

POLITICAL ECONOMY OF EDUCATION:  
A FRAMEWORK AND SOME HYPOTHESES ON THE  
FEASIBILITY OF REFORM

Background Note for the Education Sector Strategy 2020<sup>1</sup>

Felipe Barrera-Osorio Agustina S. Paglayan Diego Jorrat<sup>2</sup>

September 2010

---

<sup>1</sup> This note was produced for the Education Sector Strategy 2020 of the World Bank. The team is grateful to Dena Ringold and Ed Campos for their support and inputs throughout the preparation of this draft. Valuable comments to an earlier draft were also received from our colleagues Luis Benveniste, Erik Bloom, Barbara Bruns, Prema Clarke, Halil Dundar, Ariel Fiszbein, Christine Horansky, Robin Horn, Elizabeth King, Javier Luque and Alice Poole.

<sup>2</sup> Felipe Barrera-Osorio works at the Human Development Network, Education (The World Bank); Agustina S. Paglayan is a Ph.D. student at Stanford University's School of Education and a former employee of the World Bank's Human Development Network; Diego Jorrat is a consultant (The World Bank). Please send any comments to [fbarrera@worldbank.org](mailto:fbarrera@worldbank.org) and [paglayan@stanford.edu](mailto:paglayan@stanford.edu).

# Contents

Executive Summary — i

**1 Introduction — 1**

**2 A framework for political economy analysis in education — 4**

2a Defining political economy — 4

2b Proposed framework for political economy analysis in the education sector — 11

2c Application of the conceptual framework to selected empirical studies in education — 20

**3 Understanding the political economy of education — 30**

3a Education policies and issues discussed in the case studies — 31

3b Hypotheses about the political economy of education reform (and lack of reform) — 34

3c Relationship between education policies and issues, and political economy hypotheses — 52

**4 Conclusions — 54**

References — 58

Appendix 1 – Illustrations of Existing Frameworks for Political Economy Analysis — 62

## Executive Summary

This Background Note proposes a conceptual framework for conducting political economy analyses in the education sector, and outlines ten hypotheses of political economy factors that facilitate or hinder education reform. The note has implications for both the Bank's operational work and its knowledge agenda.

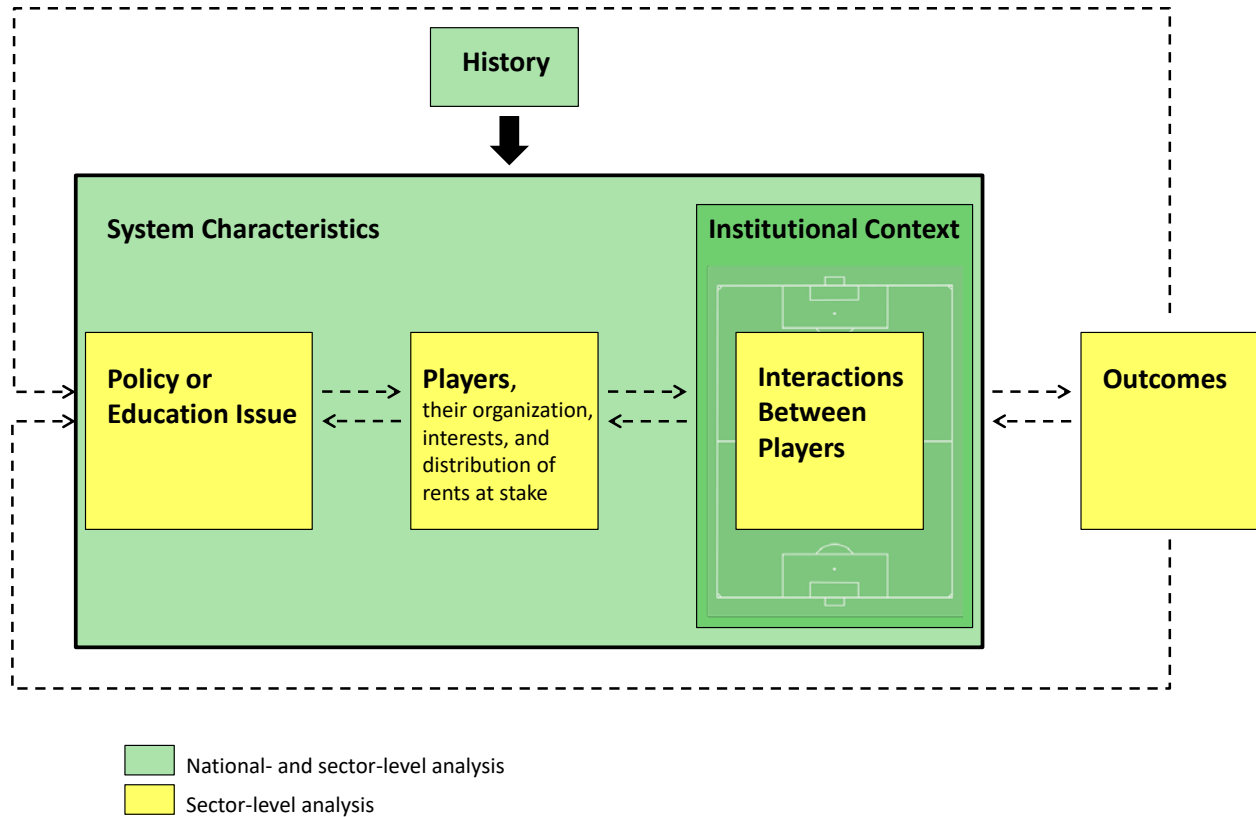
The main motivation behind this note is the paradoxical situation that we face in which, on one hand, there is widespread awareness about the importance of understanding the politics of education to inform the Bank's work in this sector, yet on the other hand, the political economy of education literature is rather limited, given our definition of political economy. We limit the definition of political economy to analyses that entails (i) a *positive* analysis that can contribute to understand how political and economic factors and their interrelation shape education policy decisions and educational outcomes; (ii) an empirical analysis, with our particular focus being on the education sector; (iii) a problem-driven analyses in which the starting point is the definition of a specific issue or problem of concern, at a specific time and place, whose political and economic determinants want to be understood; and (iv) an analysis that employs a rational choice perspective which takes the individual as the main unit of analysis; and (iv) individual rationality does not imply social rationality. Although there is a large literature on the politics and sociology of education, the vast majority of the studies in this universe do not meet at least one of these four criteria.

Moreover, the existing case studies and comparative analyses apply many different conceptual frameworks, making it difficult to conduct meta-analysis and extract common lessons about the sector. This has two implications for the Bank's knowledge agenda: the need to (i) intensify analytical efforts about the political economy of key education issues, including case studies as well as comparative analyses; and (ii) develop and adopt a common framework for these analyses, so as to facilitate comparison, meta-analysis and the identification of common lessons in the sector.

We propose a conceptual framework for guiding political economy analyses that takes stock of existing frameworks, but adapts them to incorporate the peculiarities of the education sector. Important among these peculiarities are the absence of prices for educational services in most public school systems; the lack of consumer sovereignty, given that children (the actual consumers of educational services) are not the ones in charge of deciding what school to go to; the difficulty to observe and measure "quality of

education” and “skills for life”; the lack of organization and coordination across parents; the labor-intensive nature of the sector, which grants teachers a significant role; and the importance of history in shaping current issues of concern, players’ interests and educational institutions.

**Proposed conceptual framework for political economy analysis in the education sector**



Source: Authors.

The proposed framework includes seven elements of analysis: (1) the issue that motivates the analysis, which can be relatively broad (e.g., low quality of education) or more specific (e.g., lack of technical-pedagogical services to support school improvement efforts); (2) the historical context in which that issue is embedded, including the sector as well as the national historical context; (3) the characteristics of the system in which that issue is embedded, also including sector-specific characteristics (e.g., coverage, quality, efficiency, equity) and national characteristics (e.g., demographic, geographical and economic factors); (4) the institutions that shape how decisions are made, including formal rules as well as unwritten but common practices for making decisions and resolving conflicts of interest; (5) the relevant players, the way in which they are organized to express their interest, their interests, and the rents they capture from the

education system; (6) the interactions between players; and (7) the outcomes of those interactions, which may include different degrees and types of reform or no reform at all. The diagram below summarizes the main interactions between these elements. A more systematic analysis of these issues is not a mere intellectual task, but is likely to shed powerful insights into the political constraints of the sector as well as the *strategic* ways in which reform can be promoted.

Theoretical research on the political economy of reform and a review of selected empirical studies on the political economy of education suggest that there are windows of opportunity for introducing education reforms. Reforms are more likely to be introduced when (i) there is an observable sector crisis; (ii) there is a new government; (iii) the costs of reform are dispersed among groups that have little political power and its benefits are concentrated on a powerful group; (iv) powerful groups that bear the costs of reform can be compensated; (v) demands for reform come from a group with relatively homogeneous interests and preferences; (vi) few players have influence on the decision-making process; (vii) education reform is combined with other reforms (e.g., efficiency in public expenditure, poverty reduction); (viii) reform is introduced incrementally rather than all at once; and (ix) political agreements and commitments can be sustained over time. Identifying windows of opportunity requires TTLs to be constantly aware of the sector's political context.

The review of the theoretical and empirical literature also suggests that the tendency to approach education reform sequentially, in the form of "first access, then quality", may have (negative) impacts on quality. Several countries have been following this approach, aiming to gain support for education reforms by having a larger educated base. However, access reforms can create powerful groups that subsequently oppose and hinder quality reforms. Quality reforms will be difficult to introduce because on one hand, the main beneficiaries are students, who are usually not organized, and who will not see any tangible benefits in the short term; and on the other hand, the reform will likely entail a cost to one or more powerful players, in the form of higher efficiency in the education sector, accountability measures of teachers, or more selective criteria to become a teacher, with implications for the power of the Ministry of Education and its employees, individual teachers and teacher organizations. In contrast to students, these players do have an organized way to express their interests, and can be expected to do so if a potential reform threatens their power base or interests.

The design, implementation and supervision considerations of a specific project depend not only on technical issues, but also on the political and economic factors surrounding the project. A project's success depends on how well it is designed and implemented *given the specific political and economic context* of that project. This context is not static. The political and economic conditions that affect project design, implementation and supervision considerations will evolve over time, sometimes dramatically within a few days or months, and the project's success will depend on TTL's capacity to anticipate and respond to the new context. A prior condition to this responsiveness is the regular monitoring of a country's political situation, especially as it affects the education sector. While one-time in-depth analyses can shed light on important issues and also contribute to build the knowledge base, a specific project is likely to benefit more from regular monitoring of the political situation than from a one-time in-depth study. In turn, monitoring the political context requires a conceptual framework –preferably, one that is simple, straightforward and adapted to the particularities of the education sector. The proposed conceptual with the hope that it is a friendly instrument that can guide TTLs in their efforts to systematically look at the sector's political context.

Over time, institutionalization of political economy analyses in day-to-day operational work will depend on the proved usefulness of the analyses that have already been conducted (examples of success), and the provision of training and technical support to help staff build their capacity to conduct these analyses. The Education Anchor has an important role to play in the provision of training and technical support.

# 1 Introduction

Recent data from several types of international and national student assessments provide evidence of problems in the quality of education in several countries. The evidence is compelling, and the need for education reform is imperative. However, reforms are not happening. Or more accurately, quality-oriented reforms are the exception, while access reforms are the norm. Injecting more resources into the education sector will not by itself produce substantive changes. On the contrary, more resources may contribute to strengthen institutions and power dynamics that in turn lead to decisions that maintain the status quo, thus contributing to perpetuate the sector's incapacity to produce the desired outcomes.

Developments in the last decade in the fields of economics of education and impact evaluation have expanded the knowledge frontier about what works, and what does not, in education. Usually this new knowledge emerges from pilot programs that need to be further tested in large-scale interventions. Consequently, the next step in education is to incorporate the knowledge that we are gaining into systematic reforms of the education system. Yet again, the ability to reform is limited by political economy factors.

Indeed, in recent years, the international donor community and multilateral development banks have become increasingly aware of the importance of understanding country- and sector-specific politics in order to enhance aid effectiveness. This has led to the development of frameworks for political economy and governance analysis. Examples are DfID's *How To Note on Political Economy Analysis*<sup>3</sup> and the World Bank's *Problem-Driven Governance and Political Economy Analysis*, both published in 2009. The European Commission, the OECD and the Netherlands have also been experimenting with various frameworks to diagnose political economy and governance issues at the country level. "There is currently a growing interest among several of these agencies to develop more sector-focused approaches to governance and political economy analysis, since this is seen as the way moving forward" (Fritz, Kaiser and Levy 2009).

Recent developments in political economy are increasing our general understanding of the way in which the quality of public policies is affected by the surrounding political and economic environment in which policy decisions are made. Relevant factors include the conflict of interest between different groups; the power that each of these groups has to advance its own interests; the formal and informal mechanisms through which

---

<sup>3</sup> <http://www.gsdr.org/docs/open/PO58.pdf>

conflicts are resolved and decisions about policy are made; and the historical legacies that affect a society's culture and ideology. Important developments have been made recently in the so-called "problem-driven" approach to political economy analysis. Under this approach, the starting point of the analysis is a concrete issue or problem; the subsequent analysis entails a clear identification of the sector- and country-level particularities that explain why this problem is observed. The problem-driven approach to political economy has also been advanced at the World Bank (Kaiser, Fritz and Levy 2009).

However, it is unclear how general political economy work can be translated and adapted to the specificities of the education sector. Moreover, it has been difficult to translate the existing political economy knowledge into concrete actions that inform the Bank's work and the relationship with client countries. This note attempts to shed some light into the political economy of the education sector –including the political economy of education reform and lack of reform. In the following discussions, we will alternate between one form of analysis (political economy of education reform) and the other (political economy of lack of reform). It is equally important to understand what elements can facilitate a reform and what elements perpetuate the status quo in a situation in which change is necessary. Our hope is that a deeper understanding of the sector's political economy will help Task Team Leaders (TTLs) in their effort to promote reform and improvements in the education sector. Understanding the political economy of the education sector can at the very least *inform* operations so that the proposed Bank-supported activities are adjusted to what is politically feasible. A step beyond that, to which this work hopes to contribute, is the use of this understanding *in a proactive manner*, to *identify the strategic opportunities* through which change could become feasible.

The objective of this note is threefold. First, it aims to **provide TTLs with a *useful and manageable* conceptual framework that can be used to think through the political economy constraints in education** –i.e., to understand more deeply what the constraints are, why they exist, and what can be done within that context to advance education reform. The conceptual framework that we propose is tailored to the specificities of the education sector, although it draws from builds more general frameworks produced by other authors. In this sense, we are following the lead of other units within the World Bank, such as Water and Sanitation, which has already developed and applied its own framework to analyze several case studies. We validate our proposed framework by



looking at the underlying framework used in a selection of empirical studies on the political economy of education. Consultations with TTLs working in different regions were also useful to validate and refine our framework.

Second, the note seeks **to identify the political economy conditions that facilitate or hinder education reform**. This is per se an intellectually challenging task, given the complex interrelationships between political and economic factors. Moreover, empirical research on the political economy of education reform that uses our definition of political economy (presented below) is limited, and the existing studies do not use a common methodology or conceptual framework to conduct their analyses – this makes it hard to conduct meta-analyses that identify more or less general hypotheses about the political economy of education reform. With this limitation in mind, the note outlines ten hypotheses of political economy factors that may facilitate education reform. Each hypothesis reflects a political economy theory (which are not specific to the education sector) and its verification in the selected empirical studies (which are specific to education). Although we acknowledge that much remains to be understood about the political economy of education reform, we also believe that these ten hypotheses can help think strategically about the Bank’s work in client countries.

Third, taking into account our proposed conceptual framework, the ten hypotheses, the limited empirical literature, and the consultations with TTLs, we seek **to outline implications for the World Bank**. This is probably the most relevant objective in terms of informing the Education Sector Strategy 2020. The implications can be summarized into three: (i) because the political economy of education is dynamic, and changes produced within a few days or months can significantly affect project design, implementation and supervision considerations, a day-to-day monitoring of the political scenario, rather than a one-time in-depth analysis, is useful to understand and operate successfully within the dynamic context of education systems; (ii) in-depth analyses in the form of case studies about the political economy of a specific educational issue in a specific time and place are needed to further our understanding of how to operate under different political economy conditions in order to maximize the chances that an intervention will be well-designed and successfully implemented, especially given the limited empirical evidence in this area; and (iii) the use of a common conceptual framework both for the day-to-day monitoring of the political scenario and for conducting in-depth case studies can facilitate comparison, meta-analysis and the identification of common lessons within the sector. Indeed, TTLs who provided feedback on an earlier draft of this note expressed a special interest in promoting the use of our

conceptual framework to conduct case studies that analyze the political economy of certain issues of common interest across several countries (e.g., pay-for-performance, per-student financing, early childhood education, institutional reform, etc.).

It is worth noting from the onset that the analysis does not include the role of international organization and external aid as separate topic. However, we believe that the proposed framework can be used to analyze the international organizations as one of the main players in the context of political economy.

The structure of the document is as follows. The first section presents the methodological approach and proposed framework to guide political economy analyses in the education sector. The second section discusses the main issues and ten hypotheses about the political economy of the education sector. Along with each hypothesis about the factors that facilitate or hinder the introduction of reforms, the document presents implications for operations and the knowledge agenda. The last section presents conclusions and the most important messages from the document.

## **2 A framework for political economy analysis in education**

This section begins by providing our definition of the term “political economy”, given the multiple meanings and connotations that can be attributed to it. We then describe our proposed conceptual framework to guide political economy analyses in the education sector, and discuss how it fits into and differs from other frameworks. Finally, we discuss the validity of our framework, based on how well it captures the analyses presented in a set of empirical studies on the political economy of education.

### **2a Defining political economy**

The term “political economy” is used nowadays with many different meanings and connotations. The common thread among these uses is an interest in understanding political and economic processes and outcomes as related phenomena. In a nutshell, political economists seek to understand how political considerations affect economic decisions and, vice-versa, how economic considerations affect political decisions.

Despite this common thread, there is no clear consensus on three basic questions about what is political economy. First, there is no consensus on whether political economy analyses should be normative or positive in nature. This is especially true in education research, where a significant proportion of the “political economy of education” literature argues that education policies based on neoclassical economics

assumptions lead to a reproduction of existing socio-economic inequalities, and that State intervention in the education sector *should* take a different form in order to prevent schools from reproducing these inequalities (Carnoy 1982, Klees 2008). In contrast to these normative analyses, a positive political economy analysis limits itself to understanding *why* certain types of education policies are adopted, and what *could* be done to influence and alter the incentives that lie behind these policy choices (Corrales 1999).

Second, there is debate on what type of political economy is most useful to understand development. On one end of the spectrum, there is a theory-driven approach which, based on microeconomics and game theory tools, focuses on constructing general models of the relationship between political and economic factors and decisions, and then uses these models to explain specific cases through deductive reasoning. This approach is most evident in political economy theory volumes by Person and Tabellini (2001) and Drazen (2001). An example of this approach in the education-related literature includes the work of Gradstein, Justman and Meier (2004), *The Political Economy of Education, Implications for Growth and Inequality*, published by MIT Press. On the other end of the spectrum, there is a problem-driven approach which, based on the empirical evidence on a specific case, uses inductive reasoning to abstract the essential features of that case and construct a theory of the relationship between political and economic considerations for *that* case. This approach, which is relatively recent in the political economy field, has been outlined and applied in the *Analytic Narratives* book by Bates, Greif, Levi, Rosenthal and Weingast (1998). The recent political economy work at the World Bank uses this approach (Kaiser, Fritz and Levy 2009). In the education literature, we do not know of any studies that explicitly identify themselves with the problem-driven approach. However, the majority of education-related studies are more closely aligned with this approach than with the theory-driven one, as their motivation is to understand the political economy of a specific education reform or debate in a specific context such as a country or region. Examples of such studies include *Despite the Odds, The Contentious Politics of Education Reform* (Grindle 2004), which looks at the political factors that facilitated the introduction of quality-oriented education reforms in five Latin American countries during the 1990s; and *A Political Economy of Education in India: Teacher Politics in Uttar Pradesh* (Kingdon and Muzammil 2009), which looks at the relationship between the state of education and teachers' political representation in the Indian state of Uttar Pradesh.

Third, there is no clear-cut consensus on what elements should be taken into account when conducting a political economy analysis. It is not obvious what are the key elements of analysis to understand the political economy of a specific education issue, a particular education system, or the education sector in general. One of our objectives is precisely to fill this gap, by providing a conceptual framework that can be applied to understand the political economy of education in different contexts.

Our use of the term “political economy” has the following meanings. First, we refer to a **positive analysis** that seeks to understand how political and economic factors shape education policy decisions and educational outcomes. We think of political economy as an analytical tool that is useful to address questions such as the following: What are the political and economic factors that explain the adoption of this education policy? What factors explain the failure to adopt this other policy? Why do policymakers in some countries prioritize reforms that improve access to educational services more than the quality of those services? Why have certain countries managed to introduce quality-oriented reforms while others have not? These are all examples of positive questions that seek to understand why we observe what we observe in the world, across education systems. We are not making a judgment about what factors should weigh more in education policy decisions, how policy decisions should be made or how policymakers should behave, what education issues should be prioritized in the policy agenda, or what policies should be chosen to address a specific set of issues.

Second, we approach political economy analysis from an **empirical and education sector perspective**, as a tool that can help us understand the political and economic factors that lie behind certain characteristics observed in education systems around the world. We think of political economy as a tool that is useful to address questions about the factors that explain a particular education policy or educational outcome, in a given time and place. For example, what are the political and economic factors that explain Chile’s massive expansion of the private sector’s participation in the provision of education over the past 30 years? Why are some countries participating in PISA while others are not? What political and economic factors explain the large recent increase in education enrollment rates in Ethiopia? What political and economic factors explain why decentralization in Argentina led to improvements in education outcomes in some provinces but not in others?

In this sense, our analysis follows the **“problem-driven” approach**. Either a broad definition of the “problem” or a more specific one can yield informative and

operationally-relevant analyses. Indeed, the education system issues that we care about can be defined both broadly (e.g., low quality of education) and more specifically (e.g., inability to introduce reforms in the teacher evaluation system). Similarly, the cases that we care about can also be defined broadly (e.g., education systems in East Asia and the Pacific) or more specifically (e.g., the education system of Vietnam). Whether broader or more specific, the common thread across problem-driven political economy analyses is the interest in understanding a feature of the education system that occurs in a particular *context*. Thus, while a problem-driven approach uses theoretical concepts developed by political economists, it does not apply these concepts “blindly” to explain a particular case, but rather tests how well those concepts explain that case and adjusts the theories so as to better explain the features of that particular case. In turn, a better understanding of the political economy of specific cases (i.e., specific issues and countries) will help us gain insight into broader and more general questions such as: When do policymakers prioritize reforms that improve access to educational services more than the quality of those services? Why have certain countries managed to introduce quality-oriented reforms while others have not?

Third, in terms of what we consider to be the main elements of a political economy analysis, we employ a **rational choice perspective** and largely draw on Bates (1990), who views political economy as a discipline of study in which the following four postulates are applied: (i) individuals have their own interests, including material and non-material ones; (ii) individuals are rational, they make choices and decisions to pursue their interests; (iii) institutions affect individual choices; and (iv) individual rationality does not imply social rationality.

- i. *The individual is the basic unit of analysis. Each individual has his own preferences, interests and desires, including material and non-material ones.* Non-material wants include an interest in power as well as preferences that originate in certain religious values, moral precepts, ideological dispositions, altruistic impulses, and a sense of a common destiny or belonging to a family, ethnic group, or other community (Shepsle and Bonchek 1997). For example, a parent may have among his own interests that his child grows up healthy, feels safe to express his emotions and develops a strong sense of self-esteem.
- ii. *Individuals, including policymakers, are rational in the sense that they make their choices and decisions based on what they believe will maximize their personal satisfaction.* Rationality means that, given a set of preferences that want to be fulfilled, given a set of possible actions that can be undertaken, and given

the payoffs or levels of satisfaction associated with each of those actions, an individual will choose the strategy that maximizes his/her expected satisfaction. Individuals are self-interested; their actions reflect the pursuit of their own material and non-material interests. For example, some teachers have a strong preference to serve the community with which they have cultural ties; if they are allocated to another school community, the sense of belonging may be dissipated and absenteeism to work may increase. Absenteeism may be thought of as a rational decision in which the teacher is minimizing attendance subject to conserving the job and salary.

iii. *Institutions matter: they create incentives that affect individual choices.*

Economists usually refer to institutions as “the rules of the game” that constrain how individuals interact with one another to make social, political and economic decisions and exchanges (North 1981, 1990). We define institutions as the formal and informal norms, rules or frameworks that structure human interactions and exchanges. Formal rules include, among others, the constitution, electoral rules, separation of powers, federalism or unitary arrangements, the tax structure, banking regulations, monopoly regulations, judicial decisions, commercial and civil law, and education laws and regulations. Informal rules are embodied in customs, tradition, unwritten codes of conduct, conventions and socially agreed norms of behavior. Enforcement of these rules is also an essential element of the institutional framework, because it makes these rules credible.

Institutionalized norms, rules or frameworks affect the strategic interaction between individuals and organizations that engage in social, political and economic transactions, and therefore they affect policy outcomes too<sup>4</sup>.

In the education sector, school-based management or decentralization in the provision of education can be thought of as examples of institutional arrangements; they set certain rules of the game in which the actors that are relatively closer to the school (e.g., parents, teachers, school principals, a local educational authority) have more power on important managerial decisions such as how to use the school budget, how to allocate the school time, or when to

---

<sup>4</sup> In particular, institutions determine (i) the procedures that are followed for decisions to be made, including the sequence of decisions and who is allowed to act at each point of the decision-making process; (ii) the set of choices available to an individual at each point in time; (iii) the level of information available to individuals about others' preferences, characteristics or past behavior, or about conditions that affect the payoffs of the different choices available to an individual; and (iv) the capacity to enforce cooperative agreements over time.

promote a teacher. Educational laws and regulations are also institutions and, in this case, may constrain the choices available to the school- and local-level actors (e.g., there may be a regulation that stipulates that at least 80 percent of the school time must be dedicated to teaching in the classroom). In addition, several decisions may be made following rules that are not written anywhere but that are well-known to a majority. For example, the teachers at a school may know that the principal has discretion regarding promotions, and that the school principal usually promotes teachers who have been in the school for a long time.

- iv. *Individual rationality does not imply social rationality.* Politicians and policymakers have their own interests, which may include a sense of altruism but also their own material well-being and an interest in power. In pursuing their own interests, politicians and policymakers may make decisions that protect their interests at the expense of decisions that are socially-desirable from an economic efficiency or equity point of view. Indeed, a crucial concern in political economy analysis is to understand the conditions under which government decisions can be expected to be better aligned with what benefits society as a whole. This postulate also applies to other players in the system such as parents. A clear case of individually rational behaviors that are not socially optimal is that of out-of-school children. In particular, parents who decide not to send their children to school because they need them to work and contribute to the household's subsistence are making an individually rational decision (at least from the parent's perspective). However, that decision does not take into account the benefits to society of that child attending school. Indeed, from a social point of view the parent's decision is not optimal.

Rational choice political economy emphasizes the role of *strategic interaction* in the determination of economic and political outcomes (Hall and Taylor 1996). Because rational individuals make decisions in the context of situations where other rational individuals also make decisions about their own behavior, individuals will take into account that other individuals' rational choices will affect the payoffs of their own choices. Hence, their behavior will not only be rational but also *strategic*. An actor's behavior is likely to be driven by a strategic calculus, and this calculus will be deeply affected by the actor's expectations about how others are likely to behave. The notion of institutions as constraints on action translates into an explicit and systematic methodology for the study of the effects of institutions that takes into account the

sequence of interaction among actors, the choices available to each actor, the structure of information and hence each actor's beliefs, and the payoffs associated to each action available to an individual or group. All of these characteristics must be taken into account to understand economic and political outcomes.

Game theory concepts lead us to propose a fifth postulate which we add to those proposed by Bates:

- v. ***Institutions are the result of strategic interactions between self-interested, rational individuals.*** Political economy has the potential to explain not only economic outcomes but also institutional ones (e.g., the creation of representative institutions, the maintenance of the rule of law, the extension of voting rights, the adoption of federal constitutional arrangements, or the passing of certain educational laws and regulations). Although political economy theory has focused relatively more on explaining economic outcomes in the context of an institutional framework considered as “given” (or exogenous), there is a newer political economy literature that stresses the role of strategic interaction in the emergence of alternative institutions. Under this approach, institutions are not considered as the *given* constraints or “rules of the game”, but as rules of the game that are themselves the outcome of strategic interactions.

The role of strategic interactions in the emergence of education-sector institutions is illustrated by the creation of the pension system for Colombian teachers. Almost half a century ago, the national teacher union went on strike to demand for higher wages. The government at that moment negotiated a package that included a minimal increment in salaries, but a generous offer in terms of pensions. Teacher's contribution to the pension fund was small, the eligible age for retirement was low, and the benefits were large. The government had an incentive to offer this specific arrangement —teachers ceased the strike, and the bulk of the cost of what was agreed was passed to future governments. The result was the creation of an institution —the teachers' pension system— that has persisted to date, with far-reaching implications for the education sector and the composition of the teaching force (Ayala 2003).



## 2b Proposed framework for political economy analysis in the education sector

To develop a framework to guide political economy analysis in the education sector, we reviewed the frameworks developed by Kaiser, Fritz and Levy (2009), The World Bank/Oxford Policy Management (2008), and the Inter-American Development Bank (2005). These frameworks seek to guide political economy analyses in general, whereas our aim is to have a framework that is well-suited for the education sector in particular.

We identified seven elements of a political economy analysis which are more or less explicitly outlined in the three frameworks that we reviewed: (1) the issue that motivates the analysis; (2) the historical context; (3) the characteristics of the system in which that issue is embedded; (4) the institutions that shape how decisions are made; (5) the relevant players; (6) the interactions between players; and (7) the outcomes of those interactions. Each of these elements is described in more detail below.

1. **Issue** (sector-specific). This includes the *definition* of the policy issue, feature or problem of the education sector that motivates the political economy analysis, which can be relatively broad (e.g., low quality of education) or more specific (e.g., lack of technical-pedagogical services to support school improvement efforts); as well as the *current state of debate* regarding this issue.
2. **History** (national and sector-specific). This includes an analysis of the main historical legacies and trajectories (including institutional trajectories), prior experience with institutions and reform, and cultural beliefs. In our framework we make a distinction between, on one hand, *long-term historic dynamics*, which include historically-entrenched features of the country and the sector (e.g., discrimination against a minority ethnic group) and turning points or critical determinants (e.g., a civil war, a dictatorial regime, the return of democracy, the extension of suffrage); and on the other hand, the more *recent history*, which includes any key changes (or lack of them) in the country and sector in the past ten years.
3. **System characteristics** (national and sector-specific). System characteristics provide the context in which education policy decisions are made, and education outcomes observed. They include descriptive characteristics of the country and the sector during the main period of analysis. Country-level characteristics

include demographic, geographic and economic features<sup>5</sup>. Sector-level characteristics include, for example, data about education coverage, quality, efficiency, equity, relative importance of the public vs. private sector, school density, distribution of schools across urban vs. rural location, mechanisms to finance education, and quantity and quality of the teacher labor force.

4. **Institutions** (national and sector-specific). Institutions are the formal and informal rules and procedures for making decisions and resolving conflicts of interest. At the national level, they include constitutional rules; electoral rules (proportional vs. majority voting); the form of government (democracy vs. dictatorship; parliamentary vs. presidential); the degree of independence of the judiciary; the division of roles and responsibilities between the national, sub-national and local governments (federal vs. unitary; level of decentralization in regulation, financing and provision); the political arena (formal or informal) in which policy decisions are usually made (e.g., congressional cabinets, “closed door” meetings between the Prime Minister and the Minister of Finance, presidential decree, etc.); the mechanisms that exist to hold organizations and individuals accountable; and the mechanisms that exist to decide on budget allocation<sup>6</sup>. At the sector level, the analysis should take into account the division of roles and responsibilities between the national, sub-national and local governments; the political arena in which education policy decisions are usually made; the mechanisms that exist to hold education sector participants accountable; the mechanisms that exist to decide on education budget allocation; and a mapping of the mandate, functions and organization of the Ministry of Education, and where applicable, other ministries whose involvement in the education sector is institutionalized (e.g., the Ministry of Finance or the Ministry of Planning).

---

<sup>5</sup> Relevant features may include, for example, population size and density, migration and population dynamics, relative importance of urban vs. rural settings, climate and natural resources, the presence of coasts, neighbor countries, land relief, economic base and level of development, income distribution, and the integration and interaction with the global economy.

<sup>6</sup> Several databases provide information about the institutions that exist at the country-level, including:

- The CIA World Factbook (<https://www.cia.gov/library/publications/the-world-factbook/index.html>);
- The Inter-American Development Bank’s Datagob (<http://www.iadb.org/DataGob/>);
- The World Bank’s Worldwide Governance Indicators (<http://info.worldbank.org/governance/wgi/sc`country.asp>);
- The World Bank’s Database of Political Institutions, (<http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/0,,contentMDK:20649465~pagePK:64214825~piPK:64214943~theSitePK:469382,00.html>).

5. **Players** (or relevant actors, or stakeholders) (sector-specific). This part of the analysis includes the *identification of all relevant players*, defined as those who are affected by, or have an interest in, the policy issue in question, such as students, parents, individual teachers, teacher organizations or unions, school board associations, municipalities, the national Minister of Education, the Minister of Finance, Ministry of Education employees and the unions that represent them, business or employer associations, NGOs and international donors. It also includes, for each player, *how they are organized* – whether the player is an individual, group or organization; is organized to express its interests, and if yes, how it is organized (including issues about internal democracy); can veto an education policy decision or not; and what sources of power it has (aside from power to veto a decision). In addition to identifying the players and how they are organized, the analysis should include an understanding of each relevant player’s *interests* (material and non-material) and incentives. An important part of this analysis entails assessing whether a specific player would win or lose from a specific reform, or would win or lose if the status quo was maintained. Another important part of the analysis is the understanding of the *distribution of rents at stake*. The term “rent” is used to refer to an extraordinary economic benefit, that is, a benefit beyond what would be obtained in a competitive situation. The analysis of the distribution of rents entails the identification of non-competitive situations in the education sector (e.g., monopoly to produce textbooks, represent teachers’ collective interests or provide professional development for teachers; imperfect competition between school districts or municipalities in charge of providing education services); an analysis of how these rents are distributed across the relevant players (in relative and absolute terms); and an understanding of the process through which the allocation of extraordinary benefits across players is determined (e.g., lobbying in Congress, “closed door” negotiations with the Minister of Education, bribes, public bidding, etc.).
6. **Interactions between players** (sector-specific). This entails an analysis of how the relevant players interact with one another to make decisions that affect education sector policies and outcomes. The analysis should look at the level at which interactions take place (national, sub-national and/or local); the negotiations tactics used by the different players; the sequence of decision-making, and the amount of information and debate at each point; the existence of competition and/or coalitions between different players; the presence of reform or status quo

champions; the relationship with players that are not sector-specific, such as international organizations, business associations or NGOs. Note that interactions between players are closely linked to two previous elements of the analysis, the relevant players and the institutions that guide their interactions.

7. **Outcomes** (sector-specific). This refers to the outcome of the interaction between players, in terms of education policy and/or observable outcomes. The outcomes may include reform or maintenance of the status quo. If reform is the outcome, it is important to understand the extent to which the content of that reform is in line with the issue that was under debate, or whether the reform represents a compromise between different players that does not directly or strongly address the issue that led them to negotiate in the first place. If no reform took place, and the interaction between players lead to the maintenance of the status quo, then the outcomes may coincide with the initial issue that motivated the analysis.

It is worthwhile to note that although we have not used the terms “governance and accountability”, these issues constitute the core of the analysis done under two of the analytical elements of our framework: institutions and interactions between players. To a lesser extent, the analysis of the players (especially in terms of how they are organized and how they influence policy decisions) is also related to governance issues. In other words, governance and accountability are *part* of a political economy analysis. However, we will not discuss specific governance issues such as human resource management or education finance. Governance is a cross-cutting issue across the entire education sector, and it is beyond the scope or intention of this background note to survey the literature on, or propose an agenda forward for, this issue<sup>7</sup>. Indeed, a key concern that we have is that a lot has been done to document and try to reform the governance arrangements of education systems, while very little (if anything) has been done to understand why the existing arrangements are in place, what political factors have contributed to their existence/maintenance, and what that political context means in terms of what are politically feasible strategies to reform those governance arrangements.

The seven analytical elements that we propose to include in our framework have received different levels of importance in the frameworks proposed by Kaiser, Fritz and Levy (2009), The World Bank/Oxford Policy Management (2008) and the Inter-

---

<sup>7</sup> For a discussion on the governance of the education sector and its relationship with the sector's performance, see Lewis and Petterson's paper, *Governance in Education: Raising Performance* (2009).

American Development Bank (2005). To assess the level of importance given by each framework to each of element, we examined whether each of these seven elements were included in the illustrations used by the authors to summarize their own frameworks. We focus on the illustrations<sup>8</sup> more than on the accompanying text because the former tend to capture what the authors consider to be the key elements of the analysis. In Table 1 we identify whether each of the seven elements that we described previously have been explicitly included in these illustrations and, when they have, we distinguish between cases in which an element constitutes an *independent* element of the framework and cases in which it is part of a broader category of analysis.

**Table 1. Elements explicitly included in the illustrations of selected political economy frameworks**

	Kaiser, Fritz and Levy (2009)	The World Bank/ Oxford Policy Management (2008)	IDB (2005)
1. Policy issue	In line with what the authors call the “ <b>What vulnerabilities/ challenges</b> ” part of the analysis	Part of what the authors call the “ <b>reform context</b> ” part of the analysis	In line with what the authors call the “ <b>features of specific policy issues</b> ” part of the analysis
2. History	Part of what the authors call the “ <b>political economy drivers</b> ” part of the analysis		In line with what the authors call the “ <b>basic institutions and history</b> ” part of the analysis
3. System characteristics	Part of what the authors call the “ <b>political economy drivers</b> ” part of the analysis	Part of what the authors call the “ <b>reform context</b> ” part of the analysis	Part of what the authors call the “ <b>basic institutions and history</b> ” part of the analysis
4. Institutions	In line with what the authors call the “ <b>institutional &amp; governance arrangements &amp; capacities</b> ” part of the analysis	Part of what the authors call the “ <b>reform arena</b> ” part of the analysis	In line with what the authors call the “ <b>functioning of political institutions</b> ” part of the analysis
5. Players	Part of what the authors call the “ <b>political economy drivers</b> ” part of the analysis	Part of what the authors call the “ <b>reform arena</b> ” part of the analysis	Part of what the authors call the “ <b>policymaking process</b> ” part of the analysis

<sup>8</sup> The illustrations are included in Appendix 1.

	Kaiser, Fritz and Levy (2009)	The World Bank/ Oxford Policy Management (2008)	IDB (2005)
6. Interactions between players		In line with what the authors call the “reform process” part of the analysis	Part of what the authors call the “policymaking process” part of the analysis
7. Policy outcomes	In line with what the authors call the “outcomes” part of the analysis		In line with what the authors call the “characteristics of public policies” part of the analysis

Color key:

	Yes, explicitly outlined and as an independent element of the analysis
	Yes, explicitly outlined although not as an independent element of the analysis
	No, not explicitly outlined

Source: Authors.

Our review of the selected frameworks leads to three main observations. First, there is consensus about the importance of including the following four elements in the political economy analysis: policy issue, system characteristics, institutions, and players. Second, there is no consensus about the importance of including among the analytical elements the history, the interactions between players, or the outcomes. These are included in a majority but not in all the frameworks that we reviewed. Third, among the four elements for which there is consensus about the importance of including them in the analysis, the policy issue and the institutions are the two which constitute an independent element of the analysis in a majority of frameworks. In contrast, the system characteristics and the players are included as part of a broader category of analysis.

For the purpose of analyzing the political economy of *education*, it is important to include not only the four elements that are common to all the frameworks we reviewed (policy issue, system characteristics, institutions, and players) but also the elements which appear in only some of them (history, interactions between players, and outcomes). We will discuss this in more depth in the next section, dedicated to the validation of our framework, but before moving to that discussion, we want to highlight five key features that differentiate the education sector from other sectors of economic and social life. **First, rarely in the education sector do consumers observe prices for the services they receive;** in the vast majority of countries, the majority of education

services available to the population are provided by the public sector at no cost to families, or at a cost which does not reflect in any way the true cost of providing those services. The lack of prices has many implications; a common one is that many families who could afford to pay for education services will send their children to free public schools, thus “over-crowding” the public school system. Another important implication is that, absent prices, it may be very difficult for parents to identify which schools are better and which are worse, or to affect the quality of education provided by a particular school – in other sectors, when consumers are not satisfied with the price-quality relationship of the good or service provided, they are likely to stop purchasing that good or service, forcing a reduction in prices and/or an improvement in quality.

**Second, consumers in the education sector have very heterogeneous preferences,** making it difficult to organize collective action and exert pressure to promote improvements in the sector. While some parents may be angry about the quality of education that their children receive, others may be very happy about the fact that their children can go to school in the first place, not worrying about quality problems. Moreover, even among parents who want to see improvement in educational quality, there may be important disagreements on how “quality” is defined. To some parents, it may be defined as ensuring that their children finish high school knowing how to read and write and how to perform basic numeric calculations; to others it may mean that their children are well-prepared to pursue tertiary education studies; to others, that they are guaranteed entry into a top national university; to others, that they teach a foreign language; to others, that they foster children’s creativity and artistic capabilities; to others, that they provide a solid background in natural sciences, etc. Such diversity of interests makes it hard for parents to organize collectively and influence policy in search of a common goal. This is in contrast with the homogeneity often observed among teacher unions, whose interests revolve around ensuring that teachers have good salaries, a stable job, opportunities for professional development and career advancement, a safe and supporting environment, and recognition for their effort and achievements.

**Third, the principle of consumer sovereignty** –i.e., that consumers through their decisions on what to buy or not influence the type, amount and quality of good and services that are provided, and therefore are the rulers of the market- **does not apply in education for a simple reason: the actual consumers, children and adolescents, are not the ones who make the decision on where they will go to school.** Sometimes, this is determined at the government level; other times it is up to parents to make this

decision. In any case, those who are directly exposed to the educational services provided by schools are in no position to influence the provision of education.

**Fourth, education is a labor intensive sector.** This means that teacher organizations and unions have the potential to be very powerful. More important, it implies that the relationships between employers (e.g., national, sub-national or local governments, or schools) and employees (e.g., teachers, school principals, administrative staff, employees of education ministries and other public-sector agencies) play a fundamental role in the way the education sector functions.

**Fifth, it is difficult in the education sector to observe a crisis.** Measures that capture the performance of the system are not always collected, and when they are, they are not collected with desire periodicity; also, they are often poorly disseminated among the general public, and the information they provide is often not easy to interpret in terms of what happens every day at schools. The lack of regular measurement of education systems' performance means that problems often go unnoticed by the general public and do not manifest themselves in the form of crises. Because crises are a major driver of change, the absence of observable crises means that the education sector is inherently more difficult to reform than other sectors. It also means that education reform occurs only occasionally, so when it does it is worthwhile to analyze the forces behind it.

**Sixth, history plays a major role in shaping current education institutions.** Virtually all States took over control over education when schools began to emerge. In many cases, this led to a significant expansion in the provision of schooling. The State's intervention also meant that the stakes in the education sector increased, as many of the decisions made would no longer be made by each individual school, but instead would affect all schools falling under the State's purview. Because the stake were high, whoever emerged as a powerful player in the education sector's initial configuration would do everything in its reach to retain that power, including creating institutions that perpetuated that power. Because educational institutions are likely to persist over time, even beyond the period when their existence made sense, understanding the emergence of these institutions and the power struggles that led to the initial configuration of the education sector is central to viewing current educational issues in perspective.

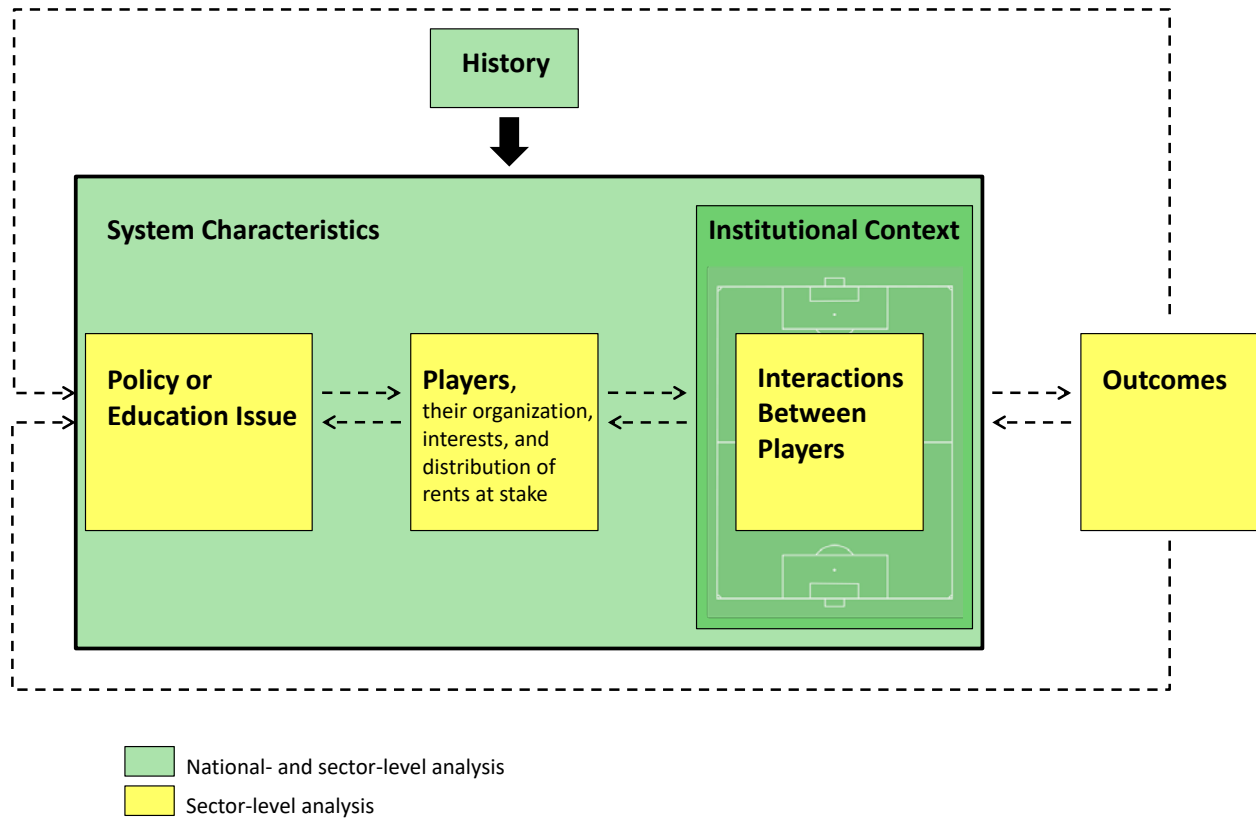
Our conceptual framework, which is illustrated in Figure 1, draws on the general frameworks for political economy analysis we reviewed and also takes into account the specific features of the education sector discussed above. The framework can be



summarized as follows: A clear definition of the **policy or education issue** of concern is the starting point, and it affects who are the **players** that should be considered in the analysis. Each relevant player, whether an individual or a group, will have a particular size and form of organization, which will affect its capacity to express his own interests and position with respect to that issue. Also, what is at stake for each player will depend on how much it currently captures of the extraordinary economic rents in the sector, and how much it expects to capture if any changes were introduced. A key element of the analysis is **how the different players interact** with one another to mediate their heterogeneous interests and positions. The interaction between players will not occur in isolation, but in a particular **institutional context** and **system characteristics** which are important to understand both at the national and at the sector level. An analysis of the **history** behind the issue is also important, as it can help understand the importance of the issue in historical context, how the different players and interests began to take shape, and how the institutions in place emerged and persisted over time. Finally, the analysis should include a brief description of the **outcome** of interactions between players, and whether this represents a change from the status quo or not.

In conducting a political economy analysis, it is also important to look into the multiplicity of possible relationships between the different elements of the conceptual framework. For example, the way the issue is defined affects who are the relevant players, because by definition the relevant players are those whose interests are affected by the issue in question. At the same time, the players may affect –through the exertion of power- how the issue is defined. For example, if a country has both equity and quality problems in the education sector, it may well be that at a given point in time the equity issues receive more attention in the government’s agenda; later on, for example after changes in the distribution of power among the relevant players, the attention given to equity issues may subside and the focus may turn to quality concerns. Similarly, the outcomes emerge from the relationship between all the different elements of the analysis (players, interaction between players, institutions, etc.), but they may also affect these elements. In other words, the outcomes of the policy process may entail a change in the institutions, how players are organized, how power is distributed among the relevant players, etc. Moreover, political economy factors and relationships are dynamic; they are likely to change over time, sometimes at the margin, and other times in significant ways.

Figure 1. Conceptual framework for political economy analysis in the education sector



Source: Authors.

## 2c Application of the conceptual framework to selected empirical studies in education

To assess the validity of the framework we developed, we selected twelve empirical studies and analyzed the level of importance given by each study to each of the seven elements of our proposed framework. We did this systematically, using the template shown in Table 2.

Table 2. Application of the selected framework to seven empirical studies in the education literature

		Issue		History		System characteristics	Institutions	Players			Interaction between players	Outcome	Other
		Definition	Current state of debate	Long-Term Historic Dynamics	Recent history			Identification of players and their organization	Interests	Distribution of rents at stake			
Study 1	Summary												
	Importance												
Study 2	Summary												
	Importance												
...	Summary												
	Importance												
Study 12	Summary												
	Importance												

The studies that were selected for this exercise analyze specific reforms –or lack of reform- in education. We mostly applied the framework to country-specific case studies, reflecting our interest in political economy as a tool that analyzes specific problems or issues, more than as a tool that generates broad theories. The case studies share common characteristics. First, they analyze major education reforms or key education policy issues. Second, they attempt to use, explicitly or implicitly, a political economy framework to analyze the education sector, and present a rigorous analysis that includes theoretical concepts of political economy as well as extensive evidence. Third, they are balanced in representing education systems in a majority of regions and in low- and middle-income countries. Fourth, their look into political economy issues is similar to ours: they conduct (i) positive (as opposed to normative), (ii) empirical (as opposed to theoretical), (iii) problem-driven (as opposed to general) analyses and employ (iv) a rational choice perspective. It is worthwhile to note that although a large literature on the politics and sociology of education exists, the vast majority of the studies that belong to this universe do not meet at least one of these four criteria. In addition to the case studies, we reviewed a few conceptual studies which compare the political economy of education in several countries to extract broader theories about this topic. We found all articles using search engines, and validated the choice of articles with experts on the field of political economy. Table 3 lists the studies that were selected to apply our conceptual framework.

**Table 3. Selected studies**

Author	Year	Country and Region	Country income level	Issue
<b>Case studies</b>				
1. Alonso Terme, Rosa	2003	Vietnam, East Asia & the Pacific	Low	School fees & Inequality of access
2. Benveniste, Luis	2000	Uruguay, Latin America & the Caribbean	Upper-middle	Large-scale reform, with special emphasis on national assessments
3. Contreras, Manuel and María Luisa Talavera Simoni	2003	Bolivia, Latin America & the Caribbean	Lower-middle	Large-scale education reforms (access & quality)

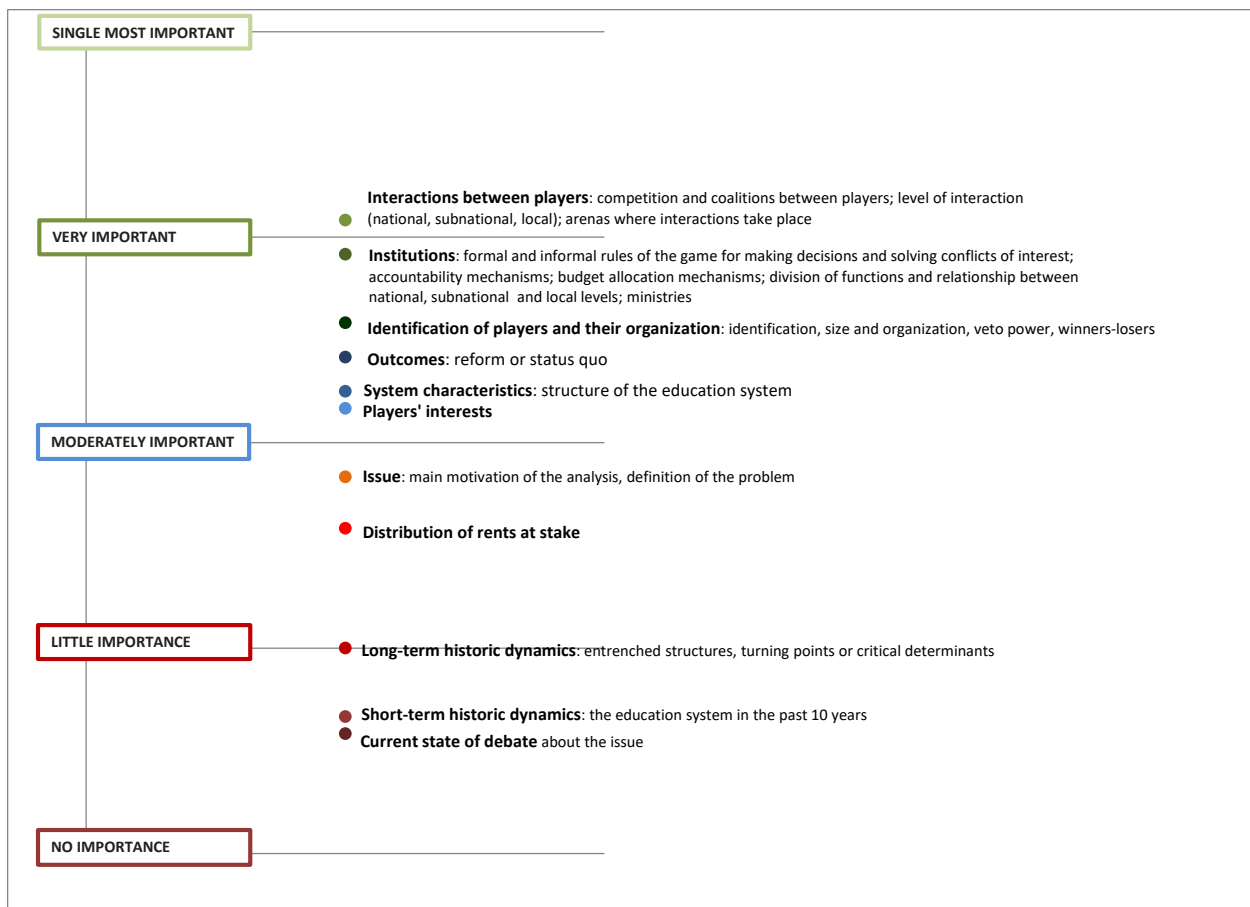
Author	Year	Country and Region	Country income level	Issue
4. Curtin, Timothy	1993	South Africa, Africa	Upper-middle	Analytical + School fees & Inequality of access
5. Georgescu, Dakmara and Eugen Palade.	2003	Romania, Europe & Central Asia	Upper-middle	Large-scale education reform
6. Jansen, Jonathan and Nick Taylor	2003	South Africa, Africa	Upper-middle	Large-scale education reform (education finance, curriculum and teacher management)
7. Kingdon, Geeta and Mohd. Muzammil	2009	India (state level), South Asia	Lower-middle	Teachers' power and political representation
8. Murillo, Victoria, Mariano Tommasi, Lucas Ronconi and Juan Sanguinetti	2002	Argentina, Latin America & the Caribbean	Upper-middle	Teacher unions' effect of education quality
9. Pandey, Raghaw	2002	India (national level), South Asia	Lower-middle	Large-scale education reform
10. Zegarra, Eduardo and Renato Ravina	2003	Peru, Latin America & the Caribbean	Upper-middle	Teacher unions' effect of education quality
<b>Comparative/conceptual studies</b>				
11. Grindle, Merilee	2004	Latin America & the Caribbean	Not applicable	Analytical and comparative
12. Salmi, Jamil	Unpublished	Global	Not applicable	Tertiary education

When examining the importance given by the selected studies to each of the seven elements of our framework, several things stand out. We summarize them in Figure 2 and discuss them in the following paragraphs.

- **Institutions** and the **interaction between players** play a very important role in the analyses of the selected studies. This is true for all types of selected studies – case studies and comparative studies. The importance given to institutions is not surprising –institutional analysis is key in rational choice political economy, and as mentioned previously, it also constitutes an important element of problem-driven analyses (Kaiser, Fritz and Levy 2009; The World Bank/OPM 2008; Inter-American Development Bank 2005). On the other hand, the importance given to the interaction between players is reassuring because, as the reader may recall, we included this in our conceptual framework even though there was no consensus across other conceptual frameworks about the importance of including this as part of a political economy analysis.
- In general, the relevant **players**, the **system characteristics** and the **outcome** of interactions are given a moderate to high importance in the analyses presented in the studies. In the case of the players, the level of importance awarded to this analytical element is relatively homogeneous across studies. In the case of the system characteristics and the outcome, these elements of the analysis have a moderate to very important role in case studies, and less importance among comparative studies. The overall moderate to high analytical importance of the players, the system characteristics and the outcomes is consistent with the observations based on the conceptual frameworks for political economy that we reviewed before developing our own framework for the education sector. Among these frameworks (Kaiser, Fritz and Levy 2009; The World Bank/Oxford Policy Management 2008; the Inter-American Development Bank 2005), the players and the system characteristics were part of all conceptual frameworks, yet none of these elements constituted an independent part of the analysis, but rather were included as part of the broader category of analysis. Similarly, in the case of the outcome, it was included as an independent element of the political economy analysis in two of the conceptual frameworks we reviewed, but it was not included at all in one of those frameworks.
- On average, the **issue** that motivates the analysis and the country and sector's **history** are given little importance in the analyses. This is true for all types of studies (case studies of low-income countries, case studies of upper-middle income countries and comparative studies), and it is especially so among case studies of education systems in upper-middle income countries. The relatively little

importance awarded to the definition of the issue that motivates the analysis is not too surprising. For many years, political economy work has been motivated by an interest in relatively broad or general theories about the relationship between the political and economic spheres. The problem-driven approach to political economy analysis is more recent in the field, and its emphasis on defining the motivating issue as the starting point of the analysis has not become mainstream practice. On the other hand, the little importance awarded to history is more surprising, given that historical analyses constitute a fundamental part of recent work in rational choice political economy (for instance, North, 1981 and 1990; Bates, Greif, Levi, Rosenthal and Weingast, 1998; and Acemoglu and Johnson, 2005)

**Figure 2. Average level of importance given to the analytical elements of our conceptual framework, selected studies**



Source: Authors' analysis based on selected studies.

Based on these observations, it seems important to include the players, the interaction between players, the institutions, the system characteristics and the outcome as part of a conceptual framework in education. At the same time, two main concerns may arise - whether we should include the issue and the history as elements of a political economy analysis, even if they receive little to no importance in the selected studies; and whether we should include the players, the system characteristics and the outcomes as independent elements of the analysis, rather than as part of a broader category, even if they receive moderate importance in the selected studies.

We argue for a positive answer in both cases. For the first issue, *including the identification of the issue in the political economy analysis*, we mostly attribute the little importance awarded by the studies to the identification of the issue that motivates the analysis to the fact that political economy has for a long time been motivated by broad conceptual questions. Examples of such questions include: How do teacher unions affect the chances of reforming the education system? (Kingdon and Muzammil 2009; Murillo et.al. 2002; Zegarra and Ravina 2003<sup>9</sup>); What political factors contribute to, or hinder, the success of large-scale education reforms? (Georgescu and Palade 2003; Jansen and Taylor 2003; Pandey 2000; Grindle 2004; Benveniste 2000). In contrast, problem-driven political economy analysis –which as the name indicates is motivated by a specific issue or problem- is still not mainstream in the field. Examples of questions that a problem-driven analyst could pose include: How did teacher unions in South Africa affect the Mandela administration’s ability to introduce private fees for secondary education? How did prior experience under a communist regime affect post-communist Romania’s textbook policy? Moreover, a problem-driven analyst would begin the analysis by identifying the issue that wants to be understood – for example, the persistence of an inequitable education finance scheme in South Africa; or the prevalence of monopolistic practices regarding the production and distribution of textbooks in Romania.

Because our interest is in understanding the political economy of the education sector to improve the design and implementation of Bank-supported education projects, we believe that the starting point of the analysis should be the identification of what education issue(s) want or need to be addressed for a specific project in a specific country to be successful. The issue may reflect the reality that motivates a project (e.g., high repetition rates among first graders in Uruguay), or it may constitute an obstacle

---

<sup>9</sup> Note that although these authors analyze this question in a specific country, they analyze the role of teacher unions broadly, not in relation to a specific education reform.



to achieving the project's objectives (e.g., low coordination between the different public sector institutions in charge of providing early childhood services in Uruguay). In any case, how the issue is defined will affect who are the relevant players and what are the relevant institutions. Defining the relevant players and institutions will make the political economy analysis more manageable –otherwise, a broad analysis that is not driven by a specific issue should look at *all* players, *all* institutions, *all* forms of interaction between players, etc.

In sum, we believe that a problem-driven approach is critical to Bank operations, as well as highly manageable for education sector staff – and this approach requires the identification of the issue that motivates the analysis.

Regarding the second issue, *including the history as an element of political economy analysis*, our conceptual framework includes an analysis of the country and sector's history, reflecting our conviction that education issues and institutions are not a given reality that cannot be modified, but rather the result of processes (intellectual debates, armed conflicts, political exchanges, social preferences of the times) and decisions that occurred in the past. The notion of institutions as endogenous rules or practices has an important implication: understanding why a specific type of institution emerged in a given place and point in time, and why it persisted or was reformed, can shed light on the processes and conditions that are necessary for a successful adoption of similar institutions in other places.

For historical analyses to be manageable in the context of the Bank's operational work, these analyses should be oriented to the specific issues, players, institutions and interactions between players that are being analyzed. A hypothetical situation can help in the discussion. Take the case of a lending project to support the implementation of a reform to school inspection systems in a country with a large private subsidized sector. The reform seeks to expand school inspections to *all* schools that receive public funding, regardless of who is in charge of those schools' administration. We could define the issue in terms of "challenges to implement comprehensive school inspections". We would then identify the players who have a position, explicit or implicit, regarding this reform, given that it affects their interests (e.g., the Minister of Education, the Minister of Finance, teachers and school principals in public schools, teachers and school principals in private subsidized schools, municipalities, associations or foundations that provide education services and receive public funding, employees of the Ministry of Education, students, parents, etc.). We would also identify the institutions currently in place that

affect the interactions between these players (e.g., the role, responsibility and powers of the Ministry of Education; the enacted reform and its accompanying regulations; the informal dialogue and negotiation processes between the Ministry of Education and the teacher unions, etc.). How would the historical analysis fit in this example? The analysis would look at the historical context that explains why this issue is an issue (e.g., the historical autonomy enjoyed by private subsidized schools in that particular country); why these specific players have an interest in this matter (e.g., is this an issue for which students and parents have been demanding a solution for a long time, or is it relatively new?); and where the relevant institutions come from and to what extent they can be reformed (e.g., to what extent are education laws and regulations enforced and respected, and to what extent is it worrying that this particular reform will not be enforced? In the past, how has the Ministry of Education negotiated with teacher unions reforms of similar magnitude, and with what success?).

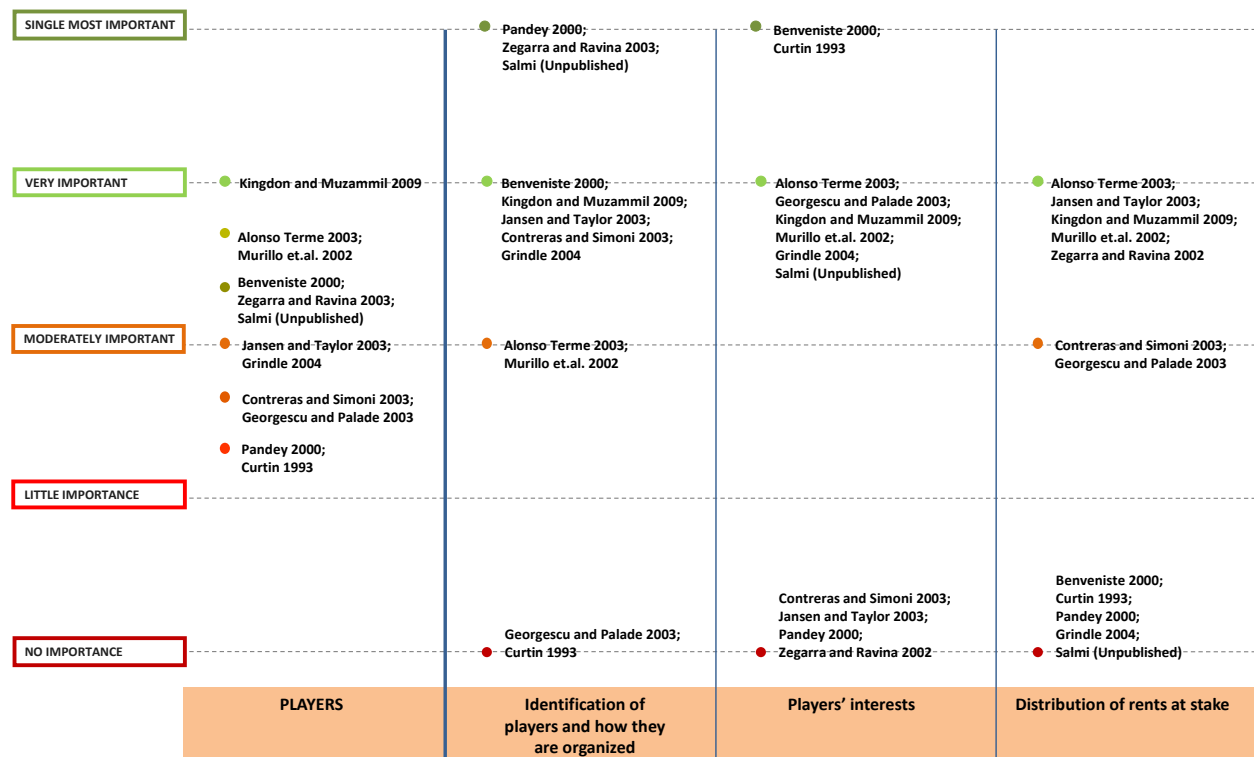
All in all, the historical analysis should not entail a broad understanding of the country and sector's history, but rather an understanding of the history as it relates to the issue that seeks to be understood, and to the players, institutions and interaction between players that will shape how (or if) that issue is addressed.

*Including the players, the system characteristics and the outcomes as independent elements of the analysis rather than as part of a broader category.* Although, on average, the players and the system characteristics are moderately important in the selected studies' analyses, a closer look at the importance of these elements across the different studies reveals a different picture.

In the case of the **players**, the “moderately important” average reflects the aggregate importance of three sub-elements of the analysis: the *identification of the relevant players and their organization*; the players' material and non-material *interests* and incentives; and the *distribution of rents at stake*. Once we look at the importance given by the different studies to each of these elements we can observe that there are, on one hand, a set of studies in which these sub-elements play a very significant role in the analysis and, on the other, another set of studies in which they play a little role or no role at all. For example, the *identification of the relevant players and how they are organized* are very important or the single most important element of the analysis in a majority of studies (eight out of twelve), are moderately important in two studies, and have no importance at all in the remaining two studies. Similarly, the analysis of the players' *interests* is the single most important or a very important element of the

analysis in a majority of studies (eight out of twelve), but has no importance at all in the other four studies. The average level of importance of the *players* does not reflect these subtleties –that the identification of the players and how they are organized, and the players’ interests, have a very important role in the analysis of a majority of studies. In sum, we believe that the players constitute a central part of a political economy analysis. In some cases, all the sub-elements will receive equivalent treatment. In others, some sub-elements (e.g., the players’ interests) will receive relatively more treatment than the others. But the understanding of who are the players, what are their interests, and how they are organized to pursue these, is crucial from a rational choice political economy perspective.

**Figure 3. Importance given to the analysis of the relevant players, selected studies**



Source: Authors’ analysis based on selected studies.

On a similar note, the analysis of the **system characteristics** and the **outcomes** is more than moderately important if we exclude from the average the two comparative studies, and include only the ten case studies that were considered. The case studies are more aligned with a problem-driven political economy approach than the comparative ones, and we interpret the relative importance of the system characteristics and outcomes analysis among the case studies to be indicative that this element constitutes

an important piece of information in a problem-driven analysis. Perhaps the system characteristics are not as important as the players, the interactions between players and the institutions to understand the dynamics of the sector around a particular issue but, like in the case of the historical analysis, they are important to put these dynamics into context. Moreover, documenting the system characteristics is important for knowledge-sharing purposes. As we build our understanding of political economy issues in the education sector, and seek to use the knowledge gained from experience and analysis in one country to address a similar issue in another country, it is important to take into account the context from which that lesson was extracted –the country’s level of income, the education system’s level of financial and human resources, and the way in which those resources translate into educational access, equity and quality. The analysis of the outcomes is also central to the purpose of building our knowledge base: documenting whether reform eventually took place or not, or whether any change was observed at all in the initial issue that motivated the analysis, is a necessary condition for distinguishing between more and less successful policy processes.

In sum, the level of importance given by the selected studies to the different elements of our conceptual framework is in line with most of the pieces that form part our conceptual framework –the players, the interaction between players, the institutions, the system characteristics and the outcome. Although some pieces of our framework – the issue and the history- have on average little importance in the selected studies’ analyses, we did not remove these from our framework: the definition of the issue is the starting point of the type of political economy analysis which we consider most relevant to operations (i.e., a problem-driven analysis), and there are important theoretical and practical reasons for including the history in the analysis.

### **3 Understanding the political economy of education**

This section seeks to shed light on the political economy of the education sector. In particular, we aim to understand the political and economic factors that lie behind certain education issues, policies and outcomes; and how these factors affect the chances to introduce reform or, conversely, how they affect the chances that the status quo will be maintained. From the outset it is important to recognize the limitations of the section. First, the section draws on the twelve empirical studies which we selected, the same ones we used to assess the validity of our analytical framework (see Table 3). Although the studies represent countries from various regions and income levels, and

discuss various educational issues of concern, the sample of studies is relatively small. Second, the studies do not follow a common analytical framework. As explained later on, this makes it difficult to extract hypotheses about the political economy of education reform or lack of reform.

The section is structured as follows. We first describe the policy areas examined by the case studies (e.g., user fees and education finance, teacher policies, curriculum, assessment, decentralization, etc.). We also discuss how each of these policy areas is related to a specific issue or concern –educational coverage, quality, efficiency or equity. We then present several hypotheses about the political economy factors that increase the likelihood of reform, and the extent to which they fit the selected studies. We also present a hypothesis about the political economy of the lack of reform, with special emphasis on the lack of reforms to improve the quality of education. The hypotheses we present are rather general, not tailored to a specific policy area or education issue. We conclude the section by attempting to understand which hypotheses apply the most to the different policies and issues of concern in the education sector.

### **3a Education policies and issues discussed in the case studies**

The selected case studies discuss a wide variety of education policy areas, including user fees and education finance; teacher policies, including teacher unions; curriculum; student assessment; bilingual and intercultural education; public-sector reform; decentralization; and availability of resources (textbooks, physical infrastructure, human resources). Some studies focus on one policy area, while others analyze large-scale education reforms that entailed changes in several policy areas. Also, some case studies look at the political and economic drivers behind specific reforms, while others analyze the political economy drivers behind the lack of education reform in cases where reform was needed to improve the quality of education. In particular, these studies analyze teacher organizations' role in maintaining the status quo. The policies discussed by each study are summarized in Table 4 and discussed in the paragraphs that follow.

**User fees.** The case studies of Alonso Terme (2003) and Curtin (1993) discuss user fees in the education systems of Vietnam and South Africa, respectively. In Vietnam, user fees at the primary education level were introduced in 1989, and abolished in 2001. In South Africa, user fees at the secondary and tertiary education level were introduced during Mandela's government, during the mid 1990s. As reflected in these studies, the decision to introduce user fees has a trade-off. On one hand, the ability for education providers to charge a fee for the services they provide may increase the availability of

funding for the education sector, especially in a context where public finances are severely restricted. On the other hand, some children –especially those from low-income families, whose parents are unable to pay these fees- may face restricted access to education services as a result of user fees, a situation which constitutes a downside from an equity point of view. This trade-off became evident in the policy debates in both Vietnam and South Africa. In Vietnam, the Ministry of Finance promoted user fees as a mechanism to give financial support to the education system and presumably induce parental participation in education. In contrast, within the Ministry of Education there was concern about the inequity tied to user fees, but the Ministry alone was not in a strong position to oppose the introduction of fees, as the education sector budget was determined by the Ministry of Finance. In South Africa, Mandela's government proposed user fees for secondary and tertiary education arguing that it would free public resources for primary education, and thus contribute to expand access to primary education for the black population. Opponents of user fees argued that these would widen the gap between blacks and whites, as presumably a majority of blacks would be unable to pay for secondary or tertiary education, while a majority of whites would have access to these levels of education.

**Multi-policy reforms.** The articles of Benveniste (2000), Contreras Talavera (2003), Georgescu and Palade (2003), Jansen and Taylor (2003) and Pandey (2000) look at systemic reforms to several dimensions of the education system in Uruguay, Bolivia, Romania, South Africa and India, respectively. In Uruguay, a large-scale reform of the education system was triggered in the mid 1990s, in part as a result of a study based on two assessments of student learning conducted in 1990 among a sample of 4<sup>th</sup> and 9<sup>th</sup> grade students. The reform entailed targeted policies toward the poorest students; improvements in professional development for in-service teachers as well as salary increments; additional resources for schools; and training of school principals, including training in the use of computers for school administration purposes. In Bolivia, during the 1990s, education reforms were introduced on several fronts including teacher training, curriculum development and implementation, bilingual and intercultural education, institutional reform, teacher unions, decentralization, student assessment, and education financing (Contreras and Talavera 2003). Romania also introduced major reforms during the same decade – the curriculum, student assessment methods, teacher training, teaching methods and textbooks were modified, and efforts were made to strengthen the managerial capacity and physical infrastructure within the system (Georgescu and Palade 2003). In post-apartheid South Africa, reforms were introduced

in the areas of education finance, curriculum and teacher allocation (Jansen and Taylor 2003). In India, the District Primary Education Program introduced in the mid 1990s access, entailed changes in the curriculum, teaching materials, teacher policies, the relationship between schools and the surrounding community, construction of buildings, institutional strengthening and capacity building, all within a context of increased decentralization (Pandey 2000).

It can be observed from these cases that the areas subject to reform vary across countries, with each country attempting to modify certain margins of the education system.

**Teacher unions.** The empirical studies by Kingdon and Muzammil (2009), Murillo et.al. (2002) and Zegarra and Ravina (2003) analyze how teacher unions affect the quality of education in Uttar Pradesh (India), Argentina and Peru, respectively. The three cases share some common elements. First, they show evidence of a low level of learning outcomes in each country. Second, they show evidence that educational authorities were aware of this problem. Third, they present empirical evidence that low levels of learning outcomes are related to the presence and power of teacher unions. All articles place an important emphasis on teacher unions' capacity to influence the political system, either by having a direct representation in the legislature, or by having a strong voice which they exercise through strikes and mobilization.

The topics analyzed by the selected studies can be classified depending on what is the main education sector problem to which they are related –a problem of coverage, quality, efficiency or equity. Clearly, several topics are related to more than one problem –for example, as already discussed, user fees may affect both the efficiency and the equity of the sector. In Table 4 we classify the articles based on the *main educational problem* that is discussed in the analysis. As can be observed in Table 4, the main issue driving the debate behind user fees reforms is equity. The articles stress that the payment of user fees by low-income individuals can limit access, especially for low-income households, while at the same time enabling high-income individuals to inject more resources into their education, creating a gap in the quality of education they receive and the one that low-income students receive. Regarding multi-policy reforms, the cases mainly stress issues of quality, and with less emphasis, problems of coverage or efficiency. Quality concerns are also the main driver of the articles that analyze teacher unions' role in shaping education policies. These articles discuss the interests voiced in

the name of teachers, in the context of education systems in which teacher unions had political representation or other forms of veto power such as the power to strike.

**Table 4. Education policies and issues discussed in the case studies**

Case study	Policy area									Issue of concern			
	User fees	Education financing	Teacher policies	Teacher unions	Curriculum	Assessment	Public-sector financing	Decentralization	Resources	Coverage	Quality	Efficiency	Equity
<b>Vietnam</b> (Alonso Terme 2003)	√	√						√					√
<b>South Africa</b> (Curtin 1993)	√	√								√		√	√
<b>Bolivia</b> (Contreras and Simoni 2003)		√	√	√	√	√	√	√		√	√		
<b>Romania</b> (Georgescu and Palade 2003)			√		√	√	√		√		√	√	
<b>South Africa</b> (Jansen and Taylor 2003)	√	√	√		√				√			√	√
<b>Uruguay</b> (Benveniste 2000)			√	√	√	√					√		√
<b>India</b> (Pandey 2002)			√		√		√	√	√	√	√		
<b>Uttar Pradesh, India</b> (Kingdon 2009)				√							√		
<b>Argentina</b> (Murillo et.al. 2002)				√				√			√		
<b>Peru</b> (Zegarra and Ravina 2003)				√							√		

Source: Authors' analysis based on selected studies.

### **3b Hypotheses about the political economy of education reform (and lack of reform)**

In recent years, theoretical political economy has advanced the understanding of factors that can facilitate or hinder policy reform (see the articles of Lora and Olivera 2004; Tommasi and Velasco 1995; Drazen 2000; and Persson and Tabellini 2000). In this section we propose several hypotheses that can shed some light on the political economy



of education, including the political and economic factors that facilitate reform and those that contribute to the maintenance of the status quo. Although this exercise has been undertaken by other authors before us (Corrales 1999; Navarro 2005), we present a broader set of hypotheses and, more importantly, discuss the implications of these hypotheses for the Bank’s operations and knowledge agenda.

The ten hypotheses which we present here are hypotheses that are (i) in line with the political economy theory and (ii) consistent with at least one of the selected empirical studies on the political economy of education. These hypotheses, which are listed in Table 5, are related to the **timing of reform**; the **incentives to reform**; and the **capacity to reform**. The rest of the section discusses each hypothesis in more detail.

**Table 5. Hypotheses about the political economy conditions that facilitate or hinder education reform**

<b>Timing of reform</b> When are education reforms more likely to be introduced?	<b>H1:</b> Education reform is more likely to be introduced when there is a manifest/observable crisis in the education sector
	<b>H2:</b> Education reform is more likely to occur at the very beginning of a new government or at the very end of a government
<b>Incentives to reform</b> How desirable is it for the different players to introduce or block a particular reform?	<b>H3:</b> Education reform is more likely to occur if the benefits are concentrated and are born mainly by a group that has political power, and its cost are distributed across groups that have no veto power
	<b>H4:</b> Education reform is more like occur if it includes compensation schemes for the group that bears the costs of reform
	<b>H5:</b> Education reform is more likely to be introduced in societies that are less polarized
	<b>H6:</b> Education reform is more likely to be introduced when it responds to the demands of a group whose members have relatively homogeneous ideologies and preferences
	<b>H7:</b> Education reform is more likely to occur as the number of players who have influence on the decision-making process decreases
<b>Capacity to reform</b> What characteristics of the interaction between players increase the chances that reform will be introduced?	<b>H8:</b> Education reform is more likely to occur if it comes in combination with other reforms (e.g., efficiency in public expenditure, poverty reduction)
	<b>H9:</b> Education reforms are more likely to be introduced if there is a capacity to enforce agreements over time
	<b>H10:</b> Large-scale education reform is more likely to be introduced if the approach is incremental rather than an all-encompassing process

Source: Authors.

## Timing of reform – When are education reforms more likely to be introduced?

*H1: Education reform is more likely to be introduced when there is a manifest/observable crisis in the education sector.* Political economy theory predicts that, in times of crisis, the cost of no reform will be high for all players—government, teachers, parents and students; when the crisis is “large enough” (e.g., when the payoffs associated with the policy change exceed the payoffs of the status quo), there can be a consensus to reform (Tommasi and Velasco 1995).

In the case of education reform, a refinement of this hypothesis is important: education reform is more likely to be introduced when there is a *manifest/observable* crisis. Education systems can have low levels of quality that persists for long periods, without that situation creating a sense of a crisis and an alignment across players about the need to reform. For reform to be introduced, the crisis must be observable. Two conditions are necessary for this: (i) low levels of quality must be measurable, for example through evidence about learning outcomes, or post-school placements in tertiary education or the labor market; and (ii) the evidence that is indicative of the system’s overall quality must be available to the general public (e.g., tests scores from national and international exams; results of school inspections). Once we take into account these two conditions, we can understand why low-quality education systems can persist over time – in many countries, the low quality of the system will remain silent or hidden, given the insufficiency of data and/or the lack of dissemination of such data.

In several of the selected empirical studies, reforms emerged after a long period of crisis in the education system. In the cases of Bolivia (Contreras and Talavera Simoni 2003), Romania (Georgescu and Palade 2003) and several Latin American countries (Navarro 2005), it is possible to argue that a long period of deterioration of education was observed before some reform efforts. In addition, the cases of Vietnam (Alonso Terme 2003) and India (Pandey 2002) show how the widespread dissemination of studies about the state of the education system can contribute to build consensus about the need for sector reform. The case of Uruguay presents a large-scale reform that was partially triggered by studies based on two examinations of student learning conducted in 1990. These studies provided evidence of the low levels of cognitive achievement among students, and also raised awareness that the situation was particularly worrisome for the lower-income, more vulnerable students (Benveniste, 2000).

Implications for the Bank. This hypothesis has several implications for the role of the Bank. First, crisis is an opportunity to advance reforms, especially the so-called “quality reforms”. Second, measurement in the sector is very important. The way the sector can identify crisis (or not) is via measurement. The Bank should continue to support countries’ capacity to build better data systems, and importantly, their capacity to use that data for decision-making. Third, the Bank should promote the wide dissemination of education-related data. Dissemination across civil society and the media is particularly important. In this regard, the Bank could play a role by disseminating its own studies, especially those that provide rigorous evidence of the need of reforms, across a country-wide audience, from multiple sectors, and including several education-sector players, so as to foster necessary debates and contribute to build consensus around the need for reform.

***H2: Education reform is more likely to occur at the very beginning of a new government or at the very end of a government.*** The beginning of a new government constitutes an opportunity window in which support for the incoming government’s policies, as well as coalitions, are more likely emerge. If education is at the center of the incoming government’s agenda, this window of opportunity can be crucial to build political support for key reforms in the sector, especially quality-oriented reforms. In contrast, at the very end of a government’s term, it is likely that expenditure will increase if it increases the probability of re-election (either of the incumbent or his/her political party). In this case, access reforms are more likely to occur because they generate short-term and observable benefits and intangible costs.

Corrales (1999) presents a variant of this hypothesis, which states that in order to induce successful reform, it is necessary to create “policy entrepreneurship”, that is, governments that find a way to create a coalition pro-reform. The hypothesis that we advance here is stronger: at the beginning of a new government, the government has more space to create pro-reform consensus.

Among the selected empirical studies, the case of South Africa (Curtin 1993; Jansen and Taylor 2003) is an example of a window of opportunity to enact a reform at the very beginning of a new government. Indeed, Mandela’s government counted with the support of a large coalition – he was a new president, and the first South African president to be elected through democratic, multi-racial elections. The other selected

studies did not analyze the political timing of reform. Indeed, this hypothesis about the timing of reform deserves further attention in the Bank's knowledge agenda.

Implications for the Bank. From the point of view of operations, staff working in operations should be ready to use opportunity windows to engage new elected governments and discuss with them the priorities for education sector reform. Indeed, staff should closely follow political changes and engage rapidly newly elected governments, even before they are in office. During this period it is not only important to discuss the reforms needed but it is equally important to support and push for continuation of successful reforms undertaken by previous administrations.

### **Incentives to reform – How desirable is it for the different players to introduce or block a particular reform?**

*H3: Education reform is more likely to occur if the benefits are concentrated and are borne mainly by a group that has political power, and its cost are distributed across groups that have no veto power.* In general, groups that defend the status quo tend to be more powerful than those that seek change. This is because costs-bearers have colonized places of power in the society and government, and they use these institutions to ensure that policy favors their interests. In contrast, beneficiaries of reform, which are usually a bigger proportion, usually have no forms of political representation, no veto power and no organization to act collectively.

The case of India provides a good example of this situation. Article 171 (3c) of the Constitution of India states that one-twelfth of the members of the State Legislative Council shall be elected by electorates consisting of persons who have been for at least 3 years engaged in teaching at the secondary or higher levels. The Constitution grants voting rights to a limited number of groups, including teachers, to elect Members of the Legislative Council (MLCs). These groups are Members of the Legislative Assembly (MLAs), members of local bodies, graduates of the state and teachers in secondary schools and above. It is noteworthy that no other civil servants have been given the special status enjoyed by teachers. On the other hand, the Constitution stipulates that no public servant can become a member of the legislature. If a person holds a government job, he/she must resign from being a MLA. Teachers of government schools/colleges are recognized as public servants and are bound by this rule. By contrast, government-subsidized private school teachers, despite being paid by the government, are not regarded as public servants because they are, de jure, employees of private managements. As a result, they can contest elections to the Legislative

Assembly (Kingdon and Muzammil 2009). In this context, teachers from government-subsidized private schools usually occupy places in the lower and upper houses, and use this political power to ensure that education policy favors their interests, vetoing any policy reforms that threaten teachers' interests. Teachers' political representation can take different forms. In Argentina (Murillo et.al. 2002), Bolivia (Contreras and Talavera Simoni 2003) and other Latin American countries, teacher union representatives occupy key positions within the ministry of education. Through these positions, teacher unions have campaigned to sustain or improve teachers' pay, job security, and centralized government management.

In contrast, low-income students and families are usually excluded from the political decision-making process, having little power to prevent decisions that harm their interests, such as the introduction of user fees in Vietnam (Alonso Terme 2003) or South Africa (Curtin 1993). In South Africa, the white have traditionally occupied key political positions, and constitute a powerful elite – Curtin (1993) argues that the white population had an interest in imposing user fees for secondary and tertiary education, as it enabled them to exclude the blacks and widen the socio-economic and power gap between whites and blacks.

Implications for the Bank. This hypothesis has important implications for our understanding of the relationship between access and quality reforms in education, and why the former are easier to introduce than the latter. There is a generalized approach to reform that views improvements in the education sector as a two-step process: first, reforms should aim at expanding access, as it is a necessary condition that children be in school in order to profit from the benefits of education; once access has been expanded, reforms to improve the quality of education services provided can be introduced. The rationale for implementing access policies as a first step is that it can create support for broader reforms in the future. If the base of educated individuals is large, presumably education as a good will count with a large support. However, what we most often observe is that access reforms are not followed by quality reforms.

In fact, from a political economy perspective, we would argue that when reforms focus on expanding access, it is very likely that quality-oriented reforms will have high resistance. The reason for this is that *access reforms set the political economy conditions that decrease the probability of quality-oriented reforms*. In particular, access reforms usually entail the expansion of resources in the education system –more financial resources to build more schools, hire more teachers, buy more textbooks, etc. The case

of South Korea exemplifies a reform that simultaneously pursues access and quality objectives (Kim 2002). Education sector players are likely to be aligned in their interest in such an expansion of resources, and this is precisely what makes access reforms easier to introduce. Once access has been expanded, the power balance in the sector is likely to change. The Minister of Education, for example, may have a larger budget, and may not want to see his budget decrease to pre-reform levels. There will be more teachers, and they likely will be interested in keeping their jobs. Teacher unions, or other organizations that represent teachers' interests, will have more representatives and be more powerful, and they will likely be interested in maintaining a pool of teachers whose interests are aligned with those of the union.

In this context, quality reforms will be difficult to introduce because on one hand, the main beneficiaries are students –who are usually not organized, and who will not see any tangible benefits in the short term- and, on the other hand, the reform will likely entail a cost to one or more powerful players –in the form of higher efficiency in the education sector, accountability measures of teachers, or more selective criteria to become a teacher, with implications for the power of the Ministry of Education and its employees, individual teachers and teacher organizations. In contrast to students, these players do have an organized way to express their interests, and can be expected to do so if a potential reform threatens their power base or interests.

In this regard, it is critical that staff working on education reform systematically identify the potential beneficiaries and losers from the education policies and programs under discussion. It may be desirable to include in the dialogue and project design stage some beneficiaries which are not traditionally included –they can be critical to build pro-reform alliances. A second implication is that sequential reforms on the form of access first, quality second should be avoided. In countries with low levels of enrollment, both reforms should be tackled at the same time, and with a clear understanding of the power dynamics that the reform is creating. In contrast, in countries with high levels of enrollment and where quality reforms are more needed, identifying reform supporters and giving them a voice in the debate will be particularly necessary.

***H4: Education reform is more like occur if it includes compensation schemes for the group that bears the costs of reform.*** Compensation schemes, that compensate the group that bears the costs of reform, may be necessary if this group is central to ensuring a majority that allows enacting reforms. However, several concerns may arise regarding the use of compensation schemes. In particular, many reforms seek to reduce or reorient

the use of government subsidies and other interventions that contribute to inefficiency, rent-seeking and corruption. Compensation schemes, unless well designed, can run counter to these objectives. Haggard and Webb (1994) identify a common characteristic across cases in which compensations were used successfully: compensation came in the form of complementary measures that provided effective compensation while enhancing welfare and economic opportunity in the long term and minimizing rent-seeking opportunities. Successful schemes typically did not include short-term, direct monetary compensations awarded to the losers of reform at the time of negotiating the passing of the reform. When compensation takes the form of a one-time compensation, the sustainability of the reform may be threatened. In contrast, when those who expect to lose from the reform in the short term can also expect to see their welfare increase in the long term if the reform is passed, then their support is more likely to be sustained.

The cases of South Africa, India and Uruguay are examples of this type of schemes. In the case of South Africa, large-scale reforms during the 1990s sought, among other things, to equalize the student/teacher ratio across schools. Teachers were moved from better-served schools, in which the ratios were better than those required by law, to under-served schools where there was a shortage of teachers. The redeployment of teachers across schools was not popular across teachers; those who were in under-served schools would remain there, but those working in better-served schools would have to leave relatively well-resourced schools to work under poorer –sometimes dangerous–working conditions, often in remote areas. To mitigate opposition to reform, teachers were offered the option to voluntarily leave the profession and receive a generous severance package in return. Indeed, when faced with an unpalatable move, teachers from more privileged schools opted for the package. In addition, to compensate teachers who accepted their new and less attractive job, the government increased the salary paid to teachers in hard-to-staff schools. In other words, the severance package option and the changes in the salary schedule were crucial for the implementation of the teacher rationalization policy. In the case of India, teachers opposed the decentralized approach of the reform. In that country, teachers have been historically antagonistic to the devolution of school management responsibility to local bodies because of their fear that they would be subject to the whims and caprices of locally-elected officials. To build a perception among teachers that they would gain from decentralization, a cash transfer to teachers was introduced, enabling them to select their own teaching materials. In the case of Uruguay, teachers were concerned about whether student performance would be a valid means to appraise their own professional performance and

feared that if their students did not attain high scores they might be transferred to teach somewhere else (Benveniste, 2000). In order to generate a positive disposition among teachers toward standardized student assessment, the unit responsible for the evaluation of student achievement at the national level promised the strict confidentiality of test results and the abstention from holding teachers directly accountable for their students' academic attainment. Moreover, teachers' average real wages were increased, and a monetary bonus was created to reward teachers who participated in reform-related Saturday workshops.

Implications for the Bank. As with the previous hypothesis, from a point of view of operations it is critical to assess who are the potential winners and losers from a specific reform. In the case of losers, it is also important to assess their influence in the policy-making process –in particular, whether their support is important to adopt and implement the policy. When their support is important, understanding losers' *interests* (and not just their *position* regarding the policy) is central in order to devise ways to compensate them.

**H5: *Education reform is more likely to be introduced in societies that are less polarized.***

Reforms are more difficult to pass when there is uncertainty about what party will bear the future costs of reform, and what the magnitude of those costs will be. In such situations, a “war of attrition” emerges in which each party in the legislature does everything in its power to avoid the risk of bearing the costs of that reform (Alesina and Drazen 1991). Reforms cannot be approved during this war of attrition, because parties cannot agree on how the costs of the reform will be distributed. Alesina and Drazen (1991) argue that the war of attrition –and the associated maintenance of the status quo- will last longer in societies that are more polarized, because in that case parties will find it more difficult to find middle ground for agreement.

The “war of attrition” hypothesis may provide another potential explanation for the fact that some education systems exhibit very long periods of low quality services. In this case, the hypothesis is not that this situation persists because there is no observable crisis, but because political parties and other relevant players cannot reach an agreement on who will bear the cost of quality reforms. Moreover, Alesina and Drazen's hypothesis implies that the war of attrition will last longer in more unequal societies.

Among the selected empirical studies, the cases of South Africa and Vietnam illustrate this point. In both countries, inequality of access was long identified as an



important issue in the education sector. However, both countries introduced a system of fees and private contributions as a means of financing the education system, contributing to the problem of inequitable access. Despite commitment to improve equity, it took time for political actors (namely the Ministry of Finance and the Ministry of Education) to reach an agreement on how to do this and move forward a policy that eliminated user fees. In these cases, the cost of the policy, and the player who would have to bear these costs, were uncertain, and this may have caused the delay in reforming the system.

***H6: Education reform is more likely to be introduced when it responds to the demands of a group whose members have relatively homogeneous ideologies and preferences.***

Person and Tabellini (2000) predict that, under majority rule, politicians will tend to favor groups with greater ideological homogeneity, as well as smaller groups, whose votes are cheaper to buy. In other words, policymakers will have a bigger incentive to introduce policies that serve the interests of a relatively homogenous group (e.g. teachers, who are interested in good working conditions) than those of a more heterogeneous group (e.g., parents, where some of them are highly interested in the education of their children while others have other priorities).

This hypothesis may be reflected in the case of Vietnam (Alonso Terme 2003), where user fees at the primary education level were introduced in 1989, in line with the interests of the Ministry of Finance as well as schools' interests, whose revenue-raising capacity and financial independence was enhanced. In contrast, the policy inhibited many low-income children from attending school, as their parents were unable to afford paying school fees. Indeed, it may be argued that low-income parents' interests regarding school fees were more heterogeneous than the interests of schools. In fact, user fees were abolished in 2001 not because *parents* organized themselves to express opposition to fees (they did not), but because an interest grew among policymakers to advance pro-poor policies, in line with the interests of NGOs and international donors.

Implications for the Bank. The previous two hypotheses have one implication for operational work. Identification of relevant players and *their interests* is critical to advance any reform. The reform will have more probability of success if the preferences are homogenous; if the preferences within a group of players are highly heterogenous, and that group is potentially a beneficiary of a reform (for example, parents), it may be worthwhile to pursue a strategy that attempts to unify the members of the group under a common, tangible interest.

*H7: Education reform is more likely to occur as the number of players who have influence on the decision-making process decreases.* Political economy models predict that the numbers of players involved in the decision-making process will affect the outcome of reform. “As more actors have to be taken into account in a policy logroll, it will become increasingly difficult to structure negotiations. As more interests are provided with vetoes, it becomes increasingly difficult to ensure that every party to the negotiations receives sufficient value to accept the deal” (Cox and McCubbins 2001, 27). Observe that this is a theory for democratic transactions costs, so it assumes at least two relevant political actors, and further increases in the number of actors make policy more difficult to be achieved. While it is true that policies in a system with many political actors will be less adaptable to changing economic circumstances, they will also be less subject to modifications by opportunistic politicians if these are limited in their ability to alter policy by the need to make agreements with other political actors. This is what Cox and McCubbins refer to as the decisiveness vs. resoluteness trade-off. Decisiveness is the ability to change policy, while resoluteness is the ability to commit to policy. “As the effective number of vetoes in a democratic system increases, the polity becomes more resolute and less decisive” (Cox and McCubbins 2001, 27). Also, a greater number of political actors may produce more private-regarding policies, instead of providing policies which respond to broad popular demands. This is so because, as the number of political actors bargaining over the distribution of costs and benefits of policy increases, “each veto player will be able to demand, and receive, side payments in the form of narrowly targeted policies” (Cox and McCubbins 2001, 28).

Table 6 presents the relevant players discussed in each case study, where players are defined as those who are affected by, or have an interest in, the policy issue in question. Unfortunately, the studies do not systematically identify all the relevant players, nor do they systematically identify all the players who need to come to agreement in order for education reform to be introduced. Instead, the studies focus on one aspect of the political economy scenario, and a limited set of players, often concentrating on analyzing the role of teacher unions in the policy process. Other actors, such as the different political parties with influence in Congress, are excluded from the analysis. This makes it impossible to test the hypothesis discussed above. However, what the analysis of the relevant players suggests is that the difference between the number of anti-reform and pro-reforms players is critical for the outcome of the negotiation (i.e., to determine whether reform is introduced or not). Indeed, among the selected studies, in all the cases

where the number of players in favor of reform exceeded the number of opponents, the reform was carried out.

Corrales (1999) discussed the fact that some education reforms have been passed following the creation of a body that is independent from the Ministry of Education and that is basically created to push for reform. One way to put the balance in favor of the reform is to create an independent task force, as were the cases in Bolivia and Uruguay, or form a coalition between government officials and NGOs, as were the cases in India and also Uruguay. In line with the hypothesis we described previously, a new body increases the number of players with veto power, but it can also help to align the preferences of the rest of players, or at least gain a pro-reform majority. For this to be true, the independent body has to have real power, in the sense that it can affect the amount and distribution of resources and/or modify existing institutions.

Implications for the Bank. Once again, this hypothesis emphasizes the importance of identifying the relevant players and, in particular, the players who have veto power or whose consent is necessary for a reform to be introduced. If the dispersion of players is high, it may be important to consider advising countries to create an independent technical body with political power, in order to build consensus pro-reform, especially for quality reforms.

Table 6. Number of players by case study

	Min. of Education	Min. of Finance	Min. of Planning	Provinces or Municipalities or Province	Teacher unions	Bureaucrats in education	Indep. taskforce	Parents	Students	NGOs	International donors	Num. of players	Num. of players	NT	Outcome
<b>Case studies</b>															
<b>Vietnam</b> (Alonso Terme 2003)				VP								2	3	5	Elimination of user fees
<b>Bolivia</b> (Contreras and Simoni 2003)					Urban (VP) and Rural							2	4	6	Large-scale reform
<b>Romania</b> (Georgescu and Palade 2003)												0	3	3	Large-scale reform
<b>South Africa</b> (Jansen and Taylor 2003)								White (VP) and Black				0	3	3	Large-scale reform, but maintenance of fees
<b>Uttar Pradesh, India</b> (Kingdon & Muzammil 2009)					VP							1	Not analyzed	1	Status quo prevailed
<b>Argentina</b> (Murillo et.al. 2002)					VP							1	Not analyzed	1	Status quo prevailed
<b>Peru</b> (Zegarra and Ravina 2003)					VP							1	Not analyzed	1	Status quo prevailed
<b>India</b> (Pandey 2002)						VP						1	4	5	Large-scale reform
<b>Uruguay</b> (Benveniste 2000)												2	2	4	Large-scale reform
<b>Comparative studies</b>															
Grindle 2004					VP	VP						2	2	4	Large-scale reform
Salmi (Unpublished)					VP							2-3	0-1	4	depending on reform

Reference key:

- Against reform
- In favor of reform
- VP Player has veto power

Source: Authors' analysis based on selected studies.

## Capacity to reform – What characteristics of the interaction between players increase the chances that reform will be introduced?

*H8: Education reform is more likely to occur if it comes in combination with other reforms (e.g., efficiency in public expenditure, poverty reduction).* There is no agreement among political economists about whether reforms are easier to pass when they are presented in sequence, one at a time, or when several reforms are presented as a package. It seems to be the case that, in certain situations, one reform is necessary before another reform can be introduced. However, some political economists (Haggard and Webb 1994) argue that, sometimes, reforms can be more easily introduced (i.e., are more politically attractive) if they are “bundled” or presented as part of the same package. This will be particularly the case when the groups that support the reforms in a package are different (e.g., group A support reform X and group B support reform Y); the bundling of reforms will increase the mass of supporters (A+B for the whole package, as opposed to only group A for reform X and only group B for reform Y).

In this sense, a strategic way to increase the likelihood of educational reform is to present the reform as a poverty-reduction reform – “education is a critical component in the fight against poverty”. This makes it easier to build consensus for reform across the relevant players, and organize the beneficiaries of reform to form a coalition. Similarly, another strategy to introduce education reform is to present it as part of fiscal reforms – “we want to make sure that every public dollar spent on education is used efficiently”- or as part of competitiveness reforms – “education must be improved so that our citizens are better equipped to find jobs and compete in an increasingly global economy”.

Among the selected empirical studies, the case of Vietnam is an example of combining education reform with poverty reduction reform. The elimination of user fees sought to improve equity and avoid high drop-out rates in education, especially among low-income children. This objective is in line with a broader objective to reduce poverty. With the help of local NGOs and the international community, the reform was introduced as a poverty reduction reform, which made it easier to generate consensus among the relevant political actors because poverty reduction occupied an important place in their political agenda. Another example is the case of Uruguay, where regular assessment of students’ learning outcomes could have delegitimized the State’s intervention in the education sector by making the sector’s weaknesses evident. However, in this case, the national government did not suffer a crisis of legitimacy

because it shifted the focus of public attention from testing *educational outcomes* to a comprehensive policy initiative that addressed the *broader socioeconomic conditions* that affect student learning, thus obtaining the support of relevant players. The cases of Bolivia and Romania are examples of combining education reform with fiscal reform. In these countries, both educations and fiscal reforms emerged in a context of globalization and the increased need to become more competitive and efficient.

Implications for the Bank. From the point of view of the Bank, this hypothesis echoes a call for cross-sector work. In recent years, the Bank has attempted to pursue multi-sector work programs. This hypothesis reinforces the call, with another perspective: it is important for the education sector to work with, for example, the fiscal teams of countries because this increases the capacity to introduce education reform.

***H9: Education reforms are more likely to be introduced if there is a capacity to enforce agreements over time.*** It is known that in system with greater capacity to enforce agreements over time it is more likely that reforms will take place. Enduring inter-temporal linkages among key political actors can lead politicians to have more long-run horizons, providing further incentives for them to make cooperative optimal agreements, contingent on economic conditions but independent from political circumstances (Spiller and Tommasi 2001). For example, inter-temporal linkages will be weaker if the Executive and the Legislature are appointed at the same time rather than if they are elected at different times, thus weakening the chances to agree on reform. Also, inter-temporal linkages will be weaker if political transactions do not occur in institutionalized settings that provide political actors with greater certainty about what to expect throughout the process of political bargaining, but rather take place in changing settings and under unpredictable rules of the game.

Education reforms, perhaps more than in other sectors, require the capacity to make credible inter-temporal agreements, because they usually entail short-term costs and very long-term benefits. The capacity to enforce agreements over time is affected, among other things, by the stability of education ministers and by the stability of the political arenas in which players interact and negotiate.

In the selected empirical studies, different factors helped to strengthen the inter-temporal linkages, and thus the capacity to agree on reforms. For example, in Bolivia, an independent taskforce with real power was created by the Minister of Planning to move forward with education reform, and the negotiations between this task force and the rural teacher union were conducted in formal arenas, which gave the agreement more credibility and sustainability. In India, the capacity to enforce agreements over

time was strengthened by appointing reform coordinators based on their motivation to pursue reform and their technical and leadership capability rather than on political grounds. In Romania, the problem of high turnover of ministers of education was partially mitigated by the role played by the media and the international community to build consensus about the need to reform, and by the fact that negotiations took place in formal arenas. In the case of Uruguay, the systematic and periodic measurement of schooling outcomes was not an initiative of the Uruguayan government; it was a conditional clause for the appropriation of the World Bank loan which helps to strengthen the inter-temporal linkages, and thus the capacity to agree on reforms.

Implications for the Bank. As discussed previously as well as by Corrales (1999), one of the factors that hinder the capacity to reform is the high turnover of ministers of education. This reduces the capacity to enforce agreements over time, and therefore reduces the capacity to agree on reforms that have short-term costs and long-term benefits. From an operations point of view, one way to mitigate the risk of having a minister of education being dismissed or resigning from his position, is to identify players who are relatively stable within the education sector. This may be someone within the Ministry of Education, or outside –the Ministry of Finance, an influential NGO, an association of school boards, the media, etc. Including stable participants in the dialogue with the country may contribute to promote continuity in the content of that dialogue.

*H10: Large-scale education reform is more likely to be introduced if the approach is incremental rather than an all-encompassing process.* Corrales (1999) argues that an incremental rather than an all-encompassing approach enhances the chances that the reform will be accepted, because a piecemeal approach avoids the national spotlight and keeps to a minimum the number of cost-bearers. It is worth noting that quality of education is a multi-dimensional problem, and may need reforms to several margins of the system (e.g., curriculum and assessment, teacher policies, governance arrangements). In contrast, problems such as user fees may need a single reform. Multi-policy reforms, by including several areas of change, can mobilize a large portion of the population to be in favor of at least one of the reforms, but they also mobilize more opponents and increase the difficulty to negotiate. In contrast, a specific reform keeps the negotiations process simpler, as the winners and losers of reform are easier to identify, and the losers are maintained “at a minimum”, facilitating the ability to introduce compensation schemes as part of the negotiation. In sum, system-wide reforms are easier to introduce

when they are tackled one reform at a time rather than when attempting to reform several issues at the same time.

Among the selected empirical studies, the cases of Romania and Bolivia provide examples of system-wide reforms that were introduced using an incremental or sequential approach. In these cases, the sequential approach was crucial in order to reduce the mobilization of reform losers and increase that of beneficiaries. In Bolivia, the first step in the system-wide reform was to develop an information system and build the capabilities for curricular development (e.g., through teacher training, creation and distribution of books, and curriculum designs). Then, once these were in place or in the process of being implemented, efforts moved on to develop mechanisms to improve the monitoring of the education system (e.g., through restructuring of the Ministry of Education and decentralization). In Romania, the implementation of system-wide reform was done in three stages. The first and most extensive stage, during which the Romanian education system reached a new balance by giving up most of its explicit former Communist features, involved cosmetic adjustments, analyses of the education system, the elimination of ideological references in the curriculum, and capacity-building efforts of management staff at different levels. The second stage continued to include capacity-building, but also included institutional development and restructuring, and the introduction of new curricula and alternative books in primary education. In the third phase there was a gradual yet accelerated implementation of the new curriculum for primary education, a new curriculum was also implemented for secondary education, and new greater decentralization in management and financing of schools were introduced.

Implications for the Bank. Large-scale reforms usually entail some reforms that are less controversial and other reforms that will face more opposition. Ideally, we would want to be able to introduce large-scale reforms at once, so that all the pieces of the reform fit together. Sometimes, however, this is not politically feasible. This does not mean that large-scale reform is not feasible at all, but rather that the reform needs to be rolled out one piece at a time, perhaps beginning with the less conflictive changes and, once these are in place, moving on to the next level. The risk behind a sequential approach is that the different reforms may not be well aligned or consistent with one another, failing to see how each piece fits into the bigger framework. In this sense, when large-scale reform cannot be introduced at once, it is important to both identify whether it would be more feasible to introduce the different pieces of the reform sequentially,



and plan for the entire reform from the beginning, so that later reforms are well-aligned with earlier ones.

**Table 7. Summary of implications for Bank operations and the knowledge agenda**

Hypothesis	Implications for the Bank
<p><b>H1:</b> Education reform is more likely to be introduced when there is manifest/observable crisis in the education sector</p>	<ul style="list-style-type: none"> <li>• Crisis is an opportunity to advance reforms</li> <li>• Support countries' capacity to build better data systems and their capacity to use that data for decision-making.</li> <li>• Promote the wide dissemination of education-related data, across civil society and the media. The Bank could play a role by disseminating its own studies, especially those that provide rigorous evidence of the need of reforms, across a country-wide audience, so as to contribute to build wide consensus around the need for reform.</li> </ul>
<p><b>H2:</b> Education reform is more likely to occur at the very beginning of a new government or at the very end of a government</p>	<ul style="list-style-type: none"> <li>• Follow political changes and engage rapidly newly elected governments, even before they are in office.</li> <li>• Be ready to use opportunity windows, especially the period between the election and the assumption of a new government, to discuss priorities for education sector reform in the next administration.</li> <li>• During this period, it is equally important to support and push for continuation of successful reforms undertaken by previous administrations.</li> </ul>
<p><b>H3:</b> Education reform is more likely to occur if the benefits are concentrated and lie on a group that has political power, and its cost are distributed across groups that have no veto power</p>	<ul style="list-style-type: none"> <li>• Identify potential beneficiaries and losers from the education policies and programs under discussion.</li> <li>• Include in the dialogue and project design stage some beneficiaries which are not traditionally included –they can be critical to build pro-reform alliances.</li> <li>• Avoid sequential reforms in the form of access first, quality second.</li> </ul>
<p><b>H4:</b> Education reform is more like occur if it includes compensation schemes for the group that bears the costs of reform</p>	<ul style="list-style-type: none"> <li>• Assess who are the potential winners and losers from a specific reform.</li> <li>• In the case of losers, assess their influence in the policy-making process –in particular, whether their support is important to adopt and implement the policy. When their support is important, understanding losers' interests (and not just their position regarding the policy) is central in order to device ways to compensate them.</li> </ul>

Hypothesis	Implications for the Bank
<b>H5:</b> Education reform is more likely to be introduced in societies that are less polarized	<ul style="list-style-type: none"> <li>• Identify relevant players and their interests.</li> <li>• If the preferences within a group of players are highly heterogenous, and that group is potentially a beneficiary of a reform (for example, parents), it may be worthwhile to pursue a strategy that attempts to unify the members of the group under a common, tangible interest.</li> </ul>
<b>H6:</b> Education reform is more likely to be introduced when it responds to the demands of a group whose members have relatively homogeneous ideologies and preferences	
<b>H7:</b> Education reform is more likely to occur as the number of players who have influence on the decision-making process decreases	<ul style="list-style-type: none"> <li>• Identify players with veto power.</li> <li>• If the dispersion of players is high, it may be important to consider advising countries to create an independent technical body with political power that can build consensus pro-reform, especially for quality reforms.</li> </ul>
<b>H8:</b> Education reform is more likely to occur if it comes in combination with other reforms (e.g., efficiency in public expenditure, poverty reduction)	<ul style="list-style-type: none"> <li>• Pursue multi-sector work programs, including work with, for example, the fiscal teams of countries.</li> </ul>
<b>H9:</b> Education reforms are more likely to be introduced if there is a capacity to enforce agreements over time.	<ul style="list-style-type: none"> <li>• Mitigate the risk of having a minister of education being dismissed or resigning from his position, by identifying players who are relatively stable within the education sector (within the Ministry of Education, or outside, such as the Ministry of Finance, an influential NGO, an association of school boards, the media, etc. Including stable participants in the dialogue with the country may contribute to promote continuity in the content of that dialogue.</li> </ul>
<b>H10:</b> Large-scale education reform is more likely to be introduced if the approach is incremental rather than all-encompassing.	<ul style="list-style-type: none"> <li>• When large-scale reform cannot be introduced at once, it is important to both identify whether it would be more feasible to introduce the different pieces of the reform sequentially, <i>and</i> plan for the entire reform from the beginning, so that later reforms are well-aligned with earlier ones.</li> </ul>

Source: Authors.

### 3c Relationship between education policies and issues, and political economy hypotheses

Ideally, we would want to be able to identify what political economy hypotheses apply to each education policy or issue under discussion. However, it is not possible to do this, because the studies we selected do not systematically employ the framework we

developed. For instance, only a few studies analyze the timing of the reform within the political cycle. The fact that the majority of studies do not analyze the political timing of the reform does not necessarily mean that this hypothesis (that reform is more likely to occur at the very beginning of a government) is not important to understand those reforms. All we can say is that this was not analyzed by the studies. With this limitation in mind, Table 8 shows what hypotheses were discussed –implicitly or explicitly- in each of the case studies we reviewed.

**Table 8. Hypotheses present in each case study**

Case study	Education policy area	Timing of reform		Incentives to reform					Capacity to reform		
		H1	H2	H3	H4	H5	H6	H7	H8	H9	H10
<b>Vietnam</b> (Alonso Terme 2003)	User fees			√		√	√	√	√		
<b>South Africa</b> (Curtin 1993)	User fees		√	√		√		√			
<b>Bolivia</b> (Contreras and Simoni 2003)	Multi-policy reform	√		√				√	√	√	√
<b>Romania</b> (Georgescu and Palade 2003)	Multi-policy reform	√	√					√	√	√	√
<b>South Africa</b> (Jansen and Taylor 2003)	Multi-policy reform		√		√	√		√			
<b>Uruguay</b> (Benveniste 2000)	Multi-policy reform	√			√			√	√	√	
<b>India</b> (Pandey 2002)	Multi-policy reform				√			√		√	
<b>Uttar Pradesh, India</b> (Kingdon 2009)	Teacher unions			√				√			
<b>Argentina</b> (Murillo et.al. 2002)	Teacher unions			√				√			
<b>Peru</b> (Zegarra and Ravina 2003)	Teacher unions			√				√			

Source: Authors' analysis.

To come up with political economy hypotheses tailored to the different education policies and issues, we would need a larger sample of case studies, and an analytical framework that is common to all of them. Indeed, we believe that there is a lot to be gained from embarking on a research initiative that fosters the development of new case

studies following a common political economy analysis framework such as the one we propose.

## 4 Conclusions

Throughout this Background Note we have aimed to fill in several gaps in the field of political economy analysis applied to education. An important gap in this area is the lack of a common framework to guide political economy analysis. We have proposed a conceptual framework whose application is manageable and realistic from a TTL's perspective, and can help build a deeper understanding of project-specific political economy issues. The framework includes seven elements of analysis: (1) the **issue** that motivates the analysis, which can be relatively broad (e.g., low quality of education) or more specific (e.g., lack of technical-pedagogical services to support school improvement efforts); (2) the **historical context** in which that issue is embedded, including the sector as well as the national historical context; (3) the **characteristics of the system** in which that issue is embedded, also including sector-specific characteristics (e.g., coverage, quality, efficiency, equity) and national characteristics (e.g., demographic, geographical and economic factors); (4) the **institutions** that shape how decisions are made, including formal rules as well as unwritten but common practices for making decisions and resolving conflicts of interest; (5) the relevant **players**, the way in which they are organized to express their interest, their interests, and the rents they capture from the education system; (6) the **interactions between players**; and (7) the **outcomes** of those interactions, which may include different degrees and types of reform or no reform at all. A more systematic analysis of these issues is not a mere intellectual task, but is likely to shed powerful insights into the political constraints of the sector as well as the *strategic* ways in which reform can be promoted.

Our review of political economy theory and of twelve empirical studies in the political economy of education led us to formulate ten hypotheses about the political economy conditions that facilitate or hinder change in the education sector. Overall, these hypotheses suggest that **there is room to incorporate political economy insights into Bank operations**. Typically, the Bank's dialogue is mostly with the government counterparts. This makes sense in that the lending goes to the government, but dialoguing almost exclusively with the government also imposes limitations to the type of reforms that can be advanced. Our vision for operations is one in which **Bank teams dialogue not only –and sometimes not mainly- with the government but also with key players in the education sector** – whether that be the Ministry of Finance, teacher

organizations, associations of employers, the media, NGOs that represent civil society, NGOs that represent children's interests, or others. A more inclusive dialogue is desirable not based on a rights-based argument about the importance of giving voice to the different groups of society, but rather **from a *strategic* point of view**. First, identifying the players who can benefit from reform, finding a common and tangible interest under which they can be united, and including those players in the debate, may increase the chances of reform. Second, identifying the losers of reform, and engaging with them to understand their interests (which is not the same as understanding their position), may give TTLs ideas on how those players can be compensated. Third, identifying players who are relatively stable in the sector and including them in policy debates can increase the sense that agreements can be enforced over time.

In addition to understanding the players, their interests and how these could be affected by a specific reform, it is important to understand the mechanisms or rules that guide decision-making and conflict mediation in education policy, as well as how those institutionalized practices emerged. Indeed, **institutional and historical analyses can provide a deeper understanding of the sector, how decisions are made, and what are the entry points to advance reform** given a specific institutional arrangement. Moreover, historical analyses can shed light on why certain institutions emerged and how they can be reformed.

The design, implementation and supervision considerations of a specific project depend not only on technical issues, but also on the political and economic factors surrounding the project. A project's success depends on how well it is designed and implemented *given the specific political and economic context* of that project. This context is not static. **The political and economic conditions that affect project design, implementation and supervision considerations will evolve over time**, sometimes dramatically within a few days or months, and the project's success will depend on TTL's capacity to anticipate and respond to the new context. A prior condition to this responsiveness is the regular monitoring of a country's political situation, especially as it affects the education sector. While one-time in-depth analyses can shed light on important issues and also contribute to build the knowledge base, **a specific project is likely to benefit more from regular monitoring of the political situation** than from a one-time in-depth study.

**Our analysis also has implications for the Bank's knowledge agenda.** First, as pointed out throughout the Background Note, there is a need for more **case studies in**

**the political economy of education** and, importantly, for case studies that follow a common analytical framework such as the one we have developed. Two types of case studies are of importance: case studies that focus on current operations and that can inform the design and implementation of the project; and retrospective case studies, that seek to understand the political economy factors behind a successful reform, an ineffective one, or the incapacity to introduce reform in the first place. Indeed, all the TTLs who provided their feedback on an earlier draft of this note expressed interest in promoting or conducting case studies about the political economy of specific education issues that are common to several countries; and all of them supported the use of our conceptual framework for these analyses. Indeed, case studies about key issues and using a common framework are promising in that they can help identify the factors that can generally contribute to address these issues successfully, as well as those factors that will generally hinder the capacity to make improvements in that area.

Second, there is a need for **meta-analyses or comparative studies about certain key topics**, among which we would highlight the importance of understanding better the following three: (i) the role of teachers and teacher organizations in shaping education policy and the ability to introduce reform; (ii) the political and economic factors that shape the capacity not only to approve education reform laws, but also to implement these laws; and (iii) the ways in which the vicious cycle of high social inequality, followed by elite-centered policies, followed by the perpetuation of inequality, can be broken. A better understanding of these issues should preferably be based on case studies that follow a common analytical framework.

The issue of teacher organizations' role in shaping education policy deserves a few comments. Often times, teacher unions are "blamed" for the incapacity to introduce quality-oriented education reforms. Many articles describe teacher unions as the key player opposing well intended reforms. However, it is important to remember that teacher unions are also powerful and influence education policies in several high-performing education systems such as New Zealand or the Netherlands. Indeed, in both countries, representatives of teacher unions occupy political positions. Consequentially, it is important to better understand why teacher unions in some countries constitute an obstacle to reform, whereas in other countries, despite their veto power, they do help in the realization of desirable reforms. In particular, it may be worthwhile to explore two hypotheses. First, *the way in which teacher unions influence* education policy is related to the governance structure of unions (e.g., how union leaders are elected, how frequently they are replaced and whether re-election is possible; whether there are laws

and regulations that that teacher unions be consulted to make certain policy decisions, and/or that they be represented in certain government agencies; the level at which collective bargaining takes place, the number of teacher unions, whether affiliation is mandatory, etc.). Second, the way in which teachers influence policy decisions is related to the form of government (e.g., parliamentary vs. presidential government, with the former typically requiring broader coalitions, consultations being a part of the institutional culture).

The limited set of political economy studies of education within the Bank raises our attention and makes us wonder to what extent this may reflect the fact that education experts at the Bank do not have the necessary skills to engage in such analyses. To address this, the Education Anchor could organize the provision of **training on political economy** theory, concepts and methodology, preferably using a common framework for political economy analysis. The training should be relevant for operational staff; it could include training on how to apply the conceptual framework, examples of how case studies may have contributed to inform an education project design or implementation, and could foster participants to discuss the political economy of their own projects in a systematic manner.

Also in line with providing useful resources to TTLs, the Education Anchor could coordinate the development of a **history of education database** containing two-page summaries of each country's education sector. This way, when a TTL begins to work at a country, he/she can have an initial understanding of the historical difficulties of the sector, the institutional evolution and the extent to which the issues encountered today reflect entrenched long-term dynamics or are the outcome of more recent events.

## References

- Acemoglu, D. and S. Johnson. 2005. "Unbundling Institutions" *Journal of Political Economy*, Chicago University Press
- Acemoglu, Daron and Robinson James. 2002. *Economic Backwardness in Political Perspective*. National Bureau of Economic Research. Working Paper 8831.
- Alesina, Alberto and Allan Drazen. 1991. Why are Stabilizations Delayed? In *The American Economic Review* 81 (5): 1170-1188.
- Ayala, U. 2003. *Obra Escogida*. Ed. F. Barrera-Osorio. Fedesarrollo, Colombia.
- Bates, Robert H. 1990. "Macropolitical economy in the field of development". In *Perspectives on Positive Political Economy*, edited by James E. Alt and Kenneth A. Shepsle. Cambridge: Cambridge University Press.
- Bates, Robert H., Avner Greif, Margaret Levi, Jean-Laurent Rosenthal and Barry R. Weingast. 1998. *Analytic Narratives*. Princeton, New Jersey: Princeton University Press.
- Carnoy, Martin. 1982. Education, economy and the state. In *Cultural and Economic Reproduction in Education*, edited by Michael W. Apple. Routledge: London.
- Drazen, A. 2000. *Political Economy in Macroeconomics*. Princeton University Press. Princeton, New Jersey.
- Fritz, V., K. Kaiser and B. Levy. 2009. *Problem-Driven Governance and Political Economy Analysis*. The World Bank, Washington, DC.
- Gradstein, Mark, Moshe Justman and Volker Meier. 2004. *The Political Economy of Education, Implications for Growth and Inequality*. MIT Press: Cambridge.
- Haggard and Webb. 1994. *Voting for Reform: Democracy, Political Liberalization and Economic Adjustment*. Oxford University Press/The World Bank.
- Hall, P. and R. Taylor. 1996. Political Science and the Three New Institutionalisms. *Political Studies* 44: 936-957.
- Kim, Gwang-Jo. 2002 *Education Policies and Reform in South Korea*. World Bank Document, Washington DC.
- Klees, Steven J. 2008. A quarter century of neoliberal thinking in education: misleading analyses and failed policies. In *Globalization, Societies and Education* 6 (4): 311-348. Routledge: London.



- Grindle, Merilee. 2004. *Despite the Odds, The Contentious Politics of Education Reform*. Princeton University Press: New Jersey.
- Inter-American Development Bank. 2005. *The Politics of Policies*. Coordinated by Ernesto Stein, Mariano Tommasi, Koldo Echebarría, Eduardo Lora and Mark Payne. Inter-American Development Bank: Washington, DC.
- Lora Eduardo and Mauricio Olivera, 2004. "What makes reforms likely: Political economy determinants of reforms in Latin America," *Journal of Applied Economics*, vol. VII, pages 99-135, May.
- Navarro, J.C. 2005. "Two Kinds of Education Politics", Chapter 10, In *The Politics of Policies*, coordinated by Ernesto Stein, Mariano Tommasi, Koldo Echebarría, Eduardo Lora and Mark Payne. Inter-American Development Bank: Washington, DC.
- North, Douglass C. 1981. *Structure and Change in Economic History*. New York: Norton.
- North, Douglass C. 1990. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press.
- Persson & Tabellini. 2000. *Political Economy*. Cambridge, Massachusetts: MIT Press.
- Shepsle, Kenneth A. and Mark S. Bonchek. 1997. *Analyzing Politics. Rationality, Behavior, and Institutions*. New York: Norton.
- Tommasi, Mariano and Pablo T. Spiller. 2001. *The Institutional Foundations of Public Policy: A Transactions Approach with Application to Argentina*. Mimeo, Center of Studies for Institutional Development (CEDI), Fundación Gobierno y Sociedad: Buenos Aires.
- Tommasi, Mariano and Velasco, Andrés. 1995. *Where are we in the Political Economy of Reform?*. Working Paper Number 733, Department of Economics, University of California, Los Angeles.
- The World Bank/Oxford Policy Management. 2008. *The Political Economy of Policy Reform: Issues and Implications for Policy Dialogue and Development Operations*. Report No. 44288-GLB. The World Bank: Washington, DC.

## Selected empirical studies

- Alonso Terme, Rosa. 2003. *The Elimination of Primary Education Contributions for the Poor in Vietnam — A Case Study in the Political Economy of Pro-Poor Policies*. Working Paper. Washington, DC: The World Bank.
- Benveniste, Luis. 2000. Student Assessment as a Political Construction: The Case of Uruguay. *Education Policy Analysis Archives* vol. 8, no. 32.
- Contreras, Manuel and María Luisa Talavera Simoni. 2003. The Bolivian education reform 1999-2002: Case studies in large-scale education reform. *The Education Reform and Management Series* vol. 2, no. 2. Washington, DC: The World Bank.
- Cox, Gary W. and Matthew D. McCubbins. 2001. "The Institutional Determinants of Economic Policy Outcomes". In *Presidents, Parliaments and Policy*, edited by Stephen Haggard and Matthew D. McCubbins. Cambridge: Cambridge University Press.
- Curtin, Timothy. 1993. The political economy of education in South Africa. *African Affairs* 91: 417-430.
- Georgescu, Dakmara and Eugen Palade. 2003. Reshaping education for an open society in Romania 1990-2000: Case studies in large-scale education reform. *The Education Reform and Management Series* vol. 2, no. 3. Washington, DC: The World Bank.
- Grindle, Merilee S. 2004. *Despite the odds*. Princeton University Press.
- Jansen, Jonathan and Nick Taylor. 2003. Educational change in South Africa 1994-2003: Case studies in large-scale education reform. *The Education Reform and Management Series* vol. 2, no. 1. Washington, DC: The World Bank.
- Kingdon, Geeta and Mohd. Muzammil. 2009. A political economy of education in India: The case of Uttar Pradesh. *Oxford Development Studies* vol. 37, no. 2: 123-144.
- Lewis, Maureen and Gunilla Pettersson. 2009. *Governance in Education: Raising Performance*. Working paper. Washington, DC: The World Bank.
- Murillo, Victoria, Mariano Tommasi, Lucas Ronconi and Juan Sanguinetti. 2002. *The economic effects of unions in Latin America: Teachers' unions and education in Argentina*. IDB Research Network Working Paper #R-463.

Pandey, Raghaw. 2000. Going to scale with education reform: India's District Primary Education Program, 1995-1999. *The Education Reform and Management Series* vol. 1, no. 4. Washington, DC: The World Bank.

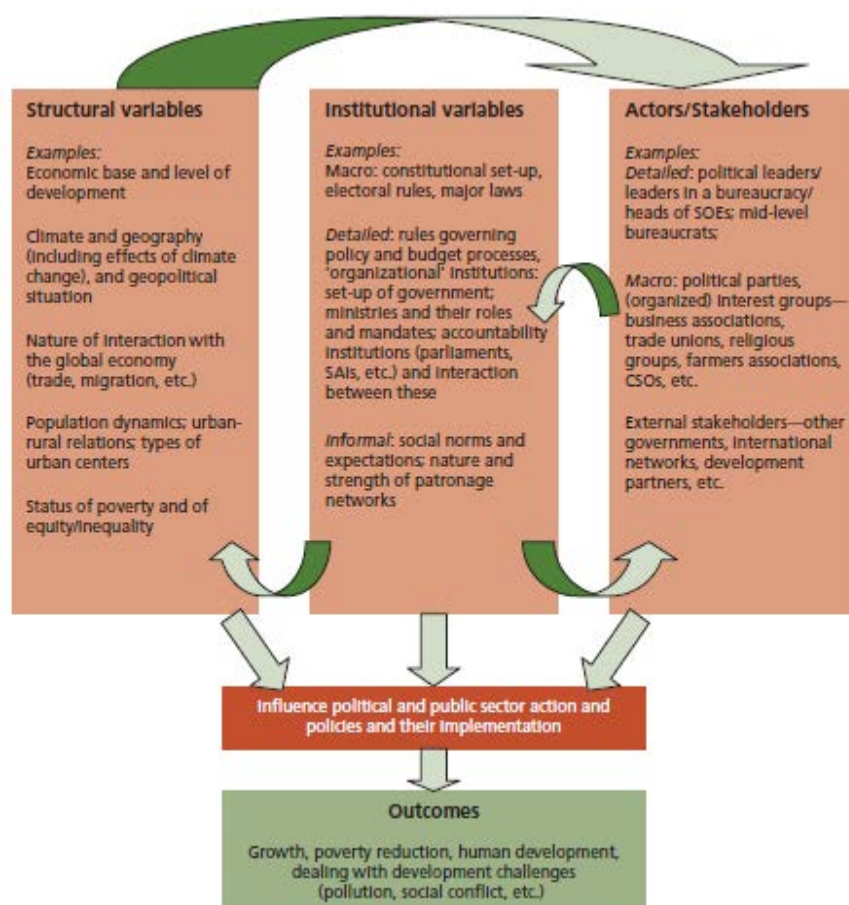
Salmi, Jamil. Unpublished manuscript. *The political economy of tertiary education reform*.

Zegarra, Eduardo and Renato Ravina. 2003. *Teacher unionization and the quality of education in Peru: An empirical evaluation using survey data*. IDB Research Network Working Paper #R-474.

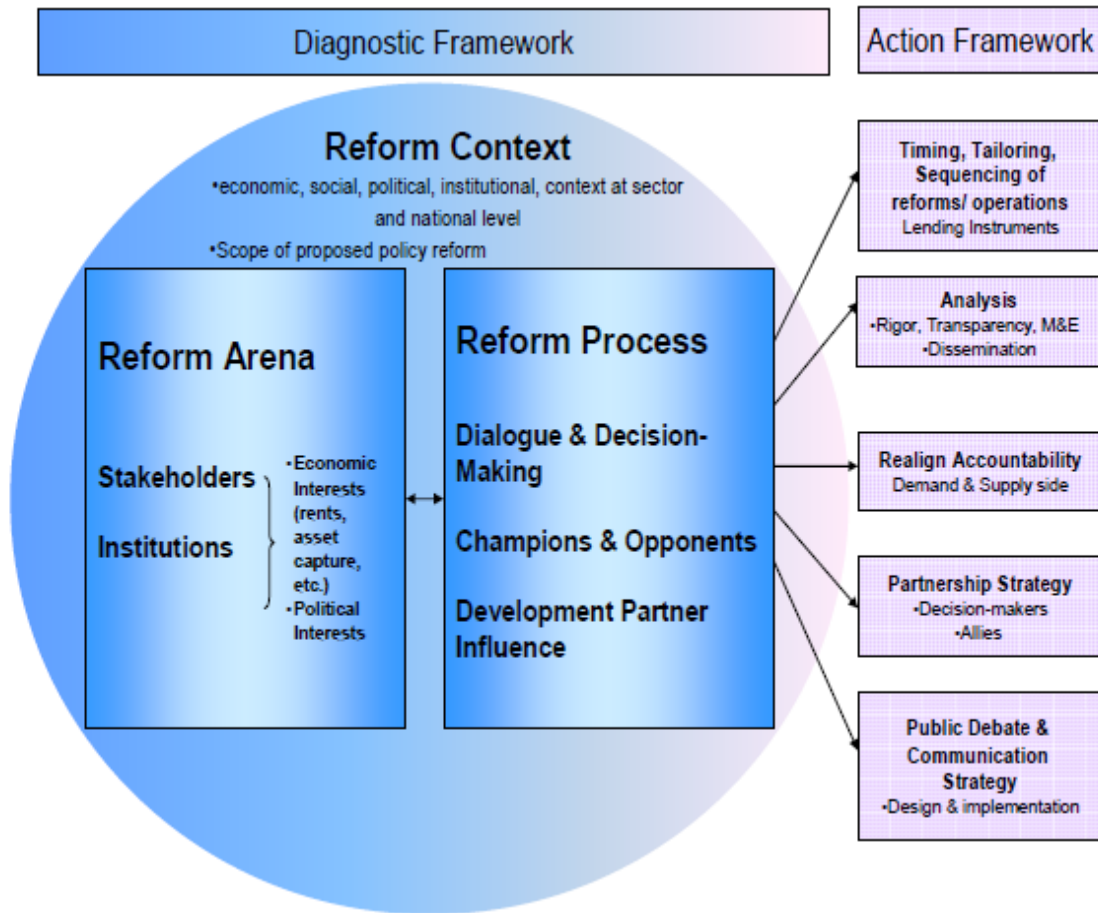
# Appendix 1 – Illustrations of Existing Frameworks for Political Economy Analysis

*Kaiser, Fritz and Levy (2009)*

<b>Problem-driven</b> <b>GPE analysis</b>	<b>What vulnerabilities/challenges?</b>	Evidence of poor outcomes to which GPE weaknesses appear to contribute	E.g.: repeated failure to adopt sector reforms. Poor sector outcomes. Infrastructure identified as constraint to growth but not effectively addressed. Continuous food insecurity. Corruption continues to undermine the business climate even after anti-corruption law
	<b>Institutional &amp; governance arrangements &amp; capacities</b>	What are the associated institutional set-up and governance arrangements?	Mapping of relevant branches of government, ministries, agencies, and SOEs and their interaction. Existing laws and regulations. Policy processes (formal rules and de facto). What mechanisms intended to ensure integrity and accountability and to limit corruption exist?
	<b>Political economy drivers</b>	Why are things this way? Why are policies or institutions arrangements not being improved?	Analysis of stakeholders, incentives, rents/rent distribution, historical legacies, and prior experiences with reforms, social trends and forces (e.g., ethnic tensions), and how they shape current stakeholder positions and actions



*The World Bank/OPM (2008)*



*Inter-American Development Bank (2005)*

