



Local Government in Argentina

Responses to Urban-Rural Challenges

edited by

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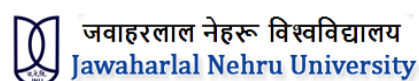
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The H2020-MSCA-RISE-2018 project aims to provide solutions for local governments that address the fundamental challenges resulting from urbanisation. To address these complex issues, 18 partners from 17 countries and six continents share their expertise and knowledge in the realms of public law, political science, and public administration. LoGov identifies, evaluates, compares, and shares innovative practices that cope with the impact of changing urban-rural relations in major local government areas (WP 1-5).

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Contents

1. The System of Local Government in Argentina	1
2.1. Local Responsibilities and Public Services in Argentina.....	5
2.2. <i>Access to Public Services in Two Patagonian Oil Towns</i>	8
2.3. <i>City-Planning Agreements in Córdoba</i>	14
2.4. <i>Córdoba Connectivity Plan: Government Deployment of Infrastructure to Equalize Territorial Opportunities</i>	19
3.1. Local Financial Arrangements in Argentina: An Introduction.....	24
3.2. <i>Financing School Canteens to Fight Child Malnutrition in Urban and Rural Chaco</i>	25
3.3. <i>Trust Fund UniRSE, Santa Cruz</i>	31
3.4. <i>Local Government's Taxing Power</i>	35
4.1. The Structure of Local Government in Argentina: An Introduction	40
4.2. <i>Local Government Cooperation against Climate Change</i>	42
4.3. <i>Micro-Regions in the Province of Catamarca</i>	46
4.4. <i>Local Cooperation for Agroecology</i>	50
5.1. Intergovernmental Relations of Local Governments in Argentina: An Introduction	55
5.2. <i>Multilevel Government Cooperation for Open Pit Mining Projects</i>	57
5.3. <i>Intergovernmental Relations in Environmental Policy</i>	63
5.4. <i>When Governors Resist in their Territories: Intergovernmental Conflicts Related to Federal Labor Legislation</i>	70
6.1. People's Participation in Local Decision-Making in Argentina: An Introduction	74
6.2. <i>Participation in an Environmental Conflict in Malvinas Argentinas, Cordoba Province</i>	77
6.3. <i>Government Goals Plan: Citizen Participation in the Control of Compliance of the Mandates in Cordoba (Action Plan of the Government)</i>	83
6.4. <i>Community Participation in Local Decision-Making Regarding Lithium Production in Jujuy</i>	87



Local Responsibilities and Public Services



2.2. Access to Public Services in Two Patagonian Oil Towns

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Relevance of the Practice

Initially we select two local governments in which there are very different forms of intergovernmental fiscal relations, initiatives for community organization, and pressures from economic elites. Both are oil towns in Patagonia but one of them receives substantial shares of fiscal revenue from the oil it produces, has an active and mobilized civil society, and more autonomous provincial and local states, which are less influenced by pressures from the powerful oil sector. The other oil town is the opposite: receives few revenues from the oil it produces, civil society is less active and coordinated, and the provincial and local governments are very much captured by the oil sector. Access to services in the main urban area as well as in the surrounding rural areas in both of them are radically different.

Description of the Practice

Las Heras is a quintessential oil enclave. It is in a remote location in the middle of the Patagonian steppe, 768 km. away from the capital city of the province and 135 km. away from the next medium size city, Caleta Olivia. Las Heras and Caleta Olivia are part of the Gulf of San Jorge oil basin (together with other oil producing cities, such as Comodoro Rivadavia and Pico Truncado). Las Heras had a population of 17,281 inhabitants according to the last census (2010) and grew at an average annual rate of 7.5 per cent during the last decade.

Most of the people in the town work in the oil economy, by far the most important activity in the region. Oil salaries are high. A wellhead operator, a low-skilled job, earns a minimum salary of about ARP 70,000 (or USD 4,400; exchange rate for May 2017), 5 times the salary in the public sector. But only part of these high salaries is spent in town; and few oil royalties are redistributed across the provincial territory. Although some of the oil workers live in Las Heras with their families, a large proportion of them are either young single males who live in town alone or males living in town without their families.⁷ These workers transfer part of their salaries outside town (and even the province, to their own provinces, mostly in the north of

⁷ Interamerican Development Bank (IADB)-Fundación YPF, 'Las Heras Sostenible. Hacia un desarrollo urbano con identidad' (IADB-FYPF 2014b) 23.



the country). The managers of the oil companies tend to live in upper middle-class neighborhoods in Comodoro Rivadavia or Rada Tilly, located 200 km. away from Las Heras.

Few royalties from oil are re-invested in Las Heras. The provincial government collects them and only 7 per cent of the total is redistributed to municipalities across the province. According to the latest data available (up to September 2017), the provincial government collected about ARP 678 per capita in oil revenues,⁸ but only a small share of it is allocated to Las Heras: ARP 53.5 per capita.⁹ With a modest budget and large social needs, the municipal government allocates almost all its revenues to current spending (mostly salaries). Capital expenditures (i.e., public works) are almost exclusively from federal investments.¹⁰ Most of the collected oil rents go to a unique provincial account (*Cuenta Única del Tesoro*, CUT). The provincial government decides its allocation with little oversight from the provincial legislature (largely dominated by the incumbent party) or other subnational control institutions (the Court of Auditors, or *Tribunal de Cuentas*, has three members representing the incumbent party and one from the opposition). Political institutions do not favor either the redistribution of oil rents or social accountability. As a result, most of the budget is allocated to current spending, and most of it geographically located in Río Gallegos. Santa Cruz is one of the provinces with the largest share of public employment as a share of the total employment (51.6 per cent in 2015). Rents from oil extracted almost 800 km away from the political capital of the province help finance part of it. It is very difficult for citizens and local social groups to put pressures on provincial politicians who are this far away from town and who are the ones deciding where most of the rents would be allocated.

This oil enclave concentrates income in a small part of the provincial territory (mostly the provincial capital city) and redistributive institutions do not reallocate revenue across it. This enclave economy has developed few linkages with the rest of the provincial economy and has had a weak impact on access to better local services in town, rural areas around it, and across the province.

In terms of services, Las Heras has few hotels and restaurants, most of which are poor quality and quite expensive for national standards. The city also lacks a public transportation system, which causes problems for communications both inside and outside the city.¹¹

There are serious deficits in the provision of health and education services. Las Heras has also a high housing deficit, 41.4 per cent in 2013, compared to the capital city, Río Gallegos (6.3 in 2010) and has a very high informality of property domains (27 per cent) due to a large process

⁸ Or a total of about USD 186 million (or ARP 3.4 billion) in these 9 months of 2017.

⁹ Data provided by the Ministry of Economics, Finance and Infrastructure of the Province of Santa Cruz (Ministerio de Economía, Finanzas e Infraestructura, Provincia de Santa Cruz 2018).

¹⁰ Interamerican Development Bank (IADB)-Fundación YPF, 'Las Heras Sostenible. Hacia un desarrollo urbano con identidad' (IADB-FYPP 2014b) 101.

¹¹ Interamerican Development Bank (IADB)-Fundación YPF, 'Las Heras Sostenible. Hacia un desarrollo urbano con identidad' (IADB-FYPP 2014b) 89.



of informal occupation of land in the city. Only 36 per cent of the inhabitants have access to sewerage and waste collection does not reach 60 per cent of the households with the required frequency.¹² Poor welfare standards and large inequality in Las Heras are correlated with high levels of violence: there are 12.7 homicides per 100,000 inhabitants (more than twice the national average of 5.3 in 2015) and 263.5 robberies with violence per 10,000 inhabitants.¹³

This oil enclave has produced enormous resources, but its wealth is mostly spent in the administrative and political center of the province, without provincial political institutions redistributing significant amounts of rents to non-oil producing areas and social sectors being able to exert meaningful pressures for accountability.

The other case is Añelo, an oil town located in the Patagonian desert, part of a geological formation called the Neuquén Basin. It is similar to Las Heras in that it is highly dependent on oil. But there are important differences among them. The first difference is that the institutions for revenue sharing redistribute a larger share of oil revenues from oil-producing to non-producing regions. The Province of Neuquén doubles the share of oil rents redistributed from producing to non-producing districts of Santa Cruz (13.5 per cent compared to 7). The provincial government of Neuquén collects about ARP 1012.7 per capita (latest data available for 2014). Añelo, for instance, received ARP 254.7 per capita, almost five times the amount of oil rents per capita that Las Heras gets. These funds are reinvested across the province to improve welfare indicators as well as to promote and give basic infrastructure to other economic activities. Consequently, local governments receive more funds from revenue sharing, which enables them to better target social needs and demands for infrastructure both in urban and rural areas.¹⁴

Another important difference is that this locality employs a large number of workers from the region and from the large metropolitan area of Neuquén, Plottier, and Cipolletti. Several workers either live in this oil town or commute to the larger cities. The hydrocarbon production in the Vaca Muerta shale oil fields led to the creation of 5,000 jobs in Neuquén, of which, Añelo absorbed about 20 per cent.¹⁵ The entire oil and gas sector generated a total of 57,253 jobs in the province (14,109 direct and the rest indirect and induced),¹⁶ compared to only 1,831 in Santa Cruz (during 2013).¹⁷

¹² *ibid* 23.

¹³ *ibid* 99.

¹⁴ Interamerican Development Bank (IADB)-Fundación YPF, 'Añelo Sostenible. Innovación para la Planificación de la Ciudad' (IADB-FYPF 2014a) 77f.

¹⁵ *ibid* 69.

¹⁶ *ibid* 20; Instituto Argentino del Petróleo y del Gas (IAPG), 'Análisis y Proyección de Impactos Económicos Esperados del Desarrollo de los Hidrocarburos No Convencionales en Argentina. Cuantificación de Impactos Económicos del Desarrollo en Escala de Vaca Muerta en la Provincia de Neuquén' (IAPG 2014).

¹⁷ Interamerican Development Bank (IADB)-Fundación YPF, 'Las Heras Sostenible. Hacia un desarrollo urbano con identidad' (IADB-FYPF 2014b) 53.



More jobs, more community organization, larger and more active unions also mean more societal demands and pressures on politicians. Neuquén systematically ranked as one of the most socially conflictive and mobilized provinces in Argentina during 2009-2017 (data available for this period).¹⁸ These societal pressures are targeted not only to provincial but also to local politicians. Differently from Las Heras's, local politicians in Añelo have a larger local budget to target local social needs and demands for infrastructure, more oil rents redistributed from the province, and face more societal and sectorial pressures to deliver public goods and services.¹⁹ All this impacted on better welfare standards in the city and its region, despite its enormous population growth (its population skyrocketed from 1,742 inhabitants in 2001 to 6,000 in 2015).

Health and education services in Añelo are limited. But the main difference with Las Heras is that there is a great variety of complex health services in the nearby City of Neuquén, as well as tertiary institutes and technical schools in nearby towns, including two national public universities within 100 km.²⁰

The housing deficit in Añelo is 27 per cent according to the 2010 census (compared to 41.4 per cent in Las Heras in 2013).²¹ But the Municipality of Añelo granted pieces of land for 180 social housing units and plans to grant 370 more to cover it.²² On top of that, the provincial government expanded substantially its capital spending in the region during the oil boom.²³ About 72 per cent of households have access to good quality running water, and the sewage network covers 46.6 per cent of households in the city;²⁴ ten percentage points more than in Las Heras.

As indicated in an official report, 'poverty indicators are more related to structural problems of urban growth and settlement than to issues related to lack of employment, resources, and access to education'.²⁵

¹⁸ 'Informes sobre Conflictividad Social' (annual reports, Diagnóstico Político 2009-2016); 'Informes sobre conflictividad local' (annual reports, Observatorio Económico ACIPAN 2013-2017).

¹⁹ Añelo's mayor, Darío Díaz, confirmed these sectoral and citizens' pressures for more and better public services in town in an interview during fieldwork in April 2016.

²⁰ *ibid* 71.

²¹ *ibid* 66.

²² *ibid* 67.

²³ 'Cuenta de Inversión' (annual reports, Gobierno de Neuquén 2005-2014); Lucas González, 'Oil Rents and Patronage: The Fiscal Effects of Oil Booms in the Argentine Provinces' (2018) 51 *Comparative Politics* 101, 112.

²⁴ Interamerican Development Bank (IADB)-Fundación YPF, 'Añelo Sostenible. Innovación para la Planificación de la Ciudad' (IADB-FYPPF 2014a) 55ff.

²⁵ *ibid* 69.



Assessment of the Practice

Oil towns in Neuquén, particularly Añelo, have redistributed a larger share of their wealth to the rest of the province, have an active and mobilized civil society, and more autonomous provincial and local states. This is very different to what happened in Las Heras, where oil rents are concentrated in a distant and quite socially isolated administrative center, civil society is less active and coordinated, and the provincial and local governments are very much permeated by the oil sector. As a result, access to services in both of them are radically different; the oil town in Neuquén has contributed to improve welfare indicators across the province and in the other case, only economic sectors closely related to the extractive activities and the central government collecting rents seem to have reaped the benefits of natural resources wealth.

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