



1. Project Data:		Date Posted : 07/24/2001	
PROJ ID: P051694		Appraisal	Actual
Project Name: P.rfm(s.juan)	Project Costs (US\$M)	50	35
Country: Argentina	Loan/Credit (US\$M)	50	35
Sector(s): Board: PS - Health (26%), General education sector (25%), Sub-national government administration (23%), Other industry (16%), Health insurance (10%)	Cofinancing (US\$M)		
L/C Number: L4220			
	Board Approval (FY)		98
Partners involved :	Closing Date	12/31/1999	06/30/2000

Prepared by :	Reviewed by :	Group Manager :	Group:
Michael R. Lav	Poonam Gupta	Ruben Lamdany	OEDCR

2. Project Objectives and Components

a. Objectives

To reform and restructure the government of San Juan so as to ensure an efficient and responsive delivery of public services (notably social services) within fiscally sound policies.

b. Components

A. Fiscal and public finance: improve tax collection and administration to promote higher reliance on own source revenues. Reform Civil service and reduce personnel expenditure as percentage of net revenues . B. Improve efficiency in the education sector and extension of mandatory education and access to the poor within current budget constraints: (1) increase student/teacher ratio and the ratio of staff actively teaching to total staff, (2) reduce the disproportionate use of temporary staff, (3) improve incentives for quality achievement, (4) increase participation of the private sector, (5) reduce administration costs. C. Health reforms to improve efficiency and equity in the health sector, (1) separate the provision and financing of health services, (2) increase cost recovery, (3) consolidate hospital facilities, (4) reduce excessive staff and reallocate resources to non -personnel categories, (5) improve targeting to the poor, and (f) increase health insurance coverage (within health budget constraints).

c. Comments on Project Cost, Financing and Dates

The project was financed by an IBRD loan for US\$ 50 million with three tranches of US\$ 10 million, US\$25 million, and US\$15 million. Since the third tranche was cancelled, the total project cost of IBRD loan net of cancellation was US\$35 million. The loan was appraised in April, 1997, approved by the Board in August, 1997, and closed on June 30, 2000, 6 months late.

3. Achievement of Relevant Objectives:

A. Taxes were realigned and increased and tax collection improved, but even though own -source revenues increased by 14% during 1996-1999, they were below the overall program target which called for a 20% increase over the level achieved in 1998 (the last year cited in the ICR). The province never generated more than 15% of its revenues from its own sources. Personnel costs first decreased under the loan but subsequently increased and the projected share was 74% of current expenditures for 2000 (compared to the program target of 60%). While provincial expenditure levels improved in size and quality (by highlighting social expenditures) for the first two years of the loan, there was subsequent deterioration in part related to a large infrastructure (hydroelectric) project. B. Education (1) Student/teacher ratios increased to 17:1 in 1998 and the share of personnel spending for education was reduced to 88%, below the initial target of 96%. (2) Use of substitute teachers declined by 25%. (3) The proposed incentives for quality achievement have not been implemented . (4) Steps to improve the fairness of private school subsidies was not implemented. (5) Teacher training facilities were rationalized and reduced, almost meeting project targets. C. Health (1) Important progress was achieved in separating the provision of health services from their financing with new legislation and channeling of cost recovery form the provincial insurance scheme to public hospitals based on services actually rendered . (2) Progress was achieved in improving cost recovery . (3) No

reforms were introduced to consolidate hospitals but rather the government moved to decentralize hospital services . (4) While initial moves to reduce personnel were introduced, the government decided to reverse this policy when it was criticized for not improving the quality of health care . (5) Improved targeting to the poor was to have been achieved through items (3) and (4) above. However, given the unsatisfactory implementation of items (3) and (4), targeting to the poor was not improved . (6) Health insurance coverage has been improved but despite this success, the government has recently opted to try a new approach in which health coverage would be based more directly on a needs basis.

4. Significant Outcomes/Impacts:

The improved tax revenue collected is an important step in the right direction, although much more needs to be done . There was some rationalization of teacher deployment which achieved some cost savings . In health care, the concept of payment for services was strengthened .

5. Significant Shortcomings (including non-compliance with safeguard policies):

(1) Although tax reforms have enhanced revenue, at 15% of total expenditures, taxes are still much too low for fiscal sustainability. (2) The government was unable to convince the public of the benefits of cost-effective social sector programs, and lost a good deal of popular support for these reforms and more generally . However, expenditures in education, for example, still greatly exceed the OECD average . (3) Reforms in health care consolidation, rationalizing expenditure patterns, and better targeting of services to the poor have not been implemented as foreseen.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Unsatisfactory	Unsatisfactory	
Institutional Dev .:	Negligible	Negligible	
Sustainability :	Unlikely	Unlikely	
Bank Performance :	Satisfactory	Satisfactory	Although Bank performance was satisfactory, the Bank might have tailored the lending instrument more carefully to support the objectives of the project . Specifically, the project's duration seems to have been too short to adequately support the project's objectives .
Borrower Perf .:	Unsatisfactory	Unsatisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

(1) Reforms of social sector expenditure need to be supported by a broad outreach program if they are to gain popular acceptance. One step in this direction would be to formulate a national reform program within which state initiatives can be implemented. (2) Sequencing is important. There may be more scope to achieve successful and sustainable social sector reforms if they are pursued after fiscal reforms have been achieved . (3) Loan disbursements should at least roughly be in step with the pace of reforms they are supporting . In this case, projected loan disbursement of 12 months was much too short of the 3-4 year reform program it was supporting . (3) Loans to support such reforms should be fully informed by social and institutional assessments and impact analysis .

8. Assessment Recommended? Yes No

Why? Lending to subnational entities is an important tool for the Bank, and clear lessons should be developed from these early attempts .

9. Comments on Quality of ICR:

The ICR is fully satisfactory with an informative section on background and clear presentation of the project itself .