

How Foreign Aid Effect on Education and Development

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Abstract:- The aim of this paper is to analyse how foreign aid effect on education and development. Education plays a fundamental role in developing human capital and escalates economic growth by increasing productivity, improving skills, and competency. Education brings benefits to individuals and a society as whole. Education plays an important role in development and growth as per capital income, and it reduces poverty removes income and social inequalities.

Keywords:- Aid, Education, Development, Humanitarian.

I. INTRODUCTION

Education is one of the most significant aspects that plays a huge role in the modern, industrialized world. Society needs a good education system to be able to survive. Fortunately, today society realize that how education is important for the future generations. At the same time, many countries are spending a lot of money on a good education system, and people are actively encouraged to win scholarships and continue their high level of education. People need a high level of education to have a better life in the future.

Education play its role in development, economic growth and benefit the society and individual as well. For individual education increases employment opportunities and higher income and improved life quality and decrease unemployment. Education is the backbone of the society. The objective of this study is to determine the impact of foreign aid on education, and development.

II. THE IMPACT OF FOREIGN AID ON EDUCATION AND DEVELOPMENT

Foreign aid is given to developing and third world countries to facilitate their economic growth, improve human welfare, and reduce poverty. Aid is contributed to world security by tackling threats to human security, like disease, human trafficking, population growth, human rights violations, peace-making, environmental degradation, and the growing gap between the north and the south.

Poverty and inequalities are often cause of internal conflicts, social instability, which in turn, can produce flows of refugee, migrants and acts of terrorism. Therefore, foreign aid helps in building a more peaceful, a safer place and a more secure world. Foreign aid is resources given by rich to poor countries. Foreign aid can be food, money, loans from the government to governments or from

organizations to poor nations, as well as military, humanitarian, and economic aid.

However, the first and the most successful foreign aid in the human history was the European Recovery Program (ERP) after the Second World War commonly known as the Marshall Plan. At the end of 1940s United States' secretary-general George Marshal announced that it is time of rebuilding Europe. During the Second World War the European economy was destroyed. Due to the combination of the natural disaster in Europe at that time such as drought and blizzards, and the man-made disaster of war, it let increasing unemployment rate, poverty, widespread starvation, wretched and homeless in the whole of European countries.

Highly developed nations in Western Europe, New Zealand, Austria, Japan, North America, oil-rich nations in the Middle East, as well as the middle-income nations like South Korea, Brazil China, and India, all have established foreign aid programs. The importance of foreign aid as a foreign policy tool was substantiated by the fact that foreign aid recipient nations were also foreign aid donors.

Historically, most of the foreign aid is given directly from one government to another as bilateral assistance. Also, Donor nations provide indirect aid as multilateral assistance, which pools resources together from many donor nations. The major multilateral institutions included the World Bank, the International Monetary Fund; the African, Asian, and Inter-American Development Banks, and different United Nations agencies like the United Nations Development Programme (UNDP). The United States has been one of the largest donor countries in the world, when it comes to foreign aid.

In the period of 2004, the United States has provided over \$19.5 billion in ODA with Create Britain, France, Germany, and Japan. When foreign aid donor countries are measured, the most donor nations are Sweden, Netherlands, Norway, and Luxembourg. However, each of these donor nations has provided between 0.79 - 0.92 percent of GDP in the year 2004. Saudi Arabia also is one of the world donors and it has provided aid equivalent to about 0.69 percent of its income. The United States was one of the smallest donor nations by this measure at about 0.17 percent of its income in 2004.

The aim of aid is thought to fit within these rationales: The main objectives of foreign aid include promoting development, economic growth, reducing poverty, protecting the environment, improving governance,

promoting trade interdependence, promoting stability in the regions, expanding access to health care and basic education, addressing population growth, protecting human rights, limiting weapons proliferation, bolstering allies, and addressing trafficking and drug production.

Every year United States spends billions of dollars on direct military aid to foreign countries and substrate groups (USAID 2009). The US government expresses a wide variety of objectives motivating their use of military support as a foreign policy tool. Since the terrorist attack on September 11 in 2001 the military assistance from the United States to other countries was increased. In the war against terror, the United States sent military aid to more countries including Pakistan, Oman, Armenia, Azerbaijan, Uzbekistan, Tajikistan, Yemen, Columbia, Ethiopia, and Nigeria among other nations.

Economic Aid is also one of the foreign aids that affect poor governments. The United States controls its economic aid provided to other countries. Recipient countries may use their economic aid to increase military spending. IMF supports low-income countries through observation and capacity building activities, also provide financial assistance to help them reach, achieve, and sustain maintainable macroeconomic as well as a position with enough strong and durable economic growth and poverty reduction. The International Monetary Fund is also one of the international organizations which provide aid to developing and poor countries. It shares expertise with member countries to provide technical assistance and training in a wide range of areas, such as monetary and exchange rate policy central banking, official statistics, and taxes policy and administration.

The purpose of foreign aid is to help improve the design and implementation of members' economic policies, including strengthening skills in institutions such as finance ministries, statistical agencies, and central banks. Also, IMF gives advice to the countries that have had to re-establish new government institutions following severe internal conflicts and or wars. The IMF offers financial support for balancing the payments needs upon request by its member states. (IMF Website).

According to the Development assistance aid (OECD, 2017) in 2017, development aid reached the highest level. That is, over \$142 billion were spent as foreign aid. According to the official data collected by the Development Assistance Cooperation (DAC) and OECD organizations, the rise in aid expansion on refugee in donor nations was boosted, and the cost spent on refugee increased by 7%. On the of 4th April 2018, there was report on the official page of OECD that foreign aid was totalled over \$145 billion in 2017.

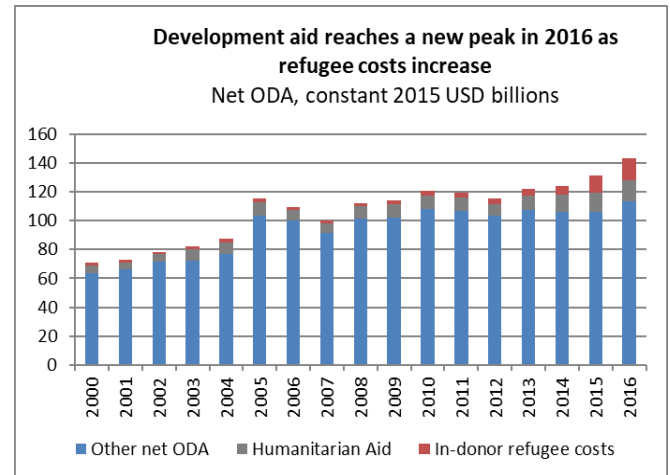


Fig 1:- Development aid reached the highest in 2017
Sources: OECD sources 2017 DAC statistics

Foreign aid to African countries increased by 3%, more than \$28 billion within the Sub-Saharan Africa countries, aid was also increased 3%, that is over \$24 billion. Humanitarian aid also raised by 6.1%, \$15.5 billion. Another method of aids comes from Christians. Christian aid is an independent organization within the global movement of organizations and individuals to fight poverty in the global area. Their work is inspired by Christian values and believes that everybody regardless of faith, race, gender, and ethnicity, as well as identities is entitled to have a good life free from poverty and injustice.

Oxfam is one of the international organizations that works with more than 20 organizations within 90 nations to reduce poverty and famine. Heavy rain is another factor that destabilize the livelihood in some countries. Over 20 million people were affected by drought and famine in some parts in Africa particularly in East Africa countries, also more than 15 million faced hunger strike, remaining only on what they can find to eat. The drought caused crops not to grow and cattle to die, while the access of clean water decreases thus leading to a threat of cholera and other diseases. However, Starvation is another issue with disastrous effect. Women and children are the worst affected people by drought and famine in the society. In East Africa, particularly Somalia, over 800,000 people are on the brink of malnutrition and almost 400,000 children are severely malnourished.

Education is universally acknowledged as a primary tool which promotes development and economic growth in every nation. It plays a fundamental role in developing human capital and escalates economic growth by improving skills, increasing productivity, and competency. Education brings benefits for individuals and the society as well. For example, in developing countries, education plays an important role in poverty reduction and removes income inequalities.

Generally, it can be said that education can affect economic growth due to it is considered as one main factor of improving income and human capital. Basically, there are difference between researchers whether education has a positive or negative relationship with development and

economic growth, or in some cases, the studies indicate no impact of education expenditure on economic growth. Barro (1991), finds that a positive relationship between economic growth, education, and expenditure. On other hand De Meulmester and Rochet (1995), also concludes that the relationship between growth and education is not always positive. Spiege and Benhabib (1994), acknowledged that human capital development as a source of economic growth” (Khan Zubeer, Jawad Khan, 2011).

Some of those who made good analyses of the effect that the differences between educational levels on the development and growth of a country were Cristian and Laura (2009). They have observed that in the circumstance of the primary schools, one percent of advance in the school rate decides that rising two percent of GDP per capita from developing nations to developed ones. Rising one percent of the enrolment rate in the secondary level would determine rising over 2.5% for the developing nations and up to 1,5 percent for the OECD ones.

The impact of the rising educational rates, on different levels of education, different from 1 nation to another. According to the level of growth and development, there is a positive correlation between growth rate, development, and the human capital accumulation at the primary education for the low-income governments, at the secondary education for the medium income government, and at a superior level for the rich countries (Laura and Cristian, 2009, 446).

In many developing countries, the formal education is the greatest consumer and the largest industry in the public revenue. Poor countries have invested a lot of money on education. There are different reasons accounting to this. Educated farmers with a primary education can be more productive and more responsive to the new agricultural technologies than uneducated farmers. Particularly trained artisans and mechanics who can read and write are assumed to be better able to keep up to date with changing materials and products.

Secondary school graduate people with some knowledge of arithmetic and clerical skills are needed to perform technical and administrative functions in growing public and private bureaucracies. In the former colonial power, many people also needed such skills to replace departing expatriates. University graduates, people with advanced training are also needed to provide the professional and managerial expertise necessary for a modernized private and public. (World Bank, World Development Report, 1991).

The role of foreign aid is strongly discussed in different studies. However, the results are very ambiguous. The total foreign capital inflows had a negative and noteworthy effect on national reserve funds yet did not fundamentally influence the local investments. Similarly, Ali also argues that debt plays a negative role in the case of developing nations, though the US contributed a lot of aid to the economy. On the other hand, Ali also argues that US should give more support developing nations to make its

economy better because Pakistan spent a lot of money in the war on terror. Ali obtained that the impact of aid on education and growth. (Muhammad Ali, 2016)

Young men get more education than young women in almost every country. Currently, World Bank study found that in the last three decades, the average of women who have the chance of schooling in developing countries has increased by about 0.6% more than male have, but despite this increase, female’s enrolment in secondary and primary grade is lower than that of male by about ten percentage points in 66 of 108 nations and is higher in only 8 countries. In the world, the female-male gap is the highest in North Africa, the Middle East, and Latin America countries (World Bank, 1990: 9)

The new concept of economic growth and development highlights the fact that education has a strong impact on development and economic growth. Educated countries are developing faster because the school enables the labour force to modernize new technologies and to adapt the existing ones to the local production. Consequently, the more the country has technological frontiers the more opportunities to develop faster than others (the economies that are inside the technological frontiers have greater opportunities to develop faster).

The level of education is not influencing only the development of a nation but also influencing the economic productivity of a nation. The countries with a rapid growth in the number of people that enrolled in schools have more experienced on a rising productivity and an enhancement in the quality of the labour force. Popescu Cristian, Diaconu Laura (2009)

The growing gap between the developing countries and developed countries has dominated in international relations and diplomacy for a very long time. This gap has led to constant capital inflow from the rich nations to those in the Third World including Africa and Asia, with the aim of supporting them overcome their problems and reduce this gap. However, there is evidence that many years of foreign aid have done very little in changing the destinies of many Third World nations, most of them are now experiencing low growth rates.

Since foreign aid can be observed as foreign capital, early theories analyse its effects on development resorted to traditional economic growth theories and the role of flows and capital stock in development. Most of the work done assigns progressive way as the independent variable and aid as one of the dependent variables in addition to the traditional variables assigned in different development models. It also run regressions to evaluate the importance of the relations between aid and development.

Development aid may provide for several purposes, such as strategic, economic, political, humanitarian, and others. There are some possible channels through which foreign aid may distributed. The most common way is to provide through institutions of the recipient nations. It is

usually used to fund expenditures for more development. Most of it is used to finance discrete investment projects such as building schools, roads, providing education, training, and family planning, etc. (Gregl, Logožar 2017)

There is an argument that foreign aid does not always contribute in a substantial way to the economic growth, and development of developing nations. Foreign aid which is supposed to promote growth and development turns out to be an opportunity for some of governments to spend a lot of money on non-productive activities. Foreign Aid is a lost in governments that have no technical or good administrative skills thus leading to poor management or poor use of the aid. Furthermore, foreign aid recipients use it to fund projects that are conceived and poorly planned. For example, they may build unused roads, or other projects that get destroyed in less than one time, and unproductive resources. (Reci Amarda, 2014).

However, the first half of the 1990s, the amount of foreign aid decreased, mainly due to political change and inner socio-economic challenges in the donor nations. But this amount started increasing during the second half of 1990s and reached \$80 billion in 2002. According to a survey by the World Bank, about \$130 billion of aid will be given by DAC in the next years. Education is the second in the list of the Millennium Development Goals program (MDGs). According to these MDGs, donor countries are committed to support developing nations in achieving a universal primary education in the upcoming years. So, they allocate more resources to the education sector of developing nations (Anwar Mumtaz, 2010: 358)

III. CONCLUSION

Education is indispensable to development and economic growth. Without good quality education system, economic growth and development is impossible. A balanced education system promotes productivity, economic development, and generates individual per capita income.

Education plays its role in development, economic growth. For individual and society education increases their job opportunities, higher income, and improve their life standards. Education is the backbone of the society.

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