

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

**PROGRAM FOR IMPLEMENTATION OF THE NATIONAL SYSTEM FOR THE
ARGENTINE INTERNATIONAL TRADE SINGLE WINDOW**

(AR-L1251)

LOAN PROPOSAL

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ELECTRONIC LINKS
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ABBREVIATIONS

AFIP	Administración Federal de Ingresos Públicos [Federal Public Revenue Administration]
AGN	Auditoría General de la Nación [Office of the Auditor General]
ANMAT	Administración Nacional de Medicamentos, Alimentos, y Tecnología Médica) [National Medication, Food, and Medical Technology Administration]
AWP	Annual work plan
CRF	Corporate Results Framework
DJAI	Declaración jurada anticipada de importación [advance sworn import declaration]
ICAS	Institutional Capacity Assessment System
ICB	International competitive bidding
INDEC	Instituto Nacional de Estadística y Censos [National Statistics and Census Institute]
MEP	Multiyear execution plan
NCB	National competitive bidding
OECD	Organization for Economic Cooperation and Development
PEU	Program execution unit
PMR	Project monitoring report
PSR	Project status report
RedVUCE	Red Interamericana de Ventanillas Únicas de Comercio Exterior [Inter-American Network of International Trade Single Windows]
SMEs	Small and medium-sized enterprises
UEPEX	Unidad Ejecutora de Proyectos Externos [Execution Unit for Projects with External Financing]
VUCEA	Ventanilla Única de Comercio Exterior Argentina [Argentine International Trade Single Window]
WAL	Weighted average life

PROJECT SUMMARY

ARGENTINA PROGRAM FOR IMPLEMENTATION OF THE NATIONAL SYSTEM FOR THE ARGENTINE INTERNATIONAL TRADE SINGLE WINDOW (AR-L1251)

Financial Terms and Conditions				
Borrower: Argentine Republic			Flexible Financing Facility ^(a)	
			Amortization period:	25 years
Executing agency: Ministry of Production			Original WAL:	15.25 years
			Disbursement period:	5 years
			Grace period:	5.5 years
Source	Amount (US\$)	%	Inspection and supervision fee:	(b)
IDB (Ordinary Capital):	73.6 million	89.8%	Interest rate:	LIBOR-based
			Credit fee:	(b)
Local:	8.4 million	10.2%	Currency of approval:	U.S. dollars from the Ordinary Capital
Total:	82.0 million	100%		
Project at a Glance				
Project objective/description:				
The general objective of the program is to improve the international competitive positioning of the productive sector by designing and implementing a technology platform for rules, regulations, and processes to simplify and facilitate international trade and foreign investment operations: the Argentine International Trade Single Window, known by its Spanish-language acronym, VUCEA. The specific objectives are: (i) to optimize the country's international trade processes through improvement of the rules and regulations, processes, technologies, and human resources of the public and private institutions involved; (ii) to reduce international trade-related times and costs; (iii) to deliver up-to-date information and services offered by public and private institutions involved in the country's trade facilitation and trade promotion processes; (iv) to strengthen those entities technically and institutionally for sustainable operation of the VUCEA; and (v) to facilitate interoperability of the VUCEA with the international trade platforms of other countries.				
Contractual special conditions precedent to the first disbursement of the loan proceeds:				
The program execution unit (PEU) will be established, and its core staff appointed in accordance with job descriptions previously agreed upon with the Bank, and the program Operating Regulations detailing the execution arrangements and other considerations will be approved and in effect (see paragraph 3.1).				
Exceptions to Bank policy: None.				
Strategic Alignment				
Challenges: ^(c)	SI	<input type="checkbox"/>	PI	<input type="checkbox"/>
			EI	<input checked="" type="checkbox"/>
Crosscutting themes: ^(d)	GD	<input type="checkbox"/>	CC	<input type="checkbox"/>
			IC	<input checked="" type="checkbox"/>

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1) the borrower has the option of requesting changes to the amortization schedule, as well as currency and interest rate conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

^(c) SI: Social Inclusion; PI: Productivity and Innovation; and EI: Economic Integration.

^(d) GD: Gender Equality and Diversity; CC: Climate Change and Environmental Sustainability; and IC: Institutional Capacity and Rule of Law.

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

- 1.1 Trade facilitation is strategically important for nations, given the rapid transformation of the world economy, increasing fragmentation of production, and integration of global value chains. For the companies and various stakeholders involved in these chains, factors of time, cost, and efficiency are increasingly critical for achieving competitive advantages.¹ Pursuant to the World Trade Organization's Bali 2013 Trade Facilitation Agreement, countries are making efforts to promote initiatives that lower costs and streamline world trade, particularly implementation of international trade single windows. According to the World Customs Organization, a single window is a facility that allows parties involved in international trade and transport to electronically fulfil at a single entry point all import, export, and transit-related regulatory requirements.²
- 1.2 The importance of this tool has been recognized by the IDB and the countries of the region, since it generates advantages for competitive international positioning, a strengthened trade profile, and economic growth through its impact on reducing the costs and times associated with international trade processes and on government transparency and interagency coordination. According to a recent study by the IDB's Integration and Trade Sector,³ single windows have the capacity to shorten times and lower the regulatory costs faced by companies in completing international trade formalities. The simplification of administrative processes is associated, in turn, with increases in export volumes for companies with products that require customs permits, in that they are able to ship more frequently, diversify their buyers, and sell more to each buyer. Lastly, implementation of a single window has also had a significant impact on the diversification of regional production and increased exports by small and medium-sized enterprises (SMEs), which do not normally have direct access to government institutions located in the main cities that often require the physical presentation of documentation.⁴
- 1.3 According to a study by the Organization for Economic Cooperation and Development (OECD),⁵ the indicators associated with reduced processing and procedures, and automation—which an international trade single window provides directly—represent potential savings in the cost of world trade of between 2.8% and 4.2%, depending on a country's level of development. According to Deloitte,⁶ the

¹ Blyde, Juan S., ed. (2014). *Synchronized Factories: Latin America and the Caribbean in the Era of Global Value Chains*. Special Report on Integration and Trade. Washington: Inter-American Development Bank.

² Available at: <http://www.wcoomd.org/en/topics/facilitation/activities-and-programmes/single-window/single-window.aspx>.

³ Volpe Martincus, et al. (2016), *The Border Labyrinth: Information Technologies and Trade in the Presence of Multiple Agencies*, IDB Working Paper Series No. IDB-WP-706.

⁴ Volpe Martincus, et al. (2016).

⁵ OCDE (2015). [Implementation of the WTO Trade Facilitation Agreement: The Potential Impact on Trade Costs](#).

⁶ Deloitte, *Estudio de Integración de Procesos de Comercio Exterior* [Study of International Trade Integration Processes], prepared at the request of the Ministry of Economic Affairs of Chile, September 2009.

United Nations,⁷ and the Asia-Pacific Economic Cooperation Forum (APEC), countries that have already implemented an international trade single window have seen significant improvements in the transparency and coordination of government agencies,⁸ and have identified significant reductions in costs and times. On this last point, Japan for example shortened the time required to inspect shipping cargo by 6.7 hours, and Korea shortened the time required to clear goods by one day. In the Latin American region, Chile has experienced reductions of nearly 50% in the number of days taken by the export process; Costa Rica has achieved reductions in processing time of up to 90% in certain sectors; and Peru—with a partially implemented single window—has seen good results: 30% of formalities are initiated at times when government offices used to be closed, and international trade operators have achieved savings in the order of US\$9 million a year.⁹

- 1.4 Lastly, a trend has been observed internationally to establish a unified single window system as strategy to make trade operations more predictable and generate aggregate efficiencies. At present, 50% of Latin American countries already have an international trade single window in operation,¹⁰ so consideration should be given from the outset to the possibility of interoperability with other countries at the regional and global levels, and the technical, legal, governance, and information harmonization requirements for advancing toward that goal should be well understood.
- 1.5 In Argentina's case, although international trade has grown markedly (183% between 1995 and 2015),¹¹ great logistical and process management challenges remain that have a negative impact on the competitiveness of the country and its enterprises. A host of public and private institutions are involved in international trade with little coordination among them and processes that are complicated, slow, costly, and in many cases unnecessarily duplicated and based physical submission of papers. The *Doing Business 2016* report ranks Argentina 143rd out of 189 economies in cross-border trading.¹² A total of 51 hours is required to comply with border requirements and submit and obtain approval of documentation, at a cost of US\$210 for exports; for imports, the total time rises to 636 hours for border requirements and the presentation and approval of documentation, at an average

⁷ Economic Commission for Europe. United Nations Centre for Trade Facilitation and Electronic Business (UNCEFACT). Recommendations and Guidelines on establishing a Single Window. New York and Geneva, 2005.

⁸ OECD (2013). Single Windows as Trade Facilitators: Evidence from the OECD Trade Facilitation Indicators, December.

⁹ OECD (2013), and Robert and Ulloa (2015).

¹⁰ Robert and Ulloa (2015). Las ventanillas únicas de comercio exterior como instrumento de facilitación comercial: El caso de América Latina y el Caribe [International Trade Single Windows as Trade Facilitators: The Case of Latin American and the Caribbean]. IDB, March.

¹¹ In the same period, exports grew 171%, rising from US\$21 billion in 1995 to US\$57 billion in 2015. Source: National Statistics and Census Institute (INDEC). Intercambio Comercial Argentino 2016 [Argentine Trade Figures 2016].

¹² The indicators identified refer to the sum of cross-border trade indicators for exports and for imports (border compliance and documentary compliance in terms of hours and cost). Trading Across Borders in *Doing Business 2016*, World Bank Group. Argentina ranks 66th out of 160 economies in the World Bank's [Logistic Performance Index](#).

cost of US\$1,320, not including the associated taxes.¹³ By way of comparison, the average in the OECD countries is 20 hours and a cost of US\$196 for exports, and 13 hours and a cost of US\$158 for imports.

- 1.6 According to an analysis by the project team,¹⁴ these excessive costs and times are associated, in turn, with the following factors: (i) there are at least 23 agencies involved in international trade operations and dozens of duplicated processes occurring both within the same procedure and between procedures that require interaction among the different agencies; (ii) little use is made of information technology tools in interactions with external users or in internal processes for evaluating permit applications; (iii) the control agencies have low levels of training and in many cases their processes fall far short of good practices and international standards; (iv) the permits or licenses issued must be physically signed by officials; and (v) in general, payments for permits cannot be made online and, in some cases, can only be made at the offices of the corresponding agency. For these reasons, the use of information technology tools and the standardization of processes represent the best opportunities for improvement in Argentina, and can be implemented under the existing legal and regulatory framework.
- 1.7 **Institutional framework.** Although Argentina does not yet have an international trade single window, steps have been taken in that direction. In 2012, an Advance Sworn Import Declaration (DJAI) was introduced by General Resolution RG AFIP 3252 of the Federal Public Revenue Administration (AFIP). The system was subsequently established as an electronic single window (RG AFIP 3255/12). A model participation agreement for the international trade electronic window was approved for the purpose of establishing guidelines to be met by the different government agencies involved in the system (RG AFIP 3256/12). In 2014, additional guidelines were established to introduce the single window facilitation mechanism across the board (RG AFIP 3599/14), and a technical coordination group was formed to do so. In 2015, the DJAI was replaced by the Comprehensive Import Monitoring System (SIMI) (RG AFIP 3823/15).
- 1.8 **National priority.** The Argentine International Trade Single Window (VUCEA) is a top priority for the national government. Presidential Decree 1079/2016,¹⁵ approved and published on 7 October 2016, states that “there is a global trend toward establishing a unified international trade single window system as a strategy that, based on the simplification, transparency, and standardization of processes, confers predictability on operations and generates aggregate efficiencies, strengthening the trade profile and economic growth,” and that accordingly “it is necessary to systematize administrative procedures and processing by establishing a national system for a VUCEA for processes linked to the country’s export and import activities.” The decree establishes a committee to implement the VUCEA composed of one representative from each of the following bodies: the Office of the Chief of Cabinet, the Ministry of Production’s Department of Trade, the Federal Public Revenue Administration (AFIP), and the Ministry of Modernization. The committee

¹³ Available at: <http://www.doingbusiness.org/data/exploreeconomies/argentina/#trading-across-borders>.

¹⁴ See Functional design of the Argentine International Trade Single Window ([optional electronic link 3](#)).

¹⁵ See Decree on the Argentine International Trade Single Window ([optional electronic link 5](#)).

will be chaired by the Office of the Chief of Cabinet and coordinated by the Department of Trade.

- 1.9 **Connectivity and access.** Since international trade single windows are electronic tools accessed through the Internet, a country's connectivity is key for the program's success. Argentina has one of the highest Internet penetration rates in Latin America. In 2014, 50.7% of households (6.1 million) subscribed to a fixed broadband service, and this figure is expected to grow by 4.2% a year to 2019. In 2015, Argentina had 28 million subscribers to mobile broadband Internet connections (3G/4G), and annual growth of 15.3% is projected to 2019.¹⁶ However, access is not evenly distributed around the country. The highest penetration is in the City of Buenos Aires, with 1.368 accesses per person, followed by Tierra del Fuego (0.976), Chubut (0.551), Neuquén (0.550), and Córdoba (0.390). Tucumán (0.242) and Buenos Aires province (0.229) are in the middle of the list and lower levels of connectivity exist in Formosa (0.113) and Santiago del Estero (0.064).¹⁷ These data reveal the serious difficulties encountered by Internet-based electronic services when seeking to be inclusive in parts of the country's interior, as is the case with an international trade single window.
- 1.10 For that reason, the proposed program will seek to implement one of the comparatively most effective practices according to the specialized literature, which is community shared Internet centers.¹⁸ These centers offer free-of-charge use of hardware and broadband Internet connections to facilitate access by individuals and companies (particularly SMEs, which have lower levels of connectivity) to content of interest, including government and community services. In the context of the VUCEA program, these centers will be set up at public offices involved in the international trade process, such as AFIP and the National Agricultural Health and Quality Service (SENASA), so that platform users living in areas with low Internet connectivity can conduct their business there more easily. These same connected terminals can also be used by the government to offer access to online information resources and government services at a minimum additional marginal cost.¹⁹
- 1.11 **Lessons learned from other international trade single window programs.** The Bank has been supporting other countries of the region in the design and implementation of single windows, including Chile (2539/OC-CH); Colombia (3155/OC-CO); Costa Rica (ATN/AT-13221-RG); Uruguay (ATN/KK-14584-UR and 2590/OC-UR); Nicaragua (3484/BL-NI); and Trinidad and Tobago (3575/OC-TT). Some of them are also working on the interoperability of their international trade single windows with Bank support under a regional technical-cooperation operation (ATN/OC-14731-RG). As part of the work of the Bank-sponsored Inter-American Network of International Trade Single Windows (RedVUCE),²⁰ these and other

¹⁶ PriceWaterhouseCoopers (2015): Global Entertainment and Media Outlook 2015-2019; GSMA (2016): Country overview: Argentina. Impact of the mobile ecosystem: perspectives and opportunities.

¹⁷ INDEC (2015), Internet access, third quarter 2014.

¹⁸ GSMA (2016): Connected Society: Digital inclusion in Latin America and the Caribbean.

¹⁹ This activity is being coordinated with the IFD/CMF Project Team (RG-T2785).

²⁰ RedVUCE is a regional forum sponsored by the IDB to promote dialogue, cooperation, and exchange of experiences, good practices, and lessons learned relating to single windows. It was established in 2011 and seven meetings have been held to date.

experiences have been studied, as have the lessons learned,²¹ which have served as guides in designing the proposed operation. Based on collective experience, the following considerations are fundamental for functional design and execution: (i) have political support from the highest level and provide the international trade single window with an institutional scaffolding capable of creating synergies and cooperation among all the government agencies involved, which makes the special regulatory framework that the Argentine government has established in a presidential decree particularly important (see paragraph 1.8); (ii) assure the governance and regulatory framework for the sustainability of the international trade single window after the project has been completed, which is why the proposed program puts special emphasis on the strategy for managing change and training for VUCEA staff and the institutions participating in the program; (iii) establish a channel for fluid dialogue with the private sector, for which a discussion group was set up with businesses and private sector chambers of commerce under the [Americas Business Dialogue](#) (ABD) during the design stage of this operation;²² (iv) focus the intervention on operational logistics and processes at border points so as to maximize impact, which has been included in the design and strategy of the proposed program and will be strengthened through the community Internet centers (see paragraph 1.10); (v) prioritize execution in phases, beginning with the ones that have the greatest impact on international trade, as can be seen from the multiyear execution plan (MEP) ([required electronic link 1](#)) (vi) plan for the institutional and international interoperability of the single window from the outset, with special emphasis on customs services and plant and animal health control agencies, which has been included in this program (component IV); and (vii) promote electronic payments through banks, which has been included in component II.

- 1.12 **Program strategy.** The program will finance the design and implementation of an integrated electronic single window system to enable companies and professionals that use international trade or foreign investment processes to carry out the associated formalities, including export, import, transit-related operations, and investments. Program beneficiaries will be businesses, particularly SMEs, and individuals who export or import goods and services and, under existing regulations, are required to interact with one or more of the functions to be offered by the VUCEA (see paragraph 1.19). Private customs brokers and logistics agents acting on behalf of the beneficiaries are also included. The program will finance the development of an information system (business intelligence) for companies and other VUCEA users that will provide systemized, up-to-date, and intelligent information on logistical services, business relations, markets, and VUCEA statistics. The program will also finance the design and implementation of an interoperable platform that connects the VUCEA to the single windows of other countries that are already operating their own systems. Lastly, to achieve wider use of the VUCEA, the program will offer broadband Internet access to users in regions with lower connectivity, through the financing and startup of community Internet centers.

²¹ Robert and Ulloa (2015). Las ventanillas únicas de comercio exterior como instrumento de facilitación comercial: el caso de América Latina y el Caribe [International Trade Single Windows as Trade Facilitators: The Case of Latin American and the Caribbean]. IDB, March.

²² It is hoped that the group will continue during project implementation, to ensure fluid exchanges of information and provide an opportunity to corroborate progress in the single window with representatives of the business sector.

- 1.13 **Strategic alignment.** The program is consistent with the IDB's country strategy with Argentina 2016-2019 (document GN-2870-1), since the international trade single window and the associated investment promotion activities will help to deepen structural reforms to improve the business climate and strengthen private sector integration and participation in value chains, particularly through trade facilitation and a reduction in logistical times and costs. The operation is also consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008),²³ and strategically aligned with the challenge of economic integration, through the outcome indicators for "average hours required for beneficiary companies to import and export" and "growth in the number of SMEs exporting in given markets." The program is also aligned with the crosscutting area of institutional capacity and rule of law, through the outcome indicator "general perception of the efficiency of control agencies ... for imports, exports, and transit of goods." In addition, the program will contribute to the Corporate Results Framework 2016-2019 (document GN-2727-6) through indicators for educating public and private sector professionals in aspects of economic integration (training for customs brokers, shipping agents, civil service, importers, and exporters). The program will contribute to the Sector Strategy to Support Competitive Global and Regional Integration (document GN-2565-4) and is consistent with the Integration and Trade Sector Framework Document (document GN-2715-6), specifically with regard to the need for trade facilitation programs.²⁴

B. Objectives, components, and cost

- 1.14 **Objective.** The general objective is to improve the international competitive positioning of the productive sector by designing and implementing a technology platform for rules, regulations, and processes to simplify and facilitate international trade and foreign investment operations: the Argentine International Trade Single Window, known by its Spanish-language acronym, VUCEA. The specific objectives are: (i) to optimize the country's international trade processes through improvement of the rules and regulations, processes, technologies, and human resources of the public and private institutions involved; (ii) to reduce international trade-related times and costs; (iii) to deliver up-to-date information and services offered by public and private institutions involved in the country's trade facilitation and trade promotion processes; (iv) to strengthen those entities technically and institutionally for sustainable operation of the VUCEA; and (v) to facilitate interoperability of the VUCEA with the international trade platforms of other countries.
- 1.15 The components and activities designed to attain these objectives are described below.
- 1.16 **Component I. Design of the VUCEA and process reengineering (US\$7,836,000).** The objective of this component is to optimize international trade processes by designing the VUCEA, defining its technological and process functions, and adapting the processes and standards of the government agencies that will form part of it to ensure program execution.
- 1.17 The activities to be financed principally include consulting services for: (i) a survey of institutions that could potentially participate in the platform; (ii) review and proposals for optimization of processes to be incorporated into the VUCEA, including

²³ Paragraphs 2.10 and 3.7(c) of the Update to the Institutional Strategy, 2015.

²⁴ Paragraphs 2.21, 2.36, 3.14, 4.20, 4.31, 5.10, and 5.16(c).

a survey of international experiences; (iii) preparation of a work plan that includes adaptations of standards, processes, technologies, and human resources of all the public and private institutions involved; and (iv) analysis, design and development of the VUCEA for international trade processing, including the architecture and components of an information system to harmonize processes currently in use.

1.18 The VUCEA would be expected to have the following main functional modules:

- a. **Management of window users.** This module is intended to assign the different VUCEA user profiles. Users will be divided mainly into: (i) user-administrator: employees of the institutions involved in import and export control; and (ii) user-client: importers and exporters.
- b. **Consolidated list of importers and exporters.** The VUCEA will have a functional module to register importers and exporters in a single process.
- c. **Electronic application form for permits and control of attachments.** Applications for import or export permits will be made using an electronic smart form that standardizes the information required and eliminates the different paper forms currently in use.
- d. **Status of import and export formalities and operations.** This module's function will be based on tracking and work flow and will enable officials, importers, and exporters to consult the status of each of their applications for import and export permits at any time. This will increase transparency and certainty in the respective processes.
- e. **Register of products.** Through this functional module, authorized users of the VUCEA can consolidate, consult, or update the catalogue of products that require controls and permits for import, export, or transit.
- f. **Consultation of current regulations and requirements.** Through this module, importers and exporters can consult at a single site all current national regulations and requirements governing imports, exports, and transit of goods.
- g. **Specific queries.** The queries that the VUCEA information tool should permit will include a specific query module for each level and group of authorized users.
- h. **Port community.** This module will implement the tools to help coordinate with shippers, the port authorities, and oversight authorities involved in import, export, and transit-related processes.
- i. **Dispute resolution.** The objective of this module is to systemize the registration of disputes arising from administrative processes related to import, export, and transit operations, and the tracking of the respective administrative processes. This will improve transparency and the standardization of criteria at the different airports, border crossings, and sea ports where imports, exports, and transit of goods take place.
- j. **Electronic payment through banking institutions.** This module will allow importers or exporters to make payments for their international trade processing.

- k. **Interaction with the operations systems of the agencies involved in issuing permits for international trade operations**, such as: (i) the system of the National Medication, Food, and Medical Technology Administration (ANMAT); (ii) the Ministry of Agroindustry's system; (iii) the Argentine customs information system;²⁵ (iv) banks; and (v) private port entities such as port operators and shipping agents.
 - l. **Generation of statistics and indicators.** Management and strategic indicators will be developed and implemented, and dashboards set up, to meet operational and strategic information needs for decision-making.
 - m. **Updating of catalogues.** For example, the tariff heading/permit/product catalogues and others pertaining to VUCEA processes.
 - n. **Security and audit.** Layers of security and audits will be included in each of the processes and events in which the VUCEA technology platform is involved, with a view to enabling events and users to be tracked.
- 1.19 **Component II. Implementation of the VUCEA and technology harmonization (US\$66,980,000).** The objective of this component is to develop VUCEA technology based on the results of the design and the functional models planned as part of Component I. This objective includes interconnection with the public and private entities participating in the VUCEA system, for which the necessary technology will be developed and support will be provided to integrate and maintain the system.
- 1.20 The activities to be financed in this component include: (i) consulting services and purchase of technology licenses to implement and operate the VUCEA in stages;²⁶ (ii) consulting services and technology for technological harmonization and the creation of interoperability between state, national, and provincial institutions, connected directly or indirectly to trade facilitation processes and the VUCEA; (iii) consulting services to provide technical and institutional strengthening for public institutions in keeping the interconnected system up to date and decentralized support for its users; (iv) services for operation and maintenance of the VUCEA platform; and (v) procurement of technology (equipment and licenses), Internet connectivity infrastructure, and instructional resources to operate and maintain the community Internet centers (see paragraph 1.10).
- 1.21 **Component III. Change management and interagency coordination (US\$5,016,000).** The objective of this component is to achieve better interagency coordination and promote smooth implementation of the VUCEA by the public entities, companies, and end users, and publicize the benefits of the VUCEA and international trade information tools to promote their use.
- 1.22 The activities to be financed under this component include: (i) consulting services to provide training and institutional strengthening for the Ministry of Production's Department of Trade and other agencies associated with exports, imports, and transfers of goods, and foreign investment; (ii) consulting services to design and implement a strategy for publicizing the benefits of the VUCEA and for managing change to promote its use, including a special dissemination strategy targeting the

²⁵ The customs control information system is known as the Malvina System.

²⁶ See functional design of the VUCEA ([optional electronic link 3](#)) for more details on the proposed plan for phased implementation.

country's SMEs;²⁷ (iii) consulting services and procurement of technology licenses to develop and implement a commercial intelligence system for international trade; (iv) consulting services to design and implement structural actions to promote investments and sector implementation plans; and (v) consulting services to design and implement a VUCEA monitoring and evaluation system.

- 1.23 **Component IV. Interoperability management (US\$300,000).** To promote the use and benefits of the VUCEA platform and deepen Argentina's trade integration with its main trading partners, a plan will be financed to promote interoperability with the single windows of other countries and with the private sector. The new system will include from the outset the possibility of electronic exchanges of data relating to, for example, phytosanitary health certificates, certificates of origin, and other international trade documents such as customs declarations. Adjustments will be made to the existing programs of the public entities, if necessary, to adapt them to the new standards and formats for electronic data exchange worked up with countries that already have interoperability modules.
- 1.24 The activities to be financed include: (i) promotion of the VUCEA among private sector stakeholders, so they can contribute to its continued strengthening; (ii) process reengineering to favor the interoperability of the VUCEA with other regional and global single windows;²⁸ (iii) design and implementation of an interoperability platform with participating countries; and (iv) sharing of experiences with the main trading partners to promote the use of the VUCEA.
- 1.25 **Program management (US\$1,868,000).** For program management, financing will be provided for the contracting of individual consultants for the program execution unit (PEU), consultants for program monitoring and supervision, and consulting services and related expenditures for program evaluations and audits.

C. Key results indicators

- 1.26 **The Results Matrix** (Annex II) presents indicators for program impact, outcomes, and outputs. In all cases, the baseline and target values have been identified, as well as sources of information and means of verification. The expected impact is an improvement in the international positioning of Argentine companies through a reduction in the transaction costs associated with international trade. The outcomes presented in the matrix indicate that by the end of the program the following will be achieved: (i) a reduction in the times associated with international trade; (ii) lower logistics costs associated with international trade; and (iii) an increase in the percentage of SMEs that engage in international trade. In particular, it is expected that by the end of the program there will be a 40% reduction in the number of hours spent on export processes and formalities and a 70% reduction in import processes and procedures, which will be processed through the VUCEA. There will also be an estimated 50% reduction in the logistics costs associated with international trade operations.

²⁷ For example, through ConnectAmericas, the IDB platform to help SMEs and their strategic partners in the country go global, including SME-related chambers of commerce and confederations.

²⁸ The Department of Trade has expressed an interest in making the single window interoperable with the main trading partners who already have or are in the process of developing their own platforms (e.g. Brazil, the United States, and the countries of the Pacific Alliance).

- 1.27 Using a cost-benefit methodology, the program's net benefits at present value have been estimated as US\$80 million, and the internal rate of return (IRR) as 51%, for a cost-benefit ratio of 1.9 times. The discount rate used was 12%, and the main assumptions relate to: direct savings from the reduction in formalities; greater transparency in export and import processes; and potential improvements thanks to exports and imports with fewer paratariff barriers involving formalities and time at ports. Two scenarios were used to measure the robustness of this sensitivity analysis: a base-case scenario of the possible impact of negative shocks; and a less conservative scenario in which the days saved behave as shown in the project matrix. The base-case analysis suggests that the project would still bring social returns in various adverse scenarios: (i) an unexpected increase in costs; (ii) lower value for time saved; (iii) scant use by users; or (iv) political risk (see the economic analysis at [optional electronic link 1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Costs and financing

- 2.1 The total cost of the specific investment program is US\$82, million, with US\$73.60 million financed by the Bank from the Ordinary Capital resources. The budget consolidated by category is presented in Table II, and the itemized budget is available at [optional electronic link 2](#).

Table II. Program budget (US\$)

Category	Bank		Local contribution		Total
Component I: Design of the VUCEA and process reengineering	7,052,400	90%	783,600	10%	7,836,000
Component II: Implementation of the VUCEA and technology harmonization	61,180,800	91%	5,799,200	9%	66,980,000
Component III: Change management and interagency coordination	4,094,400	82%	921,600	18%	5,016,000
Component IV: Interoperability management	255,000	85%	45,000	15%	300,000
Program management	1,017,400	54%	850,600	46%	1,868,000
TOTAL	73,600,000	89.8%	8,400,000	10.2%	82,000,000

B. Risks

- 2.2 **Environmental and social safeguard risks.** No major environmental or social impacts are anticipated. The operation was classified as category C under the Environment and Safeguards Compliance Policy (Operational Policy OP-703) and the safeguard filters.
- 2.3 **Fiduciary risks.** To determine the procurement and financial management risk of the operation, the capacity of the executing agency for planning, executing, and implementing measures to control resources was assessed using the Institutional Capacity Assessment System (ICAS) ([optional electronic link 7](#)), which determined

that the executing agency²⁹ has medium operational and technical capacity, which will enable it to satisfactorily begin program execution. The following risks could arise: (i) delay or noncompliance in structuring the program execution unit (PEU), (ii) slow execution caused by difficulties in financial management and procurement owing to lack of experience in Bank procedures; and (iii) noncompliance with fiduciary policies and/or guidelines during execution. On that basis, it has been determined that ex ante supervision will be applied to both financial management and procurement management. This initial type of supervision may change during the program based on the evaluations performed.

- 2.4 **Other risks.** The main risks identified are related to limited commitment/participation by some of the institutions related to the VUCEA; disparate technologies in the participating entities that limit integration; resistance to change by public and private institutions; and delays in execution owing to the PEU's lack of experience and unfamiliarity with the Bank's fiduciary (procurement and financial) processes. The following actions will mitigate these risks: (i) confirmation of the project from the most senior level of government through a launch event chaired by the Office of the President, and establishment of a implementation committee composed of representatives of the main agencies involved and headed by the Office of the Chief of Cabinet; (ii) program funding for bringing the technologies of the participating institutions up to level and for a strategy to manage change that includes the transfer of information on good practices and international standards and dissemination of the benefits of the VUCEA; and (iii) strengthening of the PEU, with special stress on establishing a procurement and financial execution team familiar with Bank projects.
- 2.5 **Sustainability.** As mentioned in paragraph 1.8, the proposed project is a high priority for the new Argentine government. In addition to Presidential Decree 1079/2016 ([optional electronic link 5](#)), approved and published in the official gazette on 7 October 2016, to assure the high level interagency coordination needed for projects of this kind, thereby supporting the sustainability of the initiative in the long term, an implementation committee has been established which will be chaired by the Office of the Chief of Cabinet (see paragraphs 3.1 and 3.2). It will have the mandate of promoting active cooperation by all the ministries, agencies, and entities involved in international trade operations and obtaining resources and tools for adequate operation of the VUCEA. Training will be provided for VUCEA staff and the institutions participating in the program (Component III), in order to promote local capacity to use and improve the VUCEA autonomously after the program ends.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The executing agency will be the Ministry of Production, acting through the Department of Trade, which will supervise execution of each of the components and act as liaison with the Bank. A program execution unit (PEU) will be established at the Department of Trade, responsible for program management, monitoring, and evaluation. The PEU will have a core team consisting of at least a general coordinator, a financial specialist, a procurement specialist, and a planning and monitoring specialist. It will also have the support of the technical and administrative

²⁹ The team that will join the executing agency is being selected and the process is proceeding rapidly.

support areas of the Department of Trade. **As contractual special conditions precedent to the first disbursement of the loan proceeds, the program execution unit (PEU) will be established, and its core staff appointed in accordance with job descriptions previously agreed upon with the Bank, and the program Operating Regulations ([optional electronic link 6](#)) detailing the execution arrangements and other considerations will be approved and in effect.**

- 3.2 The VUCEA implementation committee³⁰ will be a body for strategic program coordination.
- 3.3 The executing agency will sign institutional cooperation agreements with other ministries and national and provincial institutions in their capacity as beneficiaries. The agreements will set out the commitment by the beneficiaries to maintain the goods procured with program resources during the disbursement period and for an additional five years. The executing agency will be in charge of all procurements, and financial resources will not be transferred to the beneficiary institutions.
- 3.4 The PEU's main functions are expected to be to: (i) coordinate and control overall program execution; (ii) prepare the technical and financial reports to be submitted to the Bank and provide it with the required information about operational and financial control of the program, including disbursement requests and supporting documentation; (iii) maintain an effective monitoring and supervision system and record-keeping system for supporting documentation for program expenditures and investments; and (iv) perform all other tasks for which it is made responsible under the program Operating Regulations ([optional electronic link 6](#)) and in the loan contract.
- 3.5 **Procurement.** The procurement plan ([required electronic link 4](#)) will be managed through the Procurement Plan Execution System (SEPA). Procurements of works and goods and contracting of consulting services will be conducted in accordance with the Policies for the Procurement of Goods and Services Financed by the IDB (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9) and with the specific requirements established in the loan contract and the Fiduciary Agreements and Requirements ([Annex III](#)).
- 3.6 **Financial management.** The executing agency will submit the program's financial plan following the guidelines agreed upon between the Bank and the country. The minimum percentage required to replenish advances will be 80%. External audits will be performed by an institution eligible to audit Bank-financed operations. The participant profile will be determined based on circumstances at the time of contracting.

³⁰ Created by Decree 1079/2016 (see paragraph 1.8). The committee will be comprised of one representative from each of the following entities: the Office of the Chief of Cabinet, the Ministry of Production's Department of Trade, the Federal Public Revenue Administration (AFIP), and the Ministry of Modernization. The committee will be chaired by the Office of the Chief of Cabinet and coordinated by the Department of Trade.

B. Summary of arrangements for monitoring results

- 3.7 The executing agency will use the Results Matrix ([Annex II](#)), the multiyear execution plan (MEP) ([required electronic link 1](#)), the annual work plan (AWP) ([required electronic link 2](#)), the itemized budget, and the risk analysis prepared during the program design stage to monitor the program.
- 3.8 For the purposes of supervising program execution, the PEU and the Bank will hold six-monthly monitoring meetings. The issues to be examined at those meetings will include: (i) the status of the activities identified in the MEP ([required electronic link 1](#)) and corrective measures in the event that progress has been unsatisfactory; (ii) compliance with the outcome and output indicators established in the Results Matrix ([Annex II](#)); (iii) evolution of the risks considered during program preparation and of any new risks that arise during program execution; (iv) progress in the program's financial execution; and (v) a review of compliance with the auditors' recommendations, when pertinent. As a result of those meetings, the MEP ([required electronic link 1](#)) and the procurement plan ([required electronic link 4](#)) will be updated every six months, and six-monthly status reports (PSRs) will be prepared for review by the Bank. The Bank will carry out administration missions or technical inspection visits, keeping in mind the milestones and the critical path established in the MEP ([required electronic link 1](#)). The Bank will examine the project monitoring reports (PMRs), which contain estimates of the disbursement schedule and compliance with targets and outcomes.
- 3.9 The monitoring and evaluation plan will track execution on the basis of the targets and progress indicators established in the Results Matrix ([Annex II](#)) and in the program Operating Regulations ([optional electronic link 6](#)). The PEU will be responsible for monitoring and evaluating the program's outcomes and impacts using the following mechanisms: (i) program execution plan; (ii) six-monthly PSRs to be delivered to the Bank within 60 days after the end of each six-month period during execution, which will include indicators for monitoring impact, outcomes, execution of the components, and compliance with environmental programs and requirements; (iii) midterm evaluation report, once 50% of the loan has been disbursed or after 30 months of execution, whichever occurs first, to be prepared by independent consultants; (iv) final evaluation, which will include the economic ex post evaluation, to be prepared by independent consultants once 80% of the loan has been disbursed. It is proposed to use the difference-in-differences method to evaluate the impact of the VUCEA. Details about these activities are presented in the monitoring and evaluation plan ([required electronic link 3](#)).

Development Effectiveness Matrix				
Summary				
I. Strategic Alignment				
1. IDB Strategic Development Objectives		Aligned		
Development Challenges & Cross-cutting Themes		-Economic Integration -Institutional Capacity and the Rule of Law		
Regional Context Indicators		-Government effectiveness (average LAC percentile)		
Country Development Results Indicators		-Public agencies' processing times of international trade of goods and services -Professionals from public and private sectors trained or assisted in economic integration (#) -Regional, sub-regional and extra-regional integration agreements and cooperation initiatives supported (#) -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)		
2. Country Strategy Development Objectives		Aligned		
Country Strategy Results Matrix		GN-2870-1	(i) Institutional strengthening of government (ii) Improve export insertion levels and profile	
Country Program Results Matrix			The intervention is not included in the 2016 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)				
II. Development Outcomes - Evaluability		Evaluable	Weight	Maximum Score
		8.8		10
3. Evidence-based Assessment & Solution		8.9	33.33%	10
3.1 Program Diagnosis		3.0		
3.2 Proposed Interventions or Solutions		3.6		
3.3 Results Matrix Quality		2.3		
4. Ex ante Economic Analysis		10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0		
4.2 Identified and Quantified Benefits		1.5		
4.3 Identified and Quantified Costs		1.5		
4.4 Reasonable Assumptions		1.5		
4.5 Sensitivity Analysis		1.5		
5. Monitoring and Evaluation		7.5	33.33%	10
5.1 Monitoring Mechanisms		1.5		
5.2 Evaluation Plan		6.0		
III. Risks & Mitigation Monitoring Matrix				
Overall risks rate = magnitude of risks*likelihood		High		
Identified risks have been rated for magnitude and likelihood		Yes		
Mitigation measures have been identified for major risks		Yes		
Mitigation measures have indicators for tracking their implementation		Yes		
Environmental & social risk classification		C		
IV. IDB's Role - Additionality				
The project relies on the use of country systems				
Fiduciary (VPC/FMP Criteria)		Yes	Financial Management: Budget, Accounting and Reporting, External control. Procurement: Information System.	
Non-Fiduciary		Yes	Statistics National System.	
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:				
Gender Equality				
Labor				
Environment				
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		Yes	Resources from another operation led by INT/TIU (AR-L1092) were allocated to prepare the program's design and interoperability aspects	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan				

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The main objective of the project is to improve the productive sector's competitive international integration through the design and implementation of a technological, regulatory and process platform to simplify foreign trade and investment operations – Argentina's Single Electronic Window (VUCEA). The specific objectives are to: (i) optimize and simplify foreign trade processes through adjustments to regulations, technology, and human resources of the private and public institutions involved; ii) reduce time and costs related to foreign trade; iii) provide updated information about the services offered by public and private institutions involved with the processes of facilitation and trade promotion in the country; iv) provide technical and institutional strengthening to these entities in order for them to sustainably operate the VUCEA; and (v) facilitate interoperability of the VUCEA with other foreign trade platforms.

The project presents a complete diagnosis; it includes a precise description of the targeted beneficiaries. Moreover, the experience of the Bank with similar projects in the sector is mentioned, including projects in Chile, Colombia, Costa Rica, Nicaragua, Trinidad and Tobago and Uruguay.

In terms of the results matrix, outcome indicators have means of verification. However, some indicators do not define baseline and target values.

The cost-benefit analysis (CBA) is consistent with the program logic; it has reasonable assumptions and uses a rigorous methodology, given the existing information.

The project includes a monitoring and evaluation plan. However, the products included in the Results Matrix are not consistent with those included in the Project Execution Plan or the detailed budget. The effectiveness of the proposed intervention will be assessed using a difference in differences methodology.

Finally, the risks identified in the risk matrix are rated for magnitude and likelihood; they include mitigation measures and related metrics to track their implementation.

RESULTS MATRIX

Project objectives	The general objective is to improve the international competitive positioning of the productive sector by designing and implementing a technology platform for rules, regulations, and processes to simplify international trade and foreign investment operations: the Argentine International Trade Single Window, known by its Spanish-language acronym, VUCEA. The specific objectives are: (i) to optimize the country's international trade processes through improvement of the rules and regulations, processes, technologies, and human resources of the public and private institutions involved; (ii) to reduce international trade-related times and costs; (iii) to deliver up-to-date information and services offered by public and private institutions involved in the country's trade facilitation and trade promotion processes; (iv) to strengthen those entities technically and institutionally for sustainable operation of the VUCEA; and (v) to facilitate interoperability of the VUCEA with the international trade platforms of other countries.			
Impact indicators	Baseline	Final target	Source	Comments
Impact. To improve the absolute level of performance of the economy in foreign trade regulation and control				
Score in the "Distance to border" ranking, Trading Across Borders, <i>Doing Business</i>	53.00 (2016) Argentina's points on a scale of 0 to 100	63.00 (2021) Argentina is expected to rise by 10 points by 2021.	Measurement 2022 <i>Doing Business Report</i> , World Bank	The indicator measures the distance between the performance of a given economy and best performance across all economies. It also enables the absolute change in the regulatory context of an economy over time to be measured. Unit of measure: "Distance to border" ranking, Trading Across Borders, <i>Doing Business Report</i> , World Bank.
Growth in trade	To be determined when access is obtained to the foreign trade transaction database of Customs/AFIP-VUCEA	10% Average growth in exports/imports by firms processed through the VUCEA will be 10% higher than growth in counterparts processed through existing channels, within the first three years after the single window is implemented. ¹	Customs/AFIP-VUCEA	The indicator captures the average growth differential of exports and imports and their components on the firm-product-destination level (in concrete the difference between t r e a t

¹ The target percentage has been set at 25% of the lower limit of the estimated impact of introducing an international trade single window for other countries in the region (Costa Rica and Colombia). See Volpe Martincus (2016). Out of the Border Labyrinth: An Assessment of Trade Facilitation Initiatives in Latin America and the Caribbean. Special Report on Integration and Trade, IDB.

Outcome indicators	Baseline	Final target	Source	Comments
Average number of hours required for beneficiary companies to import and export	636 hours to import 51 hours to export (2016)	200 hours to import 30 hours to export (2021)	Measurement 2022 <i>Doing Business Report</i> , World Bank	Unit of measure: "Time required to trade across borders" score, <i>Doing Business Report</i> , World Bank. The indicators for border and documentary compliance are added together. Note: Given the data limitations, these are the indicators that will be used for the time being. Adjustments will be made once access is gained to trade information and times in the Customs/AFIP-VUCEA database. ² The target will continue to be the same with the new indicators (40% reduction in average time for exports and 70% for imports).
Growth in the number of SMEs exporting in given markets (product-destination pairs)	To be determined	The average number of SMEs that export a given product to a given destination is expected to increase by an average of 5% over the period (2021) ³	Customs/AFIP-VUCEA	Better competitive positioning in trade by the productive sector, particularly SMEs is the goal. Note: Given the data limitations, these are the indicators that will be used for the time being. Adjustments will be made once access is gained to trade information and times in the Customs/AFIP-VUCEA database.
Outcome indicators	Baseline	Final target	Source	Comments
General perception of the efficiency of the control agencies that process 80% of permits, licenses, or authorizations for the import, export, and transit of goods.	To be determined	To be determined (2021)	Surveys	A baseline and target will be established through surveys of the general perception of efficiency of the control agencies that process 80% of permits, licenses, or authorizations for the import, export, and transit of goods. The surveys will be conducted annually of users of those control agencies and changes in perception will be measured on a scale of 0 to 5, where 0 represents the worst performance and 5 the best. ⁴

² Once access is obtained to those data, attribution can be made using a strategy similar to the one described in Carballo, J., A. Graziano, and G. Schaur, and C. Volpe Martincus (2016), capitalizing on the fact that some border agencies already processes permits electronically and therefore have detailed data on their systems' processing times (see The Border Labyrinth: Information Technologies and Trade in the Presence of Multiple Agencies, IDB Working Paper Series 706).

³ Carballo, J., A. Graziano, and G. Schaur, and C. Volpe Martincus (2016) show that implementation of an electronic single window in Costa Rica has resulted in an increase in the number of SMEs that export a given product or export a given product to a given destination. This suggests that the single window has reduced both shipping costs and the fixed costs of entering an export market (see The Border Labyrinth: Information Technologies and Trade in the Presence of Multiple Agencies, IDB Working Paper Series 706).

⁴ Various indicators will be measured to show different dimensions of the efficiency of the control agencies. The definitions of efficiency to be used include average times and variations in response times.

Output indicators	Base	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Source
Component 1 – Design of the VUCEA and process reengineering								
Institutional survey presented (including participating institutions, their planned roles and functions, and possible processes of connecting to the new platform)	0	1	0	0	0	0	1	Report on the institutions surveyed PEU
Analysis of gaps found and proposals for improvement	0	1	0	0	0	0	1	PEU report on the analysis of gaps
Proposal presented for integration between systems, the VUCEA, and all the agencies, based on BPM architecture and web services	0	1	0	0	0	0	1	PEU report on integration between systems
Proposal presented for adapting and standardizing the rules, procedures, and human resources of all the institutions involved	0	1	0	0	0	0	1	Work plan and PEU report
Import permit application forms integrated and standardized	0	0	7	8	0	0	15	PEU report
Design documents of the VUCEA system and platform	0	0	1	0	0	0	1	Design document
Component 2 – Implementation of the VUCEA and technology harmonization								
Equipment procured for the VUCEA technology platform	0	0	0	1	0	0	1	Six-monthly report by the executing agency
Functional phases operating in the VUCEA portal and system	0	0	0	2	2	1	4	Portal operating with modules for the 5 phases
Software and hardware packages for interconnecting to the VUCEA.	0	0	3	5	7	0	15	Six-monthly report by the executing agency
Community Internet centers available for carrying out VUCEA processes	0	0	0	8	12	0	20	Six-monthly report by the executing agency
VUCEA port module in operation	0	0	0	1	1	0	2	VUCEA port module in operation
Packages for interconnecting with the VUCEA system to receive payments through banks	0	0	2	2	1	0	5	Six-monthly report by the executing agency
Interagency interoperability document agreed upon (administrative decision by the committee).	0	1	0	0	0	0	1	Committee decision
Component 3 – Change management and interagency coordination								
Training plan designed and presented	0	1	0	0	0	0	1	Six-monthly PSRs Training plan
Number of courses (the courses are targeted to customs brokers, shipping, agents, public servants, importers, and exporters through their chambers of commerce and business associations)	0	1	5	4	0	0	10	The training courses are for officials from the institutions in phase 1 Six-monthly PSRs
System of indicators and dashboards developed	0	0	0	1	0	0	1	System in operation

Output indicators	Base	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Source
Visual and interactive (e-learning) material developed	0	0	0	0	1	0	1	Six-monthly PSRs
Activities to publicize the VUCEA and its benefits	0	1	3	3	3	5	15	Six-monthly PSRs
Output indicators	Base	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Source
Component 4 – Interoperability management								
Interagency cooperation agreements signed with private stakeholders	0	2	2	8	2	0	14	PEU report on agreements signed
International interagency cooperation agreements signed	0	0	0	3	2	0	5	PEU report on agreements signed
Platform designed for interoperability with participating countries	0	0	0	1	0	0	1	Six-monthly PSRs
Number of events and exchanges of experience with other countries with international trade single windows	0	0	3	2	1	0	5	Six-monthly PSRs

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Argentina
Project number: AR-L1251
Name: Program for Implementation of the National System for the Argentine International Trade Single Window
Executing agency: Ministry of Production, acting through the Department of Trade
Prepared by: Juan Carlos Lazo (FMP/CAR) and Marisol Pinto Bernal (FMP/CAR)

I. EXECUTIVE SUMMARY

- 1.1 The Program for Implementation of the National Single Window System for Argentine Foreign Trade, known by its Spanish-language acronym VUCEA, will be executed by the Ministry of Production's Department of Trade.
- 1.2 To determine the procurement and financial management risk of the operation, the capacity of the executing agency to plan, execute, and implement actions to control resources was assessed using the Institutional Capacity Assessment System (ICAS), and the executing agency was found to have a medium level of operational and technical capacity, enabling it to start execution of the program.
- 1.3 The program does not include financing from other donors. At the time this annex was prepared, it had not been confirmed whether there would be a local contribution, or in what amount.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 The Ministry of Production's Department of Trade has some experience in executing Bank-financed programs, since it is currently executing the Export Promotion Program (loan 2239/OC-AR). In addition, to execute the proposed program, the Ministry of Production has decided to establish the VUCEA office at the Department of Trade (by decree), responsible for program execution, which will be the home of the project execution unit (PEU).
- 2.2 The fiduciary systems that will be used to execute the program are the budget system through the Integrated Financial Information System and the information and accounting system (UEPEX).
- 2.3 Policies GN-2349-9 and GN-2350-9 will be used for procurements of goods and services.

III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 3.1 The institutional capacity assessment was performed with the participation of the program coordinators, who described progress in establishing the PEU and the creation of the VUCEA. At the meeting, it was evident that the VUCEA is backed by the Ministry of Production, which puts some institutional weight behind its execution. Significantly, the VUCEA office is being established to develop and execute the program, so the PEU will be integrated directly into the execution structure. The assessment determined that the risk was medium on account of the complexity of the program, the degree of development of the office, and the executing agency's experience.
- 3.2 When the ICAS was being administered, recommendations were made to finish setting up the PEU, in order to mitigate the fiduciary risks for project execution.
- 3.3 On that basis, it was determined that the supervision modality applicable for financial management and procurement management would be ex ante in both cases. This initial supervision modality may be modified after the above-mentioned analyses have been completed and/or during program execution, based on the evaluations.

Institutional capacity and fiduciary risk			
Institutional capacity		ICAS	Tool: ICAS
Fiduciary risk		Medium	Tool: ICAS
Type of risk ¹	Risk	Rating	Mitigation measures
FM	<ul style="list-style-type: none"> • Delay or incomplete implementation of the PEU structure • Low execution due to difficulties in financial management and procurement management caused by lack of experience in Bank processes • Noncompliance with fiduciary policies and/or guidelines during execution 	Medium	<ul style="list-style-type: none"> • Timely management by the relevant authorities to complete the actions to establish the PEU • PEU core team consists of professional staff with experience in managing programs financed by multilaterals • Training for PEU staff
P		Medium	

¹ FM: financial management; P: procurement.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACT

- 4.1 To streamline contract negotiation by the Project Team, and particularly by the Legal Department, the agreements and requirements to be included in the special conditions or the sole annex, as pertinent, are described below. They can be modified during program execution, if warranted, contingent upon documentary justification and Bank authorization.
- 4.2 **Conditions precedent to the first disbursement:** (i) establishment of the PEU (structure and team); and (ii) approval of the program Operating Regulations.
- 4.3 **Disbursement management**
- a. The executing agency will present the program's financial plan drawn up in accordance with guidelines agreed upon by the Bank and the country. The minimum required to replenish advances will be 80%.
 - b. The exchange rate to be used for accounting purpose will be the rate stipulated in Article 4.10(b)(i) of the loan contract. To determine the equivalence of expenses incurred in local currency chargeable against the local contribution or reimbursable against the loan, the exchange rate will be the rate on the first working day of the month in which the payment was made. Owing to the limitations of the UEPEX system, for expenditures paid with IDB funds and with local counterpart funds, the exchange rate used to convert disbursements into local currency ("pesification") will be applied.
- 4.4 **Financial supervision**
- a. To allow for flexibility and enable the loan portfolio to be adjusted to the capacity of the Office of the Auditor General (AGN) to perform timely audits, it is recommended that both the AGN and independent firms be contractually eligible to perform the program's audits. When the time comes to start the contracting process, the Bank will indicate which of the options will be applied to this operation.
 - b. The report required for financial supervision will be the financial plan, in addition to the disbursement reports and the auditors' annual reports.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

A. Procurement execution

- 5.1 Procurements of goods, works, and nonconsulting services, and the contracting of consulting services, under the program will be conducted in accordance with policy documents GN-2349-9 and GN-2350-9 of March 2011, respectively. As

mentioned above, the Department of Trade is executing program 2239/OC-AR, and thus has some understanding of, and experience with, Bank policies.

- a. **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services² arising under the project and subject to international competitive bidding (ICB) will be executed using the Bank's standard bidding documents. Processes subject to national competitive bidding (NCB) will be executed using bidding documents agreed upon with the Bank. The Project Team Leader is responsible for reviewing the technical specifications for procurement during the preparation of selection processes. No direct contracting is anticipated in these categories, but any such contracts arising during the program will be identified and justified in the procurement plan. Selection processes that require the prequalification of bidders will also be identified.
- b. **Selection and contracting of consultants.** Consulting contracts arising under the project will be included in the procurement plan and executed using the Bank's standard request for proposals. The project's sector specialist will be responsible for reviewing the terms of reference for consulting services. No single-source selection is anticipated in this category, but any such contracts arising during the program will be identified and justified in the procurement plan.
 - i. **Selection of individual consultants.** In the cases identified in the procurement plan, contracts for individual consultants will be governed by document GN-2350-9, Section V, paragraphs 5.1 to 5.4. Consultants currently working under contacts financed by other programs being executed by the PEU may be contracted by single-source selection for central execution unit operations.
 - ii. **Training.** The procurement plan describes the processes to be applied to project components that include training, which will be contracted as consulting or nonconsulting services, as applicable.
- c. **Recurrent expenditures.** The applicable expenditures, such as the cost of communications, translations, office supplies, publicity or announcements, photocopying, per diems, travel, etc., will be financed by the project from the annual budget approved by the Bank and will be carried out following the executing agency's administrative procedures, provided they do not run counter to the fundamental principles of competition, efficiency, and economy. These expenses are associated with operating costs and do not include the wages of public employees.

² Policy for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-9), paragraph 1.1: Nonconsulting services are treated as goods.

- d. **Advance procurement/retroactive financing.** Not anticipated.
- e. **Domestic preference.** Domestic preference is not envisaged for the program.
- f. **Other.** There are no special provisions for grants, procurement of land, rights, and easements necessary for project execution.

B. Table of threshold amounts (US\$)

Method	ICB Works	ICB Goods and nonconsulting services	International short list in consulting services
Threshold	≥ 5,000,000	≥ 500,000	≥ 500,000

Note: (1) Contracts over US\$200,000 equivalent will be posted on UNDB online and the Bank's website; (2) Processes for goods below US\$100,000 and contracts for works below US\$350,000 may be conducted using the shopping method.

C. Main procurements

Activity	Type of bidding	Estimated date	Estimated amount
Goods			
Equipment (servers, storage, connectivity, software) VUCEA	ICB	2017	32,000,000.00
Equipment for the institutions involved	ICB	2017	27,000,000.00
Nonconsulting services			
Development of the VUCEA portal	ICB	2017	960,000.00
Digitization of the VUCEA platform	ICB	2017	2,700,000.00
Firms			
Consulting firm to survey institutions	QCBS ³	2017	3,100,000.00
Consulting firm to survey ports and their users	QCBS	2017	764,000.00
Consulting firm to design the VUCEA platform	QCBS	2017	2,100,000.00
Consulting firm for statistics, indicators, consultations, and business services	QCBS	2017	2,000,000.00
Individuals			
Human and administrative resources	3CV	2017	1,611,200.00

* The procurement plan is available at [required electronic link 4](#).

D. Procurement supervision

- 5.2 The supervision method will be ex ante for all processes until such time as the institutional capacity assessment is performed and the risk-analysis workshop is held.

³ Quality- and cost-based selection (QCBS).

E. Special provisions

- a. **Measures to reduce the likelihood of corruption.** The provisions of policy documents GN-2349-9 and GN-2350-9 relating to prohibited practices will be applied. The executing agency will also review the list of firms and individuals prohibited from participating in processes financed by multilateral banks.
- b. **Other special procedures.** The procurement plan will be kept up-to-date to reflect project needs and will be integrated into project planning.

F. Records and files

- 5.3 The contracts area will be responsible for keeping files of the procurement processes conducted at the central execution unit, while procurements conducted by PEUs or the management units of the metropolitan areas of the interior will maintain the original files in each PEU or management entity.

VI. FINANCIAL MANAGEMENT

A. Programming and budget

- 6.1 The executing agency's budget has programmatic categories and other classifications by purpose of expenditure (items) that include personnel costs, consumer goods, nonpersonnel services, fixed assets, transfers, financial assets, debt service and reduction of other liabilities, and other expenses. Depending on their economic nature, the budget lines are current expenditure, capital expenditure, and financial applications. Internal sources of financing can be the national treasury, own resources, specific allocations, and internal transfers. External financing includes external transfers and external loans.
- 6.2 The PEU is responsible for budget formulation and programming, and also performs all the steps necessary to consolidate the annual budgets for approval. As the need arises for increases or reallocation of items, the PEU asks for such changes and steers them through to approval. Budget credits are executed through quarterly commitment quotas and monthly accrual quotas, which are assigned by the National Budget Office (Ministry of Treasury and Public Finance).
- 6.3 In the event a local contribution is included, the source should be identified and the timely availability of funds should be assured.

B. Treasury and disbursement management

- 6.4 The National Treasury transfers the local counterpart to the PEU into an account opened by the program to be used exclusively for the proposed loan, since the program is cofinanced with Bank funds.
- 6.5 Disbursements will be made in accordance with a detailed financial plan, whose model has been agreed upon with the Ministry of Treasury and Public Finance and the Office of the Chief of Cabinet and will be shared with PEU staff. Advances will cover real liquidity requirements as per the financial plan, for a maximum of six months. This term may be revised by the Bank depending on the fiduciary risk.

C. Accounting, information systems, and reporting

- 6.6 The executing agency will use UEPEX as the financial administration system. Accounting will be on a cash basis, and International Financial Reporting Standards (IFRS) will be followed when applicable in accordance with established national criteria. The following financial reports will be required: (i) financial execution plan for up to 180 days following a request for an advance of funds; (ii) annual financial statements audited as stipulated in Article 7.03(a) of the General Conditions of the loan contract; and (iii) other statements required by the fiduciary specialists.

D. Internal control and internal audit

- 6.7 The national internal control agency is the Sindicatura General de la Nación [General Accounting Office]. Internal audits of each executing agency are handled by an internal audit unit. That unit, which reports directly to the minister, is charged with performing audits and making recommendations pursuant to the powers vested in it by Law 24156 (Financial Management Act).

E. External control, financial audits, and reports

- 6.8 In 2011, the Bank completed a diagnostic assessment of the AGN's government auditing practices, which was performed in accordance with Bank guidelines, to determine the level of development of public financial management systems. The assessment concluded by validating the AGN as an auditor of Bank projects.
- 6.9 The AGN is an agency of, and provides assistance to, the National Congress in controlling the status of public sector accounts. Its creation and functions are regulated in Title VII, Chapter I, of Law 24156 on Financial Administration and External Control Systems. The law specifies that the AGN has its own separate legal status and operational independence and consequently is also financially independent. Its assets are composed of all the property assigned to it by the

State, the assets formerly belonging to the Tribunal de Cuentas de la Nación [Audit Court of the Nation] (TCN), and those transferred under court proceedings.

- 6.10 In October 2014, on the basis of its record of timeliness in the presentation of audited financial reports in recent years, it was agreed with the government to reduce the AGN's portfolio to tailor it to its true performance capacity.
- 6.11 To allow for flexibility and enable the loan portfolio to be adjusted to the capacity of the AGN to perform timely audits, it is recommended that both the AGN and independent firms be contractually eligible to conduct the program's audits. When the time comes to start the contracting process, the Bank will indicate whether to use the AGN or work with an independent firm.

F. Financial supervision⁴

- 6.12 The initial financial supervision plan arises from the risk and fiduciary capacity assessments to be conducted pursuant to the onsite and desk reviews planned for the program. It includes the scope of operational, financial, and accounting actions, compliance and legality, frequency, and responsible parties.
- 6.13 The report required for financial supervision will be the financial plan, in addition to the disbursement reports and the auditors' annual reports.

G. Execution mechanism

- 6.14 The details on program execution can be found in the draft Operating Regulations and in the proposal for operation development.

H. Other financial management agreements and requirements

- 6.15 Not applicable.

⁴ See the Operational Guidelines for Financial Management of IDB-financed Projects (document OP-273-6). Annex I. Applicability of financial management principles and requirements. Requirement 4. Financial supervision.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/16

Argentina. Loan ___/OC-AR to the Argentine Republic. Program for Implementation of the National System for the Argentine International Trade Single Window

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Argentine Republic, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Program for Implementation of the National System for the Argentine International Trade Single Window. Such financing will be for an amount of up to US\$73,600,000 from the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on __ _____ 2016)

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