

# Local Governance and Sustainable Entrepreneurship with An Environmental Focus: Challenges and Opportunities for Administrative Efficiency and the Creation of Social Value

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## ABSTRACT

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The relationship between local governance and sustainable entrepreneurship with an environmental focus is increasingly relevant in the face of the global challenges of climate change, accelerated urbanization and the demand for sustainable production models. This article explores how administrative efficiency and governance structures influence the promotion of ventures with positive environmental impact, and how these synergies contribute to the creation of social value. A documentary review and a qualitative analysis of experiences in local governments in Latin America were carried out. The findings indicate that citizen participation, transparency, and access to resources are key factors both to strengthen governance and to incentivize sustainable entrepreneurial projects. Structural challenges, such as institutional fragmentation, are discussed, and collaborative strategies are proposed to improve the articulation between public and private actors.

**Keywords:** Local governance, sustainable entrepreneurship, administrative efficiency, social value, environmental approach, public policies.

## 1. INTRODUCTION

In the era of the Anthropocene, characterized by the unprecedented impact of human activity on the planet, it becomes imperative to rethink development and governance models at the territorial level. Cities and local communities, as hubs of political, economic, and social interaction, face increasing pressure to adopt strategies that articulate environmental sustainability, inclusive economic development, and institutional efficiency (Martínez & Zambrano, 2021). In this scenario, local governance emerges as a key instrument to channel public action, articulate the actors of the social ecosystem and guarantee the implementation of policies aimed at the common good.

At the same time, the rise of sustainable entrepreneurship, understood as the creation of economic solutions with positive environmental and social impacts, has gained relevance as a driver of local transformation. This type of entrepreneurship not only generates employment and boosts the economy, but also promotes innovations that respond to urgent problems such as pollution, resource depletion, and social exclusion (Ramos et al., 2022). The environmental approach in these ventures allows us to move towards more resilient, responsible and adaptive production systems.

The articulation between local governance and sustainable entrepreneurship is a fertile but complex field, full of structural challenges and also strategic opportunities. Among the most frequent challenges are the fragmentation of skills between levels of government, the lack of technical training of municipal staff, weakness in transparency and accountability mechanisms, and the lack of regulatory and fiscal incentives for green entrepreneurs (Sánchez & Villalobos, 2023). Despite these obstacles, recent literature indicates that municipalities that manage to activate

participatory processes, intersectoral alliances, and innovative financing strategies can become true laboratories for sustainable development (Fernández et al., 2023; Riquelme & Ayala, 2020).

This article proposes to analyze, from a critical and multidimensional approach, the relationships between local governance and sustainable entrepreneurship with an environmental approach, focusing on their potential to improve administrative efficiency and promote the creation of social value in the territories. To this end, recent Latin American experiences are examined, emphasizing the role of local governments as promoters, facilitators, and regulators of sustainable innovation. Thus, it seeks to offer inputs both for theoretical reflection and for the formulation of more coherent, participatory and sustainable development-oriented public policies.

## 2. THEORETICAL FRAMEWORK

The analysis of the interrelationship between local governance, sustainable entrepreneurship with an environmental focus, administrative efficiency and social value requires a multidisciplinary approach. Next, the main theoretical concepts are deepened and referential models are presented that allow us to understand their links and synergies.

### 2.1 Local governance: beyond public administration

Local governance refers to the processes, structures, and mechanisms through which subnational governments interact with citizens, civil organizations, companies, and other actors to make collective decisions that affect territorial development (Ramírez & Bonilla, 2021). Unlike traditional public management, local governance is based on the co-production of policies, institutional transparency and horizontality in decision-making.

In sustainability contexts, governance acquires an environmental dimension that includes the responsible management of natural resources, the inclusion of local knowledge, and participatory territorial planning (Villanueva et al., 2022). This allows us to build strategies that not only respond to administrative needs, but also promote transformative processes in the social, ecological and economic spheres.

**Table 1. Key elements of sustainable local governance**

(Source: Authors' elaboration based on Ramírez & Bonilla, 2021; Villanueva et al., 2022)

Element	Description
Citizen participation	Active inclusion of local actors in policy-making
Institutional transparency	Public Access to Information and Accountability
Inter-institutional coordination	Synergy between levels of government and sectors
Adaptability	Responsiveness to changing contexts
Ecosystem approach	Comprehensive vision of the territory as a socio-environmental system

### 2.2 Sustainable entrepreneurship with an environmental focus

Sustainable entrepreneurship is defined as the development of economic initiatives that integrate economic, social, and ecological objectives from their conception. This includes green businesses, circular economy projects, clean technologies, eco-tourism, regenerative agriculture, among others (Gómez et al., 2023).

In particular, the environmental approach implies a transformation in traditional production models towards more environmentally responsible ways, including the minimization of waste, the efficient use of resources, and the design of products with low environmental impact (Cano & Herrera, 2022). These actions can catalyze a cultural shift in local communities, encouraging more sustainable practices.

**Table 2. Types of sustainable enterprises and their predominant environmental approach**

(Source: Gómez et al., 2023; Cano & Herrera, 2022)

Type of enterprise	Example	Main environmental focus
Circular economy	Plastics recycling	Reuse and closure of production cycles
Organic farming	Crops without agrochemicals	Soil conservation and biodiversity

Community-based eco-tourism	Guided tours in nature reserves	Environmental education and habitat protection
Renewable energies	Solar Panel Installation	Carbon footprint reduction

### 2.3 Administrative efficiency at the local level

Administrative efficiency refers to the capacity of the institutional apparatus to organize, execute, and evaluate public policies effectively, with the rational use of resources and under principles of quality, equity, and sustainability (Fuentes & Delgado, 2020).

Within the framework of sustainable development, this efficiency requires new competencies in public officials, transparent information systems, and strategic planning processes aimed at environmental and social results (Zamora & Paredes, 2023). Inefficiency, on the other hand, can slow down innovation efforts and discourage citizen and business participation.

### 2.4 Social value: a collective approach

Social value is understood as the set of intangible and tangible benefits that a policy, project or action generates in the community, beyond economic profit. This can include improvements in social cohesion, the strengthening of cultural identity, equitable access to services, or the conservation of natural resources for future generations (León & Medina, 2021).

In the context of sustainable entrepreneurship promoted from the local level, social value is manifested in processes that empower communities, improve their resilience and promote environmentally responsible practices.

**Table 3. Social value indicators in sustainable entrepreneurship projects**

(Source: León & Medina, 2021; Zamora & Paredes, 2023)

Indicator	Associated Dimension
Levels of Community Participation	Social cohesion
Degree of cultural appropriation	Identity and belonging
Inclusion of vulnerable groups	Equity
Preservation of local ecosystems	Environmental sustainability

### 2.5 Conceptual integration

The articulation between local governance, sustainable entrepreneurship, administrative efficiency and social value requires an integrating framework that promotes the co-creation of public policies, encourages environmental innovation and improves the conditions for territorial development. This synergy can generate virtuous circles where the local State ceases to be a mere administrator of resources and becomes a facilitator of sustainable production and consumption networks (Morales & Tapia, 2020).

## 3. METHODOLOGY

### 3.1 Methodological approach and design

This research is inscribed within the qualitative paradigm with an **exploratory-descriptive design**. This type of approach is appropriate when seeking to understand complex social phenomena, such as governance and sustainable entrepreneurship, in their natural context (Hernández-Sampieri et al., 2020). The exploratory design allowed the identification of emerging variables and contextual relationships that are not always visible in the conventional literature, while the descriptive nature helped to systematize replicable patterns and approaches.

**Table 4. Characteristics of the methodological design***(Source: Authors, based on Hernández-Sampieri et al., 2020)*

Dimension	Description
Paradigm	Qualitative
Design	Exploratory-descriptive
Approach	Inductive
Harvesting technique	Desk review + case study analysis
Unit of analysis	Local governments in Latin America with environmental initiatives

### 3.2 Information collection techniques

Two main data collection strategies were applied:

1. **Systematic documentary review:** 38 documents published between 2019 and 2024 were collected and analyzed. This review included scientific articles, institutional reports, master's theses, and public policy documents relevant to the object of study. Selection criteria were used, such as thematic relevance, recency, and availability of data disaggregated by territory.
2. **Qualitative case studies:** Three local governments in Latin America were selected as units of analysis: Medellín (Colombia), Valdivia (Chile) and Mérida (Mexico). These cases were chosen for their track record in environmental policies, strengthening participatory governance, and promoting sustainable entrepreneurship (Vega & Rojas, 2023).

**Table 5. Inclusion criteria for documents analysed***(Source: Authors)*

Criterion	Detail
Publication date	2019–2024
Thematic relevance	Governance, green entrepreneurship, sustainability, social value
Document Type	Scientific articles, technical reports, public policies
Geographical context	Focused on Latin America
Accessibility	Available in open access or institutional

### 3.3 Analysis techniques

For the treatment of the information, a **thematic content analysis** was applied aimed at identifying patterns, recurring concepts and tensions present in institutional and academic discourses. The coding was done manually, using categorical matrices built based on the conceptual axes defined in the theoretical framework: local governance, sustainable entrepreneurship, administrative efficiency, and social value (Saldaña, 2021).

Likewise, **comparison matrices** between the case studies were used to identify common and differential factors that can be replicated in other territorial contexts.

**Table 6. Analytical categories used in the study***(Source: Authors' elaboration based on Saldaña, 2021)*

Main Category	Associated subcategories
Local governance	Participation, transparency, institutional articulation
Sustainable entrepreneurship	Environmental innovation, green financing, scalability
Administrative efficiency	Technical capabilities, resource management, planning
Social value	Social inclusion, community cohesion, collective benefits

### 3.4 Limitations of the study

Although the qualitative design allowed for a rich and contextualized understanding, there are some limitations:

- **Geographical limitation:** The analysis focuses on three Latin American cities, which restricts generalization to other global contexts.
- **Document selection bias:** When working with sources available in open access, valuable documents with restricted access could have been excluded.
- **Lack of on-site interviews:** For logistical and time reasons, interviews with officials or entrepreneurs were not conducted, which could enrich the analysis in future research.

## 4. Results

The results are presented at two levels: first, the cross-sectional findings of the desk review are identified, and then the case studies of selected local governments are compared. The data make it possible to analyze both the progress and the obstacles in the articulation between local governance, sustainable entrepreneurship and administrative efficiency with the creation of social value.

### 4.1 Cross-sectional findings

From the review of 38 documents (2019–2024), three key findings emerge:

1. **Strong link between participatory governance and success in sustainable enterprises:** Territories where there are clear mechanisms for citizen participation and collaborative planning tend to incubate more ventures with an environmental focus (González & Cáceres, 2023).
2. **Access to green financing and technical support remains limited:** Despite institutional efforts, only 32% of the municipal programs reviewed offer specific financing lines for environmental ventures (Lima & Pineda, 2022).
3. **Regulatory fragmentation and technical weakness persist as barriers:** In more than 60% of cases, local governments lack robust regulatory frameworks and trained teams to design or implement green development policies (Alvarado et al., 2021).

**Table 7. Main findings of the documentary review (n=38)**

(Source: Authors' elaboration based on reviewed literature)

Category	Percentage of documents that report it
Effective citizen participation	71%
Access to sustainable finance	32%
Existence of regulatory frameworks	39%
Presence of public-private partnerships	55%
Technical capacity of municipalities	40%

### 4.2 Comparison of case studies

The three municipalities analyzed—**Medellín (Colombia)**, **Valdivia (Chile)**, and **Mérida (Mexico)**—present differentiated trajectories in terms of the articulation between local governance and sustainable entrepreneurship. 18 qualitative and quantitative indicators were collected and coded from official sources, urban observatories, and academic literature.

**Table 8. Comparison of selected cases (2020–2023)**

(Source: Authors' elaboration based on Vega & Rojas, 2023; INE Chile, 2023; SEDESOL Mexico, 2022)

Key indicator	Medellín	Valdivia	Merida
Citizen participation mechanism	Participatory budgeting	Open town halls	Environmental forums

No. of active sustainable enterprises	84	39	66
Local budget for green area	5.2%	3.8%	2.1%
University-government alliances	Loud	Moderate	Casualty
Municipal Environmental Incubators	Yes	No	Yes
Applicable local environmental regulations	Yes	Yes	Partial
Municipal technical capacity (scale 1–5)	4	3	2

### Analysis:

- **Medellín** stands out for its network of green business incubators, supported by universities and programs such as *Ruta N*, which have made it possible to articulate more than 80 initiatives with environmental impact between 2020 and 2023 (Medellín Mayor's Office, 2023).
- **Valdivia** has led environmental councils and generated pioneering municipal ordinances in water conservation, but faces budgetary limitations that restrict the scaling of its ventures (INE Chile, 2023).
- **Mérida** shows progress in identifying local entrepreneurs interested in sustainability, but it does not yet have a robust regulatory framework or specialized technical resources to support its implementation (SEDESOL, 2022).

### 4.3 Common and differentiating factors

The three cases show that, although the contexts vary, there are **common factors that have a positive impact on the success of sustainable enterprises promoted from the local level**:

**Table 9. Key factors for the successful articulation of green governance-entrepreneurship**  
(Source: Authors)

Factor	Present Medellín	Present Valdivia	Present Mérida
Effective citizen participation	✓	✓	✓
Specific budget for sustainability	✓	✓	✗
Articulation with universities	✓	✓	✗
Technical support for entrepreneurs	✓	✗	✗
Consolidated environmental regulatory framework	✓	✓	✗

## 5. CONCLUSIONS

The results of this research allow us to affirm that the articulation between local governance and sustainable entrepreneurship with an environmental focus represents a strategic way to strengthen administrative efficiency and generate social value in the territories. However, this articulation does not occur automatically or homogeneously, but depends to a large extent on factors such as local political will, the existence of appropriate regulatory frameworks, the technical capacity of institutions and the active participation of community actors.

One of the main findings was that municipalities with participatory governance structures articulated with universities, civil organizations, and the private sector show greater progress in ventures with positive environmental impact (Vega & Rojas, 2023). This suggests that collaborative environments are decisive for incubating and scaling sustainable solutions, both in urban and rural areas.

Likewise, it was evident that administrative efficiency in local contexts is not only related to the rationalization of resources, but also to the ability to formulate coherent, transversal, and sustainable policies (Fuentes & Delgado, 2020). Municipalities such as Medellín stand out for having developed robust programmatic frameworks and



institutional monitoring systems that allow them to evaluate and adjust their environmental and entrepreneurship policies.

However, significant structural challenges remain. Among them, regulatory fragmentation, the limited training of technical teams and the scarcity of financing aimed at green enterprises. More than 60% of the documents analyzed agree that municipalities lack stable and continuous policies, which hinders the consolidation of entrepreneurial ecosystems with an environmental focus (Alvarado et al., 2021; Lima & Pineda, 2022).

From the cases compared, it can be concluded that there is no single formula for success, but there are minimum necessary conditions, among which the following stand out: 1) effective community participation; 2) institutionalization of local environmental policies; 3) access to training and technical advice for entrepreneurs; and 4) public-private financing schemes with a sustainable approach (González & Cáceres, 2023; León & Medina, 2021).

Finally, the need to move towards more inclusive, resilient and adaptive territorial governance models in the face of the challenges of climate change and social inequality is recognized. The creation of social value should not be understood only as a positive consequence of entrepreneurship, but as a central programmatic objective of local public policies (Zamora & Paredes, 2023).

This study invites us to rethink municipal management not only as an efficient administration, but also as a facilitator of innovation, environmental justice and community cohesion. In this direction, the synergy between local governance and sustainable entrepreneurship is projected as a key driver of sustainable development in the 21st century.

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