Pergamon

International Journal of Educational Development 23 (2003) 315–337

International Journal of EDUCATIONAL DEVELOPMENT

www.elsevier.com/locate/ijedudev

The history and problems in the making of education policy at the World Bank 1960–2000☆

S.P. Heyneman

International Education Policy, Department of Leadership, Policy and Organizations, Box 514, Peabody College, Vanderbilt University, 37203 Nashville, TN, USA

Abstract

The reports seem contradictory. With about three billion dollars per year in new loan commitments, the World Bank has become the single largest source of development capital in the field of international education. These resources help expand educational opportunities for young women in South Asia and rebuild primary schools following civil conflict in Sub-Saharan Africa. They support textbooks, school meals, new curriculum, and teacher training in thousands, perhaps hundreds of thousands, of locations in over 100 countries in six regions.

But 'the Bank' as it is commonly referred to, is also the object of considerable criticism. Some argue that its loan covenants are too restrictive. Its policy reforms are based on narrow, neo-liberal assumptions about the role of the state. Local policy makers have become passive recipients of the Bank's agendas. To obtain loans, countries have agreed to raise education fees, which has exacerbated divisions between rich and poor.

How is it that a multilateral UN lending institution, managed by its owners in proportion to shares of equity, has become involved in education? How are educational lending priorities and policies actually established and how have they changed over time? Is there validity to the many criticisms of the World Bank in the field of education, and how has the Bank responded? Finally, what changes and recommendations might be considered to ameliorate the long standing tension between the interests which generate lending and those which stand for more intelligence or effectiveness of that lending?

This article discusses how Bank lending priorities are established and loans designed and approved. It attempts to illustrate how and why the Bank, as opposed to other international organizations, has increasingly influenced the global education agenda. It highlights why the Bank's policies on education have not been as effective as postulated, and in some cases have created significant educational distortions in a nation's education sector. This analysis is predicated on the Bank's tendency to become 'captured' by single methodologies beginning with manpower forecasting and later rate of return techniques. This tended to bias its views with respect to particular sub-sectors, educational functions and purposes. Some of these distortions can be traced back to its entry into the sector in the 1960s. The article raises the question of who should be held accountable when over time Bank policies prove to be dysfunctional. The article concludes that in spite of the importance of having intelligent education policies for social and economic development,

E-mail address: s.heyneman@vanderbilt.edu (S.P. Heyneman).

☆ An earlier version appears in Baker, D.P., Gustafson, D. (Eds.) International Perspectives on Education and Society. Elsevier Science, Oxford (forthcoming).

doi:10.1016/S0738-0593(02)00053-6

there is no single international organization to effectively provide them. The article suggests three options for changing international organizations so as to deliver better analytic work, more intelligent policies and more effective programs of education assistance.

Keywords: World Bank; Education and development; Education policy; International education policy; International organizations; Globalization; Education in developing countries; United Nations organizations; Comparative education; Economics of education

1. The entry of human capital into the World Bank

It was the late 1950s that Schultz (1959, 1961, 1981), Becker (1964), Bowman et al. (1968) and Anderson and Bowman (1967; Bowman and Anderson, 1968) had migrated to the University of Chicago, and began to investigate the contributions of human capital to national income growth. Frederick Harbison and Myers (1964) at Princeton, Lewis (1969) with Blaug (1970) and Vaizey (1968) in London, and Hansen and Weisbrod (1969) in Madison and Berkeley were investigating similar avenues and drawing consistent conclusions. With India and Pakistan's independence in 1948, Ghana's independence in 1957, and the stirrings across Francophone and Anglophone Africa, the political landscape was shifting, and the demands on the International Bank for reconstruction and development were shifting in parallel fashion. The Bank's mandate for reconstruction, essential for war-torn Europe, was giving way to the priorities of the newly emerging developing countries.

Outside Europe though, the ingredients of development were different. It was clear to Bank management, that each nation would need to expand its trade and commerce and this would require an efficient infrastructure. In Europe this infrastructure had been destroyed and needs to be rebuilt. In Africa, Latin America and Asia, for the most part, the infrastructure had to be created. The focus of attention had not changed: infrastructure was the purpose of Bank lending and the central focus of its mandate. The question was how to create within developing countries of the 1960s, an infrastructure where, before there was none?

Human capital first entered the World Bank as a way to fix 'engineering problems'. Bridges, highways, ports and railroads needed construction, traditionally with the assistance of external consultant firms. As the new countries became independent, the Bank was under increasing pressure to encourage local participation in the bidding and procurement process, and hence to use local as well as international providers of technical assistance.

The concept of infrastructure itself was changing too. The demand for borrowing was moving away from bridges and highways toward industry, agriculture and manufacturing (Gavin and Rodrik, 1995). By nature, these new types of infrastructure investments were not 'turn key operations'. With bridges and highways, the Bank's role was to provide money for construction, but with industry, recurrent expenditures become important. The new types of infrastructure would require long-term management and technical skills to run efficiently, and whether these were in sufficient supply became the critical question. Would Bank investment in an agricultural industry be at risk because of the scarcity of agricultural engineers? Countries could borrow for foreign technical assistance to help manage the new industries, but foreign technical assistance is expensive and from the beginning there was political resistance. Why borrow for foreign management and technical talent when local talent could be developed? But how can one tell whether local skills are sufficient? And given the context of the new investments in a nation's infrastructure, how does one determine how much new technical skill to develop?

The Bank began to use human capital measurements in its analytic work in the early 1960s for reasons having little to do with the theory of economic development and more to do with the priority of human over physical capital goods.[1] The Bank

[1] The Bank generally separates analytic work into different functions: project appraisal, sector work, country economic

began to use human capital measures because it had a specific problem: how could their investment in a new fertilizer manufacturing plant make any difference without a staff of agriculture engineers?

2. Problems, resolutions, new problems

2.1. Manpower forecasting: lending for vocations

As Jones (1992) has pointed out, the first operational directives that allowed for a Bank investment in human capital limited the terms and involvement to those areas where the Bank's infrastructure investments might be at risk. The answer to the question of how to tell was the reason why the Bank began to utilize manpower forecasting models.[2] The question was not what human capital was necessary for development—an argument, full of dilemmas and debates, [3]—but how many engineers and technicians were required if an investment in a country's agricultural fertilizer is to be sustainable.

In October 1963, the Executive Directors approved the first series of operational directives governing the Bank's approach to education. The memo to the Board said that the Bank and IDA should

> Be prepared to consider financing a part of the capital requirements of priority education projects designed to produce trained manpower to forward economic development. In applying this criterion, the Bank and IDA should concentrate their attention on projects in the fields of (a) vocational and technical education and training at other levels, and (b) general secondary education (World Bank, 1963).

From 1962 to 1980 all education investments supported by the Bank required justifications on the basis of manpower demands. Hence all Bank education investments centered on the focus of manpower analytic techniques and the scarcities of technicians and engineers (Bartholomew, 1976). Understandable at the outset, this focus on one small part of the education sector became the first in a series of operational biases through which the Bank often sponsored, promoted and financed with borrower resources projects with distorted content.

The drawbacks of manpower forecasting are relatively well known (Anderson and Bowman, 1967; Jones, 1992; Heyneman, 1972, 1995, 1999). Costs were not calculated to adjust for the fact that unit expenditures in engineering were higher than other higher education faculties did not figure in the internal debates. An investment in engineering was taken to be a necessary ingredient for the much larger investment in infrastructure. Much like a nail or a bolt, engineers were necessary to hold the much larger investment together.

The latent implication of this justification was the prohibition against assisting other parts of the education sector. These other parts were treated as consumption goods, and not as proper investment. The lending program prohibited any assistance to art, science and faculties of humanities, even libraries, all primary and academic (as opposed to diversified) secondary education, and post-graduate education, none of which could be included in project appraisal reports.[4]

work, regional economic work, evaluation, research on sector policy and research on development economics. Differences concern which part of the Bank sponsors the work more than it does the content of the work, hence no distinction will be made in this paper among them.

[2] Manpower forecasting was not only the preferred technique of the Bank; it was the dominant analytic rationale in UNESCO, OECD, ILO and many other international organizations. It acted as the common analytic currency across institutions and national governments in the field of education.

[3] Lewis (1969) for instance was concerned about educated unemployment, suggesting that a country could over invest in education. Balogh and Streeten (1968) were concerned that an education that was not sufficiently 'practical' would lead to unemployment, and social protest on the part of 'school leavers'.

[4] What is mentioned as part of an appraisal report and what is actually in a project, differed. University libraries were assisted in the context of engineering programs for instance. A library building could be used for purposes other than for engineering materials. But this could not be highlighted in the Project Appraisal Report.

2.2. 'Diversified' secondary education

By the late 1960s the Bank had created an Education Department to lead the analytic work underpinning its investments and to assess the results of those investments. The arrival of a new deputy director however, helped pave the way for the Bank's expansion of educational responsibilities. The Permanent Secretary in the Swedish Ministry of Education helped popularize a new justification designed to convince the Bank's senior management to allow lending for secondary education.[5] If it could be demonstrated that secondary education would lead to 'practical employment' in areas necessary for technical efficiency, then the Bank could justify secondary education investments. The timing corresponded with new programs for comprehensive schools, a reform in Europe which combined academic with manual training in the same institutions (World Bank (1970, 1972).

In 1971, the World Bank operational directive governing education underscored the reasons for diversified secondary education. It said:

> The education systems in developing countries are designed for an elite… usually a landed aristocracy, commercial upper class or cadre of civil servants: a substantial portion of the students in school are being miseducated; and the content of primary and secondary courses… is remote from the experience of today's student, especially the rural peasant child (World Bank, 1971).

Similar assessments played a role in the 1974 Sector Policy Paper. In that paper, it was argued that current educational content was 'dysfunctional' because it was 'more theoretical and abstract and less practical'. The education systems in developing countries were seen as being imbalanced. It was believed that there was a surplus of literary and general skills and an unmet demand of specific job-related skills. The recommended solution was a 're-orientation of the curriculum from top to bottom so as to "ensure that graduates can be employed. Improving the quality of education was assumed to be synonymous with making education 'more practical and relevant by re-orienting the content away from academic and toward vocational purposes" (World Bank, 1974).[6]

By avoiding specialization and tracking, comprehensive diversified schools were thought to encourage social mobility, and hence be more 'democratic'. Most nations in Africa and Asia, as well as Latin America, were interested in expanding educational opportunities, wished to borrow for that purpose. However, the Bank allowed them to borrow only if their secondary education investments included diversified curricula. From Somalia to Indonesia, each project for which the Bank assisted secondary education included metal shop and woodshop for boys, and domestic science for girls. These subjects were thought to be more 'practical' and would avoid the dangers of educated unemployment and political alienation.

In Somalia for instance, these workshops included 'electric cookers' for girls who had never before seen an electric stove. Where only metal or cement was used in construction, woodshop facilities were required in all secondary schools, receiving assistance by the World Bank, and since wood was not locally available, it had to be imported from Europe. (Heyneman, 1987).[7]

[5] At that time, lending for primary education was considered out of the question. In 1979 for instance, the Chief Economist for Sub-Saharan Africa argued that because of the problem of 'educated unemployment', lending for primary education was not economically justified nor did the Bank have a comparative advantage in lending for primary education. How could the Bank oversee the construction in so many different isolated locations?

[6] None of the education staff in the bank were aware that this 'practical' curriculum argument had been the subject of long and contentious debate in colonial policy (Foster, 1965; Heyneman, 1972). Had staff understood history better, the Bank might have had a more 'balanced' approach to diversified curriculum and less dogmatic in its approaches.

[7] Diversified secondary education was 30–50% more expensive to construct and manage. This was not a trivial issue in countries where less than 2% of the age cohort had an opportunity to enter secondary education. Diversified secondary schools added complexities to project implementation. Between 1962 and 1980, 22% of all Bank education lending was devoted to diversified secondary education. No project had reported an underutilization of academic facilities; in reality many academic

These two early examples serve to illustrate a pattern. Human capital theories were used to justify investments in those areas where the Bank's education sector could argue for more lending to those who allocate resources within the Bank, i.e. the country economists. The education sector acted rationally in the competition for 'slots' reserved for projects within the country's lending program (Jones, 1992, 1997; Mundy, 1998). However, before continuing with the story on educational policy toward lending, the reader might benefit from a brief synopsis of how lending priorities, in fact, are established and how loans are approved.

2.3. The lending process

Rationales for educational investment must fit within the overall context of national allocations. The incentives for staff to create new loans can outweigh incentives for making current loans implement more effectively. A high degree of competition exists among staff to be responsible for new loans—across regions, country departments, between and within sectors (transport, health, education, banking etc.) and those responsible for macro-economic lending. In spite of the periodic worry about 'moral hazard',[8] (Wapenhans, 1992), the pressure and prestige of new lending is a permanent feature of Bank culture.

Ideas for what shall be funded are generated by each country department within each region. There are six regions, and between four and six country departments in each region.[9] Each country director sets priorities to which the sectors respond. Priorities may include public sector efficiency, export promotion, and tax reform. Sectors respond accordingly.

For instance, in response to a priority on tax reform set by a country director, the education sector staff might recommend a loan to improve an institute for tax officer training; the staff in the social protection sector might recommend assisting the shift in social security tax. In both cases, the object would to ameliorate a problem in tax policy using the resources of the sector to which one had been assigned. Thus the accountability structure for lending explains how the Bank regularly lends for purposes which are at a tangent from its own stated sector priorities.[10]

Staff in the education sector respond to administrative incentives derived from macro-economic priorities. They determine the tendency for the Education Sector to collect certain kinds of data and not others, conduct certain analyses and not others, and sponsor certain lending and not others. If the Bank has been imbalanced in education lending, or mistaken in the education covenants required from countries, it is partly due to the internal incentives to which the education sector must respond. It is important to remember that the education sector does not establish operational priorities. It may seek to influence priorities, but the allocation of internal resources and the establishment of operational priorities are solely in the hands of country economists.[11]

---

facilities were over-subscribed. No project had reported a scarcity of teachers for mathematics or science. But of the 90 education loans approved during that period, the rate of workshop utilization was only 58%. Forty percent of the loans had instituted new diversified curriculum, which for some reason was found to be 'unavailable' (never implemented) at the time of completion. In 75% of the loans, equipment was reported to have maintenance problems. Fifty percent had experienced problems of teacher availability, and one out of three reported a lack of materials and supplies (Heyneman, 1985a,b). In spite of these problems, metal shop, woodshop, agriculture and domestic science for girls were considered essential elements for developing countries across different regions and levels of absorptive capacity, and considered justified on the basis of a theory popular at that time: that the curriculum was 'practical' and socially more democratic.

[8] Moral hazard is a policy of assistance to those in need which raises the risk that recipients may engage in irresponsible behavior because they know they can receive assistance if they get into trouble. Some bankruptsy laws for instance are said to raise the risk of moral hazard.

[9] The number of country departments shift over time along with the responsibilities of the country manager. In general the number of regions has remained stable for 30 years. The only major change has been to combine East and West Africa into a single region and to add Europe and Central Asia as a new region.

[10] Often underestimated too, is the influence of the Ministry of Finance on lending priorities. Lending in all sectors must be cleared with fiscal authorities.

[11] Within the Bank, county economics acts as a monopoly. Staff who allocate resources, also allocate resources to their own 'sector', that of macro-economic and adjustment lending operations. This helps explain the long-standing incongruence

The education sector staff might give a hearing to new human capital rationales, providing these rationales did not threaten loans already in the ‘pipeline’ or the justifications for further loans. New rationales however, would require that the education staff have the training and skills to incorporate the new techniques. Until 1980, Bank education staff fell into three broad categories (Heyneman, 1999). For the most part, economists in fact were educational planners with expertise in manpower forecasting. Educators, the second group, helped to decide the content of a practical curriculum. The function of the last group, project architects, was to calculate the costs of construction for the proposed new facilities. The focus of operational staff was not on educational issues as known in the wider world, but rather on issues of relevance to the internal requirements of bank lending. The focus was on the techniques to justify engineering education, the content of vocational curriculum, and the alternative choices for construction. Rewards derived from successfully answering the ‘how to implement’ question, not the ‘why to invest’ question. Consequently, within the regions there was little incentive to question the reasoning on which the lending depended. Because the mechanisms of manpower forecasting were pervasive, the countries rapidly responded to the incentives, by confining requests in those areas they knew to be of interest to the Bank, vocational and technical education and technician training.[12]

2.4. McNamara’s balance of power

Robert McNamara left the US Department of Defense to become president of the World Bank in 1968. He remained the president for the next decade, and was responsible for increasing lending for four or five fold during his tenure, and for pushing the Bank into population and family planning, public health and education. One of his primary concerns was how to structure the proper balance between generating quick and effective loans and yet at the same time, assuring the technical quality of those loans. The natural tension between speedy response to demand and technical standards might have analogies in any production process. After careful study, the Bank was re-configured into three major sections, each with a Vice President: one based on research in development economics, one based on policy and lending strategy, and the last (with six vice presidents) based on regional responsibilities (Fig. 1).

The key to McNamara’s plan was to give the research staff significant visibility, but little operational authority, and the two other sections virtual veto power over both lending and policy. No policy could be called ‘official’ without mutual agreement between the Central Projects Staff and the Regional Staff. Similarly no loan could be cleared for the Board approval without consensus across the two sections. This ‘balance of power’ was designed to protect the institution from two important hazards: loans based the whims of local officials and policies based on models and paradigms of little or no relevance ‘on the ground’. As the story continues, the reader will notice that this design changed radically in the 1980s, and disappeared altogether in the 1990s with significant effects on the quality of both lending and policy.

2.5. Challenges to manpower forecasting

Change first came with the assignment within the education department of the Bank’s first science educator and educational sociologist in 1974. The functions of these new staff included the analysis of curriculum theories and the promotion of ‘tracer studies’ of graduates, to reinforce the practical nature of the curricula.[13] Countries were encouraged to borrow for the implementation of

between the colorful and compelling Bank literature on the importance of education in economic development and the fact that education remains at only 4% of the lending portfolio.

[12] This behavior of countries is not unusual. Most developing countries know full well, which agency to approach for what kind of foreign assistance. They also know that in any sector, agency interests are governed by internal beliefs and priorities.

[13] These appointments helped generate staff working papers, which questioned the necessity of laboratories to teach secondary school science and the assumptions behind small class sizes as an indicator of quality. They also generated manuals on tracer studies and school location planning, considered essential ingredients in education planning at the time.

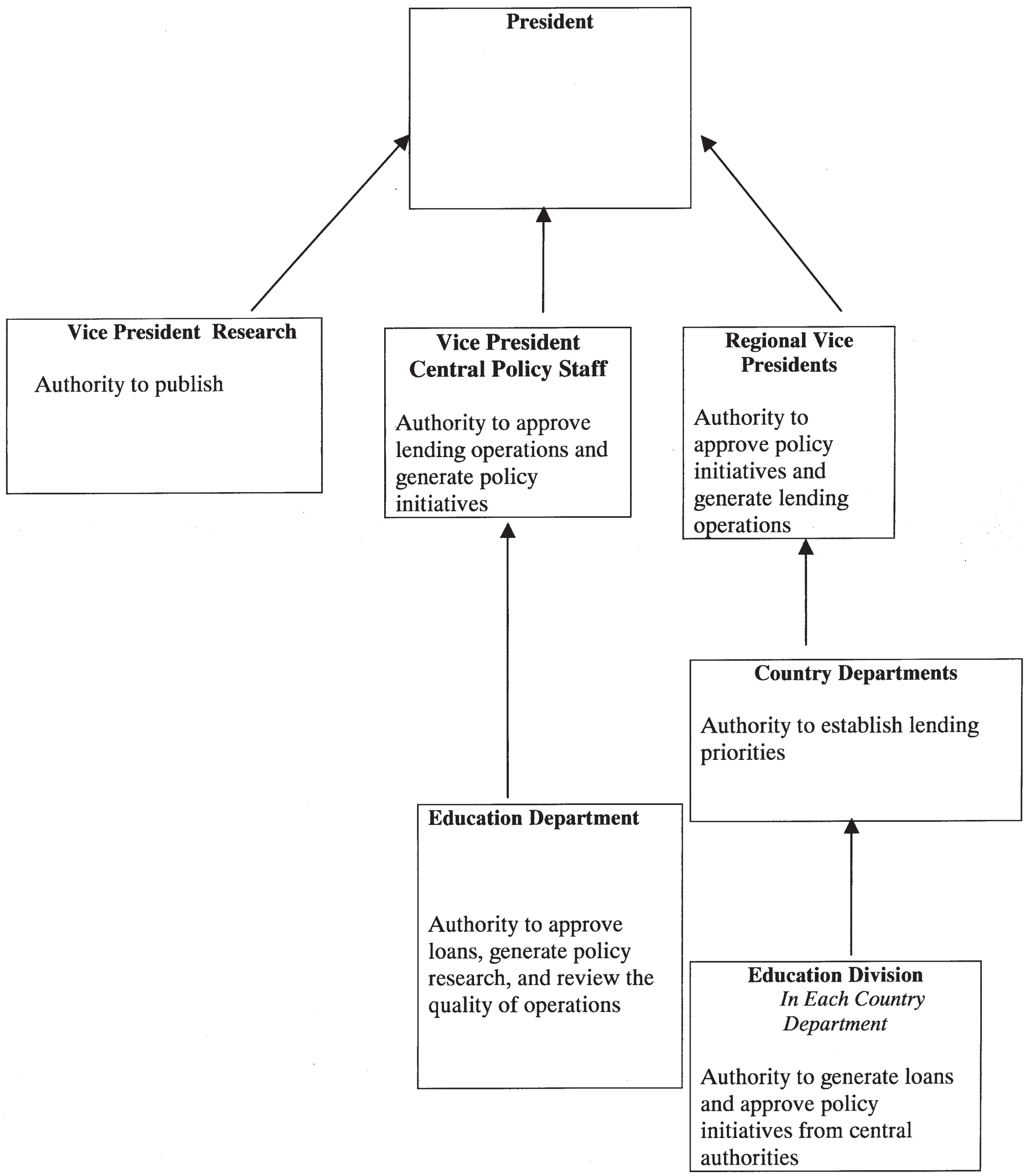

Fig. 1. World Bank internal processes early 1970s to early 1980s.

tracer studies and analyze their results. In April 1976, the second education sociologist entered the World Bank, and quickly found two problems.

Though the 'vocational school fallacy' argument (Foster, 1965) had been published a decade earlier, most World Bank staff were unaware that there was an alternative to the 'practical' education assumptions under which lending was justified.[14] It was taken as axiomatic that 'practical subjects' and technical skill training were more useful in the labor market. That the opposite might be the case,

[14] This lack of awareness of alternative theories was not uniform. In general, those trained at Columbia Teachers College

that academic skills might be more useful, was heresy because it threatened the philosophic underpinnings for the lending program (Heyneman, 1985a,b; Habte et al., 1983); Psacharapoulos and Loxley, 1985).[15]

The second problem was that manpower forecasting distorted the lending program toward specific vocations against other priorities. Loans could not be justified on the basis that they could improve academic skills because academic skills were thought to be economically ‘impractical’. On the other hand, there was an alternative economic methodology for calculating an economic rate of return to educational investments (Levin, 1983; Windham, 1975; Psacharopoulos, 1973; Psacharopoulos and Woodhall, 1985), known in the more renowned universities, which could test the theory of skill practicality. With a long tradition of publishing manpower figures and forecasts however, the Chief Education Economist at the time, argued that this ‘rate of return methodology’ had serious shortcomings. Earnings and educational cost data on which the methodology depends were scarce and unreliable. The methodology might be of interest to academics but impractical for World Bank operations, where specific decisions on investment decisions had to be made and quickly. It was an ‘experimental’ methodology, and not feasible for the real world of operations.

The relative autonomy of the education department within the Central Project Staff allowed for some experimentation with earnings and cost and earnings data. Some of these data came from secondary sources; others were derived from the tracer studies put into place a few years earlier. The appearance of the first reports to use rate of return analyses on India and Malawi (Heyneman, 1979, 1980a,b,1984), laid the groundwork for inviting more rate of return expertise into the Bank.

This divided the education economics profession in half, one in which manpower forecasting was considered the dominant mechanism; the other which promoted the use of rate of return studies. For the most part, regional operations sided with the former because it was the mechanism of economic discourse most familiar, and necessary to protect projects in the pipeline. The Research Unit in the Education Department and the Human Resources Division within Development Economics (research) Department however, tended to side with the rate of return methodologies. It was pointed out that similar methodologies were used in other Bank sectors, the rate of return formulae included costs and benefits two sacrosanct elements within the economics profession, and hence the reasoning for using the ‘rate of return’ methodologies in education were considered to be within the precedent set by other sectors and more compelling. The differing economic rationales for educational lending were not the only source of operational distortions stemming from the era of World Bank ‘infrastructure’. Also important were the definitions at the time of ‘recurrent’ and ‘capital’ costs as applied to education. A brief word about this issue follows.

2.6. *Recurrent expenditures and the prohibition against textbooks*

A common principle from the beginning of the World Bank has been the notion that lending was analogous to start up capital. If an economy couldn’t generate sufficient resources to maintain a paved road, then an investment should be limited to dirt roads. Key to a project’s justification was its sustainability. One method of determining a project’s affordability (i.e., the ability to pay for sustainability) was to declare the country responsible for recurrent costs and the Bank responsible for capital costs. If a country couldn’t maintain the

in History, and at Harvard in educational planning, were aware of them; those trained at other universities in North America, or at universities in Europe, Latin America, or Asia, were not.

[15] Popular demand for access to academic education instead of terminal vocational training was interpreted as economically dysfunctional. Those who sought academic training were thought to be seeking ‘white collar’ instead of ‘practical’ employment. Seeking more schooling was thought to be a sign of ‘credentialism’, seeking a credential for its own sake rather than for enhancement of one’s skill and earnings. During the 1970s, it was common for Bank loans to contain legal covenants, which required that a country restrict access to academic training, and instead develop terminal vocational training as an alternative. In most instances, however, Bank restrictive covenants were quickly overwhelmed by the strength of the poplar demand for access to general academic skills and occupational mobility, which 20 years later, the Bank would applaud.

capital investment, then it was assumed that it couldn't afford it.

The bulk of expenses in infrastructure consist of the cost of capital construction. But education is labor intensive. The bulk of the educational expenditures are for salaries and other expenses that regularly reoccur. Because identical economic principles were applied across sectors, the definition of recurrent expenditure had the effect of prohibiting the Bank from lending for essential reading materials. To educators experienced in developing countries however, the provision of reading materials was among the most essential ingredients for a system to function, and the absence of those materials called into question whether institutions should continue to operate at all.

The definition of 'recurrent expenditure' shifted for several reasons. It was clear from the research evidence that textbooks were important (Heyneman et al., 1978), but it was also clear that textbooks themselves were a 'bankable item' (Jones, 1992). The debate over whether the bank should loan for textbooks was characteristic: the definition of recurrent costs had been set in an era that focused on the reconstruction of Europe when national economic expectations and the investment role of the Bank were quite different. The definition shifted not because the economics profession has changed its view, or because the professional education community was united in recognizing, that reading materials were important for students who were trying to learn to read. It shifted because it became clear that reading materials were viable avenue for lending. One could think of reading materials as an investment rather than consumption. If textbooks were not consumption items, then they did not need to be categorized as a 'recurrent expenditure'. And if they were not a recurrent expenditure, then the bank could loan for them. In spite of the circular logic, the effect was constructive.[16]

All these issues lay behind the 1980 Education Sector Policy Paper (World Bank, 1980), and may help explain to the non-specialist,[17] why knowing what was not in the paper, was as important as knowing what the paper contained. The Bank would no longer be limited to lending for vocational and technical education or to diversify secondary education. Educational quality was a legitimate object for lending, as was education research. And all parts of the education system, from elementary to higher education were legitimate objects of Bank assistance. Most importantly, the economic tools used to answer the question of how much to invest, were not limited to manpower forecasting. Rarely are Bank policy papers recognized as revolutionary (Williams, 1975), but with reflection on the significant distortions from which the Bank education sector had to operate heretofore, the policies for the 1980s were radical indeed. This was indeed progress. But would this progress lead to better lending and to more justified objectives for that lending?

2.7. New methodologies, internal procedures and problems

In the 1980s the Bank began to suffer from increasing, and relentless criticism from environmentalists, human rights activists, and spokespersons for indigenous peoples, women, and the poor. In response, Barber Conable as the new president made the decision to 'study the problem' and commissioned a high power group which interviewed a large number of academics, business personalities and internal staff. The report recommended a complete re-organization in 1986 which was put into effect in 1987 (World Bank, 1987).

Structures and procedures changed dramatically.

[16] Allowing lending for reading materials illustrates the continuing history of dilemmas in another way. Once allowed in, Bank staff discovered that the textbook sector was more complex than originally anticipated; that textbook lending raised new issues of local vs. international bidding procedures, local vs. centralized control and public vs. private provision. Where the Bank has continued to lend for government textbook monopolies, it has created new policy distortions that it would not have created where the Bank not allowed to loan for textbooks at all. In the end, the question is whether the benefits of having more textbooks outweigh the costs of handicapping the competitiveness of the local private publishing industry (Heyneman, 1990).

[17] Reading education policy the World Bank has sometimes been compared to 'Kremlinology'.

The previous method of achieving mutual consensus between policy and operational staff was thought to slow down decisions. The new Bank of the 1980s required speed. Policy issues were elevated. With the shift toward policy-based lending, policies required more technical sophistication, visibility, and leverage. The structures and procedures were changed to make that possible (Fig. 2).

For the first time, regional leadership was given authority to send loans to the Board without clearance from the central policy authorities. The latter could object to specific loan objectives and these objections would precipitate a formal meeting to discuss them. The purpose of the meetings would be to air differences in view and to give 'direction' for future loans. But formal clearance was not required.

The opposite was also true. Policies required comment from regional authorities, but policy itself was thought to be within the purview of 'the center'. Adding to the new equation was the fact that the center was endowed with a new Senior Vice President for Operations. In some ways, this new structure 'trumped' the role of the Regional Vice Presidents. Officially, Regional Vice Presidents were equivalent to a sector Vice President. However, a sector Vice President could refer a matter to a supra-authority, the Senior Vice President, and structure affected the outcome of the debates over education policy in the 1980s'.

Following the publication of the Education Sector Policy Paper of 1980, Bank staff were encouraged to use the rate of return methodologies in its analytic work. This led to greater and clearer justification for primary and academic secondary education. However, the interpretation of the rate of return methods heavily influenced the content of the lending in new ways, and nowhere was this truer than in the Latin America region during the era of economic adjustment.

The crisis of Latin America came precipitously, apparently taking the industrialized countries by surprise. The 'Baker plan' for rapid economic adjustment named after the US Secretary of the Treasury was perhaps the most important event of that era. The Bank's internal crisis was precipitated by a comment of James Baker noting that with its traditional emphasis on five year implementation cycle of development projects the World Bank was all but 'invisible', in the environment of fiscal crisis. This comment caused the Bank's management to search for a way to be a part of the solution.

The Bank's mandate required it to loan for long-term development. The mandate of the International Monetary Fund called for it to respond to fiscal crisis with rapidly disbursement (over several months for instance instead of the Bank's five years). Since being 'invisible' was not an acceptable option, and the Bank's management responded with a new category, called an Adjustment Loan, in which the Bank would advance resources in exchange for rapid changes in policy. That this category of lending might overlap with the mandate of the International Monetary Fund was worrisome, but considered of secondary importance by comparison to the scale of the fiscal crisis which adjustment operations were designed to fix.

Latin America was well known for both poverty and inequality, and there was concern that a decline in public resources would exacerbate both. When called upon by fiscal authorities in the countries themselves, the Bank became involved in attempts, some more manifest than others, to protect public expenditures that directly benefited the poor.[18] Leaders of the health, environment, and education sectors among others, were asked which public expenditures should be included.

The education message suggested by Bank in the era of adjustment was based on the economic rate of return methodology. These results averaged across countries have been consistent from the outset (Psacharopoulos, 1973, 1985) In general the returns were higher for completing primary education than for completing secondary, and higher for completing secondary than tertiary education. Returns were higher on average for completing

[18] By the end of the decade external pressure from the NGO community as well as from other development assistance agencies, forced the Bank into being more proactive with respect to protecting the poor from fiscal austerity (Corina et al., 1987; Jolly, 1991; George and Sabelli, 1994; Feinburg, 1986).

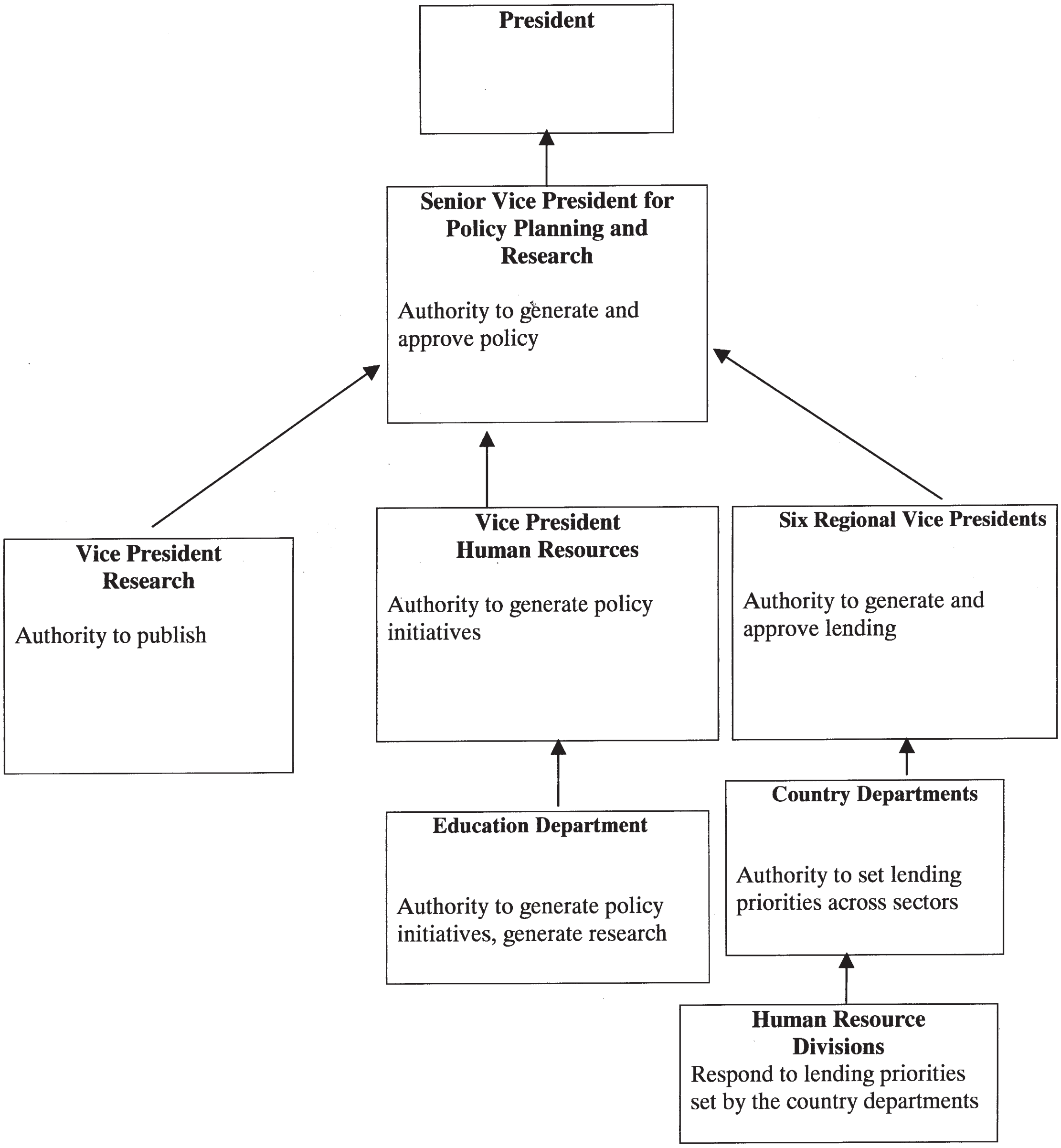

Fig. 2. World Bank processes early 1980s to early 1990s.

academic as opposed to vocational education. And returns tended to be higher in the poorer countries.

Using these findings to determine lending priorities has been more problematic than generating the research findings themselves. Nevertheless, the rate of return studies led to three common recommendations: (i) to shift public expenditures away from vocational and higher education toward academic and basic education; (ii) to increase the private cost for attending universities; and (iii) to install loan schemes to set off the financial burden on individuals who now must face high tuition fees for higher education. These three recommendations become typical of the 'short education policy menu' which emerged from the educational rate of return analyses (World Bank, 1986, 1988; Psacharopoulos, 1980, 1990).

The short education policy menu was sometimes nested within a larger list of changes in fiscal, trade, taxation and industrial policy, and within a longer list of regulations designed to protect the poor—subsidies for food, public health, unemployment benefits, and child welfare (Stewart, 1995; Nelson, 1995; Fox and Brown, 1998; Brown and Hunter, 2000; Wood, 1986; Kardam, 1993; Ascher, 1983). Sometimes education issues were minor ingredient of the overall macro-economic adjustment program. For this reason, the short education policy menu was sometimes negotiated over the heads of the education authorities, through the Ministry of Finance instead of the Ministry of Education.

As others have observed, the effect of the adjustment era was problematic for the Bank and for the education sector (Samoff, 1994). With the short education policy menu the Bank acquired a reputation in some academic and NGO circles for abrogating the rights to a 'free education', and the desire to be self sufficient in higher education. Some criticisms may have served personal or narrow institutional agendas but their appearance had an important impact on how well the Bank could portray its education adjustment policies as serving the interests of the poor (Heilleiner, 1986, 1992; Biersteker, 1992; Colclough and Manor, 1991; Colclough, 1996; Hinchliffe, 1993; Ilon, 1996; International Labour Organization, 1996; Carnoy, 1995; Barnett and Finnemore, 1999).

The other side too had compelling rationales. The budgets of many countries were distorted in favor of higher and vocational education and were often determined by vested interests. These distortions created a considerable amount of inequality, where privileged families were able to garner excessive shares of public education subsidies. The Bank had every justification to question these distortions in Latin America, Africa and elsewhere. It is also the case that the methods for calculating the economic rates of return are among the best for highlighting distortions in public finance. But while the short education policy menu contained considerable truth, it did not contain all the truth.

In Asia, the Middle East, and North Africa, adjustment operations were rare, hence the short education policy menu had less impact.[19] In Sub-Saharan Africa, however, the appearance of adjustment operations and the same short education policy menu were more common[20] and hence the controversy more pronounced (Bennell, 1996a,b,c; Chung, 1989; Mazrui, 1997; Welch, 2000; Colclough, 1990; Buchert and King, 1995; Reimers, 1994; Samoff, 1996, 1999; Berman, 1990; Craig, 1990; Woodhall, 1994; World Bank, 1994b,c, 1998; Altbach, 1989).[21]

By creating a Senior Vice President for policy, planning and research, the old system of checks and balances, so carefully constructed under Robert McNamara, had broken down. And by coincidence, placing the most articulate proponent of the short education policy menu within the SVP office, led to consistent objections to higher and vocational education lending. The reaction of regional operational authorities was to protest the constraint on their lending. Even the education staff within the same central vice presidency often joined the views of the regional operational staff. In one instance it was suggested that no loan should be made for higher education unless a country cancelled legislation against tuition. In a protest note, a director also within the central vice presidency objected on grounds that many countries which borrow from the Bank have such legislation

[19] The short education policy menu might have remained primarily a problem, confined to Latin America and Africa if the menu's principal proponent had remained within regional operations. But the Central Vice President for policy and planning invited the menu's principal proponent into his office to maintain 'quality control' over lending and operations policy, and following that all lending proposals for higher and vocational education precipitated objections and all policy papers had to have a rate of return rationale. This was regarded as akin to placing the 'fox in charge of the henhouse'.

[20] Policy papers were not criticized uniformly. Those on primary education (World Bank, 1990; Lockheed and Verspoor, 1991) and vocational education (World Bank, 1991a,b), finished beforehand, received considerable praise from many of the organizations which would soon become intense critics.

[21] Adjustment operations were not by any means the sole source of objections to Bank education policies. Bank papers on higher education and education finance were also sources of controversy in Africa.

which is often derived from constitutional provisions adopted by democratically elected governments (internal note, January (1995).[22]

Because of the changes in structure and personnel, the higher education policy paper was the subject of more debate than earlier papers. Because investments in higher education had lower social rates of return than investments in primary education, the executive summary of the higher education paper included a statement that:

> Primary and secondary education will continue to be the highest priority sub-sectors in the Bank's education lending to countries that have not yet achieved universal literacy and adequate access, equity, and quality at the primary and secondary levels. In these countries, our involvement in higher education will continue to be mainly to make its financing more equitable and cost-effective, so that primary and secondary education can receive increased attention at the margin (World Bank, 1994a,b,c, p.12).[23]

Justifications for higher education lending were thus, confined to efficiency and equity rationales. Quality improvement and national capacity were not included. This statement created considerable consternation particularly in Sub-Saharan Africa where it was felt that the bank was artificially constraining the development objectives of the most impoverished countries.

[22] The Universal Declaration of Human Rights (1948) in its Article 26 proclaims that 'elementary education shall be free'. This provision has since been included in most international legal conventions related to education. The legal conventions of course did not imply that basic education was free in fact. Fees in public elementary schools were common in the People's Republic of China, and throughout much of Sub-Saharan Africa and South Asia. However, the legal issue has recently become a source of tension between the Bank and other parts of the UN system and particularly in those instances in which the Bank has recommended private fees in elementary education (Tomasevski, 2000).

[23] What the outside world did not know was that this statement itself had been inserted within the Office of the Senior Vice President after the final draft without approval of the regional division chiefs. Even the authors of the paper did not see the statement until after the paper had been published (personal communication, 1994).

Within the Bank, this statement raised concerns among the operations staff that the short education policy menu might be forced on the countries around the world regardless of the consequences. It raised the specter of having arbitrary authority within the Bank's structure, which might work against the interests of education sector. Staff suspicions laid the groundwork for the confrontation over the next policy paper, 'Strategies and Priorities for Education.'

Clearly the central education department had a daunting task. It had to summarize the experiences of all the sub-sectors, operations, and regions simultaneously. It had to accommodate for the fact that much of the developing world had changed. Latin America was rapidly democratizing. Economies in East Asia were rapidly expanding, often with private sources of development finance. Twenty seven new borrowers from the former Soviet Union and Eastern and Central Europe were making their development needs known, and they were quite different from other the traditional developing countries. These represented a very different set of circumstances from that which the Bank had faced in the 1970s and 1980s.

The task of writing the new policy paper challenged the authors whose experience had been confined to low-income countries in Sub-Saharan Africa and South Asia. In the eyes of the managers from the other regions, demands had shifted. From the middle-income regions, demands were not confined to altruistic objectives such as how to create more access for girls in primary education. Many countries had over 30 years of experience since independence; others were nuclear powers and major trading partners of the industrialized nations. They were led by new generations of educational leadership concerned with new problems and questions.

In many instances their questions concerned the kinds of innovations sweeping the OECD countries—voucher systems, merit pay, site-based management, performance standards. The professional experience of many Bank education staff did not include educational debates in their own countries (Heyneman, 1997). Hence, the Bank's education sector was the object of 'adjustment' of a kind not unlike the client countries.

In spite of the storm warnings, the confrontation between the central and the regional education staff continued. One version of the sector policy paper for instance called for all higher education to be funded privately. A note from one regional spokesperson to the authors stated the case simply: take it out. It was, but in a later version regional authorities were confronted with policy recommendations, which they believed would endanger the relations with their borrowers. In a note recommending changes, one region said:

> The paper draws upon the same rate of return evidence to guide policy and future investment priorities, and that leads to catastrophe. The evidence is faulty; drawn from a few traditional borrowers; only provides a backward explanation of trends and only refers to the most simple of educational categories—primary, secondary, and higher. Because the paper relies exclusively on rates of return, it excludes other possible justifications for allocations of public finance: national interest, market failure, and equity. … Though over one half of World Bank lending is devoted to post secondary education the paper is silent on the role of higher education. It is also silent on graduate education, adult education, pre-school education, and educational research, educational technology, and education for the handicapped. All professional education is ignored, including medical education, engineering education, law education, public administration, and the social sciences. Every single country makes public investments in these areas and it would be irresponsible to treat them in cavalier fashion. One division chief characterized the problem by saying that the paper takes us racing into the future with our face pressed firmly against the rear view mirror (internal note: November 18, 1994).

In spite of the dissent from within the Bank, the text of the paper changed very little between drafts. In the end, spokespersons for four of the six regions agreed to meet privately.[24] They agreed that the publication of the new sector policy paper Priorities and Strategies was likely to place regional operations at risk. They agreed that previous comments and objections had been ignored. They also agreed to draft a new set of objections to the paper's publication and to send these objections directly to their Regional Vice Presidents. In December 1994 spokespersons for East Asia, South Asia, Sub-Saharan Africa, Europe and Central Asia, and the Middle East and North Africa signed parallel memoranda.[25] The problem was the short education policy menu. The Bank's education sector was in revolt.

The paper was eventually recast, but the result was unaltered. Even after unprecedented internal protest, the publication of the Priorities and Strategies paper led to objections and replies which had been predicted (Burnett, 1996; Burnett and Patrinos, 1996; Jones, 2000; Lauglo, 1996; Samoff, 1996, 1999; Watson, 1996).

The experience illustrates several principles. Institutions, as well as countries, are at risk of becoming distorted. If attached to unbalanced seniority, a single message can be propagated over the best professional efforts to counter it. In this instance, a single point of view, placed in a central position, propagated the Bank's short policy menu, and in so doing, led the Bank into a chorus of criticism and calls for the end of the education sector altogether.

Another principle of note is that at the time, there were no external institutions able to counter the Bank's educational position. If there had been institutions to which the Bank deferred in sector policy, the risk of distortion might have been lessened. But UNESCO was no longer in a position to command the same professional credibility as it had a decade earlier.[26] UNESCO's cooperative program for instance was 75% financed by the Bank hence often placing UNESCO in a position

[24] Tensions over the short education policy menu were high, and to be inconspicuous, the meeting was conducted on a night walk through a park.

[25] Of 26 division chiefs responsible for education, 20 signed memoranda on February 2, 1995 asking that the paper not be sent to the Board. Two others agreed with the memoranda in principle but did not wish to sign, one objected to the memoranda, and three others could not be reached.

[26] UNESCO objected to the Bank's involvement in education policy from the beginning in the 1970s.

of compromise.[27] The Bank virtually had the field of education policy to itself.

Following the publication of Priorities and Strategies for Education, the Bank became engaged in a substantive internal debate over the weaknesses of the methodologies (Hammer, 1996; Heyneman, 1995, 1997), which was matched by a number of external criticisms (Colclough, 1996; Carnoy, 1995; Alexander, 1998; Bennell, 1996a,b; Curtin, 1995, 1996). Like manpower forecasting 20 years earlier, the assumptions and distortions were recognized and the rate of return methodology ex post facto placed in its proper context. Because credibility had been lost however, the 'final word' with respect to the short policy menu had to be expressed by a bank-sponsored, but independent, task force. Its conclusions:

> The Task Force believes that traditional economic arguments are based on a limited understanding of what higher education institutions contribute. Rate of return studies treat educated people as valuable only through their higher earnings and greater tax revenues extracted by society. But educated people clearly have many other effects on society: educated people are well positioned to be economic and social entrepreneurs, having a far-reaching impact on economic and social well being of their communities. They are also vital to creating an environment in which economic development is possible. Good governance, strong institutions, and a developed infrastructure are all needed if business is to thrive—and none of these is possible without highly educated people. Finally, rate of return analyses entirely misses the impact of university based research on the economy—a far reaching social benefit that is at the heart of any argument for developing strong higher education systems (Task Force on Higher Education and Society, 2000, p. 39)

3. New rationales: but absent a new methodology

In building consensus and motivating the education profession toward its policy messages, the costs of developing Priorities and Strategies outweighed the benefits. Critics suggested that the Bank had little in the way of a new message or vision, and instead was summarizing what it had been doing for decades. Policy messages were said to be inapplicable to middle-income countries.[28] However, some thought that the Bank was overly focused on the poorest countries, the paper could hardly be said to have been welcomed by the academics claiming to represent the interests of those countries.[29]

Drawing from the experience of large corporations, the Bank began to emphasize knowledge management (KM) (Samoff and Stromquist, 2000; Khanna, 2000; Denning, 1998; Haas, 1990) over policy analysis. Education KM has become integral to a general strategy of public relations. It can be safely nested within larger initiatives and therefore is less vulnerable to criticism. KM consists largely of dissemination and links to external websites, and can gain support as a public service at comparatively low cost.

[27] The World Bank actively maintained 'cooperative programs' in ILO, WHO and UNESCO. These consisted of a department of technical staff situated in those institutions ready to support World Bank lending or sector work operations. These technical staff was justified on grounds, their specialized skills were necessary to maintain technical quality. But being specialized the staff was more easily justified if situated within the technical UN agency responsible for the sector. However, tension existed from the beginning over whether their loyalties were more to the Bank than to the UN agency of 'their home', but these tensions appeared to be significantly more serious in the case of UNESCO than either ILO or WHO. From the Bank's side in the field of education, continual worry existed over the degree to which cooperative program staff at UNESCO was technically justified.

[28] The paper could not be widely distributed in the Europe and Central Asia region because it appeared to suggest that their problems were the same as those in Africa and South Asia. Experience in vocational education in Eastern Europe was added to the text when findings on vocational education's low demand were consistent with ex ante assumptions; but regional evidence showing vocational education to be in high demand in ECA was not included, and in the end had to be published outside the Bank (Castro et al., 1997).

[29] See for instance the special issue of the International Journal for Education Development 16 (3), 1996.

But new rationales for education lending have been developing at the same time. For over 50 years, there has been a steady demand to understand better what education a country should invest in, and why (McMahon, 1999). One response has been to avoid setting ex ante content and allocation choices; and instead to lie out a short list of policies designed to ‘enable’ an education sector to respond to public demands in the many new democracies. These enabling policies have been very creatively designed. These enabling policies include an emphasis on local and international performance standards, effective contribution to social cohesion, universal access and completion of basic education, improvements and open access to educational statistics, public debate over objectives, transparent development of policy choices and trade offs (World Bank, 1999a–e), consistent with the philosophy suggested by Gutmann (1987). These developments illustrate the fact that while there have been problems; at the same time there has been progress.

The new ex ante agnosticism of the Bank’s current education policy frameworks is more comfortable for the country as well for the Bank’s education sector. It continues, as it should, to utilize studies of external efficiency using economic rates of return analytic methods. But these studies now tend to be used to highlight problems rather than to determine priorities for lending. The difference is important. No method however is able to adequately answer the age-old question of how much a country should invest in education and why. Until the 1990s, the standard response to this question concentrated on human capital rationales—measured by changes in productivity and differences in income.

The embarrassment over the Priorities and Strategies policy paper may help explain why the policy arm of the Bank may have retreated so far away in terms of policy substance. The quickly generated and released Education Sector Strategy paper in 1999 (World Bank, 1999a–f, 2000; Patrinos, 2000), resembled a laundry list of altruistic platitudes—reasons why girls should have access to elementary education for instance (Klees, 2002; Ilon, 2002). As difficult as problems are and as painful as many of the decisions to be made may be, no one is well served by avoiding the natural dilemmas associated with education and development. And as important as the new priorities may be, such as better female access to primary education, such issues can hardly be said to adequately represent the problems of education and development in an increasingly heterogeneous world where many developing countries achieved universal access long ago (Heyneman, 1995, 1997, 1999; De Siqueira, 2000).

In terms of the Bank’s use of the human capital model for quantifying educational impact on development, the experience in Russia and the former Soviet Union more generally, precipitated a rethinking about its utility.[30] Because of the danger of ethnic strife, and the link between ethnic strife and civil war, the role of the school began to be seen differently (World Bank, 1995; Picciotto, 1996; Salmi, 2000; Heyneman, 1978, 2000). Though non-monetary benefits had been part of human capital reasoning from the beginning, little progress has been evident on its measurement. Today, however a great deal of focus is on the degree to which education may contribute to social cohesion objectives of society (Heyneman, 2000).

Parliaments, the press, divergent political parties, as well as the defense and foreign policy communities have become focused on the issue of social cohesion. Concern over social cohesion issues have been raised as a priority in Latin America, Asia and Africa (Heyneman and Trodoric-Bebic, 2000). While it is true that skills and productivity matter; it is also true that the public debate has not always centered on them. Public debate often raises more important issues, even if economics has little by which to measure them. If there is a next stage in the Bank’s analytic work, it will likely focus on the degree to which one might distinguish between a school or a school system which is doing a ‘good job’ of contributing to social cohesion from others which are not. The next stage of the Bank’s analytic work will place a metric on schools and school systems in performing their non-monetary functions.

[30] Much of this social cohesion theory was drawn from the earlier work in institutional economics (Olson, 1971).

4. Conclusions

Several lessons might be drawn from this experience.

4.1. Professionally sound loan covenants

The mandate of the World Bank includes the notion that the financing is only part of its purpose; that the leveraging value of policy change is at least as important. Much of the leveraging is conducted through covenants and conditionality attached to the loans. The executive directors—the representatives of the Bank's owners—frequently take Bank staff to task if the covenants in a proposed loan are insufficient in number or severity.[31]. Covenants, therefore, are a permanent part of Bank lending.

This is acceptable so long as the covenants are intelligent and professionally correct. If a loan for a power plant is required to include health, safety and environmental regulations considered necessary and normal practice elsewhere, one can say that covenants appear intelligent and professionally correct. But what if the covenants require a country to vocationalize its curriculum? What if the covenants are based on faulty analytic techniques or unsound professional practice? What if the policy requirements recommended by the Bank and agreed to, by a country are dead wrong? Who is accountable for the adverse results? Who is responsible for institutional and political controversies which poor policies inevitably generate? Who is responsible for repaying the financial resources which bad policies waste?

The first lesson of this educational history is that the Bank has been recommending faulty education policies since the beginning of the sector in 1962. This is not to suggest that all Bank education policy recommendations have been faulty; nor is it to suggest that the benefits of the lending have not been substantial. It is only to point out that poor education recommendations have a long tradition in the Bank, and thus far, no one has been able to answer the question of who is accountable.

4.2. Regaining the balance of power

McNamara's original concern continues. How can an organization respond rapidly to on ground demand and, at the same time, be technically and professionally sound? The balance of power between policy and operations existed in the 1980s. In the place of quality control, is a system of informal peer reviews? Each region, sometimes each country department, may create a system of review. There are guidelines but no common standards. Except for votes at the Board itself, there is no formal external review process in place. Without a strong balance of power within the Bank, and absence of a balance of power from external sources, education lending and policy are at risk of new distortions.

4.3. Avoiding monopoly by single professional interests

From the beginning, the Bank education policy machinery has been influenced by important and powerful agendas. These endogenous pressures on the Bank are to be expected. What matters most is how they get managed. Under the MacNamara 'balance of power' organizational structure, the research, policy and operations could challenge each other's assumptions. Such challenges were not encouraged by the later structure of the 1980s and early 1990s (Fig. 2). In this stage central policy could 'trump' all other challenges. It was in the context of this structure that the Bank could become captive of one narrow agenda, the short education policy menu. Without the necessary internal checks and balances, internal debate was stifled. Publications were released only if they reinforced ex ante assumptions. Even when protest emerged from a majority of the sector's operational division chiefs, objections could be bypassed.

What made the experience of the short policy menu pernicious was the fact that the agenda sud-

[31] In one instance a proposed loan to education in the education sector in Uganda following the departure of Idi Amin was rejected by the country department because there were no recommended covenants. When informed that the education system had the right management but lacked resources, the education sector was informed that poverty was an insufficient justification for lending (personal communication, 1979)

denly included all aspects of education by virtue of the claim that the Bank could speak for all public expenditures. It was inevitable therefore that the Bank would speak for expenditures in areas of education over which it had no professional experience.[32] Ministers of Education have to manage programs and priorities of which the Bank has little knowledge or experience—special education for the handicapped, new pedagogies, curricular innovations. In the 1970s, when the Bank limited its assistance to vocational education, it admitted that it had little competence in the other educational areas. Though it led to artificial biases in favor of vocational education, its institutional candor was a sign of honesty. But once the Bank began to speak for all public educational expenditures, ipso facto, it acquired obligations over areas of education in which it was ill prepared to understand or accept responsibility.

Every policy has a counter effects and costs. These have sometimes been under-estimated in economic models. This may hold true for policy implementation in taxation, transportation, health and other areas. But is it also true of education. When there is a vibrant system of internal checks and balances within the system, these counter effects can be monitored and corrected; a breakdown of that system however, may lead to extreme reactions outside the institution to which the bank will be held accountable. The key question is how to re-install a system of professional checks and balances in the making of international educational policy?

5. Options

Is there a way in which the education role of the Bank can be managed so that it might continue its assistance but with a balanced sense of sector priorities?[33] Three suggestions:

1. Countries might decide what to analyze and who should perform the analyses. One option might be to place analytic capacity in the hands of the countries themselves. The Asian Development Bank, for instance, makes grants for the technical assistance that underpins lending.[34] The World Bank might grant monies for analytic work. Countries would request proposals just as they do for other forms of technical assistance. Bids would emerge from universities, private companies, and perhaps other public agencies, both local and international.
2. The World Bank might continue to sponsor analyses, but regional banks would be responsible for education lending. One recommendation of the Meltzer Commission (2000) has been to take the word ‘bank’ out of the World Bank. The newly renamed World Development Organization would analyze development problems and make recommendations, but the lending would be the responsibility of the regional development banks. Were the Meltzer Commission recommendations to be adopted for the Bank as a whole, it would de-link the analytic work from the lending program, and thus, allow a natural set of checks and balances to occur within the countries themselves.
3. Education policy could be jointly decided within the UN system. A third suggestion would be to re-invest in the policy-making responsibility of

[32] Because of the much reorganization, by the late 1990s most staff that worked on education had been reassigned from other sectors. Of the 400 staff assigned to human resources, 250 worked on education; of those only 20% (less than 50) had received any academic training in education, and only about a dozen had ever published in the field. Using staff, of which only 20% had academic exposure to the field, was expected to underpin a lending program of about 2–3 billion dollars/year. This absence of professional training placed the education sector at risk of ‘crowd mentality’ when choosing options and priorities which had not already been approved ex ante by country economists.

[33] There are a number of important recommendations in the public realm about how to restructure the World Bank. Among the most significant: (International Financial Institution Advisory Commission, 2000; Cavanagh et al., 1994; Danaher, 1994; Williams and Young, 1994; French, 1994; Gilbert and Vines, 2000; Bergesen and Lande, 1999; Gibbon, 1993; Gore, 2000; Collier, 2000; Woods, 2000a,b; Sanford, 1996).

[34] The quality of donor-led technical assistance cannot be guaranteed. Because the borrower chooses the analytic work to be implemented and there is no guarantee that the choice will be the right one.

UNESCO (Mundy, 1998, 1999, 2002). The virtue of this option would be to avoid the problems from having a monopoly over education policy. This would place professional responsibility for education policy within the institution whose terms of reference covers the full gamut of educational activities, not just the activities related to internal and external efficiency.[35] Clearly, the lesson is that efficiency is an essential element in a country's education policy. But just as clearly, no work on efficiency has been able to adequately capture the range of professional responsibilities that are normal part of education. This is also true to for health, agriculture, industry and today, even power and telecommunications.

6. Summary

Problems in education operations have been evident from the first activities in the early 1960s. These have been costly to developing countries. At the Bank's insistence countries over-invested in vocational and technical education. Because of the narrow definition of recurrent costs, countries ignored investments in reading materials and in maintaining teacher salaries. Later at the Bank's insistence, countries invested in thousands of workshops and laboratories that, for the most part, became useless 'white elephants'. And later, countries were forced to shift public expenditures away from higher education without any prior professional experience with the consequences to sector cohesion. That there has been wastage of significant resources is not the most important lesson for us to draw. That the Bank was negligent in these areas is not the most important lesson. The most important lesson is that the world is faced with a significant new upsurge in demand for educational analysis and professional trade in ideas for education reform, and there is no single international institution with the capability to track, much less ameliorate, educational problems.

[35] The argument against this is that UNESCO is governed by the Ministries of Education and can set its policy agenda independent of fiscal constraints. The solution may be a joint authority so that both institutions would have to agree to policy proposals which had fiscal implications.

References

Alexander, N., 1998. Paying for Education: The Influence of the World Bank and the IMF on Education in Developing Countries. Report prepared for Oxfam Americar, Mimeo.

Altbach, P. (Ed.), 1989. Symposium: World Bank Report on Education in Sub-Saharan Africa, Comparative Education Review 33 93–134.

Anderson, C.A., Bowman, M.J., 1967. Theoretical considerations in educational planning. In: Blaug, M. (Ed.), Economics of Education, vol. I. Pergamon Press, Oxford, pp. 351–381.

Ascher, W., 1983. New development approaches and the adaptability of international agencies: the case of the World Bank. International Organization 37, 415–439.

Balogh, T., Streeten, P., 1968. The planning of education in poor countries. In: Blaug, M. (Ed.), Economics of Education, vol. 1. Penguin, Harmondsworth, pp. 383–395.

Barnett, M., Finnemore, M., 1999. The politics, power and pathologies of international organizations. International Organization 53, 699–732.

Bartholomew, D.J. (Ed.), 1976. Manpower Planning. Penguin Publishers, London.

Becker, G., 1964. Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education. Columbia University Press, New York.

Bennell, P., 1996a. Using and abusing rates of return: a critique of the World Bank's 1995 education sector review. International Journal of Educational Development 16, 235–248.

Bennell, P., 1996b. Rates of return to education: does the conventional pattern prevail in Sub-Saharan Africa? World Development 24 (January), 183–199.

Bennell, P., 1996c. Privatization, choice and competition: the World Bank's reform agenda for vocational education in Sub-Saharan Africa. Journal of International Development 8, 467–487.

Bergsen, H., Lunde, L., 1999. Dinosaurs or Dynamos? The United Nations and the World Bank at the Turn of the Century. Earthscan, London.

Berman, E., 1990. Donor agencies and third world educational development, 1945–1985. In: Arnove, R. (Ed.), Emergent Issues in Education: Comparative Perspectives. State University of New York Press, Buffalo, NY.

Biersteker, T., 1992. The triumph of neoclassical economics in the developing world: policy convergence and basis of governance in the international economic order. In: Rosenau, J., Czempiel, E.O. (Eds.), Governance Without Government. Cambridge University Press, New York, pp. 102–131.

Blaug, M., 1970. Economics of Education: A Selected Annotated Bibliography, 2nd ed. Pergamon Press, Oxford, New York.

Bowman, M.J., Debeauvais, M., Komarov, V.E., Vaizey, J. (Eds.), 1968. Readings in the economics of education: a selection of articles, essays and texts from the works of economists, past and present, on the relationships between economics and education. Paris: UNESCO.

Bowman, M.J., Anderson, C.A., 1968. Concerning the role of education in development. In: Bowman, M.J. (Ed.), Readings in the Economics of Education: A Selection of Articles, Essays and Texts from the Works of Economists, Past and Present, on the Relationships Between Economics and Education. UNESCO, Paris, pp. 113–134.

Brown, D., Hunter, W., 2000. World Bank directives, domestic interests and the politics of human capital investments in Latin America. Comparative Political Studies 33 (February), 113–143.

Buchert, L., King, K. (Eds.), 1995. Learning from Experience: Policy and Practice in Aid to Higher Education. UNESCO, Paris.

Burnett, N., 1996. Priorities and strategies for education a World Bank review: the process and the key messages. International Journal of Educational Development 16, 215–220.

Burnett, N., Patrinos, H., 1996. Response to critiques of priorities and strategies for education: a World Bank review. International Journal of Educational Development 16, 273–276.

Carnoy, M., 1995. Structural adjustment and the changing face of education. International Labour Review 134, 653–673.

Castro, C.de Moura, Feonova, M., Litman, A., 1997. Education and Production in the Russian Federation. UNESCO, International Institute of Educational Planning, Paris.

Cavanagh, J., Wysham, D., Arruda, M. (Eds.), 1994. Beyond Bretton Woods: Alternatives to the Global Economic Order. Pluto Press, London.

Chung, F.C., 1989. Policies for primary and secondary education in Zimbabwe: alternatives to the World Bank perspective. Zimbabwe Journal of Education Research 1, 22–42.

Colclough, C., 1996. Education and the market: which parts of the neo-liberal solution are correct? World Development 24, 589–610.

Colclough, C., 1990. Raising additional resources for education in developing countries: are graduate payroll taxes superior to student loans? International Journal of Educational Development 10, 169–180.

Colclough, C., Manor, J., 1991. States of Markets? Neo-liberalism and the Development Policy Debate. Clarendon Press, Oxford.

Collier, P., 2000. Conditionality, dependence and coordination: three current debates in aid policy. In: Gilbert, G., Vines, D. (Eds.), The World Bank: Politics and Structure. Cambridge University Press, Cambridge.

Cornia, G., Jolly, R., Stewart, F., 1987. Adjustment with a Human Face. Clarendon Press, Oxford.

Craig, J., 1990. Comparative African Experiences in Implementing Educational Policies. World Bank, Washington DC (Discussion paper 83).

Curtin, T.R.C., 1996. Project appraisal and human capital theory. Social Investment 11 (June), 66–78.

Curtin, T.R.C., 1995. Fallacy and fraud in human capital theory. Papua New Guinea Journal of Education 31, 73–88.

Danaher, K. (Ed.), 1994. 50 Years is Enough: The Case Against the World Bank and the International Monetary Fund. South End Press, Boston.

De Sigueira, A.C., 2000. The World Bank: new discourses and the 1999 education sector strategy paper. Paper presented at the annual meeting of the Comparative and International Education Society San Antonia, Texas, March 7–12.

Denning, S., 1998. What is Knowledge Management? World Bank, Washington DC.

Feinberg, R. (Ed.), 1986. Between Two Worlds: The World Bank's Next Decade. Transaction Books, New Brunswick, NJ.

Foster, P.J., 1965. Education and Social Change in Ghana. University of Chicago Press, Chicago.

Fox, J., Brown, L.D., 1998. The Struggle for Accountability: The World Bank, NGOs and Grassroots Movements. MIT Press, Cambridge.

French, H., 1994. Chapter nine: rebuilding the World Bank. In: Starke, L. (Ed.), State of the World. W.W. Norton and Company, New York.

Gavin, M., Rodrik, D., 1995. The World Bank in historical perspective. American Economic Review, Papers and Proceedings 85, 329–334.

George, S., Sabelli, F., 1994. Faith and Credit: The World Bank's Secular Empire. Westview Press, Cambridge, Boulder.

Gibbon, P., 1993. The World Bank and the new politics of aid. European Journal of Development Research 5, 35–62.

Gilbert, C., Vines, D., 2000. The World Bank: Structures and Policies. Westview Press, Cambridge, Boulder.

Gore, C., 2000. The rise and fall of the Washington consensus as a paradigm for developing countries. World Development 28, 789–804.

Gutmann, A., 1987. Democratic Education. Princeton University Press, Princeton.

Haas, E.B., 1990. When Knowledge is Power: Three Models of Change in International Organizations. University of California Press, Berkeley.

Habte, A., Psacharopoulos, G., Heyneman, S., 1983. Education and Development: Views from the World Bank. World Bank, Washington DC.

Hammer, J., 1996. The Public Economics of Education. Public Economics Division, Policy Research Department, and The World Bank, Mimeo.

Hansen, W.L., Weisbrod, B.A., 1969. Benefits, Costs and Finance of Public Higher Education. Markham Publishing Company, Chicago.

Heilleiner, G., 1986. Policy-based program lending: a look at the Bank's new role. In: Feinberg, R. (Ed.), Between Two Worlds: The World Bank's Next Decade. Transaction Books, New Brunswick, NJ.

Helleiner, G., 1992. The IMF, the World Bank and Africa's adjustment and external debt problems: an unofficial view. World Development 20, 779–792.

Heyneman, S.P., 1972. Platitudes in educational economics: a short list of heresies relevant to African planning. Manpower and Unemployment Research in Africa, 31–37.

Heyneman, S.P., 1979. Why impoverished children do well in Ugandan schools. Comparative Education 15 (2), 175–185.

Heyneman, S.P., 1980a. The Evaluation of Human Capital in Malawi. World Bank, Washington DC (Staff working paper no. 420).

Heyneman, S.P., 1980b. Investment in Indian Education: Uneconomic? World Bank, Washington DC (Staff working paper no. 327. Also appears with the same title in World Development, pp. 145–163).

Heyneman, S.P., 1984. Educational investment and economic productivity: the evidence from Malawi. International Journal of Educational Development 4, 9–15.

Heyneman, S.P., 1985a. Diversifying secondary school curriculum in developing countries: an implementation history and some policy options. International Journal of Educational Development 5, 283–288.

Heyneman, S.P., 1985b. Investing in Education: A Quarter Century of Bank Experience. The World Bank, Washington DC (Economic Development Institute seminar paper 30).

Heyneman, S.P., 1987. Curricular economics in secondary education: an emerging crisis in developing countries. Prospects XVII, 63–74.

Heyneman, S.P., 1990. The textbook industry in developing countries. Finance and Development (March), 28–29.

Heyneman, S.P., 1995. Economics of education: disappointments and potential. Prospects (Paris) XXV, 559–583.

Heyneman, S.P., 1997. Economic growth and the international trade in education reform. Prospects (Paris) XXVII, 501–530.

Heyneman, S.P., 1999. Development aid in education: a personal view. International Journal of Educational Development 19, 183–190.

Heyneman, S.P., 2000. From the party/state to multiethnic democracy: education and social cohesion in Europe and Central Asia. Educational Evaluation and Policy Analysis 22, 173–191.

Heyneman, S.P., Fanell, J.P., Sepulveda-Stuardo, M., 1978. Textbooks and achievement: What we know. World Bank Staff Working Paper No. 298. World Bank, Washington DC, (available in French, Spanish and English).

Heyneman, S.P., Todoric-Bebic, S., 2000. A renewed sense for the purposes of schooling: the challenges of education and social cohesion in Asia, Africa, Latin America, Europe and Central Asia. Prospects (Paris) XXX, 1–23.

Hinchcliffe, K., 1993. Neo-liberal prescriptions for education finance: unfortunately necessary or inherently desirable? International Journal of Educational Development 13, 183–187.

Ilon, L., 1996. The changing role of the World Bank: education policy as global welfare. Policy and Politics 24, 413–424.

Ilon, L., 2002. Agent of global markets or agent of the poor? The World Bank's education sector strategy paper. International Journal of Educational Development 22 (5), 475–483.

International Financial Institution Advisor Commission, April 2000. The Meltzer Commission Report. US Government Printing Office, Washington DC.

International Labor Organization 1996. Impact of Structural Adjustment on the Employment and Training of Teacher. ILO, Geneva (Report for discussion at the Joint Meeting on the Impact of Structural Adjustment on Educational Personnel).

Jolly, R., 1991. Adjustment with a human face: a UNICEF record and perspective on the 1980s. World Development 19, 1807–1821.

Jones, E., 2000. Increasing aid effectiveness in Africa? The World Bank and sector investment programs. In: Bilbert, C., Vines, D. (Eds.), The World Bank: Structures and Policies. Cambridge University Press, Cambridge.

Jones, P., 1992. World Bank Financing of Education: Lending, Learning and Development. Routledge, London.

Jones, P., 1997. Review article: on World Bank education financing. Comparative Education 33, 117–129.

Kardam, N., 1993. Development approaches and the role of policy advocacy: the case of the World Bank. World Development 21, 1773–1786.

Khanna, A., 2000. Knowledge Creation and Management in Global Enterprises. World Bank, Washington DC.

Klees, S.J., 2002. World Bank education policy: new rhetoric, old ideology. International Journal of Educational Development 22 (5), 451–475.

Lauglo, J., 1996. Banking on education and the uses of research a critique of World Bank priorities and strategies for education. International Journal of Educational Development 16, 221–233.

Levin, H., 1983. Cost Effectiveness: A Primer. Sage, Beverly Hills, CA.

Lewis, W.A., 1969. Education and economic development. In: Bowman, M.J. (Ed.), Readings in the Economics of Education: A Selection of Articles, Essays and Texts from the Works of Economists, Past and Present, on the Relationships Between Economics and Education. UNESCO, Paris, pp. 135–147.

Lockheed, M., Verspoor, A., 1991. Improving Primary Education in Developing Countries. Oxford University Press for the World Bank, Washington DC.

Mazrui, A., 1997. World Bank: the language question and the future of African education. Race and Class 38 (3), 35–48.

McMahon, W., 1999. Education and Development: Measuring the Social Benefits. Oxford University Press, New York and Oxford, England.

Meltzer Commission, March 2000. International Financial Institution Advisory Commission. Report to Congress.

Mundy, K., 1998. Educational multilateralism and world (dis)order. Comparative Education Review 42, 448–478.

Mundy, K., 1999. Educational multilateralism in a changing world order: UNESCO and the limits of the possible. International Journal of Educational Development 19, 27–52.

Mundy, K., 2002. Discussion: retrospect and prospect: edu-

cation in a reforming World Bank. International Journal of Educational Development 22 (5), 483–509.
Nelson, P., 1995. The World Bank and NGOs: The Limits of Apolitical Development. St. Martin’s, New York.
Olson, M. Jr., 1971. The Logic of Collective Action: Public Goods and the Theory of Groups. Schocken Books, New York (Revised edition).
Patrinos, H., 2000. Market forces in education. European Journal of Education 35, 61–80.
Picciotto, R., 1996. What is Education Worth? From Production Function to Institutional Capital. World Bank, Washington DC (HCO working paper).
Psacharopoulos, G., 1990. Why Educational Policies Can Fail: An Overview of Selected African Experiences. World Bank, Washington DC (Discussion paper 82).
Psacharopoulos, G., 1973. Returns to Education: An International Comparison. Elsevier Scientific Publishing, Amsterdam.
Psacharopoulos, G., 1980. Higher Education in Developing Countries: A Cost–Benefit Analysis. World Bank, Washington DC (World Bank staff working paper no. 440).
Psacharopoulos, G., 1985. Returns to education: a further international update and implications. The Journal of Human Resources 20, 583–604.
Psacharapoulos, G., Loxley, W., 1985. Diversified Secondary Education and Development: Evidence from Columbia and Tanzania. Baltimore, Johns Hopkins University Press for the World Bank.
Psacharopoulos, G., Woodhall, M., 1985. Education for Development: an Analysis of Investment Choices. Oxford University Press, New York.
Reimers, F., 1994. Education and structural adjustment in Latin America and SubSaharan Africa. International Journal of Educational Development 14, 119–129.
Salmi, J., 2000. Violence, Democracy and Education: An Analytical Framework. LCSHD Paper Series. Department of Human Development, Latin America and Caribbean Regional Office, The World Bank, Washington DC.
Samoff, J. (Ed.), 1994. Coping with Crisis: Austerity Adjustment and Human Resources. London.
Samoff, J., 1996. Which priorities and strategies for education? International Journal of Educational Development 16, 1–27.
Samoff, J., 1999. Institutionalizing international influence. In: Arnove, R., Torres, C. (Eds.), Comparative Education: The Dialectic of the Global and the Local. Rowman and Littlefield, Lanham.
Samoff, J., Stromquist, N., 2000. Knowledge banks: promises and problems. Paper presented at the Comparative and International Education Society, San Antonio.
Sanford, J., 1996. Alternative ways to fund the International Development Association (IDA). World Development 25, 297–310.
Schultz, T., 1961. Investment in human capital. American Economic Review 51, 1–17.
Schultz, T., 1981. Investing in People: The Economics of Population Quality. University of California Press, Berkeley.
Schultz, T., 1959. Investing in man: an economist’s view. The Social Service Review 33, 109–117.
Stewart, F., 1995. Adjustment and Poverty. Routledge, New York.
Task Force on Higher Education and Society, 2000. Higher Education in Developing Countries: Perils and Promise. The World Bank, Washington DC.
Tomasevski, K., 2000. Annual Report of the Special Rapporteur on the Right to Education. UN Commission on Human Rights Resolution 2000/9.
Vaizey, J., 1968. What some economists said about education. In: Bowman, M.J. (Ed.), Reading in the Economics of Education: A Selection of Articles, Essays and Texts from the Works of Economists, Past and Present, on the Relationships between Economics and Education. UNESCO, Paris, pp. 50–58.
Wapenhans, W., 1992. Report on the Task Force on Portfolio Management. World Bank, Washington DC.
Watson, K., 1996. Banking on key reforms for educational development: a critique of the World Bank review. Mediterranean Journal of Educational Studies 1, 41–61.
Welch, A., 2000. Third World Education: Quality and Equality. Garland, New York.
Williams, P., 1975. Education in developing countries: the view from Mount Olympus. In: Williams, P. (Ed.), Prescription for Progress? A Commentary on the Education Policy of the World Bank. The NFER Publishing Company, Windsor, Berks, pp. 20–40.
Williams, D., Young, T., 1994. Governance, the World Bank and liberal theory. Political Studies 42, 84–100.
Windham, D., 1975. The macro planning of education: why it fails, why it survives the alternatives. Comparative Education Review 19 (May), 187–201.
Woodhall, M., 1994. The effects of austerity on adjustment in the allocation and use of resources. In: Samoff, J. (Ed.), Coping With Crisis Austerity, Adjustment and Human Resources. UNESCO/ILO, Paris, pp. 173–202.
Woods, N., 2000a. The challenge of good governance for the IMF and the World Bank themselves. World Development 28, 823–841.
Woods, N., 2000b. The challenges of multilateralism and development. In: Gilbert, G., Vines, D. (Eds.), The World Bank: Politics and Structure. Cambridge University Press, Cambridge.
Wood, R., 1986. From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy. University of California Press, Berkeley, CA.
World Bank, 1963. Proposed Bank/IDA Policies in the Field of Education. World Bank, Washington DC.
World Bank, 1970. Lending in Education. World Bank, Washington DC.
World Bank, 1971. Education Sector Working Paper. World Bank, Washington DC.
World Bank, 1971. World Bank Operations: Sectoral Programs and Policies. Johns Hopkins University Press, Baltimore.
World Bank, 1974. Education Sector Working Paper. World Bank, Washington DC.

World Bank, 1980. Education Sector Policy Paper. World Bank, Washington DC.
World Bank, 1986. Financing Education in Developing Countries: An Exploration of Policy Options. World Bank, Washington DC.
World Bank, 1987. A Guide to Institutional Changes: The World Bank Reorganization 1987. World Bank, Washington DC.
World Bank, 1988. Education in Sub-Saharan Africa: Policies for Adjustment, Revitalization and Expansion. World Bank, Washington DC.
World Bank, 1990. Primary Education: A World Bank Policy Paper. World Bank, Washington DC.
World Bank, November, 1991a. Adjustment Lending and the Education Sector. World Bank, Washington DC.
World Bank, 1991b. Vocational and Technical Education and Training: A World Bank Policy Paper. World Bank, Washington DC.
World Bank, 1994a. Adjustment in Africa: Reforms, Results and the Road Ahead. World Bank, Washington DC.
World Bank, 1994b. Higher Education: The Lessons of Experience. World Bank, Washington DC.
World Bank, 1994c. The World Bank's Role in Human Resource Development in Sub-Saharan Africa: Education, Training and Technical Assistance. Operations Evaluation Department, Sector Study. World Bank, Washington DC. No. 13449, 06/01/94.
World Bank, 1971. Priorities and Strategies for Education. World Bank, Washington DC.
World Bank, 1998. Assessing Aid: What Works, What Doesn't, and Why. World Bank, Washington DC.
World Bank, 1999a. Education and Training in East Asia and Pacific Region. World Bank, Human Development Network East Asia and Pacific, Washington DC.
World Bank, 1999b. Education in the Middle East and North Africa: A Strategy Towards Learning for Development. World Bank, World Bank Group, Human Development Middle East and North Africa.
World Bank, 1999c. Education Sector Strategy. World Bank, Washington DC.
World Bank, 1999d. Educational Change in Latin America and the Caribbean. World Bank, Washington DC.
World Bank/OED, 1999e. Annual Review of Development Effectiveness. World Bank, Washington DC (Operations evaluation department report 19905).
World Bank/OED, 1999f. SubSaharan Africa: Lessons from Four Sectors. World Bank, Washington DC (Precis no. 182, Operations Evaluation Department, 05/01/99.
World Bank, 2000. Hidden Challenges to Education Systems in Transition Economies. World Bank, Europe and Central Asia Region, Human Development Sector, Washington DC.