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The World Bank

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Report No. P-6529-AR

MEMORANDUM AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED LOAN
IN AN AMOUNT EQUIVALENT TO US\$165 MILLION
TO THE
ARGENTINE REPUBLIC
FOR A
HIGHER EDUCATION REFORM PROJECT

JUNE 12, 1995

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CURRENCY EQUIVALENTS

Currency Unit - Argentine Peso (A\$)

Official Rate: US\$1 = A\$1

FISCAL YEAR

January 1 to December 31

ACADEMIC YEAR

March 15 to December 15

ABBREVIATIONS AND ACRONYMS USED

AGN	<i>Auditoría General de la Nación</i>
CIN	<i>Consejo Interuniversitario Nacional</i> (National Interuniversity Council)
CIS	<i>Comité Internacional de Seguimiento</i> (International Supervision Committee)
CNA	<i>Comisión Nacional de Acreditación</i> (National Commission for Accreditation)
CONEAU	<i>Comisión Nacional de Evaluación y Acreditación Universitaria</i> (National Commission of Evaluation and Accreditation)
CRUP	<i>Consejo de Planificación de Universidades Privadas</i> (Council of Private University Rectors)
CSU	<i>Consejo Superior de la Universidad</i>
FEL	Federal Education Law
FOMECA	<i>Fondo de Mejoramiento de la Calidad</i> (Fund for Enhancement of Educational Quality)
ICB	International Competitive Bidding
IDB	Inter-American Development Bank
LIB	Limited International Bidding
MCE	<i>Ministerio de Cultura y Educación</i> (Ministry of Culture and Education)
NCB	National Competitive Bidding
OECD	Organization for Economic Cooperation and Development
PIU	Project Implementation Unit
PMSIU	<i>Programa de Mejoramiento del Sistema de Información Universitaria</i>
RIU	<i>Red de Información Universitaria</i> (Interuniversity Network)
SOE	Statement of Expenditures
SUP	<i>Secretaría de Políticas Universitarias</i> (Secretariat of University Policy)

ARGENTINA
HIGHER EDUCATION REFORM PROJECT
LOAN AND PROJECT SUMMARY

Borrower: Argentine Republic

Implementing Agency: Ministry of Culture and Education

Beneficiary: Not applicable.

Poverty: Not applicable.

Amount: US\$165 million equivalent

Terms: Repayable in 15 years, including five years of grace, at the Bank's standard variable interest rate.

Commitment Fee: 0.75% on undisbursed loan balances, beginning 60 days after signing, less any waiver.

Financing Plan: See Schedule A.

Net Present Value: Not applicable.

Staff Appraisal Report: Report No. 13935-AR

Project Identification Number: AR-PA-34091

**MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT
OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT TO THE EXECUTIVE DIRECTORS ON A
PROPOSED LOAN TO THE ARGENTINE REPUBLIC FOR A
HIGHER EDUCATION REFORM PROJECT**

1. I submit for your approval the following memorandum and recommendation on a proposed loan to the Republic of Argentina for the equivalent of US\$165 million, to help finance a project aimed at establishing a competitive environment for the improvement of higher education and providing incentives for continuous efficiency gains and quality enhancement. The proposed loan would be at the Bank's standard variable interest rate, with a maturity of 15 years including 5 years of grace.

2. **Background.** Following a severe economic crisis, Argentina has embarked on a comprehensive program of structural reforms aimed at reducing the role of the state, decentralizing the financing and provision of public services, and strengthening the capacity of the state to deliver social services. The Government has subsequently established a base for sustained development, and is now addressing the large social deficits that, if unattended, could slow economic progress. A comprehensive reform of the education sector is underway. Primary and secondary education have been decentralized to the provinces, basic compulsory education has been extended to nine years, and resources will be doubled in the next five years to improve quality. To complete this reform, the Government also realizes the urgent need to: (i) train a highly skilled labor force to compete internationally in the production of high value-added products and services which requires constant technological progress; and (ii) ensure greater efficiency of the university sector in the use of public resources and create financial incentives for improvement. The Government has requested Bank support in designing structural reforms in this sector.

3. The higher education sector consists of about 700,000 students in 73 public universities; 100,000 in private universities; and 150,000 in non-university institutions, representing about 20 percent of the age group 20-25. After the 1984 reform that provided open admission to all secondary school graduates and allowed some disciplines (mainly humanities) to re-open as part of the democratization process, enrollment grew rapidly at an average annual rate of 8.3 percent. During this period, the higher education budget was severely hit by hyperinflation, and public expenditure per student dropped by about 50 percent in real terms. Enrollment in the 36 private universities represents a small share (13 percent) compared with neighboring countries. But since the issuance of a 1993 decree opening higher education to private initiatives, this share is growing while enrollment is now stagnating in the public sector. The public higher education sector absorbs 0.91 percent of GDP or 19 percent of the consolidated budget for education (numbers which are in the lower range of those for OECD countries).

4. **Higher Education Issues.** Institutional problems of sector management: The capacity of the higher education system to improve is

hampered by four major institutional problems: (i) lack of reliable and transparent information which limits authorities' effectiveness in planning and management, families and students' choice of institutions, and competition among universities; (ii) inefficient allocation of resources, which does not provide incentives for more effective training, investment, and research; (iii) absence of permanent accreditation and evaluation mechanisms which could stimulate curriculum changes, and performance and quality improvement; and (iv) governance mechanisms in universities which lack the flexibility to adapt to a changing environment, promote efficiency, and diversify their resources.

5. Efficiency issues: The efficiency of higher education declined during the 1980s, and is now very low. Despite an increase in the number of entrants and enrollment during the last decade, the number of graduates has nearly stagnated, at 27,000 in 1981 and 32,000 in 1991. Only 18 percent of entrants graduate, and the ratio of graduates to enrollment is below 5 percent. There are several causes of low internal efficiency: (i) a high proportion of graduates from secondary education are unprepared for studies in higher education; (ii) inadequate curriculum and teaching methods which do not meet the expectations of students; (iii) teaching methods that are adversely affected by a lack of complementary resources such as libraries, computers and laboratory equipment; (iv) weak academic management which does not distinguish between active and non-active students or stimulate performance; and (v) lack of incentives to graduate, since most students do not pay fees.

6. Quality issues: The problem of quality has three dimensions. First, the composition and qualifications of faculty are inadequate: (i) only 10 percent of the teaching staff has full-time status and can therefore devote significant time to research or to providing assistance to students outside the classroom; (ii) only 15 percent has a Master's or Ph.D. degree, and 58 percent of teaching is done by teaching assistants; and (iii) there are few salary incentives (a full-time university professor is paid about US\$2,000 a month), performance standards or evaluation mechanisms. Second, the present level of investment is insufficient to provide an adequate learning environment. The share of investment in public universities has been as low as 3 percent of total expenditures in recent years (the average is 10 percent in OECD countries). As a result, existing technical equipment in laboratories is obsolete and teaching equipment insufficient. This situation is particularly severe in basic sciences and engineering, which require good maintenance and constant renovation of equipment to keep up with technological change. Third, in an environment in which universities do not have to compete for external resources, there is little incentive for them to diversify or introduce new programs according to the needs of the economy. Contracted activities with industry has only recently started.

7. Status of Governmental Reforms. As part of the Government's effort to rationalize social spending, the Secretariat of University Policy in the Ministry of Culture and Education (SUP), since its creation in March 1993, has initiated a process of reforms to address quality and efficiency problems in higher education. First, a law reforming higher education was

approved on June 7, 1995, by the Chamber of Deputies and is expected to be enacted shortly after a vote by the Senate. This law would: (i) provide universities with full autonomy for their administration, thus opening the possibility for universities to diversify their resources; (ii) establish a common legal framework for private and public institutions, including evaluation and accreditation; (iii) improve the governance of public universities by allowing stronger participation (a minimum of 50 percent) to teaching staff in elected boards and limiting the students' right to vote to active students; and (iv) for educational planning and policy, define the role of SUP and that of the two consultative bodies: *Consejo Interuniversitario Nacional* (National Interuniversity Council - CIN) and *Consejo de Rectores de Universidades Privadas* (Council of Private University Rectors - CRUP).

8. Several measures are already being implemented by SUP. The evaluation and accreditation process was tested in nine universities and five post-graduate programs. An incentive system for teaching staff to undertake research was implemented for the first time in FY94 (11,500 professors have benefitted from a budget of US\$42 million). In addition, there is now in effect a new student loan scheme, managed by a commercial bank, with a budget (US\$10 million) which was doubled in 1994. Most of the barriers for the creation of private higher education institutions were removed in 1993; this has led to the creation of 15 additional institutions. A reform of the engineering curriculum will reduce the duration of studies from six to five years. A decree raising the requirements for full-time professors has been issued, and the 1995 Budget Law decentralizes to each university the decision of fixing the salary levels of staff. Finally, since FY94 a share of the higher education budget has been allocated for investment through competitive means (US\$22 million, representing 1.57 percent of the total budget, or about 40 percent of the universities' investment budgets).

9. **Rationale for Bank Involvement.** Bank involvement in the proposed project is fully consistent with the overall Country Assistance Strategy, which was discussed at the Board on May 4, 1995. This strategy aims to assist Argentina to sustain economic growth, complete the reform of the state, enhance the competitiveness of the Argentine economy and reduce poverty and improve the quality of human resource investments. The proposed project aims to: (i) improve the quality and efficiency of a sector which is key to maintaining competitiveness in an outward-oriented economy; (ii) complement the reform process of the education sector (supported for primary and secondary education by the Inter-American Development Bank (IDB) and the Bank, respectively) by rationalizing higher education spending and helping channel more resources into basic and secondary education; and (iii) strengthen the institutional base and help the Government to overcome difficulties of introducing reforms in a highly complex sector. This project will assure the consolidation of initiatives and reforms already undertaken by the SUP. Furthermore, it will establish permanent mechanisms which will ensure sustainable improvement of the higher education system.

10. **Project Objectives.** The main objective of the project is to establish a more competitive environment for the improvement of higher education and provide, through a transparent funding mechanism, the appropriate incentives for continuous educational efficiency gains, and quality enhancement. The project would support the implementation of legal, management, and administrative reforms recently initiated by SUP in the university system.

11. **Project Description.** The project consists of two components: (a) institutional strengthening; and (b) a competitive funding mechanism to improve educational quality (*Fondo de Mejoramiento de la Calidad -- FOMEC*).

(a) Institutional Strengthening (13 percent of total project costs). The project would strengthen higher education institutions by: (i) improving the planning and management capacity of SUP; (ii) establishing an evaluation and accreditation mechanism (*Comisión Nacional de Evaluación y Acreditación Universitaria -- CONEAU*), which in five years aims to process 950 requests for accreditation of graduate programs, evaluate 75 university programs and train 130 evaluators; (iii) developing an information system on university performance at the national level linked with the statistical system of each university, and improving the budget allocation between universities through the introduction of a formula based on efficiency and equity parameters; and (iv) creating a network system between universities for the exchange of scientific, technical and library information. The project would finance technical assistance and studies, training, information equipment, office technology, and the salaries of peer reviewers.

(b) FOMEC (87 percent of total project costs) is a policy instrument of SUP that would finance quality and efficiency improvement in universities through a competitive and transparent selection process. FOMEC has two major objectives: (i) in basic sciences and engineering it would provide resources to improve the quality of the academic program as a whole, linking the provision of inputs such as scholarships (1200); visiting professors (376 months); training (2,500 months); laboratory and teaching equipment (1,100 units) and rehabilitation of libraries to curriculum changes and efficiency improvement at undergraduate and graduate levels; and (ii) in humanities, social sciences, and health sciences, it would improve the quality of teaching staff by consolidating graduate programs and creating an environment conducive to research through the provision of scholarships (2,420); rehabilitation of libraries (60); and visiting professors (275 months). The allocation of funds will be based on priorities, selection criteria, and operational indicators incorporated in an Operational Manual. To be eligible for FOMEC funding, graduate programs would need to be accredited by CONEAU. This will help create, in each discipline, a limited number of high-quality programs (about 200 out of 767 existing graduate programs), supported by a critical mass of well-trained staff and state of the art equipment, serving as models for the rest of the system. An International Supervision Committee (*Comité Internacional de Seguimiento - CIS*) will annually evaluate the results achieved by the subprojects financed and review

the performance of FOMECE and, in particular, the objectivity of selection procedures. Its report would serve as a basis for joint decisions by SUP and the Bank on further courses of action during implementation of the project.

12. **Project Cost and Financing.** The total cost of the proposed project is estimated at US\$273 million equivalent, including contingencies. The foreign exchange costs are estimated at US\$97.2 million, or about 36 percent of total project cost. The proposed loan of US\$165 million equivalent will finance 60 percent of total project cost. It will cover 80 percent of consultant services, studies, and visiting professors; 60 percent of scholarships and training; 70 percent of equipment, laboratories and libraries; and 50 percent of small infrastructure rehabilitation (see Schedule A). Project operating expenditures of US\$19.3 million are fully supported by SUP. For the institutional strengthening component, counterpart funding will come from SUP's budget. For the FOMECE component, counterpart funding will come from the budgets of participating universities set aside on a monthly basis by SUP. Project costs include the refinancing of amounts disbursed under the US\$862,000 Project Preparation Facility on January 10, 1994 (P233-O-AR), extended by US\$400,000 on May 11, 1995, and any accrued interest thereon. To facilitate timely project implementation, the SUP would establish, maintain, and operate, under terms and conditions satisfactory to the Bank, a Special Account in US dollars in a commercial bank. The Special Account would be established with an initial deposit of US\$10 million, equivalent to the average four-month project financing requirement.

13. **Project Management and Implementation.** Project implementation would be carried out by a Project Implementation Unit (PIU) consisting of 15 staff within the newly established organizational structure of SUP. The PIU is an extension of the Project Preparation Unit created by Presidential Decree in April 1994 to manage the Project Preparation Facility (PPF). The PIU is under the direct responsibility of the National Director of Finance and University Information, who was appointed in September 1994 for five years. The Project Coordinator has already been selected in consultation with the Bank. Each of the universities selected for participation in the FOMECE program would designate a counterpart to oversee project execution and administration and liaise with the PIU. The PIU would liaise with the Bank and other agencies and universities and would be responsible for procurement, monitoring and oversight, administration, and financing. FOMECE would be managed by 18 permanent staff belonging to SUP; an Operational Manual including the organizational structure and selection process and criteria was reviewed and agreed during negotiations. CONEAU would be managed by 24 permanent staff; evaluation and accreditation procedures have been published and sent to the universities. During negotiations, it was agreed that an annual progress review, Mid-Term Project Implementation Review, and an implementation completion review would be carried out based on key indicators for project monitoring and evaluation. An annual audit of the project, a financial audit of FOMECE accounts, and a physical audit of the subprojects financed through FOMECE would be carried out by a firm acceptable to the Bank no later than six months following the

close of each fiscal year. The *Auditoría General de la Nación* (AGN) would be responsible for reviewing the audit plan, supervising the audit of project accounts, and audit reporting. The project completion date would be December 31, 2000 and the project closing date would be June 30, 2001.

14. **Project Sustainability.** Operating costs, which represent only 4.7 percent of total project cost, would be supported by the SUP. Most of the permanent staff who will be involved in the management of the project are part of the new organizational structure of SUP (which includes 192 staff). To ensure the financial sustainability of FOMECE, SUP has allocated to FOMECE US\$70 million, representing the FY95 university budget share devoted to the incentive program for teaching staff to undertake research. The objective is to make FOMECE a permanent funding mechanism by progressively increasing the annual share of national funding, from US\$70 million in FY95 to US\$130 million at the end of the project. The institutional stability of the project has been assured by the formal establishment (by decree) of FOMECE as of March 23, 1995. In addition, by allocating a share of the federal budget to each university on a monthly basis, SUP will be able to link FOMECE financing to the availability of counterpart funding.

15. **Lessons From Previous Bank Involvement.** The higher education reform process and the proposed project are in line with the World Bank publication Higher Education: The Lessons of Experience.¹ This report recommends increasing the autonomy and accountability of universities, diversifying institutions and resources, allocating a greater share of public funding through competitive mechanisms and rational criteria, and enhancing the quality of training and research. The design of FOMECE includes the experience of similar higher education projects in Tunisia, Romania, Indonesia and the implementation of two Science Research and Training Projects in Brazil. In addition, the project incorporates lessons learned in recent lending operations in Argentina's social sectors, including the **Social Sector Management Technical Assistance Loan** (Loan No. 2984-AR), the **Maternal and Child Health and Nutrition Project** (Loan No. 3643-AR), and the **Decentralization and Improvement of Secondary Education Project** (Loan No. 3794-AR). To increase ownership and facilitate project implementation and disbursement, much attention has been given in the preparation process to institution building and simplification of project design. More specifically, allocations to FOMECE are fully reflected in SUP funding policy, and the institutional component is designed to support the implementation of FOMECE.

16. **Agreed Actions.** During negotiations, the Government provided to the Bank: (i) the decision establishing the National Commission for Accreditation (CNA); (ii) confirmation of the methodology and criteria to be used in the accreditation process to classify graduate studies; (iii) the decree establishing FOMECE; (iv) the final version of FOMECE's Operational

1. World Bank Policy Study, 1994.

Manual; (v) the final version of the Policy Letter on Higher Education; (vi) the decision appointing, within SUP, the full-time project coordinator in charge of the PIU; (vii) confirmation that limited international bidding (LIB) and national competitive bidding (NCB) would be carried out using approved standard bidding documents; and (viii) confirmation of the monitoring and evaluation process including selection of key indicators for project performance.

17. The following are conditions of **Loan Effectiveness**: (i) establishment and staffing of PIU under terms of reference and procedures satisfactory to the Bank (para 2.18); (ii) establishment of CONEAU and nomination of the members of the Executive Council with qualifications and experience satisfactory to the Bank (para. 2.6); (iii) establishment of FOMECE and nomination of the members of the Executive Council with qualifications and experience satisfactory to the Bank (para. 2.11); (iv) submission of a subproject agreement satisfactory to the Bank to be signed between SUP and the universities which would be funded by FOMECE (para. 2.11); and (v) adoption of a formula, satisfactory to the Bank, for the allocation of budgetary resources among the national universities and of a plan, also satisfactory to the Bank, for the implementation of such allocation.

18. **Environmental Impact.** The project does not present environmental risks and has an environmental rating of "C."

19. **Poverty Category.** The project would have no direct impact on poverty alleviation. However, the resulting efficiency gains from the reform of the financing system could reduce the growth of public higher education expenditures, and therefore contribute to an overall environment in which more resources are available for secondary education -- an area where major inequities between economic classes are encountered.

20. **Program Objective Categories.** Within the broad category of human resource development, the project's objectives are to improve quality and efficiency in higher education.

21. **Participatory Approach.** During the preparation process, professors actively participated, through scientific committees, in the studies to identify quality issues and needs in each discipline. In addition, CIN and CRUP, which represent public and private universities, have been fully involved in key decisions at each stage of project design.

22. **Expected Benefits.** The project would provide significant inputs to consolidate difficult sector reforms. It would improve the efficiency and quality of the university system by: (i) increasing the transparency and accountability of resource allocation and use; (ii) introducing more competition among universities in gaining access to funds for research and teaching activities; (iii) promoting the restructuring of the post-graduate level by strengthening, in each discipline, a limited number of centers of excellence with a critical mass (about 200 out of 767 graduate programs); (iv) training about 3,000 professors (increasing by 50 percent the current

potential with Ph.D. degrees), as well as increasing teaching staff mobility; and (v) providing laboratory and teaching equipment corresponding to 40 percent of potential needs.

23. **Risks and Safeguards.** The first risk concerns the implementation of the legal framework for reforms which supports the project. Political tensions are traditionally high in the university sector and universities are autonomous institutions that usually resist change. This risk has been minimized recently and should not directly affect the implementation of the project. First, the legal framework as well as the project content has been largely discussed by the Government through an intense public debate. Since 1994, the Government has shown a strong and constant commitment to the reform process, demonstrated by the adoption of the Higher Education Law by the Chamber of Deputies on June 7, 1995. There is also a consensus among rectors on the objectives and major components of the project, and CIN and CRUP, which have been fully involved during the preparation process, will be represented in the institutional structure of CONEAU and FOMECE. Second, this new legal framework confirms and fosters changes which have already taken place in the higher education policy and in some universities: (i) the autonomy of universities was confirmed in the Constitution adopted in August 1994 and the 1995 budget law; (ii) private university development was liberalized by a decree in 1993; (iii) the 1992 financial administration law authorizes universities to diversify resources; (iv) some universities, through foundations or "*cooperadoras*," are already collecting student fees and contracting with enterprises; these resources represent US\$100 million or 6.6 percent of their total income; (v) the evaluation and accreditation system is already being implemented by the CNA; and (vi) about 25 percent of public universities are currently implementing an admissions procedure for entry into undergraduate programs.

24. The second risk concerns the fact that FOMECE is a new institution. In order to minimize the risk of irregularities in the selection of sub-projects and funding procedures of FOMECE: (i) an annual physical and financial external audit would be undertaken; (ii) once a year, CIS would evaluate the results of FOMECE operations and their impact on quality and efficiency improvement in universities; review the institutional performance of FOMECE; verify the transparency and objectivity of the selection procedure; and formulate concrete recommendations; and (iii) a Mid-Term Review would define, if necessary, any changes in financial and institutional arrangements.

25. **Recommendation.** I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank, and recommend that the Executive Directors approve it.

James D. Wolfensohn
President

Attachments
Washington, D.C.
June 12, 1995

ARGENTINA
HIGHER EDUCATION REFORM PROJECT

SUMMARY COST TABLE^{/a}
(US\$ '000)

COMPONENT	Local	Foreign	Total	% of Total Base Cost	% Foreign Exchange
A) INSTITUTIONAL STRENGTHENING					
1) Planning and Management Capacity of SUP	1,243	974	2,217	0.8	44
2) National Commission for University Evaluation and Accreditation	8,743	1,531	10,274	3.8	15
3) Information and University Budget Allocation System	2,214	4,777	6,991	2.6	68
4) Interuniversity Network (RIU)	492	1,313	1,804	0.7	73
5) FOMECE Management	5,310	135	5,445	2.0	2
6) Project Management (PIU)	4,049	70	4,119	1.5	2
Sub-total	22,050	8,799	30,849	11.5	29
B) FOMECE					
1) Basic Sciences and Engineering	85,027	79,473	164,500	61.1	48
2) Humanities, Social Sciences, Health Sciences, Graduate Education	65,677	8,250	73,927	27.5	11
Sub-total	150,704	87,723	238,427	88.5	37
Total BASE COST	172,755	96,522	269,276	100.0	36
Physical Contingencies	171	348	519	0.2	
Price Contingencies	2,820	386	3,205	1.2	
Total PROJECT COSTS	175,745	97,256	273,000		

/a Figures may not add due to rounding.

ARGENTINA
HIGHER EDUCATION REFORM

PROJECT COST BY CATEGORY
(US\$ Million)

Category	Local	Foreign	Total	% of Total Cost	% of Foreign Exchange
Consultant Services ^{a/}					
Technical Assistance & Studies	16.6	2.1	18.7	6.9	11.4
Visiting Professors, Peer Reviewers, and Training Consultants	13.3	0.8	14.1	5.2	6.0
Scholarships and Training	105.8	14.7	120.5	44.1	12.2
Equipment and Furniture	1.7	14.4	16.1	5.9	89.7
Libraries, Laboratories and Materials	13.2	64.7	77.8	28.5	83.1
Small Infrastructure Rehabilitation	0.7	0.0	0.7	0.2	0.0
Incremental Recurrent Expenditures	11.6	0.6	12.2	4.5	4.4
Project Operating Expenditures	12.9	0.0	12.9	4.7	0.0
Total ^{b/}	175.8	97.2	273.0	100.0	35.6

a/ Includes travel and per diem

b/ Figures include contingencies, and may not add due to rounding.

FINANCING PLAN^{a/}

CATEGORY	TOTAL	(US\$million)		% Financing	
		Govt (SUP) Universities	Bank Loan	Govt(SUP) Univers.	IBRD Loan
Consultant Services and Studies ^{b/}	18.7	3.7	15.0	20	80
Visiting Professors	14.1	2.8	11.3	20	80
Scholarship / Training	120.5	48.0	72.5	40	60
Equipment and Furniture	16.1	4.8	11.3	30	70
Libraries, Laboratories, and Materials	77.8	23.2	54.6	30	70
Small Infrastructure Rehabilitation	0.7	0.3	0.3	50	50
Incremental Recurrent Expenditures	12.2	12.2	0.0	100	0
Project Operating Expenditures	12.9	12.9	0.0	100	0
Total	273.0	108.0	165.0	40	60

/a Figures include contingencies.

/b Includes travel and per diem.

ARGENTINA
HIGHER EDUCATION REFORM PROJECT

SUMMARY OF PROPOSED PROCUREMENT ARRANGEMENTS^{/a}
(in US\$ million equivalent)

Project Element	Procurement Method			N.B.F.	Total Cost
	ICB	NCB	Other		
1. <u>Technical Assistance</u>					
Consultant Services and Studies ^b			18.7 (15.0)		18.7 (15.0)
Training and Visiting Professors			14.1 (11.3)		14.1 (11.3)
2. Scholarship and Teachers Training			120.5 (72.5)		120.5 (72.5)
3. <u>Goods</u>					
Computers and Office Equipment ^c			11.0 ^d (7.7)		11.0 (7.7)
Furniture		3.6 (2.5)	1.5 (1.1)		5.1 (3.6)
Libraries		3.1 (2.2)	7.2 (5.1)		10.3 (7.2)
Laboratories and Materials ^d	8.1 (5.7)		59.4 (41.7)		67.5 (47.4)
4. Works: Minor Rehabilitation^e			0.7 (0.3)		0.7 (0.3)
TOTAL	8.1 (5.7)	6.7 (4.7)	233.1 (154.6)		247.9 (165.0)

ICB = International Competitive Bidding

NCB = National Competitive Bidding

N.B.F. = Amounts not financed by the Bank.

/a Total includes taxes and contingencies. Amounts in parentheses represent Bank financing.

/b Includes travel and per diem.

/c Computers and office equipment for a total amount of US\$4.4 million would be procured through Limited International Bidding (LIB) and US\$6.6 million through local or international shopping.

/d Laboratories and materials for a total amount of US\$32.4 million would be procured through LIB and for a total amount of US\$27 million through local or international shopping.

/e Minor rehabilitation works would be procured through local shopping.

ARGENTINA
HIGHER EDUCATION REFORM PROJECT

ALLOCATION AND DISBURSEMENT OF IBRD LOAN

Category	Amount of the Loan Allocated (US Dollar Equivalent)	Percent of Expenditures to be Financed
Consultant Services (Tech. Assistance, Studies, Training and Visiting Professors) ^a	23,000,000	80
Scholarships and Training Expenditures	67,500,000	60
Office Equipment and Furniture	9,000,000	70
Libraries, Laboratories, and Materials	49,500,000	70
Minor Works	300,000	50
Refinancing of PPF	1,262,000	100
Unallocated	14,438,000	
Total	165,000,000	

/a Includes travel and per diem.

ESTIMATED IBRD LOAN DISBURSEMENTS
(US\$ million)

	FY96	FY97	FY98	FY99	FY00
Annual	28.0	42.0	44.0	35.0	16.0
Cumulative	28.0	70.0	114.0	149.0	165.0

ARGENTINA
HIGHER EDUCATION REFORM PROJECT

Timetable of Key Project Processing Events

- | | | |
|----|----------------------------------|---|
| a) | Time taken to prepare: | 10 months |
| b) | Prepared by: | Secretaria de Políticas
Universitarias |
| c) | First Bank Mission: | January 1994 |
| d) | Appraisal Mission Departure: | November 1994 |
| e) | Negotiations: | March 1995 |
| f) | Planned Date of Effectiveness: | November 1995 |
| g) | List of Relevant PCRs and PPARs: | Not applicable |

THE STATUS OF BANK GROUP OPERATIONS IN ARGENTINA
STATEMENT OF BANK LOANS (as of March 31, 1995)

Loan Number	Fiscal Year	Borrower	Purpose	(US\$ million)	
				AMOUNT (less cancellations)	UNDISBURSED
Fully disbursed loans (42)				5,033.3	0.0
of which SAL/SECAL/Debt Reduction loans:					
2675	1986	Argentina	Agriculture Sector	350.0	
2815	1987	Argentina	Trade Policy	496.0	
2996	1989	Argentina	Trade Policy II	300.0	
3291	1991	Argentina	Public Enterprise Reform	300.0	
3384	1992	Argentina	Public Sector Reform	325.0	
3555	1993	Argentina	DDSR Support	450.0	
3558	1993	Argentina	Financial Sector Adjustment	400.0	
2641	1986	Argentina	Water Supply	44.8	8.5
2854	1987	Argentina	Power Distribution	276.0	84.9
2820	1988	Argentina	Municipal Development	120.0	10.1
2984	1989	Argentina	Social Sector	28.0	0.1
3280	1991	Argentina	Provincial Development	200.0	141.1
3281	1991	Argentina	Water Supply	100.0	92.8
3282	1991	Argentina	PEREL	23.0	1.3
3287	1991	Argentina	Agricultural Services	33.5	13.9
3362	1991	Argentina	Pub Sectr Reform T.A.	23.0	7.9
3460	1992	Argentina	Tax Administration II	20.0	4.6
3520	1993	Argentina	Yacyreta II	300.0	28.1
3521	1993	Argentina	Flood Rehab	170.0	62.7
*3556	1993	Argentina	Pub Enterprise Ref II	300.0	0.03
3611	1993	Argentina	Road Maintenance & Rehab	340.0	245.8
3643	1994	Argentina	Maternal & Child Health	100.0	86.4
3709 1/	1994	Argentina	Capital Markets	500.0	500.0
3710	1994	Argentina	Capital Markets TA	8.5	7.8
3794 2/	1985	Argentina	Secondary Education I	190.0	190.0
*3836	1995	Argentina	Provincial Reform	300.0	240.0
3860 2/	1995	Argentina	Municipal Development II	210.0	210.0
TOTAL				8,320.0	
of which has been repaid				2,481.8	
TOTAL NOW OUTSTANDING				5,838.2	
AMOUNT SOLD				12.8	
of which has been repaid				12.8	
TOTAL NOW HELD BY BANK AND IDA				<u>5,825.4</u>	
TOTAL UNDISBURSED					1,936.0

*Disbursing SECAL, SAL or Debt Reduction Loan

1/ Not yet effective

2/ Not yet signed.

ARGENTINA
STATEMENT OF IFC INVESTMENTS
as of March 31, 1995
(US\$ Millions)

Fiscal Year Committed	Obligor	Type of Business	Original Gross Commitments				Held by IFC	Held by Partici- pants	Undisbursed (Including Participants)
			IFC	IFC	Partici-	Total			
			Loan	Equity	pants				
1960/95	Acincar S.A.	Steel Products	27.94	-	20.73	48.67	25.00	-	15.00
1960	a/ Papelera Rio Parana S.A.	Pulp and Paper	3.00	-	-	3.00	-	-	-
1961	a/ Fadesa S.A.	Motor Veh. & Accessories	1.23	-	0.28	1.50	-	-	-
1962	a/ Pasa SAIC	Petrochemicals	3.05	-	-	3.05	-	-	-
1965/72	a/ Celulosa Argentina	Pulp and Paper	8.25	-	4.25	12.50	-	-	-
1969	a/ Editorial Codex S.A.	Printing and Publishing	5.00	1.60	0.40	7.00	-	-	-
1969/75	a/ Dalmine Siderca SAIC	Iron and Steel	14.75	-	2.25	17.00	-	-	-
1971/73	a/ Caiera Avellaneda S.A.	Cement	5.50	-	-	5.50	-	-	-
1977/84/86/88	Alpargatas SAIC	Textiles and Shoes	62.93	5.00	36.50	104.43	34.22	29.00	-
1977/85	a/ Soyex S.A.	Food and Food Process	21.00	-	-	21.00	-	-	-
1978/81//82/87/93/94	Juan Minetti S.A.	Cement	44.00	-	67.50	111.50	9.51	9.29	-
1978/85/87/88/91	a/ Massun S.A.	Pulp and Paper	25.65	4.25	3.00	32.90	-	-	-
1979/82/87/92	a/ Ipako S.A.	Petrochemicals	21.00	1.15	9.00	31.15	-	-	-
1979/83/84	a/ Alpesca S.A.	Food & Food Process	5.20	1.61	-	6.81	-	-	-
1984/86	Petroquimica Cuyo S.A.	Chemicals & Petrochem.	21.00	4.00	21.09	46.09	3.52	4.25	-
1986	a/ Atanor S.A.	Chemicals	7.00	1.00	-	8.00	-	-	-
1986	Ropasa/Sadicar	Capital Markets	-	0.05	-	0.05	0.05	-	-
1986/87	Sadicar	Capital Markets	-	2.00	-	2.00	0.43	-	-
1986	ROB-Cattorini	General manufacturing	-	-	-	0.00	0.18	-	-
1986	ROB-Benvenuto	Food & agribusiness	-	-	-	0.00	-	-	-
1986	ROB-Boldt	Timber, pulp & paper	-	-	-	0.00	-	-	-
1986	ROB-Clave Plast	General manufacturing	-	-	-	0.00	-	-	-
1986	ROB-Cuyo	General manufacturing	-	-	-	0.00	-	-	-
1986	ROB-Gaverante	Industrial services	-	-	-	0.00	-	-	-
1986	ROB-Klaukol	Cement	-	-	-	0.00	-	-	-
1986	ROB-Labelcor	Food & agribusiness	-	-	-	0.00	-	-	-
1986	ROB-Longvie	General manufacturing	-	-	-	0.00	0.90	-	-
1986	ROB-Pilar	General manufacturing	-	-	-	0.00	0.19	-	-
1986	ROB-Sudamericana	Industrial equipment	-	-	-	0.00	0.21	-	-
1986	ROB-St. Ursula	Food & agribusiness	-	-	-	0.00	-	-	-
1986	ROB-Stani	Food & agribusiness	-	-	-	0.00	-	-	-
1986	ROB-Taje	Industrial services	-	-	-	0.00	-	-	-
1986	ROB-Diario	Timber, pulp & paper	-	-	-	0.00	0.09	-	-
1986	ROB-Piedra	Mining	-	-	-	0.00	0.06	-	-
1986/89/91/95	Banco Roberts S.A.	Capital Markets	48.00	-	-	48.00	20.00	-	-
1987	a/ Garovaglio y Zorraquin	General Manufacturing	13.00	-	-	13.00	-	-	-
1987/90	Hidra Oil	Crude Petrol. & Nat. Gas	80.00	-	27.60	107.60	0.38	-	-
1987/90/91	Terminal & S.A.	Port Facilities	12.50	0.00	0.00	12.50	5.00	-	-
1988	a/ Astra CAPSA Lindero	Energy	12.38	-	-	12.38	-	-	-
1988	a/ Bidas S.A.P.I.C.	Energy	20.63	-	-	20.63	-	-	-
1988	Arcor SAIC	General Manufacturing	12.00	-	-	12.00	1.00	-	-
1988	BGN-Colortex	Textiles	-	-	-	0.00	0.33	-	-
1988	BGN-Estrella	General Manufacturing	-	-	-	0.00	-	-	-
1988	BGN-Interpack	Timber, pulp & paper	-	-	-	0.00	0.50	-	-
1988	BGN-Noroeste	Food & agribusiness	-	-	-	0.00	0.17	-	-
1988	BGN-Ciisa	Textiles	-	-	-	0.00	0.07	-	-
1988	BGN-Moideada	Timber-pulp & paper	-	-	-	0.00	0.33	-	-
1988	BGN-Oftalmologic	Timber-pulp & paper	-	-	-	0.00	-	-	-
1988	BGN-San Sebastian	Food & agribusiness	-	-	-	0.00	0.33	-	-
1988	BGN-Tevycom	Industrial equipment	-	-	-	0.00	0.10	-	-
1988	BGN-Valley	Food & agribusiness	-	-	-	0.00	0.17	-	-
1988	BGN-Vanderfil	Textiles	-	-	-	0.00	0.17	-	-
1988/89	BGN-Flichman	General Manufacturing	-	-	-	0.00	0.43	-	-
1988/89	Banco General de Negocios AL	Dev. Finance	20.00	-	-	20.00	-	-	-
1988/92	a/ Chireta Oil	Chemicals & Petrochem.	-	6.62	-	6.62	-	-	-
1988/92	Banco Rio de la Plata	Capital Markets	50.00	-	-	50.00	32.00	-	7.53
1988/93/94	Bunge y Born	Food and Food Process	63.00	-	57.50	120.50	19.00	57.50	-
1988/93	BGN-Longvie	General manufacturing	-	-	-	0.00	0.13	-	-
1989	a/ Argentine Investment Company	Securities/Financial Inst.	-	2.00	-	2.00	-	-	-
1989	a/ Chihudos Petroleum	Energy	-	4.98	-	4.98	-	-	-
1989	Banco Frances	Dev. Finance	15.00	-	-	15.00	10.91	-	-
1989	ROB-Carboclor	Chemicals & petrochem	-	-	-	0.00	0.14	-	-
1989	BGN-Cencosud	Industrial services	-	-	-	0.00	0.33	-	-
1989	ROB-Ciervos	Food & agribusiness	-	-	-	0.00	-	-	-
1989	ROB-Comesi	General manufacturing	-	-	-	0.00	0.75	-	-
1989	ROB-Maleic	Chemicals & petrochem	-	-	-	0.00	-	-	-
1989	ROB-Mgiteria	Food & agribusiness	-	-	-	0.00	-	-	-
1989	Com. General de Inversiones	Financial Services	-	0.10	-	0.10	0.01	-	-
1989	ROB-Fracchia	Industrial services	-	-	-	0.00	0.49	-	-
1989	ROB-Lauril	Chemicals & petrochem	-	-	-	0.00	0.28	-	-
1989	ROB-Inta	Textiles	-	-	-	0.00	0.75	-	-
1989	ROB-Masoprano	Timber-pulp & paper	-	-	-	0.00	0.10	-	-
1989	BGN-Parafina	Chemicals & petrochem	-	-	-	0.00	1.25	-	-
1989	BGN-Pastoril	Food & agribusiness	-	-	-	0.00	0.36	-	-
1989	BGN-Genaro	Food & agribusiness	-	-	-	0.00	1.36	-	-
1989/92	Astra CAPSA	Energy	50.00	-	43.00	93.00	24.80	28.67	-

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ARGENTINA
STATEMENT OF IFC INVESTMENTS
as of March 31, 1995
(US\$ Millions)

Fiscal Year Committed	Obligor	Type of Business	Original Gross Commitments				Held by IFC	Held by Partici- pants	Undisbursed (Including Participants)
			IFC Loan	IFC Equity	Partici- pants	Total			
1989/93	BGN-Bolland	Tourism	-	-	-	0.00	0.40	-	-
1990	BGN-Algodonera	Textiles	-	-	-	0.00	0.54	-	-
1990	Corporacion de Inversiones y Privatizacion SA	Financial Services	-	0.08	-	0.08	0.08	-	-
1990	BGN-Frogotoba	Food & agribusiness	-	-	-	0.00	0.25	-	-
1990	BGN-Willmor	Food & agribusiness	-	-	-	0.00	1.36	-	-
1990/95	Petroken Petroquimica	Chemicals & Petrochem.	40.00	-	11.00	51.00	35.67	7.33	10.00
1991	Banco de Credito Argentino	Financial Services	10.00	-	-	10.00	7.14	-	-
1991	ROB-Guilford	Textiles	-	-	-	0.00	0.47	-	-
1991	ROB-Jugos	Food & Agribusiness	-	-	-	0.00	0.33	-	-
1991	ROB-Interpack	Timber, pulp & paper	-	-	-	0.00	1.00	-	-
1991	ROB-Surfactan	Chemicals & petrochem	-	-	-	0.00	0.21	-	-
1991	BGN-TBR	Industrial equipment	-	-	-	0.00	0.36	-	-
1992	Frigorifico Rioplatense	Food & Agribusiness	12.00	1.00	6.00	19.00	10.33	5.00	2.00
1992	MBA Sociedad de Bolsa SA	Capital Markets	-	0.18	-	0.18	0.16	-	-
1992	Oleaginosa Oeste	Sunflower Seed Agribus.	20.00	-	15.00	35.00	18.93	12.50	-
1992	Polisur SM	Chemicals & Petrochem.	-	7.00	-	7.00	7.00	-	-
1992/93	Petrolera Argentina San Jorge	Energy	15.00	27.00	35.00	77.00	40.75	32.08	25.18
1993	Alto Parana S.A.	Timber, pulp and paper	-	-	-	0.00	19.47	-	-
1993	Bridas SAPIC	Energy	35.00	15.00	60.00	110.00	50.00	55.00	-
1993	Cadipsa S.A.	Energy	15.00	5.00	20.00	40.00	20.00	13.00	9.20
1993	BGN-Capri	Food & agribusiness	-	-	-	0.00	1.00	-	-
1993	ROB-Emprigas	Industrial services	-	-	-	0.00	1.13	-	-
1993	Ferroexpreso Pampeano SAC	Industrial Equipment	13.00	-	20.00	33.00	13.00	18.53	4.60
1993	ROB-Alimenticia	Food & agribusiness	-	-	-	0.00	0.83	-	-
1993	Materia Pampa S.A.	Food & Agribusiness	12.00	-	12.00	24.00	12.00	12.00	-
1993	ROB-Mendoza	General manufacturing	-	-	-	0.00	1.13	-	-
1993	Nuevo Central Argentino SA	Railroad Equipment	10.00	3.00	15.00	28.00	13.00	-	-
1993/94	Molinos Rio de la Plata	Food & Agribusiness	-	3.00	-	3.00	7.82	-	-
1994	Banco General de Negocios	Dev. Finance	15.00	-	-	15.00	15.00	-	-
1994	Carneceria y Maiteria Quilmes	Food & Agribusiness	15.00	-	15.00	30.00	15.00	15.00	-
1994	CIA Gen Combustible	Crude Petroleum	25.00	15.00	40.00	80.00	40.00	40.00	-
1994	Empresa Distribuidora	Industrial Services	45.00	-	128.00	173.00	45.00	128.00	-
1994	Quitral	Chemicals & Petrochem.	-	-	-	0.00	-	-	-
1994	BGN-Ferrum	Cement & construc mat	-	-	-	0.00	1.50	-	-
1994	Masisa-Argentina S.A.	Forest Products	11.00	-	-	11.00	11.00	-	-
1994	Arg. Equity Investment I Limited	Financial Services	-	4.00	-	4.00	4.00	-	-
1994	Yacylec	Industrial Services	20.00	-	45.00	65.00	20.00	45.00	-
1995	Acetera	Food & Agribusiness	15.00	10.00	15.00	40.00	25.00	15.00	15.00
1995	Mastellone Hermanos S.A.	Food & Agribusiness	40.00	-	35.00	75.00	40.00	-	-
1995	Maxima S.A. AFJP	Financial Services	-	10.19	-	10.19	10.19	-	-
1995	La Buenos Aires Vida	Financial Services	-	2.89	-	2.89	2.89	-	0.71
1995	La Buenos Aires Retiro	Financial Services	-	1.17	-	1.17	1.17	-	0.53
1995	Kleppel/Caldero	Food & agribusiness	6.00	-	-	6.00	6.00	-	-
1995	Aguas	Infrastructure	38.00	7.00	134.50	179.50	45.00	134.50	52.95
1995	Compania Elaboradora de Productos Alimenticios S.A.	Food & agribusiness	15.00	-	6.00	21.00	15.00	6.00	-
1995	Roberts Argentina Investment Capital Fund (AICF)	Financial Services	-	20.00	-	20.00	20.00	-	17.73
1995	Roberts Argentina Investment Fund Manager	Financial Services	-	0.15	-	0.15	0.15	-	0.13
1995	Socma	Holding Company	24.99	15.00	60.01	100.00	39.99	-	24.99
1995	Cadesa	Supermarkets	28.00	-	-	28.00	28.00	-	20.00
	Total Gross Commitments b/		1152.99	181.00	965.61	2299.60			
	Less: Cancellations, Terminations, Repayment & Sales		481.57	6.19	297.96	785.72			
	Total Commitments Now Held c/		671.43	174.82	667.65	1,513.89	848.24	667.65	205.56
	Pending Commitments:								
	AECSA		20.00	-	61.00	81.00			
	Empresa Distribuidora	Industrial Services	-	-	8.00	8.00			
	Gasinvest	Infrastructure	-	20.00	-	20.00			
	Nahuelisat	Infrastructure	30.00	5.00	-	35.00			
	Sancor	Food & agribusiness	20.00	20.00	30.00	70.00			
	Transconor	Infrastructure	25.00	-	80.00	105.00			
	Tucuman	Infrastructure	-	0.30	-	0.30			
	sub-total		95.00	45.30	179.00	319.30			
	Total Commitments Held and Pending Commitments		766.43	220.12	846.65	1,833.19			
	Total Undisbursed Commitments		92.02	44.28	69.25	205.56			

a/ Investments which have been fully cancelled, terminated, written-off, sold, redeemed or repaid.

b/ Gross Commitments consist of approved and signed projects.

c/ Held Commitments consist of disbursed and undisbursed investments.

IMAGING

Report No: F- 6529 AR
Type: MOP