II. Sectoral and Institutional Context

With a higher education enrollment rate of around 36 percent, Peru has already achieved mass tertiary education coverage in line with regional standards. Most of the expansion in recent years has taken place in private institutions. The adoption in 1996 of Legislative Decree No. 882, which authorized the creation of for-profit institutions, led to significant growth in the private provision of higher education. Currently, 35 public universities (accounting for 55 percent of the total university enrollment), 65 private universities (45 percent of the total enrollment), and more than 1,000 non-university higher education institutions (53 percent of which are public) operate as higher education providers.

Nevertheless, two major obstacles in the governance of higher education hinder the contribution of higher education institutions (HEIs) to the development of Peru. First, university policy making is hindered by conflicts of interest. The National Assembly of Rectors (ANR, Asamblea Nacional de Rectores) both represents and regulates HEIs, which leads to weaknesses in governance, especially with regards to quality assurance and the authorization of HEIs’ existence or expansion. Second, the Ministry of Education (MINEDU) does not have sufficient capacity either for analysis or for the design of comprehensive public policies of higher education.

As for the financing of higher education, Peruvian universities and the higher education system as a whole face a number of important challenges stemming from insufficient funds and limited accountability. Peru invests about 1.3 percent of its GDP in higher education, of which 0.7 percent is provided by the public sector. Regression analyses comparing Peru to other countries of the LAC (Latin America and the Caribbean) region show that the level of both public and private investment in higher education was below the level corresponding to Peru’s income, considered both in aggregate and per capita terms. Limited investments in higher education have led to a gradual worsening of universities’ infrastructure, as well as to shortages in teaching material and equipment. The combination of decreasing public subsidies and growing demand has led public universities to an increasing dependency on self-generated funds. Furthermore, Peruvian HEIs are not sufficiently accountable for the funds they receive. Their annual budget is assigned through a process based on historical priorities and political bargaining, in which the ANR has significant leverage as per the 1983 University Act. The lack of accountability mechanisms and performance-based funding criteria has perpetuated significant differences in subsidies between HEIs and led to insufficient quality improvements.

Generally low levels and large variance of quality in the higher education system constitute a major obstacle to the creation of human capital. Although the Peruvian system has a traditional group of prestigious institutions of relatively good quality, the growing number of providers has
also increased the range of program quality and relevance, thus leading to a reduced lower bound to the system’s quality. The main determinants of low quality include: outdated programs, weak institutional capacity, lack of teaching equipment and laboratories, and the low qualification of professors (only 7 percent have a PhD and only 40 percent have a post-graduate degrees). The unemployment rate among tertiary graduates is higher than the national average, and an estimated one-third of those who are employed do not work in their line of specialization. Peru still lacks an integrated information system of higher education that allows the market (students and their families, policy makers, employers) to differentiate programs and HEIs on the basis of their quality and thus gives incentives to HEIs for improving their quality.

In this context, the Government of Peru (GoP) adopted a bold strategy to increase the quality and relevance of education. This resulted in the legal creation of SINEACE in 2006. The SINEACE Act established a framework for an intertwined quality assurance system across both basic and higher education levels. For this purpose, the Higher Council of the National System for Evaluation, Accreditation and Certification of the Quality of Education (COSUSINEACE, Consejo Superior del Sistema Nacional de Evaluación, Acreditación y Certificación de la Calidad Educativa) was created in 2011 to steer, develop and supervise SINEACE. COSUSINEACE includes three agencies: the Peruvian Institute for Evaluation, Accreditation and Certification of Basic Education (IPEBA, Instituto Peruano de Evaluación, Acreditación y Certificación de la Calidad de la Educación Básica); the Council for the Evaluation, Accreditation and Certification of Non-University Higher Education (CONEACES, Consejo de Evaluación, Acreditación y Certificación de la Educación Superior No Universitaria); and the Council for the Evaluation, Accreditation and Certification of University Higher Education (CONEAU, Consejo de Evaluación, Acreditación y Certificación de la Educación Superior Universitaria). These agencies are responsible for the development and supervision of SINEACE in the fields of basic education, non-university higher education institutes (IESNUs, Institutos de Educación Superior No Universitaria) and universities, respectively.

The overall quality assurance system for higher education is made up of three sequential steps: self-evaluation, external evaluation, and accreditation. Self-evaluation is the responsibility of HEIs. External evaluation is to be carried out by Evaluation Entities for Accreditation (EEFAs, Entidades Evaluadoras con Fines de Acreditación), private entities authorized by CONEAU (for universities) or CONEACES (for IESNUs) that employ peer reviewers to conduct the evaluation of those HEIs that hire them. External evaluation reports must include recommendations for improvement and a recommendation on whether to proceed to apply for accreditation or not. Both self-evaluation and external evaluation are conducted on the basis of standards developed and approved by CONEAU and CONEACES. Accreditation decisions are taken by CONEAU or CONEACES on the basis of those standards. The objective of the quality assurance system for higher education is threefold: (i) to classify HEIs and programs into two categories: acceptable to minimum standards (accredited) or low quality (not accredited); (ii) to make that information available for prospective students and their families, the education community, and other stakeholders; and (iii) to promote quality improvements in individual HEIs and throughout the system. Despite some capacity limitations, COSUSINEACE has fully developed standards and guides for all key disciplines, most of which are obliged to reach accreditation and are therefore the first programs to be evaluated. As of the end of 2011, 56 programs had completed self-evaluation and 19 of these had requested external evaluation towards accreditation. Concerning the EEFAs, 4 were already authorized and are currently functioning, while a total of 8 are envisaged to be operating by 2014. This number is considered sufficient to carry out the expected evaluation workload.

This Project would respond to a demand from the GoP to assist in the improvement of the quality of its higher education system, particularly in its institutional, informational, and financial dimensions. This would provide continuity to previous Bank support to the GoP with regards to the challenges of the higher education system. The recent TA program on skill sets of the Peruvian workforce (‘Strengthening Skills and Employability in Peru’, Report No. 61699-PE) provided valuable findings about the constraints on workers’ entry into the labor market, and policy advice to address them. The program not only underlined the need of a higher education information system, but also advanced the strengthening of COSUSINEACE as a strategy for enhancing quality in the higher education system. A recent Policy Note focusing on the challenges Peru faces in the field of human capital makes a similar argument. Finally, an Institutional Development Fund (IDF) Grant (TF 096586) is being implemented with the objective of strengthening CONEAU and CONEACES.

III. Project Development Objectives
The objective of the Project is to strengthen Peru’s higher education quality assurance system by promoting evaluation and quality enhancements and the dissemination of information.

IV. Project Description
Component Name
Component 1: Development of methods, instruments, norms and capacity for evaluation and accreditation
Component 2: Development and consolidation of a Quality Assurance Information System (SIAC)

V. Financing (in USD Million)

<table>
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<th>For Loans/Credits/Others</th>
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<td>International Bank for Reconstruction and Development</td>
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<td>Total</td>
<td>52.17</td>
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VI. Implementation
A. Institutional and Implementation Arrangements
COSUSINEACE will be the responsible agency. Institutional arrangements for Project implementation have been designed in order to maximize ownership, efficiency and accountability while including suggestions and requirements from the Ministry of Economy and Finance (MEF).

(a) The Project Steering Council (CDP, Comité Directivo del Proyecto) would be the highest body for Project management. The CDP would have a tripartite composition with representatives of COSUSINEACE, MINEDU and MEF. The CDP would be in charge of overall Project oversight and coordination.

(b) The Project Coordination Unit (UCP, Unidad Coordinadora de Proyecto), which would work as an ad hoc administrative structure within
COSUSINEACE, would manage Components 1 and 2 and have fiduciary responsibilities for all three components. To this end, the UCP would be led a Project Executive Directorate and include two units: (i) a Management and Finance Unit (including Procurement, Accounting, and Treasury areas); and (ii) a Planning, Budget, Monitoring and Evaluation Unit. In addition, the UCP would include two Coordinators, one for Component 1 and one for Component 2, each of whom may have some administrative support staff; (iv) a Coordinator for Component 1; and (v) a Coordinator for Component 2. The UCP would be formally created through the Loan Agreement, and incorporate an existing core team composed of FM, Procurement, and monitoring specialists.

(c) The Coordination Unit for Component 3 would be separate from the UCP to enhance transparency and responsiveness vis-à-vis HEIs, since the FEC requires specific arrangements due to the number of transactions and to the involvement of universities and IESNUs in implementation. The Fund Technical Commission (CTF, Comisión Técnica del Fondo) and the Fund Technical Secretariat (STF, Secretaría Técnica del Fondo) would both be responsible for the management of Component 3. The CTF would be the highest decision-making body for approving subprojects and for funds allocation. The STF would be responsible for the calls for proposals for PMIs and PMCs, assess proposals, and assist HEIs in their improvement, following the CTF’s guidelines. While HEIs would be responsible for the technical implementation of the corresponding subprojects, the UCP would keep responsibility for the fiduciary management of all activities. The FEC would also count on two coordinators, one for the support of universities and another one for the support of IESNUs. The evaluation of HEIs’ subproject proposals would be done by Committees of Peers.

The Project Operational Manual will include detailed descriptions of institutional arrangements, the activity flow, financial management, accountancy, and audit, as well as standards and templates to ensure that Project implementation complies with standard Bank practice and is as professional and transparent as possible.

B. Results Monitoring and Evaluation

Sufficient Monitoring and Evaluation (M&E) capacity has been identified within COSUSINEACE, both with regard to its own activities (evidenced by the successful implementation of the IDF grant by CONEAU and CONEACES) and with regard to HEIs and the higher education system at large.

The UCP would be responsible for gathering, processing, and analyzing data on the progress of indicators and results. Specifically, the UCP’s Planning, Budget, Monitoring and Evaluation Unit would ensure that those responsible for data collection and data management do so in a systematic manner and make it available when necessary. Ultimate responsibility for results monitoring and evaluation, especially regarding annual reports, would lie within the CDP. The Bank’s Team would work jointly with the CDP during regular supervision missions in order to assess Project implementation progress.

The International Advisory Council (CAI, Comité Asesor Internacional), composed of an international group of recognized authorities in their respective fields of scientific, professional, and management activity, would perform a mid-term and a final evaluation of the Project. Special attention would be paid to the FEC and its subprojects. Composed of both Peruvians and foreigners, the CAI would report directly to the CDP.

C. Sustainability

Sustainability of the Project will ultimately be determined by the appropriate working of institutional design, material incentives, and increased flow of information in the field of higher education quality assurance. Specifically, how sustainable the Project is in the long term will largely depend on: (i) the professionalization of CONEACES, CONEAU, EEFAs, and evaluation teams within HEIs, with views to developing a culture of evaluation in the higher education system; (ii) continuity in the understanding currently shared by educational stakeholders, employers, and policy makers, that efforts must be made to improve quality in the higher education system; (iii) growth and continuity of the information system, with high levels of recognition and ownership by a wide range of actors including prospective students and their families, HEI managers, and employers; and (iv) continuity in the legal, organizational and economic resources allocated to SINEACE. The Project incorporates a number of measures to enhance its sustainability, particularly as it relates to points (i) and (iii) above, through Components 1 and 2 respectively.

VII. Safeguard Policies (including public consultation)

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</table>

VIII. Contact point

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