

RISK-BASED REGULATION ON HIGHER EDUCATION IN THE PHILIPPINES: AN APPRAISAL

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ABSTRACT

Risk-based regulations have been integrated in public governance as part of public management reform where financial management principles have been introduced within public administration. Of late, risk-based regulations are applied in the regulation on higher educational institutions (HEIs) in developed states. Proponents of the framework challenges the one-size-fits-all traditional regulation which applies the same levels of scrutiny to all educational providers, that is, every educational providers are *subjected* to the same processes of monitoring and evaluation. It is within this context that this paper is being written. It presents a theoretically-informed analysis on the application of risk-based regulation on higher education in the Philippines through CHED CMO No. 40 Series of 2008 (2008 Manual of Regulation for Private Higher Education) and the CHED CMO No. 46 Series of 2012 (which introduced the concepts of outcomes-based and typology-based quality assurance on higher educational institutions (HEIs) resultant in their horizontal and vertical classifications). In so doing, this paper examines how CHED (a) defines the risk (b) measures the exposure; (c) set the strategy to address the exposure and to determine how to allocate resources to each individual target by setting the frequency and depth of inspection and (d) execute and learn the given strategy. In the end, this paper appraises the application of the risk-based regulation on higher education in the Philippines.

Keywords: risk-based regulations, public governance, public management reform, higher educational institutions, quality assurance

I. Introduction

Risk-based regulation is a systematized decision-making framework that prioritize regulatory activities and deploy supervisory resources – in particular those of inspection and enforcement – founded on an assessment of the risks that the institutions pose to the regulator's objectives (Black 2004). Financial regulators are the ones which have effusively utilized risk-based approaches to regulation as they were prodded by the need to bring supervisory practices in line with developments in financial institutions' operations and risk management practices, the need to deliver 'integrated' financial regulation and the concern to manage the expectations politicians and the general public had of what regulation could and should achieve (Black 2004: 4).

Evenly, risk-based regulations have been integrated in public governance through the following developments: (a) as part of public management reform where financial management principles have been introduced within public administration; (b) as an element of re-characterization of the subject regulatory subject matter; (c) as a tool of legal enforcement and criminal justice; and (d) as part of the general debate about the role of the

State, *i.e.* as a rationale for State intervention, or lack thereof, or even as an overarching principle of public action (OECD 2011:3).

Of late, risk-based regulations are applied in the regulation on higher educational institutions (HEIs) in developed states. Proponents of the framework challenges the one-size-fits-all traditional regulation which applies the same levels of scrutiny to all educational providers, that is, every educational providers are *subjected* to the same processes of monitoring and evaluation (King 2011:1). Proponents claimed that risk-based regulation is more discriminatory: “*it modulates levels of institutional audit on the basis of regulatory judgements concerning the variable risks posed by institutions to the sector and to the regulator*”. In addition, it varies the scope and intensity of monitoring against explicit calculations of risk (King 2011:1).

The UK Higher Education Commission affirmed that the adoption of the risk-based regulation promotes “equitable” playing field as opposed to the traditional “level playing field” (Higher Education Commission 2013:55). Risk-based regulation directed its regulatory resources where the risks are higher, thus, the money and time saved on administration by organizations is consequently free to invest on the quality of the services provided. It is an application of an organized framework that “formally prioritizes or selects activities for regulatory focus, and then subsequently aligns regulatory resources accordingly” (King 2011:3). As a result, it is a departure from more uniform models to an approach selectively based on risk anticipation and control.

Risk-based regulation presupposes that some risks are tolerable and expected in the process. The differences between various educational providers are identified ensuring that they are subjected to the same regulatory framework and regulatory requirements (Higher Education Commission 2013:55). Higher educational institutions are thus assessed on their respective risks level. Lower risks institutions will face fewer regulatory visits and lower intensity of external scrutiny than corresponding higher risk educational providers (Higher Education Commission 2013:58-59).

Advantages in applying risk-based regulation subjugated that of the identified disadvantages. The following advantages have been recognized: risk-based regulation reduces compliance costs for most of those being regulated and it provides clearer and precise focus on important risk activities. On the other hand, the following disadvantages have been identified: risk-based regulation requires regulators to decide which educational providers fall into categories ranging from high to low risk and then justifying such decisions to both the educational providers, the educational community and the judicious public in general (King 2011:4).

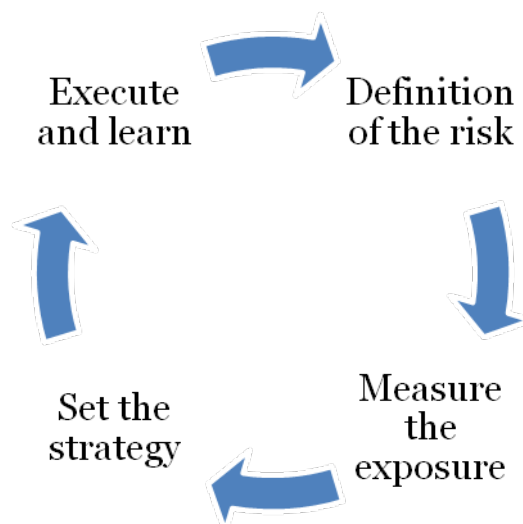
In addition, regulation raises major organizational and cultural challenges for regulators as assessors experienced considerable difficulty in ascertaining the risks to be managed, and that major cultural differences and variations in risk appetite co-existed within the same government department (Rothstein and Downer 2008). Likewise, regulators may have inherent limited capacities to control risks in the manner expected resulting in crisis of legitimacy and durability as they are under constant pressure to justify their activities and resources. However, the commitment of risk-based regulation to transparency and openness provide some prospects for an audit examination and justification on the part of the regulators to appease the educational providers and the public in general (King 2011: 6).

ADVANTAGES	DISADVANTAGES
Reduction of compliance costs for most of those being regulated	Decide and justify the classification of educational providers
provides clearer and precise focus on important risk activities	Raises major organizational and cultural challenges for regulators
the commitment to transparency and openness provide some prospects for an audit examination and justification	regulators may have inherent limited capacities to control risks in the manner expected resulting in crisis of legitimacy and durability as they are under constant pressure to justify their activities and resources

Table 1. Advantages and Disadvantages of Risk-Based Regulation.

It is within this context that this paper is being written. It presents a theoretically-informed analysis on the application of risk-based regulation on higher education in the Philippines through CHED CMO No. 40 Series of 2008 (2008 Manual of Regulation for Private Higher Education) and the CHED CMO No. 46 Series of 2012 (which introduced the concepts of outcomes-based and typology-based quality assurance on higher educational institutions (HEIs) resultant in their horizontal and vertical classifications). In so doing, this paper examines how CHED (a) defines the risk (b) measures the exposure; (c) set the strategy to address the exposure and to determine how to allocate resources to each individual target by setting the frequency and depth of inspection and (d) execute and learn the given strategy (Farrell 2013: 6). In the end, this paper appraises the application of the risk-based regulation on higher education in the Philippines.

Figure 1. The Risk-Based Regulation Process as adapted from Farrell 2013: 6

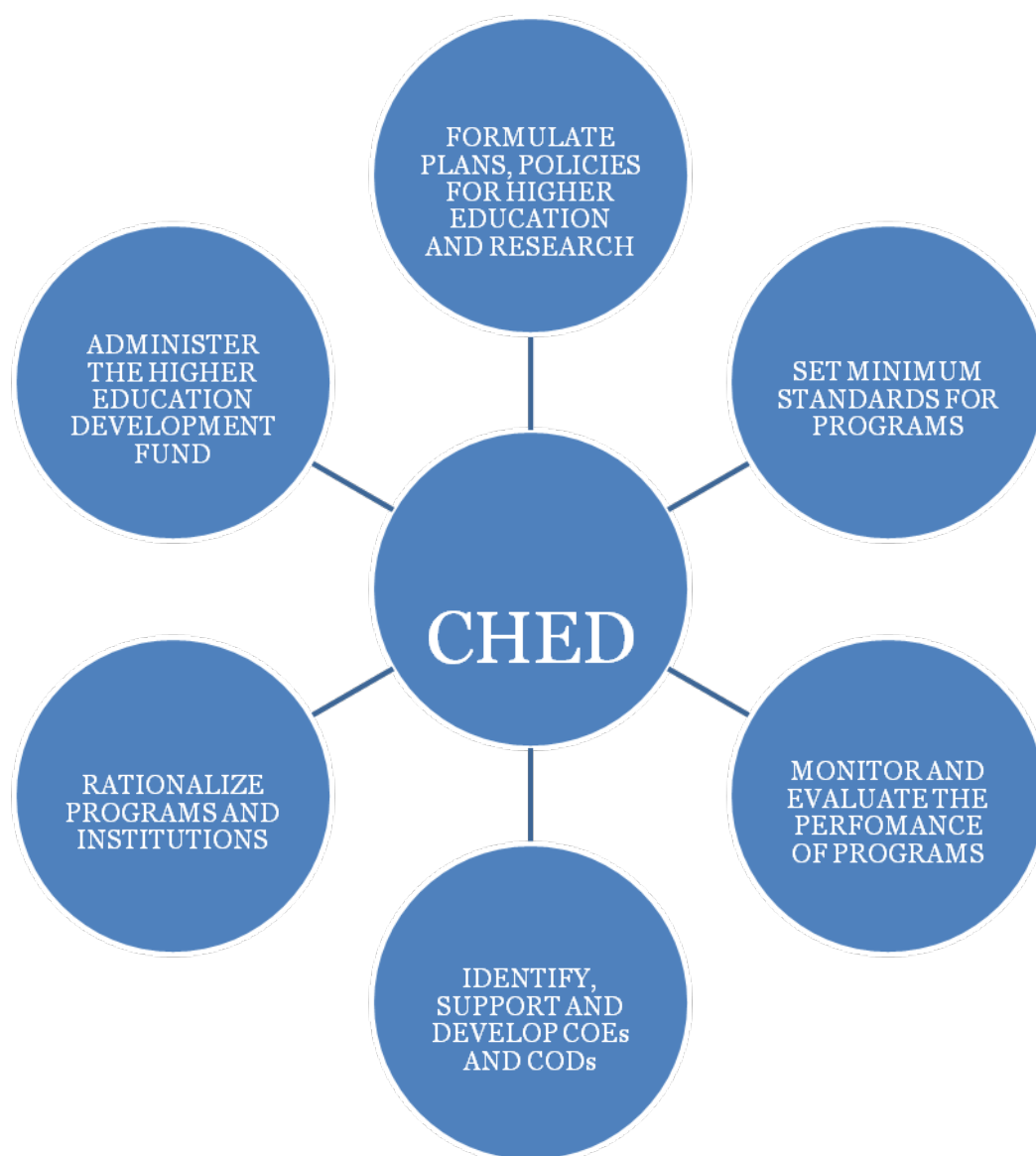


II. The Mandates of CHED

The Philippine Commission on Higher Education (CHED) was created through Republic Act No. 7722 otherwise known as Higher Education Act of 1994. It is a separate agency from the Department of Education (DepEd) and attached to the Office of the Philippine President for administrative purposes only. It has jurisdiction on both public and private higher educational institutions as well as degree-granting programs in all post-secondary educational institutions; public and private (Section 3, RA 7722). It is mandated to promote quality education; take appropriate steps to ensure that education shall be accessible to all; ensure and protect academic freedom for the continuing intellectual growth, the advancement of learning and research, the development of responsible and effective leadership, the education of high-level and middle-level professionals, and the enrichment of our historical and cultural heritage (Section 2, RA 7722).

CHED has the following regulatory powers and functions: (a) formulate and recommend development plans, policies, priorities, and programs on higher education and research; (b) formulate and recommend development plans, policies, priorities and programs on research; (c) recommend to the executive and legislative branches, priorities and grants on higher education and research; (d) set minimum standards for programs and institutions of higher learning recommended by panels of experts in the field and subject to public hearing, and enforce the same; (e) monitor and evaluate the performance of programs and institutions of higher learning for appropriate incentives as well as the imposition of sanctions such as, but not limited to, diminution or withdrawal of subsidy, recommendation on the downgrading or withdrawal of accreditation, program termination or school closure; (f) identify, support and develop potential centers of excellence in program areas needed for the development of world-class scholarship, nation building and national development; (g) recommend to the Department of Budget and Management the budgets of public institutions of higher learning as well as general guidelines for the use of their income; (h) rationalize programs and institutions of higher learning and set standards, policies and guidelines for the creation of new ones as well as the conversion or elevation of schools to institutions of higher learning, subject to budgetary limitations and the number of institutions of higher learning in the province or region where creation, conversion or elevation is sought to be made; (i) develop criteria for allocating additional resources such as research and program development grants, scholarships, and other similar programs: Provided, That these shall not detract from the fiscal autonomy already enjoyed by colleges and universities; (j) direct or redirect purposive research by institutions of higher learning to meet the needs of agro-industrialization and development; (k) devise and implement resource development schemes; (l) administer the Higher Education Development Fund, as described in Section 10 hereunder, which will promote the purposes of higher education; (m) review the charters of institutions of higher learning and state universities and colleges including the chairmanship and membership of their governing bodies and recommend appropriate measures as basis for necessary action; (n) promulgate such rules and regulations and exercise such other powers and functions as may be necessary to carry out effectively the purpose and objectives of this Act; and (o). perform such other functions as may be necessary for its effective operations and for the continued enhancement, growth or development of higher education (Section 8 of RA 7722).

Figure 2. Regulatory Powers of CHED.

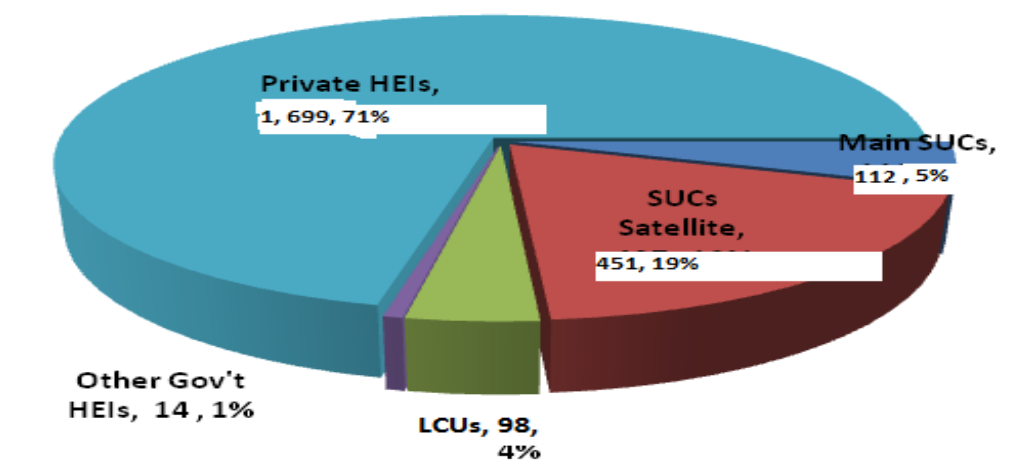


Five (5) full time members composed the Commission – One Chairman and Four Commissioners with a four-year term each without prejudice to another term of reappointment. The Commissioners belong to different academic specializations and are known for their high degree of professionalism and integrity who have distinguished themselves as authorities in their chosen fields of learning (Section 4, RA 7722). The Commission has a secretariat headed by an Executive Director (Section 9, RA 7722).

As of Academic Year 2013-2014, 2, 374 higher educational institutions, both public and private have been operating in the Philippines under the authority of the Commission on Higher Education (CHED 2014b:7). Six hundred seventy five (675), or 29%, of the total HEIs nationwide are public HEIs. 563 of these are state universities and colleges (SUCs)¹, 94

¹ State universities and colleges, or SUCs, are public higher education institutions established by law, administered and financially subsidized by the government. SUCs have their own charters. The highest policy-

are local universities and colleges (LUCs)², 1 is a CHED-Supervised Institution³, 5 are classified as special HEIs⁴, while the remaining 8 are considered as other government schools⁵.



making body of a state university is the Board of Regents (BOR); for the state college, it is the Board of Trustees (BOT). The CHED Chairperson heads all these boards.

² Local universities and colleges, or LUCs, are established by the local government units (LGUs) through resolutions or ordinances. Financially, LUCs are supported by the local government concerned.

³ A CHED Supervised Institution (CSI) is a non-chartered, public, post-secondary education institution, established by law, administered, supervised and financially supported by the government.

⁴ Special HEIs are public organizations offering higher education programs related to public service. Operated and controlled in accordance with the special law that created these institutions, special HEIs are provide special academic, research and technical assistance programs pursuant to the basic mandates of their parent agencies. The Development Academy of the Philippines (DAP), Philippine Military Academy (PMA), Philippine National Police Academy (PNPA), Philippine Public Safety College (PPSC), and National Defense College all fall under this category.

⁵ Classified as other government schools are public secondary and post-secondary technical-vocational education institutions that offer higher education programs.

Table 2. Regional Distribution of Higher Education Institutions by Sector, AY 2013-14

Region	State Universities and Colleges (SUCs)		Other Gov't HEIs				Gov't Total (Excluding Satellite Campus)	Gov't Total (Including Satellite Campus)	Private		Private Total	Total (Excluding Satellite Campus)	Total (Including Satellite Campus)
	Main	Satellite	LCUs	CSI	OGS	Special HEI			Sectarian	Non-Sectarian			
NCR	8	8	16	-	-	4	28	36	66	248	314	342	350
CAR	6	13	-	-	-	1	7	20	6	30	36	43	56
I- Ilocos Region	6	21	4	-	-	-	10	31	15	65	80	90	111
II- Cagayan Valley	5	20	-	-	-	-	5	25	10	39	49	54	74
III- Central Luzon	12	39	14	-	-	-	26	65	25	147	172	198	237
IVA- CALABARZON	5	57	13	-	-	1	19	76	61	191	252	271	328
IVB- MIMAROPA	6	43	1	-	-	-	7	50	9	30	39	46	89
V- Bicol	9	23	16	-	-	-	25	48	14	96	110	135	158
VI- Western Visayas	11	55	9	-	1	-	21	76	29	49	78	99	154
VII- Central Visayas	5	22	10	-	-	-	15	37	25	98	123	138	160
VIII- Eastern Visayas	10	28	3	-	-	-	13	41	17	37	54	67	95
IX- Zamboanga Peninsula	6	54	1	-	-	-	7	61	15	40	55	62	116
X- Northern Mindanao	6	34	6	-	-	-	12	46	19	46	65	77	111
XI- Davao Region	5	8	4	-	-	-	9	17	19	61	80	89	97
XII- SOCCSKSARGEN	4	11	-	-	-	-	4	15	15	78	93	97	108
XIII- CARAGA	4	10	1	-	-	-	5	15	10	31	41	46	56
ARMM	4	5	-	1	6	-	11	16	4	54	58	69	74
Total	112	451	98	1	7	6	224	675	359	1,340	1,699	1,923	2,374

7 Higher Education Data: 2014
(Public and Private HEIs)

Data culled from CHED Website <http://www.ched.gov.ph/index.php/higher-education-in-numbers/higher-education-institutions/> and CHED 2014b [Accessed 1 October 2015]

III. RISK-BASED REGULATION ON HIGHER EDUCATION IN THE PHILIPPINES

In 2008, CHED issued CMO No. 40 Series of 2008 otherwise known as the Manual of Regulation for Private Higher Education (MORPHE). In 2009, through CHED CMO No. 30 Series of 2009 MORPHE was applied evenly to all state universities and colleges (SUCs) and local universities and colleges (LUCs). MORPHE consists of one hundred forty eight (148) sections divided into twenty-seven (27) major articles involving the General Provisions, the Higher Education System, the Commission on Higher Education, the Private Higher Education Institutions, Higher Education Programs, Terms and Conditions of Employment, Financial Management and Assistance, Administrative Remedies and Miscellaneous Provisions. MORPHE formally instituted the application of risk-based regulation in the Philippines by instituting special regulatory treatments to certain private higher educational institutions grant of autonomy and deregulated status.

Subsequently, in 2012, CHED issued CMO No. 46 Series of 2012 setting policy standard to Quality Assurance (QA) in Philippine Higher Education through an Outcomes-

Based and Typology-Based QA. CHED shifted from an inputs-based to an outcomes-based education (OBE) and has recognized that higher education institutions (HEIs) are different from each other and thus, a typology or classification of HEIs was developed to guide HEIs to have an alignment among their vision, mission, and goals (VMGs); their desired graduate attributes and impact on society; and their educational programs. For HEIs to achieve their VMGs is their institutional quality assurance systems which they could establish following the Institutional Sustainability Assessment (ISA) framework (CHED 2014a: 6).

CMO NO. 40 focused on *program accreditation* for the grant of autonomy and deregulation while CMO NO. 46 directed on *institutional accreditation* through Quality Assurance.

Both CMO No. 40 and CMO No. 46 are considered as the cruxes in enforcing risk-based regulation on higher education in the Philippines. In consequence, the *various stages* on the process of *risk-based regulation* will be evaluated.

Definition of the Risks

Section 2 of CMO. No. 40 defined the risk involved in regulating the HEIs, that is, to ensure that the HEIs offers complete, adequate, and integrative system of education relevant to the needs of the people and the society towards the attainment of the goals of national development. Sections 3 and 4 of CMO No. 46 on the other hand further defined the risks involved in regulating the HEIs: (a) to ensure that the programs offered by a critical mass of diverse HEIs complied with the national and international standards for various disciplines/professions and (b) to ensure that HEIs produced quality leaders, thinkers, planners, researchers, technological innovators, entrepreneurs, and the much needed work force to launch the national economy, in short, ensuring that pool of graduates with the necessary thinking, technical and behavioral competencies shall be produced by the HEIs.

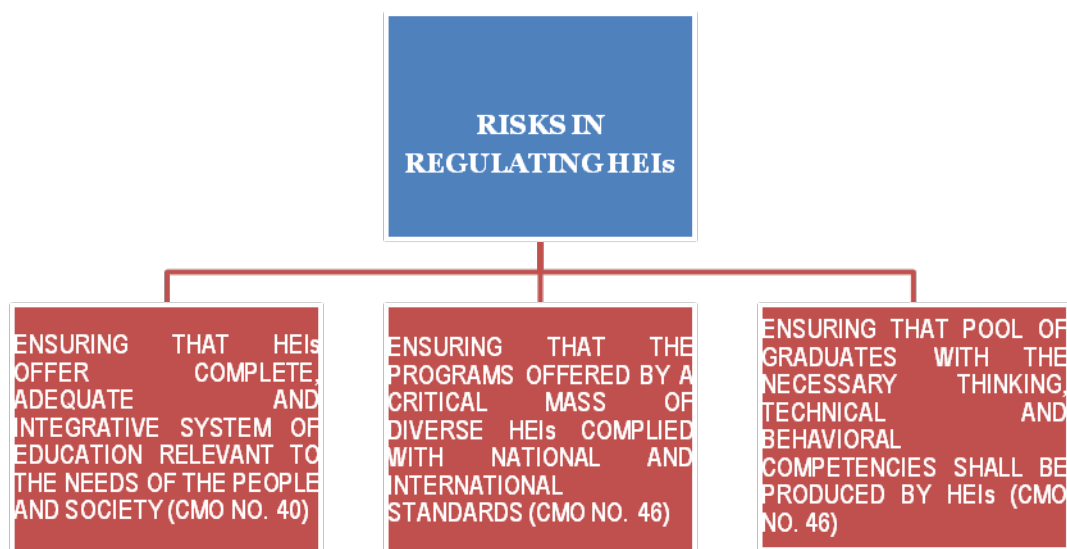


Table 2. Risks in Regulating HEIs in the Philippines

Measuring the Exposure

CHED measures the exposure of the identified risks through (a) the utilization of historical data showing the lack of critical pool of graduates with the necessary thinking, technical and behavioral competencies needed to re-launch the Philippine manufacturing sector and the achievement of the full potentials of the service sector and in the full service of national development; (b) utilization of historical data showing deteriorating quality of higher education which could be a burden to the ASEAN 2015 integration which will result in a free flow of qualified labor in the region which could either open up opportunities for graduates of Philippine HEIs or threaten their employment even in the country (Section 5, CMO No. 46); and (c) identification of the driver of risk which is the limited access to quality higher education by those who need it most and have potentials to maximize its benefits (CHED 2012:1).

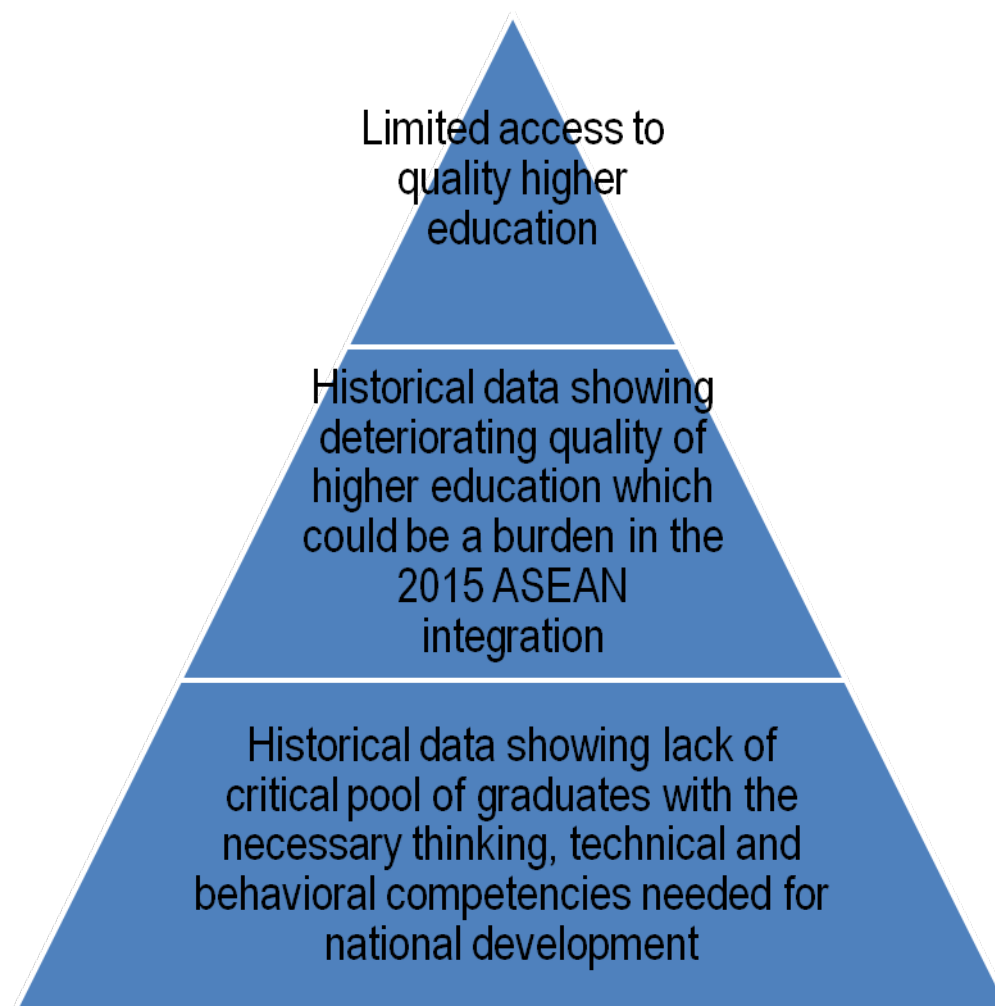


Table 3. Measuring the Exposure of Risks of HEIs

Strategy

CMO No. 40 Series of 2008

To allocate resources to the identified risks, CMO No. 40 proposed three (3) innovative propositions: (1) providing substantial funding assistance to HEIs whose programs are recognized as Centers of Excellence and Centers of Development; (2) grant of autonomy and deregulated status to qualified HEIs; and (3) encouragement of the use of voluntary accreditation.

Article X of CMO No. 40 authorized CHED to designate programs and disciplines of qualified HEIs as Centers of Excellence (COE) and Centers of Development (COD) (Section 43, CMO No. 40). Substantial funding assistance is given to HEIs granted with such honors. However, these COE/COD are expected to perform the following responsibilities: (a) accelerate the development of the discipline through strategic development programs and projects; (b) develop their instructional program quality through faculty development activities and upgrading of facilities and library holdings; (c) undertake basic and applied research activities on emerging trends and advancement in the field; and (d) undertake

outreach and linkage projects through regional or national consortia agreements, internationalization activities and industry-academe collaborations (Section 45, CMO No. 40). Specifically, COEs are expected to (a) act as leaders/role models for the discipline in the local, regional and national community; (b) sustain and enhance research capabilities and upgrade professional or research graduate programs in the discipline; (c) provide assistance to agencies/institutions within their locality and (d) undertake other activities and projects necessary for the continuous development for the discipline (Section 45, CMO No. 40). Likewise, CODs are expected to (a) develop their instructional programs through faculty development activities and upgrading of facilities and library holdings and (b) establish linkages with Centers of Excellence in the same discipline to further improve their capability to undertake research in the field.

The designation of COEs/CODs fairly allocated the resources of CHED. Rather directing full resources in formulating strategic development programs and projects for all disciplines, the grantee COE of a particular discipline is now tasked to do the same. Other HEIs are directed to follow the leadership of the grantee COE. As opposed to CHED directing resources to develop instructional program quality of a particular discipline, the grantee COE shall undertake the same. The grantee COE/COD will be the one to perform acts which in traditional regulation should be altogether undertaken by CHED. In this, CHED's resources have been clearly allocated. This strategy addresses the risk of ensuring that HEIs produced critical pool of graduates in the full service of national development and ensuring that HEIs produced quality graduates at par with national and international standards.

In addition, Article XI of CMO No. 40 granted autonomy and deregulated status to certain private HEIs who have demonstrated and consistently adhered to high standards of instructions, research and scholarships. Section 48, CMO No. 40 enumerates the three criteria for selection (a) long tradition of integrity and untarnished reputation (the HEI has consistently adhered to existing laws, rules and regulations and has no confirmed violations of Philippine laws, CHED Memorandum Orders (CMOs), and Policies, Standards and Guidelines); (b) Commitment to excellence (the HEI has demonstrated academic excellence by its status as CHED-identified Center of Excellence or Center of Development (COE/COD) in particular academic programs, level of program accreditation granted by existing recognized accrediting bodies as certified by the Federation of Accrediting Agencies of the Philippines (FAAP) or category granted by CHED through the International Monitoring and Evaluation for Quality Assurance (IQuaME); and (c) Sustainability and Viability of Operations).

Autonomous and Deregulated HEIs are freed from regular monitoring and evaluation by CHED; exemption from the issuance of Special Order (S.O.) for their graduates; priority in the grant of subsidies and other financial incentives/assistance from CHED; and given privileges to determine and prescribe their curricular programs to achieve global competence (Sections 49 and 50, CMO No. 40 Series of 2008). Autonomous HEIs have the following additional benefits: (a) privilege to offer new course(s)/program(s) in the undergraduate or graduate level without securing permit/authority from CHED except in disciplines that are under moratorium; (b) privilege to establish branch/es or satellite campus/es without securing government authority from CHED; (c) privilege to offer extension classes and distance education course(s)/program(s) to expand access to higher education, and to establish affiliation with recognized foreign higher education institutions in pursuit of international standards of education; and (d) authority to grant *Honoris Causa* to those deserving, per

pertinent provisions of existing CHED issuance on conferment of honorary degrees (Section 50, CMO No. 40).

The grant of autonomy and deregulated status clearly freed CHED from directing and focusing its full resources on all HEIs under its authority. The 2,374 HEIs are thus further classified into regulated, deregulated and autonomous educational providers concomitant with various benefits. As opposed to CHED focusing full resources in regular monitoring and evaluation of 2,374 HEIs, the identified deregulated and autonomous HEIs are freed from this traditional evaluation and monitoring function of the regulator. Rather than CHED directing inclusive resources to determine and prescribe curricular programs for all HEIs to achieve global competence, the identified deregulated and autonomous HEIs are now free to chart its own curricular based on its national and international linkages. In addition, deregulated and autonomous HEIs are prioritized in the grant of subsidies and other financial incentives and assistance which inveigle HEIs to work for deregulation and autonomous status. In this, CHED resources are clearly allocated. This strategy addresses the risk of ensuring that HEIs produced critical pool of graduates in the full service of national development; ensuring that HEIs produced quality graduates at par with national and international standards; and ensuring the access for everyone to quality higher education.

Furthermore, Article XIV of CHED CMO No. 40 has encouraged the use of mechanism of voluntary accreditation for HEIs to meet the standards of quality education over and above the minimum required for government recognition. CHED affirmed the (a) maintenance of a policy environment which enhances the private and voluntary nature of accreditation and protects its integrity and (b) establishment of a scheme for progressive deregulation of qualified higher education institutions or specific programs of such institutions (Section 69, CMO No. 40). Instead of CHED directing all its resources in accrediting the various programs of the 2,374 HEIs, CHED has delegated it to the Federation of Accrediting Agencies of the Philippines (FAAP) as the agency to certify, pursuant to its general or common standards, the accredited status of private HEIs and their programs (Section 70, CMO No. 40).

Depending on the levels of accreditation, accredited HEIs may be granted administrative and academic deregulation and may be granted subsidies and other similar financial incentives. Level I and Level II accredited HEIs are granted (a) full administrative deregulation, (b) financial deregulation in terms of setting of tuition and other school fees and charges, (c) authority to revise the curriculum without the Commission approval provided that it complies with the minimum requirements of CHED and Professional Regulation Commission (PRC) as the case may be, (d) authority to graduate students from accredited programs in the levels accredited without prior approval of CHED and without need for Special Orders, (e) priority in the awards of grants/subsidies or funding assistance from the CHED-Higher Education Development Fund for scholarships and faculty development, facilities improvement, and other development programs; (f) right to use on its publications or advertisements the word “ACCREDITED” and (g) limited visitation, inspection and/or supervision by the CHED supervisory personnel or representatives. Level III accredited HEIs are granted all the benefits for Level I and Level II and granted authority to offer new programs allied to existing Level III programs without need for prior approval and privilege to apply for authority to offer new graduate programs, distance education, and extension classes and to participate in transnational education. Level IV accredited HEIs are granted full autonomy for the program for the duration of its Level IV accredited status and authority to offer new graduate programs allied to existing Level IV programs, distance education and

extension classes. Level IV accredited HEIs enjoyed all the benefits of Levels I, II and III accredited HEIs.

The process of accreditation and the benefits granted to accredited HEIs showed how CHED allocated and directed its resources. Rather than CHED undertaking the accreditation on all HEIs under its authority it encouraged the private sector to promote standards among HEIs at par with the international standards. CHED then simply give official recognition to accrediting agencies based on its standards, monitor the operation of accrediting agencies, grant incentives to accredited programs, provide financial subsidy to recognized accrediting agencies, and utilize the accreditation report in its regulatory functions over the HEIs operating under its authority (Corpus 2003: 5-6). In this, the other resources of CHED have to be directed to the other HEIs which do not undertake accreditation.

CMO No. 46 Series of 2012

CMO No. 46 expanded the risk-based allocation made by CHED in the previous CMO No. 40 Series of 2008. Outcomes-based Quality Assurance (QA) and Typology-based Quality Assurance (QA) were introduced as the frameworks in regulating HEIs.

To address the identified risks, CHED adopted two (2) different approaches to outcomes-based evaluation of programs and institutions: (a) direct assessment of educational outcomes, with evaluation of the individual programs that lead to those outcomes; program outcomes are largely measured against the policies, standards, and guidelines of the discipline and (b) an audit of the quality systems of institutions, to determine whether these are sufficiently robust and effective to ensure that all programs are well designed and deliver appropriate outcomes; consideration of program-level evidence to the extent necessary to establish that institutions are functioning properly with due regard to the vision, mission, and goals of HEIs (Section 16, CMO No. 46). The regulator CHED will work with HEIs to assist them strengthen their management of academic and administrative processes so that they can achieve their quality goals and educational objectives (Section 10, CMO No. 46).

Likewise, it adopted a horizontal typology based on the functional differentiation of HEI vis-à-vis their service to the nation, and a vertical typology within each horizontal type (Section 21, CMO No. 46). It abandoned the one-size-fits-all Quality Assurance system of the previous regulatory framework (Section 18, CMO No. 46). Differentiating among types of HEIs may result in a (a) more rational monitoring and evaluation system for quality assurance purposes; (b) rationalize support and incentives for HEIs based on mandate, functions, and operations for each type; (c) allow for more intensive intervention and development programs for priority areas targeted for each type; and (d) eventually, rationalize the number and distribution of different types of HEIs for the entire country, region, province and thus improving the relevance and efficiency of the system as a whole (Section 20, CMO No. 46).

The typology addressed the risk of ensuring that HEIs produced graduates with the necessary thinking, technical and behavioral competencies needed for national development. This is due to the fact that a good typology benefits the HEIs on the following areas: (a) the establishment of more appropriate QA standards/mechanism and development intervention for specific types of HEIs; (b) clearer focus on each type of HEI's role in the context of national developmental goals, enhancing their relevance; (c) increased internal efficiency as HEIs within each type are given the leeway to focus their internal resources on the core

functions of the type; and (d) more focused energies to ensure that the HEI's programs are comparable to similar programs across the country and programs elsewhere in the region (Section 19, CMO No. 46).

Three types of HEIs are classified under horizontal typology and likewise there are also three types of HEIs under vertical classification from both program and institutional quality outcomes.

The three types of HEIs under horizontal typology are: (a) *Professional Institutions* which contribute to nation building by providing educational experiences to develop technical knowledge and skills at the graduate and undergraduate levels, which leads to professional practice, e.g. Engineering, Medicine, Law, IT, Management, Teacher Education, Maritime Education; (b) *Colleges* which contribute to nation building by providing educational experiences to develop adults who have the thinking, problem solving, decision making, communication, technical, and social skills to participate in various types of employment, development activities and public discourses, particularly in response to the needs of the communities they serve; and (c) *Universities* which contribute to nation building by providing highly specialized educational experiences to train experts in the various technical and disciplinary areas and by emphasizing the development of new knowledge and skills through research and development (Sections 23.1, 23.2. and 23.3, CMO No. 46). Each classification has separate qualifications and mandates.

The demonstration of exceptional learning and service outcomes as well as development of a culture of quality will result to level of program excellence and institutional quality of HEIs. Subsequently, they will be vertically classified either as autonomous HEIs, deregulated HEIs or regulated HEIs (Sections 24 and 25, CMO No. 46).

The previous classifications under CMO No. 40 Series of 2008 have been modified and amended correspondingly Autonomous and deregulated HEIs under CMO No. 46 are those HEIs which have demonstrated exceptional institutional quality and enhancement through internal QA systems, and demonstrate excellent program outcomes through high proportion of accredited programs, the presence of COEs/CODs, and or international certifications. These criteria modified the criteria under Section 48 of CMO No. 40 Series of 2012 which concentrated on integrity and untarnished reputation of HEIs and of which commitment to excellence and sustainability and viability of operations are merely subjugated. This time, CHED focused on the *internal QA system* to attain autonomy and deregulation. The classification of whether autonomy or deregulation will depend on the evidence of very good performance consistent with the horizontal typology of the HEIs.

Regulated HEIs are those institutions which still need to demonstrate good institutional quality and program outcomes. The full resources of CHED are directed to see to it that regulated HEIs will attain the status of autonomy and deregulation. CHED affirmed that its long term goal is to have a critical mass of autonomous and deregulated HEIs (Section 27, CMO No. 46).

The aim of CHED for the attainment of full autonomy and deregulation of HEIs is an application of risk-based allocation of resources. The classification of autonomy, deregulated and regulated HEIs can be considered as strategy to confront the identified risks. Autonomous and Deregulated HEIs are classified as lower risks educational providers in failing on the objectives envisioned by CHED (for HEIs to produce graduates necessary for national development). Regulated HEIs are classified as higher risk educational providers to

fulfill the visions of CHED (to produce graduates with the necessary thinking, technical and behavioral competencies needed for national development).

Execute and Learn

Two Hundred Sixty Four (264) programs are recognized as Center of Excellence (COE) or Center of Development (COD) of the one hundred twenty four (124) qualified HEIs or 5.36% out of the total HEIs nationwide (CHED 2014b: 17). Except for ARMM, all thirteen (13) regions have HEIs recognized with COE and COD. The National Capital Region (25) has produced more COE/COD than any other region followed by Central Visayas (11) and Ilocos Region (11).

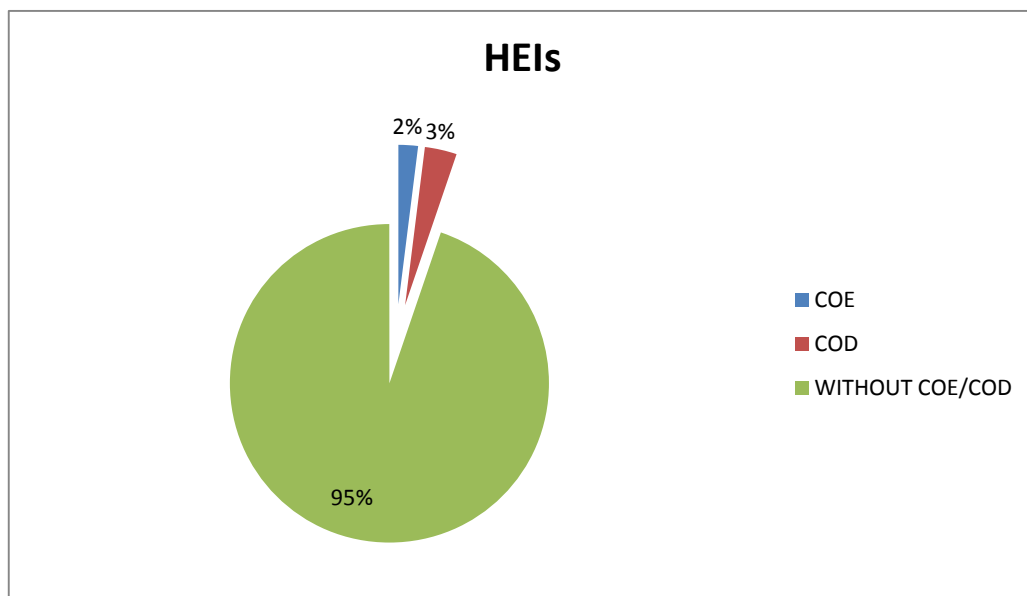


Figure 3. Ratio of HEIs with COE/COD.

In 2013, forty-four (44) HEIs were granted autonomy and deregulation status: thirty four (34) HEIs were granted autonomy while ten (10) HEIs were granted deregulated status. This translated to 1.85% of the total HEIs under the authority of CHED (CHED 2014b: 10).

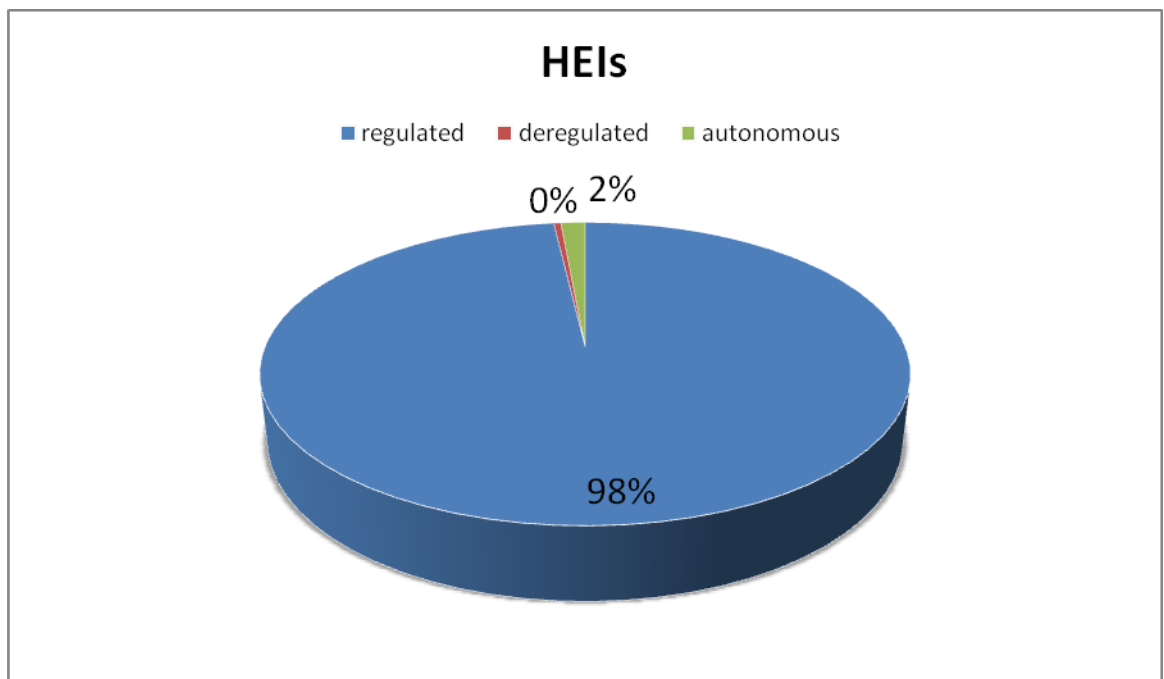


Figure 4. Classification of Status of HEIs in the Philippines.

Evenly, 1, 345 HEIs have programs accredited under Level I accreditation of FAAP; 1, 644 HEIs have programs accredited under Level II accreditation of FAAP; 851 HEIs have programs accredited under Level III accreditation of FAAP; and 152 HEIs have programs accredited under Level IV accreditation of FAAP (CHED 2014b: 6).

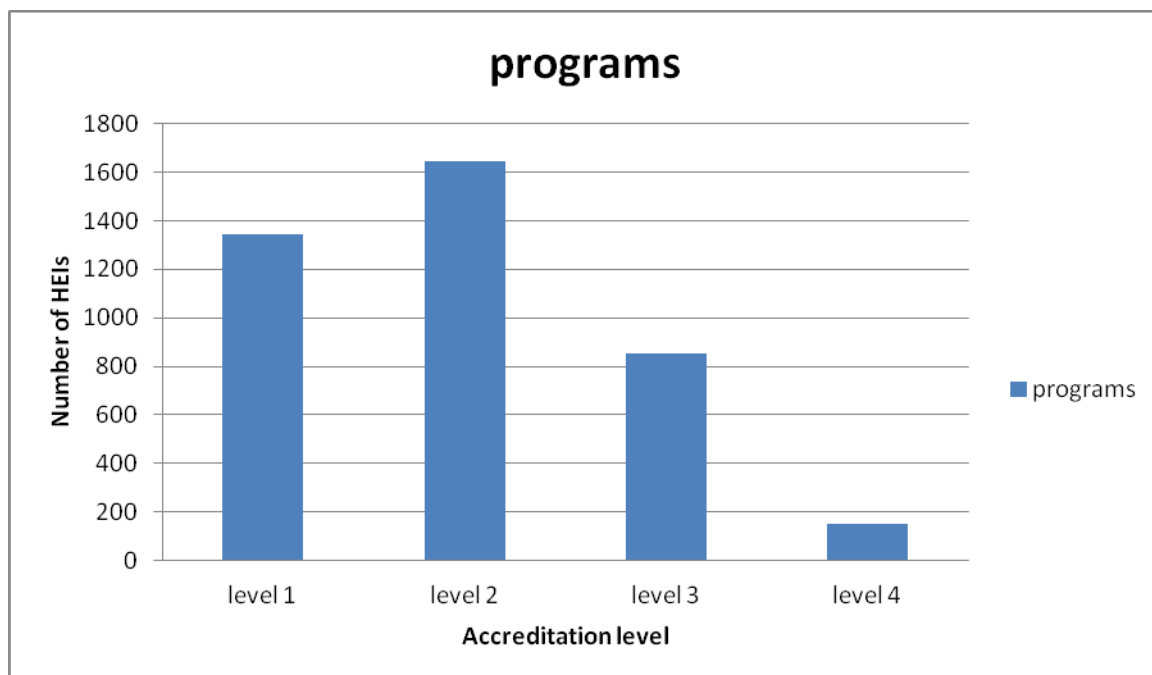


Figure 5. Accreditation Status of HEIs by FAAP.

IV. An Appraisal of the Risk-Based Regulation on Higher Education in the Philippines

This essay has shown how CHED has introduced risk-based regulation on higher education in the Philippines and the following has been observed.

ONE. The regulator has fully identified the risk, measured the exposure and strategized on how to challenge these risks.

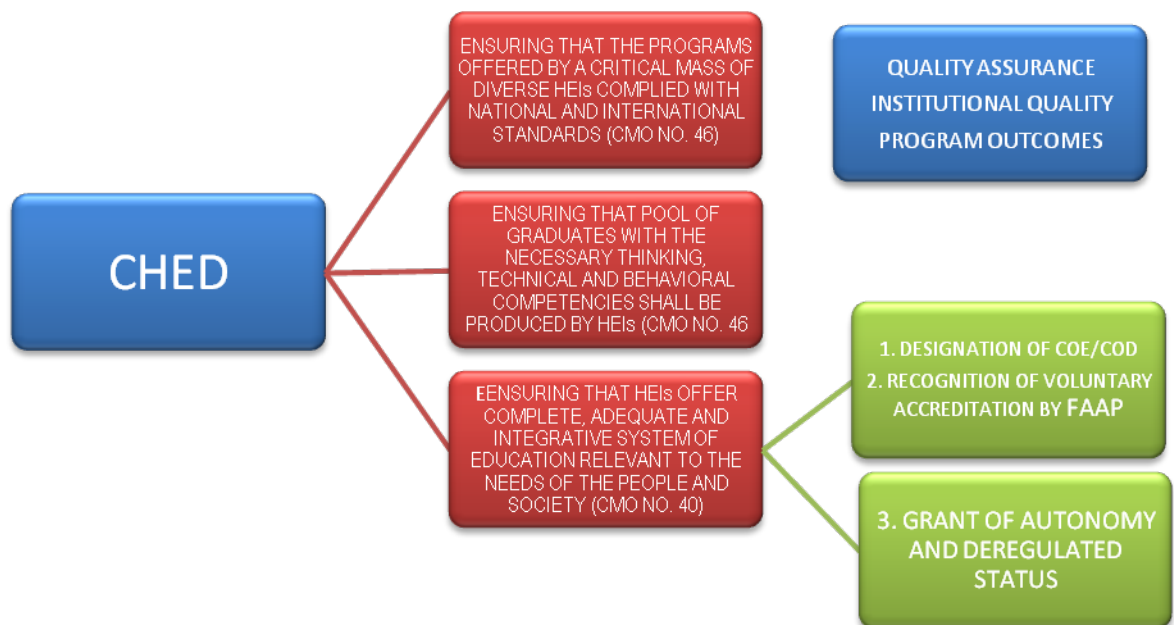


Figure 6. *Risks and Strategies on Risk-Based Regulation on Higher Education in the Philippines*

TWO. CHED was able to classify HEIs based on the risks it confronts – lower risks HEIs and higher risks HEIs. Higher risks HEIs are educational providers which have the higher chances of being exposed to the identified risks. Lower risks HEIs are educational providers which have the lowest chances of exposures to the identified risks. Higher risks HEIs are regulated educational providers in which the regulator has directed its full resources. Lower risks HEIs are deregulated and autonomous educational providers which are under minimal supervision and control by the regulator.

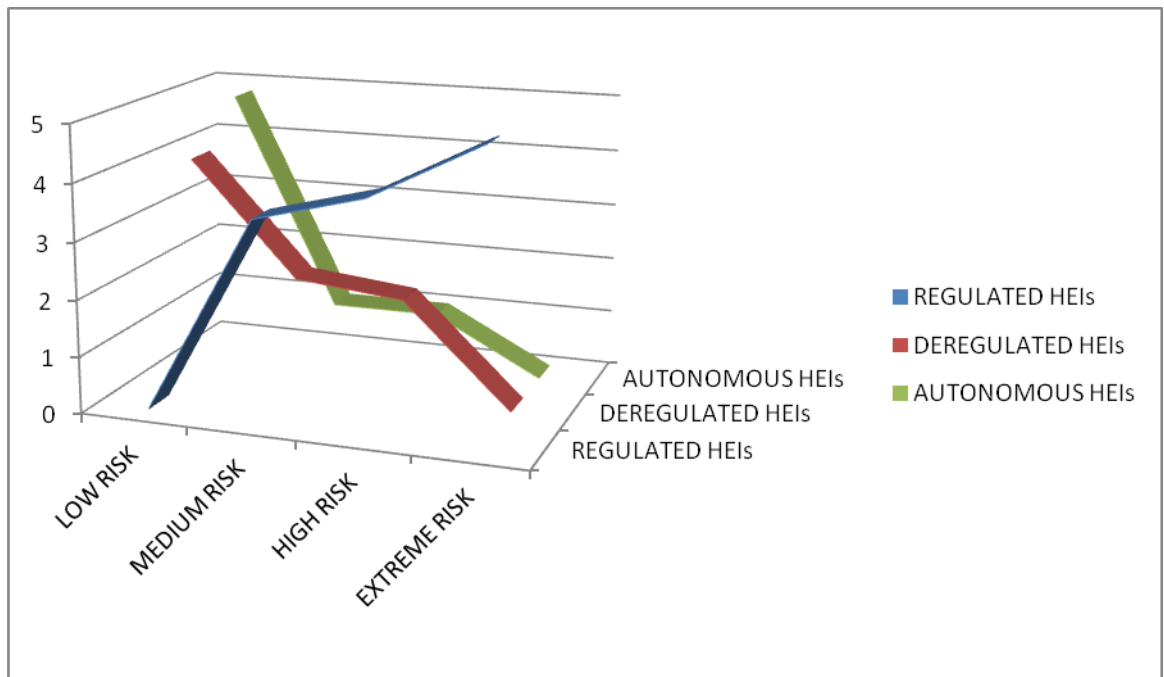


Figure 7. *Classification on Risks of HEIs*

THREE. The grant of autonomy and deregulation resulted in CHED maximizing its resources to those who needed it most, in this case, the regulated HEIs. Autonomous and deregulated HEIs are freed from evaluation and inspection of the regulator and can chart its own academic strategy, programs and projects with minimal or zero interference from CHED. Regulators are able to fully justify the classification based on institutional quality and program outcomes which stakeholders have accepted and complied with. The transparency of the selection based on the identified criteria helped the regulator from justifying its actions.

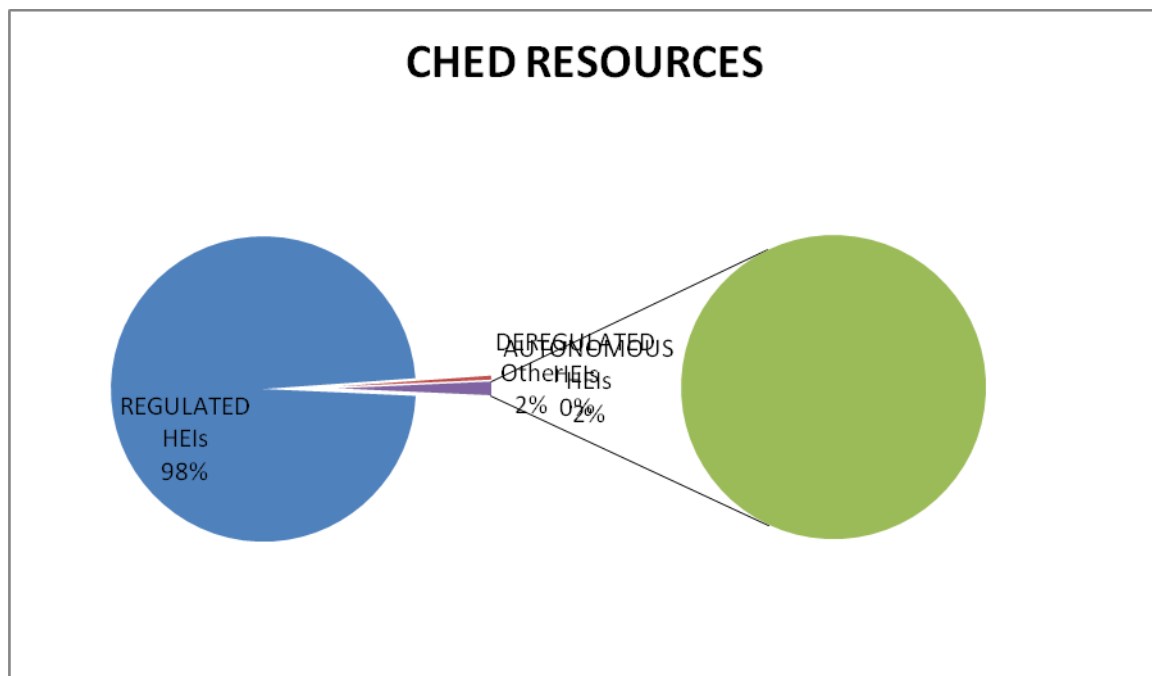


Figure 8. Allocation of CHED Resources on HEIs

Finally, complementary actions are needed for both the regulator and the HEIs to efficiently allocate the resources of CHED and to shield the public from the identified risks. Only 44 out of 2,374 HEIs under the authority of CHED are declared deregulated and autonomous. The regulator has not fully maximized the implementation of the framed strategies to allocate its resources. The strategies are existing but the implementation may be deficient to accomplish the objectives, that is, to eliminate the identified risks.

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