

INTERNATIONAL PERSPECTIVES ON EDUCATION AND  
SOCIETY VOLUME 16

**EDUCATION STRATEGY  
IN THE DEVELOPING  
WORLD: REVISING  
THE WORLD BANK'S  
EDUCATION POLICY**

EDITED BY

**CHRISTOPHER S. COLLINS**

*University of Hawaii at Mānoa*

**ALEXANDER W. WISEMAN**

*Lehigh University*



United Kingdom – North America – Japan  
India – Malaysia – China

## CONTENTS

LIST OF CONTRIBUTORS	<i>ix</i>
PREFACE	<i>xi</i>

### PART I: INTRODUCTION

EDUCATION, DEVELOPMENT, AND POVERTY: AN INTRODUCTION TO RESEARCH ON THE WORLD BANK'S EDUCATION POLICY AND REVISION PROCESS <i>Christopher S. Collins and Alexander W. Wiseman</i>	<i>3</i>
WORLD BANK GROUP EDUCATION STRATEGY 2020 LEARNING FOR ALL: INVESTING IN PEOPLE'S KNOWLEDGE AND SKILLS TO PROMOTE DEVELOPMENT	<i>19</i>

### PART II: STRATEGY DEVELOPMENT

SIX QUESTIONS ABOUT THE WORLD BANK'S 2020 EDUCATION SECTOR STRATEGY <i>M. Najeeb Shafiq</i>	<i>33</i>
WHEN MODELS BECOME MONOPOLIES: THE MAKING OF EDUCATION POLICY AT THE WORLD BANK <i>Stephen P. Heyneman</i>	<i>43</i>
THE WORLD BANK'S "EDUCATION STRATEGY 2020": A PERSONAL ACCOUNT <i>Robert F. Arnove</i>	<i>63</i>

EDUCATION SECTOR STRATEGY 2020 AND POPULAR PARTICIPATION: PARALLELS AND PITFALLS <i>Tammy Boyd and Tom Owens</i>	81
<b>PART III: CRITICAL ISSUES AND PERSPECTIVES</b>	
THE WORLD BANK, THE INTERNATIONAL FINANCE CORPORATION, AND PRIVATE SECTOR PARTICIPATION IN BASIC EDUCATION: EXAMINING THE <i>EDUCATION SECTOR STRATEGY 2020</i> <i>Karen Mundy and Francine Menashy</i>	113
THEORY AND IDEOLOGY IN THE GENDER PROPOSALS OF THE WORLD BANK'S <i>EDUCATION STRATEGY 2020</i> <i>Nelly P. Stromquist</i>	133
WORLD BANK AND EDUCATION: IDEOLOGICAL PREMISES AND IDEOLOGICAL CONCLUSIONS <i>Steven J. Klees</i>	151
EDUCATION AND INEQUALITY: IMPLICATIONS OF THE WORLD BANK'S EDUCATION STRATEGY 2020 <i>Devin Joshi and William Smith</i>	173
CONSTRUCTING AND MEASURING TEACHER EFFECTIVENESS IN GLOBAL EDUCATION REFORM <i>Rachael Gabriel and Richard Allington</i>	203
DELIBERATIVE EDUCATIONAL PLANNING: INCLUDING EDUCATORS' DELIBERATIONS IN EDUCATIONAL POLICY MAKING <i>Athena Vongalis-Macrow</i>	229

THE APPROACH OF THE WORLD BANK TO PARTICIPATION IN DEVELOPMENT AND EDUCATION GOVERNANCE: TRAJECTORIES, FRAMEWORKS, RESULTS <i>D. Brent Edwards Jr.</i>	249
ICT, THE EDUCATION SECTOR, AND OPEN E-LEARNING: A UNIQUE OPPORTUNITY FOR THE DECADE AHEAD <i>Owen G. McGrath</i>	275
<b>PART IV: REGIONAL EVALUATIONS</b>	
WHAT DOESN'T THE EDUCATION SECTOR STRATEGY SAY? HOW THE FAST TRACK INITIATIVE AND MULTISECTOR OPERATIONS ARE CHANGING THE LANDSCAPE OF WORLD BANK EDUCATION FINANCING <i>Sarah Beardmore and John Middleton</i>	301
TAMING THE YOUTH BULGE IN AFRICA: RETHINKING THE WORLD BANK'S POLICY ON TECHNICAL AND VOCATIONAL EDUCATION FOR DISADVANTAGED YOUTH IN THE KNOWLEDGE ECONOMY <i>Chijioke J. Evoh</i>	337
FRAMING THE WORLD BANK EDUCATION STRATEGY 2020 TO THE INDIAN CONTEXT: ALIGNMENTS, CHALLENGES, AND OPPORTUNITIES <i>Supriya Baily</i>	371
THE WORLD BANK AND EDUCATIONAL REFORM IN INDONESIA <i>Victor J. Sensenig</i>	395

# WHEN MODELS BECOME MONOPOLIES: THE MAKING OF EDUCATION POLICY AT THE WORLD BANK

Stephen P. Heyneman

## ABSTRACT

*To understand the World Bank's education sector strategy development, an historical perspective of where previous strategies have gone is essential. Rather than building schools the Education Strategy 2020 suggests that it will emphasize the efficiency of the education system and help reform its management, governance and finance. Rather than provide new curriculum, it will try to lay the foundations of an education knowledge base by supporting the use of assessments of academic achievement, both local and cross-national. Countries will be asked to measure their progress against statistical evidence. While none of these changes are entirely new, they all represent progress. In this chapter, the new strategy efforts of the World Bank are examined in relation to the contribution of education to social cohesion, education and corruption, education financing and educational quality and cognitive skills and economic development. This portion of the volume will emerge from a 22-year personal history of working with the World Bank on researching*

---

Education Strategy in the Developing World: Revising the World Bank's Education Policy  
International Perspectives on Education and Society, Volume 16, 43–62

Copyright © 2012 by Emerald Group Publishing Limited

All rights of reproduction in any form reserved

ISSN: 1479-3679/doi:10.1108/S1479-3679(2012)0000016007

*education quality, designing policies to support educational effectiveness and training senior officials worldwide in education policy-related lending strategy.*

## BACKGROUND: THE DILEMMA OF MANPOWER PLANNING

In April 1976, I was invited to join the Education Department of the World Bank.<sup>1</sup> Like the departments of Transport, Agriculture, Banking and Industry the Education Department was situated in the Central Project Staff (CPS). The purpose of CPS was to design policy, assess the effectiveness of current lending, support operations (on invitation from the operating divisions), design new policy and do 'quality control'. This latter was thought to be the most delicate in that one was asked to comment on all operations, and in very extreme circumstances, one might object to those thought to be inadequate (Fig. 1). On my first day I was assigned 16 countries to 'monitor', most were countries I knew little about, including India, Algeria and Nicaragua. On my second day I was told to attend a 'decision meeting' concerning a vocational education loan to Algeria.

The decision meeting was attended by 20 people, senior economists from the region, representatives of the department director, the legal department and the team of experts who had appraised the project. The meeting was chaired by the education division chief for the Europe, Middle East and North Africa region. The project intended to build new vocational schools and to modernize the existing schools. On educational grounds it was justified because current curriculum was 'overly academic'. On economic grounds it was justified because, according to a recent manpower forecast, the need for technical manpower was growing. The chair asked if there were any questions. I put up my hand to ask if we had any other economic evidence to justify the project other than a manpower plan. There was a moment of silence. The chair responded that in economics no other evidence existed. That is how the trouble began.

I had just completed a degree at the University of Chicago and was nurtured on the evidence described by Mary Jean Bowman as economic rates of return. I knew that in economics there was other evidence. I reported the essence of the meeting to my director, Mats Hultin, the ex-minister of education from Sweden. He told me to chat with the chief economist, Manuel Zymelman who carefully explained to me why economic

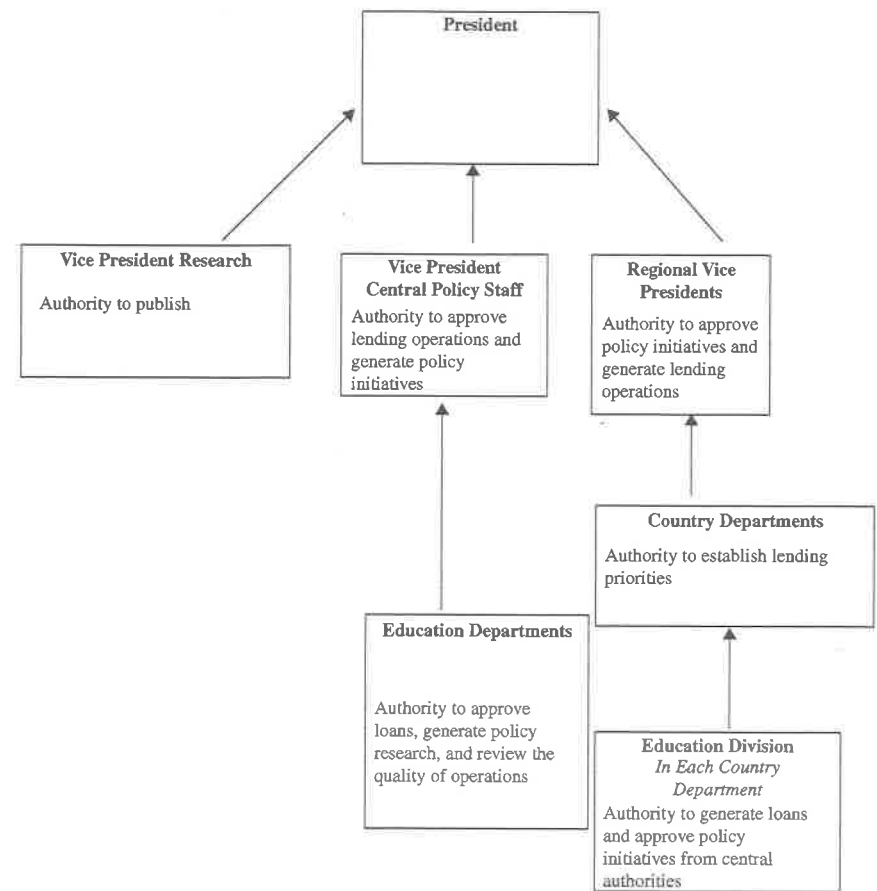


Fig. 1. World Bank Internal Processes – Early 1970s to Early 1980s.  
Source: Heyneman, 2005, p. 31.

rates of return were useless for planning development. Wage rates were a poor substitute for productivity. The evidence took years to collect and, while perhaps marginally useful for sector work, economic rates of return were completely impractical for deciding on a specific loan.

There were two problems with his explanation. Manpower planning could only justify the expansion of specific skill training. This left out any assistance to primary or general secondary education or higher education

which was not engineering or one of the technical fields. Because only one type of evidence was acceptable, the bank could not respond to country requests for assistance to any other part of the education sector, in spite of the fact that, in many cases, the needs were desperate. The absence of prices in manpower forecasting allowed the Bank, in the effort to infuse skill training into general education, to design projects which were underutilized and distorted. For instance, every secondary school assisted by the Bank was required to build 'diversified' workshops in agriculture, metalwork, woodwork and domestic science (for girls). These increased the unit cost by 2.5 times and ended up being unused for their original purposes but turned into normal academic classrooms. It also meant that primary schools, when assisted, had to double as community centres. In one case it meant that the construction of a university library could only use the bank's support for books and materials related to engineering (Heyneman, 1985, 1987, 1999). When I tried to discuss the importance of primary education with the chief economist of the Africa region, he was quick to tell me that primary education could never be considered a priority for the Bank. It was too scattered in implementation; it was unrelated to a nation's manpower needs and it was the responsibility of local governments, not a development assistance agency.

The second problem had to do with the Bank's education sector staff. All were well versed in manpower planning; none had experience with any other kind of evidence. The monopoly of manpower planning implied a powerful vested interest within the staff which would be threatened if change were to occur. How could one break the monopoly of manpower planning when there was such a strong opposition to any analytic change?

As luck would have it, the answer came in the form of a new Education Director. Aklilu Habte was suggested by the president, Robert McNamara. He was the first Ethiopian to receive a PhD in education (Ohio State, 1952), professor of education, dean of education, and president of the University of Addis Ababa, minister of education, member of the United Nations Educational, Scientific and Cultural Organization (UNESCO) governing board; he was the first African director in the Bank.

The first move was to actually utilize rates of return in a Bank document. Since India was assigned to me to monitor I was asked to draft a desk study on the economics of education in India. This short paper relied on economic rates of return and challenged the common perception in the Bank that India was 'overeducated' (Heyneman, 1979). Fortunately the new vice president for South Asia, David Hopper, had been a friend of Aklilu for years. While the India paper was slowly making its way through the layers

of bureaucracy for (mostly sceptical) comment, Aklilu sent it directly to David Hopper at his home address. The next day a memo came from the Vice President's office to me personally (an unprecedented event). It had one sentence: re: paper on India: 'Damn fine paper'. This effectively trumped the many layers between the vice president's office and me and helped to encourage an encouraging response from the India division.

A second opportunity occurred with the announcement that there was a tracer study in Malawi, another country on 'my watch'. This study had followed secondary school students into the labour market. Data existed for those who had left secondary school after two years as well as those who finished in four years. The questionnaire asked about earnings. This led to the first use of rate of return evidence to assess the economic viability of investments in secondary education in Eastern Africa (Heyneman, 1980).

In some ways having these two precedents helped make the point that other kinds of evidence were feasible. But the major thrust for change came from a decision of the president himself. To explore new education policies which Aklilu might wish to inaugurate the president appointed an external panel. Included on the external panel was Mary Jean Bowman from the University of Chicago. The panel's report (World Bank, 1978) was explicit in pointing out the likely distortions from manpower planning and called for a diversity of evidence. This led the way to the next question as to who we might invite to help us systematize alternative sources of economic evidence.

## ACT TWO: THE ACQUISITION OF GEORGE PSACHAROPOULOS

Over a lunch with Aklilu, I suggested that we approach George Psacharopoulos, an economics graduate of the University of Chicago, currently teaching at the London School of Economics. Arrangements were made for me to visit London and take him and his wife out to dinner. Over that dinner I proposed he consider joining the World Bank. The offer was accepted.

Psacharopoulos was not seen as being problem free. He had a reputation for being a strong advocate of the use of economic rates of return; the question was raised whether he was broader than that. I pointed out his work on equity. This was accepted as a sign of diversity of interest and he was hired by the Bank to manage a research unit within the Education Department. Immediately 'war' broke out with Manuel Zymelman. But this conflict was exactly what had been anticipated and the purpose behind his

acquisition. We could not diversify our evidence if the current senior economist was opposed to it; he had to be 'neutralized'.

The combination of having a precedent for using economic rates of return in education sector work (Malawi and India), guidance from the external panel and an articulate advocate (Psacharopoulos) led to the explicit statements in the new Education Policy paper which called for diversity of evidence and, as importantly, diversity in the purposes of lending. Specifically mentioned were general primary and secondary education, higher education and education research. Under certain conditions, all were economically justified (World Bank, 1980).

### ACT THREE: THE MONOPOLY OF RATE OF RETURN EVIDENCE

While the use of economic rates of return opened the Bank to consider general, as opposed to vocational, education, problems quickly came with the data's interpretation. In a report published by Psacharopoulos and two colleagues (Psacharopoulos, Tan, & Jiminez, 1986), and later followed by additional evidence (Psacharopoulos, 1994). It was argued that public finance for higher education should be transferred to primary education and that higher education should be increasingly privately financed through tuition. Low-income students should be offered loans to help finance their university studies. Immediately there was a reaction from East Africa. Newspapers and radio commentators associated this line of argument with neocolonialism, and a way in which the Bank could be trying to keep Africa in a subordinate position. In response Psacharopoulos was sent to Nairobi to explain the paper's point of view. As I recall it was thought that the Kenyans simply needed to 'better understand economics' and the reasons why these policy recommendations were 'equity-enhancing'. He returned stunned by the response, which evidently was close to being violent. This was the first encounter with a line of argument not included in our regressions. It was, as I recall, dismissed as being 'just politics'.

In the 1980s, Psacharopoulos was transferred to the office of the Vice President in the Latin America region. The region was volatile. Flush with Middle Eastern capital from the oil embargo, banks had made extensive, often improper, investments. Crippled by bad loans in Brazil and Argentina, major banks in New York and London were in danger. New infusion of capital had to be quickly transferred to local authorities to refinance the otherwise faulty

loans. This was the 'Baker Plan' named after the U.S. Secretary of the Treasury. At one of the meetings to implement this plan it was said that he commented about 'the absence' of the World Bank at the table. Until then the Bank was an institution operated on the basis of project-by-project development. Each project was geared to a five-year implementation cycle. While the International Monetary Fund (IMF) was supposed to be the 'fireman' which one calls in the case of a fiscal crisis, the bank had very different terms of reference. But to not be at the table when strategies are planned is not in the nature of any important institution, hence the birth of a new form of lending called structural adjustment. Instead of allocating monies to cover the cost of improvements to infrastructure, the Bank's Board of Directors approved the possibility of allocating resources on the basis of policy change. The resources were large, often in the hundreds of millions of dollars, and were implemented quickly, in some cases within a week of being approved.

When the Bank began loaning money in Latin America for structural adjustment, criticisms arose that the poor were adversely affected. Moreover, because reductions in public sector salaries (including teacher salaries) were sometimes part of the adjustment process, it was said that education in rural areas was suffering (UNICEF, 1987). The question became whether there might be a way to protect the poor through education within a structural adjustment loan. Psacharopoulos' response included the same 'short menu' of policy options proposed in his earlier paper (Psacharopoulos et al., 1986), namely to reduce public expenditures on higher education, transfer those expenditures to primary education and institute a program of educational loans to help finance the private higher education costs of those who could not afford the tuition. The difference in this case was that the policy menu was negotiated in the context of a structural adjustment loan, a loan usually to the Ministry of Finance; hence the education policy changes were agreed with the Ministers of Finance, sometimes over the objections of the Ministers of Education.

Policy-based lending became an important new sector in the Bank with active projects in Africa, Latin America and occasionally in other regions. And because policy-based loans were a hybrid between policy and lending operations, a new office was established above the vice presidents. This office was titled the Senior Vice President for Policy (see Fig. 2).

Psacharopoulos was transferred to this office in the late 1980s, thus raising visibility of rates of return and the short policy menu that had been proposed many times in Latin America and Africa. This new position gave the rate of return approach virtual monopoly over sector work, lending as well as policy development.

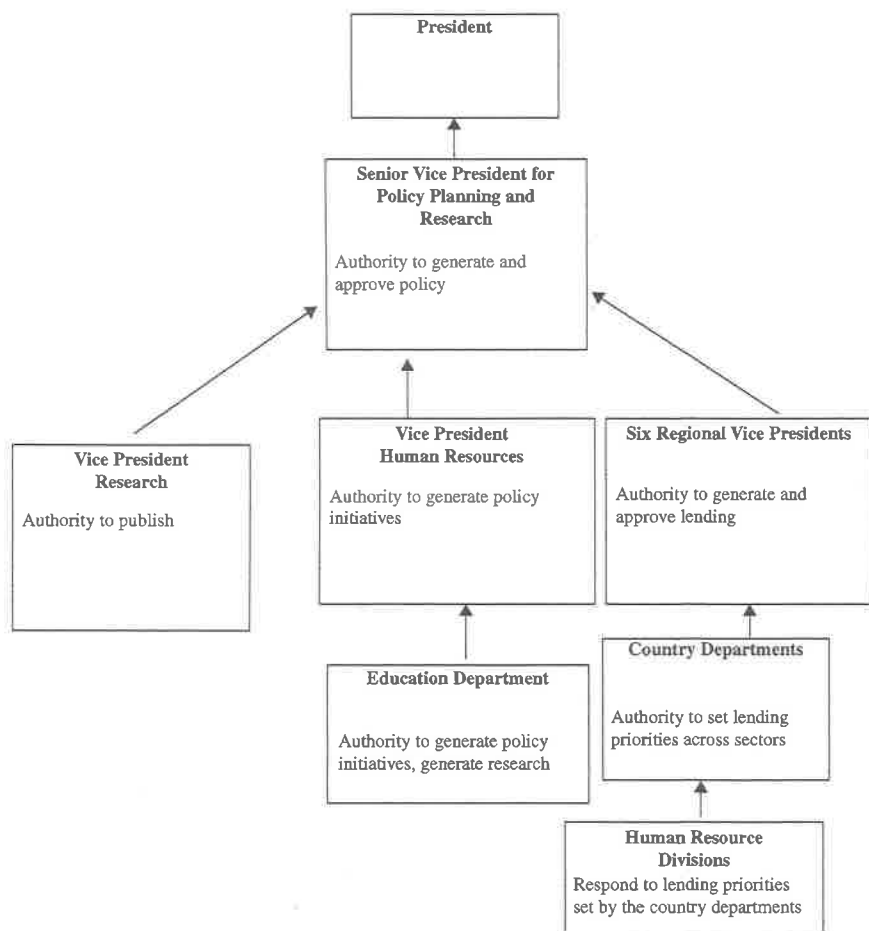


Fig. 2. World Bank Processes – Early 1980s to Early 1990s. *Source:* Heyneman, 2005, p. 35.

## ACT FOUR: THE STRUGGLE OVER HIGHER EDUCATION POLICY

The first sign of a problem occurred with the development of a new policy paper on higher education (World Bank, 1994). While the content of the paper was unobjectionable and approved by each of the regional division

chiefs,<sup>2</sup> the published version contained a statement which had not been in the approved draft. It was

Primary and secondary education will continue to be the highest priority subsectors 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, 1994, p. 12)

The statement implied that expansion of higher education was not among the Bank's priorities and for most countries higher education constitutes a lower priority than other education levels. The paper quickly came in for criticism from the academic community (Buchert & King, 1995). King commented that the title was not conceived as a 'bank-bashing' exercise, but only to imply that the bank had not learned from its lessons (Morna, 1994).

What the academic community may not have realized is that the appearance of this statement without our clearance led many of us to suspect that an ideological battle had commenced in our sector over and above our authority. Our feelings that we were being circumvented were substantiated in the development of a new policy paper which discussed the sector from primary to graduate education designed to cover each of the six regions (World Bank, 1995). The problem, slow to be recognized, was that in the last few years the developing world had changed. Many of the staff had been exposed to problems of sub-Saharan Africa and south Asia, problems of extreme poverty where a lack of educational opportunity in primary education was among the most serious. But we were responsible for a completely new category of borrower: the Russian Federation, China, Indonesia, Brazil, South Africa, Chile and Malaysia, countries whose reference group came not from low-income countries but from the world's industrial democracies. Often, these countries had full enrolment in primary education, and whose primary priority was higher education access, quality and efficiency. In many instances, the concerns of the education sectors in these countries focused on the innovations prevalent in the Organisation for Economic Co-operation and Development (OECD) countries – merit pay, voucher systems, site-based management and performance standards. The professional experience of many Bank education staff did not include the educational debates in their own countries. Hence the Bank's education sector was the object of 'adjustment' of a kind not unlike their client countries (Heyneman, 1994). To suggest that resources should be shifted away from higher education would be political suicide in the Russian



Federation, for instance, yet this suggestion was again made in the draft of the new policy paper. In fact, one draft of the executive summary contained the statement that 'higher education can become or remain largely privately funded'. The response to this statement from the regions was unambiguous: 'take it out' (Heyneman, 1994).

In one note from the operational division chiefs to the paper's authors, criticism of was explicitly spelled out.

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 education categories – primary, secondary and higher education. Because the paper relies exclusively on rates of return, it excludes other possible justifications for the allocation 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 education 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 a 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, 18 November 1994)

In spite of the dissent within the Bank, the text of the paper changed very little between drafts. The regional division chiefs felt that the education sector was in danger of becoming a source for 'cheap ideology'. The leaders of four of the six regions met once at night to discuss what to do. Their meeting took place in a park so as to ensure confidentiality. Each regional representative decided to draft a memorandum addressed to their vice president objecting to the paper. The memorandum was to be signed by each of the operational division chiefs within each region. Of the 26 division chiefs responsible for education, 20 signed the memorandum on 2 February 1995, asking that the paper not be sent to the Bank's Board. Two others agreed with the memorandum but refused to sign. One objected to the memorandum. Three others were travelling and could not be reached. For all intent and purposes, the Bank's education sector was in revolt.

The paper was eventually re-edited, but its thrust was unchanged. Even after an unprecedented level of internal protest the monopoly over the Bank's view from the position of the office of the senior vice president for policy was too powerful to overcome. Eventually, the publication led to many objections from the academic community and replies from the Bank

(Bennell, 1996; Burnett, 1996; Burnett & Patrinos, 1996; Jones, 2000, Lauglo, 1996; Samoff, 1996, 1999; Watson, 1996).

During this period, I often felt that the academic community misunderstood the Bank's staff. It was often assumed that they were subject to a unanimity of thinking. The internal struggles were not common knowledge. I felt that it might be important to raise some of the internal objections in a public forum. I summarized the arguments against using economic rates of return for making investment decisions and presented them to UNESCO. I was encouraged to publish them. However, were they to be published, given my position, would mean that I would probably be fired. One evening I gathered my children around the kitchen table and explained the situation. It might mean that we would have to sell the house; perhaps move to a different neighbourhood and change schools. One son, known even today for his commitment to good causes, replied: go get'em dad. His view was not enough to convince me. I had to make a Hobbes-like choice – loyalty to an institution which I dearly loved; or loyalty to my profession as educator, to which I had devoted my life. I had come to believe that the behaviour of the institution had come to be antithetical to the standards of my profession. I am sure that many others have found themselves in parallel circumstances. The choice is not easy.

The article titled 'Economics of Education: Disappointments and Potential' went to the head of the publication schedule and quickly appeared in *Prospects* (Heyneman, 1995). I sent each director and each division chief a copy with a cover note of explanation. My phone started ringing within a few minutes.

## THE FINAL ACT: THE BANK RIGHTS ITSELF

My personal story aside, however, the Bank began to realize that it had lost professional credibility with the education community and decided to make amends by sponsoring a new paper on higher education. Unlike previous papers though, the Bank chose to not use any World Bank staff. The paper was drafted entirely by external experts. These experts consisted of a panel chosen for their independence and unquestionable credibility. They included: Mamphela Ramphele (vice-chancellor, University of Cape Town), Henry Rosovsky (former dean of the Faculty of Arts and Sciences, Harvard University), Kenneth Prewitt (ex-Chairman, Social Science Research Council and current director, U.S. Census), Babar Ali (pro-chancellor, Lahore University of Management), Hanan Ashrawi (former minister of education, Palestine), Jose Joaquin Brunner (former minister of education,

Chile), Lone Dybkjaer (former Danish minister of the environment and current member of the European Parliament), Georges Haddad (professor, University of Paris), Motoo Kaji (vice president, University of the Air, Japan), Jajah Koswara (director of Research and Community Service Development, Directorate for Higher Education, Indonesia), Narciso Matos (secretary general, African Association of Universities), Manmohan Singh (former minister of finance and current member of parliament, India), Carl Tham (former minister of education and current secretary general of Palme International Center, Sweden), Kamal Ahmad (attorney, Fried, Frank, Harris, Shriver and Jacobson) and David E. Bloom (professor, Harvard University). Their report was published by the Bank in 2000 (Task Force on Higher Education and Society, 2000).

This report included extensive discussions of higher education and the public interest, the importance of higher education to science and technology and the importance of general education. In its coverage of the economics of higher education, the report has this to say:

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 education people as a 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 development 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)

Several years later the *Comparative Education Review* sponsored a 'moderated discussion' of these issues (Task Force on Higher Education and Society: A Moderated Discussion, 2004). Psacharopoulos was asked to comment on the report. He begins by quoting a statement in the report, then says:

At first sight, one might think that the (above) statements come from a term paper by a student in international education or an obscure mimeo found in the ERIC Database. However, they are from the 'main conclusion' ... of the Task Force Report. What is even more astonishing is that such general statements resulted from intensive discussion and hearing over a 2-year period by a group of eminent task force members, two study directors from reputable institutions, dozens of task force supporters, nine generous international financiers, 10 in-kind contributors, and five international seminars. The

report is clearly that of a committee. It offers nice-sounding statements but no specific advice about what developing countries should do regarding higher education or education in general. In this sense, it is disappointing that such a major effort will not have any real impact on the cause it was supposed to serve ... When we adjust the private rates for the true resource cost of education, primary education exhibits a higher rate of return relative to the other levels. Hence, in a country where primary education is not universal, priority should be given at the margin to basic education. And the World Bank was absolutely right to have adopted such strategy in its lending program. ... we know that the incidence of public spending on higher education is highly regressive. That is, in most countries the children of the poor receive less than do the children of the rich. Hence, any expansion of higher education should be linked to selective student fees (equal to the full social cost for the rich but including stipends for the poor, with student loans available to all. ... (in future) we will eliminate international seminars and divert the resources to finance research on the economics of education .... (Psacharopoulos, 2004, p. 76)

Bloom and Rosovsky were asked to respond. They did:

In his brief communication, George Psacharopoulos has managed not only to insult every member of the task force ... but also to ignore 90 percent of the report's content .... We are surprised that the editors of this review would print such intemperate and ill-founded communications ... But we are not surprised by Psacharopoulos' evident agitation. Standard rate-of-return analysis ... is increasingly being questioned in terms of its sufficiency for making investment decisions. And for good reason. ... Standard rate-of-return estimates dominated investment priority decisions at influential organizations like the World Bank for many years. The apparent precision and rigor of these estimates crowded out alternative decisions frameworks ... These analyses completely neglect externalities associated with education – at all levels. These range from the nutrition and health benefits that literate and numerate women confer on their families and communities to the benefits of university-based research and training on the pace and sustainability of national development. This line of thinking is certainly not unique to the Task Force Report. It is, indeed, a widely held view .... Our overarching point here is that, when rate of return analyses are based on incomplete models and imperfect data, they will yield estimates whose relation to true rates of return are not clear. More careful analyses might well lead to a reordering of social investment priorities ... The Task Force does not contend that rate of return analyses are meaningless. But it does highlight the dangers embodied in excessive reliance on rate of return analyses insofar as they provide distorted and potentially misleading views of the case for higher education, to the peril of well-intentioned development policy makers. ... as Nancy Birdsall wrote to us in a personal communication, 'unmeasured externalities dictate humility and deference to local realities, as opposed to preaching primarily on the (incorrect) grounds that social returns are highest at the primary level'. (Bloom & Rosovsky, 2004, pp. 85–86)

The Task Force Report, as the Education Sector Policy did in 1980, essentially liberated the Bank from its previous dogma. Since the Task Force Report, several new higher education policy papers, all of them carefully done and highly appreciated, have appeared (Salmi, 2009; World Bank, 2002; Yusuf & Nabeshima, 2007). Psacharopoulos himself seems to have

dropped out of favour. In the 1995 policy paper, he is cited nine times; in the most recent policy paper (World Bank, 2011), he is not cited at all (Heyneman, 2011).

## IMPLICATIONS

From this story of how a model became a monopoly, one might draw two lessons. Every organization struggles for a strategy which is comprehensible, feasible and compelling in its justification. In this the Bank is typical. United Nations Children's Fund (UNICEF), UNESCO and Department for International Development (DFID) are no different. Dogma occurs whenever a strategy becomes common wisdom. The problem is that all organizations need to grow and improve, and none can do this unless what is taken to be common wisdom can be challenged. Whenever an organization silences those challenges, it will be in danger. This monopoly occurred in the Bank and it took a decade for it to recover.

But in addition to the lesson of monopoly is that of what to do when an organization, otherwise well-meaning, becomes a danger to one's profession and one's professional standards of honesty. Many parallels exist – in the military, in the pharmaceutical industry, power companies, banks and insurance companies. The question then becomes a matter of the final responsibility. In my case I felt that the responsibility was mine. I asked myself many times if it was a trivial issue on which I went to battle. A trivial issue would be pointless. In the end I felt that the issue was not trivial but essential to the making of public policy. In her book *Democratic Education*, Amy Gutmann (1987) argues that rates of return, or any economic model is only a guide to policy, not a road map to making investment decisions. In her view, as in mine, assessing the value of public goods and externalities, because it is not easily quantified, can only be made by the public at large. This is why a poor country may choose higher education over primary education, because what it values may be different and, for the most part, outside of our best models.

### HAS THE BANK LEARNED ITS LESSON: A BRIEF COMMENT ON THE EDUCATION PAPER OF 2011

The World Bank has a lot of publications on education. Some are authored and are the responsibility of that author. These may be circulated in a

journal as a product of research or as a discussion series to generate debate. A policy paper is different. This is a paper which must be approved by the executive directors, and the World Bank is listed as the author.

From the beginning, policy papers have shared certain characteristics, this one included. None may contain a statement which would challenge long-standing convention. It may infer. It may suggest. But in the end, it must be approved by all the executive directors which represent the 185 members. No draft policy paper would be put to a vote of the executive directors if were to generate opposition or even controversy. Essentially a policy paper must represent a consensus.

Policy papers reiterate that it is the Bank which is the subject of its suggestions. Countries are autonomous and independent entities. If directives are included in the paper they are turned inward and suggest that the Bank will operate differently in one or another arena, or that the bank will place new criteria for its operations or that the Bank will respond warmly to new initiatives in the arenas under discussion.

In spite of these organizational restrictions, this paper pioneers new arenas for the Bank. It redefines the term 'education system'. The new definition includes learning wherever it occurs and can be organized. It places a heavy emphasis on early childhood education and adult literacy. It includes corporate training. It includes providers of all kinds, public, private, charitable and for-profit. It includes not only providers of education programs but also providers of education products and services. In fact it leaves out very little and other than early childhood education it places no priority anywhere.

But will it do things differently? Rather than building schools this new strategy suggests that it will emphasize the efficiency of the education system and help reform its management, governance and finance. Rather than provide new curriculum, it will try to lay the foundations of an education knowledge base by supporting the use of assessments of academic achievement, both local and cross-national. Countries will be asked to measure their progress against statistical evidence. The bank may also experiment with a reorganization of its education staff. Instead of them working on regions in isolation from one another, they will begin working on education systems divided by their stages of development. While none of these changes are entirely new, in my view, all represent progress.

Early childhood education is nice, but has the Bank made progress on the elements which were the subject of criticism in the past. One criticism was that it was ideological; on the basis of a narrow interpretation of economic rates of return that it advocated a 'short policy menu' demanding that

**Table 1.** World Bank Education Policy Papers and George Psacharopoulos.

	Number of Citations
1995	9
2011	0

countries shift public resources from tertiary to primary education. The major proponent of this view was George Psacharopoulos. In the education policy paper of 1995, the one to which 20 division chiefs signed a memorandum of protest (Heyneman, 2005), Psacharopoulos was cited nine different times. However, in the policy paper of 2011, he was not cited at all (Table 1). There are some (perhaps including myself) who would interpret this as progress.

Another criticism of the World Bank in the past has been that it has been insular in its orientation and that it tended to cite only its own work and its own staff members. This implied that it saw development in a narrow way and ignored much of the analytic work done by the world outside itself. This was said to be parochial and counterproductive.

For instance, in the policy paper of 1995, over 13% of the references were other policy papers and 32% of the references were of its own staff members. If one includes the references to the reports from other agencies, the Bank only used sources outside the development community about 50% of time. That was 1995.

In 2011 the sources of references had changed dramatically, but in the wrong direction. Twenty-six percent of the references were derived from other policy papers; 16% from its own staff and 29% from other agencies. This latter figure is the result of James Wolfenson's efforts. The official rationale was to collaborate with other agencies as though development should be a team effort. But it also serves the Bank's needs for political coverage to protect itself from external criticism. It is more difficult to criticize the Bank when UNICEF and Save the Children and the Sierra Club are sitting on the podium. This is not an accident.

The problem is that the portion of the cited references from other sources has declined. In 1995 it was 50%. Today it is 28%.

One might counter with the suggestion that this is an accurate reflection of the insight and knowledge in the field of education and development. To explore this I looked at the sources for the report on basic education published by the U.S. National Academy of Sciences in 2006. This report

cites the World Bank policy papers 2.2% of the time; they cite other academic sources 89% of the time. This suggests to me that the insularity of the Bank has gotten worse, not better (Table 2).

Another criticism of the Bank was that it did not consult enough; that it developed its policy papers in isolation from the opinions of 'stakeholders'. This paper goes a long way to convince the reader that its consultations were extensive. It lists a total of 69 meetings held to discuss the content of this paper, meetings across all regions and with all donors. It even lists the most frequently asked questions. Here they are in the order of importance:

1. What is the 'strategic' component of Education Sector Strategy (ESS) 2020?
2. How does ESS 2020 address the Millennium Development Goals (MDGs) and support countries to reach the two education MDGs?
3. How does ESS 2020 relate to the Education for All Fast Track Initiative (EFA FTI)?

This continues for 16 more questions.

My reaction to this list of questions from the consultation meetings is one of horror. If anyone needed a sign as to whether the Bank was out of touch with the world of education and development all they need to do is read through these questions. They constitute what the Soviets used to call a 'langue de bois', a wooden language. They have no importance to the scholars of development and they have no relationship to the real questions

**Table 2.** Sources for References in Education Policy Papers: Percent of References in Each Category.

	Other				(#)
	World Bank as author	WB Staff as author	Agencies as author	Other authors	
World Bank (1995)	11.9	28.5	4.8	45.2	(270)
World Bank (2011)	26.5	16.2	29.1	28	(117)
U.S. National Academy of Sciences	2.2	8.8	0	89	(45)

Sources: World Bank. (1995). *Priorities and strategies for education*. Washington, D.C.: The World Bank.

World Bank. (2011). *Learning for all: Investing in people's knowledge and skills to promote development*. Washington, D.C.: The World Bank.

Cohen, J. E., Bloom D. E., & Malin M. (2006). *Educating all children: A global agenda*. Cambridge, MA: National Academy of Sciences/MIT Press.

about the new policy paper. They reflect the fact that the Bank continues to listen to itself and to those in similar agencies.

What might be a frequently asked question about this policy paper? I would ask the Bank: Are you still recommending that public finances shift from higher to primary education? I would ask: Are you able to work outside of government ministries of education to assist the development of the private sector? I would ask: Are you prepared to confront the fact the greatest threat to the quality of education is from within the system itself in terms of corruption? I would ask: Are you prepared to stop lending to a country which steals our assistance? I would ask: Are you prepared to sanction staff who propose conditionalities which later prove to be professionally incorrect?<sup>3</sup> I would ask: Are you prepared to equip low-income countries with policy advisors so they might negotiate loan conditionalities with more equity? I would ask: Are you willing to confront the fact that education constitutes only a tiny percent of the development agenda? To these questions, and perhaps others, there is no response in this new policy paper.

## NOTES

1. It is assumed that the reader knows the purposes and mechanisms of the World Bank. If not, one might read Heyneman (2005).
2. I was division chief in the technical department of the new region titled: Europe and Central Asia responsible for the 27 countries in Eastern and Central Europe and the former Soviet Union.
3. Payment by results might apply to both borrower and lender.

## REFERENCES

- Bennell, P. (1996). Using and abusing rates of return: A critique of the World Bank. *International Journal of Educational Development*, 16(3), 235–248.
- Bloom, D., & Rosovsky, H. (2004). Reply to Psacharopoulos. *Comparative Education Review*, 48(1), 85–86.
- Buchert, L., & King, K. (Eds.). (1995). *Learning from experience: Policy and practice in aid to higher education*. CESO Paperback No. 24, CESO, The Hague.
- 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 to priorities and strategies for education: A World Bank review. *International Journal of Educational Development*, 16, 273–276.
- Gutmann, A. (1987). *Democratic education*. Princeton, NJ: Princeton University Press.

- Heyneman, S. P. (1979). *Investment in Indian education: Uneconomic?* World Bank Staff Working Paper (May) No. 327, World Bank, Washington, DC; Republished: *World Development* 1980, (4), 145–163.
- Heyneman, S. P. (1980). *The evaluation of human capital in Malawi*. World Bank Staff Working Paper (October) No. 420, World Bank, Washington, DC; Republished: Heyneman, S. P. (1984). Educational investment and economic productivity: The evidence from Malawi. *International Journal of Educational Development*, 12(1), 9–15.
- Heyneman, S. P. (1985). Diversifying secondary school curricular in developing countries: An implementation history and some policy options. *International Journal of Educational Development*, 5(4), 283–288.
- Heyneman, S. P. (1987). Curriculum economics in secondary education: An emerging crisis in developing countries. *Prospects*, 18(1), 63–74.
- Heyneman, S. P. (1994). *Heyneman to Burnett*. Private communication (October 25).
- Heyneman, S. P. (1995). Economics of education: Disappointments and potential. *Prospects*, XXV(4), 559–583. Republished: T. Lakshmanasamy (Ed.). (1997). *The economics of human behavior*. Mumbai, India: Allied Publishers Ltd.
- Heyneman, S. P. (1999). Development aid in education: A personal view. In K. King & L. Buchert (Eds.), *Changing international aid to education: Global patterns and national contexts* (pp. 132–146). Paris: UNESCO Publishing.
- Heyneman, S. P. (2005). The history and problems in the making of education policy at the World Bank: 1960–2000. In D.P. Baker & A. W. Wiseman (Eds.), *Global trends in educational policy* (Vol. 6, pp. 23–58). International Perspectives on Education and Society Series. Oxford: Elsevier Science.
- Heyneman, S. P. (2011). World Bank Policy Paper of 2011: A brief comment. *CIES Perspectives* (156), 10–11.
- Jones, P. (2000). Increasing aid effectiveness in Africa? The World Bank and sector investment programs. In C. L. Gilbert & D. Vines (Eds.), *The World Bank: Structures and policies* (pp. 266–281). Cambridge: Cambridge University Press.
- Lauglo, J. (1996). Banking on education and the uses of research: A critique of the World Bank priorities and strategies for education. *International Journal of Educational Development*, 16, 221–222.
- Morna, C. L. (1994). World Bank's approach to education in Africa called narrow and inadequate. *Chronicle of Higher Education*, July 27.
- Psacharopoulos, G. (1994). Returns to investment in education: A global update. *World Development*, 22(9), 1325–1343.
- Psacharopoulos, G. (2004). The empirical basis of task force conclusions. *Comparative Education Review*, 48(1), 75–78.
- Psacharopoulos, G., Tan, J. P., & Jimenez, E. (1986). *Financing education in developing countries: An exploration of policy options*. Washington, DC: The World Bank.
- Task Force on Higher Education and Society. (2000). *Higher education in developing countries: Peril and promise*. Washington, DC: The World Bank.
- Task Force on Higher Education and Society. (2004). Moderated discussion. *Comparative Education Review*, 48(1), 70–88.
- Salmi, J. (2009). *The challenge of establishing world-class universities*. Washington, DC: The World Bank.
- Samoff, J. (1999). Which priorities and strategies for education? *International Journal of Educational Development*, 16, 1–27.

- UNICEF. (1987). *Adjustment with a human face*. New York: UNICEF.
- 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.
- World Bank. (1978). *Report of the external advisory panel on education*. Washington, DC: The World Bank.
- World Bank. (1980). *Education sector policy paper*. Washington, DC: The World Bank.
- World Bank. (1994). *Higher education: Lessons of experience*. Washington, DC: The World Bank.
- World Bank. (1995). *Priorities and strategies for education*. Washington, DC: The World Bank.
- World Bank. (2002). *Constructing knowledge societies: New challenges for tertiary education*. Washington, DC: The World Bank.
- World Bank. (2011). *Learning for all: Investing in people's knowledge and skills to promote development. Education sector strategy, 2020*. Washington, DC: The World Bank.
- Yusuf, S., & Nabeshima, K. (Eds.). (2007). *How universities promote development*. Washington, DC: The World Bank.