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Territorial development in Argentina: *diagnosing key bottlenecks as the first step toward effective policy*



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in Argentina: *diagnosing
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toward effective policy***

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1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

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ABBREVIATIONS

AMBA	Buenos Aires Metropolitan Area
CABA	Autonomous City of Buenos Aires
CNPV	National Population and Housing Census (Censo Nacional de Población y Vivienda)
DB	World Bank's Doing Business Report
EPH	Permanent Household Survey (Encuesta Permanente de Hogares)
GCI	World Economic Forum's Global Competitiveness Index
GDP	Gross Domestic Product
GGP	Gross Geographical Product
GHSL	Global Human Settlement Layer
GoA	Government of Argentina
GVA	Gross Value Added
IADB	Inter-American Development Bank
ICT	Information and Communication Technologies
INDEC	National Institute of Statistics and Censuses
KSI	Krugman's Specialization Index
LISA	Local Indicator of Spatial Association
AELs	Local Economic Areas
LQ	Location Quotients
MAS	Metropolitan Area of Salta
NBI	Unmet Basic Needs (Necesidades Básicas Insatisfechas)
NEA	Northeast region
NOA	Northwest region
OECD	Organisation for Economic Co-operation and Development
OEDE	Observatory of Employment and Business Dynamics (Observatorio de Empleo y Dinamica Empresarial)
ONDAT	National Observatory of Transport Data (Observatorio Nacional de Datos de Transporte)
OSM	Open Street Map
PBA	Province of Buenos Aires
PET	Strategic Territorial Plan (Plan Estratégico Territorial)
SAME	CABA's Emergency Medical Services
SMEs	Small and Medium-Sized Enterprises



EXECUTIVE SUMMARY



CONO DE ARITA IN SALTA, ARGENTINA

Sebastian del Val ©

EXECUTIVE SUMMARY

Argentina's population and economic activity is highly concentrated in few places, similar to global trends. Globally, economic development has historically been concentrated in a few places: In fact, only 1.5 percent of the planet's land is home to half of its production. With a population of 40.12 million, Argentina's population is highly concentrated in its capital (INDEC, 2010). According to the 2010 Census, 66 percent of the population is concentrated in Buenos Aires Metropolitan Area and the nearby Pampeana Region. Further, 91 percent of the country's population lives in urban areas,¹ and 70 percent of the total urban population are concentrated in just 31 cities. Recent work suggests that those high levels of concentration have persisted, with the United Nations estimating a 91.8 urban population rate in the country in 2015. Economic activities in Argentina are also geographically concentrated in the central and coastal areas, with two-thirds of the national GDP being produced in two regions: Buenos Aires Metropolitan Area (AMBA, per its name in Spanish) and Pampeana (Muzzini *et al.*, 2016).

But unlike countries like South Korea, the concentration of economic activity has not been balanced by successful efforts to improve living standards across the country. Despite a sustainable overall poverty reduction, today 40 percent of Argentina's population is still vulnerable to falling into poverty, and large

geographical disparities remain; for example, provinces in the North of Argentina continue to struggle with extreme poverty and considerable gaps in living standards when compared to the rest of the country. While overall poverty rates have been falling since 2002, poverty incidence in the Northwest and Northeast regions are at 25.4 and 33.2 percent respectively and are the highest in Argentina. Although regional gaps in access to water and primary education have been improving, the Northwest still lags in terms of access to sanitation, secondary education, and human development outcomes.

Given that Argentina had a primary deficit of 4.2 percent of GDP in 2017 and inflation of 24.8 percent at end-2017, prioritizing investments will be necessary also in the context of territorial development. **How can the government reduce development gaps across the national territory while at the same time supporting growth opportunities within a context of national fiscal deficit?** Using a territorial development lens that allows the identification of challenges and opportunities at the sub-national level, this report provides a framework and diagnostics to understand Argentina through three dimensions: *Scale, Specialization, and Convergence*. Chapter 1 explains the territorial development framework used for the analysis. Chapter 2 provides an overview of the economic geography of Argentina and the challenges the country faces along these three dimensions. Chapter 3 presents a closer look at two

¹ All localities with a population of 2,000 or more are considered urban in Argentina.

provinces, Salta and Jujuy, and puts them under the same lens. Chapter 4 summarizes the key messages of the report, providing benchmarking to compare Argentina to other countries around the world in Scale, Specialization, and Convergence.

Scale, Specialization And Convergence: A Framework For Territorial Development

Territorial development is development that is aware of *where things happen*. Economic activity, people, jobs, and living standards are often not equally distributed across a country. Hence, when thinking about how to reach every corner of a country, every citizen within its boundaries, policy makers must understand the landscape of territorial development along three dimensions:

- **Scale**, because people and firms often spatially concentrate in just a few places, and this is evidence that proximity is valuable.
- **Specialization**, because the benefits of concentration can be spatially spread when places are well connected and connected places can either specialize in their most productive sectors, or diversify and keep innovating.
- **Convergence**, because spatial concentration of people and firms can be harnessed to improve living conditions everywhere, enabling the convergence of living standards.

Scale, Specialization, and Convergence – the key dimensions of territorial development. People and firms are often concentrated in a few places within a country, reflecting the value of proximity. However, spatial concentration of economic activity is often a concern for governments that would like to see economic growth evenly spread out across a territory.

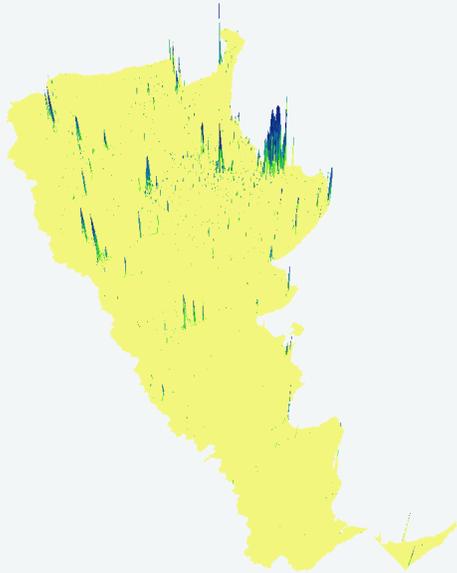
But economic theory and international experience suggest that spatial concentration is inevitable and desirable -successful places have managed to extend the benefits brought by such economic concentration to all regions throughout a country. Further, when places are well connected, people can reach more economic opportunities, and firms can reach larger markets for inputs and outputs. When connections are lacking, capital and labor markets are segmented, economies of scale limited, and opportunities truncated. The benefits of concentration can be spatially spread when places are well connected, and connected places can specialize in the tasks and product lines in which they are most productive. But concentration and specialization do not need to lead to disparities in living standards across regions. They can instead be leveraged to achieve convergence across a territory. An analysis that looks at the economic geography of a country along these three dimensions can therefore help identify challenges and define priorities in a territorial development strategy.

For each territorial development dimension, analysis was steered by key guiding questions and proxy indicators chosen to answer such questions. It is worth noting that no single indicator can answer the key questions around Scale, Specialization, and Convergence, and hence several indicators are used in this analysis. Scale, for example, is represented by indicators on concentration of people, economic activity, and firms. For Specialization, indicators around the distribution of such economic activity and employment were used, coupled with measures on connectivity and an enabling environment. Convergence was measured through indicators on living standards.

Where does Argentina stand?

Scale

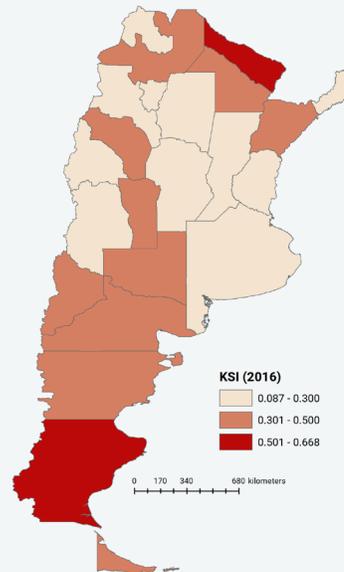
Economic activity is concentrated in the Province of Buenos Aires but its benefits do not extend to all regions



Economic Concentration: Nighttime lights
Source: data from NOAA, 2015.

Specialization

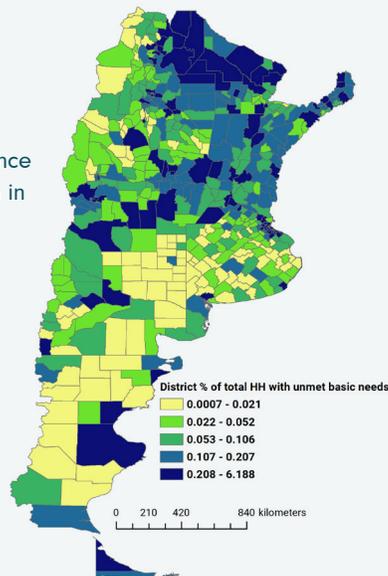
Employment specialization is weak in most provinces of the country



Krugman Specialization Index (KSI) at the province level
Source: Data from OEDE, authors' computation.

Convergence

Argentina has seen some convergence in living standards, but gaps remain in some key indicators



Percentages of the total number of poor people living in each district
Source: INDEC (2010)

LOW SCALE IN ARGENTINA –

low firm density, with little growth of firms

Concentration of people and economic activities is high in Argentina, but firm density is low, as most firms remain micro and small, implying a lack of scale.

Argentina aligns with global trends, with population and economic activity being concentrated in a few places. The Province of Buenos Aires hosts close to 40 percent of the population and contributes to 1/3 of the national Gross domestic product (GDP). The capital city is nearly 11 times as large as the second largest city, Cordoba, reflecting the fact that Argentina has one of South America's highest urban primacy rates with 44.4 percent, just below Paraguay with 58.6 percent and Peru with 48 percent. Brazil, on the contrary, has the lowest primacy rate in South America with 13.1 percent. Moreover, 91 percent of the country's population lives in urban areas², and only 31 cities contain 70 percent of the total urban population. Northern Argentina is second in terms of concentration of population, followed by Cuyo and Patagonia, in that order. However, despite experiencing rapid urbanization in the past two decades, the North's contribution to national GDP is still well below its population share. The North is home to 21 percent of the population but contributes only 10 percent to national GDP³ and 7 percent of total exports (INDEC, 2016). Cuyo and Patagonia, on the other hand, host 8 percent and 6 percent, respectively, of national population, and contribute 7 percent and 8 percent of GDP (Ministry of Production, 2015).

Argentina displays concentration in other ways: Buenos Aires acts as Argentina's transport hub, with most air transportation of passengers and road freight flowing through the

capital. 71 percent of passengers in 2016 used an airport in the Pampeana region, of which 61.4 percent had Buenos Aires city⁴ as their origin or return destination. In terms of cargo, 91 percent of the total airport freight passes through Ezeiza International Airport in Buenos Aires. Finally, the greatest flows of cargo and passengers are in the corridor connecting Buenos Aires with Rosario and Cordoba –where much of the country's population and main economic activity are concentrated.

But despite concentration of people and economic activity, lack of scale is reflected in mainly firms that are mainly local and small, with overall low firm density across different areas. Most firms are concentrated in the Pampeana region, hosting 77.5 percent of the country's firms. In 2015, 67 percent of firms were microenterprises, 22 percent small, 6 percent medium, and 5 percent large firms. While most of the firms in Argentina are microenterprises, 51 percent of the private employment is generated by large firms. This pattern is not unique though, international experience suggests that in most countries the clear majority of enterprises (between 70% and 95%) are microenterprises. But, firm density in Argentina is two to four times lower than in neighboring Chile and Brazil. Argentina has only 13 firms per 1,000 inhabitants, while Chile and Brazil have 48 and 25 firms per 1,000 inhabitants respectively. The Pampeana and Northern regions have low density with just 16 firms and six firms per 1,000 inhabitants.

Lack of scale is also seen in the dominance of microenterprises that do not graduate to higher size groups. Firms in Argentina stagnate in their size group over time, with only a few graduating to higher size classes. For example, 57 percent of microenterprises remained a microenterprise after 5 years, and 40 percent closed. In the case of

2 All localities with a population of 2,000 or more are considered urban in Argentina's official definition.

3 GDP in constant prices of 2004; Ministry of Production (2015).

4 Share of the passengers that used the two airports serving AMBA: Aeroparque Jorge Newbury and Ezeiza International Airport.

medium firms, only 6 percent grew to become large firms. The fast-growing firms—those that manage to increase employment quickly and sustainably—only represented less than 1 percent of the total number of firms between 2010-2016 (Ministry of Production, 2018).

LOW SPECIALIZATION IN ARGENTINA –

lack of integration between local markets

Local markets in Argentina are not well-integrated due to poor connectivity and institutional barriers.

Services dominate GDP and employment, and there is high contribution of non-tradeables to employment in Argentina. In 2017, services contributed to 50.4 percent of national GDP. In all regions, employment has also been mainly concentrated in the services sector⁵, about 43 percent nationally in 1996 and 48 percent in 2016. Regionally, Pampeana's services sector contributes 78 percent of local GDP and constitutes almost half of total employment, followed by manufacturing and commerce. In Northern Argentina, services represent about 39 percent of employment, but their prominence has grown over time. Finally, Metropolitan Buenos Aires and the top five agglomerations have lower employment in tradeable sectors compared with the average for both direct and best-practice comparator cities.

Specialization at the regional and city levels is weak and becoming weaker over time. To better understand the levels of specialization of employment across locations in Argentina, a Krugman Specialization Index (KSI) was built. In general, highly specialized localities have indices higher than 0.75, whereas localities with an index below 0.35 can be considered as not specialized (Blankespoor *et al.*, 2017). In Argentina, the mean and median KSI are very close to 0.35 for

all years analyzed, revealing that specialization at the province level between 2006 and 2016 was weak, and grew weaker over time. At a smaller scale, some small- to medium-sized cities show high levels of employment specialization, particularly in the Northern provinces. But less than 1 percent of the cities in Argentina have employment specialization.

Weak specialization levels point at connectivity challenges.

There are significant spatial disparities in terms of access to connective infrastructure across Argentina, which largely align with economic under-performance. While provinces in central Argentina are well connected, reflecting a dense transportation network between cities, hard connective infrastructure is weak particularly in the North and Patagonia. The North of Argentina displays lower road density than the national average, Pampeana, or Cuyo. Except for Jujuy, road density in the NOA region was 8 km and 5.9 km every 100 km² for national and provincial roads respectively in 2015. Moreover, areas in Patagonia together with areas East and West of the Jujuy-Salta-Cordoba corridor have the lowest levels of road accessibility and relatively higher travel times. To put this into perspective, Tanzania and Namibia, in Africa, have a road density of 9.1 km and 5.5 km every 100 km² of land area (FAO, 2011), respectively. These connectivity challenges translate to high logistics cost, particularly for the northern provinces. Logistics cost for the northern regions has been estimated to be up to 50 percent higher than in the neighboring Center and Cuyo regions (World Bank, 2016). Also, in the 2016 Logistics Performance Index ranking, Argentina ranked 66 – after Mexico, Brazil (54, 55) Uganda (58); Kenya (42) and India (35). Furthermore, 'Soft' connective infrastructure is weak in the country. Overall, northern Argentina is the most disadvantaged in terms of internet access. In 2016,

⁵ OEDE data. Total number of employed in the province is obtained from the total number of employees declared in that province by each firm.

21 percent of people had residential broadband connections, well below the national average of 41 percent. The same differences are observed in other telecommunications: there were on average 146 mobile lines for every 100 people in Argentina in 2017, but only 119 in the Northern provinces compared for instance to 152 in Patagonia.

Weaknesses in institutional barriers also dampen integration. Quality of institutions in Argentina is a key constraint for further investments and private sector expansion. Analysis using information from the Argentina Enterprise Surveys for 2010 and 2017 suggests that firms in both the informal and formal sector highlight institutional barriers as the key obstacles to their regular operation.

LACK OF CONVERGENCE IN ARGENTINA –

some progress, but gaps still exist

Despite convergence in living standards in some areas, large disparities between regions in Argentina remain.

Argentina has seen some convergence in living standards, but gaps remain. While access to water has converged over the years, the Northern region still lags behind the rest of the country in terms of access to sanitation and basic services. 75 percent of households in the Northeastern provinces (Chaco, Formosa, Santiago del Estero) have access to water, which is the lowest percentage in the country, but it is still not that far from the proportion in the city of Buenos Aires (99 percent) (World Bank, 2018). In the case of sanitation, only 18.01 percent of the population in the province of Misiones in NEA has access to sewage, while in Chaco and Formosa, less than 35 percent have. In contrast, more than 80 percent of the population in the provinces of Tierra del Fuego, Santa Cruz, and Chubut in Patagonia has access to sewage.

The Northern provinces are home to a high share of Argentina's poor population, and they encompass Argentina's poorest provinces as well. Even today, the provinces in the Northwest of Argentina struggle with extreme poverty and considerable gaps in living standards when compared to the rest of the country. Some localities in the Northern provinces have more than 35 percent of households with unmet basic needs. The two municipalities that fare the worst on unsatisfied basic needs are in Formosa and Salta, with 68 and 49 percent of households lacking basic needs. The North also dominates in terms of absolute poverty. Most districts with a share of the overall households with unsatisfied needs at the upper end of the distribution, are in Northern provinces and Buenos Aires. In fact, three districts in Buenos Aires have the largest proportion of total households with unmet basic needs (i.e. Distrito Federal, La Matanza and General Sarmiento).

Those regions with high levels of poverty and gaps in living standards are also less effectively equipping their populations with skills for productive work. As with access to water, there has been convergence in primary education coverage. According to the last census (2010) the national average was at 92.3 percent, and the range at provincial level from 88.5 to 97.4 percent. However, the North of Argentina still lags in human capital development, with provinces in the North systematically ranking among the bottom provinces in education indicators. All the provinces in the North have secondary completion rates below or at 50 percent. Of all provinces below the median (45.8 percent), seven are in the North, with the remaining three in Patagonia, one in Pampeana, and one in Cuyo. Similarly, the illiteracy rate in northern Argentina (at 3.7 percent) is twice as high as the national average.

Where Do The Provinces Of Salta And Jujuy Stand?

Salta and Jujuy have high concentration of people in northern Argentina, but lack of SCALE is evidenced by firms' low growth and productivity. Salta and Jujuy are important provinces within Argentina's Northwest (NOA). They have three international borders with Chile to the West, Bolivia to the North, and Paraguay to the Northeast. Within the Northwestern region (NOA), they represent 41.2 percent of the population, and 42 percent of the economic activity (26.9 and 15.3 percent of Geographical Gross Product-GGP-, respectively). However, the provinces of Salta and Jujuy have lower firm density than the national average, with 6 and 5 firms per 1,000 people, respectively. Moreover, in the capital city of Salta, the share of informal firms is 45.1 percent, the highest in the country. Informality is typically associated with low-scale firms that are poorly specialized, entailing low productivity, investment, and survival.

Public services' dominance and weak connectivity limit opportunity and economic integration for Salta and Jujuy, hindering SPECIALIZATION. A large proportion of Salta and Jujuy's services sectors involve public services. Public services account for almost a quarter of total GGP in Salta province. 36.5 percent of the city of Salta's residents were employed by the public sector in 2015. This share distinguishes the city of Salta from international cities like Bloemfontein in South Africa, which is the judicial capital of the country, but still has around 9.6 percentage points lower employment in public services than Salta. International experience suggests that continued reliance on the government for productive activities indicates low levels of productivity in a territory, while also presenting an unsustainable burden on

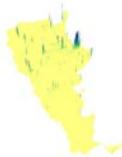
public accounts. Moreover, hard and soft connective infrastructure are weak within and between Salta and Jujuy. Salta and Jujuy's provincial-level roads are particularly low quality, with only 12.5 and 14.8 percent paved respectively, suggesting that they are relatively poorly connected internally to facilitate local-level trade, scale, and specialization. However, the Northwestern Road Development Corridor Project has the potential to facilitate trade between Jujuy's main cities, and with the city of Salta. This may facilitate development of regional value chains in key sectors such as mining, agriculture, and tourism.

Low access to and quality of basic services, low human capital, and lack of public infrastructure perpetuate the gaps in livings standards and opportunities in Salta and Jujuy, making CONVERGENCE a challenge. Poverty rates in Salta and Jujuy rank highest among all urban agglomerations nationally. Salta and Jujuy have a poverty incidence of 24.8 and 24.2 percent respectively, topped only by Santiago del Estero (38.3 percent). Regarding households with unmet basic needs, Salta has the highest proportion (19.4) and Jujuy (15.5) the third highest in the NOA region. Additionally, Salta and Jujuy have qualitative housing deficits of 25.7 and 24.0 percent respectively. In terms of human capital, illiteracy rates in the provinces Salta and Jujuy are low (3 percent), but much higher than the national average (1.9 percent). Regarding public infrastructure, only 3.6 and 4.8 percent of the houses in Salta and San Salvador de Jujuy have streetlights outside their houses. Nevertheless, the municipalities of Salta and San Salvador de Jujuy have higher access to basic services relative to the rest of the cities in their provinces and lower shares of houses whose conditions are below habitability standards (16.8 percent for Salta and 16.6 percent for San Salvador Jujuy).

Where Does Argentina Stand In The World?

The tables below summarize the key messages of the report, pointing at the key findings and

providing some benchmarking to assess how Argentina compares to other countries around the world in *Scale*, *Specialization*, and *Convergence*. Key messages for policy makers on where to go from here are also included for each dimension.

TERRITORIAL DEVELOPMENT IN ARGENTINA		
 <p>Scale</p>	<p>Scale can mean concentration of people</p>  <p>37% of the population is concentrated in the Buenos Aires Metropolitan Area</p> <p>91% of the country's population lives in urban areas</p> <p>70% of this urban population is concentrated in just 31 cities</p>	<p>Argentina vs the World</p> <p>Argentina does not differ from global trends with population and economic activity being highly concentrated in a few places. Santiago (Chile) accounts for 40% of the country's urban population.</p>
	<p>Scale can mean concentration of economic activity</p>  <p>66% of GDP is produced in two regions: Buenos Aires Metropolitan Region and Pampeana.</p> <p>The economy of AMBA is nearly 11 times as large as that of the second largest city, Cordoba.</p> <p>But AMBA has not managed to extend these benefits to all regions.</p>	<p>Concentration around the world is similar, where Tokyo and Paris concentrate over 40% and 30% of their own nation's economic activity in less than 4 and 2% of the country's land respectively.</p> <p>But these places have managed to distribute the benefits brought by this economic concentration throughout all regions.</p>
	<p>Scale can mean concentration of firms</p>  <p>Lack of scale is also indicated by a high share of local and micro firms with overall low firm density, and a small share of fast-growing firms.</p> <p>Argentina has only 13 firms per 1,000 inhabitants; this is even lower in the Northern regions, which have 6 firms per 1,000 inhabitants.</p>	<p>Countries in the region such as Chile and Brazil have firm densities 2 to 4 times as high.</p> <p>Australia and South Korea have a firm density of 88 and 66 firms per 1,000 inhabitants.</p>
	<p> INFORMATION FOR POLICYMAKERS</p> <p>To get <i>scale</i>, policymakers will have to think about solutions that foster agglomeration economies, increase productivity, and allow concentration of people and firms to thrive while also minimizing the negative externalities of concentration (congestion, pollution, etc.).</p> <ul style="list-style-type: none"> • Creating Scale means supporting the expansion of economies of scale external to firms – for example, by supporting agglomeration economies through better local services or through reducing barriers in the local business environment – and supporting the scale of production within firms or sectors which raises the efficiency of production. • One way in which local governments have often tried to create scale is through Special Economic Zones (SEZs). SEZs can support the creation of scale by allowing agglomeration economies to follow – organized clusters of firms solve a coordination failure and allow efficient provision of infrastructure and services, but only if there is demand for the services they offer, and markets for those industries. In addition, it is essential to accompany them with complementary policies and investments to ensure their success. 	

TERRITORIAL DEVELOPMENT IN ARGENTINA

Specialization

Specialization can mean places are able to focus in their most productive sectors

The **dominance of the service sector** across regions aligns with weak specialization:

- Dominance of services: **64% of GDP; 48% of employment.**
- The KSI analysis reveals **weak specialization** at the province level and city level, with specialization becoming weaker over time.
- A relatively high share of Argentina's urban jobs depends on **non-tradeable sectors.**



Argentina vs the World

On average, the **top 5 agglomerations in Argentina have low employment** in tradeable sectors compared with the average for both direct (Bangkok, Istanbul, and São Paulo) and best-practice comparator cities (London, Paris, and Seoul).

Connectivity enables specialization

Weak connective infrastructure is hampering market integration in Argentina

- Patagonia and the North have **longer travel times and the lowest levels of road accessibility.**
- **Weaknesses in 'soft' connective infrastructure** also dampen integration.



According to the Logistics Performance Index (LPI) in 2016 Argentina ranked 66th, after India (35), Kenya (42), Mexico (54), Brazil (55) and Uganda (58).

A good business environment can spark investment, fostering integration and specialization



Analysis of the Argentina Enterprise Surveys for 2010 and 2017 suggests that firms both in the informal and formal sectors **highlight institutional barriers as the key obstacles** for their regular operation.

Argentina has a product market regulations (PMR) index score of 3.11. This is relatively restrictive compared to other OECD countries and other countries in the region such as Colombia (1.77), Chile (1.51), Peru (1.66) and Mexico (1.91).



INFORMATION FOR POLICYMAKERS

To achieve *specialization*, it will be necessary to think about solutions that allow firms to reach larger markets for their inputs and outputs.

- **Connective infrastructure (soft and hard) is key to integrating regional markets.** For example, provinces can connect urban and rural places within their borders and connect themselves to the national economy. Investments in connectivity between places make it cheaper for those places to trade.
- When a connective investment is made, relocation responses of people and firms may be hampered if there are barriers to their mobility, **highlighting the need for complementary actions.** This includes frictions like land transfer fees, business registration costs, information gaps for job search, and sunk cost investments in buildings.

TERRITORIAL DEVELOPMENT IN ARGENTINA

Convergence 8

Convergence means convergence in living standards

Despite overall poverty reduction, **large disparities in living standards persist in Argentina, with the North particularly lagging.** The Northern provinces are home to a high share of Argentina's poor population, and they encompass Argentina's poorest provinces as well.



While access to water has converged over the years, **important gaps** remain between the Northern regions and the rest of the country in terms of **access to sanitation and basic services.**



Primary education has been improving, shortening the gap between leading and lagging areas. However, disparities remain in secondary education, quality of education, health services, and other indicators. **Lagging regions in Argentina are less effectively equipping their populations with skills and productive work.**

**Argentina vs the World**

Argentina has reached similar levels to the OECD average in access to water and sanitation.

Internationally comparable test score data shows that Argentina underperforms relative to its peers both at the primary and secondary level. The median Argentine performs in mathematics an equivalent of 2.5 years below the average of OECD countries.

Argentina is still far behind in terms of infant mortality, under-five mortality rate, and life expectancy compared to international standards. Chile has half maternal mortality rate and almost half infant mortality rate; in Malaysia mortality rates are also lower, even with less spending per GDP than Argentina.

**INFORMATION FOR POLICYMAKERS**

For *convergence*, the **right policy mix depends on how the population is distributed across space.** All localities need access to decent public services and human capital development.

- Where population density is *low*, it will be important to concentrate access to services in regional centers that allow extended access to the region and consider the possibility of providing mobile services. Where population density is *high*, a more place-based approach may be required, from social protection to – sometimes – more proactive LED policies.
- In large cities, where divisions of formality vs. informality can generate deep gaps in the quality of life, spatially targeted policies may be necessary to reduce these divisions.
- But to ensure that public services are distributed effectively it will be necessary to **strengthen local institutions and build capacities**, so that local governments can fulfill their responsibilities in terms of providing basic services and local public goods to their citizens.

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