



NON-FINANCIAL PUBLIC SECTOR  
ENTERPRISES  
SEPTEMBER 2022

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September 15, 2022

ISSN 2683-9598

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## 1. Executive Summary

In accordance with the provisions of the Financial Administration Law, and in line with criteria accepted in the region and the world, a state-owned enterprise (SOE) is any business organization in which the State holds a majority or has significant decision-making capacity in its management.

In Argentina there are 34 SOEs in the National Non-Financial Public Sector (NFPS) which, due to their size in terms of resources, expenditures, and employment, play a significant role in the public sector and in the Argentine economy. This group includes YPF, a company in which the State owns 51% of the shares, appoints its authorities and influences its main productive and commercial decisions.

The inclusion of YPF, the main Argentine company under government control since the expropriation of 2012, broadens the set of SOEs in practically all economic dimensions. Additionally, and in line with what happens in other countries in the region, the presence of YPF consolidates the importance of the energy sector in the universe of SOEs.

SOEs are a major employer in the Argentine economy. They employ 111 thousand people (2021 data), with heterogeneous labor and salary regimes -more associated to the economic sector of the companies' activity than to their status as SOE and productivity levels that are difficult to measure.

SOEs expenditures totaled ARS2.5 trillion in 2021, explaining 19.3% of total NFPS spending, equivalent to 5.4% of GDP. SOEs had their own revenues of ARS2.14 trillion, to which were added ARS719 billion of transfers from the National Treasury.

Besides YPF, which has never received subsidies since its re-nationalization, there are other state-owned enterprises with a surplus that do not require contributions from the National Treasury: *Nucleoeléctrica Argentina*, *Administración General de Puertos (AGP S.A.)*, *Yacimientos Minerales Aguas del Dionisio* and TANDANOR. At the other extreme, there are companies that depend almost entirely on budgetary assistance: *Administración de Infraestructuras Ferroviarias S.E. (ADIF)* and *Yacimientos Carboníferos de Río Turbio (YCRT)*, among others.

Many of the large SOEs (*Energía de Argentina (ENARSA)*, *Aguas y Saneamiento (AySA)*, *Aerolíneas Argentinas*, *Correo Argentino*, the railroad companies) receive transfers from the National Treasury on a recurring basis. These are not one-off transfers, but funds that year after year cover a large part of their expenditures. From a budgetary fiscal perspective, assistance to cover the imbalances of SOEs has grown to values equivalent to 1.5% of GDP in 2021.

Not all SOE deficits can be attributed to their inefficiencies. In many cases, operating imbalances are the result of low pricing policies decided by the authorities and imposed on the companies. In this context, Treasury transfers to these companies are rather the result of public policy decisions (subsidies to household energy consumption and to public passenger transportation), than assistance to the companies resulting from their poor performance.

At the legal level, SOEs operate under different regulations. Former State Enterprises under Law 13,653 of 1949, State Corporations under Law 20,705 of 1974, ccompanies under private law in which the State is the sole shareholder, and others in which it is the controlling shareholder.

The commercial and productive activity of large SOEs may entail, in some cases, significant fiscal risks. In Argentina, these are mainly explained by YPF's contingent liabilities (expropriation suits and environmental damages), as well as by the deviations between current and capital transfers budgeted and observed at the end of each fiscal period. These deviations are mainly related to the higher inflation observed with respect to that estimated as a guideline in each Budget. Finally, it is important to note that the volume of sovereign guarantees and financial and commercial liabilities of SOEs is not significant.

For companies recently brought under state control (YPF in 2012, *Industrias Metalúrgicas Pescarmona S.A.I.C.yF. (IMPISA)* in 2021), a unique feature is observed: the same documents that determine the controlling interest of the company include clauses aimed at ensuring

that the company is not subject to the general regulations of SOEs. Although this may seem reasonable from the point of view of corporate governance, it does not contribute in terms of the control and transparency involved in the management of public resources and assets.

Also of concern is the existence of general rules approved by Congress for SOEs - for example, that they must be created by law, or that those companies that do not have their budgets approved by the Executive Branch do not receive transfers- which end up being violated in practice, with no mechanisms to ensure compliance.

There is plenty of information available to the public on the performance of SOEs, but it is scattered and does not always have adequate coverage. Consolidating an information system for SOEs that allows monitoring and evaluating their performance on a homogeneous and updated data basis is one of the many challenges for this segment of the public sector, which, due to its economic and budgetary importance, deserves greater attention and understanding.

## 2. Introduction

Throughout Argentina's history, state-owned enterprises have played an important role in the dynamics of the public sector, with a significant presence in critical economic sectors. After a period (the 1990s) of reduction in the number of companies and their economic and budgetary impact, in recent years the discussion on state-owned enterprises has returned to the public agenda, often associated with their economic-financial imbalances and the need to receive systematic assistance from the Treasury, with aggregate numbers that acquire relevance in terms of their impact on total public spending and the consolidated deficit of the Treasury.

This report provides a conceptual analysis of the universe of state-owned enterprises, to clarify definitions that will later allow identifying and quantifying them within the scope of the National Government. After a brief reference to the situation of state-owned enterprises in Latin America, we analyze the different categorizations existing at the national level and define a universe of companies, followed by a consolidation and analysis of the main figures of this group of state-owned enterprises in terms of current and capital revenues, expenditures, results, employees, and transfers received from the Treasury. A conceptual analysis of the fiscal risks associated with state-owned enterprises is also included, which serves as a framework for a review of the figures and indicators in terms of deviations for all companies, as well as the analysis of balance sheet risks for some selected companies. Conclusions are presented at the end of the paper.

## 3. State-owned enterprises (SOEs)

### 3.1 Definition

In Argentina and in the world, in multilateral organizations, in the specialized literature and in practice, the specific meaning of the category "State-Owned Enterprises" (SOEs) is an ever-present question, the answer to which is permanently under review.

In this paper, for the purpose of focusing the discussion, analysis, and recommendations, it is extremely important to define and support the universe referred to when "State-Owned Enterprises" are mentioned. Before the legal or public financial administration discussions, it is important to specify the conceptual scope that, from a proper perspective and from a conceptual point of view, is given to the concepts of "enterprises" and "State-owned":

#### a) "enterprises"

Organization that produces / distributes / markets goods or services directly, in competition with other private organizations, or in markets with higher concentration (even monopolistic).

#### b) "State-owned"

The State owns the majority of shares and controls the appointment of authorities and important business decisions, based on an explicit or implicit public policy objective.

These simple definitions provide an initial analytical outline of the universe on which this study is based and are the grounds for the decisions that will lead to include organizations that are not usually included in the list of SOEs (YPF), or not to include others (*Compañía Administradora del Mercado Mayorista* (CAMMESA)).

As *companies*, SOEs are distinguished from other government areas that have different organizational operating structures, such as ministries, decentralized agencies, trust funds and other entities that are part of the public sector. And as *state-owned*, SOEs are distinguished from other private sector companies by the nature of their ownership and decision making.

The definition of SOE in the regulations of the Public Financial Administration reflects a criterion similar to the one mentioned. In Section 8 of Law 24,156, where the scope of the national public sector is established, subsection b) defines "state-owned enterprises and

corporations" in a broad sense, encompassing "...state-owned enterprises, state-owned corporations, corporations with majority state participation, mixed economy corporations and all other business organizations where the National Government has a majority participation in the capital or in making corporate decisions."

In other words, from the perspective of the Financial Administration Law, regardless of its legal nature, any business organization in which the State has a majority or significant decision-making capacity in management is part of the National Public Sector. Companies in which the State is a minority shareholder - and does not have instruments to impose its decisions - are not included in this definition.

In legal terms, SOEs develop their activity under different formats. Former State Enterprises under Law 13,653 of 1949<sup>1</sup>, State Corporations under Law 20,705 of 1974, corporations under private law in which the State is the sole shareholder, and others in which it is the controlling shareholder<sup>2</sup>. To mention a few examples, COVIARA (Construction of Housing for the Armed Forces) is a State Enterprise under the terms of Law 13,653 as amended; *Casa de la Moneda* (the Mint) continues to operate as a State Corporation, as it was created in 1977 under Law 20,705; and other corporations such as *Nucleoeléctrica Argentina* (NASA), created in the 90's, and some more recent ones, such as ENARSA (2004), and the Official Postal Service of the Argentine Republic, which was created when the concession of the former private concessionaire was withdrawn.

In accordance with these provisions, State Corporations may not be transformed into joint-stock companies may not incorporate private capital under any circumstances<sup>3</sup>. Furthermore, State Corporations may not file for bankruptcy and their liquidation must be authorized by law.

The legal structure of SOEs also affects their performance, both in terms of management and transparency, and control. The recent creation of SOEs operating as joint-stock corporations has often sought to shield the organizations from the scope of public regulations, such as the law on administrative procedures and the rules governing employment, procurement, contracting and public works.

Beyond the rules and definitions, in practice it is sometimes difficult to determine at what point the State's participation in a company makes it a state-owned enterprise.

To give an example, the fact that the State has important shareholdings in several Argentine private companies through the Sustainability Guarantee Fund (FGS) of the National Social Security Administration (ANSES) (derived from the nationalization of the Retirement and Pension Fund Administrators, AFJP) does not turn those companies into SOEs, as defined above and in the terms of Law 24.156, since the State does not own a majority, does not appoint the top management, and does not make the important decisions. Although in some classifications they may be included, in general these companies are not part of the SOE universe.

The company that has received the most transfers from the Treasury in recent years is CAMMESA, an entity that has become the main vehicle for channeling subsidies to electricity consumers. Given the funds involved and its importance in public policy, CAMMESA's operation deserves to be analyzed carefully, but its characteristics, role in the market and objectives imply that it should not be included in the group of SOEs (see related section).

<sup>1</sup> Under Law 13,653, of the first Peronism, State Enterprises were governed by private law in all matters relating to their specific activities, and by public law in their relations with the government or the public service for which they were responsible.

<sup>2</sup> See Carbajales (2021). More detail in Annex III.

<sup>3</sup> Law 20,705, Section 3.

### **Argentine Wholesale Electricity Market Clearing Company (CAMMESA)**

For years, CAMMESA has been the institution receiving the largest subsidies from the National Treasury in each fiscal year, aimed at covering the gap existing in the Argentine electricity system between the prices paid by the demand (mainly residential demand) and the average costs of electricity generation. In 2021 CAMMESA received USD7.306 billion from the Treasury, 68% of the total energy subsidies accrued in the year equivalent to 1.61% of GDP.

CAMMESA is a corporation governed by private law, but its bylaws establish that its president is the Secretary of Energy, and the State also appoints the vice-president. Moreover, most of the company's decisions are made in response to the energy policy of the incumbent government. CAMMESA, however, is not considered a SOE; its budget and Action Plan are not approved by the Ministry of Economy under the terms of the Financial Administration Law, and it is not included in the SOE statistics published by the Ministry of Treasury.

CAMMESA was created by Executive Order 1,192 of July 1992 as a "privately managed company with public purposes", within the framework of the structural reform of the Argentine electricity system implemented in the 90's, and in order to comply with the provisions of Section 35 of Law 24,065 which established the need to create a new agency in charge of the technical dispatch in the reformed Argentine electricity system, and provided some specifications for its creation:

- It had to be a joint-stock company.

- State participation was to be a majority at the beginning, but with the possibility of reducing it to 10% of the share capital, although with State veto power in the Board of Directors. The remaining shares were to belong to different players in the electricity market. Under this legal framework, Executive Order 1192 of 1992 created CAMMESA as a non-profit entity under private law, and its shares were finally distributed as follows:

  - 20% National Government (class A shares)

  - 20% Generators Association (class B shares)

  - 20% Distributors Association (class C shares)

  - 20% Transporters Association (class D shares)

  - 20% Large Consumers Association (class E shares)

In short, CAMMESA is not a company with productive or commercial purposes in the electric power system. CAMMESA does not generate, transport, or distribute electricity. It does not compete with other companies in the sector but participates in the coordination and organization of the system. From this point of view, it is a sort of singular semigovernmental entity, but it is not a state-owned enterprise comparable to the others considered in this report.

By Section 8 of Executive Order 1,192/92, CAMMESA was exempted from the provisions of the laws on Public Works, Accounting, Administrative Procedures and any other "legislation and administrative regulations applicable to companies in which the State has a shareholding".

In the 1990s the electricity system operated without subsidies, and CAMMESA did not receive transfers from the Treasury, being limited to fulfilling its functions as the agency in charge of the dispatch and organization of the system.

After the 2001 crisis, a gap between costs and prices contained in the tariffs arose, which led to government intervention. CAMMESA's Stabilization Fund, an instrument whose original objective was to ensure a more stable end-user tariff through a quarterly pricing mechanism together with a compensation of the differences between seasonal prices and spot market prices, was distorted to cover the permanent price and cost gaps, a mechanism that required a permanent flow of funds from the Treasury.



Between 2002 and 2015, the cost of generation grew at 28% per year while the average price paid by demand grew at 11% per year. At the end of that period, demand only paid 15% of the generation cost, and the rest was covered by the Treasury. The tariff increase implemented between 2016 and 2018 reduced the arrears, but subsidies continued. Between 2007 and 2018, the government spent USD69 billion in subsidies to the electricity system, channeled through CAMMESA<sup>4</sup>.

In short, CAMMESA is not a typical SOE, although it is an institution created by the State with a public purpose, with minority private partners representing the actors of the electricity system, and in which the government appoints the main authorities. For years, it has also been a fundamental instrument for the tariff policy of the electricity system, and in this role, it has received billions of dollars in budgetary transfers from the Treasury. Consequently, beyond excluding CAMMESA from the group of state-owned enterprises, its relationship with the Treasury is critical and its operations cause significant contingencies and risks, which is why it must be carefully monitored.

A different conclusion is reached in the case of YPF S.A.: Most of its shares (51%) are state-owned, and its authorities are appointed by the Government, which has a strong influence on its business decisions (for example, on the company's fuel pricing policy). Consequently, YPF is clearly a SOE that should be subject to the rules of public financial administration as defined in this paper and in Law 24,156. In fact, according to several economic indicators that will be presented hereafter, and as is the case with state-owned oil companies in the region and in many countries of the world, YPF is the largest of the national SOEs.

However, under the law for the expropriation of 51% of the shares of YPF enacted in 2012, which returned state control to the company (privatized in 1993), Congress decided to explicitly exclude it from the application of public regulations for state-owned enterprises, keeping it in the orbit of private commercial law. Based on this rule, YPF does not submit its budget for approval by the Executive Branch, nor does it provide information to the Ministry of Economy like the rest of the SOEs. Paradoxically, the same Congress that passed the law to convert the privatized YPF into a state-owned company decided to exclude it from the general rules that apply to such entities<sup>5</sup>. This legal framework, together with its mixed shareholding composition and its listing on the Buenos Aires and New York stock markets, and the fact that the company does not receive transfers from the Treasury, often make YPF not to be considered as a state-owned enterprise. As will be discussed later in this paper, it is understood that, despite legal reservations, YPF should be included in the universe of national SOEs. Naturally, given its size, this inclusion substantially modifies all the consolidated economic figures of the SOEs.

Another example that also deserves to be analyzed, and whose result is comparable to that of YPF, is the nationalization process of *Industrias Metalúrgicas Pescarmona Sociedad Anónima* - IMPSA (Metalurgical Industries Pescarmona) (See detailed description in the related section), which, unlike the oil company, was resolved by the Executive Branch without the intervention of the Congress.

As YPF, IMPSA was excluded from complying with the rules that apply to the rest of the non-financial public sector enterprises, except for the power to contract directly between state agencies. Beyond these provisions, it is a productive company under recent State control and should also be included as a national SOE.

<sup>4</sup> Data in Einstoss (2020)

<sup>5</sup> Section 15 of Law 26.741: "For the conduct of their business, *YPF Sociedad Anónima* and Repsol YPF GAS S.A., will continue to operate as public corporations, under the terms of Chapter II, Section V, of Law 19.550 as amended, and no legislation or administrative rules that regulate the administration, management and control of the companies or entities in which the National State or the Provincial States have an interest shall be applicable to them".

## **IMPSA**

IMPSA (acronym for "*Industrias Metalúrgicas Pescarmona Sociedad Anónima*") is a family-owned company created in Mendoza by the Pescarmona family at the beginning of the 20th century, engaged from its origins in metallurgy and the production of electromechanical equipment. In the second half of the century, IMPSA specialized in the production of turbines and equipment for power generation, power plants and large cranes, internationalizing its sales and operations. Already in this century IMPSA started to focus also on wind energy, building and assembling wind turbines in the country and abroad.

A few years ago, the failure to open a subsidiary of the company in Brazil, added to other failed contracts in the region, left IMPSA in a delicate economic-financial situation, with high debt and difficulties to obtain guarantees and new supply and construction contracts to improve its finances.

In 2020 the COVID-19 pandemic further aggravated IMPSA's situation, and the company reported a loss of USD1.015 billion. In August 2020, claiming its "strategic" nature, the company requested a bailout from the Government to meet its operating costs and cover its USD500 million debt.

As a result of this process that left the company on the verge of bankruptcy, in 2021 IMPSA received an injection of public funds, both from the National Government and from the Province of Mendoza. The National Government contributed a total of ARS1.362,9 billion to IMPSA's capital (approximately USD 15 million), and the Provincial Government contributed ARS 454.3 million (USD 5 million).

IMPSA received assistance from the national government through the "Labor and Production Emergency Assistance Program (ATP) implemented during the COVID-19 crisis, and through the "Assistance Program for Strategic Companies in the Process of Liability Restructuring" (PAEERP) of the Ministry of Productive Development, which helped IMPSA to pay the salaries of its almost 720 employees.

Following these contributions, the National Government became the majority shareholder of IMPSA, with 63.7% of the shares, through the National Fund for Productive Development (FONDEP, for its acronym in Spanish). FONDEP, a public trust fund controlled by the National Ministry of Productive Development, was the instrument used by the National Government to intervene in IMPSA. The Province of Mendoza owns 21.2% of IMPSA's shares, and the remaining percentage (15.1%) remains in private hands, with 9.8% of the shares held by the creditors' trust fund created in 2012 and the remaining 5.3% held by the trust fund of the founding family and original shareholders.

Indirectly, with IMPSA, the National Government also took control of two subsidiaries: ICSA (dedicated to integral engineering solutions, supply, installation and commissioning of automation, supervision, control, protection, and measurement systems for the electricity market), and Transapelt, a company specialized in the planning and transportation of oversized and extra-heavy loads.

In 2021, with a president appointed by the national government, the company again recorded a loss (ARS7.77 billion). Already in 2022, to recover the economic and financial balance, IMPSA benefited from loans and guarantees from the National Government<sup>6</sup>:

- *Bid, advance payment and performance guarantee for up to ARS 200 million, for domestic and international projects in oil and natural gas, nuclear energy, and renewable energies.*

<sup>6</sup> Section 12 of DNU (Necessity and Urgency Decree) 88/2022 of February 2022 that extended the 2021 budget for fiscal year 2022, following the failure of the Congress to pass the Budget Law.

*-Bank, financial/commercial guarantee for up to USD 30 million for working capital, pre-financing of exports and imports.*

*-5-year loans of up to UD 70 million for the implementation of renewable energy projects in Argentina.*

As previously mentioned, the "nationalization" of IMPSA was implemented through a decision of FONDEP (Ministry of Productive Development), and there was no other legal instrument of higher hierarchy (Law of Congress, Executive Order) to provide support. This decision, however, is not consistent with the provisions applicable to the creation of SOEs under Section 5 of Law 25,152 (Fiscal Responsibility), as amended by Law 27,431 of 2017:

*"Any creation of decentralized agency, state-owned enterprise of any nature and Trust Fund integrated in whole or in part with assets or funds of the national government shall require the enactment of a law."*

Even though IMPSA as such was not created in 2021, since it already existed as a company, it was the decision of FONDEP which, from the government's perspective, turned it into a SOE, without congressional involvement.

Recently, by means of DNU 326/2022 of June 2022, the National Government acknowledged that IMPSA and its subsidiaries (ICSA and Transapelt) are national state-owned enterprises but declared that they will continue to operate as private law corporations, excluded from the regulations applicable to SOEs. Paradoxically, the same regulation establishes that IMPSA will fall under paragraph "8" of subsection "d" of Section 25 of Executive Order 1,023/01, which allows direct contracting for supplies between government agencies.

### 3.2 Distinctions by level of government and economic sector

In terms of jurisdiction, in Argentina there are national, provincial, and municipal SOEs. The universe of subnational companies is wide and diverse (energy, banks, garbage collection, water and sanitation, etc.), and in principle their connection with the national budget is null (there are no regular transfers from the National Treasury to subnational companies). In this context, this paper focuses on national SOEs.

As for their business activities, national SOEs are involved in different economic sectors (energy, transportation, communications, banknote manufacturing, banks, among others), and with different roles. In some cases, they play an important role in their respective market, even a monopolistic one (e.g., Casa de Moneda - Mint), and in others their position is insignificant with respect to the role of private competition (e.g., Télam as a news agency, intermediary in the purchase/sale of advertising, and generator of audiovisual content). In this paper the focus is on the universe of non-financial public sector enterprises, so that national state-owned banks (Nación, BICE, Banco Central, Hipotecario) are excluded from the analysis.<sup>7</sup>

### 3.3 The role of State-owned enterprises and their financing

State-owned enterprises are strategic tools for governments to satisfy the basic requirements of the population, which cannot depend exclusively on business or private income.

This also implies that SOEs must act and fulfill their tasks with basic criteria of efficiency and institutional transparency, applying a series of public principles of international standards. In other words, an adequate balance must be achieved between the fulfillment of objectives set forth in public policies and efficiency and efficacy in their management.

<sup>7</sup> Financial institutions under government control do not require budgetary funds and their unique problems would require a specific approach.

The economic efficiency of Argentine national SOEs is heterogeneous and difficult to measure, although there is evidence of serious productivity problems in some of them. Management instability and politicization, union influence, lack of a strategic business vision, insufficient investment, could be, in some cases, causes of these structural inefficiencies.

In recent years, the use of the legal structure of joint-stock companies may be a format more conducive to efficient operation, but it is much more difficult to fit into the rules and procedures of the public sector and entails enormous risks from the point of view of budgetary control, transparency, and accountability. Given the magnitude of the funds managed by SOEs, the control and transparency of their activities should be an unavoidable requirement for their operation, especially when they systematically require funds from the National Treasury to cover their operational imbalances.

The deficit of SOEs is usually measured through the budgetary transfers made by the National Treasury to cover their imbalances. Apart from the fact that there may be other forms of financing to cover the deficit (e.g., debt with banks or the market), this measurement is inaccurate, since it presents errors of "inclusion" (it includes concepts that should not be included) and "exclusion" (it does not include assistance mechanisms for non-conventional SOEs).

That is:

a) there are public funds that are transferred to SOEs that should not be considered as part of the financing of the companies' deficits, since they are the funding of certain public policies.

b) there are other SOE financing mechanisms beyond the usual ones (transfers, capital contributions, loans and guarantees).

In connection with the first point, not all transfers to state-owned enterprises can be associated with an economic loss (deficit) attributable to the companies. The analysis of energy subsidies is a good example to understand this distinction, which can also be extended to railroad companies and AySA.

The fact that subsidies to electricity and natural gas demand are channeled mainly through certain government institutions (ENARSA, CAMMESA) does not mean that the activity of these companies is being subsidized. It is the government who decides to subsidize energy consumption and it does so by imposing on the state-owned companies' prices below those which would arise from an autonomous and rational business decision. By way of example, if ENARSA imports liquefied natural gas (LNG) at USD 30 per MM BTU (British thermal unit) and resells it in the domestic market at about USD 2 per MM BTU, it is not because it is an inefficient company, but because the government imposes this economic loss to lower the price of gas for households. The compensatory budgetary transfer goes from the National Treasury to ENARSA, but the subsidy is aimed at the consumers of natural gas.

In other words, if there were no such energy consumption promotion policy, ENARSA's imbalance would not exist (or at least not with the current dimensions). Therefore, for the purposes of public discussion, it is convenient to associate these transfers from the National Treasury and their eventual reduction to the tariff/energy policy, and not to the problem of the SOEs' performance, their deficits, and their financing. The same happens with the subsidies to the railroad companies and those directed to AySA. In both cases, their prices and revenues are decided by the Government, at levels far below the coverage of their costs.

Similarly, the System of National Accounts used by the main multilateral organizations as a framework for the discussion of economic policy clearly identifies subsidies to state-owned enterprises, "...aimed at compensating the continuous losses incurred by these units in the performance of their productive activities, as a consequence of charging prices below their average production costs as part of a deliberate economic and social policy of the Government".<sup>8</sup>

<sup>8</sup> European Commission, IMF, and others (2008). The System of National Accounts is a statistical framework that provides a comprehensive, consistent, and flexible set of macroeconomic accounts for policy formulation, analysis, and research purposes.

In other words, these are subsidies associated with economic policy and not with the company's operating efficiency. In this framework, such funds would be part of the company's operating revenues, and within the National Government they could be budgeted as transfers in the programs of the agencies involved (Energy, Transportation, Water and Sanitation), distinguishing them from the transfers to companies aimed at financing their deficits caused by efficiency or effectiveness problems.

Although the direct transfer of funds from the National Treasury is the most important mechanism for financing their imbalances (together with loans, guarantees and capital contributions), there are other indirect ways in which SOEs are "helped" by the government when their accounts do not balance.

Table 1 shows that there are two "indirect" methods of government funding of SOEs. The first is resolved within the government's sphere and consists of imposing rules and regulations that favor the SOE (for example, by ensuring it exclusivity in public procurement), transferring the cost to other areas of the government which, in the absence of this obligation, would be able to contract good or service at a lower price. An example of this scheme is the Mint, which usually does not receive direct transfers from the National Treasury, but whose inefficiencies are covered by the obligation imposed on the Central Bank to purchase banknotes and coins exclusively from it. The same applies to the obligation to contract advertising through *Télam*, or to use the financial and insurance services of *Banco Nación* and its subsidiaries.

Table 1. Direct and indirect government funding mechanisms for SOEs

	tools	description	examples
direct	Current and capital transfers. Loans, guarantees, capital contributions	Deficit financing through different public finance administration instruments	<ul style="list-style-type: none"> <li>- Budget transfers to SOE's as Obligations charged to the Treasury (J91)</li> <li>- Capital contributions to <i>Aerolíneas Argentinas</i></li> <li>- Guarantees (ENARSA, INVAP)</li> </ul>
Indirect intrastate	Exclusivities, preferential purchases, specific public programs	Strengthening SOE revenues through regulations that imply cost overruns for other government agencies	<ul style="list-style-type: none"> <li>- Mint (monopoly on banknotes)</li> <li>- Obligations to contract with SOE's (e.g., <i>Télam</i>, <i>Nación Seguros</i>, payroll accounts)</li> <li>- Programs for SOE's (ENARSA, INVAP)</li> </ul>
indirect	Differential regulations and policies	Strengthening SOE revenues through regulations that imply harm to competitors and cost overruns for consumers	<ul style="list-style-type: none"> <li>- Aeronautical market regulations to favor <i>Aerolíneas Argentinas</i></li> </ul>

SOURCE: Own elaboration

There is an indirect mechanism of SOE funding that goes beyond government and extends to the private sector, resulting from the application of differential regulations in favor of a certain company (e.g., by reducing costs) to the detriment of its competitors and consumers. Certain preferences granted to *Aerolíneas Argentinas* (access to airports, ramps, routes, etc.) over other airlines are a clear example of this type of indirect funding of SOEs. When put to compete on equal terms, the deficit of the SOE would be significantly higher.

Finally, there are also government programs that involve resources directed exclusively to SOEs. By way of example, small in amount but conceptually significant, the Ministry of Productive Development approved an exclusive promotion scheme<sup>9</sup> for SOEs at all levels (national, provincial and municipal), which makes available non-refundable contributions of up to ARS480 million for government organizations that propose to "explore non-conventional or alternative markets to those of their usual activity," with the objective of

<sup>9</sup> Resolution 222/2022. An initial budget of ARS1 billion has been allocated for the program.

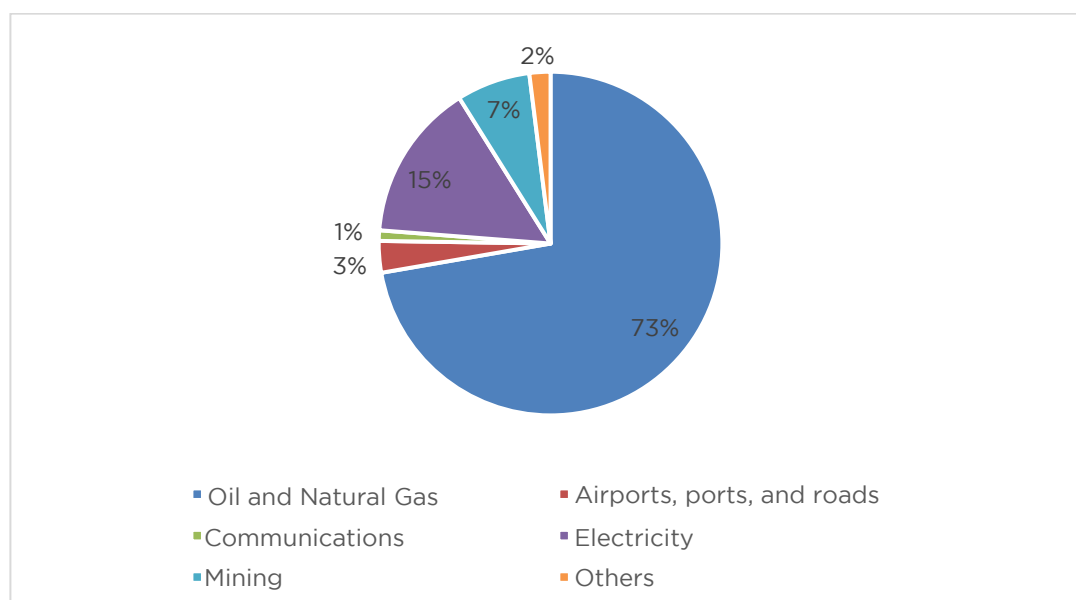
" implementing, expanding or sustaining the activities of strategic companies for national development or important for the generation of added value in regional economies."

#### 4. State-owned enterprises in Latin America<sup>10</sup>

The cycles of SOEs in Argentina in recent decades (privatizations, nationalization) are not unrelated to what has occurred in the region. During the 20th century, the growth and consolidation of SOEs in Latin America was marked by the idea that their presence was essential to promote social and economic development, within a fair framework of rent appropriation when it comes to the exploitation of natural resources (mainly oil and natural gas). Although the scenario is heterogeneous, the main Latin American state-owned enterprises focused on energy, infrastructure, and transportation, generally with huge performance problems, low quality of their services and inefficiencies, which led to recurrent government intervention, with fiscal bailouts of different characteristics.

In the 1990s, the reformist agenda was imposed in the region and privatization programs and the closure of state-owned enterprises reached, with varying degrees of intensity, all countries. The aim was to expand private investment with a regulatory framework more conducive to competition, efficiency, and market deregulation. The results of privatizations were heterogeneous, and in many cases unsatisfactory in the eyes of the population. In this context, the new century witnessed the renationalization of companies in several countries. According to the IDB database prepared by Musacchio (2019) for SOEs in Latin America and the Caribbean, there are 880 non-financial SOEs in the region (328 excluding Venezuela). On average the companies have annual sales of USD1.81 billion, although the median is reduced to only USD50 million, reflecting great heterogeneity, and the presence of a handful of large companies. Energy accounts for a large part of the revenues of state-owned enterprises: 72.8% are hydrocarbon companies, and another 15% are in the electricity segment (generation, transportation, distribution).

Figure 1. State-Owned Enterprises in Latin America. Distribution of Revenues by Sector 2010-2016



SOURCE: Mustacchio (2019)

In the classification by country, Mexico, and Brazil (the largest economies in the region) account for 72% of the total sales of the companies surveyed. At the other extreme, the

<sup>10</sup> The data in this section are from Musacchio (2019).

combined sales of all state-owned enterprises in El Salvador, Guatemala and Nicaragua do not reach USD1 billion per year.

The debt of SOEs is significant: total liabilities average 8% of GDP (with countries such as Mexico close to 20%, given the impact of *Petróleos Mexicanos* (PEMEX)), a percentage that is reduced to 4% if we exclude oil companies. The liabilities of SOEs are equivalent on average to 36% of the government's annual budget, an indicator that reflects the potential impact of this debt stock on fiscal flows.

Statistics on the impact of the imbalance of SOEs on fiscal accounts are partial and difficult to compile. In the IDB's work, for a group of seven countries, transfers from the National Treasury to state-owned enterprises are around 0.25% of GDP, although in Ecuador, they reach up to 2.3% of GDP.

As is the case in Argentina, it is common to find problems with pricing in state-owned enterprises, particularly in the energy sector. Government pricing below market has a great impact on the finances of SOEs in the sector. By subsidizing without establishing a transparent formula and methodology to make the cost of the subsidy explicit, two interrelated problems are generated: on the one hand, resources are extracted from the state-owned companies, since their costs are not adequately reflected in prices; and consequently, when the finances of the companies do not withstand the impact of the price policy, subsidies, bailouts, capitalizations and other types of requests from SOE executives for the government to cover these losses emerge<sup>11</sup>. In this context, the fiscal and redistributive impact of these prices, subsidies and fiscal transfers is very difficult to measure.

As Mussachio et al (2019) point out, such a scheme is not only a way to "*...hide subsidies and transfers for specific groups of voters or economic sectors, but it is also highly distortive, as the resources used to cover the losses of SOEs are often not in the budget.*" In short, state-owned enterprises should be compensated in a precise and transparent manner for any public policy objective imposed on them with a quantifiable economic cost. This should be the starting point for demanding efficiency in their performance.

Although the social perception about state-owned enterprises in Latin America is negative, there seems to be no consensus for a new wave of privatization. In 2017 a survey implemented in Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, and Venezuela showed that although 35% of the population believe that SOEs are inefficient and 42% believe that they are a source of corruption, only 7% believe that they should be privatized. Thirty percent of those surveyed believe that SOEs are important for the economy, and 14% believe that they serve to defend the country's natural resources.

Problems of inefficiency and poor performance are recurrent in Latin American SOEs. IDB studies indicate that 40% of the region's SOEs lose money, and that they are relatively more inefficient than comparable private companies. The data also show that the performance of SOEs and their impact on the Treasury tends to be highly volatile, largely due to the volatility generally associated with natural resource prices and erratic government pricing policy for the companies.

State-owned enterprises also continue to be an important source of fiscal risks, both because of their cash flow problems and the assumption of debts and contingent liabilities that may have an impact on the Treasury.

In line with the findings of multilateral organizations, in recent years many governments in the region have made important efforts to improve the governance and management of their state-owned enterprises, to break with the "nineties" idea that only privatization could improve the efficiency of the companies. In many cases, as proposed by the OECD and the

<sup>11</sup> The example given by the authors for Petrobras in Brazil is identical to what is happening in Argentina with YPF: "For example, the Brazilian oil company *Petróleo Brasileiro S.A.* (Petrobras) and its shareholders face losses derived in part from the partial adjustment of domestic prices to the evolution of international prices. Since the government controls fuel prices in Brazil, Petrobras, including its minority shareholders, are in fact subsidizing fuel consumers."

World Bank, centralized control structures or institutions (holding companies, generally under the Ministry of Treasury) have been used to improve transparency, control, and supervision.

However, it is very difficult to improve SOE governance if there is no simultaneous responsible, accurate and transparent management of fiscal matters, prices and tariffs, and subsidies.

As an example, we will discuss the experiences of countries that have tried to improve the performance of state-owned enterprises through centralized agencies.

Chile has a hybrid system; on the one hand, there are large state-owned enterprises (the mining company *Corporación Nacional de Cobre de Chile* (Codelco), the oil company *Empresa Nacional del Petróleo* (ENAP), the State Bank of Chile) that operate with relative autonomy, under the direct control of the government through the respective ministries; on the other hand, it has a broader set of medium and small SOEs, which are under the supervision of a central control and monitoring agency, the *Sistema de Empresas Públicas* (SEP), which is the Chilean government's technical body in charge of maximizing the profits of SOEs.

SEP's mission is "to represent the Interests of Chile - in its capacity as owner - in the companies in which it is directly or indirectly a partner, shareholder or owner, appointing the members of its board of directors and evaluating the strategic management of these companies, to maximize the benefit to society through an efficient allocation of resources."

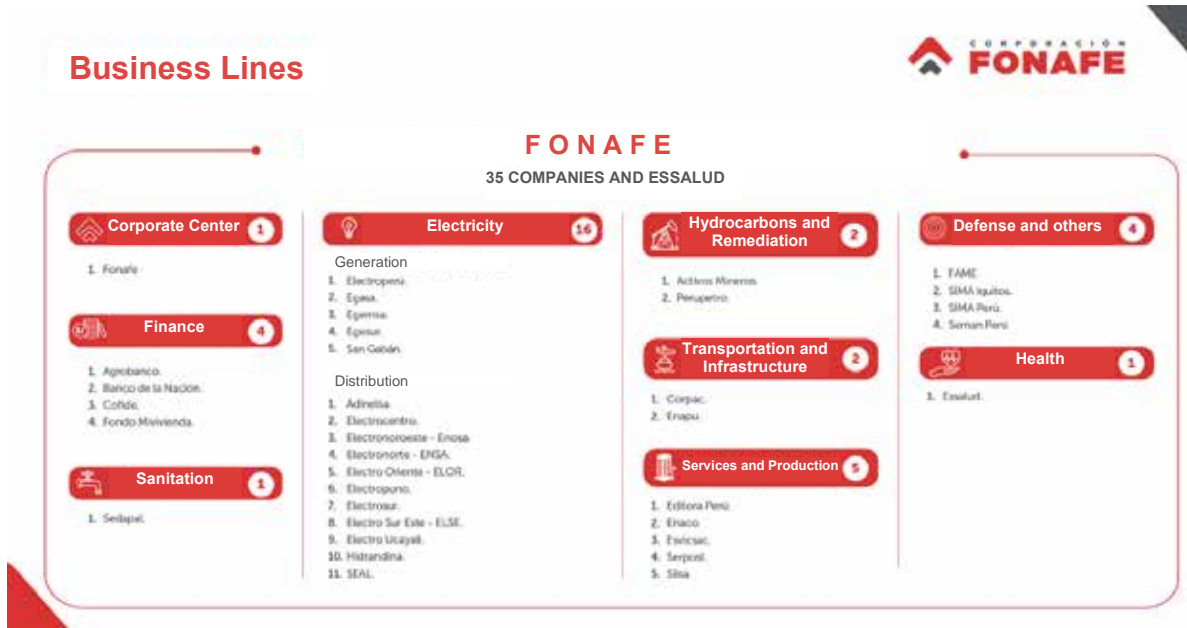
SEP oversees the operation of 20 Chilean state-owned enterprises: 10 are port companies, two are transportation companies (including the Santiago metro), and the remaining eight are service companies, such as the Postal Service, the Railroads, and the Mint. These are mostly joint-stock companies, although there are also State companies, such as the railroads.

In 2020 these 20 companies with 12 thousand workers had revenues of USD979 million, and USD12 billion in assets. Some of them recorded positive results (ports, among others) and others recorded losses (railroads).

Peru implemented a scheme similar to Chile's, through the *Fondo Nacional de Financiamiento de la Actividad* (FONAFE), a holding company that oversees 35 Peruvian state-owned enterprises (all except the oil company Petroperu). FONAFE is a public law company that regulates and manages the business activity of the Peruvian government, approves the budget of the companies, and administers the revenue produced by government investments. It oversees the actions of companies in different fields (energy, finance, transportation, sanitation, health), which employ 25,343 workers and account for about 2% of Peru's GDP and 3.2% of investment. Most of them are corporations under private law, in which FONAFE generally holds 100% of the shares. There are cases in which a minority of the shares are in private hands and are listed on the Peruvian stock exchange. There are also state-owned enterprises, under public law, such as *Banco de la Nación*.



Table 2. FONAFE Corporation of the Republic of Peru. Business Lines



SOURCE: FONAFE (Peru)

In Paraguay, SOEs represent 8.3% of GDP (2013 data), and 7% of total government employment. The budget for SOEs in 2013 was USD3.625 billion, 25% of Paraguay's total budget and 13% of GDP.

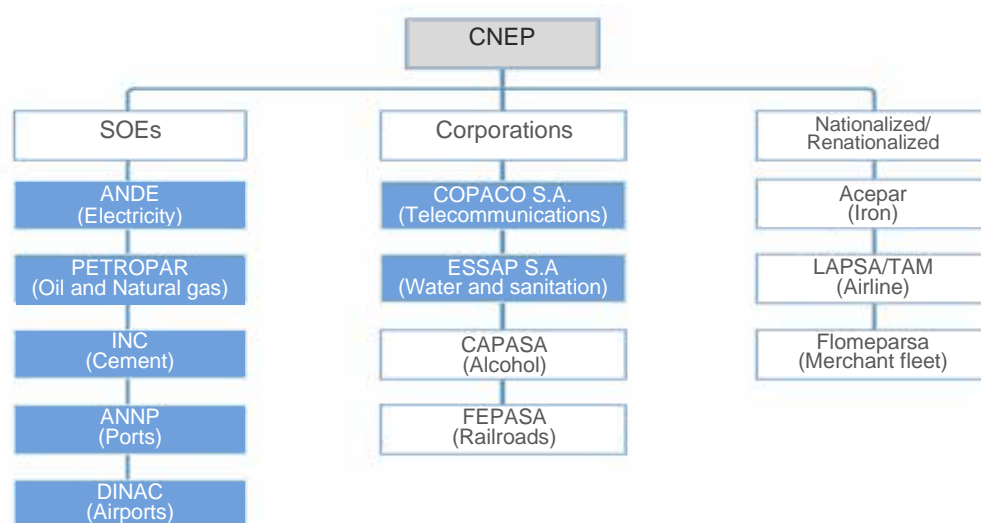
Table 3. SOE contribution in the Republic of Paraguay. 2016.

<b>Total Revenues</b>	<b>USD 1.458 billion, 5.5% GDP</b>
<b>Net financial results</b>	<b>USD 70 million, 0.3% GDP</b>
<b>SOEs Aggregate Budget</b>	<b>23% National Budget</b>
<b>SOEs Investment Plan</b>	<b>USD 2.726 billion (3 years)</b>
<b>Return on equity</b>	<b>3%</b>
<b>Human resources</b>	<b>16,916 employees, 11% of Public Sector, 1% of active population</b>

SOURCE: SOEs and corporations in which the State has a majority shareholding.

In general, Paraguay uses two formats for its state-owned companies: corporations (*sociedades anónimas*) under private law with a state majority and SOEs. Among the main SOEs are the *Administración Nacional de Electricidad* (ANDE); *Petróleos Paraguayos* (Petropar); *Industria Nacional del Cemento, Compañía Paraguaya de Comunicaciones*. In 2013, the National Council of State-Owned Enterprises (CNEP) was created with the objective of coordinating the management and administration of SOEs. The CNEP is chaired by the Minister of Treasury, with the participation of the Ministry of Public Works, Industry and Commerce and the Attorney General of the Republic. The CNEP Law also created a Directorate of SOEs within the Ministry of Treasury, responsible for implementing the tasks entrusted to the CNEP.

Table 4. Composition of the National Council of State-Owned Enterprises in Paraguay



SOURCE: National Council of State-Owned Enterprises (Paraguay)

## 5. State-owned enterprises in Argentina

### 5.1 Analysis and classification

With the purpose of defining the universe of SOEs to be considered in the report, a series of official classifications and the companies contained in each one of them have been analyzed, such as the one used by the Ministry of Treasury in its Institutional Budget Classifier for the annual publication of the National Government Financial Report, as well as the one used by the *Sindicatura General de la Nación* (SIGEN) for its auditing, in compliance with the provisions of Section 104 of Law 24,156, whose main aspects are:

- a) Universe of Non-Financial Public Sector Enterprises included in the National Government Financial Report (*Cuenta de Inversión - CI*) and in the "Institutional Budget Classifier of the National Budget Office (ONP)" published in 2016, whose structure is:

#### *STATE-OWNED ENTERPRISES AND CORPORATIONS*

- State Enterprises (*Sociedades del Estado*)
- State Corporations (*Empresas del Estado*)
- Joint-stock companies (*Sociedades Anónimas*)
- Partially State Enterprises

#### *RESIDUAL COMPANIES*

#### OTHER PUBLIC SECTOR ENTERPRISES <sup>12</sup>

#### *INTER-STATE ENTITIES*

- Inter-State Companies<sup>13</sup>
- Binational entities
- Other Inter-State Entities

- b) Universe of National Public Sector Enterprises audited by SIGEN, the structure of which is:

#### *MAJORITY-OWNED*

- State Enterprises (*Sociedades del Estado*)

<sup>12</sup> For example, "Yacimientos Carboníferos Río Turbio"

<sup>13</sup> For example, "Yacimientos Mineros Agua de Dionisio" YMAD

- State Corporations (*Empresas del Estado*)
- Joint-stock companies (*Sociedades Anónimas*)

#### MINORITY-OWNED

- Grupo Mercado Central
- Grupo Parque Arauco
- Grupo ANSES
- Grupo IMPSA

#### IN LIQUIDATION

#### OTHER ENTITIES<sup>14</sup>

c) Organizational structure of the Central Administration as reflected in Annex 3 of Executive Order 50/19. Last update: 6/14/2022.<sup>15</sup>

The E.O. establishes for each agency of the National Executive Branch (PEN), the jurisdictional areas in which the deconcentrated and decentralized agencies will operate, among which are the non-financial SOEs, as detailed in the comparative table in Annex I.

On the other hand, the classification proposed in the *Manual de empresas públicas en Argentina (1946-2020) "De la centenario YPF a las actuales Sociedades Anónimas bajo Injerencia Estatal (SABIE)"* by Juan José Carbajales, whose general guidelines are shown in Annex III, has been analyzed.

The table included in Annex I contains the comparative list between the universe of non-financial majority SOEs audited by the SIGEN, the SOEs consolidated in the National Government Financial report, and the SOEs that are part of the Organizational Structure of the Central Administration in accordance with Annex III of Decree 50/19.

As a synthesis, it is observed that in Volume 1 of the National Government Financial Report for the fiscal year 2021, 34 "National Non-Financial Public Sector Enterprises " have been included within the institutional universe considered. In turn, within the structure of the Central Administration, Annex III contemplates the jurisdictional areas of a total of 35 majority state-owned companies (excluding ATC and including YPF and YPF GAS), while within the 101 companies of the universe of SOEs controlled by the SIGEN, there are 43 non-financial Public Sector majority-owned companies.

When comparing the universe of SOEs controlled by SIGEN with respect to the set contemplated in the 2021 Financial Report, we detect differences:

- IMPSA, under the Ministry of Productive Development as from the capital contribution of 70% of the FONDEP made in 2021 (see specific box on the subject).
- Subsidiary companies or companies controlled by *Aerolíneas Argentinas*: AEROHANDING S.A.; JET PAQ S.A. and OPTAR S.A.<sup>16</sup>
- Subsidiaries or companies controlled by ENARSA: VIENTOS DE LA PATAGONIA S.A.; ENARSA SERVICIOS S.A.; ENARSA PATAGONIA S.A. which are consolidated in the controlling company to be included in the Financial Report and TERMoelectRICA MANUEL BELGRANO SA and TERMoelectRICA JOSE DE SAN MARTIN SA, recently included in the SOE universe and which also should consolidate its fiscal information in the controlling company to be provided to the Secretariat of Treasury.
- HIGH TECHNOLOGY TESTING CENTER (CEATSA). ARSAT owns 70% of its capital and INVAP 30%.

<sup>14</sup> Includes "Yacimientos Mineros Agua de Dionisio" YMAD

<sup>15</sup> <http://servicios.infoleg.gob.ar/infolegInternet/anexos/330000-334999/333535/texact.htm>

<sup>16</sup> Since 2015, the companies Jet Paq S. A. and Aerohandling S. A., belonging to the ARSA Group, transferred their functions and personnel to Aerolíneas Argentinas S.A., the latter assuming the provision of services. To date, no decision has been made regarding the liquidation of both companies. OPTAR is still operating.

## 5.2 Selection of the SOEs considered in this report

Based on the analysis and comparisons made, the universe defined for this report consists of the companies with majority state participation that are referred to in the structure of the Central Administration established in Executive Order No. 50/19, as amended. This universe includes *YPF Sociedad Anónima* with data from the "Consolidated Income Statement", which includes YPF and YPF GAS and other controlled companies, under the Ministry of Economy, since the majority of the shareholding package is in the hands of the State, for which reason they can be classified as "SOE" even though, as already mentioned, Law 26,741 establishes that they will continue to operate as public corporations.

On the other hand, the universe under analysis does not include IMPSA, which is under the Ministry of Productive Development, given its recent nationalization, and a company in liquidation included in the 2021 National Government Financial Report (*Argentina Televisora Color S.A.*).

In short, this is a group of 34 companies (see list in Annex I and fiscal data of budget execution and staffing for 2021 in Annex II), of which in 2021 only 29 had their budgets and action plans approved in accordance with the provisions of Section 49 of Law 25,156.<sup>17</sup>

It is worth noting that under Chapter 3 of Law 24,156 on Financial Administration, all state-owned enterprises must have their budgets approved (the National Budget Office should prepare ex officio the budgets of those enterprises not submitting them). In accordance with this Law, those companies that did not have their budgets properly approved should not receive transfers from the National Treasury, nor could they engage in public credit operations.<sup>18</sup>

## 6. Overview of Argentine SOEs

Towards the end of the 1980s, SOEs held an important position in the Argentine economy, and their evolution was a determining factor for public accounts. In 1989, almost 100 national SOEs had 347,000 employees, had expenditures equivalent to 20% of GDP, and were burdened with a deficit of 5.5% of GDP, which had an enormous impact on fiscal accounts.

The reforms of the 1990s led to the privatization of most of these SOEs (*YPF, Entel, Obras Sanitarias, Gas del Estado, Ferrocarriles Argentinos*, among the largest), and the impact of SOEs on the economy and on the Treasury was abruptly reduced.

Already in this century, in the context of a general expansion of the National State, the number of national SOEs in Argentina has grown, reversing the downward trend observed in the last years of the twentieth century. In the definition used by CIPPEC (includes state-owned financial entities), thirteen new state-owned organizations were added to the National orbit in the 2003 - 2015 term, to bring the total number of national SOEs to 52<sup>19</sup>. In 2012, the expropriation of YPF brought the largest Argentine company back to State ownership.

In the 2015 - 2021 term, there were no major changes in the SOE universe and some initiatives aimed at improving governance, efficiency, and transparency in line with international and regional trends were observed. In 2018, the Chief of Cabinet's Office launched the Initiative to Improve the Performance of State-Owned Enterprises, which included the appointment of experienced and qualified officials, the development of multi-year plans and budgets, process improvements, staff reductions, and the introduction of

<sup>17</sup> In accordance with the mentioned rules, YPF and YPF Gas are not required to submit their budgets and action plans for approval.

<sup>18</sup> Section 54, Law 24,156

<sup>19</sup> Data from CIPPEC (2016). Includes financial sector. A net growth of 8 companies is observed, resulting from the creation of 13 and the closure of 5 (including BANADE and *Caja de Ahorro y Seguro*), which had ceased to operate in the nineties, but their definitive closure occurred years later.

new corporate governance rules and transparency standards<sup>20</sup>. More recently, the Ministry of Treasury approved the "Action Plan for the Improvement of Budget Information", which includes SOEs in its scope<sup>21</sup>. The Plan is aimed at improving the information submitted by SOEs, Trust Funds and other government entities, and strengthening transparency and control over the use of transfers from the National Treasury. It is also proposed to have quarterly financial information on payments and enforceable debt of this universe.

Based on the National Government Financial Report for fiscal year 2021, the figures for the set of 34 SOEs defined, including YPF SA, have been consolidated. This is a core of companies with 111 thousand employees, expenditures of ARS2.5 trillion, and own revenues of ARS2.14 trillion, to which were added ARS719 billion transferred from the National Treasury, equivalent to 1.5% of the GDP. The 2021 Budget, the latest approved in Congress, had allocated an initial appropriation of ARS358.276 billion in transfers from the National Treasury to SOEs, although, in a framework of macroeconomic instability and high inflation, the final execution was 84% higher than initially budgeted.

In many cases, SOEs have played very important roles in the growth of the economic sector in which they operate. YPF, for example, has been central in the historical expansion of the hydrocarbons industry, and today continues to be a determining factor in the development of non-conventional exploitation (*Vaca Muerta*), and in offshore projects. A more recent state-owned company, ARSAT, has been crucial to complete the national fiber optic network and provide connectivity to the whole country, shortening the digital gap.

The main consolidated data of Argentina's SOEs are presented next. Detailed information by company for the universe considered in this report, with and without YPF SA, can be found in Annex II "Fiscal Data of Non-Financial National SOEs".

## 6.1 Employment

A first analysis of the most recent employment data of the SOEs shows that they are heterogeneous organizations of very different sizes, which together employed around 111 thousand employees<sup>22</sup> as of 12/31/2021. This consolidated data includes companies with only 2 employees, such as *Polo Tecnológico Constituyentes*, or 10 employees, such as *Playas Ferroviarias de Buenos Aires S.A.*, and others with more than 20 thousand (*Sociedad Operadora Ferroviaria SE* and YPF SA).

Employment in state-owned enterprises is equivalent to 39% of the total permanent or temporary employment of the National Government (ministries and decentralized agencies, including ANSES)<sup>23</sup>. In general terms, salaries in state-owned companies are comparable to those of private companies in the same sector and are usually higher than salaries in the central administration.

In terms of employment, it is important to note that the five largest companies (*Operadora Ferroviaria*, YPF, *Correo Argentino*, *Aerolíneas Argentinas* and AySA) account for 75% of the total number of employees in SOEs.

<sup>20</sup> Through Administrative Decision 85/2018, The Chief of Cabinet of Ministers approved the "Guidelines for Majority State-Owned Enterprises in Argentina" which were structured around seven principles: 1) Transparency; 2) Integrity; 3) Sustainability; 4) Economic performance; 5) Management; 6) Procurement and Supply; 7) Audit an Internal Control.

<sup>21</sup> Resolution 117/2022 of the Secretariat of Treasury

<sup>22</sup> Source: "Table 15. State Enterprises and Corporations: employment by institution and modality. December 2021" Monthly report of the Directorate of Budget and Evaluation of Personnel Expenditures of the Ministry of Economy.

<sup>23</sup> Total number of permanent National Government employees as of 12/31/2021 (283,931) does not include AFIP (Federal Administration of Public Revenue), that had 20,889 employees.

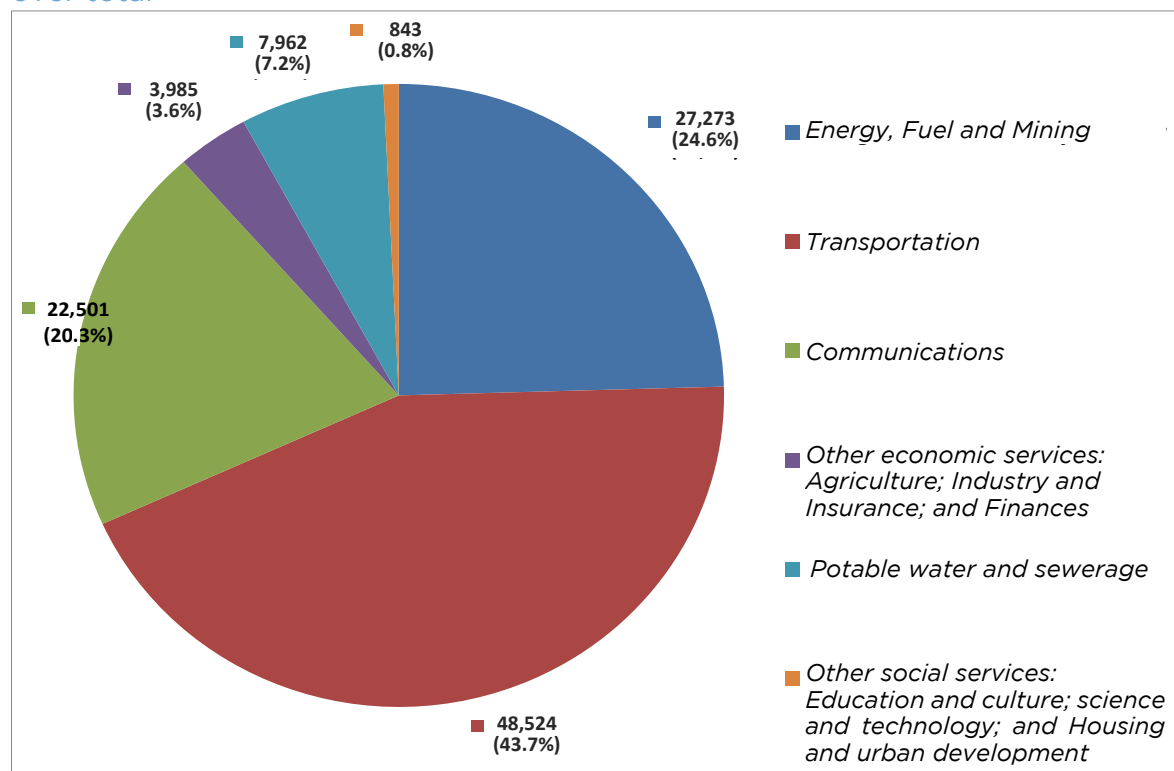
Table 4. Number of Employees by SOE as of 12/31/21

	SOE	NUMBER OF EMPLOYEES AS OF 12/31/21	% of total SOEs' employees	% of cumulative total
1	OPERADORA FERROVIARIA S.E. - SOFSE	23,778	21.4%	21.4%
2	YPF SOCIEDAD ANÓNIMA	21,321	19.2%	40.6%
3	CORREO OFICIAL DE LA REPÚBLICA ARGENTINA S.A.	18,404	16.6%	57.2%
4	AEROLÍNEAS ARGENTINAS S.A.	11,592	10.4%	67.6%
5	AGUA Y SANEAMIENTOS ARGENTINOS S.A. (AYSA)	7,962	7.2%	74.8%
6	BELGRANO CARGAS Y LOGÍSTICA S.A.	4,617	4.2%	78.9%
7	NUCLEOELÉCTRICA ARGENTINA S.A.	3,001	2.7%	81.6%
8	EMPRESA ARGENTINA DE NAVEGACIÓN AÉREA S.E.	2,432	2.2%	83.8%
9	RADIO Y TELEVISIÓN ARGENTINA S.E.	2,222	2.0%	85.8%
10	YACIMIENTO CARBONÍFERO DE RÍO TURBIO	2,066	1.9%	87.7%
	OTHERS	13,691	12.3%	100.0%
	TOTAL	111,086		

SOURCE: Integrated Human Resources System (SIRHU) Directorate of Budget and Evaluation of Personnel Expenditures of the Ministry of Economy.

If employment is analyzed by function, the three large blocks of economic services that concentrate SOE employees are: Energy (YPF, ENARSA, YCRT); Transportation (railroad companies and *Aerolíneas Argentinas*), and Communications (*Correo Argentino*).

Figure 2. Number of SOEs Employees by Function as of 12/31/21 and percentage over total



SOURCE: Integrated Human Resources System (SIRHU) Directorate of Budget and Evaluation of Personnel Expenditures of the Ministry of Economy.

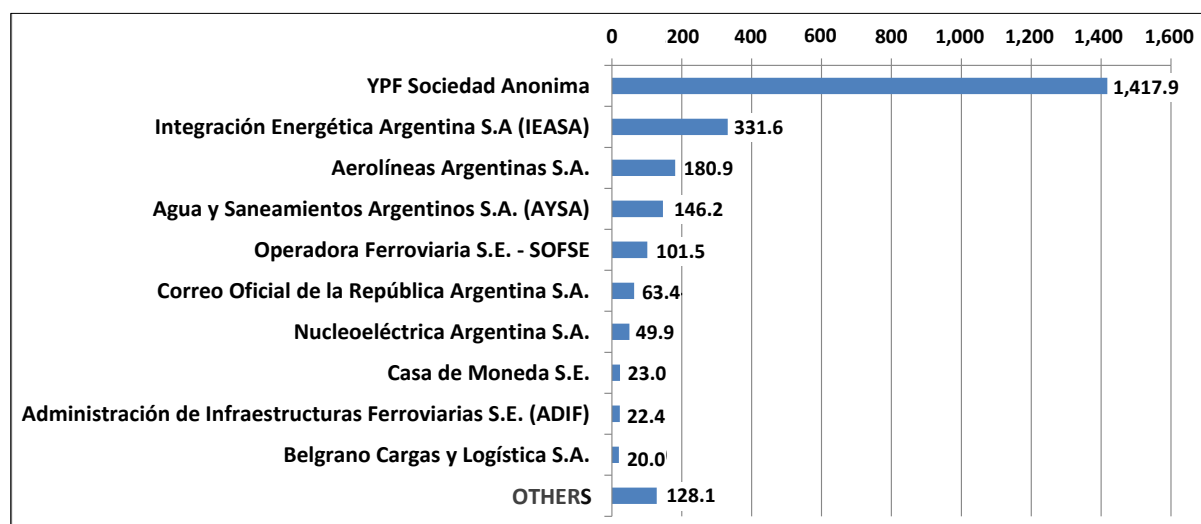
## 6.2 SOE expenditure

Current and capital expenditures of SOEs totaled ARS 2.5 trillion in 2021, equivalent to 5.32% of GDP and 19.3% of total National Public Sector expenditures. The inclusion of YPF in the universe of SOEs is decisive: it alone is responsible for more than half of SOE expenditures (57.1%, equivalent to 3.04% of GDP). The first ten companies account for 95% of the total, including YPF, and two other energy companies (ENARSA and *Nucleoeléctrica*), *Aerolíneas Argentinas*, the railroad companies, AySA, *Correo Argentino* and *Casa de la Moneda*).

In the subtotal of SOEs without YPF<sup>24</sup>, 83% of total expenditure is for current expenditures, an indicator which is even higher in many of the companies. This is a classic symptom of the difficulty of SOEs to invest, given the impact of current expenditures (salaries and others) on cash flows. However, it is worth noting that the real direct investment of SOEs represented on average almost 60% of the total RDI of the National Public Sector during the last five years (2017-2021), largely due to the investments of AySA in water and sanitation and ENARSA in energy.

<sup>24</sup> Since YPF's Savings-Investment scheme is not homogeneous to that of the rest of the companies, it is difficult to classify its expenditures. Besides the provisions of Section 15 of Law 26,741, it would be advisable that the economic-financial information of YPF, the main Argentine SOE, be presented in a homogeneous format and consistent with that of the rest of the SOEs.

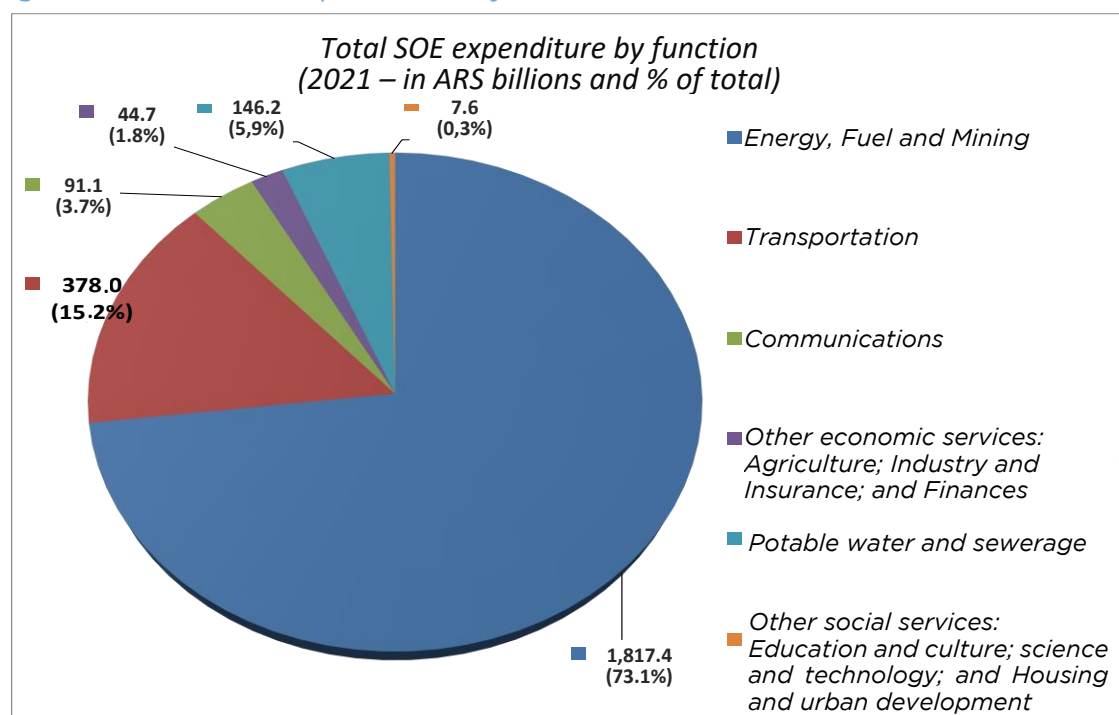
Figure 3. Total SOE Expenditure by function. 2021



SOURCE: National Council of State-Owned Enterprises (Paraguay)

The same pattern is observed in the classification by function. As in other countries in the region, a large part of SOE expenditure is concentrated in energy, which accounts for 73.1% of the total. Further behind are transportation (15.2% of total expenditure), and potable water and sewerage (AySA 5.9% of total expenditure).

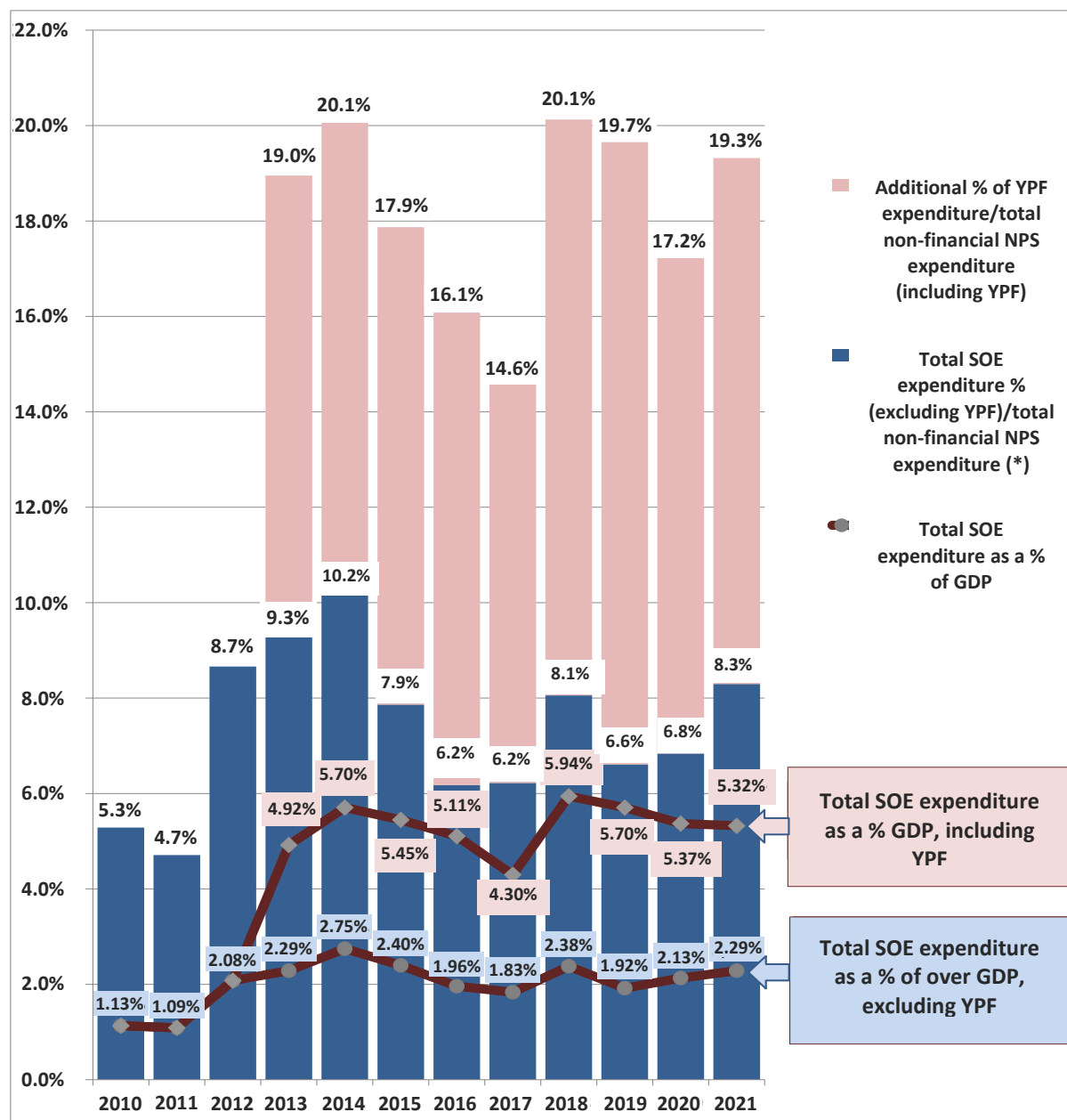
Figure 4. Total SOE Expenditure by function. 2021



SOURCE: 2021 National Government Financial Report and 2021 YPF "Consolidated Income Statements".



Figure 5. Evolution of SOE expenditure with respect to GDP and total expenditure of the National Non-Financial Public Sector



(\*) Total National Public Sector expenditure includes YPF between 2013 and 2021.

SOURCE: 2021 National Government Financial Report and 2013-2021 YPF "Consolidated Income Statements".

Figure 5 shows the evolution of SOEs' consolidated expenditure between 2010 and 2021, compared to total NPS expenditure, and the ratio with respect to GDP<sup>25</sup>. From 2013 onwards, both series are split to include YPF, with data obtained from its "Consolidated Income Statements", and consistently adjusting the total expenditure of the NFPS<sup>26</sup>.

<sup>25</sup> Source: National Government Financial Reports 2010/2021. General Accounting Office of the Nation. Ministry of Economy.

<sup>26</sup> SOURCE: Annual publication of the "CONSOLIDATED INCOME STATEMENTS" and using the following criteria: Total Revenues: include Operating Revenues, Financial Revenues and Other net comprehensive income for the year from participation in associates and joint ventures. Total Expenditures: Include operating costs, marketing, administrative and exploration expenses, financial costs, income tax and other items that are reflected in the results for the year.

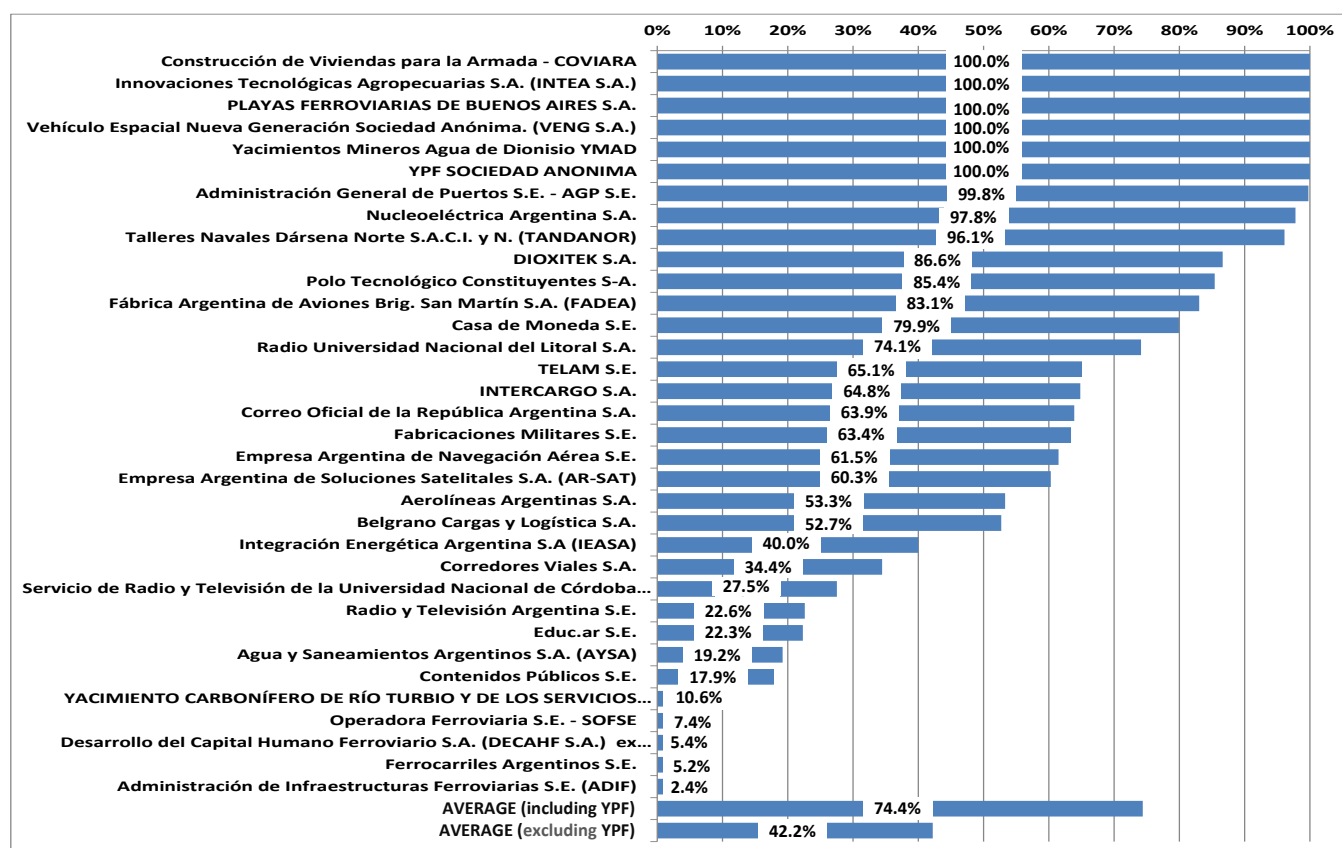
<https://edicion.ypf.com/inversoresaccionistas/Lists/InformacionFinanciera/EEFF%20YPF%20Consolidado%20Diembre-21.pdf>

On average, excluding YPF, SOE expenditure has ranged around 8% of total NPS expenditure, 2% of GDP, with a slight upward trend and oscillations that respond to the comings and goings of energy subsidies to households (with peaks in 2014 and 2015 that were reversed in subsequent years). As Table 5 shows, the picture changes substantially when YPF is included: total SOEs expenditure ranges between 15% and 20% of total NPS expenditure. In 2021, it was 19.3%, equivalent to 5.4% of GDP<sup>27</sup>.

### 6.3 Revenues, transfers from the National Treasury and performance

In their individual Income Statements, SOEs usually consider transfers from the National Treasury as part of their current revenues. Beyond its accounting validity, this treatment, however, confuses the companies' own efforts to generate resources with the public funds they receive from the national budget even if they originate from subsidies to compensate the tariff freeze policies in energy, transportation, water and sanitation, or to address deficits caused by inefficiencies of the companies. If we consolidate own resources without considering transfers from the National Treasury, the revenues of the SOEs reached ARS2.1 trillion in 2021, of which ARS1.6 trillion came from YPF.

Figure 6. Financial Autonomy (% of Own Resources/Total Resources)



SOURCE: 2021 National Government Financial Report

When analyzing the different companies, we observe that the relationship with the National Treasury is also heterogeneous. Besides YPF, which does not receive subsidies, other SOEs are in surplus and do not require contributions from the National Treasury (*Nucleoeléctrica Argentina*, AGP S.A., *Yacimientos Minerales Aguas del Dionisio* and TANDANOR). At the

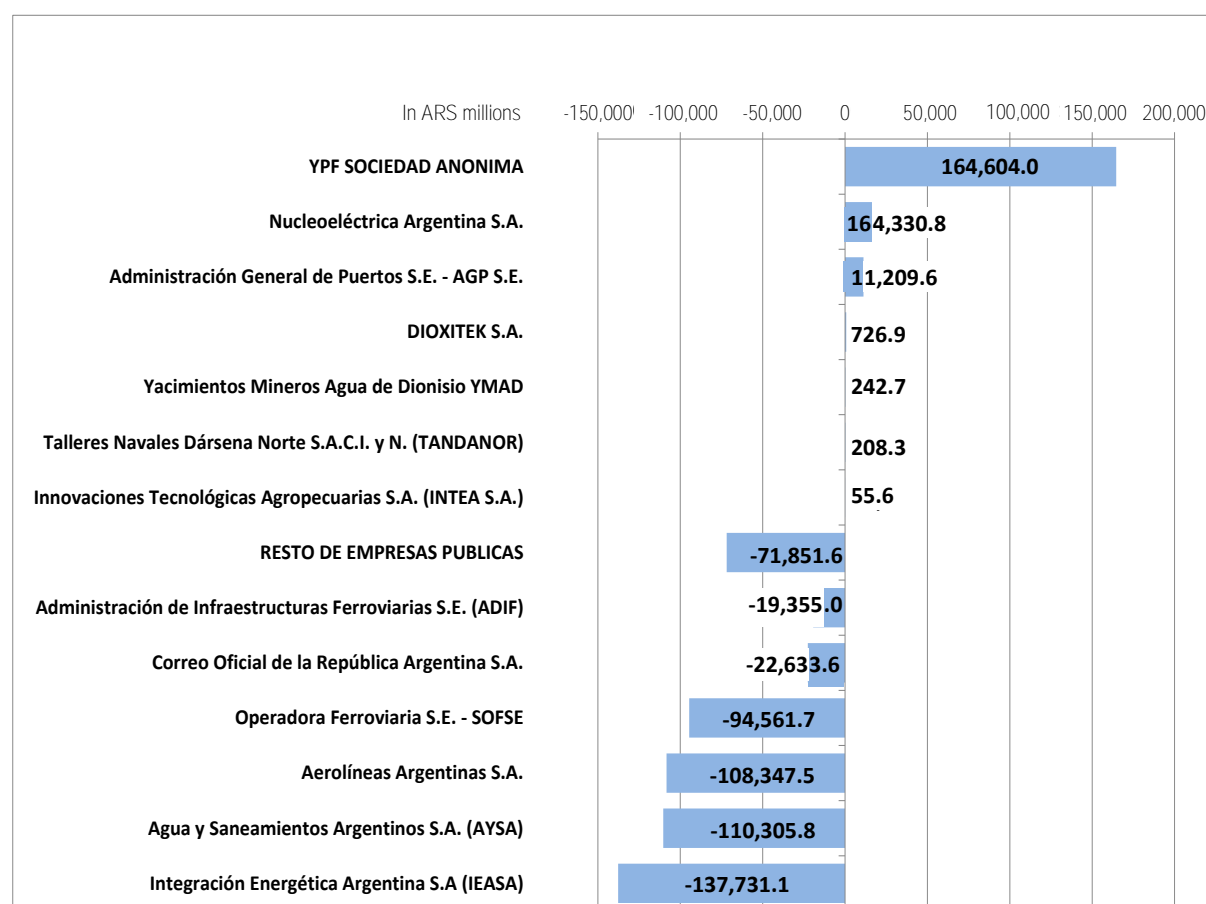
<sup>27</sup> For the calculation of the ratio of Total Expenditure in SOEs with respect to NPS total and with respect to GDP, we have used data from the respective National Government Financial Reports, except for YPF's data, since this Company is not obliged to comply with the rules that apply to the rest of the SOEs, which is why in the 2010/21 series, it is not included in the National Government Financial Reports.

other extreme, there are companies that depend almost entirely on the resources transferred from the National Treasury (*Administración de Infraestructuras Ferroviarias S.E.* (ADIF), SOFSE, *Yacimientos Carboníferos de Río Turbio*).

This behavior is reflected in the Financial Autonomy Index, calculated as the ratio between own revenues and total resources, which reaches values of 100% for some companies (YPF, *Vehículo Espacial de Nueva Generación* (VENG), *Yacimientos Mineros Agua de Dionisio* (YMAD), *Innovaciones Tecnológicas Agropecuarias* (INTEA), among others), and values below 15% (YCRT, SOFSE, among others)<sup>28</sup>. If we consider the universe of SOEs excluding YPF, the Financial Autonomy Index totals only 42%, a value that increases to 74% when YPF is included.

The uneven situation in terms of profits can also be observed in the impact on the financial performance of SOEs, once we exclude the contributions from the National Treasury. Some few companies with positive results (mainly YPF, followed far behind by *Nucleoeléctrica Argentina* and other small companies), coexist with companies in deficit, some of them with strong imbalances, such as ENARSA (former IEASA), *Aerolíneas Argentinas*, and AySA, all of them with negative results exceeding ARS100 billion in 2021.

Figure 7. Financial Results by SOE excluding Transfers and Contributions from the National Treasury



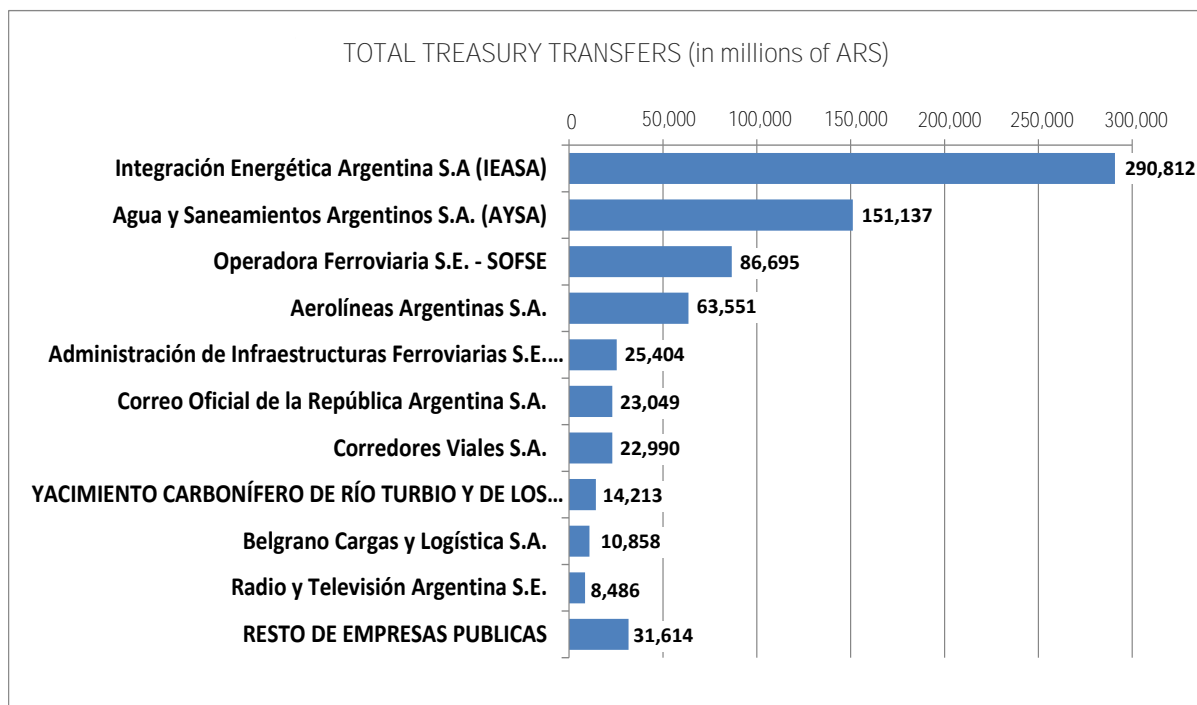
SOURCE: 2021 National Government Financial Report and 2021 YPF "Consolidated Income Statements".

In view of the difficulty of SOEs to obtain other sources of financing for their imbalances or the use of SOEs as vehicles to implement a subsidy policy for a specific sector (ENARSA in

<sup>28</sup> In the 2022 YCRT budget, approved by Resolution 517/ of the Ministry of Economy, the Financial Autonomy Index drops to only 2%.

natural gas, SOFSE in railroads and AySA in water and sanitation), companies with the highest deficits are at the top of the rankings of transfers from the National Treasury. Total current and capital transfers from the National Treasury (including capital contributions, see *Aerolíneas Argentinas* case) totaled ARS728.809 billion in 2021, 6.7% of total National Government expenditure and 1.5% of GDP.

Figure 8. Transfers and Capital Contributions from the National Treasury by SOE



SOURCE: 2021 National Government Financial Report and 2021 YPF "Consolidated Income Statements".

ENARSA (former IEASA) was the main recipient of transfers from the National Treasury (accounting for 40%), followed by AySA, SOFSE and *Aerolíneas Argentinas* (see section on transfers to *Aerolíneas Argentinas*)<sup>29</sup>.

### ***Aerolíneas Argentinas* and Capital Contributions**

Among Treasury subsidies to SOEs, those to *Aerolíneas Argentinas* show a distinctive feature that distinguishes them from the rest: they are recorded -both in the statistics of the National Government and in the company's own income statements- as capital contributions. This type of recording distorts public statistics and the economic classification of spending. While the funds directed to the rest of the companies are recorded as transfers (current or capital), in item 5, *Aerolíneas Argentinas* uses item 6 (increase in financial assets) for these capital contributions. Naturally, the accounting entry also differs.

The origin of this singularity is associated with the process of expropriation of *Aerolíneas Argentinas* by the National Government, that took several years<sup>30</sup>. In the last decade, the company had received funds from the Treasury to subsidize its losses systematically, year after year, but during the fiscal years before the expropriation was completed, it was appropriate to reflect those subsidies as Capital Contributions, to ensure that there would be no undue benefits for private parties.

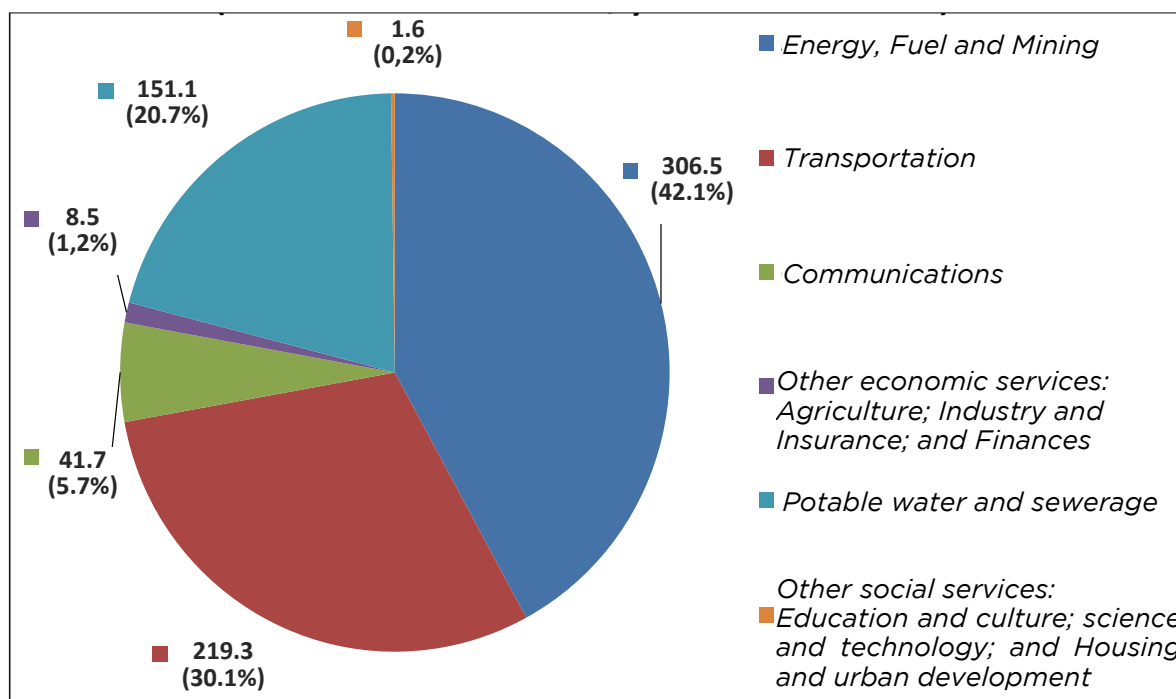
<sup>29</sup> IEASA received funds for the construction of the NK gas pipeline, and ended fiscal year 2021 with a significant surplus, since it did not spend all the resources it received from the National Treasury.

<sup>30</sup> Expropriation approved by Law 26,466.

In 2015, with the expropriation process already completed, there was some confusion about how to allocate the subsidies to *Aerolíneas Argentinas*. Finally, in the 2018 Budget Law (Law 27,341, Section 17) it was established that all financial assistance received and to be received by *Aerolíneas Argentinas* should be recorded in the financial statements of the company as contributions made on account of future capital increases. Based on this legal provision, the assistance to *Aerolíneas Argentinas* continues to be recorded on this basis, and the company then capitalizes such contributions. Consistently, such assistance is recorded as Capital Contributions in category 91 (Obligations of the Treasury), in program 87 "Financial Assistance to State-owned Enterprises and other entities of the Ministry of Transportation". While subsidies to other SOEs of the same category are recorded as transfers (EANA, Intercargo, railroad companies), those to *Aerolíneas Argentinas* are recorded as capital contributions.

These large companies' need for assistance from the Treasury also explains the distribution of the 2021 transfers by Function. Because of the funds received by ENARSA (YPF does not receive transfers from the Treasury), Energy accounts for most of the Treasury transfers.

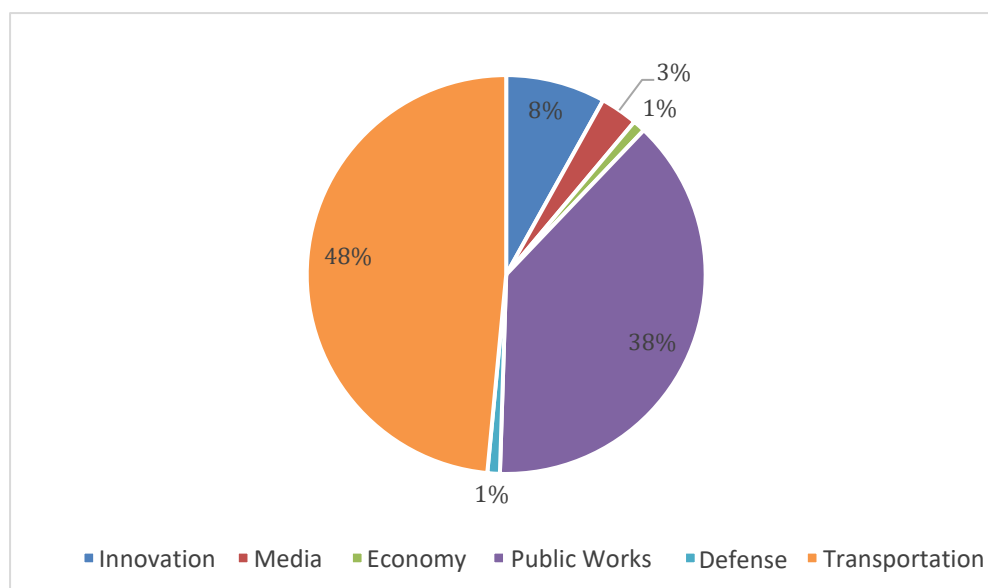
Figure 9. Transfers and Capital Contributions from the National Treasury to SOEs by Function (year 2021 in ARS billions and as % of Total)



SOURCE: 2021 National Government Financial Report and 2021 YPF "Consolidated Income Statements".

Analyzing the government areas that control the SOEs and excluding Energy, the most important transfers from the Treasury go to Transportation (48.4% of the total), followed by Public Works (38.2%), Innovation (7.6%) and Media (2.9%).

Figure 10. Transfers from the National Treasury to SOEs excluding Energy (year 2021 as % of Total)



SOURCE: *Presupuesto abierto*

Transportation includes the capital contributions to *Aerolíneas Argentinas* and the current and capital transfers to all the companies of the state-owned railroad system, the General Administration of Ports, and the Air Navigation Company (EANA).

The state-owned railroad system created by Law 26,352 of 2008 organized the management of railroads through several companies, which concentrate a large part of the subsidies of the sector. Subsequently, Law 27,132 of 2015 created the holding company *Ferrocarriles Argentinos SE* (FASE), to integrate and articulate the different functions and competences of the companies created by Law 26,352 and by Necessity and Urgency Decree (DNU) 566 of May 21, 2013, for which purpose all the shares owned by the Government were transferred to the holding company, including 16% of the capital stock in *Nuevo Central Argentino SA*, *Ferroexpreso Pampeano SA*, and *Ferrosur Roca SA*.

In 2021, the two most important railroad companies in terms of their expenditures (*Operadora Ferroviaria*, SOFSE, which manages the train lines of Buenos Aires, long distance, and other cities in the country, and the *Administradora de Infraestructura Ferroviaria*, ADIF SE, which oversees infrastructure) explained 53% of the Treasury transfers to Transportation.

As with Energy, most of the deficit is the result of the very low prices of train tickets, which cover less than 10% of the cost. In 2021, only 2.9% of SOFSE's current resources were operating revenues, the remaining 97.1% were transfers from the Treasury. ADIF SE depends 100% on Treasury resources for its capital expenditures (railroad infrastructure), which also covers 64% of its current expenditures.

*Aerolíneas Argentinas* takes an additional third of the transfers to Transportation, an amount close to USD600 million per year. In 2021, *Aerolíneas Argentinas'* budget forecast current revenues of ARS127 billion, expenditures of ARS172 billion, and a deficit of ARS45 billion, to be covered with those Treasury contributions.<sup>31</sup>

<sup>31</sup> Budget approved by Resolution 126/2021 Ministry of Economy

Beyond the railroad system and *Aerolíneas Argentinas*, the impact of other SOEs in the Transportation area on the Treasury is not significant.

Among the SOEs managed by the Ministry of Public Works, AySA stands out, which in the 2021 Budget accounted for 90% of the transfers under this item, of which two thirds were capital expenditures and the rest current expenditures. For 2021 a budget with total revenues of ARS135.871 billion was approved, of which ARS102.006 billion were Treasury transfers. All AySA's capital resources and 47% of its current revenues are covered by budgetary transfers.

The Secretariat of Public Innovation, under the Chief of Cabinet of Ministers, concentrates the Treasury transfers to a single company: *Correo Argentino SA*, which has a staff of 18,130 employees. With ARS30 billion received in 2021, this company has been characterized over the past few years by a sharp increase in subsidies and a large gap between the amounts initially budgeted and those finally accrued at the end of the fiscal year.

As for Media, there were transfers to *Radio y Televisión Pública* (68% of the total), to *Télam* (19.4%), and the rest to *Contenidos Públicos SE*, the company that manages the television signals *Paka Paka*, *Encuentro* and others. With 2,342 employees, *Radio y Televisión Argentina* (RTA) budgeted in 2021 total revenues of ARS7.8 billion, of which 72% were subsidies from the Treasury. *Télam*, with 711 employees, received 37% of its resources as transfers from the Treasury. *Contenidos Públicos* has 160 employees and budgeted for 2021 total revenues of ARS1.156 billion, of which ARS1.084 billion (94%) were subsidies from the Treasury.

In summary, 86.5% of the subsidies from the Treasury to the SOEs in 2021 were concentrated in five companies: ENARSA (former IEASA), the block of railroad companies, *Aerolíneas Argentinas*, AySA and *Correo Argentino*. As previously discussed, government decisions concerning the prices and operations of these companies are in many cases decisive in explaining their losses, and the associated transfers from the Treasury. The inclusion of YPF does not change the picture, since its economic-financial situation is sufficiently solid not to require assistance from the Treasury<sup>32</sup>.

## 7. Fiscal risks and SOEs

Recent international experience has underscored the need to better understand the size and nature of fiscal risks and their implications. Becoming more aware of fiscal risks can enable governments to implement policies to identify, quantify and manage them more carefully and take mitigating measures to limit their exposure to shocks. Better understanding of fiscal risks, greater transparency, and effective risk management practices can also help underpin market credibility and confidence (IMF, 2016).

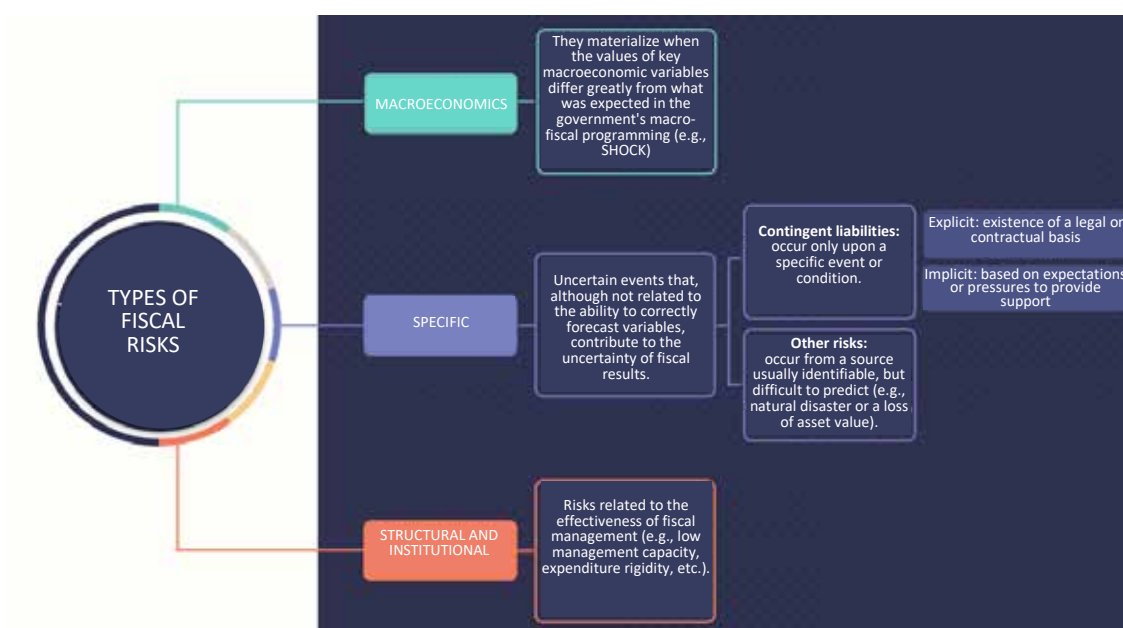
### 7.1 Conceptual framework

#### a. General definition of fiscal risks

Fiscal risks are defined as the likelihood of significant differences between actual and expected fiscal performance, or as "*the possibility of deviations of fiscal outcomes from what was expected when the budget or other forecast was made*" (IMF, 2008). The following main categories of risks can be identified in most countries:

<sup>32</sup>Although it has not received transfers from the National Treasury, YPF recently received preferential financing from the Sustainability Guarantee Fund. It also receives budgetary funds from general subsidy programs, such as the *Plan Gas* and the *Plan Hogar*.

Table 5. Types of Fiscal Risks



SOURCE: Own elaboration

Thus, sources of risk include various shocks to macroeconomic variables (economic growth, commodity prices, interest rates or exchange rates), as well as problems related to the feasibility of implementing planned policies due to problems in fiscal management, in addition to those arising from the demands of various types of contingent liabilities (obligations triggered by an uncertain event): including both explicit liabilities - those defined by law or contract, for example: debt guarantees; and implicit liabilities, that is, tacit or expected obligations for the government, based on public expectations or pressures, for example: bailouts of banks or public sector entities, such as sub-national governments and SOEs.

#### b. Types of contingent liabilities arising from state-owned enterprises<sup>33</sup>

SOEs can create risks to public finances. These risks are especially evident when a country has chosen to define its fiscal targets in terms of the public sector (including SOEs), but they are also present when the targets cover only the general or central government, because SOEs can and often do have an adverse impact on government finances.

There is wide empirical evidence that SOEs have been a source of substantial risks for their government owners and that such risks have materialized in many cases, with considerable costs to national budgets. An IMF study by Bova et al. (2016), using a sample of 80 emerging and advanced market countries found that, over the 1990-2014 term, contingent liabilities of SOEs accounted for 14% of all contingent liabilities identified in the sample and 18% of realized liabilities involving fiscal costs. Moreover, the fiscal costs of SOE bailouts averaged the equivalent of 3% of GDP but reached up to 15% of GDP in the most extreme case. In fact, the realized liabilities of SOEs constituted the fourth largest source of fiscal costs on average in the sample (after those of the financial system, court rulings and sub-national governments).

One of the main causes of fiscal risks in SOEs is, in addition to the use of SOEs as vehicles to implement public policies (tariff freezes, infrastructure investments), the widespread inability of national (and subnational) governments to impose a strong and credible budget constraint on their companies. This inability may reflect failures in the corporate governance of SOEs or in their fiscal management, i.e., the financial relations between SOEs and their

<sup>33</sup> Section is based on Ter-Minassian (2017).



owner governments. The predominant causes of soft budget constraints in SOEs stem from failures in their fiscal governance (including quasi-fiscal operations): over-extraction of resources from SOEs by their owner governments, preferential access of SOEs to financing, and information asymmetries between SOEs and their owners. The severity of fiscal risks posed by SOEs can be influenced by:

- economic factors (the nature and relative weight of SOE activity in the economy, the level of employment they generate, lack of financial autonomy),
- social factors (the social sensitivity of the goods and services they provide), and
- institutional and legal nature (governance mechanisms, control systems, tax rules applicable to SOEs and transparency requirements).

The multiplicity and variety of potential sources of soft budget constraints in SOEs implies that the appropriate approaches to identify, manage and mitigate the fiscal risks arising from them must be country-specific, reflecting the specific combination of the above in the country in question. However, international evidence points to the need to minimize discretion in the relationship between governments and their SOEs as a key factor. Other important issues include reducing the risks of quasi-fiscal operations, improving dividend policies for SOEs, making debt controls on SOEs more effective, and strengthening financial management systems and transparency requirements.

### c. Impact of contingent liabilities of SOEs on Central Government flows and stocks<sup>34</sup>

There are several links between SOE performance and public accounts, both in terms of flows and stocks (see table 7). SOEs are assets of the government and, therefore, part of its net worth. They generate a net revenue stream for the government budget, whose sign and size are ultimately determined by their performance and financing structure. Net revenues are mainly determined by taxes and dividends on the revenue side and subsidies, transfers, and capital contributions on the expenditure side. Government assets include loans to state-owned enterprises, which generate interest income. Government liabilities may be affected if the government takes over the debt of state-owned enterprises, which generates debt service payments on the expenditure side. All these assets and liabilities may be subject to valuation effects, which tend to be correlated with the performance of state-owned enterprises. In terms of the consolidated public sector, SOE liabilities reduce government net worth and can be a key driver of financial sustainability.

State-owned enterprises are a source of contingent liabilities for central or subnational governments. They can be explicit, when formalized by a legal contract or a manifest commitment, or implicit, when there is an expectation that the government will intervene and help the company, even if there is no legal obligation. The expectation of capitalization or a bailout may be particularly strong if the SOE has limited access to capital markets or if it is of strategic importance to the government, such as the provision of basic services (e.g., water or electricity) and faces financial difficulties. A debt guarantee given to a SOE is a typical example of an explicit contingent liability. Sometimes explicit contingent liabilities assumed directly by SOEs (e.g., public-private partnership contracts) are also implicit contingent liabilities for the government<sup>35</sup>. Another example of risk arising from a contingent liability is a court ruling that is unfavorable to the company and cannot be faced on an individual basis.

<sup>34</sup> Section based on Baum et al. (2021).

<sup>35</sup> Contingent liabilities are not part of the government's balance sheet but should be adequately disclosed.

Table 6. Main links between SOE performance and public accounts

Government revenues	Government expenditures	Net financial position
<ul style="list-style-type: none"> <li>•Variations in tax and royalty transfers.</li> <li>•Accumulation of tax arrears.</li> <li>•Variation in the level of dividends distributed.</li> <li>•Credit risks in loans to state-owned enterprises.</li> </ul>	<ul style="list-style-type: none"> <li>•Higher transfers, subsidies and capital contributions resulting from indexation schemes, redemptions or explicit contingent liabilities.</li> <li>•Higher debt service payments triggered by the execution of guarantees.</li> <li>•Purchases of shares with below-market returns.</li> <li>•Cancellation of government loans to state-owned enterprises.</li> </ul>	<ul style="list-style-type: none"> <li>•Realization of explicit contingent liabilities of state-owned enterprises.</li> <li>•Hidden liabilities.</li> <li>•Additional borrowings to cover gross financing needs.</li> <li>•Positive valuation effects on SOE liabilities or negative valuation effects on SOE assets.</li> </ul>

SOURCE: Own elaboration.

In addition, SOEs' financial difficulties may indirectly affect fiscal performance. Indirect effects operate through the SOEs' linkages with the rest of the economy. For example, when SOEs undertake a significant part of public investment and this slows down, there may be multiplier effects for the real economy, prices, and government revenues. If the difficulties of the SOE affect the government budget, its capital and loans may be repriced or written off due to negative expectations about the company's financial performance. The reduced value of net financial assets on the balance sheet of SOEs negatively affects public wealth and solvency and government liabilities may also be higher if the government assumes a portion of SOE debt.

SOEs' governance, financial and operational vulnerabilities exacerbate fiscal risks and raise their potential fiscal costs. SOEs continuously experience external shocks of varying size and duration. These shocks may be macroeconomic in origin (e.g., a slowdown in private consumption, with cross-sectional effects) or market-specific (e.g., a fall in the relative price of the product sold by the SOE). The fiscal impacts of these shocks are determined not only by their severity, but also by the capacity of SOEs to cope with them. The latter, in turn, depends on the SOEs' financial situation, including their overall liquidity and solvency conditions, their exposure to international prices and exchange rate fluctuations, their market position, and their perceived ability to generate future revenues and meet non-financial obligations.

The assessment and quantification of SOEs fiscal risks are increasingly performed using forward-looking analytical tools. SOEs' risk analysis can only be performed based on standardized and comprehensive financial information and medium-term business and financial plans. This information highlights financial vulnerabilities and the type of shocks that can trigger the most significant consequences for government accounts. Ideally, the analysis should combine retrospective and prospective elements, i.e., the company's current financial position, market dynamics and, when available, data on past crises, with scenario design or sensitivity analysis.

## 7.2 Case studies in Argentina and review of contingent liabilities

The quantification of fiscal risks involves several difficulties, particularly in terms of the availability of public information on the performance of companies. Therefore, it was decided to take a two-pronged approach to estimate the size of these risks:

- a. At the aggregate level, one way to identify fiscal risks is to measure the deviation between the current and capital budget transfers expected to be made to a particular SOE and those finally made. Although there are several factors that may be influencing (inflation, exchange rate variation), this measure gives an idea of the "unexpected" amounts with which the central administration has had to assist companies.
- b. For some specific companies, chosen for their size and the degree of risk generation they entail, a review of their balance sheets was conducted to identify a series of liabilities and provisions that constitute sources of fiscal risk (in line with those identified in table 7). In addition, in some cases, a more detailed description of some of the main sources of these risks will be provided.

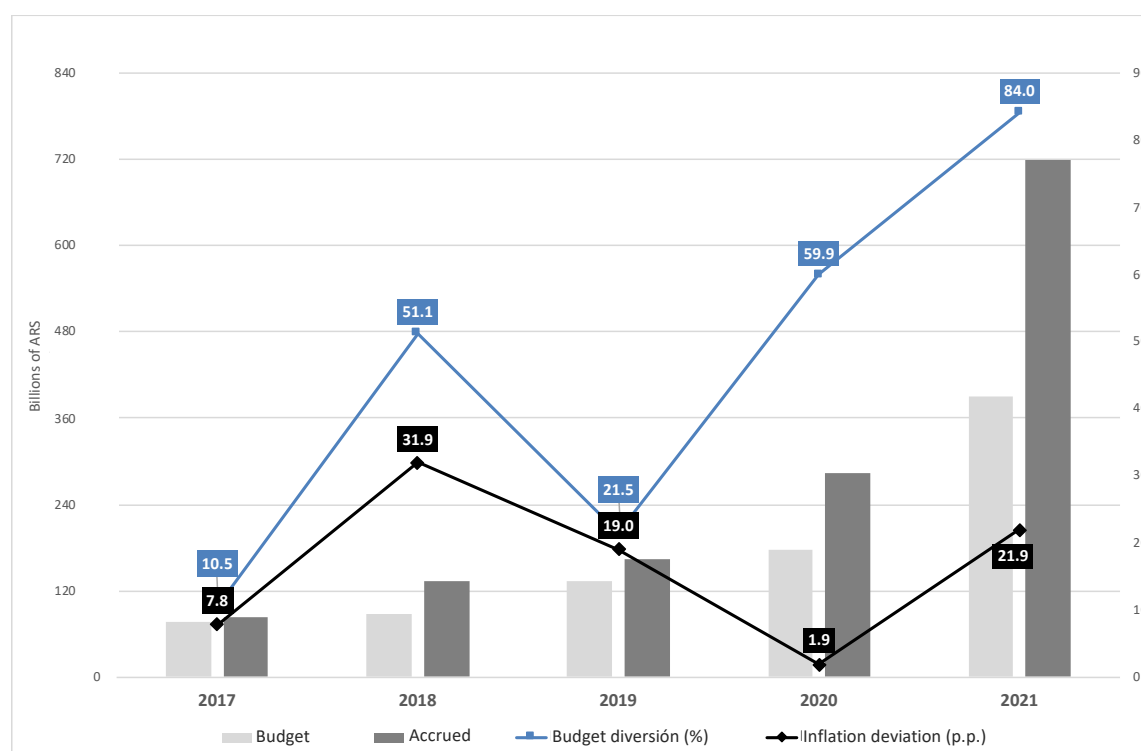
#### a. Comprehensive analysis of fiscal risks (2017-2021)

A first approach is to verify whether the budgeted transfers to SOEs are substantially different from those accrued.

There will always be reasons for the budgeted transfers not to be in line with what will later need to be transferred to the companies (either more or less). However, if such a difference is significant, it may be a sign that companies are generating certain fiscal risks that are not being adequately identified at the time of budgeting.

Figure 11 shows, at the aggregate level, current and capital transfers to SOEs, as budgeted and accrued, for the 2017-2021 term as well as the percentage difference between the two items, and the difference in percentage points between the estimated inflation in the budget and the inflation finally observed:

Figure 11. Current and capital transfers to SOEs, as budgeted and accrued, 2017-2021



SOURCE: Own elaboration based on data from the National Budget Office. Includes 34 SOE's.

Figure 11 shows that 2018, 2020 and 2021 were the years with the greatest variability between budgeted and accrued transfers, with 84% deviation between the initial budget and the one finally executed. Specifically, last year, for a budget of almost ARS400 billion in expenditures destined to SOEs, more than ARS700 billion were transferred. In addition,

Figure 11 adds as a reference the data on unforeseen inflation<sup>36</sup> (calculated as the deviation in percentage points between the inflation included in the budget of the respective year and the one finally observed in that fiscal year), which surely explains part of the variability of the transfers. If so, this would imply that SOEs channel part of the fiscal risks of macroeconomic origin. Likewise, for 2020, it is likely that part of the not budgeted transfers may be explained by the need to sustain some activities in the context of the emergency arising from the COVID-19 outbreak. As an example, in 2021 the transfers accrued to SOEs exceeded those budgeted by 84%, whereas the observed inflation was 21.9 percentage points higher than expected in the 2021 budget (50.9% versus 29%, respectively).

Beyond these considerations, one difficulty of the previous analysis is that the aggregate neutralizes the positive and negative variations that occur in the analysis by company. For this reason, Table 8 shows the disaggregated data:

**Table 7. Current and capital transfers (or contributions) to SOEs. Ratio % between accrued and budgeted<sup>37</sup>**

	2017	2018	2019	2020	2021
Administración de Infraestructuras Ferroviarias S.E.	-3,4%	-16,3%	-2,5%	-27,0%	78,0%
Administración General de Puertos S.E.		33,3%		0,0%	0,0%
Aerolíneas Argentinas	-14,3%	254,7%	1345,4%	89,6%	14,1%
Agua y Saneamientos Argentinos S.A. (AYSA S.A.)	-5,9%	10,1%	49,1%	183,8%	47,6%
Argentina Televisora Color (ATC S.A.)	0,0%	0,0%	0,0%	24,8%	
Belgrano Cargas y Logística	-71,1%	-8,5%	-39,3%	170,5%	40,9%
Casa de Moneda					32,0%
Contenidos Públicos S.E.		39,4%	2,6%	27,1%	27,2%
Corredores Viales S.A.				376,2%	667,3%
Correo Argentino	388,6%	0,0%	534,9%	203,8%	260,7%
Desarrollo del Capital Humano Ferroviario S.A	23,4%	-36,4%	16,9%	-19,1%	19,4%
DIOXITEK S.A.	-23,9%			-21,6%	222,5%
EDUCAR S.E.	36,2%	0,0%	259,4%	-7,3%	-3,9%
Emprendimientos Energéticos Binacionales S.A.					
Empresa Argentina de Navegación Aérea S.E.	0,0%				49,1%
Empresa Argentina de Soluciones Satelitales S.A. (AR-SAT)	-94,3%				324,6%
Empresa Nacional de Correos y Telégrafos (Residual)					
Ente Público "Espacio para la Memoria" Ley 26.415	0,0%				
Fábrica Argentina de Aviones General San Martín	0,0%	625,4%	312,0%	28,3%	-9,6%
Fabricaciones Militares Sociedad del Estado				39,7%	12,0%
Ferrocarriles Argentinos Sociedad del Estado	-100,0%	-100,0%			8740,6%
Integración Energética Argentina S.A	45,3%	314,1%	-13,3%	8,3%	198,0%
Intercargo S.A.					208,7%
Nucleoeléctrica Argentina S.A.	33,6%	-2,8%		110,0%	0,0%
Operador Ferroviario S.E.	-5,2%	54,9%	15,6%	45,3%	22,2%
Polo Tecnológico Constituyentes S.A.	0,0%				
Radio Universidad Nacional del Litoral	0,0%	20,3%	90,2%	49,9%	0,0%
Radio y Televisión Argentina S.E. (RTA S.E.)	0,6%	9,9%	8,1%	44,6%	50,9%
Servicio de Radio y Televisión de la Universidad Nacional de	0,0%	0,0%	0,0%	0,0%	0,0%
Sin discriminar	-98,9%	244,4%	-100,0%	-100,0%	
TANDANOR S.A.	0,0%	-41,1%	-59,4%	780,1%	-52,7%
TELAM S.E.	0,0%	43,8%	5,3%	63,6%	25,3%
TELAM SAIP	0,0%	0,0%			
Unidad Especial Sistema de Transmisión de Energía Eléctrica					
Unidad Especial Sistema de Transmisión Yacretá	26,5%				
VENG S.A.	0,0%	0,0%			
Yacimientos Carboníferos Río Turbio	8,8%	-24,7%	172,4%	194,4%	52,1%
Yacimientos Mineros Agua de Dionisio - YMAD					

SOURCE: Own elaboration based on data from the National Budget Office.

Table 8 highlights in green the 25% of variations with a negative sign (accrued less than budgeted) and in red the 25% of variations with a positive sign (higher accrued transfers than budgeted). One thing that stands out is that the "plus" variations show very high percentages in several cases (more than double the budgeted transfers). Moreover, it is not clear that in years of unexpectedly "high" inflation, transfers in excess are the norm in almost

<sup>36</sup> For easier reading of Figure 11, the data of the CT or unanticipated gas and derivatives prices, which would play a similar role to that of unanticipated inflation, particularly for IEASA and CAMMESA, was not included.

<sup>37</sup> Note: the large percentage variation of *Ferrocarriles Argentinos Sociedad del Estado* in 2021 relates to quite low nominal amounts (ARS 4 million budgeted and ARS327 million accrued).

all companies (which might be expected if that were the main reason for requesting higher transfers).

Also, some companies are highlighted in gray where there is some consistency in the fact that they receive more transfers than initially budgeted. Among them, differences between what was budgeted and what was accrued to AYSA, ENARSA<sup>38</sup>, *Correo Argentino* and *Aerolíneas Argentinas*, explain on average more than 80% of the variability in accrued transfers. These companies are the subject of a more detailed analysis in the next section.

## b. Analysis of fiscal risks in selected SOEs (2017-2021)

As already mentioned, an important source of fiscal risks specific to SOEs comes from the existence of contingent liabilities.

For their analysis, a review of the SOEs' balance sheets<sup>39</sup> and the information uploaded to the Financial Information System for State-Owned Enterprises (SIFEP) was conducted. The results of this analysis are shown in Table 9:

Table 8. Fiscal risks in selected SOEs

Source of risk	SOEs surveyed (2021 in millions of ARS) *					TOTAL
	YPF	Correo Argentino	AYSA	Aerolíneas Argentinas	ENARSA (former IEASA)	
<b>Explicit risks for the government</b>	<b>2,201,883</b>	<b>466</b>	<b>999</b>	<b>32,464</b>	<b>34,449</b>	<b>2,270,262</b>
SOEs' Government-guaranteed debt				18,624	32,801	51,424
Direct loans from the Treasury						0
Dividend arrears						0
Tax arrears	204,413	466	999	13,841	1,648	221,367
Other explicit contingent liabilities (1)	1,997,470					1,997,470
<b>Implicit risks for the government</b>	<b>2,804,921</b>	<b>24,059</b>	<b>93,497</b>	<b>71,230</b>	<b>19,239</b>	<b>3,012,946</b>
SOEs' Trade accounts payable (2)	271,390	11,258	28,695	20,788	12,507	344,638
SOEs' Financial accounts payable (2)	757,215		53,346	41,569		852,130
Liabilities for salaries and social security contributions	26,721	11,589	11,456	8,873	198	
SOEs' contingent liabilities	1,749,595	1,211			6,534	1,757,340
Non-financial assets of SOEs exposed to damage due to disasters						0
<b>Total</b>	<b>5,006,804</b>	<b>24,525</b>	<b>94,496</b>	<b>103,695</b>	<b>53,688</b>	<b>5,283,208</b>
<b>Total (as % of GDP 2021)</b>	<b>10.72%</b>	<b>0.05%</b>	<b>0.20%</b>	<b>0.22%</b>	<b>0.11%</b>	<b>11.32%</b>

\*CT as of 12/30/2021=105.13

GDP 2021 ARS46.687,236 trillion

(1) includes other contingent liabilities, such as legal actions against the government, non-debt guarantees on contracts (e.g., PPP-type contracts or contractor financing agreements), severance payments, etc.

(2) includes all accounts payable, even to the government.

SOURCE: Own elaboration based on balance sheet data and the Financial Information System of State-Owned Enterprises (*Sistema de Información Financiera de Empresas Públicas*, SIFEP).

Table 9 complements the analysis of the previous section, showing that some SOEs generate fiscal risks mainly due to their level of dependence on the Central Government (measured by the transfers they require, which later turn out to be higher than those budgeted) and others due to the existence of strong contingent liabilities, as is the case of YPF.

Among the explicit fiscal risks for the Central Government, no evidence of high levels of outstanding government guarantees to the companies surveyed<sup>40</sup> was found. On this point, the 2022 Budget Bill (which was not finally approved) included a guarantee to ENARSA for USD 200 million to finance the import of Natural Gas from Bolivia. Such guarantee was finally approved by means of the Necessity and Urgency Decree 88, dated February 2022.

<sup>38</sup> For ENARSA, the transfer made with the resources of the tax on large fortunes, destined to programs and projects for the exploration, development, and production of natural gas, had an impact in 2021.

<sup>39</sup> CAMMESA's balance sheets were not available.

<sup>40</sup> Note that AYSA executes many works financed by loans with international organizations, but most of them are directly held by the Central Government.

Thus, the main source of explicit contingent liabilities comes from lawsuits faced by companies, which has been a regularity in the recent and not so recent history of the country<sup>41</sup>. YPF awaits the resolution of lawsuits in international courts for approximately USD 33 billion (see box), which together represent more than 7% of 2021 GDP. These lawsuits are classified separately: as an explicit risk arising from the expropriation lawsuit, since due to its characteristics it will be paid by the Central Government in the event of an unfavorable outcome, and as an implicit risk arising from the environmental lawsuit (the defendant is YPF directly). The latter is in addition to other lawsuits faced by YPF and foreseen by the company in its balance sheet, which were included in Table 9 as implicit risks (under SOEs' contingent liabilities).

### **YPF Lawsuits**

YPF is currently facing two landmark lawsuits in the US court. One for the 2012 expropriation (approx. USD 19 billion), and another for environmental damages against Maxus Energy (approx. USD 14 billion).

The expropriation lawsuit includes YPF, although it is focused on the National Government. The object of the lawsuit is linked to a mistreatment of investors under New York jurisdiction in view of the obligation, in accordance with the company's bylaws, of a public tender offer for all shareholders in the event of a change of controlling shareholder (Takeover Bid). In April 2015, two companies from Spain, *Petersen Energía Inversora* and *Petersen Energía*, filed in the New York courts a claim against the Argentine Government and YPF related to the decision to nationalize the Argentine oil company. At the time, the Petersen companies owned 25% of the shares of YPF that they acquired in 2008 and 2011 using a series of loans granted by large Wall Street banks and by the also Spaniard Repsol. In November 2016, Eton Park Capital, a New York fund, and owner of 2.9% of YPF shares, also joined the claim. American and British funds have bought parts of the litigation and today it is estimated that about 45% of the Petersen and Eton claims are in the hands of private investors and well-known investment funds.

The plaintiffs' argument is that when the Argentine Congress in April 2012 voted in favor of nationalizing YPF and expropriating 51% of the shares held by Repsol, it did not respect the rights of the remaining 49%, in breach of the company's Bylaws. The Argentine position states: (1) that the plaintiffs are not entitled to bring claims for an alleged breach of YPF's Bylaws in 2012, because Petersen and Eton Park do not own shares in the company, nor did they own them when they filed their claims in 2015 and 2016<sup>42</sup> and (2) that they cannot bring a lawsuit to enforce the provisions of YPF's Bylaws because, in accordance with these, no tender offer was required in 2012 when the plaintiffs were still holders of shares since under Argentine Republic Law, the Government did not officially "acquire" YPF until 2014 when it compensated Repsol.

Therefore, and in a very simplified manner, Judge Preska will have to decide whether YPF must act under the laws that apply where it is registered, Buenos Aires, or, because it has its capital operating in New York, it must respect the procedures of US law.

As for the environmental lawsuit, the case began 60 years ago, when it was proven that Chemicals, a subsidiary of Maxus, dumped Dioxin pesticides in the 1950s, products manufactured at the Diamond Alkali plant in Newark, New Jersey, which at that time was owned by YPF. The complaint was made by the local government when it was confirmed that the Passaic River contained this product, which is highly carcinogenic and one of the most polluting in waterways.

In 1986 Maxus sold Chemicals to a subsidiary of Occidental Petroleum, assuming to indemnify the latter for eventual environmental liabilities caused by Chemicals. In 1995

<sup>41</sup> Argentina had to face payments after court decisions on commercial matters on several occasions (e.g., at ICSID), as well as compensation for the expropriation of companies such as Aerolíneas Argentinas, Aguas Argentinas and YPF.

<sup>42</sup> Between May and November 2012, because of the expropriation, the lending banks foreclosed on YPF's ADRs backing loans granted to Petersen. Eton started to sell its ADRs after the expropriation and, by June 2013, had sold them all.

YPF bought Maxus and in 2005 the state of New Jersey sued Maxus, Occidental, Repsol and YPF for alleged contamination.

In 2011 a New Jersey court declared that Occidental and Maxus were required to remediate environmental damages. Occidental legally shifted all liability to Maxus and, as an "alter ego," to YPF and Repsol.

In 2016 Maxus filed for bankruptcy in Delaware, where it was based and YPF paid its subsidiary USD 130 million to divest itself of the environmental claims.

Maxus' liquidation trust, integrated by Occidental, among other litigants, sued YPF in 2018 and claimed the USD 14 billion.

Recently, the judge ruled that, although the claims against YPF cannot be dismissed, it is understood that they deserve further analysis through a trial, which could last between 1 and 2 years. The media also report that an out-of-court settlement is being sought with an agreement between the parties.

Implicit fiscal risks have been identified for approximately 6.5% of GDP. The most important ones (excluding the environmental lawsuit faced by YPF) are those arising from the financial debts of the SOEs and those contingent liabilities that the companies themselves recognize in their balance sheets. Although the possibility of their realization is uncertain, it would be desirable that they be identified and reported in the public accounts, in line with international best practices.

## 8. Conclusions

Due to their size in terms of resources, expenditures, and employment, SOEs play a very significant role in the public sector and in the Argentine economy. They are a group of very different companies in terms of their size, the economic sector in which they operate, their legal entities, and their dependence on Treasury subsidies. The inclusion of YPF, the main Argentine company and under government control since the expropriation of 51% of its shares in 2012, magnifies the set of companies in practically all economic dimensions. Additionally, and in line with what happens in other countries in the region, the presence of YPF consolidates the importance of the energy sector in the universe of state-owned enterprises.

Many of the national SOEs, including some of the largest ones, receive recurrent transfers from the Treasury to finance a considerable part of their current and capital expenditures. These are not one-time transfers, but rather funds that year after year cover a large part of their expenditures. From a budgetary fiscal perspective, assistance to cover the imbalances of SOEs has grown to worrying levels, equivalent to 1.5% of GDP in 2021.

However, not all this significant and permanent deficit of the SOEs that puts pressure on the Treasury accounts can be attributed to problems of inefficiency of the companies themselves. In many cases, coinciding with large companies which receive the greatest assistance, such as ENARSA (former IEASA), the railroad operator and AySA, the imbalances are mostly the result of low-price policies which are decided by the Government authorities in response to different objectives, and imposed on the companies. In this context, the transfers from the Treasury to these companies are associated more with these central government policy decisions (subsidies for household energy consumption or public passenger transportation) than with assistance to the company for its poor performance.

As in other countries in the region, the temptation of governments to 1) set low prices for some goods or services; 2) drive SOEs into deficit; 3) then finance them from the Treasury; causes a large redistribution that is unclear to public opinion. Attributing to the hypothetical efficiency problems of a SOE the fiscal cost caused by the political decision to lower the cost of energy or transportation for consumers is a confusion that can lead to misguided policy recommendations.

Public discussion of transfers to SOEs would be more transparent if economic subsidies originating from preferential prices for certain goods and services defined within the framework of public policies were distinguished in budgetary programs and statistics from those that are simply financial assistance to companies for deficits determined by their management.

A development in this budgeting methodology, used in other countries in the region through the introduction of specific accounts in the budget classifiers, would also allow for a greater focus on improving the efficiency of the companies, and to advance in governance and control schemes comparable to those in use.

State-owned enterprises are a major employer in the Argentine economy. More than 100,000 people work in them, with heterogeneous labor and salary regimes -more associated with the economic sector of the companies' activity than with their government status- and productivity levels that are very difficult to measure. Likewise, SOEs account for almost 60% of the NPS's real direct investment, mainly due to the investments made by AySA, Enarsa and ADIF. For these reasons, SOEs are a vehicle used to develop the water and sanitation infrastructure in the Greater Buenos Aires Area, and the country's energy and railroad transportation.

The commercial/productive activity of large SOEs entails significant fiscal risks. These are mainly explained by YPF's contingent liabilities (expropriation lawsuits and environmental damages), since the deviations in budgetary transfers are mainly related to the higher inflation observed in relation to that expected, and the volume of guarantees and financial and commercial liabilities which are not significant.

For those companies that were more recently included to the State orbit, (YPF in 2012, IMPSA in 2021), a singular characteristic is observed: in the same administrative acts that determine the State majority control of the company, clauses are included to exclude them from SOE regulations. It is as if the State wanted to nationalize the companies and effectively exercise government control (through the appointment of its authorities, for example), but also intended that the companies continue to be managed as private companies, without applying any provisions common to the government administration. While this idea may seem reasonable from the point of view of business management - not to bind SOEs with regulations more typical of traditional government administration, but incompatible with the needs of a competing commercial enterprise - it is complex from the point of view of governance, control and transparency involved in the management of public resources and assets.

The existence of general rules approved by Congress for SOEs -for example, that companies cannot be created except by law, or that those companies that do not have their budgets approved by the Executive Branch cannot receive transfers- which end up being violated in practice, with no mechanisms to ensure compliance, is also a cause for concern.

There is consolidated information on the performance of State-owned enterprises, among which the SIFEP "*Sistema de Información Financiera para Empresas Públicas, Fondos Fiduciarios, Entes excluidos del Presupuesto de la Administración Nacional y Universidades Nacionales*" (Financial Information System for State-owned Enterprises, Trust Funds, Entities excluded from the National Government Budget and National Universities) under the orbit of the Secretariat of Treasury of the Ministry of Economy, stands out. This system is fed by the entities themselves, which, among other aspects, must incorporate every six months the AIF (savings-investment-financing scheme) of the entity, the preliminary and final annual financial statements, as well as, among other data, the information of the last financial statements audited by the AGN, however, this information does not always have the adequate coverage and is not always recorded in due time and form.

The information available in the companies themselves is very uneven; in the case of the energy companies, for example, while YPF complies with the requirements of the SEC and the Stock Exchange (it publishes quarterly income statements, significant events, Annual Report, Form 20F, etc.), ENARSA does not even publish its balance sheets in its institutional page.



Consolidating an information system for State-owned enterprises, among other aspects, strengthening the role of the SIFEP, which allows monitoring and evaluating their performance on a homogeneous and updated data basis, is one of the challenges for this segment of the public sector, which due to its economic and budgetary importance, deserves greater attention and understanding.

In any case, the role of the control agencies and their ability to ensure that the rules and regulations applicable to SOEs are complied with will be decisive. There is no point in establishing new norms and rules that in theory seem appropriate to improve the performance of SOEs if, as is the case in many areas of the regulatory framework of Argentina's public financial administration, we run the risk of non-compliance that deepens the gap between the formal institutional framework and the actual functioning of government organizations.

## 9. Annexes

### 10. Annex I. Annex I. universe of non-financial SOEs majority owned by the national government included in the 2021 Financial Report and audited by SIGEN

Majority-owned Non-Financial Companies audited by SIGEN	Companies and Corporations included in the 2021 NGFR*	Institutional sector of each Majority-owned SOE of the NPS (E.O. 50/19)	Creation Brief Description of Company's Purpose
<b>STATE ENTERPRISES<sup>43</sup></b>			
<ul style="list-style-type: none"> <li>• <b>Administración de Ferrovias S.E. (ADIF)</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Infraestructuras</b></li> </ul>	<b>MINISTRY OF TRANSPORTATION</b>	<p>Created by Law 26,352 of 2008.</p> <p><b>PURPOSE:</b> Administration of the current railroad infrastructure, the one to be built in the future, its maintenance, and the management of the train operation control systems.</p>
<ul style="list-style-type: none"> <li>• <b>Administración General de Puertos S.E. (AGP)</b></li> </ul>		<b>MINISTRY OF TRANSPORTATION</b>	<p>Created in 1956 by Decree-Law 4263/56, it was converted into a State Enterprise by Executive Order 1456/87.</p> <p><b>PURPOSE:</b> To achieve an efficient and comprehensive port policy. It manages the Port of Buenos Aires, the only port managed by the National Government, as well as the Trunk Navigation System and maintenance, dredging and beaconing of the access channels.</p>
<ul style="list-style-type: none"> <li>• <b>Casa de Moneda S.E.</b></li> </ul>		<b>MINISTRY OF ECONOMY</b>	<p>Created in 1875. Charter Approved by Executive Order No. 2475/77.</p> <p><b>PURPOSE:</b> Manufacture of circulating banknotes and coins, valued species, control, and collection instruments and special or general documents of any kind and type required by the NATIONAL GOVERNMENT.</p>

\* National Government Financial Report \*\* Chief of Cabinet's Office

SOURCE: Own elaboration based on data from SIGEN and 2021 National Government Financial Report.

<sup>43</sup> Law 20.705. STATE ENTERPRISES. RULES AND FUNCTIONS Enacted: July 31, 1974. SECTION 1 - State enterprises are those which, excluding any participation of private capital, are formed by the National Government, provincial governments, municipalities, government agencies legally authorized for such purpose or companies formed in accordance with the provisions of this law, to develop activities of an industrial and commercial nature or to operate public services. <http://servicios.infoleg.gob.ar/infolegInternet/anexos/75000-79999/76185/norma.htm>

Majority-owned Non-Financial Companies audited by SIGEN	Companies and Corporations included in the 2021 NGFR*	Institutional sector of each Majority-owned SOE of the NPS (E.O. 50/19)	Creation Brief Description of Company's Purpose
• <b>Contenidos Públicos S.E.</b>		<b>JGM**</b> Secretariat of Media and Public Communication	Created by E.O. 1222/2016 <b>PURPOSE:</b> To create and develop audiovisual content and undertake activities of production and broadcasting of television and multimedia content, within the framework of the policies of the Ministry of Education.
• <b>EDUC.AR. S.E.</b>		<b>MINISTRY OF EDUCATION</b>	Created by Executive Order 383/2000 <b>PURPOSE:</b> Development of technological infrastructure in public schools nationwide. To promote innovation in education, to digitalize and automate the Educational System. Development of school management systems.
• <b>Empresa Argentina de Navegación Aérea S.E. (EANA)</b>		<b>MINISTRY OF TRANSPORTATION</b>	Created by law 27.161 of 2016 <b>PURPOSE:</b> Provision of the Air Navigation Service in accordance with the scopes set forth in Section 2 of Law 27,161.
• <b>Fabricaciones Militares S.E.</b>		<b>MINISTRY OF DEFENSE</b>	Founded on October 9, 1941. Transformed into a State Enterprise by E.O. 104/19. <b>PURPOSE:</b> Development and supply of comprehensive solutions of products and services for the defense and national sovereignty.
• <b>Ferrocarriles Argentinos S.E. (FASE)</b>		<b>MINISTERIO DE TRANSPORTE</b>	Created by law 27.132 of 2015, it is the government holding company that manages the entire Argentine railroad network. <b>PURPOSE:</b> To integrate and articulate the different functions and responsibilities of the companies created by Law 26,352 and by E.O. 566 of May 21, 2013, and the articulation of the entire national railroad sector, for which purpose the ADIF and SOFSE shares owned by the National Government and 16% of the capital stock in <i>Nuevo Central Argentino SA</i> , <i>Ferroexpreso Pampeano SA</i> and <i>Ferrosur Roca SA</i> were transferred to the holding company.
• <b>Operadora Ferroviaria S.E. (SOFSE)</b>		<b>MINISTERIO DE TRANSPORTE</b>	Created by Law 26,352 of February 2008. <b>PURPOSE:</b> To provide passenger railroad transportation services in all its forms. The railroad lines under its orbit are: General Roca; General Mitre;

Majority-owned Non-Financial Companies audited by SIGEN	Companies and Corporations included in the 2021 NGFR*	Institutional sector of each Majority-owned SOE of the NPS (E.O. 50/19)	Creation Brief Description of Company's Purpose
			Sarmiento; General San Martín and Belgrano Sur. It has a decisive role in the recovery of regional and long-distance passenger railroads.
• Radio y Televisión Argentina S.E.		<b>JGM.</b> Secretariat of Media and Public Communication	Created by Section 119 of Law 26.522 of 2009 on Audiovisual Communication Services. <b>PURPOSE:</b> To manage the state-owned media. It oversees the operation of Public Television, National Radio, National Radio Business Unit and Argentine Broadcasting Abroad.
• TELAM S.E.		<b>JGM.</b> Secretariat of Media and Public Communication	Created by Executive Order 2507 of 2002 as a successor of TELAM S.A.I. y P. <b>PURPOSE:</b> Administration, operation and development of journalism and News and Advertising Agency services.
<b>JOINT STOCK COMPANIES<sup>44</sup></b>			
• Agua y Saneamientos Argentinos Sociedad Anónima (AYSA)		<b>MINISTRY OF PUBLIC WORKS</b>	Created by DNU 304/2006 and ratified by Law 26,100 of 2006. <b>PURPOSE:</b> To provide potable water and sewage services in the Autonomous City of Buenos Aires (CABA) and the districts of Almirante Brown, Avellaneda, Esteban Echeverría, La Matanza, Lanús, Lomas de Zamora, Morón, Quilmes, San Fernando, San Isidro, San Martín, Tres de Febrero, Tigre, Vicente López and Ezeiza. Districts of Hurlingham and Ituzaingó with respect to potable water services; and Districts of Berazategui and Florencio Varela with respect to sewage effluent reception services.
• Empresa Argentina de Soluciones Satelitales S.A. (AR-SAT)		<b>JGM.</b> Secretariat of Budget Coordination and	Created by Law 26,092 of 2006. <b>PURPOSE:</b> To provide data, telephone, and television transmission services through terrestrial, aerial and space infrastructure. It is authorized to use the orbital position 81° West Longitude and its associated frequency bands.

<sup>44</sup> Law No. 19,550. BUSINESS COMPANY LAW. CHAPTER II. OF CORPORATIONS IN PARTICULAR. SECTION V. Corporations 1st. On its nature and incorporation. ARTICLE 163. The capital is represented by shares and the partners limit their liability to the amount of the subscribed shares (<http://servicios.infoleg.gob.ar/infolegInternet/anexos/25000-29999/25553/texact.htm>)

Majority-owned Non-Financial Companies audited by SIGEN	Companies and Corporations included in the 2021 NGFR*	Institutional sector of each Majority-owned SOE of the NPS (E.O. 50/19)	Creation Brief Description of Company's Purpose
		Development Planning.	
• <b>Aerolíneas Argentinas S.A.</b>		<b>MINISTRY OF TRANSPORTATION</b>	Created in 1949. It started operations in December 1950, privatized in 1990 with the National Government retaking control through Law 26,466 of 2008. <b>PURPOSE:</b> Flag airline for the provision of air transport public service for passengers, mail, and cargo. It develops related activities such as passenger assistance at airports, aircraft maintenance and airport services.
• <b>AEROHANDING S.A.</b>	Not included (ARSA Group)	Not included	Created in 1997, the company transferred its functions and personnel to <i>Aerolíneas Argentinas</i> in 2015. No decision has been made with respect to its liquidation. <b>PURPOSE:</b> To provide ramp services to <i>Aerolíneas Argentinas</i> aircraft.
• <b>JET PAQ S.A.</b>	Not included (ARSA Group)	Not included	Created in 1995, the company transferred its functions and personnel to <i>Aerolíneas Argentinas</i> in 2015. No decision has been made with respect to its liquidation. <b>PURPOSE:</b> Commercialization of ARSA's cargo services on domestic flights.
• <b>OPTAR S.A.</b>	Not included (ARSA Group)	Not included	Created in 1980 (still operating). <b>PURPOSE:</b> Wholesale Operator of Tourist Services of <i>Aerolíneas Argentinas</i> .
• <b>Belgrano Cargas y Logística S.A.</b>		<b>MINISTRY OF TRANSPORTATION</b>	Created by DNU 566/2013 modified by Law 27,132. The Company is formed by FASE and AGP S.E. <b>PURPOSE:</b> Provision and commercial exploitation of services, operation and logistics of trains, station facilities, maintenance of rolling stock, equipment, cargo terminals, telecommunication services and all other complementary and subsidiary activities of the national cargo railroad network.
• <b>Corredores Viales S.A.</b>		<b>MINISTRY OF PUBLIC WORKS</b>	Created by Executive Order No. 794 of 2017 (current). <b>PURPOSE:</b> Construction, improvement, repair, promotion, expansion, remodeling, maintenance, administration, operation, and provision of

Majority-owned Non-Financial Companies audited by SIGEN	Companies and Corporations included in the 2021 NGFR*	Institutional sector of each Majority-owned SOE of the NPS (E.O. 50/19)	Creation Brief Description of Company's Purpose
			services to the user in the Riccheri Access to CABA and the road corridors assigned by the National Government.
• <b>Correo Oficial de la República Argentina S.A.</b>		<b>JGM.</b> Secretariat of Budget Coordination and Development Planning.	Created by DNU 721 of 2004 until privatization. <b>PURPOSE:</b> To provide the Official Mail Service, including all postal, monetary, and telegraphic services provided by <i>Encotesa</i> and the remaining services that the former concessionaire Correo Argentino S.A. was authorized to provide, including the Universal Basic Postal Service.
• <b>Centro de Ensayos de Alta Tecnología (CEATSA)</b>	Not included	Not included	Created in 2010. ARSAT owns 70% of the shares, INVAP 30%. <b>OBJETO:</b> Technology company that provides environmental testing to the aerospace, agriculture and livestock, automotive, electronics, energy and defense industries.
• <b>Dioxitek S.A.</b>		<b>MINISTRY OF ECONOMY</b> Secretariat of Energy	Created by Executive Order 1286/96. Started operations in 1997. 51% of the capital stock is held by the Secretariat of Energy, 48% by CNEA and 1% by the Province of Mendoza. <b>PURPOSE:</b> (a) production of Uranium Dioxide powder (UO <sub>2</sub> ) for the Atucha I, Embalse and Atucha II nuclear power plants, (b) production and commercialization of Cobalt 60 Sealed Sources for medical and industrial use and (c) logistics and export of the radioisotope molybdenum 99.
• <b>Desarrollo del Capital Humano Ferroviario Sociedad Anónima con Participación Estatal Mayoritaria (DECAHF).</b>		<b>MINISTRY OF TRANSPORTATION</b>	Created by Resolution 533/2013 of the Ministry of Internal Affairs and Transportation. On September 9, 2013, as per Meeting No. 14, the name was changed to <i>Desarrollo del Capital Humano Ferroviario SA</i> with Majority State Participation. <b>PURPOSE:</b> to design, organize, promote, and conduct activities of technical assistance, consulting, complementation, specialization, training and retraining and management of human resources, organizational strengthening and document safeguarding in railroad matters.
• <b>Integración Energética Argentina S.A. (IEASA)</b>		<b>MINISTRY OF ECONOMY</b>	IEASA is the successor of ENARSA created by Law 25,943, being formally created on December 29, 2004. By E.O. 882/2017 it was renamed IEASA.

Majority-owned Non-Financial Companies audited by SIGEN	Companies and Corporations included in the 2021 NGFR*	Institutional sector of each Majority-owned SOE of the NPS (E.O. 50/19)	Creation Brief Description of Company's Purpose
		Secretariat of Energy	<b>PURPOSE:</b> To undertake on its own, through third parties or associated with third parties, the study, exploration and exploitation of solid, liquid or gaseous hydrocarbon deposits, the transportation, storage, distribution, commercialization and industrialization of these products and their direct and indirect derivatives, as well as the rendering of the public service of transportation and distribution of natural gas and the generation, transportation, distribution and commercialization of electric power.
• <b>Vientos de la Patagonia S.A.</b>	Not Included (Shares held by ENARSA)	Not included	Created in July 2006 between ENARSA (80%) and the government of the Province of Chubut (20%). <b>PURPOSE:</b> Design, construction, commissioning, operation, development, and maintenance of the first Argentine high-power wind farm to be connected to the national grid, located near the city of Comodoro Rivadavia.
• <b>ENARSA Servicios S.A.</b>	Not Included (Shares held by ENARSA)	Not included	Created in August 2006, between ENARSA (80%) and <i>INVAP Ingeniería S.A.</i> (20%). <b>PURPOSE:</b> To promote technological development by providing services related to the energy activity in general, and to the oil sector, both in Argentina and abroad.
• <b>ENARSA Patagonia S.A.</b>	Not Included (Shares held by ENARSA)	Not included	90% ENARSA and 10% CALF ( <i>Cooperativa Provincial de Servicios Públicos y Comunitarios Ltda.</i> , Province of Neuquén) <b>PURPOSE:</b> Construction of the gas fractionation plant in the Industrial Park of Neuquén.
• <b>Fábrica Argentina de Aviones "Brig. San Martín" S.A. (FADEA)</b>		<b>MINISTRY OF DEFENSE</b>	<i>"Fábrica Militar de Aviones"</i> was founded in 1927. In August 2009, Law 26,501 authorized the National Executive Branch to exercise the option to purchase the shares of Lockheed Martin Aircraft Argentina. The Ministry of Defense purchased 99 % and the other 1 % remained in the General Directorate of Military Manufacturing. <b>PURPOSE:</b> Maintenance and manufacture of aircraft and other related activities. The company is the concessionaire of all the real property,

Majority-owned Non-Financial Companies audited by SIGEN	Companies and Corporations included in the 2021 NGFR*	Institutional sector of each Majority-owned SOE of the NPS (E.O. 50/19)	Creation Brief Description of Company's Purpose
			facilities, machinery, equipment, and other assets belonging to the Military Aircraft Factory, located in the Córdoba Material Area.
<ul style="list-style-type: none"> <li>• <b>Innovaciones Tecnológicas Agropecuarias S.A. (INTEA)</b></li> </ul>		<p align="center"><b>MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES</b></p>	<p>Created by Resolution No. 115/93 of the National Institute of Agricultural Technology (INTA), using the powers set forth in its creation regulation. INTA holds 97.48% of the capital stock.</p> <p><b>PURPOSE:</b> to facilitate the commercialization of technology-based goods and services that involve INTA as a priority, to commercialize products and services related to agri-food production, through its sales and commercialization points, distributed in nine (9) provinces of Argentina.</p>
<ul style="list-style-type: none"> <li>• <b>Intercargo Sociedad Anónima Comercial.</b></li> </ul>		<p align="center"><b>MINISTRY OF TRANSPORTATION</b></p>	<p>Executive Order 1188/94 approved the agreements for the acquisition of <i>Intercargo S.A.C.</i> shares by the Ministry of Defense and Executive Order 34/16 transferred the ownership of such shares to the Ministry of Transportation.</p> <p><b>PURPOSE:</b> Concessionaire of the public aircraft ground handling service, (ramp service), at airports, including loading and unloading of baggage, mail and air cargo, embarkation, disembarkation and transportation of passengers and crews, at the twenty-one (21) airports that are part of the National Airport System.</p>
<ul style="list-style-type: none"> <li>• <b>LT 10 Radio Universidad Nacional del Litoral S.A.</b></li> </ul>		<p align="center"><b>MINISTRY OF EDUCATION</b></p>	<p>Created on January 6, 1978. Participation of the National University of Litoral 94% and Municipality of Santo Tomé 6% (adaptation required by Section 164 of Law 19.798<sup>45</sup> of 1972).</p> <p><b>PURPOSE:</b> To create the multimedia complex: LT10 AM 1020, FM X 103.5, lt10.com.ar and LitusTV,</p>
<ul style="list-style-type: none"> <li>• <b>Nucleoeléctrica Argentina S.A.</b></li> </ul>		<p align="center"><b>MINISTRY OF ECONOMY</b> Secretariat of Energy</p>	<p>Created by Executive Order No. 1540/94, whose capital stock is held by the Ministry of Economy (79%), the National Atomic Energy Commission (20%) and IEASA.</p>

<sup>45</sup> Section 164. - Broadcasters belonging to National Universities that currently have authorization to commercialize their spaces shall be formed as Corporations with a government majority, as provided for in Sections 308 to 314 of Law 19,550, within three hundred (300) days as from the date of enactment of this Law,



Majority-owned Non-Financial Companies audited by SIGEN	Companies and Corporations included in the 2021 NGFR*	Institutional sector of each Majority-owned SOE of the NPS (E.O. 50/19)	Creation Brief Description of Company's Purpose
			<b>PURPOSE:</b> Operation of the three nuclear power plants in the country, Atucha I, Atucha II and Embalse. Commercialization in the MEM of the energy produced by its plants and management of projects that ensure the normal operation of its facilities, as well as those aimed at the eventual construction of future nuclear power plants in the national territory.
• <b>Polo Tecnológico Constituyentes S.A.</b>		<b>MINISTRY OF PROUCTIVE DEVELOPMENT</b> Secretariat of Industry, Knowledge Economy, and External Business Management	Created by Resolution 231/97 of the Secretariat of Science and Technology of the Ministry of Culture and Education. Members: National Institute of Industrial Technology (INTI): 16.67%; National Institute of Agricultural Technology (INTA): 16.67%; CNEA: 16.67%; National University of San Martín (UNSAM): 16.67%; Argentine Geological Mining Service (SEGEMAR): 16.67% and Scientific and Technological Institute for Defense (CITEDEF): 16.67%. <b>PURPOSE:</b> To plan and execute actions aimed at local economic and social development together with the Municipality of San Martín and local, provincial, and national entities, both public and private, through technology transfer, creation of new technology-based companies and provision of high-level services and products.
• <b>Talleres Navales Dársena Norte Sociedad Anónima Comercial Industrial y Naviera (TANDANOR S.A.C.I. y N)</b>		<b>MINISTRY OF DEFENSE</b>	<i>Talleres Navales de Marina</i> began operations in 1879. In 1971 it was incorporated as a joint stock company with its current name and majority participation of State capital. In 1991 it was privatized and in March 2007 it was re-nationalized by Executive Order 315/2007. <b>PURPOSE:</b> Ship repair, conversion and construction, and more recently metal-mechanic industry.
• <b>Servicios de Radio y Televisión de la Universidad Nacional de Córdoba S.A.</b>		<b>MINISTRY OF EDUCATION</b>	Created from the adaptation required by Section 164 of Law 19.798 of 1972. Participation: 99.5% National University of Córdoba and 0.5% Municipality of Bell Ville. <b>PURPOSE:</b> To operate the television signal LV 80 TV Channel 10 and its twenty (20) repeaters, two (2) radios, Universidad AM 580 and FM 102.3, one (1) information portal - <a href="http://www.cba24n.com.ar">www.cba24n.com.ar</a> - and one (1) digital signal.
• <b>Vehículo Espacial Nueva Generación Sociedad Anónima. (VENG S.A.)</b>		<b>MINISTRY OF SCIENCE,</b>	Created by Executive Decree 176/97. Corporate Agreement signed on 19/10/98

Majority-owned Non-Financial Companies audited by SIGEN	Companies and Corporations included in the 2021 NGFR*	Institutional sector of each Majority-owned SOE of the NPS (E.O. 50/19)	Creation Brief Description of Company's Purpose
		<b>TECHNOLOGY, AND INNOVATION</b>	<b>PURPOSE:</b> To implement actions undertaken by entities and professionals of national organisms of the Argentine scientific and technological system in the development of means of access to space and launching services, particularly for the production, operation, and marketing of CONAE's Tronador program. Contractor in the SAC-D / Aquarius and SAOCOM satellites.
• <b>YPF SA</b>	YPF SA Not included by Section 15 of Law No. 26,741.	<b>MINISTRY OF ECONOMY</b> Secretariat of Energy	Re-nationalized by Law 26,741, approved on May 3, 2012, which declares of National Public Interest the achievement of hydrocarbons self-supply. Creates the Federal Hydrocarbons Council and declares of Public Utility and subject to expropriation 51% of YPF S.A.'s equity.
• <b>YPF GAS</b>	YPF SA Not included by Section 15 of Law No. 26,741.	<b>MINISTRY OF ECONOMY</b> Secretariat of Energy	Re-nationalized by Law 26,741, approved on May 3, 2012, which declares of National Public Interest the achievement of self-supply of hydrocarbons. Creates the Federal Hydrocarbons Council and declares of Public Utility and subject to expropriation 51% of Repsol YPF Gas S. A.'s equity.
• <b>Playas Ferroviarias de Buenos Aires S.A.</b>		<b>MINISTRY OF TRANSPORTATION</b>	Created by merger as a joint-stock company with majority State participation by Executive Order 479/2019. Functions defined in Executive Order 153/2017 <b>PURPOSE:</b> To develop comprehensive urbanization projects of three railroad properties in CABA: Palermo, Caballito and Liniers, and Isla Demarchi.
• <b>Termoeléctrica Manuel Belgrano SA</b>	Not Included (Shares held by ENARSA)	Not included	Section 6 of DNU 389/2021 allocates to ENARSA the shares of the company issued in favor of the NATIONAL GOVERNMENT in the Trust " <i>Central Termoeléctrica Manuel Belgrano</i> " with a shareholding of 65%. <b>PURPOSE:</b> Combined cycle thermal power plant with a net power of 823 MW generates approximately 4.6% of the total electric energy demand of the country and almost 7% of the thermoelectric energy produced in Argentina.

Majority-owned Non-Financial Companies audited by SIGEN	Companies and Corporations included in the 2021 NGFR*	Institutional sector of each Majority-owned SOE of the NPS (E.O. 50/19)	Creation Brief Description of Company's Purpose
• <b>Termoeléctrica José de San Martín SA</b>	No included (Not Included (Shares held by ENARSA))	Not included	Section 6 of DNU 389/2021 allocates to ENARSA the shares of the company issued in favor of the NATIONAL GOVERNMENT in the Trust " <i>Central Termoeléctrica Manuel Belgrano</i> " with a shareholding of 68.83% <b>PURPOSE:</b> Combined cycle thermal power plant with an installed capacity of 825 MW and an approximate efficiency of 56%.
• <b>IMPSA (Industrias Metalúrgicas S.A.I.C. y F) Pescarmona</b>	Not included because it is subject to Section 6 of DNU 326/2022.	Not included because it is recently added (2021)	Nationalized in 2021 through the National Fund for Productive Development of the Ministry of Productive Development. The National Government became the majority shareholder with 63.7% of the shares, 21.2% Province of Mendoza, 9.8% trust of creditors and 5.3% founding family and original shareholders. <b>PURPOSE:</b> Integral solutions for the generation of energy from renewable resources, as well as equipment for the process industry and nuclear energy.
<b>STATE COPORATIONS<sup>46</sup></b>			
• <b>Construcción de Viviendas para la Armada Argentina (COVIARA)</b>		<b>MINISTRY OF DEFENSE</b>	Created in 1966 under Executive Order 2042. In 1986, E.O. 2,462 approves a new organic regulation and establishes COVIARA as a State Corporation. <b>PURPOSE:</b> Construction of public and private housing and all those works specified by the Ministry of Defense.
<b>OTHER ENTITIES</b>			
• <b>Yacimientos Mineros Agua de Dionisio (YMAD)</b>		<b>MINISTRY OF PRODUCTIVE DEVELOPMENT</b> Secretariat of Mining	Created by Law 14,771 <b>PURPOSE:</b> Surveying, exploration and exploitation of minerals of any category existing in the mining area of Agua de Dionisio. Mining concession of 344 km <sup>2</sup> , located in the west of the Province of Catamarca, where there are located deposits and mineralized manifestations of the "vetiform" and disseminated type.
<b>IN LIQUIDATION</b>			

<sup>46</sup> Legal entity, public or private, created by the Government, that regularly performs commercial or industrial activities, or is responsible for the provision of public services of this nature. Source: Legal encyclopedia 2020 edition.

Majority-owned Non-Financial Companies audited by SIGEN	Companies and Corporations included in the 2021 NGFR*	Institutional sector of each Majority-owned SOE of the NPS (E.O. 50/19)	Creation Brief Description of Company's Purpose
• ATC (e.l.)		Not included	The definitive closure was ordered on 06/04/22 by Resolution 295/2022.
<b>OTHER PUBLIC SECTOR ENTERPRISES</b>			
It has no appointed trustees <small>47</small>	• <b>Yacimiento Carbonífero de Río Turbio and Railroad Port Services with Terminals in Punta Loyola and Río Gallegos (YCRT).</b>	<b>MINISTRY OF ECONOMY</b> Secretariat of Energy	Created by Executive Order 3,682 of August 6, 1958, as a National State enterprise. E.O. 1034/2002 approves the termination of the concession granted by E.O. 979 of 06/17/94 and appoints an auditor. <b>PURPOSE:</b> Exploitation of the coal deposit in the city of Río Turbio, Province of Santa Cruz. YCRT's facilities include the Río Turbio deposit, the railroad-port complex used to transport coal to the port of Punta Loyola and the Río Turbio Thermoelectric Power Plant.

<sup>47</sup> Company intervened. It has not been assigned any corporate type. The corporate bodies (board of directors, meetings) are not functioning.

11. Annex II. Fiscal Data of the non-financial national SOEs (includes the consolidated statements of YPF SA)

CONCEPT (data from 2021 National Government Financial Report, in ARS millions)	Administración General de Puertos S.E.-AGP S.E.	Empresa Argentina de Soluciones Satelitales S.A.	Agua y Saneamientos Argentinos S.A. (AYSA)	Administración Infraestructuras Ferroviarias S.E. (ADIF)	Aerolíneas Argentinas S.A.	Belgrano Cargas y Logística S.A.	Construcción de Viviendas para la Armada - COVIARA	Casa de la Moneda S.E.	Contenidos Públicos S.E.
<b>BUDGET CLASSIFIER BY PURPOSE AND FUNCTION</b> 3. SOCIAL SERVICES 4. ECONOMIC SERVICES	4.3 Transportation	4.2 Communications	3.8 Water and sewerage	4.3 Transportation	4.3 Transportation	4.3 Transportation	3.7 Housing and urban develop.	4.8 Insurance Finances	4.3 Transportation
<b>I) CURRENT REVENUES</b>	19,725.6	10,729.1	59,729.7	2,264.6	127,318.7	22,967.4	574.0	15,810.2	1,053.5
- OPERATING REVENUES	11,947.8	8,550.1	30,860.5	623.3	127,318.7	11,340.6	291.5	13,689.7	101.9
<b>CURRENT TRANSFERS FROM TREASURY</b>	47.0	1,543.8	26,821.3	1,641.2	0.0	10,858.5	0.0	0.0	753.0
<b>II) CURRENT EXPENDITURES</b>	8,007.3	8,276.1	70,289.8	2,404.3	172,315.1	19,603.5	395.6	15,790.8	780.9
- OPERATING EXPENSES	8,007.3	7,792.1	63,266.9	2,404.3	161,054.3	19,603.5	385.3	14,630.1	776.0
-Payroll	2,372.5	2,354.7	25,097.2	1,790.8	37,166.0	11,804.4	127.5	5,275.9	472.8
<b>III) ECONOMIC RESULT: SAVINGS/DISAVINGS</b>	11,718.3	2,453.0	-10,560.1	-139.7	-44,996.5	3,364.0	178.4	19.4	272.6
<b>IV) CAPITAL RESOURCES</b>	0.0	4,981.8	127,310.1	23,762.6	8,806.3	0.0	236.1	4,748.2	627.7
<b>CAPITAL TRANSFERS AND CONTRIBUTIONS FROM TREASURY</b>	0.0	4,696.0	124,316.0	23,762.6	63,551.0	0.0	0.0	4,126.0	627.7
<b>V) CAPITAL EXPENDITURES</b>	461.8	2,681.4	75,918.5	17,574.1	8,606.3	2,801.6	4990.2	7,167.9	469.6
<b>VI) TOTAL REVENUES (I + IV)</b>	19,725.6	15,711.0	187,039.8	26,027.1	136,125.0	22,967.4	810.1	20,558.4	1,681.3
<b>VIII) TOTAL EXPENDITURES (II+V)</b>	8,469.0	10,957.5	146,208.3	19,978.4	180,921.4	22,405.0	894.8	22,958.7	1,250.5
<b>IX) FINANCIAL RESULT (VI – VIII)</b>	11,256.5	4,753.5	40,831.5	6,048.8	-44,796.5	562.4	-84.7	-2,400.3	430.7
<b>TOTAL TRANSFERS FROM TREASURY</b>	47.0	6,239.9	151,137.3	25,403.8	63,551.0	10,858.5	0.0	4,126.0	1,380.7
<b>OWN SOURCES (VI-TRANSFERS FROM TREASURY)</b>	19,678.6	9,471.1	35,902.5	623.3	72,574.0	12,109.0	810.1	16,432.4	300.5
<b>FINANCIAL RESULT EXCLUDING TREASURY CONTRIBUTIONS</b>	11,209.6	-1,486.4	-110,305.8	-19,355.0	-108,347.5	-10,296.1	-84.7	-6,526.3	-950.0
<b>FINANCIAL AUTONOMY (OWN RESOURCES/TOTAL RESOURCES)</b>	99.8%	60.3%	19.2%	2.4%	53.3%	52.7%	100.0%	79.9%	17.9%
<b>EMPLOYEES AS OF 12/31/2021</b>	618	742	7,962	684	11,592	4,617	45	1,057	160

CONCEPT (data from 2021 National Government Financial Report, in ARS millions)	Corredores Viales S.A.	Correo Oficial de la República Argentina S.A.	Fabricaciones Militares S.E.	DIOXITEC S.A.	Desarrollo de Capital Humano Ferroviario S.A.	Educ.ar S.E.	Empresa Argentina de Navegación Aérea S.E.	Fabrica Argentina de Aviones Brig. San Martín S.A.	Ferrocarriles Argentinos S.E.
<b>BUDGET CLASSIFIER BY PURPOSE AND FUNCTION</b> <b>3. SOCIAL SERVICES 4. ECONOMIC SERVICES</b>	4.3 Transportation	4.2 Communications	4.6 Industry	4.6 Industry	4.3 Transportation	3.4 Education and Culture	4.3 Transportation	4.6 Industry	4.3 Transportation
<b>I) CURRENT REVENUES</b>	22,613.4	62,526.6	6,866.2	4,851.9	3,364.8	1,794.2	7,436.2	5,349.1	145.0
- OPERATING REVENUES	11,723.1	39,187.6	4,352.9	2,775.9	4.3	318.8	4,577.9	4,263.3	0.0
<b>CURRENT TRANSFERS FROM TREASURY</b>	10,533.3	22,240.0	2,513.3	0.0	3,151.9	1,450.0	2,858.4	937.8	127.9
<b>II) CURRENT EXPENDITURES</b>	18,059.8	62,092.5	6,365.8	3,248.6	3,465.6	1,480.8	9,709.4	5,842.1	31.5
- OPERATING EXPENSES	16,982.1	61,092.5	6,147.3	2,699.4	3,299.2	1,189.2	9,709.4	4,554.9	31.5
-Payroll	8,889.9	38,616.7	2,406.1	671.5	2,611.1	628.2	6,762.9	2,683.6	4.8
<b>III) ECONOMIC RESULT: SAVINGS/DISAVINGS</b>	4,553.6	390.7	500.4	1,603.3	-100.8	313.4	-2,273.1	-493.0	113.6
<b>IV) CAPITAL RESOURCES</b>	12,456.9	1,290.3	0.0	760.2	570.0	296.8	3,153.3	184.7	200.5
<b>CAPITAL TRANSFERS AND CONTRIBUTIONS FROM TREASURY</b>	12,456.9	809.0	0.0	750.0	570.0	174.5	1,220.0	0.0	199.7
<b>V) CAPITAL EXPENDITURES</b>	497.5	1,265.6	0.0	886.6	138.9	2,124.2	5,084.9	1,607.4	9.7
<b>VI) TOTAL REVENUES (I + IV)</b>	35,070.4	63,816.9	6,866.2	5,612.1	3,934.8	2,091.0	10,589.5	5,533.8	345.5
<b>VIII) TOTAL EXPENDITURES (II+V)</b>	18,557.3	63,401.5	6,365.8	4,135.3	3,604.5	3,605.0	14,794.3	7,449.6	41.2
<b>IX) FINANCIAL RESULT (VI – VIII)</b>	16,513.0	415.4	500.4	1,476.9	330.4	-1,513.9	-4,204.8	-1,915.7	304.3
<b>TOTAL TRANSFERS FROM TREASURY</b>	22,990.2	23,048.0	2,513.3	750.0	3,721.9	1,624.5	4,078.4	937.8	327.5
<b>OWN SOURCES (VI-TRANSFERS FROM TREASURY)</b>	12,080.2	40,767.9	4,352.9	4,862.1	212.9	466.5	6,511.1	4,596.0	18.0
<b>FINANCIAL RESULT EXCLUDING TREASURY CONTRIBUTIONS</b>	-6,477.2	-22,633.6	-2,012.9	726.9	-3,391.5	-3,138.5	-8,283.1	-2,853.5	-23.2
<b>FINANCIAL AUTONOMY (OWN RESOURCES/TOTAL RESOURCES)</b>	34.4%	63.9%	63.4%	86.6%	5.4%	22.3%	61.5%	83.1%	5.2%
<b>EMPLOYEES AS OF 12/31/2021</b>	1,272	18,404	1,308	202	1,892	329	2,432	899	0

CONCEPT (data from 2021 National Government Financial Report, in ARS millions)	Integración Energética Argentina S.A. IEASA/ENARSA	Innovaciones Tecnológicas Agropecuarias S.A. INTEA S.A.	INTERCARGO S.A.	Nucleoeléctrica Argentina S.A.	Playas Ferroviarias de Buenos Aires S.A.	Polo Tecnológico Constituyentes	Radio Universidad Nacional del Litoral S.A.	Servicio de Radio y Televisión de la Universidad	Radio y Televisión Argentina S.A.
<b>BUDGET CLASSIFIER BY PURPOSE AND FUNCTION</b> 3. SOCIAL SERVICES 4. ECONOMIC SERVICES	4.1 Energy, Fuels and Mining	4.5 Agriculture	4.3 Transportation	4.1 Energy, Fuels and Mining	4.3 Transportation	3.5 Science and Technology	4.2 Communications	4.2 Communications	4.2 Communications
<b>I) CURRENT REVENUES</b>	395,366.2	322.9	4,516.8	60,362.5	1,196.1	8.3	76.3	690.0	10,607.0
- OPERATING REVENUES	174,038.7	317.3	2,390.6	53,144.1	400.6	3.4	53.1	190.0	2,412.1
<b>CURRENT TRANSFERS FROM TREASURY</b>	202,082.0	0.0	1,543.3	0.0	0.0	0.3	20.0	500.0	8,181.3
<b>II) CURRENT EXPENDITURES</b>	279,003.2	267.2	5,008.9	44,245.3	2,702.1	12.5	81.7	686.0	9,588.9
- OPERATING EXPENSES	274,476.6	267.2	4,800.4	42,693.9	193.5	8.7	80.1	686.0	9,303.6
-Payroll	1,395.3	55.8	3,700.0	17,722.7	43.5	3.2	58.8	554.7	6,786.3
<b>III) ECONOMIC RESULT: SAVINGS/DISAVINGS</b>	116,363.0	55.6	-492.0	16,117.1	-1,506.0	-4.2	-5.4	3.9	1,018.1
<b>IV) CAPITAL RESOURCES</b>	89,362.3	0.0	227.2	7,400.3	0.0	1.3	1.0	0.0	358.1
<b>CAPITAL TRANSFERS AND CONTRIBUTIONS FROM TREASURY</b>	88,730.2	0.0	126.0	1,500.0	0.0	1.1	0.0	0.0	304.3
<b>V) CAPITAL EXPENDITURES</b>	52,644.2	0.0	45.8	5,686.7	0.0	0.0	0.6	11.8	40.2
<b>VI) TOTAL REVENUES (I + IV)</b>	484,728.6	322.9	4,744.0	67,762.8	1,196.1	9.6	77.3	690.0	10,965.0
<b>VIII) TOTAL EXPENDITURES (II+V)</b>	331,647.4	267.2	5,054.7	49,932.0	2,702.1	12.5	82.3	697.8	9,629.1
<b>IX) FINANCIAL RESULT (VI – VIII)</b>	153,081.2	55.6	-310.7	17,830.8	-1,506.0	-2.9	-5.0	-7.8	1,335.9
<b>TOTAL TRANSFERS FROM TREASURY</b>	290,812.2	0.0	1,669.3	1,500.0	0.0	1.4	20.0	500.0	8,485.7
<b>OWN SOURCES (VI-TRANSFERS FROM TREASURY)</b>	193,916.4	322.9	3,074.7	66,262.8	1,196.1	8.2	57.3	190.0	2,479.4
<b>FINANCIAL RESULT EXCLUDING TREASURY CONTRIBUTIONS</b>	-137,731.1	55.6	-1,980.0	16,330.8	-1,506.0	-4.3	-25.0	-507.8	-7,149.7
<b>FINANCIAL AUTONOMY (OWN RESOURCES/TOTAL RESOURCES)</b>	40.0%	100.0%	64.8%	97.8%	100.0%	85.4%	74.1%	27.5%	22.6%
<b>EMPLOYEES AS OF 12/31/2021</b>	348	43	1,629	3,001	10	2	38	224	2,222

CONCEPT (data from 2021 National Government Financial Report, in ARS millions)	Operadora Ferroviaria S.E. SOFSE	Talleres Navales Dársena Norte S.A.C.I. y N.	TELAM S.E.	Vehículo Espacial Nueva Generación	Yacimientos Mineros Agua de Dionisio YMAD	YACIMIENTO CARBONIFERO RIO TURBIO Y DE LOS	SUBTOTAL excluyendo YPF y ATC (eI)	YPF S.A.	TOTAL
<b>BUDGET CLASSIFIER BY PURPOSE AND FUNCTION</b> 3. SOCIAL SERVICES 4. ECONOMIC SERVICES	4.3 Transportation	4.6 Industry	4.2 Communications	3.5 Science and Technology	4.1 Energy, Fuels and Mining	4.1 Energy, Fuels and Mining		4.1 Energy, Fuels and Mining	
<b>I) CURRENT REVENUES</b>	82,990.9	3,770.1	5,639.5	1,671.9	3,789.6	11,198.1	957,326.6	1,271,330.0	2,228,656.6
- OPERATING REVENUES	2,420.3	3,579.7	3,725.9	1,585.6	3,575.8	1,504.1	521,269.0	1,271,330.0	1,792,599.0
<b>CURRENT TRANSFERS FROM TREASURY</b>	79,756.9	32.5	1,913.7	0.0	0.0	9,694.0	388,601.1	0.0	388,601.1
<b>II) CURRENT EXPENDITURES</b>	91,688.4	3,455.6	4,946.1	1,960.5	3,064.5	8,205.8	868,119.8	1,213,160.0	2,076,279.8
- OPERATING EXPENSES	90,472.9	3,421.8	4,945.1	1,654.7	2,857.8	8,064.8	827,552.2	814,225.0	1,641,777.2
-Payroll	58,553.6	1,432.6	1,790.4	1,226.7	1,413.8	7,267.8	251,741.8	75,912.0	327,653.8
<b>III) ECONOMIC RESULT: SAVINGS/DISAVINGS</b>	-8,697.5	314.4	693.4	-288.6	725.1	2,992.3	94,206.8	58,170.0	152,376.8
<b>IV) CAPITAL RESOURCES</b>	10,620.0	160.7	158.4	133.4	0.0	4,705.3	302,513.6	N/A	302,513.6
<b>CAPITAL TRANSFERS AND CONTRIBUTIONS FROM TREASURY</b>	7,537.9	119.8	110.1	0.0	0.0	4,518.9	340,208.0	0.0	340,208.0
<b>V) CAPITAL EXPENDITURES</b>	9,789.5	114.5	103.5	1,122.4	482.3	6,087.0	203,923.6	N/A	203,923.6
<b>VI) TOTAL REVENUES (I + IV)</b>	93,610.9	3,930.8	5,797.9	1,805.3	3,789.6	15,903.4	1,259,840.3	1,582,547.0	2,842,387.3
<b>VIII) TOTAL EXPENDITURES (II+V)</b>	101,477.9	3,570.1	5,049.6	3,082.9	3,546.9	14,292.8	1,067,043.5	1,417,943.0	2,484,986.5
<b>IX) FINANCIAL RESULT (VI – VIII)</b>	-7,867.0	360.6	748.3	-1,277.5	242.7	1,610.6	192,796.8	164,604.0	357,400.8
<b>TOTAL TRANSFERS FROM TREASURY</b>	86,694.7	152.3	2,023.8	0.0	0.0	14,212.9	728,809.1	0.0	728,809.1
<b>OWN SOURCES (VI-TRANSFERS FROM TREASURY)</b>	6,916.2	3,778.5	3,774.2	1,805.3	3,789.6	1,690.5	531,031.2	1,582,547.0	2,113,578.2
<b>FINANCIAL RESULT EXCLUDING TREASURY CONTRIBUTIONS</b>	-94,561.7	208.3	-1,275.5	-1,277.5	242.7	-12,602.4	-536,012.3	164,604.0	-371,408.3
<b>FINANCIAL AUTONOMY (OWN RESOURCES/TOTAL RESOURCES)</b>	7.4%	96.1%	65.1%	100.0%	100.0%	10.6%	42.2%	100.0%	74.4%
<b>EMPLOYEES AS OF 12/31/2021</b>	23,778	476	711	467	537	2,066	89,767	21,321	111,088

SOURCE: Own elaboration based on data from the 2021 National Government Financial Report, 2021 YPF "Consolidated Comprehensive Income Statements" and Human Resources Integrated System (SIRHU) Monthly Employment Report as of Dec/2021.



## 12. Annex III. Historical evolution of SOE modalities (1946-2020)<sup>48</sup>

Government involvement in economic activities has been formalized by means of instrumental organizations of a business or corporate nature. In other words, private modalities have been used, whose degree of decentralization has varied in line with the evolution of such modalities. This was done with the (recurrent) aim of providing these companies with agile management and greater flexibility, which would be achieved through submission - also here with different modulations - to the rules of the *lex mercatoria*. Thus, the following commercial types were created over the decades:

- (i) Mixed Economy Companies (SEM) in the year 1946 -,
- (ii) State Enterprises (EE) in 1955,
- (iii) Corporations with State Majority Participation (SAPEM) between 1967 and 1972, and - lastly-
- (iv) regime of State-Owned Enterprises in 1974.

Outside these specific regulations:

- (v) in 1972 the Joint-Stock Companies (SA) regime was approved -Section V, articles 163-307 of the Company Law-, which would also be used, in the end, as another typology available at the time of creating a state-owned company.

Thus, the "phenomenon" (as described by the Supreme Court of Justice of the Nation) of the so-called "entrepreneurial State" has evolved over time and has gone through different stages in the last fifteen years. Accordingly, it is possible to identify five modalities, each one of them governed by a specific legal regime:

### Companies governed by Public Law

This stage is configured with the creation of the regime of State Enterprises (EE) included in the decentralized administration and governed by public law.

### Companies governed in part by Private Law

This second stage begins prior to the first since the regime of the Mixed Economy Companies (SEM) is prior to that of the State Enterprises. It also includes the Corporations with Majority State Participation (SAPEM) and the State Corporations (SE).

The common characteristic of these three types of companies is that, to provide them with an agile management and greater flexibility, they were only partially subject to the rules of the *lex mercatoria*.

### Purely private corporations, but exclusively state-owned.

This period is framed within the privatization process of the 1990s, when the State's business and corporate organizations were dissolved or liquidated, so that the use of this instrument declined considerably. However, in this historical phase, a series of joint-stock companies were created<sup>49</sup>, expressly framed within Law No. 19,550, but which are exclusively state-owned.

### Corporations exclusively state-owned, but expressly excluded from public law regulations

With the public emergency at the beginning of this century, the government decided to undertake certain business functions previously reserved to private parties in the free market. In this context of "nationalization", new corporations were created, also exclusively owned by the State or its autonomous entities.

<sup>48</sup> Carbajales (2021)

<sup>49</sup> e.g. *Nucleoeléctrica Argentina S. A.* (NA-SA) and *Emprendimientos Energéticos Binacionales S. A.* (EBISA).

The distinctive feature, in comparison with the companies of the previous stage, is that this regime deepens the non-state profile of commercial and industrial organizations.

#### Minority Stock Corporations

These are companies created by private parties in which the national government acquires a minority shareholding through the transfer of shares from former Pension Plans Management Companies (AFJP) to the National Social Security Administration (ANSES).

It is possible to outline a unifying criterion for the last three types described since they share the characteristic of not having a substantive legal regime that is specifically applicable to them, beyond being governed (as established in the regulatory acts of creation) by the regime for corporations provided for in the Business Company Law.

Consequently, these three types of corporations will be referred to here as "corporations under state control" (SABIE). This is for the purpose of creating a unifying type that reflects the most relevant defining features, namely: on the one hand, (i) their purely private nature; on the other hand, (ii) the strong influence of the State in their capital, management, or public interest purpose -whose magnitude gradually varies, depending on each case-.

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