

## REGIONAL REPORT – ARGENTINA



## Improving Local Economies with Projects: An Example in Argentina!

*By Ana María Rodríguez*

January is the month in which most Argentineans leave on vacation, since it is summer time. Most of the citizens of the central cities like Rosario, Córdoba and Buenos Aires, where most of the economical activity of the country happens, depart from their cities looking for more refreshing weather in the southern Atlantic coasts. Projects often slow down until mid February, and since most executives are relaxing on the beach, major decisions are not often taken at this time of the year.

This is not my case, since I am involved in a major shutdown project at a major paper mill in the Rosario Region. We have been working non-stop since January 4<sup>th</sup>, and according to plans work will continue until mid February. I was not expecting to have anything to share with **PM World Today** readers this month, since nothing major is really happening in the country. I am also not yet ready to share lessons learned from the shutdown project, and of course, due to the shutdown my free time is very limited now for in-depth bibliography reviews or any type of analysis.

However, from the very first day of the shutdown my team and I have observed some movements in the plant that called our attention: street snack sellers appeared at the entrance of the plant, a huge tent to be used as a dining room was placed beside our offices, foreign consultants arrived accompanied by helpful translators, trucks full of water gallons are coming into the plant almost every day, the coffee machine is being

recharged with more frequency than ever. When leaving the plant at the end of our shifts, we always find at least 10 rented cars with drivers and many minivans and some small trucks waiting for personnel to be transferred to their hotels or homes; we also find some nice ladies offering health insurance plans and even bank account services at the exit of the plant. It seems there are some parallel projects going on related to the shutdown and that many others get some jobs because of these projects. It seemed to me that this is interesting information to share. What is the real impact of a large project on the life of a city? How does the local economy benefit from all jobs created indirectly by the project?

Some background information about this shutdown project might be interesting as a starting point: Its main objective is the revamping of a recovery boiler, with boiler elements, engineering and advice provided by Metco Power from Sweden. Some non-critical elements were manufactured in the Rosario region and in Argentina. The jobs are scheduled to be performed during 35 days. The total budget for the revamping is 16 million dollars, and the plant production losses are around 300,000 dollars per day. Almost 800 workers are performing the tasks, and at least 100 more people are part of the contractors' structure (supervisors, safety people, doctors and nurses, project managers, accountants, chauffeurs, planners, etc).



At the same time that revamping is being performed, another major project is being performed in the factory at its lime oven; another 200 workers involved. The factory has also hired all types of additional services to support the shutdown (including my team, we perform the planning and monitoring of the works). In synthesis, 1200 people are directly affected by the shutdown. 2 major contractors and at least 30 subcontractors are working at the paper mill now. It is the major project for the factory in the last 10 years, and results are expected to increase and improve their production levels within a year. A major milestone for the company!

The numbers we have learned about the "parallel projects" are as amazing as the project numbers: 27,000 breakfasts and 48,000 lunches or dinners will be served during the shutdown, with the help of 20 waiters dressed up in nice cooks' outfits and safety shoes. On these meals 27,000 "alfajores" (the typical Argentinean cookie) will be provided, 20,000 ice-cream cups will be served, and considering the menu is mainly chicken-based, we have estimated that 5,000 chickens will be cooked during this days. Around 15,000 gallons of water will be served through water dispensers around the plant. 30 rented bathrooms have been located on the construction site, and require daily maintenance. 20 rented cars with drivers found an extra job for the summer, a whole small hotel has been rented by the contractor for its supervisors and managers, 4 street snack sellers have found a means to get some income for these weeks, 3 translators are accompanying foreign consultants, 4 security guards were added to the usual personnel.



In synthesis, considering the amount of required supplies, it must be said that the project has generated work for the alfajores factory, the ice-cream factory, the chicken supplier, and the bottled water provider. It seems obvious that the shutdown project represents a growth opportunity not only for the paper mill but also for all smaller companies providing goods and services during this time. Moreover, it is obvious that at least 100 people who are not-industry

related got a means to provide income for their families during this month. This is not a minor issue in a country like Argentina, where unemployment rates reached 35% of the population 5 years ago and still at 12.5% today. This project represents an important opportunity for the local economy, and for sure contributes to the growth of the national economy.

It seems to me that projects represent an important opportunity for the growth of local economies and moreover, the chance for development for citizens of all educational levels. Projects seem to be a more efficient way to offer an income opportunity to the population, rather than just giving away money, as many governments of developing countries used to. For instance, in Argentina the "Plan Jefes y Jefas", a subsidiary plan of the national government that pays US\$50 per month to each family provider without any formal work, is actually covering 1,5 million people. The plan was created in early 2002 as a means to control social crisis after the economical debacle of the country, and during 2002 covered 2 million people. Efficacy of the plan is questioned by most political actors in the country mainly due to the fact that this money could be invested in more long-term development plans. Due to the large number of families that count on this income as a means to reduce their poverty situation, however, it is hard to redefine the objectives and scope of the plan.

Some numbers of the plan make me think about other means to invest the same money with better results<sup>1</sup>:



- Plan Jefes y Jefas actually costs 72.5 million dollars per month to the national government, or 870 million dollars per year. This is something like the cost of 58 shutdowns as large as the one in which I am being part of now.

- Citizens covered by the plan cannot make a living with the amount they receive from the government. They are part of the informal economy, and avoid as long as possible to be part of the formal workforce in order to maintain their subsidy, since they will lose it immediately after being formally hired. 36% of the beneficiaries are in the age range of 26-35, and 27% are between 36 and 45 years old. In other words, 64% of the beneficiaries are between 26 and 45 years old, the most productive years of women and men! Since they are not part of the formal workforce, they are not learning specific skills. In contrast, they are performing informal jobs in all types of industries. As a result, when major projects are performed, it is hard to hire qualified workers. As I have seen during the shutdown, many involved workers have not had the opportunity to learn specific skills because they have not been part of any formal industry. In fact, one of the issues that has increased task durations in this project is due to the needed training of workers. Tasks should be taught to workers when they needed to be performed at a fast pace, not the best moment for learning!

- 70% of the plan beneficiaries are women. In my opinion, this is based on the fact that women have lower opportunities to become part of the formal economy. It is possible that in some cases their couples are formally hired, and women continue performing informal jobs (house cleaning, baby sitting, etc) as a means to maintain their social benefits from the national government.

For sure this analysis could be done in a more in-depth fashion, and conclusions could be interesting for governments. As far as I have been observing during our shutdown,

<sup>1</sup> Argentina - Ministerio de Trabajo [www.mintrabajo.gov.ar](http://www.mintrabajo.gov.ar)

projects are a very important means to create job opportunities, and to impel the growth of local industry. It is not easy to educate a population and offer them skills to be part of this type of projects, but for sure governments should analyze if money that is given away could be invested in financing projects and training citizens. Results might not be seen very rapidly, but for sure results will be more sustainable.



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