

INTERNATIONAL ORGANIZATIONS: THE WORLD BANK, IMF, WTO AND OECD

M. Najeeb Shafiq
Associate Professor of Education, Economics & International Affairs
University of Pittsburgh

December 2013

Forthcoming in Dominic Brewer & Lawrence Picus (Eds.), *Encyclopedia of Educational Economics and Finance*, forthcoming. Thousand Oaks, CA: SAGE.

* Address: Department of Administrative and Policy Studies, School of Education, University of Pittsburgh, 230 S. Bouquet Street, Pittsburgh, PA 15260. Email: mnshafiq@pitt.edu; phone: (412) 648-1832; fax: (412) 648-1784. The author is grateful to Dominic Brewer, Maggie Hannan, Rochelle Hardison and Tenice Hardaway for helpful comments on earlier drafts. The author is responsible for all views and errors.

Introduction

This entry addresses four international organizations: the World Bank, the International Monetary Fund (IMF), the World Trade Organization (WTO), the Organization for Economic Co-operation and Development (OECD). Each organization emerged after World War II with the general goal of collaborating with governments to promote economic development and growth in member countries. For scholars in educational economics and finance, each of the organizations is of interest because of its complex and potentially major effects on the education sector. This entry explores the mission of each organization and their effects on education.

Overview of Literature

The political economy literature on the effectiveness of international organizations is fiercely contested. Representatives of international organizations argue that aid, loans, and technical assistance (to help improve the design and implementation of policies) from organizations have supported economic development and growth. In the case of the education sector, representatives claim that the involvement of international organizations in education has improved the quality and quantity of education, citing, for instance, the rapid rise in world wide educational enrollment and attainment. Studies and reports produced by the international organizations typically assess the impact of an educational intervention, and make the case for continued and often expanded involvement.

At the other end of the discourse, critical political economists use neoliberal theories to critique the involvement of international organizations in the education sector.

Since the 1960s, the term “neoliberal” has been used pejoratively by critical political economists to describe a sociopolitical condition in which market interests takes precedence over societal interests (including educational outcomes), and that the market economy causes conflict rather harmony. Critics have argued that international organizations serve neoliberal aims by virtue of being unaccountable and serving the interest of rich countries, the wealthy, and corporations.

Researchers in educational economics and finance study the *direct* and *indirect effects* of international organizations on education sector participants, including students, parents, teachers, and administrators. A direct effect refers to an organization’s explicit involvement in proposing, designing, and supporting a policy in the education sector, such as the World Bank loaning money to build schools or the OECD collecting detailed educational data for policy analysis on school accountability. An indirect effect refers to educational policy as a byproduct, intended or unintended, of a separate policy. In some instances, an organization may indirectly affect education through policies in other sectors such as infrastructure, agriculture, and health; for example, an IMF- or WTO-supported trade reform creates employment opportunities for adults, which improves their income and the educational outcomes of their children.

For a number of reasons, it is challenging to test the direct and indirect effects of an organization as well as the claims that advocates and critics make about these effects. It is difficult to disentangle the effects of one organization from other actors. For example, the building of roads, and subsequent effect on family incomes and improved educational outcomes, may be attributed to the World Bank, IMF, WTO, local firms, politicians, and voters. Moreover, it is not possible to credibly estimate counter-factual

outcomes of *no* involvement by an international organization. For example, would South Korea's impressive economic and educational achievements have been possible without the involvement of international organizations? Alternatively, would Latin American economies have fared better without international organizations? Since scientific inquiries on such questions are difficult (if not impossible), the debates continue on the effects of international organizations. The remainder of this entry presents the stated missions of international organization and their aspirational and actual effects on education.

The World Bank

With a mission to alleviate global poverty, the World Bank was founded in 1944 at a conference held at Bretton Woods, New Hampshire. It is based in Washington, DC, with other offices in low-income and middle-income countries; it has 184 member countries and employs around 12,000 people. The Bank provides loans to governments at preferential rates for long-term investments in productive activities such as education, agriculture, health, environmental protection, infrastructure, and governance. The Bank also awards grants to the poorest countries, provides technical assistance, supports data collection, and conducts relevant research.

The Bank's direct effect on education has had three phases. In its first phase (early to mid 1980s), the Bank emphasized the expansion of public higher education; this policy was inspired by the contributions of highly educated workers to the post-World War II economic success of Germany and Japan. Eventually, the Bank reduced its support for higher education partly because of concerns about high per-student costs and

brain drain. In its second phase (late 1980s to mid 2000s), the Bank recommended school access for all children and the provision of school inputs at the primary and secondary education levels. The Bank initially hired architects to design and build schools in client countries, but later began focusing on making loans to benefit primary education. The Bank also advocated for the expansion of private schools, citing the limitation of tax bases, increased pressure on public school systems, and cases of private school advantages. In its current phase, the Bank acknowledges the importance of all levels of education (from early childhood to higher education) and accountability in the education sector.

The Bank's support in non-education sectors has affected parental income, which indirectly affects the educational outcomes of children. Agricultural development and environmental protection affect student nutrition and health, which in turn affect student learning and cognitive development. Infrastructure such as roads and public transportation reduce transportation costs and safety concerns, and electricity makes it easier to study longer hours. The Bank has also indirectly affected education through its data and publications.

Of all international organizations, the Bank has received the most attention from educational analysts. Critics have noted that Bank loan officers are rewarded for lending money but not held accountable for the results. Economic studies on the ineffectiveness of foreign aid on economic growth have been detrimental to the Bank's aid efforts. Facing such criticisms and the overall reduction in loan funds, the Bank will begin a major restructuring in 2014.

The International Monetary Fund (IMF)

The IMF was the second agency founded at the Bretton Woods conference of 1944. Also based in Washington, DC, the IMF is supported by its 188 member states, and has a staff size of approximately 2,700 in 154 countries. It was designed to help countries avoid national level economic problems by giving short-term loans called structural adjustment programs. To qualify for loans, countries must adopt austere fiscal, monetary, and trade policies. Critics have argued that the short-term nature of the loans—typically between 2.5 to 4 years—is insufficient for countries recovering from economic and political crises. Neoliberal theorists point to high profile IMF incidents: the deficiency of structural adjustment programs in sub-Saharan Africa (1980-99) and exacerbation of the financial crises in Latin America (1970s to 1980s) and East Asia (1997-99).

The literature has mostly focused on the effects of certain IMF-initiated structural adjustment programs that led to cuts in government spending on education, thereby reducing public funds available for teacher salaries and maintaining school quality. Some studies have documented declining educational outcomes (e.g., lower educational attainment) in Latin America and Sub-Saharan Africa coinciding with the IMF programs. From a methodological perspective, however, researchers have been unable to establish whether this relationship is causal or correlational. Moreover, it is unclear if educational outcomes would have fared better or worse in the absence of IMF intervention.

The World Trade Organization (WTO)

The Bretton Woods conference paved the way for the General Agreement of Tariffs and Trade or GATT (1948-2000), and later the General Agreement on Trade in Services or GATS (1995-2000). In 2001, the WTO replaced the GATT and GATS, retaining the mission of boosting economic development and growth of all participating countries by reducing trading barriers on goods and services worldwide. Based in Geneva, the WTO is relatively small organization with only 640 staff. The pillar trade agreements of WTO set the rules on trade in goods and services, and the rules for the protection of intellectual property rights that affect international trade in goods and services. While governments and firms are responsible for trade decisions, the WTO facilitates negotiations, conflict resolution, and the creation of formal trade agreements.

Before the creation of the WTO, the GATT years were associated with rapid increases in exports in developing countries; the most successful cases of export-led economic growth were those of newly industrialized East Asian countries. However, industrialized countries experienced even larger gains from GATT. Critics asserted that the GATT typically sided with the interests of powerful nations and corporations; for example, industrialized countries are able to protect their agricultural sector from imports, while developing countries cannot. The formation of the WTO is partly a gesture of increased commitment to developing countries.

The GATT, GATS, and WTO's effects on education are not well researched. Presumably, intellectual property rights directly affect the cost of textbooks and educational software. The indirect effects of this WTO regulation are potentially large. The WTO's negotiated terms on intellectual property rights determine whether life-saving drugs, like those for HIV/AIDS, are sold at affordable prices. Furthermore,

agreements on trade rules for goods and services affect family incomes and expenditures on education.

The Organization for Economic Co-operation and Development (OECD)

Established in 1948, the Paris-based OECD is comprised of 34 democratic and developed countries. The OECD provides a forum for member governments to cooperate in addressing economic challenges. It is explicit in its focus of spurring economic growth by restoring confidence in markets, healthy public finance, democracy, and labor market skills. Unlike the World Bank and IMF, the OECD cannot enforce compliance with its decisions.

The OECD's actual role has focused on conducting and disseminating transnational research and policy ideas. Its most notable contribution in education is its coordination of the Program for International Student Assessment [PISA], which contains detailed data on 15-year-old students and school characteristics. Since its first round in 2000, PISA has been widely used in education policymaking because it contains unusually good proxies for the mathematics, science, and reading skills that are valued by employers and thus provide economic benefits (e.g., knowledge, creativity, real-life problem solving, and life-long learning). Critics argue that PISA neglects social issues in education such as culture, civics, and indigenous languages. Furthermore, the PISA results are criticized for causing lower scoring countries to adopt unproven educational reforms. Overall, supporters and critics can agree that PISA has contributed to dialogue across member countries on improving the effectiveness of an education sector. For example, Finland's PISA success has spurred dialogue within and across governments.

Conclusion

In summary, there are five points about the roles of World Bank, IMF, WTO, and OECD in education. First, of the four organizations discussed in this entry, only the World Bank and OECD have directly engaged in the education sector. Second, through involvement in non-education sectors, all four organizations may indirectly affect the education sector. Third, the organizations are polarizing and engender strong dichotomous responses from analysts and observers. Fourth, there is a lack of data appropriate for studying the internal dynamics and independent research (not to be confused with self-conducted) of organizational and project effectiveness. Finally, it is difficult to disentangle the effect of one organization from others, including governments, non-government organizations, and private corporations. For these reasons, disagreements are likely to continue.

See also Cost-Effectiveness Analysis; Economic Development and Education; Globalization; International Datasets in Education; Organization for Economic Cooperation and Development.

Further Readings

Bhagwati, J. (2007). *In Defense of Globalization*. 2nd Edition. New York: Oxford University Press.

Easterly, W. (2014). *The Tyranny of Experts: Economists, Dictators, and the Forgotten Rights of the Poor*. New York: Basic Books.

- Ginsburg, M., Cooper, S., Raghu, R., & Zegarra, H. (1990). National and world system explanations of educational reform. *Comparative Education Review*, 34, 474-499.
- Heyneman, S. (2003). The history of problems in the making of education policy at the World Bank, 1960-1990. *International Journal of Educational Development*, 23, 315-337.
- Mundy, K. & Ghali, M. (2009). International and transnational policy actors in education: A review of the research. In Plank, D., Sykes, G., & Schneider, B. (Eds.), *Handbook on Educational Policy Research* (717-734). New York: American Education Research Association & Routledge Press.
- Reimers, F. (1994). Education and structural adjustment in Latin America and Sub-Saharan Africa. *International Journal of Educational Development*, 14, 119-129.
- Stiglitz, J. (2003). *Globalization and Its Discontents*. New York: Norton.