



Ministry of Foreign Affairs

# BRIEF MARKET REPORT

## *The Software sector in Argentina*

*Commissioned by the Netherlands Enterprise Agency*

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# BRIEF MARKET REPORT

## The Software sector in Argentina <sup>1</sup>

Last updated July 2020.

**This brief report provides an overview of the information technology sector in Argentina, its market and recent trends.**

The IT sector is one of the most vibrant in Argentina, with a size of international trade that compares with Argentina's largest export sectors. The sector has grown continually in the last 2 decades and is set to benefit from the current trend towards e commerce and application of IT to finance, payments, health technology, etc.

### Sector description

The software and information services sector (SIS) is a segment of what is known as Information and Communication Technologies (ICTs). The OECD, Organization for Economic Cooperation and Development defines SIS as the sector that comprises the production of goods and services by the process of information and communication through electronic means.

The WIPO, World Intellectual Property Organization, defines software as the structured set of instructions, procedures, programmes, rules and documentation contained in different kinds of physical devices with the goal of allowing the use of electronic data processing equipment. As they are intangible services, SIS are not easily classified in the tariff classification, which makes difficult the exact accounting of its foreign trade.

The business chamber of Argentina's IT sector, CESSI<sup>2</sup>, estimates that the SIS sector in the country accounts for 14% of the whole ICT Market which includes also the hardware and inputs sector (20%), telecommunications (66%).

### Evolution of the sector

Since several years Argentina has a rather sophisticated national SIS industry. In the years 2006-2016 the income from exports grew on average at an annual rate of 13.7%.

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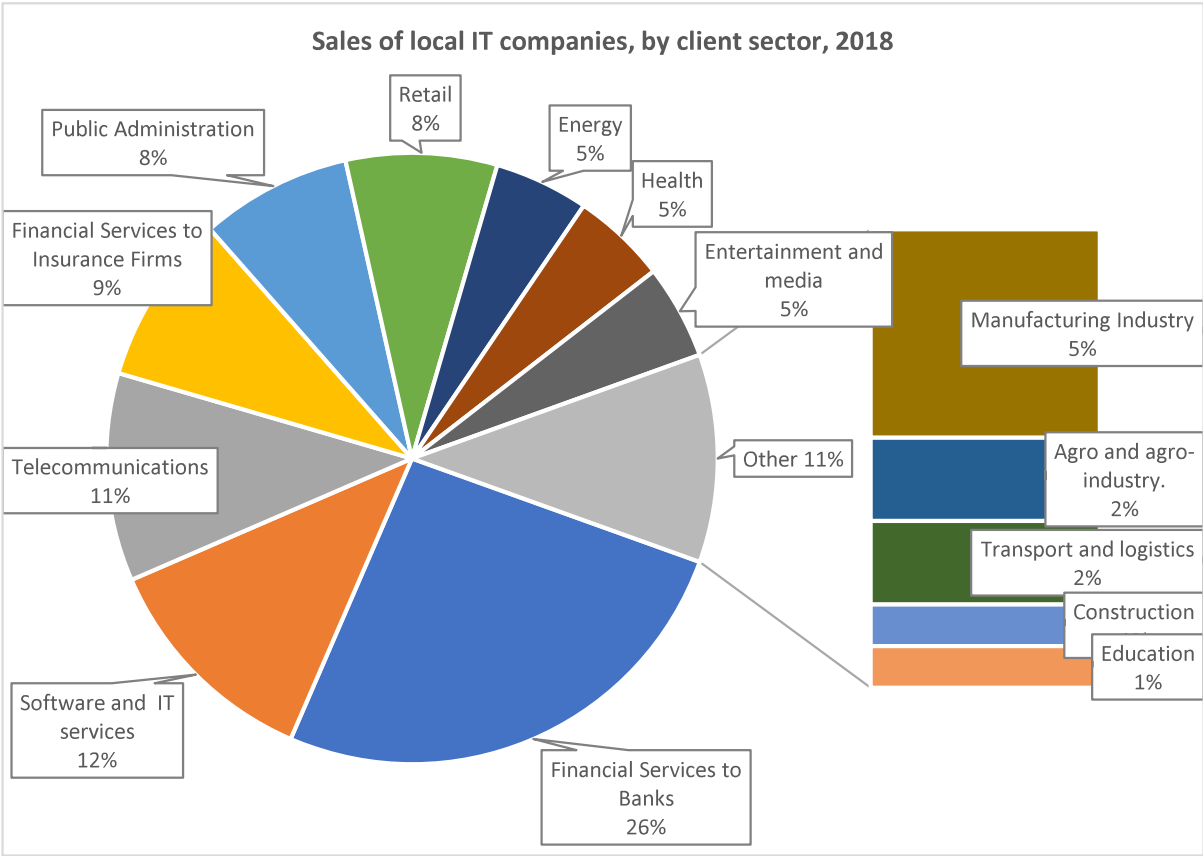
<sup>1</sup> Content information provided in this document, is of general nature only. For more detailed information, events and commercial trade offers as well as commercial business contacts, please contact the Embassy in Buenos Aires or the Dutch-Arentine Chamber of Commerce.

<sup>2</sup> Source: CESSI Chamber of Software and Information Services Enterprises of Argentina, (Cámara de Empresas de Tecnologías y Servicios de Información). Its Permanent Observatory of the Software and Information Services Industry (OPSSI): reports of 2020 and 2019.

Employment in the sector increased by 47.8% between 2009 and 2018, at a cumulative annual rate 4.4%. The sector generated a 6.9% increase in registered employment in 2019. For 2020 , 2,500 new jobs were projected (before Covid-19).

Total sales of the software and computer services industry (SIS) in 2019 were of USD 3078 million, of which 58%, --USD 1787 million-- were exported. In 2020, because of the Covid 19 situation CESSI expect exports to fall by 7.3%.

Regarding sales of the local firms in the Argentine domestic market, the following graph shows the different customer sectors. They are primarily the financial companies, followed by same-sector IT companies, and then the insurance firms, telecoms and the public administration, in that order.



**Exports.** In 2018 customized software development accounted for the majority (58%) of export revenue, followed by the sale of own products along with solutions and associated services with 20% of the total.

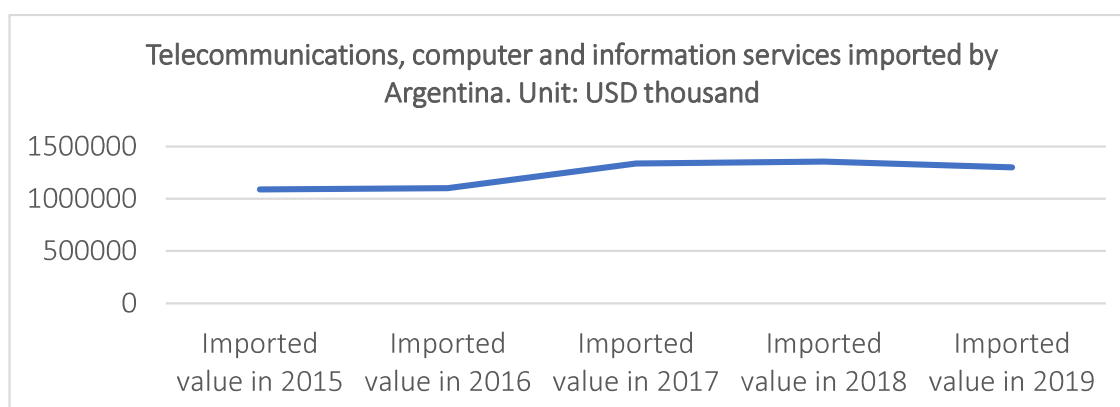
Regarding the type of customers in the export markets by sector, according to the average of the two last years, SIS companies abroad take the largest portion (33 %) of exports, followed by the financial sector (26%). Most of the income from abroad comes from multinational companies (64%).

In regards to the different country markets, the US represents more than half (52%) of income from exports. Lagging behind are the sales to Chile (8%), Uruguay (6%) and Mexico (6%) . Together, all Latin American countries represent 35% of the export market.

**Imports.** Regarding Argentine imports, the International Trade Centre (ITC) that belongs to the WTO and the UNCTAD<sup>3</sup> reports the following figures for all the ICT sector (including the communications subsector), in thousand USD:

Service sector 9 - Telecommunications, computer, and information services.

| Imported value in 2015 | Imported value in 2016 | Imported value in 2017 | Imported value in 2018 | Imported value in 2019 |
|------------------------|------------------------|------------------------|------------------------|------------------------|
| 1089028                | 1099916                | 1335373                | 1356477                | 1300545                |

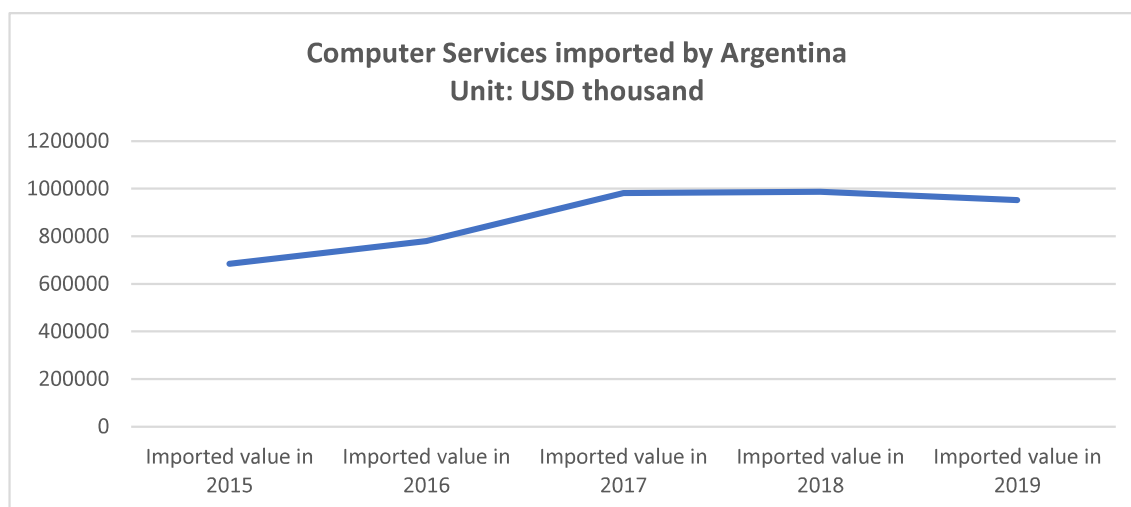


In regards to more specifically computer services imported by Argentina, (ITC's sector 9.2: Computer services) there is an upswing until 2017, with a small decline in 2019.

| Imported value in 2015 | Imported value in 2016 | Imported value in 2017 | Imported value in 2018 | Imported value in 2019 |
|------------------------|------------------------|------------------------|------------------------|------------------------|
| 684031                 | 780603                 | 981212                 | 987678                 | 953255                 |

The evolution of imports shows a slight decline since 2017

<sup>3</sup> Source: International Trade Centre, Trade Map



## Characteristics of the local firms in the sector

The sector comprises some 3.800 firms, including global companies and also a growing network of innovative local SMEs. An important number of international leaders operate in the sector, such as IBM, Intel, Motorola, Sabre Holdings, NEC, Microsoft, Oracle, Siemens, EDS, Accenture, SAP, NCR, Neoris, Datasul, Google, Gameloft and TATA.

In regards to the availability of qualified human resources, around 85 thousand students are registered in computer careers, in 79 education institutions.

**Size of companies.** In 2016 73% of local companies in the sector had less than 10 workers.<sup>4</sup>.

**Certification.** In a survey conducted by CESSI, 64% of companies said they have some kind of certification as of December 2018 (60% had certified at least ISO9001).

**R&D.** In 2019, the investment of companies in the Argentine Software Industry in R + D + i was an average of 7.5% of total turnover for that year. The goals of that research and development were mostly the development of new products and services; improvement in the quality of development, and improvement in productivity.

## E-Commerce

As in other countries, e commerce has been growing very strongly in Argentina, even before the covid-19 pandemic.

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<sup>4</sup> Source: Idem 2.

Out of Argentina's population of some 44 million, 828.000 new customers used ecommerce in 2019, for a total of 18.773.246 e-shoppers. That year 66% of e-shoppers were frequent buyers, with at least one purchase online monthly, a relevant increase from 2017, when they were only 46 %.

The type of products that buyers bought for the first time using e commerce in 2019 were, in descending order: telephony, tourism, sportswear, computing, non-sports clothing, and delivery of food and drinks.

The use of mobile phone is consolidating as the means to purchase online: In 2019 41% of shoppers used exclusively the cell phone to buy, vis a vis only 27% in 2018.

Furthermore in 2020 the covid-19 situation and the very long quarantine that the government decreed for the larger metropolitan areas of Argentina (of almost half a year) are expected to produce an spectacular rise in the use of ecommerce: a survey conducted by Google Argentina concluded that 12% of current shoppers made its first purchase during the quarantine, and 46% of all shoppers now use online purchases either more frequently, or for products that used to buy in the traditional way.

According to Boston Consulting in 2020 online purchases of supermarket products, food, pharmacy and house products will grow by 47% In Latin America, compared to 2019.

Local firm Mercado Libre is called by The Economist magazine, in July 2020, the "Alibaba of Latin America" The pan-Latin American e-commerce and fintech firm's market value doubled to \$ 50bn during the pandemic. "It has become the region's biggest tech darling".

## **Fintech**

The treasure of potential clients for payment services is not small: according to Minsait data, 50 percent of Argentines already have installed and use an app to pay.

Mercado Pago, a subsidiary of Mercado Libre has 3.4 million users in Argentina, the largest digital wallet in the country<sup>5</sup>. Over 700,000 businesses are adhered to payments by QR.

A survey by Kantar, a consultancy, shows that 56 percent of people believe there will be no more cash payments by 2030.

Meanwhile, one of the largest payment companies in the world set foot in Argentina in June of 2020: Stripe Payments has a market value of US \$ 36,000 million and allows contact-less integration with other payment tools, such as Apple or Google Pay.

## **Remote Office.**

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<sup>5</sup> InfoTechnology magazine, July 2020

Tivit Argentina, the local office of a Brazilian company specialized in digital transformation, highlighted by June 2020 that hiring of home office services grew up to 40% since the start of the quarantine.

iPlan a local IT company, details that the inquiries for VDI (Virtual Desktop Infrastructure) a technology to create a virtualized desktop environment on a remote server setup grew up to 300 percent with the quarantine.

## Norms applied to Foreign Investment

There are no restrictions to investment in this sector. The sector was selected as a priority sector for the country in Argentina's Strategic Industrial Plan 2020.

A new law with the title of "Knowledge Economy Law" has been approved in Parliament, granting fiscal advantages to companies that belong to the subsector and demonstrate a certain percentage of its sales income devoted to R&D (1, 2 or 3% depending on company size) . At the time of this writing in September 2020 however the law has not been implemented, as it lacks the specific details whose approval is needed to be put in practice.

There is also a Fiduciary Fund for the Promotion of the Software Industry (Fondo Fiduciario de Promoción de la Industria del Software, FONSOFT), and activities in the framework of Argentina's Digital Agenda, besides scholarships for students of careers related with SIS. In addition, the sector Chamber CESSI, offers its own promotion programmes.

Factors that contribute to the investment in the sector are also that Argentina is the second country with the largest penetration of broadband in Latin America, and its time zone is an advantage for a fluid online communication (GMT-3).

## Opportunities for European firms

Four main factors are usually mentioned as drivers of a high demand for SIS in Argentina:

- Most of existing systems need to be updated
- Growing complexity and convergence of technologies
- Highly educated population, familiar with technology issues
- Growing segments on e-commerce, fintech, home office services

The IT field offers large opportunities in network implementation, management and maintenance, legacy applications, implementation of real time infrastructure, processing of remote operations, backup copy services, disaster recovery systems, systems for the security of internet networks,

management of digital assets, storage of data, “utility computing”, and information systems for rural areas (traceability, RFID, etc.).

Cloud computing and virtualization services enjoy high demand. Subcontracting of software development will promote new investment and also imports of software.

In regards to the protection of intellectual property of software, it is possible to consult with the EU service [Latin America IPR Help Desk](#) . Similarly as in other countries, it is not possible to patent a software in Argentina. Because of this, valid protection results from registering it under other intellectual property regimes<sup>6</sup>, such as:

- a) An unpublished work, that in which the authors or owners use it only for their own or within an enterprise.
- b) Published work, are those that are sold, given away, donated or distributed free of charge. This procedure includes the registration of software that is put in the public knowledge.
- c) Software contracts (licenses, cession of rights, and others).

## Main sector events

Events and fairs in the sector in Argentina 2020. Because of the Covid 19 situation it is important to reconfirm the dates of these fairs if planning to attend.

- [Smart City Expo](#) For smart city professionals, link between urban reality and the technological revolution
  - Place: Buenos Aires
  - Date: September 16-17 2020
- [Argentina Game Show](#), AGS, a display of video games and technology, figures, fans and professionals.
  - Place: Buenos Aires, Centro Costa Salguero
  - Date: October 23-25 2020
- [CAPER Show](#) professionals, technicians, teachers and students related to the Audiovisual Industry of Argentina and Latin America.
  - Place: Buenos Aires
  - Date: November 13-16, 2020

## Main Sector Institutions

### Government Institutions

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<sup>6</sup> Source: based in “El Mercado del Software en Argentina”, Marzo de 2015, ICEX, Servicio Comercial de España.



- [Ministry of Science and Technology and Production Innovation](#), (Ministerio de Ciencia, Tecnología e Innovación Productiva) (**Mincyt**). The main government agency for technology promotion. One of the main participants in the EU projects whose goal is the promotion of science and technology.
- [National Agency for Science and Technology Promotion](#) (Agencia Nacional de Promoción Científica y Tecnológica). Part of Mincyt, it manages public funding to promote technology developments among Argentine SMEs
- [Sadosky Foundation](#). A private-public foundation that supports productive businesses in regards to ICTs adoption.
- [Argentine Agency for Investment and Trade](#) Related with the Ministries of Production and of Foreign Affairs, it promotes investment and foreign trade.

### Chambers and Promotion Institutions

- [Chamber of Software and Information Services of the Argentine Republic](#) (Cámara de Empresas de Software y Servicios Informáticos de la República Argentina) (**CESSI**). The most important software business association.
- [Chamber of Information and Communications of Argentina](#) (Cámara de Informática y Comunicaciones de la República Argentina, **CICOMRA**). The most important business association in the telecommunication sector.

### Technology Poles

Technology Poles are groupings of technology enterprises in the city of Buenos Aires and other important cities. They often include education institutions and provincial and municipal governments.

- [Pole IT Buenos Aires](#)
- [Technology Park Córdoba](#)
- [Pole ICT of Mendoza](#)
- [Cluster Tucumán Technology](#)
- [Technology Pole of Rosario](#)
- [Technology District of the City of Buenos Aires.](#)
- [Technology Pole Tandil](#) Cluster IT Tandil
- [IT Association of Mar del Plata](#)

### Recommendations

- To follow the process of ratification of a trade agreement between the European Union and Mercosur (the regional Market that includes Argentina) to promote trade and investment.
- To consider the opportunities for co-investment with local enterprises, that can be facilitated by the [Services sector of the Argentine Agency for Investment of Trade](#).
- In addition, it is useful to consider the business to business meetings promoted by the EEN (link below), and in general by the European programmes where the Mincyt collaborates.

## Useful links

- **Embassy of the Netherlands in Argentina**  
Economic Section T: +54 11 4338 0090 , Website [www.paísesbajosytu.nl](http://www.paísesbajosytu.nl)  
**Linkedin:** [EmbajadadelReinodelosPaísesBajos en Buenos Aires](#)
- **Netherlands Business Support Office in Córdoba**, a foreign trade office of the Dutch government implemented by the Netherlands Enterprise Agency (RvO.nl) located in the important region of Córdoba in the center of the country. T+54 9 3584 383 175  
Website link: [NBSO Córdoba](#)
- **Argentine-Dutch Chamber of Commerce** The chamber that gathers most Dutch businesses in Argentina. Website <https://ccah.org.ar/> Email [info@ccah.org.ar](mailto:info@ccah.org.ar)
- **European Enterprise Network (EEN) in Argentina**  
The EEN is a network funded by the EU to support SMEs and research centers in the EU and emerging economies including Argentina. Website:  
<https://een.ec.europa.eu/about/branches/argentina>

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