massive 21 percent.

Corruption in Argentina isn't a daily affront on the lives of its citizens. Argentina is not Russia, where drivers must routinely pay bribes to the police. In Argentina, the costs of corruption are hidden, indirect. Many Argentines are never aware of these silent mechanisms of corruption.

In 2003 the Kirchner government launched a series of reforms. Kirchner replaced most Supreme Court justices through a transparent process. The same year saw public access to information law, Ordinance 1172/03.

But the Kirchner administration seems to have forgotten his promises to fight the corruption that ran rampant under President Carlos Menem's rule from 1989 to 1999. Despite these positive steps taken early in Kirchner's administration, the government has failed to follow through. Argentina continues to lack efficient mechanisms to control and combat corruption.

The government is not alone in this neglect. In 2006, the media is complicit. The press shun a watchdog role and Argentinean participation in civil society continues to be low. Interest in public debate is limited. And why bother? Last year, Internal Gross Product increased 9.2 percent – a signal of real economic growth. Our economic well-being, after the deep financial crisis of 2001, increases public tolerance of corruption.

Kirchner's reluctance to confront corruption is directly proportional to the expansion of political hegemony by Kirchner's government. In the last year, Kirchner's party, *Frente Para la Victoria* (the Front for Victory), won the parliamentary elections. It controls most of the counties and the two *cámaras* (houses) of the congress. Meanwhile, the opposition is divided and increasingly fails to be a credible alternative to government power.

Carlos Manfroni, a former adviser of the Organization of American States on corruption issues, put it this way:

The Kirchner government's concentration of power has two focal points encouraging corruption. First, the concentration of power obstructs the control of corruption. Second, it demands a steady distribution of benefits to the political class, in order to satisfy those who would otherwise protest that concentration. This is especially serious in how it damages Argentina's federal regime through patronage (via distribution of the national budget) to the county governors and the mayors so that they line up behind the Kirchner government.

In concert with Manfroni's warning, in 2006 two civil society organizations petitioned the government. The watchdog groups, Citizen Power (*Poder Ciudadano*) and the Center for the Implementation of Public Policies Promoting Equity and Growth (CIPPEC—*Centro de Implementación de Políticas Públicas para la Equidad y el Crecimiento*) prepared a report on the implementation of the Interamerican Convention Against Corruption of 1996. Their report objects to how the government designated auditors of the state without public competition, government claims to improve the systems to grant public contracts to private companies and a witness protection program for corruption cases, among other measures.

In Argentina there are two administrative organizations that work outside the orbit of the Justice Ministry. The Accounting Office of the State (SIGEN-*Sindicatura General de la Nación*) that reports to the presidency, and the General Accounting Office of the Nation (AGN-*Auditoría General de la Nación*) that reports to the Congress.

The SIGEN leadership is not promising. The president of SIGEN is Marcelo Moroni, a lawyer and close friend of the head of the cabinet, Alberto Fernández. The vice-president of SIGEN is Alessandra Minnicelli, wife of the Minister of Federal Planning, Julio De Vido.

On the other hand, the president of the AGN is Leandro Despouy, a lawyer of the opposition party (UCR-*Unión Cívica Radical*). However, Despouy has to submit his audits to the vote of a directory where Kirchner's Peronist party holds a majority.

During the UCR party's rule from 1999 to 2001, President Fernando De La Rúa created the Office of the Fight Against the Corruption. The current head of that office, Abel Fleitas Ortiz De Rosas, has shown great enthusiasm to investigate cases of corruption during the Menem administration. There has been little interest in accusations against the Kirchner administration.

To make matters worse, the congressional auditor (directed by Peronist Oscar Lamberto) is years behind schedule in reviewing the government's expenses.

So, yes, laws, organizations and intentions exist to investigate corruption in Argentina, just as the Interamerican Convention against the Corruption demands. But, as Carlos Manfroni suggested, they are slow and toothless.

For example, in June of 2006, the AGN issued a report questioning the lack of controls on delivering 1.6 million pesos (US\$517,400) of subsidies to private companies that provide public transportation, like bus companies. The government pays those subsidies to control tickets prices for the millions of poor Argentineans who travel in buses every day.

Those 1.6 million pesos don't come from the national budget. They come from a special account called a *fideicomisum* (fiduciary fund). This fund is financed

with a special tax on gas. Every Argentinean that fuels his or her car is financing that account.

The *fideicommissum* are exempt from the law of Financial Administration, which regulates the expenses of the national budget and establishes various accounting controls. At the moment, there are twenty *fideicommissum* that administer 6 billion pesos per year (US\$1.9 billion). It is equal to nearly four percent of the national budget.

AGN's report claimed that the Secretary of Transportation, Ricardo Jaime, played a role in the distribution of this fund. The AGN wanted to know how the private companies spend those 1.6 million pesos. How do much they spend in salaries? How much for fuel?

In addition, the report requested that the government turn over expense reports on an advance of 17 million pesos (US\$5.5 million) that Jaime gave to the union of truck drivers which supports Hugo Moyano, president Kirchner's ally.

In his answer to the report, Jaime affirmed that the controls to the subsidies began with his administration in July of 2003, that, "the absence of controls was the previous government's responsibility," and that the advance of 17 million pesos to the truck drivers union was legal.

Two months later, the congressional Commission Parliamentary Reviewer of Accounts still had not revised the AGN report, as required by law. In July 2006, the federal judge, Sergio Torres, finally began requesting information to determine if crimes are committed with these handouts to trucking companies.

This two-month delay was relatively brief, compared to the three years of stalled investigation into illegal campaign financing during the 2003 campaign that elected Kirchner president. As of this writing, the electoral judge María Servini still has not sanctioned the Solidarity Argentina foundation for an illegal \$6 million peso (US\$1.9 million) donation to former president Carlos Menem's campaign, despite the fact that this event was established in a judicial case.

But secret transfers of money to political parties are far from the only crimes going unpunished in Argentina. In 2005, Santiago Montoya, a Buenos Aires civil servant, uncovered a massive tax scam. He unearthed a novel computer system through which about 250,000 Argentines, politicians among them, used credit cards held at banks registered in other countries. Purchases on these cards are not registered in Argentina. Instead, they went directly to the out-of-country banks, as if the Argentine purchasers were tourists.

This allowed Argentine millionaires to hide their spending from the state and evade taxes. Of the approximately 250,000 Argentines using this system, only 8,000 officially declared the use of out-of-country bank accounts.

Surely the government would investigate this revenue draining scheme? But the Unit of Financial Information (UIF- *Unidad de Información Financiera*), the agency tasked with investigating money laundering, was beheaded at the beginning of 2006. During a round of government infighting, the UIF director was removed, and

a new director has yet to be named. In the four years since its creation, the UIF hasn't achieved a single judicial condemnation of money laundering in spite of 64 accusations presented to the Ministry of Justice.

In Argentina, it is as if the black money flowing through corruption and tax evasion simply does not exist.