

**PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: AB1362

Project Name	Education for a more productive and equitable Argentina
Region	LATIN AMERICA AND CARIBBEAN
Sector	Secondary education (100%)
Project ID	P070963
Borrower(s)	GOVERNMENT OF ARGENTINA
Implementing Agency	
Environment Category	<input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
Safeguard Classification	<input type="checkbox"/> S ₁ <input type="checkbox"/> S ₂ <input type="checkbox"/> S ₃ <input type="checkbox"/> S _F <input type="checkbox"/> TBD (to be determined)
Date PID Prepared	February 1, 2005
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Estimated Date of Board Approval	October 17, 2005

1. Key development issues and rationale for Bank involvement

Argentina's recovery from the worst ever economic and social crisis is now well under way, with economic growth continuing at a robust 8% for the second year in a row. The focus in Argentina now needs to move away from crisis response to one of the long term structural issues regarding the economy and society, an issue of growth and equity and resilience and avoidance of further crises. Three features of the growth path of Argentina, as recognized in the CAS have a crucial bearing on the policies for the education sector and the role of the Bank in support of those policies:

First, Argentina seeks a permanent improvement in the investment climate '*to support sustained long-term growth, particularly in infrastructure and productive activities*'. There is a strong growth in the productive sector of the economy, not just in services but also in agriculture and manufacturing. Argentina seeks to build on its existing comparative advantages in agriculture and certain manufacturing and service sectors to serve as engines of growth. There is some evidence in household surveys from 2004 of an improved share of the formal sector of the economy – increases in revenue collection of corporate taxes has come about as the demand for skilled workers employed under formal arrangements has gone up. A successful implementation of the economic policy would further fuel a strong demand for skilled labour, a fact that has an important implication for the education sector to be able to meet this demand.

Second, the issue of long-term social inclusion of vulnerable groups is a very important item on the agenda of social policy. The government policy seeks to provide equality of opportunity, through employment generation for excluded populations like sections of urban youth who never had a chance to complete schooling, as well as by improving educational attainment of the population in rural areas, particularly in the poorer provinces of the Northwest and Northeast.

Third, the sustained long-term growth path would only be viable under a series of simultaneous policy actions such as refurbishing the infrastructure, improving the business environment through labor market reform and simplification of procedures to start businesses, strengthening property laws and continued stability of the macroeconomic environment. Improving the educational attainment of the population and improving the availability of skilled workers are educational policy objectives set in the larger context a

more competitive Argentina – this influences the design of educational policies much as it determines whether the educational policies would have a successful impact in the larger context of development. It is vital to remember that improvements in the education sector in turn influence and are influenced by the larger context of development as we examine the education sector more closely.

There has been a substantial increase (about 20%) in the national budget for education, which indicates the high priority placed by the government on education. Public expenditure on education in Argentina in 2005 is projected to be about US\$ 5,600 million per year, with the national government accounting for about US\$ 1,600 million and the provinces accounting for about US\$ 4,000 million. Leaving out Federal transfers to universities and to provinces for teacher salaries, the federal government would be spending about US\$ 300 million for quality improvement and compensatory programs (partially financed under an IDB loan). The World Bank loan presented in this Concept Note would at most bring to the table about US\$40 million per year to the Federal Government. In terms of some basic magnitudes, the Federal Government would be spending less than 5% in these programs as compared to the Provinces, and the Bank loan to the Federal government would be about an eighth of that amount, or about 1% of Provincial spending. These numbers represent a significant challenge at the same time that they represent a tremendous opportunity.

The challenge is represented by the proportionately limited spending of the federal government; the opportunity lies in the unique nature of the federal system in Argentina and the history of the decentralization of the education sector. It is true that the bulk of public education spending in Argentina is incurred by the provinces, but it is also true that as much as 95% of provincial spending goes towards the payment of teacher salaries, with meagre amounts left over for school maintenance and capital expenditures, and almost nothing for quality enhancing programs such as teacher training and didactic materials. The history of decentralization (of primary schools in 1978 and secondary schools in 1992) is chequered in Argentina; especially since the important decentralization reforms of the early 1990s which completely removed the Federal Government from the sphere of school administration. The provincial governments had widely varying capacity to administer the educational reform program in the 1990s with the result that 10 years after the reforms were initiated, there are still great disparities across and within provinces in terms of educational opportunities offered to people depending on where they live and their socio-economic background. And clearly, in a fractal replication of a pattern seen across the world, the provinces with the best capacity were not necessarily the same with the greatest needs in terms of beneficiaries. The pattern continues within a province, at the level of districts and schools. There are problems in urban areas to be sure; but in many provinces the administration has not been able to provide quality educational services in rural areas, or even not provide services at all. The area of technical and vocational education was completely neglected in some provinces.

The federal government recognizes in this context a strategic opportunity to support provinces through resource transfers for carefully selected programs. The federal government shares responsibility with the provinces for the quality of education. The key federal role in education policy is compensatory, to attempt to reduce the disparities of opportunity. The regulatory framework is another area where the federal government has a clear comparative advantage, as are particular realms of educational policy where scale economies can be brought into play. The Ministry of Education, Science and Technology (MECyT) has expressed an interest in World Bank financing to support the national program to aid provinces in the priority areas of rural education and technical and vocational education. The Inter-American Development Bank (IDB) is providing similar support to national programs for improving school quality and for student scholarships. Supporting important national educational programs provides an excellent opportunity for the World Bank to work in partnership with the Government, a role that is seen by the Board as increasingly important for Bank work in Middle Income Countries. Bank participation would help in informing the content of national policy, that serves to leverage the use of small resources for having actual development impact. The role of Bank intervention would thus be to

influence the quality of the policy intervention - through (i) improved analytical basis of policy decision-making; (ii) bringing knowledge from other countries around the world, both developed and developing; (iii) facilitate working within a federal framework; (iv) orientation towards results and development impact not just for Bank financing but for the government's policy as a whole; and (v) help provide continuity towards government policy.

Finally, in terms of context and rationale, it is worth mentioning that the proposed project would provide opportunities for cross sectoral collaboration with agencies of the government other than those in the education sector, as well as other Bank financed operations. Related Bank operations and the corresponding government agencies are (i) Social Protection IV and V or Jefes y Jefas (Ministry of Labour and Ministry of Social Development); (ii) Renewable Energy in Rural Markets or PERMER (Secretariat of Energy, Ministry of Planning); (iii) Governance 21 (Secretariat of Political Economy; Ministry of Economy); (iv) Small Farmer Development Project or PROINDER (Secretariat of Agriculture, Livestock, Fisheries and Food; Ministry of Economy) and (v) the Provincial Maternal and Child Health APL (Ministry of Health).

2. Proposed objective(s)

The project would lead to an increase in the educational attainment of the population of school going age in rural areas of Argentina and would lead to an improvement in the probability of gainful employment for students of technical and vocational education in rural as well as urban areas. Educational attainment would be measured in terms of the timely completion of years of education through official statistics of the MECyT and the probability of gainful employment would be measured by the uptake of graduates through tracer studies of graduates.

3. Preliminary description

The project seeks to take on the task of supporting the improvement of educational attainment in rural areas and the revitalization of technical and vocational education in a complex environment of provincial diversity. These two programs are part of a larger group of national programs. The other national programs include school construction, student scholarships, pre-service and in-service teacher training, textbooks and equipment, a program for improvement of school quality, and a program to strengthen the information base for the educational sector. The Government budget and the medium term expenditure plan already provides financing for these activities, whether financed from general revenues or from external loans and grants. The activities for rural and for technical and vocational education are the ones for which MECyT is interested in Bank financing. Bank support, if made available, would go towards speeding up implementation of the program, increase the geographical scope of the program, and hopefully, an improvement in the quality aspects of the program. Strategic support of a national program is a new way for Bank support in the education sector in Argentina. The decision to support strategic elements of a national program is derived in part from the lessons learnt from previous Bank operations in the education sector. A factor limiting the effectiveness of some of the previous Bank financed projects has been that even though excellent schools were constructed with project financing in marginal areas of high poverty, the proportionally limited size of this effort hampered effectiveness in terms of systemic impact. While the absolute and relative magnitude of Bank financing would not be changing under the proposed scheme, the integral support of provincial activities under a national policy umbrella would mean a more leveraged impact than was

possible with a scheme of financing of ‘Bank project’ activities, often under parallel administrative structures.

The principle of partnership provides a strong foundation for the proposed operation. MECyT has requested Bank support for the selected national programs – this selection forms the first level of partnership. The second level of the partnership is constituted in defining, together with the national and provincial authorities, the scope and form of Bank support within these two programs. The main challenge here is to take advantage of the considerable provincial diversity by looking for common ground and seeking scale economies from ‘building blocks’ to consolidate from the provinces to the national level. There are two central concerns that would be used in determining the nature of Bank support – improving the probability of development impact; and simplification of executing procedures so the project would not be continually delayed, as has been the unfortunate experience of previous education projects in Argentina.

MECyT has been working over the past year or so together with the provincial authorities and with other agencies of the national government (Ministry of Economy, Ministry of Labor, Ministry of Agriculture) to design a policy framework for Rural as well as for Technical Education. The long process of consultation has resulted in the development of a ‘menu of policy options’ that puts together the different alternatives in a systematic way, where the provinces can find federal support for constructing their own projects in these areas. The existence of a menu of options respects the provincial diversity without forcing a ‘one-size-fits-all’ approach. The Bank would be aiding a process of upgrading the quality of federal and provincial relationships. The proposed modality would provide a better opportunity for exchanges of experience between provinces and for scale economies to be exploited, at the same time as provincial ownership is strengthened. The project would finance the development and implementation of provincial level programs through nationally provided transfers to provinces. The transfers would be made on the basis initially of approved provincial programs, and progressively against the execution of those programs. During the project preparation process the Bank team would thoroughly analyse the mechanisms and eligibility criteria that both the federal and provincial governments would use for the decision making process regarding the menu of options.

4. Safeguard policies that might apply

[Guideline: Refer to section 5 of the PCN. Which safeguard policies might apply to the project and in what ways? What actions might be needed during project preparation to assess safeguard issues and prepare to mitigate them?]

5. Tentative financing

Source:	(\$m.)
BORROWER	0
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	150
Total	150

6. Contact point

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