



MCC's Findings in the Search for an Education Indicator

Every year, MCC invites public comment on the annual Selection Criteria and Methodology used by MCC's Board of Directors to evaluate candidate country policy performance. During the Fiscal Year 2007 (FY07) selection process, MCC received a suggestion to add an additional measure of government commitment to education. Over the course of the last year, MCC has conducted extensive consultations and independent research to explore the possibility of adding a new education indicator to the Investing in People category. MCC was not able to identify an education indicator for the Fiscal Year 2008 (FY08) country selection process that would significantly strengthen its system of measurement and meet its criteria for a policy indicator. However, MCC has concluded that ongoing efforts to develop comparable, cross-country measures of government commitment to education quality and improved learning outcomes are promising and may provide an opportunity to incorporate an additional education indicator into the Investing in People category in the future.

MCC evaluates new potential indicators according to a common set of criteria. It favors indicators that:

- are developed by an independent third party;
- use an analytically-rigorous methodology;
- utilize objective and high quality data;
- are publicly available;
- have broad country coverage among MCC candidate countries and are comparable across countries;
- have a clear theoretical or empirical link to economic growth and poverty reduction;
- are policy-linked, i.e. measures factors that governments can influence within a two to three year horizon; and
- have broad consistency in results from year to year.

When considering possible modifications to the selection criteria and methodology, MCC also evaluates the impact that such changes might have on the incentives for reform among candidate countries. Frequent changes to the indicator framework could make the process less predictable and diminish incentives to make the difficult reforms necessary to qualify for MCC eligibility.

MCC currently uses two indicators to measure the extent to which governments are investing in the education of their people: *Primary Education Expenditures*, which reflects government spending on primary education as a percentage of Gross Domestic Product (GDP); and the *Girls' Primary Education Completion Rate*, which measures access to primary education and whether female students typically complete a full primary school cycle. Experts have confirmed that these indicators tell us something meaningful about a government's commitment to basic education. However, there is also widespread agreement that, if appropriate measures were available, it would be useful to have additional information on the extent to which government inputs are being translated into improved educational quality and learning outcomes.

MCC also explored the possibility of adding an enrollment indicator. However, MCC's research and consultations revealed that, while enrollment indicators provide valuable information about whether current public investments are improving educational access and school participation, far too little attention has been paid to enhancing the quality of education.¹ Despite the fact that primary enrollment rates are now high in many low income and lower middle income countries, studies consistently show that many students from the developing world who complete a full cycle of primary education lack basic cognitive skills.² In parts of sub-Saharan Africa, "fewer than 60 percent of young women who complete six years of primary school can read a sentence in their own language."³ Without accountability systems, trained teachers and adequate supplies, appropriate incentive structures, and a range of other policies and institutions, more schooling often does not translate into better learning outcomes.⁴ The low level of priority historically assigned to enhancing the quality of education has come at a high price: the best available evidence suggests that the effect of improved education quality on economic growth is significantly larger than the impact of additional years of schooling.⁵

MCC has determined there are currently few comparable, cross-country indicators of educational quality. While countries often have their own tests to measure whether children are learning, they generally vary from country to country, and few comparable datasets are available. The national literacy rate, which is included in the Human Development Index and the Education for All Index, aims to measure the percentage of people who can both read and write a short, simple statement about their everyday life. However, given the variation in how this is measured across countries, it does not currently lend itself to application in the MCC selection process. UNESCO is modifying the way it collects and disseminates literacy statistics to improve cross-country comparability, but cur-

rently many countries use school participation data as a proxy for literacy (e.g. the percentage of the population that has completed grade four). Efforts are also underway at USAID and the World Bank to expand the application of “rapid learning assessments,” which produce comprehensible and actionable information on student performance.⁶ However, these assessments have been conducted in a limited number of countries and the results are rarely comparable across countries. Additionally, the World Bank is exploring the possibility of creating a cross-country indicator that measures whether countries have national learning assessment systems, participate in regional or international student achievement tests, and make such evaluations and data publicly available.

MCC also explored a number of proxies for education quality: pupil-teacher ratios, repetition rates, survival rates, total teaching hours per year, teacher salary levels relative to GDP per capita, various surveys and polls that ask parents or firms about the quality of education in their country, and a wide range of other indicators. However, there is little consensus among experts on the desirability of any of these indicators, and there was some concern that MCC’s use of an education quality “proxy” could undermine ongoing efforts to redefine the policy dialogue in terms of learning outcomes.

Conclusion

Given the limitations of existing measures of educational quality, MCC has decided not to adopt a third education indicator in the Investing in People category for the FY08 country selection process. While there are currently many efforts underway to develop comparable, cross-country measures of educational quality and learning outcomes, most of these initiatives are in their infancy. MCC plans to monitor and support these and other efforts, with an eye towards adopting a measure of education quality in a future fiscal year. For questions or comments, or to contribute to MCC’s research, please contact MCC’s office of Development Policy at: [*MCCDevelopmentPolicy@mcc.gov*](mailto:MCCDevelopmentPolicy@mcc.gov)

Endnotes

- 1 MCC conducted a series of consultations with stakeholders, technical experts, and practitioners in the development community, including UNESCO's Institute of Statistics, the Education Policy and Data Center, the World Bank's Human Development Network and Development Research Group, the Center for Global Development, the Basic Education Coalition, the InterAction MCA Working Group, and Congressional staff.

- 2 Abadzi, H., L. Crouch, M. Echegaray, C. Pasco, J. Sampe. 2005. Monitoring basic skills acquisition through rapid learning assessments: a case study from Perú. *Prospects* 35 (2):137-156. Hanushek, Eric A. and Ludger Wößmann. 2007. *Education Quality and Economic Growth*. Washington D.C.: World Bank. Banerjee, Abhijit V., Shawn Cole, Esther Duflo, and Leigh Linden. 2007. Remediating Education: Evidence from Two Randomized Experiments in India. *The Quarterly Journal of Economics* 122(3): 1235-1263.

- 3 Pg. vii of Hanushek, Eric A. and Ludger Wößmann. 2007. *Education Quality and Economic Growth*. Washington D.C.: World Bank.

- 4 Wößmann, Ludger.. 2003. Schooling Resources, Educational Institutions, and Student Performance: The International Evidence. *Oxford Bulletin of Economics and Statistics* 65(2): 117-170. Wößmann, Ludger. 2001. Why Students in Some Countries Do Better: International Evidence on the Importance of Education Policy. *Education Matters* 1 (2): 67-74. Hanushek, E.A. and M.E. Raymond. 2005. Does school accountability lead to improved student performance? *Journal of Policy Analysis and Management* 24(2): 297-327. Kremer, Michael, Edward Miguel, and Rebecca Thornton. 2007. Incentives to Learn. NBER Working Paper #11907. Alvarez, Jesus, Vicente Garcia Moreno, and Harry Anthony Patrinos. 2007. Institutional Effects as Determinants of Learning Outcomes : Exploring State Variations in Mexico. World Bank Policy Research Working Paper 4286. Washington D.C.: World Bank

- 5 In a simple regression analysis that seeks to explain an average country's annual growth rate of real GDP per capita, adding a measure of learning outcomes to a base specification that includes initial income and years of schooling improves the model's predictive ability from 25% to 73%. These results are robust to the inclusion of standard control variables. See Hanushek, Eric A. and Ludger Wößmann. 2007. The Role of Education Quality in Economic Growth. Policy Research Working Paper 4122. Washington D.C.: World Bank. Also see Hanushek, Eric A. and Ludger Wößmann. 2007. *Education Quality and Economic Growth*. Washington D.C.: World Bank. Also see Hanushek, Eric A., and Dennis D. Kimko. 2000. Schooling, Labor Force Quality, and the Growth of Nations. *American Economic Review* 90 (5): 1184-1208

6 Abadzi, H., L. Crouch, M. Echeagaray, C. Pasco, J. Sampe. 2005. Monitoring basic skills acquisition through rapid learning assessments: a case study from Perú. *Prospects* 35 (2):137-156.



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