FOREIGN AID AND NIGERIA'S ECONOMIC DEVELOPMENT, 2015-2021

BY

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BEING A PROJECT SUBMITTED TO THE SCHOOL OF POST GRADUATE STUDIES, DEPARTMENT OF POLITICAL SCIENCE, FACULTY OF SOCIAL SCIENCES, NASARAWA STATE UNIVERSITY, KEFFI, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTERS IN INTERNATIONAL RELATIONS AND DIPLOMACY (MIRD) DEGREE IN POLITICAL SCIENCE

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DECLARATION

I hereby declare that this project work has been written by me and is a report of my research work. It has not been presented in any previous application for Masters Degree. All quotations are indicated and sources of information specifically acknowledged by means of references.

13/12/2022

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CERTIFICATION

This project titled: **"Foreign Aid and Nigeria's Economic Development, 2015-2021"** by Zainab Isah Musa meets the regulations governing the award of Masters in International Relations and Diplomacy (MIRD), of the School of Postgraduate Studies, Faculty of Social Sciences. Nasarawa State University, Keffi, and is approved for its contribution to knowledge.

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DEDICATION

This project is dedicated to Almighty Allah for His protection and favour throughout the programme and to my family.

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ABSTRACT

The study examines foreign aid and Nigeria's economic development. The study was built within the framework of dependency theory in analyzing the implication of foreign aid on the economy of Nigeria. Both qualitative and quantitative research design were utilized to generate data through the use of interview and data from extant literature. The study finds that internal factors like corruption, weak aid co-ordination, programming and management practices, misappropriation and poor utilization of funds, poor institutional framework and infrastructural facilities are the factors militating against the effectiveness of foreign aid in achieving economic development in the Nigerian State. Results also show that measures on enhancing aid contribution to Nigeria's economic development are not effective as Nigeria faces many issues regarding corruption like bribery, that has become normal amongst the civilians and the civil servants of the state. So giving economic aid to a country with corrupt leaders will not help facilitate socio-economic growth like eradicating corruption. Instead, it will get into the hands of the corrupt official persons who are only in power solely for self-establishment. The study therefore recommends that the government of Nigeria should ensure that policies are made to build and strengthen institutions so that aids given by donor agencies to stem down poverty and unemployment are not diverted or siphoned for personal aggrandizement. The study also recommends that, in ensuring effective delivery of development assistance in Nigeria, there is need to develop institutional arrangement that check elite capture of economic resources, corruption has been adjudged as the reason why foreign assistance to Nigeria is mostly wasted.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Historically, the quest for official development assistance (otherwise foreign aid or ODA) began with the Marshall Plan in 1947. Since then, several kinds of support have been given to countries to promote reconstruction, recovery and development. There are four kinds of foreign aid, as classified by White (1998): project aid, programme aid (import supports, debt relief, budget aid and counterpart funds), food aid and technical assistance (cited in Duc, 2006).

It has been established by Organization for Economic Cooperation and Development (OECD) (1999) that foreign aid is important to the development of Sub-Sahara Africa, as it is a means of increasing the capital available for investment and the economic growth needed to reduce poverty and raise living standards in the continent. It also contributes to sustainable economic development, as it results in the transfer of new technologies, skills and production methods. It provides resources for industrialization, enhances efficiency of resource use, increases product diversity and generates employment.

However, despite aid to developing countries, they still face massive poverty, slow GDP growth, high mortality rates, and low levels of education. In the year 1999, 1.2 billion people lived on less than $1 a day, and another 2.8 billion people lived on less than $2 a day (World Bank, 2003). The majority of the people in the least developed countries cannot read or write with over 854million adults in the world being illiterate and 543 million of them are women (Human Development Report, 2000). These statistics reflect

the extent of low human development in developing countries which implies miserable and sub-standard living for the country's poor.

Consequently, Africa's quest for foreign aid has been on the increase over the years, but its impact has been problematic with high rising debt profile. Africa owed $350 of external debt as at 2000 and above $5 billion and $8 billion from 1970 to 1984 respectively. To service these debts, Africa uses over 50% of earnings from export which amount to 42.5% of the total capital inflow to Africa in 1980 (Aluko and Arowolo. 2010:4). These situations are indicators that there is a slouch pace of economic progressive growth which is largely caused by high population growth, political instability and high dependence on imports despite these aid to revamp the economy. It is against this background that Nigeria is most often times described as one of the poorest countries in the world in spite of its abundant natural and human resources.

Moreover, foreign aid has the most primary duty of bringing about desired development that is lacking in the developing countries of the world if its intended purposes are diligently met. The development of foreign aid in most countries seems to have failed woefully apart from very few that have made good use of it as some scholars have argued. It does appear that the leaders of the developing states in the third world have seen aid as a means of getting money for their development, but would channel them towards meeting other projects for which they did obtain such loans or assistance; which most often times, does not meet the desires and needs of the teeming population of the recipient nations. Obtaining loans and getting assistance from donor countries in the modern economy is not fundamentally or entirely a wrong thing, but its utilization to promote productivity from the projects embarked upon that would ensure development is

paramount. It is the diversion of funds meant for service delivery to the people to other irrelevant projects that have caused the continuous lack of development in the developing countries, Nigeria is not an exception. Thus most developing states have not felt the impact of foreign aid or any kind of assistance from the developed countries of the west following the near absence of development. Foreign aid can therefore be seen as a deliberate plan, designed to influence the foreign policies of the developing nations including Nigeria to favour the concerns and interests of the developed world.

Indeed, foreign aid seems to have mortgaged the sovereignty of Nigeria and damaged its self-development processes, which its destruction is antidevelopment. Nigeria's much reliance on the United States of America for aid all the time to enable her drive her economic growth and development has caused her to be strongly dependent on the US economy which has culminated to a relationship that can be best described as that of "a master – servant" kind of relationship. The relationship is caused by economic subservience where countries of developing world are highly indebted to the donor countries because of the pursuit of foreign aid from the developed countries for "development purposes".

There is no doubt that Nigerian economy is characterized by low level of income, high level of unemployment, very low industrial capacity utilization, and high poverty level, just to mention a few of the various socio-economic problems bedevilling the nation. In addressing these problems, foreign aid has been suggested as a veritable option for augmenting the meagre domestic resources. While some countries that have benefited from foreign assistance at one time or the other have grown such that they have become aid donors (South Korea, North Korea, China etc.), majority of countries in Africa like

Nigeria and Kenya etc have remained backward. Nigeria has continued to benefit from all sorts of foreign assistance and in fact still collects at least as much as the amount collected in the early 1980s, yet economic development has remained dismal. While there could be so many factors both qualitative and quantitative explaining these unfavourable trends, the incessant socio-political crisis, policy inconsistency, macroeconomic instability and bad governance evident in Nigeria are indeed indicators of poor policy framework, which should give one a pause (Salisu, 2007). It is against the foregoing background that the study attempts to examine the impact of foreign aid on Nigeria's economic development.

1.2 Statement of the Problem

Over the last half century, foreign aid has emerged as a dominant strategy for alleviating poverty in the third world. Not coincidentally, during this period, major international institutions, such as the United Nations, World Bank and International Monetary Fund gained prominence in global economic affairs (Hjertholm and White, 2003). Despite the window of opportunity opened to the lesser developed countries (LDCs) of the world to develop using foreign aids, the reverse is the case as they continue to suffer from economic hardship, raising question of whether foreign aid is a worthwhile and effective approach to boosting growth and development in recipient economies.

In Nigeria, there have been huge and significant in-flows of foreign aid into the economy, which have brought about gross dependency on foreign aid. Again, foreign aid to Nigeria has been politically and economically devastating and as such made the country to incur more debt than ever Nigeria's quest for foreign aid in the recent years has been on the increase due to the total net aid flows that she received from all donor countries which

summed up to 152 million (US dollars) in 1999. It increased to $185 in 2000 and in 2004, it rose to $573 million. As the years roll by, so the increase occurs. In 2008, it was $1.29 billion and as at 2011, it amounted to $1.78 billion (Aluko and Arowolo, 2014:4). Evidences abound that Nigeria had since independence in 1960 received aid from various countries and agencies. Notwithstanding the enormous inflow of foreign aid to Nigeria, she is faced with the inability to make effective use of such aid to the extent that the country is still being characterized by low level of income, high level of poverty, low industrial capacity and low level of employment among others. Furthermore, this situation has made the country not too attractive to investors and investments that are of high quality are less found within Nigeria.

The dependence of Nigeria for foreign aid in-flow has in a long way diluted the quest of the economy to develop its capacity as its government does not make efforts to develop internal utilization of its human and non-human resources. As a consequence, to this, the unemployment rate has remained an unresolved macroeconomic problem in Nigeria.

Despite the benefits inherent in aids given by developed countries and multinational institutions to help alleviate poverty, induce economic growth, and raise living standards in aid recipient countries, aid literature have been inconclusive as to its effects on economies of developing countries like Nigeria.

In the aid literature, various theoretical and empirical studies have been conducted on LDCs to determine the actual effects of foreign aid on economic growth. For example, pro-aid researchers (Burnside and Dollar, 2004; Camelia and Sanjay, 2009; Dalgaardet, Hamsen and Tarp, 2004; Hansen and Tarp, 2001; Sachs, McArthur, Schmidt-Traub, Kruk, Bahadur, Faye and McCord, 2004) found a positive impact of foreign aid on

economic growth. However, Lensik and White (2001); Easterly (2003); Malik (2008); Hamid (2013), while challenging this finding, prove that aid is ineffective, contributing to the anti- aid literature. Despite having an enormous literature on this subject, a consensus has not been reached on the impact of aid on growth and economic development, and yet the results are still inconclusive (Ekanayake and Chatma, 2010; Macmillan, 2011; Tadesse, 2011) and this suggests that aid and growth rate are neither positively, nor negatively related. These paradoxical results obtained in various studies conducted on aid recipient countries and anecdotal views of prominent development economists demand that this subject need further study.

Major efforts have been underway to mobilize resources for increases in aid (example, through an international financing facility. In contrast, some have argued that aid has historically been ineffective in promoting growth (Action Aid, 2005). From the foregoing, it becomes expedient to investigate the impact of foreign aid on Nigeria's economic development at this time.

1.3 Research Questions

From the above problem, the following research questions are presented:

i. How effective has foreign aid been in influencing economic development in Nigeria?

ii. What are the challenges hindering the contribution of foreign aid to economic development in Nigeria?

iii. What are the measures put in place to ensure that foreign aid affects the Nigerian economy positively?

iv. How effective are the measures on enhancing aid contribution to Nigeria's economic development?

1.4 Objectives of the Study

The overall aim of this study is to examine the impact of foreign aid on Nigeria's economic development. The specific objectives of the study are to:

i. determine how effective has foreign aid been in influencing economic development in Nigeria;

ii. examine the challenges hindering the contribution of foreign aid to economic development in Nigeria;

iii. assess the measures put in place to ensure that foreign aid affects the Nigerian economy positively.

iv. assess the effectiveness of the measures on enhancing aid contribution to Nigeria's economic development.

1.5 Research Propositions

i. Foreign aid has positive influence on economic development of Nigeria.

ii. Corruption and weak institutions are the most resounding challenges hindering the contribution of foreign aid to economic development in Nigeria.

iii. There exist monetary and fiscal policies as measures put in place to ensure that foreign aid affects the Nigerian economy positively.

iv. The measures for enhancing aid contribution to Nigeria's economic development are not effective.

1.6 Significance of the Study

Several studies such as Burnside and Dollar (2004); Camelia and Sanjay (2009); Dalgaardet, Hamsen and Tarp (2004); Hansen and Tarp (2001); Sachs. McArthur, Schmidt-Traub, Kruk, Bahadur, Faye and McCord (2004); Lensik and White (2001); Easterly (2003); Malik (2008); Hamid (2013) and a host of others have contributed significantly to the debate on foreign aid in developing countries of the world. However, what was missing in their analysis is foreign aid and Nigeria's economic development from 2015-2021.

Considering the above, this study will be significant for many reasons. These can be categorized into empirical contributions and policy. By examining how foreign aid has been effective in influencing economic development in Nigeria, the challenges hindering the contribution of foreign aid to economic development in Nigeria and the measures put in place to ensure that foreign aid affects the Nigerian economy positively will significantly enriches the existing literature on foreign aid and Nigeria's economic development.

This research will be of great significance to the Federal Ministry of Trade and Investment Headquarters, Abuja, Central Bank of Nigeria (CBN), Ministry of Foreign Affairs and Nigeria Investment Promotion Commission, in the sense that findings from the research will provide necessary information to add to the existing data. It will also be a document that is of great importance to research in institutions of higher learning. The study will also make recommendations on how policies can be efficiently implemented and utilized for economic development of Nigeria.

1.7 Scope of the Study

The study covers foreign aid and Nigeria's economic development from 2015-2021. The justification for the period is that it recorded an increase inflow of foreign aids in Nigeria. The categories of foreign aid considered in this study include: agricultural aid, communication aid, industrial aid, engineering aid, education aid, health aid and food/food security aid.

The geographical coverage of this study is Nigeria. Specific issues examined are: how foreign aid has been effective been in influencing economic development in Nigeria. challenges hindering the contribution of foreign aid to economic development in Nigeria and the measures put in place to ensure that foreign aid affects the Nigerian economy positively.

1.8 Operational Definition of Terms

Some terms that are relevant to this study are defined based on their usage in the work. These includes; foreign aid, globalization and economic development.

Foreign aid: Foreign aid refers to transfer of real resources from one government or public institution of the richer countries to governments of less developed countries (LDCs) in the third world.

Globalization: This concept within the context of it usage is defined as the process of the intensification of economic, political, social and cultural relations across international boundaries.

Economic Development: this is the process by which the economic well-being and quality of life of a nation, region, local community, or an individual are improved according to targeted goals and objectives.

1.9 Organisation of the Study

This work is organized into five (5). Chapter one is Introduction. It contains the Background of the Study, Statement of Research Problem, Research Questions. Objectives of the Study, Research Propositions, Significance of the Study,Scope of the Study, Operational Definition of Terms and Organisation of the Study. Chapter Two contains literature review and theoretical framework. Chapter three contains research methodology used in examining foreign aids and Nigeria's economic development. Chapter Four addresses Data Presentation, Analysis and Discussion of Findings. Chapter Five discusses the summary, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Foreign Aid

In Sub - Saharan Africa, poverty and underdevelopment have remained on increase since the independence of most of its countries from colonialism in the 1950s. Because of this state of affairs, the region also has been a major recipient of foreign aid. Aid is used to represent financial transactions made or guaranteed by one government to another. Indeed, foreign aid has become a major issue and instrument of foreign policy by advanced economies to strengthen their economic ties with the developing countries. Foreign aid is basically the donations of money, goods, or services from one nation to another. Such donations can be made for a humanitarian, altruistic purpose, or to advance the national interests of the giving nation. Aid can be between two (bilateral) or many (multilateral) countries/institutions. Bilateral aid is usually tied aid (conditional aid) is when recipients must purchase products/ services from the donor country. Multilateral aid is usually untied aid that can be spent in any sector of the recipient country (Ukpong. 2017).

Easterly (2006) defines foreign aid as a voluntary transfer of resources from one country to another with the objective of benefiting the recipient country. Riddell (2007) also defined foreign aid as comprising all kinds of resources ranging from physical merchandise, skills and technical know-how, financial grants including gifts and loan which are given to recipients by donors at concessional rates. The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and

Development (OECD) also defines aid as Official Development Assistance (ODA) which qualifies on three criteria. It is to be undertaken by official agencies; it is to have the main objectives of promoting economic development and welfare and it has to have a grant element of twenty five percent or more.

Aid is used to represent financial transactions made or guaranteed by one government to another. Indeed, foreign aid has become a major issue and instrument of foreign policy by advanced economies to strengthen their economic ties with the developing countries. Aid according to (2000) is a form of assistance by a government or financial institution to other needy countries, which could be in cash or kind.

The establishment of aid was one of the principles of Breton Wood system in 1914. The system believes that there should be a free capital market which allows for an unrestricted inflow of foreign aid. Based on this thinking, a Marshal Aid Assistance of about $17.5 billion was granted to European countries to resuscitate their ruined economies due to Second World War. Since then, foreign aid has remained a veritable economic phenomenon of the international economic system (Todaro, 1977).

Freeing aid in its broadest sense has been defined as consisting of all resources- physical goods, skills and technical know-how, financial grants (gifts), or loans (at concessional rates) and support in international negotiations transferred by donors to recipients. Lancaster (1999) also defines foreign aid as a transfer of concessional resources, usually from a foreign government or international institution, to a governmental or non-governmental organization in a recipient country. It may be provided for a variety of reasons, including diplomatic, commercial, cultural and development. In all cases, it is

noted that the definition of aid (whether foreign or development) is largely donor-driven and based on the intentions of those giving the aid rather than those using it, the recipients. This uncontested, donor-driven approach has remained the norm and also manifests in the fact that it has always been the donor who decide how much aid to give and the form in which it is to be given (Riddell, 2007).

Foreign Aid according to Todaro and Smith (2010) is the international transfer of public funds in the form of loans or grants either directly from one government to another (bilateral assistance) or indirectly through the vehicle of a multilateral assistant agency such as World bank. Economists have defined Foreign aid, therefore, as any capital flow to a developing country that meets two criteria:

(1) Its objectives should be noncommercial from the point of view of the donor, and

(2) Its should be characterized by non-concessional terms; that is, the interest rate and repayment period for borrowed capital should be softer (less stringent) than commercial terms. Foreign aid is very important for the acceleration of economic development. Foreign aid can be used by the recipient country in accordance with its development programmes (Todaro, 2003). Foreign aid can also be in the form of economic assistance like:

i. Investment in the economy of the needy country,

ii. Loan,

iii. Infrastructural development,

Foreign Aid can also come in form of military assistance such as:

a. Supply of military hardware at subsidized rates,

b. Military agreements, bilateral or multi-lateral, loose or solid or in defence pact.

c. Supply of military technical assistance such as military presence to a country in conflict or war with another,

d. Military subversions, coup, assassinations, etc.

The conceptualizations of aid above clearly depict that aid is not the same thing as loan. While aid is more comprehensive and encompassing, loan is embedded in aid. Loan is money or other valuable item that an organization, individual or a country lends out usually with interest. Foreign aid is succinctly divided into three broad categories namely: Bilateral, multilateral and private (Todaro, 2003). Bilateral foreign aid is a financial outflow from one country to another, that is, it involves capital outflow between two countries. It accounts for more than 60% of aid to developing countries. Bilateral aid according to Nwoke can be in four forms: Development loan which is usually repayable within long term duration; Technological assistance involving the technological and managerial know how and transfer technology for substitution. For instance the Nigerian Technical Aid Scheme (Technical Aid Corps) which Nigerians Professionals are sent to needy country. The fourth one is military cooperation between a powerful nation and a relatively weak one.

Armament and training of military personnel as well as supply of military hardware at subsidized rates are usually major components of such aid pact. Grant, which is the least, is used by wealthy countries like USA, Canada, Switzerland, Swiss, etc to give aid to less fortunate countries to carry out specific programmes usually for infrastructural and social service development. The donor countries often supervise the implementation of such

projects and programmes in order to ensure accountability and compliance with set standards. Multilateral aid in the other hand is seen as capital outflow international financial bodies rather than from government to government. It accounts for about 40 % of the global aid assistance to developing countries (Ukpong, 2017).

Private capital outflow covers; according to Todaro (2010) all direct investment input credits and portfolio investment by trans-national corporations and commercial banks. Private foreign capital outflow to the developing world grew tremendously from S4.6 in the 1980s by declined through the late 1980s to the 1990 input outflow due to endemic political instability occasioned in Africa, for instance by the political turmoil and civil wars which invariably triggered capital flight. Multilateral aid is preferred to bilateral aid. The latter is more often than not, tied to specific conditions, which invariably result in dependent relationship by the receiving country. However, multilateral aid may not be either in terms of meeting certain conditions of those recipient countries. For example. the IMF and World Bank have very stiff conditions those borrower countries must satisfy to be able to enjoy their credit facilities. The conditions which are, more often than not, stiff and uncompromising in nature include, privatization, devaluation of national currency, democratization, liberalization, etc (Ukpong, 2017).

2.1.2 Development

The concept of development is complex and contested. As such, there are numerous perspectives as to what constitute the concept of development. There is the perspective that sees it from the economic perspectives, while others see it as a concept that is multidimensional, meaning that development is beyond the economic domain. The earliest concept of development was interpreted in terms of growth of output over time

and later in terms of per capita output. The terms growth and development were used interchangeably. It is on this premise that Meier (1988) posited that:

> Development is the act of lifting to the highest value the Gross National Product through the process of accumulating capital and industrialization. Development can also be viewed as the capacity of a nation to increase its static economy to a level where it can generate and sustain an annual increase in its Gross National Product (GNP). He stated further that development is not limited to just the process of acquiring industries, but encompasses such processes as modernization, productivity, social and economic equalization, modem technical know-how, improved institutions, and attitudes as well as rationally coordinated policy apparatus (Meier, 1988:7).

Rabie (2014) defined development as a fundamentally economic concept with positive connotations. Historically, between the 1950s and 1960s, development was significantly referred to as economic growth, which reflected quantitative change instead of qualitative change in economic activities. Given the foregoing, development theories were constructed to speed-up the process of economic growth and position the Third World countries along the development route designed by the advanced industrailised countries of the West. This shows that development theories in the 1950s and 1960s were designed to make the Third World countries to desist from depending basically on agricultural production to relaying basically on trade and industrial production. The foregoing is important in the understanding of the meaning of development, and how the concept has evolved over the years. However, the study did not establish the linkage between development and change, which is vital to this study.

According to Abuiyade (2018), development is linked to change. Change can be defined as a transition from one state of affairs to another state of affairs. Development is defined as a positive transition towards the attainment of complex goals such as poverty

eradication, provision of employment opportunities to unemployed youths, bridging the gap between the rich and the poor. For the author, development is a positive attribute needed in a society for progress from one state of affairs to another. The definition of development as positive change by the author is vital to this study because it shows that with improved crop production and animal husbandry or animal rearing, development can take place in developing economies like Nigeria. Nevertheless, the study did not clearly capture the fact that development is not restricted in the area of economics.

Sakalesooriya (2020) noted that development is not completely an economic concept but reflects a multi-dimensional process that require re-orientation as well as re-organisation of the whole fabrics of social and economic system in a state. This shows that development involves a process of improving the quality of lives of people in three crucial areas such as improvement in the standard of living of people; establishment of political, social and economic systems as well as institutions that enhance the respect and dignity of people; and enhancement of the freedom of people to make choices by expanding on their choice variables. The foregoing is vital to this study because it clearly identified the diverse aspects of development, while at the same time stating that development usually results in the improvement in the standard of living of the people. However, the study did not define development to include infrastructural development, which could have helped us in the understanding of how mechanised agricultural production in Nigeria would have largely helped in reducing the incidences of herders-farmers conflict in the country.

Neato and Ciobanu (2014) noted that development can be defined as appreciable improvement in the quality of life of individuals in terms of improvement in housing

quality and standard of living, improvement in infrastructure, guarantee of freedom of expression, and improvement in the quality of education of people. Individuals are the channels through which developmental activities are carried out as well as beneficiaries and victims of development. This shows that development is organically linked to the tangible and intangible things that make life meaningful in a society.

In the same light, Oghator & Okoobo (2000) pointed out that development goes beyond the increase in per-capita income or economic growth, but also includes sustainable improvements in the living standard of the people, which are guaranteed through the provision of gainful employment, coupled with the presence and availability of social and economic infrastructures.

This view is buttressed by Ajagun (2003) who noted that development is a state of advancement which makes life more meaningful in its various aspects, including the economic, administrative, political, social, cultural and religious aspects. This implies that development is not about a particular aspect but it is encompassing, better still multi-dimensional depending on the point of contention.

Seers (1979) defined development in an entirely different dimension by posing certain questions such as; what has been happening to poverty, unemployment and inequality. To him, if all three indices (poverty, unemployment and inequality) are at a relatively high rate, there is absence of development, and vice versa. It follows therefore that for a country to be classified as developed, there are parameters to look out for which are: the state of poverty, unemployment and inequality.

In general terms, "development" means an event constituting a new stage in a changing situation or the process of change per se. (Ngozi and Osafo-Kwaako, 2007).

Development is implicitly intended as something positive or desirable. When referring to a society or to a socioeconomic system, "development" usually means improvement, either in the general situation of the system, or in some of its constituent elements. Development may occur due to some deliberate action carried out by single agents or by some authority pre-ordered to achieve improvement, to favourable circumstances in both. Furthermore, Goulet (1971) considers three core values as an important basis and guideline for understanding the meaning of development. These include:

i. Life Sustenance: The ability to meet basic needs: There are some basic needs (food, shelter, etc.) that are essential for improvement in the quality of life. So the basic function of economic activity is to overcome people from misery arising from shortage of food, shelter.

ii. Self-esteem: A second universal component of the good life is self-esteem. Self-esteem refers to self-respect and independence and for development of a country it is an essential condition. Developing countries need development for self-esteem to eliminate the feeling of dominance.

iii. Freedom: A third universal value is the concept of freedom. Freedom here is understood as a fundamental sense of release from freedom, freedom from misery, institutions and dogmatic beliefs. It refers to freedom from three evils of want, ignorance and squalor.

Todaro & Smith's (2006) offered a broader definition of development from an economic and social perspective, and maintained that development is a process meant for equitable social and economic transformation of the society through institutionalised social structures, and people's positive attitudes for an accelerated and increased growth and

poverty eradication. In this definition Todaro & Smith agree with Korten (1990) that development is a process of bringing equitable societal change through structural capacities. It is also sustainable use of resources on the one hand. For Amartya (1999) development requires the removal of major sources of injustice, poverty as well tyranny. poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or over activity of repressive states".

Kayode and Odusola (2001) sees development as a process that results in improved economic status for a country. They say it is often measured by increased real per capita income and if possible should be sustained over a long period of time. Moreover, they noted that development is a process involving elements of modernisation such as enhanced productivity, social and economic equalisation; improved knowledge, attitudes and institutions; and rationally coordinated policy measures that are capable of reviewing all obstacles-to social economic transformation.

On his part, Onah (2005) maintained that development is a continuous improvement in the capacity of the individual and society to control and manipulate the forces of nature for the enhancement of the living standard of the people in a society. This definition introduces another dimension to the meaning of development, as it analyses the human aspect of development, that is, the individuals who resides in a given state. Adamolekun (2007) corroborates this position noting that development has to do with improving the living condition of people. He highlighted some indicators of development, which include: a higher quality of life, higher income, better education, higher standards of health and nutrition, less poverty in society, a cleaner environment, more equal opportunities, greater individual freedom and richer cultural life amongst citizens of a given state.

Towing the line of Onah, (2005) and Adamolekun (2007) the United Nations Development Programme (UNDP) (2010) observed that development should focus on human development. The UNDP argument stressed that economic growth must be managed and wealth distributed for the benefit of the majority of the country's people. Therefore, development is the increasing ability of a given society to productively manipulate her environment. This entails a rising level of social and scientific consciousness, and advancement in science and technology for the society in question (Adenuga, 2003, p46).

The United Nations (1971) outlined certain critical elements that have to be present before there could be said to be development. These include:

i. A minimum of standard of living compatible with human dignity

ii. Underpinned improvement of the well-being of the individual

iii. Sharing of benefits by society at large.

iv. More equitable distribution of wealth and income.

v. A greater degree of income security and

vi. The safeguard of the environment (United Nations, 1971).

From the perspectives of development outlined above, it can be deduced that development is a multi faceted and multi dimensional phenomenon because it has many facets. It is not limited to economic growth or per capita income alone but encompasses the economic, administrative, political, social, cultural, religious, and living standard of the people in a given society.

This study, will adopt the definition of development by Neato and Ciobanu (2014) because it best captures the issues around farmers-herders conflict in Nigeria. However, the

definition of development by the author is not connected to the economy, which is vital in the definition of economic development in the country.

II.3 Economic Development

The concept of economic development, which is the dependent variable in this study is broadly conceived as fundamental changes in an economy achieved through the adoption of updated technologies with a view to increasing productivity, increase in incomes and improvement in the standard of living of the people. Economic development should bring about increase in the level of infrastructure, improvement in political, social, and institutional variables that facilitate improvement in a country's economy. Economic development is vital in any country because it is a veritable instrument for improving the living conditions of people as well as incomes across the universe. However, the study did not capture the fact that economic development is vital in reducing the extent of dependency among the individuals in the society.

According to Lin (2017), economic development brings about increase in the volume of resources available to individuals as well as reduces the degree at which people depend on their external family members. This shows that economic development provides ample opportunities to individuals in making informed choices in pursuing autonomy, which would reposition them in taking care of their personal responsibilities better. From the foregoing, economic development facilitates cultural autonomy and egalitarianism. Nevertheless, the study did not identify the indicators of economic development that would help in making developing economies change from being dependent economies to being independent economies.

Coccia (2020) perceived economic development as a multi-dimensional process which drives technological, economic, institutional and social change aimed at supporting the wealth of nations as well as a holistic wellbeing of individuals in a society. Traditional economic measures of development as denoted by Gross Domestic Products (GDP): the totality of gross value accruable to all producers that live in a country including any product tax and subtracting subsidies that are excluded from the value of the products. In the contemporary time, non-economic indicators such as life expectancy, standard of living, literacy level, gross national income per capita are used in measuring economic development-Human Development Index (HDI). The study is vital to us because it brings to the fore some of the indicators of economic development. However, the study did not define economic development to include the diverse economic actors in the economy. which is vital in the understanding of herders-farmers role in the economic development of a country, especially in developing economies like Nigeria.

Feldman, Hadjimichal, Kemeny and Lanahan (2014) defined economic development as the establishment and reinforcement of capabilities that increase the abilities of economic actors in a country. The economic actors may be firms, industries or individuals, but in a resource-based economy, development may be hampered by natural endowments. This is contrasted with what is obtainable in a contemporary knowledge-based economy that largely relies on skills: that are developed over a period of time. the authors defined economic development as the opportunity to increase skills or abilities that permit them to make significant contributions to the state's economy. This shows that economic development allows larger percentage of individuals to participate in the society as well as the economy, while at the same time, giving them the opportunity to articulate new ideas

which could be disseminated as utilised for improvement in the economy of a state. Nevertheless, the study did not examine the related factors like the structure of a country's economy and level of participation of the people in economic production which can influence economic development, especially in developing economies.

For Ivic (2015), economic development can be defined as improvement in the level of material production which equally includes social and economic processes as well as changes brought about by economic and other related factors. Economic development is usually expressed s a long-term process, which is comprised of structural changes in a country. For economic development to be realised in a country, there is need for greater participation of the people in the processing sector of the industrial production is it is in s secondary sector, but in the tertiary sector, the participation of the people is dominated by the service sector. Economic development in any country is accompanied by transformation in production structure. This would bring about introduction of new products, emergence of new techniques of production, emergence of new technologies. new processes of production, new sources of energy, discovery of new raw materials. Economic development can equally be perceived as increased as well as effective participation of a country's economy in the global economy. However, the study did not define economic development to include those activities that are needed in enhancing productivity of people in a state, and this understanding is vital in the examination of the impact of herders-farmers conflict on the Nigerian economy, especially on agricultural production.

Economic development is defined as those activities in a country that brings about increase in resource productivity, while offering the people greater range of real choice for both

producers and consumers without excluding broader clientele involvement in policy-making which is largely connected to the economy. This shows that economic development involves sustained and steady increase in order to realise groups and individual interests that are linked to the economy of a state (Shaffer, Deller and Marcoiller, 2021). This is vital to this study because it brings to the fore that economic development involves steady improvement in the standard of living of a people. Nevertheless, the study did not define economic development in measurable terms, which is important to this study.

Economic development in a country is measured as Gross National Income (GNI) and Gross Domestic Product (GDP), life expectancy, literacy level, infant mortality rate. Poverty Gap Index, Income Gap Ratio, Human Development Index (HDI), life expectancy at birth, mean years of schooling for people aged 25 years, projected years of schooling for children years of entering school, Gender Inequality Index (GII), Gross National Happiness, economic self-reliance, environmental conservation, cultural preservation and promotion, and good governance (Salami, Tilakasiri & Ahmed, 2021). The foregoing is important in measuring economic development. However, the foregoing indices for measuring economic development do not adequately capture economic development within the context of herders-farmers conflict in Nigeria.

According to Migala-Warchol (2019), economic development can be measured in terms of GDP per capita, unemployment rate, gross domestic expenditure, level of access of the citizenry to education, the number of people who are poor, number of people who live in decent houses, ability of individuals to meet their unexpected needs, and the level of availability of basic infrastructures to the people. Therefore, this study will adopt the

definition of economic development by Migala-Warchole (2019) because it best measures economic development within the context of herders-farmers conflict in Nigeria.

2.2 Empirical Review of Related Literature

2.2.1 Foreign Aid and Nigeria's Economic Development

The relationship between foreign aid and economic development has drawn great attention for years, but the empirical results are mixed. There is now a large literature on the relationship between aid and growth specifically. A study conducted by Bakare (2011) finds a negative relationship between foreign aid and output growth in Nigeria which implies that foreign aid tends to worsen output growth in the country rather than improving it.

In corroboration, Fasanya and Onakoya (2012) find a significant positive impact of foreign aid on economic growth in Nigeria as Nkoro and Furo (2012) also show that there is a significantly positive effect of foreign aid on real GDP in the country. Hudson and Mosley (2004), Islam (2003); Dalgaard, Hansen and Tarp (2004) studied aid, focusing on its rate of return. They found that aid may have a diminishing return that is the impact of aid on growth becomes negative after a certain threshold is reached. The threshold level of aid as a ratio of GDP varied from 25 percent to 45 percent. Similarly, studying a panel of 56 countries and four-year time periods from 1970-1973 until 1990-1993; Burnside and Dollar (2000) found that good fiscal, monetary and trade policies are the prerequisites for aid to have positive effect on economic growth. Their finding has a substantial increase in amount of aid (Easterly, 2006).

Soludo in Okonjo-Iweala, Soludo and Muhta (2013) argue that once an initial stock of debt grows to a certain threshold, servicing them become a burden and countries find

themselves on the wrong side of the Debt Laffer Curve, with debt crowding out investment and growth. Conversely, Bakare (2011) asserts that a country's indebtedness does not necessarily slow growth, rather it is the nation's inability to optimally utilize these loans to foster economic growth and development and ensure effective servicing of such debt that hampers the benefits derivable from borrowed capital resources. Udeh (2013) notes that this has brought about the adoption of several initiatives capable of alleviating the debt burden which continue to hinder the growth prospects of most Highly Indebted Poor Countries (HIPCs)/economies. These initiatives range from debt rescheduling to outright cancellation. Despite the huge amount of debts which the country has continued to incur over the years, with the aim of achieving economic growth and development, high unemployment, poverty and low standard of living are still prevalent in the country, as observed by Aiyedogbon and Ohwojasa (2012); (Nwagwu. 2014).

The inability of Nigeria to effectively meet her debt obligations has adverse effect on the economy, as interests' arrears accumulate over the years, thereby creating a much greater debt burden on the nation resulting in a greater percent of her revenue being spent on debt service arrears. Audu (2004) observed that the debt service burden has continued to hamper Nigeria's rapid economic development and worsened the social problems, this is because debt servicing crowds out investment and growth.

In his research, Ram (2004) looked at the issue of poverty and economic growth from the view of recipient country's policies as being the key role in the effectiveness of foreign aid. Nevertheless, in his paper the author disagrees with the widely-acknowledged view that redirecting aid toward countries with better policies leads to higher economic growth

and poverty reduction rates. As a result, based on his research, the author concluded that evidence is lacking to support the leading belief that directing foreign assistance to countries with good 'policy' will increase the impact on growth or poverty reduction in developing countries.

Duc (2006) in his research on foreign aid and economic growth in the developing countries based his model on the endogenous growth theory as developed by Barro (1991) and this incorporated foreign aid as an additional explanatory variable, he studied 39 countries; 5 countries from East Asia, 3 from South Asia, 2 from Europe and Central Asia, 13 from Latin America and the Caribbean, 5 from the Middle East and North Africa and 11 from Sub-Saharan Africa. Using sub periods 1975 and 1992 – 2000 as well as the overall period from 1975 – 2000, he noticed that economic growth in developing countries has a negative relation with foreign aid and it is highly insignificant. He further argued that in countries where the institutional environment is distorted, aid could be fungible into financing government's consumption instead of being effectively invested.

The study of Tersoo and Abubakar (2019) re-examines the efficacy of foreign aid and grants on poverty reduction in Nigeria using time series data covering the period of 1999 to 2017and applied the Autoregressive Distributed Lag (ARDL) bounds testing approach to establish the variables relationship. The results showed that Technically Cooperation Grants and Official Development Assistance have positive, but insignificant impact on national poverty incidence in the short-term horizon; however, in the long-term, then effect of TCG and ODA on poverty incidence is negative.

Burnside and Dollar (2000) contended that aid can be effective when strategies are great, that is, well articulated monetary and fiscal policies. Three principle contention have been progressed to clarify the disappointment consequences of strategic reasons of most aid viability studies; aid is misallocated (contributors give help for key motivations to the wrong beneficiary), aid is abused (beneficiary government seek after non-development plans) and GDP growth isn't the correct proportion of aid adequacy. Most literature on aid effectiveness define donor's objective as solely the promotion of economic growth and development or reduction of poverty in recipient's countries, another strand of literature contend that aid is apportioned for vital purposes, no positive effect as far as development or poverty alleviation should be expected.

Papanek (1973) utilized a cross-country regression analysis of 34 countries in the 1950s and 51 countries in the1960s, examined foreign aid, foreign investment, other flows and domestic savings as explanatory variables, found that foreign aid has a substantially greater effect on growth than the other variables. He further explained that aid, unlike domestic savings, can fill the foreign exchange gap as well as the savings gap. Unlike foreign private investment and other foreign inflows, aid is supposed to be specifically designed to foster growth and, more importantly, is biased toward countries with a balance-of-payment constraint.

Similarly, Fayissa and El-Kaissy (1999) in a study of 77 countries over sub-periods 1971-1980, 1981-1990 and 1971-1990, observed that foreign aid positively affects economic growth in developing countries. Using modern economic growth theories, they point out that foreign aid; domestic savings, human capital and export are positively correlated with economic growth in the studied countries.

Other studies examine the unconditional effects of aid on development. Generally, these studies posit that the inability to situate a positive effect of aid on growth can be attributed to specification issues and time period considered. Noting the possibility of positive as well as diminishing returns, most of such studies examine nonlinearity in the aid-growth relationship. For instance, Hadjimichael, Ghura, Muhleisen, Nord, and Ucer (1995) find a significantly positive impact of aid with diminishing returns in a generalized least squares cross section of 31 African countries, over the period 1986-1992. Other notable studies include those of Hansen and Tarp (2000), Lensink and Morrissey (2000), Dalgaard and Hansen (2001), Hansen and Tarp (2001), Lensink and White (2001), Clements, Gupta, Pivovarsky, and Tiongson (2004), Dalgaard. Hansen and Tarp (2004), Moreira (2005), Werker, Ahmed and Cohen (2009) inter alia.

Lensink and Morrissey (2000) included a convergence term in their regressions on a cross section of 75 countries and find a strongly significant, positive, linear relationship between aid and growth. However, the study further argued that uncertainties surrounding the size and timing of aid could negatively impact on investment and economic growth. Using an identification strategy which leans on the persistence of aid and the absence of direct effects on current growth from lagged aid, Hansen and Tarp (2001) found a strong, non-linear impact of instrumented aid growth that is not contingent upon influential observations.

The study by Lensink and White (2001), with the use of a two-stage least square estimator, confirms the non-linear impact of aid on growth in a sample of 111 countries over the period 1975-1992. Similarly, in regressions instrumented with lagged aid flows, Clements et al. (2004) find a positive, unconditional, nonlinear, causal relationship

between aid and growth. Even though, Dalgaard, Hamsen and Tarp (2004) recognised the significant interaction between foreign aid and fraction of land in the tropics, the study found an unconditional positive and nonlinear effect of aid in the absence of the interaction. Moreira (2005), using differenced GMM estimators for year 1998, find a highly significant, positive and non-linear impact of aid in 48 countries.

The group of studies that found no relationship for the aid-growth analysis always propose a rethinking in the official development assistance paradigm. According to Boone (1996) development assistance has no effect on investment, growth and development outcomes, making the marginal propensity to consume aid insignificant and marginal propensity to invest zero. When outliers (influential observations) are removed from data samples, aid tends to have no impact on growth (Dalgaard and Hansen, 2001; Dalgaard, Hamsen and Tarp, 2004).

2.2.2 Challenges Hindering the Contribution of Foreign Aid to Economic Development in Nigeria

Amongst other things, the detrimental effects of corruption to an economy cannot be over emphasised (Larsson, 2006). On the one hand, aid could generate incentives which perpetuate weak institutions, ease pressure to reform inefficient institutions, fuel high and rising corruption rates as well as aid-dependency, promote inhibitive bureaucracy, all of which impacts negatively on government efficiency and economic growth (Knack and Keefer, 1995; Heller and Gupta, 2002; Brautigam, 2004; Harford and Klein, 2005; Moss et al., 2006; Rajan and Subramanian, 2007). Angeles and Neanidis (2009) find that historical factors (which created inequality of opportunity) and the dominance of elite

groups are associated with misappropriation of aid receipts. On the other hand, foreign aid could decrease corruption, if donors match aid-giving to quality of governance infrastructure, making recipients gird existing privileges (Hopkins, 2001; Alesina and Weder, 2002; Tavares, 2003; Williamson, 2009).

Furthermore, one interesting role of aid plays in economic development is being an amplifier of the quality of recipient's institutions. With its amplification effect, aid does not alter the path of recipient's institutions; it strengthens good institutions and worsens weak institutions (Dutta, Leeson, and Williamson, 2011).

Nigeria is plagued with a leadership problem and this challenge is the reason development assistance seems not to be working in Nigeria. Drawing from the success of the Marshall Plan, which is an indication that aid can help in poverty alleviation, but the challenge of mismanagement of aids received is the factor that is slowing down the process. The various leaders that have engaged in money laundering theft, frauds and all kinds of fiscal malpractices are the reason for the dismal result on poverty alleviation attempt. As Killick (1999 cited in Ijaiya and Ijaiya (2004) put it, aid that comes in a form of technical co-operation would affect the quality of a nation's labour force through the provision of training and imported skills which are essential for economic growth and poverty reduction, if an enabling environment is allowed to exist.

Consequently, Moyo (2009) challenged the theoretical strand surrounding the effectiveness of aid and opines that the billions of dollars in aid sent from wealthy countries to developing African nations has not helped to reduce poverty and increase growth. In fact, poverty levels continue to escalate and growth rates have steadily

declined and million continue to suffer. Similarly, overreliance on aid has trapped developing nations in a vicious circle of aid dependency, corruption, market distortion and further poverty, leaving them with nothing, but the need for aid.

Due to the volatile nature of aid, the government of the recipient country is sometimes unable to mobilise the volume of aid on time and fails to persuade donors that remaining funds will be spent efficiently. Thus, disbursement of aid may be further delayed: hampering the government's spending ability. Conditionality is another problem related to foreign aid which constraints the economic development of the recipient countries. Moss, a former consultant for the World Bank, said that tied aid is "highly inefficient since it restricts the market and thus costs the donor more money for the same benefit" (Djankov, Montalvo and Querol, 2006:24).

Traditionally, the donor-recipient relationship has been an asymmetric one involving a strong and a weak party, where political and economic structures of domination and exploitation provide little space for the latter to choose. If the aid is tied one then at the time of negotiation, the donors bargain with their high capacity. Lack of commitment and accountability of the aid-recipient country is also a reason for which economic growth is being hampered. Powerful rulers have discretion over how foreign aid is used and or distributed. Since they do not have to be accountable to any one, sometimes they exploit their power to grab the aid resources. Sometimes, they give emphasis on short-term political interests and time preferences, for the foreign aid resources. Ali, and Isse (2006:244) said, "Since no one expects to reap the future profitability of aid, in such settings, rulers might adopt policies that benefit them in the short term but hurt the nation in the long run".

The relation between aid and growth varies across the regions. Sub-Sahara is the region with largest amount of aid provided by donors, but the economic performance remains fairly poor. This may be due to lack of appropriately designed programmes, timely and sufficient disbursement, corruption of the high officials and strict penalty upon deviation or violation etc. Foreign aid contributed to relaxing government budget constraints and thus increasing government consumption (Djankov, Montalvo & Querol, 2006).

Leeson (2008) suggests a possible explanation to the unimpressive performance of aid in the developing economies; he claims that most of these countries possess weak institutions and bad policies which underscore the reason for their intense poverty.

High levels of dependency on foreign aid by most African countries have led to a lot of antagonism against foreign aid. These antagonists contend that foreign aid, whether in the form of conditional loans or Official Development Assistance (ODA), is supposed to be mainly beneficial to the recipient countries, but oftentimes, foreign aid has done more harm than good despite the donors' good intentions. This is because foreign aid is often misused by bureaucratic and corrupt governments. Research shows that corrupt governments receive as much financial assistance as governments with lower levels of corruption. This should not be the case as foreign aid should be used as a tool to threaten or halt an undemocratic and/or corrupt regime and reward those that show improvements or good will in improving governance and the rule of law (Alberto, 2002).

Despite donors' original intentions when distributing aid, high levels of corruption within recipient governments, poor democratic institutions, onerous conditionalities and fiscal imprudence have made foreign aid a curse rather than a blessing for several African

countries. The 2005 Paris Declaration on Aid Effectiveness described that a focus on donor harmonization, country ownership, alignment with the recipient country's national development strategies, accountability between donors and countries are effective ways to increase the positive impact of aid. Instead of directing foreign aid to countries lacking strong democratic institutions, economic sanctions should be used to motivate governments and political elites into political and economic reforms. As a result, aid conditionality when applied correctly, can improve the chances of political and economic development because adherence to aid conditions can open doors to additional development assistance (Alberto, 2002).

Nigeria, which is a developing country is characterized by low level of income, high level of unemployment, low industrial capacity utilization, high poverty level, high rate of illiteracy, poor infrastructural facilities, just to mention a few of the various problems the country is often faced with. Nigeria which was one of the richest 50 countries in the early 1970s has retrogressed to become one of the 25 poorest countries at the threshold of the twenty first century. It is ironic that Nigeria is the sixth largest exporter of oil in the world, but at the same time hosts the third largest number of poor people after China and India (Igbuzor, 2006: 140).

Mosley, Elis, Johnson (2002:45) show that the differential impact aid might have is dependent upon the recipient country's characteristics which include corruption, inequality and the composition of public expenditure. It has been argued that development assistance availed to developing countries does not often reach the actual needy on account of corruption of the bureaucracy and officials of developing countries. According to Alesina and Weder (2002:90), "there is no value in providing large amounts

of money to a country with poor policies." Recipient countries are more often than not beleaguered by poor institutional development, inefficiencies and bureaucratic failures (Alesina and Dollar, 2000: 98; Riddell, 2007:45). Chronicles of the challenges that inhibit aid effectiveness include:

2.2.3 Measures put in place to ensure that Foreign Aid Affects the Nigerian Economy Positively

Adeyemi and Oluyomi (2014) examined the relationship between foreign aid and income per capita using a simple augmentation of the neoclassical cross-country specification for West African states. The study disaggregated aid into seven categories (agriculture, communication, industrial, engineering, education, health and food security) and shows that in most cases, aid becomes significant when conditioned on sound macroeconomic policy whereas institutional quality and infrastructural development do not significantly influence the aid-growth relation. Similarly, the study established a decreasing return to aid, as the marginal impact of aid on growth appears negligible in all likelihood. Likewise, trade structure and financial depth do not meaningfully enhance economic development in the region. It was concluded by stressing the need to develop absorptive capacity, ensure sound pro-development policies and urge donors to systematically link aid to performance.

Singh (1985) examined the impact of interventionist state policy on economic growth. The study using cross-sectional OLS method revealed that both the savings rate and the rate of foreign aid were positive and significant. However, when an index of state intervention was introduced into the model, foreign aid became insignificant. With

savings as the response variable, foreign aid was negative and significant when the index of state intervention was introduced into the model.

Murphy and Tresp (2006) reconsidered the role of economic policy in determining the effectiveness of foreign aid for generating economic growth in developing countries. They updated and modified the dataset originally used by Burnside and Dollar (2000) in order to more fully consider the critique presented by Easterly, Levine and Roodman (2003). Their findings suggest that the relationship among foreign aid, government policy, and economic growth is tenuous and depends importantly on the subset of countries included in the analysis. Good policy enhances the effectiveness of foreign aid in spurring growth when we use the original set of countries included in Burnside and Dollar, but this relationship disappears for an expanded set of countries. Because the relationship among aid, policy, and growth is likely to be nonlinear, they presented an alternative probit model emphasizing growth thresholds. Their results from this alternative analysis confirmed the conclusions of Easterly, Levine and Roodman (2003), finding little support for the view that good policy increases the probability that foreign aid contributes to growth.

Issues relating to economic policy, governance, ownership and sustainability are identified as particularly important (Bigsten, 2009). Given the improvements in the economic policy environment in Africa, the prospect for effective aid looks more promising than they have for a long time. There have been enormous theoretical evidence that effectiveness of aid requires effective economic policies, while these macro policies must be geared to guarantee macroeconomic stability; an effective economy requires a supporting environment of efficient institutions. Ardent critics of aid, like Bauer and

Friedman, also argued that the development problem was not one of capital shortage, since that would have been solved by private capital markets but one of shortcoming in political and economic institutions. They also argued that with poor institutions aid would be wasted or even inimical to growth by strengthening the position of government against rival domestic constituencies. Similarly, Adam and O' Connell (1997) note, however that the government may hold back growth also by failure to intervene (Andersson, Bigsten, and Persson, 2000).

According to Easterly (2007), broad consensus has emerged that development assistance is particularly effective in poor countries with sound policy and institutional environment. Likewise, Burnside and Dollar (2000); and Collier and Dollar (1999) shared similar view but the contrary was espoused from the empirical study conducted by Easterly, Levine and Roodman (2004). Easterly et al. (2004) argued that, with the introduction of new data into the sample specification, even sound policy environment, aid could not raise growth. Despite the foregoing mixed evidence, the idea that aid money directed to government would be more productive if developing Africa economies have some pro-development policies and effective institutions in place.

Morrissey (2001) points out, that there are a number of mechanisms through which aid can contribute to economic growth, these among others include; (a) aid increases investment, in physical and human capital; (b) aid increases the capacity to import capital goods or technology; (c) aid does not have indirect effects that reduce investment or savings rates; and aid is associated with technology transfer that increases the productivity of capital and promotes endogenous technical change.

2.2.4 Summary of Gaps in Literature

There are a range of empirical studies analyzing impact of aid on economic growth, yielding paradoxical results on controversial conclusions. Much of these studies apply earlier statistical techniques such as OLS, linear regression and basic inferential statistics developed many decades ago with their own specifications and functions which may not be accurate to determine long run relationships. For example, pro-aid researchers (Burnside and Dollar, 2004; Camelia and Sanjay, 2009; Dalgaardet, Hamsen and Tarp. 2004; Hansen and Tarp, 2001; Sachs, McArthur, Schmidt-Traub, Kruk, Bahadur, Faye and McCord, 2004) found a positive impact of foreign aid on economic growth. However, Lensik and White (2001); Easterly (2003); Malik (2008); Hamid (2013), while challenging this finding, proved on the grounds that aid is ineffective, contributing to the anti- aid literature.

Despite having an enormous literature on this subject, a consensus has not been reached on the impact of aid on growth and economic development, and yet the results are still inconclusive (Ekanayake and Chatma, 2010; Macmillan, 2011; Tadesse, 2011) and this suggest that aid and growth rate are neither positively, nor negatively related. These paradoxical results obtained in various studies conducted on aid recipient countries and anecdotal views of prominent development economists demand that this subject need further study. More importantly, none from the researchers' investigation successfully conclude on how foreign aid has been effective in influencing economic development in Nigeria, the challenges hindering the contribution of foreign aid to economic development in Nigeria and the measures put in place to ensure that foreign aid affects

the Nigerian economy positively. Therefore, it becomes expedient to investigate the impact of foreign aid on Nigeria's economic development at this time.

2.3 Theoretical Framework

Dependence theory was considered appropriate for this study. The theory was championed by Frank (1976), Santos (1970), Amin and Furtardo (1964), Sunkel (1979), Emmanuel (1972) Ake (1981), Onimode (1982). The theory states that the poverty of the countries in the periphery is not because they are not integrated or fully integrated into the world system as is often contended by free market economists, but because of how they are integrated into the system. Dependent theorists like Frank, Santos, Amin and Furtardo hold that the present economic and socio-political conditions prevailing in the periphery are that of historical international process.

The global system is such that the development of the centre occurs at the expense of the periphery. At first, many countries in the periphery have been incorporated into the world economy since the early days of colonialism. At the second level, such peripheral countries have become capitalist economies through incorporation into the world economic system. At the third level, the incorporation of peripheral countries into the world economy has led to metropolis-satellite chain in which the surplus generated at each level of in the periphery is successively drawn off the centre. As a result, the periphery is impoverished and the centre is enriched.

Countries of the world are sharply separated along the line of economic prosperity. Countries that are economically buoyant and politically stable are termed Developed Countries and on the other hand, countries that are economically backward are referred as

Developing Countries or commonly tagged as Third World Countries. The former are in the centre (Western Europe, Britain and United States) and the latter are in the periphery (backward countries of Asia, Africa and Latin America). Dependency theory seeks to pinpoint and specifically explain the factors responsible for this sharp difference in the level of development between the developed countries and the developing countries. According to Jhingan (2010), there are unequal centre-periphery relationships whereby the developing countries are dependent on the developed/advanced countries in trade, investment, technology, etc. The dependence results in the underdevelopment of the periphery because the centre is dominated by powerful capitalist countries that exploit the latter for their benefits and advantage.

Dependency theory furthers states that the poverty of the countries in the periphery is not because they are not integrated or fully integrated into the world system as is often argued by free market economists, but because of how they are integrated into the system. There are two schools of thought with different standpoints on the issue. One of these is the bourgeois scholars and the second one is radical scholars of the neo-Marxian political economy. To the bourgeois scholars, the underdevelopment and the consequent dependence of most of developing countries is as a result of the internal contradictions. To them, this problem can be explained by their lack of close integration, diffusion of capital, technology and institutions, bad leadership, corruption, mismanagement, etc. (Momoh and Hundevin. 1999: 50). The standpoint views the under-development and dependency of the developing countries as internally inflicted rather than externally inspired. To this school of thought, a way out of the problem is for developing countries to seek foreign assistance such as aid, loan, investment, etc, and allow unhindered

operations of the Multinational Corporations (MNCs). It is argued that development can come through the MNCs mechanism for transferring technology, capital and skills in management, design and marketing (Thomas, 1976: 82; Ajayi, 2000: 119). Although, the argument of bourgeois scholars on the causes of underdevelopment and dependency of the developing countries and the possible ways out appear to be strong as a result of the poor socio-political records of the developing countries. Nonetheless, their analyses are superficial and obscurantist in nature and meant to promote world capitalist interests.

Radical scholars of the neo-Marxian political economy world-view have dismissed the bourgeois or modernization theory panacea as simply Eurocentric, teleological and that it will only inextricably link the developing countries to the chain of capitalist exploitation of the metropole (Momoh and Hundeyin, 1999: 50. Andre (1979: 140), one of the leading scholars of the neo-Marxist school of thought argues that the incorporation of the developing countries within the process of world capitalist development is the cause of the development of underdevelopment. The general viewpoint of the Marxian political economy is that the capitalist expansion is responsible for the development of the Western metropole. Paul Baran, Samir Arnin, Cohn Leys, Cardoso, Walter Rodney and Geoffrey Kay are among the leading scholars of this school of thought.

According to Andre (1979: 140), "an enquiry into the process of capital accumulation is the determinant nature and cause of the wealth and poverty of nations". Contrary to the claims of bourgeois scholars who strongly defend colonialism, that it was meant to bring civilisation to the "Dark Continent", neo-Marxists have argued that colonialism severally decapitalised the Third World and introduced all sorts of distortion and dislocation in its

economic and social system. More important, "Third World Economies were disarticulated, and they were forced to specialise in the production of unprocessed raw materials for export to the metropolis in an international division of labour characterised by unequal exchange" (Momoh and Hundevin, 1999:50). Due to the underdeveloped nature of most developing countries, they are dependent on the West for virtually everything ranging from technology, aid, technical assistance, loan to culture, etc. The dependent position of most developing countries has made them to be susceptible and vulnerable to the machinations of the Western metropolitan countries and Breton Woods Institutions (Ajayi, 2000:133). Whether to ascribe the underdevelopment and dependency of the developing countries to the eloquent submission of the bourgeois scholars or to subscribe to the europhoric explanations of the neo-Marxian theorists, the fact is that the dependency theory explains in details the factors responsible for the position of the developing Countries and their constant demand for, and continuous reliance on, aid from the countries of the North.

This theory assumes that it is the flow of resources from a periphery of poor countries and underdeveloped countries to the core of rich and wealthy, enriching the latter at the expenses of the former. The theoretical premises of dependency theory are that:

i. Poor countries provide natural resources, cheap labour, and a destination for obsolete technology and market the wealthy nations, without which the latter could not have the standard of living they are enjoying today.

ii. Wealthy nations actively perpetuate a state of dependence by various means. The development of the centre causes the underdevelopment of the periphery and its

dependence on the centre. These influences include; economics, media control, politics, banking and finance, education, culture, sports, and all other spheres of human development.

iii. Wealthy nations vehemently counter the attempts and efforts by dependent countries to resist their influences by means of economic sanctions and the use of military force.

Dependency theorists argue that the dependence of the South on the North is the main cause of the underdevelopment of the former. They hold that the present economic and socio-political conditions prevailing in the periphery are the result of a historical international process. This development emerged as a global historical phenomenon consequent on the formation, expansion, and consolidation of capitalist system, known as dependent capitalism. At the first level, many countries in the periphery have been incorporated into the world economy since the early days of capitalism. At the second level, many countries have become capitalist economies through incorporation into the world economy. At the third level, the world economy has led to metropolis-satellite chain in which the surplus generated at each level in the periphery is successively drawn off the centre as a result, the periphery is impoverished and the centre is enriched (Jhingan, 1966).

It is important to note that dependency scholars like Dos Santos, Samir Amin, Rodney, Cardoso, Gunder Frank and Paul Baran take seriously the colonial relationships which have historically marked the growth of the Third World Countries (TWCs). They argue that outside of an explicit recognition of the consequence of that relationship, no accurate understanding of the present situation of these countries is possible.

The basic arguments of the dependency school are:

i) The dependency scholars rejected the claim that the TWCs could follow the same path to development as Western nations because the advanced industrialised nations changed the landscape for those that followed them. When Britain became the world's first industrial power, it faced no external economic competition. Today however, newly industrialising countries must compete against such well-established industrialised giants as the U.S, Japan, Germany, etc. As Dos Santos added, "TWC will have to borrow from financial capital and purchase advanced technology from the developed countries. thereby making them dependent on external economic forces beyond their control and weakening their development Sheriff (2015)".

ii) They also argue that while modernisation scholars view western influence in the TWCs as beneficial, because it spreads modern values and institutions, dependency theorists maintain that Western colonialism and economic imperialism themselves initially turned Africa, Asia and Latin America into sources of cheap labour, food and raw materials for the colonial powers.

iii) Underdevelopment and dependency is not the TWCs' fault but rather the result of foreign domination and exploitation. Hence, TWCs' backwardness is due to exploitative and unequal relationships that exist between the TWCs and the developed countries. Consequently, the underdevelopment of the TWCs, is as a result of the dependence on the developed countries who exploit them and their resources for selfish development of the developed countries.

iv) They recommend that if these unequal and exploitative relationship continue. TWCs will remain backward except they severe the link either by delinking or breaking away the relationship with the advanced countries.

Dependency theorists vehemently, rejected this view but rather opined that what is causing the under development in poor countries is the exploitative relationship that have characterised the interactions between the poor nations and the developed ones right from the colonial times till date.

Weakness of the Theory

The principal criticism of dependency theories has been that the school does not provide any substantive empirical evidences to support its arguments. It has also been said that dependency theories are highly abstract and tend to use homogenizing categories such as developed and underdeveloped, which do not fully capture the variations within these categories. Another point of criticism is that the dependency school considers ties with multinational corporations as detrimental, while one view has been that they are important means of transfer of technology. Another criticism which is levelled against the dependency theorists is that they base their arguments on received notions such as nation-state, capitalism and industrialization.

The Dependency theory's broad notion of Centre-Periphery relations in the global state economic system is ambiguous. The lumping of developed nations in one bloc tagged "centre" or "metropole" assumes there are commonalities among all developed nations whether capitalist or socialist. Also, the lumping of the underdeveloped nations into another bloc tagged "periphery" or "satellite" assumes that all underdeveloped have the

same level of exploitation and underdevelopment. But we all know that there are variations in real world situations.

Relevance of the Theory

The study adopted the dependency theory for the purpose of this research is relevant bearing in mind that Nigeria is a developing country and finds itself in alliance with the developed countries such as United States of America particularly. Nigeria is described as a developing and for this reason does not have all it takes to advance to become a developed one, hence the need for partnership and engagement in bilateral relations with the countries of the advance societies, not excluding the United States of America indeed, the tie between Nigeria and US is a strong one that Nigeria depends on US for aid to achieve its development goals. Over the years, Nigeria depends on the United Sates for foreign aid to either strengthen military capacity, improvement in the electoral system, reduction in poverty rate and development in general. It is against this backdrop of unequalrelationship that this research adopts the dependency theory as its theoretical framework to investigate the impact of foreign aids from the United States of America on Nigeria. More importantly, is that the proponents of this dependency theory are originally scholars from Latin America and Africa people like, Andre Gunder Frank, Dos Santos, Osvalo Sunkel, Paul Baran, Samir Amin, Walter Rodney, Claude Ake, etc. they wrote on persistent challenge of underdevelopment in Latin America and the newly created states in Africa who were former colonies of the colonial administrations.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The overall research design that was used for this study is the mixed research design. The choice of the design is informed by the objectives of the study as outlined in chapter one. This research designs provide efficient and accurate means of assessing information about a population of interest to examine the impact of foreign aid on Nigeria's economic development. This is done through both primary and secondary methods of data collection.

3.2 Population, Sample and Sampling Techniques

The population for this study covers respondents that were drawn from Federal Ministry of Trade and Investment Headquarters, Abuja, Department of International Cooperation. Central Bank of Nigeria (CBN), Department of Economic Affairs Ministry of Foreign Affairs, Department of Investment Relations Nigeria Investment Promotion Commission. Nigeria Export Promotion Council, Abuja and Nigerian Chamber of Commerce. The reason for this cross section is that the institutions are not only key bodies when it comes to the topic of study, but that they can provide useful insight as it regards the subject matter.

Table 3.1: Showing institutions surveyed

S/No	Institutions of the Respondents	Frequency	Frequency of Interviewee
1	Departments of International Cooperation, Central Bank of Nigeria (CBN)	57	2
2	Federal Ministry of Trade and Investment Headquarters, Abuja	322	3
3	Departments of Economic Affairs Ministry of Foreign Affairs	59	3
4	Department of Investment Relations Nigeria Investment Promotion Commission	49	3
5	Nigeria Export Promotion Council, Abuja.	110	2
6	Nigerian Chamber of Commerce	302	2
	Total	899	15

Source: Field Survey, November 2021.

Sample and Sample Techniques

The essence of sampling is to reduce the population under study to a manageable size and meet up with the target stipulated research period/time. The study used purposive sampling technique, hence, the purposive selection of the respondents in this study. In this study, the sample was drawn to cover the views of some selected official representatives that were identified through purposive sampling technique and were interviewed. Through this technique, total of fifteen (15) respondents from these organizations (Federal Ministry of Trade and Investment Headquarters, Abuja, Department of International Cooperation, Central Bank of Nigeria (CBN), Department of Economic Affairs Ministry of Foreign Affairs, Department of Investment Relations Nigeria Investment Promotion Commission) were selected for interview. These organizations were responsible for sourcing information on foreign aids and Nigeria's economic development. Those that were interviewed are directors and senior staff in each

of the organizations that have worked for ten years and above in-charge of foreign aids and economic development in Nigeria.

3.3 Methods of Data Collection

The task of Data collection begins after the research problem has been defined and research design has been developed. This research relied on both in-depth interviews and secondary data as its source of data collection given the nature of the variables.

Primary Method

The in-depth interview was adopted for the purpose of aiding more understanding of the data that were acquired. Those interviewed were drawn to cover the views of some selected official representatives that were identified through purposive sampling technique. Through this technique, total of fifteen respondents from each 3 of the following were selected for interview from these organizations (Federal Ministry of Trade and Investment Headquarters, Abuja, Department of International Cooperation. Central Bank of Nigeria (CBN), Department of Economic Affairs Ministry of Foreign Affairs, Department of Investment Relations Nigeria Investment Promotion Commission). These organizations are responsible for sourcing information on foreign aid and economic development in Nigeria. The justification for this cross section is that the institutions are central in providing useful insight as it regards the subject matter.

Secondary Method

These are those data already collected by someone else and which had already been processed through the statistical process. All these include sources ranging from journals, newspapers, specialized texts, government publications, internets, books, magazines,

seminar and conference papers and other official records containing disbursement from multilateral donors and documents containing list of countries that benefit from foreign aid.

The use of both in-depth interview and secondary sources of data are justified due to the intrinsic values attached to using these methods. Firstly, it allow a research on issues and subject both when the researcher can or cannot have physical access to respondents and this cannot be studied by any other method. Secondly, to ensure the reliability and validity of facts, the researcher therefore, adopted the strategy of content analysis as a researching technique for the objective description of the manifest contents.

3.4 Method of Data Analysis

This research used the content or textual analysis. In content analysis the textual analysis or contextual analysis which involved the use of contents of texts to analyze the study. However, how conclusions were drawn from interpretive and intuitive analysis which describe the method of analysis that was used to show how the conclusions were drawn from the data.

The study used the content or textual analysis of all available relevant information in journals, newspapers, specialized texts, government publications, internet, books, magazines, seminar and conference papers and other official records to carry out qualitative research. The researcher adopted content analysis due to the fact that it makes for critical reading and observations of information contained in texts and in-depth interviews on a bit to understanding the data from the literatures and to arrive at a more valid conclusion. The adoption of both in-depth interviews and content analysis required

findings and this gave a clear picture of the research because it is the easiest and appropriate technique that could be used in the analysis of foreign aids and Nigeria's economic development. All Interviews were conducted in English language and a code was assigned to all the participants. Participants were asked questions in an effort to answer the research questions on foreign aid and Nigeria's economic development. This task was undertaken to demonstrate transparency in the data analysis process specified by Anfara, Brown, and Mangione (2002).

The objective of content analysis and in-depth interviews is to convert recorded raw phenomenon into data which can be treated in essentially scientific manner so that a body of knowledge may be built up.

3.5 Justification of Methods

Some of the strengths associated with the qualitative research method include the flexibility to follow unexpected ideas during the study and explore processes successfully. The conduct of the research in the natural setting of the subject allows an undisturbed observation within the actual context. The study of multiple data streams in the literature expanded the exploration of the phenomena and relevance in the processes increase the credibility of the findings.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation

This section presents, analyzes, and discusses the information obtained from interviews and secondary data on Foreign aid and Nigeria's economic development. Interviews were held with personnel of Federal Ministry of Trade and Investment Headquarters, Abuja. Department of International Cooperation, Central Bank of Nigeria (CBN), Department of Economic Affairs Ministry of Foreign Affairs, Department of Investment Relations Nigeria Investment Promotion Commission who have dependable information on this subject matter to ascertain the place of foreign aid and Nigeria's economic development.

The study assigned a code to all the participants; each was given a pseudonym, for example P1, standing for Participant 1, to ensure they were shielded from any form of identification. Participants were asked questions in an effort to answer the research questions on foreign aid and Nigeria's economic development. This task was undertaken to demonstrate transparency in the data analysis process specified by Anfara, Brown, and Mangione (2002). Meanwhile, Yin (2014) observes that interview provides one of the best approaches to data collection in such a research. The interview results were supplemented with information from the extant literature, including newspapers, magazines, reports, official documents and data on Foreign aids and Nigeria's economic development.

4.2 Data Analysis and Interpretation of Results

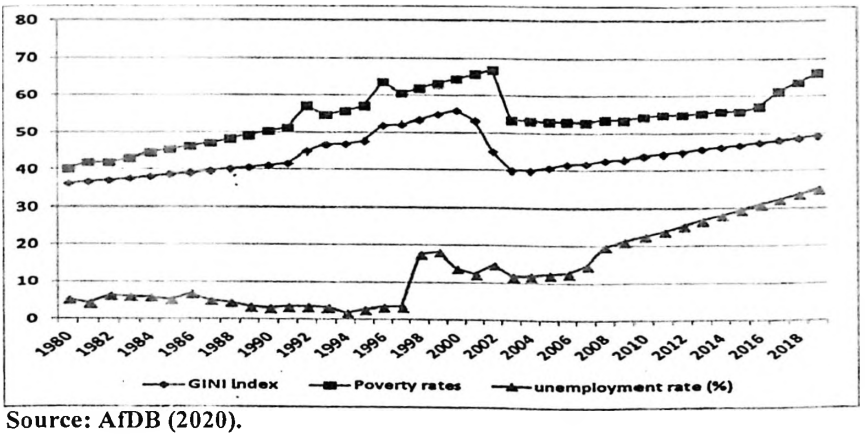
4.2.1 Foreign aid and its Effectiveness in Influencing Economic Development in Nigeria

Major international donors both supranational and intergovernmental organizations namely; the European Union, International Monetary Fund, and United Nations, as well as economically prosperous countries like the United States through their Foreign Assistance Agency and China constantly have and are still continuously donor to developing countries like Nigeria to combat corruption, poverty and boost the educational system through China International Development Cooperation Agency (CIDCA) and USAID. Some of these countries are still suffering from developing and evolving into a globalized state, even though they regularly receive aid. It leads to criticism of foreign aid's effectiveness in developing countries as controversial, specifically in Africa.

One of the most controversial issues in development economics refers to the effectiveness of foreign aid. Three distinct camps may be distinguished in this debate: First, there are those that believe that official assistance is ineffective, and has harmed poor countries throughout the years. According to this view, advocated by authors such as Easterly (2014) and Moyo (2010), official aid creates dependency, fosters corruption, encourages currency overvaluation, and doesn't allow countries to take advantage of the opportunities provided by the global economy. At the other end of the spectrum are scholars like Sachs (2009) and Stiglitz (2002), who believe that levels of aid have historically been too low, and that (large) increases in foreign assistance could be greatly effective in helping reduce poverty. According to these scholars this would require

rethinking the way in which aid is provided. In particular, specific interventions, such as anti-malaria programs, should be emphasized. The third group is less vocal, and includes authors such as Collier (2007), who has emphasized the role of a number of "traps" in perpetuating destitution, and Banerjee and Duflo (2011) who argue that the use of "randomized control trials" may help devise effective and specific aid programmes in the war against poverty and underdevelopment.

Figure 4.1: Gini Index, Poverty Rate and Unemployment Rate in Nigeria 1980-2018.



Source: AfDB (2020).

Figure 4.1 shows that despite the volume of foreign aid inflows into Nigeria, poverty rate and unemployment rate in Nigeria have been on the increase from 1980-2018. The major justification for foreign aid is its potential to accentuate the level of economic and human development. However, the experience of Nigeria has critically challenged the ability of foreign aid in achieving its goals.

Nigeria has received financial aid since the mid 1960s. The performance of the economy has been poor since the mid 1970s, and as a result increased the country's dependence on

development assistance both on a per capita and percentage of GDP basis. At its peak in 1992, the disbursements from multilateral and 22 donors amounted to I US$ 1 .479 million, representing 67% of export earnings and 77% of total expenditure. Over 35% of government's budget is financed by aid. On average, 80% of the budget for capital expenditure is accounted for by the donor community (G27: Budget, 1999). The donor community in Nigeria is large and influential. In sectoral distribution of external aid. agriculture, infrastructure, health and education received most of the western bilateral aid in the 1970s and 1980s. The worsening foreign exchange situation in the 1980s compelled several donors to shift substantial parts of their aid from projects to programmes.

In the 1990s, balance of payment support became an increasingly more important proportion of Nigeria's aid portfolio. Balance-of-payments support, including debt relief. accounted for more than one half of the total aid to Nigeria in the early 1990s (Saasa and Carlsson, 1996). Since the 1980s, external debt has been growing significantly up to the mid 2000s, the external debt stood at US$32.5 billion, making, Nigeria one of the most highly indebted countries in Sub-Saharan Africa. During this period, debt service absorbed close to 80% of the balance of payments support provided by the donors' external assistance was either grants or loans. The share of the grants decrease during the 1990s when Nigeria's worsening political situation forced bilateral donors to renege on their promises.

> The effectiveness of aid, however, depends largely upon both the donor and recipient motives and how these may be aligned or conflicting with the objectives of aid. This also depends on the extent to which aid is tied to capital projects rather than being disbursed in forms such as food aid, balance of payments support and debt relief which do not necessarily have any development component at all. Whether the recipient uses aid to increase savings and investment rather than switch aid resources to consumption and other nonproductive purposes, also determine effectiveness of aid (Interview with P1 4th February, 2022).

In consequence, the government may introduce serious austerity measures including cut in salaries and allowances of workers, placing ban on certain imported essential items such as food items and drinks such as rice, stockfish, canned foods and others which invariably affect the consumption pattern of the people. Stiff tariff measures may be introduced including payment of high import duties which will invariably make prices of imported goods surge upward. Taxes may also be increased, while subsidies on essential items such as energy and food may be removed as a way of generating internal revenue and reducing government expenditure. Aluko and Arowolo (2000) say Government may be forced to place ban on employment and, in addition, workers may be retrenched thereby swelling: the unemployment market. The grand cause of the debt crisis is that, in most cases, the loan is not used for development purposes. The Loan process is done in and shrouded with secrecy. The loan is, at initial, obtained for the personal interest and parochial purposes. It is usually tied to party politics patronage and elevation of primordial interest rather than the promotion of national interest and overall socioeconomic development.

Specifically, P11 elaborates that:

> In most cases, the aid in form of economic bail out has been seen as a form of economic exploitation and defective as it tends to rather deteriorate existing economy as in the IMF-related which fiscal target always compel the recipient to adopt measures with harmful effects in the long run. In the course of the loans processing, conditionality such as government's withdrawal in social services delivery, hinders government services' expansion and so therefore productivity. Workers are only contracted on part-time basis without being on payroll. As the aid does not come all at once, there is always lacuna in its efficacy. Delays in implementation of projects are due to aid's volatility and unpredictability. It fails have a positive impact as can't be used for a long term investment. It passes through a lengthy bureaucratic process where corruption, mismanagement and misuses make the given aid quite useless. The IMF-based aid retrenches the operation of the public sector by freezing public sector hiring, the retreat ratio increases and social services are NGOized while basic social services delivery are put in hands of private business entities and by so doing, do increase poverty and suffering of the poor who can't afford social services any more. This raises the antistate sentiment when new political formations are dictated by a new economic order (Interviewed 9th February, 2022).

P12 elaborated and argued that evidence abound that Nigeria had since independence in 1960 received aid from various countries and agencies. Notwithstanding the enormous inflow of foreign aid to Nigeria, she is faced with the inability to make effective use of such aid to the extent that the country is still being characterized by low level of income, high level of poverty, low industrial capacity and low level of employment among others. Furthermore, this situation has made the country not too attractive to investors and investments that are of high quality are less found within Nigeria. Indeed, foreign aid seems to have mortgaged the sovereignty of Nigeria and damaged its self-development processes, which its destruction is antidevelopment. Nigeria's much reliance on the United States of America for aid all the time to enable her drive her economic growth and development has caused her to be strongly dependent on the US economy which has culminated to a relationship that can be best described as that of " master – servant" kind

of relationship. The relationship is caused by economic subservience where countries of developing world are highly indebted to the donor countries because of the pursuit of foreign aid from the developed countries for "development purposes". The extent relationship is such that gives rise to constant seeking for influence for foreign aid though borrowing; a situation that goes to sustain underdevelopment, dependency and the worst of it all, poverty (Interviewed 2nd February, 2022).

In addition, P9 submitted that foreign aid has dangerous or harmful effects on Nigeria because of the conditions attached to aid coming from the advanced or donor countries. Aid is condition specific, which culminates in a dependent relationship. Nigeria, for instance, is one country where majority of its citizens or peoples standard of living are very low because there exist economic inequalities among the teeming population as very many of them are living in abject poverty. Yet it has abundance of natural resources that are not tapped and where they are tapped, they are mismanaged, misappropriated and are of no benefits to the masses (Interviewed 2nd February, 2022).

Table 4.1: Top 10 Bilateral Donors by Amount

		2014	2015	2016	3-year average	% of DAC countries
1	United States	9 338	9 320	9 861	9 506	34%
2	United Kingdom	4 341	4 203	3 857	4 134	15%
3	Germany	3 016	3 036	3 499	3 184	11%
4	France	2 717	2 131	2 217	2 355	8%
5	Japan	1 558	1 784	1 495	1 612	6%
6	Canada	1 362	1 086	974	1 141	4%
7	Sweden	1 109	873	843	942	3%
8	Norway	946	672	629	749	3%
9	Netherlands	761	635	663	686	2%
10	Switzerland	651	655	584	630	2%
	Other DAC countries	3 253	2 483	2 669	2 802	10%
	Total DAC countries	**29 050**	**26 877**	**27 289**	**27 739**	**100%**

Source: http://www.oecd.org/dac/financingsustainable-development/

Sulaiman (2016) records the US foreign aid received by Nigeria between 2010 – 2015 amounting to $3 billion. Again, in January 2016, US government donated 24 Mine-Resistant and Armor-Protected (MRAP) vehicles valued $11 million, a new warship tagged NNSOkpabana 80 foot flight deck. The US government through USAID provided over $526.7 million humanitarian help starting from 2017 that qualified them to be the single largest bilateral humanitarian donor to Nigeria (USAID, 2018). And lastly, on January 15, 2015, Johnnie Carson (Former Assistant Secretary of State for African Affairs) proposed increased ties between America and Nigeria as to assist in Nigeria's upcoming general 2015 election which wascapital intensive (Carson, 2015).

Since the economy remains the substructure, the pivot around which superstructure that is, the political system, the belief system and of course, the social system, revolves, any instability at the substructure will definitely lead to instability at the superstructure.

Persistent hardship by citizens as result of austerity measures may trigger serious opposition to government and consequently generate social unrest. Many a times in Africa and Latin America, the military had seized power from legitimate governments the emerging military regime may also be ousted in a counter-coup thereby creating a vicious circle of social somersaulting, economic backwardness and political instability. This was the case in Nigeria from 1983 - 1985 where the military government of General Muhammadu Buhari was ousted in a palace coup by General Ibrahim Babangida. In January 15, 1966 General Aguiyi Ironsi seized power from Abubakar Tafawa Balewa and was, in turn, ousted in July by General Yakubu Gowon in a counter coup.

In Argentina, President Arturo Frondizi was overthrown by the military junta while abroad. Also, in 1966, Civilian President, Arturo Illia was overthrown by military forces supporting the leadership of General Juan Carlos. In Ghana, there was military coup in 1966 and counter coup in 1979 where General Jerry John Rawlings and others led a military uprising that removed General FWK Akuffo (Kolawole, 1997:206). And in 2010, February 18, military struck in Niger Republic seizing power from President Mamoudu Tandja who was alleged to be power-drunk in his bid to succeed himself and tenaciously hold on to power. Examples of this unfortunate development abound in Nigeria, Ghana, Argentina, etc.

4.2.2 · Challenges Hindering the Contribution of Foreign Aid to Economic Development in Nigeria

On the challenges hindering the contribution of foreign aid to economic development in Nigeria, P15 explains that:

> There is a huge problem concerning this foreign aid because developed countries adopted it as a strategy, in terms of development and economic growth, to lure the developing better described as underdeveloped countries to conform in adopting their own policies and programmes. The idea about aiding down trodden countries of the third world is not bad but what is wrong there are issues associated with such aid to recipient countries, which are enormous; considering that no major progress has been achieved by the states or nations that seek to have it for their development efforts (Interviewed 9th February, 2022).

Some scholars have adduced that the failure of foreign aid has been to the fact that they are tied to specific projects and programmes that are in the interests of the donor countries. This has been responsible for ineffectiveness of aid as postulated by several scholars such as Olatujoye, Fajobi and adeniran (2016), Girma (2015), Anjorin (2013) among others. Foreign aid discourses tend to show that aid is measured with economic growth of the recipient countries without much attention on the political and general development of the receiving countries bearing in mind that the political and economic underpinnings that are attached to foreign aid. This constitutes a challenge and has therefore become an impediment to Nigeria's economic development.

In addition, it has dangerous or harmful effects on these nations because of the conditions attached to aid coming from the advanced or donor countries. Aid is condition specific, which culminates in a dependent relationship. Nigeria, for instance, is one country where majority of its citizens or peoples standard of living are very low because there exists

economic inequalities among the teeming population as very many of them are living in abject poverty. Yet it has abundance of natural resources that are not tapped and where they are tapped, they are mismanaged, misappropriated and are of no benefits to the masses. P2 submits that:

> Various factors are said to be responsible for Nigeria's current status as an underdeveloped country. These range from historical colonial experience, political instability, the monoculture nature of the national economy, and the persistent lack of commitment to focused development strategies on the part of the political elites. The most popular among the prescriptions for tackling the phenomenon of underdevelopment emphasized macroeconomic policies, economic diversification, transparency and accountability in governance and even direct distribution of resource proceeds to the general population. These solutions have not been able to adequately address Nigeria's development challenges. However, the crucial role of the regulatory institutions, especially their oversight functions, has arguably been the missing link in establishing the complimentary relationship between governance and development in Nigeria (Interviewed 2nd February, 2022).

Leeson (2008) suggests a possible explanation to the unimpressive performance of aid in the developing economies; he claims that most of these countries possess weak institutions and bad policies which underscore the reason for their intense poverty. In that sense, though aid is needed to escape poverty trap but ultimately becomes unhelpful due to the fact that necessary institutions are lacking. In 2010, out of the US$167.5 billion of world foreign aid, US$156.5 dollar of the foreign aid flowed to the developing countries representing 93.4 percent. Also, US$50.4 billion of foreign aid flowed to the developing Africa countries in the same period, which accounts for over 30 percent of the world aid flows; likewise Nigeria received US$1.9 billion amounting to about 4 percent of world flows. Despite the huge inflow of development assistance, developing countries (especially Africa and particularly Nigeria) still face massive poverty, slow per capita

growth, high mortality rates, low level of education and many still lack access to health treatment. For instance, Nigeria which was one of the richest 50 countries in the 1970s and a leading exporter of major commodities had suddenly retrogressed and now host the third largest number of poor people after China and India; and as well a net importer of food items (Igbuzor, 2006; Williamson, 2009).

The empirical and theoretical results obtained when foreign aid goals are compared with its proposed achievements have been extremely disappointing, most especially one consider the fact that over US$568billion (in present value) of aid has flowed into Africa in the past 42 years (Williamson, 2009). Contrary to what was obtained in the developing Africa, US$13 billion (US$100 billion in present value) development assistance of the post world war II Marshall plan helped pull back a broken Europe from the brink of an economic abyss; proponents of aid are very enthusiastic that aid could work and would work, if Africa had a good policy environment. Interestingly, cases of development successes received less development assistance compared to what has flown into Africa; the recent success stories of China, India and Vietnam received a small percentage of aid relative to their GDP while top aid recipient in Africa usually receive over 17 percent of their GDP, yet the per capita growth of the median African country is not significantly different from zero. This observed dwindling of the living standards in Africa in spite aid flow has popularized a contrasting theory based on public choice perspective which stipulates that foreign aid is ineffective and possibly damaging to recipient countries (Bauer, 2000; Easterly, 2001; Williamson, 2009).

Majority of the participants subscribed that government expenditure additionally exacerbates the poverty circumstance. This can be ascribes to the way that government expenditure has been inadequate in tending to poverty. The government is spending more on the military and on security to the impairment of the general population. What's more, because of the issue of corruption which is widespread, reserves which have been diverted into development don't get the chance to contact the general population for which they were expected. There is a need, in this manner, for government to concentrate more on spending to improve the living states of the majority since this would go far in controlling interior emergencies (Interviewed 4th February, 2022). Specifically, P13 maintain that:

> The poor progress in economic performance has been related with terrible administration, official corruption/defilement and macroeconomic instability in the region. In spite of its abundant oil assets Nigeria's economic performance has been startlingly poor. Per capita income has endured noteworthy disintegration since the crest in the mid1980s that happened when oil prices were at chronicled abnormal rates (Interviewed 4th February, 2022).

> Every indices show that Nigeria has no reason to be poor after 60 years of independence and abundant resources she is endowed with. The primary cause of this backwardness is poor management her endowments (human and material), misappropriations of the borrowed fund, outright corrupt practices and weak institutions for management of these funds (Interview with P14 9th February, 2022).

> Essentially, Nigeria's problem of underdevelopment has, for a long time, been connected to the lack of infrastructural facilities, wrong policy frameworks, hostile environment, backwardness in technology, problem of unemployment and over-dependence on imported products amongst other constraints (Interview with P8 4th February, 2022).

Consequently, Njoku (2011) highlighted reasons for the slow economic progress in Nigeria. Furthermore he suggested that the major reason why Nigeria is experiencing slow economic progress is not farfetched from the monocultural economy that is

practised, high population growth rate, import dependency and political instability. Therefore, it is discovered that there exist a gap between the domestically available supply of savings, foreign exchange, government revenue and skills and the planned level of the resources necessary to achieve development targets that leads to poverty alleviation in Nigeria. This gap necessitates the need for external resources to augment domestic resources in the country. These external resources can be in the form of foreign aid. The principal economic arguments advanced in support of foreign aid is that it can play a critical role in supplementing domestic resources in order to relieve savings or foreign exchange bottlenecks. The key question is whether aid has effectively played this role by its effect on Nigeria's growth and their level of poverty. It is important to note that not only factors such as the amount and type of financial aid impact the effectiveness of available funds but also the appropriate use of these funds by the receiving country plays a vital role.

P4 posits that there is no doubt that Nigerian economy is characterized by low level of income, high level of unemployment, very low industrial capacity utilization, and high poverty level just to mention a few of the various socio-economic problems bedevilling the nation. In addressing these problems, foreign aid has been suggested as a veritable option for augmenting the meager domestic resources. While some countries that have benefited from foreign assistance at one time or the other have grown such that they have become aid donors (South Korea, North Korea, China among many others), majority of countries in Africa like Nigeria have remained backward (Interviewed 4th February, 2022).

P3 adds that Nigeria has continued to benefit from all sort of foreign assistance and in fact still collect at least as much as the amount collected in the early 1980s, yet socio-economic development has remained dismal. While there could be so many factors both qualitative and quantitative explaining these unfavourable trends, the incessant socio-political crisis, policy inconsistence, macroeconomic instability and bad governance evident in Nigeria are indeed indicators of poor policy framework, should give one a pause (Interviewed 4th February, 2022).

P10 maintains that there is also the problem of misappropriation and poor utilization of foreign aid. The aid meant for development is assumed to be not judiciously utilized, it is misused and often times diverted for non-aided projects (projects other than those for which the aid was originally provided, thus making aid ineffective in achieving development. Another factor assumed to be militating against the effectiveness of foreign aid is that of poor institutional framework for monitoring and evaluating the inflow and utilization of foreign aid (Interviewed 7th February, 2022).

According to P7, the capacity to make productive use of external resources depends on numerous factors, one of which is the existing institutional capacity. When the institutional framework is lacking, it cannot make productive use of the foreign aid given to it and this invariably hinders development. The inability of policy implementers to effectively utilize foreign aid funds has created serious obstacles to the development of the Nigeria (Interviewed 4th February, 2022).

Nigeria as a nation full of natural resources, from oil and gas production to agriculture that they profit from in terms of export trade and are ranked as 21 of 219

countries on export trade per capita in 2018 and number 50 of 222 on product illustrated by the Observatory of Economic Complexity (OEC). Coupled with the tons of foreign aid being allocated to Nigeria (the recipient country), they are still struggling with socio-economic growth. According to the World Bank, regardless of them being ranked in the world's annual Gross Domestic Product (GDP) per capita growth as number 26. When they ought to be higher in terms of the funds allocated to them for further development of the country and have the highest GDP per capita in Africa. Yet they show a disproportionate amount of unemployment rate approximately 23.13 per cent (21 million unemployed people), and 25 per cent of unemployment among individuals holding a bachelor's degree as of the year 2018 and a minimum wage of $77 (US dollars) of an employed bachelor degree holder.

While calls for a massive scaling up of ad have become more widespread, many development experts have warned against overly optimistic expectations on the effects of larger aid flows. According to a critical analysis of the role foreign aid can play in fostering economic, growth, aid agencies need to set more modest objectives than expecting aid to launch the takeoff into self-sustained growth. One of the major concerns expressed by researchers in the field is that many low-income countries may not have the capacity to absorb efficiently the additional flows of development assistance in this context; other analysts emphasize potential disincentive effects on public institutions stemming from large and sustained inflows of foreign aid.

In fact, substantial increases in the volume of foreign aid to developing countries can reduce incentives for domestic mobilization of resources and put less pressure on

Governments to tackle existing inefficiencies in the delivery of public services. Moreover, several recent studies have indicated that substantially higher aid inflows create additional challenges in managing macroeconomic policies. These challenges include the possibility of a significant appreciation of the real exchange rate of recipient countries, which undermines the competitiveness of the export sector (the so called "Dutch Disease'), as well as the fiscal uncertainty implied by a high dependency on external assistance which makes long- term planning very difficult. Certainly, these challenges are even pronounced in the context of very volatile and not fully predictable aid inflows.

In recent years, research on the effectiveness of aid has also led to a major debate on whether foreign assistance should be mainly given to countries with good policies and sound institutions. A highly influential empirical study found that aid has only a positive effect on economic growth in developing countries with good fiscal, monetary and trade policies. While this result has been challenged by a number of subsequent studies, it was regarded by many multilateral and bilateral aid agencies as a justification for allocating a larger share of aid to countries with strong policies and institutions. In fact, the basic result of the influential empirical study has made its way into many speeches and documents on development assistance. In a slightly different form, the argument can also be found in the Millennium Declaration, which calls on the industrialized country to grant more generous development assistance, especially to countries that are genuinely making an effort to apply their resources to poverty reduction.

4.2.3 Measures to ensure that Foreign Aid Affects the Nigerian Economy Positively

Since the Millennium Summit, a number of international initiatives have been undertaken aimed at gaming global support for a substantial increase in the volume of foreign aid to poor countries, including, for example, for Millennium Project and the Commission for Africa. Advocates for scaling up aid efforts claim that low-income countries can only make fast progress towards MDGs and eradicate extreme poverty through a massive transfer of real resources to these countries over the coming years. The main argument for these claims is based on the "financing gap" approach to justify development aid. This approach states that developing countries stock domestic funds to invest significantly in physical capital (for example, infrastructure and export capacities) as well as human capital (for example education and health), which constrains economic growth and impedes more equitable development. Given that most developing countries are not able to attract large inflows of private capital, it is argued that the domestic financing gap can ultimately only be tilled by foreign aid, thereby increasing investment that translates higher economic growths. In the context of MDGs, which express a broad and global vision of development, the financing-gap approach becomes even more appealing. In this development framework, improvements in certain areas of development, including, for example, education or gender equality, constitute a value by themselves and are not predominantly evaluated through their impact on economic growth.

As the President of Nigeria; Muhammadu Buhari pledge to the commitment of enforcing anti-corruption programmes in the country according to the London Anti Corruption Summit, it was proven that the president did implement some anti-corruption programmes, such as; The Presidential Initiative on Continuous Audit (PICA), Budget

reforms Creation of EfficiencyUnit (EU) to Spearhead, and also the enlistment into Open Government Partnership (OGP). Whereby these agencies emphasised on being transparent as possible and enforcing other institutions to be transparent and be more accountable for the utilisation of budget funds, thus creating laws that make it possible to persecute official persons for collecting bribes. However, the UNODC report demonstrates that the national anti-corruption agencies only focus on large-scale corruption which has a slight effect because it does not focus on the eradication of corruption through governmentality, that is, the bribe-seeking behaviour. Due to the fact that it shows an increase in the case of not reporting these public sectors who collect bribes by the citizens, by three and seven-tenths (percentage) increment in the 2019 survey compared to the year 2016. As a result of this, it becomes complex to combat such conceptualised corruption because the data flow will fluctuate due to the fact that the possibility for the local institutions who are probably corrupt to further the reported cases to the national anti-corruption agencies will differ and they cannot be relied on the data. Moreover, the national anti-corruption agencies can shift focus to a certain region or state.

> Foreign aid to have a good effect on a fragile state like Nigeria who encounters democratic crisis like corruption, the economic aid should be given under stricter regulations with a signed contract to the recipient country seeking to obtain aid. Such as, firstly, demanding political legitimacy from the recipient country's institutions before economically assisting them. For instance, as the Anti-Corruption summit London 2016 agenda was not met, the committee should have imposed a sanction on Nigeria, because they fail to properly administer the anti-corruption policies. This means that both bilateral and multilateral donors should not only implement the anti-corruption policies for recipient countries to follow because it will only fade away with time, and with the leaders in power who are corrupt. Instead implement sanctions for recipient countries who are known to be politically corrupt. Through this, we will be able to see better improvements in these countries' institutions who will then be enforced to have a reform within their institutions that will promote a good governing pattern that embodies transparency and output legitimacy (Interview with P4 4th February, 2022).

Given the risks associated with large aid inflows as well as potential limits to its impact on development, decision-makers in recipient countries must cooperate closely with the donor community in order to enhance the effectiveness of aid fund and moreover, must strengthen domestic policies and institutions in ways that improve the investment and trade climate. First, scaling up aid creates a need for enhanced coordination of monetary and exchange rate policy with fiscal policy, particularly when the normal exchange rate is fixed as is the case in the majority of African countries. Moreover, in order to avoid excessive dependency of national income and Government budget on foreign aid, Governments in aid recipient countries need to intensify efforts aimed at mobilizing domestic resources. Key measures in this regard include improving tax administration and collecon, privatizing specific public enterprises and promoting domestic savings by reforming the financial sector. Additionally, more foreign private capital can be attracted by increasing the quality of governance and institution; inch is particularly relevant in Nigeria where most countries perform poorly in terms of the ease of doing business.

P5 maintained that in relation to growth, aid is not always to be seen as useless though we still need to investigate where it has ever shown good outcome. P2 made it clear that, though it may not bring about growth, it may help in poverty reduction. It may also increase the cash flow without benefiting directly the needy ones. P1 added that where Foreign Aid seemed to create much impact was where it was linked to projects aiming at attaining the Millennium Development Goals or supporting national budgets or used for public investment. P10 argued that, foreign aid is not evil in itself to our countries economy. It must only support existing started projects, increase import, technology transfer and strengthens national currency, lower inflation and minimize devaluation of the economy. Rather than cutting down the expansion of provision of social welfare services, it has rather the obligation to make its provision more inclusive and extensive as many rural Nigerian zones still needs government's intervention to raise the leaving standards up (Interviewed, 2nd, 4th and 7th February 2022).

Unlike other participants, he (P9) thinks these aids should rather be meant to improve social services as an investment in people will be more beneficial to our nations rather than investment in areas where benefits are shared among a few elite. The aid that is not meant to improve infrastructural constraints, to improve the leaving standards of the poor rural zones still living on rudimental agriculture of substance, the foreign aid which is not addressing the issues agriculture today, aid which is not meant to reduce poverty by implementing people-centered projects, empowering the lives of the marginalized citizens, aid which will not lead to macroeconomic development would eventually lead to a failure because the cause of our lagging behind would not have been touched (Interviewed, 7th February 2022).

P2 mentioned that Foreign Aid can only yield results when it is consecrated to improve lives of the poor ones through variety of empowerment programs (both for woman, unemployable youth and vulnerable). It should help the government generate employment which will increase their living standards and the level of consumption. It can have positive impact when it facilitates technology transfer, invest in research and high education, build strong competitive market and freedom of all sorts to create enabling environment for investors. Where things have been better, loans and grants were able to facilitate the expansion of small scale businesses, credit unions, microfinance, savings and loans institutions, agricultural cooperatives in rural areas and many more services empowering the most impoverished, but also supporting nascent development third sectors' development projects (Interviewed, 4th February 2022).

P3 explained that to some extent, the foreign aid should not attract any conditionality that will make the poor poorer and rich, richer. It should be given and foremost, be contracted when it is most needed and not be taxable and impose external conditions which are likely to make it fruitless (Interviewed, 4th February 2022).

This is consistent with the conclusion by Burnside and Dollar (2000) which opines that if donors are concerned with growth and poverty reduction, then they should put high weight on the economic policies of the recipient countries. Burnside and Dollar (2000) further contended that aid can be effective when strategies are great, that is, well articulated monetary and fiscal policies. Three principle contention have been progressed to clarify the disappointment consequences of strategic reasons of most aid viability studies; aid is misallocated (contributors give help for key motivations to the wrong

beneficiary), aid is abused (beneficiary government seek after non-development plans) and GDP growth isn't the correct proportion of aid adequacy.

4.3 Discussion of Findings

i. The findings of the study show that a positive relationship exists amongst foreign aids and its influence on economic development of Nigeria. This indicates that foreign aid is beneficial and this corroborates with the findings of Ajayi and Oke (2012); Fasanya and Onakoya (2012) that foreign aid has positive impact on economic growth in Nigeria. However, a proportionate change in Foreign aid leads to a less than proportionate change in the economic development of the Nigeria. Thus, foreign aid has not been effectively used and managed as it ought to. For a developing country like Nigeria, a proportionate change in foreign aid is supposed to yield a more than proportionate change in economic development, if the funds are efficiently utilized. One major reason that has been attributed for this is the presence of weak institutions in Nigeria as posited by Farah (2009).

ii. The study discovered that internal factors like corruption, weak aid co-ordination, programming and management practices, misappropriation and poor utilization of funds, poor institutional framework and infrastructural facilities are the factors militating against the effectiveness of foreign aid in achieving economic development in the Nigerian State. This finding corroborate with a research by Chukwuemeka, Okechukwu and Okafor (2012) who argue that there is also the problem of misappropriation and poor utilization of foreign aid. The aid meant for development is assumed to be not judiciously utilized, it is misused and often times diverted for

non-aided projects (projects other than those for which the aid was originally provided, thus making aid ineffective in achieving development).

iii. The study revealed that aid can be effective when strategies are great, that is, well articulated monetary and fiscal policies. This finding agrees with Murphy and Tresp (2006) when they reconsidered the role of economic policy in determining the effectiveness of foreign aid for generating economic growth in developing countries. They updated and modified the dataset originally used by Burnside and Dollar (2000) in order to more fully consider the critique presented by Easterly, Levine and Roodman (2003). The findings suggest that the relationship among foreign aid, government policy, and economic growth is tenuous and depends importantly on the subset of countries included in the analysis. Good policy enhances the effectiveness of foreign aid in spurring growth, they argued.

iv. Results show that measures on enhancing aid contribution to Nigeria's economic development are not effective as Nigeria faces many issues regarding corruption like bribery, that has become normal amongst the civilians and the civil servants of the state. So giving economic aid to a country with corrupt leaders will not help facilitate socio-economic growth like eradicating corruption. Instead, it will get into the hands of the corrupt official persons who are only in power solely for self-establishment.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The primary aim of this study was to examine the impact of foreign aid on Nigeria's economic development. In evaluating this, variable such as gross domestic product growth rate, poverty rate, unemployment rate and foreign aids to Nigeria were used. While the gross domestic product growth rate served as dependent variable, poverty rate, unemployment rate and foreign aids to Nigeria served as explanatory variables.

Corruption is arguably central to the problem of economic development in Nigeria to the extent that its prevalence distorts growth and economic prosperity in the country, and undermines the normal functioning of institutions of governance that could promote social and economic development. Corruption Perception Index (CPI) report issued in the year 2019 by Transparency International (TI), indicates that Nigeria is ranked number 146/180 most corrupt country with a score of 26/100 whereby 100/100 indicates that a country is completely free from corruption. Corruption is identified in every single sector of the country, from political and institutional corruption, whereby civil servants like the police openly demand bribes from citizens before they render any service, including the economic sector extortion of budgeted finances is considered normal. The common tactics of corruption in Nigeria are bribery, extortion, contracted fraud, facilitate payments, favouritism, deliberate waste, legal corruption, and subsidy abuse.

Nigeria is listed as number ten on global recipient country of Official Development Assistance (ODA) gross bilateral aid, and the key donors between the year 2017-2018

consists of ten bilateral and multilateral organisations: International Development Assistance Agency, United States of America, the United Kingdom, EU Institutions, Germany, Global Fund, Global Alliance for Vaccine, France, African Development Fund and UNICEF. However, some Members of the OECD has ranked Nigeria amongst their top five recipient countries, such as the United Kingdom, and United States of America.

This aid being allocated to Nigeria is aimed to develop several public sectors such as the education, healthcare, social and economic development to alleviate the country from poverty and democracy crisis like corruption. Yet there seems to be no evidence on the efficacy of foreign aid in eradicating corruption and promoting further growth in Nigeria, because the level of corruption in Nigeria is continually on the rise and considered permanent amongst its people because it has more or less become acceptable as a norm amongst citizens of the nation, which raises critiques on the efficacy of aid.

5.2 Conclusion

There has been influx of Official Development Assistance (ODA), otherwise known as foreign aid, into Nigeria. This project noted the importance of foreign aid to the economic development of Nigeria. It however, observed that the misuse of foreign loans has grievous effects on the economy of Nigeria. Foreign aid is not and must not be seen as a mere demonstration of benevolence between two countries, rather, it should be considered a business affair in its intent and content. Its nature, dealings and manner must be business-like.

Obviously observable, is the absence of the culture of financial transparency and accountability in developing countries specifically Nigeria. Corruption has become a

national virtue among government officials to the extent that public funds are diverted to private uses. In Nigeria, government officials transfer public funds to their private bank accounts. Corruption and official leakages are the major limitations to economic development in the developing world, a condition that retard national growth and economic development. As the results show that Nigeria as a case study faces many issues regarding corruption like bribery, that has become normal amongst the civilians and the civil servants of the state. So giving economic aid to a country with corrupt leaders will not help facilitate socio-economic growth like eradicating corruption. Instead, it will get into the hands of the corrupt official persons who are only in power solely for self-establishment.

Furthermore, one of the weaknesses identified in studying Nigeria is the lack of accountability on their governing patterns, making it extremely hard to evaluate the process and outcomes of aid allocated to them. The government censors the information they issue out, regardless of the president who promised a better; 'Public Procurement and Fiscal Transparency,' coupled with 'Promoting Integrity within the Institutions'. With this, the Nigerian government showed that the Anti-Corruption Summit London 2016 agenda was not met, because the government failed to give proper accountability to the progress as to why these agendas were not met. Such as admitting that the national institutions are very much corrupt and the national anti-corruption agencies that fail to decentralise operational strategy's power into local regions rather than operating from a large central scale.

Despite donors' original intentions when distributing aid, high levels of corruption within recipient governments, poor democratic institutions, onerous conditionalities and fiscal

imprudence have made foreign aid a curse rather than a blessing for several African countries especially Nigeria. The 2005 Paris Declaration on Aid Effectiveness described that a focus on donor harmonization, country ownership, alignment with the recipient country's national development strategies, accountability between donors and countries are effective ways to increase the positive impact of aid.

5.3 Recommendations

To assist policy direction in order to reduce poverty, unemployment and to ensure economic development using foreign aids in Nigeria, the following recommendations are made based on the findings of the study:

i. The government of Nigeria should ensure that policies are made to build and strengthen institutions so that aids given by donor agencies to stem down poverty and unemployment are not diverted or siphoned for personal aggrandizement.

ii. The government should block sources of economic leakages and illegal money transfers to foreign countries through its ministries and agencies that weaken our economy and thus makes the country vulnerable to foreign aid.

iii. In ensuring effective delivery of development assistance in Nigeria, there is need to develop institutional arrangement that check elite capture of economic resources. corruption has been adjudged as the reason why foreign assistance to Nigeria is mostly wasted.

iv. The government should likewise battle corruption and guarantee that cash spent is all around represented and that economic improvement is accomplished and poverty is diminished.

5.4 Limitation of the Study

The challenge of unavailability of official documents from targeted institutions as well as fund tends to impede the efficiency of the researcher in sourcing for the relevant materials, literature or information and in the process of data collection (internet, and interview). But despite all the challenges the researcher put in so much with the assistant of the project supervisor to ensure that the research is successful.

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APPENDIX I

School of Post Graduate Studies.

Department of Political Science.

Faculty of Social Sciences.

Nasarawa State University.

Keffi, Nasarawa State.

Dear Respondent,

REQUEST FOR AUDIENCE TO CONDUCT INTERVIEW

My name is Zainab Isah Musa, a student in the Department of Political Science, Nasarawa State University Keffi pursuing Masters in International Relations and Diplomacy (MIRD). I am conducting a research on "*Foreign Aid and Nigeria's Economic Development (2015-2021).*"

I kindly request you to participate in the research study by making available to me, needed information. All the information supplied will be treated with extreme confidentiality and used strictly for academic purposes. Your participation is therefore humbly solicited, please.

Zainab Isah Musa

NSU/PMS/IRD/0719238014072

APPENDIX II

INTERVIEW QUESTIONS

i. How can you describe the nature of foreign aid to Nigeria?

ii. How effective has foreign aid been in influencing economic development in Nigeria?

iii. What measures do you think are in place to ensure that foreign aid affects the Nigerian economy positively?

iv. How effective do you think are the measures on enhancing aid contribution to Nigeria's economic development?

v. What do you consider as challenges hindering the contribution of foreign aid to economic development in Nigeria?

vi. How can these challenges be ameliorated?

APPENDIX III
PROFILE OF INTERVIEWEE

S/N	Names	Rank	Organization	Date of Interview
1	Janet Caleb	Senior staff	Departments of International Cooperation, Central Bank of Nigeria (CBN)	February 4th, 2022
2	Kasim Ibrahim	Director	Departments of International Cooperation, Central Bank of Nigeria (CBN)	February 4th, 2022
3	Paul David	Deputy Director	Federal Ministry of Trade and Investment Headquarters, Abuja	February 2nd, 2022
4	Sanusi Umar	Director	Federal Ministry of Trade and Investment Headquarters, Abuja	February 2nd, 2022
5	Daniel Micheal	Senior staff	Federal Ministry of Trade and Investment Headquarters, Abuja	February 2nd, 2022
6	Hajara Ahmed	Perm. Sec.	Federal Ministry of Trade and Investment Headquarters, Abuja	February 2nd, 2022
7	Elizabeth Gabriel	Perm. Sec.	Federal Ministry of Trade and Investment Headquarters, Abuja	February 2nd, 2022
8	Jessica Abraham	Desk officer	Federal Ministry of Trade and Investment Headquarters, Abuja	February 2nd, 2022
9	Musa Isah	Senior staff	Departments of Economic Affairs Ministry of Foreign Affairs	February 7th, 2022
10	Joyce John	Perm. Sec.	Departments of Economic Affairs Ministry of Foreign Affairs	February 7th, 2022
11	Abubakar Mohammed	Diplomat	Departments of Economic Affairs Ministry of Foreign Affairs	February 7th, 2022
12	Grace Samuel	Desk officer	Department of Investment Relations Nigeria Investment Promotion Commission	February 9th, 2022
13	Osaze Irabor	Deputy Director	Department of Investment Relations Nigeria Investment Promotion Commission	February 9th, 2022
14	Gabriel Owen	Senior staff	Department of Investment Relations Nigeria Investment Promotion Commission	February 9th, 2022
15	Mical Namu	Deputy Director	Department of Investment Relations Nigeria Investment Promotion Commission	February 9th, 2022

Author's Compilation (February, 2022).