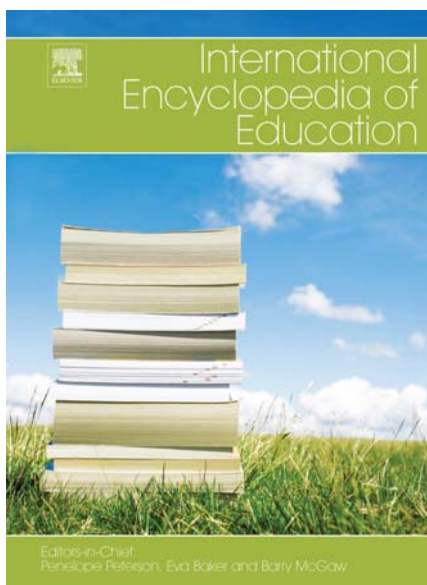


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Transforming Higher Education in Developing Countries: The Role of the World Bank*

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Introduction

The time when higher education was almost a proscribed subject at the World Bank is long past. The 2002 publication of *Constructing Knowledge Societies* marked the culmination of a decade of growing attention to and investment in higher education in all regions of the world where the Bank is active. Not only is higher education seen today as a crucial element in the Bank's development strategy, but the Bank's thinking and actions in this area have also begun to influence a number of bilateral donors into reconsidering their own focus on basic education as the only priority for financial and technical assistance in the education sector.

Higher education's contribution to economic and social development is multifold. It exercises a direct influence on national productivity, which largely determines living standards and a country's ability to compete in the global economy. Higher education institutions support knowledge-driven economic growth strategies and poverty reduction by (1) training a qualified and adaptable labor force, including high-level scientists, professionals, technicians, teachers in basic and secondary education, and future government, civil service, and business leaders; (2) generating new knowledge; and (3) building the capacity to access existing stores of global knowledge and to adapt that knowledge to local use. Higher education institutions are unique in their ability to integrate and create synergy among these three dimensions. Sustainable transformation and growth throughout the economy are not possible without the capacity-building contribution of an innovative higher education system. This is especially true in low-income countries with weak institutional capacity and limited human capital.

This article begins by presenting the progression of the World Bank's position with respect to higher education and its contribution to development. It then reviews the different ways in which the Bank works with developing and transition countries in support of their higher education reform efforts, before concluding with a few

observations about higher education's prospects within the World Bank's agenda.

The World Bank's Policy Framework: From Taboo Topic to Mainstream Theme

Even though the first World Bank project in education, launched in 1963 in Tunisia, included a teacher-training component, for many years the institution did not consider support for higher education among its priorities, and decades passed before the Bank developed a fully articulated and supportive position regarding the importance of higher education in the development agenda. In fact, during the era between 1963 and the 1994 publication of the first policy paper on higher education, *Higher Education: The Lessons of Experience*, the education sector within the Bank was guided by rate-of-return formulas that discouraged investment in higher education in favor of primary and secondary education. Skepticism over the comparative value of investment in and reform of higher education in borrower/client countries led, in parts of the Bank, to the purposeful exclusion or, at best, minimization of higher education within lending for the education sector.

Later Bank-supported research and policy papers, including those analyzed in this document, cast doubt on the validity of rate-of-return analysis as the main approach for measuring the value of investment in tertiary education. By focusing exclusively on the private returns of government spending, the methodology excluded broad social benefits such as research externalities, entrepreneurship, job creation, good economic and political governance, and the effect of a highly educated cadre of workers on a nation's health and social fabric (Bloom *et al.*, 2005: 20).

With the acknowledgment that higher education "is of paramount importance for economic and social development" (p. 1), the first policy paper marks a significant turning point in the Bank's support for initiatives designed to improve higher education capacity in its client countries. This paper identifies the crisis in higher education emerging around the world: with diminished public funding coupled with dramatically increasing need and demand for higher education and operational inefficiencies at the institutional level.

In this policy paper, the Bank outlined four key directions aimed at reform for higher education in developing

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countries: diversification of institutions, including private institutions; diversification of funding sources, including student fees, and linking funding with performance; reexamining the links between government and higher education; and focusing policy developments on quality and equity objectives (World Bank, 1994: 4). However, this paper does not indicate so much a transition of focus from primary/secondary to higher education as it does a realization that higher education serves a separate and equally important function in broad socioeconomic development, requiring a distinct level of attention and expertise.

Following the first policy paper and the subsequent emergence of higher education as a stronger area of interest for the Bank's education endeavors, the Bank and the United Nations Educational, Scientific and Cultural Organization (UNESCO) convened an independent task force to examine the specific challenges facing higher education in developing countries at the turn of the twenty-first century. *Higher Education in Developing Countries: Peril and Promise* (2000) emerged from the efforts of this group, which was headed by professors Henry Rosovsky (Harvard University) and Mamphela Ramphele (University of Cape Town), and included researchers, policy analysts, and practitioners of higher education from 13 countries.

Peril and Promise emerged from 2 years of detailed research as well as discussions and interviews of relevant issues with actors around the world. The focus of the report is the crises that higher education in developing countries must manage in order to fulfill its mission of promoting sustainable cultural, social, and economic development. Major areas of concern included: privatization, access (particularly for women), diminished government funding, and increased demand. Of greatest consequence in the short term is the decline of funding at a time of dramatically increased demand as well as the understanding that effective development depends on becoming an active participant in the international knowledge economy.

The report expounds upon four main areas in which immediate action is needed, including: funding (focusing on mix-source models), resources (using physical and human capital to its greatest advantage), governance (promoting structures for good governance and effective management techniques for environments with limited resources), and curriculum development (with focus on complementary elements such as general education and investment in science and technology). These issues are, by and large, reminiscent of the issues of focus in *Higher Education: The Lessons of Experience*, exposing the inherent challenge of effectively addressing deeply embedded issues, regardless of awareness of or commitment to the necessity of taking such action.

Peril and Promise provides both qualitative, anecdotal evidence of the problems plaguing higher education development, and quantitative data supporting comparative analyses on the demographics of higher education around the world. The report takes a stance supporting

comprehensive investment in higher education as a vital component of sustainable development in a global knowledge-based economy and political environment. It concludes that policymakers and the higher education community must focus on two, highly broad issue areas: increasing resources for higher education and managing those resources better and more efficiently.

Finally, in 2002, the Bank published its most comprehensive examination of higher education as a tool for poverty reduction, development, and participation in the global knowledge economy in *Constructing Knowledge Societies: New Challenges for Tertiary Education*, which emerged from a thorough data collection and research process that not only focused on the efforts of the Bank directly, but also examined the experiences of relevant actors outside the Bank. By bringing together these different perspectives, *Constructing Knowledge Societies* offers a broad analysis of the current issues facing the higher education sector across developing and transitional countries. It also presents predictions and recommendations for the future of higher education in these countries.

Between the publication of *Higher Education: The Lessons of Experience* in 1994 and *Constructing Knowledge Societies: New Challenges for Tertiary Education* in 2002, the list of the most challenging issues facing higher education reform had changed very little. Unresolved challenges at the time of the publication of *Constructing Knowledge Societies* included: the need to expand the higher education sector to meet the rapidly growing demand, inequality of access and outcomes, quality assurance concerns, and the need for more effective and relevant governance and management structures. The range of findings of *Constructing Knowledge Societies* spans from more traditional concerns such as promoting higher education as a tool for human (cultural), economic, and social development to more modern challenges such as utilizing higher education as a means of participating in an increasingly service- and technology-driven world and facing the myriad challenges of globalization.

The Bank, as a lending and knowledge-sharing institution, is in a unique position to promote mechanisms to assist countries in addressing all of these issues within higher education reform policies. *Constructing Knowledge Societies: New Challenges for Tertiary Education* presents the basic principles that the Bank follows in supporting specific activities within any one country and notes that the support should: "be appropriate to each country's circumstances; based on strategic planning at the national and institutional levels; promote autonomy and accountability in the higher education sector; focus on capacity enhancement and regional sharing of successful experiences and models; sequence activities in a manner consistent with the entire development agenda for any one country; and acknowledge and account for the political nature of higher education reform" (pp. 119, 120).

In its conclusion, *Constructing Knowledge Societies* does not attempt to present readymade solutions, per se, to the challenges originally outlined in *Lessons* and reiterated in *Peril and Promise*. Indeed, in *Constructing Knowledge Societies* the Bank explores more thoroughly than in previous publications the need for locally driven higher education initiatives that can be supported and enhanced by the international expertise offered by a multilateral organization like the Bank.

At the same time, however, *Constructing Knowledge Societies* identifies significant global public goods that countries on their own may not be able to handle effectively, including human capital migration (brain drain), intellectual property concerns, the challenge of quality assurance for borderless higher education, the digital divide, and the impact of the global trade in services on higher education.

In sum, *Constructing Knowledge Societies* makes the case that merely modernizing the higher education system will no longer be enough. To play their role effectively, higher education systems must be locally relevant yet globally aware, adaptive and evolving, flexible, and of high quality. *Constructing Knowledge Societies* underscores the continuum of engagement in higher education development that the Bank has undertaken and the direction in which the Bank anticipates a long future of related efforts.

The latest World Bank *Education Sector Strategy Update* (December, 2005) confirms the importance of tertiary education within a holistic view of the education sector, recognizing the key role of education advancement at all levels and the significant linkages between education and the rest of the economy. The Education Sector Strategy Update (ESSU) emphasizes three themes: “integrating education into a country-wide perspective, broadening the strategic agenda through a system-wide approach (from pre-school through tertiary education), and becoming more results-oriented” (p. vi). These themes underscore the broader focus on linkages between education and labor markets, with more systematic attention to secondary and tertiary as pillars of the knowledge economy, to complement efforts made in expanding basic education through Education for All (EFA). The 2005 ESSU ties together the Bank’s successive and evolving statements about the significance of tertiary education with *Lessons* (1994) and continued through *Perils and Promise* (2000) and *Constructing Knowledge Societies* (2002) and translates the foundation of these works with continued support for investment in tertiary education development around the world.

Table 1 summarizes the main messages and implications of the various policy papers reviewed in this article.

World Bank Activities in Higher Education

Though the World Bank is known, essentially, for the loans given to countries in support of their development

efforts, an equally significant contribution is the policy dialog and analytical work conducted by the Bank, as a knowledge-sharing institution, to help governments consider options about possible higher education reforms and set the stage for their implementation. **Table 2** presents the list of countries where higher education studies were prepared in recent years.

Through its projects across four continents, the World Bank has supported countries’ efforts to expand higher education and improve its quality and relevance. Even in earlier times when higher education was not a priority subsector, the Bank financed a significant number of projects in response to specific requests by countries such as China, Kenya, or Tunisia. World Bank projects in tertiary education have amounted to approximately one-third of total lending in education in the era since the 1970s. **Table 3** details the lending for tertiary education within total education lending between 2001 and 2006, providing important data to highlight fluctuations in education lending as a whole and tertiary education lending in particular. Specific commitments to tertiary education during this 5-year period amount to only 14.5% of new education commitments. It is important to note, however, that commitments in other areas (e.g., lifelong learning initiatives and lending for teacher training for primary and secondary school teaching) may be classified under a different education subsector but are, in fact, directly tied to tertiary education.

Table 4 provides a more detailed illustration of the scope of Bank lending for higher education in recent years, with total lending figures broken down by region and highlighted with examples of the largest borrower countries during this period.

The main types of activities supported by Bank projects come under one or more of the following headings, tailored to the needs of the country and the specific requests of the national authorities and the higher education community:

- vision development, strategic planning, and consensus building at both the national and institutional levels;
- finance reforms (e.g., allocation of recurrent budget; competitive funding; cost sharing; student loans; and scholarships)
- governance and management reforms (creation of policy bodies; mergers; adoption of academic credit systems; and management information systems);
- quality improvement (strengthening of existing programs; evaluation and accreditation systems; innovations in program content and delivery; innovations in academic organization; and information and communication infrastructure);
- institutional diversification (establishment or strengthening of polytechnic or technical institutes); and
- science and technology development (strategy development; capacity for monitoring and evaluation; reform

Table 1 Key publications/policy frameworks

<i>Publication</i>	<i>Challenges</i>	<i>Main messages</i>	<i>Bank role/strategy</i>
<i>Higher Education: Lessons of Experience</i> (1994)	Need to re-examine rate-of-return priority that de-emphasized higher education in favor of primary and secondary education	<ul style="list-style-type: none"> • Higher education is of paramount importance for economic and social development • A crisis in higher education is emerging around the world, caused by diminished public funding, rapidly increasing demand for higher education, and operational inefficiencies at the institutional level 	<ul style="list-style-type: none"> • Diversification of institutions, including private institutions • Diversification of funding sources, including cost-sharing, and linking funding with performance • Re-examining the links between government and higher education institutions • Focusing policy developments on quality and equity objectives
<i>Higher Education in Developing Countries: Peril and Promise</i> (2000)	Crises in higher education in developing countries must be managed to ensure HE fulfils its mission of promoting sustainable cultural, social, and economic development	Major areas of concern include: <ul style="list-style-type: none"> • privatization • access (particularly for women) • diminished government funding • increased demand for HE 	<ul style="list-style-type: none"> • Funding (focusing on mixed source models) • Resources (effectively using physical and human capital) • Governance (promoting structures for good governance and effective management) • Curriculum development (with focus on complementary elements such as general education and investment in science and technology)
<i>Constructing Knowledge Societies: New Challenges for Tertiary Education</i> (2002)	Remaining challenges include expanding the HE sector to meet increasing demand, inequality of access and outcomes, quality assurance concerns, and the need for more effective governance and management structures	Programmatic support for HE should be: <ul style="list-style-type: none"> • appropriate to each country's circumstances • involve planning for development at institutional, local, and national levels • promote autonomy and accountability • focus on capacity enhancement and regional sharing of successful experiences and models • sequence activities in a manner consistent with the entire development agenda for any one country • acknowledge political nature of higher education reform 	Asserts the need for locally driven higher education initiatives that can be supported and enhanced by the international expertise offered by a multilateral organization like the Bank. Identifies significant global public goods that countries on their own may not be able to handle effectively, including: <ul style="list-style-type: none"> • human capital migration (brain drain) • intellectual property concerns • the challenge of quality assurance for borderless higher education • the digital divide • the impact of the global trade in services on higher education
<i>Education Sector Strategy Update</i> (December 2005)	Recognizes the key role of education advancement at all levels and the significant linkages between education and the rest of the economy	Emphasizes three themes: <ul style="list-style-type: none"> • integrating education into a country-wide perspective • broadening the strategic agenda through a system-wide approach (from early childhood development through tertiary education) • becoming more results oriented 	Support Bank's broader focus on education-labor market linkages, with more systematic attention to secondary and tertiary as pillars of the knowledge economy, to complement efforts made in expanding primary education through Education for All

of resource-allocation mechanisms; competitive funding; promotion of research in priority areas; joint public-private sector technology development; capacity for metrology, standards, and quality testing; and intellectual property rights).

The combination of policy dialog, analytical work, and financial assistance has facilitated the implementation of comprehensive reforms in the higher education sector in countries as diverse as Argentina, Chile, China, Vietnam, Egypt, Tunisia, Ghana, or Mozambique. Often, governments use the resources made available through multilateral

loans as incentives for institutions willing to challenge old modes of operation and be innovative new ground after thorough strategic planning and/or self-evaluation efforts.

The competitive innovation funds that several countries have established with World Bank support have been among the most effective channels to stimulate the participation of higher education institutions in meaningful transformation efforts. Under such funds, institutions are typically invited to formulate project proposals that are reviewed and selected by committees of peers according to transparent procedures and criteria. One of the main benefits of competitive funding mechanisms is that they

Table 2 Recent higher education studies (2001–2006)

Region	Countries
Eastern Europe and Central Asia	Russia (2002), Georgia (2003), Kazakhstan^a (2006)
East Asia and Pacific	Vietnam (2003), Malaysia (2006)
Latin America and the Caribbean	Colombia (2002), Venezuela (2004)
Middle East and North Africa	Yemen (2001), Palestine (2002), Morocco (2004), Tunisia (2005), Egypt (2001)
South Asia	Sri Lanka (2004), Pakistan (2006)
Sub-Saharan Africa	Uganda (2004), Mauritius (2004), Namibia (2004), Niger (2005), Nigeria (2006)
Regional Studies	Africa (2004, 2006), South Asia (2006)

^aStudy carried out jointly with OECD.

Notes: Names in bold indicate studies exclusively dedicated to higher education, in the other cases higher education is part of a sector-wide education study.

From World Bank data.

Table 3 New commitments for education by subsector (fiscal year 01–06)

Subsector	IBRD+IDA new commitments (millions of current US\$)					
	FY01	FY02	FY03	FY04	FY05	FY06
Adult liter./nonformal ed	56	18	4	11	5	40
General education sector	435	442	639	355	507	457
Pre-primary education	32	32	102	25	88	147
Primary education	315	406	780	883	565	552
Secondary education	124	133	285	250	376	449
Tertiary education	41	268	524	62	361	263
Vocational training	91	85	15	98	50	82
Total	1095	1385	2349	1684	1951	1991

General education sector includes more than one subsector. About 50% of financing under general education is for primary education.

From World Bank EdStats. Retrieved April 2, 2007, from http://devdata.worldbank.org/edstats/wbl_A.asp

encourage higher education institutions to adopt a forward-looking strategic planning approach which helps them formulate well-conceived projects that are consistent with the overall direction of the institution.

Oftentimes, the Bank is able to act as a bridge builder, bringing to the discussion table stakeholders who do

Table 4 Lending for higher education between 2001 and 2006 (US\$ million)

Country	Total lending (% of total)	Top 10 largest borrower countries
Eastern Europe and Central Asia	37 (2%)	
East Asia and Pacific	109 (7%)	Indonesia (\$96m)
Latin America and the Caribbean	728 (48%)	Mexico (\$409m); Colombia (\$194m); Chile (\$87m)
Middle East and North Africa	88 (6%)	Tunisia (\$42m)
South Asia	335 (22%)	India (\$247m); Sri Lanka (\$30m); Afghanistan (\$38m);
Sub-Saharan Africa	223 (15%)	Ethiopia (\$37m), Ghana (\$30m)

From World Bank data.

not routinely talk to each other. In several countries, for example, the Bank has been instrumental in initiating a dialog between public and private universities, between universities and technology institutes, or between universities and employers. Similarly, in countries where the relationship between the government and the university sector is tense or even conflictive, the Bank sometimes manages to facilitate a constructive policy dialog on key issues, as happened in 2003 in Bolivia around the themes of quality enhancement and accreditation.

The Bank has also played a convening role at the regional level, as evidenced by the success of the global business school initiative in the Africa region and the launch of several regional quality-assurance networks (Asia and Latin America). Ideally, the regional policy seminars that the Bank organizes on a regular basis provide an effective forum for South–South knowledge sharing. In 2002–2003, for example, a series of seminars in South Asia helped stimulate reform efforts in Sri Lanka and Nepal. In 2005 and 2006, the Bank organized seminars in sub-Saharan Africa that helped disseminate successful reforms in individual countries and/or institutions.

While it is difficult to measure the direct impact of global publications such as *Constructing Knowledge Societies*, sometimes these policy documents can serve as catalysts for initiating reforms. In Pakistan, for instance, after the publication of *Peril and Promise*, the government established its own higher education task force whose findings and recommendations guided the launch of a comprehensive reform in 2003. In Yemen, the government received a small technical assistance loan (Learning and Innovation Loan) from the Bank in 2004 that facilitated the launch of

a nationwide consultation effort and the preparation of a long-term strategy for higher education reform.

The capacity of the World Bank to play these roles of convener and facilitator is due to several factors: the institution is able to rely on direct experience across a wide range of countries and situations; it interacts with client countries from a multisectoral perspective; it has learned to cooperate with multiple stakeholders; and it seeks to integrate its higher education work into the overall economic and social development framework of the concerned countries.

Conclusion

It is impossible to have a complete education system without an appropriate and strong higher education system . . . You have to have centers of excellence and learning and training if you are going to advance the issue of poverty and development in developing countries . . . the key . . . is higher education, not just on the technological side, but to create people with enough wisdom to be able to use it.

James D. Wolfensohn, former President of the World Bank (March 1, 2000).

In the past two decades, the World Bank has adopted a more holistic view of education, and higher education has become an essential part of the Bank's work in the sector, representing between 15% and 25% of the lending program in education depending on the year. Today, even countries that no longer need or want to borrow from the World Bank, such as China, Kazakhstan, or Malaysia, actively seek policy advice on various aspects of higher education reform, often guided by aspirations of becoming full-fledged knowledge economies.

In the coming years, the evolution of the World Bank's higher education program will likely be shaped by the following factors. First the Bank's higher education work will be increasingly framed within the overall context of the knowledge economy strategy first articulated in the 1998 World Development Report. Recent analytical work on innovation and competitiveness in Malaysia and Brazil, focusing on the role of higher education for human capital formation and the construction of strong national innovation systems, is symptomatic of this trend.

Second, in accord with a renewed Bank-wide focus on results, the success of higher education reforms will be assessed by looking at outcomes rather than considering only the reform measures themselves. This will require extensive work on the determinants of quality and the effectiveness of various quality assurance mechanisms, progress in measuring actual learning outcomes of students, and impact evaluations of innovative schemes

such as the new voucher funding in the US State of Colorado and Kazakhstan or the ProUni program in Brazil, which provides scholarships for low-income students financed through tax exemptions for private higher education institutions.

Third, the World Bank recognizes that, in higher education more than in any other area of education development, reform programs and innovative approaches have little chance of success unless careful attention is paid to the political economy of change. Stakeholder consultation and consensus building are as important as a technically sound design. Mozambique provides a powerful illustration of how a new minister of higher education managed to implement a comprehensive reform based on a strategic vision elaborated after extensive consultations and debates. Bank experience in several countries underscores the need for continuous policy dialog and vision sharing with all stakeholders to ensure the sustainability of reforms. Increasingly, the preparation of new Bank projects in support of higher education reform includes a social assessment exercise to identify the concerns of key stakeholders and inform the design of the project, as happened, for example, in Jordan, China, and Colombia.

Last but not least is the increased attention paid to global public good issues that affect higher education in all countries but that are often beyond the control of any one government. For example, the World Bank is supporting efforts to improve connectivity in Africa and to develop distance education opportunities through the African Virtual University. It is also helping establish regional networks of quality-assurance agencies in Asia, Latin America, and Africa and working toward consolidating these regional initiatives into a global network that would help developing countries enhance the quality and relevance of their tertiary education institutions through capacity building and experience-sharing activities. In attempting to address these global public good issues, the World Bank works increasingly in partnership with other multilateral agencies (OECD, UNESCO, AUF, etc.) and with international and regional associations of universities (IAU, AAU, SADEC, etc.).

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