Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 14-Aug-2017 | Report No: PIDISDSA22012

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Chile	P163437	Strengthening of State Universities in Chile	
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
LATIN AMERICA AND CARIBBEAN	16-Aug-2017	20-Oct-2017	Education
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Ministerio de Hacienda	Division de Educacion Superior	

Proposed Development Objective(s)

The objective of the project is to improve quality and equity within State Universities and to strengthen their institutional capacity to address regional and national development challenges.

Components

Technical Assistance for Strengthening the State Universities System
Strenghtening State University Networks
Strengthening State University Institutions

Financing (in USD Million)

Financing Source	Amount
Borrower	325.00
International Bank for Reconstruction and Development	50.00
Total Project Cost	**375.00**

Environmental Assessment Category

C - Not Required

Decision

The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Chile has achieved sustained growth and poverty reduction over the past decade, but the country remains highly unequal**. Annual GDP growth in Chile has averaged 5 percent during the last three decades. By 2013, only 6.8 percent of the population lived with US$4 a day or less, a third of the rate observed a decade ago. Moreover, extreme poverty has been virtually eradicated. Chile also made progress with respect to shared prosperity. Between years 2003 and 2013, the mean income of the bottom 40% increased by 5.1 percent, which was more than the overall income growth of 3.5 percent. This success has been led by strong institutions, sound macroeconomic policy across administrations, market-oriented policies focused on boosting productivity and enhancing public service delivery, and the successful management of the commodities boom. Nevertheless, while Chile's Gini coefficient slightly dropped from 0.55 to 0.50 during the same period, it continues to be one of the most unequal countries in the Region, whereby the income of the richest 10 percent is 27 times greater than that of the poorest 10 percent. Also, Chile is susceptible to earthquake, extreme temperature and drought – which makes its population and its infrastructure vulnerable to these shocks. The country still needs to build its ability to withstand these climate and disaster risks, which can lead to a variety of other unintended consequences and could exacerbate inequality across the country.

2. **Social discontent with social service provision and the end of the commodity boom have put pressure for a new wave of reforms**. Market oriented policies led to improvement in public services but also to disparities in the access to quality services in the education, health and social protection sectors. In recent years, the Chilean society has become less tolerant and more vocal in its demand for improvements, most visibly in the education sector. Moreover, the decline in commodity prices, slower productivity growth, and a still insufficiently diversified economy have increased the urgency of developing a better skilled workforce. Improving education and research and development (R&D) are essential to achieve this goal, as the number of researchers and investment in R&D remains still below peers.

3. **Inequities in human capital accumulation and labor market outcomes are especially notorious, especially across regions**. By year 2012, 48 percent of the Chilean population lived in metropolitan areas (urban areas with over 500,000 people). These metropolitan areas concentrate 56 percent of national GDP and 52 percent of employment. Moreover, economic conditions vary dramatically across regions. In 2013, the disposable income per capita (in US$ PPP) was 8,670 in Santiago Metropolitan, as opposed to 5,163 in Maule (with the national average equal to 6,925). These inequalities can be partly explained by differences in human capital accumulation (i.e. levels of educational attainment across regions) as well as by differences across regions on investments in research, development, and innovation. In 2014, 84 percent of the labor force in Antofagasta had at least upper secondary education, as opposed to less than 70 percent in regions like Maule and Araucania (with the national average at 79.1 percent). Gaps in human capital are likely to further contribute to expand the regional gaps in regional development, research, and innovation. For instance, in 2010, only 1 patent per million people was registered in Araucania, as opposed to an average of 6 nationwide. In this context, improving quality and service delivery of higher education constitutes a policy priority. First, available research suggests that access to high-quality higher education in Chile has large and positive returns on life-long earnings and can reduce income gaps between individuals from different socio-economic background (Nielson et al, 2013). Second, higher education institutions can become successful engines of innovation and regional

development if enough resources and incentives are available for them to engage in research and if there are adequate channels for coordination and collaboration with the local productive sector (see Hill, 2006). As such, supporting the higher education sector in Chile is likely to promote equity across individuals and regions, and will surely serve the Bank's twin goal of reducing poverty and boosting shared prosperity.

Sectoral and Institutional Context

4. **In the last two decades, Chile's higher education (HE) system has achieved remarkable progress, most notably in access**. Higher education institutions (HEIs) in Chile may be private or State-owned. Of the three types of HEIs, Professional Institutes (IPs) and Centers for Technical Training (CFTs) may be operated for profit, while universities are all non-profit. Within the networks of universities, there is a group of 27 Universities (18 State and 9 Private) that take part in the so called CRUCH (Consejo de Rectores de Universidades Chilenas), that have historically had direct financial support from the government, run a centralized admissions process and span a wide range of selectivity levels. Since the 1980s, partly because of increased demand for higher education, several newer private universities are operating outside the CRUCH system. Of the 60 universities operating in 2015, 25 were CRUCH universities and 35 are other (non-CRUCH) private universities (See Table 1). In the last 15 years, Chile experienced a record high expansion in the number of students who entered higher education, with the gross enrollment rate increasing from 37.14 percent in 2000 to 86.63 percent in 2016. This expansion was much faster than in many developed countries. The rapid growth in higher education has been primarily driven by the non-university sector (Professional Institutes [IPs] and CFTs) and by private non-CRUCH universities. On average tertiary education attainment remains a good investment, as shown by the high employment rate and wage premium of individuals who enroll in tertiary education. In particular, wages for university graduates are on average 122 percent higher over their lifetime as compares to those individuals with only secondary education.

Table 1: Total Enrollment by Higher Education Provider (HEP) – Chile 2016

HEP type	Number of HEPs	Total enrollment in 2016
CRUCH State Universities	16 (+2) *	176,431 (15%)
CRUCH Private universities (G9)	9	136,424 (12%)
Non-CRUCH private universities	35	342,883 (29%)
CFTs	56	141,711 (12%)
IPs	43	380,988 (32%)
Total		1,178,437 (100%)

Source: MINEDUC (2016) ** Two new State Universities were established in 2016.*

5. **Despite these achievements, Chile's higher education system faces important challenges of internal efficiency, academic readiness and heterogeneity in the value of degrees**. In 2013, the completion rate for youth aged 25-29 was only slightly above 50 percent. Academic retention becomes quickly distorted after student's first year of enrollment in tertiary education. Recent evidence has linked this lagging behind to factors such as financial constraints, low academic readiness, and weak

linkages between academic programs and labor market needed skills (Centro de Microdatos, 2008). Moreover, there is a dramatically large heterogeneity in the labor market returns of higher education, with a significant share of students having to cope with little or no benefit from their decision to invest in higher education. In fact, about 10 percent of all students in Chile are enrolled in programs with negative expected returns (Ferreyra et al. 2017). Students from low-socioeconomic families are particularly vulnerable to this phenomenon, since, among other reasons, they often have lower levels of academic readiness and less information about the private economic returns of tertiary education (Hastings et al. 2015). Moreover, students from more vulnerable socio-economic groups are more likely to be enrolled in low return degrees in non-CRUCH private universities, which often display lower quality inputs than CRUCH institutions. Additionally, while students in the metropolitan area of Santiago can choose among high quality public and private institutions, students in other regions have often limited choice.

6. **Quality and variety of tertiary education opportunities are also unequally distributed across regions**. Private CRUCH institutions are missing in 6 out of 15 regions in the country. Moreover, the only two state universities that have higher levels of accreditation are located in Santiago while six of the eight within the lowest accreditation levels are outside the Santiago metropolitan region. Moreover, private universities have little incentives to open degrees with relatively high instruction costs and higher strategic value, in fields where the student demand for those degrees is limited. In contrast, state universities[1] have much more graduate programs in areas such as Basic Science, Technology and Health, when compared to both private and private CRUCH universities. Finally, the current allocation of public funding to CRUCH universities, constitutes an important challenge for the HE system. Budget distributions are generally conducted based on historic allocations (not based on needs and/or performance) and without clear governance mechanisms. Such practice creates an uneven concentration of funding in large/urban universities – thus exacerbating existing inequities in quality and performance across Higher Education Institutions (HEIs).

7. **In order to address the aforementioned challenges, the Government of Chile (GoC) has set two main policy priorities: (a) the provision of universal free tertiary education and (b) building the capacity and effectiveness of state universities**. In 2016, the GoC approved the first steps towards universal free tuition in HEIs, beginning with students from the five lowest socioeconomic deciles (B-50), a policy known as *Gratuidad*. This policy has been reinstated yearly and is expected to continue with only marginal modifications henceforth. A second key policy objective has been to launch a structural transformation of state universities, through revamping their capacity, efficiency, and effectiveness as well as through the development of financing frameworks more focused towards results and performance. To increase access, the GoC created 15 new State CFTs and 2 new State Universities, so that every region in Chile would, for the first time, have at least one CFT and state university of their own. Moreover, the GoC sees State Universities playing a greater role in supporting national priorities and has sought to guide State Universities towards a greater focus on results, steady improvements in quality, and a closer alignment with regional and national development, research, and innovation. To consolidate financing, the government has steadily increased transfers to State Universities, while simultaneously attempting to develop a new financing framework for State universities aiming to shift the unconditional allocation of discretionary funds, to an allocation based on the needs for regional development and on performance.

[1] In Chile, the regions are understood to encompass the areas outside the three main metropolitan areas of Santiago, Concepción and Viña del Mar.

8. **As part of the strengthening of State Universities, The GoC presented to Congress a new law aimed at reforming their legal, regulatory and institutional framework**. The draft Law for the Strengthening of State Universities defines legal, regulatory, and institutional frameworks to better enable State Universities to improve their quality and academic standards and become agents of social, cultural, and economic development, regionally and nationally. The draft law defines the main functions, governance mechanisms, and operational structures that State Universities need to abide to for the provision higher education services in the Country. The draft law includes: (a) the basic rules of governance for State Universities and their role towards the State; (b) the core administrative and financial management procedures that State Universities should abide to; (c) some general labor relations (and career paths) for academics and non-academic officials in State Universities; and (d) increased financial resources to support long-term institutional development plans for a period of 10 years.

9. **The GoC has also continued to expand and guide the financing of State Universities.** State Universities were traditionally funded through two budget lines: (a) The *Aporte Fiscal Directo* (AFD); the core base funding for the CRUCH system; and (b) *Aporte Fiscal Indirecto* (AFI), two mostly unregulated sources of base funding. As part of its policy priority to revamp State Universities, since 2016 the GoC removed AFI to replace it with greater but more targeted resources through three new budget lines:

- **Regional Support Program** (US$7M in 2017): This budget line aims at restoring the crucial role of State Universities in regional development and equity by improving their capacity to respond to regional and national priorities. In 2017, 50 percent of the funds were allocated evenly to all State Universities, but the remaining 50 percent gave priority to universities in underserved regions and those serving a higher share of vulnerable students. To benefit from these funds, Universities need to present an expenditure plan clarifying ex-ante how resources will be allocated.

- ***Convenios Marco*** (US$55M in 2017)**:** The *Convenios Marco* are financing agreements, generally for a period of 36 months, between State universities and the Ministry of Education. Each agreement identifies a set of objectives, activities, and monitoring indicators that Universities commit to achieve with the broader objective of improving institutional quality, equity, and academic performance. Financing is allocated through a formula that considers 4 main set of parameters: (a) institutional complexity[2]; (b) past performance; (c) investments in improving pedagogy; and (d) levels of institutional accreditation. Expenses incurred under these agreements are audited ex-post, giving greater flexibility to administrators in the allocation of these funds while demanding greater accountability in the results.

- **Plan for the Strengthening State Universities** (US$13M in 2017): Created in 2017, this fund seeks to: (a) to improve the access, equity, permanence and graduation of vulnerable students; (b) support the creation of high quality research in strategic development areas; (c) increase enrollment strategically; (d) renew pertinent infrastructure; and (e) foster coordination in networks. Consistent with these objectives, in 2017, financing allocations of this fund were distributed to State Universities based on the extent to which they served vulnerable students, and on their capacity to conduct

[2] A composite indicator that takes into consideration the number of research staff, number of publications, levels of program and institutional accreditation, and other enrollment indicators.

academic research. To benefit from these funds, Universities present an ex-ante expenditure plan.

10. **More and better quality State Universities can contribute to improve the average quality of the tertiary education sector.** The direct provision of tertiary education - especially when characterized by efficiency standards similar to the private ones - is one of the ways how government can improve the average quality of higher education. In fact, more and better state universities will force the private ones to increase their quality standards to avoid displacements in enrollment into state universities. In Chile, there is a strong and positive association between the share of programs offered by state universities present in a particular market (or locality), as defined the combination of a geographic area and the area of study (e.g. Engineering in the metropolitan area of Santiago), and the share of private programs that are accredited in the same market. Indeed, available results indicate that a 10-percentage point (p.p) increase in the market share of programs offered by state universities, is associated to 3.3 p.p. increase in the share of private programs that are accredited, a proxy for quality (Ferreyra et al. 2017).

11. **The GoC has requested the technical and financial assistance of the Bank in their strategy to strengthen the State University system**. The budget law of 2017 included the initial aims and funds for the aforementioned Plan for the Strengthening State Universities. This budget law also included an explicit request for a five-year operation with the World Bank in support of State Universities, to be aligned with the objectives of the plan. This request follows a long history of meaningful engagement between the Bank and the GoC in the tertiary education sector, principally through three MECESUP projects (1998-2005 Higher Education Improvement Project, MECESUP1 [Ln.4404, P055481]; the 2005-2010 Tertiary Education Finance for Results Project, MECESUP2 [Ln.7317, P088498]; and the 2012-2016 Tertiary Education Finance for Results Project, MECESUP3 [Ln. 8126, P111661]) and four recent RASs, which provided analytical support for Chile's reforms to public financing, technical education, the quality assurance systems and monitoring and evaluation of the higher education system. These projects have collectively accompanied a progressive but structural reorientation of the sector towards a greater focus on results and accountability, by supporting competitive funding, performance-based agreements and a robust accreditation system. As a result, the Bank is uniquely positioned to continue supporting this reorientation within the latest policy priority of revamping the State University system.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

12. The objective of the project is to improve quality and equity within State Universities and to strengthen their institutional capacity to address regional and national development challenges.

13. The following indicators will measure progress toward achieving the PDO:

(a) Improvement of the Institutional Quality Index of State Universities[3]
(b) Reduction of the dropout rate of 3rd year Vulnerable Students at State Universities[4]
(c) Increase in the number of research grants received by State Universities related to regional and national development.

[3] The composite quality indicator will include items such as (i) Proportion of full-time faculty with PhDs, (ii) Number of publications and citations, (iii) Accreditation status of the institution and programs, and (iv) Retention in the 1st and 3rd year.
[4] Vulnerable students are defined as those in the bottom 50 percent of the income distribution.

D. Project Description

Project Components

14. The proposed Project will use Investment Project Financing (IPF) to support the GoC, over a period of five years. The total cost of the activities that will be undertaken under the Project is estimated at about US$375 million, of which US$50 million will financed from this IBRD loan.[5] The Project will be implemented using a results-based financing approach, via a series of Disbursement Linked Indicators (DLIs). Through this approach an Eligible Expenditure Program (EEP) will be reimbursed on the condition of satisfactory achievement of the DLIs. Each DLI will reflect an intermediate outcomes, outputs or institutional changes that are critical to achievement of the PDO. The list of DLIs can be found in Table 2.

15. To achieve the PDO, the Project includes 3 components:

COMPONENT 1: Technical Assistance for Strengthening the State University System (IBRD: US$0 Million; Counterpart: US$8 Million)

16. This component would provide technical assistance to improve the State University system at the central government and university levels and to support their ability to comply with the requirements of the State Universities reform.

17. This component will finance: (a) advisory services, (b) data collection, (c) training, and (d) software development, related to the following activities:

- Improvement of the information systems at State Universities through, *inter alia*: (i) design of a central information system software for State Universities; (ii) technical assistance to targeted State Universities for the installation of new information systems and/or improvement of existing ones; (iii) coordination mechanisms of existing information systems between State Universities and the Ministry of Education (MINEDUC); (iv) development of Standardized Monitoring Reports that aggregate data at the university, regional and national levels; (v) training for the better use of these information system, including the production of periodic monitoring reports.
- Enhancement of the knowledge base on education and regional/national development linkages through, *inter alia*: (i) regional diagnostic reports, i.e., reports that identify the regional and national development priorities and their implications for the educational and training offerings at State Universities; (ii) academic offering reports, i.e., data collection, surveys, and studies that identify regional and national priority areas for new academic programs; (iii) technical assistance to improve the institutional capacity of State Universities to update the curricula of existing programs according to regional needs.
- Capacity building for the development of Institutional Strengthening Development Plans (ISDP) through *inter alia*: (i) Training and capacity building for the development of meaningful 10-year strategies and plans with long-term objectives, activities, and

[5] Based on ongoing discussions with the counterparts, the financing envelope of this operation may increase. Any change in the financing amount will be reflected in the Project Appraisal Document.

indicators; (ii) assessments on the financial implications of these plans in short, medium and long-term budget allocation of expected resources (e.g., local government, faculty and students, private sector representatives); and (iii) coordination activities among State Universities, with MINEDUC and key stakeholders.

- Strengthening of institutional management capacity through, *inter alia*: (i) diagnostic reports on the management and planning capacity of State Universities, based on tools from the World Management Survey; (ii) capacity building activities for managers and relevant administrators such as training, workshops, and technical assistance; (iii) online management tools for monitoring progress in management, administration and planning.
- Design and implementation of an early-warning system pilot, through *inter alia*: (i) data collection, analysis and reporting tools aimed at identifying students at risk of future dropout, of low academic readiness, in vulnerable groups, etc., (ii) development of coordination mechanisms between the information and the institutional counseling and tutoring services.
- Design and implementation of impact evaluations: The Project will support the design, data collection (if needed), and implementation of rigorous impact evaluations on *inter alia*: (i) the effect of professional career counseling on students' employability outcomes; (i) the effect of upper secondary education counseling on student higher education choices; (iii) the effect of remedial education on student progression and dropout. Strengthening of quality assurance mechanisms, through technical assistance and training to State Universities' internal quality assurance units.

COMPONENT 2: Support to the establishment of Networks in State Universities (IBRD: US$8 Million; Counterpart: US$12 Million)

18. The component will support State Universities to strengthen their capacity to work as a structural network as well as the development of thematic networks led by State Universities to promote sector and regional and national development. The component would also support efforts made by State Universities and the Government to establish a State Universities Coordinating Council (SPC, *Consejo Coordinador para el Desarrollo de las Universidades Estatales*), and its capacity alongside State Universities to plan and coordinate short and medium-term policies and to improve the institutional capacity, quality and equity of State Universities. This component will have 2 subcomponents.

19. **Sub-component 2.1: Support to the establishment of Structural Networks.** This subcomponent will finance and support the development of Structural Networks, some of which are already in place while others would have initial pilots during the operation. Structural Network are defined as follows:

- *Scope*: Structural networks include all State Universities;
- *Objective*: Structural networks promote the capacity of universities to plan and implement academic and non-academic activities and policies cooperatively with the scale and critical mass needed to harness structural and systemic changes. The networks

would attempt to remedy identified gaps such as dropout or program duration and will promote better coordination across State Universities in topics of common interest;

- *Selection*: The selection mechanisms will be twofold: some will be selected by MINEDUC while others by the SPC; and
- *Examples*: The types of networks that are expected include: (a) curricular reform; (b) academic progression, including early warning systems; (c) social inclusion activities; (d) mobility across institutions and internationalization; (e) teacher development; (f) joint degrees/programs; and (g) quality assurance mechanisms.

20. The subcomponent would finance, *inter alia*:

- Pilot networks in priority areas identified by the SPC or MINEDUC. The outcomes of these pilots will inform the scaling up of their networks and the creation of future ones. Bank funding will be focused on supporting three pilots in the following priority areas:

  (a) *Curricular reform*: The uneven duration of analogous careers in Chile weakens the ability of the education system to certificate common professional standards, to give institutions and employers a clear vocabulary for understanding skill acquired, and to promote mobility among institutions. The system has progressively moved towards clearer standards; the lack of coordination mechanisms has slowed progress in this direction. A State University network would provide a first attempt to support a critical mass of universities to advance towards common curricular guidelines.

  (b) *Academic Progression and graduation*: One of the crucial dimensions of inequity in the Chilean system relates to the ability of vulnerable students (i.e. those with lower levels academic readiness and from disadvantaged socioeconomic status) to academically progress alongside peers. Supported by programs such as PACE, Chile has devoted extensive resources to mentoring, tutoring, and remedial education activities. This pilot network would allow State Universities to exchange best practices, leverage accumulated knowledge and innovative activities to support equitable academic progression, reduce dropout rates, and promote timely graduation.

  (c) *Social Inclusion*: Some Chilean universities have developed centers of inclusion which provide various types of identification and support for vulnerable populations and minorities such as indigenous population, people with disabilities, LGBT populations, immigrant populations, etc. However, these centers have been developed in an ad hoc manner with little coordination or standards among institutions. A structural network would push great effectiveness and homogeneity in service delivery and equitable targeting among State Universities, possibly developing incipient standards that can be replicated nationwide.

- The improvement of existing networks, including *inter alia*:

  (a) Coordination activities: these include the mechanisms for governance and coordination (e.g. a coordinating body composed by university principals,

local authorities, the private sector, and civil society) necessary for the effectiveness of structural networks.

(b) Monitoring and evaluation activities: to guarantee the effective use of resources and close supervision systems to track the performance and results of each university (and of each network) against pre-determined sets of targets.

21. **Sub-component 2.2: Support to the establishment of Thematic Networks.** This sub-component will support efforts made by State Universities to establish thematic networks that promote research and innovation to address sector and regional and national development challenges in a competitive way. Thematic Networks are defined as follows:

- *Scope*: Thematic Networks shall include at (a) a minimum 3 State Universities, (b) at least one institution with partial accreditation (4 years), and (c) one external stakeholder (e.g., private sector agent, local governments, international university, an/or other national tertiary education institutions). Thematic networks could be local, regional, or national.
- *Objective*: Thematic networks promote the development of research, innovation, and value chains for sectors of the economy (e.g. mining, fishing) and/or themes (e.g. climate change), always based on addressing regional or national development challenges.
- *Selection*: Thematic Networks would be selected in a competitive basis, but no requisite criteria will be established with regards to specific themes. MINEDUC will launch the call for proposals and the SPC will evaluate and select the submitted proposals. Other funding sources and competitive grants may co-finance these networks. A priority will be to guarantee that State Universities lead the Thematic Networks and preference will be given to networks that include[6] external stakeholders (e.g., private sector agent, local governments, international university, other national higher education institutions). As part of the process, each thematic network will establish a set of expected results and performance indicators, which will be a collective responsibility of the executing institutions to achieve.
- *Examples*: The types of networks that are expected include: (a) mitigation, prevention and adaptation to climate change[7]; (b) mining; (c) water resources; (d) renewable energy; (e) seismology and emergency response; (f) agroindustry.

22. The adequate development of thematic networks requires adequate funding; coordination between State Universities, local authorities, and the productive sector; and rigorous evidence-based evaluation to assess if the interventions work.

23. The subcomponent will finance all necessary activities to support the selection, design, implementation and monitoring of these networks.

[6] This includes State Universities with few years of accreditation (under 4 years) or who are missing some key areas of accreditations such as research, linkages with local development, etc.

[7] While historically Climate Change and disaster mitigation activities were undertaken by universities, these were not quantified and therefore could not be used as projections for this project. Moreover, the selection methodology will not earmark specific resources by thematic area.

COMPONENT 3: **Support to the implementation of Institutional Strengthening Development Plans** (IBRD: US$42 Million; Counterpart: US$330 Million).

24. This component would support all State Universities to diagnose, develop and implement their Institutional Strengthening Development Plans (ISDP). ISDPs are long-term (10-year) improvement plans that propose a series of institutional-level projects that address (a) student's school-university-job transition, (b) the quality and impact on regional and national development of the institutions' research and innovation activities, and (c) institutional management. The component will have 3 subcomponents.

25. **Sub-component 3.1: Support to improve school-university-job transition in State Universities.** This sub-component will support efforts made by State Universities to improve academic readiness through, *inter alia,* remedial programs, information provision and vocational counseling for late-secondary and early-higher-education students; decrease drop-out rates and improve the career progression and graduation, improve the employability of women, foster a better university-to-job transition by implementing, *inter alia*, apprenticeship programs, graduate tracking systems, and career counseling programs[8] with a focus on vulnerable and underrepresented segments of the population (e.g., indigenous people, persons with disabilities, gender[9] and sexual minorities). This sub-component will also support actions to improve advanced teacher's training and to update or create new curricula to deliver programs that are more responsive to development priority sectors and local demand.

26. **Sub-component 3.2: Support to improve institutional capacity for research and innovation in State Universities.** This sub-component will support efforts made by State Universities to improve their institutional capacity to conduct research and innovation with a focus on regional and national development challenges, within the framework of the ISDP. This includes, *inter alia*, (a) consolidation of the institution's human capital for research and innovation, (b) purchases of research equipment, goods and services, (c) establishment of partnerships with the private sector, regional governments, foreign institutions and research centers; and (d) dissemination, submission and patenting capacity.

27. **Sub-component 3.3: Support to institutional management and operations at State Universities.** This sub-component will support efforts made by State Universities to prepare and implement improvement plans based on the ISDP and on the regional diagnostics supported under Component 1 including the collection, use and dissemination of university data (including relevant capacity building and training), the planning, financial and procurement management as well as academic management (review of existing and new programs, teacher track), and permanent quality assurance mechanisms.

RESULTS CHAIN AND DISBURSEMENT-LINKED INDICATORS (DLIs)

28. The results chain below shows how the planned activities and products supported under the Project. The Project's result chain illustrates how the Project activities and products contribute to the achievement of the main Project development objectives. The table also display how the Project DLIs contribute to this theory of change. Following the results chain, Table 2 presents the project DLIs.

[8] The rationale for supporting these interventions is further articulated in the Technical section.

[9] Further details on the Project's gender strategy can be found in the Technical section.

Objective	Outcomes	Products	Planned Activities
Improve Quality of State Universities	Academic programs are improved and service delivery of education services is more coordinated and efficient	- ISDPs include proposals for curricular reform, academic harmonization, joint degree, common QA Systems etc. - Pilot structural networks are implemented *DLI: 3 pilot structural networks are operational*	- Establishment of a Strengthening Plan Committee (SPC) - Pilot an structural network on Curricular Reform - Pilot an structural network on Academic Progression and Graduation - Other likely structural networks: o Mobility and internationalization o The teacher career o Quality assurance mechanisms *DLI: SPC is established and operational*
	State Universities graduates improve their insertion rate in the labor market *DLI:* 25% of last year students receive quality career services	- New career counseling services programs offered at SU - Career counseling services comply with quality standards *DLI: 10 SU have career services programs that comply with 'quality standards'*	- Definition of quality standards for career services that enhance graduate employability and which as approved by the SPC - Development and adaptation of existing career counseling services according to new standards *DLI: Definition of quality standards for career services is approved and disseminated by the SPC*
	Institutions make more informed management/academic decisions	- Central information system operational - Standardized and periodic monitoring reports *DLI: A Central Information System is operational at SU*	- Improvement of the information systems at State Universities - Development of Standardized Monitoring Reports
	The quality of research and innovation improves *DLI: 35% increase in peer reviewed publications*	- More and better graduate and under-graduate programs - Publications and patents submitted on themes of national priority - Partnerships with the private sector are established	- Institutional initiatives to improve research o Consolidation of human capital through hiring or encouragement of advanced degree attainment o Research equipment, goods and services o Partnerships with the private sector, regional governments, foreign institutions and research centers o Dissemination, submission and patenting capacity. *DLI: 5% increase in the share of full-time faculty with PhDs*

Improve Equity of State Universities	At risk and socioeconomically disadvantaged students are better equipped to complete studies and are less likely to dropout	- Remedial education programs comply with common quality standards - New remedial education programs are offered at SU *DLI: 10 SU have remedial programs that comply with 'quality standards'*	- Definition of quality standards for remedial education approved by the SPC - Development and adaptation of existing remedial education programs according to new standards - Development of a pilot early-warning system - Structural Network of Early Warning Systems *DLI: Definition of quality standards for remedial programs is approved by the SPC* *DLI: An Early-Warning System is operational at SU*

	Marginalized minorities are better supported to succeed in their studies	- Coordinated Social Inclusion Centers executing proven initiatives
		DLI: 3 pilot structural networks are operational
			- Pilot structural network on Social Inclusion
			  ○ Sharing of best practices among Social Inclusion Centers (SIC)
			  ○ Development of common standards
			  ○ International TA

Strengthen State Universities' institutional capacity to address regional and national development challenges	Universities align their institutional strategies with regional needs
	
	State Universities accomplish the majority of their long-term local development objectives
	
	DLI: 12 SU accomplish 70% of the yearly ISDP objectives
	
	70% of all regional and national development projects are deemed 'satisfactory'
		- ISDPs include verified targets for collaboration with regional development
		
		DLI: 18 Institutional Strengthening Development Plans (ISDP) are approved by the SPC and adopted by each university
		
		DLI: 10 projects related to regional and national development are operational
			- Enhancement of the knowledge base on education and regional and national development linkages
			  ○ Regional Diagnostics
			  ○ Academic offering reports
			- Strategic guidelines and priority areas of research established by SPC
			- A competitive call for proposals for research related to regional and national development is launched

	Networks work cooperatively in close coordination with the productive sector in strategic areas to foster regional and national development *DLI: 80% of all thematic networks accomplish 70% of their yearly objectives*	- Patents are submitted - Research projects on themes of common interest are implemented	- Establishment and implementation Thematic Networks that promote research and innovation to address sector and regional and national development challenges - Thematic Network on Climate Change adaptability *DLI: 5 thematic networks are operational*

Table 2: Disbursement-Linked Indicators, by expected calendar year of completion

DLIs eligible for partial achievement are marked "Scalable", Verification Protocols for each DLI are in the Operation Manual.

	2018	2019	2020	2021	2022
Improved Quality of State Universities	DLI 1 Strengthening Plan Committee (SPC) is established and operational **(Value: US$3.0 M)**	DLI 4 18 Institutional Strengthening Development Plans (ISDP) are approved by the SPC and adopted by each university (scalable) **(Value: US$3.0M):**		DLI 11 A central information system is operational at SU **(Value: US$2.5 M)**	DLI 15 12 SU accomplish 70% of the yearly ISDP objectives (scalable) **(Value: US$3.0 M)**
	DLI 2 Definition of quality standards for career services is approved and disseminated by the SPC **(Value: US$3.5 M)**	DLI 5 5 percentage points (p.p.) increase in the share of full-time faculty with PhDs **(Value: US$3.0 M)**	DLI 8 10 SU have career services programs that comply with 'quality standards' (scalable) **(Value: US$3.5 M)**	DLI 12 25% of last year students receive quality career services **(Value: US$3.0 M)**	DLI 16 20% increase in peer reviewed publications with respect to year 2018 **(Value: US$3.5 M)**
Improved Equity of State Universities	DLI 3 Definition of quality standards for remedial programs is approved by the SPC **(Value: US$3.5 M)**	DLI 6 3 pilot structural networks are operational (scalable) **(Value: US$2.0 M)**	DLI 9 10 SU have remedial programs that comply with 'quality standards' (scalable) **(Value: US$3.5 M)**	DLI 13 An early-warning system is operational at SU (scalable) **(Value: US$2.5 M)**	
Foster State Universities' institutional capacity to address regional and national development challenges		DLI 7 5 thematic networks are operational (scalable) **(Value: US$2.0 M)**	DLI 10 10 projects related to regional and national development are operational (scalable) **(Value: US$3.0 M)**	DLI 14 At least 4 thematic networks accomplish 70% of their yearly performance targets (scalable) **(Value: US$2.0 M)**	DLI 16 70% of all regional and national development projects are deemed 'satisfactory' (scalable) **(Value: US$3.5 M)**
Estimated disbursement	10 M	10 M	10 M	10 M	10 M

B. Project Cost and Financing

29. The total cost of the Project is US$400 million out of which US$50 million will be fully financed by the Bank through an IPF with DLI loan to the Republic of Chile. The overall Project costs are presented in the table below.

Project Components	Project cost	IBRD Financing	Counterpart Funding
Component 1: Support to strategic, targeted interventions to strengthen State Universities	$8,000,000	$0	$8,000,000
Component 2: Support to the establishment and implementation of structural and thematic networks	$20,000,000	$8,000,000	$12,000,000
Component 3: Technical Assistance for strengthening the State Universities system	$372,000,000	$42,000,000	$330,000,000
Total Costs	$400,000,000	$50,000,000	$350,000,000
Total Project Costs	$400,000,000	$50,000,000	$350,000,000
Front End Fees	XX	XX	
Total Financing Required	**$400,000,000**	**$50,000,000**	**$350,000,000**

E. Implementation

30. The agency responsible for the implementation of the Project will be the *División de Educación Superior*, DIVESUP, a division within the Ministry of Education. The DIVESUP team in charge of implementation have years of experience working with the World Bank in previous operations. MECESUP projects have also enjoyed a consistent implementation stability across sectorial changes and political cycles. Institutional development plans proposals would be reviewed by the Coordinating Council for the Development of State Universities (*Consejo Coordinador para el Desarrollo de las Universidades Estatales*, CCDSU).

31. Within the DIVESUP, Project Implementation will be overseen by the Department of Institutional Financing (*Departamento de Financiamiento Institucional*, DFI). Under the direct supervision of the Department's General Director, the DFI will appoint a Project Director. The Project Director will be the World Bank's main technical counterpart for project implementation. His/her main responsibilities will include: (a) validating the terms of reference, general and progress reports; (b) ensuring the quality and the achievement of expected project results; (c) promoting the project; and (d) supporting communication on the project. To fulfill its functions, following a similar model as in MECESUP, the Project Director will interact with DFI's four technical departments (teacher training, academic innovation, technical-vocational education, and small projects) and three support units: administrative support, analysis, and communications. The Analysis unit of the DFI unit will be the main responsible for assuring all data collection necessary to properly monitor all Project indicators included in the Project's

Result Framework presented in Section VII of this document. The Analysis unit of the DFI will provide these data quarterly to facilitate World Bank supervision activities and to assess project progress towards achieving its PDOs. The Administrative support unit of the DFI will be responsible for all fiduciary aspects of the Project concerning financial management as well as for overseeing the procurement processes included in the Project's procurement plan. The Communications Support Unit of the DFI will oversee the dissemination of Project activities and achievements and of ensuring and adequate flow of communications with stakeholders.

32. The Bank's education team would support the DFI technically by providing comments on the preparation and evaluation of technical activities prepared by the DIVESUP, especially as it concerns activities under Component 1. Thus, Bank would provide - among other inputs - technical comments on terms of references for activities that will support the Project, on the planning of activities, and on the evaluation of consultancies contracted directly by the DIVESUP. It would also share experiences from other countries, promote south-south cooperation, and carry out other activities to enhance the technical quality of the implementation of the Project.

33. **Project Operations Manual** (POM). The borrower will prepare and adopt a POM prior to project negotiations. The POM will cover all aspects of project design, implementation, and processes, stakeholders' roles and responsibilities (including supervision and reporting arrangements), as well as control mechanisms and procedures specific to financial management (FM), project M&E procedures, DLI verification protocols, and other guidelines to be followed to ensure timely implementation of the project.

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F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

This is a project with a nationwide scope focused on improving quality, equity and relevance of higher education offered by national universities in Chile. The Project's overall approach to strengthening quality and relevance of higher (university) education in Chile involves action at all levels of higher education public institutions across the country. Environmental safeguards are not triggered by this project given that it will not provide funding for activities consisting of civil works, education infrastructure expansion and rehabilitation, and equipment and inputs for laboratories and workshops.

G. Environmental and Social Safeguards Specialists on the Team

Raul Tolmos, Environmental Safeguards Specialist
Fabio Pittaluga, Social Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	This project is classified as category C. No new infrastructure (civil works) and expansion and rehabilitation of the existing one is contemplated under this project.
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	Yes	The Project overall approach to strengthening the quality, efficiency and relevance in tertiary education in Chile involves actions at all levels and types of HEIs across the country. OP 4.10 is triggered given that indigenous peoples are present in the project area (project coverage is nationwide) and IP can potentially benefit from Project activities. No negative impacts on Indigenous Peoples are expected as a result of project activities. The client prepared an Indigenous Peoples Planning Framework (IPPF) building on efforts and achievements from the Mecesup3 project, particularly in terms of remediation initiatives, monitoring IP students' participation in Project activities, and promotion of learning quality, efficiency, and relevance at participating TEIs where indigenous students are enrolled. The Project will also consider encouraging investments in improvements of tertiary education that - to varying degrees - focus on issues relevant to the racial and ethnic diversity of Chile and consistent with Project development objectives. The Project will carry out a communication and consultation process at national level (and at sub-national level in areas with significant IP population) to ensure the broadest dissemination of information among potential indigenous beneficiaries. The communication campaign will be utilizing the existing network of indigenous organizations at national and sub-national levels, and their communication channels to reach the indigenous groups living in Chile. The consultation process and

		the dissemination activities will be done in a culturally-appropriate manner and using indigenous languages if needed.
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:
No large scale, significant and/or irreversible impacts are expected.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
No indirect and /or long term impacts due to anticipated future activities in the project area are expected.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
The Client is preparing at IPPF, according to World Bank Policies. The Client does have a Safeguards specialist who will oversee the implementation of the IPPF. As needed, the implementation agency will secure the procurement of other technical experts for smooth compliance with safeguards policies. The implementation agency's long engagement with the Bank (including preparation and compliance with IPPFs in the past) provides assurance of the capacity to once again address safeguards policy successfully.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

B. Disclosure Requirements

Indigenous Peoples Development Plan/Framework

Date of receipt by the Bank	Date of submission for disclosure

11-Aug-2017	11-Aug-2017

"In country" Disclosure

Chile
11-Aug-2017

Comments
http://www.mecesup.cl/index2.php?id_contenido=27207&id_portal=59&id_seccion=3474

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP 4.10 - Indigenous Peoples

Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?
Yes
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?
Yes
If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Practice Manager?
NA

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?
No
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?
No

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?
Yes

Have costs related to safeguard policy measures been included in the project cost?
Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?
Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?
Yes

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APPROVAL

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