

Creating Partnerships for Capacity Building in Developing Countries

The Experience of the World Bank

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Summary

This paper discusses a variety of experiences in a number of transition and developing countries to build institutional capacity for economics education and research. A flexible approach met with some success at a relatively low cost to the World Bank and recipient countries. The approach uses partnerships that combine the often different needs of a number of private donors with the World Bank on the supply side. Much of the success has been due to adopting each effort to the individual country situation or regional needs. A brief summary is also included of five academic institutions and four research centers/networks in Europe, Africa, Asia, and Latin America.

Contents

Summary	ii
1. Introduction	1
2. Education Capacity	1
Economics Education.....	1
3. Earlier Work in this Area	2
Other Initiatives	2
4. Flexible Partnership Model for Capacity Building	3
Supply Side	5
Demand Side.....	5
5. Nine World Bank-Supported Institutions	6
Accomplishments.....	7
6. Future Needs and Challenges	11
Moving Forward	11
Challenges and Suggested Responses.....	12
Sustainability.....	12
Facilitating Intellectual Interaction	13
7. Conclusion	14
Annex A: Partnerships for Capacity Building	15
Academic Institutions	15
1. New Economic School.....	15
2. The Economics Department at the Central European University.....	16
3. Center for Economic Research and Graduate Education–Economic Institute	16
4. Economic Education and Research Consortium–Kyiv.....	17
5. China Center for Economic Research.....	19
Research Centers and Networks	19
1. African Economic Research Consortium.....	20
2. Latin American and Caribbean Economic Association	21
3. Economic Research Forum for Arab Countries, Iran and Turkey	21
4. Economic Education and Research Consortium–Moscow	22
References	23
Boxes	
Box 1. Flexible Partnership Model	4
Box 2. Other Forms of Support.....	12
Tables	
Table 1. Alumni Employment Statistics (percent).....	8

1. Introduction

The general consensus is that many developing countries lag their developed country counterparts at mastering a combination of economic, social, and political forces in a wide variety of areas. If countries are to achieve their full potential a variety of institutional areas must continue to evolve. The record to date has been a decidedly mixed one. While there have been a number of successes a significant share of capacity building efforts started with the best intentions and made very encouraging starts, only to falter over the longer term. Many explanations are offered ranging from inappropriate design, lack of donor support, and poor local support. What accounts for the mixed record and what can be done better?

2. Education Capacity

Education is essential for building democratic societies and dynamic, globally competitive economies. The challenges of improving educational capacity are complex and long term. They involve understanding the receiving sociocultural environment and its ability to absorb international models. The need to balance these sociocultural values with the desire or ability to emulate more developed countries is different in each situation. For many countries education institutions evolve slowly over time and are often heavily influenced by cultural issues and even ongoing debates on the appropriate role for education. In other countries, notably transition countries, a traditional education system may be viewed as having serious shortcomings and being in need of important modifications.

How one should go about addressing the situation? Do you supplant the domestic with a foreign version? Many attempts to introduce external educational systems in a number of countries have met with indifferent results. Although it is unlikely we will find a unique solution on how best one should go about addressing this problem, much can be gained from actively paying attention to the process of change such that things will self-organize. In this situation it seems advisable to take a careful look at what the record tells us in a number of practical situations.

Economics Education

This paper focuses on one branch of education—economics. Again economics education faces many of its own particular problems. This paper discusses the experience of a number of countries that introduced Western-style programs. Many of these efforts were directed to transition countries, but not exclusively so. The World Bank sought to play a flexible role, sometimes significant, but other times relatively minor, to facilitate this process. This report first describes this flexible model and then outlines a variety of these experiences. Most of these efforts have been quite successful and continue to provide additional insights.

Because the situation differs significantly from one country or region to the next it is very important to get away from the “one-size-fits-all” mind-set. The report discusses a number of different situations and hopefully will afford some guidelines for similar efforts in these countries and other regions where there is significant need.

3. Earlier Work in this Area

An earlier report (World Bank, 2002) includes a description of regional initiatives, such as the African Economic Research Consortium (AERC), the newly established Economic Research Forum (ERF) for Arab Countries, Iran, and Turkey, and a new initiative for East-Central Europe and countries of the former Soviet Union, the Economic Education and Research Consortium (EERC) in Kyiv and Moscow.

The institutions discussed in the report are still in operation and have largely met their expected goals. A recent survey conducted for the report, assessed this progress in terms of students, faculty, and the quantity and quality of research output. Specific details by institution are given in Annex A.

The report offered lessons and identified four important themes for future directions: (1) transition from central planning to market, (2) economic growth, (3) the role of public and private sectors, and (4) the international economy.

Other Initiatives

There have been a variety of initiatives to address the education capacity-building objective where the World Bank has been involved only in a limited extent. These include

- The European Union has adopted a somewhat different approach. They have allocated resources across a wide range. The key elements are research networks based on collaboration among research centers and universities, with a view to encouraging mobility of researchers across countries. It is difficult to assess the European Union contributions, as these are region specific.
- A number of private donors have also sought to address the issue—again with somewhat mixed results. A notable exception has been George Soros and his experience in going solo to set up the Central European University in Budapest. He concluded that if he were to do it again he would move ahead only with the benefit of partners.
- Several countries have an American University. Although the founders and sponsors vary, the name indicates an ambition to set up a U.S.-model university. The American universities tend to be small institutions of high quality. Promising American universities exist in Bulgaria, Armenia, and the Kyrgyz Republic, and they seem to have a good chance of becoming the best institution in their country. (Pleskovic et al. 2000)

The participation of the World Bank together with private foundations has been quite important in building “centers of excellent” in many developing countries. On the one hand the presence of the World Bank is often perceived as a widely recognized seal of approval.¹ On the other hand the presence of private institutions is also seen positively by many as it brings a wider level of experience and is not seen as a strictly Bank affair. It also helps to mollify the perception in some parts that the Bank may be unduly arrogant. Client countries and a number of donor partners have indicated that they tend to view the Bank as relatively objective especially when they operate in full partnership with other donors. This contrasts with some World Bank operations, particularly structural adjustment lending which were often not considered favorably. In countries with a tradition of think tanks, it seems reasonable to assume that similar academic and research institutions would have developed without the World Bank’s intervention, but more likely with considerable delay. For other countries, that is questionable. One may surmise that the Bank, at the very least, substantially accelerated the process of developing regional institutions capable of providing high-quality training and producing economic research that meets international standards.²

In the last few years, attention to capacity building has grown tremendously, and new priorities have evolved. The present report first describes the flexible model. The next section reviews a number of capacity-building activities, most of them supported at some stage by the World Bank and in particular by Research Committee funding. It draws on in-depth information about nine research and training institutions in a variety of countries. It seeks to explore the progress made since the Bank’s early adventures in this field, noting the particular advances in capacity-building partnerships evolving in both regional and international networks. The final section seeks to draw on the experience of the past decade, highlights some of the lessons learned, and suggests some directions for future work in this area.

4. Flexible Partnership Model for Capacity Building

The ultimate objective of the Bank’s support of economic research capacity building is not research itself (although that is important), but to help create and reinforce appropriate sustainable institutions within developing countries to foster the emergence of well-trained professionals ready to contribute to policymaking and teaching at home and to compensate for the “brain drain” of professionals from developing countries.

¹ The Bank provides some comfort to donors. If one were to extend the comparison then recent reviews of structural adjustment lending indicated that substantial institutional development was only achieved in less than 40 percent of operations—a much lower figure than achieved in this approach. See Adjustment Lending Retrospective-OPS, World Bank, June 2001.

² It is notable, for example, that even after a number of years of operation, the ability of the AERC to attract funds from other African nations is quite limited.

Many approaches have been taken to meet this objective, with their degree of success depending on the particular country circumstances and needs.³ In recent years the Bank has found some success with a flexible partnership approach (see Box 1 for more details).

This kind of broad flexible partnership requires a strong catalyst, a role the Bank has successfully filled. This flexibility is important on both the supply and demand side. On the supply side one must be able to adopt to the particular needs of other donors. While on the demand side one must be aware of a particular country features; the sociocultural dimension and the degree to which a new/modified institution fits into overall country needs.

Box 1. Flexible Partnership Model

The flexible partnership model seeks to adapt to varying country needs through collaborative problem-solving and implementation. It is flexible on the supply side as it seeks to work with a variety of donors while it is also flexible on the demand side by having full participation of all the relevant recipients. Above all it seeks to avoid the one-size-fits-all approach. The model has four steps: generation of an idea, assessment of needs, feasibility study, and implementation. The Bank collaborates with all partners at each stage, from idea generation through joint discussion, assessment studies, and implementation. Partners on the donor side include multilateral and bilateral institutions, foundations, and corporations, and on the recipient side they include countries or regions with a wide variety of needs.

The Bank plays a flexible, catalytic role in partnerships for capacity building, participating financially, intellectually, and through its convening power. In some instances the partnerships take the form of a structured consortium with a board of directors and an intermediary advisory board; in others a loose association of donors may suffice. The capacity building itself has also taken several different forms: strengthening research, training economists in Western economics at home and abroad, supporting conferences and dissemination activities, and supporting networks among indigenous and foreign research institutes.

Capacity building in economics education and research is a long-term process. Domestic efforts need to be nurtured on a sustained basis. Some of these institutions have grown, some have consolidated. But none has closed. Their quality has improved. Most still need further financial and intellectual support. The Bank and foundations have benefited enormously from their interaction with each other. Recipient countries have benefited from an efficient, low-cost approach to producing institutions that can turn out an ongoing stream of well-trained economists and domestic policy analysts who can produce research that meets high international standards of quality and peer review.

These partnerships have supported capacity building in academic institutions, research centers and networks, fellowship programs, and conferences. Sometimes these are new

³ These include (i) direct building of capacity through collaborative research projects, visiting fellows, and Bank staff serving as resource persons in the various regional networks, (ii) World Bank Institute and (iii) Bank support for Global Development Network (GDN), see B. Pleskovic, A. Aslund, W. Bader, R. Campbell. 2002. "Capacity Building in Economics: Education and Research in Transition Economies." Policy Research Working Paper 2763. World Bank, Washington, D.C.

activities, but often they are ongoing activities that need to be supported and reinforced in various ways. For donors that seek to contribute to the overall development effort, this partnership model offers a way. And as their priorities change, this model also affords them an exit strategy that does not put the entire endeavor at risk.

Supply Side

Some activities are advanced through small (one-on-one) meetings, some through large meetings of current and potential donors.⁴ These donors often have strong preferences about the activities they are willing or able to support. Many prefer, or are restricted by their mandate, to work in specific geographic regions or countries. For many the potential financing horizon rarely extends beyond three years, but some stay for ten years or more. Some are willing to fund infrastructure, some to provide financing for faculty or research, and some to support foreign students in their country of choice.⁵ This requires a pragmatic level of flexibility on the supply side.

Demand Side

The Bank has conducted several studies to assess overall needs for capacity building in economics higher education and research.⁶ In all instances every effort is made to avoid “aid dependence.” The Bank seeks to reinforce the needs of education and research institutions. It seeks to take a realistic view on what may be feasible given the country’s sociocultural milieu and the actual level of institutional development. In particular the Bank actively seeks a modus vivendi with donors that have strong preferences about what “they are willing to support” by choosing activities in education and research institutions suitable for their preferences

⁴ A May 22, 2001 meeting at World Bank co-chaired by James D. Wolfensohn and George Soros, brought together approximately 50 representatives from foundations, government agencies, and corporations that pledged contributions or matching funds (for a detailed description see “Investment with a High Return: Supporting Economics Education and Research in Transition Countries. Minutes from a High Powered Meeting on Building Private-Public Alliances for Economics Education and Research in Countries of the Former Soviet Union and East-Central Europe.” *Transition*, Richard Hirschler, editor, Vol. 12, No. 2, April-May-June 2001, p.1, 3-7). <http://www.worldbank.org/transitionnewsletter/>

⁵ For example, the Swedish government financed students from Belarus at the EERC in Kyiv.

⁶ For example, in 1995, the Eurasia Foundation and the World Bank sponsored an assessment study of economics education and research in Russia and Ukraine (see G. Ingram, B. Pleskovic, K. Wittenben. 1995. “Critical Economics Education and Research Needs in Russia and Ukraine”. Washington D.C.: World Bank). Later in 1999, the Open Society Institute, Eurasia Foundation, Starr Foundation, and the World Bank sponsored a comprehensive survey assessing the state of economics education and research in twenty transition countries of East-Central Europe and the former Soviet Union (for more information see B. Pleskovic, A. Aslund, W. Bader, and R. Campbell. 1999. “Proposed Strategy to Address Critical Economics Education and Research Needs in Transition Economies.” Washington D.C.: World Bank. Processed).

The whole enterprise seeks to strike a balance between demand and supply. In most instances the partnership starts with the research institutions themselves and helps them develop a strong program rather than starting at the other end by helping donors find activities they can support. This has led to the adoption of the flexible partnership model. The evolution of this program is highlighted by descriptions below of nine capacity-building activities, five involved primarily with graduate economics education and four with research networks or centers.⁷

5. Nine World Bank-Supported Institutions

The Bank has participated to a varying degree in a number of institutions. This report focuses on nine of these which provides a wide degree of heterogeneity. These nine institutions include five institutions of higher education, offering economics training at the graduate or postgraduate level, and four research networks or centers, funding research projects and building linkages between individual researchers and research institutions, primarily in their respective regions.

The training institutions include the following:

- Economics Department at the Central European University (CEU) in Budapest
- Center for Economic Education and Graduate Research-Economic Institute (CERGE-EI) in Prague
- China Center for Economic Research (CCER) in Beijing
- Economic Education and Research Consortium's M.A. program at the Mohyla Academy (EERC) in Kyiv
- New Economic School (NES) in Moscow.

The four research networks and centers are as follows:

- African Economic Research Consortium (AERC) in Nairobi
- Economic Education and Research Consortium (EERC) in Moscow
- Economic Research Forum (ERF) for Arab Countries, Iran and Turkey in Cairo
- Latin American and Caribbean Economic Association (LACEA).

East Asian and Southeast Asia are covered by research networks created in 1998 by the Global Development Network.⁸

As experience with this approach increases, it is expected that these programs can be extended to address needs in other countries. A recent review of higher education has

⁷ CEU is discussed in this report but it was not included in the survey as it had a secure funding base from George Soros.

⁸ These are the Southeast Asian Network of Economic Institutions (SANEI) based in New Delhi and the East Asian Development Network located in Singapore.

suggested a number of areas that could benefit from similar programs. (Salmi, 2002) While these capacity-building programs share the same long-term objective—strengthening indigenous capacity to conduct sound economic policy research—the activities designed to fulfill this objective vary, reflecting differing needs in the recipient countries and the availability of donor support. A brief overview summarizes progress over the last five years in faculty development, student body, placement of graduates, research activity, and research output. (World Bank, 2002). Further details are given in Annex A.

Accomplishments

Both the academic institutions and the research centers and networks supported through partnerships for capacity building are thriving. The results to date show that the overall program has been extremely effective, with high returns. Ironically these programs have a very low cost both to the Bank and recipient countries.

Education and Training

The five academic institutions highlighted in this report are progressing well. They are expanding and consolidating. The number of faculty has doubled (from 71 to 143), and the number of students has more than tripled (from 663 to 2,324). Institutions that focus predominantly on training future policymakers, educators, and researchers have introduced new programs: a double-major B.A. program and a new MBA program at CCER in Beijing, a new Ph.D. program in economics at the AERC in Nairobi and CEU in Budapest, and an economic policy research program at EERC in Kyiv. NES in Moscow also plans to introduce a Ph.D. program soon.

Data on graduates of these institutions provide a good indicator of program quality. Many M.A. graduates continue their studies at top universities in the West—40 percent from both EERC-Kyiv and NES in Moscow. Others have found employment in large domestic corporations, think tanks, and research institutions. Still others have chosen to influence policymaking by working in the public sector—about 40 percent of AERC graduates and 19 percent of CCER's M.A. graduates (Table 1). It is notable that fewer graduates have entered public service in the transition economies of East-Central Europe and the former Soviet Union. This appears to be mainly a transition phase and is expected to improve as the incentives, especially salaries in the public sector, become more attractive.

Graduates hold high-level positions in the public sector. Many AERC alumni, for example, are now prominent in the administrations of their countries: the Deputy Governor, Bank of Uganda; Senior Economist, the Treasury in South Africa; and Director of Research, Bank of Mozambique, to name a few.

Regional coverage of students and faculty remains unequal, but is improving. NES has entered into a partnership with a number of regional universities (Voronezh State University and Urals State University in Yekaterinburg, among others) to upgrade

Table 1. Alumni Employment Statistics 2000 (percent)

	AERC		CCER		CERGE-EI	EERC-Kyiv	NES ^c
	MA	PhD	BA	MA	PhD	MA	MA
Government agencies/ministries	40	..	8.0	19.0	3.9	3.0	6.3
Finance	7.50	..	6.0	70.0	15.4	20.0	16.0
Corporations	..	..	32.0	9.0	7.7	14.0	10.5
Academic institutions	10	87	4.0	1.0	26.9	3.0	40.0
Policy think tanks/research centers	3	..	..	1.0	23.1	34.0	26.0
Regional development banks (i.e. EBRD, ADB)	..	..	..	..	11.5	2.0	..
International financial institutions (i.e. WB, IMF)	..	2	..	..	7.7	6.0	5.2
Other ^b	39	11	50.0	..	3.9	18.0	18.0

^aAlumni record since inception of the institution.

^bOther includes NGOs, business owners, consultancies, and the like.

^cThe data sum to more than 100 percent because many graduates are employed in more than one sector.

and modernize economics teaching and research. Through a series of intensive workshops, the partnership has already helped to provide training in modern economics and econometrics to 200 economists, mostly from outside Moscow.

Research

Both the amount of research and its quality have improved at academic institutions and research centers and networks. For example, in five years, the number of completed research projects has increased from about 45 to 200 and the number of in-house publications has more than doubled, from about 108 to 265. There are some notable differences between institutes. For instance, both the EERC in Kyiv and NES in Moscow focus on training, so their research output is primarily students' theses. AERC's research output in number of projects completed may seem small relative to the institution's budget, but AERC works on a number of large collaborative projects. Thus far, four large projects have been carried out on growth, trade policy (Africa in the world trading system), poverty, and aid effectiveness. Standards have improved as well, with rigorous peer review and methodology workshops. The number of articles published in international, refereed journals has increased from 85 to 317—a good indication of the high quality of the research being produced. Researchers and faculty are attending more international conferences and presenting papers.

Institutions are also producing policy-relevant research, related to each country's needs and this research is reaching domestic economic policymakers. For instance:

- Since its establishment in 1994, the CCER has been a key participant in almost all policy dialogue in China. It was invited to submit an independent version of the 10th Five-Year Plan, which was used as a reference during the drafting of the

official five-year plan. Much of CCER's research, such as on the Yellow River Irrigation Project and the Rural Poverty Alleviation Project, has contributed to Chinese policy.⁹

- In 1994, the Prague Center for Economic Research and Graduate Education–Economic Institute (CERGE–EI) was chosen over six other institutions to become the official advisory body to the Czech government on entry into the European Union. Over the years, CERGE–EI has provided advisory and consultation services to government officials and members of parliament.
- The Economic Education and Research Consortium in Moscow and the Economic Research Forum for Arab Countries, Iran, and Turkey (ERF) in Cairo organize and fund periodic country-level meetings with policymakers on specific topics.
- Researchers affiliated with the research centers and networks also hold prominent government positions. ERF members, for example, have become ministers of economy, finance, economic development, economic planning, and education and higher education in their countries.
- As part of its outreach to policymakers, the AERC has held five Senior Policy Seminars. The latest, held in Dar in February 2002, brought together approximately 80 policymakers from 19 countries (8 Francophone), including several ministers. This provided an opportunity for African policymakers (many involved in the Poverty Reduction Strategy Paper process) to interact with their own research and analytic communities. One of the five days of the seminar was devoted to reviewing the study *Can Africa Claim the 21st Century* (Gelb, Alan. 2000) produced jointly by the Bank (including DEC as a partner) and a number of African institutions, including the AERC. *Aid and Reform in Africa* (Shantayanan Devarajan, David Dollar, and Torgny Holmgren, eds. 2001) was also presented.

Regional coverage of researchers and network membership remains unequal. Some countries continue to lag in developing indigenous capacity for economic research. Among them are Djibouti, Mauritania, Somalia, and Yemen, and in the Middle East and North Africa Region and Kyrgyz Republic, Tajikistan, and Turkmenistan in the Europe and Central Asia Region. Coverage remains particularly uneven in Europe and Central Asia, where three subregions (the Caucasus, Central Asia, and Southeast Europe) are not adequately served by existing academic institutions and research networks.¹⁰ EERC in Moscow continues to progress as it strengthens the research skills of less experienced researchers. Quarterly methodology seminars provide intensive training in specific

⁹ Other CCER research that contributes to policy in China includes: China's Future in the Internet, New Village Movement, Food Security Project, Telecommunications Reform, and Experiment for Private Banking System in China.

¹⁰ The report identified these three regions as being under-served and underfunded and recommended the establishment of a three regional "centers of excellence" (see B. Pleskovic, A. Aslund, W. Bader, and R. Campbell. 1999. "Proposed Strategy to Address Critical Economics Education and Research Needs in Transition Economies." World Bank, Washington D.C. processed))

research techniques. Both the summer school and seminars aim to strengthen the research resources available to network members and aspiring research applicants. To date, approximately 400 Russian economists have been trained. In 2000, EERC began to provide participants with modest research development grants and to put them through an annual cycle of intensive training in research methodology, internships at leading research and higher education institutions, and specifically designed research development workshops. With the support of the Global Development Network, EERC also created the Transition Economics Research Network, which is gradually drawing scholars from other countries in the region into EERC's research and training activities.

Networking and Dissemination

During the last five years membership in the networks has grown prodigiously, with individual memberships rising from 550 to 2,770 and institutional memberships from 127 to 280. Networks have introduced new information technology to help reach out to an ever-increasing number of economists, educators, students and policymakers in each region.

Funding

Faced with ongoing financial constraints, institutions have begun to diversify funding and revenue sources in innovative ways. Funding for the nine academic institutions and research centers and networks comes from a large number of sources, with private foundations contributing the largest amounts, followed by extraregional government agencies.

Institutions are preparing business plans to achieve a sustainable balance between overall aims and resource availability. Some are setting up endowments (CERGE–EI, CEU, ERF, and NES) or implementing tuition and loan schemes (CCER, NES, EERC and others), and a few have increased their fundraising capacity by creating U.S.-based tax-exempt private foundations. A recent report by the EERC (Hewer, 2003) provides information on financial management of the Kyiv-Mohyla Academy. The M.A. program introduced tuition fees in 2002–2003 academic year. Their contribution represents about 20 percent of the full cost of tuition. It is expected to create a financial aid system similar to that in North America. Further support comes from a variety of foundations. In order to ensure sustainable financial support over the medium to longer term it would also help if they could obtain a significant endowment. As the economy develops some domestic entrepreneurs may be encouraged to do this, probably in return for having their name appropriately enshrined. Survey responses indicate that when institutions mature, there is an increased focus on raising money locally. Several institutions have been particularly successful in securing revenue from an ever-increasing number of sources. CCER, for example, raised 78 percent of its revenue from four sources: tuition (US\$156,000), evening courses (US\$51,000), research contracts (US\$116,000), and an individual donation of US\$2 million. CERGE–EI has financed regular increases in its operational budget through support from the Czech government (40 percent of its annual budget),

foundations, and corporations. It is one of the few institutions that has successfully raised money from the private sector at home and abroad—23 percent of revenue in 2000.

6. Future Needs and Challenges

The Bank has done much to shape this partnership model for building capacity in economics higher education and research, a model that has proven very effective, at low cost to the Bank and recipient countries. Additional challenges lie ahead.

Moving Forward

A key feature of this model is collaboration between partners at all stages while at the same time being flexible enough to accommodate most constraints that each faces. The Research Committee's role in the process is that of incubator and review board for grant renewals. Typically, the early stages of the process are funded by the Chief Economist's Office, and results are reviewed by the Research Committee. Formal proposals have been co-funded through the Research Committee's budget (Research Support Budget), which allocates up to 10 percent of its annual budget for capacity building activities. Combined, institutions like AERC, EERC, ERF, and CCER have received Research Support Budget funding of around \$500,000 a year.¹¹

Some institutions may need ongoing help, but the main role of the Research Committee is to get these institutions up and running by conducting studies, organizing meetings of potential donors, and rigorously reviewing funding proposals (three year cycle) and recommendations for implementation. As the institutions mature, financing may be transferred to the Global Development Facility (GDF), as has been the case with AERC and CERGE in recent years. In addition to financing, the Bank provides ongoing intellectual support, through collaborative research, internship programs, and lecture series (see Box 2).

¹¹ EERC, co-founded by the World Bank and the Eurasia Foundation, has raised over US\$25 million since its establishment in 1996. The World Bank contribution has been less than ten percent.

Box 2. Other Forms of Support

In addition to the partnership model highlighted in this report, the Bank uses many other approaches to strengthen research capacity in its client countries. It administers several research fellowship programs, designed to bring promising researchers from developing countries to the Bank. The World Bank Institute offers short-term training for policymakers, and the Development Economics Research Group increasingly conducts collaborative research projects with researchers and research institutions in client countries.

Fellowship Programs

Several Bank-sponsored fellowship programs also contribute to the Bank's support of research capacity building. The Visiting Research Fellows Program (VRFP) and the Robert S. MacNamara Fellowship Program (RMFP) attract the best scholars from around the world. VRFP brings research fellows from developing and industrial countries to the Bank's headquarters to conduct their own research, while contributing to the Bank's ongoing research and enhancing its lending operations. The RMFP is an in-country research program, with strong policy applications, open to developing country nationals only. The program's social networks, local contacts, and institutional support enable research fellows to carry out high-value empirical studies directly relevant to the needs of their countries.

Whether in Washington, D.C. or in-country, research fellows receive technical and logistical support from World Bank staff and specialists and benefit from the Bank's substantial policy experience and rich data sets.

Challenges and Suggested Responses

The academic institutions and research centers and networks reviewed in this report are at different stages of development—some have a decade of experience, while others are just starting out. They also face different political, economic, and social conditions, so future needs and challenges differ. The two key challenges in moving forward are ensuring sustainability for these institutions and helping them maintain a strong intellectual relationship with the Bank—a desire expressed by all of them.

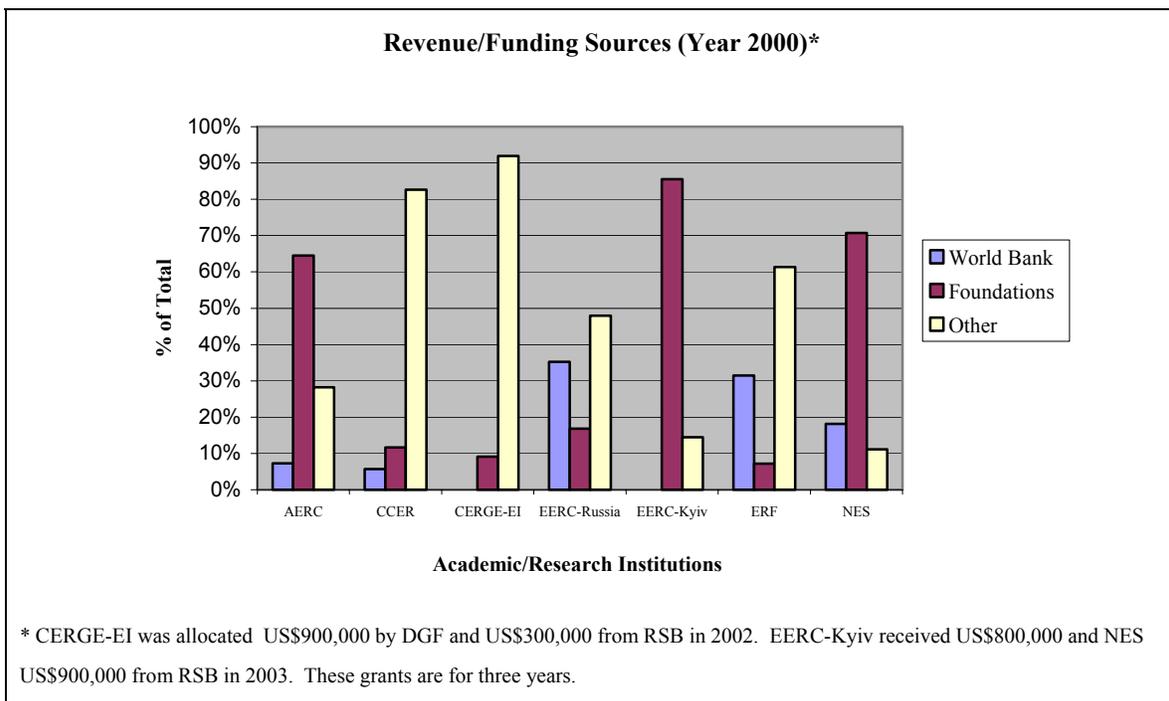
Sustainability

Securing long-term financial sustainability is crucial for the survival and growth of the institutions and networks discussed in this report. Private U.S. foundations—the major source of funding for this type of activity—tend to change their funding priorities over time. They also tend to have a three-year horizon in their budgeting cycle. Survey responses indicate that institutions and networks are concerned about the growing tendency to attach strict conditions to relatively small grants and the declining number of grants that can be used for core activities. While institutions are responding in creative

ways—setting up endowments, increasing cost-recovery activities, increasing domestic fundraising efforts—the need for external assistance remains in most cases.¹²

The Bank’s convening power within the donor community and its catalytic role in capacity building are widely acknowledged. It has helped to raise a large portion of the total revenue needed to run the institutions described in this report—US\$24 million in 2000 (see Figure 1). The Bank’s contribution to this total was about US\$1.5 million, or 6.25 percent. Much creative leverage has come from this small amount of Bank funds. And much capacity building has taken place in so many regions for so little.

Figure 1. Total Revenues Needed for Academic and Research Institutions



Facilitating Intellectual Interaction

The Bank’s relationship with many of the institutions reviewed here has also involved intellectual support, from collaborating on Bank research to drawing on Bank staff for assistance in preparing business plans and grant applications, organizing donor meetings, preparing background material, cosponsoring regional conferences, and working with the World Bank Institute to develop distance learning programs.

¹² An exception is CEU where George Soros has given \$US250 million in 2001 to establish an endowment.

Survey responses indicate that there is a critical need for increasing such collaboration. With the increased decentralization of the Bank, consideration should be given to temporary assignments of research staff to country institutions or Bank country offices. This could be encouraged by extending the fellowship programs, for instance, or providing development assignments. The Bank might also consider making staff available for short periods to participate in research centers workshops by presenting recent research findings, conducting methodological seminars, or conducting guest lectures. The benefits of continued and strengthened intellectual interaction accrue to everyone involved.

If sustainability and intellectual interaction can be strengthened during the coming years, under the Development Economics, Partnerships, Capacity Building and Outreach (DECPO) continuing leadership, there is every reason to expect that these successes in capacity building will be maintained and strengthened.

7. Conclusion

If countries are to “move toward” their full potential to create and evaluate economic policies a variety of institutional areas must evolve. Various efforts at large-scale changes such as Bank-sponsored structural reforms have not been particularly successful. This paper discusses efforts at reform of economic graduate education which have been successful. These efforts have been characterized by a flexible approach. The Bank has sought to work with a number of private foundations considerate of their needs while at the same time developing programs that were amenable to each country or region’s particular circumstances. Much of this success may be attributed to getting away from the rather heavy handed, one-size-fits-all approach that has characterized other capacity-building efforts.

Annex A: Partnerships for Capacity Building

This annex describes the five academic institutions and four research centers and networks.

Academic Institutions

The five institutions described here offer degree programs in economics at the graduate level. They also conduct in-house economic research, and a few maintain regional research networks. Four are located in Europe and Central Asia and one in China.

1. New Economic School

The New Economic School (NES) in Moscow was the first nonstate-run graduate school of economics in Russia. It was founded in 1992 as a partnership of the Central Economics and Mathematical Institute (CEMI) of the Russian Academy of Sciences, the Hebrew University in Jerusalem, and Moscow State University, with initial financial support from the Soros Foundation.

The annual operating budget is about US\$1.5 million, and the cost per student per year is about US\$8,000 for the first year and US\$12,000 for the second year. Currently, NES receives financing from Citicorp Foundation, Eurasia Foundation, Ford Foundation, John D. and Catherine T. MacArthur Foundation, Soros Foundation (through the Higher Education Support Program), and the World Bank. Its business plan, developed with support from the Eurasia Foundation, the International Center for Higher Education, and the World Bank, anticipates that students will pay an increasing share of the costs through tuition and student loans.

The school offers a two-year M.A. program in modern economics. It admits about 50 to 60 students a year, roughly half coming from Moscow, most of the rest from other Russian cities, and a few from other former Soviet republics. Nearly 45 percent of its graduates have gone on to pursue Ph.D. studies at top quality universities in the West, a strong indicator of program strength. A number of graduates work for the Russian government, including the Deputy Minister of Economics, economic advisors to the Ministry of Economics, and experts on an advisory group for the Ministry of Finance. Over the last few years, NES has been increasingly successful in building a permanent Russian faculty. Today, 80 percent of the faculty is Russian, and reliance on visiting faculty from the West has declined from 19 to 8 in the past five years.

Research is organized by projects, most focusing on the Russian economy. Over the last five years research activity and output have increased considerably. The number of researchers has risen from 6 to 9 and number of articles published in refereed journals from 8 to 12.

2. *The Economics Department at the Central European University*

Central European University (CEU) was established in 1991 to promote educational development throughout Central and Eastern Europe and the former Soviet Union. The university was founded and funded by George Soros. CEU's Economics Department was started a year later in 1992 at its Prague campus and in 1995 it moved to the Budapest campus. Today, CEU's Economics Department offers two programs: a two-year M.A. program and a new four-year Ph.D. program.

Last year, the department admitted 50 M.A. and 8 Ph.D. students. It plans to increase the number of Ph.D. students to 14 in 2001/02. Largely due to the extensive Open Society Institute network, students are recruited from virtually all countries in East-Central Europe and the former Soviet Union. Before the establishment of the new doctoral program, almost half the M.A. graduates continued their studies at Ph.D. programs in the United States and Europe. Roughly half of the M.A. graduates go straight into full-time jobs, largely in the public and private sectors in their home countries.

The teaching staff has developed from a largely visiting faculty to a stable body of permanent and returning visiting faculty (16 permanent and 24 visiting professors in 2001). Like the student body, the faculty is diverse; half are nationals of countries in the region—largely due to CEU's active regional recruitment efforts. In recent years, CEU has managed to attract back as professors four graduates who earned their Ph.D.s abroad after completing their M.A.s at CEU.

The aggregate departmental budget is approximately US\$910,000. Funding comes from a single source—the Soros Foundation.¹³ The World Bank and the World Bank Institute have been working on helping CEU develop a new M.A. in Public Policy. The Bank has also been asked to help strengthen the new Ph.D. program through collaborative research, guest lectures, and dissemination of Bank literature.

3. *Center for Economic Research and Graduate Education–Economic Institute*

The Center for Economic Research and Graduate Education (CERGE) in Prague was established in 1991 and became CERGE-EI in 1993 when it merged with the Economic Institute. Affiliated with Charles University and the Academy of Sciences, CERGE–EI focuses on educating businesspeople, policymakers, researchers, and future educators.

¹³ At a meeting in Berlin in 1999, George Soros stressed the need for working with partners. He admitted that “while he had no regrets about working alone during the early years of transition, if he was to start the Central European University today, he would not do so as a sole funder.” (See “Minutes of November 6, 1999, Meeting on Economics Education and Research in the Countries of the Former Soviet Union and East-Central Europe.” Berlin, Germany: World Bank.)

Its four-year Western-style Ph.D. program stresses the relationship between education and research—a relatively new concept in this part of the world.¹⁴ In 2000 CERGE–EI became the first institution in the region to receive U.S. accreditation for its Ph.D. program in economics.

Over the last five years, CERGE–EI has grown in numbers of faculty (from 13 to 20) and students (from 93 to 156). Because CERGE–EI has one of the better established Western-style Ph.D. programs in the region, it attracts students and faculty from many countries. Regional coverage has remained stable, with some 70 percent of students coming from countries in East-Central Europe and the former Soviet Union. Dissemination activities have increased significantly. The number of articles published in refereed journals and working papers and periodicals has more than doubled to reach 37 and 56, respectively. Staff members present papers at EU conferences. As the Global Development Network (see section 4) hub for Eastern Europe, CERGE–EI also maintains a newly created regional network, which includes seven research institutes.

CERGE–EI’s annual budget is approximately US\$2.5 million, and the average cost per student per year is about US\$13,000. Domestic and international supporters of CERGE–EI are listed on the school’s Web site.¹⁵ They include founders, patrons, donors, and contributors. Major founders are Citigroup Foundation, Ford Foundation, Andrew W. Mellon Foundation, Pew Charitable Trusts, European Union Tempus/Phare program, U.S. Agency for International Development, World Bank, and Government of the Czech Republic.

4. *Economic Education and Research Consortium–Kyiv*

Established in 1996 in Kyiv, the Economic Education and Research Consortium (EERC) was implemented by the Eurasia Foundation and affiliated with the Kyiv-Mohyla Academy.¹⁶

The budget for the program has averaged US\$1.5 million a year. The World Bank and the Eurasia Foundation, the initial cofunders, continue to support this operation, along with other donors. Additional resources are expected to come from tuition payments and from new donor partners, mainly foundations and extraregional government and multilateral agencies

EERC is funded and governed by a consortium of donors, which currently includes the Carnegie Corporation of New York, Eurasia Foundation, Ford Foundation, Government of Sweden, Open Society Institute/Soros Foundation, Royal Norwegian Ministry of Foreign Affairs, Starr Foundation, World Bank, and Global Development Network. Other major contributors include the Citigroup Foundation, Government of

¹⁴ In the Soviet tertiary education system research activities were usually not university-based.

¹⁵ (http://www.cerge-ei.cz/foundation/our_supporters)

¹⁶ Currently, EERC is transitioning to becoming an independent organization.

Finland, and Pew Charitable Trusts. Donors are represented on the governing board. The donor consortium also established and funded the EERC Research Program in Moscow (see section on research centers and networks, below).

Kyiv-Mohyla Academy has awarded a total of 217 diplomas to students who have completed the M.A. program in economics. It is expected that forty to fifty students will finish the program each year, swelling the ranks of *a new generation of economists and policymakers for Ukraine, Belarus, and Moldova*. In its first seven years, the master's program at Kyiv-Mohyla Academy has:

- graduated six classes;
- placed approximately 30% of graduates in policy-related positions in Ukraine, about 20% in the private sector, and about 45% in postgraduate programs abroad;
- brought back twelve Western-trained Ukrainian Ph.D. graduates and doctoral students for short and long term teaching and research assignments.

One of the results of the seven-year activity of EERC program is that Ukrainian government structures have started to realize the value of EERC education and graduates. Every year Ukrainian Parliament, National Electricity Regulatory Commission, the National Bank of Ukraine, and other government agencies employ more and more graduates.

“Indigenization” strategy. In March 2003, the Consortium and Kyiv-Mohyla Academy presented three-year business plan reflecting a cohesive indigenization strategy to four key donors—the Swedish Ministry for Foreign Affairs, the Eurasia Foundation, the Open Society Institute, and the World Bank. The donors approved the business plan and committed to fund the M.A. program for three more years. The business plan addresses three areas crucial to indigenization — academic staffing, program administration, and financial management. The Action Committee consisting of the representatives of EERC and NaUKMA administration will be working on implementing the plan.

Local fundraising successes. One of the most important steps in the process of integration EERC master's program in economics with Kyiv-Mohyla Academy is the local fundraising campaign that has been actively started in 2002, and will be continued and significantly strengthened locally during the nearest years.

Research and Outreach Center. The EERC M.A. program and Kyiv-Mohyla Academy have recently received funding confirmation from the World Bank in the total amount of US\$900,000 during fiscal years 2004-06 to support the creation of an Economic Research and Outreach Center (EROC). The Center will provide a research home for Ukrainian Ph.D.'s trained abroad returning to Kyiv to begin their academic careers. The Center will also serve as a resource for economists throughout Ukraine, Belarus, and Moldova. The Center's activities will focus on the following three research areas: labor markets and social policy; corporate governance and enterprise and sector performance; international trade, money, and finance.

5. *China Center for Economic Research*

The China Center for Economic Research (CCER) at Peking University was established in 1994.

CCER has been very successful in diversifying its sources of revenue. In 2000 it raised some 11 percent of its operating budget from three relatively new funding sources: tuition, evening courses and workshops, and research contracts and consultancies. In 2000 foundations were the largest contributor to CCER (US\$350,000), followed by the World Bank (US\$170,000).

Its long-term objective is to modernize economics education and research and to become a hub for interactions among economists on economic reform and development issues in China and other countries. Its activities include education, research, dissemination, and networking. CCER offers B.A., M.A., and Ph.D. programs in economics and an MBA program.¹⁷ CCER has grown rapidly over the last five years; faculty has tripled from 6 to 18, and enrollment has increased from 342 to 1,747.

A major objective of CCER's research activities is to reverse the brain drain by repatriating Chinese economists to teach and conduct research. Three programs are designed to meet this objective: Visiting Fellows Research Program,¹⁸ Fellowship Program for overseas economists who are Chinese nationals, and special scholarships for new CCER professors. CCER is progressing toward this objective: the number of permanent researchers has increased from 1 to 9, and it also has the largest concentration of Western-trained Ph.D.s in China.

Research activity has increased dramatically over the last five years. In-house publications went from 18 to 118, articles in refereed journals from 21 to 210, and conferences and workshops from 40 to 65. CCER's links to the China Economics Network (CEN), which brings together 360 researchers and 218 institutions representing 16 countries, allows its research to have a greater impact on economists and others in the region that focus on issues relevant to China's economic development.

Research Centers and Networks

In regions where research infrastructure is weak, the World Bank supports research centers and networks to foster the exchange of knowledge, ideas, and skills

¹⁷ Established in 1998, the Beijing International MBA (BiMBA) is a joint program with Beijing University and a 26-member Jesuit Business Schools Consortium. The program is the first international MBA granted at Beijing with the official of the China State Council.

¹⁸ The program, supported by the World Bank, is modeled on the World Bank's Visiting Research Fellows Program, which is administered by Development Economics, Capacity Building, Partnership and Outreach (DECPO).

among researchers and research institutions. The six research centers and networks discussed here support economic policy research by administering highly competitive grant programs, coordinating stringent peer review processes, sponsoring regional conferences and workshops, and disseminating research findings.

1. African Economic Research Consortium

The African Economic Research Consortium (AERC) was established as a research center in 1988, with a secretariat in Nairobi, Kenya.

Today, AERC works to strengthen local capacity for conducting rigorous, independent inquiry into issues affecting economies in Sub-Saharan Africa. AERC focuses on research, training, and dissemination. It was a model for the Economic Education and Research Consortium in Moscow and the Economic Research Forum for Arab Countries, Iran, and Turkey (described below).

AERC conducts research in-house and administers a small grants program for researchers in academia and policymaking institutions. AERC has supported 280 research projects, and the number of participating researchers has grown from 40 to 200 since its inception. It has carried out four major collaborative research projects on growth, trade policy (Africa in the world trading system), poverty, and trade effectiveness. The work on trade played a considerable role in furnishing the analysis for Africa's submission to Doha.

In academic year 1992/93, AERC began to administer a two-year collaborative M.A. program with students and faculty from 20 universities in 15 Sub-Saharan African countries. Over the past five years the number of faculty and researchers remained stable, and the number of students increased moderately from 170 to 202. Since its inception, AERC has educated approximately 800 students. Nearly all of AERC's faculty and researchers with Ph.D.s earned their degrees from universities in Sub-Saharan Africa. AERC's M.A. program is truly a regional institution, having increased its geographic coverage from 7 countries to 22. At the doctoral level AERC has supported students through thesis grants and fellowships and most recently established a new Ph.D. program, which aims at educating 300 Ph.D.s over the next eight years.

Initially established by the Rockefeller Foundation, AERC is now funded by 15 donors. Twelve funders are also part of the Consortium: the Canadian International Development Agency, UK Department for International Development, Ford Foundation, International Development Research Centre of Canada, John D. and Catherine T. MacArthur Foundation, Danish Ministry of Foreign Affairs, Dutch Ministry of Foreign Affairs, Government of Norway, Rockefeller Foundation, Swedish International Development Agency, Swiss Agency for Development Cooperation, U.S. Agency for International Development, and the World Bank. Funders that are not consortium members include the African Capacity Building Foundation, African Development Bank, and European Union. AERC's budget is approximately US\$7.0 million a year.

The Bank also provides intellectual support to AERC. For example, Bank staff act as resource persons at AERC research meetings and work closely with AERC researchers on collaborative projects.

2. *Latin American and Caribbean Economic Association*

The Latin American and Caribbean Economic Association (LACEA) was established in Buenos Aires in 1992. The network has been able to expand its activities mainly because of financial support from the Global Development Network (through the Development Grant Facility) and modest grants from the Research Committee. It has received about US\$500,000 a year from the Global Development Network and US\$30,000 from the Research Committee for the last four years to cofinance annual conferences.

With more than 700 members representing 16 countries in the region, it is the largest organization of Latin American economists. Its mission is to encourage greater professional interaction among researchers and practitioners whose work focuses on the economies of Latin America and the Caribbean; to encourage research and teaching related to the region; and to support programs, meetings, conferences, and other opportunities related to economies in the region. Annual conferences are organized jointly with Latin American universities and attract some 500 participants.

Recently LACEA established four research networks,¹⁹ expanded its capacity building efforts, and started publication of its biannual journal—*Economia*. The Inter-American Development Bank, World Bank, William and Flora Hewlett Foundation, and Ford Foundation also fund it.

3. *Economic Research Forum for Arab Countries, Iran and Turkey*

The Economic Research Forum for Arab Countries, Iran, and Turkey (ERF) was founded in Cairo in 1993. The World Bank has played an active role in ERF from its inception. It was initiated by the Regional Chief Economists' office and cofunded by the Research Committee of the World Bank, along with the Arab Fund for Economic and Social Development, European Commission, Ford Foundation, and United Nations Development Programme. Since the second year of operation, additional support has come from the International Development Research Centre of Canada. Other major sources of funding include extraregional government agencies, a new endowment fund, and corporate membership fees.

¹⁹ Research networks handle research, training and capacity-building initiatives. They provide research grants. Some of them try to adhere to a multidisciplinary approach: Network on Inequality and Poverty; Political Economy Group; Network on International Finance; and Network on Trade and Integration

ERF does not conduct in-house research, but acts as a research network, clearinghouse, and facilitator. Its aims are to initiate and fund policy-relevant economic research; publish and disseminate the results of research activity to scholars, policy makers, and the business community; and serve as a resource base for researchers through its data bank and document library. It has some 159 members and affiliates representing 18 countries. Regional coverage is slightly uneven, with some of the least developed Arab countries underrepresented (Djibouti, Mauritania, Somalia, and Yemen) and with a large number of members coming from Egypt, Iran, and Turkey.

Over the last five years, ERF has provided an average of 80 research grants per academic year, and membership increased from 128 to 159. ERF members published 55 articles in refereed journals in 2000/01. ERF's annual expenditure is approximately US\$1.6 million.

4. *Economic Education and Research Consortium—Moscow*

The Economic Education and Research Consortium (EERC) in Moscow was established in 1996. Like the EERC in Kyiv, EERC in Moscow is funded and governed by a consortium of donors, which currently includes the Carnegie Corporation of New York, Eurasia Foundation, Ford Foundation, Government of Sweden, Open Society Institute/Soros Foundation, Royal Norwegian Ministry of Foreign Affairs, Starr Foundation, World Bank, and Global Development Network. Other major contributors include the Citigroup Foundation, Government of Finland, and Pew Charitable Trusts. Donors are represented on the governing board. The donor consortium also established and funded the EERC Research Program in Moscow (see section above).

It fosters high-quality, policy-relevant economic research in Russia and professional development for Russian researchers. It offers incentives for Russian economists to pursue top-quality original research in Russia, provides technical training to upgrade the skills of Russian economists, and makes research results publicly available. Activities include biannual research grant competitions, research workshops, methodology seminars, summer school programs, development research grants, and dissemination activities. The World Bank, through the Research Committee, has been involved with the EERC program in Moscow since the early planning stages. The EERC received two three-year US\$750,000 grants from the Bank—one in FY96 and one in FY99.

Over the last five years EERC's research activity has increased dramatically: research grant awards increased from 29 to 114, completed research projects went from 1 to 50, and staff attendance at regional and international conferences burgeoned. EERC's comprehensive publications program—including a working paper series, newsletters, annual conference reports, research abstracts, and an extensive Web site—has also grown substantially, with the number of periodicals and working papers alone increasing from 1 to 29. EERC's annual expenditure is about US\$1.4 million.

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