

DOCUMENTO DEL BANCO INTERAMERICANO DE DESARROLLO

ARGENTINA

DESARROLLO DE CAPITAL HUMANO PARA MEJORAR LA COMPETITIVIDAD DEL SECTOR TEXTIL EN ARGENTINA

(AR-T1223)

DOCUMENTO DE COOPERACIÓN TÉCNICA

**HUMAN CAPITAL DEVELOPMENT TO IMPROVE THE COMPETITIVENESS OF
THE TEXTILE SECTOR IN ARGENTINA**

AR-T1223

CERTIFICATION

I hereby certify that this operation was approved for financing under the **Korea Poverty Reduction Fund (KPK)** through a communication dated January 28, 2019 and signed by Byoung Kim (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$500,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, representing a risk that will not be absorbed by the Fund.

Certified by:

Sonia M. Rivera
Chief
Grants and Co-Financing Management Unit
ORP/GCM

23may2019

Date

Approved by:

Carmen Pages-Serra
Jefe de División
División de Mercados Laborales
SCL/LMK

23may2019

Date

TECHNICAL COOPERATION (TC) DOCUMENT

I. Basic project data

▪ Country/Region:	Argentina/CSC - Southern Cone.
▪ TC Name:	Human Capital Development to improve the competitiveness of the textile sector in Argentina
▪ TC Number:	AR-T1223
▪ Team Leader/Members:	Graciana Rucci (SCL/LMK), team leader; Andrea Bergamaschi (EDU/CAR) co-team leader; Kim Dohyung (SCL/LMK); Gabriel Casaburi (IFD/CTI) Ethel Muhlstein (SCL/LMK); Esteban De Dobrzynski (LEG/SGO); and Tania Gaona (SCL/LMK).
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Client Support
▪ TC abstract authorization:	January 25, 2019
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Government of Argentina, and Foundation Pro-Tejer.
▪ Executing Agency and contact name (Organization or entity responsible for executing the TC Program)	Inter-American Development Bank (IDB), Social Sector, Labor Markets Division (SCL/LMK). Graciana Rucci, gracianar@iadb.org
▪ Donors providing funding (amount and Fund's name):	Korea Poverty Reduction Fund (KPR)
▪ IDB Funding Requested:	US\$500.000
▪ Local counterpart funding, if any:	US\$400.000
▪ Disbursement and execution periods:	36 months
▪ Required start date:	April 2019
▪ Types of consultants (firm or individual consultants):	Individual consultants and consulting firms
▪ Prepared by Unit:	Labor Markets Division (SCL/LMK)
▪ Unit of Disbursement Responsibility:	Country Office in Argentina (CSC/CAR)
▪ Included in Country Strategy (y/n);	Yes
▪ TC included in CPD (y/n):	No. TC was registered after CPD was produced.
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Yes. Social inclusion and equality.

II. Objective and Justification of the TC

2.1 Background. In the digital age, technology changes rapidly demanding new roles, and the difficulty of hiring workers with the required skills is a phenomenon that grows globally and across industries. According to Manpower's Global Talent Shortage

Survey, in 2018, 45% of companies globally had difficulties to find the skills they need. The survey indicates that most of the positions in high demand require a tertiary training and not always a complete university degree: intermediate specialization roles represent 40% of all jobs in the Organization for Economic Cooperation and Development (OECD) and their demand continues to grow. The results for Argentina are above the global average, with 52% of employers indicating problems in finding qualified workers for their firms. The main reason for the difficulty in filling vacancies pointed out by Argentine employers is that the candidates lack the required technical skills (27%) and experience (17%). The difficulty to fill vacancies affects the performance of firms. According to data from the Small and Medium Enterprise (SME) Observatory, 75% of companies that cannot fill vacancies suffer an impact: more than a third experienced declines in productivity and increased costs due to this problem. According to this study, the main non-covered position is qualified non-university worker.¹

- 2.2. The problem presented in the previous paragraph for Argentine firms is not different for the textile and clothing value chain. The production chain of the textile industry in Argentina includes two main stages: (i) the manufacture of fibers, yarns, and fabrics, and (ii) the elaboration of clothing and household items (see Figure 1). The upper stage of the chain is relatively intensive in capital and its competitiveness is linked to the scale of production and technological updating. The manufacture of fibers, yarns and fabrics in Argentina, and their inputs from the cotton-wool agro-industrial complex, are distributed across the five regions of the country, with a strong impact on the economic and social development of the provinces. The elaboration of clothing and household items, on the other hand, is intensive in labor and presents a low requirement of investment for the generation of employment. The production is atomized into small units located next to the consumption centers (mainly the metropolitan area of Buenos Aires). In total, about 7,000 firms participate in the textile industry in Argentina, generating an annual gross value added of around AR\$70,000 million (US\$1,613.26 million) (Source Ministry of Finance). The Korean community has a prominent role in this industry. The strong presence of SMEs along the textile chain places it as strategic for the implementation of policies aimed at promoting employment and social development. Also, the textile chain is, after the food and chemical industries, the largest generator of formal employment within the industrial sector, creating more than 110,000 quality jobs directly. The chain has a high female participation in the labor force, being one of the main employers of women within the industrial sector in Argentina.

¹ Small and Medium Enterprise Observatory, "*Special Report: technical skills, employment demand, and enterprise development*", October 2018.

Figure 1. Value chain of the textile and clothing industry of Argentina



Source: Fundación Pro-Tejer.

2.3 Justification and objectives. The shortage of qualified personnel and the lack of relevant skills is one of the biggest obstacles firms face in this industry. In particular, the textile sector, which is capital intensive, is greatly affected by the shortage of workers with technical skills. According to the National Survey on Employment and Innovation Dynamics (ENDEI) of 2012, there is a significant difference in the qualification of jobs and in labor productivity when comparing the textile chain to the industrial sector. Professionals and technicians represent, respectively, 4% and 6% of the employment in the textile chain, against 10% and 11% in the industry as a whole. In turn, the productivity of the textile chain, measured as the value added per employee, represents only 51% of the industry average. There is consensus among firms engaged in the production of yarns and fabrics in Argentina on the difficulties in finding adequately qualified staff, particularly in the technical or non-professional segment. At the same time, there is a void in the training offer by universities and technical schools for these specific profiles in Argentina. The lack of an educational offer aimed at acquiring specific technical skills for the textile industry contributes to the difficulty that firms face today to meet their demands for technical positions. The educational offer in Argentina for the training of skills linked to the textile activity is either oriented to engineering university degrees, or to training in textile design and clothing. In both cases, these are 5 years duration undergraduate diplomas, which are not oriented to the technical positions of middle qualification required by the firms. In addition, the lack of skills is identified not only in formal education and training but in the specific practice in the job, requiring more training in the firm for the new positions.

2.4 Finally, the Fourth Industrial Revolution, called "Industry 4.0", marked by the generation of new business models based on greater digitalization, automation and constant technological change within the manufacturing processes is demanding changes in the skills and knowledge needed for the industry. The textile industry will be strongly affected by this revolution, with a growing orientation towards the automation of productive processes, requiring professionals capable of adapting to technological changes and new business models increasingly digitized. In the textile and apparel sector, it is expected that technologies such as digital printing, 3D printing, the increased use of wearables and the development of new materials impact production. In this context, it is necessary to be able to advance in a scheme of technical training oriented to the management of the growing automation in the sector,

to a greater understanding of the technical characteristics of the processes and textile products and of their technology, which lay the foundations to be able to advance in the implementation of the technologies of the industry 4.0 for the textile sector.

2.5 Firms grouped in “Fundación Pro-Tejer”, the chamber of textiles, have identified this gap and its impact in the productivity of the sector. Pro-Tejer is a non-profit organization whose mission is to assist, develop and integrate the textile value chain in Argentina. It started its activities in October 2003. Its founding partners include more than 40 institutions, including the main companies in the sector, workers' unions, and research centers. Currently Fundación Pro-Tejer has more than 100 members and has established itself as a leader in the textile value chain in Argentina. In addition to its intense dissemination work, the Foundation has developed a series of activities and services that it provides to the country's textile community on permanent basis. It has also managed to raise policy proposals to the national authorities, many of which have become essential instruments for the development of the sector. The main objective of this project is to improve the competitiveness of the textile industry in Argentina and the quality of jobs through the development and upgrade of skills in the workforce. To achieve this goal, a new training program tailored to firms' demands will be developed within a public university located in the Province of Buenos Aires (University of San Martín), together with the implementation of a scholarship and a training for teachers in an international institution of excellence.

2.6 **Strategic alignment.** The TC is aligned with the Country Strategy of the IDB Group with Argentina 2016-2019 (GN-2870-1), specifically with its objectives of reducing youth unemployment and adapting skills to the demands of the labor market, corresponding to the area strategy of reducing poverty and inequality. It is aligned with the Institutional Strategy Update 2010-2020 (AB-3008): with the development challenge of social inclusion and equality, through actions aimed at promoting the employability of young people, and with the development challenge of productivity and innovation, by improving the competitiveness of the textile industry through the development of skills to absorb technological changes in the workforce. It is also aligned with the cross-cutting theme of gender equality and diversity, by promoting better career paths in a sector with a high proportion of female workers; and with the Corporate Results Framework (CRF) 2016-2019 (GN-2727-6) through its contribution to the following indicators: (i) formal employment of women, (ii) students benefited by education projects, (iii) beneficiaries of on-the-job training programs, and (iv) jobs created by supported firms. This TC is also aligned with the objective of the Korean Fund (GN-2373-3) since it promotes the strengthening of training, which ultimately contributes to the alleviation of poverty.

III. Description of activities / components and budget

- 3.1 The activities to be financed are grouped into three components, corresponding to the supply and demand of training, and the monitoring of student's progress.
- 3.2 **Component 1: Development of a relevant and quality training program that contributes to closing the skills gap in the upper stages of the textile industry chain in the country.** This component aims to develop a relevant and quality training offer that will help to close the skills gap of the middle managers in the upper stage of the textile chain. The training will be part of the graduate offer of the University of San Martin (UNSAM), a public and free university created in 1992 that offers a wide range of undergraduate and graduate careers. To date, UNSAM has signed more than 250 agreements with foreign universities for the exchange of students, teachers and researchers. The inclusion of the training program within the activities of the university is strategic for the sustainability of the project. The specific activities in this component include the curricula development of the training program with the advice of international experts, to ensure quality, technological updating and its alignment with the skills needs of the local firms, and the acquisition of equipment to train students in the management of machinery that incorporates state-of-the-art technology.
- 3.3 **Component 2: Training of students in the textile sector.** This component aims to encourage the training of workers in the sector. It will finance a student scholarship program and mentoring in textile firms, in order to guarantee the training in a real work environment and promote labor insertion. The continuity of these programs after the project will be carried out through a scheme similar to the one that the firms in Fundación Pro-Tejer implemented with the National Technological University (UTN). Due to the scarce number of textile engineers graduated in 2004 and the strong demand for qualified employees, Fundación Pro-Tejer developed a program of rented internships for those students of Textile Engineering at UTN. It will also finance activities aimed to communicate and disseminate the new training offer among firms and interested people in Argentina.
- 3.5 **Outputs.** The expected outputs of the project are: (i) the transfer of knowledge by international experts to local actors (teachers, firms, universities); (ii) the development of a new training program for students with complete secondary education, (iii) the granting of 100 student scholarships, and (iv) a dissemination event.

IV. Budget (US\$)

Activity	IDB/Fund Funding (KPR)	Counterpart Funding*	Total Funding
Component 1: Development of a relevant and quality training program that contributes to closing the skills gap in the upper stages of the textile industry chain in the country	320,000	350,000	670,000
1.1 Report on the global trends and perspectives in technology applied to textile production, with focus on the Korean case.	15,000	5,000	20,000
Consultancy services	10,000	5,000	15,000
Travel expenses	5,000	0	5,000
1.2 Survey of Argentine textile firms in terms of unsatisfied demand for skills and main barriers to the incorporation of technology.	15,000	10,000	25,000
Consultancy services	10,000	10,000	20,000
Travel expenses	5,000	0	5,000
1.3 Development of the training program, including: (i) a review of international programs (including the Korean case), (ii) curricula contents validated by argentine textile firms.	45,000	10,000	55,000
Consultancy services	35,000	10,000	45,000
Travel expenses	10,000	0	10,000
1.4 Training and updating of local teachers by instructors, experts or teachers from an international institution of excellence.	205,000	5,000	210,000
Visit to a Korean training institution for the coordination and definition of the training program for teachers.	35,000	5,000	40,000
Travel expenses (2 consultants)	10,000	0	10,000
Consultancy services	20,000	5,000	25,000
Translation services	5,000	0	5,000
Training of teachers in Korea by Korean experts for the teaching of three specific subjects	170,000	0	170,000
Travel expenses (6 teachers)	25,000	0	25,000
Training course	145,000	0	145,000
1.5 Acquisition of machinery and inputs for the students' training	40,000	320,000	360,000
Machinery and inputs	40,000 **	320,000	360,000
Component 2: Training of students in the textile sector	180,000	50,000	230,000
2.1 Student training.	170,000	20,000	190,000
Payment of a scholarship to cover training fee in classroom and in the firm (internship) (1,000 dollars) to 150 students.	150,000	0	150,000
Mentoring services for the training of students in the real work environment	10,000	20,000	30,000
Teaching and students' materials	10,000	0	10,000
3.2. Activity for the dissemination of the training program	10,000	30,000	40,000
Consulting Services	10,000	30,000	40,000
Total	500,000	400,000	900,000
* Pro-Tejer is the main counterpart of the project, and its contribution will be made in kind.			
** These funds will only finance services that are necessary to prepare the space so that the machinery -acquired by the University of San Martín and Pro-Tejer- can be installed and operated.			

V. Executing agency and execution structure

- 5.1 The IDB, through SCL/LMK, will execute this TC, due to its comparative advantage in technical knowledge regarding labor markets and vocational training services. Pro-Tejer has a strong institutional and operational capacity, and in-depth knowledge of the textile sector in Argentina but lacks the needed experience in the design of training programs, the survey of skills needs and the implementation of internship programs. On the other hand, SCL/LMK technical and operational expertise in these areas is strong, having experience designing and implementing this kind of programs across the region and working with international experts.
- 5.2 Pro-Tejer will be responsible for the coordination activities necessary to: (i) carry out the studies, providing information about the firms, the sector, the technology and the skills needs; (ii) reach an agreement with the Korean institution for the training of teachers; (iii) carry out the implementation of the training program in the University of San Martín; (iv) materialize firms' donation of machinery and equipment to the project and coordinate the training of students in the workplace; and (v) carry out the activities needed for the implementation of the scholarship program, such as defining the criteria for selection, carrying out dissemination activities, among others.
- 5.3 **Procurement.** All activities to be executed under this TC have been included in the Procurement Plan (see Annex IV) and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-1 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) GN-2303-20 for logistics and other related services.

VI. Major issues

- 6.1. The execution of some products and activities depends on the articulation of different actors (firms, university, students). As a mitigation measure, Fundación Pro-Tejer will act as coordinator, since it has previous experience working with textiles firms, universities and research centers in Argentina.
- 6.2. **Sustainability.** The project will finance the implementation of a training program that will become part of the permanent academic offer of the University of San Martín, a public national institution with extensive experience in higher education. In addition, the high priority given to the project by both the public sector, through the municipality of San Martín, and the private sector, through the entrepreneurial, union and academic actors nucleated in Pro-Tejer, strongly contribute to the sustainability of the intervention once the project is finished.

VII. Exceptions to Bank Policy

- 7.1 There are no exceptions to Bank policy.

VIII. Environmental and Social Strategy

- 8.1 The environmental and social impact category for this TC is C, per Safeguard Policy OP-703. Due to the nature of this TC, it is not expected that it will have a significant negative social or environmental impact.

Required Annexes:

[Request from Client 1](#) and [Request from Client 2](#)
[Results Matrix](#)
[Terms of Reference](#)
[Procurement Plan](#)