Public Disclosure Authorized

Report Number : ICRR0021433

1. Project Data

Project ID	Project Name
P122194	PE HIGHER EDUCATION QUALITY IMPROVEMENT
Country	**Practice Area(Lead)**
Peru	Education

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IBRD-82120	01-Apr-2018	24,828,146.15
Bank Approval Date	**Closing Date (Actual)**	
04-Dec-2012	01-Apr-2018	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	25,000,000.00	0.00
Revised Commitment	24,828,146.15	0.00
Actual	24,828,146.15	0.00

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2. Project Objectives and Components

a. Objectives

Project Development Objective (PDO): to improve the Borrower's higher education quality assurance (QA) system through the promotion of self- and external evaluations, the financing of improvement plans and the provision of information (Loan Agreement dated January 15, 2013, Schedule 1).

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

No

c. Will a split evaluation be undertaken?

No

d. Components

The project contained three components: A, B, and C (ICR, para. 12)

Component A: Development of Methods, Instruments, Norms and Capacity for Evaluation and Accreditation (appraisal cost US$ 7.9 million, of which International Bank for Reconstruction and Development (IBRD) portion US$ 3.80 million; actual expenditure US$ 2.27 million).
--A1: Enhancing management, planning, and evaluation capacity of public entities in charge of higher education QA by developing standards, norms, and procedures for evaluation and accreditation.
--A2: Strengthening of the capacity of higher education institutions (HEIs) to engage in internal and external evaluation processes including learning from regional and international experiences.
--A3: Provision of support for technical and administrative management of the project.

At restructuring, the title of Component A was broadened in coverage and subcomponents modified to reflect institutional changes from the Government's new University Law.

Component B: Development and Consolidation of a Higher Education (HE) QA Information System (appraisal cost US$ 5.29 million, of which IBRD portion US$ 2.49 million; actual expenditure US$ 1.55 million).
Originally, Component B had two "graduate observatory" sub-components: **B1, for collecting and monitoring information on standards, criteria, indicators**, and the institutions' uptake of them; and **B2 for collecting information on HE graduates** and their success in job markets (employability, salaries). **B3 was to finance sector studies**, four of which were named in the loan agreement (one a before-after/with-without evaluation, hereafter "impact evaluation").

At restructuring, the title of component B became more outcome-oriented: "Provision of Knowledge and Information about Higher Education". Restructuring also took account of the fact that the Government had taken over financing of the graduate observatory dealing with student data (B2), leading IBRD to provide complementary support to the broader system that subsumed it, the HE Information System (SAIS) (B1) and allowing development of more specialized information technology (IT) tools (see below). SAIS also came under responsibility of a different Government agency than originally planned at appraisal. Also, at Restructuring, the second system B2 was renamed the QA Information System (SAES), which became a module within the SAIS. Sub-modules were later developed to deal with special needs – e.g. SAES-L for licensing, and a Call for Proposals Management System (GPROC) for administration of the application and bidding process of the Fund for Quality Enhancement (FEC) (Part C below).These subsystems were identified separately, as separate Government entities were responsible for their operation and maintenance (TTL).

Component C: Fund for Quality Enhancement (FEC) (appraisal cost US$ 39.06 million, of which IBRD financing US$ 18.71 million; actual expenditure: US$ 21.15 million).
--C.1: External evaluation of non-university HE institutes and schools participating in the project, by an accreditation agency of their choice, after completion of self-evaluation.
--C.2: Implementation of improvement plans (PMIs) for higher education institutions (HEIs) based on the results of the self-evaluations and external evaluations, to raise the standards that were not previously met under the Government's quality model. A self-evaluation was required to be eligible for FEC assistance. Thereafter, an application process to meet quality standards was required.

At restructuring, sub-components C.1 and C.2 were modified to include financing of Adjustment Plans required for university licensing and Strengthening Plans for emblematic universities (due to University Law) (ICR, para. 15). The initial quality of applications was low, leading to the provision of additional technical assistance (TA).

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

Project Cost: For the original project, total project cost was US$ 52.17 million. The ICR does not provide information on the actual total project cost.

Financing: US$ 25 million was to be financed by IBRD at project approval. At closing, actual disbursements of the IBRD portion were US $24.83 million (ICR, pp. 2, 70).

Borrower Contribution: At approval, plans were for the Government to provide US$ 27.17 million. The TTL stated that Government financed part of Component B, but neither the Restructuring Paper nor the ICR provide data on actual Government counterpart funds spent.

Dates: The project was approved on December 4, 2012, and became effective on May 8, 2013.The restructuring was approved on September 1, 2016. The amended Loan Agreement was dated October 13, 2016. The mid-term review (MTR) was postponed, given implementation delays, and was eventually dated October 24, 2016. The original closing date of April 1, 2018, was not revised, though the ICR states that "the implementation period was extended one year" (ICR, para. 33).

Restructuring: A Level 2 restructuring was approved on September 1, 2016 that responded to low performance ratings and disbursement rates resulting from University Law No. 30220 and the Ministry of Education's (MINEDU's) new organizational rulebook (approved by Supreme Decree No. 110-2013-MINEDU). In response, MINEDU changed the project's responsible agencies in June 2015 and temporarily suspended implementation of activities under Components A and B as responsible officials considered the role their ministry wanted to play in the higher education system. The restructuring took steps to help the project regain momentum and make design conform to legal provisions: a) description and coverage of some components were broadened; b) Component B was redesigned to take account of expenditures GoP made on the SAIS; c) funds were reallocated to favor Component C; d) implementation

responsibilities were changed; e) the results framework (RF) indicators and targets were updated; f) affected legal provisions were amended; and g) the overall risk category was upgraded to substantial (ICR, paras. 13-16, TTL).

3. Relevance of Objectives

Rationale

The PDO was consistent with both the previous Country Program Framework (CPF for FY12–FY16) and the current one (FY 17-21) (ICR, para. 18). Pillar 1, "Productivity for Growth," a part of the current CPF's Objective 3, highlights that technology absorption and managerial capacity of business in Peru requires scarce skills not currently available, as the demand for secondary and tertiary workers continues to outpace supply. The PDO was also fully aligned with the Government's three strategic priorities as reflected in the Country Partnership Strategy (CPS) for FY12–FY16 (Report No. 66187-PE): (a) economic growth, (b) social development, and (c) modernization of institutions (ICR, para. 44). Specifically, in the education sector, the Government was committed to increasing the quality and relevance of tertiary education following the approval of its National Education Project 2021 (NAP21) that resulted in the legal creation of the Higher Education Quality assurance (QA) system, SINEACE, in 2006. (ICR, para. 20, 42). The TTL said NAP21 laid out policy prescriptions but did not provide the necessary funding for implementation.

IBRD had a comparative advantage to help address higher education QA issues. It had completed analytical work on such constraints in Peru ("Strengthening Skills and Employability in Peru," (Report No. 61699-PE) and Policy Note 11 focusing on the challenges Peru faced in strengthening human capital. IBRD also had substantial experience with similar projects in the region (Chile, Argentina, Colombia) (ICR, paras. 43, 45).

Although the PDO was not overtly outcome-oriented, there had been no previous HE projects in the country. Thus, it was appropriate that the project focused on a significant foundational weakness: the lack of QA aside a multiplicity of institutions without adequate resources to perform their functions (TTL).

Rating

High

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

To improve the Borrower's higher education QA [quality assurance] system through the promotion of self- and external evaluations, the financing of improvement plans, and the provision of information.

Rationale

The PDO defines one objective, "to improve the Borrower's higher education quality assurance system," with three main means of achieving this objective as promotion of self- and external evaluations (a), provision of information (b), and financing of improvement plans (c). The assessment below considers the outputs and outcomes arising from each of these three paths. The assessment also takes into account that the project focused only on selected career programs in public institutions, 55% of all higher education institutions.

Some outputs and outcomes below are marked "partial attribution," "plausible attribution," or "full attribution," to indicate IEG's assessment of the strength of the case being made for attribution of the particular output or outcome to project activities; see the table below for an explanation of each of these abbreviated descriptions:

Abbreviated description	means IEG's assessment is that...
Partial attribution	...the ICR provides insufficient evidence to make a case that achievement of the particular output or outcome is solely and fully attributable to project activities
Plausible attribution	...the causal logic explained in the ICR is strong enough to infer attribution, and some evidence supports the case that achievement of the particular output or outcome is at least partly attributable to project activities
Full attribution	...the ICR provides sufficient evidence to make a case that achievement of the particular output or outcome is solely and fully attributable to project activities

(a) Improve Peru's higher education QA system <u>through promotion of self- and external evaluations</u>: The results chain called for all public universities to undergo self-evaluations, according to standards previously set by coordinating bodies. This first step was required to access the Fund for Quality Enhancement (FEC), thus creating incentives for self-evaluation.

<u>Outputs achieved:</u>

--Enabling Intermediate Outputs included <u>development of methods, instruments, norms and capacity</u> of the public entities in charge of Higher Education QA, as well as accreditation agencies (ICR, para.12). All evaluations counted below are standards-base (TTL).

<u>--Self-Evaluations:</u> The ICR's Annex 1 (which is the source of all data mentioned in this section unless noted otherwise) recorded 1383 self-evaluations completed against a baseline of 0, and against a target revised after restructuring (hereafter "revised target") of 1100 (PDO indicator 1) (<u>full attribution</u>).

--External Evaluations: The PDO Indicator 2 recorded 456 external evaluations "finalized as part of the process for higher education QA" compared to a baseline of 0 and a revised target of 190. However, the ICR later identified in para. 21 only 60 "[public institutes] that required external evaluation as a final step in ...[SINEACE accreditation] as having received financing under the FEC (presumably for external evaluations -C1). (ICR paras. 20, 21) This subset, measured in intermediate results indicator (IRI) 6, exceeded its baseline of 0 and target of 54; full attribution is certain only for the 60 external evaluations financed by the FEC.

Outcomes achieved:

The project results framework did not contain indicators on licensing or accreditation (the latter of which would have been a higher standard). However, the ICR reported some figures which are difficult to reconcile: the ICR (para. 21) states that nearly 80% of the 60 institutes receiving external evaluations financed by the FEC achieved accreditation (suggesting that 48 institutes achieved accreditation), while (in para. 21), the ICR cites figures which amount to 68 institutes and 29 universities reaching accreditation among those receiving project service (full attribution).

(b) Development and consolidation of a HE QA information system:
The results chain incorporated improved information systems to provide incentives, promote accountability and help ensure improved productivity was translated into student gains through better student/parent decisions.

Outputs achieved:

--Development of the Higher Education Information System (SIES) (IRI 3): The project updated the information in the GoP-funded Graduate Observatory and enhanced the system. Tailored subsystems of the SIES were implemented in 15 institutes and 20 career programs in 11 universities. The ICR considered this coverage as having met the target of being "fully functional and responsive." (partial attribution, since the Government financed part of the development).

--Sector Studies Published and Consultancies: The project appraisal document (PAD) and Loan Agreement listed 4 studies by name to be financed including the impact evaluation and a deeper social assessment as part of the Indigenous Peoples Planning Framework (IPPF). After restructuring, some changes were made to the choice of studies (and financing added for *implementation* of the IPPF) and the target increased to five. Actual achievement was six, although the ICR did not name them. Other consultancies were also financed after requests by various agencies (ICR, para. 35) (full attribution).

Output partially achieved:

--Development of the QA information system SAES, with associated systems SAES-L and GPROC. The project designed and established this QA monitoring system and provided training on its use (full attribution). The ICR stated (p. 34) that SAES is being used for managing self-evaluations and accreditations and contributing data to sector studies. The ICR terms this output "partially achieved" as plans for SAES-L to be

transferred directly to HEIs were interrupted after uncertainty about which agency would host it. For purposes of this ICR Review, however, this output is considered largely achieved.

Outcomes achieved:

--Improved Information and Capacity for Responsible Authorities' Participating in and Monitoring QA. The ICR refers in para. 38 to substantial institutional strengthening resulting from the project. The MTR reported that: (a) the authorities and technical teams in the quality improvement system had come to a better understanding and greater alignment among themselves (more specific evidence lacking); (b) the PCU's implementing capacity had been enhanced (evidence in improved ISR ratings); and (c) participation of HEIs in all calls for proposals increased substantially, as had the quality of the proposals, due to the added TA (ICR, para. 51). Whereas the HEI's with >5% bilingual students had been unable to meet standards in early rounds, 29 of 36 applications were approved in the 8th call for proposals targeted at them, after TA. The development of the SAES and SIES promises to provide increased information for measuring impact in the future (plausible partial attribution).

--Improved Information Accessible to the Public on Quality of HEIs: This system potentially helps students and parents make better decisions about their higher education. The number of website visits (PDO Indicator 4) was 785,033 against a baseline of 0 and a revised target of 300,000. (Partial attribution, since the system was partly funded by government.)

(c) Fund for Quality Enhancement (FEC):
The results chain considered financing of external evaluations and improvements plans (PMIs) an important stage on the path to accreditation. An enabling intermediate output was provision of technical assistance and radio promotion between the 3rd and 4th call for proposals, to ensure an increased quality and diversity of applications.

Outputs achieved:

--60 external evaluations financed by FEC (C1) were completed against a baseline of 0 and a target of 54 (IRI 6) (full attribution).

--257 improvement plans (PMIs) were *financed* (for 60 public universities and institutes) against a baseline of 0 and a revised target of 155 (IRI 6). Of those, 100% were satisfactorily *completed*, namely 257 against a target of 108 (PDO Indicator 3) (full attribution).

--Two examples of the PMIs were provided in the ICR, with tables on the "factors and standards" used, and detailed lists of outputs, e.g. assets and equipment, student centers, software, TA on branding/ image, management strategy preparation, teacher training, curriculum development, study tours, and consultancies.

Outcome achieved:

--Broad equity in quality improvements: HEIs in all 25 regions of Peru benefited from FEC improvement plans. A decision was also taken late in the project to dedicate the 8th call for proposals to HEIs with >5% of indigenous students (see Section 10a) (full attribution).

Other outputs achieved or partly achieved:

Development and Implementation of the new HE Quality Model (IRI 1) was considered by the ICR to be met. However, the CAE evaluation mentioned key structural gaps in the institutional framework still needed at project-end (ICR, para. 62).
Capacity building included training of Government officials, HEI staff, and authorization and training of accreditation agencies early in the project implementation (detailed data in Restructuring Paper (RP)). After restructuring, capacity building indicators were dropped from the Results Framework (RF), so Annex 1 had no updated quantitative statistics, although capacity building was mentioned as an output (ICR, p. 33, para. 21). The project also provided support to the development of a University Quality Assurance Policy (September 26, 2015) (partial attribution).

Reach/Coverage: HEIs that benefited from at least one quality improvement intervention were 411 against a baseline of 0 and a revised target of 350 (full attribution). It is not clear if the activities from which they benefited were all completed. The coverage in terms of percentage of all institutions varies by source-- from about 14% (ICR Annex 4, para. 3) to about 24% (CAE Evaluation, para.10), probably depending on the denominator definition. IRI 8 counted Student beneficiaries, acknowledged as indirect beneficiaries, as 210,660, against a target of 200,000 (ICR, p. 32). These actual figures were not disaggregated by gender (49% was assumed).The precise definition of student beneficiary is inconsistent between the Restructuring Paper and different parts of the ICR. The ICR's economic analysis cited a different figure of 130,225 beneficiaries (Partial attribution; some likely benefitted; others likely did not).

Impact:

One of the sector studies was an impact evaluation that involved self-evaluation scores before and after the project period of both HEIs benefiting from the project and a control group. For universities, quality improved on average by 15.91% (with support) against 0.62 percent (without support). For institutes, the comparable figures were 39.64% (with support) and 15.06% (without support) (ICR, para. 25.) Impact was not measured in terms of learning; a multi-variable quality index was used (TTL) (Plausible attribution; statistical significance of differences not reported).

Rating
High

Rationale

Summary:

The project succeeded overall in strengthening the higher education QA system, creating incentives, and providing financing for self-improvement. For a significant number of institutions, the key indicator targets were exceeded, suggesting a catch-up in implementation, and providing a convincing case for likelihood of further improvements. Efficacy is therefore rated high.

Overall Efficacy Rating
High

5. Efficiency

Economic Analysis at Appraisal:

The ICR stated the following methodology for the PAD's economic analysis (paras. 27–30): it assumed a 10% discount rate and a 20-year time horizon because the benefits of accreditation could only be expected to accrue over time. The calculation of economic benefits considered the following: (a) the salary increase that is associated with the higher productivity stemming from quality improvements in higher education; and (b) the increasing number of graduates that would benefit from the wage premium. The stock of beneficiaries was determined by all those who graduated from an accredited institution five years after accreditation or later. The assumed wage premium for each depended on the income quintile to which they would belong had the accreditation process not taken place, as well as the number of years of accumulated professional experience. Results of the analysis were internal rates of return (IRRs) ranging from 30 to 42 percent. The economist co-author of the ICR later clarified that the factor translating quality improvement to student earnings was based on decreasing the variance of student earnings.

Ex-Post Economic Analysis

The ex-post analysis also used a 10% discount rate and 20-year time frame. The ICR stated that one important difference between the appraisal analysis and the ex-post analysis was the latter's narrower definition of student beneficiaries, which "considered only direct beneficiaries" -- namely, those in institutions that benefitted from at least one of the following: TA, financing of improvement plans, or external evaluations. Although each of these interventions had a different impact, the project reported only average impact (para. 31, footnote 13, Table 4.1). The other difference was that there were now actual data on the number of institutions affected by the project and estimates of the magnitude of the effects from the impact analysis.

A sensitivity analysis was done, with the main focus of variation being the magnitude of the effects of the assumed productivity increase of institutions on "relevant learning" of students. A Mincerian equation, well known in the education literature, was then used to translate that productivity increase and relevant learning into earnings using benchmarks from studies of three developed countries. (ICR, para. 32). The scenarios

tested 0.1 (conservative), 0.2 (middle) and 0.3 (optimistic) as the effect of the productivity increase in HEIs on students' earnings, resulting in an IRR of 11.4% and Net present value (NPV) of $7 million for the low case, and an IRR of 16.7% and NPV of $45 million for the middle case. The other "conservative" assumption employed was that university graduates as a proportion of the population between 23 and 25 years of age would be constant (despite evidence to the contrary in neighboring countries, and a reasonable assumption that some increase in demand for higher education would result from quality improvements) (Annex 4, para. 3).The other variable that might have been the subject of variation in the sensitivity analysis was the number of beneficiaries, given inconsistencies in the ICR. The economist reported that a scenario assuming only half the student beneficiaries (middle case) also resulted in an IRR of 11.4% and NPV of US$ 7 million.

Cost per Student Beneficiary:

If the definition of student beneficiary in the RF is accepted, the cost per student beneficiary – counting only IBRD financing-- was $119 per student. Assuming that the Government fulfilled its counterpart funding pledge and using the lower beneficiary number in the IRR calculations, this cost per student increases to $401. Although neither the ICR nor IEG have compared this figure to benchmarks (e.g. those of similar projects in the region), this seems a reasonable unit cost for the outputs and outcomes achieved.

Implementation Efficiency

Positives: The ICR stated the following qualitative evidence of efficiency: a) procurement processes of inputs for several HEIs were consolidated, yielding more competitive proposals for the FEC; b) due to increased efficiency, the FEC was able to hold two calls for proposals beyond the original Procurement Plan; and c) the project was completed on time while achieving more outputs than originally included in its scope (para.33). The first two of these assertions plausibly demonstrate efficiency of the third component, which was the largest component. However, plausibility of the third assertion is, arguably, lower, based on the following: (a) the implementation period was extended by one year, although the closing date was not extended (ICR, p. 33), and (b) the amount of actual Government funding, and thus the total costs of the project, remain uncertain. It is known that the Government contributed to the second component; in comments from the GP, the task team indicated the amount is small and therefore it is understood total costs did not change much.

Negatives: There were substantial delays in implementation between effectiveness in May 2013 and the passage of the University Law (July 2014) and MINEDU rulebook (January 2015) and between that time and the time of restructuring in September 2016. Due to the two-stage restructuring process, it is difficult to choose a peak in disbursement lags, or its recovery. Disbursements were 21% at March 2016 (Restructuring Paper, p. 8). Government leadership changed, and responsibility for the project was shifted to different agencies. Operations for the first two components were suspended. The ICR did not give the exact dates of all these developments. The ISR record shows a downgrading to moderately unsatisfactory progress on implementation in December 2014, and the same downgrade in the PDO rating in March 2015. The TTL stated that Government leadership had unrealistic expectations of how long the adjustment of the project plan to the new laws and institutional structure would take. While the delays would not have affected estimates of benefits (assumed to begin only five years after project end), they may have affected the cost stream or the synergy of different elements. Also, since information was not provided on actual costs incurred by

Government, any inefficiencies suffered by the Government would not have been captured. The CAE final evaluation stated that technical and administrative efficiency was sub-optimal due to the lack of enhanced monitoring possible with a balanced scorecard (ICR, Annex 5, para. 50).

Summary: Efficiency is rated substantial (rather than high) due to: a) the lack of definitive information on Government counterpart funding and the total costs of the project; b) the fact that, under the low and central case scenarios in the economic analysis, the IRR meets expectations for a similar project in the sector (consistent with a rating of substantial); and c) the likelihood that early delays meant the project was not delivered under a least-cost scenario.

Efficiency Rating
Substantial

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

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	30.00	0 ☑Not Applicable
ICR Estimate	✓	11.40	0 ☑Not Applicable

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

6. Outcome

The project's objectives were highly relevant to country and sector conditions and to Government and IBRD strategy at closing. Efficacy was also high, with key outcome indicator targets exceeded and evidence of continued momentum toward the objective of an improved HE QA system. Efficiency was substantial. These ratings aggregate to an Outcome rating of Highly Satisfactory.

a. Outcome Rating
Highly Satisfactory

7. Risk to Development Outcome

The primary risks are twofold:

a) institutional: The ICR stated that the QA system is on a solid footing, and it would be difficult to reverse the momentum achieved (para. 65); while this is plausible, the CAE evaluation (ICR, Annex 5, para. 62) stated that there are still some structural gaps in the framework (confirmed by the project team)

b) financial: The demand and need for quality improvement services remains high among public HEIs; it is not known if the Government can or will step in and take over financing from IBRD. The coverage achieved by the project (various estimates as cited earlier) is < 25%. As for political risks, there are signs of continued political will, although the project experienced one slowdown due to ministerial turnover in the past, illustrating the possibility of impact from political shifts. Capacity risks exist because the reorganization of SINEACE under the University Act made it necessary for the project to directly undertake much of the TA, without transitional plans clearly in place (CAE evaluation, ICR, Annex 5, para. 47). The institutional framework for implementation of the new QA model remains somewhat incomplete.

The ICR (para. 65) stated that "HEIs on their own are internalizing the use of improvement plans in their routine business models," but it gave no further evidence. The likelihood that HEI outcomes already achieved under the existing project will be sustained is more certain than the likelihood that the HEIs who have not completed the path to accreditation will have adequate incentives to complete it. (The Government would have to provide funds for PMIs.) Thus, there may be opportunities lost to continue momentum and expand coverage of HEIs by the QA system if a follow-on project is not prepared. (According to the CAE evaluation, an Inter-American Development Bank project was planned that would cover only institutes.)

8. Assessment of Bank Performance

a. Quality-at-Entry

Positives:

The objective rightly focused on the foundational impediments to improving Peru's Higher Education system: a multiplicity of institutions with a lack of a QA system. The technical approach was based on both local and international experience (Argentina, Chile and Columbia) and evidence on its effectiveness (PAD, paras. 24-25). The components reinforced each other by providing the necessary norms, standards, tools and capacity-building combined with incentives and financing for improvement plans. The capacity risks were appropriately rated substantial at appraisal, and financial management and procurement assessments performed, followed by inclusion of activities and conditions to mitigate them (PAD, para. 39). An IPPF was drawn up according to IBRD standards to address safeguard issues. The monitoring and evaluation design were sound, and provided for appropriate checks and balances, though it was institutionally complex. Indeed, the whole project emphasized improved data collection and analysis of higher education performance. Provision for sector studies and an impact evaluation was laudable. Gender

disaggregation of indicators was planned. Finally, given capacity of institutions, the decision for FEC to provide direct implementation services rather than grant funding was a good one.

Negatives:

--RF indicators were largely output oriented. The definition of student beneficiary was too broad, inflating IRR estimates.
--The decision to apply the IPPF only to component C may have meant that targeted institutions did not benefit from TA needed early in the project to compete for FEC services; and there was a lack of indicators monitoring the IPPF implementation in the RF. These two factors may have caused these institutions to only benefit from improvement plans late in the project.
--There may have been missed opportunities to pursue studies aimed at confirming assumptions in the economic analysis, e.g. studies focused on actual learning (at least establishment of a baseline).

Quality-at-Entry Rating
Satisfactory

b. Quality of supervision

Positives:

The project team responded promptly and flexibly to the challenges posed by the new University law and MINEDU rulebook and the temporary suspension of components A and B, while maintaining IBRD standards; the ISR ratings were appropriately downgraded below satisfactory. Three milestones were set for the reinstatement of satisfactory ratings, and conditions were monitored carefully. When it became clear that the project description and institutional arrangements were no longer aligned with the loan agreement, the team proceeded pragmatically with a two-stage restructuring (necessary for Peru's investment plan requirements (TTL)), and a level 2 Restructuring for IBRD.

The design of the Restructuring was sound. The adjustment in allocation of proceeds among components responded to decreased need for financing for some systems financed by MINEDU (component B) as well as consistently high demand for improvement plan services. Showing flexibility in allowing adaptation of component B to include new modules (SAIS-L for licensing and GPROC for PMI procurement management) facilitated the catchup in implementation of the project. While the PCU continued to collect a wider range of data, the Restructuring team streamlined the RF indicators. The decision to make the website accessible to all, rather than to require registration, improved transparency. the decision to broaden financing for sector studies to include support for implementation of the IPPF was helpful. The decision to intensify TA, after initial responses to the call for proposals for improvement plans led to poor quality submissions, helped bring a solution to that problem.

Supervision Reports: The ICR (para. 63) stated that ISRs were "timely, clear, and results-focused and provided a strong basis for understanding the issues the Project's implementation was facing and the

progress it was making toward its PDO." For example, after the MTR confirmed that GoP had met the prescribed conditions, the ISR ratings were upgraded.

Negatives:

-- The TTL stated that the IPPF implementation was monitored, but as of late 2016, no targeted institutions (those with at least 5% indigenous student populations) had benefited from FEC's calls for proposals. Only then was action taken providing TA and reserving the 8th call for proposals for the targeted institutions.

-- It is not known if the lack of ICR reporting on the following is grounded in lack of information in ISRs: (a) Government counterpart funding, (b) total project costs and (c) student beneficiaries disaggregated by gender. If so, this gap in ISR reporting is significant. In the GP's comments on this ICR Review, the task team addressed (a) and (b), although with some inconsistency. For purposes of this review, IEG accepts the assertion that changes in counterpart funding (and therefore in total project costs) were small as a share of the original total project costs. However, (c) remains an issue, given that the project financed systems to collect and analyze information on education quality and access. Despite the development of these systems, the task team stated (in the GP's comments on this ICR Review) that gender-disaggregated data on student beneficiaries were not available.
-- The beneficiary definition in the Restructuring Paper was not retained, likely due to difficult measurement.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

Positives:

The positive PAD assessment of M&E capacity was proven correct, and the specialized budget and M&E unit - situated properly outside the Executive Directorate of the PCU to ensure independence - collected a wide range of statistics, including some additional to those in the official project RF list of indicators. Baseline data was collected, as required by the project and the GoP. Although the RF after Restructuring had consolidated some statistics, the ICR cited statistics disaggregated by type of institution, so it is known such data was collected. Gender disaggregation of students was part of the design. Overall, targets for indicators seemed of appropriate ambition, given that, even with implementation difficulties in the early years, significant achievements were recorded by project closure. (A change in the basis of some indicators after restructuring made comparison of

the ambition difficult.)

A major part of the project design was devoted to systems to collect and report statistics on both proximate achievements of the project (evaluations, improvement plan progress) and less direct results (employability and earnings of students.) Provision was made for annual reviews (possibly unrealistic), a mid-term review (MTR) and final evaluation conducted by Council of External Advisors (CAE), with members with respected credentials from both within and outside Peru. A with-without/before-after impact evaluation, as well as other important studies were funded by the project.

Negatives:

The RF indicators were output-oriented (except for the proxy measure for use of the website) and weighted in favor of indicators at the early stages of the results chain. Indicators on accreditation and licensing could have been usefully added, though the TTL stated that the project's objective was not to promote a high level of accreditation per se, but to force HEIs to go through evaluations and quality assurance processes, expecting some not to succeed. Thus, targets would have been difficult to set for accreditation and licensing.

--An issue with the RF indicators that may have affect implementation is the inattention to IPPF (Safeguard) progress Indicators.

-- Finally, using an overly broad definition of beneficiaries that was student-based (as opposed to merely HEI-based) resulted in an overestimate of beneficiaries that arguably overstated the NPV and IRR.

b. M&E Implementation

The ICR stated that "M&E was implemented routinely, and without issues....The implementation teams adjusted the RF in the September 2016 restructuring...in a timely manner" (paras. 56-58). As noted above, the PCU monitored some additional indicators to the project's RF (Annex 5, para. 2), such as percentage coverage of the HEIs' universe by project activities. Although project design called for the CAE to do annual evaluations, in fact, they did only the MTR (delayed due to restructuring) and the final CAE evaluation (TTL). The impact evaluation was implemented and yielded relevant results, though the measures of quality were not fully explained in the ICR (para. 25 – 28)(later elucidated by the TTL). Gender disaggregation of the count of beneficiaries was not reported in the ICR (a % was assumed). It is not known if gender-disaggregated data was collected.

c. M&E Utilization

The TTL confirmed the use of the monitoring system for following progress of the project, identifying and resolving issues, and aiding in reporting in ISRs. The ICR provided several examples of use. For example, M&E information was used to spot check the submission of weak institutional improvement plans under

component C, resulting in major course correction between the third and fourth call for proposals to use radio communications and extend technical assistance to improve quality. M&E information was also used to determine whether conditions for upgrading of supervision ratings had been met, and for the MTR and final CAE evaluation. The impact evaluation findings were a key input to the ICR's economic analysis.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

The environmental category was C. No new construction was planned (PAD, para. 48).

The safeguard triggered was OP/BP 4.10 on Indigenous Peoples. Since the project had nationwide scope, it would affect higher education institutions with indigenous students. Accordingly, an indigenous peoples' plan framework (IPPF) was prepared, discussed extensively with stakeholders, included in the Operational Manual as required (loan agreement, p. 3), and disseminated (ICR, para. 59). However, The PAD team decided to prepare an IPPF for the third component only (FEC) and to have the targeted institutions develop their own indigenous peoples' plans (IPPs). The draft IPPF was shared with indigenous leaders in Lima and indigenous students in Cusco, Iquitos, and Lima that attended HEIs. As a result, the threshold percentage of indigenous students for the mandatory elaboration of IPPs was lowered from 10% to 5%. The project's IPPF provided guidance and a menu of possible activities for the targeted HEIs (PAD, paras. 45, 47).

The implementing agency had limited experience with IBRD's safeguard policies. Thus, project activities included training and ongoing support from the IBRD team for the implementation of the IPPF and compliance with OP/BP 4.10, to: (i) prepare, consult, disseminate, and implement the IPPs; (ii) support HEIs with indigenous students to develop their IPPs; and (iii) monitor the implementation of the approved IPPs. The IPPF was formally disclosed on the higher education council's website and plans made for it to be translated into Quechua (summary translated into 10 other languages (Integrated Safeguard Data Sheet, p. 5)).

Although the TTL stated that IPPF implementation was monitored, the RF indicators did not include such monitoring or disaggregation. The ICR did not discuss the decentralized IPP implementation. The ICR stated that, through late 2016, none of the higher education institutions' improvement plans had addressed the issue of indigenous peoples (due to limited capacity of those HEIs to prepare competitive proposals (TTL)). After review of the MTR, an agreement was reached that the eighth call (of nine) for improvement plan proposals would be targeted at teaching programs specializing in bilingual education, and appropriate TA was provided (ICR, para. 59). In the end, 29 of 33 institutions that presented proposals in this 8th call were awarded funding for PMIs; all were completed satisfactorily by project closure.

b. Fiduciary Compliance

At the time of project preparation, the specified implementing agency, the Higher Council of the National System for Evaluation, Accreditation, and Certification of the Quality of Education (COSUSINEACE), had not yet become a completely operational entity, though steps to become fully operational had been identified and an action plan designed. Thus, Financial management (FM) and procurement risk were judged substantial. To mitigate the risk, FM and procurement assessments were performed to determine the adequacy and mechanisms of COSUSINEACE's arrangements to support project implementation (PAD, para. 39). In response, the project team set three conditions, reflected in the Loan Agreement, to ensure FM conditions acceptable to IBRD. In addition, IBRD specified the composition of the procurement team of the PCU based on number and frequency of transactions and stipulated that the Operational Manual was to include detailed information for procurement. Also, the borrower was to be required to prepare an acceptable procurement plan (PAD, para. 43).

The ICR recorded that early ISR ratings of project implementation dipped below satisfactory in December 2014 (not specifying it problems were related to FM or procurement.) According to the MTR, the project's FM by October 2016 provided sound reporting and controls, and the project's financial records adequately recorded expenditures. This is reflected in the ISR's ratings for that time period – a return to satisfactory. The ICR also stated that the FM rating in the latest ISR was upgraded to satisfactory and concluded that the FM staffing/personnel, budgeting, accounting, internal controls, funds flow, financial reporting, and auditing were adhering to the standards required by IBRD at project closure (ICR, p. 2 and para. 60).

With regard to procurement, the MTR concluded that contracting processes were adequately reflected in the electronic procurement system and made only minor suggestions regarding updating information in the system. At that time, in the fall of 2016, ISR ratings (both PDO and implementation) returned to satisfactory. The ICR reported specifically that the latest ISR upgraded the procurement rating to satisfactory and concluded that the PCU was working satisfactorily to manage and close the goods and services contracts signed (ICR, para. 61).

c. Unintended impacts (Positive or Negative)

None reported.

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Highly Satisfactory	Highly Satisfactory	---
Bank Performance	Highly Satisfactory	Satisfactory	Quality of supervision was rated satisfactory (rather than highly satisfactory) due to moderate shortcomings in monitoring finance information, monitoring of student benefciaries (including gender disaggregation, and late action on capacity limitations of IPPF-targeted institutions in accessing project benefits. Quality at entry was also rated satisfactory.
Quality of M&E	High	Substantial	Quality of M&E was rated substantial rather than high due to shortcomings in (a) full implementation of evaluation plans; (b) clarity on student beneficiary definition; (c) disaggregation by gender; (d) reporting on actual Government contributions.
Quality of ICR		Substantial	---

12. Lessons

1. Transfer of capacity for project implementation and coordination requires up-front definition and attention. The project counted on implementation services supported by a self-standing project coordination unit (PCU) within the ministry but financed by the project. The unit acquired invaluable experience and managed important processes that will outlive project financing. IBRD has been informed that several project activities will be entrusted to different units responsible for these activities both within and outside of the Ministry of Education, but it is still unclear by whom the overall coordination and important technical assistance will be carried out after the PCU loses funding. This could affect sustainability adversely.

2. For reliance on a large number of inexperienced institutions to implement diverse improvement plans, provision of direct implementation services is preferable to grant funding, especially when supported by a successful project procurement management and monitoring system. In this project, this procurement arrangement helped monitor progress and ensure implementation faithful to proposals. The monitoring helped

identify TA needs that could be filled by intensive attention by the PCU. As a result, the number of bidding rounds exceeded plans, and the number of improvement plans completed by project end was 100%.

3. The best designed indigenous peoples planning framework (or other safeguard response) does not in itself assure proper implementation, particularly if institutions responsible for implementation are multiple, inexperienced and scattered. Monitoring is essential, and the results framework of the project should contain some related indicators, to feed into supervision which needs to report on safeguards implementation. In this project, a decision was made at appraisal to have the IPPF apply to only one of the project's three components, which may have meant lack of access of targeted institutions to some early essential TA. As a result, the targeted institutions lacked capacity to apply for services under improvement plans and were neglected in the first seven rounds of competition. Late in project implementation, a decision was taken to reserve one of the competitions specifically for them, and TA was provided to ensure adequate quality applications. A high percentage of the applicants met the standards in that round, and 100% completed improvement plans.

13. Assessment Recommended?

Yes

Please explain

Assessment is recommended, given substantial achievement of project results, success in flexibly restructuring, and most importantly, improved data generated by the project on higher education and outcomes (employability and earnings), which could be expected to increase over time and could spawn research. At the same time, gaps in the results framework, as well as inconsistencies in the ICR, mean that more in-depth assessment could be beneficial or even necessary to understand the factors that drove success. If there is a follow-on project, it might be preferable to do an assessment after the follow-on project, as more higher education institutions may have completed the quality assurance cycle, and coverage would be higher.

14. Comments on Quality of ICR

The ICR was concise and results-oriented. It was strong in its provision of context, discussion of baseline conditions, and explanation of the changes undertaken at restructuring. The ICR was also strong in its explanation of the relevance of the project and its design. There was an excellent depiction of the results chain. The section on efficacy cited statistics that went beyond the RF in disaggregating some data, and in giving figures on accreditation. The ICR generally cited evidence to back up ratings and gave a comprehensive description of factors affecting success. The inclusion of Annex 7, providing examples of improvement plan results (with extensive detail on actual outputs), provided convincing evidence to supplement the efficacy section. The economic analysis provided a thorough explanation of methodology, particularly in the separate Annex. The inclusion of a sensitivity analysis was welcome.

However, there were some minor shortcomings. The ICR discussed baseline conditions but not the counterfactual. There was no information on Government funding, or total costs, which affected initial assessment of attribution and of economic analysis. In addition, there were unacknowledged inconsistencies within the ICR and between the RP and ICR, the most important being the definition of student beneficiary (in the RF); others occurred in statistics not covered by the RF (coverage, accreditation). There were no gender-disaggregated actual beneficiary figures cited.

a. Quality of ICR Rating

Substantial