

ANALYSIS OF AID AND LOAN AS DEVELOPMENT OPTION BY THE NIGERIAN STATE

HEOMA NSIRIM – WORLU (PhD)

**Department Of Sociology,
Faculty Of Social Sciences,
University Of Port Harcourt.**

**heoma.worlu@uniport.edu.ng or
worlu@yahoo.com**

ABSTRACT

Improvement in the structures and living standards of citizens of the world have been a concern to development scholars and experts for a long time and so several nations, institutions and groups have tried to contribute to the well being of many via several and varied options. The history of Nigeria shows that she has experienced different governance patterns, ranging from colonial, military and democratic; and as such this work examines how the Nigerian state utilised the different development packages accessed from both international and national agencies to influence the development of the people and the nation at large. Therefore, content analysis is utilised as the source of data collection, and it proposes that the more aid and loans a nation collects from both international and national agencies, the more the people and nation are impoverished. This work shows that aid and loan are negotiated and managed by relevant government institutions charged with the responsibility of overseeing how the available resources are allocated and distributed for the good of the majority of the people. It discovered that this type of development option is associated with some conditions and that such conditionality is a bane to development rather than a spur. It therefore uses political economy approach to explain why the development of the nation is an exposé of how the nature of those who occupy political positions in a nation is a reflection of the character of the state and therefore recommends that pragmatic leadership is sinequanon to good governance.

Keywords: Aid and Loans, Development Option, Standard of Living and Nation State.

INTRODUCTION

Development is a concept that has no specific definition; however, issues concerning development are the most talked about the world over. Due to the concern majority have about the well being of humanity, wealthy or advanced nations and organisations have severally tried to create conditions that aim at bringing about growth and development in all regions of the world. In the light of forgoing comment, this researcher aims at evaluating how a country like Nigeria has in the bid to transform and bring about improvement in the standard of living of its people have accepted and received support from international and national agencies, how the assistance has been distributed and what are the resultant effect of the aid or development assistance to the development of the nation and citizenry.

CONTEXTUALISING AID AND LOAN

Aid and loan are regarded in most development literature as “Official Development Assistance” (ODA), and according to Desai and Potter (2008), ODA is at the heart of foreign aid. To add credence to this is the statement by Development Assistance Committee (DAC) of Organisation for Economic Cooperation and Development (OECD) who defines “ODA as resources transferred on concessional terms, with the promotion of the economic development and welfare of the developing countries as the main objective”.

This simply means that aid and loans that less developed countries receive from advanced societies are tied to conditions even though, it appears that its goal is for the transformation of the recipient country and its people.

On the other hand, Official Development Aid covers a wide range of both financial and nonfinancial components, Goldin and Reinert (2007). This therefore goes to explain that aid and loan to nations, especially third world nations are not solely financial, rather technical assistance is part of the aid. In furtherance to their explanation, cash transfers to developing countries can be vital, but currently they account for less than half of the aid that goes to those countries; while nonfinancial forms of assistance include grants of machinery or equipment as well as less tangible contributions such as providing technical analysis, advice and capacity building.

According to OECD (2018), Official Development Assistance (ODA) is defined by its Development Assistance Committee (DAC) as “government aid that promotes and specifically targets the economic development and welfare of developing countries.” The DAC adopted ODA as the “gold standard” of foreign aid in 1969 and it remains the main source of financing for development aid. This further explains that aids be it from countries or multilateral organisations to developing countries are no longer analysed based on cash flows rather on technology, exchange of personnel, security, environment and refugee support; and so from the foregoing, the programme base of DAC has broadened. To add credence to the above idea is Okon (2012), who states that DAC has criteria for classifying financial assistance under ODA; and they are, “if it is disbursed by official agencies, the promotion of economic development and welfare as its main objective, and involves grants or concessional loans with at least a 25% grant element”. In addition, Cassen, et al in Okon (2012), posit that “based on the identity of the immediate donor, ODA can be classified as bilateral or multilateral.

Bilateral assistance is administered by agencies of donor governments, whereas multilateral aid is funded by wealthy countries and allocated by international financial institutions, such as the World Bank, the Regional Banks, or the United Nations Development Programme”. To further support the definition is OECD (2018) who states that “Official Development Assistance (ODA) is defined as government aid designed to promote the economic development and welfare of developing countries. Loans and credits for military purposes are excluded. Aid may be provided bilaterally, from donor to recipient, or channeled through a multilateral development agency such as the United Nations or the World Bank. Aid includes grants, "soft" loans (where the grant element is at least 25% of the total) and the provision of technical assistance”. In all it is the observed that the concern of ODA providers is the well being of the recipient counties and citizens.

THE CONCEPT DEVELOPMENT

Development is a term that has several definitions as are scholars and leanings, which may be social, economic and political. The differences in definitions notwithstanding, this paper will attempt to adopt a position for our purpose. From the perspective of the modernisation and western scholars, development could be explained “primarily in terms of the development of certain values, norms and motivations that drive for high achievement. In that, those who cultivate such modernising attitudes are entrepreneurs of the business world who use the monetary surplus accumulated through wise and steady investment to expand industry and so generate more investable surplus for further expansion”; Webster, (1990).

The modernisation scholars derive their strength from the works of Weber and Durkheim who are considered by Sociologists as Classical writers and founding fathers of sociology. To this group of scholars, Third World nations though have model societies to emulate in order for them to transform their societies, however, there are internal structures that prevent them from developing and they are viewed as cultural practice and their value system. In that wise, Marshall (1996), argues that “development is a staged transition from tradition to modernity, to be brought about at the economic level by operations of the market and foreign investment; at the social level by the adoption of appropriate western institutions, values and behaviours; and at the political level by the implementation of parliamentary development”.

The modernisation scholars' position on the development of Third World nations of which Nigeria is one is faced with stiff opposition and criticism; and the critiques of this school are Third World scholars who have their root in the works of Marx and feminist scholars. The basic arguments of such scholars centre on the inequality that exists in society and the effort made by those who occupy positions of authority to maintain status quo based on class differentiation. Such scholars are Rodney (1986), Frank (1981) and Warren (1980). From the foregoing therefore, development can be conceptualised as the ability of a people or nation to use its idea, knowledge and technology to conquer the environment and thereby bring about improvement in the standard of living of all; and for development to be said to occur, scores of people are involved in varied levels of interactions in the process of producing an item and such interactions also lead to recognisable social relations. To corroborate this idea is the view of Ozon-Eson and Ukiwo (2001), who posit that "social development is a change of forces and relations of production resulting in a new and more productive mode of production or social formation".

To add credence to the foregoing is the view of Rodney (1986), which states that for an accepted concept of development to have academic backing, the history of the stages of how societies transformed should be taken into cognisance and the social relations there from. According to Marxist scholars, in time immemorial man lived in a band and hunting society which was necessary for their survival, which means that they operated as groups and the relations among them was simple without accumulation of surplus. The political leadership also was simple and executed in a chieftdom, meddling into the activities and affairs of others were minimal; but following industrial and political revolution in Europe and the effort by the Europeans to restructure its economy after the Second World War (W.W. II) led to their moving out and making contact with other worlds currently referred to as Third World nations in the nineteenth century. This contact between these two worlds diametrically brought about the change in the ways and means of production and social relations that follow.

The significant outcome of the contact between the Europeans and less developed countries is the creation of a phenomenon known as colonialism. In this circumstance, the advanced nations scrambled for the conquer and control of the forces of production of the less developed nations because of the abundance of raw materials and cheap labour and this brought about the emergence of a new power relation between the countries in the Northern and Southern hemispheres of the globe. This accounts for the persistent inequality between the North and South, which is why there exists also the exploiter and exploited nations. It was at this period of reconstruction of the European economy that the International Monetary Fund (IMF) otherwise known as World Bank was created with its main aim being to provide financial assistance to the nations that needed it for reconstruction. This bank for reconstruction also introduced conditions to the aid which countries can access and such condition is currently known as conditionality in development discourses.

Following the successful reconstruction of the European nations and their economy, the platform for industrialisation and modernisation and the institutionalisation of aid and loans by the advanced nations and its multilateral corporations was set. Conversely, with the attainment of political independence by most of the colonialisised Third World nations and the inclusion of conditionality to the development assistance granted the recipients, the power relations between the two worlds which emerged from the nineteenth century till date is that of inequality and the level of development or transformation of the people of the Third World countries continues to be skewed negatively.

In the foregoing circumstance, the problematic of this work is that the more development aid and loans developing countries obtain from advanced countries and financial institutions, the lower the standard of living of the people. The standard of living of a people can be measured based on the analysis of the development indices set aside by World Bank for countries; some of the indicators are, availability and accessibility of healthcare, enrollment in school, provision of electricity, road networks, provision of food (food security) and human development index (HDI) to mention a few.

POLITICAL ECONOMY OF AID AND LOANS

Political economy according to Ake (1981), “systematically accounts for the continuous interaction and relationship existing between the various facets of society; for instance, the economic, political, social and even belief system. He further argues that society should be studied holistically in order to understand why material conditions or economic factors are considered as the basis of any human society”. Therefore, the introduction of aid and loans as one of the ways for the development of Nigerian state was not the decision of the government and people of the Third World nations, however, the people have to adopt it in that the political leaders believe that accepting development aid from the advanced nations and their former colonisers will act as boost for the development or standard of living of the people.

In spite of the varied Official Development Assistance (ODA) available to Nigeria, it is still a mirage to state that the standard of living of the people is at the its lowest ebbs, examples are in the areas of budget allocation to education, health, agriculture and provision of road networks all over the country. In the last three years, the budgetary provision to such areas of needs instead of increasing is seen to be dwindling Vanguard and Punch Newspapers (2018). The conditionality attached to any foreign aid assistance is such that it is difficult or near impossibility for the recipient nations to successfully execute any programmes and projects without being indebted to the donor nations. This is because the recipient nations are under the whips and caprices of the donor nations who act as ‘pay masters or big brothers’.

On the other hand, the political leaders of the nation are comprador bourgeoisie/politicians who do not have economic power as there are no industries for the production of quality goods and services for consumption by the people of Nigeria. This state of affairs makes Nigeria a consumer and mercantilist nation as she is still a major producer of cheap raw materials and labour with an over bloated reserve army of labour. Again, the fact that the political class does not occupy equal position with the political leaders of producer nations, who are the donor nations and host nations to the multilateral organisations who contribute to the provision of the varied development assistance, it is obvious that the relationship between the advance nations and Nigeria is that of exploiter and the exploited or simply put, inequality.

Furthermore, because of the inability of Nigerian government to create and sustain industries, train the citizenry in the use of emerging technological innovation in the economic sector, the nation is deeply indebted to the donor nations and the result is that the people consume expensive and substandard goods and services. In the process of exchanging goods and services, the currency of exchange is of importance, as the exchange rate which is in US dollar influences the quality and quantity of goods and services a person and family can afford for subsistence. Additionally, the conditionality attached to Official Development Assistance (ODA) makes it difficult for the government of the day to willfully and consciously decide what projects and programmes to execute for the betterment of the generality of the people. This is because, the donor nations decide what area and where development projects should be directed and sited.

FOREIGN AID AND LOANS AS DEVELOPMENT OPTION BY THE NIGERIAN STATE

There are varied economic recovery programmes (ERP) set outside by world leaders for the development of all nations of the globe of which aid and loans is a package, and this work briefly traces the pathway of the Official Development Assistance. At the end of World War II in 1944, world leaders organised a conference titled “the Bretton Woods Conference” in Bretton Woods in New Hampshire, United States, whose aim was to place international economy on a sound footing; and according to Goldin and Reinert (2007), one of the outcomes of the conference is the establishment of the “World Bank (WB) and International Monetary Fund (IMF)” The World Bank and International Monetary Fund are also referred to as Bretton Woods Institutions, and they are also known by OECD (2018) as institutions that manage development finances for better life. The following are the composite institutions of World Bank Groups as shown below;

- The International Bank for Reconstruction and Development (IBRD), which lends aid to governments of middle – income and credit- worthy low-income countries.

- The international Development Association (IDA) provides interest – free loans, called credits to governments of the poorest countries.
- The International Finance Corporation (IFC) also lends directly to the private sector in developing countries.
- The Multilateral Investment Guarantee Agency (MIGA), this provides guarantees to investors in developing countries against losses caused by non-commercial risks.
- The International Centre for Settlement of Investment Disputes (ICSID), it provides international facilities for conciliation and arbitration of investment disputes. To corroborate the significant role of the WBP is IBRD (2003) which states that the International Monetary Fund is a subscription-based, global financial organisation whose purpose is to promote international monetary cooperation and the multilateral system of payments. It engages in four areas of activity such as, surveillance or monitoring, the dispensing of policy advice, lending and providing technical assistance. IBRD (2003) further argues that other international economic institutions that provide assistance to nations include the following;
 - a) Nongovernmental Organisations (NGOs) whose duties are in the area of private, nonprofit organisations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development. NGOs are known to differ from other organisations in the sense that they tend to operate independently from government, are values-based, and guided by the principles of altruism and voluntarism.
 - b) Organisation for Economic Co-operation and Development (OECD). This is an international organisation, primarily of high-income countries, helping governments tackle the economic, social and governance challenges of a globalised society.
 - c) United Nations Development Programmes (UNDP) manages a “network” of development activities undertaken by the United Nations in the areas of democratic governance, and HIV/AIDS.
 - d) World Trade Organisation (WTO) is an international organisation governing the system of rules for global trade among its member nations. It is also involved in dispute settlement and compliance monitoring related to international trade.

The foregoing accounts clearly show that developing countries are not at the foundation of the Official Development Assistance (ODA) whose principles and duties are for helping nations in need to transform. It is observed that the varied assistance packages are graded and the providers are stake holders as they also determine where the aid will go, and monitored its utility. In the view of Goldin and Reinert (2007) foreign aid is the transfer of funds in the form of concessional loans and grants and the provision of technical assistance and capacity; therefore, this work is to examine how the volume of aid and loans received by the Nigerian state have impacted the standard of living of the citizenry.

Having noted the pathway of Aid provision and the conditionality attached to it, it can be stated that from the inception Nigeria and its people though beneficiary of the foreign development assistance, that the received assistance does not translate to improvement in the standard of living of the people as there are millions of children that are not enrolled in school, those who are enrolled are taught in un-conducive environment, a situation that has created opportunity for school children to join varied street and community cult groups and many others have become school dropouts. The activities of this group of young people collectively have become sources of fear and anxiety in the entire nation.

There is significant percentage of infant and maternal mortality rates in the nation, as the health institutions are underfunded and under equipped. Under this circumstance, both the health practitioners and the ill ones find it difficult to provide and access healthcare respectively when the need arises. Most of the health institutions have become glorified edifices without pre-requisite equipment for those who are trained in that area to render quality care and services; as most times patients are not able to collect prescribed drugs by physicians from the hospitals.

There is also evidence of poor quality food and nutrition in the land, as there is no food security in the land. Most of the communities are facing security challenges that will not allow them to access their farm lands and water ways and mangroves as recalcitrant youth have taken over and occupied the people’s sources of economic activities and livelihood; for instance, the herders and farmers clashes in middle belt, militants versus farmers and fisher people in the southern part, and the spate of insurgency as perpetuated by Boko

Haram in the north. Again, the current economic situation of the nation makes most Nigerians not to be financially buoyant and so they are not able to provide sufficient food for their families by buying the food items. If we take the minimum wage salary package in Nigeria as a point of reference, you will understand that many families live below US10\$ in a month and this idea is confirmed by the view of Hanke's 2018 report which is published recently in Punch Newspaper (2019). The report states that Nigeria ranks sixth as the most miserable country in the world.

Of note also is the nature and state of road networks in Nigeria. Most of the roads in Nigeria are dead traps to commuters and some instances show that the most of the roads are poorly built or not built at all. This is why armed robbers and adductors lay siege on the roads and daily rob and kidnap commuters, and thereafter demand for ransome from the families of those in their custody. Where contracts are awarded for the construction of roads, most of the contracts perform shoddy and substandard works, and when the roads are put into use most of them are thereafter not durable; and this phenomenon is associated with the kick- forward and backward phenomenon between the contracting firms and government functionaries.

Above all, the political institution of the nation which is where the political elites are located, and they are known to superintend over the affairs of the state and this is a direct reflection of the quality of leadership of the state. Most of the members of this group are products of the rot found in society, as most of them are poorly educated with their certificates been obtained for them by other persons through examination malpractices and / or soughting and sometimes harassment and intimidation of their teachers. Some have forged certificates or their certificates are obtained by trick from within and outside the nation, while some other group out rightly buy their certificates. The above scenario shows that because some people who occupy exulted political positions fraudulently obtain their qualifications and by crook occupy such positions, they are not able to make laws, and policies that impact positively the standard of living of the people.

Again, they align and connive with their counterparts in other countries to undermine the progress and development of the its people ; in such ways as embarking on medical tourism and going on vacation in foreign lands, where they buy exquisite homes, cars and they most times evade tax payments. They also build security walls around themselves and families by using national security officers who are well trained in the use of fire arms and militarised youth to provide security for themselves and family members. The fact that their knowledge in diplomatic and international politics is inadequate they are not able to ensure that the laws they make and their life style are devoid of exposing the generality of the people to life threatening circumstances. Which is why they are considered in development literature as comprador politicians and their life style have demonstration effect on those around them; as what they consume are products from foreign land which are bought and exchanged in foreign currency as well.

Their actions and life style finally, have situated Nigeria in the centre of consumer nations and her location on the world's economic system is that of periphery and the social relation is that of inequality and creation exploited and exploiter nations. This accounts for why the foreign aid and loans as option for development is noted to have not contributed to the transformation of the standard of living of Nigerians which is the aim for the establishment of the economic recovery programmes by the advanced world leaders in the nineteenth century, rather it has impoverished the people the more and thus placed the nation in a disadvantaged position in the international economy and development architecture.

CONCLUSION AND SUMMARY

This study examines how the Aid and Loans as a development option impacts on the standard of living of Nigeria and its people. It was discovered that following the end of World War 11, the advanced nations of the world organised a conference named Bretton Woods Conference in Hampshire, in the United States of America. There, it was resolved to establish International Monetary Bank and World Bank in order to place the world's economy on sound footing via its Economic Recovery Programme (ERP). Further, this work identifies that in line with the aim of the World leaders, several other institutions and development assistance programmes were introduced of which Aid and Loans is one.

It also discovers that Nigeria as a nation accessed several Official Development Assistance (ODA) or Foreign Aid and Loans from the colonial times till date and according to World Bank they amount to one hundred

and thirty in number. However, the obtained assistance have not been able to transform the standard of living of the people positively in development terms, first because, the Aid and Loans have conditionality attached to them, which any nation who wants to obtain an assistance must meet. The conditionality is such that the donor nation and multilateral organisations determines who gets it, what project to execute and where, and they also fix or determine the terms of repayment and interest rate all in US dollars. The conditionality makes it difficult for the beneficiary nations to consciously and freely control the allocation of programmes and projects in the areas of needs of the people.

Again, this work notes that the nature and character of the political class act as albatross to the development of the people. Since most of the political elites fraudulently obtained and ascended the positions they occupied at various times, they are not able to make policies and laws that bring about improvement in the standard of living of the generality of the people. This observed class differentiation accounts for the gap between the political class and others in the nation and the aim of obtaining Official Development Assistance as option is therefore, defeated.

In order to continue to access Official Development Assistance as an economic recovery programme that will transform the standard of living of Nigeria and its people, this work recommends the following;

- a) That the nation takes inventory of all the Aid and loans it has received since the inception of the nation as a sovereign state and what projects and where they are channeled to.
- b) Each of the establishments identified by government to have benefitted from any of the Aid and loans, should evidently account for how it was used and the segment of the citizenry that benefitted from it.
- c) Again the political elite should audit itself, this is necessary because this will enable the system to purge itself of fraudulent elements within it.
- d) The political class should be able to make sure that policies and programmes which will ensure that merit is adopted in selection and appointment of personnel who will manage the affairs of the people of the nation; this in turn will restore accountability in the system.
- e) The people through organised civil society organisations or non-governmental organisations (CSOs/NGOs) should demand and enforce accountability from its government officials, be it appointed or elected; a move that will bring about responsible governance and improvement in the quality and standard of living for the majority of the people.

REFERENCES

- Desai, V. and R.B. Potter (2008). *The Companion to Development Studies*. Great Britain, Hodder Education
- Frank, A. G. (1981). *Crisis: In the Third World*. London, Heinemann.
- Goldin, I and K. Reinert (2007). *Globalization for Development*. Washington, World Bank and Palgrave Macmillan.
- <https://datacatalog.worldbank.org/dataset/world-development-indicator>.
- <https://punch.com/nigeria-most-miserable-nation-in-the-world>.
- <https://punchng.com/2018-budget-and-the-paltry-allocation-for-education/>
- <https://www.gutmacher.org>.
- <https://www.indexmundi.com>.
- <https://www.oecd.org/countries/nigeria>.
- International Bank for Reconstruction and Development 2003 Annual Report.
- Marshall, G. (1996). *The Concise Oxford Dictionary of Sociology*. Oxford New York, Oxford University Press.
- Okon, E. O. (2012). Five Decades of Development Aid to Nigeria: The Impact on Human Development in *Journal of Economics and Sustainable Development*; Vol. 3 (1).
- Ozo- Eson, P.I. and U.Ukiwo (2001). *Ideology and African Development*. Nigeria, CASS AFRIGOV.
- Rapley, J. (2007). *Understanding Development: Theory and Practice in the Third World*. United States of America, Lynne Rienner Publishers, Inc.

- Roberts, J.T. and A. B. Hite (2007). *The Globalization and Development Reader: Perspectives on Development and Global Change*. Australia, Blackwell Publishing.
- Rodney, W. (1986). *How Europe Underdeveloped Africa*. London, Bogle-L'Ouverture Publications.
- Todaro, M. P. and S. C. Smith (2009). *Economic Development*. England, Pearson Education Limited.
- Warren, W. (1980). *Imperialism, Pioneer of Capitalism*. London, New Left Books.
- Webster, A. (1990). *Introduction to the Sociology of Development*. London, The Macmillan Press Ltd.
- World Bank 2003 Annual Report.