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Argentina's Good News—Technological Entrepreneurship

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Pundits are claiming the bloom is off the rose with the Macri administration. That could well be. The emerging market sell-off in recent months, the country's need to secure a \$50 billion standby IMF deal, interest rate spikes and fiscal policy tightening all weigh heavily on a downward revision to GDP growth for the remainder of the year. Nevertheless, hitting a rough patch—the state Argentina is in at present—is not the same as a crisis. Moreover, when one considers what Macri inherited---a fiscal and institutional mess, courtesy of the Kirchner-Fernández kleptocracy, a cabal of unreasonable and demanding labor unions, and large swathes of the public weaned on and addicted to the Peronist nanny state, it is a wonder that the president has achieved the progress he has.

The good news in Argentina is that in other arenas of society the nation continues to make remarkable progress, irrespective of the country's political and economic fortunes and misfortunes. One such area is technology. That nation has a good technology infrastructure with 40 universities and 30 research centers; and interest from venture capital companies, especially from the U.S., is growing.

Software is clearly the strong suit, characterized by continuous growth. From 2002 to 2012 alone the sector's revenue grew by 17% and exports by 20%. Those exports represent 25% of the sector's revenue. 70K employed in the industry with majority possessing college degrees. Argentina ranks among top 13 in the world in effectiveness of its processes in software development, operations, and maintenance.

Four of six "unicorns"---technology start-ups valued at more than \$1 billion--in Latin America are from Argentina. Globant, Mercado Libre, and Despegar and OLX are

the most notable entrepreneurial ventures in Argentina. Nevertheless, despite a start-up friendly cost structure and highly educated technologists, Argentina lacks the market liquidity to really take off, not to mention the tax burden and challenges in accessing bank financing for start-ups and later-stage companies. To encourage Argentina's progress, the World Bank disbursed a \$45 million loan to continue promoting innovation and technological improvement, specifically supporting new technology companies, applied research consortia, and innovation projects in small and medium-sized enterprises.

The ecosystem of technology entrepreneurship in Argentina has expanded rapidly during the last decade and a half. Y-Combinator, NXTP Labs, Kaszek Ventures, and Wayra are some of the leading lights fueling tech entrepreneurship in Argentina, along with the Association of Entrepreneurs in Argentina (ASEA) and the Argentine Association of Private Equity, Venture and Seed Capital (ARCAP). Area Tres and Palermo Valley are mini-hubs of innovative start-ups that dot the city. Not to be short-changed, Argentina's second city, Córdoba, is developing its own ecosystem with accelerators such as Incutex, named the fifth best in Latin America, and numerous start-ups along with university and government involvement with both their own and joint venture programs.

Argentina continually makes the list of the *Fast Company* "Most Innovative Companies in Latin America". For 2018, Sensitive, a clean energy company, and Satellogic placed #1 and #2. The latter produces a satellite that orbits the earth in 93 minutes and takes pictures for agribusiness, gas, oil and infrastructure. Three award-winning start-ups that illustrate Argentina's emerging entrepreneurial prowess in technology are: uSound, a smartphone application for the hearing impaired; Atomic Lab which 3D prints prosthetics; and Gi Fly, the world's first electric bike.

One must not overlook that fact that government has played and continues to play a vital role in Argentina's technological development and entrepreneurial environment. Incubator and accelerator services financed by local government via public-private partnerships have supported over 30,000 entrepreneurs during the last decade and generated an additional 10,000 jobs. The City of Buenos Aires's incubator program provides up to \$10,000, mentorship, networking, and co-working spaces. Meet-ups, hackathons and other activities to support and expand the entrepreneurial ecosystem continue, irrespective of economic and political ups and downs. The national and city government are working cooperatively to promote Buenos Aires as a technology hub. As mayor, Mauricio Macri created a technology district and awarded 10-year tax breaks to companies that located there.

At the federal level, as well, the Ministry of Science, Technology and Innovation is implementing its "Argentina Innovadora 2020" aimed at increasing the nation's productive capabilities, quality of life, social inclusion and sustainability. The program supports scientific and technological research, education at all levels, regulatory reform, financial assistance, public-private partnerships, and support of innovation in companies. And just last year, the Argentine Congress passed the Entrepreneurs' Law (Ley de Emprendedores). Among other things, the law aims to assist companies to establish their businesses via Internet in 24 hours with a simplified business entity model. The law opens new channels of funding through public funds to co-invest with private investors and creates a venture capital funds and venture capital institutions. Technical and financial assistance to 13 accelerators and soft loans are also authorized.

If Argetina can foster an uninterrupted environment of political stability, pro-growth economic and regulatory policies, investment in human capital and infrastrucutre, and access to credit for start-ups and later-stage firms, it will surely become the dominant powerhouse of technology entrepreneurship in South America.

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