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**Argentine Republic - National Executive Branch**  
Malvinas are Argentine

**Ministerial Resolution**

Number: RESOL-2022-1612-APN-MD

CITY OF BUENOS AIRES

Thursday December 15, 2022

Reference: EX-2022-123956273- - APN-DNPIDE#MD - Guidelines for the implementation of productive cooperation agreements (PCA) in the area of Defense.

Having regard to File No. EX-2022-123956273- -APN-DNPIDE#MD and considering:

That Executive Order No. 1023/01 establishes the Procurement Regime of the National Administration so that the acquisition of goods and services are obtained with the best technology provided to the needs, in a timely manner and at the lowest possible cost, as well as the sale of goods to the highest bidder, contributing to the efficient performance of the public Administration and the achievement of the results required by society.

That among the contracts excluded from the aforementioned Procurement Regime are those which are entered into with foreign states, with international public law entities and with multilateral credit institutions that are in whole or in part financed with resources from these organizations.

That Act 27437 "Purchases of goods of national origin and Development of Suppliers" establishes that entities included in subparagraphs a) and b) of article 8 of Act 24156 and its amendments that proceed to the acquisition, rental or leasing of goods not produced in the country and representing a value equal to or greater than two hundred and forty thousand modules (M 240,000), must expressly include in the respective contracting conditions and tender documents the obligation of the successful bidder to sign agreements of productive cooperation.

That, on the other hand, Act 27565 created the "National Defense Fund" (FONDEF).

That the aforementioned law establishes that the FONDEF Resources must be used to: a) Recover the material out of service, when it is feasible and acceptable and provided that it maintains the necessary aptitude to supply the operational capabilities; b) Modernize the available material, when appropriate, feasible and acceptable to meet expected operational capabilities; c) Incorporate new material, either developed in the country or acquired abroad. With respect to the incorporation of new equipment, those that enhance deterrence capacity, favour standardization with the material already existing at a joint level and/or contribute to new developments and technology transfer, shall have priority.

That, in the case of the incorporation of new material acquired abroad, the aim of prioritizing those that "provide new developments and technology transfer" require the implementation of specific contractual mechanisms for this purpose, known as "productive cooperation agreements".

That, in order to guarantee the implementation of said contractual mechanisms that guarantee the fulfilment of the objective established by the normative plexus, it is necessary to set up Guidelines for the implementation of Productive Cooperation Agreements (PCA) in the area of Defense.

That the Permanent Legal Advice Service of the MINISTRY OF DEFENSE has expressed its appropriate legal opinion.

That this measure is issued by virtue of the provisions of articles 4, subparagraph b), section 9, and 19, Subsections 1 and 23 of Act No. 22520 (as amended in the year 1992) and its modifications.

Now therefore, THE MINISTER OF DEFENSE DECIDES:

ARTICLE 1.- To approve the GUIDELINES FOR THE IMPLEMENTATION OF PRODUCTIVE COOPERATION AGREEMENTS (PCA) IN THE AREA OF DEFENSE, which as Annex I (ACTO-2022-123976094-APN-DNPIDE# MD) constitutes an integral part of this resolution.

ARTICLE 2.- To authorize the UNDERSECRETARY OF SCIENTIFIC RESEARCH AND INDUSTRIAL POLICY FOR DEFENSE, under the SECRETARY OF SCIENTIFIC RESEARCH, INDUSTRIAL POLICY AND PRODUCTION FOR DEFENSE, to coordinate the pertinent actions for the application of the guidelines in this Jurisdiction.

ARTICLE 3.- To instruct the Chiefs of the GENERAL STAFF AND JOINT CHIEFS OF THE ARMED FORCES, and other decentralized agencies, to inform the SUBSECRETARY OF SCIENTIFIC RESEARCH AND INDUSTRIAL POLICY FOR DEFENSE of all the information that is required in the context of the processes for the acquisition of goods and services for Defense.

ARTICLE 4.- The SUBSECRETARY OF SCIENTIFIC RESEARCH AND INDUSTRIAL POLICY FOR DEFENSE shall coordinate with the SUBSECRETARY OF OPERATIONAL PLANNING AND LOGISTIC SERVICE FOR DEFENSE the actions tending to the fulfilment of these provisions.

ARTICLE 5.- To be communicated and filed.

Jorge Enrique Taiana  
Minister of Defense

**Argentine Republic - National Executive Branch**  
Malvinas are Argentine

**Ministerial Resolution Annex**

Number: ACTO-2022-123976094-APN-DNPIDE#MD

CITY OF BUENOS AIRES

Wednesday November 16, 2022

Reference: EX-2022-123956273- - APN-DNPIDE#MD

**ANNEX I**

**Guidelines for the implementation of Productive Cooperation Agreements (PCA) in the area of Defense.**

ARTICLE 1.- A Productive Cooperation Agreement (PCA) is understood as the entire range of industrial, economic, or commercial benefits that the purchasing country requires from its counterpart as part of the conditions of the negotiation, as compensation for the acquisition of goods and services assigned to the area of National Defense.

ARTICLE 2.- These GUIDELINES FOR THE IMPLEMENTATION OF PRODUCTIVE COOPERATION AGREEMENTS (PCA) IN THE AREA OF DEFENSE, known as "Offsets", in the context of the acquisition and incorporation of capabilities, materiel and weapons systems of foreign origin by the Ministry of Defense, are intended to maximize the effectiveness of the State expenditure on goods and/or services of foreign origin allocated in the area of Defense, in order to obtain the greatest economic benefit possible.

The benefit provided by a PCA project shall be identified, valued and prioritized according to the following criteria:

- a) Contribution to growth in quality, quantity and/or variety of the marketable supply of goods and services and/or the Defense Industrial Base (DIB).
- b) Contribution to the internationalization of the Defense Industrial and Technological Complex (DITC), in the way of opening new markets, or through strategic association with States, institutions or foreign leading companies.
- c) Contribution to the increase of the scientific, technological, productive and/or logistical capabilities of the Defense Industrial and Technological Complex (DITC).

ARTICLE 3.- These guidelines shall be applicable to contracts entered into with foreign states, international public law entities, multilateral credit institutions, which are in whole or in part financed with resources from those organizations.

ARTICLE 4.- The PCA shall consist of the certain commitment on the part of the successful bidder or foreigner co-contractor to enter into an agreement to provide industrial, economic, or commercial benefits, as compensation for the acquisition of goods and services allocated in the area of National Defense.

ARTICLE 5.- The UNDERSECRETARY OF SCIENTIFIC RESEARCH AND INDUSTRIAL POLICY FOR DEFENSE, under the SECRETARY OF SCIENTIFIC RESEARCH, INDUSTRIAL POLICY AND PRODUCTION FOR DEFENSE, shall coordinate and participate in the actions tending to enable the incorporation of Productive Cooperation Agreements for the acquisition of goods and services for the defense, in the context of the negotiations and subsequent signature by the parties covered by this resolution.

ARTICLE 6.- Regarding what is stated in the previous article, the parties covered by article 3 herein must inform the UNDERSECRETARY OF SCIENTIFIC RESEARCH AND INDUSTRIAL POLICY FOR DEFENSE about the possible conclusion of contracts, with the purpose that it can participate and propose the inclusion and conclusion of PCA in said contracts.

ARTICLE 7.- The subscription of PCA shall be contemplated in those contracts the aim of which is the acquisition, rental or leasing of goods or services not produced in the country under the modalities and purposes provided for in article 5 for a value equal to or greater than TWO HUNDRED FORTY THOUSAND MODULES (M 240,000), for a percentage not less than ONE HUNDRED PERCENT (100%) of the total value of the offer.

The total value of the offer on which the percentage corresponding to the PCA shall be calculated includes goods, services and all those concepts that are established in the contract, agreement or bidding documents, as appropriate.

ARTICLE 8.- When the PCA projects referred to in article 4° of this Annex include goods or services that are deemed strategic capabilities for national defense, a reduction of the percentage referred to in article 7 of this Annex up to a total of TEN PERCENT (10%) of the full value of the contract may be authorized.

ARTICLE 9.- When the amount of the PCA exceeds the one referred to in article 7°, the value corresponding to said surplus shall constitute a credit that may be used by the same successful bidder or co-contractor in future contracts to integrate said minimum value, as long as the percentage of the productive cooperation of such contracts is a minimum of TWENTY PERCENT (20%). The surplus may not be computed when the percentage of the PCA is reduced as established in article 8 of these Guidelines. In any case, the terms of said accumulation of credits shall be stated in each particular contract.

ARTICLE 10.- The inclusion in contracts, agreements or tender documents and conditions, of specific clauses that promote the obligation of the co-contractor to sign PCA shall be fostered.

These clauses may provide for the inclusion of the PCA in the acquisition contract that gives rise to it, or its subsequent execution by means of a subsidiary agreement thereof.

ARTICLE 11.- In the negotiation process and prior to signing the contract, the co-contractor may submit one or more PCA projects, for the purposes of evaluation and eventual acceptance by the Ministry.

PCA Projects shall record the following information:

- Definition of Productive Cooperation Projects: objectives, activities in which they are framed and expected benefits.
- Valuation of Productive Cooperation Projects.
- Identification of members of the Defense Industrial and Technological Complex (DITC) benefited from the PCA.
- Tentative execution schedule.
- Definition and scope of intellectual property, if applicable.
- Definition and scope of licenses, if applicable.

This numbering is not exhaustive, and the UNDERSECRETARY OF SCIENTIFIC RESEARCH AND INDUSTRIAL POLICY FOR DEFENSE may require additional information in this regard.

ARTICLE 12.- THE UNDERSECRETARY FOR SCIENTIFIC RESEARCH AND INDUSTRIAL POLICY FOR DEFENSE shall issue a report stating its opinion on the PCA project, as well as a recommendation on the advisability of including the PCA in the acquisition contract that gives rise to it, or its execution by means of a subsidiary agreement thereof.

Said report shall previously have a technical report from the NATIONAL DIRECTION OF INDUSTRIAL POLICY FOR DEFENSE, which must include an analysis of the benefits and impacts of each of the PCA projects presented.

ARTICLE 13.- The PCA shall stipulate, as a minimum, the following:

- Rights and obligations of each party to the contract.
- The activities to be developed within the context of the Projects that make up the PCA and the members of the DITC that shall be beneficiaries in each one of them.
- The valuation criteria for the Projects.
- The valuation of the Productive Cooperation involved/accredited.
- The term of execution of the Projects.
- The execution schedules and the corresponding milestones of achievement of the Projects.
- Deliverable products and documentation at each stage of execution.
- The procedure for certifying progress in the execution of the Projects.
- The procedure for monitoring, evaluation and accreditation of the PCA fulfilment and its potential modifications.

ARTICLE 14.- The types of Productive Cooperation that may be accepted for the compliance with these Guidelines are as follows:

a) Licenced Production: it is a reproduction in the country of a component or product of origin and foreign property, based on a commercial contract for the transfer of technical information between foreign supplying companies and an Argentine company.

b) Co-production: it is an agreement through which an Argentine company or entity accesses the technical information necessary to manufacture all or parts of a good of foreign origin.

c) Subcontracting: it is the domestic production or acquisition of a service, good, system, subsystem, part or component of local origin linked to the subject matter of the acquisition or procurement. The subcontract does not include the license or technical information necessarily, and constitutes a direct commercial contract between the Argentine company or entity and a foreign corporation.

d) Export from Argentina: it is a commercial agreement between an Argentine company and a foreign supplier through which the latter purchases nationally manufactured products for a certain amount, or said party gets a foreign buyer.

e) Foreign investments: they are the investments made in Argentina that derive from an agreement of productive cooperation and that may take the form of invested capital to establish or expand the foreign supplier's subsidiary, by means of a "joint venture" or a Foreign Direct Investment (FDI) and other investments in tangible assets (equipment, machinery, tools, simulators, among others).

f) Technology transfer: it is the incorporation of foreign technology derived from the Cooperation, and it may take one of the following forms:

- Investigation and development;
- Technical assistance;
- Training and coaching regarding human resources;
- Certifications;
- Other activities originated in direct commercial agreements between the foreign supplier and Argentine companies or entities, which represent a qualitative increase in the technological level of the country.

ARTICLE 15.- Third parties that may be beneficiaries of the PCA shall be selected by the co-contractor. They shall be part of the DEFENSE INDUSTRIAL AND TECHNOLOGICAL COMPLEX (DITC), which is made up of the following entities:

a) The DEFENSE INDUSTRIAL BASE (DIB), made up of all those companies of a public or private nature registered in the Registry of Defense Suppliers (REPRODEF), of local origin or that provide goods of national origin, whose main activity is the production or provision in national territory of every good, service, work or information, including weapons, ammunition, means of transport and communications, supplies and materials for individual and collective use in Defense activities, with exception of those for administrative use;

b) THE INSTITUTE OF SCIENTIFIC AND TECHNICAL RESEARCH FOR DEFENSE (CITEDEF), THE NATIONAL GEOGRAPHICAL INSTITUTE (NGI), THE NAVAL HYDROGRAPHY SERVICE (NHS) and THE NATIONAL WEATHER SERVICE (NWS);

c) All those departments, areas or organizations directly or indirectly under ARGENTINA'S ARMED FORCES, that provide goods and/or services used in Defense activities, including the execution of Research and Development projects, as well as the logistic-operational support of weapons at all levels, and that could benefit from an capacity increase in relation to the Main Contract. This includes THE GENERAL DIRECTIONS OF RESEARCH AND DEVELOPMENT (DIGID) of the ARGENTINE ARMY, the ARGENTINE NAVY and AIR FORCE, and COMMAND VII - RESEARCH AND TECHNOLOGICAL DEVELOPMENT of the JOINT CHIEFS OF STAFF OF THE ARMED FORCES (JEFATURA VII – EMCO), and to THE GENERAL DIRECTION OF MATERIEL (DGM) of the ARGENTINE ARMY, AIR FORCE and NAVY and COMMAND IV - LOGISTICS of the JOINT CHIEFS OF STAFF OF THE ARMED FORCES (JEFATURA IV - EMCO).

ARTICLE 16.- The term for the execution of the PCA shall be related to the term of execution of the acquisition contract. The former shall to exceed the latter by more than ONE (1) year, as long as this is not possible in accordance to the nature and characteristics of the projects that make up the PCA, their terms and duration.

ARTICLE 17.- The co-contractor may be required to establish guarantees for the total amount of the commitments assumed in the PCA. Its forms and conditions must be reflected in the PCA.

ARTICLE 18.- Pursuant to the provisions herein, the value of the module (M) shall be established according to the provision set forth in article 28 of the Regulations on the Regime of the National Administration approved by Executive Order No. 1030 dated September 15, 2016 and its subsequent amendments and additional provisions.

ARTICLE 19.- THE UNDERSECRETARY OF SCIENTIFIC RESEARCH AND INDUSTRIAL POLICY FOR DEFENSE shall monitor compliance with the requirements and conditions established herein. Consequently, it may require all entities included in article 3 of this Resolution, the information, data or technical opinion that it deems pertinent for such purposes, at any stage of the process and even prior to the formal opening of the file in the event of becoming aware of the existence of a procedure subject to these Guidelines.

Martín Alberto Novella

Director of the National Department of Industrial Policy For Defense

Ministry of Defense