

## MENA DEVELOPMENT REPORT

**THE ROAD NOT TRAVELED****Education reform in the  
Middle East and Africa****Overview**

Education is a powerful force that can speed up economic growth, improve income distribution, facilitate social mobility, and reduce poverty. It can also improve the quality of life for citizens by contributing to longer life expectancy, lower fertility and infant mortality rates, and a more cohesive national identity. However, none of these positive outcomes are automatic. All too often, investment in education generates low returns to the individuals involved and society at large. Thus, while investment in education is a necessary condition for faster development and prosperity, it is by no means sufficient.

This MENA flagship report explores whether past investments in education in the region have generated their maximum economic returns, and, if not, why they have failed to do so. Ultimately, the answers to these questions are being sought to help policymakers chart more fruitful strategies in the future.

To this end, the report addresses three concrete questions:

1. How much has the region invested in education over the past four decades, and how much has this investment been translated into higher economic growth, better income distribution, lower poverty, and better quality of life? Also, looking ahead, is the region ready to meet the challenges of the knowledge economy, the emerging youth bulge, and the growing financial constraints on expanding education?
2. If the answer to the first question is that the education systems in the region have not made optimal contributions to development nor are they ready to meet new challenges, the next question is what can policymakers do to reverse this outcome?
3. Finally, since realizing the benefits of education depends on whether society is able to deploy its educated labor force into productive and dynamic activities, the last question has to do with labor markets. In particular, are domestic labor markets and migration providing effective outlets for reaping the benefits of a more educated labor force?

This report focuses on the economic rather than the social and cultural dimensions of education. Its approach in answering the questions raised above is analytical and comparative in nature. Education outcomes in the region are compared with education outcomes in other developing countries.

The development impact of investment in education is considered in the context of the large body of literature on the subject. The education reform strategies in MENA are assessed on the basis of a new analytical framework. Finally, labor market outcomes are evaluated on the basis of how well these markets function, given past reform efforts.

The second feature of the report is that it covers all levels of instruction, not just basic, secondary, or higher education. The rationale for this broad coverage is twofold: (i) the link between human capital and economic development depends on progress made by countries at all levels of education, and (ii) all levels of education arguably face similar problems.

They all need an efficiently functioning education process, highly motivated and incentivized teachers and schools, and adequate voice mechanisms for citizens to influence education objectives, priorities, and resource allocation. Finally, although the primary focus of the report is education, it was important to pay special attention to domestic labor markets and migration. After all, this is where the returns to education are determined and its impact on development made.

The organization of the report mirrors the three questions listed above. Part I, chapters 1 through 3, makes the case for education reform by tracing past investments in education in the MENA region, assessing its impact on development, and reviewing the state of readiness of the education systems to meet new challenges. Part II, which comprises chapters 4 through 6, focuses on learning from past education reforms in 14 MENA countries on the basis of a new analytical framework. Finally, part III, chapters 7 through 9, concentrates on labor markets and concludes with a chapter that pulls all of the pieces together.

**Primary Findings**

The main finding of this report is that the MENA region has made significant strides in the education sector, having started in the 1960s and 1970s from very low levels of human capital accumulation. However, it has not capitalized fully on past investments in education, let alone developed education systems capable of meeting new challenges. The education systems did not produce what the markets needed, and the markets were not sufficiently developed to absorb the educated labor force into the most efficient uses. Thus, the region needs to travel a new road.

The new road has two features: the first is a new approach to education reform in which the focus is on incentives and public accountability, besides the education process itself; the other feature concerns closing the gap between the supply of educated individuals and labor demand, both internally and externally.

A brief summary of the primary findings is presented in the following paragraphs.

**Despite MENA's Heavy Investment in Education,  
Economic Returns Were Modest**

Part I of the report shows that the region invested about 5 percent of GDP and 20 percent of government budgets in education over the past 40 years, and made tremendous gains as a result. Currently, most children benefit from compulsory schooling; quite a few have opportunities to continue their formal education; and learning outcomes are much better than they were before. The region also saw significant improvements in fertility and infant mortality rates as well as in life expectancy, as education spread widely among the population. Despite these improvements, however:

- The region has produced fewer educational outcomes than many competitors, as measured by years of educational attainment in the adult population. The educational achievements are compromised in part by high dropout rates, and by relatively low scores on international tests. Literacy rates remain low and the education systems produce more graduates in humanities than in science.
- The region has not made the best use of its accumulated human capital. Unemployment is particularly high among graduates, and a large segment of the educated labor force is employed by governments. Not surprisingly, the link between human capital accumulation and economic growth, income distribution, and poverty reduction in the region is weak.
- The education systems of the region are not yet fully equipped to produce graduates with the skills and expertise necessary to compete in a world where knowledge is essential to making progress.

#### **Past Education Reforms Failed to Focus on Incentives and Public Accountability**

Part II of the report shows that, for good reasons, the region initially focused on establishing mass education systems by building schools, recruiting teachers, producing textbooks, and setting the curriculum. This early phase also required a government-led management and control structure. As more children were enrolled in school, the quality and efficiency of education came to the forefront. In response, MENA countries experimented with a variety of mechanisms, including decentralization, engaging the private sector in the provision of education, and the adoption of quality assurance programs.

Notwithstanding these experiments, the region on the whole has tended to focus too much on engineering education and too little on incentives and public accountability. No systematic attempts have been made to link the performance of schools and teachers to student results, to put in place effective monitoring mechanisms, or to make information about school performance available to parents and students. The strategy of engaging the private sector does not discriminate by the level of instruction.

A similar point can be made with respect to public accountability. Undoubtedly, the region is becoming more open, the role of civil society is gaining ground over time, and the media is playing an increasingly important role. However, citizens, including parents and students, do not have adequate mechanisms to influence education objectives, priorities, and resource allocation.

#### **Labor Markets Were Unable to Absorb the Growing Supply of Educated Labor Force**

Even if education systems are successful in producing a well-trained labor force, their contribution to society and the individuals involved can be compromised if labor demand is inadequate because of low growth, and/or distorted because of government policies. When migration is left to market forces alone, information asymmetry, poor intermediation, and contract enforcement all erode the returns to education as well.

Notwithstanding the reform efforts in the region, especially since the early 1990s, economic growth remains anemic; labor markets are not yet functioning well; and government employment, especially in the oil-producing countries, is absorbing most of the educated population. In regard to migration, no systematic effort has been made by either the hosting or importing countries in the region to facilitate labor mobility or address the problems of market failures. The result is a combination of High open unemployment in most countries in the region, and significant underemployment in many others.

#### **The Road Ahead**

Having succeeded in expanding their education systems to include most eligible children—both boys and girls—the countries in the MENA region is now ready to travel a new road. The new road requires a new balance of engineering, incentives, and public accountability measures. Simultaneously, it requires renewed emphasis on reforming domestic and external labor markets.

The exact form of the new road for each country will not be the same, since some countries have already carried out more education reforms and achieved better results than others. Thus, the reform agenda for each country will differ, depending on initial conditions. However, all countries will need to find a new combination of engineering, incentives, and public accountability, along with measures to improve labor market outcomes.

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