



# ECONOMIC-FINANCIAL STUDY ON TRUST FUNDS

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Director  
Marcos Makón

Consultants  
Melamud and Natri

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## 1. Executive Summary

Current regulations governing Trust Funds (public and private) are contained in the Civil and Commercial Code of the Nation (CCyC) approved by Law 26,994 in 2014. This legal framework establishes that there is a Trust contract when one or more persons (grantor) transfer the trust property to another person called trustee, who is required to manage it for the benefit of a third party, called beneficiary. The trust property must be individualized and may include real estate, registrable or non-registrable personal property, money, securities, and other interests.

There is no specific regulation for public Trust Funds, which in general are distinguished by the fact that they include a sort of individual or joint authority called in different ways (board of directors; steering committee; executive unit, etc.) which represents the grantor and is responsible for instructing and controlling the trustee in order to comply with the public policy that gave rise to the creation of the Trust.

In the Argentine Public Sector (national, provincial, and local) there are a significant number of public Trust Funds. This report focuses on the twenty-eight Trust Funds of the National Non-Financial Public Sector of which the National Government is the only or controlling grantor and which, due to the size in terms of resources and expenditures, play a significant role in public finances.

This sector's expenditures totaled ARS305.879 billion in 2021, accounting for 2.7% of the total expenditure of the National Non-Financial Public Sector, equivalent to 0.7% of GDP, while the sector's total resources practically tripled such expenditure, as they amounted to ARS970.278 billion, equivalent to 2.1% of GDP. A total of 58% of those resources came from transfers from the National Treasury, 18% from tax revenues, 17% from property income, and 7% from other sources.

The 2004 National Budget Law No. 25,827 added Trust Funds to Section 8 of Law 24,156. Since then, the provisions on public financial administration established by said law for resources and expenditures that are not part of the National Administration are applicable to this institutional sector.

Most Trust Funds, including those that concentrate most of the resources (Transportation Infrastructure System Trust Fund, Trust Fund for Subsidies to Residential LPG Consumption, Trust Fund for Subsidies to Residential Natural Gas Consumption, Social Housing Trust Fund and Trust Fund for Social and Urban Integration Property Regularization Regime) currently finance budget activities that could be channeled through the National Government Budget: subsidies and tariff compensation for motor vehicle and railroad passenger public transportation and residential energy consumption, water and road public works, works in low income neighborhoods, and social housing.

In view of the scarcity of resources and the need for greater flexibility in financial management, the National Government, either by its own decision or by the Congress decision, has allocated part of its revenues or transferred funds from the National Government Budget to be used for specific purposes, thus increasing budgetary rigidity in the management of its resources, and reducing the fiscal space to finance other policies.

The proliferation of Trust Funds also affects the cash flow of the national administration, increasing the financial needs of the National Treasury. In other words, while one area of the National Government obtains resources for the fulfillment of its objectives through a Trust Fund and in some years (such as in 2021 and 2022) accumulates liquidity, on the other hand, it runs the risk of defunding the Treasury, causing a worsening of the fiscal situation and in the medium term threatening the continuity of the objective that was originally intended to be favored through the creation of the Trust Fund.

Although there is no general legislation regulating public Trust Funds, there are legislative or administrative provisions that cover certain common aspects and others that create each public Trust Fund, determining issues related to its regulation, operation, and the purpose of public interest to be fulfilled, in addition to other provisions related to aspects of its financial management.

The Secretariat of Treasury has introduced administrative acts, procedures, instructions, and spreadsheets to improve the budgetary treatment, the dissemination of financial information, and the management of Trust Funds' liquidity and financial investments.

As detailed in this paper, the trustee reports to SIFEP (Financial Information System for SOEs, Trust Funds, entities excluded from the National Government Budget and National Universities), under the Secretariat of Treasury of the Ministry of Economy, a large amount of financial information related to the execution and closing of its balance sheets and financial statements and, among other aspects, it must include the entity's AIF (financial information), the preliminary and final annual financial statements on a monthly basis, as well as the information of the last financial statements audited by the AGN (General Auditing Office).

However, such information does not always have adequate coverage, nor is it recorded in due time and form.

With this information, the National Budget Office (ONP) prepares quarterly budget execution reports that are published on the Ministry of Economy's website and, since 2003, submitted to the Congress by the Chief of Cabinet of Ministers (JGM), in compliance with the provisions of the Budget Laws of each year.

The economic and budgetary importance of this institutional sector requires making the necessary efforts to increase transparency and understanding of the use of the allocated budgetary resources. In this sense, an appropriate mechanism might be to reestablish the original concepts of Law 25,917 on Fiscal Responsibility, so that the Budget Laws include Trust Funds, in addition to the centralized and decentralized administration and social security institutions. In such case, mechanisms that provide greater flexibility in the budget execution should be considered.

Finally, it should be noted that the creation of new Trust Funds financed with budgetary funds or tax revenues requires a thorough and detailed analysis of whether the public policy goal pursued cannot be achieved with traditional budget execution mechanisms or with other complementary mechanisms that guarantee the executor the availability of resources, without the need to structure a new legal entity.

This is based, among other aspects, on the experience gathered in some of the Trust Funds analyzed, which depend entirely on transfers from the Treasury, and even in cases such as the PROGRESAR fund, which was created by Decree of Necessity and Urgency (DNU) 57/22 for the purpose of financing with budgetary resources the "Support Program for Argentine Students". This program was not implemented but, nevertheless, it was possible to comply with the public policy and the goals set forth in the pertinent budget program.

## **2. Introduction**

Due to their size in terms of resources and expenditures, Trust Funds (TFs) play a significant role in the National Non-Financial Public Sector Budget. They are a set of different legal entities in terms of size, economic sector in which they operate and financing mechanisms, where budgetary transfers from the National Treasury for the fulfillment of their goals are predominant.

This report conceptually analyzes the universe of Trust Funds that comprise the consolidated Budget of the National Non-Financial Public Sector (NFPS). It details the specific budgetary treatment defined in the regulations and applied by the Secretariat of Treasury for the TFs of the National Government.

The universe of Trust Funds under analysis is also defined, followed by the consolidation of the main figures of this set of organizations, in relation to their current and capital revenues, expenditures, results and, mainly, the transfers from the Treasury, tax resources and property income received. Transfers to the public and private sector made by this institutional sector, which represent the essential part of its operation, are also analyzed.

The conclusions support the idea that the use of this fiscal policy tool should be limited to those cases that show clear advantages over traditional budget execution methods.

Annex I include some distinctive characteristics of each of the 28 Trust Funds in existence within the National Non-Financial Public Sector, such as the jurisdictional scope, the trustee, creation data, brief description of the purpose of the fund, sources of financing, management, and administration.

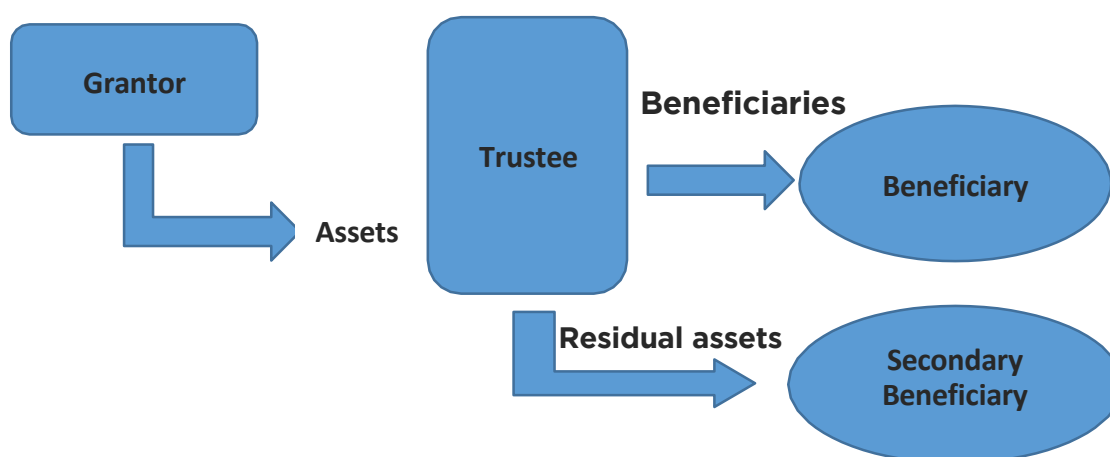
### 3. Trust Funds

#### 3.1 Definition of Trust Fund

In 1994, Law 24,441 on Housing and Construction Financing established the first provisions on Trusts (private and public) in Argentina. Subsequently, in 2014 the Civil and Commercial Code of the Nation (CCyC) was approved by Law 26,994, which repealed those provisions, and included the regulations for Trusts in force until today.

This legal framework establishes that a Trust agreement exists when one or more persons (grantor) transfer the Trust property to another person called trustee, who is required to manage it for the benefit of another person called beneficiary, who is appointed in the agreement, and to transfer it upon compliance with a term or condition to the secondary beneficiary (Sec. 1,666 CCyC). The latter may be the grantor, the beneficiary, or a person other than them, but cannot be the trustee (Sec. 1,672 CCyC). The Trust property must be individualized and may include real estate, registrable or non-registrable personal property, money, securities, and other interests.

**Table 1. General scheme of a Trust**



Source: National General Auditing Office (AGN) (2020)

The Trust agreement is entered into by the Grantor (real owner of the assets) and the Trustee (fiduciary owner) and individualizes the beneficiary (legal entity or human being) and the final recipient of the assets, called secondary beneficiary. In accordance with the regulations of the CCyC, the term of duration of the Trust agreement cannot exceed thirty years from its creation (Sec. 1,668). In addition, the trustee must render an account of its management at least once a year, which may be requested by the beneficiary, grantor, or secondary beneficiary (Sec. 1,675 CCyC). And, since the Trust constitutes a separate estate, the trustee must keep separate accounts for each Trust it manages.

The transfer of ownership of the assets is absolute for the duration of the trust, and the grantor cannot alter the purpose or unilaterally alter the list of beneficiaries. This conclusion is of utmost importance for Trusts created with Public Sector assets (Rajuan, 2022).

### **3.2 Jurisdictional and sectoral types and distinctions**

Law 24,441 introduced Public Trust Funds in the National Public Administration (APN). There is no specific legal scheme in administrative law on this type of Trust, which in its nature relates to private law, but with the distinctive feature of being created for common good and to comply with a policy of public interest.

The rules that create these funds use indistinctly the expressions Trust and Trust Fund (concept added by the Budget Law 27,431 of 2018 to the Permanent Complementary Budget Law 11,672). Although there is no precise legal definition of public trust, the following definition may be adopted:

***“The public trust is a contract by means of which the Government, through one of its agencies, in the capacity of grantor, transfers the ownership of public or private property of the State, or allocates public funds to a trustee to achieve a purpose of public interest.”*** (Kiper and Losoprawki, 2016)

Law 25,827 of the National Government Budget of 2004 added Trust Funds to Sec. 8 of Law 24,156, i.e., the provisions on public financial administration established by said law for resources and expenditures that are not part of the National Administration are applicable to this Institutional sector.

Although, there is no general legislation regulating public trusts, there are legislative or administrative provisions covering certain common aspects and others that create each public trust that determine issues related to its regulation, operation, and the purpose of public interest to be fulfilled, in addition to other provisions related to aspects of its financial management. This report fundamentally reviews their fiscal and budgetary treatment.

Through Law 25,565 of the National Government Budget for 2002 and added to Sec. 147 of Law 11,672 (Complementary Permanent Budget Law), it is established that public Trust Funds cannot have a permanent or temporary staff structure, so that the personnel of Trust Funds and their management body must be part of the staff of the jurisdictions or entities on which they depend<sup>1</sup>.

Law 25,565 also establishes that Trust Funds of the National Government must be created by law<sup>2</sup> (see detail in Annex I). However, pursuant to Law 27,431 of the National Government Budget for 2018, Trust Funds created by State-owned companies and corporations are exempted from such regulation.

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<sup>1</sup> However, it enables them to use transfers to finance the personnel expenses of the jurisdictions and entities involved.

<sup>2</sup> The inexistence of legislation until 2002 allowed the creation of Trust Funds by any type of administrative act, for example, some were created by a resolution of the Secretary of the area involved.

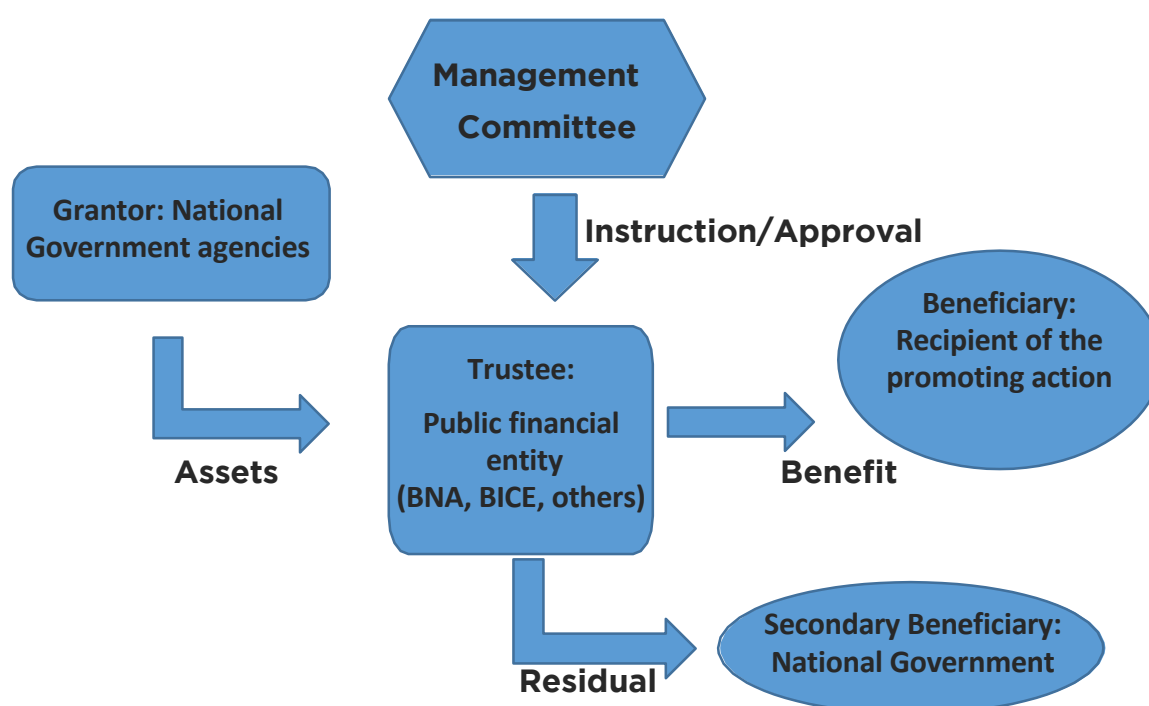
In practice, some public Trust Funds were created by law (Trust Fund for Subsidies to Residential Liquefied Petroleum Gas Consumption - Law 26,020), others by Necessity and Urgency Decree (DNU) (Airport Security Infrastructure Fund - DNU 1334/14), others by Executive Order (Fund for the Reconstruction of Companies - E.O. 342/2000) and others simply by ministerial resolutions (Trust Fund for Interprovincial Electric Transportation - Resolution 657/99 of the Ministry of Economy).

This paper presents the characteristics of the Trusts created by the National Government (see details in Annex I), leaving aside the Trusts existing at the provincial and local level, as well as the Trusts whose grantors are companies, public financial entities, and other public entities<sup>3</sup>.

### 3.3 The role of Trust Funds and their financing

Public trusts should be created when, in view of certain social or economic needs, it is convenient to separate assets to be subject to specific rules defined in its creation agreement with a different budgetary and financial treatment, because they are temporary activities, easy to identify and separate from any other type of administrative relationship, and easy to include in a budget of revenues or expenditures (AGN, 2020). However, there are several trusts within the scope of the National Public Administration that are financed year after year with funds from the National Treasury, without explaining the reason for implementing public policy under such scheme and not within the National Budget (for example, transportation subsidies financed with funds from the Transportation Infrastructure System Trust Fund).

**Table 2. General scheme of National Government Trust Funds**



Source: National General Auditing Office (AGN) (2020)

At the national level, the appointment of the trustee usually involves a public entity, which in most cases is directly related to the grantor (BICE - *Banco Argentino de Desarrollo*, BNA - *Banco de la Nación Argentina*, and National Government agencies).

<sup>3</sup> SECTION 49.- The entities included in subsection b) of Section 8 of Law 24,156, as amended, which have created or create Trust Funds with assets or funds of their own, shall consolidate the budgetary operations of such trust funds in their respective budgets.



Generally, the management committee is created as a unit representing the public policy implemented by the trustee. It is responsible for the fulfillment of the specific purposes of the agreement, or for the approval of the actions implemented by the trustee.

In Argentina, it is not mandatory for all public trusts to have a management committee, but its existence will depend on the provisions of the law or the administrative act creating the trust. This body is called in different ways (Steering Committee, Executive Committee, etc.) and it is usually composed of and represented by personnel from the ministry of the sector acting as trustee and the enforcement authority responsible for implementing the public policies for which the trust was created.

There are cases (for example, the Argentine Credit Program Pro.Cre.Ar.) in which the Executive Committee comprises several jurisdictions of the National Public Administration involved in the management of the trust, and others in which the enforcement authority<sup>4</sup> and the functions of the trustee are performed by the Head of a certain area of the Central Administration, as well as particular cases such as the Social Capital Trust Fund (FONCAP), for whose administration a corporation has been created, whose Class A shares are held by the Ministry of Economy.

Public Trust Funds can be grouped, from the point of view of resources, into those created from the transfer of some asset of the National Government (credits, shares, duties) and those created from a budgetary transfer or from the collection of a fee or tax.

The first public Trust Funds in Argentina starting in the mid-1990s were created through the transfer of shares of YPF (*Yacimientos Petrolíferos Fiscales*), *Banco Hipotecario*, profits of *Lotería S.E.*, credits with the rest of the world, among others, with the purpose of helping the financial sector for its capitalization in the face of the threat of economic crises. For example, the Bank Capitalization Trust Fund (1995).

Subsequently, the creation of Trust Funds has prevailed through the direct transfer of funds from the National Government or through the creation of a tax or fee and the allocation of its revenue to a trust to be applied to a specific purpose (public works in infrastructure or housing, subsidies). Such is the case of the Federal Regional Infrastructure Trust Fund (shares of *Banco Hipotecario* and the proceeds from their sale), the Transportation Infrastructure System Trust Fund (fuel tax), the Water Infrastructure Trust Fund (tax on gasoline and compressed natural gas), the Trust Fund for Socio-Urban Integration (PAIS tax), the Trust Fund for the Subsidy of Residential Consumption of Natural Gas and Liquefied Petroleum Gas in Patagonia (surcharge on the consumption of natural gas). At present, most Trust Funds created with transfers of funds from the National Government Budget are predominant.

Trust Funds financed with tax or non-tax earmarked resources provide greater stability to the financing of these objectives by isolating their resources from the rest of the national budget, which depends on temporary fiscal restrictions that affect the fiscal space for the financing of public policies. It is well known that public infrastructure works involve budget items that are traditionally the adjustment variables of public spending in the face of greater fiscal restrictions.

The increased use of public Trust Funds at the national level can be explained, in part, by the growing perception by policy makers of the advantages of this instrument to execute public resources more efficiently in relation to the agencies that comprise the National Government Budget.

1. The first advantage is related to what is known as the "the reward for the leakage " to the general rules governing financial management, i.e., the short-term benefits obtained by not being part of the budget in terms of flexibility in the execution of expenditures (they do not have quarterly quotas for spending), free availability of their financial resources (they are not part of the Single Treasury Account (CUT) and the

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<sup>4</sup> Annex 1 includes the body responsible for the Management and Administration of each Trust Fund, as defined in the rules of creation.

financial remainders at the end of the fiscal year cannot be taken by the Treasury), less rigidity to make budget amendments (they can make adjustments between budget items without complying with Section 37 of Law 24,156), they are not part of the Financial Information System (SIDIF) and the greater flexibility to make financial investments (Uña, 2007 and Rajuán, 2022).

2. The second advantage is related to the "budget constraint" and the pressure to ensure the financing of certain policies in situations of scarce resources. As a result, there is strong pressure for the government to guarantee the financing of public policies through the transfer of resources. For this purpose, several taxes have been created (on diesel oil, gasoline and CNG, on electricity consumption and gas consumption, on equity and on the purchase and sale of foreign currency) with specific allocation and temporarily transferred as property for the payment of works, compensations and subsidies to transportation, energy, housing, and SME production. In recent years, it has been verified that one of the usual proposals for the financing of a public policy (which in some cases is also executed from the National Government Budget) is the creation of a Trust Fund where resources (whether existing or new) are subtracted from the financing of the Budget (Rajuán, 2022).

### **3.4 The budgetary treatment of Trust Funds**

Trust Funds are instruments that promote a particular purpose (created by a grantor) to be implemented by those in the best position to achieve it (the trustee). Thus, two aspects are central to the operation of this instrument: the sustainability of its purpose over time and its budgetary treatment and transparency.

The sustainability of the trust's purpose must be ensured in order to justify the implementation of certain public policies outside the general budget, while its budgetary treatment and transparency become significant given that, unlike the National Public Administration, trusts enjoy greater flexibility in their financial management, as do state-owned enterprises and other NFPS entities.

With respect to the first dimension, the sustainability of the Trust Fund's purpose, some aspects are of particular interest. It is necessary to know to what extent this purpose justifies the use of this type of financial instrument that affects resources and increases budgetary rigidity. Trust funds constitute the separation of a certain amount of public resources allocated to a specific purpose to the detriment of others in a context of scarcity. For this reason, it is necessary to clearly state which are the reasons that justify that one purpose merits the creation of a Trust Fund, while others are implemented with resources from the National Government Budget and do not enjoy the "protection" provided by the trust scheme.

For example, the execution of infrastructure, housing and urban planning works and subsidy policies for housing, energy and public transportation are executed within the scope of the National Government budget, by the National Directorate of Roads (DNV) and the Ministries of Transportation or Social Development, the Secretariat of Energy and, in some cases, they are also financed by Trust Funds, and even with financing through transfers from the National Government Budget. There are trusts (for example, the Transportation Infrastructure System Trust Fund) that not only receive transfers from the National Treasury, but also make transfers to DNV to finance public works.

Another important aspect of Trust Funds in Argentina is that on successive occasions their purposes have been modified or expanded. This represents an important point of analysis, considering that part of the reason why these Trust Funds are not part of the National Government Budget is the need to have mechanisms to ensure the financing of certain public policies in the medium and long term.

However, as detailed in Annex I, Trust Funds have purposes that are too broad and subject to modification by their grantor and management committees (such is the case of the Transportation Infrastructure System Trust Fund, which was initially created to finance road infrastructure works and as of the 2000s its resources were used to finance the subsidy policy for motor vehicle and railroad public transportation). An alternative so that

the trusts do not continue to demand resources from the National Government Budget is that they be dissolved once the purposes for their creation have been fulfilled and that the reasons for their creation be more specific.

With respect to the second dimension, their budgetary treatment, and the level of transparency of information related to their operation, both are central elements in the public sector. Trust Funds, due to their characteristics, operate outside the general rules of public financial management that cover the rest of the National Government Budget.

Thus, they are outside the scope of the CUT and the budget quota systems administered by the Ministry of Treasury, essential instruments for government expenditure management<sup>5</sup>. At the same time, since they operate outside the Integrated Financial Information System (SIDIF), their accounting, financial and budgetary information records present a lower level of disaggregation than that of the National Public Administration.

As SOE's, entities excluded from the National Government Budget and National Universities, Trust Funds report the management information required by the National Budget Office (ONP) to the SIFEP, as well as the information requested for the closing of the National Government Financial Report by the General Accounting Office of the Nation (CGN)<sup>6</sup>.

On the other hand, considering that most of Trust Fund expenditure refers to the granting of subsidies, the transfer of funds to the private sector and the distribution of resources among different provinces for public works and subsidies, the level of transparency of the information on the allocation (beneficiaries) of such transfers becomes important.

Considering these challenges, the current practices on the budgetary treatment of public trusts implemented by the Secretariat of Treasury are presented next:

In budgetary matters, the Fiscal Solvency Law 25,152 of 1999 included financial flows for the creation and implementation of Trust Funds in the National Government Budget Law. Likewise, the Fiscal Responsibility Law 25,917 of 2004, in its Section 3, established that the Budget Laws of the provinces and of the Autonomous City of Buenos Aires and of the National Government must include Trust Funds within a term of two fiscal years, in addition to the centralized and decentralized administration and Social Security institutions. However, this term was extended by the 2007 and 2008 Budget Laws. Finally, the 2009 Budget Law replaced such provision with the original requirement to present the flows of origin and allocation of funds.

It is worth noting that Law 11,672 (Permanent Complementary Budget Law), on the other hand, requires in its Section 16 that the trustees of public trusts submit to the Undersecretariat of Budget of the Ministry of Economy the budgetary, accounting and financial statements of the trusts involved, The final paragraph establishes that, in all cases, the Trust Funds referred to in this Section are subject to the control of the National General Accounting Office and of the National Auditing Office, within the scope of their competence.

In this regard, the Secretariat of Treasury developed instructions and forms that establish procedures to be complied with and the type of budgetary, financial, and accounting information to be reported by trustees<sup>7</sup>. Such information is reported online since 2017 through SIFEP.

The agencies on which the Trust Funds depend are responsible for the budget formulation, for which they must submit to the Secretariat of Treasury of the Ministry of

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<sup>5</sup> There are quotas for budgetary transfers made by the National Government to Trust Funds.

<sup>6</sup> The SIFEP is a non-transactional online registration computer system.

<sup>7</sup> The instructions and attached forms can be consulted at:  
<https://www.economia.gob.ar/onp/empresas/instructivos>

Economy, prior to August of the year prior to the year to be budgeted, the following information<sup>8</sup>:

- Action plan of the Trust Fund involved with a brief description of the goals and tasks scheduled for the year being budgeted.
- Savings - Investment - Financing Account, (CAIF) according to the economic classification of resources and expenses with a 5-digit breakdown, including those revenues that will be collected and the expenses that are projected to be paid during the following fiscal year.
- Investment to be made during the term, including the sources of financing associated with each item included in the investment.
- Detailed information regarding the main projects to be financed by the Trust, as well as their geographic location.
- Details of the sources and financial applications of the Trust Fund.

To record the economic-financial execution, according to the National Budget Office's instructions, the trustee of each of the Funds is responsible for uploading to SIFEP monthly information on the CAIF, with the same breakdown mentioned above; the cash basis budget; spending on non-personal services and works or services contracts; the projects financed by geographic location and the main financial sources and applications.

However, trustees do not report to the SIFEP, administered by the National Budget Office, the beneficiaries of current and capital transfers to the private sector, as well as transfers to the provincial public sector by geographic location. Regarding the monitoring of the physical execution of the budget, the National Government agencies that finance expenditures with transfers from Trust Funds must report the goals and physical execution of the associated programs. However, the latter is not generally fulfilled, but only in some cases, such as Pro.Cre.Ar., Trust Fund for Social and Urban Integration Property Regularization Regime and Social Housing Trust Fund.

Since 2003 to date, pursuant to the Budget Laws of each year, the budgets of the NFPS Trust Funds are approved, and the Chief of Cabinet of Ministers is required to submit quarterly reports (aggregated and individualized by Fund) to both Chambers of Congress on the flow and use of Trust Funds, detailing in some cases the transfers made and the works executed and programmed, and all the operations conducted with financial sources and applications. These reports are prepared by the National Budget Office with the aforementioned information reported by Trust Funds on their budgetary execution and published on a quarterly basis<sup>9</sup>. (See footnote where the relevant Section of the 2023 Budget Law 2023 is transcribed -similar to that of previous years-, section that has not been included in the Permanent Complementary Budget Law)<sup>10</sup>.

Additionally, under Section 17 of the Permanent Complementary Budget Law 11,672, budget amendments that imply a higher fiscal deficit or Trust Fund debt must be approved by the National Budget Office through the model resolutions made available.

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<sup>8</sup> In accordance with the instructions of the document "NATIONAL GOVERNMENT TRUST FUNDS. INSTRUCTIONS FOR THE PREPARATION OF THE BUDGET BILL". There are also instructions for the preparation of the preliminary (multiannual) budget of Trust Funds.

<sup>9</sup> To this end, the National Budget Office adjusts current and capital transfers, as well as other forms of financial assistance from the National Public Administration to make them compatible with the information from the e-SIDIF. They can be downloaded at: [https://www.economia.gob.ar/onp/empresas/2022#ejecucion\\_ff](https://www.economia.gob.ar/onp/empresas/2022#ejecucion_ff).

<sup>10</sup> Law 27,701. Budget 2023. CHAPTER VIII Trust Funds.

Section 49.- The financial flows and the use of Trust Funds totally or mostly consisting of assets or funds of the National Government are hereby approved for the present fiscal year, in accordance with the details set forth in the schedule annexed hereto.

The Chief of Cabinet of Ministers shall submit quarterly reports to both Chambers of the Honorable Congress of the Nation on the flow and use of Trust Funds, detailing the transfers made, and the works executed or programmed, as well as all the operations conducted with financial sources and applications. The aforementioned information shall be presented individually for each of the existing Trust Funds.

Likewise, both the reports and the progress of the state of budget execution thereof shall be in publicly available format, updated monthly and under the conditions defined in Law 27,275, Right of Access to Public Information, accessible in physical and digital format on the Open Budget web page, prepared by the Ministry of Economy of the Nation.

As for the administration of the liquidity of Trust Funds, the regulation is also introduced by the Ministry of Treasury through the following administrative acts. Through Law 27,467 of the 2019 Budget, trustees must have an investment recommendation from the Secretariat of the Treasury and the Secretariat of Finance. In turn, Executive Order 668/19 establishes that Trust Funds may invest their transitory liquidity surpluses in the subscription of pre-cancelable bills issued by the National Treasury for a term not exceeding 180 days. In addition, DNU 712/2022 deepened this regulation, requiring trustees to report the flow of funds executed the previous month, the projected flow of funds at the end of the fiscal year and the statement of investments and availabilities at the end of the month. Finally, DNU 829/2022 bans, as from January 1, 2023, transfers from any NFPS entity to Trust Funds, state-owned companies, and other entities of the NFPS that have unrestricted funds.

At the end of the financial year, pursuant to Section 16 of Law 11,672 Permanent Supplementary Budget Law, Trust Funds report to the General Accounting Office of the Nation the closing of their budget accounts, including a summary report on the results of the annual management. Said report together with the Savings-Investment-Financing Accounts of the Trust Funds of each agency is available in Volume I of each National Government Financial Report (*Cuenta de Inversión - CI*)<sup>11</sup>.

The level of compliance with the procedures and instructions developed by the Secretariat of Treasury to regulate the financial management of Trust Funds is satisfactory -although incomplete in some cases- on the part of the trustees (*Banco Nación*, BICE, etc.). However, based on the surveys conducted, there is a need for a greater involvement of the trustees who execute the public policies financed by Trust Funds.

This is because they have greater expertise to improve the quality of budgetary, financial, and accounting records and knowledge of the public production of programs financed through Trust Funds.

Finally, there is room to improve the quality of the information uploaded by trust agents in SIFEP, mainly the information on the details of investment projects financed by geographic location and the beneficiaries of transfers to the national public sector, the provincial public sector, and the private sector.

## **4. Trust Funds of the National Non-Financial Public Sector**

### **4.1 Analysis and classification**

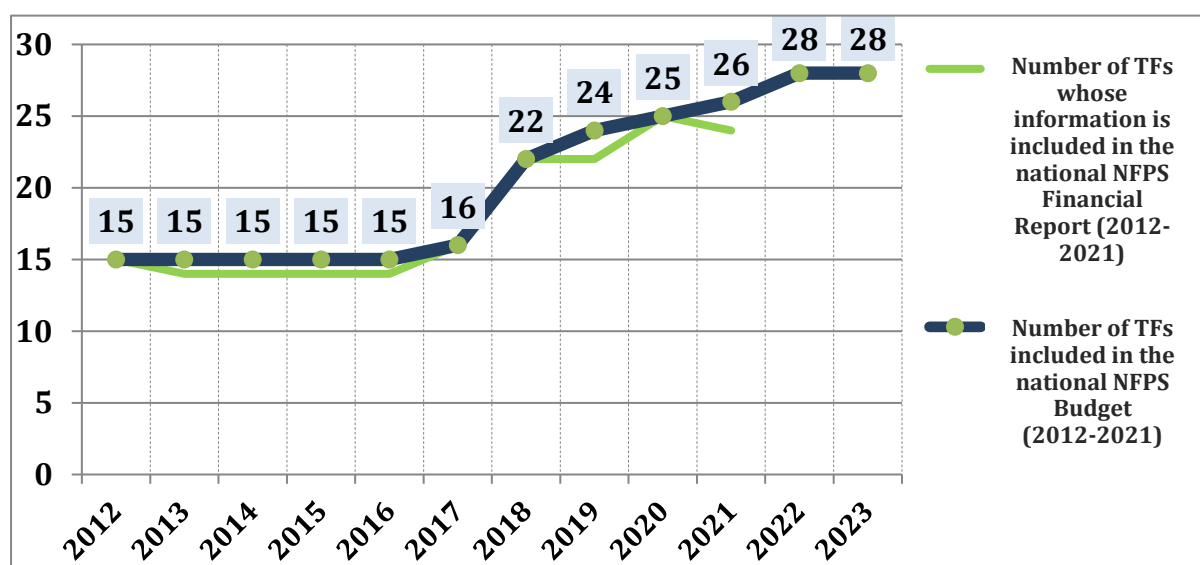
The scope of this paper is limited to the characteristics of Trust Funds created by the National Government and therefore does not include those at the provincial and local level, or those whose grantors are state-owned enterprises and corporations, government financial entities and other government entities included in Section 49 of Law 27,431, annexed to the Permanent Supplementary Budget Law.

### **4.2 Identification of the Trust Funds included in this report**

Figure 1 shows the number of Trust Funds included in the budgets of the National Non-Financial Public Sector between 2012 and 2023.

<sup>11</sup><https://www.argentina.gob.ar/economia/sechacienda/cgn/cuenta/2021/cuenta-de-inversion-2021-tomo-i/fondos-fiduciarios>

**Figure 1. Number of Trust Funds included in the National Non-Financial Public Sector Budget (2012-2023)**



Source: OPC, based on Budget Bill Messages 2012-2023.

The most significant increase in the number of Trust Funds included in the budgets during the period under analysis arises between the years 2016 to 2020, when the following were created:

- Social Housing Trust Fund. Section 59-Law No. 27,341 of the 2018 National Government Budget (December 2016)
- Trust Fund for the Development of Entrepreneurial Capital (FONDCE). Law No. 27,349 (April 2017)
- Productive Development Trust Fund (FONDEP). Law No. 27,431 (December 2016) former FONDEAR
- Airport Security Infrastructure Trust Fund. DNU No. 1,334 (August 2014).
- National Agroindustry Trust Fund (FONDAGRO). Section 72-Law No. 27,341 (December 2016)
- Trust Fund for Universal Health Coverage. DNU No. 908 (August 2016)
- Trust Fund for Renewable Energies. Law No. 27,191 (October 2015)
- Trust Fund for the Distributed Generation of Renewable Energies (FODIS). Section 16-Law No. 27,424 (December 2017)
- Argentine Guarantee Fund (FOGAR). Section 8- Law No. 27,444 former FOGAPYME - Law No. 25,300
- PPP Trust Fund for the Highway Network and Safe Routes (PPP RARS). Laws No. 27,328 (November 2016) and 27,431 (December 2016)
- Trust Fund for the Environmental Protection of Native Forests. Section 53-Law No. 27,431 (December 2016).

The increase in the number of TFs observed for fiscal year 2022 results from the fact that for the first time the National Fund for Fire Management and the Fund for the Promotion of the Knowledge Economy (FONPEC) were budgeted.

In addition, the Budget and National Government Financial Report for fiscal year 2021 did not include the Trust Fund for Direct Assistance to Victims of Human Trafficking, since it became effective as of the year 2022.

## 5. Overview of National Government Trust Funds

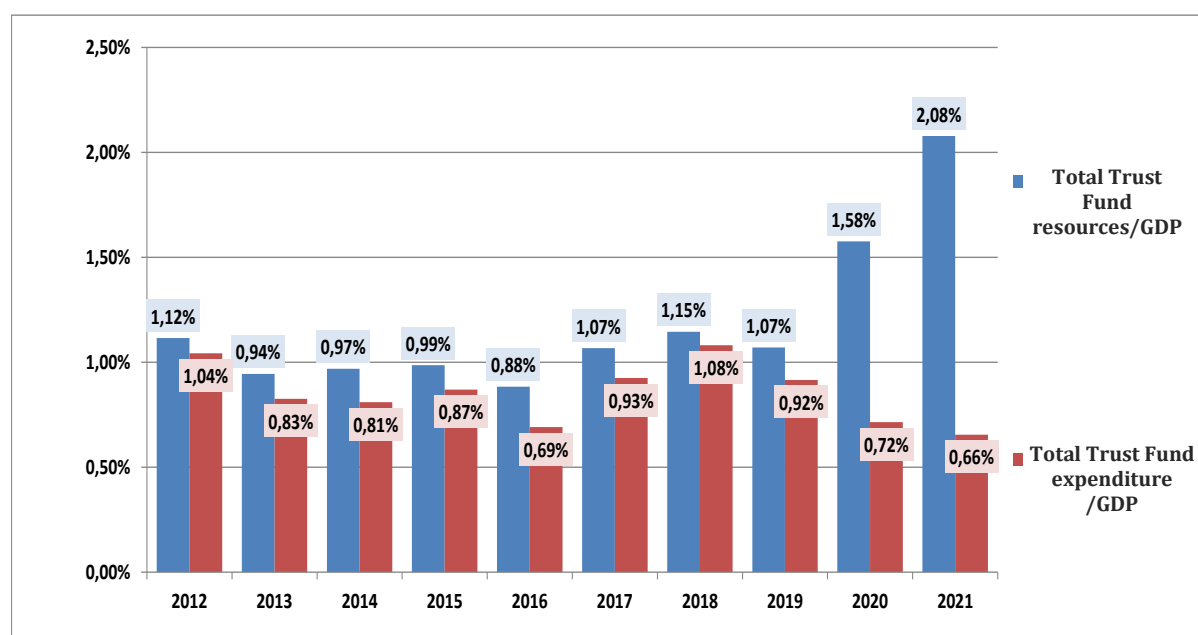
### 5.1 Total Trust Fund resources and expenditures

Trust Fund resources grew at a higher rate than expenditures as of 2018, as shown in Figure 2, which generated a significant expansion in their financial results and liquidity surpluses.

As resources of the National Government Trust Funds almost doubled in GDP percentage points between 2012 and 2021, from 1.12% of GDP in 2012 to 2.08% in 2021, expenditures decreased by slightly less than half in GDP percentage points during the same period, from 1.04% to 0.66%. Thus, the financial surplus expanded from 0.08% of GDP in 2012 to 1.42% of GDP in 2021.

This increase was largely recorded as of 2020 (1.6% of GDP) and, to a greater extent, is explained by the growth in financing received by Trust Funds through budgetary transfers from the National Government, which increased from 0.29% of GDP in 2019 to 1.2% of GDP in 2021, as shown in Figure 3. It is worth noting that receipts from budgetary transfers had decreased by 0.17 percentage points of GDP in 2019.

**Figure 2. Total Trust Fund resources and expenditures, 2012-2021 (% of GDP)**



Source: OPC based on data from 2012-2021 National Government Financial Reports and INDEC.

### 5.2 Income, earmarking of resources and transfers from the National Treasury

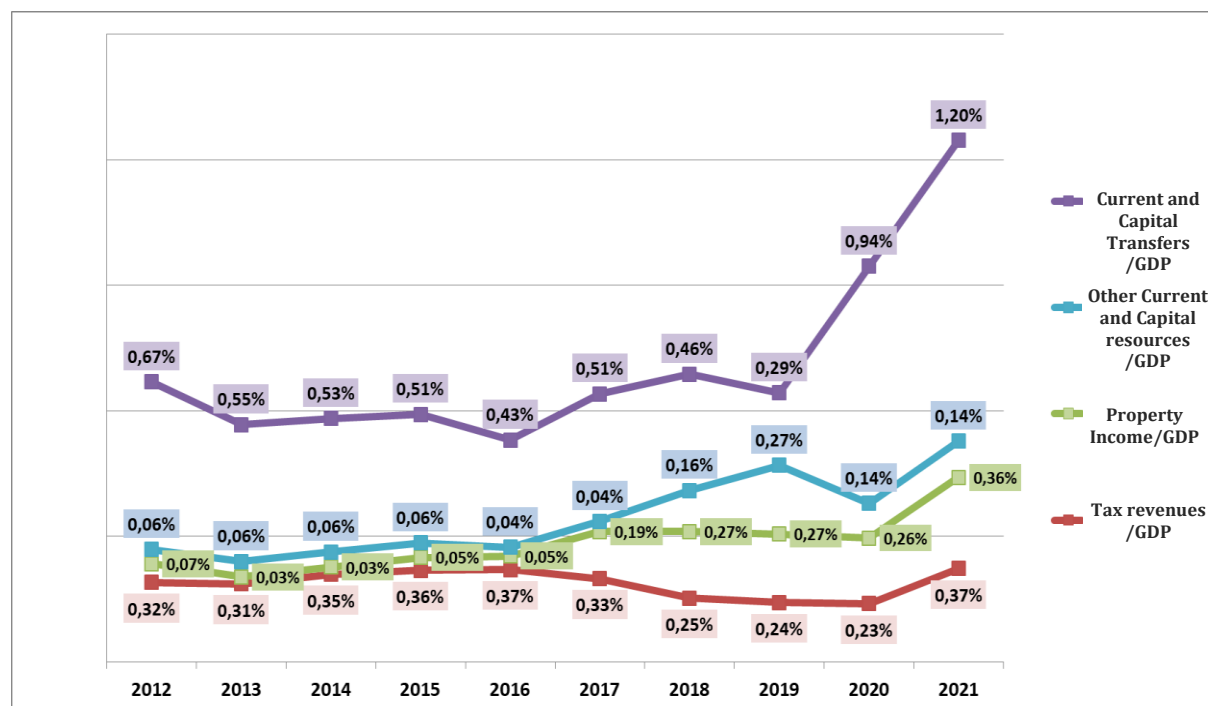
As shown in Figures 3 and 4, in the last two years the share of resources from budgetary transfers from the National Government in the total Trust Fund increased from an annual average of 0.5% of GDP between 2012 and 2019 to 1.2% in 2021.

On the other hand, the share of income resulting from the earmarking of tax resources in total Trust Funds resources remained relatively stable at around 0.3% of GDP in the 2012-2021 term.

In the period under analysis, revenues from property income (interest on loan assignments and other financial investments) remained on average below 0.1% of GDP, except for the

last two years, when revenues from this item increased threefold (0.3% of GDP in 2021). The latter is mostly explained by the liquidity accumulated by several Trust Funds at the end of the period and invested in financial investments in 2021 and 2022 (assignment of credits and loans, acquisition of Treasury Bills, among others).

**Figure 3. Composition of Trust Funds resources, 2012-2021 (% of GDP)**

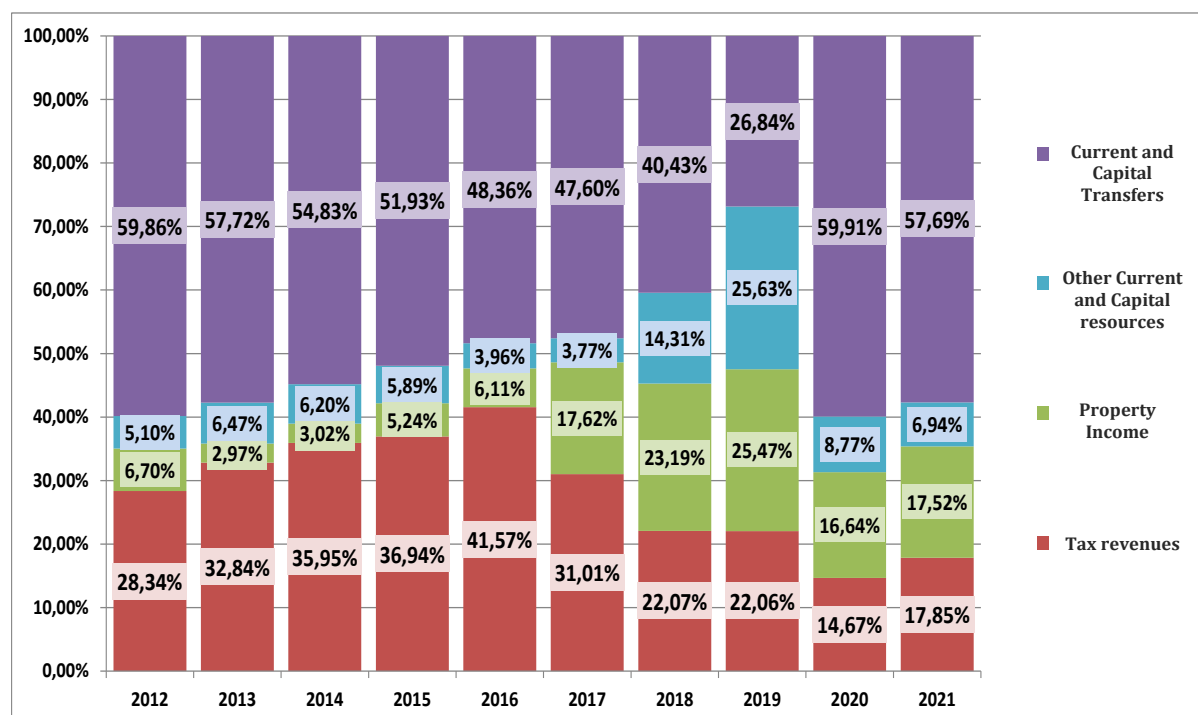


Source: OPC based on data from 2012-2021 National Government Financial Reports and INDEC.

In addition, Figure 4 shows the share of the main items of the resources of Trust Funds comprising the National Non-Financial Public Sector as a percentage of total resources of this institutional sector for the 2012-2021 term.



**Figure 4. Composition of Trust Fund income, 2012-2021 (% of total)**

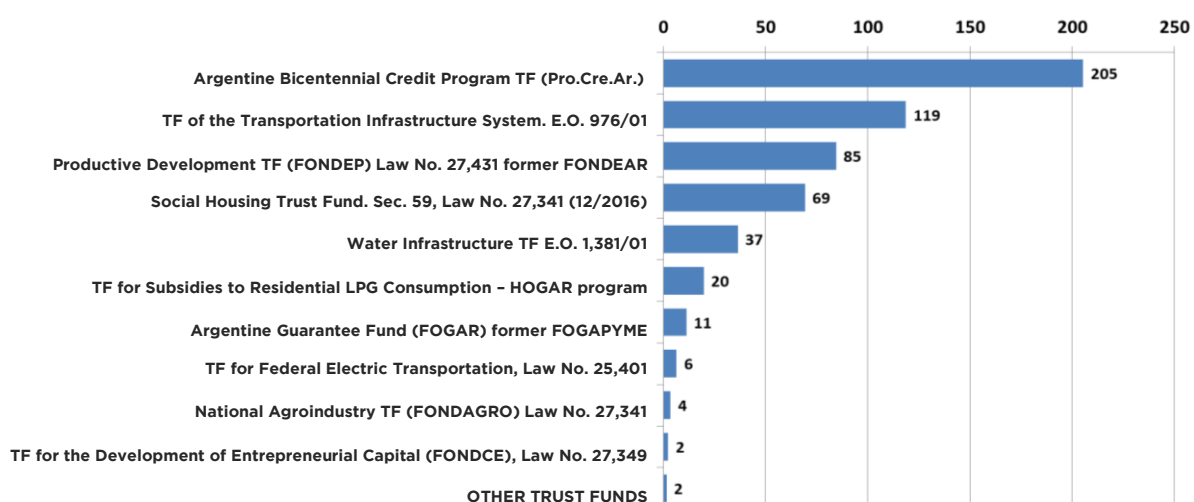


Source: OPC based on data from 2012-2021 National Government Financial Reports

Figure 4 shows the significance of budgetary transfers from the National Government in the composition of Trust Fund resources. In the 2012-2015 term these transfers exceeded 50% of the total Trust Fund resources, decreased to 27% in 2019, and returning in the last two years to the values recorded at the beginning of the term under analysis.

As for the distribution of the budgetary transfers by Trust Fund, 7 of the 26 TF that submitted their budgets and financial statements in 2021 received in that fiscal year more than 97% of the total. According to the data in Figure 5, budget transfers to Pro.Cre.Ar (ARS205.326 billion, 36.7% of the total), the Transportation Infrastructure System TF (ARS118.641 billion, 21.2% of the total), the TF for Productive Development (ARS84.733 billion, 15.1% of the total), the Social Housing TF (ARS69.366 billion, 12.4% of the total), the Water Infrastructure TF (ARS36,545 billion, 6.5% of the total), the TF for Subsidies to Residential LPG Consumption (ARS19.771 billion, 3.5% of the total) and the Argentine Guarantee Fund (ARS11.371 billion, 2% of the total) stand out.

**Figure 5. Transfers from the National Budget to Trust Funds, 2021 (in billions of ARS)**



Source: OPC, based on data from the 2021 National Government Financial Report.

On the other hand, and although tax revenues in terms of GDP remained relatively stable, their relative significance in the total decreased by half, from 35% on average between 2012-2017 to 18% in 2021.

The Trust Funds that received the largest share of tax resources in 2021 are the Transportation Infrastructure System Financial Fund (58.3% of the total, from the fuel tax), the Trust Fund for Socio-Urban Integration (33.6%, from the PAIS tax) and the Water Infrastructure Trust Fund (8.1% from the fuel tax).

The Trust Funds that received the largest share of total resources from property income in 2021 were the Guarantee Fund FOGAR (24.3%), the Productive Development Fund FONDEP (15.7%), the Provincial Development Trust Fund (15.4%) and the Argentine Credit Program Pro.Cre.Ar (14.3%), for the assignment of credits, and the Transportation Infrastructure System Financial Fund (4.9%) and the Regional Infrastructure Trust Fund (4.8%), for financial investments made with their liquidity surpluses accumulated at the end of 2020.

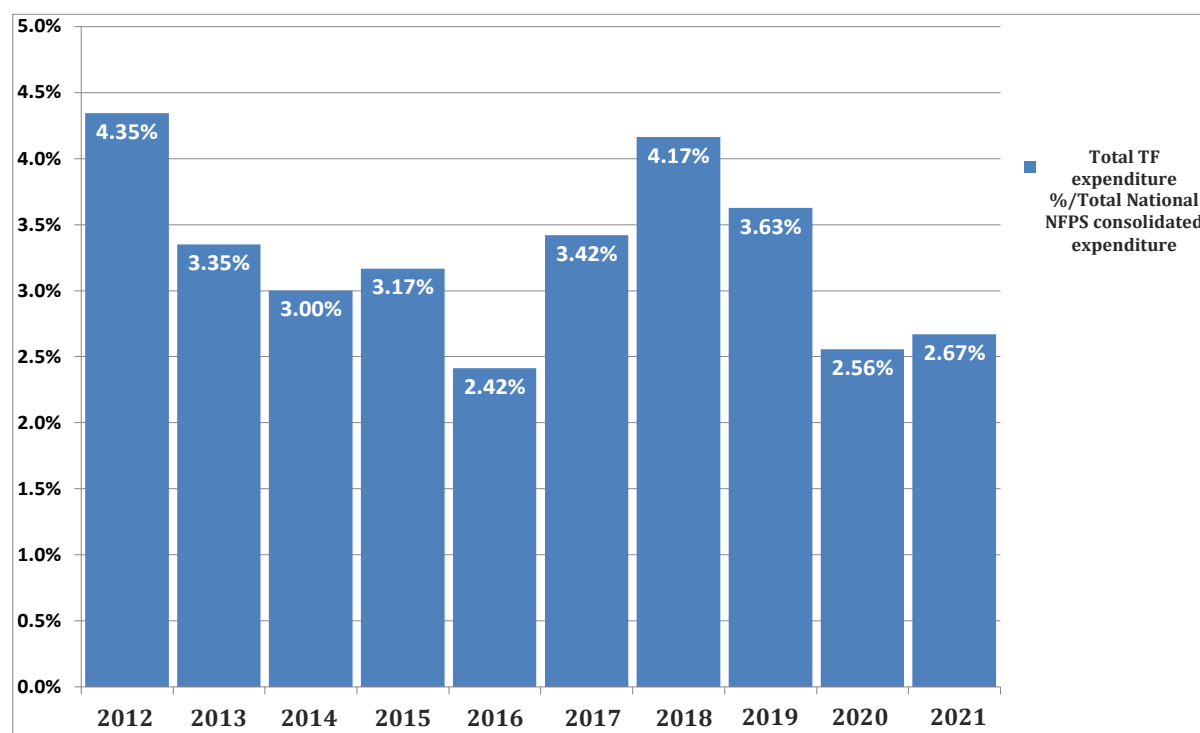
As for the distribution of the rest of the current resources, the following stand out: the Trust Fund for Subsidies for Residential Gas Consumption (40.6%, for the surcharge on natural gas consumption), the Renewable Energies Fund (25.3%) and the Argentine Credit Program Pro.Cre.Ar. (18.5%).

### **5.3 Composition of Trust Fund expenditure**

Total Trust Fund expenditure remained between 0.6% and 1.1% of GDP during the 2012-2021 term, reaching the maximum value in 2018 and the minimum value in 2021. In the last 3 years, TF expenditure was reduced to practically half in percentage points of GDP.

Likewise, the share of Trust Fund expenditure within the total consolidated expenditure of the National Non-Financial Public Sector also shows a reduction in recent years, from 4.2% in 2018 to 2.7% in 2021. The maximum value of that ratio was recorded in 2012 (4.3%) and the minimum in 2016 (2.4%).

**Figure 6. Total Trust Fund expenditure as a % of the consolidated expenditure of the National Non-Financial Public Sector, 2012-2021**



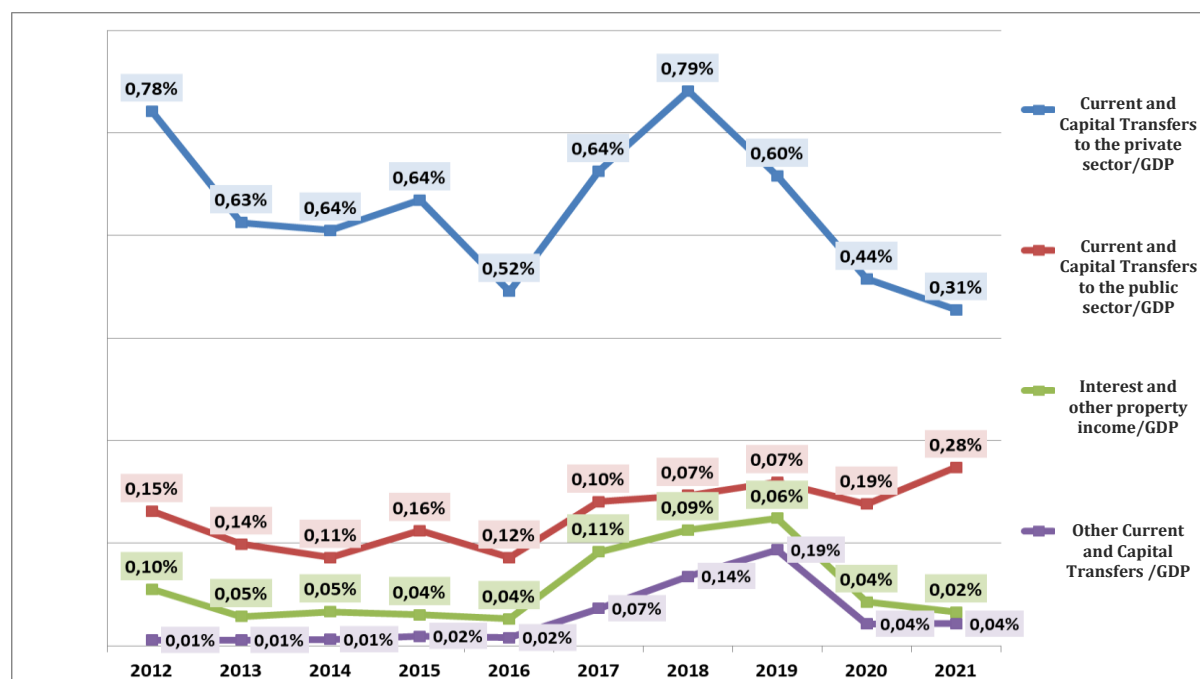
Source: OPC based on data from 2012-2021 National Government Financial Reports.

In turn, Trust Funds, as shown in Figures 7 and 8, execute their expenditure mainly through transfers to the public and private sectors of an objectively budgetary nature, such as subsidies to railroad, passenger and freight transportation, tariff compensations, financing of public road works, agricultural production, subsidies to low-income residential gas consumers or residents of Patagonia, and transfers to provinces.

Transfers from Trust Funds to the private sector and to the public sector (national and provincial) accounted for more than 80% of their total expenditure during the 2012-2021 term. The share of transfers to the private sector (mostly to transportation companies, to subsidize the value of the passenger motor transportation fare, and to rail service concessionaires, to subsidize the passenger rail transportation fare) fell from 69.7% in 2017 to 46.9% in 2021, whereas transfers to the public sector (to the Nation to subsidize residential consumption of natural gas and liquefied petroleum gas and to improve infrastructure in low-income neighborhoods and social housing, to provinces to subsidize passenger motor transportation, and to provinces and municipalities to finance water works and to the National Directorate of Roads to finance road works) increased from 10.6% in 2017 to 43.1% in 2021.

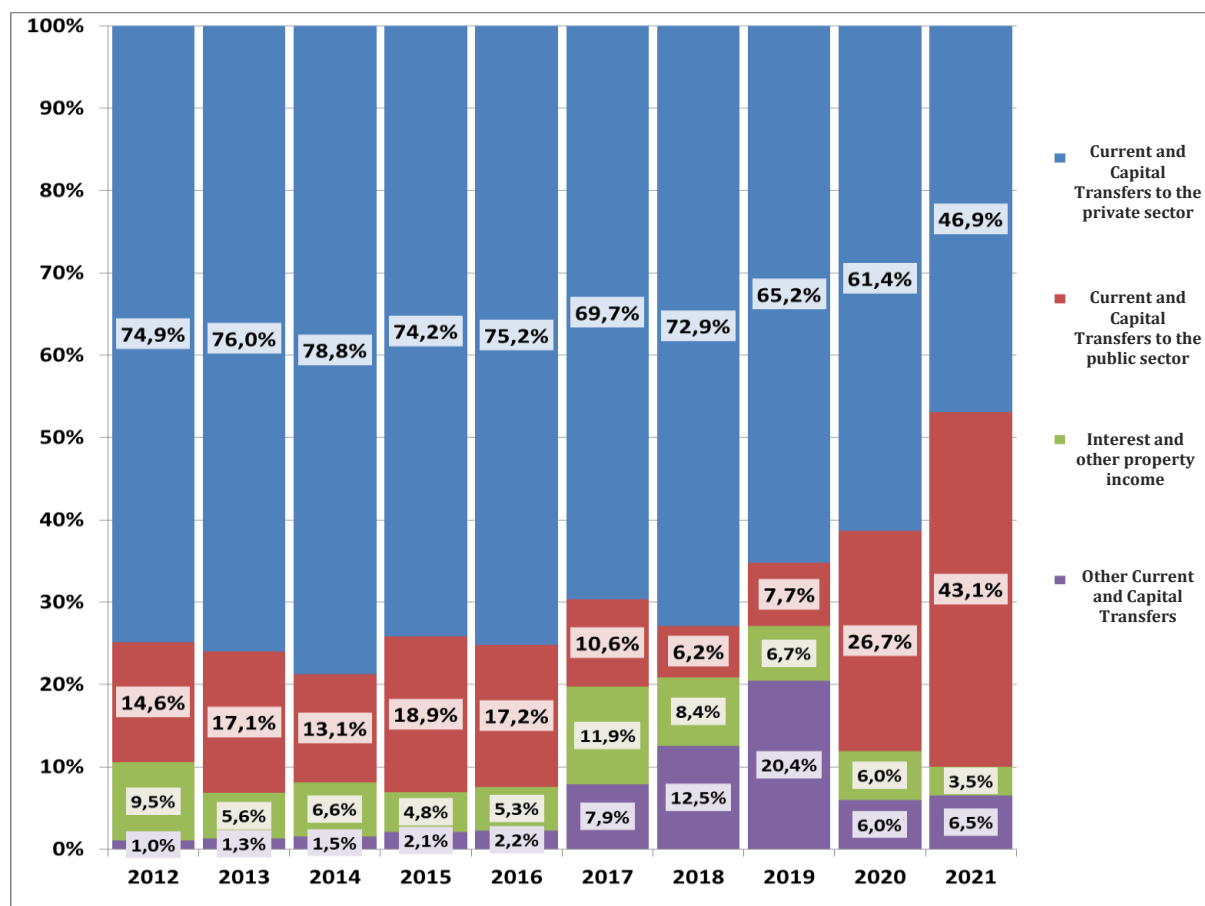
As for the share of the rest of the expenditure components, interest expenditure decreased from 11.9% in 2017 to 3.5% in 2021, and the rest of current expenditure decreased from 7.9% to 6.5% in the period under consideration.

**Figure 7. Composition of Trust Fund expenditure by economic classification, 2012-2021 (% of GDP)**



Source: OPC based on data from 2012-2021 National Government Financial Reports and INDEC.

**Figure 8. Composition of Trust Fund expenditure by economic classification, 2012-2021 (% of total)**



Source: OPC based on data from 2012-2021 National Government Financial Reports

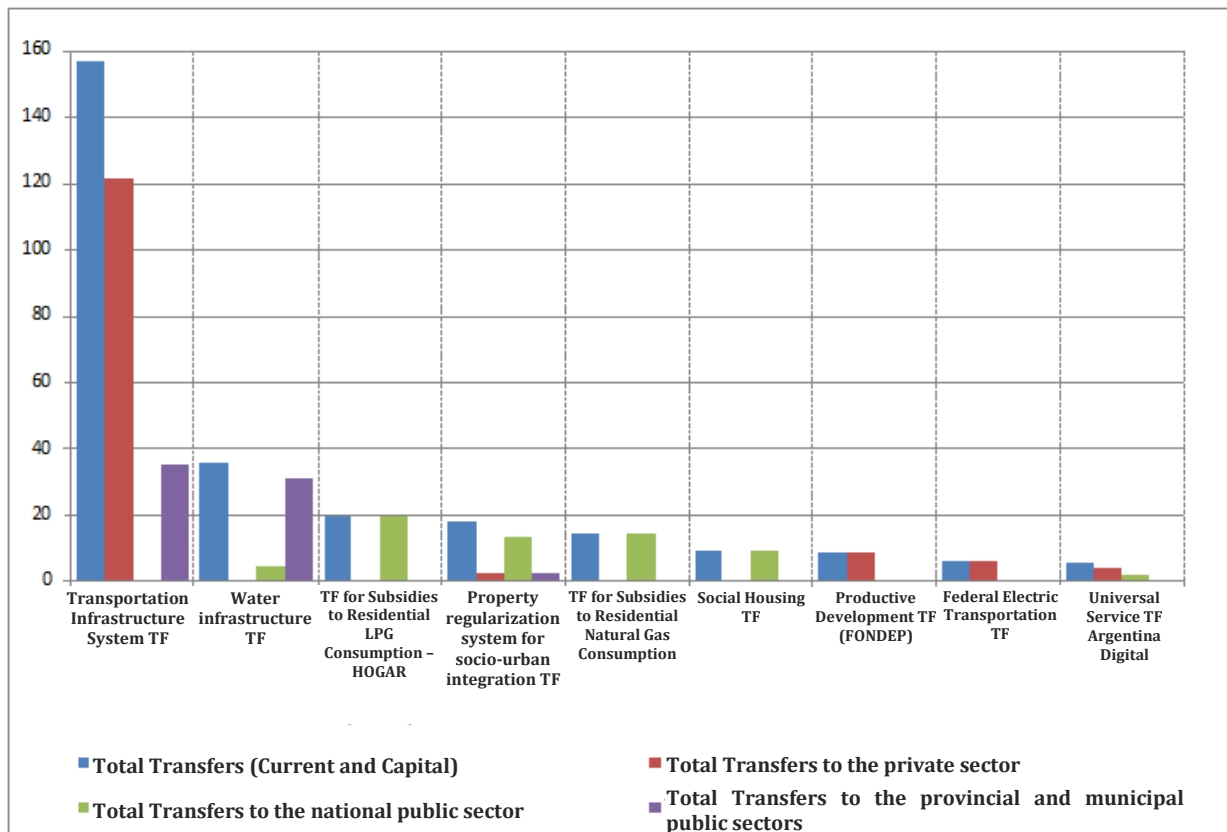
## 5.4 Transfers from Trust Funds to the private sector and to the national and provincial public sector

Although Trust Funds must report the projects financed by geographic location and the details of transfers to the private and public sectors in SIFEP, this is not usually done in a timely manner so that the beneficiaries can be identified, whether they are provinces or municipalities, or major private companies or concessionaires.

In some cases (Transportation Infrastructure System Trust Fund and, to a lesser extent, Trust Fund for Socio-Urban Integration), funds are transferred directly to the private sector and, thus, they implement the policy of subsidies and compensation to public passenger transportation and property regulation for socio-urban integration. However, in most cases, Trust Funds transfer resources to the national or provincial and local public sector, i.e., they finance policies implemented within the scope of such jurisdictions. If the beneficiaries of their transfers are part of the National Public Sector, the respective entities are responsible for programming and executing the physical goals.

Such is the case of the Ministry of Housing, which reports in the Budget Bill Message the expected goal, and in Annex 1 and Volume 2 of the National Government Financial Report the physical progress of the execution of housing improvement and construction works, financed through the Argentine Credit Program Pro.Cre.Ar; likewise, the Ministry of Social Development reports the beneficiaries of policies of integration, infrastructure and equipment of low-income neighborhoods, financed with the Trust Fund for Social-Urban Integration and the Social Housing Trust Fund.

**Figure 9. Transfers from Trust Funds to the private sector and to the provincial and local public sector. 2021 (in billions of ARS)**



Source: OPC, based on SIFEP and 2021 National Government Financial Report

Figure 9 shows a disaggregation of the total current and capital transfers made by Trust Funds in 2021 with recipients in the private sector and the national, provincial, and local public sector. Of the amount transferred in 2021, nine Funds executed 99.7% of the total.

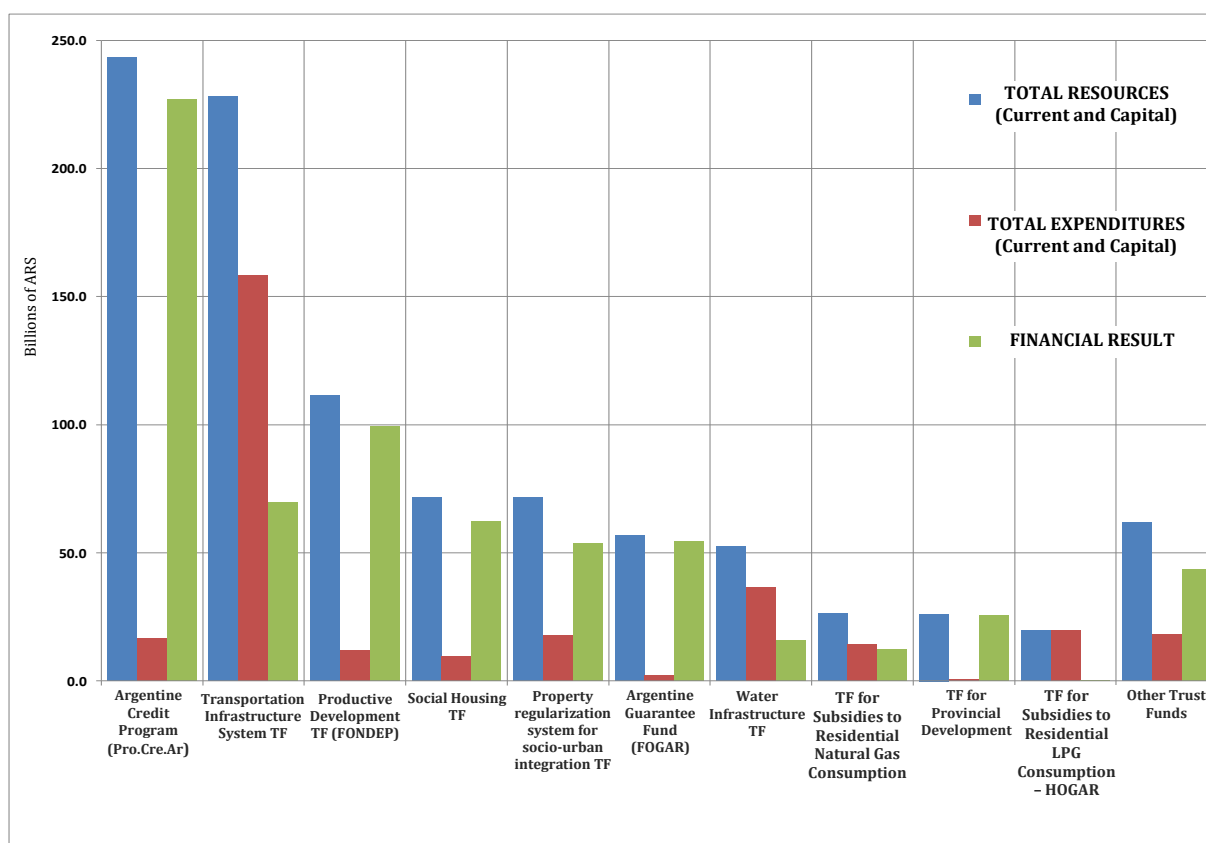
With respect to transfers to the private sector, the Transportation Infrastructure System Trust Fund has executed most of them, to finance the subsidy policy for passenger motor public transportation in the Buenos Aires Metropolitan Area, whereas most of the transfers to the national public sector have been executed by the Funds used to subsidize residential consumption of liquefied gas, for socio-urban integration, to finance subsidies for residential consumption of natural gas for social housing, and for water infrastructure.

Finally, transfers to the provincial and local public sector included the Transportation Infrastructure System Fund, to finance subsidies for public motor transportation outside the Buenos Aires Metropolitan Area, and the Water Infrastructure Fund, to finance hydraulic works outside the Buenos Aires Metropolitan Area.

## 5.5 Results and financing (financial sources and applications)

The Trust Funds that recorded the largest financial surpluses in 2021 were the Argentine Credit Program (Pro.Cre.Ar), Productive Development Fund (FONDEP), Argentine Guarantee Fund (FOGAR), on the one hand, and the Transportation Infrastructure System Trust Fund (FFSIT), Social Housing Trust Fund (FFVS), and Trust Fund for Socio-Urban Integration (FFISU), on the other. In the first group, financial surpluses were mostly used for loan assignments, guarantees and other financial investments. In the second group, the financial surpluses increased liquidity and other temporary financial investments.

**Figure 10 Trust Fund resources, expenditures, and financial results. 2021 (in billions of ARS)**



Source: OPC, based on SIFEP and 2021 National Government Financial Report

## 6. Conclusions

Trust funds have a significant impact on the budget of the National Non-Financial Public Sector and basically consist of a mechanism that guarantees the financing of certain specific and determined public policies, which does not respond to the traditional rules and procedures of the public budget, to the detriment of the uniformity and transparency of the management of public resources, with an impact on public finances.

In its last report on the Trust activity, the General Auditing Office - AGN (2020) warns that "...there are no procedures for the coordination of objectives among government trusts and of these with other government agencies or for the analysis of the convenience of using trusts as compared to other possible alternatives for the achievement of the objectives sought by the National Government in the creation of the funds...".

This concept is evidenced by the fact that a significant portion of the Trust Funds of the National Non-Financial Public Sector receive recurring transfers from the Treasury to finance their current and capital expenditures, which consist mainly of transfers to the national, provincial and local public sector and to the private sector.

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, transfers from the national government (without considering the earmarked tax resources) to cover the disbursements of Trust Funds has grown from values in the order of 0.5% of GDP in the 2012-2019 term to values equivalent to 1.2% of GDP in 2021.

The existence of 28 Trust Funds in 2022 and 2023 (there were 15 in 2012) in which the National Government is the grantor and whose main resource is budgetary transfers implies a progressive fragmentation of the National Government Budget and a departure from the universality that the budget should represent, which deserves to be reviewed considering the role played by each TF.

In fiscal year 2021, about 58% of total resources came from transfers from the National Government Budget, 18% from the earmarking of tax resources or fees and 17.5% from property income (interest on the assignment of loans or temporary financial investments), values similar to those recorded at the close of 2020.

Thus, most of Trust Funds, including those that concentrate most of the resources of the institutional sector (Transportation Infrastructure System Trust Fund, LPG Consumption Trust Fund, Residential Gas Consumption Trust Fund, Social Housing Trust Fund and Trust Fund for Social-Urban Integration) currently finance budget activities (subsidies and compensations for public motor and railroad passenger transportation and residential energy consumption, water and road works, public works in low-income neighborhoods and social housing) which could be channeled through the National Government Budget.

Faced with the problems of scarce resources and the need for greater flexibility in financial management, the National Government, either by its own decision or that of the Congress, has assigned part of its revenues or transferred funds from the Budget to be used for specific purposes, thus deepening budgetary rigidity in the management of its resources, and reducing the fiscal space for financing other policies.

The increase in the number of Trust Funds also affects the uniformity of the National Government's cash flow, thus increasing the financial needs of the National Treasury. In other words, while one area of the National Government secures resources for the fulfillment of its goals through a Trust Fund and accumulates liquidity in some years (such as in 2021 and 2022), on the other hand, it runs the risk of defunding the Treasury, causing a worsening of the fiscal situation and, in the medium term, threatening the continuity of the objective that was originally intended to be favored through the creation of that Trust Fund. In fact, most of the government Trust Funds that accumulated liquidity in the last few years invested such funds in the purchase of Treasury Bills.

In addition, it should be noted that the Ministry of Treasury has made progress with the introduction of administrative regulations, procedures, instructions, and spreadsheets that have improved the budgetary treatment, the dissemination of financial information and the management of Trust Funds' liquidity and financial investments.

As detailed in this paper, the trustee reports to the SIFEP - under the Secretariat of Treasury of the Ministry of Economy -, a large amount of financial information related to the execution and closing of its balance sheets and financial statements and, among other aspects, must include the entity's Savings-Investment-Financing account on a monthly basis, the preliminary and final annual financial statements, as well as the information of the last financial statements audited by the AGN (National Auditing Office).

However, such information does not always have adequate coverage, especially the main projects to be financed by the Trust, as well as their geographic location and the public or private entity to which the transfers are made.

With this information, the National Budget Office (ONP) prepares quarterly budget execution reports that are published on the Ministry of Economy's website and submitted to the Congress by the Chief of Cabinet of Ministers (as of 2003), in compliance with the provisions of the Budget Laws of each year.

The level of compliance in the uploading of information by the trustees is relatively high, but does not comply with all the required information. However, progress has been made in the amount of information available from this institutional sector. However, there is a need for greater involvement of the trustee executing the public policy entrusted to the Trust Fund, since it is the trustee who best knows its purpose and can contribute to improving the quality of the management information it reports. Specifically, there is a need for more information about the beneficiaries of transfers (in 2021, they accounted for almost 90% of the total expenditure made by Trust Funds). To this end, it would be useful to:

- Disaggregate the main beneficiaries of Trust Funds transfers to the national public sector by entity and to the provincial/local public sector and the private sector by geographic location.
- Identify the main projects financed with Trust Fund resources, as instructed in ONP spreadsheets.
- Trustees or management committees and National Public Sector entities that receive transfers from Trust Funds must report on the goals and physical execution of expenditures made with financing from the Trust Funds.
- Trustees should systematically report the physical goals of the financial investments they make (e.g., loans and guarantees granted that together with other financial investments account for more than double the total expenditure).

In summary, one of the challenges for this segment of the public sector is to consolidate an information system for Trust Funds, among other aspects, committing the participation of grantors in providing information on the fulfillment of the goals and objectives of the public policy that gave rise to each Trust Fund and strengthening the role of SIFEP, in order to monitor and review its performance on a homogeneous and updated basis of physical and financial data.

The economic and budgetary importance of this institutional sector merits making the necessary efforts to increase transparency and understanding of the use of the allocated budget resources. In this sense, an appropriate mechanism could be to reestablish the original concepts of Law 25,917 on Fiscal Responsibility so that the General Budget Laws include Trust Funds, in addition to the centralized and decentralized administration and Social Security institutions. In such a case, mechanisms that provide greater flexibility in budget execution should be considered.



Finally, it should be noted that the creation of new Trust Funds financed with budget funds or tax resources requires a thorough and detailed analysis of whether the public policy objective pursued cannot be achieved with traditional budget execution mechanisms or with other complementary mechanisms that guarantee the executor the resources without the need to structure a new legal entity.

In any case, the role of the control agencies and their capacity to ensure that the rules and regulations applicable to Trust Funds are complied with will be decisive. There is no point in establishing new rules and regulations that in theory seem appropriate to improve the performance of Trust Funds if there is a risk of non-compliance that will deepen the gap between the formal institutional framework and the actual functioning of government organizations.

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## Annex I. Trust Funds included in the 2021 National Government Financial Report (in existence as of December 2022)

Trust Funds included in: 2021 National Government Financial Report and  2022/23 Budgets	GRANTOR: Agency  TRUSTEE	Creation Brief Description of the Purpose of the Trust Fund Sources of Financing  Management and Administration
Trust Fund for Provincial Development Executive Order 286/95	SECRETARIAT OF TREASURY, MINISTRY OF ECONOMY  TRUSTEE: <i>BANCO DE LA NACIÓN ARGENTINA</i>	<p>Creation: Executive Order 286/95 with an extended term until February 27, 2025.</p> <p>Purpose: a) To assist the provinces or municipalities in the privatization of financial entities or other companies. b) To finance fiscal, financial, economic, or administrative reform programs of the provinces. c) To assist and finance programs that include the reorganization of the debts of provincial governments, their restructuring or cancellation. d) To assist and finance development programs, improve efficiency, increase the quality of services, and strengthen the sectors of the real economy, education, justice, health, and security in general.</p> <p>Financing: It was created with the assets defined in the Trust Agreement. It can acquire rights and incur obligations. In turn, it is financed with property income (interest on financial investments, including loans granted to provinces).</p> <p>Management Committee: consisting of three members appointed by the MINISTRY OF ECONOMY, one of whom will act as Executive Director and will be responsible for the technical and administrative coordination of the Committee's activities.</p>
Federal Trust Fund for Regional Infrastructure Law No. 24,855	MINISTRY OF INTERNAL AFFAIRS  TRUSTEE: <i>BANCO DE LA NACIÓN ARGENTINA</i>	<p>Creation: Law No. 24,855 (July 1997)</p> <p>Purpose: To assist the provinces and the National Government in the financing of economic and social infrastructure works, and to create a special reserve within the <i>Banco Hipotecario Nacional</i> to constitute a credit line to finance up to 95% of the housing units.</p> <p>Financing: The assets of the fund will be comprised of a) the shares of <i>Banco Hipotecario S.A.</i> and the proceeds from their sale, except for those shares retained by the national government; b) the resources assigned by the national government, the provinces, and international organizations. At present it is mainly financed by property income (interest) from loans granted to the provinces.</p>

Trust Funds included in: 2021 National Government Financial Report and  2022/23 Budgets	GRANTOR: Agency  TRUSTEE	Creation Brief Description of the Purpose of the Trust Fund Sources of Financing  Management and Administration
		Board of Trustees: Composed of 7 members proposed by the Ministry of Internal Affairs, one of them appointed by the Board of Governors of the Federal Investment Council (CFI) and one by the Argentine Chamber of Construction (CAC).
Trust Fund for Federal Electric Transportation	MINISTRY OF ECONOMY  Federal Electricity Power Council  TRUSTEE:  <i>BANCO DE LA NACIÓN ARGENTINA</i>	Creation: Resolution 657 of the former Secretariat of Energy 12/03/1999  Purpose: To contribute to the financing of works identified by the Secretariat of Energy as an expansion of the high voltage electric power transmission system for the supply of demand or the interconnection of electric regions to improve the quality or safety of the demand.  Financing: Section 74 of Law 25,401 of the 2001 Budget provides for an increase of ARS 0,0006, to be used for the financing of financeable works.  Management Committee: composed of three members, a President, who is the Secretary of Energy or whoever he/she appoints as Executive President, one member appointed by the Secretariat of Energy, and one member appointed by the Federal Electricity Power Council.
Trust Fund of the Transportation Infrastructure System  Executive Order No. 976/01	MINISTRY OF TRANSPORTATION  TRUSTEE:  <i>BANCO DE LA NACIÓN ARGENTINA</i>	Creación: Executive Order 976/01.Executive Order 850/2017  Purpose: Payment of compensation to road concessionaires, development of national road infrastructure, cover obligations under PPP contracts, ensure the availability of resources for the payment of compensation to the passenger motor transportation system.  Financing: Created the tax on diesel oil, earmarked for the development of infrastructure projects or for the elimination or reduction of existing tolls. It is also funded with the earmarking of such tax and with budgetary transfers from the National Government.  Management: The Ministry of Transportation as Enforcement Authority, will instruct, by itself or through the body it appoints, the trustee to make each of the transfers of funds within the framework of the Transportation Infrastructure System (SIT).

Trust Funds included in: 2021 National Government Financial Report and  2022/23 Budgets	GRANTOR: Agency   TRUSTEE	Creation Brief Description of the Purpose of the Trust Fund Sources of Financing  Management and Administration
Water Infrastructure Trust Fund  Executive Order No. 1.381/01	MINISTRY OF PUBLIC WORKS  TRUSTEE: <i>BANCO DE LA NACIÓN ARGENTINA</i>	<p>Creation: Executive Order No. 1381/01</p> <p>Purpose: Financing of water infrastructure works, payment of tariff compensations.</p> <p>Financing: It created the water infrastructure tax, earmarked specifically for the development of infrastructure projects of water works for the recovery of productive lands, flood mitigation in rural areas and drainage and protection of road and railroad infrastructure in rural and periurban areas or compensations for tariff reductions to concessionaires that perform dredging and maintenance of navigable waterways. It is also financed with budgetary transfers from the National Government.</p> <p>Management: It shall be managed by the TRUSTEE, with the sole and irrevocable purpose set forth in Executive Order No. 1,381, in accordance with the instructions given by the MINISTRY OF PUBLIC WORKS or whoever the latter may appoint in its stead.</p>
Trust Fund for Subsidies to Residential Natural Gas Consumption  Law No. 25,565	MINISTRY OF ECONOMY  Secretariat of Energy  TRUSTEE: <i>BANCO DE LA NACIÓN ARGENTINA</i>	<p>Creation: Section 75 Law No. 25.565 (Dic/2001). Regulated by Executive Order 786/2002</p> <p>Purpose: To finance a) the tariff compensations for the Patagonian Region, Department of Malargüe of the Province of Mendoza and the Region known as "Puna", that the distributors or sub-distributors of natural gas and liquefied petroleum gas for residential use shall receive for the implementation of differential tariffs for residential consumption and b) the sale of cylinders, gas bottles or liquefied petroleum gas, propane gas sold in bulk and others, in the above mentioned regions, departments and provinces. Through Law No. 27,637 of the cold zone regime, the geographical scope of beneficiaries is extended.</p> <p>Financing: A surcharge of up to 7.5% on the price of natural gas at the point of entry to the transportation system was created for each cubic meter of 9,300 kilo calories, earmarked to the Fund.</p> <p>Management: It shall be managed by the TRUSTEE, with the sole and irrevocable purpose set forth in Executive Order 786, in accordance with the instructions given by the Secretariat of</p>

Trust Funds included in: 2021 National Government Financial Report and  2022/23 Budgets	GRANTOR: Agency  TRUSTEE	Creation Brief Description of the Purpose of the Trust Fund Sources of Financing  Management and Administration
		Energy, under the Ministry of Economy or whoever the latter may appoint in its stead
Trust Fund for Subsidies to Residential LPG Consumption  Law 26,020  <i>Hogares con Garrafa</i> Program (HOGAR)	MINISTRY OF ECONOMY  Undersecretary of Hydrocarbons  TRUSTEE:  <i>BICE Fideicomisos S.A.</i>	Creation: Law 26,020 of April/2005. Executive Order No. 470 of April 2015 creates the Regulatory Regime for the Industry and Commercialization of Liquefied Petroleum Gas - <i>Hogares con Garrafa</i> (HOGAR) Program and regulates Sections 44, 45 and 46 of Law 26,020.  Purpose: To apply the funds to subsidies directed to low-income households and to the compensation of LPG producers. To effectively guarantee access to bottled Liquefied Petroleum Gas (LPG) at differential prices for low-income users throughout the national territory.  Financing: It is financed with budgetary transfers from the National Government.  Management: It shall be managed by the TRUSTEE, with the purpose established in Executive Order 470, in accordance with the instructions given by the Secretariat of Energy, under the Ministry of Economy or whoever the latter may appoint in its stead, in its capacity as Enforcement Authority.
Trust Fund for the Promotion of Science and Technology (FONCyT)	MINISTRY OF SCIENCE, TECHNOLOGY, AND INNOVATION  TRUSTEE:  <i>BANCO DE LA NACIÓN ARGENTINA</i>	Creation: Law No. 23,877 of September 1990.  Purpose: Financial and non-financial promotion of scientific-technological activities, subject to budgetary provisions, contributions from the Treasury or genuinely arising from the implementation of this law and awarded with interest-free repayment. Fiscal and special promotion: those created, temporarily or permanently, and which are not covered in the previous categories, including those that may be awarded without repayment charge.  Financing: Transfers from the National Government Budget.  Management: Ministry of Science, Technology, and Innovation and through the National Agency for Scientific and Technological Promotion.

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Trust Fund for the Recovery of the Sheep Farming (FRAO)  Law No. 25.422	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES  TRUSTEE:  <i>BANCO DE LA NACIÓN ARGENTINA</i>	Creation: Law No. 25,422 of May 2001. Executive Order 1031/2002  Purpose: To cover disbursements derived from the implementation of the regime established by law for the recovery of sheep farming.  Financing: Resources from the annual budget appropriations of the National Treasury, donations, contributions from international and provincial organizations and producers, the recovery of credits granted under the FRAO and funds from the penalties imposed.  Technical Advisory Commission of the Regime for the Recovery of Sheep Livestock (CAT): Chaired by the Secretary of Agriculture, Livestock, Fisheries and Food and composed of the national coordinator of the regime and the following members: one from the National Institute of Agricultural Technology; one from the Agricultural Health and Quality Service; one from the Secretariat of Agriculture, Livestock, Fisheries and Food, one from each of the provinces joining the present regime and one from the producers of each province joining the regime.
Mortgage Refinancing Trust Fund  Law No. 25.798	MINISTRY OF ECONOMY  TRUSTEE:  <i>BANCO DE LA NACIÓN ARGENTINA</i>	Creation: Law No. 25,798 of November 2003. Section 12 of Executive Order 1284/03  Purpose: To implement the Refinancing System for Mortgage Loans contracted prior to the effective date of the Convertibility Law.  Financing: property income (interest) from mortgage refinancing.  Management Committee: Composed of four members appointed by the Minister of Economy: one representative of <i>Banco de la Nación Argentina</i> (BNA), one representative of the Ministry of Social Development, one representative of the Legal and Administrative Secretariat and one representative of the Secretariat of Finance, both of the Ministry of Economy.
Social Capital Trust Fund (FONCAP)	MINISTRY OF ECONOMY	Creation: Executive Order No. 675/97  Purpose: to promote the development of the low-income microenterprise sector at the national

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Executive Order No. 675/97	<i>Secretariat of Finances</i>  <i>TRUSTEE:</i>  <i>FONCAP SA</i>	level, with special attention to the specific characteristics of each region.  Financing: from transfers from the National Budget and from property income (interest) from loans granted.  Board of Directors: The management of the Company will be under the responsibility of a Board of Directors composed of a number of members to be determined by the General Meeting between a minimum of NINE (9) and a maximum of THIRTEEN (13). Class A shares shall entitle to elect FOUR (4) members of the Board of Directors. Class A shares shall entitle to appoint the President and the Executive Vice President of the Company.
Universal Service Trust Fund Argentina Digital  Law No. 27.078	OFFICE OF THE CHIEF OF CABINET OF MINISTERS  TRUSTEE:  <i>BICE Fideicomisos S.A.</i>	Creation: Law No. 27,078 of Dec. 2014  Purpose: Universal provision of ICT services, ensuring their access in conditions of quality, affordability and at fair and reasonable prices, regardless of their geographic location.  Financing: investment contributions from ICT services licensees equivalent to 1% of the total revenues accrued from the provision of ICT Services, donations, or legacies, and from property income (interest) from financial investments.  Enforcement Authority: National Communications Entity
Trust Fund of the Bicentennial Argentine Credit Program for single family housing (Pro.Cre.Ar)  DNU NO. 902/12	MINISTRY OF TERRITORIAL DEVELOPMENT AND HABITAT  TRUSTEE:  <i>Banco Hipotecario S.A.</i>	Creation: DNU No. 902/12  Purpose: To provide access to housing for the population and the generation of employment as economic and social development policies.  Financing: transfers from the National Government Budget and property income (interest) from loans granted.  Executive Committee: Composed of the heads of the Ministry of Territorial Development and

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		Habitat, the Ministry of Economy, the Ministry of Productive Development, the Ministry of Public Works, the Ministry of Internal Affairs, and the National Social Security Administration (ANSES). The Presidency of the Committee shall be held by the Ministry of Territorial Development and Habitat and the Vice-Presidency by ANSES.
Social Housing Trust Fund  Section 59-Law No. 27,341	MINISTRY OF TERRITORIAL DEVELOPMENT AND HABITAT  TRUSTEE:  <i>BICE Fideicomisos S.A.</i>	Creation: Section 59 Law No. 27,341 of December 2016. Regulated by Resolution 38/2019 of the Secretariat of Housing  Purpose: To finance current social housing and basic infrastructure programs.  Financing: Public funds from the National Government Budget, private sector and international, multilateral, or trilateral organizations.  Management Committee: composed of the Minister of Territorial Development and Habitat, the Secretary of Habitat, and the Undersecretary of Housing and Infrastructure Policies.
Trust Fund for the Development of Entrepreneurial Capital (FONDCE).  Law No. 27.349	MINISTRY OF PRODUCTIVE DEVELOPMENT  TRUSTEE:  <i>BICE Fideicomisos S.A.</i>	Creation: Law No. 27,349 of April 2017, regulated by Executive Order No. 711/17.  Purpose: To finance ventures and entrepreneurial capital institutions registered as such. To grant financing to micro, small and medium-sized enterprises.  Financing: transfers from the National Government Budget.  Management Committee: Composed of three members appointed by the Ministry of Productive Development, including the head of the Enforcement Authority, a representative of the Ministry of Science, Technology and Productive Innovation and a representative of the Ministry of Agroindustry.
Productive Development Trust Fund (FONDEP) former FONDEAR	MINISTRY OF PRODUCTIVE DEVELOPMENT	Creation: Law No. 27,431 Dec 2016  Purpose: To facilitate access to the necessary financing for projects that promote investment in



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Section 56-Law No. 27,431	TRUSTEE:  <i>BICE Fideicomisos S.A.</i>	strategic sectors for the economic and social development of the country, the implementation of activities with high technological content and the generation of greater added value in regional economies.  Financing: transfers from the National Government Budget.  Management Committee: Composed of two permanent and two alternate representatives of the Ministry of Productive Development and an AD HOC representative, only in those cases in which the specificity of the matter to be dealt with so requires.
Airport Security Infrastructure Trust Fund  DNU No. 1,334	MINISTRY OF TRANSPORTATION  TRUSTEE:  <i>BANCO DE LA NACIÓN ARGENTINA.</i>	Creation: DNU No. 1334 of August 2014  Purpose: Comprehensive development of airport security and airport security infrastructure projects at aerodromes throughout the country.  Financing: property income (interest) from financial investments.  Management: The National Civil Aviation Administration (ANAC), the Undersecretary of Aero commercial Transportation and the Regulatory Body of the National Airport System (ORSNA) shall coordinate the method for prioritizing actions to improve airport security infrastructure to be financed with resources from the Trust Fund.
National Agroindustry Trust Fund (FONDAGRO).  Law No. 27,341	SECRETARIAT OF AGRICULTURE, LIVESTOCK AND FISHERIES  TRUSTEE:  <i>BICE Fideicomisos S.A.</i>	Creation: Section 72 of Law No. 27,431 of Dec. 2016.  Purpose: To encourage, promote and develop, through the actions deemed most efficient, the agro-industrial sector; plant, animal and food health and quality; territorial development and family agriculture; pure and applied research and its extension in agricultural and fishing matters; and regional or provincial productions in the different regions of the country.  Financing: contributions from the Treasury through the National Government Budget and property income (interest) on financial investments.

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		Executive Committee: Composed of the head of the Secretariat of Agriculture, Livestock and Fisheries of the Ministry of Economy, as chairman, and the heads of the following Undersecretariats: -Agriculture, -Family, Peasant, and Indigenous Agriculture, -Food, Bioeconomy and Regional Development, -Administrative Management and -Agricultural Markets, all of the aforementioned Secretariat, and by a representative appointed by the Secretariat's head.
Trust Fund for Universal Health Coverage  DNU No. 908	MINISTRY OF HEALTH  TRUSTEE:  <i>BANCO DE LA NACIÓN ARGENTINA.</i>	Creation: Section 4 of DNU 908 of August 2016.  Purpose: To finance the Universal Health Coverage (CUS) strategy with the purpose of: Identification, standardization, and documentation of beneficiaries of the CUS; To improve the social determinants of health; Development, equipment, and enhancement of public health effectors; Strengthening and modernization of the public health sector. Primary Health Care Actions. Development and optimization of Integrated Health Services Networks. Improvement of the quality of health services. Strengthening of human resources in the Health Sector. Health promotion and protection and preventive medicine activities.  Financing: initial earmarking of the solidarity redistribution fund.  Executing Unit: Composed of six members, two appointed by the Ministry of Health, two by the Superintendence of Health Services, a decentralized body within the scope of the Ministry of Health, and two by the General Confederation of Labor.
Renewable Energy Development Trust Fund "FODER"  Law No. 27,191	MINISTRY OF ECONOMY  TRUSTEE:	Creation: Law No. 27,191 of October 2015  Purpose: Granting of loans, the making of capital contributions and acquisition of any other financial instrument intended for the execution and financing of eligible projects to make viable the acquisition and installation of capital goods or the manufacture of goods or infrastructure works, within the framework of electric energy production undertakings from renewable sources.  Financing: resources from the National Treasury, specific charges on energy demand, recovery of

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	<i>BICE Fideicomisos S.A.</i>	capital and interest on loans granted, dividends or profits received from participation in projects, among others.  Executive Committee: Composed of the Secretary of Electric Energy; the Secretary of Finance and the President of the <i>BANCO DE INVERSIÓN Y COMERCIO EXTERIOR</i> or the entity that replaces it in the future as trustee.
Trust Fund for the Distributed Generation of Renewable Energies (FODIS)  Section 16-Law No. 27,424	MINISTRY OF ECONOMY  TRUSTEE: <i>BICE Fideicomisos S.A.</i>	Creation: Section 16 of Law 27,424 Dec. 2017  Purpose: Granting of loans, incentives, guarantees, the making of capital contributions and acquisition of other financial instruments, all of them aimed at the implementation of distributed generation systems from renewable sources.  Financing: resources from the National Government Budget and property income from financial investments.  Enforcement Authority: Undersecretariat of Renewable Energies and Energy Efficiency.
Argentine Guarantee Fund (FOGAR) former FOGAPYME  Section 8-Law No. 27.444	MINISTRY OF PRODUCTIVE DEVELOPMENT  TRUSTEE: <i>BICE Fideicomisos S.A.</i>	Creation: Section 8 of Law No. 27,444.  Purpose: To grant guarantees in support of those issued by reciprocal guaranteed companies, and to offer direct and indirect guarantees, in order to improve the conditions of access to credit for persons developing economic or productive activities in the country.  Financing: transfers from the Treasury through the National Government Budget and recovery of capital and interest on financial investments.  Management Committee: Composed of three members, one member proposed by the Ministry of Production, one member proposed by the Secretariat of Entrepreneurs and Small and Medium Enterprises of the Ministry of Production, and one member proposed by <i>Banco de Inversión y Comercio Exterior SA</i> , who shall be appointed by the Enforcement Authority. The Presidency will

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		be exercised by the representative of the Ministry of Production.
PPP Trust Fund for the Highway Network and Safe Routes (PPP RARS)  Laws No. 27,328 and 27,431	MINISTRY OF PUBLIC WORKS  TRUSTEE: <i>BICE Fideicomisos S.A.</i>	Creation: Section 60 – Laws 27,328 and 27,431  Purpose: PPP Trusts or Individual PPP Trusts are created as management, financial, payment and guarantee trusts to finance the execution of works in the national highway and road network.  Financing: Recovery of capital and interest on financial investments.  Management: National Directorate of Roads
Trust Fund for the Environmental Protection of Native Forests  Section 53-Law No. 27.431	MINISTRY OF ENVIRONMENT AND SUSTAINABLE DEVELOPMENT  TRUSTEE: <i>BICE Fideicomisos S.A.</i>	Creation: Section 53 of Law No. 27,431 Dec. 2016  Purpose: To administer the National Fund for the Enrichment and Conservation of Native Forests created by Law 26,331 and to implement measures related to the protection of forests, for the reduction of greenhouse gases in compliance with Law 26,331.  Financing: Resources provided for in Section 31 of Law 26,331 and with the funds raised within the framework of Law 27,270. Transfers from the National Government Budget.  Executive Committee: Composed of: (i) the Minister of Environment and Sustainable Development, as President; (ii) the Secretary of Environmental Policy on Natural Resources; (iii) the Undersecretary of Administrative Management and (iv) a representative appointed by the General Meeting of the Federal Council of the Environment (COFEMA).
Property regularization system for socio-urban integration Trust Fund  Section 13-Law No. 27,453	MINISTRY OF ENVIRONMENT AND SUSTAINABLE DEVELOPMENT  TRUSTEE:	Creation: Section 13-Law 27,453 came into effect in 2021.  Purpose: To hold in trust all the real properties identified in the RENABAP and those necessary or convenient for the implementation of socio-urban integration actions, including those owned by the National Government and those owned by the provinces and municipalities and expressly ceded for such purpose, in order to include them in the Property Regularization Regime for

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	<i>BICE Fideicomisos S.A.</i>	<p>Socio-Urban Integration.</p> <p>Financing: Treasury contributions through the National Government Budget, funds from international organizations and NGOs, income from legacies and donations, public credit operations, among others.</p> <p>Executive Committee: Composed of the head of the Secretariat for Socio-Urban Integration, the head of the Coordination of Territorial Management, the head of the National Directorate of Urban Development, a representative of the Ministry of Social Development and a representative of the Agency of State Property Management, under the Office of the Chief of Cabinet of Ministers.</p>
<p>Trust Fund for Direct Assistance to Victims of Human Trafficking.</p> <p>Law No. 26,364</p>	<p>MINISTRY OF JUSTICE AND HUMAN RIGHTS</p> <p>TRUSTEE:</p> <p><i>BICE Fideicomisos S.A.</i></p>	<p>Creation: Law No. 27,508.</p> <p>Purpose: Direct assistance to victims of the crime of trafficking and exploitation of persons.</p> <p>Financing: National Government Budget. In addition, the agencies created for the implementation of the law of creation may be financed with resources from international cooperation agreements, donations, or subsidies.</p> <p>Executing Unit: In charge of the head of the Undersecretariat of Criminal Policy of the Secretariat of Justice under the Ministry of Justice and Human Rights.</p>
<p>National Fire Management Fund</p> <p>Section 30 Law No. 26,815</p>	<p>MINISTRY OF ENVIRONMENT AND SUSTAINABLE DEVELOPMENT</p> <p>TRUSTEE:</p> <p><i>BICE Fideicomisos S.A.</i></p>	<p>Creation: Section 30 of Law No. 26,815.</p> <p>Purpose: To hire, train and coach temporary personnel to extinguish forest and rural fires; to execute the necessary infrastructure works for a better prevention and control of fires; for expenses required for the operation of the Federal Fire Management System and to pay for the logistics to extinguish fires.</p> <p>Financing: Among the resources received by the Fund is a mandatory contribution of 0.3% of insurance premiums, except for life insurance, which is paid by insurance companies.</p>

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		Executive Committee: Composed of the Minister of the Environment and Sustainable Development, the Secretary of Environmental Control and Monitoring, and the Undersecretary of Administrative Management of the Ministry.
Trust Fund for the Promotion of the Knowledge Economy (FONPEC)  Section 18 Law No. 27,506	MINISTRY OF PRODUCTIVE DEVELOPMENT  TRUSTEE:  <i>BICE Fideicomisos S.A.</i>	Creation: Section 18 of Law No. 27,506  Purpose: To finance training and education to strengthen the activities referred to in the law, to support productive investments, to finance working capital, to promote the development of environmentally sustainable companies, to foster the international commercial insertion of companies, productive innovation activities and new undertakings, being the target micro, small and medium-sized companies and new undertakings within the framework of the sectors and activities promoted in this promotion scheme.  Financing: Resources allocated annually through the National Government Budget Law or other laws; funds provided by national, provincial, Autonomous City of Buenos Aires, international or non-governmental organizations.  Management Committee: Composed of representatives of the competent bodies in the matter, in accordance with the terms and conditions set forth in the regulations. It shall be chaired by the enforcement authority of this promotion scheme, with a rank and hierarchy no lower than Secretary.

### **OPC Publications**

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This report does not contain binding recommendations.

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Hipólito Yrigoyen 1628. Piso 10 (C1089aaf) CABA, Argentina.  
T. 54 11 4381 0682 / [contacto@opc.gob.ar](mailto:contacto@opc.gob.ar)  
[www.opc.gob.ar](http://www.opc.gob.ar)