



# Local Government in Argentina

## Responses to Urban-Rural Challenges

edited by

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November 2021

The Country Report on Local Government in Argentina is a product of the LoGov-project: “Local Government and the Changing Urban-Rural Interplay”.

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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This project has received funding from the European Union’s Horizon 2020 research and innovation programme under grant agreement No 823961.



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# Local Financial Arrangements



### 3.3. Trust Fund UniRSE, Santa Cruz

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#### Relevance of the Practice

The national government favored the Province of Santa Cruz with the distribution of discretionary public works during the presidencies of Néstor and Cristina Kirchner (2003-2015), but punished it during the government of Mauricio Macri (2016-2019). In this context, the provincial government created the Trust Fund 'United in Corporate Social Responsibility' (UniRSE), which allowed it to sustain public investment at the local level during the latter period. The analysis of this fund is important because it involves different revenue sources, intergovernmental transfers, and integrated investment strategies to strengthen urban-rural linkages. It also allows us to discuss whether there is a deficit in terms of public accountability and local budgets' transparency. Finally, this practice shows how conditional grants can directly affect local life when are aimed to reduce disparities across municipalities by fostering investment at the local level.

#### Description of the Practice

In most federal countries, central governments transfer large amounts of money among regions. In some cases, these transfers are institutionalized and relatively stable, but in others they are the result of political struggles and coalitions among actors. In Argentina, there is a high degree of discretion in the territorial allocation of public works. During the presidencies of Néstor and Cristina Kirchner, the distribution had a partisan and structural logic: the central government favored allied governors in the countryside and punished governors of the largest central provinces, who were the strongest competitors for the presidency.<sup>54</sup> It mostly benefited the least populated and politically allied provinces in Patagonia: Santa Cruz, the home province of the Kirchners, was at the top of the list.<sup>55</sup> On the contrary, the central provinces were the main electoral coalition and the main political allies of Mauricio Macri. As a relatively weak president, in terms of legislative support and in public opinion, Macri was less capable of resisting pressures from the governors of the central provinces. The Patagonian provinces were not among the most affected in terms of the distribution. However, the

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<sup>54</sup> González LI and Del Tredici R, '¿A Qué Provincias Favorece el Gobierno de Mauricio Macri? La Distribución de Fondos Federales de Infraestructura (2016-2018)' (2019) 1 Tramas. *Revista de Política, Sociedad y Economía* 25.

<sup>55</sup> *ibid* 8.



national government reduced almost half the amounts transferred (on average and per capita) to them. The Province of Santa Cruz, in particular, was the least favored.<sup>56</sup>

In 2016, the Government of Santa Cruz signed agreements with mining companies for the creation of the UniRSE Fund for four years (Provincial Law no 3476/2016). The objective of the program was to collect mining revenues and redistribute them across the provincial territory. It helped to finance infrastructure and housing projects, health facilities, and even sports scholarships.<sup>57</sup> The government created an administrative committee of the fund, chaired by a representative of the Ministry of Economy, Finance, and Infrastructure and included representatives of the Ministry of Production, Trade, and Industry, the Ministry of Social Development, Health and Environment, and the Secretariat of State of Labor and Social Security and the Mining Chamber of Santa Cruz. The legislation establishes that mining companies should contribute a monthly percentage of up to 2 per cent of the value of their exports.

Alicia Kirchner, the Governor of the province, defined the program as a combination of ‘public works with Corporate Social Responsibility’ which, through an alliance with mining companies, allowed the provincial government to carry out important public works to connect cities across the territory of the state.<sup>58</sup> The Minister of Production claimed that the UniRSE fund was what allowed them to sustain provincial government’s investments during Macri’s government.<sup>59</sup> We have to bear in mind that federal and provincial public works are usually the major sources of public works at the local level in Argentina.

## Assessment of the Practice

The creation of this fund was possible because the national government granted large tax cuts to mining companies in 2016.<sup>60</sup> In 2020, as an indication of the relevance of the UniRSE fund, the Governor decided to extend it until 2024. Mining companies, on the other hand, expressed their commitment to continue financing it, as a form of corporate social responsibility.<sup>61</sup>

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<sup>56</sup> *ibid.*

<sup>57</sup> Sebastián Premici, ‘El desarrollo como horizonte’ (*Cadena del Sur*, 2 December 2019) <<https://cadenadelsur.com/el-desarrollo-como-horizonte/>> accessed 22 May 2021.

<sup>58</sup> Romina Del Tredici and Lucas I González, Interview with Alicia Kirchner, Governor of Santa Cruz (Rio Gallegos, 5 February 2021).

<sup>59</sup> Romina Del Tredici and Lucas I González, Interview with Silvina Córdoba, Minister of Production of Santa Cruz (Rio Gallegos, 4 February 2021).

<sup>60</sup> La Opinión Austral, ‘Provincia renovó hasta 2024 acuerdos con mineras por el UniRSE’ (*La Opinión Austral*, 10 October 2020) <<https://laopinionaustral.com.ar/edicion-impresa/provincia-renovo-hasta-2024-acuerdos-con-mineras-por-el-unirse-253798.html>> accessed 22 May 2021.

<sup>61</sup> *ibid.*



During the first two years, the fund contributed to overcome the financial costs the national government imposed and, when the fiscal situation improved, 'it began to turn towards the encouragement and promotion of productive investments'.<sup>62</sup> The government reoriented mining revenue with 'the objective of improving the development of the whole province and not only of the localities that have large mining projects' in their territories. In three years, '2,386 million pesos were executed, of which 44 per cent was distributed directly among 21 municipalities and (smaller units of government, called) development commissions. Of the total resources collected, 1,080 million pesos were specifically allocated to finance infrastructure projects.'<sup>63</sup>

For the Governor, the funds were essential for the 'connection among cities.'<sup>64</sup> The works carried out have the objective of strengthening, diversifying productive activities, and providing autonomy to the areas of the province that are located furthest from the capital.<sup>65</sup> The provincial investments indirectly act as conditional grants to the municipalities and, because some of them are investments in services infrastructure (e.g. gas), they may affect municipal financing generating more economic activity and improving municipal tax collection.<sup>66</sup>

The opposition to the government questioned the lack of transparency in the use of these funds.<sup>67</sup> The program can be questioned, in the first place, due to the lack of autonomy of local governments in the decision-making process over the allocation of infrastructure funds and, once they are finished, the property of public works (being a hospital or a school) belongs to the province. Second, it can also be criticized because of the absence of citizen participation in the process: the agreements take place between companies and the provincial state, and social organizations rarely participate or receive funds. Finally, although there is an inter-ministerial committee that administers the funds, there are no other types of spending supervision.

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<sup>62</sup> Premici, 'El desarrollo como horizonte', above.

<sup>63</sup> *ibid.*

<sup>64</sup> Del Tredici and González, Interview with Alicia Kirchner, above.

<sup>65</sup> La Opinión Zona Norte, 'Inauguraron la última etapa de la planta de gas en Los Antiguos que beneficiará a miles de familias' (*La Opinión Austral*, 13 April 2021) <<https://laopinionaustral.com.ar/edicion-impresa/quedo-inaugurada-la-ultima-etapa-de-la-planta-de-gas-en-los-antiguos-337094.html>> accessed 22 May 2021; Grupo La Provincia, 'Bauer encabezó apertura de un Centro Cultural en Santa Cruz y destacó el trabajo con las regiones' (*Grupo La Provincia*, 12 May 2021) <<https://www.grupolaprovincia.com/cultura/bauer-encabezo-apertura-de-un-centro-cultural-en-santa-cruz-y-destaco-el-trabajo-con-las-regiones-714807>> accessed 22 May 2021.

<sup>66</sup> *ibid.*

<sup>67</sup> El Divergente, 'Radicalismo de Puerto San Julián pide transparencia a gobierno provincial en manejo de fondo UNIRSE' (*El Divergente*, 16 December 2020) <<https://www.eldivergente.com.ar/radicalismo-de-puerto-san-julian-pide-transparencia-a-gobierno-provincial-en-manejo-de-fondo-unirse/>> accessed 22 May 2021; Mediática Digital, 'Siguen malgastando el futuro de Santa Cruz' (*Mediática Digital*, 10 June 2019) <<https://www.mediaticadigital.com.ar/nota/24094-siguen-malgastando-el-futuro-de-santa-cruz/>> accessed 22 May 2021.





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This project has received funding from  
the European Union's Horizon 2020 re-  
search and innovation programme under  
grant agreement No 823961.

