

THE POLITICS OF FOREIGN AID AND THE DEVELOPMENT DEBATE IN NIGERIA

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Abstract

The growing gap between the developed and developing countries has led to constant flow of foreign assistance from developed countries to developing countries with the aim of helping them to overcome their development challenges. According to Easterly, (2006) the West – developed countries have spent over \$ 600 billion on aid to Africa which Nigeria also benefited from. Despite this flows into the country, poverty still loom large and underdevelopment still persist; just as there are still continuous and a seemly unending debate on the effectiveness of aid on development. This paper examined the politics of foreign aid and the development debate in Nigeria. This objective was accomplished via the utilization of secondary data sourced majorly from journals – national and international, textbooks among others. The paper is strictly an evaluative research, analyzed from the platform of soft power, soft governance perspective. The study found that, foreign aid has not critically address development challenges in Nigeria using development indicators like poverty and unemployment among others as a measuring rod; though the international community’s still insist on increasing the volume of development aid to developing country like Nigeria. As such this paper recommend that Nigerian government should negotiate foreign aid with the potential of addressing critical development challenges of her citizens and direct aid to critical sectors in other to explore the potentials in foreign aid to Nigeria development.

Keywords: Development, Foreign Aid, Growth, Poverty, Unemployment.

Introduction

The growing gap between the developed and developing countries has dominated international relations and diplomacy for a long time now. This growing gap has led to constant flow of foreign aid from the developed countries to the developing countries of Asia and Africa. With the goal of helping them to overcome their development problems and reduce the ever growing poverty and other developmental needs. However, there are evidences that several decades of foreign aid flowing into the continent have done little in changing destinies of many African states, most of which are currently experiencing low growth rate in virtually all the development indicators. An estimate without a specific time period shows that, the West – developed countries has spent over \$600 billion on foreign aid to Africa alone so far in where Nigeria also benefited from (Akonor, 2008; Andrew, 2009).

A careful look at the Nigerian foreign assistance records shows that, as a result of the oil boom of the 1970s, Nigeria's per capital income increased sharply from \$250 in 1973 to \$1000 in 1980. This resulted to Nigeria being classified as a middle-income country and her Official Development Assistance (ODA) naturally declined; Nigeria was re-classified as a low-income country in 1989. The country's ODA flows have been increasing since then. For instance, there was gradual reduction in the amount Nigeria received as aid between 1970 and 1979, (from \$590.47 million to \$28.92 million). It later rose to \$473.63 million in 1989. By 2005, Nigeria experienced a sharp increase in the amount she received as aid. The value rose from \$360.78 million in 2004 to \$6799.81million in 2005. The

year 2006 also witnessed almost the double amount of aid it received in 2005. It rose drastically again to \$11781.51 million but later fell to \$1385.2 million in 2007. It was about \$1401 million in 2008 and 2009 respectively (AFRODAD, 2005).

Nigeria with a population of 140 million people according to National Population Commission census report (2006), a total surface area of 923.768 km², oil reserve of 37 billion barrels, gas reserve of 185 trillion cubic feet, daily crude output of about 1.7 million barrels per day and enormous mineral and agricultural resources. As huge as all these endowments are, couple with constant flows of foreign assistance; Nigeria still remains one of the poorest and ranked low in the Development Index of countries in the world. The poverty profile in Nigeria shows that the incidence increased from 28.1 per cent in 1980 to 43.6 per cent in 1985, but declined to 42.7 per cent in 1992 and rose again to 65.6 per cent in 1996 (FOS, 1996). Since 1996, the country has been classified as a poor nation. The United Nations Human Development Indices (HDI) for 2001 ranked Nigeria the 142nd out of 196 countries with HDI of 0.40 per cent among the poorest countries in the world. It should be noted that the status of human development in Nigeria has not shown a remarkable improvement as shown by the changes in the social and economic conditions of her citizens in recent years. Economic growth in whatever variant in Nigeria has not been associated with poverty reduction and unemployment had not abated thereby slowing down the rate of improvement in human development as evidenced by only a marginal improvement in HDI of

0.42 and 0.44 per cent in 2012 and 2013 respectively (Adoyi, 2011; National Human Development Report, 2015).

All these shows that despite the foreign aid flows into the country, poverty still looms large and underdevelopment still persists; there is no robust evidence to show that aid or foreign assistance has positively affects development. Just as there are still continuous and a seemly unending debate in the literature on the relationship between aid and development to a developing country like Nigeria. Scholarly opinions are still divided on whether foreign assistance has contributed to development in Nigeria or not.

This paper therefore examined the politics of foreign aid and the development debate in Nigeria.

Literature Review/Clarification of Key Concepts

The modern concept of foreign aids or assistance mainly from industrialized countries to less economically develop or developing countries, all started during the post Second World War reconstruction period. The overwhelming success of the marshal plan in channeling resources from the United States to a war torn Europe convinced many western leaders that a similar transfer of resources to newly independent countries in mainly Asia and Africa countries would likely lead to rapid development and poverty alleviation. Thus the historical roots of foreign aid are deeply embedded within the modernization perspective which dated back to the Marshal Plan period. Under this Marshal Plan, aid assistance about \$17.5 billion was granted to Western Europe to resuscitate her ruined

economy as a result of the effect of the Second World War. Since then, aid system and practices has doubled in international economic system (Tadaro, 1977 P. 328-335; Stevenson, 2006 P. 72; Gukurume, 2012).

It should be clearly noted that humanitarianism and altruism are nevertheless the most significant motivations for the growing provision of aid, although there may be other vested hidden interests and agendas behind giving aid to especially developing economies like ours. Aluko & Arowolo (2010) further stressed that the issue of foreign assistance to especially developing countries gained heavy prominence during the cold war which pitched the United States and the former Soviet Union against each other in an ideological supremacy tussle in the early 1950s to early 1990s marking the official fall of the Soviet Union as the heads of the two power blocs. To lure clients to their blocks or ideological practices; these polarized blocks offered incentives in the form of foreign aid to mostly developing countries. Foreign aid was thus used as an instrument for strengthening and expanding influence and power of the leaders of the two blocs so as to achieve their goals.

There is though a general misconception as regard the concept and practice of foreign aid. While it is a brutal fact that aid and loans are fundamentally different, it should be noted that these two concepts tend to overlap if not collapse to mean the same when it comes to foreign aid from developed countries. Be that as it may, Easterly (2006) defined foreign aid as a voluntary transfer of resources from one country to another, given at least partly with the objective of benefiting the recipient country while Ajayi (2000) viewed foreign aid as a form of assistance by

a government or financial institutions to other needy countries, which could be in cash or kind.’ It is equally important to stress here that, foreign aid tend to have several functions, such as: being a signal for diplomatic approval, tool for strengthening a military ally or to reward a government for behaviour desired by the donor. It can also be for provision of infrastructure needed by the donor for resources extraction from the recipient country and community or may be as a way of gaining other kinds of commercial access. The most common type of foreign aid or assistance is the official development assistance, which is assistance given to promote development and combating poverty, unemployment, and food insecurity among others (Gukurume, 2012).

The concept of development on the hand has various meaning to various development scholars; these various scholastic understanding of the concept emerged from their various disciplines and orientation. From this assertion, Adeyanju (2008) aptly captures this debate by submitting that; one conclusion that has not been reached is on a holistic and acceptable definition of development. There are divergent definitions and understandings of the concept just as is the case for many other concepts in the various disciplines that make up the humanities. However, Boafe (1991) cited in Joda (2015) conceived of development as a process of economic and social advancement which enables people to realize their potentials, build self-confidence and lead lives of dignity and fulfillment. He further stressed that, it is a process that aimed at freeing people from evil of want, ignorance, social injustice and economic exploitation. In the same vein, Young (1983) cited in Joda (2015) stressed that; development

implies a change for the better. The ordering of society, social and economic processes in such a way that leads to either alleviation or eradication of gross poverty, ill health, and illiteracy as well as to raising the standards of living of the people and increase material comforts for all.

Flowing from these understandings above, Igbuzor (2009) and Alubo (2012) also argued that development must mean “progress of some kind.” Such progress entails comparison between two periods and not infrequently as well as between different countries. Development can further be understood as an all-embracing sets of activities and processes, deliberately planned, to yield positive change in a system like Nigeria. In Seers’s cited in Alubo, (2012) definition of the concept of development posed as questions provide a more clearer understanding and means through which development can be measured and clearly identified. Those pertinent questions are: What is happening or have happened to poverty? What is happening or have happened to unemployment? What is happening or have happened to illiteracy? These questions posed as definition and indicators to measuring and identifying development can further be extended to food security, health and transportation and so on. When all these indicators are on the increase or increasing, inference cannot be drawn that, development has taken place even if there is visible growth; but if on the contrary, conclusion or inference can be safely drawn that there is development.

Theoretical Framework: Soft Power, Soft Governance Perspective

The emergence of a new form of global power and governance in the expansion of economic and political dominance triggered the emergence of this perspective. It has its origin in diplomatic and international relations studies; championed by diplomatic and international relations scholars like: Nye, (2004); Calmy-Ray, (2007); and Obuah, (2010) among others. They argued that western nations have rearticulated their policies and strategies based on soft power paradigm which usually arises from the attractiveness of a country's culture, political ideals, and policies. This approach is basically having the ability to get what you want through attraction rather than coercion or payment. Incidentally, the flourishing and expanding trade between China – one of the western power or developed economy and the African states, specifically Nigeria is as a result of their soft power approach and Nigeria leaders' inability to comply with soft governance perspective in their dealings with them broadly explained the exploitation of her rich human and natural resources in the name of aid.

A typical example of this strategy is the Global Compact Initiative among others which was launched by Kofi Annan the then UN Secretary General and Klaus Schwab at the 1999 World Economic Forum (WEF) in Davos. The idea consists of bringing companies from around the world together with United Nations (UN) agencies, labour and civil society to support ten universal principles. Through the non-coercive power of collective action, the Global Compact seeks to promote responsible corporate citizenship, so that business can contribute to finding solutions to the challenges of globalization. Unfortunately, Nigeria and other African states are signatory to this concept, and sadly, compliance to these

universal business ethics principle has remain a huge challenge to the African states (Iwuamadi, 2012).

Perkins (2004) confession as an economic hit man did not only shade a brighter light on the tenet or central argument of this perspective but equally paints a vivid and practical picture differentiating between what the so call rich nations claim to be doing through their foreign assistance programmes or packages via their various assistance agencies and institutions globally to helping poor countries and what they are actually doing or aiming at:

...We identify a [developing] country that has resources, which we covet. And often [times] that's oil, or might be the canal in the case of Panama. In any case, we go to that [developing] country and we arrange a huge loan [and other aid packages] from the international lending community; usually the World Bank leads that process. So let's say we give this [developing] country a loan of \$ 1 billion. One of the conditions of that loan is that the majority of it, roughly 90%, comes back to the United States [the donor country] to one of our big corporations, the ones we've all heard of recently, [are:] the Bechtels, the Halliburtons ... That's what we're doing today around the world, and we've been doing it ... it [began] shortly after the end of [the Second World War]. It has been building up over time until today where it's really reach [a] mammoth proportions where we control most of the resources of the world all in the name of foreign aid (Perkins, 2004 P. 39).

The activities of these countries and their various assistance institutions through their tricky economic programmes and frameworks around the globe, cheating underdeveloped countries of trillions of dollars exposed or shows the real tendencies behind the developed countries assistance to poor or developing country like Nigeria; all carefully crafted and practiced through their mastery of the soft power strategies as against the non-mastery and usage of the soft

governance strategies by developing countries governments or leaders like Nigeria

Peel (2009) also added his view to further buttress the central argument of this perspective when he mused that, ‘Africa is the last place for grabs; and that is why the western powers are hitting it hard and huge through their various assistance programmes well packaged with conditions that will enable them to grab their target once accepted by any of the developing countries government where their interest lays.’ ‘He cited an example of China one of the western powers that have won several oil exploration deals in Nigeria because of aid packages majorly in pledge in areas like: rail, power, industry, education and defense as well as agriculture.’ The idea of a new international scramble for Nigeria, specifically for her energy and natural resources reserve – can be hardly and clearly seem through the lens of colonialism and modernization theory. They are instead wrapped up in the foreign assistance programme to the African states as large where developed countries like USA and China among other developed countries are wooing countries that have poor and very low Human Development Index (HDI) with all foreign assistance she had benefited from them.

Assessing the Politics and Debate of Foreign Aid on Development

The increasing publicity of foreign aid from donor countries via their various agencies to recipient countries that are mainly developing countries has triggered heated debates and studies on the effectiveness of these various aids on the growth and development states of recipient countries. But is there any concrete

evidence that foreign aid have facilitated development in the recipient countries? Hayter (1971) have longed argued that, foreign assistance is a disguised form of imperialism and as such cannot result in any desired economic benefits. To her any benefit that could arise from aid would only be incidental, not planned. But Rostow (1990) sees foreign assistance (the external intrusion by more advanced societies) as a precondition for the take-off of recipient countries into economic success. These two divergent schools of thought in aid and development literature did not only ignite the debate and studies long ago between aid and development among scholars but is still present to date.

A study report, presented by Burnside & Dollar (1997) was emphatic that there is correlation between aid and economic growth, but only if aid is applied in a good policy environment. The study used a sample of 56 beneficiary countries and six to four – year time periods from 1970 – 1973 until 1990 – 1993, to show that where aid conceded with good policies, its impact on growth was strong and positive. But does such growth translate into development? Findings from this study did not cover this aspect of the debate. Despite the support that Burnside & Dollar (1997) study and stance have amassed and enjoyed (Dovern & Nunnemkamp, 2007; John & Sackey, 2008), there are other studies that shows no significant relationship between aid and development. Easterly (2003) found different results when he added more data and also extended the year range from 1993 to 1997. Although he did not actually conclude that aid is ineffective, he find that with the introduction of the new data, the positive relationship between aid and growth withers away.

Easterly (2003) therefore pushed this argument further stating that ‘the idea that ‘aid buys growth and development is an integral part of the founding myth and ongoing mission of the aid bureaucracy.’ Another argument is that aid reduces the incentives to invest, especially when the recipient country is assured that further poverty will call for more aid. This phenomenon is known as the ‘Samaritan’s Dilemma’ (Gibson, 2005; The Economist, 1995). Aid can also reduce the recipient country’s competitiveness according to Rajan & Subramanian (2005), culminating in the Dutch disease (a condition that reduces competitiveness of the manufacturing sectors – the supposed hub for development in any country due to overabundance of foreign assistance.

Furthermore, Hunt (2008) poignantly asserted that, studying the patterns of allocation of foreign aid from various donors to receiving countries, considerable evidence shows that the direction of foreign aid is dictated by political and strategic considerations, much more than by the socio-economic needs and policy performance of the recipient countries. Stevenson (2006) further stressed that, most of the aid received by poor developing country like Nigeria, however necessary is ‘tied aid.’ In this tied aid the donor nation benefits economically from that same aid at the expense of the recipient country. This happens as the receiving country is compelled to buy goods and services from the donor country as a pre-requisite for getting assistance and further aid. In building a dam for example, the donor country may insist that their companies, experts and equipments be utilized. Thus aid highlights the hegemonic dominance of the donor countries over the poor recipients’ countries. Paradoxically; one can come

to the conclusion that foreign aid is dialectic of ambivalence which consists of highly mixed results of problems and success simultaneously. This justifies why scholar like Moyo cited in Gurukume (2012) submits that aid in fact benefits the donor countries more than it benefits the recipients. This submission is also supported by Ajayi (2000) who also asserted that the dependent position of most African countries makes them susceptible and vulnerable to machinations of western metropolitan countries as well as Breton Wood Institutions like International Monetary Fund (IMF) and the World Bank.

But Sach (2005) did not view the aid and development debate from the aforementioned assertions. He instead asserted that the injection of foreign aid as rather a necessary evil to Africa problems and development challenges. The UNDP (2006) cited in Rajan (2008) has presented this line of argument credibility by noting that, African countries governments benefit immensely from foreign aid as they get resources for making the multiple investments in health, education and economic infrastructure needed to break the vicious cycles of deprivation and poverty. Responding to some aid critics that noted that foreign aid has totally failed to lift Africa from her vicious cycles of poverty, Sach (2005) noted that the reasons which accounted for that problem is that the aid given thus far, is like a drop in an ocean, hence he advocated for the increase of foreign aid to African countries as a panacea to her economic growth and development. Burnside (1997) pasted submission further concurs with Sach's (2005) line of argument, noting that massive infusion of well-targeted aid is necessary to ending Africa's poverty.

He further stressed that; foreign assistance may inevitably spur economic growth and development in countries with low corruption and sound democratic policies.

Finally, as a way of providing a fair hearing and establishing a leveled stands for all these divergent arguments and understandings; the robustness of the many empirical studies have been tested but the fact remains that most scholars agree that aid in real terms has not been effective as it has a ‘weak association with poverty, unemployment, food security, democracy and good governance’, all critical indicators and variables to measuring development (Alesina & Dollar, 2000).

Conclusion/Recommendations

It is difficult to conclude from the many scholastic debates especially since there is no single magic wand (or stick) to command development to appear. Most of the so called empirical studies focus on economic growth in the macro-economic sense without taking cognizance that development is people centred and much broader than just statistically significant improvement in GDP per capita. The fact remain that real politics on development matters is not a parlour game; it is practiced with deceit – which is always denied with vehemence. Despite all the criticism leveled at foreign assistance programmes, the international community still keep insisting on the necessity of maintaining or increasing the volume of development aid to developing country like Nigeria. As such, this paper presents the following recommendations:

First, Nigerian government should negotiate and accept foreign assistance programme that have the potential of addressing the critical development challenges of her citizens. This can be done by creating an effective link between the recipient government, her citizens (the suppose direct beneficiaries) and the donor countries/agencies; to ascertain areas that constitute or poses as challenge to the beneficiaries quest for development, to give the donor countries/agencies the prior knowledge of the critical development challenges or areas of the recipients and how they can intervene.

Second, directions of foreign aid or assistance that has been dictated to be political and strategic in considerations more than by the socio-economic needs of the beneficiaries should be properly directed objectively and focus on critical sectors affecting the socio-economic needs of the recipients and beneficiaries.

Furthermore, subsequent aid programme should be broad in scope of coverage in terms of training tools and sector, such trainings should cover for example in the agricultural sector areas like: crop cultivation, processing of such crop into various derivatives or finished products, as well as packaging to ensure a longer shelf life and effective/quality distribution. Aid programme of this nature can create a lot of value chains, affecting sectors necessary and critical for triggering development.

Finally, to achieve all the aforementioned recommendations, leaders of recipients' country like Nigeria should adopt, developed and master the soft governance strategies to equip them with the required skills and tools needed to attract and negotiate foreign aid packages that truly addresses the socio-economic needs of the beneficiaries.

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