Critique of Foreign Aid toward Education in Sub-Saharan Africa

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INTRODUCTION

The end of World War II marked the beginning of a transitional era in the international financial system and a renewed focus on creating avenues for increased state interdependence. The first sign of this was the United States’ commitment to rebuilding the infrastructure and economy of Europe through the European Recovery Program, popularly known as the Marshall Plan. The premise of this plan is noted in the words of former United States Secretary of State George Marshall:

“[the] United States should do whatever it is able to do to assist in the return of normal economic health to the world, without which there can be no political stability and no assured peace…[the United States’] policy is not directed against any country, but against hunger, poverty, desperation and chaos. Any government that is willing to assist in recovery will find full cooperation on the part of the U.S.A. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist.”

The “Marshall Plan” set the standard in the international system in which states, especially in post-war/conflict situations would rely upon great powers and international organizations for the revitalization of their economies, which would

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induce trends of human and economic development. European countries and Asian countries such as China, South Korea, and Japan were recipients of foreign aid in post conflict stages, which solicited rapid development rates and, in the case of the European countries, amicable relations and political stability.

Though generally the “Marshall Plan” is viewed as a successful initiative, relative to interdependence and development, it is more generally viewed that the region of Sub Saharan Africa has been systematically disregarded in their aims for human and economic development. Many Sub Saharan African countries were “rewarded” for their roles as proxy states during the Cold War and were manipulated by great powers in the midst of their pursuit of political independence. Foreign aid was dispersed to these countries not for the sake of development, but for the sake of suppressing political ideology between democracy and communism. The residual effects of imperialism and colonialism have left nations in Africa stagnated as well as the process for adequate and comparable development to other nations during the Cold War and Post-Cold War era.

As a result of this stagnation, international organizations such as the World Bank, International Monetary Fund, the United Nations, along with individual members of the United Nations have attempted to ignite development within the region through structural adjustment programs and other aid programs. Though the steps have been taken to stimulate development there is still profound inequality that exists between the Western world and Sub Saharan Africa. The reason is foreign aid. Under the pretenses of its current disbursement practices foreign aid is profoundly ineffective, which has caused stagnate and decreasing trends of development in Sub Saharan Africa. What then can be the catalyst for inducing positive trends in development in Sub Saharan Africa? The lack of development in Sub Saharan Africa continues the fragmented relationship the region has had with the rest of the international community which enhanced imperialistic attitudes and tendencies toward Africa. This led to subsequent neglect from colonial powers and eventual contentious independence movements. Because of these historic phenomena, this study theorizes on the established point that intrastate conflicts and their end results contribute to a loss of legitimacy in the government, which has a mitigating effect on the uses of foreign aid. Where the theory differs, is the assertion that the lack of attention to domestic policies, specifically education, has been a causal factor of lower development. The research seeks to understand the relationship between education and development and hypothesizes that education spending has a positive impact on GDP growth. To suffice for this positive trend in development, this study will conclude that countries should increase expenditures on education.

Though the international community recognizes the potential Sub Saharan African countries possess, the implementation of policies and the premise of self-help that enables the system are fundamentally flawed and contributing to the

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2 The term “great powers” is used in John Mearsheimer’s context in that great powers have established economies, inducing wealth and great military strength.
3 All subsequent to World War II and the Korean War respectively
ineffectiveness of foreign aid and the pursuit of domestic policies. The significance of this study is to look at the statistical educational disparity and its hindrance on the development of Sub Saharan African states, and analyze how these inefficiencies contradict the international community’s previous development initiatives and sentiments for increasing global interdependence. This study will also aim to analyze the balance between the state’s role in the efficacy of foreign aid and the role of the distributor of foreign aid. This study will offer alternative avenues states should seek in order to increase the efficacy of aid allotted to them. Furthermore, these suggestions could possibly be used as a premise for development outside of Sub Saharan Africa.

The issue of economic and human development is not unique to Sub Saharan Africa. Though the lack of development is rampant in this area, the issue has a high degree of saliency. This study will offer greater insight into how to improve areas of low development to increase the level of strategic advantage developing countries possess. This will, in turn raise the level of interdependence that exists in the international community, continuing toward the Kantian principals of perpetual peace.

BACKGROUND

Development economists and political scientists alike have long researched the phenomena of economic and human development in Sub Saharan Africa. Previous research on this subject has been linked to human security and the level of governance a state possesses. Though development economists initially had difficulty discerning between theoretical or empirical models, there has been an increasing emphasis on statistical models. This provides a systematic presentation of the inter-relatedness of market economies and serves as a forecasting tool on the behaviors of certain economies (Kluwer 1995).

Foreign aid is defined as any flow of capital that is noncommercial from the point of view of the donor country and characterized by concessional terms; that is that the repayment and interest rate of the aid should be less stringent than commercial terms. The concept of foreign aid is one that encompasses all official grants and concessional loans in currency or in kind, that are broadly aimed at transferring resources from developed countries to lower developed countries, on the grounds of development (Todaro and Smith 2006). Although aid is disbursed to countries on an individual basis, we can attempt to utilize a “one size fits all” approach to assess the motivation for donor countries to give aid. Todaro and Smith (2006) discern two categories that serve as the premise as to why donor countries are motivated to give aid: political motivations and economic motivations.

A developed country is politically motivated to give aid as a means of political balancing and maneuvering, such was the logic used during the Cold War. Developed countries use aid as a mechanism of security for the lower developed countries. Lower developed countries provide natural resources or land resources in the form of military bases in return for capital from developed countries.
Donations of aid on this political premise, coupled with donor countries neglecting to account for internal political cleavages, induces the prospects of propping up corrupt regimes that continue to maintain the status quo in the lower developed countries by purposely allocating foreign aid to sectors of the economy or private sectors that will benefit inequitable regimes. A cynical view of this notion is that aid is therefore given under the guise of morality or humanitarianism, that the donor country is interested in the long term security, economic, and social development of recipient countries. This is indicated by the correlation of the shift in donor country focus areas subsequent to the end of World War II. The Marshall Plan was directed toward Europe and South/Southeast Asia in the late 1940's and 1950's, which later shifted toward Latin America in the 1960's, toward Africa and the Persian Gulf in the 1970's, to Central America and the Caribbean in the 1980's and toward the former USSR states and the Middle East in the 1990's. The argument holds that these regions are being assisted by foreign aid from donor countries in order to maintain strategic balance in the midst of competition with other developed states.

Donor countries may also give developing countries aid from an economic standpoint. The preeminent argument for this is premised in the two-gap model logic (Todaro and Smith 2006). The two-gap model asserts that countries face a shortage of domestic savings in order to match investment opportunities or a shortage of foreign exchange to finance imports. In order to assess the relation between two-gap model deficiencies and foreign aid development, we must analyze the predominant economic models of development.

Banerjee and Duflo (2004) use the Growth Theory in the context of development economy, as they believe that aggregate growth is tied to the allocation of resources. Using the neo-classical growth theory, they claim it can explain broad patterns of economic change across countries (Banerjee and Duflo 2004). Other models include the Harrod-Domar Model, which separates economic relationships in which growth rates of gross domestic product depends on how much a country saves or does not save, and a country’s capital/output ratio. This is an extension of the Keynesian model (Benito 2003) used to explain business phenomena. The Harrod and Domar Model was used initially by post war economies in developing countries in order to develop a positive correlation between savings and population growth. If a country could not develop enough to reach their target savings rate, it would lead them to turn to international organizations for aid.

The neo-classical approach made famous by Robert Solow places emphasis on the role of technological change in society. Solow (1957) backs this up by analyzing the ninety percent increase of development in the United States during the eighteenth and nineteenth centuries, a period where the United States had a high amount of technological growth.

Another approach is the Lewis-Ranis-Fei approach which focuses on the surplus of labor. This approach thrives on the notion that, especially in developing countries, development is hindered due to a dualistic economic structure. The
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assertion here is that if there is more transition to a modern labor system, away from the traditional avenues, then there would be a rise in development, because modern labor markets yield more capital.

Economic models do not only offer a statistical perspective but also a normative perspective when ascertaining the social costs of education. Theoretically, in developing countries social costs increase when there is the presence of educational progression. This has an adverse effect on the private sector, which holds the majority of the educational market in lower developed countries. From an economic standpoint, the dichotomy between social costs and private costs of education follows the basic supply and demand framework; as demand for better, more accessible education increases, via an increasingly educated populous, the burden falls on the state to supply quality education. Economists believe that the problem between social versus private costs of education in developing countries lie in the policies public and private entities create in regards to wages and the costs of services (Todaro and Smith 2006). The private sector in developing countries overvalues the costs of education by creating disproportionate expected benefits of obtaining education through the private sector. The private sector perpetuates this by selling the benefits of continued and increased education but suppressing the economic and social realities that exist in a given country. This contributes to the lack of incentive that the public sector has to allocate funds into education. This is not to assume that lower developed countries do not have an educated populous; the educated populous that succumbs to these fallacious policies generally go to other countries to utilize their educations, which allows the government to allocate funds to other sectors of the economy.

Political scientists have created models and statistics to account for their measures of development. Most notably is the Ibrahim Index for Good Governance, developed by the Harvard Kennedy School of Government (Rotberg 2009) which correlates the quality of political goods (those goods being human development, participation, rule of law, human rights, and security and safety) with the performance of governance by an African country. This is meant to analyze the progress toward development on a more nominal scale than the economic models, under the premise that “good governance” will lead to increasing trends in development.

Another political science approach is the linking of Human Development with Human Security. Scholars assert that the problems in Sub Saharan Africa are linked with the lack of security in each individual state. Poku, Porto, and Renwick (2006) assert that the problems of security do not stem from outside threats, but rather threats within the state that affect human security. This threat in human security prevents governments from governing and producing legislation that will induce development; instead, they spend their resources attempting to suppress the

4 “Social” costs in this context means the opportunity costs to society as a whole resulting from the need to finance costly educational expansion at higher levels when these limited funds might be productively used in other sectors.
5 Private Costs means the costs borne by the students.
threat. This approach is common among international security scholars. Theoretically, we can posit that improvement on policies such as education, health, and civilian security infrastructure (in the form of police forces), when improved, will eliminate the threat to human security, which will lead to higher levels of development.

**METHODOLOGY**

The units of analysis for this study are Nigeria, Rwanda, and Sudan. It is important to identify the context of this study is not to critique the correlation between foreign aid and education as it would apply to all cases in the developing world. Instead, we investigate Sub Saharan Africa to gain a better understanding of a “region” that many consider uniquely politically and culturally cohesive because the region has experienced historical isolation from the rest of the world, along with exploitation of its natural resources, culture, and people by politicians, industry officials, and academics (Billings and Blee 2004; Crawford 1989; Eller 1982; Gaventa 1980; LaFrance and Frederick 2007; Lewis 1978; McKinney 1978; Robie 1995; Salstrom 1994; Whisnant 1994). Of the forty five countries in Sub Saharan Africa, forty three of the countries have an HDI ranking of one hundred and three (103) or lower, thus making those forty three countries rank on the lower portion of the medium development states and dominating the low development state rankings. Nigeria is on the cusp between a medium development state and a low human development state with a Human Development Index (HDI) rank of 158, Sudan possessing a slightly higher ranking at 150 and Rwanda with the lowest ranking of the three countries with a ranking of 167.

These three countries are used as samples also because of where they place on the educational index, calculated as two thirds times the adult literacy rate plus a third of the gross enrollment index. These samples were also chosen by their place on the International Monetary Fund (IMF) World Development indicators for education. These indicators include: gross percentage of school enrollment for primary, secondary, and tertiary education, total gross domestic product spent on public education, number of children out of school, expenditures per student on the primary, secondary and tertiary level based on their gross domestic product per capita, total literacy rate for adults and children, and the percentage of primary completion. The IMF indicators separate gender; however, I have chosen not to separate gender to broaden the scope of the sample.

Finally, the level of internal conflict is measured by several factors. First, conflict level is based on the country’s position on the Ibrahim Index of African Governance. Rwanda has a ranking of eighteen of the forty eight countries on the list, while Nigeria and Sudan rank thirty nine and forty five respectively. These rankings are compiled by indicators best described by Robert Rotberg (2009). Rotberg explains that there are five instances of political goods that will determine

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6 It must be noted at that this model was used until 2009. The new model for the education index incorporates the mean years of schooling index and the expected years of schooling.
the components of the index. The first political good is safety and security. This political good has six sub categories that will determine the level of which a state is safe and secure, only two will be discussed here. The first is national security, categorized by the number of battle deaths in armed conflict, civilian deaths due to one sided violence, internally displaced persons, government involvement in conflict, and ease of access to arms and weapons. The second sub category is public safety measured by the level of violent crimes.

The second political good is the rule of law, transparency and corruption. This is measured by how many international human rights conventions the country has ratified, the “existence of official United Nations international sanctions imposed on one or more of Africa’s forty eight countries” (Roteberg 2009), judicial independence, the efficiency of the country’s court system (speed in which trials are executed), and public sector corruption, based on the International’s Corruption Perceptions Index. The third of the political goods are participation and human rights. This is measured by the level of free and fair elections and the recognition of civil rights. Sustainable economic development is the fourth political good, measured by GDP per capita, national GDP growth per capita, inflation, and technological advances. Finally, human development makes up the last political good, measured by poverty, health and educational opportunity.

The indicators in the Ibrahim Index are coupled with the internal conflicts that exist in each country. In Nigeria, there are currently two internal conflicts. The Ahlul Sunna Jamaa is an Islamic extremist group that has strived for independence in northern Nigeria. The other group, the Niger Delta People's Volunteer Force (NDPVF) is an ethno-traditional group fighting for control of the oil rich Niger Delta (Uppsala Conflict Data Program 2008). These groups cause problems for the government as they seek to generate stability amid pending elections in April 2011. Rwanda has many displaced citizens due to the ethnic conflict between the Hutu’s and the Tutsi’s. Though the Rwandan Genocide was sixteen years ago, this study argues that there are residual effects that linger from this conflict, leading to a lack of development. Finally, in Sudan the humanitarian crisis in Darfur was sufficient enough to justify using the country as a sample.

DESCRIPTION OF VARIABLES

To address the efficacy of foreign aid, this study will rely on a time series regression analysis from 1984-2007 premised on the notion that GDP growth is related to the specific indicator that will be measured. The equation reads:

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\text{GDP growth} = \text{GDP}_{t-1} + \text{presence of intrastate conflict} + \text{public education expenditure (percentage of GDP)} + \text{defense spending (percentage of GDP)} + \text{Foreign Direct Investment} + \text{ODA (Official Development Assistance) received.}
\]

This model will be used with all indicators regarding economic development in relation to the amount of aid given to each individual country. This model contends that GDP growth will have a significant relationship with the specific indicator. What this intends to show is the correlation of GDP growth in
proportion with economic and policy indicators. GDP growth is used as the dependent variable for the reason that it is commonly used in economics as the indicator to measure standard of living. Theoretically, as GDP rises so does the standard of living; as well as the level of development and sophistication that exists in the country. The economic indicators that will be used in this study will be: foreign direct investment, net official development assistance and official aid received, military expenditure (percentage of GDP), and total public spending on education (percentage of GDP) which accounts for current and capital public expenditures on educational institutions (public and private), education administration, and subsidies for private entities.\footnote{According to World Bank and the United Nations Educational Scientific and Cultural Organization Institute of Statistics} Intrastate conflict is coded as 1.00 if there was war, 2.00 if there was no war and 3.00 if there is ethnic clashing, but the conflict is not officially a war. Regression analysis using this premise will seek to associate GDP growth with the components of intrastate conflicts. The goal of this analysis is to display the effects intrastate conflict has on development and to find out if there is any correlation between the disbursement of aid and the length and consequences of intrastate conflict.\footnote{International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, Global Development Finance, and World Bank and OECD GDP estimates} Foreign direct investment is used as an indicator as it serves as an indication of how the country utilizes and invests its own resources overseas. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net outflows of investment from the reporting economy to the rest of the world and is divided by GDP. Defense spending is also used as an independent variable in this analysis as defense is typically a beneficiary of foreign aid. This is used to analyze the potential misallocation of aid and its potential effect on GDP growth.

\section*{RESULTS}

Table 1 provides the estimates of ordinary least squares model used to analyze the relationship between GDP growth, education spending, intrastate conflict, and foreign aid. Education spending and the presence of intrastate conflict turned out to be strong indicators of an increase in GDP growth. The coefficient for the education spending variable indicates that for every one unit increase in education spending, GDP growth increased by .35 percent, \textit{ceteris paribus}. This indicates that education spending has a positive effect on GDP growth, affirming the hypothesis, as there are .27 chances out of 1000 that this variation would happen by chance.
The model also shows that the presence of intrastate conflict has a positive effect on GDP growth. If there was a presence of intrastate conflict, then GDP growth would rise 4.5 percent. This is an interesting development, as many would assume that development levels would be decreased if the society is entrenched in conflict. The results also show that defense spending, and official development assistance aid does not have a significant role in this model determining GDP growth. This is an important finding, as it reaffirms the previous assertion that countries misallocate funds to other sectors of the economy, which may not be particularly transparent in the development sector. In essence, according to this model, there is no relation between foreign aid that has been received by Sudan, Nigeria, and Rwanda and GDP growth. Table 2 also affirms this relationship between foreign aid and education spending. Education spending replaces GDP growth as the dependent variable, and a regression is run to analyze the relationship between education spending and development indicators.
Table 2. OLS Model Predictor: Relationship between Education Spending and ODA Received

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Aggregate Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth</td>
<td>.169 (.076)**</td>
</tr>
<tr>
<td>ODA Received</td>
<td>0.000 (.001)</td>
</tr>
<tr>
<td>Foreign Direct Investment</td>
<td>.265 (.284)</td>
</tr>
<tr>
<td>Intrastate Conflict</td>
<td>-4.103 (.770)*</td>
</tr>
<tr>
<td>Defense Spending</td>
<td>.925 (.540)</td>
</tr>
</tbody>
</table>

Dependent Variable: Education Spending aggregate; Standard Error in parentheses

*p<.001 **p<.05

Table 2 indicates that for every one unit of change, ODA received does not increase education expenditure, *ceteris paribus*. The data conclusions stay consistent, as intrastate conflict and GDP growth are the only significant variables that indicate a positive correlation with education spending. These results affirm the hypothesis that increased education expenditure will elicit a positive impact on development, specifically GDP growth.

DISCUSSION

The prospects of this study aim to bring to light the challenges that exist in the quest for equality in the international system. By focusing on the development of Sub Saharan Africa, Western markets can seek to forge new relationships within the region. While scholars have long expressed this logic to promote relevance in the region, this study proposes a new approach, based on old empirical indicators. Previous literature has indicated that the misallocation of funds to other sectors of the economy and internal conflict are causal factors in the lack of development in Sub Saharan Africa. Based on the statistical analysis, there is a correlation between the lack of educational support and development.

An unintentional finding is that intrastate conflict also increases GDP growth. A catalyst for this finding may be rooted in the tendency for donor countries to intervene and mobilize civilians to contribute positively to society to try and thwart intrastate conflict or to overcome the residual effects. An example of this comes in the form of United States Agency for International Development (USAID) and their efforts through the Center for Development Information and
Evaluation (CDIE) to investigate societal gender roles in post conflict states. This is part of a broader attempt to create stronger initiatives for more sophisticated civil societies within divided societies. In order to generate a highly participatory and engaged society, human capital must be built up, beginning in the form of education.

What this study recommends to make the use of foreign aid more effective is for aid programs to focus on the human development in Sub Saharan Africa. It can be argued that this position has already been implemented through the Millennium Development Goals of the United Nations, but what this study is recommending, is a change in which Sub Saharan African states are more accountable in the use of foreign aid. The results of the research conclude that there is no transparent relationship between foreign aid and GDP growth. This is concluded due to the lack of data available to track which sectors foreign aid goes to once it is given to developing countries. The data available restricts the capabilities of researching individual sectors of the economies in Sub Saharan Africa to find out where and how foreign aid is disbursed throughout the economy, if at all. Donor countries have focused on the monetary aspect of giving, and have routinely neglected the internal implications that hinder development. The onus does not only fall on donor countries, it also falls on NGO’s and other fundraising organizations that raise funds for humanitarian purposes, but neglect to give aid on a particular basis. An example of this comes in the form of aid in regards to natural disasters; NGO’s and developed donor countries give aid in support of “relief efforts” but do not discern what specific aspect of the relief effort will receive aid. A country that is economically and politically transparent such as the United States and Japan, utilize relief aid in the proper sectors, however in Sub-Saharan African countries, this transparency is non-existent, which leads to the recommendation of reformed, policy specific, disbursement practices in foreign aid.

Governments should reallocate foreign aid toward the development of an educational infrastructure that will enable viable and sustainable places for education and technology that will allow the region to catch up with the rest of the world’s classrooms, and most importantly, to help bolster a country’s ability to offer competitive and exceptional wages to qualified practitioners in Africa. It was through an educated and responsive public that European countries were able to recover at a fast rate under the Marshall Plan in the late 1940’s. To go even further, the stipulations should include that the aid should account for a specific percentage of a country’s GDP. Of the Very High and High Developed countries according to the Human Development Index, the median public expenditure on education is 7.4 percent of GDP the last twenty five years. It is then the responsibility of the individual country governments to use aid and domestic profits to develop their

10 United Nations Human Development Index, and World Bank Country Data Indicator on Public Education Expenditure (percentage of GDP)
educational infrastructure. In order to ensure that foreign aid is utilized correctly
donor countries, NGO’s and recipient countries should create transparent practices
that places the responsibility on the recipient to perform and specify and for the
donor country to ensure that giving aid for this specific initiative is a worthwhile
foreign direct investment. An example of this would come in the form of proposals
submitted to the donor countries. These proposals would be broken down in this
manner: the recipient country would apply for aid in all cases, except for extreme
cases (tragic natural disasters). This application will discern preliminary objectives,
initial monetary start up fees, and a time frame in which the grand scheme will be
completed. Supplementing this application must be a detailed financial proposal,
outlining how much of the aid will be allocated to specific projects. For example, if
a country was going to propose to build new schools, buy computers, and supply
two hundred new teachers pay advances, it is the recipient country’s responsibility
to calculate the specific costs of each initiative, and the donor country’s
responsibility to incrementally supply funds on the basis of transparency and results. Donor countries would then provide the stipulation that these initiatives
must generate and sustain at least five percent of the recipient country’s GDP for a
ten year period, and aid will continue and supplement other segments of the project
or the economy. This will foster a business-type relationship that produces
transparent practices, while maintaining the sovereignty of the donor and recipient
country’s as there is no instance of intrusion on the donor country’s behalf. In
short, the recipient country will outline exactly what they need and the donor
country will agree to fulfill its needs by ensuring that specific goals are achieved; aid
will continue contingent on transparency and performance.

Critics of this study will suggest the last point is where the problem really
exists in regards to foreign aid in Africa. Once the governments receive the aid, it is
up to them to realize what is best for the country. The issue of state sovereignty
comes into contention and the role in which international organizations should play
in determining the allocation of aid. The true efficacy of aid will become prevalent
when African countries continue the upward trend of good governance. More
importantly, the efficacy of aid will become more prevalent when aid is utilized in
high amounts to an under-funded portion of the GDP, such as education.

The results show a correlation between GDP growth and government
expenditures on education. This study can be improved with more access to
country data in Sub Saharan Africa and in particular to foreign aid. As of 2006, Sub
Saharan Africa receives the most foreign aid per region in the world at an average
of 28 percent of Gross National Income (GNI). The plight in Sub Saharan Africa
provides a documented history in inequality that stems from the injustices of the
Trans-Atlantic slave trade and has translated to economic and humanistic
disproportion. This study promotes the social, political, and economic potential of
the region by imploring plausible theories and techniques that, with the help of the
international community, will make Africa relevant in global economic markets.
More importantly, this study promotes the necessity for an improved quality of life

11 World Bank Economic Database 2008
and standard of living in Sub Saharan Africa. If these phenomena take place, Sub Saharan Africa will be able to benefit from an increased economic position in the world, utilize its natural resources, and the talents of its citizens.

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