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A regular series of notes highlighting recent lessons emerging from the operational and analytical program of the World Bank's Latin America and Caribbean Region.

## Reviews of National Policies for Education Tertiary Education in Chile<sup>1</sup>

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### INTRODUCTION

Tertiary education in Chile has been transformed radically over the past 20 years. As recently as 1990, tertiary education was an elite system centered on a handful of traditional universities which served a small number of well-prepared students. Today the system is diverse and dynamic, with over 6,000 programs of study offered by more than 200 institutions. More than 800,000 students are now enrolled, representing over 40% of the age cohort. In making this transition, the country has relied on significant development of private tertiary education and the introduction of substantial cost-sharing (tuition and fees) in the entire system. It has coupled this with a strong licensing and quality assurance system, and, increasingly, an innovative and robust student aid system.

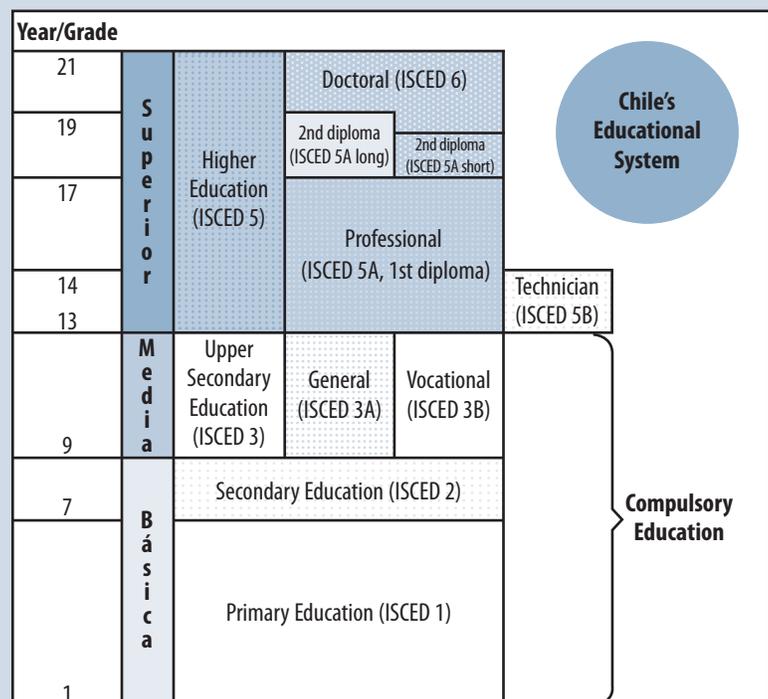
The aforementioned changes have been a key to Chile's drive for increased competitiveness over the last two decades, and have been consistent with efforts to gain permanent membership in the Organization of Economic Cooperation and Development (OECD). The World Bank assisted the Government of Chile during much of this period, offering both its technical capacity and resources through several loans for human capital development and numerous analytical and knowledge-sharing activities. In 2008, the World Bank and the OECD collaborated to provide a broad assessment of the sub-sector through a comprehensive review of Chile's national policies for tertiary education. The Review, [Tertiary Education in Chile](#), analyzes the achievements of the last decades and outlines the challenges Chile faces in its quest to provide its citizens with a high quality tertiary education system. This note summarizes the main findings and recommendations of the book.

### The Chilean system of tertiary education

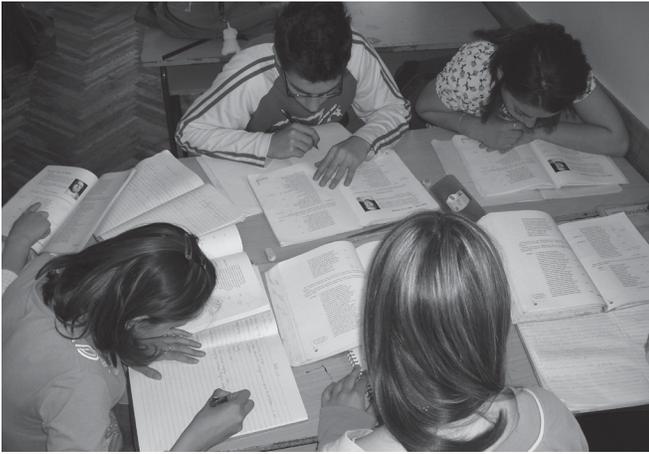
Compulsory education in Chile lasts 12 years, typically starting at the age of 6. Eight years are spent in basic (primary) education and the remaining four are spent in secondary education.

Secondary schools fall into three categories: municipal, private subsidized and private paying. Municipal schools are run by the 345 municipalities and do not charge fees. While private paying schools educate the most socio-economically advantaged, private subsidized schools attract middle-income families and municipal schools cater to the poorer sections of society.

Tertiary education institutions fall into three categories: Technical Training Centres (CFTs), Professional Institutes (IPs) and Universities. Course length in these varies: CFT training typically lasts two years, IP professional degree courses four years and university degree courses five years. Universities also offer one-year post graduate programs and diplomas, two year Master's programs and four-year PhD programs.



1. Extracted from Reviews of National Policies for Education: Tertiary Education in Chile, co-authored by the OECD and The World Bank, 2009.



## ACCESS AND EQUITY

Since 1980, the number of students enrolled in tertiary programs in Chile has grown by a factor of seven, rising at a compound annual growth rate of 7%. New students have increasingly come from families in the middle and lower income quintiles. Despite continuous growth for nearly three decades, the [Government of Chile](#) aims for still more students in tertiary education; it has set a goal of having 50% of the age cohort enrolled by 2012.

The roots of the expansion lay in a new legal framework which permitted the creation of new private institutions. Between 1980 and 1990, over 120 new institutions were created. These included Technical Training Centers and Professional Institutes [CFTs and IPs in their respective Spanish acronyms – see Box 1 describing Chile’s educational system], which could legally be run for profit, and private universities, which were supposed to be non-profit institutions. The bulk of additional enrollment was absorbed by new, private universities. While all other types of institutions (public and traditional universities, CFTs, and IPs) saw enrollments basically double from 1990 to 2005, enrollment in private universities exploded with a ten-fold increase. The majority of the policy challenges that Chile has faced are the result of managing this expansion and transition; they revolve around assuring adequate quality as the system grows, and adjusting inherited financing and student aid policies that are no longer compatible with the goals of a mass system.

Today, enrolment rates for students from the two lowest income quintiles are five times their 1980 level. The changing profile of the typical entrant means that more and more students are enrolling whose secondary school preparation was of mediocre or even poor quality. Students who enter universities with the lowest acceptable marks on the national entrance exam often need remedial assistance to succeed academically. While tertiary institutions are making adjustments to deal with this diversity of talent and preparation, it is critical for Chile to address quality and inequality issues at the primary and secondary level.

Despite this increased participation of students from poorer families, there is still room to improve equity and access. Men are over-represented among tertiary education students and graduates. Despite reforms to the national entrance exam, debate continues on whether it unfairly hinders access for poorer students. Students from richer families are still disproportionately represented among high scorers, and they receive a larger share of the public resources for tertiary education.

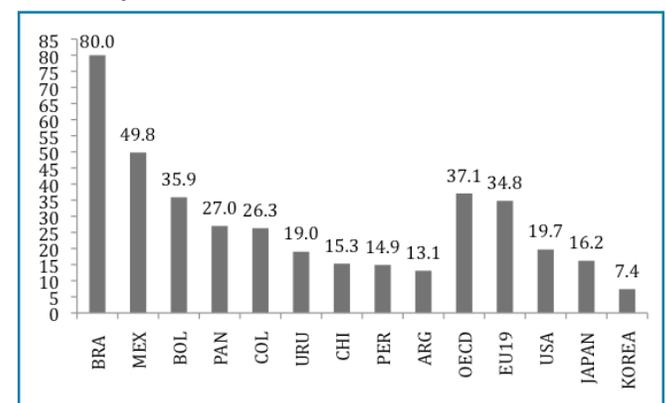
Inherited tertiary education policies also complicate equity. Prior to 1990, Chile’s policies and financing mechanism mainly supported the 25 traditional universities who were members of the National Council of Rectors of Chilean Universities ([Consejo de Rectores de las Universidades Chilenas](#), or CRUCH in its Spanish acronym). The best students, who are often from the wealthiest families and have attended elite private high schools, continue to make up the bulk of students in CRUCH universities. As a result of this legacy, institutional and student financing mechanisms still favor CRUCH institutions. For example, several of Chile’s multiple scholarship programs are open only to students at CRUCH institutions. Two main government-supported loan programs exist; the one serving CRUCH university students has more generous terms and subsidies compared with the program that serves the general student population.

In short, Chile finds itself with improved equity, but significant remaining challenges. When compared to OECD countries, Chile’s system is more equitable than the laggards like Portugal, but far from the standards of the leaders, like Ireland and Spain. The report recommends that the Chilean government promote the incipient efforts for “positive discrimination” toward poor-yet-academically qualified students. Pilot efforts include multi-dimensional admissions testing and criteria for allocating places to students, and more attention to completion rates and time taken to graduate. More direct measures to improve student aid are discussed below in the section on Finance.

## FINANCE

Chile’s sophisticated financing infrastructure made the transition from an elite to a mass system possible. Its most salient feature is the imposition of substantial tuition fees in public universities, coupled with the promotion of the growth of private, fee-charging institutions. Chile’s overall spending on tertiary education is 2.0% of GDP but public spending accounts for only 0.3% of GDP, one of the lowest figure in the world. The former figure is substantially above the OECD average of 1.4% but the public contribution is a full percentage point below the OECD level of 1.3%<sup>2</sup>.

**Figure 1. Public Spending Per Student as Proportion of Per Capita GDP (2005)**



Sources: 1) CINDA (2007) Educación Superior en Iberoamérica; 2) OECD (2007) Education at a Glance

2. The OECD average for public spending is not weighted by country size or population. Therefore, small member countries with publicly supported systems (Belgium, Luxembourg) have the same weight in the calculation as large systems with substantial private contributions (the United States).

Many countries have used private institutions to absorb growing demand for tertiary education while maintaining free public universities. This is not the case in Chile. Fees at public institutions in Chile are high by absolute standards and are among the highest in the world when measured as a proportion of GDP. Indeed, three-quarters of resources in public institutions are self-generated. Low public spending per student by both regional and OECD standards, coupled with more expensive education than in most comparator countries, means that Chilean students and their families must finance tertiary studies mostly from their own resources.

Chile's funding allocation arrangements are innovative and unique, partly for historical reasons and partly because of the bold policy experiments of recent years. The main historical inheritance is the Direct Fiscal Grant (*Aporte Fiscal Directo*, or AFD in its Spanish acronym), which accounts for one-third of tertiary education public resources and is allocated to CRUCH institutions with few performance criteria. The World Bank/OECD review recommends that historically-influenced funding mechanisms—the AFD and CRUCH-only scholarship and loan programs—be phased out and replaced with the more objective and performance-based criteria used for other funding sources in Chile.

Among these performance-based criteria is the Indirect Fiscal Grant, (or AFI in its Spanish acronym) a type of voucher provided to the top 27,500 scorers on the university entrance exam. Institutions receive additional funding based on the number of top scorers they enroll, creating an incentive for universities to seek to provide high levels of quality. The AFI accounts for about 5% of public spending. Another important source of merit-based funding has been the **MECESUP** program; it provides grants for quality improvement and upgrading of faculty qualifications on a competitive basis. More recently, MECESUP has begun to provide “performance-based contracts” to a pilot group of public universities. Under this mechanism, universities receive funding against a set of targets for institutional improvement, which they propose.

The Review's recommendations with respect to financing seek to build on the positive elements of Chile's system while accelerating the removal of historically-acquired inequitable mechanisms. It was recommended that Chile:

- Design a long-term vision outlining the role of the government in tertiary education funding.
- Double public investment in tertiary education and research, taking into account both quality and equity.
- Harmonize existing allocation mechanisms to eliminate the present funding discrimination between CRUCH and non-CRUCH institutions. This includes expanding the use of performance contracts and confirming a competitive funding mechanism as the government's principal channel for investment funding.
- Merge the two existing loan programs into a single program under the CAE model.

## **VISION, GOVERNANCE AND MANAGEMENT**

Despite Chile's diverse public and private higher education institutions, it is the CRUCH who acts as a de facto consultative group on tertiary education policy for the government. This role gives it special means to protect historically acquired privileges and heightens the perceived distinction between CRUCH and non-CRUCH institutions. The Review recommends that membership in the CRUCH be determined by accreditation status, giving equal voice to all accredited universities.

The degree structure in Chile is unnecessarily complicated. Some 18 professions, for instance, require a *licenciatura* degree, which can only be conferred by universities. No clear logical basis exists for why these 18 professions should hold this status, and political lobbying is thought to play at least some role in the selection. The requirement reinforces the distinction between universities and Professional Institutes, which offer similar programs, and seems to produce at least three negative consequences: (i) it makes the legal status of the institution rather than the quality of the program as judged by accreditation the determining factor in ability to grant specific degrees; (ii) it tends to lengthen university degree programs, some of which extend up to six years for the first degree; (iii) it negatively affects social prestige and the legal rights of the degree holder, leads to a mismatch between diplomas and jobs, and creates a barrier to the mobility of students between technical, professional and university degree courses. The Review recommended that Chile consider adopting a unified, simpler degree structure, perhaps based on the Bologna Process model.

Chile's policies regarding tertiary institution financing deepen the rift. IPs and CFTs can be for profit, private universities cannot, but all can receive support from public, competitive funds, as well as different kinds of public support for their students. Since the law requires private universities to be non-profit, they often go to great lengths to make de facto profits while appearing not to. This

### *Innovative financing: creative use of state guarantees and risk-sharing with institutions*

The State Guaranteed Student Loan Program (el Crédito con Aval del Estado, or CAE in its Spanish acronym) is Chile's most creative financing mechanism.

First, the government provides a guarantee that leverages private capital in a significant way. Over the first two years of operation (2006 and 2007), almost USD 200 million worth of loans were given to students for a government contribution of only 28 million dollars, representing a leverage ratio of 1 to 7.1.

Second, the Program shifts the responsibility for financial guarantee against default to the universities themselves. This feature helps low-income students access credit by eliminating the “guarantee barrier” that prevents many student loans schemes from serving low-income students.

Third, by making institutional accreditation a pre-requisite for participation in this loan program, it indirectly supports quality assurance in the tertiary education system.

Fourth, because the institutions themselves must repay the loans if the students do not graduate, they are more conscientious about choosing students who have the ability to succeed and providing them with the assistance they need to avoid dropping out.

can seriously conflict with their educational missions. It is recommended that steps be taken to eliminate de facto profit making by institutions, or that laws be changed to allow universities, like CFTs and IPs, be allowed to be for profit.

Finally, it was judged that the governance structure for public universities would benefit from selective revision. Public universities are subject to many *ex-ante* fiduciary controls that add time and effort to routine procedures; more efficient mechanisms might achieve the same objectives. The tradition of “corporate” decision-making in academic institutions is often an obstacle to streamlined management. It was suggested that more modern, professional management practices could be selectively adopted in public institutions while focusing academic governance on the more substantial institution concerns.

## QUALITY

With so many private universities and with for profit non-university institutions, Chile has wisely recognized the need for robust checks on quality. The virtues of privately-provided tertiary education (absorption of increased demand without burdening public finance) are dissipated unless the education provided meets quality standards. Chile has achieved significant progress in the development of a sound quality framework for tertiary education. The latter encompasses:

- Quality control: authorization/licensing for new private institutions and/or academic programs, based on a set of minimum criteria;
- Quality assurance: through formal accreditation procedures that review the extent to which programs and institutions are satisfactorily fulfilling their mission and objectives;
- Quality promotion: through those aspects of accreditation which foster a culture of self-evaluation and improvement in all tertiary institutions.

By implementing this framework, Chile has progressed from a regulatory and bureaucratic process based on a control mentality to a decentralized and semi-independent one. The current system uses peer review-and institutional self-evaluation accreditation methodologies similar to those existing in the most developed countries. Two important attributes of the process are worth highlighting. First, the licensing process has been an effective means of dealing with the large number of new institutions created since 1980. Under its provisions, a considerable number of low-quality tertiary education institutions have been forced to close their doors and other institutions have adopted substantial changes to demonstrate adequate levels of quality. Second, the accreditation system, while *de jure* voluntary, has become a *de facto* requirement for tertiary institutions. It has also been efficiently spreading good practice. By January 2008, over 80% of students were at accredited institutions<sup>3</sup> and 20.7% of undergraduate students were enrolled in accredited programs.

Recommendations for continued improvement of the quality assurance system include:

- Encourage all tertiary education institutions to participate and gain accreditation. Once they do, establish stricter benchmarks in order to exert upward pressure on quality.
- Recognize and reference in the quality evaluations of institutions their different missions and structural characteristics.
- Clearly lay out the core principles of quality.
- Develop more in-depth criteria for peer reviewers to avoid regression to a “check list” mentality, foster more consistently reasoned assessments, and reduce some of the discretion that currently gives an arbitrary flavor to some accreditation decisions.
- Raise standards for teaching and learning practices in the classroom.
- Encourage the use of competency-based teaching approaches.
- Increase the quality and effectiveness of teacher training.
- Enhance the participation of employers in curriculum and course design.

## LOOKING TOWARD THE FUTURE

As more and more Chileans seek tertiary education, it is important for the Government to consolidate the best of the past decades reforms, while tackling the “second generation” of most difficult challenges. The challenges have to do with: (i) encouraging international levels of quality, through a robust accreditation system; (ii) making public spending more fair and equitable by changing historical criteria for allocation of resources to need-, merit-, and performance-based criteria; (iii) simplifying the degree structure and removing barriers blocking progression from non-university to university degrees; (iv) opening membership in the CRUCH to all accredited universities; (v) doubling public investment in tertiary education while consolidating the use of performance contracts and other performance-linked allocation mechanisms.

Chile has the will and the means to continue its notable progress in tertiary education. With continued policy attention, the country can reach its goal of making quality tertiary education broadly available to Chileans.

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3. Country Background Report.

