

# INVEST IN CÓRDOBA

SUMMARY OF FINANCES AND INVESTMENT  
FIRST QUARTER 2018

Ministerio de  
**FINANZAS**



GOBIERNO DE LA PROVINCIA DE  
**CÓRDOBA**

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# PUBLIC FINANCE POSITION

## BUDGET EXECUTION

The first quarter of 2018 budget execution reflects a year-to-year increase in real revenue, mainly driven by improvements in tax administration. Key elements have been the introduction of the Cedulón Digital –or digital bill– on property taxes and the incidence of several discounts granted to taxpayers (for being debtless, for single installment payment and for online payment). Regarding the Province's expenditure, the execution of an ambitious infrastructure plan with a large investment in road works still persists; therefore, a high and continued level of savings is still necessary to guarantee the medium and long-term financial sustainability of the plan.

The most relevant indicator to monitor the state of provincial public finances is the "current available savings". This variable represents the difference between the net resources<sup>1</sup> –net of those that are automatically distributed to the municipal states– and current expenses<sup>2</sup>. In other words, it quantifies the surplus generated in the period used to sustain the Province's investment plan.

During the first three months of the year, current available saving was \$ 11,914 million (US\$ 617 million), which represents 34.7% of net income<sup>3</sup>. Compared to the same period last year, when savings represented 28.8% of net income, there is a significant increase in the surplus available for capital expenditures.

The increase in current available saving is the result of the fact that Córdoba's net income grew at a higher rate (38% year-on-year variation, which is equivalent to 10% in real terms) than net current expenditure (27% nominal, equivalent to a 1% increase in real terms). In sum, the first quarter of the year shows the highest level of current available savings in recent years (6 percentage points above the same period of 2017).

The current available savings/net income ratio also shows a better result than for 2018's projection. This greater relative saving is influenced by the increase in revenues due to the proliferation in single installment payments, it is expected that this will decrease in the coming quarters.

1 Includes automatic income of national origin (for the National Co-participation Regime, Special laws and Federal Solidarity Fund), provincial tax resources, and non-tax revenue, sale of goods and services and current transfers.

2 This methodological change began being implemented during the first quarter of 2017 and consists of discounting from total resources -excluding recovery of loans and other capital transfers- those resources that are distributed automatically to the municipal States according to the current legal provisions current (Provincial Co-Participation Regime-Law 8,663- and Federal Solidarity Fund).

3 These are the resources available to the Province once the resources automatically distributed to the Municipalities have been discounted.

## Córdoba's Central Administration Income and Expense Summary 2017-2018

(Millions of AR\$ and US\$)

Concept	2017		Budget 2018		Accumulated value 1st quarter 2018	
	\$	US\$(8)	\$	US\$(8)	\$	US\$(8)
Total Income (1)	28.638	1.484	150.042	7.774	39.691	2.056
Automatically Distributed Resources to Municipalities and Communes (2)	3.786	196	20.369	1.055	5.384	279
Net Income (3)	24.851	1.288	129.673	6.719	34.308	1.778
Net Current Expenditure (4)	17.695	917	109.610	5.679	22.393	1.160
<b>Net Current Result</b>	<b>7.156</b>	<b>371</b>	<b>20.063</b>	<b>1.040</b>	<b>11.914</b>	<b>617</b>
<b>Net Current Result / Net Income (%)</b>	<b>28,8%</b>		<b>15,5%</b>		<b>34,7%</b>	
Available Capital Income (5)	82	4	4.117	213	1.128	58
Works expenditures (6)	2.099	109	16.787	870	2.429	126
Other Capital expenditures (7)	1.686	87	6.957	360	639	33
<b>Financial Result</b>	<b>3.454</b>	<b>179</b>	<b>437</b>	<b>23</b>	<b>9.975</b>	<b>517</b>

Source: Ministry of Finance of Córdoba Province. See: <http://www.cba.gov.ar/ejecuciones/>

This table is exposed under the methodology of subtracting from total revenues those that are distributed automatically to the Municipalities and Communes –according to the current legal statements: the Co-participation Regime Law No. 8,663 and Federal Fund of Solidarity.

(1) It includes automatic revenues of national origin (National Co-participation regime, especial laws and Federal Solidarity Fund), Provincial tax resources, Non-tax income, goods and services sold and current transfers.

(2) Includes currents transfers (Provincial Co-participation regime – Law N° 8,663) and capital transfers (Federal Solidarity Fund) towards Municipalities and Communes.

(3) Resources at the disposal of the Province once discounted the automatically distributed resources to Municipalities and Communes.

(4) Net of current transfers to Municipalities and Communes in Co-participation concept (Provincial Co-participation Regime – Law N° 8,663).

(5) Does not include resources received in concept of Federal Solidarity Fund.

(6) It considers the works carried out by the Central Administration and capital transfers destined to finance of works in charge of ACIF. Excludes resource transfers towards Municipalities and Communes in concept of the Federal Solidarity Fund.

(7) Includes financial assets items and others capital transfers destined to other organizations that make up the Non-Financial Administration.

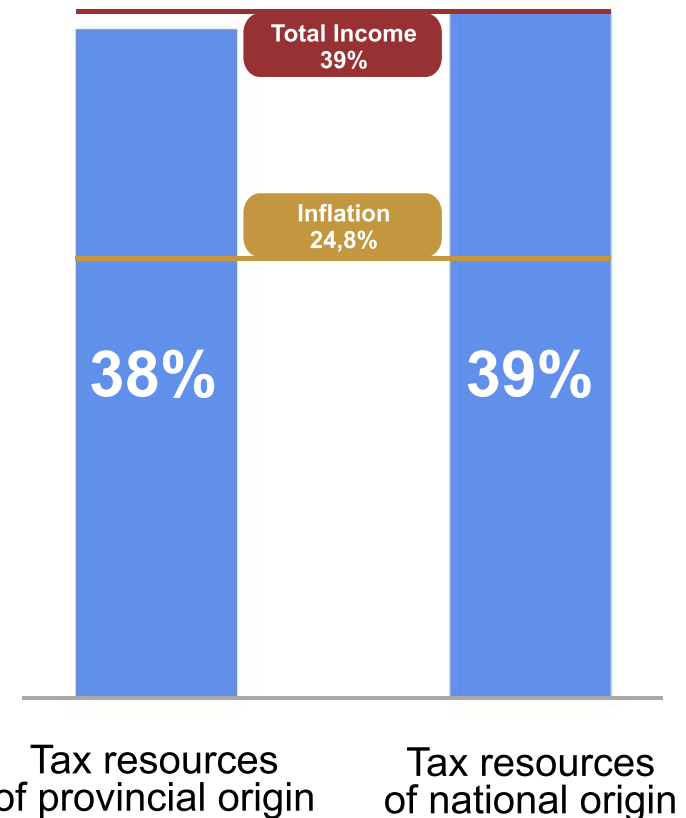
(8) The exchange rate used corresponds to the average exchange rate of the first three quarters of 2016 and 2017. For the 2017 Budget, the "Marco Macro Fiscal" Exchange rate (\$19.3) was used.

## PUBLIC INCOME

During this first quarter, the Province's total revenues –minus the recovery of loans and other capital transfers– reached \$ 39,691 million (US\$ 2,056 million). The magnitude of this number is explained, among other things, by the impact of tax administration's improvements implemented within the framework of the Tax Equity Program (PEI for its acronym in Spanish). This made it possible for the Province to apply the tax reduction agreed on the Fiscal Consensus without jeopardizing incomes. Revenues increased by \$ 11,053 million compared to the same period last year, which represents a year-to-year increase of 11.1% in real terms –38.6% in nominal terms. On the other hand, considering the financial result minus capital expenses, there's a surplus of \$ 9.975 million.

If we compare the variations of the tax resources of provincial origin with the tax resources of national origin, it can be seen that they have evolved in a similar way. During this period, tax revenues of provincial origin grew 38% in nominal terms (equivalent to 10.5% in real terms), while tax resources of national origin increased 39% in nominal terms (representing an increase of 11.5% real values).

**Tax revenues and inflation**  
**Nominal year-on-year change in %**  
 First quarter 2018



Source: Ministry of Finance of Cordoba Province and National Administration of Federal Income.  
<http://www.cba.gov.ar/ejecuciones/>

4 Argentine provinces made a commitment to lower distortionary taxes gradually over a period of 5 years.

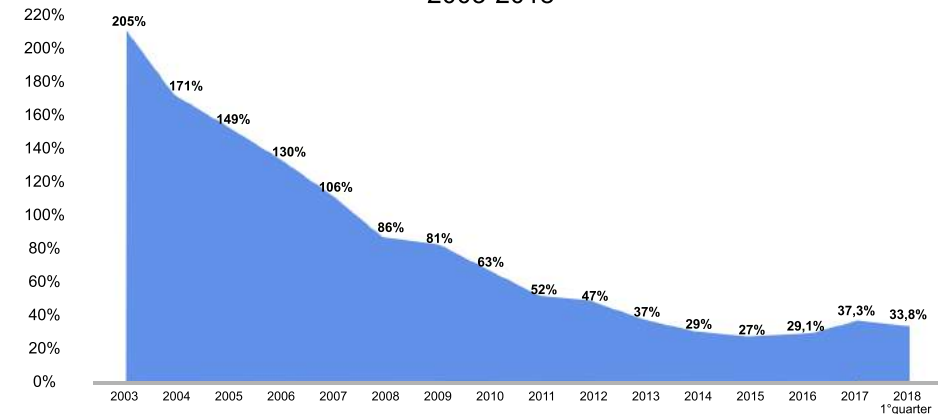


## PUBLIC DEBT

During the first quarter of 2018 the debt stock amounts to \$ 52,125 million (US \$ 2,700 million). This amount is equal to 33.8% of the total revenues budgeted for the year. The level of indebtedness of the Province, measured as the percentage of its total income, has shown a strong downward trend in recent years. Additionally, it should be noticed that the Province has not issued any debt in the first three months of the year and there are still resources being received from the debt operations carried out during 2017. The sum of these surpluses reached US\$ 770 million at the beginning of 2018. Of these available resources, there are US\$ 530 million located as financial placements, which generate property rent income. While 15 years ago the debt represented more than double the total income of the province, that relationship has been improving significantly. Therefore, although debt was equivalent to 37% of revenue at the end of 2017, the trend during the first quarter of this year shows it decrease to a one-third levels.

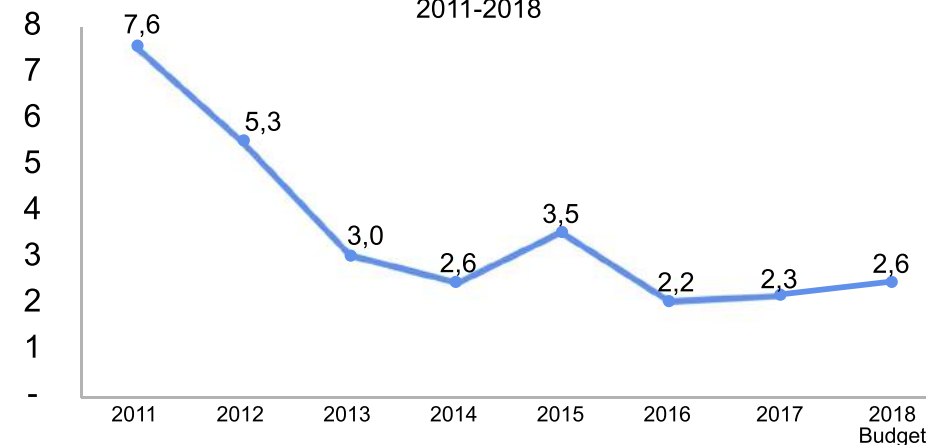
A more relevant way of measuring the indebtedness level is by associating it to the Province's payment ability. For 2018 it is projected that current available savings will be \$ 20,063 million (about US\$ 1,040 million). This means that with just over two and a half years of savings, all debt could be paid. Likewise, and given that debt has an average maturity of 6.2 years, it can be said that providing half of the Province's savings, debt can be paid in a timely manner.

**Provincial public debt**  
Debt stock as % of total income  
2003-2018



Source: Ministry of Finance of Cordoba Province.  
<http://www.cba.gov.ar/ejecuciones/>  
<http://www.cba.gov.ar/deuda-publica-finanzas/>

**Debt stock**  
In terms of Net Result  
2011-2018



Source: Ministry of Finance of Cordoba Province.  
More info: <http://www.cba.gov.ar/ejecuciones/>

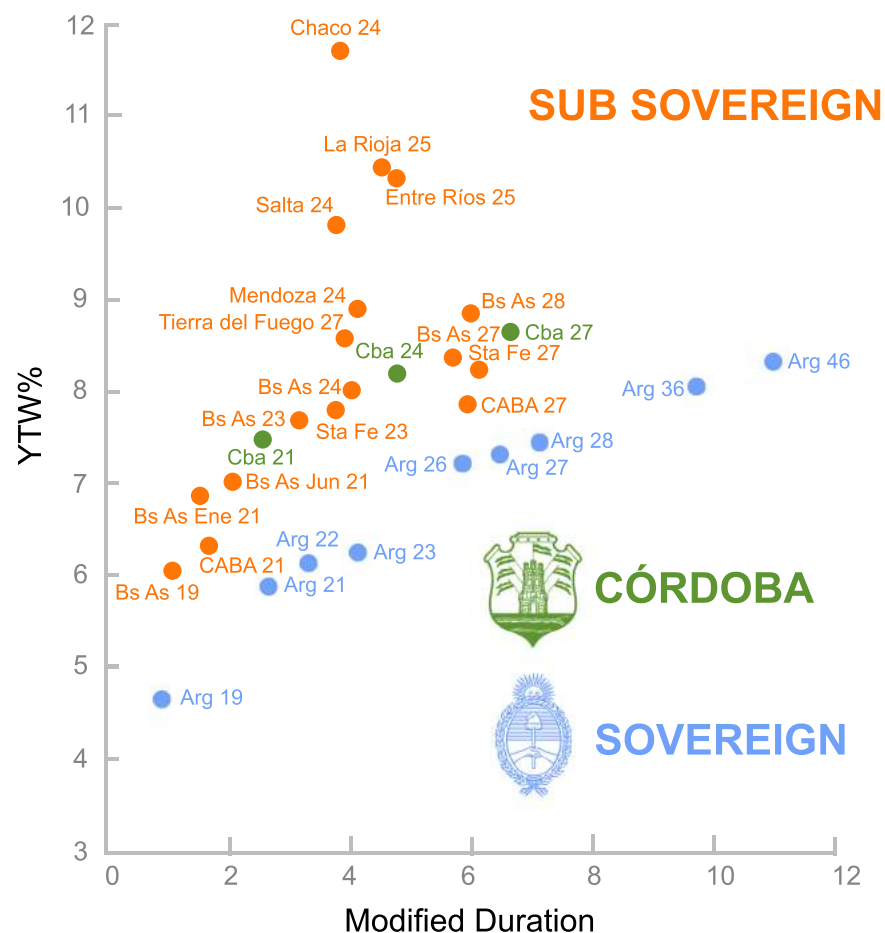
# OTHER NEWS

## SUB-SOVEREIGN BONDS

So far this year Córdoba Province has not issued new debt, holding its public securities with 2021 maturity (rate 7.125%), 2024 maturity (7.125% rate) and 2027 maturity (7.125% rate) and B2 rating according to Moody's.

The Province's first placement of securities was in 2016, where a 5-year bond was issued, which is marketed both domestically and internationally. The next issuance was at the beginning of 2017, which added US\$ 150 million and US\$ 450 million of unsecured notes with 2027 maturity (with J.P. Morgan acting as bookrunner). According to Bloomberg, when comparing Córdoba's yields with the yields of the titles of Santa Fe, Buenos Aires and the Autonomous City of Buenos Aires, they all exhibit similar behavior and performance, that is, **they are below the rest of the Argentine provinces and with a gap that has been decreasing regarding sovereign bonds.**

Yield curve of sovereign and sub-sovereign international bond



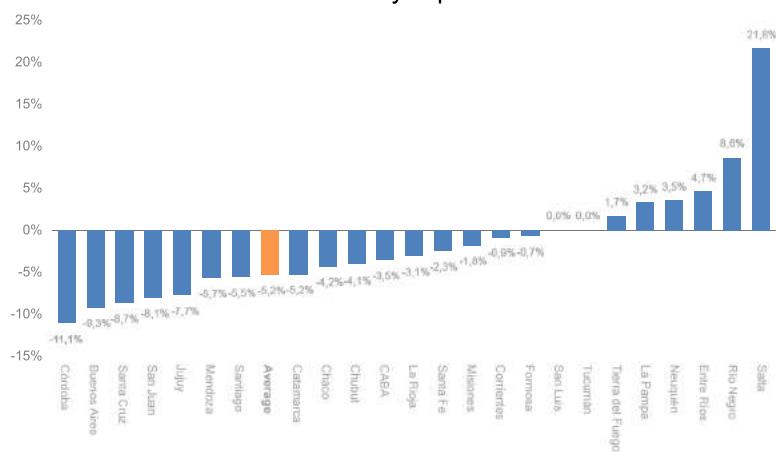
Source: Bloomberg/Reuters

## CORDOBA IS THE PROVINCE THAT HAS REDUCED THE MOST THE INCIDENCE OF GROSS INCOME TAX AS A RESULT OF THE FISCAL CONSENSUS

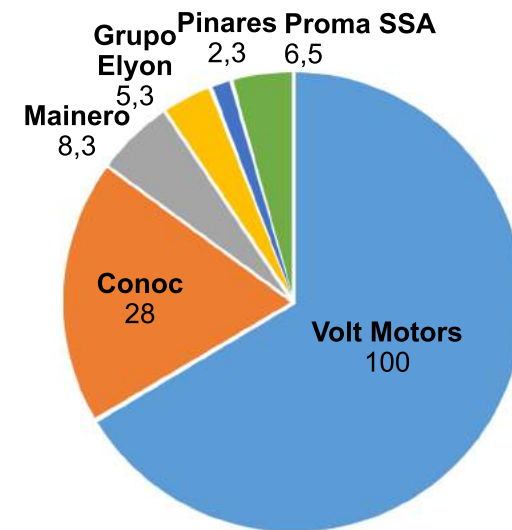
The province of Córdoba is strictly complying with the reduction of the distortions of provincial taxes, as it was agreed when signing the Fiscal Consensus at the end of 2017. The Province promoting productive activity through the elimination and the reduction of distorting taxes, speeding up the connection taxpayers and applying new tax collection schemes. The modernization of the tax administration has made it possible to achieve this: **it has eased taxpayer compliance without compromising the collection of resources of provincial origin.**

According to the Tax Arbitration Commission (Comarb for its acronym in Spanish), during the first months of the year, Córdoba has decreased the tax burden on taxpayers who act in more than one jurisdiction (usually the largest) **by an average of 11%**, making Córdoba the Province that stands out at the most at the federal level in this key commitment of the Fiscal Consensus.

**Evolution of average tax rates**  
January- April 2018



Source: Tax Arbitration Commission



Source: Argentine Agency for Investment and International Financing  
Available at: <http://www.inversionycomercio.org.ar/mapadelainversion.php>

## NEW INVESTMENTS ANNOUNCED BY US\$ 150 MILLION

During the first quarter of 2018, Córdoba received six investment projects announcements for US \$ 149 million, according to the Argentine Agency for Investment and International Financing. The main investment project belongs to Volt Motors, for US\$ 100 million. The company plans to create the first 100% electric car made in Argentina. The vehicle will reach a speed close to 90 km/h (electronically limited), with an optional upgrade that will increase it to 120 km/h. The electric battery can be recharged in any household outlet (220V). Some 3,000 units are expected to be produced annually in about 5 years.

The second most important project, regarding the level resources involved, belongs to CONOC and is for US\$ 28 million. The project involves a real estate development of premium housing. The remaining projects belong to Mainero, Elyon, Pinares Group and Proma SSA, and complete the total investments announced in the first quarter of the year.



## FIAT'S NEW INVESTMENT PROJECT: MAKING GEARBOXES IN CORDOBA

Fiat Chrysler Automobiles (FCA) will manufacture gearboxes in its factory in Ferreyra, Córdoba, according to the president of the local company, Cristiano Rattazzi. The amount of the investment is still unknown, although preliminary estimates are around US\$ 100 million. The official announcement by the company will be made during the second half of the year, when the Italian-American group will announce its 2022 investment plan. This way, Fiat joins Volkswagen, who announced investments for US\$ 150 million to manufacture transmissions in its Cordoba plant.

Rattazzi anticipated that first manual gearboxes will be manufactured, but later on there will be automatic gearboxes as well; this will require further investments in the future. The goal volume of production was set at 300,000 units. In the production area of Córdoba, FCA currently manufactures the Cronos, a compact sedan which required investments for US\$ 500 million.

As a result of FIAT's announcement, a group of industrial SMEs from Córdoba announced the creation of a 'Suppliers Cluster' for the provision of inputs associated with the production of gearboxes. They are about 25 local firms located in a radius of 60 kilometers located in the industrial centers of Ferreyra, Santa Isabel and Los Boulevares neighborhood. These companies are foundries, matrices, metallurgists and manufacturers of the automotive sector, such as Pertrak, Roma Metalúrgica, Ariento Smelter, Sturam, Metal Veneta, IMM Autoparts, Cramsa, Matrimet, Vottero, Venesian and Gestamp, among others.





## CORDOBA BECOMES THE MOST IMPORTANT AUTOMOTIVE REGION IN ARGENTINA

Córdoba Province was chosen as the headquarters of the "Automotive Board", a space for dialogue and work aimed at proposing and carrying out actions linked to the development of this industrial sector. This consolidates the position of Córdoba as the pole of automotive development in Argentina. In addition to having been the first automotive industry's headquarters in the country, the Province currently has four plants (Iveco - Fiat - Renault - Nissan) and is responsible for more than 30% of national production. It also has a network of more than 250 industrial companies that supply parts and auto-parts, which give direct and indirect work to 7,000 workers.

The automotive companies based in Córdoba are positioning themselves at the forefront of the innovation and technological development process, which has resulted in direct investments in the sector for nearly US\$ 1,500 million. Between the main investment novelties of the sector the production of the new model Fiat Cronos and the new Pickups of Renault, Nissan and Mercedes Benz stand out.



## AGRICULTURAL MACHINES ADDED INVESTMENTS FOR MORE THAN \$ 3,500 MILLION

MaquinAC recently released information regarding the evolution of investments in the agricultural machinery sector. The enterprise claims that in the last two years more than 50 investment projects were reported with expected disbursements of \$ 3,560 million. The survey includes the construction of new plants, expansion of existing units, and introducing new technology and product development.

The agricultural machinery industry has been one of the most dynamic. There has been strong increase in sales and in addition, new investments made by the main companies in the sector. Buenos Aires-based companies are first, with investments of \$ 1,616 million (45%), followed by their peers in Santa Fe (\$ 1,174 million, 33%) and Córdoba (\$ 770 million, 22%). Foreign capital firms accounted for 71% of the announced investments (\$ 2,534 million), while the national companies contributed the remaining 29% (\$ 1,026 million).

## GI FLYBIKE SOLD 450 BIKES AND IS LOOKING FOR INVESTMENT

The first electric bicycle that folds in 1 move, designed by three entrepreneurs from Córdoba, had very high publicity, when President Mauricio Macri visited the entrepreneurs who developed it. Gi FlyBike, the undertaking that Lucas Toledo, Agustín Agustino and Eric Sevilla started in 2014, has completed the production and delivery of its first 450 units. The development of the bicycles is in Córdoba, nevertheless its production and global distribution is made in China. Its main supplier is Baoli, second world manufacturer of titanium, and the price of a unit is around US \$ 2,870 (around 58 thousand pesos, at the current exchange rate in Argentina).

"We are looking for investors who, in addition to capital, can provide us with the know-how, companies with which we can make synergy", reveals Toledo. To that end, he and his partners are already fine-tuning a round of investments with the goal of raising capital abroad. Since its launch, Gi FlyBike has received contributions from different financing platforms and has received strong support from Incutex accelerator, today the main partner of the firm.



## CÓRDOBA IS RECOGNIZED BY THE INTER-AMERICAN DEVELOPMENT BANK FOR THE MODERNIZATION OF ITS TAX ADMINISTRATION <sup>5</sup>

In a new report published by the Inter-American Development Bank (IDB), the agency highlights Córdoba's experience in implementing new strategies regarding tax collection. The article praises Córdoba's actions in maintaining the sustainability of public finances through a strategy based on reducing non-payment and evasion and improving the relationship between taxpayers and the government.

In particular, the IDB highlighted Córdoba's achievement of not issuing paper taxes and promoting digital payment. The IDB also considered that, given the novelty of the experience, it was foreseeable that there would be difficulties, differing the positive impacts for subsequent year; nevertheless, there can be seen very interesting short-term results associated with not issuing the taxes on paper.

Among them, the policy means stop issuing 6 million paper taxes, equivalent to 33 tons of paper, and an estimated savings of US\$ 2.5 million in printing and distribution. This is an immediate ecological and financial advantage, in addition to revenue improvements of 11.7% year-to-year in real terms. Likewise, the collection of patrimonial taxes through electronic and online payment increased from 16% in 2016 to 29% in 2017.

<sup>5</sup> <https://blogs.iadb.org/recaudandobienestar/es/2018/05/28/atencion-al-ciudadano-y-administracion-tributaria/>



## THE INSPECTION OF LEGAL ENTITIES HAS NEW HEADQUARTERS AND WILL WORK WITH SOCIAL NETWORKS

Córdoba Province's Government opened the new Inspection of Legal Entities (IPJ for its acronym in Spanish) headquarters. This body is in charge of the control of the legality, registration and inspection of the institutional life of civil and commercial entities.

The new office will include new computers that will allow virtual attention. The introduction of numerous web services allowed the agency not only to offer non-face-to-face procedures, but also to speed up procedures. As a result, for example, setting up a joint-stock company, a procedure that required between six and nine months, can now be done in four to six days if all the requirements are presented correctly and, from 10 to 11 days average, if the file has simple observations.

This improvement in time and administrative simplification was the result of a series of innovations such as establishing inter-agency communication mechanisms; connecting the IPJ with the citizen via email and allowing all procedures to be carried out online, with the sole exception of the delivery of the administrative resolution on paper.



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