

# Managing an Innovation Fund Lessons from Chile

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- **The Chilean context**
- **Tertiary Education Reform: the MECESUP Program**
- **The Competitive Innovation Fund**
- **Elegibility requirements**
- **Achievements and weaknesses**
- **Organization and management issues**

## TERTIARY EDUCATION IN CHILE CONTEXT

- **Chile: 15.5 million inhabitants**
- **64 Universities:**
  - **25 Traditional universities (30% State funding; 16 are State owned and 9 private)**
  - **39 New private (no State funding); plus:**
  - **48 Professional Institutes**
  - **117 Technical Training Centers**
- **594.297 undergraduate students. 15.181 postgraduate**
  - **42% Traditional universities**
  - **30% New private universities**
- **18-24 years coverage: 37.5%**
- **All students pay tuition&fees. US\$ 1.000-5.000 /year. Scholarships and loan systems**
- **Very de-regulated TE system. Accreditation under implementation**

## TERTIARY EDUCATION FUNDING IN CHILE SUPPLY/DEMAND SIDE FINANCING

*Supply-side:*  
Historical  
based  
core funding to  
institutions

**Competitive  
funding >  
1999**  
Performance-  
based funding  
2006

*Demand-side:*  
Through  
students via  
student financial  
assistance and  
loans

## TERTIARY EDUCATION REFORM

- **Equity in access to Tertiary Education (TE)**
- **Quality in TE certified by quality assurance and accreditation**
- **Special support to State universities**
- **More and better R&D capacity for development and innovation**
- **TE Quality Improvement Program. Government funding and World Bank loans:**
  - **MECESUP (1999-2005). Capacity Building. Competitive Fund. QA**
  - **MECESUP 2 (2006-2011). Capacity Building. Sub-Projects for Academic Innovation:**
    - **Academic Innovation Fund**
    - **Performance-based Agreements**

## MECESUP PROGRAM. ACADEMIC INNOVATION FUND INVESTMENT IN QUALITY

- **Advanced human capital**
  - Academic staff renewal at Ph.D. Level
  - Support to doctorate programs: Sc&T&I capacities
- **Academic infrastructure**
  - Library modernization & study rooms
  - Works with student impact
  - Equipment for teaching-learning improvement
  - IT integration in teaching learning and information management
  - Scientific instruments for R&D (Ph.D. programs)
- **Teaching-learning processes**
  - Curricula modernization
- **Quality assurance (separate component in MECESUP)**
  - Self-regulation and accreditation implementation

## INNOVATION FUND 1999-2004 CALLS

- Innovative Fund replaced in 1999 an historically-based allocation system. **Now it is competitive!**
- 948 projects presented
- **400 projects approved (40% approval; max. 3 years)**
  - 205 in under-graduate education
  - 74 in post-graduate programs
  - 23 in management improvement
  - 67 in technical training programs
- **Resources allocated: US\$ 225 million**
- **70% of projects and resources allocated in regions**
- **Average funding per project: US\$ 600.000**
- **Currently, 60% implemented**

## QUALITY ASSURANCE IMPLEMENTATION PROGRESS

- **Instrument used to regulate the TE institutions and programs. Non existent before 1999!**
- **From experimental (2000; few programs) to extended implementation (2005; 370 undergraduate programs in process (170 approved); 87/124 graduate programs accredited; 19/43 institutions accredited; 25-85% enrollment coverage)**
- **Accreditation based on autoevaluation and external peer reviewing**
- **International standards to favor quality coherence**
- **Will be used as eligibility requirement in MECESUP2**

## INNOVATIVE FUND ELEGIBILITY REQUIREMENTS

- **Strategic Planning Exercise (MECESUP).** In MECESUP2 strategic plans will include performance-based indicators and increased M&E
- **Participation in Experimental Accreditation (MECESUP).** In MECESUP2 participation will require institutional and program (in process) accreditation. For **Doctoral programs and Teacher's Training**, eligibility will be opened to all accredited universities
- **Counterpart Funding.** 20% in cash for works operational costs and specific items (MECESUP). In MECESUP2 cash only for operational costs. In kind, for viability
- **Performance-based Agreements.** In MECESUP2, experimental implementation restricted to accredited State universities.

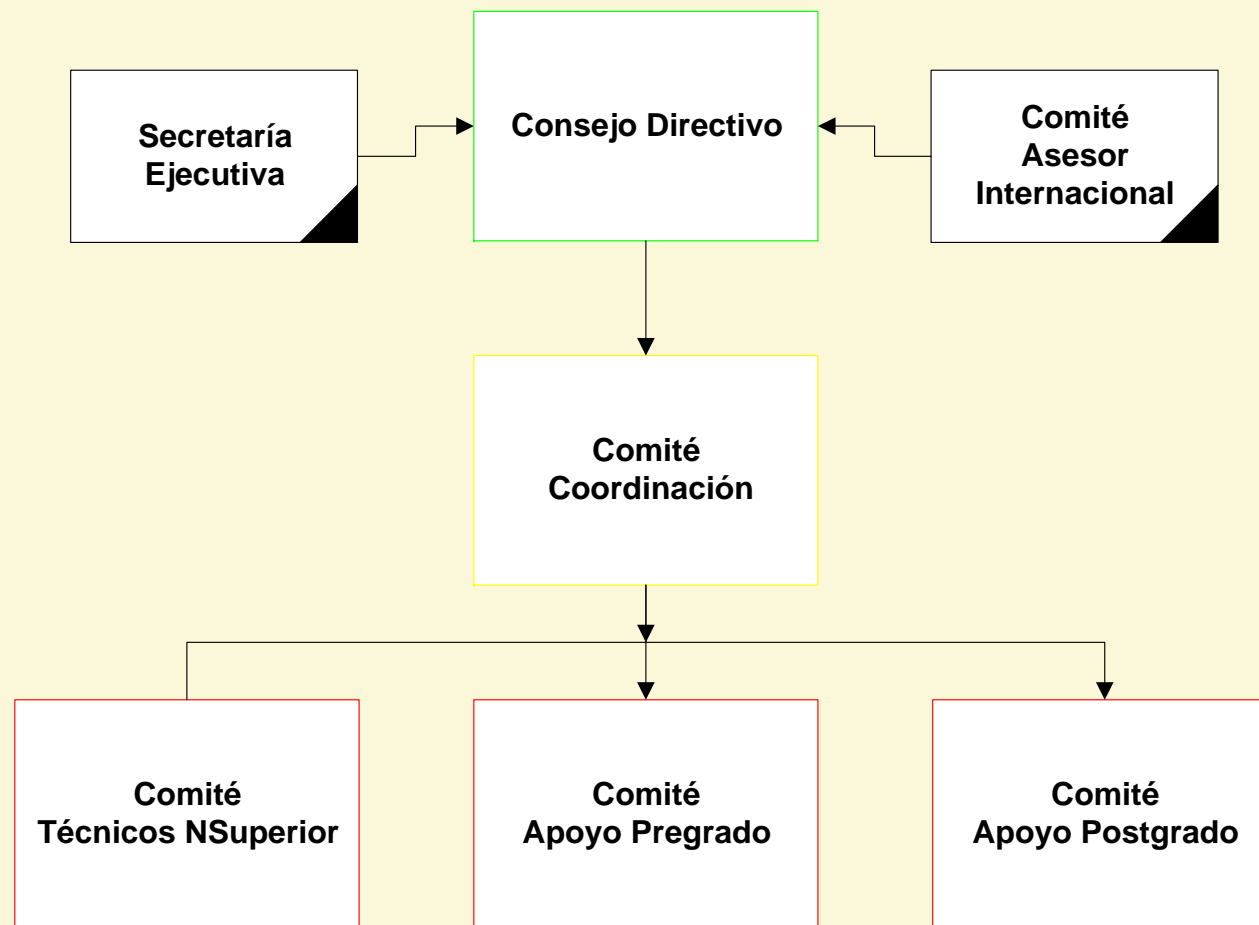
## COMPETITIVE FUND MAJOR ACHIEVEMENTS

- **Change from historical-based to competitive result-based project funding**
- **Introduction of strategic planning**
- **Introduction of accountability**
- **Ex-post WB procurement follow-up**
- **Improved management of innovation projects**
- **Introduction of performance indicators and better M&E**
- **Staff strengthening. Important upgrade of teaching-learning support and student facilities**
- **Take-off of doctorate programs. Increased enrollment, productivity and graduation**

## COMPETITIVE FUND MAJOR WEAKNESSES

- **Equal opportunity principle difficult to apply to a universe of very heterogeneous institutions; for example, weaker regional State universities**
- **Insufficient as only instrument for incremental funding allocation, investment in infrastructure and introduction of accountability**
- **Slow for institutional management improvement**
- **Performance-based agreements will be introduced as a complementary instrument**
- **MECESUP 2 will be increasingly centered in output with M&E of projects, institutions and TE system with appropriate performance indicators**

# INNOVATION FUND IN CHILE ORGANIZATION



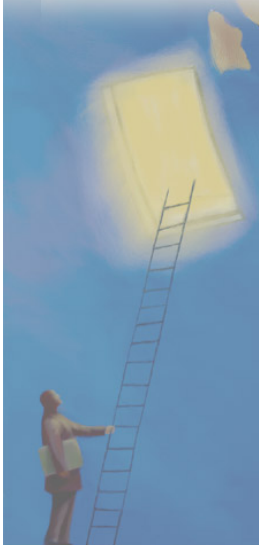
## INNOVATION FUND IN CHILE ORGANIZATION AND MANAGEMENT ISSUES

- **Institutional Dependency.** Higher Education Division. Coherence with educational policies. Bureaucracy
- **Executive Direction (Manager).** Academic and managerial experience; prestigious; trustful; service in mind; leader of change. Transparency
- **Management Support.** Qualified professional staff (analysts) and middle-level managers. Highly motivated. Number coherent with size of Fund and number of projects
- **Proposals.** After evaluation and allocation, proposals are updated with evaluation reports and committee recommendations. Official project version

## INNOVATION FUND IN CHILE ORGANIZATION AND MANAGEMENT ISSUES

- **Transferring Resources.** After contracts have been signed, special bank accounts are opened for each project and guaranties are fulfilled. Semi-annual transfers. Flexible, but not the best efficiency. Transparent fund use
- **Monitoring and Evaluation of Projects.** 3 months progress reports: financial, procurement and results. Both from reports and on-site visits. **Integrated information systems critical!**
- **External evaluation.** National auditing office, special external audits, WB audits
- **Staff size and stability (salaries)**
- **Innovation Fund institutionalization**

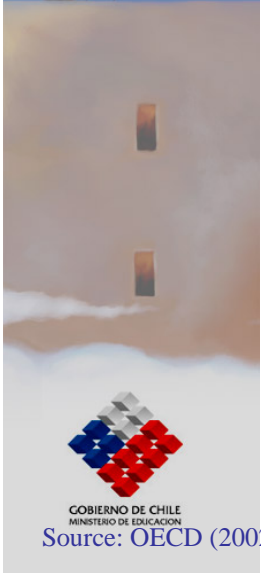
MECESUP  
Bicentenario



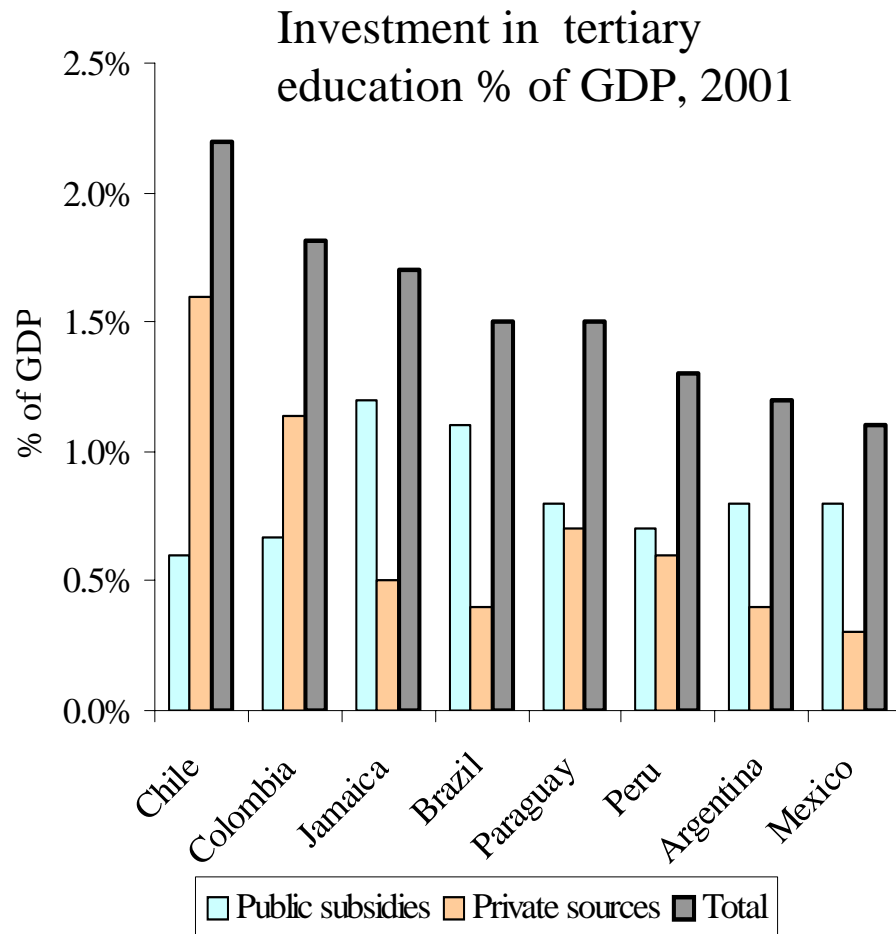
GOBIERNO DE CHILE  
MINISTERIO DE EDUCACION

MECESUP Bicentenario

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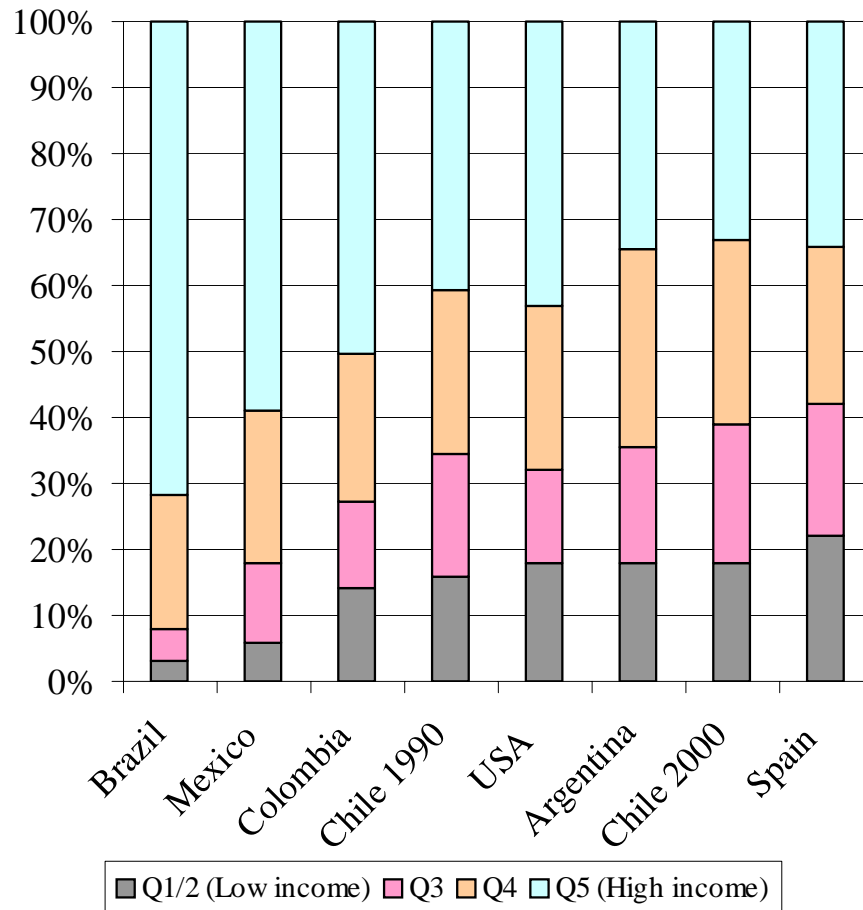
## Chilean tertiary education a forerunner in LAC



- Chile allocates 2.2% of GDP to TE, which is the highest in LAC
- Chile features one of the most diverse markets for tertiary education in the region

## Strong demand-side financing has increased equitable participation

Enrollment in TE by income



- Between 1997 and 2003 public support for student financial assistance increased 87 percent in real terms to 31 percent of public spending on tertiary education
- The government operates a scholarship program targeting indigenous students
- A new proposed law will open financial assistance to students attending all accredited tertiary institutions

