

Entrepreneurship Management at the Local Government Level: The Experience of the Cities for Entrepreneurs Program

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Abstract: This paper aims at describing the experience of the Cities for Entrepreneurs Program (*Ciudades para Emprender* or CPE) of the National Directorate of Community and Human Capital (which belongs to the SEPYME), National Ministry of Production.

This paper starts from the premise that entrepreneurship takes place at the most micro level of the offer and, therefore, is a concept associated with the characteristics of the environment closest to that offer: the local territory. However, there is little history in the country of public policies relating the issue of entrepreneurship with the local management. That is why we take as a starting point the conceptualization of the chosen framework: local governments and the development issue, seen from the perspective of entrepreneurship. Moreover, an overview is given on the structural characteristics of municipalities in Argentina. In addition, some international experiences and attempts to promote entrepreneurship at a national level are analyzed. Finally, the Cities for Entrepreneurs Program (CPE) is outlined, based on a summary of the diagnoses of the Entrepreneurial Ecosystems of the selected cities and the tools used and their execution status at the time of publication of this paper.

Key words: entrepreneurial ecosystem; municipality; reflexive actors; dynamic entrepreneurship

JEL codes: O21

“...The purpose of influencing development forces is very vast in time and extent. It not only requires the transformation of structures, but also changes in attitudes, perspectives and ways of acting. But, will changes be achieved in our countries? Asking this often involves a sense of skepticism that discourages action. We must inevitably try to do it, because there is no other solution. There is no solution by means of the single forces of the market, foreign private investment and a detached State” (Prebisch, 1963)

1. Why Work with Local Governments

When we speak of “territory”, the geographical place of the community and of the companies, we understand that it is set, according to Rullani (1997), as the premise and result of the dynamics of localized learning. Due to the globalization phenomenon, the territory is no longer a closed entity, but a space which allows better optimize

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the absorption of knowledge provided by the world and participate in the generation of global knowledge, based on the relationships network and the interaction between agents. The territory becomes, in other terms, the place of production of specific knowledge (contextual knowledge) and mechanisms of social interaction (networks of interpersonal relationships, values, trust, reciprocity) (Garofoli, 2009). The territory is thus, finally, a complex sociocultural construction: the set of human, social, technological, infrastructure resources, and the relationships that appear between them. The territory is also the result of power relationships.

Now, in the “closed territory” there was a certain balance between tradition and modernization, between the interior of a country and abroad, between contextual knowledge and codified knowledge; in the “open territory”, this process suffers constant disturbances, related to the instability of the relationship with foreign countries. It is about redesigning the local identity (or identities). In this “local” concept, it is clear that interpretive communities no longer respond to the local concept only due to the current time-space convergence (Narodowski, 2007). The decrease in the time necessary to establish a communication between different places allows individuals from different parts of the world to establish links of different types, in addition to the still important geographical proximity.

That is why it becomes necessary to empower local governments when defining the direction of public policies. This does not mean that national States are no longer necessary. In peripheral countries, above all, they continue to play a central role in the “governance” of space. The city has a key role in governing the local-regional level, but still as an instrument of the national State: the city might autonomously exert pressure on it, but cannot ignore it (Brenner, 2003). That is to say, the willingness to extend the powers of local governments should not be confused with their independence. Local policies should follow those national policies which include them, from a spatial point of view first, and then based on the importance of complementation. In this sense, local development is not an exclusive task of the local government and must complement (and be complemented by) a national policy.

It would be desirable that this pressure exerted by local governments emerge from a network of innovative processes, starting from a thorough thinking and adding significant growth to the productivity of the PBG¹. However, many times, “good” local governments seem to be the ones that get the most, not the ones with the best generation conditions.

Despite this, the economy increasingly needs to rely on artificial advantages, not even on natural advantages, but on the combination of natural advantages, learning in organizational processes and appropriate interpretations and adaptations to increasingly changing contexts; this is when the quality of government and local institutions becomes relevant, the economic impact of knowledge and social values, “complex territoriality”(Quetglas, 2016).

Local development responds to a “multidisciplinary space of thinking” (Quetglas, 2016) about the relations between territorial environment and development and an approach to public policies aimed at generating conditions for the construction of citizenship in a given territory by using tools to increase economic competitiveness, social cohesion, environmental sustainability and innovative and adaptive capacity.

Local actors must self-reflexively develop means to interpret global processes; they do it based on their history, which can be re-formulated by interpretive communities. These (not only of local origin) can provide a context to help, through discourses and explanations, understand reality; and thereafter, they may be able to reach agreements and strengthen relationships of trust or implicit agreement (Narodowski, 2007). This ability to

¹ Geographical Gross Product.

reinterpret and focus on new points of development is only achieved through a sustainable entrepreneurial attitude.

In order to support a new urban leadership, the National State should, at least, undertake the commitment of delegating certain power to subnational levels. The effective adoption of community leadership suggests that local governments have an important range of autonomy and drive. Compared to the central level, this area can respond more flexibly to opportunities, better understand local needs and articulate inter-institutional actions more effectively (as the subsidiarity criterion states). And it would not be unreasonable to even think of some local “leaderships”. As Perroux (1950) stated, “the fact, harsh but solid, is this: growth does not appear everywhere at once; it manifests in points or poles, with varying intensities; it is spread through different channels and with variable terminal effects for the economy as a whole”. In the macro context, this process has been concentrated with globalization, to the point that the economic power lies in a few metropolitan areas from which the control and direction of the world economy is exercised, what Saskia Sassen called “Global Cities”.

As the fate of communities is not predetermined, local actors can exercise influence and retain the option to react to changes in the global economy, but from their own economic starting point. For this reason, cities unquestionably take on a new leading role, with an ever-increasing tendency for them to be the center of decision-making, of their own strategies, of innovative policies, the creators of commercial relationships, point-to-point, without provincial or national jurisdictions acting as intermediaries (Batley, 1998; Daughters, 1998; Madoery, 1997), as if moving from the national project to the local one, aiming at referencing and identifying the closest and most controllable future projects. “A kind of ‘new feudalism’ for the decentralized and ‘micro’ tendencies, but where the city would not be closed in on itself, encapsulated politically, economically and culturally, but connected in an innovative way and instantly with the world: the local level with the global level” (García Delgado, 1997).

2. Implementation Context of the Program: Number of Municipalities, Population and Fiscal Diversity

In Argentina, territorial division into “local jurisdictions with authorities elected by local residents” (Vapñarsky, 2004), identified as “municipalities”, “communes”, “boards”, and the like, differs from one province to another. As a result of provincial autonomy, each of the 24 provincial governments defines the limits of their municipalities through a municipal organic law or charter, which specifies the general characteristics of municipalities.

According to the 2010 census, there are 2,279 local governments in the Argentine Republic today². Excluding the Autonomous City of Buenos Aires (CABA), the national average is one municipality per 15,059 people. In order to establish comparatively the situation in the whole country, Figure 1 compares the average population of the municipalities of each province and its relationship with the national average.

The same disparity that exists between provinces is repeated internally in each of them, in general with stronger extreme values. This is due to the large concentration of population in provincial capitals or in the main city and its nearby municipalities, and the existence of a very large number of municipalities in small urban

² Source: http://www.indec.gov.ar/nivel4_default.asp?id_tema_1=1&id_tema_2=15&id_tema_3=25 “Gobiernos locales por categorías, según provincias. Total del país. Año 2014” (Local Governments by Categories, perProvince. Total Number in theCountry. Year 2014) INDEC

centers. At present, most of the local governments (almost 80%) have less than 10,000 people.

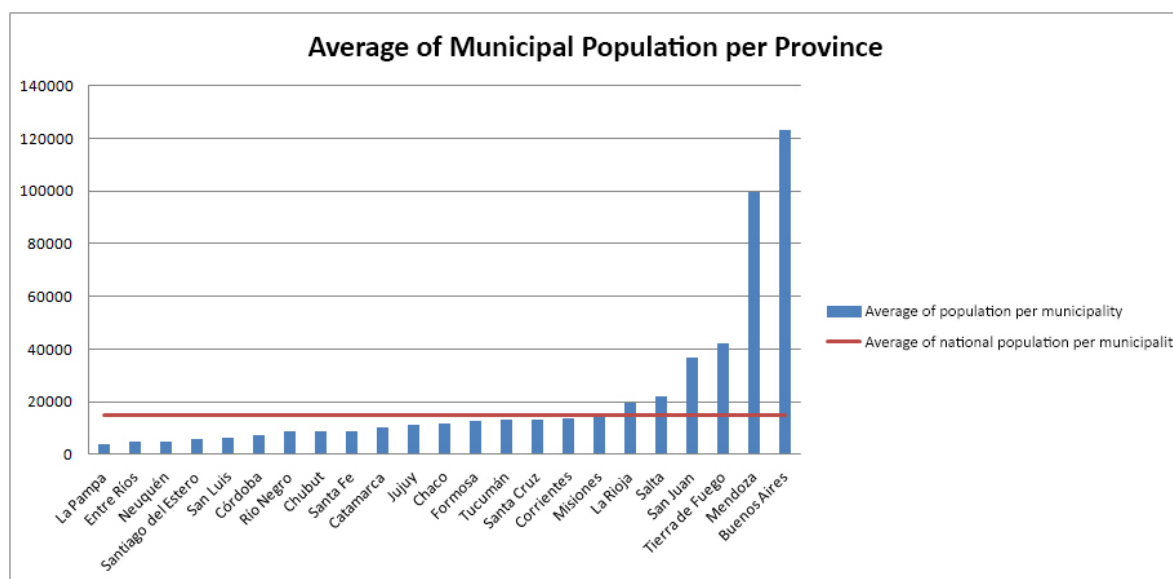


Figure 1 Average of Municipal Population per Province

Source: Compiled by authors based on data from INDEC

This means that the definition of municipal competence (what the municipality can and should do) must consider the large size differences existing in Argentine municipalities³. Municipal management in large urban conglomerates (Gran Buenos Aires, Gran Rosario, Gran Córdoba, Gran Mendoza and Gran Tucumán) divided into a few municipalities that concentrate the largest proportion of the national population; the problem of medium-sized cities, often surrounded by a rural area; and the administration of small local governments (almost 50%) with less than 2,000 people, many of them located far from other urban centers, constitute three large groups that require creative tools according to their size” (Iturburu, 1999).

The fiscal situation is added to the population differences: The municipal co-participation regimes determine the distribution of resources between the provinces and their municipalities. In most of the provinces they have a constitutional hierarchy: the respective constitutions state that municipal revenues are composed of resources coming from the Nation (especially by virtue of the Law of Federal Co-participation No. 23,548) and from the relevant province. And they state that a specific law determines its application (DNCFP, 1999). The resources received by municipalities (as well as those of the provinces) are distributed according to a primary distribution (which sets the total percentage allocated to municipalities) and a secondary distribution (which establishes how or based on which criteria it is divided among municipalities). In general, this allocation is based on devolution criteria, that is to say, in proportion to the population, to the collection of certain provincial taxes in the common land, etc.

Table 1 shows the total number of tax resources available to the five jurisdictions that collect the highest proportion of provincial taxes and, in turn, generate three quarters of the GDP.

Table 1 Distribution of Provincial Revenue for Year 2006 (in Percentages)

³ We consider local governments with less than 10,000 people as “small”, those with a population between 10,000 and 250,000 as “medium”, and those with a population greater than 250,000 as “large”.

Province	Tax Resources		Geographical Gross Product	
	% of total	% accumulated	% of total	% accumulated
Buenos Aires	38.8	38.8	33.7	33.7
CABA	22.6	61.4	21.8	55.5
Santa Fe	6.9	68.3	8.1	63.6
Córdoba	6.8	75.1	8	71.7
Mendoza	3.6	78.8	4.2	75.8
19 remaining	21.2	100	24.2	100

Source: CEPAL, based on data provided by the National Directorate of Fiscal Coordination with the Provinces (Dirección Nacional de Coordinación Fiscal con las Provincias).

Table 2 Distribution of Provincial Revenue for Year 2016 (in Percentages)

Province	Tax Resources (*)	
	% of total	% accumulated
C.A.B.A.	28.4%	28.4%
BUENOS AIRES	19.8%	48.1%
CÓRDOBA	9.3%	57.5%
SANTA FE	9.1%	66.6%
MENDOZA	5.0%	71.6%
19 remaining	24.4%	100.0%

Source: Compiled by authors, based on data provided by the National Institute of Statistics and Censuses of the Argentine Republic (INDEC).

(*) It was not possible to measure the Geographical Gross Product for year 2016. It is believed that the numbers relations are similar to 2016.

The total provincial resources come from national co-participation, provincial taxes (gross income, real estate, stamps, automotive property) and royalties. In many provinces, a percentage of the co-participable mass is allocated to special funds for assistance to municipalities with eventual problems (which in some cases are refundable while in others they are not). There are also funds with specific destinations (investments in public works and equipment). Other forms of province-municipality relationship are the Provincial Treasury Contributions (ATP) which, like National Treasury Contributions (ATN), are discretionary resource allocations. There are provinces that guarantee a minimum level of transfers. There are also non-refundable funds and loans that usually end up becoming ATP. For the performance of public works some provinces execute agreements with their municipalities through which the former contribute the funds and the latter manage the works (DNCFP, 1999).

During the 1990s, the increase in revenue at a national level, in relation to GDP, occurred as a result of the tax reform, especially by the generalization of VAT (a clearly regressive tax), through the constant increase of its rate. VAT doubled its revenue and represented almost 7% of GDP and almost 40% of total resources, while the income tax, for example, accounted for about 2% of GDP and in some years, a bit more than that. After the crisis, there is a slight improvement in the relative share of the income tax. In addition, the ICDCB (Taxes on Credit and Debit in Bank Accounts) appears along with withholdings (which represented almost 2% of GDP since its first appearance, a percentage similar to the historical one). Provincial taxes, on the other hand, remained constant at approximately 2% of GDP.

The provincialization of the 1990s, on the other hand, consisted of the transfer of various services to a lower

political-administrative level and a very rigid provincial regulation. In many provinces, the greater provincial participation was not generalized towards municipalities. Municipal responsibilities were (and still are) scarce and many provinces have also limited the spending and indebtedness capacity of the lower levels of government. On the other hand, the municipal regime is still very old and questioned.

Although many municipalities acquired autonomy and the power to dictate their own organic charter (since the reforms of the provincial constitutions), most do not have any tax capacity to collect taxes (Manzanal, 2006). And those who have it, are limited to some taxes which were previously collected by the province, such as the municipalities of Córdoba (automotive property) Chaco, Salta, Santa Cruz and Tierra del Fuego (real estate and automotive property) and Chubut, which adds gross income tax to the other two. In any case, as the author suggests (Manzanal, 2006), tax capacity does not necessarily mean an increase in financial resources for municipalities, because they generally do not have adequate administrative structures to fulfill this role. In addition, this tax capacity in poor provinces (Chubut, Chaco) usually ends up being a decrease rather than an increase in resources (Smulovitz & Clemente, 2004). And although provinces have the freedom to decide the amounts that they transfer to municipalities, the difference of more than 5 times between one level and the other allows us to infer “the moderate reach obtained as a result of the decentralization of resources towards the municipal level” (Smulovitz and Clemente, 2004).

To assess the importance of the resources available to municipalities and, consequently, their greater or lesser economic autonomy, Cavarozzi (2005) worked with three indicators with average data from 1993, 1996 and 2003. His conclusion is that the municipalities of the province of Buenos Aires are the ones which register the greatest degree of autonomy. However, the difference between Buenos Aires and the rest of the provinces is very significant (extracted from Iturburu, 1999).

Cavarozzi (2005) also analyzed the importance of the decentralization of resources towards municipalities, in 5 selected provincial cases (Buenos Aires, Corrientes, Mendoza, Neuquén and Tucumán). To do this, he compared the type of taxes, their collection importance and their proportion which is shared with municipalities. The tax of greatest significance is, in all provinces, the gross income tax. This represents between 50% (Buenos Aires) and 77% (Neuquén) of the total provincial income. In relation to this tax, there are provinces that share it with their municipalities in full (Neuquén, 100%) and others that just share 5% (Corrientes).

Within this framework of great diversity of local governments, there is a constant factor: their responsibilities and obligations towards citizens are growing and the increase in the resources they manage is not proportional, and some reveal little capacity to generate them. In this sense, productive development is one of the new roles that the subnational level has tried to undertake, but it requires a serious and strategic process of decentralization of resources, competences and knowledge to be carried out.

3. An introduction to the Problematic of Entrepreneurial Development

The central focus of development is on local actors, and the entrepreneur is the first step of this process. The effort to start a business many times is extremely arduous and is carried out in adverse conditions. The creation of an enterprise is a difficult and demanding job (Aldrich et al., 2002), and often requires the emotional and also economic assistance of others, and this is why the entrepreneur seeks to rely on their social networks.

Entrepreneurs are people who often risk their own capital; they have gone through different experiences that deal with macroeconomic restrictions, social difficulties, distances and insufficiencies in infrastructure, despite

which they have not stopped. Good entrepreneurs channel their energy, assert themselves and grow to the extent that the knowledge they acquire in doing (or in academic processes) is transformed for them into an acquired capacity.

The State must therefore approach them to facilitate the transition from an idea or initiative to a process of economic structuring in order to allow them start a stable and productive business. Such approach must start from a territorial and local management to allow the State to empathize with entrepreneurs, be able to decode their (often) insistent claims, and design adjusted, pertinent, precise and effective responses.

William Baumol (1988, 1990), based on a study on the historical evolution of entrepreneurship and its impact on long-term growth, provides a causal explanation of how institutions affect it. He argues that inherited institutions are important because they create incentives that place entrepreneurship among productive activities such as innovation. In our country, this is the case, for example, of Rafaela, a city that grows based on institutions created by a proliferating base of Italian immigrants (Olivello de Neder, 2005). The articulation of trust networks and pure local bonds, created among the SMEs of Raphael, is striking.

The generation of networks (incorporating, for example, business chambers, government agencies, researchers or technical consultants, among others) allows for the incorporation of professionalism into the management of enterprises, capacity and quality in their presentations, knowledge of finance, technology that would otherwise be inaccessible or that allows for greater volume in less time. The association, therefore, should never be discarded; it is rather necessary to collaborate in the generation of bonds between the actors of a Local Entrepreneurial Ecosystem.

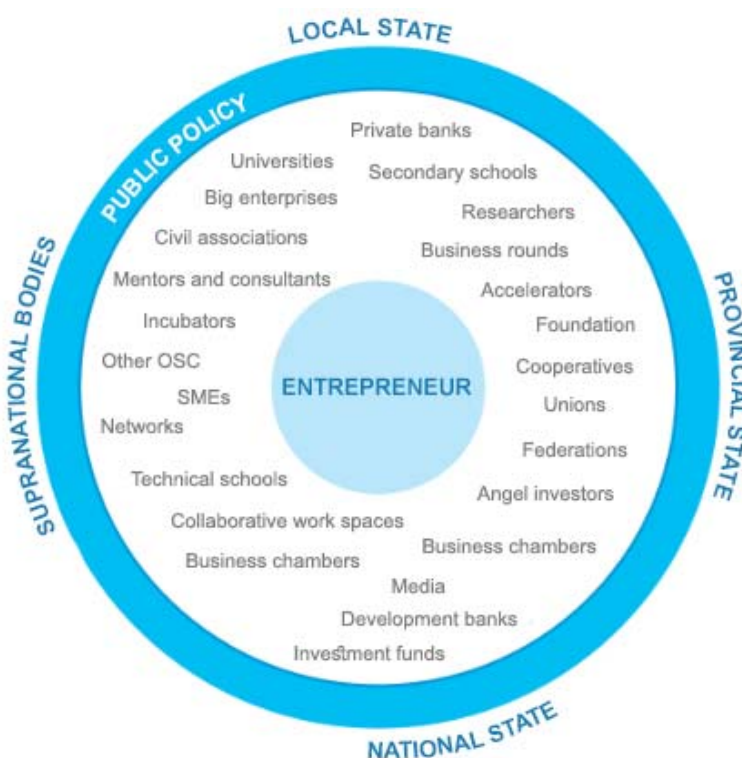


Figure 2 Entrepreneurial Ecosystem Model

Source: Compiled by authors

There is, however, some reluctance on the part of some entrepreneurs with a tendency towards

self-sufficiency and lack of information, which leads them to act alone and to be more exposed to vulnerabilities. The isolation of entrepreneurs reduces the possibility of articulating solid and consistent value chains. Many times they do not have access to policies that could benefit them and, in addition, they do not transfer their learning, experiences and abilities to collective processes.

Given the inevitability of errors, the State must try to enhance learning and, above all, individual and collective strength in such a way that decisive frustrations are avoided and they can re-start their vocation. Let us not forget that the functioning of an economy depends, to some extent, on the entrepreneurial capacity of its population.

It is worth mentioning that at a (local and subnational) government level there are two actions that are essential: the expansion of infrastructure and the control of competition, especially if the latter is unfair (stolen merchandise, improper use of public space, tax or labor evasion, etc.). Both situations cannot be addressed personally by entrepreneurs and end in the degradation of the productive economic space.

Finally, we will point out that researchers from different fields who have studied complex innovation systems suggest that these usually have a *small number of nodes or actors with a high level of interactions with many other actors*, in contrast to the vast majority, which has few connections. Once again, we ratify the need to collaborate so that entrepreneurs grow in terms of associative skills, thus contributing to the development of true entrepreneurial ecosystems throughout the country. Proximity, knowledge of the environment and institutional relationships in the field are issues that explain and justify the need for local governments to be more involved in this task.

4. International Experience in the Promotion of Entrepreneurship

According to Garofoli (2003), experiences of local economic development in Europe underline *three pillars*: entrepreneurship (growth of entrepreneurial and organizational capacity of the local system), integrated development and productive interrelationships (that is to say, economic integration at a territorial level) and the up-grading strategy of local enterprises (the strategic capacity of enterprises and the increase in productivity, through an increase in quality and innovation).

In order to deepen this analysis, we can take the case of the *Italian industrial districts*, which shows that small enterprises can be economically efficient and innovative when they work in networks and divide their work.

The important fact is that they have been a fundamental pillar of Italian development from the Second World War to this day (Sánchez Slater Enrique, 2008). Italy's market share, that is to say, the impact of Italian exports on total world trade, grew systematically until the 1990s.

Garofoli (1983, 1989) states that industrial districts have shown the following structural characteristics:

- considerable productive specialization;
- a high level of division of work between local enterprises (very close input-output, intrasectoral and intersectoral relationships, at a local level);
- a large number of enterprises and the absence of a leader or dominant enterprise which prevents the formation of a monopolistic market and leads to the diffuse adoption of trial and error behavior ("try and error");
- remarkable specialization at the enterprise's and plant's level;
- progressive formation of an efficient circulation of information system at a local level ("common economic heritage");

- a high level of professional qualification of workers (historical sedimentation of knowledge);
- face-to-face relationships among economic actors (between suppliers and users of machinery, intermediate products and services to enterprises), facilitating the spreading of organizational and technological improvements to increase the efficiency of the local system.

But the model of the industrial district is a dynamic model, in logic of continuous change and interaction between local actors. For this reason, it is important to draw attention to the following dynamic characteristics (Garofoli, 1989, 1991):

- increasing division of work among local enterprises, which strengthens productive interdependencies and their linkages (“backward and forward linkages”);
- progressive accumulation of knowledge and technical skills at a local level, which determines external economies (“public goods”) and dynamic competitive advantages;
- a high rate of creation of new enterprises, with the promotion of the enterprises in the local society;
- increasing complexity of the local productive system (with the introduction of new sectors and sub-sectors), which determines the interaction of knowledge and the reproduction of external economies.

It is an experience that allows for a theoretical-analytical explanation of the possibility of a decentralized production model based on small enterprises (as opposed to the traditional paradigm based on large enterprises, economies of scale and modern and advanced sectors). It is worth mentioning here the great willingness that existed at the time of launching projects to respond to the different problems of enterprises and workers in industrial districts. All this occurred at a time when nobody (or almost nobody) spoke of the “governance” of development.

On the other hand, according to Garofoli (2009), the incentive and guide role of local development programs and projects, carried out by national and supranational governments, cannot be forgotten either. Especially, we can mention the LEADER (“Liaison entre actions de développement de l’économie rurale” — A Link among Development Actions of the Rural Economy) program. Under the field of action of the European Commission and despite having a not-too-high budget, it has been one of the most successful programs of European economic policy and has led to the promotion of the territorial approach to development, especially in the weakest areas with less demand for intervention to sustain local development. Also worth mentioning are URBAN programs and territorial covenants, not only those introduced by Italy with the agreed planning but also the European ones (territorial covenants for occupation).

From the 1970s an alternative approach to the development paradigm that focused on the role of the big enterprise (until that important moment) began to take shape. This alternative approach started “from below” (Stöhr, 1981) and had as pillars the recovery and appreciation of the potential of the territory. *In the countries of southern Europe, especially in Italy, France, Spain and Portugal, a new theoretical-interpretative current begins to be developed to explain the new development paths, in which small enterprises and endogenous institutions controlled by local actors became the main agents of projects* (Garofoli, 1992, 2002, Vázquez Barquero, 2002).

At a global level, entrepreneurial development policies strengthened from the beginning of the 1990s. According to Kantis (2008), towards the beginning of the 1990s, we find the following experiences: first, the case of Scottish Enterprise with its Business Birth Rate Strategy. This intended to raise the business birth rate through a wide range of public and private initiatives which included, for example, actions to implement entrepreneurial education, the promotion of business culture through television programs, the creation of support networks for entrepreneurs, the creation of different programs to promote the development of an adequate financial offer.

Another country that has been working very actively in the area of entrepreneurial development policies is

the Netherlands, combining a generic policy aimed at promoting entrepreneurial culture with initiatives more specifically aimed at enterprises with high growth potential. In the first case, the Ministry of Economic Affairs and the Ministry of Education, Science and Culture, have partnered to carry out the Partnership for Entrepreneurship and Education program through which they seek to promote entrepreneurial education (for example, through visits of entrepreneurs to schools and the creation of entrepreneurship centers).

On the other hand, actions to promote enterprises with high growth potential are concentrated in the provision of consultancy services, financing and support networks. Programs are promoted by the Ministry of Economic Affairs but their implementation is the responsibility of different public agencies that work with a high degree of autonomy.

In the case of Germany, the country has placed special emphasis on the comprehensive promotion of knowledge-based entrepreneurship, for which purpose it has focused on higher education institutions and research institutes. Its main guidelines are focused on the promotion of entrepreneurial development programs in universities and research institutes, who must associate with other business organizations in the region. Based on competitive projects, the Federal Ministry of Economy and Technology subsidizes the development of these programs for three years.

In the countries of Latin America, the entrepreneurial development system usually shows serious weaknesses that are the result of market failures in some cases, market absence in others and also systemic failures. One of the symptoms of these weaknesses is the importance of the phenomenon of entrepreneurs out of need, in comparison with other regions. Motivated by the absence of work options, many people create “low quality” enterprises and, ininformative and regulatory contexts that are not friendly to those who start a business, they end up taking refuge in the informal economy (Kantis, 2008).

The Inter-American Development Bank (IDB) research helps to understand this reality and argues in favor of designing policies to promote dynamic entrepreneurship (Kantis et al., 2002, Kantis et al., 2004, Llisterri et al., 2006). For example, the predominant culture or the education system does not favor the spreading of information on the entrepreneurial option nor the development of vocations and entrepreneurial skills. In addition, the exposure and contact of young people with the entrepreneurial experience are distributed very unevenly in society. Therefore, access to their own business as a vocational alternative is not widely available. Moreover, institutional networks that should promote entrepreneurship are generally at a primary stage of development and their effectiveness at an aggregate level is very limited. Additionally, the flow of projects that become new innovative enterprises is reduced due to existing deficiencies in the process of generating scientific and technological knowledge with commercial potential and in its connection with the entrepreneurial world and the market. Furthermore, the supply of financial services and technical assistance does not adapt to the needs of entrepreneurs, and the presence of angel investors is marginal.

As of 2000, there was a new drive thanks to the projects of the Multilateral Investment Fund (MIF) and the Social Entrepreneurship Program (PES). Until 2006, both sources financed a total of 21 pilot projects. The MIF promoted two generations of projects. The first one characterized by mainly social objectives (for example, generation of employment or income, the promotion of youth entrepreneurship) and a concentration of efforts in the activities of awareness, training, technical assistance and development of contacts, sometimes including small funds of subsidies and linking actions with sources of financing. According to the MIF, about 14 projects were financed in 13 countries, totaling around 15 million US dollars (Otsuka, 2008). The second generation aimed at providing support to new enterprises with high growth potential, achieving, as expected, a stronger participation

of the private sector, especially through the creation of networks of angel investors.

5. The Proposal of the CPE Program

Cities for Entrepreneurs Program (CPE), a program created by Resolution No. 25/2016, of the National Directorate of Community and Human Capital, which belongs to the Subsecretariat of Entrepreneurs, under the Secretariat of Entrepreneurs and of Small and Medium-Sized Enterprises (SEPYME), of the National Ministry of Production.

Through the recent structure created in this Secretariat, the new administration of the national Government raised the hierarchy of the policy for entrepreneurial development⁴. The objective of the National Directorate of Community and Human Capital is the consolidation and strengthening of entrepreneurial ecosystems⁵ throughout the country. Within this objective, the Cities for Entrepreneurs Program (CPE) aims to increase local capacities based on the generation of entrepreneurial management skills in the local public sector and the development of sustainable networks and associations among all the actors that are part of the ecosystem. It also seeks to encourage entrepreneurial culture, the development of entrepreneurial capital funds and the creation of support infrastructure for the projects of entrepreneurs.

Macro measures have different territorial impacts. A public policy will have different effects depending on the characteristics and potential of the subnational territories. The entrepreneurial promotion must be heterogeneous, since the entrepreneurial potential is heterogeneous. The CPE considers that the space of the local government has different and varied potential to promote the entrepreneurial ecosystem; however, this will undoubtedly depend on the management skills of each local productive team.

It is important that a local entrepreneurial policy provides entrepreneurs with access to consultancy services. Creating an entrepreneurial ecosystem is more than what entrepreneurs can take: they must work together with professionals and decentralized state institutions (INTI-INTA-Universities-Tax/Tax collection agencies, among others); facilitate those relationships and de-bureaucratize the processes, in such a way that the synergies generated between the world of knowledge and entrepreneurship are transformed into a “public good”.

To collaborate in forging trust networks among the actors of the local entrepreneurial ecosystem is to collaborate in promoting an “entrepreneurial culture” that inspires and spreads. The local government may facilitate this new knowledge through courses, texts, websites, videos, creating inter and intra-governmental connections and timely financing. A continuum of ascending synergies in planning and professionalism could feed a virtuous circle of experiences that allow entrepreneurs and local actors to be able to lead complex processes, understand social changes, and better relate to public, private and mixed structures. Achieving an entrepreneurial culture exceeds the business scope to turn local actors into *reflective agents*. According to P. Narodowski (2008), this expression describes “*more autonomous individuals, with innovative productions, with new social networks, with virtuous urban agglomerations that carry out their own projects, with populations that go back to their own traditions, renewed with a good mix of competence and solidarity*”; in short, actors capable of generating processes of endogenous innovation, of solving problems beyond the productive sphere; actors that make things

⁴ Recently, President Mauricio Macri announced a package of laws aimed at promoting the creation of enterprises. More information available at: <http://www.infobae.com/economia/2016/08/18/los-6-puntos-relevantes-del-proyecto-de-ley-de-emprendedores/>.

⁵ *Entrepreneurial Ecosystem* is understood as the structural framework of institutions and people that interact with each other and with the surrounding environment, thus building associative bonds and strengthening the capacities of local communities for the emergence of new businesses.

happen when encouraged.

The level of commitment aimed at through actions generated in relation to government programs such as CPE, aims to strengthen the aforementioned aptitudes and attitudes and increase citizen participation. All Argentine localities have tens or hundreds of entrepreneurs not captured by the State, who could even transfer their entrepreneurial skills to public administration. Promoting active and simplified participation, without taking too long and with precise goals, is part of the roles that this program aims to address.

Through its facilitating role, on the other hand, the program aims to collaborate in the confrontation of entrepreneurs with much more competitive corporate structures, in different aspects: decreasing size and costs at scale, proximity, R&D&I, massive marketing or better access to financing, etc. In many markets, however, there are also clear advantages for entrepreneurs and their small organizations: rapid response, creation of highly differentiated products, improvement in services related to certain products, more functional design, etc. Maintaining an atmosphere of innovation and creativity leads to opportunities not yet explored. Entrepreneurs are usually very close to the preferences of consumers and, from a more unprejudiced viewpoint and away from immediate financial pressures, often overlap but quickly understand the changes given in the cultural contexts of the market where they are positioned, to better serve the expectations of consumers, their needs and desires. However, this information must necessarily intersect with the feasibility of local production (at least in the key structural frameworks of the value chain), which must be timely and at an affordable price.

5.1 First Steps Made

CPE started working in 2016 with 30 cities across the country. The proposed intervention lasts one year and, as of the publication date of this paper, it is going through its last three months of execution.

The program first states the need to carry out a *self-diagnosis* at the time of completing the registration. This analysis is performed based on a matrix which reflects a socio-productive characterization of the locality, through variables such as: public policy, institutional density, financing, human capital, infrastructure and population indicators.

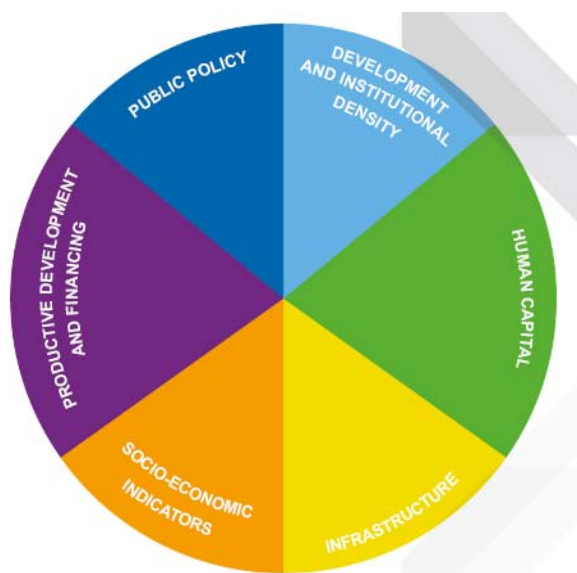


Figure 3 Diagnostic Matrix

Source: compiled by authors

The diagnostic matrix is completed with information about the local entrepreneurial ecosystem: the potential

for association among local actors; the needs and challenges of the city; the definition of the productive profile that the municipality seeks to promote and the role of entrepreneurship in it, the creation of a regulatory framework based on the entrepreneurial development, holding events that promote entrepreneurial work, etc.

For the 2016 edition, 90 cities across the country participated. Based on the information of the aforementioned matrix, an ad-hoc Selection Committee prepared an order of merit based on the following criteria: originality, degree of association, soundness and sustainability. At the same time regional representativeness was praised as well as the number of different political parties. The 30 cities that were finally selected to participate, for one year, in the CPE 2016 edition were the following (Table 3):

Table 3 Selected Cities

No.	Province	City
1	Nuenos Aires	Carlos Casares [1]
2	Nuenos	General Alvarado
3	Nuenos	Necochea
4	Nuenos	Rivadavia
5	Nuenos	Saladillo
6	Nuenos	Tandil [2]
7	Nuenos	Trenque Lauquen
8	Chaco	Las Brenas
9	Cubut	Esquel
10	Chubut	Puerto Madryn
11	Cordoba	Bell Ville
12	Cordoba	Marcos Juarez
13	Cordoba	Villa Allenda
14	Corrientes	Gobernador Agronomo Valentin Virasoro
15	Entre Rios	Basavilbaso
16	Jujuy	San Salvador de Jujuy
17	La Pampa	Santa Rosa
18	Mendoza	General Alvear
19	Mendoza	Godoy Cruz
20	Misiones	Obera
21	Misiones	Posadas
22	Neuquen	Zapala
23	Rio Negro	San Carlos de Bariloche
24	Salta	San Jose de Metan
25	San Luis	San Luis
26	Santa Fe	Las Parejas
27	Santa Fe	Rafaela
28	Santa Fe	San Justo
29	Tucuman	Tafi Viejo
30	Tucuman	Yerba Buena

Source: Compiled by authors.

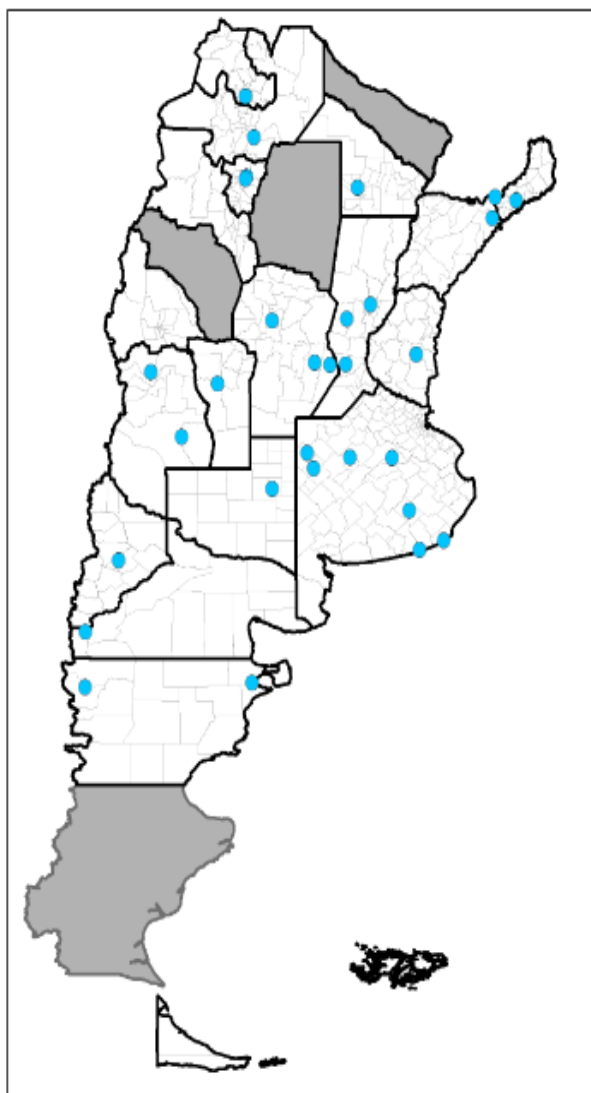


Figure 4 Map of Selected Cities 2016

Source: Compiled by authors.

With these 30 cities, work started towards the performance of a more thorough analysis, through a study carried out by PRODEM⁶, which was completed with the participation of the CPE team in the territory, recovering and verifying information. The final objective was to identify the *baseline* of the local entrepreneurial ecosystem, summarized in the ICEC index developed by PRODEM, to then plan entrepreneurial development strategies and assess the impact of the initiatives designed. This analysis could be completed for 18 of the 30 cities.

The results obtained in this study are graphically represented in the following figures (Figures 5-7), for three of the selected municipalities (Rafaela, Esquel, G.A.V. Virasoro).

The dotted line indicates the national average corresponding to cities of similar size to the case in question. The solid line indicates the case analyzed. As we can see, these three figures show the specific difficulties of these cities and give an orientation of the axes on which some impact should be generated.⁷

⁶ Entrepreneurial Development Program of the UNGS.

⁷ For more information, see the complete report: “Ciudades para Emprender. Estudio de diagnóstico de las condiciones de partida

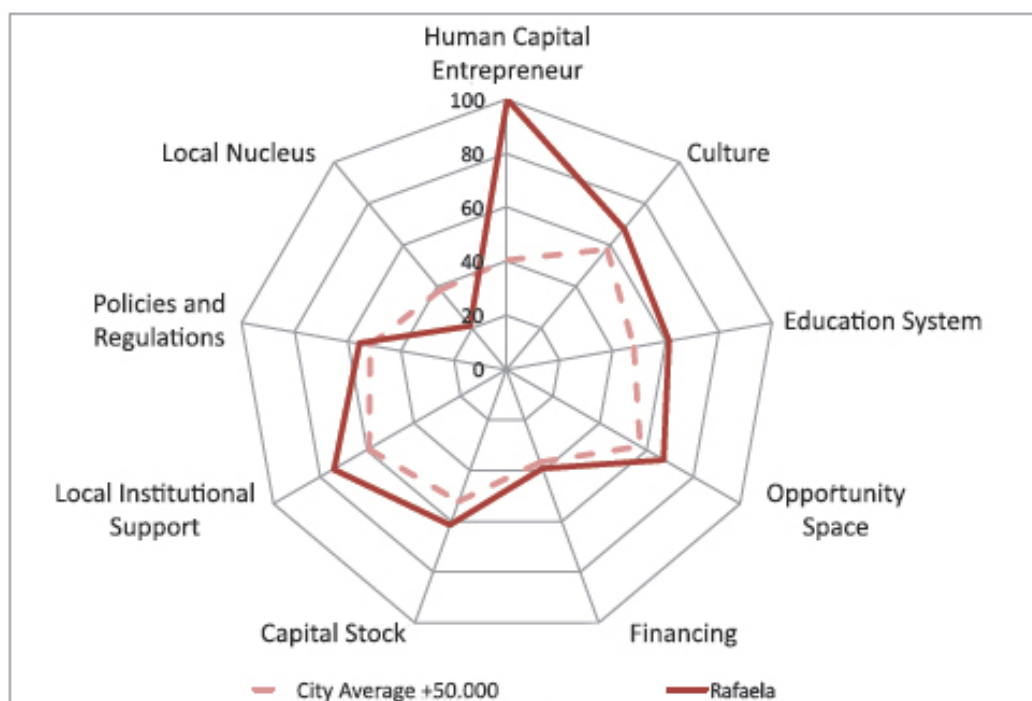


Figure 5 Systemic Conditions for the Emergence of New Dynamic Enterprises, the Case of Rafaela
Source: Compiled by authors

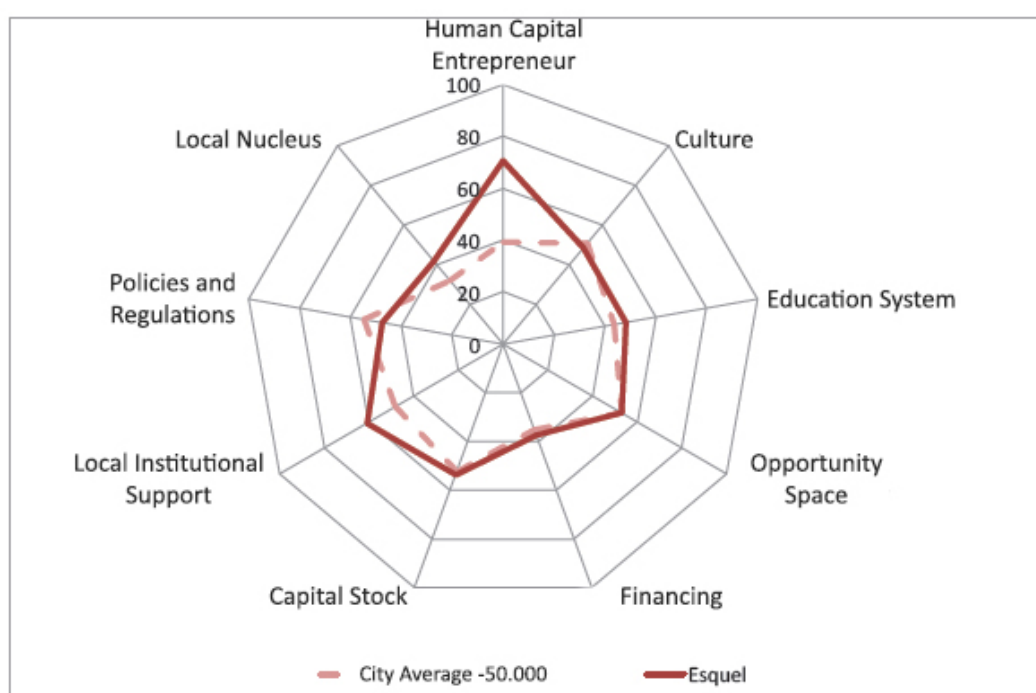


Figure 6 Systemic Conditions for the Emergence of New Dynamic Enterprises, the Case of Esquel
Source: Compiled by authors.

del programa - Línea de Base Cohorte 2016-“ (Cities for Entrepreneurs. Diagnostic study of the starting conditions of the program - Cohort Baseline 2016).

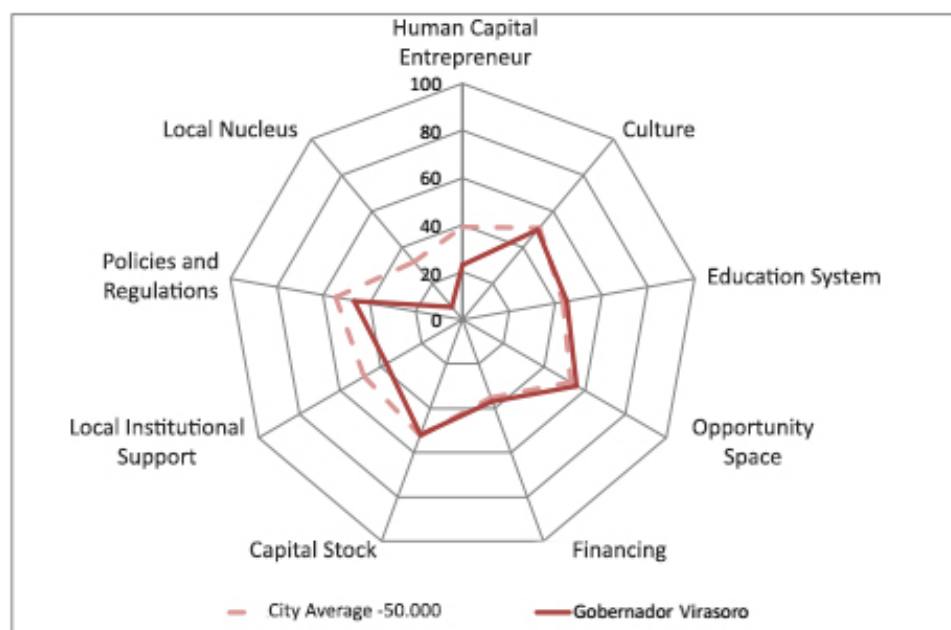


Figure 7 Systemic Conditions for the Emergence of New Dynamic Enterprises, the Case of G.A.V. Virasoro

Source: Compiled by authors.

Regarding the *work methodology*, the program stated that work in the cities should be implemented by a team comprised of a Binding Agent, who resides in the selected city and is appointed by the municipal government team, and a Facilitator, a member of the stable team of the CPE program. The tasks of the Binding Agent and the Facilitator are the following:

- Mapping of actors in the territory, identifying the institutions that are part of the entrepreneurial ecosystem.
- Giving advice to the local government team on entrepreneurship issues.
- Creating and organizing the Local Working Group to promote the articulated work.
- Conducting a follow-up of the implementation of the initiatives arising in the area of the local working group.

Both must also have the capacity to encourage entrepreneurs to set up businesses with increasingly more resources to face economic and social challenges within a complex context. They must be able to identify their specific needs and, above all, help them grow although this may be a difficult step. When an entrepreneur grows, they produce more, generate more profits, but face new problems derived from such growth: equipment needs, more personnel needed and higher fixed costs. It would be desirable for entrepreneurs to capitalize their enterprises by investing in them a significant percentage of their profits to generate new economies (more and better human capital, incorporate technology, register/patent innovations, structure a professional marketing campaign or invest in infrastructure). The successful entrepreneurial vocation must culminate in a collective learning and, under ideal conditions, in the setting up of formal businesses which create more jobs.

In order to start their activities, before working in the territory, Binding Agents participated in a one-week training seminar in Buenos Aires, where they worked on real tools to support entrepreneurs, business tools and personal skills for the development of local work.

A second training stage was held in the cities, with the local government team and some representatives of

the entrepreneurial ecosystem, who participated in the *Working Group* that was created. This training course provided to “the Group “was about the identification of the specific needs of the local entrepreneurial ecosystem and its possible solutions and concrete ways of putting them into practice”⁸. Based on this training course-workshop, a first draft of a “*Work Scheme*” was prepared to be implemented in the months following the intervention.

The definition of the actors that make up this Working Group is essential, since it depends on the design of participatory entrepreneurial policies guaranteeing the adoption and support of the local community. According to Ludström and Stevenson (2002), “...The more important the commitment to entrepreneurial development, the more horizontal tends to be the government structure that supports it. Achieving adequate coordination between the different areas and levels of action (from the central to the local one, as well as the private sector and the third sector) is one of the greatest challenges for the implementation of a systemic and comprehensive strategy for entrepreneurial development.”

A third training stage is offered to entrepreneurs directly, through the *Academia Argentina Empeñe* Program, which is administered in the CPE cities along with the team of said program.

CPE is a program that also facilitates the entry to the territory of other programs of the SEPYME such as Entrepreneurs Clubs, Incubators, Seed Fund and PAC. Intervention concentrated and focused on these 30 selected cities allows for a more direct assessment of the impact of said programs in a more efficient way.

5.2 Steps to Follow

Based on the results of the thorough analysis prepared by PRODEM, the initial Work Schemes, at the time of publication of this paper, are being reviewed again to define their final version.

From there on, *local initiatives will be implemented* to face the challenges of each ecosystem. These initiatives are also combined, as mentioned above, with the programs of the National Secretariat of Entrepreneurs and of Small and Medium-Sized Enterprises and, additionally, other programs of other national and provincial government ministries. The National Subsecretariat of Entrepreneurs provides a *financing* of up to ARS 200,000 (two hundred thousand Argentine pesos) per city (for the 2016 cycle) in order to support some of the initiatives created as a result of the working group. Additionally, each city will contribute at least 20% of the total amount allocated (either in kind or in cash).

For the purposes of *monitoring* the activities that are being implemented, the following key moments have been defined: the first meeting of the Working Group of the emerging Entrepreneurial Ecosystem; the results and agreements arising from each of the subsequent meetings of the Group; the successive training courses in the territory; the definition of priority projects for the ecosystem; within them, the definition of the use of funds associated with the CPE program; the appearance of other programs (of SEPYME and of other ministries); the moment when the effective transfer of the CPE funds takes place; its final execution and corresponding profits; the synergies generated during the entire intervention of the program with other CPE cities and/or nearby municipalities.

Finally, the results of the execution stage will be studied and contrasted with the baseline defined in the thorough analysis. This comparison will make it possible to move forward on a medium-term development strategy and suggest a new analysis and work scheme for the Group to define, but in a more autonomous way,

⁸ The methodology used in this training course was based on that used by the CREA groups, with a well-known track record in the country, in the agricultural sector.

based on the tools and feedback arising from the intervention of the program.

6. Conclusion

There is little track record in Argentina linking territorial management to the promotion of entrepreneurship. However, the CPE program shows that the local environment is the best one for planning policies of this kind with a possible high impact.

The assignment of greater political responsibilities to subnational governments will mean greater citizen demands and the transfer of new competences and resources to territorial entities, for which it is desirable that a new administrative and fiscal policy be designed locally to complement the initiative promoted by the program. On the other hand, decentralization does not mean that the national State should abandon the task of developing localities. As Boisier (1998) says, “*there is no sustainable development for a region if it is not within the framework of a national policy of regional development and this will not be feasible if it is not based on the endogenous capacities of the regions*”. In this sense, it is essential for this administration to support entrepreneurs in the setting up of new SMEs in order to have a strong impact on the Argentine economy in future years.

The creation of this new State model that welcomes local development initiatives requires a process of decentralization of resources, competences and knowledge. But, above all, it requires committed local actors who are capable of leading complex processes, understanding social changes and better dealing with public, private and mixed structures. Reflective agents who participate in the local public sector, who can capture and promote innovative productions, new social networks, and a web of virtuous urban agglomerations.

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