I. Project Context

Country Context

For the last 8 years, Uruguay has enjoyed strong economic growth and consistent poverty reduction. The economy grew at an average pace of 5.6 percent of GDP during 2003-2010, and growth is estimated at 6 percent in 2011. During that time poverty rates have fallen from 39.9 percent to 14.3 percent. These positive trends are credited to prudent macroeconomic policy, improvements in structural areas, and a booming regional economy, and are matched by a social context of low inequalities, high coverage of services, and strong democratic institutions. Still, this good progress masks important inequalities between age groups, with children under 6 facing rates of 27.3 percent, nearly double the national average. With regards to income inequality, Uruguay boasts one of the lowest Gini coefficients in the region (0.426). This broad equality is also reflected in social indicators: Uruguay ranks 48th in the Human Development Index, just behind Chile and Argentina, and ahead of Mexico and Brazil. Nonetheless, Uruguay still ranks well below OECD averages, a benchmark to which it is increasingly comparing itself.

Fiscal performance has improved in the last years and the macroeconomic framework remains solid. Fiscal accounts recovered significantly since the 2008/09 crisis with an overall fiscal deficit of 1.1 percent of GDP in 2010 and 0.8 percent in 2011. These improvements were largely due to an increase in revenues that more than offset higher public expenditures. Gross public debt-to-GDP ratios continue to decline and the debt profile has improved noticeably. The current account deficit also recovered since 2008 to 1.2 percent of GDP in 2010 and 2.0 percent in 2011 (estimated). The slight increase in 2011 was mainly due to a repatriation of capital earnings and a worsening of the trade balance. However, inflationary pressures remain. After closing 2010 at 6.9 percent (within the 3-7 percent target range of that time), strong pressures, including high commodity prices and strong internal demand, kept CPI inflation above the new target of 4-6 percent (effective in June 2011). After lowering rates in 2009 to help protect the economy from the global crisis, strong inflationary pressures led the Central Bank to apply a more restrictive monetary policy in 2011, with successive increases in the policy rate.

The economic outlook for Uruguay is generally positive and the country seems well positioned to mitigate risks related to the potential effects of a global crisis. Provided the current solid macroeconomic framework stays in place, the economy is expected to keep growing in the medium term, albeit at a slower pace. A potential prolonged global economic crisis could have a significant negative effect on Uruguay, mainly through lower export earnings and FDI inflows, which could lead to lower economic growth. However, a continued favorable economic outlook and the adherence to prudent fiscal and monetary policies and a proactive debt management significantly mitigate this risk and not even a significant lower export earnings and FDI inflows, which could lead to lower economic growth. However, continued favorable economic outlook and the adherence to prudent fiscal and monetary policies and a proactive debt management significantly mitigate this risk and not even a significant protracted shock would derail debt sustainability. Furthermore, through a cautious pre-financing strategy, including a World Bank DPL-DDO, the Government is building up a buffer against potential short-term liquidity challenges. It is not expected that social indicators will deteriorate during a possible crisis, as the Government is in a position to continue or even strengthen social protection programs.

Building on this good progress, the government of President José Mujica has announced an ambitious reform agenda including eradicating extreme poverty and improving social inclusion. The government plans to achieve this through improvements in efficiency and equity of social services delivery, and a strong focus on improving the targeting of programs. Among the more important initiatives is the Family Allowance program, consisting of monthly transfers to disadvantaged households with children and youth, with the objective of improving their education and health outcomes. The reform of the education sector, specifically, has been referred to as the “priority of priorities” by President José Mujica, and is at the forefront of policy debates within and between branches of government. Education reform is also linked to the Government’s efforts on improving Uruguay’s competitiveness in the global economy. Demographically, the country is poised to start benefiting from the “demographic dividend”. The falling birth rates is resulting in a dependency ratio (ratio of dependents – people younger than 15 or older than 64 – to the working-age population) reaching new lows. For education, this presents an opportunity for higher per student spending, while maintaining overall spending levels as a percentage of GDP.

II. Sectoral and Institutional Context

Uruguay has a unique configuration of institutions setting and implementing education policy. The Ministry of Education and Culture (Ministerio de Educación y Cultura, MEC) is responsible for education policymaking, and plays a coordinating role with various institutional actors throughout the sector. The National Administration for Public Education (Administración Nacional de Educación Pública, ANEP) is an autonomous institution.
mandated with carrying out policy. It is comprised of various councils, including the Central Steering Council (Consejo Directivo Central, CODICEN), the Preschool and Primary Education Council (Consejo de Educación Inicial y Primaria, CEIP), and the Secondary Education Council (Consejo de Educación Secundaria, CES). Other important actors in the education sector include Plan Ceibal, the country’s One Laptop per Child (OLPC) project, and the forthcoming National Institution for Education Evaluation (Instituto Nacional de Evaluación Educativa, INEE), to be established in the coming months.

One of the first countries in the region to declare and achieve universal primary education, Uruguay is a regional leader in providing high quality schooling to nearly all children ages 4-12. Uruguay has successfully integrated preschool (inicial) and primary (primaria), such that most primary schools also have two grades of preschool. At the preschool level, coverage among 5 year olds is 95.5 percent while coverage among 4 year olds is 94.5 percent. The primary completion rate is also close to 100 percent (though many students graduate older than the expected age). With regards to quality, Uruguay’s performance in recent international testing shows it to be a regional leader, scoring second only to Chile in PISA in reading among LAC countries, and scoring best in math, ahead of Argentina, Chile and Colombia. Despite this good performance, Uruguay still ranks well below the OECD average, and improving education quality remains one of the country’s top priorities.

Looking forward, the country faces challenges linked to improving learning outcomes among children, both at the primary and secondary level, and correcting inequities throughout the system. At the primary level, low attendance (especially in grade 1) among the poor leads to higher repetition rates in the early grades, which in turn result in a problem of overage students, and low internal efficiency through secondary education. Insufficient attendance in the lowest quintile is 10.3 percent, as compared to 2.7 percent in the highest. Although repetition rates have decreased in recent years, from 10.3 percent in 2002 to 6.2 in 2010, the inequalities between quintiles persists. Among the poorest quintile, repetition rates still average about 10 percent, whereas among the richest, it is 3.2 percent. While Uruguay has achieved gender parity in primary education, repetition is higher among boys (7.2 percent) than girls (4.2 percent). Generally, primary schools function on a double-shift system, with one group of students in the morning, and another in the afternoon, each attending for 3.5 hours.

These disparities persist and become exacerbated as students from the richer income quintiles are much more likely to remain in school longer, and graduate from secondary school. The gap in the percentage of students enrolled in secondary school between the top and bottom quintiles is 37 percentage points. These inequalities are also observed in learning: PISA scores reveal a gap of 120 PISA points (roughly two years of education) between the richest and the poorest groups in math and reading scores. As a result of these inequalities in performance and quality of learning, about half of Uruguayan youth leave secondary school before graduating. In the richest quintile, 70 percent of students graduate from secondary school. In the poorest quintile, the percentage is less than 8.

Areas of improvement for the sector related to the above challenges are the need to modernize educational infrastructure and to better prepare teachers. Existing school buildings, especially in marginalized areas, are in need of refurbishing and modernization, many without the requisite infrastructure for information technology and for providing school lunch programs. Rapidly growing parts of the country have limited supply of school spaces. There is a need for teachers to be better prepared for facing the challenges of the classroom, identifying struggling students, and providing more tailored support to those most at-risk of school failure. Better coordination through shared training programs between school inspectors, directors, and teachers would also help to have a more consistent approach in the application of the national curriculum.

Monitoring systems and student assessments in Uruguay are of pivotal importance. There is a good amount of administrative information that is available to report on the status of schools. Still, the government plans to modernize the data collection systems and make their exploitation more user-friendly. This would allow for information on attendance, repetition and dropouts being available to policymakers in a more timely fashion. With respect to student assessments, the government plans to continue to develop its online student assessment system, consisting of a census-style assessment every two years that provides a richness of data across many subjects and school years (grades 3, 4, 5 and 6). In addition, Uruguay will continue participating in SERCE and PISA, which has been invaluable to gain a good perspective on how students are faring in general. Finally, many government programs lack the evidence base, in the form of impact evaluations or other measurement, for policymakers to continue to finance the interventions with confidence.

Among the priority policy areas for this current government is to update teacher policies, improve preparation for future education levels, and intensify support to schools and students most in need, in order to reduce repetition and dropout rates and reduce the education gap between rich and poor. ANEP has been introducing reforms to the management of the teaching career, developing programs to better prepare students for the transition to secondary school, and rolling out the Full-Time Schools model (FTS) which lengthens the school day, modernizes schools, and provides meals and materials for schools. The Support to the Uruguayan School Program (Programa de Apoyo a la Escuela Publica Uruguay, PAEPU) expands the FTS model, prioritizing poor urban areas.

The Government launched the Uruguayan Full-Time School model in the mid-1990s. The model consists of: i) extending the number of hours in the school day (from 3.5 to about 7), ii) improving the educational infrastructure, iii) providing nutritional snacks and lunch, and iv) introducing a new teacher development program, including time during the school week for reflection and planning, and v) introducing children to new educational activities outside of the core curriculum. The extra time is therefore primarily used to achieve the goals of the national curriculum and reduce the risks of failure, through project work linked to the curriculum, organized games and assemblies of students, and extra-class work time. In addition, 2.5 hours a week are dedicated to meetings of the teaching school staff. Thus far, it has constructed or converted a total of 168 schools to FTS, representing nearly 45,199 spaces, half of which are located in the bottom two quintiles, representing about 16 percent of all schools from those quintiles. The Mujica Administration’s goal as outlined in the multiparty agreement on education is to reach 300 schools by 2015.

The FTS model has shown good results thus far. As countries move up the development ladder, extending the school day is becoming a popular policy choice for achieving better education outcomes. However, research shows that simply adding more hours of instructional time does not necessarily lead to better student learning. Rather, much depends on how the extra hours are used. Global evidence has therefore been mixed, showing good impacts on student learning in some countries (e.g. Vietnam and Uruguay), and no effect in others (e.g. Sao Paolo, Brazil). There are various studies that have looked at the impact of converting schools to FTS on improving the quality and internal efficiency of education. Cerdan-Infantes and Vermeersch (2007), using propensity score matching techniques, show that the size of the FTS effect in Uruguay is substantial: for a child who spends all 6 years of primary school in an FTS, improvements in language and mathematics would be on average 0.26 and .38 of a standard deviation respectively.

Under this new generation of the Full-Time School model, the Government of Uruguay plans to introduce some further innovations to the program. First, the teacher training programs will be updated and modernized in order to have a sharper focus on supporting underperforming students.
students, facilitating the transition to secondary school, and ensuring consistency in pedagogical approaches between school directors, inspectors and teachers. Second, schools would receive a school maintenance fund, in order to prevent the deterioration of public assets and under take minor repairs needed for basic upkeep. Third, the new model will have a greater focus on improving teaching in the core areas of Spanish, mathematics, social sciences and natural sciences. Finally, the model will include enhancing the school readiness for children in preschool, through fostering better linkages between preschool teachers and those of grades 1 and 2, specifically with regards to introduction to literacy.

Another important ANEP program is APRENDER, which provides some teacher training to those schools not yet covered by FTS, covering 285 schools. APRENDER schools submit proposals for how the school intends to improve the education trajectories of disadvantaged students, and how it will strengthen the relationship with surrounding communities, to be financed by CEIP.

Although Uruguay has increased its investment in education in recent years, spending continues to be well below the regional average. In 2008, Uruguay spent about 8.6 percent of GDP per capita per student, about half that of Argentina (16 percent), and well below the regional average of 13.9 percent. Education spending as share of GDP has grown from 3.15 percent in 2004 to 4.22 percent in 2010, and is expected to continue to increase, hereby justifying the additional fiscal impact that the FTS model represents over the half-day model.

III. Project Development Objectives
The proposed Project Development Objective is to improve the quality, equity and internal efficiency of preschool and primary education, through expanding the Full-Time School program.

IV. Project Description

Component Name
Component One: Expanding and Modernizing School Infrastructure
Component Two: Strengthening Systems for Learning and Instruction
Component Three: Monitoring, Evaluation and Project Management
Front-end Fee

V. Financing (in USD Million)

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VI. Implementation
The proposed Project is in line with the ongoing Country Partnership Strategy (CPS), specifically falling under the social inclusion and equity pillar. The proposed operation would contribute to the CPS objective “to support the Government’s efforts to increase equity, quality and efficiency in the provision of preschool and primary education”. The activities would also contribute to the competitiveness pillar over the long-term. With regards to the Government’s recent strategy for the education sector, the four overarching themes are i) improving the quality of education at all levels, ii) making secondary education universal, iii) expanding and diversifying tertiary education, and iv) attracting all people to engage in education, through the promotion of lifelong learning. Activities under the Project would contribute to the first two of these goals in the medium-term, and to the second two over the longer term.

VII. Safeguard Policies (including public consultation)

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