Foreign Aid Intervention and National Development in Nigeria: A Study of Akure South Local Government Area of Ondo State

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Abstract

Development is a theme that encapsulates the totality of the outlook of every country in the world. Global concerns to eradicate poverty and many other indicators of the downside of development have been described as the basic need for foreign aid intervention. This study essentially seeks to understand the role foreign aid intervention has played in development, challenges confronting the success of foreign aid intervention and more effective approaches that can make foreign aid intervention a success. The study engaged both modernization and dependency theories in advancing understanding on the subject matter. The study which was conducted in Akure South Local Government Area of Ondo State, Nigeria employed qualitative method of data collection using key-informant interview and in-depth interview as instruments. Data were analyzed using content analysis. Findings from this study revealed that foreign aid has contributed to the development of the communities studied and among other recommendations, strongly recommended that foreign aid intervention should be carried out more in rural communities especially in the area of critical infrastructures.

Keywords: Development; Foreign aid; Intervention; Nigeria

Introduction

Development as a term means a lot to many people across the globe. From the daily interactions and aspirations of people on the streets to debates and government policies at various levels, to the numerous discussions, agencies and assemblies of the United Nations dedicated to addressing the question of development globally. Since the emergence of nation states, the discussion on development has shifted from a general age overview of development to debates, discussions and measurement of development on national, regional and global basis. Development today is hinged on several indicators which include education, health, infrastructure, trade, economy and growth, agricultural and rural development, information and technology, transport, energy and mining, political stability and so on. Foreign aid intervention has been seen and described as a panacea to the plight of the developing world by the developed countries. Against this background, a research work of this nature to evaluate the impact of foreign aid intervention on development in Nigeria is considered inevitable at this time.

Literature Review

Overview of global foreign aid: History and the need

Hjertholm and White [2], espoused that several aid institutions developed from the organizations created to cater for the aftermath of war: Oxfam first catered for refugees from Greece, CARE was originally the Centre for American Relief in Europe (the Europe later became everywhere). The UN’s development work began with the United Nations Relief and Rehabilitation Agency (UNRRA) founded during the war (1943), and the World Bank, whose full name is the International Bank for Reconstruction and Development, began with loans for reconstruction. The relative success of the Marshall Plan of 1948 was also a major premise upon which the necessity and importance of foreign aid was hinged. A final feature of the post-war international scene of importance was the first wave of independence, creating a constituency for aid [2]. In addition to the above, foreign aid also played out as one of the major dynamics of the cold war between the United States and the former Union of Soviet Socialist republics.

Arising from the above, it can be concluded as Stevenson [3], noted that the modern concept of foreign aid or assistance from mainly rich industrialized countries to less economically developed countries, has remained backward. Oshewolo [1] quoted Chukwuemeka who observe that the country is blessed with natural and human resources, but in the first four decades of its independence, the potentials remained largely untapped and even mismanaged. In other words, despite the huge human and mineral resources that Nigeria is endowed with, the country still wallows in poverty and underdevelopment that warrant more penchants for foreign aid intervention. Against this background, a research work of this nature to evaluate the impact of foreign aid intervention on development in Nigeria is considered inevitable at this time.
its roots in the post Second World war reconstruction era. Todaro [4], also submitted that since the era of the Marshall Plan, the aid system has remained a subsisting phenomenon of the global economic arrangement. This view has been corroborated by Tarp [5] who cited that after the success of the Marshall Plan, the attention of industrialized nations turned to the developing countries, many of which became independent during the 1960s. With regards to the need for foreign aid, rich countries of the world especially the members of Organization for Economic Cooperation and Development (OECD), as noted by Zimmerman [6] recognized that, “more than half of the global citizens live on less than 25 per day or less, purchasing power parity, many of them do not have access to clean drinking water, good healthcare or schools for their children. Therefore, scholars opined that an attempt to assist poor countries to develop and end poverty has been the subsisting reason to initiate foreign aid policy.

Volume and processes around foreign aid flows

Foreign aid takes many forms. The most important in terms of its size and influence is official aid, and this will be the focus of this work. The definition of official development assistance (ODA) is provided by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). ODA is calculated as the sum of grants and loans to aid recipients that: (a) are undertaken by the official sector of the donor country; (b) have as the main objective the promotion of economic development and welfare in recipient countries; and (c) are on concessional financial terms (i.e., with a grant element equal to at least 25 percent of the total). In addition to these financial flows, technical co-operation costs are included in ODA; but grants, loans and credits for military purposes are excluded. Transfer payments to private individuals, donations from the public, commercial loans and foreign direct investment (FDI) are not counted [5].

Assessment of the impact of foreign aid to Nigeria

Dreher et al. [10] pointed out that in many of the developing countries receiving aid, poverty still looms large, and underdevelopment persists while concluding that there is no robust evidence that aid affects growth. On the other hand, Alemu and Lee [11] in their work on the comparative analysis of the impact of Foreign aid on Middle and Low-Income African countries concluded that aid has a significant positive impact on low-income countries arguing that criticisms of foreign aid is flawed. Galiani et al. [12] also submitted that foreign aid has a sizable positive effect on economic growth.

Radelet [7], explained that Global ODA steadily increased from the 1960s until in 1992, it reached a peak of $68 billion, just after the end of the Cold War and then declined sharply to just under $55 billion in 1997. Aid flows began to peak in the late 1990s following calls for greater debt relief and increased aid to new democracies, and increased very sharply after the attacks of September 11, 2001, reaching $92 billion in 2004. In real terms, total ODA in 2002 was about the same as in 1992, and by 2004 was about 12 percent higher. Measured as a share of donor income ODA fell sharply during the 1990s, and has rebounded only slightly. Donors have pledged to continue to increase aid, most recently in July 2005 when the heads of state of the Group of 8 industrialized countries promised to double aid to sub-Saharan Africa by 2010 and triple it by 2015, but growing budget tensions and economic crisis in donor countries may undermine these pledges [7].

The United Nations Millennium Development Goals report [8], 2010 gives the share of Ordinary Development Assistance (ODA) distribution to the top 20 recipients in 2008 in (USD millions) thus: Iraq, 174 9,880* Afghanistan, 232 4,865* Ethiopia, 1,065 3,327* Vietnam, 2,104 2,552* Sudan, 359 2,384* Tanzania, 1,601 2,331* India, 1,867 2,108* Bangladesh, 1,716 2,061* Turkey, 502 2,024* Mozambique, 1,488 1,994* Uganda, 1,362 1,657* Kenya, 745 1,360* Dem. Rep. Congo, 299 1,648* Pakistan, 907 1,539* China, 2,256 1,489* Egypt, 1,927 1,348* Ghana, 864 1,293* Nigeria, 252 1,290* occupied Palestinian territory, 986 2,593* [8]. In 2014, Nigeria received $2,476,180,000. Easterly [9] pointed out that over the past 50 years, the amount of foreign aid dispersed totals over $2.3 trillion, a roughly equal amount that Dreher et al. [10] posited as just over times seven of Nigeria's GDP (Figure 1).

Figure 1: Electrification project, a World Bank Assisted Project at Oke-meji community, ward 11, Akure South L.G.A.

Just as there is still a continuous and a seemingly unending debate in the literature on the relationship between aid and development to developing countries, the aid analysis in Nigeria presents no exception. Scholarly opinions are divided on whether foreign aid has contributed to development in Nigeria or not. Fasanya and Onakoya, [13] posited that although, Nigeria has continued to collect at least as much as the amount collected in the early 1980s, yet socio-economic development has remained gloomy. Abdulhamid [14], stated that the total net aid flows from all donors that Nigeria received was US$ 152 million in 1999; in 2000, aid flows increased slightly to $185 million and by 2004, it
reached $573 million. Aid flows to Nigeria in the wake of its return to
civilian rule sharply increased, this was manifested in the volume of
foreign aid influx into the country covering the period 1999-2007.
According to Alabi [15], Nigeria recorded the following volume of aid
influx: $6.799 billion in 2005; it rose to $11.781 billion in 2006; but
later fell to $1.385 billion in 2007; $1.401 billion and $1.638 billion in
2008 and 2009 at constant 2009 US dollars. Adeyeye [16], noted that
Nigeria’s development indicators have not improved and has

Unfortunately taken the downward trend during four decades of
continuous aid with nearly two-thirds of the population living on less
than a dollar a day. Furthermore, Mbah and Amassoma [17], also
agreed that from the perspective of economic growth evaluation,
foreign aid has a negative impact on economic growth in Nigeria,
thereby indicating that foreign aid appears to have an adverse effect on
Nigeria’s economic growth (Figure 2).

Figure 2: European Union project at Gaga Community, ward 8 Akure South L.G.A.

However, on the other side of the intellectual divide, Odusanya,
Logile and Akanni [18], opined that foreign aid and government
expenditure have contributed to the growth of Nigeria’s economy,
noting however that the impact has not been qualitative on the welfare
of the people of Nigeria. Their study recommended that foreign aid
and government expenditure should be channeled towards provision
of critical and vital socio-economic infrastructure such as adequate
power, roads etcetera that are essential to engineer economic growth
and development in Nigeria. This view is corroborated by studies such
as Burnside and Dollar [19] and Durbarry et al. [20]. Burnside and
Dollar [19] found that foreign aid enhances economic growth but on
the conditionality of good economic policies such as maintenance of
small budget deficits, controlling inflation and openness to global
trade.

Nigeria’s foreign aid debacle (myth and misery)

Factors responsible for the apparent failure of aid are bi-dimensional
involving both recipients and donors as noted by Ayittey in his work
titled ‘the myth of foreign aid’. Oshewolo [1], quoted Shua, who
observed that “aid often comes with a price of its own for developing
nations like Nigeria: aid is often wasted on conditions that the recipient
must use overpriced goods and services from donor countries; most
aid do not actually go to the poorest who would need it the most; aid
amounts are dwarfed by rich countries protectionism that denies
market access for poor countries products…” This view describes one
of the major ways donor countries and agencies constitute a major
problem to the attainment of foreign aid objectives. On the part of
recipient countries (Nigeria in this case), chief among these challenges
is the scourge of ‘corruption’ which has turned out to be an epidemic
that has plagued every sector of the Nigerian society. As noted by Adeyeye
[16], “Theft and misappropriation of development aid are thriving, too.
They are a subset of Nigeria’s ubiquitous corruption… the government
has not shown interest in prosecuting those who steal aid because of its
tolerance for corruption generally. Government officials who steal
from their country’s budget should not be expected to treat foreign
grants or aid differently”. Oshewolo [1], further quoted Shua who
stated that “aids may fail to help the vulnerable, as aid money can often
be embezzled” to corroborate this position. In consonance with this
position, a shocking revelation was made by Nuhu Ribadu, the former
chairman of Nigeria’s anti-corruption agency, the Economic and
Financial Crimes Commission (EFCC) in 2006 that corrupt
government officials and others steal most of these funds. Quoting
Ribadu: “My pet example is the £220 billion [$405 billion] of
development assistance that has been stolen from this country since
independence to date by past leaders” [16]. Osimen, Adenegun and
Balogun [21] in their study on the Assessment of Corruption in the
Public Sector in Nigeria which they conducted in Akure South Local
Government (the study location for this work) reveals that Corruption
engenders poor infrastructural development, breeds poverty, distorts
economic growth, etc. The above is a testament to how endemic
corruption, which is a major challenge to development, has reigned
supreme in the nation (Figure 3).

Figure 3: Non-functional hand pump borehole, a World Bank
assisted project at Oke-meji community, Ward 11 Akure South
L.G.A.

In addition, another major challenge confronting the aid
administration in Nigeria stems from misplacement of priorities in the
disbursement of foreign aid. Foreign aids are often not channelled to
critical areas where the majority of Nigerians would benefit Adeyeye
[16]. Alabi [15] revealed that foreign aid in 2010 was expended mostly
on administration, which received 26.9% of total aid. In the same year,
5.4% of aid was allocated to agriculture; 9.4% to energy and mining; 1.9% to industry and trade; and 6.8% to transportation. Adeyeye [16], citing the instance of a recent study by the Independent Commission for Aid Impact, a British watchdog, that criticized a six year primary education program for its insignificant impact on the community and advised the United Kingdom to cancel its funding; further stated that corruption and the poor prioritization of aid are mainly responsible for the little impact that donor funds are having on Nigeria's development. Mbah and Amassoma [17] also adduced that the negative impacts of foreign aid stems from the result of channeling most aid funds to unproductive use thereby limiting the great potentials of foreign aid in promoting growth.

Theoretical synthesis

Two suitable sociological theories advanced in this discussion are the modernization and dependency theories of development. Analyzing these two theoretical standpoints expose the antithetical stand of the developed countries towards the development of the underdeveloped countries. On one hand, they advocated assistance for development from the purview of modernization theory promising various schemes of assistance ranging from financial to technical aids; on the other hand, as viewed from the purview of dependency theory, they perpetuate exploitation and dependency through various economic liberalization tendencies as a prerequisite for foreign aid intervention. Economic domination is one of the major manifestations of foreign aid intervention in underdeveloped countries, especially Nigeria. For instance, the Bretton Woods institutions (World Bank and International Monetary Fund) which are multilateral foreign aid agencies would demand opening up a country's economy to foreign markets as a prerequisite to granting foreign assistance. This in a way, hampers the growth of these economies as it exposes them to foreign exploitation, domination, and renders them vulnerable to the volatility of the global market as well as a killing effect on local industrialization and consequently hinders development [22-29].

Research Method

The data for this study were gathered through primary sources. The research design employed in this study was cross-sectional and descriptive in orientation. The study engaged qualitative methods of data collection. Key-informant interview and in-depth interview were used for the qualitative method as instruments of data collection.

Owing to the rural nature of the communities where the study was carried out, there is high rate of illiteracy and as such, qualitative method was engaged. A total number of eleven people were interviewed (community leaders, olori-ebi and government officials); three from each of the three communities, while the remaining two were government officials involved in community development and foreign aid related portfolios. The interviewees were selected using Snowball (with purposive) sampling techniques based on age, community status, length of stay in the areas of study, experience and knowledge on foreign aid intervention in the study areas. The data were analyzed using content analysis.

Analysis and Discussion

The role of foreign aid intervention as it affects development in Nigeria

Deducing from the findings in the study areas, it was revealed by the interviewees that foreign aid is an essential ingredients to the process of development in their locality and an interviewee who was also one of the community leaders stated thus:

Since the projects were completed, things have changed very well here. We now have barbers, welders, many shops and retail outlets, increasing population, and many more. Our road is now accessible and the poor economic and social status of our community has changed for the better…. In fact, the community has witnessed socioeconomic development. Foreign aid intervention has contributed to the development of our community. (IDI, male, 56 years, and community project chairman, Oke-meji community, Akure South LGA, 2015).

Another interviewee also corroborated the above interviewee thus:

Electrification, construction of Culverts and Grading of roads were the projects carried out in our community…. Immediately there was power supply and our roads became accessible, more people moved to the area, the population increased, more shops were opened for improved economic activities, standard of living improved and there is economic development (IDI, Male, 42 years, resident, Adularere community, Akure South LGA, 2015).

From the findings above, foreign aid intervention has contributed to the development of the communities visited especially in the areas of essential infrastructure. This is in consonance with the view of Burnside and Dollar [19], who agreed that foreign aid, has contributed to development. The electrification project in Plate I below shows one of these important projects that have contributed meaningfully to the development of the host community. The testimonies from the community residents show an improvement in the standard of living and the economy of the community. Relating this phenomenon to the situation of the larger Nigerian social space where power failure remains one of the major clogs to the country's wheel of development, addressing the challenge of power failure will throw the country's economy to a speeding trajectory of development as demonstrated in the examples of the communities of study.

Factors hindering the success of foreign aid intervention from achieving developmental purpose

The statement below was obtained from a government official in the Ministry of Economic Planning and Budget. This statement revealed some of the major challenges confronting foreign aid intervention in developing countries.

…going around, many of the projects are short-lived, they do not last. Sometimes, some foreign donors just come and execute projects without consulting stakeholders and as such, they replicate projects that have been done by others in the past. In addition, most of the projects they have done in the past are moribund. Basically, there is no maintenance system in place in the country like they do overseas (developed countries). In addition, nonconformity to standards is also another problem”… (KII, male, 39 years, Chief planning officer, Ondo State Ministry of Economic Planning and Budget, Akure, 2015).

Another interviewee also shed more light on some of these challenges thus:
The contractors mismanaged the funds for the project donated by the European Union. We are not also happy that the project was not completed and not properly handed over to the community. They only came to take pictures of the physical structures when many important works were left undone. We had to gather individual contributions from the community members before the project could be concluded…(IDI, Male 55 years, Community leader, Gaga Community, Akure South LGA, 2015).

The views above are corroborated by the researcher’s observation in one of the communities visited where a hand pump borehole (See Plate III) that was constructed in the community via foreign aid has stopped working in less than a year after construction according to the community residents. This finding supports the findings of Shua, as quoted by Oshewolo [1], who submitted that embezzlement of aid’s funds may amount to aid failing to help the vulnerable. An important deduction from this finding is the fact that, the bane of development aid in developing countries is not limited to corruption and misplacement of priorities, but an exclusion or limited role of the direct beneficiaries of aid’s proceeds.

Ways foreign aid intervention could be more effective in bringing about development

…The major area they can do it is through involvement of the community in evaluation and monitoring of the project… They should also try to hand over projects properly to the community after execution so that maintenance responsibility could be assumed by the community (IDI, Male 59 years, Gaga Community, Akure South LGA, 2015).

According to this view, ensuring a more inclusive community participation in programs and projects from foreign donors as well as proper identification of ownership of aid proceeds (especially when it’s a project) will help overcome cases of use of sub-standard materials, incompletion of projects before abandonment, poor maintenance etc. with these in place, a number of the challenges facing development aid will be overcome. This is corroborated by Oduyanya, Logile and Akanni [18], that foreign aid and government expenditure should be channeled towards provision of critical and vital socio-economic infrastructure such as adequate power, roads etc. that are essential to engineer economic growth and development in Nigeria. Similarly, another interviewee accentuated further that:

….the community should be allowed to participate more in the monitoring and execution of projects. There should be proper handing over of projects and a well-designed maintenance structure that will ensure viability and sustainability of projects to bring about more sustainable socioeconomic development” (IDI, male, 58, community development chairman, Oke-meji community, Akure South LGA, 2015).

Both views capture some essential insights born out of experience that can attenuate to a large extent, some of the challenges hindering the success of foreign aid from attaining its developmental purpose.

Conclusion and Policy Recommendations

While many scholars have condemned foreign aid intervention and discouraged its further administration, owing partially to the poor outcome of foreign aid interventions over the decades, and partly due to the numerous challenges (such as corruption, poor maintenance, short project lifespan, non-prioritization of needs before delivering aid, poor monitoring and evaluation aids, etc.) confronting foreign aid intervention, two major reservations can be advanced against this position. First, foreign aid intervention has contributed to development and will further contribute if certain measures (some of which are recommended below) are put in place, and secondly, a critical appraisal of the awkward poverty level and hopeless situation of many starkly impoverished people in the underdeveloped regions of the world will be another convincing raison d’être for more foreign aid intervention. As the next phase of global efforts to foster development in developing regions of the world has been defined with the adoption of the Sustainable Development Goals, one can only prophesy that more light of hope has been beamed on the prospects of global development. However, from the experience of the past, better approaches must be engaged in order to ensure effectiveness with a critical restructuring with respect to the processes surrounding foreign aid delivery. In the light of the aforesaid, the following recommendations will help improve on previous results of foreign aid:

• Assessment of needs should be carried out as a major precursor to granting aids in order to ensure that projects or programs to be executed are not jamborees, but essentials, and vital to the enhancement of the well-being and development of both the people and the benefiting communities. This will also ensure that aids administered are of utmost priority to beneficiaries. A feedback mechanism that will involve interaction with members and leaders of benefiting communities should also be engaged by donors to assess the level of impact of projects on the benefitting communities.

• Added to this, benefiting communities should be carried along and accorded more responsibility as a major stakeholder. This mechanism should also permit access of benefitting communities to donors in order to ensure accountability among the various stakeholders.

• Importantly, Governments at all levels should also ensure that anti-corruption institutions are strengthened to tackle the menace of corruption to ensure the success of foreign aid intervention towards fast tracking development. Furthermore, donors should make zero tolerance for corruption as well as anti-corruption war in recipient countries a major prerequisite to granting foreign aid.

• More foreign aid should be channeled to developing countries and directed towards assistance in the development of critical social infrastructures and amenities especially in the rural areas. This will further contribute to national development by discouraging rural-urban migration thereby reducing overpopulation, unemployment and strain on social and infrastructural facilities in urban centers.

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