

Best Practice: High-Tech Cluster Development

REPORT UPDATED: MARCH 28, 2012

CITY: BUENOS AIRES

POLICY AREAS: ECONOMIC DEVELOPMENT

BEST PRACTICE

Patricios Park Technology District, initiated in 2008 by the Buenos Aires Ministry of Economic Development, is the revitalization of 200 hectares of dilapidated industrial land through the provision of tax incentives for technology firms to locate themselves in the district. Eligible firms include those working in software and information services, hardware production, telecommunications, business process outsourcing, and knowledge process outsourcing.

ISSUE

Until 1980, the City of Buenos Aires was the principal center of industry in Argentina. Today Buenos Aires still comprises 15 percent of the manufacturing industry in the country, but it is clear there is little possibility for expansion given the growing costs of real estate and an increase in environmental regulations and standards. The city hopes to recast its competitive advantage towards information technology, a high-growth, innovation-based industry. Initiatives like Patricios Park Technology District provide incentives for firms to relocate, thereby revitalizing post-industrial neighborhoods and allowing Buenos Aires to compete as the IT hub of South America.

GOALS AND OBJECTIVES

The goal is to create a dedicated cluster of high tech firms, new universities, and new financial centers. Through this district, the city hopes to improve its competitive advantage in the generation of innovative goods and services. Moreover, the district revitalizes a depressed, isolated, and unsafe area that lacked public infrastructure and private investment. From this post-industrial area, the city hopes to create a green and modern space that brings together the private sector, entrepreneurs, educational institutions and the community at large.



The design plan for the LEED certified corporate headquarters of Banco Ciudad de Buenos Aires

IMPLEMENTATION

The Project began at the end of 2007 in the form of meetings with local technology businesses such as ICT firms, the Chamber of Commerce, the Chamber of Software and Computer Services, the Chamber of Commercial Machinery, the Chamber of Information and Communications, and Pole IT Buenos Aires, as well as universities and residents of the neighborhood to gauge the needs of the tech industry and residents of the proposed zone.

Bill 2972 was proposed in June 2008 and approved on December 4, 2008 by a legislative vote of 41-11. The Ministry of Economic Development and the Mayor of Buenos Aires helped facilitate the process. The provisions of law include special loan guarantees to incentivize new workers to move to the district. Within the Patricios Park District, companies are exempt from paying income taxes for ten years, are eligible for preferential lines of credit from Banco Ciudad de Buenos Aires, and are provided subsidies for financing up to 50% of the cost of

Best Practice: High-Tech Cluster Development

obtaining quality certificates. In addition, firms are exempt from contributing to funds for municipal upkeep and are not required to pay for construction rights.

Educational institutions are eligible for the same benefits, and public schools established in the district will pilot bilingual education and programs to teach technology. The city has allocated 3 hectares of city-owned land, for the Metropolitan Center for Technology, two universities (one public and one private), a convention center, and office space for the shared use of the businesses that operate in the District.

COST

Between the period of 2012-2015, it is expected that private firms will invest more than \$15 million dollars of capital. Current projections for government expenditures and potential long-term tax revenue from the district are unavailable.

RESULTS AND EVALUATION

Since 2008, approximately 100 businesses (from large companies like TATA or Gestion Compartida de Grupo Telefonica to smaller software developers) agreed to operate in the district. The Ministry of Economic Development predicts there will be 190 businesses by the end of 2012 with approximately 100,000 employees.

As of January 2012, 104 businesses exist within the district, including 50 that are operational and another 54 that are in the process of adapting to the new zone. Of the 104 businesses, 45 percent relocated to the district while 55 percent are new firms.

TIMELINE

- Key Meetings with stakeholders in 2007.
- The project was initiated at the beginning of 2008.
- During 2009, the legislature passed several laws to promote development in the new neighborhood.
- In 2012, the District expects to inaugurate a new energy-efficient headquarters for the Bank of Buenos Aires as well as the Metropolitan Center of Technology.



Rendering of a building in new District

LEGISLATION

On December 4, 2008, the Legislature approved Law 2972, which created a technological district in Buenos Aires, providing tax incentives for technology, information, and communication companies to locate within a specific neighborhood. On June 19, 2009, the Legislature passed Decree 543/09 to accompany Law 2972. This Decree created the Register of Companies, which bound companies located in the district to promote one of the activities detailed in the Law, and gave authority over processing applications to the Ministry of Economic Development. On June 30, 2009, the Legislature passed Resolution 425, which authorized the Sub Secretary of Investment to promote the settlement of companies within the district.



Best Practice: High-Tech Cluster Development

LESSONS LEARNED

Initially it was difficult to convince companies to relocate to the district, because of the location itself (far from the city center) and questions surrounding the public safety and modern infrastructure of the area. In order to make the district more enticing, in mid-2010 the Ministry of Economic Development agreed to open a new police department with 500 officers in May 2012 as well as provide annual infrastructure investment and services to the area.

Though it was difficult conceptualizing the project; the Ministry of Economic Development endured almost a year of studying many successful initiatives around the world, in the end there were only a few modifications necessary.

TRANSFERABILITY

This program relies on the presence of a large swath of available land within the city that already has basic municipal infrastructure in place.

CONTACTS

Damián Specter
Director General de Promoción de Inversiones
Ministerio de Desarrollo Económico, Buenos Aires

Av. Roque Sáenz Peña 832 Piso 4°
5411 4131 5900 ext 1607
dspecter@buenosaires.gob.ar
<http://invertir.buenosaires.gob.ar>

This report was developed as a result of the NYC Global Partners “Business Innovation and Entrepreneurship: City Strategies” summit, November 2011.

Facts and figures in this report were provided by the highlighted city agency to New York City Global Partners.