MECESUP 2 PROJECT
Tertiary Education
For the Knowledge Society

Project Implementation Plan – PIP

May 2005
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## GLOSSARY

<table>
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<tr>
<th>Abbreviation</th>
<th>Full Name</th>
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<tbody>
<tr>
<td>APEC</td>
<td>Cooperación Económica Asia Pacífico / Asia Pacific Economic Cooperation</td>
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<td>AFD</td>
<td>Aporte Fiscal Directo / Direct Fiscal Contribution</td>
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<td>APL</td>
<td>Programa ajustable por fases / Phase Adjustable Program</td>
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<tr>
<td>IBRD</td>
<td>Banco Internacional de Reconstrucción y Fomento / International Bank for Reconstruction and Development</td>
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<tr>
<td>CFT</td>
<td>Centro de formación técnica de nivel superior / Higher level technical training center</td>
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<tr>
<td>CNAP</td>
<td>Comisión Nacional de Acreditación de Pregrados / National Commission for Undergraduate Accreditation</td>
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<td>CONAP</td>
<td>Comisión Nacional de Acreditación de Postgrados / National Commission for Graduate Accreditation</td>
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<tr>
<td>CONICYT</td>
<td>Comisión Nacional de Investigación Científica y Tecnológica / National Commission for Scientific and Technology Research</td>
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<tr>
<td>CRUCH</td>
<td>Consejo de Rectores de Universidades Chilenas / Council of University Presidents</td>
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<tr>
<td>DESUP</td>
<td>División de Educación Superior / Division of Higher Education</td>
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<tr>
<td>ET</td>
<td>Educación Terciaria / Tertiary Education</td>
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<tr>
<td>FC</td>
<td>Fondo Competitivo MECESUP / MECESUP Competitive Fund</td>
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<tr>
<td>FONDEF</td>
<td>Fondo de Fomento del Desarrollo Científico y Tecnológico / Scientific and Technological Development Fund</td>
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<tr>
<td>IET</td>
<td>Instituciones de Educación Terciaria / Tertiary Education Institutions</td>
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<tr>
<td>IP</td>
<td>Instituto profesional / Professional Institutes</td>
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<tr>
<td>MERCOSUR</td>
<td>Mercado Común del Sur / Southern Cone Economic Market</td>
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<tr>
<td>MECESUP</td>
<td>Mejoramiento de la Equidad y Calidad en la Educación Superior / Program to Improve Quality and Equity in Higher Education</td>
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<td>MINEDUC</td>
<td>Ministerio de Educación / Ministry of Education</td>
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<tr>
<td>HLT</td>
<td>Técnicos de nivel superior / Higher level technicians</td>
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<tr>
<td>TIC</td>
<td>Tecnologías de información y comunicaciones / Information and communication technologies</td>
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I. SUMMARY

The Project “MECESUP 2. Tertiary Education for the Knowledge Society” is part of the efforts to be deployed by the Government of Chile to celebrate the Bicentennial in the year 2010, in support of the transition of Chilean economy to one based on knowledge, increasing equity and the effectiveness of its system of tertiary education. The project’s goals are aimed at the center of Chile’s efforts to provide the necessary competencies to increase global competitiveness, sustain social and economic development and ensure that no talent is lost because of differences in learning opportunities. With this purpose in mind, Chile will have to improve the flexibility and consistency of its higher education, create the necessary incentives to improve quality and efficiency and support the national innovation system by increasing the supply of available advanced human resources. The results should be achieved by means of enhanced performance, transparency and public accountability.

The project, that focuses on reinforcing academic staff through Ph.D. programs, student-centered curricular renewal, sustained support for national Ph.D. programs and the experimental introduction of performance agreements with state-owned universities, will be organized as a phase adjustable program for the periods 2005-2008 and 2008-2012, the year of Chile’s Bicentennial. The total cost for the first phase amounts to US$ 91.25 million.

II. BACKGROUND DATA AND CONTEXT

A. The MECESUP Program

In 1997, the Government of Chile instituted a new development policy for Tertiary Education by establishing the Program to Improve Quality and Equity in Higher Education (MECESUP). The program’s goal is to give a major thrust to tertiary education, complementing the process educational reform launched in the previous decade. The government thus intends to increase and foster efficiency and equity, encouraging its connection with the country’s development and that of its regions, while observing the independence of institutions, academic freedom and the adaptation of its reactions to the requirements of national development. With this end in mind, in 1998, it agreed upon a set of appropriate development objectives with the International Bank for Reconstruction and Development (IBRD) involving funding in the amount of US$ 245 million over a five-year period, to be provided by the Chilean government and a loan (IDRB 4404-CH) in the amount of US$ 145 million. Its goals are:

- To encourage equity in the system and improve student aids
- To foster the training of high level human resources, at graduate and research level.
- To improve quality and efficiency in tertiary education.
- To promote connectivity between tertiary and education with regional and national development.
To encourage adequate articulation and consistency in the system.
To provide guidance in the development of the objectives outlined above and their articulation with the internationalization processes.

The MECESUP Program, which is underway since July 1, 1999, involves the following:

- To design and implement a national accreditation system for undergraduate and graduate programs, and for higher level technical education (HLT).
- To strengthen institutional capacity to make it possible to implement self-regulatory processes to improve teaching services provided to students, institutional analysis and to enhance management.
- To develop a Competitive Fund (FC) to improve quality, efficiency, pertinence and innovation in tertiary education at all levels, favoring medium-term planning in institutions and its connections with regional and national links in a framework of cooperation and synergy.
- To support and encourage the improvement of higher-level technical training.

In order to carry out these tasks, the MECESUP Program has been organized into four component parts: Quality Assurance, Institutional Strengthening, Competitive Fund and Higher Level Technical Education.

Following a minor extension, the Program should be completed in 2005. The external independent evaluation of the projects awarded in the 1999 FC Contest was recently completed. In addition, the Budget Directorate of the Ministry of Finance has conducted an exhaustive assessment of the MECESUP Program based on quantitative data and indicators. Both reports conclude that the Competitive Fund has had a major impact on the university sector in terms of improving institutional management, generating advanced human resources and developing a better learning infrastructure. In addition, the experimental processes for the accreditation of programs and institutions have brought about a cultural change in the university system. Self-evaluation, accreditation and external evaluation are currently accepted as a natural process to ensure high quality academic standards. The Program has also managed to make significant progress in strengthening the legal framework for tertiary education in Chile and in improving information on results in the labor market.

Detailed information on activities, results and indicators can be found in the MECESUP portal¹ and newsletter².

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¹ http://www.mecesup.cl/
² http://www.mecesup.cl/informativo/
1. **Quality Assurance**

This component has provided the basis to develop a quality assurance system for tertiary education services, which has included establishing an experimental system accreditation for programs and institutions, in addition to the necessary support actions to maintain and assure quality at this level. Accreditation processes are based on self-evaluation including peer review.

This is why the National Commission for Undergraduate Accreditation (CNAP) and the National Commission for Graduate Accreditation (CONAP) were established. Both Commissions have undertaken the processes that tertiary education institutions (IET) have submitted to on a voluntary basis, while a bill is passed by Congress to implement a permanent National Quality Assurance System, which is currently in its last stages of legislation.

To date, CNAP has granted its approval to 171 career-track programs and 19 tertiary education institutions in the private and public sector. At present, 371 programs and 62 institutions await approval. Overall, they represent coverage of 85% of university education and 88% of the coverage provided by professional institutes (IPs) and higher level technical education centers (CFTs).

On the other hand, CONAP has approved the accreditation of 81 Ph.D. programs (65% of the total programs) and 103 national M.A. programs, in an attempt to consolidate and improve their quality and project them internationally.

2. **Institutional Strengthening**

The purpose of this component is to improve the legal and regulatory framework of tertiary education through an appropriate definition of the functions of universities, professional institutes and technical training centers; by conducting studies and drafting bills or regulations or amendments thereto; developing data systems; establishing a consistent public funding policy for student aids and by drawing up and implementing modernization programs for the Ministry of Education’s Higher Education Division.

As a result of different reinforcement actions, the Higher Education Division:

- Has defined a new policy for training higher level technicians based on labor competencies, drafted bills to create a national accreditation system for programs and institutions and enhanced funding for student aid in tertiary education.
- Has established a portal called Futuro Laboral\(^3\) as the first step in creating a Labor Observatory.
- Is negotiating the last legal stages of a bill establishing a new system of loans for higher education studies at independent and accredited universities, professional institutes and technical training centers.

\(^3\) [http://www.futurolaboral.cl/FuturoLaboral/index.html](http://www.futurolaboral.cl/FuturoLaboral/index.html)
centers that will make it possible to supplement with private savings (AFPs, insurance companies and banks) the funds available to expand the opportunity for young people who would normally be unable to finance additional studies to go on to tertiary education.

- Has been empowered with competencies and capabilities for the adequate administration of public resources, improving targeting and the delivery of student aid through the use of new information technology. As of 2003, the process is conducted in a centralized manner.

3. Competitive Fund

The MECESUP Program has implemented and concentrated the specific promotion actions intended to improve the quality of the teaching services provided to students through the Competitive Fund, at the level of undergraduate and graduate university education, high level technical training and management. Therefore, an investment of US$ 225 million was programmed for the period 1999 - 2004.

The Fund’s resources have been aimed at improving advanced human resources, academic infrastructure, educational training processes and the learning and teaching aids required to implement programs, along the following lines:

- Undergraduate university programs in the priority areas defined by the beneficiary institutions.
- Graduate programs with emphasis on Ph.D. programs in all areas and Master’s programs in the arts, humanities, social sciences and education.
- Programs to train high-level technicians in areas in which there is a high demand by the production sector.
- Programs to support institutional management.

The (triennial) projects are ranked according to priority and submitted to the Competitive Fund by eligible institutions, taking into account their respective missions, strategic and development plans. Eligible expenses include multiple forms of training and academic exchange, purchase of reference material, access to information, information and communication technology, laboratory equipment and scientific instruments and the building of new areas to the benefit of students. The evaluation of higher education initiatives is carried out by external peer reviewers, both national and foreign, who select the initiatives to be awarded by their intrinsic merit, expected merits and feasibility of implementation.

Institutional eligibility has been limited to universities associated to the Chilean Council of University Presidents (CRUCH) and independent higher technical education centers or those under review.

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4 www.fuas.mineduc.cl.
For the period of public competitions 1999-2003 called by the Fund, a total of 369 projects have been awarded: 205 in support of undergraduate studies, 74 to support graduate studies, 67 to support high level technicians and 23 to support management. The total adds up to $145,163 million pesos (2003). This involves a support to CRUCH institutions amounting to $130,307 million pesos (90%) and $14,856 million to training high-level technicians (10%). The average global rate of approval for the projects for this period is 39%, with a regional distribution of projects and resources of 69%.

Detailed information on the organization of the Competitive Fund, the terms and conditions of the competitions, the projects awarded and information on their progress can be found on the MECESUP portal.

4. Higher Level Technical Training

The training of higher-level technicians has been a transversal component in the different lines of action of the MECESUP Program.

It involves curricular improvement based on work competencies, improved infrastructure to support teaching, accreditation of technical programs and articulation of technical training with the rest of the tertiary education system. To this end, it includes institutional strengthening activities, international technical advisory assistance to make curricular renewal happen and to modernize laboratories, achieve vertical articulation and make special efforts to determine the magnitude and employability of these professionals in the labor market, through a Labor Observatory.

In operational terms, its actions have materialized basically through the Competitive Fund.

B. The Ministry of Education’s Policy Objectives

1. The Global Context of Fast Change

The knowledge society and the need to move towards an economy with these characteristics impose substantive changes on Chile’s economic and societal life. A significant part of these changes are expressed through the processes of globalization and interdependence among countries.

Chile participates actively in this trend, as evidenced by the agreements signed with the European Union and the United States, which follow on the ones signed previously with Canada, Mexico, Venezuela, its special association with MERCOSUR and with the countries of Asia Pacific in the framework of APEC. These agreements express Chile’s willingness to open up to the world and—at the same time— prove the trust and interest of our trade and political partners throughout the world.
Chile’s global placing opens up a world of opportunities for Chilean men and women that can be taken advantage of, if all the capabilities are available to be full actors in this process.

Tertiary education institutions are the main agents responsible for rising to the challenge of training people for this new world. Consequently, a deep reform of the Chilean tertiary education system appears unavoidable at present in order for it to be able to tackle the task that society has given it. It needs to be integrated to the global network of tertiary education institutions, and ways must be found to guarantee the quality of the training and research conducted in addition to redefining the methods used to certify the professional degrees awarded in these new times.

2. The Main Tasks of Tertiary Education in the 21st. Century

Globalization and interdependence have been made possible thanks to the huge scientific and technological changes of the last decades. For this reason, the future progress of countries is —and shall increasingly be— linked to the development of the ability to create, use and disseminate knowledge. This task is carried out by tertiary education institutions through their two main functions: training of professionals and high-level technicians, and contributing to Chile’s scientific and technological development.


Generating more and better professionals and technicians for Chile means, specifically:

- Educating growing segments of the population in different stages of life.
- Making deep changes to undergraduate teaching to attune it to the renewal in postsecondary education underway throughout the world which involves abandoning rigid curricula in professional programs in exchange for a more open and flexible form of training.
- Delivering general and transversal essential competencies for 21st. Century professionals.

4. Expanding Coverage

In 2003, one out of every three youths between the ages of 18 and 24 was enrolled in a Chilean tertiary education institution, i.e. 31.5% coverage in that age segment.

According to population projections made by international organizations, by 2012, Chile will have some 17.400 million inhabitants, 2 million of which will be in the 18 - 24 age group. In the near future, a growing fraction of the adult population will require tertiary education in a lifelong education strategy.
Chile needs to set itself the goal of a million students in tertiary education by the year 2012. This means coverage of 50% in the case of a population requiring tertiary education in the 18-24 age group. In such a scenario, increasing and demanding quality assurance will be required in terms of the educational supply and its results, which will need to be consistent with the country’s development requirements. Together with showing improvements there should be a gradual and increasing growth in enrollment in institutions that train higher-level technicians so as to reverse the ratio of professionals and technicians in the long term. This calls for improving the quality of technical training centers, the pertinence of the study programs offered, student-centered curricular design based on results and competencies, and establishing networks of the different institutional actors in education linked to the program “Chile Califica” (Chile Qualifies).

5. **Equity in Access: Correcting Inequalities**

Coverage among lower income youths has increased at a rate between 5 to 10 percent in a period of 10 years. In higher income sectors, coverage reaches rates in excess of 65%.

Talent is evenly distributed among all young people, boys and girls alike. It is therefore essential to broaden opportunities for all. If this effort is not made, we shall be wasting talent for Chile, its progress and development.

Young people that enroll in tertiary education increasingly come from middle and low-income families. The country must make stronger financial efforts to fulfill its commitment to guarantee the right to access to tertiary education to all talented youths.

The inequalities that characterize Chilean society must be tackled with different instruments which, at the same time are a coherent and equitable system of student aid that supports those who need it the most.

The National Student Funding System currently under development will have three sub-systems that will operate in coordination. The purpose is to guarantee, through scholarships and loans, the necessary financial aid to finance fully or in part, the tuition fees for young people who need this type of support.

- National Scholarship Fund.
- Solidarian Loan Subsystem for students enrolled in universities that are affiliated to CRUCH.
- Financing of higher education at independent and accredited universities, professional institutes and technical training centers.

6. **Curricular Renewal in Harmony with Changes in the International Scenario**

The university system has significant deficiencies in terms of the organization of studies. Faced with growing enrollment rates, Chilean universities —the same as when this happened in European countries when
higher education grew to massive proportions—have raised admission requirements and student work loads. These limits work as filters that prevent access to the upper grades where vacancies are limited. Programs have been lengthened in Chile so that licentiate degrees, originally programmed to last four or five years, now last up to 6 or 7 years and the actual average length of engineering studies is 8.5 years. And this is compounded by early drop-outs which is why the rate of degrees awarded is especially low: under 50%.

European Union countries decided to address this situation some years ago in Bologna by establishing a European Higher Education Area. Thus, through innovative instruments of curricular attunement, student and professional articulation and consideration for end users, they have undertaken a deep reform of higher education, shortening undergraduate study programs and including consideration for employability with suitable coordination at this level with graduate studies at masters and doctoral levels. As a result, training programs are more flexible to allow young people to develop them according to their own interests and capabilities and also to allow for the speed of change.

Chilean tertiary education must inevitably be part of this process, and a common answer, as a national system, must be prepared defining how Chile is going to participate in this global integration. Consequently, in the sixth and last MECESUP Competitive Fund held in 2004, funds were awarded for pilot network experiences on curricular renewal at professional undergraduate level and specific elementary teacher education study programs. Based on these experiences, curricular renewal such as that to be developed in the MECESUP Program 2 which, together with the competitive fund—targeted to obtain effective results in academic innovation—and the experimental implementation of performance agreements, will make it possible to gradually introduce public accountability into the different components of the tertiary education budget.

7. **Provide Adequate General Competencies for 21st Century Professionals**

The 21st Century requires developing certain generic competencies for professionals and technicians to be efficient and successful in this up-and-coming world. Data management, computer literacy and mastery of English are clear examples of such competencies. The new generations of Chilean professionals will need to master English as a second language to be able to communicate in this global world. A goal that must be proposed for the country is the fast and increasing use of English by the time of Chile’s Bicentennial.

8. **Diversity of the Tertiary Education System**

Tertiary education in Chile is provided by a vast set of institutions: traditional and new, public and private, universities and professional institutes, and technical training centers. Higher education institutions have different callings: teaching centers, research establishments, others specializing in certain areas involving both research and teaching, with a regional vocation, at undergraduate and graduate levels.
This diversity should be kept up and strengthened while protecting the quality of the studies provided and the transparency of the different options while—at the same time—creating a system with different levels to offer young people and adults different opportunities for lifelong education.

For a tertiary education system to exist, programs and institutions must have quality assurance to ensure that studies undertaken at different institutions will find the corresponding equivalents domestically and abroad. This is the purpose of the quality assurance bill currently being discussed by Congress.

9. **Improving Technical and Professional Training**

A mature educational system has different training levels that form an articulate and flexible network. Developed countries have done this with a higher number of technicians than professionals and higher-level graduates. This is not the case in Chilean tertiary education.

The scholarship and loans system has given preference to university-track programs to the detriment of technical programs. Access to credit for students from technical training centers and professional institutes will make it possible to revert this trend.

The “Nuevo Milenio” scholarship, five years after being instituted, has reversed the downward trend in enrollment at institutions that train high-level technicians. At higher-level technical training centers this trend not only stopped but instead, interest for technical study programs has risen constantly.

At present, preference is being given to the delivery of New Millennium scholarships and also to the use of available tax exemptions. In turn, educational institutions must organize their programs into modules of competencies linked to production requirements. Many institutions are participating in these processes and the results of this development strategy are expected to become apparent in the short run.

In a society where tertiary education is perceived as the best tool to overcome poverty and inequality, technical training centers and professional institutes are a fundamental contribution for many youths. Offering young people good quality education, duly accredited, and facilitating the possibility of continuing their studies subsequently in life are challenges that professional and technical education face at present in Chile.

10. **Better Technicians, Professionals and Graduates for the 21st Century**

The quality of tertiary education is an ongoing cause for concern in most countries. Many factors account for this concern: the expansion of coverage, diversification of institutions, changes in the methods for producing knowledge and the requirements imposed by globalization.
The bill currently in Congress to establish a National Quality Assurance System for Education —instituting the rules whereby the state will publicly guarantee the training of technicians and professionals in Chile— includes the following functions:

- Accreditation of undergraduate programs and higher-level technicians.
- Accreditation of graduate programs.
- Institutional accreditation.
- Licensing of new institutions.
- Data system.

In this respect, there is consensus on the need to improve the information available on the supply of tertiary education and deliver it in a timely, honest and pertinent manner. This will be solved by installing further capabilities at the Ministry of Education and the institutions to collect, process, validate and publish data.

It is essential for future students and their families to make informed decisions. Examples such as the Labor Observatory (through its *Futuro Laboral* portal) have made available important data on the employment and income of professionals and technicians. This is the challenge that needs to be addressed for young people to be able to choose freely from among the opportunities they face upon completing their secondary education.

11. **Professional Qualification**

The international agreements signed by Chile open up opportunities for Chilean professionals. At the same time, Chile has become an important destination for professionals from other countries. In this setting, regulations in force in Chile on professional qualification must be updated and adapted.

One particular feature in Chile is that the state has handed over to tertiary education institutions —for an indefinite period of time— the awarding of academic degrees. New trends make it advisable for professional qualification to be issued by organizations other than academic institutions, and require periodical renewal to ensure proper updating of knowledge and competencies.

12. **Tertiary Education Institutions for the 21st Century**

Chile’s development calls for strengthening institutions that are capable of guaranteeing pluralism and tolerance, that offer young people equal opportunities in terms of access and that contribute to our country’s social and territorial integration.

Universities that form part of CRUCH have contributed significantly to expanding the coverage provided by tertiary education. In 1995, 155,000
students were enrolled in these universities and this figure rose to 225,800 students in 2002. This growth has implied growing demands in terms of pertinence and quality for the institutions and their programs which are being addressed through self-regulation and external accreditation.

In spite of the larger amount of resources allocated to student loans and the investment in the MECESUP Competitive Fund, state universities are having financial difficulties due to increasing costs caused by higher enrollment rates, such as operating costs of the new investments and the new investment in advanced human resources and equipment to carry out research and graduate studies.

Consequently, a new phase in the institutional development of universities affiliated to CRUCH will be launched through medium term performance contracts (3 to 5 years) subject to effective accountability mechanisms. This new method will be explored in a pilot experiment at state universities in phase one of the MECESUP 2 Project and possibly extended subsequently to all universities affiliated to CRUCH.

Under constitutional laws, universities are autonomous institutions with regard to the fulfillment of their functions, which they perform with full independence in academic, financial and administrative matters. Public universities, moreover, are governed by statutes whose provisions have the same status as laws.

Academic, student and administrative circles are concerned about the fact that the legal system in force is not adequate for the current operations of these institutions and that it greatly hinders their ability to operate swiftly and effectively in their different activities, while other universities, even though affiliated to CRUCH, have a broader margin for action.

Through a reform of the state, Chile will launch a deep process of change in its public institutional framework which includes fundamental issues to improve and modernize management, transparency and accountability, strengthening and enhancing the professionalism of high-level civil servants and personnel management.

State universities must participate in this process so as to modernize their legal, regulatory and administrative structure and thus adapt to present requirements.

With this end in mind, the pertinent bills are being drafted. They will allow changes in the statutes and make it possible to modernize public universities as needed. The project for modernization, which has already been sent to Congress, includes regulations on comptrollership, one-time loans, accounting for limited companies and retirement of older staff.
13. **A Major Thrust to the Development of Science and Technology**

Chile’s participation in the knowledge society shows its weakest point in the insufficient development of its science and technology capabilities and their application to the production of goods and services.

The country needs a modern national science and technology policy that establishes priorities, guidelines and strategies consistent with the set of instruments and programs that contribute at present to scientific development. Chile has a bias toward research in the basic sciences primarily due to the fact that funding sources are geared to financing the supply of researchers. Raising the level of technology is essential to increase the value of our exports of raw material and natural products and services and to improve the ability for production innovation that will allow us to successfully make the shift to a knowledge-based economy.

The main goals that will be prioritized include the following:

- Public and private investment in science and technology.
- Research teams and their links with the production sector.
- Training of Ph.Ds. and their participation in industry.
- Development of national and international research and development networks to create a critical mass covering different areas.

To this end, the Government of Chile recently signed an Investment Project for Science and Technology with the IBRD for US$100 million, the purpose of which is to help materialize the challenges described.

14. **Summary**

Modernizing Chilean tertiary education calls for a broad set of laws, policies and instruments to carry out the major changes required by higher education studies and institutions to address the challenges that Chile faces in the 21st Century, the century of the Knowledge society.

III. **PROJECT OBJECTIVES AND PROJECT SCOPE**

A. **General Objectives**

The project “MECESUP 2. Tertiary Education for the Knowledge Society” (hereafter the Project) is part of the efforts deployed by the Government of Chile to celebrate Chile’s Bicentennial in 2010, to support the transition of its economy to one based on knowledge, thus?? Increasing equity and the effectiveness of its tertiary education system. Project goals are aimed at the core of Chile’s efforts to provide the necessary competencies to help increase global competitiveness, sustain social and economic development, and ensure that no talent is lost due to differences in learning opportunities.
The Project’s General Objectives aim to increase the effectiveness of public financing for tertiary education by raising the system’s consistency, equity and quality and by enhancing performance, transparency and public accountability.

With this end in mind, the project should improve the flexibility and consistency of the Chilean higher education system, create the necessary incentives to improve quality and efficiency and support the national innovation system by increasing the stock of advanced human resources.

B. Sectoral Matters

In spite of the major impact that the MECESUP Program is having on the quality of the services available in tertiary education in Chile, some key weaknesses still persist in the sector.

1. Internal Inefficiencies

Excessive duplication of degree programs and insufficient specialization among tertiary education programs are a source of inefficiency in Chilean higher education. Furthermore, undergraduate and degree programs are much too long, the time it takes to graduate and get a degree is much longer than the original plans and approval rates by courses are low as are retention rates, a fact that seriously compromises the efficiency of the learning supply to students, their performance, the availability of student aids, the management of institutions and the cost involved for families.

In general, government requirements to ensure public accountability for funds provided by the state are still limited. Performance criteria are applied to a small fraction of the public subsidies granted to the beneficiary institutions in tertiary education and only a few indicators are systematically compiled for institutional activities and their results.

2. Differences in Students’ Access Conditions

Chile is making major efforts to improve access to tertiary education, broadening the availability of loans and scholarships so that all talented young people will have a chance to have access to tertiary education. The effects of the MECE Elementary and Secondary Education programs translate into increased coverage in school education and greater demand for post-secondary education.

Although there are major inequalities in terms of access between high income and low-income sectors, this problem has improved in recent years. Thanks to the new instruments that will be in place in one or two years, the gap should close more quickly. Nevertheless, access for many youths who enter tertiary education as the first generation with weaknesses in their education because of persisting inequities in subsidized education and private paid education, makes them form part of a totally different group in the first years of higher education training.
To overcome these inequalities, institutions need to be equipped with the teaching tools needed to allow university teachers to tackle this new educational reality.

Up to now, university teachers have been recruited based on their knowledge in their field of competence with no training in teaching skills. It is essential for teachers to have the skills needed to carry out their teaching tasks for students who come from different backgrounds, with similar intellectual skills but with different training requirements.

3. The Dissimilar Nature of Tertiary Education

In spite of the considerable progress being made through quality assurance in Chilean higher education (self-regulation and accreditation), there is still a lot of room for improvement, particularly to achieve better and faster academic renewal in the upper grades, improved pertinent employability for graduates and degree earners, an improved capacity for research and graduate degrees and for production innovation at a national level and a suitable international projection and enhanced contribution to the knowledge society. Among other things, the lack of adequate incentives to abandon academic life has made timely renewal difficult and it has become extremely hard to bring in new talent with advanced academic degrees to the faculty. These problems are even more severe among university institutions located in the regions.

4. Inadequate Consistency of Tertiary Education

Chilean tertiary education subsystems (both in universities affiliated to CRUCH and in the new private universities) do not follow a clear strategy and are not covered by legislation that allows for balanced diversification and specialization. Up to now, it was thought that the best solution was to propose a legal reform to make consistent a series of institutions that fail to form a system. A tertiary education “system” doesn’t really exist in Chile because a series of dissociated institutions coexist with no incentives to encourage them to establish effective links among themselves. This makes leadership difficult and complicates incentives for managing change. Although the Organic Constitutional Law for Education establishes three educational levels, in actual fact there is no articulation among them. They operate as fully separate units, with no articulation between long and short tertiary programs, a fact that gives rise to an extremely rigid system with educational “culs-de-sac”. Furthermore, coverage of professional university training is considerably higher than higher-level technical training —a ratio of 6 to 1 compared to developed countries where the ratio is completely the opposite—which prevents an adequate balance in favor of technological training for highly competitive production. To increase enrollment in technical education it is essential to improve the quality of the relevant institutions, the pertinence of educational supply and the possibility of continuing studies leading to a university degree.
5. **Potential to Increase Responses**

Tertiary education institutions offer few opportunities to students to transfer their academic credits, both from one program to another in the same institution as well as from one institution to another and among higher education levels (to continue studying and enhance their learning capabilities and professional development). Furthermore, there are few remedial programs aimed at students who are not sufficiently prepared for higher education (who will increase in number in the following years). On the other hand, the evidence suggests that it would be possible to strengthen the links among tertiary education programs and national and regional needs.

C. **Impact: Towards Chile’s Bicentennial in 2010**

The implementation of the MECESUP 2 Project is organized as a phase adjustable program (APL) lasting 6 years. **Phase 1** covers the period 2005-2008 and **Phase 2** covers the period 2009-2011. This program strategy affords sufficient flexibility to allow to build experiences and verify approximations prior to replication and investments on a larger scale and gives the new administration the opportunity to adapt specific objectives.

**Phase 1** involves:

- Providing support to the government’s planning capabilities in tertiary education and its supervision.
- Strengthening policies and strategies for tertiary education.
- Consolidating the National Quality Assurance System.
- Improving the national data system for tertiary education.
- Providing funding for academic innovation sub-projects.
- Introducing —as pilot projects— performance agreements to allow incremental funding for state universities.

For the above purposes, funds may be allocated for bringing in new academic staff and for further training, for curricular renewal based on results and competencies, teacher updating and innovation to improve learning and teaching, scholarships and better scientific equipment for Ph.D. studies and to improve institutional management.

Based on the results achieved in this phase and the lessons learned from its implementation, **Phase 2** would contemplate the following:

- Enhancing the incremental funding system based on performance agreements to all universities affiliated to CRUCH.
- Preserve support for quality improvement.
- Use the Competitive Academic Innovation Fund to implement the recommendations emanating from the studies of Component 1.

**Phase 1**, that will be carried out in the period 2005-2008 has been calculated to involve a total project cost of US$ 91.25 million.
The factors that would determine whether to go from Phase 1 to Phase 2 include:

- A statistical summary of up to date data on Chilean tertiary education, prepared by the Higher Education Observatory.
- At least 2000 students enrolled in remedial programs.
- Increase in coverage for income quintiles 1 and 2 at public universities from 18% in 2000 to 21% in 2007.
- Completion of the first experimental cycle of performance agreements in at least four state universities.

IV. PROJECT IMPLEMENTATION

A. Components

The general objectives of the MECESUP 2 Project will be achieved by means of the following components:

(i) Strengthening the Institutional Framework for Tertiary Education.
(ii) Sub-Projects to increase Consistency, Efficiency, Equity and Quality in Tertiary education

Component 1. Strengthening the Institutional Framework for Tertiary Education

This component is designed to reinforce the institutional capabilities of the Ministry of Education and the pertinent institutions and agencies in higher education to develop policies, strategies and management skills to support the shift from Chile’s current economy to one based on knowledge, thus increasing the equity and effectiveness of the system.

The component shall include the following sub-components:

(i) Improve monitoring and regulation of tertiary education;
(ii) Strengthen policies and strategies for tertiary education;
(iii) Consolidate the National Quality Assurance System
(iv) Implement a Higher Education Observatory; and
(v) Project Management.

The cost of this component shall amount to US$ 8 million.

Sub-Component 1. Improve Monitoring and Regulation of Tertiary Education

This sub-component will provide backing to the strengthening of capabilities of the Ministry of Education to supervise the higher education sector and its management. Consequently, the appropriate advisory channels and management units will be established at the Ministry of Education, Higher Education Division (DESUP) and at the MECESUP Program 2, in order to:
(i) Establish the framework and structure of Chilean higher education.
(ii) Implement the new higher education studies state-guaranteed financing system.
(iii) Generate improved management capabilities in the system.
(iv) Establish priorities for the Innovation Fund.
(v) Draw up, negotiate, assist and conduct the supervision of the experimental performance agreements referred to in component 2.

The cost of this sub-component shall amount to US$ 1 million.

**Performance indicators for this sub-component shall include:**

- Awareness of DESUP instruments by university leaders.
- Number of students (by educational level) who receive state-guaranteed loans under the new system and socio-economic distribution.
- Number of study offices (or institutional analyses) implemented by the universities, with capabilities for information, follow-up and impact assessment.

**Sub-Component 2. Strengthening Policies and Strategies for Tertiary Education**

This sub-component will finance studies in sectoral matters identified and ranked as priority issues by DESUP, such as the following:

(i) Targeting and adequacy of the new state-guaranteed student aid system for higher education students.
(ii) Structure and efficiency of the tertiary education system.
(iii) Renewal of higher-ranking academic staff.
(iv) Grade structure and curricular innovation.
(v) Transitional (remedial) programs for underprivileged students.
(vi) Transfer of academic credits and mobility.
(vii) Employability of graduates.

The cost of this sub-component shall amount to US$ 1.5 million.

**Performance indicators for this sub-component shall include:**

- Studies carried out on Tertiary Education (by date).

**Sub-Component 3. Consolidation of the National Quality Assurance System**

This sub-component will consolidate the accreditation processes for institutions and programs in Chile, by providing support to the operation of the National Commission for Undergraduate Accreditation (CNAP) and the National Commission for Graduate Accreditation (CONAP). In the event that
accreditation becomes law, the sub-component will finance the cost of purchasing the goods, consultants’ services and operational costs of the independent national accreditation and quality assurance agency to be established for this purpose.

The cost of this sub-component shall amount to US$ 2.5 million.

Performance indicators for this sub-component shall include:

- Percentage of students enrolled in accredited programs or that are in the process of being accredited (disaggregated).
- Number of institutions and programs in the process of being accredited and resolved (by educational level).

Sub-Component 4. Implementation of a Higher Education Observatory

This sub-component will support the establishment and operation of a (National) Higher Education Observatory at DESUP, that will provide the ongoing and constant dissemination of information and essential data to guide young people in their decisions. It will also aid in effective management of the Chilean tertiary education system, both at the level of the institutions themselves as well as that of the state. DESUP, in close contact with organizations involved in tertiary education, will be responsible for establishing the national standardized indicators of inflows, processes, outflows and results, covering matters such as equity, efficiency and quality significant for:

(i) Supervising the sector.
(ii) Generating quality assurance processes.
(iii) Allocating resources based on institutional performance.
(iv) University management and planning.

The Observatory will also provide support to existing data management structures, such as the Labor Observatory in Higher Education (Futuro Laboral). For these purposes, it will use OECD manuals as points of reference or other definitions of tertiary education indicators that ensure international comparability. Software supporting data systems should be based on open standards in order to facilitate data sharing among systems. Every year, the Ministry of Education will publish a statistical summary with up to date data on tertiary education. The summary will also include national trends and averages as well as institutional data. All data will be available on the Internet and will include:

(i) Quality of academic staff.
(ii) Student enrollment and quality.
(iii) Socioeconomic profiles of students enrolled and graduates who obtained their degree.
(iv) Number of students in each course.
(v) Time to graduation and degree.
(vi) Retention and drop out rates.
(vii) Pertinent employability.
(viii) Funding sources and behavior of expenses.

Information collected will be coordinated with the data provided by the Labor Observatory and CONICYT’s Bicentennial Science and Technology project.

Preparation for this sub-component will be started at the MECESUP Program, currently underway. Its implementation will also include generating information, monitoring, evaluation and study capabilities at the selected beneficiary institutions.

The cost of this sub-component shall amount to US$ 1.5 million.

**Performance indicators of this sub-component shall include:**

- Percentage of progress in data entering, statistics and basic indicators of national, regional and institutional tertiary education.
- Study units (or institutional analysis) implemented in tertiary education institutions.

**Sub-Component 5. Project Management**

This sub-component will allow the operations of the professional and management team that will implement the project actions. For practical reasons, the MECESUP Coordination Unit will carry out these duties and report directly to the MINEDUC’s Higher Education Division.

The project will be headed by a General Coordinator and three Heads of Component, who will be required to have the necessary qualifications, competence and experience to conduct the activities programmed in Component 1 and the two sub-components of Component 2.

The cost of this sub-component shall amount to US$ 1.5 million.

**Performance indicators of this sub-component shall include:**

- Percentage of progress in the implementation of the Program, by components and sub-components
- Administration expenses, as a percentage of total spending.

**Component 2. Sub-Projects to Increase Consistency, Efficiency, Equity and Quality in Tertiary Education**

This component will support the implementation of a strategically targeted fund to allow academic innovation, foster institutional performance and results-based public accountability, including the following sub-components:

(i) Innovation Sub-Projects for Tertiary Education Programs. Academic Innovation Competitive Fund.
(ii) Sub-Projects to Encourage Institutional Effectiveness in Critical Areas. Performance agreements.

The cost of this component will amount to US$ 83.25 million. Resource allocation between both sub-components will have the necessary flexibility to take into account changes in the setting and targeting dynamics and priorities.

Sub-Component 1. Innovation Sub-Projects for Tertiary Education Programs. Competitive Fund for Academic Innovation

The Competitive Fund for Academic Innovation (hereafter the Innovation Fund) will be used strategically to promote academic innovation activities involving consistency, responsiveness, equity and quality among eligible institutions in tertiary education.

The Innovation Fund will be based on a flexible design that will help materialize areas and priority lines in each call for proposals. Proposals will be evaluated by a system of national or international peer review in which eligibility criteria and selection shall be marked by transparent, equal opportunity and technical thoroughness. Awards shall be made according to established benefit and feasibility criteria to choose as successful initiatives those that, by their own merits, meet the specific objectives of the respective terms and conditions, in which the contents thereof are consistent with the results provided for self-regulating and accreditation processes and which are part of institutions willing to commit the necessary human and material resources for implementation.

For practical purposes, the activities of this sub-component will be managed by the current MECESUP Program Competitive Fund which has the necessary experience and the qualified professional staff.

The MECESUP 2 Innovation Fund will include three lines of support at a cost of US$ 69.75 million:

1. Higher Level Technical Education

This line will support activities intended to improve effectiveness, quality, innovation and academic articulation of autonomous higher education institutions that train higher education technicians in fields that are in high demand by the national production sector and/or that foster effective improvement in production innovation, including:

(i) Further academic training.
(ii) Curricular renewal and academic articulation.
(iii) Academic innovation.
(iv) Management capabilities.

Consequently, support will be provided to sub-projects in autonomous technical training institutions that are already accredited or are in the process of being accredited. Resource allocation will duly take into account the positioning
of the programs in the institution’s strategic planning, the results of accreditation and prior support granted by the MECESUP Competitive Fund.

Performance indicators of this sub-component shall include:

- Number of projects and resources allocated to technical training by the beneficiary institution, region and sectoral area showing high demand or innovation.
- Number of projects and resources allocated to technical training in curricular reform.
- Number of students holding a degree that transfer to universities (articulation).
- Enrollment, socioeconomic profile (tertiary enrollment by income quintile (total, first and last year of studies).)
- First year drop out rates
- Graduation rates and time needed to obtain degree.
- Employability 6 months after graduation.
- Proven capacity to conduct follow-up and impact evaluation with indicators.

The cost of this sub-component shall amount to US$ 7 million.

2. Undergraduate University Education

This line will provide support to activities involving innovation, quality improvement in university undergraduate programs and teacher education study programs, and articulation in matters including:

(i) Further academic training.
(ii) Curricular renewal and academic articulation.
(iii) Remedial programs for underprivileged students.
(iv) Academic innovation.
(v) Management capabilities.

In the case of support for undergraduate university programs, eligibility will be limited to universities affiliated to CRUCH that are actively participating in institutional quality assurance processes and programs. Support will also be given to the renewal of teacher education study programs, improvement actions at autonomous universities (non-CRUCH) accredited at an institutional level and that have accredited programs or are in the process of being accredited. Resource allocation will duly take into account the positioning of the programs in the institution’s strategic planning, the results of accreditation and prior support granted by the MECESUP Competitive Fund.

Performance indicators of this sub-component shall include:

- Number of projects and resources allocated for undergraduate university studies, by beneficiary institution, region and area of discipline.
• Number of projects and resources allocated for undergraduate university studies in the field of curricular reform.
• Number of projects and resources allocated for teacher education study programs in the field of curricular reform.
• Enrollment in remedial programs.
• Ratio between PSU scores (university admittance test) and average enrollment in teacher training programs supported by the Innovation Fund and programs not supported by the Innovation Fund.
• Enrollment, percentage of the total with indirect government support (AFI), socioeconomic profile —tertiary enrollment by income quintile (total, first and last year of studies).
• First year drop out rate.
• First year course passing rate
• Graduation rates and time needed to reach graduation.
• Employability 6 months after graduation.
• Degree of student mobility.
• Proven capacity to conduct follow-up and impact evaluation with indicators.

The cost of this sub-component shall amount to US$ 46.5 million.

3. Graduate University Education

This line will provide support to activities involving quality improvement and innovation, in university graduate programs, preferably at doctoral level, in matters including:

(i) Academic reinforcement.
(ii) Graduate scholarships.
(iii) Academic innovation and articulation.
(iv) International projection.
(v) Contribution to innovation in production.
(vi) Management capabilities.

This line will provide backing for activities in national graduate programs, preferably at doctoral level, with a view to supporting advanced human resources in research in Chile and bolstering the national innovation system. This will help strengthen the links between academia and industry so as to aid the country in its transition to an economy based on knowledge. Priorities in this case will be academic reinforcement through doctoral-level staff, raising student enrollment and graduation rates, increasing the international projection of programs and their contribution to production innovation.

Accordingly, support will be provided to academic programs for training high-level staff for research and graduate work in under-supplied areas or in strategic areas that have been duly targeted and ranked by priority, existing doctoral programs of recognized quality and efficiency, creation of new doctoral programs, and the maintenance and/or creation of national doctoral networks and/or with similar ones abroad. Eligible national doctoral programs will be
those offered by autonomous universities (associated to CRUCH and new private universities) already accredited or if new, are in the process of being accredited and can prove their academic progress at optimum levels of quality assurance. Resource allocation to the programs will duly take into account the positioning of the programs in the institution’s strategic planning, the results of accreditation resolved by CONAP or other applicable legal instances, and prior support granted by the MECESUP Competitive Fund and consistency of the actions with CONICYT’s Bicentennial Science and Technology Program.

In the field of academic renewal, actions aimed at training academicians at doctoral level in projects supported by the Innovation Fund will be supplemented by a high-level scholarship fund established abroad for young academicians under a matching funds method with advanced level foreign universities and bilateral and international agencies interested in operating in Chile. Scholarships will be granted solely to young outstandingly talented and productive academicians, both Chilean and foreign, who are accredited by official quality assurance organizations.

Finally, regarding graduate scholarships for the selected programs, adequate coordination and integration with other national financing organizations will be sought such as CONICYT, the Millennium Initiative and MIDEPLAN. To this end, a proposal will be submitted to the Minister of Education describing the actions that need to be carried out, a formal integration mechanism and the coordination of the supply of scholarships available.

Performance indicators of this sub-component shall include:

- Number of projects and resources allocated for postgraduate university studies, by beneficiary institution, region and area of discipline.
- Number of academicians enrolled in doctoral programs in Chile or abroad by field of study.
- Enrollment of doctoral students and percentage of those who hold scholarships.
- Number of academicians with Ph.Ds. recruited and percentage of full time academicians with Ph.Ds.
- Percentage of enrollees who are preparing their dissertations.
- Graduation rate and time required.
- Employability at 6 months after graduation
- Degree of student mobility.
- International projection of the program, measured according to the exchange of academicians and students, joint projects and publications, double or multiple graduations.
- Industrial projection to innovation, measured by the exchange of academicians and professionals, participation of industry in program management, number of patents, employability of graduates in the production sector.
- Proven capacity to conduct follow-up and impact evaluation with indicators.
The cost of this sub-component shall amount to US$ 16.25 million

Sub-Component 2. Sub-Projects to Encourage Institutional Effectiveness in Critical Areas. Performance Agreements

This sub-component introduces performance agreements as a new financing instrument to universities affiliated to CRUCH. The purpose is to align institutional missions with national and regional priorities, university autonomy with public accountability and institutional performance with public financing. By implementing the agreements, the sub-component will help develop the project’s objectives, supporting and encouraging restructuring and modernizing institutions and the development of action plans for changes in national priority areas. To this end, a balance will be sought between specialization and diversification in the sector, increasing quality, promoting more equity and improving efficiency and institutional management. Its implementation will be closely related to institutional strategic planning and the results of institutional accreditation and that of programs. In Phase 1 of the project, the Ministry of Education will sign experimental performance agreements with at least four state universities which are currently receiving direct government aid (AFD) and that submit projects that qualify as academic improvement.

In Phase 2 and in the long term, this sub-component may generate new performance agreements in the other universities affiliated to CRUCH and even, gradually, a modified form of AFD that will allow allocating baseline funds to universities on the basis of their performance results.

Performance agreements will be designed according to the following arrangements:

(i) Incremental financial support from the government to eligible institutions to develop an action plan for changes with clearly defined goals and indicators.
(ii) Magnitude of support adapted to the institutional performance achieved.
(iii) Focus of financing in the development of long term capabilities including management procedures, and local monitoring and evaluation.

In Phase 1, institutions will be selected through public competition by institutionally accredited state universities that receive direct government aid (AFD), according to their current level of academic complexity, to verify the instrument under the most different conditions possible. A second round of state universities may be included in the first project phase depending on the progress made in institutional accreditation and strategic planning. Performance agreements will introduce the concept of focus in the development of the universities’ capabilities for management according to results, strengthening their management capabilities and responding to public priorities and those of their institutional mission.
Each performance agreement will be negotiated between MINEDUC and the eligible university. The definition, design and negotiation of the agreements will be handled by a unit at the MECESUP Program 2 formed by professionals of renown in academic circles who are experienced in managing universities. Negotiations shall include at least the following aspects:

(i) Duly approved strategic institutional plan and priorities.
(ii) Results obtained in tertiary education (equity, quality of academic staff, learning, research and graduate programs, graduation and employment, self-regulation, among others).
(iii) Results of institutional accreditation and of programs.
(iv) Government.
(v) Institutional and financial management capabilities.

This process will be implemented with qualified professionals who are sufficiently experienced to allow for a balanced and effective negotiation, and with the pertinent information provided by the Higher Education Observatory and the national accreditation agency legally in force. As information for entering the negotiating process, the eligible university will provide a detailed reply including a strategic diagnosis, the activities proposed and the achievement of the results expected for the period in question, expressed through adequate and measurable performance indicators.

Performance agreements will last for a period of three years and will include commitments for action and funding for the first year of execution in addition to projections for the subsequent years, objectives and goals agreed upon for the restructuring and institutional modernization and indicators to monitor progress and evaluate the expected impact. Based on annual reviews of the agreement, which will include quantitative and qualitative evidence, the amount of projected financial resources for the following year of implementation will be adjusted transparently according to the performance of each institution in a manner consistent with the commitment made in terms of goals.

Finally, as a summary of the management of each year of the agreement’s implementation, the beneficiary institution shall prepare and publish its results in a Year Book of Performance Indicators.

The cost of the pilot program of Performance Agreements shall amount to US$ 13.5 million.

**Performance indicators of this sub-component shall include:**

- Number of universities with performance agreements under implementation.
- Percentage of baseline funds (AFD) committed for universities with performance agreements.
- Percentage of implementation at study offices (institutional analysis) with support from the Program. Institutional Year Books of performance indicators published.
- Percentage of indicators committed with amounts identical to or higher than those agreed upon.

**MECESUP 2 Project indicators shall include:**

- Number of graduates from higher-level technical training centers and professional institutes transferred to universities.
- Socioeconomic profile of tertiary enrollment by income quintile (total, first and last year of studies).
- Drop out rate in the first year of undergraduate studies.
- Percentage of indicators committed with amounts identical to or higher than those agreed upon.
- Surveyed perception of employers on the quality of graduates and degree holders of tertiary education.
- Number of full-time academicians and total number of academicians with Ph.Ds.
- Annual graduation of Ph.Ds. in Chile (by area of discipline).
- Socioeconomic profile of students in tertiary education in their last year of studies.
- Percentage of public funding for higher education awarded competitively or based on performance.
- Degree of implementation of a Transferable Credit System and of national student mobility.

**B. Key Policies and Reforms**

In analyzing sectoral aspects, some weakness of the supply side of education have been taken into account which persist in the higher education system in spite of actions implemented and the evident achievements of the MECESUP Program. These weaknesses can be classified into three categories:

1. **Unresponsiveness to the circumstances**

2. **Internal inefficiencies and weakness in management.**

3. **Dissimilar quality.**

Current policy objectives of the Chilean government intend to gradually solve these structural weaknesses through innovative reforms that are expected to be implemented decisively through time. Actions proposed in the MECESUP 2 Project are consistent with these needs.

**1. Unresponsiveness to the circumstances**

The higher education system in Chile, particularly at university level, is noted for offering education in long cycles, for being excessively rigid, being teacher-centered and on demonstrating knowledge, with little consideration for the outside world and industry. From an international perspective —and compared to highly developed countries— it is not attuned to training processes in those countries, which feature short cycles and allow exit at intermediate points, have student-centered flexible programs, include demonstration of competencies and learning results and show increasing consideration for users
and production fields. This lack of responsiveness to existing national and international circumstances can seriously affect Chile’s development opportunities and possibilities and its shift to a knowledge-based economy. Fortunately, in the area of higher-level technical training, progress has been made in curricular renewal based on labor competencies and the needs of the production sector. Together with the free trade agreements that Chile recently signed with several industrial countries, this has made it possible to place these concepts and needs on the agenda for the discussion on higher education. However, the reality of an educational supply of dissimilar quality persists and it exceeds higher-level technical education at a ratio of 6 to 1 in contrast to the developed countries where this ratio is exactly the reverse.

The Chilean government’s educational policies explicitly set out the fundamental tasks for tertiary education in the 21st Century, emphasizing that the future progress of the country will be increasingly linked to the development of its abilities to create, use and disseminate knowledge. This calls for training graduate students, high level professionals and technicians who can effectively contribute to the development of production, science, technology and innovation. It means broadening coverage with equity and educating growing segments of the population at different stages in life, introducing deep changes to undergraduate teaching to attune it to the renewal that post-secondary training is experiencing world wide, abandoning rigid curricula for more open and flexible programs and delivering generic and transversal competencies that are essential in today’s world.

The first targeted actions in the curricular renewal of Chilean universities, including specific elementary teacher study programs have been launched by the MECESUP Program Competitive Fund through its 2004 Special Competition (the last of the series) that will allocate US$ 6 million to finance curricular innovation projects to make it possible to achieve significant initial results in terms of flexibilization and curricular articulation, encourage the national academic mobility of students and explore methods to allow matching studies and concurrent graduation and degrees between national and foreign universities.

MECESUP 2 Project, through its Component 2. Sub-component 1. Competitive Fund for Academic Innovation, is central to this reform effort and is considered essential to support sustained curricular renewal action in Chilean higher education, both in the field of university education and training of higher level technicians as well as in the necessary flexibility and articulation that students require to achieve effective horizontal and vertical mobility in a lifelong education strategy. On the other hand, it will be a defining factor to establish and support priority areas for training advanced human resources, through prominent contributions to scientific, technological and innovation capabilities on a national and regional level.

2. Internal Inefficiencies
Disproportion in the educational supply and the number of degrees offered versus insufficient specialization among tertiary education programs are a source of waste in Chilean tertiary education. Deficiencies in learning results and general competencies in elementary and secondary education, together with a lack of remedial measures, affect the quality of income and retention rates in the first years of schooling. On the other hand, defects in curricular design (which is too rigid and long), together with a frequently excessive workload for students, have an impact on approval rates in courses and on drop-out rates. As a cumulative effect, studies extend over an extremely long period—two or more years above the originally planned duration—and thus graduation rates or the time it takes to obtain a degree are 50% below the rate for each cohort. This involves a huge social cost for the families and the country which is increasingly limited in terms of resources (both in support of institutions as well as in student aids) to care for the growing demand for higher education. In short, this reveals severe problems of inequity.

Tertiary education policies for curricular renewal in the Chilean system are aimed at improving the efficiency of the supply side of education, by intervening in the inflow of students with insufficient competencies through remedial learning mechanisms; educational processes through an aggressive redesign of the curriculum based on competencies, the redefinition of academic loans and the real workload of students, modernizing teaching and learning methods and their evaluation; and considering end users to better define the pertinence of the programs offered and the students’ employability.

The MECESUP 2 Project, through its Component 2. Financing Sub-Projects to Increase Consistency, Efficiency, Equity and Quality of Tertiary Education, Sub-Component 1. Innovation Sub-Projects for Tertiary Education Programs and Sub-Component 2. Sub-Projects to Encourage Institutional Effectiveness in Critical Areas, centers its efforts on improving the efficiency and effectiveness of teacher administration to the benefit of students, to ensure a more pertinent entrance into the workplace with permanent possibilities for lifelong education. Furthermore, with the experimental introduction of resource allocation through performance agreements, it expects to support (at MINEDUC and selected university institutions) the structured management of academic improvement initiatives and the implementation of more appropriate data systems, monitoring and evaluation for development projects. These capabilities shall be supported by Component 1. Strengthening the Institutional Framework for Tertiary Education and its Sub-Components.

3. **Dissimilar Quality**

Chilean tertiary education is characterized by institutions—both the traditional ones associated to CRUCH as well as the new private ones—which, once they attain autonomous status can exercise it almost fully, thereby forming two sub-systems which are essentially not integrated and deregulated. The state has not only delegated onto these institutions the creation and continuity of the supply of education but also the responsibility of granting degrees and
authorizing people— for life— to practice their professions. This decision has given rise to an institutional supply and a diversity of educational programs that benefits students and their families, but with a dissimilar quality weakly guaranteed which makes it difficult to determine its actual quality and, therefore, make well informed decisions.

In an effort to correct this situation, the Ministry of Education decided to design and implement— through the MECESUP Program— an experimental strategy of quality assurance for higher education, based on self-regulating processes of academic improvement and external accreditation. The results have been successful and now all that is lacking is the approval of a definitive law of national accreditation for programs and institutions to regulate this matter in future and thus inform all stakeholders in a transparent manner. However, in spite of the progress that has a positive impact outside the sphere of the institutions themselves, the weaknesses mentioned above still subsist in the institutions due to the slow internalization and implementation of these processes and the difficulties inherent to change. Thus, there is still much room for improvement, particularly in the renewal of higher ranking academicians and in the development of research and postgraduate programs, particularly at a doctoral level, in areas that are deficient and/or strategic for the country.

The MECESUP 2 Project, through its Component 2 and its sub-components, intends to consolidate the quality assurance processes it has initiated by treating the action plans consistently (so as to adjust quality) which emerged as result of the strategic diagnoses of the self-evaluation processes and external peer review.

C. Benefits and Target Population

The MECESUP 2 Project, through its Component 1. Sub-Component 4. Implementation of a Higher Education Observatory and Component 2. Sub-Components 1 and 2, will directly benefit eligible Chilean tertiary education institutions and through these, indirectly, their student populations, academic communities and the national production industry.

According to the different sub-components and lines, institutional eligibility for Component 2 will be limited to the following:

*Sub-Component 1. Innovation Sub-Projects for Tertiary Education Programs. Competitive Fund for Academic Innovation*

Line 1. Higher level technical training. CRUCH universities and autonomous institutions that train high level technicians and that are in the process of obtaining their institutional accreditation.

Line 2. Undergraduate university training. CRUCH universities and—in the case of teacher education study programs—other autonomous universities that already have institutional accreditation and that present projects with accredited programs or are in the process of accreditation.
Line 3. Graduate university training. CRUCH universities and autonomous universities with institutional accreditation that present projects with accredited graduate programs or are in the process of accreditation.

**Sub-Component 2. Sub-Projects to Encourage Institutional Effectiveness in Critical Areas. Performance Agreements**

This component will be implemented as a pilot project in Phase 1 at state universities selected by MINEDUC and extended in Phase 2 to the remaining CRUCH universities.

The potential beneficiary population of all these initiatives and coverage is estimated, by sector, as follows:

- Higher level technical training: 30,000 students, 50% of the sector.
- Undergraduate university education: 230,000 students, 100% of CRUCH, 66% of the university sector.
- Graduate education (Ph.D. level): 2000 students, in accredited programs that represent 60% of all national programs offered.

For institutions receiving subsidies from this Project, the following improvement benefits are estimated:

- Equity in access to government development resources.
- Institutional management capabilities.
- Academic staff quality, expressed in higher academic degrees and training in country and abroad.
- Efficiency in teaching processes and main performance indicators in programmatic and institutional terms.
- Quality of graduates and degree holders with a higher degree of pertinent employability.
- Research skills and Ph.D. degrees.
- Ability to be attuned and responsiveness to the circumstances
- Ability for public accountability.

The following improvement benefits are estimated for the Chilean tertiary education system:

- Institutional management capabilities.
- Ability to generate information, monitoring and evaluation of national higher education and establish comparisons with other countries
- Responsiveness.
- Efficiency and effectiveness in allocating state resources.

**D. Lessons Learned from the MECESUP Project**

In 2004, the Budget Directorate of the Ministry of Finance completed its assessment of the MECESUP Program, as part of its ongoing activities of
Evaluation of Government Programs, and came to the conclusion that “the continuation of the Program is justified given that the problems that originated it, i.e. quality, equity and articulation of the tertiary education system, continue to exist”. Although the actions undertaken by MECESUP are not directly related to all the problems mentioned above, the assessment recommended making emphasis on the following:

- Monitoring and evaluation of the projects awarded through the Competitive Fund centering on their qualitative aspects and on increasing the quality of the educational supply favored by the projects; that is, targeting the achievement of results and their impact.
- Making available the Funds benefits to all institutions in the tertiary education system; that is, raise student coverage.
- Increase public accountability for resources provided by the state for higher education, that is, enhance transparency by providing prompt information to the community.
- Design programs or actions to address social inequity in access to higher education, that is, favor equal opportunity in access.
- Effective articulation of the Chilean tertiary education system, that is, achieve effective student mobility

The assessment further states that “the MECESUP Program is an innovative program by introducing in tertiary education institutions a cultural change through the Competitive Fund in the field of strategic management of the institutions themselves. The sole fact of generating innovative ideas, submitting projects, managing them and starting to implement the projects is an innovative transformation in the operating methods of tertiary education. On the other hand, allocating resources on a competitive basis to institutions that voluntarily want to improve the quality of the services they supply is an important achievement since institutions that have the human resources but lack the funding would have been unable to implement their innovative ideas, improvements and research. Thus, the MECESUP Program has promoted the search for the most adequate academic levels for Chile”.

This general assessment of the MECESUP Program, in addition to the intermediate assessment of the Competitive Fund, the evaluation including national and international peer review of the (completed) sub-projects for the 1999 and 2000 Competitive Proposals (in the field of higher level technical training) of the Fund and the experiences in implementation in the Program’s Coordination Unit, make it possible to state that important lessons have been learned in the following areas:

- Policy guidelines.
- Resource allocation instruments.
- Management capabilities of the beneficiary institutions.
- Public accountability.

1. Policy Guidelines
The MECESUP Program, as part of the Higher Education Division of the Ministry of Education, has made it possible to define, specify, and materialize renewed policies in tertiary education (and specific bills for new laws) in the area of higher level technical training, student aids, efficiency of solidarian loans, quality assurance (self-evaluation and accreditation) and the legal framework of state universities. On the other hand, through the Competitive Fund, promote renewal and further academic training, modernize the libraries of universities associated to the CRUCH and data management, information and communication technology, the processes of teaching and learning, focusing efforts on students and significantly reinforcing doctoral programs, enrollment and graduation in Ph.D. programs, and the like.

Most of these achievements are based on a general strategy (based on “entries”) for development and investment in academic infrastructure that left it up to the Higher Education Division to determine certain programmatic guidelines to improve higher education and deposited total government trust and authority in the beneficiary institutions for them to develop actions aimed at innovation and academic improvement consistent with the needs and priorities established in their strategic planning, in the framework of said guidelines and a regulatory administrative framework established by the IBRD.

The achievements to date show that this strategy has been possible and successful, even though some time will still be required to prove its impact. Eligible institutions have responded willingly and decisively to the policy guidelines or “signals” issued by MINEDUC and have abided by the “rules of the game” and the increasing requirements of public accountability. This shows the importance of issuing timely “signals” that tend to produce growing “responses” to changes as well as improvement. By contrast, opportunities are lost when more specific signals are omitted or not targeted.

MECESUP 2 Project is built on the foundations, lessons and results of the MECESUP Program, but it now centers its actions on objectives increasingly based on “priorities” and “exits”:

- Priority areas.
- Consolidation of quality assurance by implementing its results (quality adjustment).
- Internal efficiency of teaching processes and effectiveness.
- Demonstration of results achieved and impact.
- Transparency through public information.

2. Instruments for Resource Allocation

The MECESUP Program proposed, as a single method for awarding development resources to eligible institutions, allocating them through competitive mechanisms based on projects, managed according to policies, plans and strategic institutional priorities, evaluated by peers or specialists external to MINEDUC and awarded by the Minister of Education based on the foregoing grounds and recommendations of the Fund’s Governing Council and specialized area committees. This instrument was developed to gradually replace the former
Institutional Development Fund (FDI) that essentially operated on the basis of historical awarding criteria. At present the Competitive Fund is the only state instrument that supports tertiary education as a way to promote investment in academic infrastructure.

Although the results of the Competitive Fund, for the competitive proposals called for the period 1999-2003, show the achievement of their main objectives in terms of awarding, academic promotion, geographical equity and management, statistics also show deficiencies in resource allocation for state university institutions, especially in the regions and/or in strategic areas for national development, such as the renewal of academicians at doctoral level, graduate level and education, which can turn into a threat for institutional sustainability or a constraint for its future development.

The MECESUP 2 Project takes this lesson duly into consideration since it shows the inadequacy of using a single award instrument (in this case a competitive one) to solve all the problems of academic development faced by institutions as complex as universities. Consequently, the project introduces a second funding instrument, Performance Agreements, which can supplement the competitive advantages of the Fund with high level negotiation at selected CRUCH universities to agree on objectives and results expected from the institutional sectoral development including public accountability. And in the case of academic renewal, the decentralized management of further training scholarships to train academicians with Ph.Ds. in the sub-projects, is supplemented with a centralized line of scholarships with matching funds shared with bilateral agencies that operate in Chile.

3. Management Capabilities of Beneficiary Institutions

All external evaluation reports on the MECESUP Program and the Competitive Fund referred to above have determined and emphasized the importance of the Program to create or strengthen the management capabilities of the beneficiary institutions and generate a new academic culture to answer to corporate needs and their priorities, take innovative action to resolve them, propose a more responsible approach to autonomy and management and respond to the increasing demand for public accountability from the state. A particularly positive feature has been the inclusion of corporate strategic plans, establishing priorities to present proposals to the Competitive Fund, monitoring and evaluation on the achievement of objectives through performance indicators and the implementation of transparent and rigorous procurement standards (IBRD).

However, much remains to be done in terms of institutional management in Chilean higher education. Some higher education authorities (particularly Academic Vice-Chancellors) have a notorious difficulty to keep under control the management and supervision of the projects awarded. Other difficulties include deficient organization in the Institutional Coordination Units, poor integration among associated projects, inoperative advisory committees for the projects, slowness in the progress of some projects and in the use of resources,
the instrumental nature of some strategic institutional projects and inadequate handling of monitoring and evaluation activities and performance indicators. In conclusion, it can be said that most higher education institutions have not yet established adequate study or analysis units that provide effective information and analysis support to the higher university authorities for decision-making and that they have also failed to efficiently integrate their institutional management units to effectively manage external development resources.

The MECESUP 2 Project draws on the lessons from the MECESUP Program, reinforcing specific objectives with new opportunities for risk evaluation, management improvement, particularly with regard to monitoring of activities and use of resources; generating information for management, evaluation of activities, results and impact; determining and measuring performance indicators and training professional staff for data management, analysis of management, negotiation and evaluation of impact. These issues have been programmed in Component 1. Sub-Component 4. Higher Education Observatory and Component 2. Sub-Component 2. Sub-Projects to Encourage Institutional Effectiveness in Critical Areas.

4. Public Accountability

The MECESUP Program, through the Competitive Fund, has been a successful initiative in introducing public accountability for state resources to tertiary education. Sub-projects awarded by the Fund include, from the start, important monitoring and evaluation measures on the achievement of objectives and committed results by the beneficiary institutions. Including performance indicators ex ante has meant quite a learning experience, both for the project managers as well as for the Fund and the Program itself. And, gradually, progress has been made from indicators or compliance goals of activities to real performance and impact indicators. Nevertheless, there still are too many indicators, which are not always independent of each other and which need to be streamlined.

The MECESUP 2 Project will progress to the implementation of major public accountability, through Component 2. Sub-Component 2. Sub-Projects to Encourage Institutional Effectiveness in Critical Areas, Performance Agreements.

V. COSTS

A. Summary

The cost of the MECESUP 2 Project. Tertiary Education for the knowledge society is summarized below, broken down by components and subcomponents, stated in US$ millions and percentage of expenses:
### MECESUP 2 Project. Summary of Costs, in US$ millions

<table>
<thead>
<tr>
<th>MECESUP 2 Project</th>
<th>91.25</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1. – Strengthening the Institutional Framework for Tertiary Education</td>
<td>8.0</td>
<td>8.7%</td>
</tr>
<tr>
<td>Sub-Component 1. Improve Monitoring and Regulation of Tertiary Education</td>
<td>1.0</td>
<td>1.1%</td>
</tr>
<tr>
<td>Sub-Component 2. Strengthening Policies and Strategies for Tertiary Education</td>
<td>1.5</td>
<td>1.6%</td>
</tr>
<tr>
<td>Sub-Component 3. Consolidation of the National Quality Assurance System</td>
<td>2.5</td>
<td>2.8%</td>
</tr>
<tr>
<td>Sub-Component 4. - Implementation of a Higher Education Observatory</td>
<td>1.5</td>
<td>1.6%</td>
</tr>
<tr>
<td>Sub-Component 5. Project Management</td>
<td>1.5</td>
<td>1.6%</td>
</tr>
<tr>
<td>Component 2. Sub-Projects to Increase Consistency, Efficiency, Equity and Quality in Tertiary Education</td>
<td>83.25</td>
<td>91.3%</td>
</tr>
<tr>
<td>Sub-Component 1. Innovation Sub-Projects for Tertiary Education Programs. Competitive Fund for Academic Innovation</td>
<td>69.75</td>
<td>76.4%</td>
</tr>
<tr>
<td>Higher level technical Education</td>
<td>7.0 (10%)</td>
<td>7.7%</td>
</tr>
<tr>
<td>Undergraduate University Education</td>
<td>46.5 (67%)</td>
<td>51.0%</td>
</tr>
<tr>
<td>Graduate University Education</td>
<td>16.25 (23%)</td>
<td>17.7%</td>
</tr>
<tr>
<td>Sub-Component 2. Sub-Projects to Encourage Institutional Effectiveness in Critical Areas. Performance Agreements</td>
<td>13.50</td>
<td>14.8%</td>
</tr>
</tbody>
</table>
VI. INSTITUTIONAL ORGANIZATION

A. Organization Responsible for Implementation

The MECESUP 2 Project in general and, in particular Component 1. Strengthening the Institutional Framework for Tertiary Education, will be implemented throughout the system. Component 2. Financing Sub-Projects to Increase Consistency, Efficiency, Equity and Quality in Tertiary Education will be implemented throughout the system and also institutionally in CRUCH universities (Sub-Component 1, Competitive Fund for Academic Innovation. Undergraduate University Education), in all accredited universities with doctoral programs in the process of being accredited (Sub-Component 1, Competitive Fund for Academic Innovation. Graduate University Education), in a sample of accredited state universities (Sub-Component 2, Performance Agreements) and in higher level technical education institutions in the process of licensing (to obtain autonomy) (Sub-Component 1, Competitive Fund for Academic Innovation. Higher Level Technical Training).

In terms of the system, the MECESUP Program 2 will be implemented using the existing structures at the Higher Education Division (DESUP) and the Coordination Unit of the MECESUP Program (UCP). The latter reports directly to DESUP with departmental features, although its staff is not formed by permanent hire personnel but rather by consultants whose contracts are renewed annually. The UCP will be responsible for all procurement procedures and disbursement activities on a central level, as well as for monitoring and supervision of procurement and disbursements of the beneficiary institutions and individual academic programs. The UCP has the experience and ability acquired during the development of the MECESUP Program, which has enabled it to manage a considerably large project, implement the fiduciary procedures of the IBRD, conduct the follow-up on their implementation and provide technical assistance to the beneficiary institutions.

Institutions, on the other hand, will use their planning, development or research units as Institutional Coordination Units (UCI) to manage and/or supervise the programmed activities in the projects awarded through the MECESUP Program 2. These UCIs have already been used in the development of the MECESUP Program. These units will have “ascending” and “descending” flow duties. The former will facilitate institutional activities for project preparation and performance agreements for the Competitive Fund; the latter will focus on implementation, that is, monitoring and evaluation of activities and results, fiduciary management and making the necessary arrangements for the performance agreements.

B. Project Management

The UCP has a full time Coordinator General that manages the project and reports to the Head of the Higher Education Division (DESUP). The work team is organized into sub-teams, one for each component. Each sub-team has its own activities coordinator, the Head of Components. The General Coordinator and the Heads of Components form the Project Coordination
Committee. The Head of DESUP is also part of this Committee. On the other hand, staff responsible for financial management, procurement and monitoring and evaluation, closely coordinate their work organized as the Program’s Administration Unit (UAP) and form the project information system.

C. Supervision and Coordination Mechanisms

The Ministry of Education’s DESUP will establish the appropriate channels to determine the structural framework for the tertiary education system, establish priorities for the Academic Innovation Fund and define the performance agreements and their negotiation.

Furthermore, the project will be effectively coordinated with other units that provide support to tertiary education, such as CONICYT (specifically its Human Resources Department, the Science and Technology Bicentennial Project, and FONDEF), the Millennium Initiative and the quality assurance and accreditation agencies CNAP and CONAP or the definitive legal organizations determined for these purposes.

D. Quality Assurance

The project’s UCP, together with University Chancellors and higher academic authorities of eligible tertiary education institutions and beneficiary institutions shall prepare—at the end of each fiscal year—an annual report summarizing the following:

i) The state of progress of the activities being implemented at the beneficiary institutions, based on the performance indicators agreed upon.

ii) The activities of the UCP, together with data on the evolution of the performance indicators agreed upon.

iii) Progress in the implementation and problems encountered during the preceding year.

iv) Reviewed implementation plan for the following year, establishing the recommended measures to ensure efficient implementation of the project and the achievement of objectives in the following year.

The Ministry of Education’s DESUP will consider maintaining the external advisory services of the International Advisory Committee implemented during the development of the MECESUP Program.

E. Monitoring and Evaluation

The monitoring and evaluation (M&E) module of the MECESUP 2 Project has been designed to:

(i) Monitor project progress toward its Development Objectives.
(ii) Provide information for the remedial actions needed in the course of its implementation.
(iii) Collect lessons on the effectiveness of the different components proposed.

The M&E module develops its activities under Sub-component 1.4, aimed at strengthening the capabilities of the MINEDUC to supervise and manage the tertiary education sector by implementing a Higher Education Observatory. Furthermore, Component 2 will provide support to beneficiary institutions to establish data systems and internal institutional analyses. This module has 20 quantitative results indicators, exit flows and process indicators, based on a methodological approximation of a causality tree (PAD, Annex 3). To obtain a more complete evaluation, two baseline evaluation surveys will be prepared: one for the perception expressed by business leaders on the quality of graduates or degree holders of tertiary education, and another on the perception of university leaders on the policy instruments of the DESUP. The surveys will be conducted once more towards the end of Phase 1. For both surveys, well-known sampling techniques will be used to ensure representativeness.

In addition to the M&E activities, the project will carry out an external impact evaluation of the Innovation Fund, to be performed towards the end of Phase 2. This evaluation will measure impact by applying rigorous evaluation methods, taking into account the lessons learned from the external evaluation of the MECESUP Program. Activities programmed in Phase 1 will include the establishment of appropriate control groups and base lines for the awarded sub-projects.

F. Financial Information

The Project’s Program Administration Unit (UAP) will be responsible for its financial management, accounting and report preparation, in addition to ensuring the external auditing of all expenses related to the project. The UAP will receive the information from the beneficiary institutions, and will report to the Coordinator General. The general audits of the project will be carried out on an annual basis by the Office of the Chilean Comptroller General and they will be sent to the BIRF within a period of six months upon conclusion of the fiscal year.