Report Number: ICRR0023917

1. Project Data

Project ID P163437	**Project Name** Strenghtening Chile's State Universities	
Country Chile	**Practice Area(Lead)** Education	
L/C/TF Number(s) IBRD-87850	**Closing Date (Original)** 30-Dec-2022	**Total Project Cost (USD)** 50,089,600.00
Bank Approval Date 20-Oct-2017	**Closing Date (Actual)** 30-Jun-2023	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	50,126,000.00	0.00
Revised Commitment	50,126,000.00	0.00
Actual	50,089,600.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
Salim J. Habayeb	Judyth L. Twigg	Eduardo Fernandez Maldonado	IEGHC (Unit 2)

2. Project Objectives and Components

a. Objectives

The objectives of the project were to improve quality and equity within State Universities and to strengthen their institutional capacity to address regional and national development challenges (Loan Agreement dated December 14, 2017, p. 4).

During implementation, associated outcome targets were revised: two were revised upward and a third was revised downward. Original and revised targets were achieved. Therefore, this ICR Review does not apply a split rating, as the split rating would be inconsequential to the assessment of efficacy and for deriving the outcome rating.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

No

c. Will a split evaluation be undertaken?

No

d. Components

The components reflected a design consisting of an Investment Project Financing with Performance-Based Conditions. The results-based arrangement would reimburse an Eligible Expenditure Program (EEP) conditioned on satisfactory achievement of Disbursement-Linked Indicators (DLIs). Each DLI would reflect outputs, intermediate outcomes, or institutional changes critical to achievement of the PDO (PAD, p. 17).

I. Technical Assistance for Strengthening the Borrower's State Universities Sector (Appraisal: US$8 million [IBRD: US$0 million; Counterpart: US$8 million]; Actual IBRD: US$0 million). This component was to provide technical assistance through funds (*Fondo de Fortalecimiento de Universidades Estatales*), to improve the State university system at the central government and university levels and included: (i) Improvement of the Borrower's information systems at the central government and State Universities level; (ii) Enhancement of the knowledge base on education and regional/national development linkages; (iii) Capacity building for the development of Institutional Strengthening Development Plans (ISDPs); (iv) Strengthening of the institutional management capacity of State Universities; (v) Development of Early-Warning Systems to profile/score students according to their probability of dropping out and/or falling behind in academic progression; (vi) Carrying out of impact evaluations on selected interventions, including Career Services and Remedial Programs; and (vi) Strengthening of quality assurance mechanisms, through the provision of technical assistance and training to State Universities' internal quality assurance units.

II. Support to Establish Networks in State Universities (Appraisal: US$ 20 million [IBRD: US$7 million; Counterpart: US$13 million]; Actual IBRD: US$7 million). This component was to finance the payments under the EEPs to strengthen State Universities' capacity to work as a structural network and establish thematic networks. It supported efforts made by State Universities and the government to develop a State Universities Strengthening Plan Committee (SPC) and build its capacity alongside State Universities to plan and coordinate short- and medium-term policies and to improve the institutional ability, quality, and equity of State Universities. This component had two subcomponents: (i) Subcomponent 2.1: Support to the Establishment of Structural Networks. Established and piloted structural networks at State Universities aimed at systemic transformations, addressing identified gaps and improving coordination on shared concerns; (ii) Subcomponent 2.2: Support to Establish Thematic Networks. Created thematic networks involving at least three State Universities and external stakeholders, promoting research and innovation to address regional or national development challenges.

III. Support to the Implementation of Institutional Strengthening Development Plans (Appraisal: US$347 million [IBRD: US$43 million; Counterpart: US$304 million]; Actual IBRD: US$43 million).

The aim of this component was to finance payments under the EEPs in support of State Universities to diagnose, develop, and implement each ISDP. The support provided focused on improving school-to-university-to-job transitions, strengthening research and innovation capacity, and enhancing institutional management and operations at State Universities. This component had three subcomponents: (i) Subcomponent 3.1: Support to Improve School-University-Job Transition in State Universities. Assisted State Universities in academic readiness, decreasing dropout rates, improving progression, and enhancing employability, particularly for vulnerable populations; (ii) Subcomponent 3.2: Support to Improve Institutional Capacity for Research and Innovation in State Universities. Supported State Universities in addressing national challenges through human capital development, research partnerships, equipment acquisition, and research dissemination; (iii) Subcomponent 3.3: Support to Institutional Management and Operations of State Universities. Supported State Universities in implementing improvement plans aligned with ISDP and regional diagnostics, focusing on data utilization, financial management, and program quality assurance.

The project had 16 DLIs. They were aligned with the PDOs and reflected critical actions that would contribute to achieving intended outcomes. The DLIs are noted in section 4, under each of the objectives with which they were aligned.

Revisions

There were no changes in the PDO or project components, but four DLIs were amended under a restructuring on December 13, 2022, to clarify their achievement definition, and they remained aligned with the PDO:

- DLI 12: At least 4 thematic networks are evaluated according to categories: “satisfactory” or “satisfactory with observations," as set forth in the Verification Protocols.
- DLI 13: At least 12 State Universities achieve at least 6 of the 9 Common Indicators, as set forth in the Verification Protocols.
- DLI 14: At least 10 State Universities have one or more units for monitoring graduates from undergraduate programs, as outlined in the Verification Protocols.
- DLI 16: At least 12 State Universities have operational Early-Warning Systems as set forth in the Verification Protocols.

The restructuring also added the following definition to the Appendix of the Loan Agreement (ICR, p. 12): “Common Indicators” would mean the following disaggregated project development indicators:

a. Percentage of State Universities with at least forty-five (45) percent of full-time academics with doctorate degree.
b. Percentage of State Universities with a SCOPUS field-weighted citation impact score above 0.9.
c. Percentage of State Universities with a score above 0.9 on the world citation impact normalized world average citation impact score.
d. Percentage of State Universities with four (4) years or more of accreditation (or equivalent).
e. Percentage of State Universities accredited in four (4) years or more areas (or equivalent).
f. Percentage of State Universities with at least one accredited doctoral program (individual or joint).
g. Percentage of State Universities with up to thirty-five (35) percent over-duration in (professional) careers (16 universities).
h. Dropout rate of vulnerable third-year students (quarter 1, quarter 2, and quarter 3).

i. Proportion of *Conicyt-Nuevo Milenio projects* awarded to State Universities in execution.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Cost: The total cost of the project was estimated at US$375.1 million, consisting of a World Bank loan of US$50.1 million and counterpart financing of US$325 million. The loan was fully disbursed and, with front end fees of US$0.13 million, actual World Bank financing was US$50.1 million, reflecting full disbursement.

Dates: The operation was approved on October 20, 2017, and became effective on March 22, 2018. A Mid-term Review was carried out on January 19, 2021. The project closed on June 30, 2023, after an extension of six months.

Restructuring: The project had one Level II restructuring on December 13, 2022, for extending the closing date from December 30, 2022, to June 30, 2023, and for amending the results framework.

3. Relevance of Objectives

Rationale

Chile's higher education landscape included private and state-owned institutions, with significant growth in enrollment over the last decades. Chile’s higher education system made remarkable progress during the last two decades, notably in access, but it faced multiple challenges, including issues associated with internal efficiency, academic readiness, low completion rates, significant disparities in labor market returns, limited educational choices for students outside Santiago's metropolitan area, heterogeneity in the value of degrees, and unequal distribution of the quality and variety of tertiary education opportunities (PAD, p. 12 and ICR, p. 6).

In 2016, the government implemented the Gratuidad policy for providing universal free tertiary education and pursued a second policy to build the capacity and improve the effectiveness of State Universities. The Gratuidad policy offered free tuition in higher education for students from the five lowest socioeconomic deciles (B-50). The second policy was to transform State Universities by enhancing their capacity, efficiency, and effectiveness, while also adopting result-oriented financing frameworks. The government established 15 new state centers for technical training (CFTs) and two new State Universities, ensuring each region had its own State University and CFT. State Universities were encouraged to align with national priorities and focus on results, quality improvement, regional and national development, research, and innovation. Efforts to consolidate financing involved increased transfers to State Universities and development of a new framework based on regional development needs and performance.

To support the agenda for strengthening State Universities, the government presented laws to Congress to reform the universities’ legal, regulatory, and institutional framework (these laws were approved in 2018). During preparation, the government also drafted two additional laws outlining governance mechanisms, operational structures, administrative and financial management procedures, labor relations, and increased financial resources for long-term institutional development plans over ten years.

At the time of preparation, the government introduced three new budget lines to finance State Universities and expanded their funding. Traditionally, State Universities were financed by the Direct Fiscal Grant, supplemented by the Indirect Fiscal Grant. These were replaced with more targeted resources under three new budget lines: (i) Regional Support Program, (ii) Framework agreements (*Convenios Marco*), and (iii) the Plan for Strengthening State Universities.

The government requested technical and financial assistance of the World Bank to support its strategy to strengthen the State university system. The budget law of 2017 included initial funding for a five-year operation under the Plan for Strengthening State Universities. Concurrently, it was understood that a more robust public sector in Chile was not meant to crowd out the private sector. A more substantial state university presence in specific markets correlates positively with increased private program accreditation rates. Competition would propel private institutions to enhance offerings to retain enrollment against State Universities. The PAD (p. 15) noted that better State Universities motivate the private ones to increase their quality standards to avoid displacements in enrollment toward State Universities, and concluded that more and better-quality State Universities can contribute to improving the average quality of the tertiary education sector in the country.

A long history of constructive engagement with the World Bank preceded the government's request for Bank support, including three "*Mejoramiento de la Calidad y Equidad de la Educación Superior*" (MECESUP) projects (1998–2005 Higher Education Improvement Project, MECESUP1 (P055481); the 2005–2010 Tertiary Education Finance for Results Project - First Phase APL, MECESUP2 (P088498); and the 2012–2016 Tertiary Education Finance for Results Project III, MECESUP3 (P111661), and four recent Reimbursable Advisory Services that provided analytical support for Chile's reforms to public financing, technical education, quality assurance systems, and monitoring and evaluation of the higher education system. These operations have collectively accompanied a progressive reorientation of the sector toward a greater focus on results and accountability by supporting competitive funding, performance-based agreements, and a robust accreditation system. The World Bank was therefore well positioned to continue supporting this reorientation within the latest policy priority of revamping the State University system.

Development objectives were relevant at the time of approval and remained fully relevant by project closing. At entry, objectives were aligned with the Country Partnership Strategy (CPS, FY11-FY16), Systematic Country Diagnostic, and Performance and Learning Review. Specifically, project objectives were aligned with CPS Objective 4, "Improve the availability of quality options for higher education services," CPS Objective 5, "Enhance accountability of tertiary education system by broadening performance-based funding," and Pillar 2: Job Creation and Equity Improvement. The Country Private Sector Diagnostic (2022) highlighted the importance of "Developing Skills for an Inclusive and Innovative Economy" and pinned down the criticality of quality assurance mechanisms while transitioning to an innovation-driven, inclusive society. This approach was in line with the current Country Partnership Framework (CPF FY24 – FY27), which highlights how skills development is key in addressing Chile's productivity and economic diversification challenge. In the context of national priorities, relevance is further augmented by the inclusion of the project in Chile's Budget Law for the year 2019, noting how this operation supported the strengthening of Public Universities established under Law 21.094.

Rating
High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective
Improve quality within State Universities

Rationale
The theory of change (ICR, p. 8) held that numerous outputs such as curricular reform, academic harmonization, quality assurance, structural networks, development of career counseling services and definition of standards that enhance graduate employability, an operational central information system, standardized monitoring reports, more and better graduate and undergraduate programs, partnerships with the private sector, and publications and patents submitted on themes of regional and national priority would reasonably lead to improved academic programs and more coordinated delivery of education services; informed management and academic decisions made by institutions; and improved quality of research and innovation

The above intermediate results/outcomes would plausibly lead to improved quality of State Universities, which was to be measured by a composite index PDO indicator: “the Institutional Quality Index of State Universities." The index covered dimensions of research output and institutional quality based on accreditation. The operation’s DLIs contributed to the PDO and to the index, which included the following dimensions (PAD, p. 16, and ICR, p. 14):

i. Percentage of State Universities with at least 45 percent of full-time faculty with PhDs (20 percent index weight);
ii. Percentage of State Universities with 0.9 or above score in the Citations Impact of SCOPUS and Web of Science (10 percent index weight);
iii. Percentage of State Universities with four years or more of accreditation (or their equivalent) (20 percent index weight);
iv. Percentage of State Universities accredited in four areas or more (or their equivalent) (20 percent index weight);
v. Percentage of State Universities with at least one accredited PhD program (20 percent index weight);
vi. Percentage of State Universities whose rate of students graduating late (after on-time graduation) is below 35 percent (10 percent index weight).

Outputs and intermediate results

Corresponding DLIs:

- DLI 1: SPC has been established and is operational, as set forth in the Verification Protocols.
- DLI 3: Definition of quality standards for Career Services is approved by the SPC and disseminated to at least 12 State Universities, as set forth in the Verification Protocols.
- DLI 5: 18 ISDPs are approved by the SPC and adopted by each State University, as set forth in the Verification Protocols.
- DLI 6: At least 10 State Universities offer Career Services that comply with quality standards defined by SPC, as set forth in the Verification Protocols.
- DLI 9: At least 5 percent increase in the share of full-time faculty with PhDs in State Universities, as set forth in the Verification Protocols.
- DLI 10: Central Information System is operational at each State University, as set forth in the Verification Protocols.
- DLI 13: At least 12 State Universities achieve at least 6 of the 9 Common indicators, as set forth in the Verification Protocols.
- DLI 14: At least 10 State Universities have one or more units for monitoring graduates from undergraduate programs, as outlined in the Verification Protocols.

In addition, the following outputs were reported:

A central information system was established and made operational at State Universities (State Universities did not have a central information system prior to the project, ICR, p. 29).

Seven structural networks were made operational under the project, exceeding the target of six networks.

Peer reviewed publications at State Universities increased from a baseline of 4,952 publications in 2015 to 9,532 publications in January 2023, exceeding the target of 6,000 publications.

The increase in the share of full-time faculty with PhDs was 16.7 percent, exceeding the target of 9 percent.

The number of institutions that improved their accreditation level increased from a baseline of zero in 2017 to 10 institutions in January 2023, exceeding the target of 7 institutions.

The number of students who benefited from direct interventions to enhance learning was 377,713 students in January 2023, exceeding the target of 360,000 students, including 193,917 female students, exceeding the target of 180,000 female students.

Outcome

The institutional quality index progressively increased from a baseline of 51 percent in 2016 to 68.8 percent in 2022, exceeding the target of 54 percent.

The ICR (p. 14) explained why the target was conservative. It noted that the index was a novel indicator encompassing various quality dimensions (see above under Rationale), and, being a composite index, it was not a priori expected to change quickly. Hence, a conservative target of 54 percent was set at the design stage. The ICR also noted that the project carefully considered revaluating the target, but a decision was made not to introduce adjustments amid the COVID-19 pandemic and the resulting uncertainties surrounding the performance of the index's subcomponents, such as full-time staffing, accreditation aspects, and adaptation of State Universities.

The achievement of the objective was linked to several DLIs noted above. The ICR (p. 15) also reported that support for the establishment of networks in State Universities was important to the achievement of the PDO, as project activities fostered collaboration and coordination among State Universities in quality improvement efforts.

Rating
High

OBJECTIVE 2
Objective
Improve equity within State Universities

Rationale
The theory of change held that remedial education programs, early-warning systems, and more standardized, comprehensive and effective Centers of Inclusion would reasonably better equip at-risk and socio-economically disadvantaged students to complete studies and to be less likely to drop out. The above outputs would plausibly contribute to improving equity within State Universities. The intended outcome was to be measured by the reduction of the dropout rate of 3rd-year vulnerable students.

Outputs and intermediate results

Corresponding DLIs:

- DLI 4: Definition of quality standards for Remedial Programs is approved by the SPC and disseminated to at least 12 State Universities, as set forth in the Verification Protocols.
- DLI 7: At least 3 pilot Structural Networks are operational, as set forth in the Verification Protocols.
- DLI 11: At least 10 State Universities have Remedial Programs that comply with quality standards approved by SCP, as set forth in the Verification Protocols.
- DLI 15: At least 12 State Universities have operational Early-Warning Systems, as set forth in the Verification Protocols.

Early-warning systems were put in place in 12 universities, meeting the target.

Remedial programs complying with common quality standards were implemented.

Centers of Inclusion were made more standardized and comprehensive.

The dropout rate of 3rd-year students improved from 36.1 percent at baseline in 2016 to 27.8 percent in January 2023, exceeding the target of 35 percent.

The number of State Universities with gender units increased from a zero baseline in 2017 to 18 universities in January 2023, exceeding the baseline of 16 universities.

Outcome

The intended outcome was measured by the reduction of the dropout rate of 3rd-year vulnerable students. The dropout rate of vulnerable students decreased from a baseline of 36.6 percent in 2016 to 26.8 percent in 2023, exceeding the original target of 29.88 percent and the revised target of 35.6 percent.

Concurrently, the project formalized efforts promoting gender equality across institutional spheres and contributing to the prevention of discrimination and violence, by integrating gender perspectives into its activities. Related efforts emphasized cross-cutting integration of gender, disability, and interculturality into institutional strengthening initiatives. This approach was further deepened through the State Universities Strengthening Fund mandating the integration of gender, interculturality, and disability perspectives in project formulations, and facilitated strategic alignment with gender equality, diversity, and inclusion (ICR, p. 19). As noted under outputs, State Universities established gender units, and the number of female students who benefited from direct interventions to enhance learning exceeded the intended target.

Rating
High

OBJECTIVE 3

Objective
Strengthen State Universities' institutional capacity to address regional and national development challenges

Rationale
The theory of change held that coordinated efforts and synergies in addressing regional and national development, the execution of regional and national development projects, and networks working in close coordination with the productive sector in strategic areas to foster regional and national development would plausibly lead to strengthening of State Universities' institutional capacity to address regional and national development challenges.

Outputs and intermediate results

Corresponding DLIs:

- DLI 2: Pertinence Diagnostic is completed and disseminated to at least 12 State Universities, as set forth in the Verification Protocols.
- DLI 8: At least 5 Thematic Networks are operational, as set forth in the Verification Protocols.
- DLI 12: At least 4 thematic networks are evaluated according to categories: “satisfactory” or “satisfactory with observations," as set forth in the Verification Protocols.

- DLI 16: At least 12 State Universities have operational Early-Warning Systems, as set forth in the Verification Protocols.

In terms of projects related to regional or national development, 100 percent of all regional and national development projects were assessed as satisfactory, exceeding the target of 70 percent.

Outcome

The proportion of the National Council for Scientific and Technological Research projects known as *Conicyt-Nuevo Milenio projects* in execution, adjudicated to State Universities, increased by one percentage point from a baseline of 49.3 percent in 2016 to 50.3 percent in 2021, achieving the target of 50 percent. According to the ICR (p. 16), the purpose of this indicator was to illustrate the increase in the number of grants for research received by State Universities for regional and national development. In line with historical trends, baseline data showed that State Universities had fewer *Conicyt-Nuevo Milenio projects* under implementation than private universities (49.3 percent vs. 50.7 percent in 2016). By the end of the project, the trend had reversed (50.3 percent vs. 49.7 percent in 2022). The ICR noted a design limitation, however, as the indicator measured the stock rather than the flow of the research projects adjudicated to State Universities (ICR, p. 22).

Rating
Substantial

OVERALL EFFICACY

Rationale
The project fully achieved two of its objectives (to improve quality and equity within State Universities), and their achievement rating is high. The achievement of the third objective (to strengthen State Universities institutional capacity to address regional and national development challenges) was rated substantial. The aggregation of achievements, the majority of which were rated high, is indicative of a high rating for overall efficacy.

Overall Efficacy Rating

High

5. Efficiency

At appraisal, the PAD (pp. 30-31) conducted a cost-benefit analysis that estimated the benefits of reducing the dropout rate in State Universities. Dropping out can cause a permanent abandonment of studies, and the student joins the labor market with lower academic qualifications, implying lower expected salaries. If a student who drops out decides to re-enroll in tertiary education, there will be a delay in the award of his/her degree. Therefore, a reduction in the dropout rate will affect the progression of the student throughout his/her education cycle and into employment.

The analysis used data from the 2013 National Socioeconomic Characterization Survey, with the actual first-year dropout rate as a baseline, and simulated the effect of a reduction in the rate on school progression and in expected wage income. The analysis reasonably assumed that the project cost would follow the yearly expected project expenditures over five years, and estimated the economic effects of a reduction in dropout rates on the next five cohorts of incoming students under different scenarios and different unit costs per student per year (ranging from US$237 to US$800 per student per year) and a reduction in the dropout rate ranging from one percent to 9 percent. Since students expect wages over their life cycle, the Internal Rate of Return (IRR) was defined as the discount rate that equates the net present value of the investment with the net present value of all earnings differential over their life cycles. The IRR of the project ranged from 8.54 percent to 28.24 percent depending on the unit cost of the program to be implemented.

The ICR’s economic analysis used the same methodology adopted at appraisal. First-year students' dropout rate fell from 22.8 percent at baseline to 14.4 percent in 2021-2022, according to the most updated information at project closing (ICR, p. 18). This dropout reduction was close to the previously simulated 9-percentage-point reduction. While precise information on the unitary cost per student was not available, estimates based on the overall costs of relevant activities and the total number of beneficiaries suggested that US$400 represented an upper bound for the unitary cost. The ICR’s analysis (p. 44) estimated an IRR of 26 percent. The ICR also reported that university graduates are paid 70 percent more on average than those who dropped out from college. Thus, a reduction in the dropout rate significantly affects the expected earnings. Both the PAD (p. 31) and ICR (p. 44) noted that the overall return of the project was likely to be higher, since the impact of project interventions that facilitate and increase employability were not measured.

Concurrently, there were some implementation shortcomings that moderately reduced overall project efficiency. Universities faced disruptions in transitioning to online learning under the COVID-19 pandemic and had to prioritize distance education efforts, inadvertently affecting specific DLI activities (ICR, p. 18). The pandemic also contributed to dropping the impact evaluations for selected interventions. The 2022 restructuring was delayed because of political transitions, and the project implementation period was extended by six months. Another contextual factor pertained to the introduction of Law 21.094 in 2018 to enhance collaborative efforts and to establish the State Universities Coordination Council. Despite aligning with the project's goals, the law required adjustments and synchronization of actions, reshaping timelines and objectives. Consequently, certain project elements, such as DLI 13 (related to the achievement of Common Indicators), became less applicable due to the law's collaborative influence (ICR, p. 13).

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)

Appraisal	✓	22.90	0 ☑ Not Applicable
ICR Estimate	✓	26.00	0 ☑ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of objectives is rated High in view of full alignment with country and Bank strategies. Efficacy is rated High as aggregated objectives were fully achieved. Efficiency is rated Substantial in view of sizeable expected returns, but with some implementation aspects having moderately reduced project efficiency. The findings are consistent with a Highly Satisfactory outcome rating, reflecting essentially no shortcomings in the operation's preparation, implementation, and achievement.

a. Outcome Rating

Highly Satisfactory

7. Risk to Development Outcome

Based on the information provided, development outcomes are likely to be maintained. The direct reference to and explicit recognition of the operation in the State University Law demonstrate the Client's commitment to maintaining educational standards.

The project contributed to institutional strengthening, including for enhancing State Universities' institutional capacity to address regional and national developmental challenges under Objective 3 with a clear legal framework, in alignment with the government's vision for regional development in Chile (ICR, p. 20). The Department of Institutional Strengthening of the Undersecretary of Higher Education was able to effectively manage monitoring and support for initiatives executed by the universities.

After project closing in June 2023, the Division of Higher Education underwent a restructuring, and the teams in charge of leading project supervision were reallocated. As discussed with the Client, this rearrangement is perceived as an opportunity for wider alignment and collaboration between units to promote the sustainability of project interventions.

The ICR (p. 25) noted that structural networks may need a secretariat to facilitate future coordination after project closure. A "central driver" appears to be needed to maintain and enhance the network collaborative model after removing performance-based financing.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project design benefited from close consultations with the Client and adequately combined IPF with performance-based conditions to tackle important priorities while concurrently meeting the Client's preference for a results-based methodology. Preparation benefited from the experience of four previous World Bank-assisted higher education projects and four Reimbursable Advisory Services, and from several past lessons that were reflected in the project design, such as the merits of sustained engagement in tertiary education, results-based funding, implementation management and leadership, and setting realistic timelines. The ICR (p. 24) noted that the Ministry of Education (MINEDUC) team responsible for project formulation was well grounded in administering World Bank-financed operations. This familiarity with World Bank policies and procedures streamlined the preparation process, enabling the teams to concentrate on content over procedural matters.

The World Bank team and MINEDUC held consultations with public universities to assess their needs and to discuss the proposed project design, thus promoting ownership, and consultations illustrated the diversity of State Universities, ranging from internationally recognized universities in Santiago, the nation's capital, to recently founded universities in relatively remote areas.

MINEDUC through its Division of Higher Education (DIVESUP) was responsible for overall project implementation. Within DIVESUP, the "*Departamento de Fortalecimiento Institucional*" (DFI) was responsible for project supervision. Its head was the main technical counterpart of the World Bank, assisted by DFI's four units: Acts and Contracts, Administration and Finance, Analysis Unit, and Academic Unit. The country team prepared a Project Operational Manual covering all aspects of project design, implementation, and processes; stakeholders' roles and responsibilities, including supervision and reporting arrangements, control mechanisms and procedures specific to financial management; project M&E procedures; DLI verification protocols; and other guidelines (PAD, p. 28). M&E preparatory arrangements were adequate overall and well embedded institutionally.

Risks were adequately identified and mitigated, including by leveraging past experience of MECESUP operations. Most risks were assessed as moderate or low. The primary concern was the political and governance risks due to the election cycle overlapping with the project's anticipated effectiveness. Moderate risks in technical design and fiduciary aspects arose from using a results-based financing mechanism, while a moderate environmental and social risk derived from integrating safeguards for Indigenous Peoples. To mitigate these risks, the project relied on strong technical and political support to enhance State Universities' quality and institutional capacity, while building on the successful experience of MECESUP. The ICR (p. 21) noted that the effectiveness of results-based funding, as observed in previous projects like MECESUP, highlighted the success of performance agreements in reshaping institutional culture through public commitments, and that MECESUP's experience showed that formalizing these commitments through contracts catalyzed institutional change.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

The World Bank team's supervision was regular, comprehensive, and included sectoral, fiduciary, and social safeguard specialists who tracked the inclusion of gender, disability, and interculturality themes during implementation. The team maintained virtual supervision missions during the COVID-19 pandemic disruptions. There was quality reporting, and the ICR noted that Implementation Status & Results Reports and Aide Memoires were well documented, providing detailed implementation progress with updated data in the results framework.

Restructuring was needed to address challenges arising from the COVID-19 pandemic, as universities were closed for extended periods of time. The ICR (p. 25) stated that MINEDUC and the World Bank started discussing restructuring in November 2020, but that the delayed restructuring was due to the political context since the national elections were approaching, and counterparts preferred that the loan amendment be executed under the new government.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

Objectives were clearly stated. The DLIs were adequately defined and aligned with the PDO. Outcome indicators were reflective of the intended outcomes. The results framework was clear and concise. There was a moderate limitation for the outcome indicator of Objective 3 (to strengthen institutional capacity to address regional and national development challenges) as it measured the stock rather than the flow of the research projects adjudicated to State Universities (ICR, p. 22). The design also envisaged carrying out of impact evaluations on selected interventions, including career services and remedial programs (PAD, p. 18). These evaluations were also reflected as an Intermediate Results Indicator titled as "Impact Evaluations are designed and completed," with the end target being two reports describing the main findings, and with 2017 as the baseline (PAD, p. 42).

Importantly, M&E arrangements were well embedded institutionally and most indicators were tracked by the Tertiary Education Information System.

b. M&E Implementation

Throughout implementation, monitoring data were regularly updated and shared with the World Bank, despite the disruptions of the pandemic. Semi-annual reports were completed. Monitoring remained on track, and there were minor adjustments to the results framework. The impact evaluations on selected interventions were dropped. The ICR (p. 22) stated that no impact evaluation for selected interventions was undertaken, partly because of the pandemic, and partly because innovative interventions were designed and implemented by universities with different speeds.

c. M&E Utilization

M&E findings were used for regular project monitoring. Universities incorporated project indicators in their information systems, further promoting the sustainability of the M&E system (ICR, p. 23).

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

The project was classified under Environmental Assessment Category C. An Environmental Assessment was not required.

On the social front, the ICR (p. 23) reported that the operation promoted the integration of a gender perspective in its interventions. In 2018, the State University Strengthening Fund urged universities to incorporate specific actions for the "development and strengthening of gender action plans," aiming to support the promotion of gender equality and equity across all areas of institutional development and to devise prevention strategies against discrimination and violence. From 2020 onwards, the State University Strengthening Fund consistently advocated for the inclusion of gender, disability, and interculturality themes in alignment with the context and situation of each institution. In 2022, there was an emphasis on integrating at least one cross-cutting theme, such as gender, interculturality, or disability inclusion, as a criterion that was met by 23 out of 24 institutional initiatives. Additionally, State Universities incorporated the gender component in the 2020 structural network project, “Construction of the Ethos of the Public University.” This initiative concluded in December 2022 and showcased significant progress, including diagnostic processes across all 18 universities, key actor training, workshops for best practice dissemination, and campaigns promoting gender equality and non-discrimination in the state university system.

b. Fiduciary Compliance

The operation complied with the Legal Covenants. In terms of financial management (FM), some challenges were identified at entry, including the lack of experience with a results-based financing, coordination and clarity of roles between MINEDUC and State Universities, and reliance not only on the Information System for the Management of State Finances, but also on an auxiliary system specifically for financial reporting. The fiduciary risk was deemed to be moderate, and several mitigating measures were instituted, including (a) the establishment of inter-institutional agreements defining roles and responsibilities between MINEDUC and the State Universities; (b) the drafting of a Project Operation

Manual detailing FM and disbursement arrangements specific to the project; (c) the initiation of an auxiliary system to oversee state university activities; and (d) early-stage training for MINEDUC's FM staff on World Bank policies, especially those pertinent to results-based projects.

In the early stages of the project, training sessions were conducted on the new Financial Reporting System with participation from all 18 State Universities. The result of the government's independent audits was positive and underscored the satisfactory nature of the project's financial aspects, in line with the World Bank's fiduciary standards. The operation did not entail procurement arrangements.

c. Unintended impacts (Positive or Negative)

None reported (ICR, p. 20).

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Highly Satisfactory	Highly Satisfactory	
Bank Performance	Highly Satisfactory	Satisfactory	There is no actual disagreement. The ICRR rated Bank Performance as Satisfactory in view of minor shortcomings, and the ICR rated Quality-at-Entry as Highly Satisfactory and the Quality of Supervision as Satisfactory (ICR, para. 74). The overall rating encompassing both dimensions is indicative of a Satisfactory rating for Bank Performance.
Quality of M&E	High	Substantial	Dropping of impact evaluations for selected interventions.
Quality of ICR	---	Substantial	

12. Lessons

The ICR (p. 26) offered some lessons and recommendations, including the following lessons restated by IEG Review:

Leveraging the experience generated by a series of prior operational and technical engagements facilitates the initiation of reforms in higher education. Past engagement contributed to a thorough understanding of the areas requiring support and to the formulation of appropriate incentives. This operation leveraged knowledge gained from three previous MECESUP operations since 1997 and four recent Reimbursable Advisory Services, which provided analytical support for Chile's reforms to public financing, technical education, quality assurance systems, and monitoring and evaluation for the higher education system. For example, most of indicators tracked by the Tertiary Education Information System were supported by MECESUP2, and the choice of the operation instrument benefited from lessons learned from past projects. The agency responsible for the implementation of the project had worked with the Bank on previous operations and enjoyed consistent implementation stability across sectoral changes and political cycles.

Reliability of counterpart funding ensures the sustainability of reforms. Regular and substantial resources allocated by the government during implementation demonstrated the commitment needed for lasting change. The Ministry of Education had institutionalized MECESUP projects as an additional instrument for supporting higher education institutions in Chile. This operation was embedded within an ambitious medium-term policy reform of State Universities, and the government leveraged this operation to sustain support for the project directions in strengthening State Universities.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provided a thorough and systematic account of project performance. It was results-oriented and well organized. Its narrative was candid, accurate, and aligned with development objectives. The ICR had a well-established theory of change with logical links between activities, DLIs, and intended outcomes. It explained the challenges encountered in pursuing its third objective to strengthen State Universities' institutional capacity to address regional and national development challenges. The evidence provided was adequate. The ICR's analysis was adequate. Its economic analysis was robust. It offered lessons directly derived from project experience. The ICR was consistent with guidelines and clear.

a. Quality of ICR Rating

Substantial