THE REPORT
Argentina 2018
Córdoba

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Horizontal approach

Córdoba has chosen a path for innovation, creating its own Productivity Cabinet – composed of the provincial ministers of industry, commerce and mining, agriculture and livestock, and science and technology, as well as presidents of three provincial agencies – as part of broader efforts to foster collaboration and creativity. In particular, the province’s agriculture and agro-industrial sectors have been attracting investment and leading innovation.

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Taking the wheel

Córdoba’s industrial sector is one of the most active in Argentina, with auto manufacturing accounting for 30% of total production, supported by specialised human resources and a network of over 250 auto parts suppliers operating in the province. Other industries are also being developed under the government’s large-scale infrastructure plan, which will install gas pipelines and fibre-optic cables.
In a land of great diversity and culture, Argentina seeks to unlock the potential of its natural resources

Argentina is a land of rich cultural and national heritage, and significant geographical diversity, which attracts visitors from around the world. The strategic importance of the country’s capital, Buenos Aires, whose port remains a significant trading centre both regionally and internationally, became the administrative centre of the Viceroyalty of Peru under Spanish rule in the late 18th and early 19th century.

Today, despite being one of the largest economies in Latin America, Argentina has suffered serious economic crises over the past two decades, which have stymied its growth, constrained foreign direct investment into its productive sectors and limited the country’s ability to harness its vast natural resources.

The country’s economy is driven by the oil and gas industry, boasting significant onshore, offshore and shale oil and gas reserves, alongside its agricultural and livestock industries. According to the World Bank, in 2017 the country’s GDP was $637.6bn, up 2.3% from the previous year. Argentina ranked 45th out of 188 countries in the UN’s 2016 “Human Development Report”, and second in Latin America behind Chile, in 38th place. Health care and education have seen significant investment over the past decade, and account for around 7% and 6% of GDP, respectively.

On the regional and global stage Argentina has a high profile, where it currently chairs the G20 and is an observer member of the Pacific Alliance, while aspiring towards OECD membership. However, with the government having been granted a $50bn bailout from the IMF in June 2018, the spectre of economic crisis and indebtedness looks to have reappeared, just at a time when investors appeared to be showing renewed interest in the country following the election victory of pro-business President Mauricio Macri in October 2015.

**HISTORY:** Argentina has a rich heritage of human habitation and activity, and has 35 indigenous ethnicities, which include the Aonikenk, Kolla, Qom, Mapuche and Guarani peoples, who currently make up around 2.3% of the population. The native peoples suffered conquest by the Incas in the late 15th century, and then by the Spaniards the following century. Buenos Aires, the country’s capital, was founded in 1536 and was ruled under the Viceroyalty of Peru before becoming the Viceroyalty of the Río de la Plata in 1776. The country declared independence from Spain in 1810 as part of a wave of independence movements across Latin America that included Peru, Bolivia, Chile and Mexico. Following this, a federal state was founded in 1853, now known as the Republic of Argentina. Post-independence also saw Argentina receive successive waves of European immigrants, especially from Italy, evidenced by the large number of Italian surnames to be found in the country today. Before and after the Second World War immigration swelled once more.

**CULTURAL HERITAGE:** Argentina’s most famous cultural product is the traditional dance of tango, which was added to UNESCO’s list of Intangible Cultural Heritage in 2009. Tourism packages often include a visit to a tango show, and there is a proliferation of bars and theatres in which tango is performed, while Buenos Aires hosts the World Tango Festival each year in August. The city boasts unique museums, such as the Buenos Aires Museum of Latin American Art, known as MALBA, which showcases permanent and temporary exhibitions, and has a thriving theatre and live music scene. The capital also hosts the annual Buenos Aires International Book Fair in October, one of the largest in Latin America, reflecting both the importance of Argentina’s publishing industry and the huge influence of its authors, such as avant-garde writers Jorge Luis Borges (1899-1986) and Julio Cortázar (1914-84), and contemporary authors such as Andrés Neuman, Rodrigo Fresán and Alan Pauls, many of whose works are translated into English and offer important insights into the Argentine psyche.
Many visitors to the capital also pay a visit to the legendary Boca Juniors football club, which local and national hero Diego Maradona helped to win the league title in 1981 before his move to Barcelona. In October 2018 sports fans will be descending on Buenos Aires for the Youth Olympic Games.

Outside of the capital, the country offers a wealth of sites to explore, with 10 national parks on offer including Iguazu Falls, the second-largest waterfall in the world; Península Valdés, home to the endangered southern right whale; the bordering desert parks of Ischigualasto and Talampaya; Los Glaciares, the site of the Perito Moreno glacier near Calafate; and the picturesque lakeside town of Bariloche in the south. Argentine cuisine is characterised by succulent cuts of prime beef and fine local wine, and food and drink lovers flock to the wine-growing region of Mendoza in the west of the country.

LANGUAGES & RELIGION: Spanish is the official language but indigenous languages, such as Mapudungun and Quechua, are still widely spoken. In terms of religious identification, which does not necessarily reflect those active in religious practice, the majority of Argentines are Catholic, at 70%. Other religions, include Protestantism, which makes up around 9% of the total; Islam, which makes up 1.5%; Judaism, with 0.8%; other religious groups at 2.5% and the remainder with no declared religion, according to figures from the US Department of State.

DEMOGRAPHICS: In 2017 Argentina’s population was 44.3m, according to the World Bank, with the country’s population growth rate remaining relatively static over the past decade. Some 39% of the population is between the ages of 25 and 54, while 41.6% is under 25, a factor that should boost the country’s productivity over the coming years as that segment enters the jobs market. Average life expectancy in the country is 76.6 years. The capital city houses one-third of the country’s population, while the northern and central regions are home to the majority of the remaining inhabitants. Patagonia, with its vast expanse of pampas (plains) and rugged coastlines, is the country’s most sparsely populated region.

GEOGRAPHY & CLIMATE: Given its size, Argentina is a land of vast geographical and climatic diversity, where temperatures vary widely. The cold, barren south that becomes sub-Antarctic at its south-western point, contrasts sharply with the warmer hinterlands of the north-east. The Andes form the natural border with Chile in the country’s west, while the country’s north borders Bolivia and Paraguay. The South Atlantic contains Argentinian islands, but ownership of the Falklands, or Malvinas, is still disputed with the UK. While Argentina’s southern portion is a flat plateau, the Aconcagua peak is the highest point in the country and the southern and western hemispheres, lying at 6959 metres above sea level. Laguna del Carbón, a salt lake in the province of Santa Cruz, is the country’s and the southern and western hemispheres’ lowest point, at 105 metres below sea level. Around 10.7% of the country is forested, with agricultural land occupying 53.9%. Temperatures range from between 1°C and 10°C in the extreme south of the country, 11°C-25°C in the centre, and from between 10°C and 21°C in the north, with rainfall across Argentina averaging 591 mm per year. January is the warmest month, falling in mid-summer, with temperatures at their lowest in June and July.

NATURAL RESOURCES: Argentina boasts rich oil and gas, mineral and agricultural resources. The country’s state oil firm YPF has partnered with global majors to extract oil and gas, both offshore and onshore, and from the Vaca Muerta shale play in Neuquén province. Although Argentina has South America’s third-largest natural gas reserves, the country has historically been dependent on Chile for gas imports. Argentina also imports gas from Bolivia to meet its domestic needs, particularly during the winter.

Additionally, the country has sizeable mineral deposits of lead, zinc, iron ore, uranium, manganese, tin, silver, copper and tungsten, as well as salt deposits, and a significant supply of marble, clay, limestone and granite throughout the country, which it supplies to the construction industry. With vast expanses of fertile land, Argentina is also a world leader in food production, and boasts major livestock and agricultural industries.

POLITICAL FRAMEWORK: As a representative democracy, Argentina’s president sits for a maximum of two, four-year terms elected by popular vote, and although barred from running for a third term, can in theory seek to be elected at a later date. Current President Macri won the 2015 elections in the second round with 51.3% of the vote as leader of the Cambiemos party, which is also in control of Buenos Aires province, including the autonomous city of Buenos Aires, and Mendoza province.

Rival political parties include the Peronist Party and the Socialist Party. The forthcoming presidential election is scheduled to take place in October 2019.
CÓRDOBA OVERVIEW

Located in the centre of the country and imbued with a rich history and the benefits of a productive climate and soil, the province of Córdoba has developed a multi-pronged economy that is resilient to external shocks. This includes an agriculture sector undergoing modernisation, a value-added food industry and an automotive manufacturing segment that significantly contributes to economic growth and local employment. Posting a GDP per capita of $9288 in 2017, Córdoba is among the top provincial contributors to national GDP, at 7.9%.

CULTURAL WEALTH & DIVERSITY: In terms of area, Córdoba is the fifth-largest province in Argentina, encompassing 165,321 sq km of land, and is the second-most populated with nearly 3.3m inhabitants. Around 40% of its population is concentrated in and around the capital city of Córdoba where 1.33m citizens reside, making it the largest urban agglomeration in the country, second only to the Greater Buenos Aires area.

Argentines have long known the Province of Córdoba by its nickname, La Docta (the Learned One), since the National University of Córdoba is the oldest university in the country, founded by the Jesuits in 1613. To date, the province has had 160,000 students enrolled in the 13 universities across its territory, including the recently opened Provincial University of Córdoba, founded in 2007.

A notable influence that helped to develop Córdoba’s identity – and that of Argentina as a whole – is the rich history of immigration from countries such as Spain, Italy, Poland and Germany, among others, forming what is now a heterogeneous population. In recognition of the origins of the province’s populace, the Ministry of Education of Córdoba offers schools a cultural programme called La Historia de Nuestros Abuelos (The Story of Our Grandparents) so that students may learn more about their personal heritage as well as the history of the region.

PRODUCTIVE LANDSCAPE: A combination of fertile soil and a subtropical Mediterranean climate has allowed Córdoba to become a top-ranked region in a number of agricultural statistics. In the growing season of 2015/16 Córdoba was the top maize producer in the country, at 30.8% of national production, and the second-largest soybean producer, at 30.5%. Córdoba also played an important role in the production and preparation of 90.1% of the peanut harvest of Argentina during the same growing season.

LOCAL GOVERNANCE: Córdoba has a unique administrative and organisational structure. Like other provinces, it is autonomous from the federal government. Since 1999 Unión por Córdoba has been the ruling party, with alternating governors: Juan Schiaretti and José Manuel de la Sota. This has allowed the province to implement long-term financial and industrial policies that have formed the basis for sustainable growth. For example, in 2004 the legislature passed an investment promotion policy, forming what would become the province’s technological cluster – a development that now includes 177 companies that together make a crucial contribution to the sector at the national level. The province has a one-chamber legislature.

ECONOMY: The province has a highly diversified economy, along with a balanced participation of productive activities. “Between 2003 and 2008 the province of Córdoba experienced a sustained GDP growth rate, averaging more than 6% per year,” the OECD noted, while between 2011 and 2015 Córdoba reached 4.9% annual real GDP growth, compared to Argentina’s average of 1.5% during the same period.

The province’s GDP is spread across sectors and is distributed as follows: the productive sectors at 24%, real estate at 18%, the primary sector at 13%, the industrial sector at 13%, financial services at 11%, trade at 11%, and transport, storage and communications at 10%. In an interview with OBG, Roque
Martín Spidalieri, Córdoba’s secretary of finance at the Ministry of Public Works and Finance, said that this equilibrium has encouraged continued resilience against potential crises, whereby any sector that experiences a contraction would be offset by the solid performance of others.

As a result of this economic matrix, the province has seen growth rates that outperform other provinces and the national average.

The provincial economy is also export-oriented, which has supported efforts to add value to production. In 2016 manufactured goods accounted for 64% of the province’s exports – divided between agricultural manufacturers (50%) and industrial manufacturers (14%) – while primary production accounted for the remaining 36%.

By value, exports reached $8.4bn. Córdoba’s share of Argentina’s total exports was 14.6%, placing the province within the top-three exporting regions in Argentina, together with Buenos Aires and Santa Fe. Córdoba products made their way to around 150 countries during 2017, with the following countries being the top-10 clients: Brazil (11%), China (10.6%), Vietnam (8.5%), the Netherlands (5.9%), Chile (4.4%), Algeria (4%), India (3.9%), Egypt (3.7%), Indonesia (3.4%) and the US (3.2%).

Financial records also show that Córdoba has fiscal sustainability. Its solvency has been built up over 15 years of fiscal responsibility, with a low level of indebtedness at 6.1% of provincial GDP for 2015, the most recent figures available.

**SUSTAINABLE PLANNING:** Córdoba’s public management model takes into account three key points: The province pays close attention to environmental, social and economic dimensions. Indeed, since 2008 local authorities have been working on a new management model, and unlike the federal government of Argentina, the province of Córdoba reached out directly to the OECD for their recommendations.

It was during 2008 that the Ministry of Finance of Córdoba became the first public institution in the world to have reported financial and social responsibility utilising the Global Reporting Initiative (GRI) G4 methodology, an international reporting guideline for sustainability and financial information. Córdoba’s government is the only public institution in Latin America to have their reporting confirmed multiple times at the G4 level.

Other local ministries followed piecemeal until, upon his return to the governorship in 2015, Schiaretti decided to unify these initiatives under the purview of the UN’s 17 Sustainable Development Goals (SDGs). The SDGs proposed by the UN also offer indicators for governments to measure progress. Notably, the province is the first subnational state in the world to integrate all of its management efforts under the GRI methodology.

The planning and control systems of the province are integrated into its budgeting process, and this has a strong impact on the implementation of public policies. The province’s strategic objectives have well-defined plans, and these plans and initiatives have a corresponding budget impact.

**TRANSPARENCY:** The province’s commitment to transparency and sustainability has recently been recognised at the national level, with Córdoba receiving top ranks on the following metrics: the “Index of Provincial Budget Transparency 2016,” issued by the Centre for the Implementation of Public Policies for Equality and Growth; the “Provinces Fiscal Visibility Report 2015,” issued by the Argentinian Institute for Fiscal Analysis; and the “Report on the Argentinian Fiscal Information: Fulfilment of the Law of Fiscal Responsibility 2015,” which was issued by the Argentinian Association of Budget and Public Financial Administration.

**TOURISM:** Tourism is a growing contributor to the economy, with the province of Córdoba accounting for 1.8% of overnight stays by foreigners in the country during 2017, according to data from the Hotel Occupancy Survey of the National Institute of Statistics and Census (Instituto Nacional de Estadística y Censos, INDEC). This registered a slight improvement in the first five months of 2018 – an increase that can be attributed to improvements made in air connectivity throughout the country, with important developments in airport infrastructure made under the Aeroplane Revolution programme launched by the Ministry of Transport. According to the Survey of International Tourism, carried out by INDEC, during the first five months of 2018 foreigners arriving to Argentina by air grew by 5.8% year-on-year.

The provincial economy is export oriented, which has supported efforts to add value to production

When looking at the airport in Córdoba, specifically, this growth rate jumps up to 28%, albeit from a small base. The province’s airport welcomed 3% of all arrivals to the country by air in the first five months of 2018, while the Ministro Pistarini International Airport in Buenos Aires accounted for 90.7% of the total. This suggests significant opportunities for further investment and development of the tourism industry, particularly given growing interest in Córdoba’s wine tourism routes and other rural tourism offers (see Tourism chapter).

**OUTLOOK:** Despite the aforementioned achievements, Córdoba has the challenge of remaining one of the most competitive regions in South America. Doing so will necessitate developing infrastructure for further expansion, sustaining business conditions so companies can thrive, empowering the workforce to support future growth and providing good social conditions for inhabitants of the province. These goals explain its continued commitment to develop gas, electric, rail, road and connectivity infrastructure, as well as its focus on drinking water infrastructure, social initiatives, sewage plants, aqueduct development and similar programmes.

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CÓRDOBA INTERVIEW

Juan Schiaretti, Governor of Córdoba, on local tax reforms, investment opportunities and competitiveness

How is the province supporting the development of local business, especially small and medium-sized enterprises (SMEs)?

SCHIARETTI: Córdoba has two local regulations to promote industrial development. The first – the Law of Industrial Promotion No. 5230 – applies to big companies, granting exemptions from provincial taxes for 10 years. Second, to promote SME development, Law No. 9727 provides these same exemptions, as well as the possibility for increased subsidies with the creation of each new job and greater electricity consumption. Law No. 9727 also created a public programme to raise starting capital for the development of new products or services.

Lastly, Law No. 10.351 was introduced in June 2016, creating the Córdoba Innovation and Entrepreneurship Agency to provide co-financing between the public and private sectors for proposals carried out by local entrepreneurs.

What can be done to promote the integration of local auto parts and services for multinationals?

SCHIARETTI: We have sought to encourage local production through Law No. 27.263, the Regime of Development and Strengthening of Argentine Auto Parts Act, which enables greater participation of local manufacturers in new, domestically developed car models. The Córdoba auto parts companies that participate in these projects further benefit from our aforementioned industrial promotion laws.

What steps are the provincial authorities taking to increase competitiveness?

SCHIARETTI: The province of Córdoba has been introducing measures to streamline tax collection and increase equity. Since 2015 we have implemented policies in line with the Tax Equity Programme. As the name suggests, this policy aims to achieve an equitable and innovative tax framework, with a commitment to transparency, administrative simplicity and sustainability.

Furthermore, the Fiscal Consensus – which Córdoba joined as a signatory on November 16, 2017 – established guidelines for a broad and gradual reform of federal and provincial taxes with the objective of rationalising the tax structure, reducing taxes and promoting economic growth. The various provinces agreed on guidelines to harmonise their tax frameworks, and Córdoba reduced its gross income tax rates. This was achieved by eliminating preferential treatment for some taxpayers, as well as restructuring quotas and exemptions from gross income tax so they no longer exceed the limit agreed upon in the Fiscal Consensus. These adjustments will be made gradually over a period of five years.

In the first half of 2018 the Córdoba government collected AR21.8bn ($1.1bn) in taxes, a 29.3% year-on-year increase. Had there been no reduction in quotas, tax collection would have grown by around 34.6%, which translates to an additional AR894m ($46.3m) entering the provincial economy.

How is Córdoba working to attract greater levels of foreign direct investment?

SCHIARETTI: Córdoba remains friendly to foreign direct investment, as evidenced by the significant presence of companies from a variety of sectors and countries. International firms will continue to receive the same treatment as local ones. Any business that chooses to locate in the province will benefit from a government willing to collaborate with them, as well as highly qualified professionals, technicians and manpower.

Further contributing to the local human capital, the province has 14 universities with 250,000 students in various disciplines. Seven of these centres for higher education and approximately 150,000 of these students are centralised in the capital city.
Horizontal approach

Focus on innovation and diversification to sustainably develop the region’s potential

In management and production, Córdoba has chosen a path for innovation, creating its own Productivity Cabinet, and calling for collaboration and creativity. This Cabinet is composed of the provincial ministers of industry, commerce and mining, agriculture and livestock, and science and technology, as well as presidents of three provincial agencies: the Agency for Innovation and Entrepreneurship, the Agency for the Promotion of Exports and the Tourism Agency.

PRODUCTIVITY CABINET: The province integrates the efforts of its Productivity Cabinet with other external states and entities. In this context it is important to highlight the creation of the Centre Region, which is a productive, institutional organisation composed of Córdoba, Santa Fe and Entre Ríos. These three provinces share a similar production profile and design some policies in conjunction.

The Productivity Cabinet was officially launched in 2016, and the output of the cabinet’s work is already visible, including the establishment of a new business unit for US-based automotive manufacturer Lear Corporation in the city of San Francisco, 206 km east of the capital. While Lear also studied opportunities in the provinces of Santa Fe and San Luis, the company was ultimately convinced by Córdoba’s competitive advantages and will manufacture automotive seating and electrical systems for Fiat Chrysler Automobiles (FCA) Argentina in the province.

“The authorities have acknowledged the benefits of thinking outside bureaucracy in order to more easily attract investment.” Leonardo Destéfano, the manager for external relations and communications at FCA, told OBG. This was echoed by Sergio Sebastián Busso, the minister of agriculture and livestock of Córdoba, who told OBG, “Commercial missions are executed through the Productivity Cabinet, and in effect, it has already built its own regional agenda in order to attract potential investors around the central region of Argentina.”

HORIZONTAL CONSENSUS: The practice of consensus within the legislative chamber has helped to institutionalise agreements within the provincial government of Córdoba. According to Destéfano, this practice allowed FCA suppliers access to public funding offered by the Provincial Bank of Córdoba allowing them to invest in the training of their workers, but only after signing an agreement extending FCA benefits to smaller companies.

It is around long-term decisions that horizontal consensus has been reached. For example, Law No. 10467, also known as the Provincial Agro-forestry Plan, was enacted by the majority of the chamber in 2017, enabling the enforcement of the agro-forestry initiative, through which local producers are mandated to plant at least 2% of their farms over 10 years. However, under the programme, landowners are also given the choice to buy a share of plantations, so-called aggregated forests.

The initiative is meant to promote industrial forest production and to have 68,000 ha planted by 2027, ultimately leading to the regulation of water levels, assisting in soil conservation and capturing carbon dioxide from the atmosphere.

AGRO OUTPUT: The agricultural production of Córdoba experienced fluctuations during the 2016/17 growing season. Soybean production decreased by 11.3% and sorghum by around 28%. Conversely, wheat and maize output increased by around 57% and 93%, respectively, with wheat production achieving its best harvest since 2008.

In spite of these changes, some of which are responses to recent droughts, Córdoba, with its 27,084 producers, still ranks among the best-performing regions with regards to primary production. It continues to rank first for maize and second for soybeans, sorghum and wheat.

Peanut production is also noteworthy, as Córdoba has maintained the top spot in Argentina and is
Raw peanut exports in Córdoba grew at an average annual rate of 6.7% in the period of 2014-17. More notably, Córdoba’s exports of processed peanut products grew at an average annual rate of 14% in the same period.

The agricultural productivity of the province has been developed through its 13 public and private universities. The leading global exporter. Although peanuts are not in high demand in the domestic market, Córdoba’s Board of Trade estimated a 7% production increase when comparing 2016/17 output against 2014/15. According to the Agency for the Promotion of Exports, raw peanut exports in Córdoba grew at an average annual rate of 6.7% in the period of 2014-17, although in 2017 they fell 27% in relation to 2016. More notably, Córdoba’s exports of processed peanut products grew at an average annual rate of 14% in the same period, while in 2017 they increased by 10% compared to 2016.

ALTERNATIVE CROPS: In 2018 many farmers began to consider alternative crops in response to the agricultural export taxes on soybeans, wheat and maize enacted by Congress. One such alternative crop was the chickpea. This pulse was not important on the global market until 2004 when its international price began to rise. Previous to that, there was a general lack of knowledge about the versatility of this bean as a food. Indeed, according to Máximo Costamagna Garzon, manager and partner at Córdoba-based exporter La Maluca, it was not until the 2015/16 and 2016/17 growing seasons that companies such as La Maluca would seriously consider chickpeas as a lucrative opportunity, as experienced producers such as Australia, Canada, India and the US had become unable to offer the quantities the market demanded.

ADDING VALUE: Beyond Córdoba’s privileged position in primary production in Argentina, the region also remains famous for adding value through its robust agro-industrial complex, leaning on its academic history. Nationally known as La Docta (the Learned One), Córdoba is the seat of the oldest public and private universities in the country. The agricultural productivity of the province has been developed in large part through its 13 public and private universities, as well its well-recognised scientific institutions: the Space Centre of the National Commission of Space Activities, the National Institute of Agricultural Technology, the National Institute of Industrial Technology, the Centre of Excellence in Products and Processes Córdoba and the National Council of Scientific and Technical Research. “It is our duty to add value to each of the regional economies,” Carlos Walter Robledo, minister of science and technology, told OBG.

Despite the development of a number of local processing plants such as those in the municipalities of Jesús María and Montecristo, existing industrial plants dedicated to chickpea production are yet not sufficient, according to Gonzalo Agusto, analyst at Córdoba’s Board of Cereals.

In addition, it appears that opportunities for investment will also arise in research, manufacturing processes and irrigation, for which, according to Costamagna Garzon, La Maluca is requesting subsidies to double the company’s irrigated land holdings. “It is important to help investors identify existing clusters to take part in so that they might enjoy the competitive advantages offered by Córdoba, and be part of the spearheading of new and upcoming clusters,” Francisco Iguerabide, director of sustainable agricultural development in Córdoba, told OBG. In this context, the cluster under development for 15 years around the cities of Oncativo and Brinkmann, or the sheep industry’s need for cold storage infrastructure investment, are sound examples to take into account.

CALL FOR INVESTMENT: The use of grains to generate energy – via maize-based bioethanol production – also appears to be a promising area for investment, with the country’s largest bioethanol production plant located in Córdoba. The Promaíz plant produces around 420,000 litres per day, and both the bioethanol and by-product of animal feed are produced for the domestic market. Food production companies like Prodeman have started producing energy from biomass – specifically, the disposed shells of processed or commercialised peanuts – with 10% of the energy produced being applied towards the industrialisation of peanuts and 90% entering into the Argentine system, all through the framework of the RenovAr2 programme.

Launched in 2016 by the Argentine government, the RenovAr programme marked the beginning of the bidding process to contract wholesale electric market from renewable energy sources. The RenovAr programme has carried out three rounds of bids with the fourth set to be launched in October 2018. The success of the programme is expected to fulfil the goals of renewable energy production as set out by the state, at 20% of national energy consumption by the end of 2025 (see Legal Framework chapter).

Whether companies apply for opportunities promoted by the national government, as Prodeman did through the RenovAr programme, or they reach out directly to local officials, Córdoba appears to be actively seeking and attracting investment.
Taking the wheel

An array of challenges and opportunities lay ahead for the sector

Córdoba is one of the most active provinces in the country in terms of industry, and it places a particular emphasis on automotive manufacturing, representing as much as 30% of total production. Its strength in this regard stems from a mixture of specialised human resources and a well-established network of suppliers, with more than 250 auto parts companies in operation in the province.

**MANUFACTURING CULTURE:** The auto industry has been built upon a pioneering manufacturing history specific to the area, beginning with a military aircraft factory in 1927, and stretching to the presence of major automakers such as Renault, Nissan and VW today. “The industrial culture can be felt here,” Leonardo Destéfano, manager for external relations and communication at Fiat Chrysler Automobiles (FCA) Argentina, told OBG. “Other automotive centres around the world take much longer to develop a new model or start a new project. This is because some regions do not have an industrial culture in the same way Córdoba does,” he added. This extends to local politicians, including Omar Dragún, the general secretary of the Syndicate of Mechanics and Related Automotive Transport of Córdoba, who have a strong sense of the sector’s needs: Dragún was the minister of labour in Córdoba’s previous administration.

Geographically, almost 64% of automotive production occurs in the Central Region of Argentina, which includes the provinces of Córdoba, Santa Fe and Entre Ríos, where one out of three cars produced in the country are manufactured. This industrial culture is a significant reason why President Mauricio Macri invited the region to join a national programme launched in 2016 that aims to produce 750,000 cars in 2019 and 1m per year by the end of 2023.

**CURRENT NEEDS:** Despite these historical advantages, productivity has been falling since 2013, when 228,800 cars were produced. In 2016 just 96,800 units were made, the fewest since 2009. It has become apparent that auto companies need to modernise their facilities and processes, and understand that adaptation capabilities are essential when it comes to a specialised industry such as automotive. With this in mind, FCA has invested $500m in improvements to their manufacturing processes.

**NEIGHBOURHOOD WATCH:** However, with the neighbouring automotive market of Brazil offering competitive prices, Córdoba’s manufacturers are struggling to meet the terms of international agreements signed by the federal government, and are not yet able to take full advantage of industrial reforms at the national level. For example, National Act No. 27,263 of 2016, on the Development and Strengthening Regime of Argentine Autopartism, allows for manufacturers to reimburse up to 15% of their investment, but only if the acquired pieces hold 30% national content. However, according to Destéfano, the manufacturers are not able to get their reimbursements since many of the pieces are not yet available on the local market.

**FLEX REGIME:** At the national level, Argentina and Brazil have yet to renew their Auto Pact for 2020-22. The current agreement attempted to correct trade balance disorders that affect automotive companies and is valid through June 30, 2020. This version states that for every $1m in cars and parts sold to Argentina without tax, Brazil must purchase $1.5m in cars and parts, also without tax. This is the so-called flex regime or flex rate. However, the Brazilian authorities have announced their objections, requesting a $1.7m-1.8m rate instead of the previous $1.5m. As of August 2018 negotiations were ongoing.

Given this situation, firms such as Toyota, the only company in the province able to reach the current flex regime, have adapted their business units to produce sport utility vehicles and pickups. While specialisation seems to be the future for the Argentine market, it is also projected that Latin America
In 2016 the Integral Programme for Provincial Gas Infrastructure was initiated, investing $534m to supply 98% of residents with natural gas.

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SUSTAINABLE GROWTH: The OECD responded to a direct request from the local authorities in 2016 to review and offer recommendations on how to develop sustainable economic growth and reinforce their institutions with six recommendations. The government of Córdoba responded by following the OECD’s recommendations to improve its infrastructure network for better connectivity, increasing access to financing, education and innovation, while creating opportunities for increased competitiveness and productivity. It is hoped that these proposals will be adapted and implemented at an even larger scale.

PUBLIC WORKS: The province is executing the largest infrastructure plan in its history, ranging from utilities to health and education projects. This plan aims to provide Córdoba’s inhabitants with the social and productive infrastructure they need to invest and to prosper. In 2016 the government initiated the Integral Programme for Provincial Gas Infrastructure, investing around $534m to supply at least 98% of its population, businesses and industries with natural gas. Encompassing two initiatives that include regional and trunk gas pipelines, the authorities have already built a total of 2800 km, benefitting 238 urban areas and 962,000 citizens. Although there is currently 97% drinking water coverage and 50% sewage coverage, the government has estimated that a further $38m contribution is required to give 605,000 inhabitants access to drinking water.

ICT EDUCATION: The state is also a key actor in promoting linkages between education and technology. The Ministry of Education recently launched its Advanced Secondary Education Programme with an Emphasis on ICT (Programa Avanzado de Educación Secundaria con Énfasis en TIC, Pro-A). There are now 15 buildings running the programme, which is being delivered to 12,000 students, some of whom are already on their fifth year of studies. The building and incorporation of 25 more schools is expected by 2019. The programme has established multiple relationships, including with the Córdoba Technology Cluster, as an incentive for students to enrol in science, technology, engineering and mathematics courses, thereby helping to meet growing demand for specialised professionals.

“There is unsatisfied demand for human resources, locally as well as globally, even though it is a sector that offers full employment. That is why we work closely with the government and Pro-A,” Diego Casalli, president at Dicsys and Córdoba Technology Cluster, told OBG. Indeed, the Córdoba Technology Cluster ICT Monitor indicates that software companies in the province, even without including multinationals, generate significant demand for specialised workers, totalling 3800 specialised professionals in different fields, led by Java and .Net developers, testing analysts and the developers of other languages.

CONNECTIVITY: The government of Córdoba has decided to incorporate connectivity infrastructure into the 2300 km of gas pipelines currently under construction, as well as the existing 2800 km of gas pipelines, laying the same length of fibre-optic cabling to benefit unconnected public buildings in 175 urban areas by end-2018. In cases where fibre-optic cables will not pass close to towns or settlements, the programme aims to make use of other technologies. Local authorities have therefore signed an agreement with Arsat, a state-run satellite telecoms firm, to install of special equipment that will provide free internet service to 107 public schools and around 21,100 students. Opportunities for other investors are likely to arise.

“The service could be concessioned, once gas pipelines under construction are ready,” undersecretary of articulation and management control, Gabriel Ignacio Roberi, told OBG.

Free internet will be provided to 107 public schools and 21,100 students.
Heads count

Livestock represents an important part of the primary sector

Fertile lands and an excellent climate contribute to Córdoba’s top ranking in a number of national agricultural statistics. The agricultural sector occupies a strong economic position in the province, representing 10% of provincial output, a level that exceeds the national average. As well as being the top producer of a number of grains and legumes, Córdoba is also a key supplier of livestock.

FRONTIER EXPANSION: According to the 2008 national agricultural census, around 112,000 sq km, or 68% of the province’s total land mass, is available for agricultural or livestock usage. Although Córdoba’s Board of Cereals estimates that around 32,000 sq km is not utilised, the agricultural frontier was expanded by 185% between 1993 and 2014, bringing the area in use by the sector to 80,000 sq km against 28,000 sq km two decades earlier.

As well as extending farmland, efforts are being made to expand export markets. To this end, the governor of Córdoba, Juan Schiaretti, and 20 local food companies attended the 2018 Dubai Gulfood, which bills itself as the world’s largest annual food trade show, to continue positioning Córdoba’s agricultural opportunities. “Companies that attended Gulfood have made interesting business arrangements, especially those related to the peanut sector, as well as primary products,” Roberto Rosotto, general manager at the Agency for the Promotion of Exports, told OBG. The province’s meat suppliers will also be exporting to the EU for the first time since 2009, after a local beef producer was allocated 25 tonnes of the country’s Hilton quota for pasture-reared beef imports to Europe from July 2018 to June 2019.

BEef & Diary: After agriculture, livestock production is the second most important segment of the province’s primary sector. Livestock activities are mainly concentrated in the eastern and southern regions of the province. The cattle-rearing segment comprises around 21,000 establishments sheltering 4.49m cattle. Of these farms, some 84% are dedicated to meat production while 17% are milking yard farms, according to the Board of Cereals. Between 2008 and 2011 almost 15% of cattle slaughtered in Argentina were reared in Córdoba, though during that time, around 43% of these cows were slaughtered outside of the province.

Milk production takes place in three main productive areas: north-east (centred on the city of San Francisco), south-east (centred on Villa María) and south (from Río Cuarto to Laboulaye). Córdoba produces 3.3m litres of milk per year, around a third of the domestic production, making it the top national producer.

PIGS & POULTRY: Córdoba ranks second in terms of pig production, having 22% of the national herd in 2016. It counted 10,325 porcine establishments in 2014, of which 21 were categorised as large-scale companies with around 500 sows each. Conversely, almost 72% of establishments were small businesses holding around 10 sows, highlighting the fact the rearing pigs is largely a secondary activity that complements other agricultural activity, with pigs reared for personal or local consumption. Increasing commercialisation is under way, with the Board of Cereals reporting a 27% expansion of establishments, 35% growth of the stock of sows and a 42% increase in the number of pigs between 2010 and 2015.

Ranking as the third-largest chicken producer in the country, Córdoba has around 158 establishments dedicated to meat production, with an annual production capacity of 56.4m chickens. Concentrating 62% of its production in three main cities of Río Cuarto, Colón and Juárez Celman, the average provincial meat farm holds around 60,000 chickens. The province is also home to 90 farms producing eggs, which hold flocks averaging 35,000 chickens.

The province is the top milk supplier in the country with a third of national output, the second-largest pig producer with 22% of the herd, and ranks third for chickens with an annual capacity of 56.4m birds.
How are human resources in IT being developed?
CASALI: One of the biggest factors is our academic component, which allowed IT to grow and become what it is today. However, following the global trend, there is excess demand for human resources, because this sector has not maximised its growth potential. There are 3800 empty positions out of 13,000 IT employees, so we are working closely with the national government to meet this high demand for labour.

We rely on graduates from Córdoba’s universities, in addition to national initiatives, such as the Plan 111,000, which is widely supported by our province. Almost three years after programme’s initial implementation, there has been a notable increase in the number of students choosing careers in computer science and software development. Companies have also increased internal training programmes for professional development. We are all responsible for this important task, so we need each sector stakeholder to help meet this demand.

What advantages does Córdoba offer in IT?
CASALI: Cost is very important, with services in Córdoba 20-30% cheaper than in Buenos Aires. Therefore, many companies that are providing services throughout the country, with businesses based in Buenos Aires, are making large investments and opening software operations in Córdoba to meet customer demands.

Meanwhile, the currency depreciation in 2018 has caused us to become more competitive compared to Brazil, Chile and the rest of the region.

From the quality side, we have companies with ISO and Capability Maturity Model Integration certificates, which opens new market opportunities. The Software Promotion Law has provided fiscal support for these efforts but has also put pressure on companies to obtain quality certificates, compelling them to invest in research and development (R&D) and go abroad.

The law helped raise the quality level of IT companies, though there is still room for improvement.

Annual turnover per person stands at $40,000, whereas some more developed markets produce $200,000 or $300,000 per person per year. This represents added value, which we are highly prioritising in Córdoba.

How are IT exports being promoted?
CASALI: In the exporting arena, we have support at the provincial and national levels. In terms of taxes, for instance, export-oriented technology companies that invest in R&D and obtain quality certificates can join the national promotion scheme. This has two key benefits – a 60% income tax exemption and a 70% reduction in employer contributions – as human resources are the greatest cost of such companies.

At the provincial level, apart from ProCórdoba, the export promotion agency, the province has significantly grown its venture capital, with incubators receiving a boost, particularly in the capital city. A lack of funds is not the issue; rather, we need more interesting projects in which to invest. The Córdoba Technology Cluster aims to develop such initiatives, allowing them to first consolidate in the local market before moving to compete in the international market.

What is the state of the local investment climate?
CASALI: In this sense there are two visions. On the one hand, for large companies, Córdoba offers an extensive ecosystem with strong links between academia and technology, along with highly qualified human resources. Large multinationals have established operations in Córdoba, exporting software or products to the world at comparatively low costs.

On the other hand, some smaller companies need capital to develop the market and act on business opportunities, particularly in the burgeoning fields of machine learning, the internet of things or big data. This is where more work needs to be done: increasing investment in our small and medium-sized enterprises to help them grow their business and generate employment.
Knowledge transfer

Public programmes help finance local research and development

With a population of around 4000 researchers and 1200 PhD and master’s degree candidates, Córdoba has a considerable pool of specialised human resources compared to other provinces, as well as strong educational institutions. As a result, there has been a considerable amount of research conducted at local laboratories in a variety of fields.

**FOCUS ON EDUCATION:** Playing a large role in leading the province’s research and development (R&D), the Centre of Excellence in Processes and Products of Córdoba (Centro de Excelencia en Procesos y Productos de Córdoba, CEPROCOR) is an autonomous institution tasked with pursuing scientific and technological R&D within three main areas of knowledge, namely food, health and the environment. In its role as a technological liaison unit, CEPROCOR aims to meet the R&D needs of society, the government and the private sector, while also ensuring international standards and best practices. As such, their work involves providing not only technological solutions, but also training and knowledge transfer. Some examples of projects led by CEPROCOR involve agricultural and agri-food developments, like the creation of spreadable food products with reduced fat content, and advances in the medical sector, such as research into the application of nanotechnology in oncology.

The legacy of Córdoba’s tertiary system – with the province being known as La Docta (the Learned One), partly due to it having 12 public and private universities (see Education analysis) – has helped the province consolidate its position as a regional R&D centre. Córdoba’s achievements in R&D date back to the 1990s, when a number of multinational firms, including Intel, Motorola and Hewlett Packard launched operations there. Córdoba was the first province in Argentina to declare software a priority industrial activity, and 125 software firms now operate in the province, employing some 3500 people.

**RESEARCH PROPOSALS:** There are a host of financial support programmes for R&D endeavours at the national level. For instance, the Ministry of Science, Technology and Productive Innovation’s National Agency for Scientific and Technological Promotion – which provides financing through the Fund for Scientific and Technological Research and the Argentine Technological Fund – is dedicated to supporting projects that seek to improve social, economic and cultural conditions in Argentina.

At the provincial level, Córdoba has also developed its own entity to provide financial support for locally driven innovation. The Ministry of Science and Technology of Córdoba (Ministerio de Ciencia y Tecnología de Córdoba, MCTC) invests in R&D primarily via the Córdoba Technological Fund (Fondo Tecnológico Córdoba, FONTEC), which finances scientific and technological projects that could assist productivity through non-refundable contributions.

In March of each year FONTEC opens a call for R&D projects to apply for funding, and closes the deadline for applications in April. For the 2018 call, FONTEC said it was prioritising projects in biotechnology, nanotechnology, ICT, mechatronics, auto parts, technology for people with disabilities, pharmacology and sustainable environmental management technologies, among others. In 2018 FONTEC allocated AR450,000 (US$23,300) for each winning project to support their initial phase of development. In 2017 FONTEC approved four projects for a total amount of AR1.6m (US$82,800).

To assist companies and entrepreneurs in accessing and better managing these forms of financing, the Córdoba Stock Exchange, the Chamber of Foreign Trade of Córdoba and the Industrial Union of Córdoba created the Córdoba Technological Liaison Unit (Unidad de Vinculación Tecnológica Córdoba, UVITEC) in 2008. Since being established, UVITEC has submitted more than 600 projects to public bodies.
and approximately AR70m ($3.6m) of financing has been awarded to various innovation projects under the foundation’s management.

**KNOWLEDGE SHARING:** Both the national and provincial governments promote knowledge transfer in science and technology through a range of initiatives, activities and programmes, such as fairs, conferences, clubs, technology literacy workshops and specialisation courses for the teaching of natural sciences at elementary schools.

In order to support the dissemination of knowledge and industry best practices generated by research groups to the private sector and society more broadly, the MCTC provides grant subsidies of AR50,000 ($2590) over 12 months under its Projects for the Transfer of Research Results (Proyectos de Transferencia de Resultados de la Investigación, PROTI). PROTI seeks to forge closer links between the province’s leaders in R&D and private players, with a view to improve efficiencies and value chains across all sectors of the economy.

The MCTC offers the community the opportunity to participate in conferences and workshops. A notable example is the International Congress on Food Science and Technology (Congreso Internacional de Ciencia y Tecnología de los Alimentos, CICTA). This conference presents research papers and holds debates and discussions on the convergence of technological advances, societal needs and the production of food. The seventh edition of CICTA, which will be held in Córdoba in October 2018, will focus on engineering, including the design, implementation and modelling of equipment; nutrition and health; microbiology; conservation, packaging and storage; biotechnology and nanotechnology; safety and traceability; physical, chemical and sensory analysis; and education.

Córdoba’s Agency for Innovation and Entrepreneurship (Agencia Córdoba Innovar y Emprender, ACIE) – which is a mixed entity made up of partners from the public and private sectors – also seeks to foster the growth of firms that support innovation. ACIE does this through its accelerator programme, which offers joint-venture and co-investment opportunities for entities that provide specialised training, financing and advisory support to entrepreneurs. Under the programme, the agency matches the amount an accelerator invests in a technology-based venture up to AR23m ($1.2m). ACIE’s incubator programme, meanwhile, offers incubators non-refundable contributions capped at AR500,000-700,000 ($25,900-36,200) per year to cover up to 50% of operating costs for three years.

**DECENTRALISATION EFFORTS:** The government of Córdoba has recently launched a public programme aimed at decentralising both the management and planning of science and technology in the province. R&D is being promoted in the six key regions identified by the government. Leaning on six chosen representatives that live and work in each region, Córdoba is working to decentralise R&D in the south, south-east, east, north and west of the province, helping to disperse the historical concentration of science and technology in the centre of the province, where the city of Córdoba is located.

FONTEC noted a significant increase in submitted projects from regions outside the capital in 2018. When compared to 2017, the number of applications received from Córdoba’s capital city have remained almost the same. By comparison, participation doubled in Río Cuarto and tripled in Villa María. Additionally, cities such as San Francisco and Cruz del Eje submitted applications for the first time.

**PATH AHEAD:** Currently, the private sector accounts for around 30% of R&D investment in Córdoba, while the public sector accounts for 70%. Although the MCTC has a long-term goal of reversing this investment distribution, Córdoba’s R&D environment is not yet mature enough to subsist on private investors. As such, the government is likely to continue to rely on non-refundable contributions, donations and its loan-provision model in the short term.

Although the national government has a vast number of public funds that dedicated to financing entrepreneurship and innovation – which Córdoba’s players are also eligible to benefit from – the financing model of Córdoba is unique in that it seeks to increase private investment in R&D, while at the same time setting its own investment conditions in each of its programmes for acceleration, incubation and business development.

The quality of R&D and innovation across the province has improved demonstrably, and looking towards the future, regional and national governments show promising signs of continued efforts and programmes to support this trend. Furthermore, entrepreneurial and innovative models are expected to generate positive knock-on effects beyond R&D, driving development and innovation in numerous sectors, and helping to upskill the local workforce.

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Land of knowledge

Córdoba enlarges its academic offering, with the aim of better matching the changing labour market

Argentines have long referred to the province of Córdoba by its nickname, La Docta (the Learned One), as the National University of Córdoba and the Catholic University of Córdoba were the first public and private universities, respectively, in the country. EXPANDING ACADEMIA: The academic offering in the region is as wide as the number of institutions located in the province, which helps to align the skills of graduates with the demands of the labour market. However, with the market evolving at a fast pace, universities are confronted with the need to adjust courses and programmes to keep up.

Córdoba has 12 universities, with some 160,000 enrolled students in total. It is also home to the country’s largest online university, 21st Century University, which had 61,000 students enrolled from all over the country as of the 2018 academic year.

With the labour market evolving at a fast pace, universities are confronted with the need to adjust courses and programmes to keep up.

Six of the 12 institutions are public, namely the National University of Córdoba, the National University of Villa María, the National University of Río Cuarto, the Technological National University, the Aeronautical University Institute and the Provincial University of Córdoba, which was the latest to open. The National University of Córdoba is the largest, with a student body of approximately 120,000.

The six private facilities in the province are Blas Pascal University, 21st Century University, the Catholic University of Córdoba, the Institute of Biomedical Sciences of Córdoba, the University of Business and Social Sciences, and the University of Belgrano. University enrolment is largely concentrated in the capital city of Córdoba, though some institutions are working to develop satellite campuses. The Technological National University, for example, has campuses in Córdoba, Villa María and San Francisco, while the University of Business and Social Sciences has a campus in San Francisco.

EARLY START: Despite its reputation for higher learning, the province’s focus on education is evident from the earliest levels of schooling. Enacted in 2010, Provincial Government Bill No. 9870 – also known as the Provincial Education Law – required that all provincial kindergartens offer space for children starting at the age of four, and universalised access for three-year-old children from vulnerable backgrounds. Providing space for three-year-olds became compulsory in 2016, which forced the Ministry of Education to accelerate classroom construction to comply with the law. Some 1500 classrooms for three-year-old students are being built, and 700 have already been made available, Walter Mario Grahovac, minister of education for Córdoba, told OBG. In addition, all public works on classrooms for four-year-old students have been concluded.

EDUCATION BY LEVEL: Government Bill No. 26,206 of 2006 – known as the National Education Law – established the aim of making all primary schools full time, and stated that provincial governments had to reach at least 30% compliance by 2015. In the case of Córdoba, this meant adding two hours of schooling per day to all fourth-, fifth- and sixth-grade classes.

At the secondary level, the province has a dropout rate of 40% – which, while worrisome, is considerably below the national average of 52%. Since the 2010 launch of the Programme for the Inclusion and Completion of Secondary Education and Labour Training – which provides students that leave school the possibility to continue with their education outside of the school setting – the level of education of youths in the province has continued to improve.

The province of Córdoba has 12 universities, with some 160,000 enrolled students in total. It is also home to the largest online university in the country.
In August 2018 Córdoba hosted Youth 20, a summit that brought together over 80 delegates under the age of 30 from each of the G20 countries to discuss the future of labour, and put forward recommendations.

ICT: The province has a track record of supporting linkages between education and new technologies. The Ministry of Education recently launched the Advanced Secondary Education Programme with an Emphasis on ICT (Programa Avanzado de Educación Secundaria con Énfasis en TIC, Pro-A), which is currently being carried out in 15 buildings across the province, with 12,000 students taking part; by 2019 another 25 schools are expected to be built and incorporated into Pro-A. It has also established relationships with the private sector to encourage students to pursue studies in science, technology, engineering and maths, and is working with the Córdoba Technology Cluster, an organisation of leading tech companies, to bridge the gap between labour market demand and the current skills of graduates.

Software companies in the province generate significant demand for specialised skills, estimated at more than 3800 jobs; this figure rises far higher when multinational firms are taken into account. Some of the most in-demand professions include developers fluent in Java and .NET, among other programming languages, as well as testing analysts.

PEDAGOGICAL STUDIES: The state plays a central role in the training of teachers and professors; more than half of the region’s teaching staff take continuing education courses free of charge, either virtually or in person, through public programmes. Additionally, in 2016 the Ministry of Education created the Higher Institute of Pedagogical Studies, with the objective of strengthening teacher training at all levels. Self-evaluation mechanisms are also offered to schools in the province as a way to measure how individual programmes are being implemented.

In line with broader decentralisation trends taking place in the country, the Ministry of Education has been building linkages with existing teacher training institutes, and has made arrangements with such facilities all across the province – not only in the capital city of Córdoba, but also in towns such as Mina Clavero, Río Cuarto, Villa María, Capilla del Monte, San Francisco and Laboulaye.

Notably, the Ministry of Education also benefits from open dialogue with teachers’ unions, as the current minister, Grahovac, used to be a member of the Union of Educators of the Province of Córdoba, the largest education union in terms of affiliation.

OECD RECOMMENDATIONS: While Argentina is not a member of the OECD, it has a relationship with the organisation that dates to the 1990s, and local policymakers continue to closely follow recommendations it made in 2016. The OECD highlighted opportunities for increasing competitiveness and productivity in Córdoba, and suggested improvements in infrastructure, access to financing, education and innovation in order to achieve these goals.

On the infrastructure front, the authorities are taking advantage of ongoing construction of a gas pipeline network to install fibre-optic internet cabling, with a total of 5100 km of cables to be laid across 175 urban areas by end-2018. The local authorities have also signed an agreement with state-run satellite company Arsat to install equipment that will provide free internet in 107 public schools, benefitting more than 21,100 students.
Business facilitator

Roberto Avalle, Minister of Industry, Commerce and Mining, on competitive advantages for foreign investment

How do you view the relationship between industry, agriculture, and science and technology?

**AVALLE:** The relationship between industry, agriculture, and science and technology has improved significantly. Nowadays, agricultural producers in Córdoba use many industrial and technological tools to help improve their production. The inverse is also true, with the industrial entrepreneur strongly linked to agricultural production and scientific development. Technology is a fundamental aspect of companies in the agriculture sector and many have incorporated organisational methods typical of the industrial sector.

Moving forward, we believe that agricultural producers should be at the forefront of the province’s industrial development, transforming the raw materials they produce into value-added products – either intermediate or final – for human and animal consumption.

The close relationship between agriculture, industry, and science and technology has yielded great results in terms of production levels and investment. Public and private entities should continue working in all three areas to boost the province’s economic development.

What role is there for the mining industry?

**AVALLE:** Taking into account the provincial and national government plan to promote the development of infrastructure throughout the country, the relevance of mining in Córdoba is significant. Córdoba is carrying out a large public works plan with investment of over $5.7bn, for which the provision of construction materials is vital. Córdoba is a large supplier of aggregates, which are used throughout the province, as well as in Santa Fe and in the north of Buenos Aires.

What are the competitive advantages of Córdoba, and how can they help attract foreign investment?

**AVALLE:** The province of Córdoba is strongly focused on the development of the private sector, and we act as a facilitator for businesses. We understand that without a private sector, no government can adequately obtain resources and maintain the basic services of any society, which are education, health, security and justice.

Based on its broad industrial background, Córdoba is a friendly environment for private investment. The automotive industry began in the mid-1950s, along with the metalworking industry, which is why today we have factories that produce agricultural machinery and capital goods. This has helped us develop a specialised workforce, which is not always easy to find elsewhere.

There is no differentiation between provincial, national or foreign investors in Córdoba: all receive the same services and benefits, whether they are a small local business or a large multinational. The province also grants the possibility of reaching special agreements following the approval of provincial legislature. Investors therefore enjoy absolute legal security.

In addition, we have an advanced academic sector that provides a significant comparative advantage over other provinces, or even regions outside the country. In Córdoba there are 12 private and public universities, and about 250,000 university students.

How has the software industry evolved?

**AVALLE:** At the beginning of the 2000s the software industry was almost non-existent; however, Córdoba was the first province to declare software a priority industry. We believed that it was necessary to provide this important sector the same benefits as the manufacturing industry, and this helped us attract our first foreign multinational ICT company, Motorola, to establish operations in the province. Following that, a software cluster was created, which was initially composed of 10 companies and no more than 300 employees. Today, there are over 330 software companies, with more than 13,000 people employed in the sector.

Audiovisual has also been declared a priority industry, and we have more than 5000 students involved in TV, cinema, web production, video games and animation.
Ecotourism is one of the segments with the most significant development potential in Córdoba. The province has a vast and varied landscape, with a number of protected natural habitats.

Vistas and vines
Targeting visitors through ecotourism, viniculture and aviation

Developing a robust tourism industry is one of the top policy prerogatives of the province of Córdoba, and stakeholders are seeking to put the region on a stronger competitive footing through a combination of marketing and connectivity improvements.

In a August 2018 visit to neighbouring Uruguay, Julio Bafuelos, the president of the Córdoba Tourism Agency (Agencia Córdoba Turismo, ACT), said, “In Córdoba, tourism is a real state policy. It generates employment, public-private investments and economic dynamism.” The province already enjoys a positive reputation among Argentine tourists thanks to its natural attractions, and expanding oenological and gastronomic offering. However, industry bodies are seeking to improve the province’s reputation for tourism further afield, and are modelling their approach on the successes of tourism locations such as Mendoza, the internationally recognised wine region; Patagonia, which is home to a number of glaciers, including the Perito Moreno; and the vibrant capital Buenos Aires, the most visited destination in the country.

NATURAL ATTRACTIONS: Ecotourism is one of the segments with the most significant development potential in Córdoba. The province has a vast and varied landscape, with a number of protected natural habitats. Scenery ranges from salt flats and wetlands, to dense forests and rugged mountains, and many of the region’s natural landmarks are already well regarded by naturalists; the Mar Chiquita lagoon, Mount Champaquí, Quebrada del Condorito National Park and Colorado Hill are among the most visited.

These vistas are particularly attractive for adventure tourists. The province offers visitors opportunities for hiking and river rafting, as well as kayaking, cycling and bird watching. The Mar Chiquita area and the Salalldillo river wetlands are home to some 170 species of birds, including flamingos, seagulls and ducks, while the central north-western region of Pampa de Achalla offers visitors a chance to see birds of prey such as condors, eagles and hawks.

WINE TIME: The province’s picturesque landscapes, which are well known for producing agricultural goods, are also suited to wine growing. While the Mendoza region is undoubtedly the most famous in the country, having secured a number of international accolades, Argentina’s wine industry is spread across a number of different regions, and Córdoba has a wide offering of high-quality wines.

The region has a diverse terroir and grows, most notably, pinot noir, malbec and cabernet sauvignon grapes. Producers in the area stand to benefit from an agreement planned for late 2018 with the Argentine Viticulture Corporation, which would see Córdoba officially declared a wine-producing region.

In August 2018 the ACT launched a new marketing programme to promote Córdoban wines abroad: Los Caminos del Vino de Córdoba (or, “The Wine Routes of Córdoba”, in English). The strategy is modelled after successful vinitourism programmes in El Cuyo and Salta, and looks to build on the budding reputations of some boutique producers in the area.

A total of 16 Córdoban winemakers have joined the initiative, which showcases not only their viniculture, but also their hospitality and gastronomy offerings. The vineyards of Las Cañitas, La Matilde, Araoz de Lamadrid and El Noble San de Javier offer upscale accommodation, while Terra Camiare, Chacra de Luna, Jairala Oller, Del Gredal, Las Cañitas, Nebulo, La Maltide, Araoz de Lamadrid and El Noble de San Javier feature gourmet or regional cuisine, as well as traditional guided tours and wine tastings.

CONNECTIVITY: While the areas in which Córdoba is best positioned to compete are relatively clear, further improvements to connectivity will be needed to fully unlock the region’s tourism potential.

To date, the development of Córdoba as a local air transport hub has been decisive in bringing more
CÓRDOBA TOURISM

The stark depreciation of the Argentine peso – which was down 32% year-to-date against the dollar in August 2018 – is making Argentina a more affordable, and therefore attractive, destination for many visitors from abroad.

International arrivals by air to Córdoba increased by 28% year-on-year in the first five months of 2018. Nationally, foreign air arrivals were up 5.8% year-on-year in the first five months of 2018. While the Córdoba airport accounts for a relatively small share of this tally – at 3% of foreign arrivals over the period, to Buenos Aires’ 90.7% – it witnessed a much higher growth rate of 28%.

Hospitality providers in the province of Córdoba are working to capture some of this increase in visits. According to data from the Hotel Occupancy Survey of the National Institute of Statistics and Census, the province hosted just 1.8% of all overnight stays by foreigners over the course of 2017; however, in January 2018 this rose to 2.2%, and in April it jumped to 2.8%. With the arrival of new hotel chains slated for late 2018 or early 2019, and further increases in air arrivals expected, Córdoba has an opportunity to significantly expand the number of international visitors it welcomes each year. Continued alignment in the approaches of public and private sector actors, with a focus on competitive advantages in eco- and oenotourism, will prove key.
Since President Mauricio Macri assumed office at the end of 2015, the national government has placed a particular emphasis on the country’s water resources, investing heavily in infrastructure upgrades and flood resilience through dozens of mega-projects. Córdoba, a key agricultural and manufacturing province, has been at the centre of this agenda.

With both levels of government actively seeking private funding to help complete many of these projects, there are significant opportunities for foreign investment in Córdoba’s infrastructure development. ECOLOGICAL & HEALTH CONCERNS: Seasonal flooding, exacerbated by illegal canals and poor waste water infrastructure, have prompted regular evacuations in the province. Hundreds of thousands of hectares of productive land has flooded, drinking water has been contaminated and damage has occurred to costly urban infrastructure.

Torrential rains in Córdoba are most common in the summer, with average monthly rainfall often exceeding 100 mm. Flooding in the agricultural heartland, in the south of the province, often affects huge swaths of land for months at a time, resulting in significant financial losses. For example, flooding towards the end of the 2016/17 summer resulted in an estimated AR1.8bn ($93.2m) in losses for maize, soya and peanut farmers in this region alone. Damage to urban roads and intercity motorways also poses major costs for provincial government coffers.

Apart from financial losses, seasonal flooding represents a public health concern, made worse by infrastructure shortfalls. Most of the province’s sewage pipeline network is inadequate. In 2015, before the national and provincial governments began investing in infrastructure upgrades, just 39% of households in Córdoba were connected to sewage networks, below the national average of 53%. Concerns have frequently been raised about industrial waste and sewage contaminating drinking water during floods, a problem Juan Schiaretti, governor of Córdoba, warns puts Córdoba on the brink of “ecological disaster”. Contamination occurs when flood waters spill over into aqueducts and reservoirs, disrupting water supply to parts of Córdoba city and other areas.

CONCERTED ACTION: Faced with mounting ecological and economic costs, Schiaretti announced in August 2016 that the provincial government of Córdoba would invest a combined AR5bn ($258.9m) in initial waterworks projects, the largest amount ever to come from provincial funds.

Cooperation with the Macri government has also helped secure national funding for initiatives. In 2017 the Argentine government laid out its National Water Plan, encompassing 102 projects across the country, to be completed over a four-year period in partnership with provincial governments. At an estimated cost of $10bn, the plan’s primary aim is to prevent flooding of vital farmlands, improve access to clean water and sewage infrastructure, and encourage private investment through public-private partnerships (PPPs). By 2021 the government aims to achieve universal access to drinking water, and have 75% of households connected to the sewage network.

As of September 2017, 70 projects were under way, 14 of which were at the bidding stages and nine of which were waiting to get start; flooding had reportedly delayed the projects in some provinces. Infrastructure priorities under the plan include building dams, canals and storm drains; expanding potable water networks; purchasing meteorological equipment to more effectively predict weather patterns; and developing warning systems. In the province of Córdoba the national government is prioritising plans to build a dam and water-treatment plant.

STEADY PROGRESS: With the national government covering two-thirds of the cost of most infrastructure projects, Córdoba’s provincial government has made significant progress on its ambitious infrastructure projects.

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plan. In 2016 it rolled out 12 major waterworks projects across the province, with the largest – the expansion of the sewage pipeline network in Córdoba city – set to cost AR3.2bn ($165.7m). Construction of a water-treatment plant in Río Cuarto, valued at AR336m ($17.4m), is also under way.

The Argentine government has similarly financed the construction of a AR771m ($39.9m) canal on the border of the Córdoba and Santa Fe provinces, which is aimed at preventing the frequent flooding of 600,000 ha of prime agricultural land.

Despite flooding-induced construction delays, project timelines appear to be largely on track. According to Marina Klemensiewicz, secretary of urban infrastructure, 50-60% of waterworks projects in Córdoba city had been completed as of March 2018.

Since the initial round of major projects was announced, the provincial government has continued to roll out new builds at a fast pace. In 2017 and 2018 Schiaretti announced numerous infrastructure projects in smaller, more rural parts of the province, including expanding aqueducts and sewage networks, and constructing new water-treatment plants. In a further move aimed at improving access to drinking water, in April 2018 he announced a reduction in provincial taxes on water and sewage services.

FOREIGN INVESTMENT DRIVE: While public funding has been crucial in advancing Córdoba sizeable infrastructure agenda, planners are also targeting foreign investment in infrastructure mega-projects.

Recent regulatory reforms allowing provincial and municipal governments to develop and deliver infrastructure projects via PPPs have opened the door to foreign companies looking to invest in Córdoba. Until now, most waterworks projects at the provincial level have been undertaken by state companies or small local private players; however, the Córdoba government has expressed interest in developing infrastructure projects through PPPs. With at least 10 proposed water and wastewater PPP projects under tender or undergoing initial evaluations in other provinces, Córdoba is likely to follow suit.

In November 2017 the national Secretariat for Water Resources hosted a trade fair in Buenos Aires, attracting 100 water utility companies from around the world. The national government is reportedly looking for 9.5bn worth of investment in 38 water and sanitation projects through PPPs. With at least 10 proposed water and wastewater PPP projects under tender or undergoing initial evaluations in other provinces, Córdoba is likely to follow suit.

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At the provincial level, Córdoba has similarly moved to attract overseas funding for waterworks. In February 2018, for example, the province secured financing to build eight new aqueducts from the Kuwait Fund for Arab Economic Development (KFAED) and the Abu Dhabi Fund for Development.

Together, the projects will benefit an estimated 250,000 people, at cost of around $139m. Construction is projected to take three years and will be carried out by local firms. KFAED has agreed to finance five of the projects, while the Abu Dhabi Fund for Development will support the remaining three.

The government has also secured a $300m commitment from the World Bank to fund additional infrastructure upgrades in the province.

FURTHER OPPORTUNITIES: In the years ahead the province will continue to prioritise water and sanitation infrastructure under ambitious development schemes, such as the Five-Year Core Aqueduct Plan, a programme to expand drinking water access across the province. Greenfield flood-control and sewage projects are also high on the agenda.

According to a recent report from consultancy KPMG, the Argentine and Córdoba governments are currently conducting a feasibility study for a $1.5bn project to improve embankments and canalisation in agricultural areas; carry out maintenance work on dams, streams and lakes; and undertake repairs on sewage and drainage systems.

Although tenders for waterworks projects in Córdoba have historically been dominated by small Argentine players, the large-scale infrastructure plans envisioned by both the national and Córdoba governments suggest lucrative contracts for foreign investors are in the offing. To date, competition for water projects in the province has been fierce, with 14 companies bidding in 2017 on a AR228m ($11.8m) tender to build aqueducts, water intakes and water-treatment plants in seven municipalities.

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Agro-industry is a key driver of the province’s economic growth

Wide-angled strategy

Local authorities have introduced various initiatives to support smaller enterprises and bolster economic performance

Córdoba is a regional leader in agro-industry, with the vast majority of local businesses in this field being small and medium-sized enterprises (SMEs): only 10% of the nearly 500 companies involved in the manufacturing of agricultural machines and agro-parts are large companies, while the remaining 90% are SMEs. The domination of the market by smaller firms has led the provincial authorities to create a regulatory body for this sector, Córdoba’s Agency for Innovation and Entrepreneurship (Agencia Córdoba Innovar y Emprender, ACIE).

INNOVATION AGENT: Launched in 2016, ACIE forms partnerships with both public and private sector actors. It designs and executes programmes promoting economic development by diffusing knowledge, strengthening the entrepreneurial ecosystem, and supporting innovations that improve competitiveness and add value to the chain of production. The agency is also responsible for the planning of broader innovation and development policies.

The Productivity Cabinet aims to support SME development through these measures, particularly within agro-industry due to the segment’s importance to Córdoba’s economy. “ACIE is playing a key role in political and economic strategy-making in the province,” Mario Cuneo, president of ACIE, told OBG.

INITIATIVES: ACIE has backed four main initiatives to bolster entrepreneurship – Córdoba Accelerates, Córdoba Incubates, Córdoba Links and More Companies – as well as an entrepreneurial map. Córdoba Accelerates was launched in April 2017 to promote the creation and strengthening of accelerators, which are entities specialised in training, advising, linking and financing technology-based entrepreneurs and start-ups to maximise their potential impact. Three new accelerators have since launched in the province, bringing the total to five. With an annual budget of around $1.15bn, the agency has worked to incentivise accelerators, finding three technology-based projects with substantial potential to affect the market. Through Córdoba Accelerates, ACIE matches an accelerator’s investment in a technology-based venture through a better-fortune clause – which guarantees that participants receive their outlays back plus interest – and funds 50% of a start-up’s operating costs for three years.

STRENGTHENING BUSINESS: Similarly, Córdoba Incubates works to create and strengthen incubators – entities specialised in training, advising and supporting entrepreneurs – by covering a portion of their operating costs for three years and providing mentorship on professionalism.

Following the creation of such innovative start-ups, Córdoba Links finances efforts to strengthen relationships between the business sector, academic and research bodies, and the entrepreneurial ecosystem as a whole. Supported by 15 institutions and around $500,000 in public and private investment, the programme includes plans for 22 events, 41 awareness-raising undertakings, 26 workshops and training activities, two business rounds, 10 sectoral reports and various other ventures.

Lastly, More Companies, rolled out in August 2018, is a co-investment programme with an estimated $840,000 budget. Businesses and investors are both eligible to receive financing through the scheme. To qualify, companies must be in the growth and consolidation stage, as well as specialise in either technology, social and/or environmental concerns, productivity, or research and development. Meanwhile, eligible investors include individuals, groups of individuals and/or legal entities who have contributed at least a $33,000 to an innovative, high-impact venture. Once these requirements are met, ACIE will match the private entity’s investment up to $140,000 based on a better-fortune clause.

OECD: The government of Córdoba is working to attract foreign direct investment by developing a
The Provincial Incubator for Commercial Businesses began its second iteration in late 2017, providing three months of training to 15 start-up ventures.

GROWTH IN ICT: Carlos Walter Robledo, the minister of science and technology for the province of Córdoba, told local press that both existing robust ICT clusters – like those in Córdoba city, Villa María and San Francisco – and those forming in the north-eastern region of the province could act as significant magnets for investment. For this reason, the authorities are working to strengthen ICT, in part through the Advanced Education Programme with an Emphasis on ICT, which aims to address the shortage of skilled ICT workers (see Education).

POSITIVE EXAMPLE: The provincial authorities have adopted a wide-angled strategy to help SMEs obtain financing, receive expert advice and digitalise their operations. Through these efforts Córdoba has set an example that other provinces and the nation as a whole could follow. While the initiatives are a step in the right direction, industry players note that they largely focus on only the earliest phases of SMEs, as these are typically the most volatile. However, the market would likely benefit from strategies to increase productivity and create formal employment at all stages of development. As these measures are still fairly new, their effectiveness in fostering a sustainable SME ecosystem will become increasingly evident in the coming years.
In late 2017 the administration of President Mauricio Macri struck a deal with the provinces to reduce gross income tax and stamp duty by 1.5% of GDP over five years. As of September 2018 calls were growing among provincial governors to delay gross tax cuts for a year as an emergency measure, as they are seen as unviable for some provinces in the current economic climate.

Prospects for provincial tax reform amid economic uncertainty

In November 2017 President Mauricio Macri struck a deal with provincial governments to streamline tax structures and gradually lower the overall tax burden on the private sector. These reforms build on measures enacted since 2015 to create an equitable and innovative tax framework in the province.

The administration of Juan Schiaretti, governor of Córdoba, is banking on increased private sector investment following the cuts, which would need to exceed the associated revenue losses for the government to produce a net benefit. While this bet seems to be paying off, ongoing economic uncertainty at the national level has placed the full rollout of provincial-level tax cuts somewhat in doubt, at least in the short term.

**NATIONAL CONSENSUS:** Following his party’s decisive victory in the October 2017 legislative elections, President Macri set out to fast-track tax reform. Within a month a deal was brokered with provincial governments to gradually lower the gross income tax and stamp duty by 1.5% of GDP over five years. In return, President Macri promised participating provinces a greater share of national tax revenue, in addition to access to a $4.6bn credit line. Argentina’s gross income tax has long been cited as one of the more burdensome costs for businesses because it is charged on transactions at each stage of the supply chain.

Along with lowering the applicable rate, the national and provincial governments came to a consensus on broad and gradual reform of federal and provincial taxes, aimed at streamlining the multi-jurisdictional system, reducing tax levels and promoting investment.

**LEADING FROM THE FRONT:** In accordance with the new national policy, Córdoba has already begun reducing gross income tax by restructuring quotas, preferential treatment and exemptions. While these nationally coordinated steps are significant, the province is taking additional steps to lower business costs. In October 2017 the governor announced the elimination of an internal Customs tax on goods imported from other provinces and sold locally – a move expected to save 9000 companies a combined AR1.8bn ($93.2m) in tax.

This marks a major milestone in the province’s ongoing efforts to establish a more efficient and equitable tax regime, as outlined in its Equitable Tax Programme (Programa de Equidad Impositiva, PEI), launched in 2015. Its main goals are to increase service efficiency, reduce tax evasion and improve tax debt collection.

**REAPING THE REWARDS:** The more simplified tax system already appears to be benefitting the province. While the rate of growth in tax collection has eased somewhat, tax revenue is nonetheless increasing by double-digit rates, and tax savings by businesses are being passed on to the local economy. In the first half of 2018 the provincial government collected AR21.8bn ($1.1bn) in taxes, a 29.3% increase from the same period in 2017. Had the government not eliminated some tax quotas, tax collection would have grown by an estimated 34.6%, meaning that an additional AR894m ($46.3m) was left to circulate in the local economy.

**KEEPING BALANCE:** In a 2018 study conducted by local think tank Fundación Libertad, Córdoba ranked seventh out of 24 provinces for the competitiveness of the business climate and fourth for fiscal stability. While Córdoba has thus far been able to successfully balance tax cuts and fiscal health, other provinces have struggled amid a climate of economic uncertainty at the national level. As of September 2018 calls were growing among provincial governors to delay gross tax cuts for a year as an emergency measure, as they are seen as unviable for some provinces in the current economic environment. With the national government requiring support from the provinces to pass its 2019 budget, the Macri government may well acquiesce to demands to delay some tax cuts. Although such delays could have negative knock-on effects for Córdoba’s private investment drive, the provincial government is nonetheless expected to push ahead with other pro-business aspects of its PEI reform agenda.

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IT'S INDUSTRIAL BECAUSE IT'S INNOVATIVE IT'S INNOVATIVE BECAUSE IT'S INDUSTRIAL

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