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# Foreign Aid: Nigerian Legal and Economic Albatross

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**Abstract**
The Nigerian economy is stunted in growth with its attendant poor living standard of the people. Despite the enormous resources and human capital at her disposal, it depends on foreign aid to execute its capital projects like other developing nations. Regrettably this foreign aid is mismanaged and in some cases siphoned into private foreign accounts. This articles chronicles the concept of foreign aid, its distribution and international law implications on the sovereignty of the Nigerian State as well as the economic distress that comes in its wake among others.

## 1.Introduction

The dream of Africa free from hunger, sickness, ignorance, unemployment, social and cultural inequities, external pressures and aggression can only come true if the continent is self-sufficient, in order words through self perpetuating development with the free and effective participation of the entire population[1]. The historic possibility which lies before African Nation particularly Nigeria is a march towards neo-colonialism . This could come about in a situation where there is protracted economic stagnation[2] due to recycling of debt-crises through unsolicited economic aid from the Western Countries.

Economic development in these countries has been poor to promote meaningful economic growth that can sustain its citizenry without recourse to some foreign aid or foreign investments. Even when some level of development is attained with the contemporary sophistication of global economy, sufficient foreign exchange requirement to match the scenario is noticeably absent[3].[3] More disgusting is that the necessary equipment, machinery and skills needed for independent economy will have to be imported from the colonial masters who are our new donors

## 2.Concept of Foreign Aid

He word "Aid" was defined by the Oxford Advanced Learners dictionary as "help: aid one another; and somebody to do something; aid somebody with money". Interestingly the dictionary further linked the meaning with the developing country. It stated;

> Help: aids programmes, those designed to give help as to developing countries. He came to my aid , came to help me . What is the collection in aid of, what is the money to be used for?. Something that helped, visual aids, pictures, filling, fill in strips etc used in teaching, deaf aid, appliance that helps a deaf person to hear[4].

However, in real economic setting , foreign aid extends beyond the dictionary connotation. Michael P. T and Stephen Smith in their book, "Economic Development," said that foreign aid consists of public bilateral and multilateral development assistance and private assistance provided by non-governmental organisations.[5] They further stated that "all governmental resource transfers from one country to another should be included in the definition of foreign aid'[6] Professor Green Nwankwo defined aid as " an assistance from foreign country."[7] Aid then consists of loans, grants, industrial equipments, technical help among others .

The above definition of foreign aid by Smith and Michael raises a number of question. This is because many resource transfers can take disguised forms such as granting of preferential tariffs by developed countries to less developed countries and exports of manufactured goods. Also not all transfers of capital to developing countries particularly the capital flows from private foreign investors constitute aids because they are underlined by profit motive although same is beneficial to the recipient country. The concept of foreign aid that is now widely accepted and applied is one that embraces all official grants and concessional loans[8], which is capable of transferring resources from developed countries to the developing nations which could either be in kind or in

[1] C. Ake, Revolutionary Pressures in Africa (Zed press, London 1979) p.107
[2] OAU, What Kind of Africa By The Year 2000? (Geneva Institute of Labour Studies , 1979)
[3] B. Higgins, Economic Development , Principles, Problems and Policies ( India University Press , India 1981) P.569
[4] Ibid
[5] A.S. Honby, Oxford Advanced Learners Dictionary of Current English,( Oxford University Press,
[6] P.T Michael and S. Smith, Economic Development(Dorling Kindersley, India, 2007) P. 681
[7] G.O Nwankwo, Basic Economics for West African students, (Cambridge University Press, London, 1982) P.163
[8] ibid

currency[1]

## 2.1 Distribution of Foreign Aid

Some foreign aid goes directly from governments such as those of U.S.A, U.K, France, USSR, Britain etc to the developing countries. When aid goes directly from one government to another it is usually called bilateral aid. This is to distinguish if from the aid that comes from international financial institutions like the World Bank, International Monetary Fund, IMF and its affiliates which is called multilateral aid.[2]

Most of the bilateral aids come from the former Colonial Master to their former colonies for political reasons. Foreign aid to the African countries come mainly from Britain and Frane[3]. The United States spend billions of dollars abroad under its aid programme to finance its foreign policy agenda on policing the world which become prominent after the collapse of the Former Soviet Union. Multilateral aid embraces aid from World Bank as stated earlier as well as other international financial institution like International Finance Corporation; IFC, International Development Association; IDA, and International Monetary Fund, IMF and Paris Club, among others. Foreign aid assisted most of the advanced nations in their dark days particularly the economies of Europes.

The money volume of Official Development Assistance (ODA) which includes bilateral grants, loan and technical assistance as well as multilateral flows has grown from an annual rate of $4.6billion in 1960 to $56 billion in 1999. However in terms of the percentage of developed country Gross National Product, GNP allocated to official development assistance, there has been a steady decline from 0.51% in 1960 to 0. 29% in 1999.[4] The diagram below illustrates the official development assistance disbursements from major donors countries to Less Developed Countries in 1985 and 1999[5]

| SN | Donor Country | Billion of U.S dollars | Percentage of GNP | Billions of U.S Dollars | Percentage GNP |
|---|---|---|---|---|---|
| 1 | Canada | 1.6 | 0.49 | 1.7 | 0.28 |
| 2 | Denmark | NA | NA | 1.7 | 1.01 |
| 3 | France | 4.0 | 0.78 | 5.6 | 0.39 |
| 4 | Germany | 2.9 | 0.47 | 1.8 | 0.26 |
| 5 | Italy | 1.1 | 0.26 | 15.3 | 0.15 |
| 6 | Japan | 3.8 | 0.29 | 3.1<br>1.6 | 0.35 |
| 7 | Netherlands | 1.1 | o.91 | 3.4 | 0.79 |
| 8 | Sweden | Na | NA | 9.1 | 0.70 |
| 9 | United Kingdom | 1.5 | 0.33 | 56.4 | 0.23 |
| 10 | United states | 9.4 | 0.24 | | 0.10 |
| | Total | 29.4 | 0.35 | | 0.20 |

## 3.International Law Question in Aid Relationship Between the Developed and Developing Nations

The aid contacts have an important place in dealings between sovereign states. Economic aid is thus squarely in the arena of international law and diplomacy. Aid creates ground for diplomatic operation and international power policies . However this does not mean that the primary consideration in aid are or should be diplomatic or political . But since the aid operation is international, and especially inter governmental, its success or otherwise in achieving whatever end is envisaged for it, depends on the attitudes that givers and receivers adopt towards each other in the agreement for such aid.[6] According to Okolie Charles;

> The basic quantitative difference between the various categories of approach to the aid operation concerns the donor government's attitude to the desirability of intervening in the affairs of the recipient. The aid-giver is faced with a number of choices, but the basic choice is between, on the one hand, a policy of deliberate intervention in the developing countries , which can take many forms and on the other hand, a policy of non intervention or neutratily[7].

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[1] N.J. Bhagwati *op cit* P.35
[2] G.O. Nwankwo, Basic Economics For West African *op cit* P.164
[3] *Ibid* P. 165
[4] R. Moham, "Ranting Foreign Donors: An Index Combining Scale and Equity of Aid Givers World Development (25 June, 1977) P.961
[5] Source: World Bank, World Debt Tables, 1991 ( Washington D.C; World Bank, 1992) vol. 1 Table 2.1: World Bank 2011 tab. 6.9 and 6.10.
[6] C. Okolie, International Law Perspectives of The Developing Countries , (Nok Publishers, Lagos, 1978) P.71
[7] *Ibid* P. 72

Now comes the question of internal neutrality and how to achieve it, ie neutrality in the case of a single country and ignoring the possibility of aid being withheld- aid has to be in the form of freely convertible foreign exchange , all in grant form, and without any form of control.[118] Strict inter country neutrality is not possible by the donor-country. In this case, the developing nation will have to accept conditions drawn up by the rich or donor-nation. This creates room for discrimination in determine to whom aid should be allocated. Whatever the basis for making this determination will favour some countries and some policies and work against the economic and political position of others.

There are some arguments approving the intervention of the donor-countries based on the understanding that they have superior technical capacity, longer development initiative in the use of aid and the formulation of policies. This is called "influences and control approach". The involvement approach sees the donor as bringing a certain view and a set of values, and confronting the recipient with them. The resulting clash of view and attitudes helps stimulate the recipients thinking and action. This involvement approach in the affairs of the recipient country is reactionary method of diplomacy which violates the principle of sovereignty in the international law. Political intervention should be separated from economic aid.

In contemporary international law, intervention in the domestic affairs of a state is a violation of the territorial integrity of a sovereign state. Most of the reactionary interventions in the world today are largely as a result of economic aid which has always been the means of protecting the foreign investments of the rich nations.

Another important aspect of the aid programme is donor countries aspiration to go beyond the aid scheme to begin to pry into the political and economic issues unrelated to the aid question.

The crisis in Cote d' Ivoire is more economic than political, it is believed that the French government is after the life of president Gbagbo because he opposed the French economic intransigence in the country. According to Koffi Charles, an Ivorian government official;

> The French tried to help Quattara to steal the elections because they know they can use him to serve their interests in the country. Well, the French can choose to disrespect us as an African country but we are proud of who we are and will never, ever again allow them to bully and cheat us [2].

Most political crises in the middle East, Egypt, Afghanistan, Bahran, Sudan are sponsored from outside on purely selfish economic interests.

**4. Foreign Aid and Nigerian Economic Distress**

Foreign aid as earlier stated is comprised of loans, and grants, among others. Nigeria economic problem stemmed from its loan acquisition by her past leaders which opened the economy to the donors grips and manipulations. Of note was the $38 billion debt crises which was accumulated capital and interests of loans acquired by the Nigeria military leaders.[321] In the words of Rose Umorem;

> The various loans procured between 1975 and October 1979 although mostly untied, were targeted largely at some investments . These included paper mills, steel plant, refineries and power installation. One of the loans, the $750 million from a consortium of German and Australian banks, was meant mainly for the Delta Steel project near Warri[4].

The 1978-79 borrowing could be described as the first phase of Nigerians external debt distress origins. Most of the loans wee misapplied while in some cases siphoned away into private pockets and where the loans were invested same was done in unproductive and wasteful ventures. Colman and Nixen (1986) pointed out that Most Less Developed Countries (LDC) loans application including Nigeria were ruled by shortsightedness and exaggerated optimism.

The 1978-79 loan crisis notwithstanding, the Shehu Shagari civilian government turned to be Nigeria's economic Achilles hill. The government opened negotiations with the International Monetary Fund, IMF, for another set of loans but was cut short by Mohammed Buhari in 1984[5] . The negotiation with the International Monetary Fund, IMF, were taken over by Mohammed Buhari. The IMF loan opened a strange economic package for the citizens in the name of Structural Adjustment Programme whose standard of living plummeted in consequence of the hardships attending the loan procurement . This was preceeded by the Economic Stabilization Act of 1982 which imposed "more stringent exchange control measures and import restrictions supported by appropriate monetary and fiscal measures"[6] which was one of the conditions given by the IMF.

[1] *Ibid.*
[2]T. Mbakwe; "The Story Behind Story" New African magazine , Febrary 15, 2011 p. 12.
[3]A.N .Ohanyere, Money Laundering and Financial Crimes in Nigeria (Arthhill Publishes, Lagoes, 2008) P.148.
[4] R. Umoren, Economic Reforms and Political Crisis (Spectrum Books, Ibadan, 2001) P.16
[5] J.c. Anyanwu, et al, the Structure of the Nigerian Economy (Educational Publishers, Awka, 1977) P.45

[6] Ibid

SAP, substantially sowed the seed for the subsequent political and economic crises of the country in five major ways.

1. It was totally externally directed, reducing to factory –line policy executors[1].
2. It was totally externally formulated and the outcome was important only as it fulfilled the design and fitted the evaluation mould of the World Bank and the International Monetary Fund, IMF, both representing creditors, notably the group of seven, (G7) leading industrial countries –United States, Japan, Germany, France, Britain, Italy – the Organisation of Economic Co-operation and Development (OECD) at large, and International Banks under the grouping London club[2].

The evaluation mould was ideological in that SAP was being implemented at all levels regardless of how the statistics were collected.

3. It was totally closed to healthy discourse the formula had to be adhered to.
4. It thrived on the personality cult-dictatorship or such collective.
5. It thrived in secrecy, near falsehood and falsehood. SAP was being presented to Nigerians as " homegrown" by both the bank and the Nigerian military leaderships. There was also the claim that external debts would contract when they actually ballooned. There were equally claims that fuel price would be untouched only for it to be repeatedly increased. Another claim was that IMF was not party to it yet it was the brain child of the organization[3].

The damage done on the Nigerian economy on account of these aids and consequent hardship on the citizen are incalculable.

**5. Nigeria Privatization Programme; Product of Medieval and Capitalist Foreign Aid .**

The Nigerian economy and development is very much dependent on the foreign participation even the indigenous petroleum that is the life wire of the nation is sold to them at their terms and same is sent back to us by way of expensive manufactured products. The high level of European involvement in the economies of the developing countries of which Nigeria is one is what political economists refer to as state capitalism, a point when the capitalist state is met not only a guarantor of the capitalist order but also an inventor in capitalist monopoly concern[4].

It was in the context of the prevailing global political economy of the 1980s that Nigeria conceived of and embarked upon the deliberate execution of the policy of privatization and commercialization as governed by market forces but that was to wait for Babangida Administration. But if one may ask, what is the problem with the Nigerian economy? Why do we have stunted growth in the economy over and over again?. Proffessor Akin Abogunje , The National Merit Award winner has the answer. He said, Managers of the Nigerian Economy have in the policy area done the "Last thing first"[5]. For S.O . Adeyemi;

> The philosophy of Structural Adjustment Programme was predicated on demand management as a measure of cutting fiscal and external imbalance with restrictive monetary policy, the ultimate objective was to achieve non-inflationary growth and to stimulate domestic production of tradable goods. The programme was to achieve a sustainable external debt service profile and enhance domestic saving and investment and in the inflow of external resources[6].

The way and manner the privatization programme of the Federal Government was and is being executed has given cause for worry. During the 6th Senate, no fewer than twenty petitions were received from workers and share holders who were at the receiving end of the exercise[7]. Thousands of Nigerians lost their jobs across the country. In Nigerian Tele communication, Nitel, alone over 8,000 workers were layed off in an economy that is plagued with youth unemployment[8] and armed robbery. The burden inflicted on the productive Industry by failure of electricity supply and its enormous effect on the standard of living brings to question the colossal amount purportedly wasted on the project during Obasanjo government. The House of representative set up a

[1] Rose Umoren, Economic Reforms and Political Crisis op cit p.2
[2] Ibid.
[3] Rose Unwren, Economi Reforms and Political Crises op cit p.5
[4] African Media Review, Vol. 8.No 1, 1984 P.6
[5] A. Abogunje Quoted in M.I Ijeoma, An Anatony of Development and Retrogressian, (Smartlink Publishers Enugu, 2002) P.7
[6] S.O Adeyemi Beyond Structural Adjustment: a Policy Framework, Management of the Nigerian Economy, 1996 NES Conference Proceedings , Ps 113-14.
[7] S.O Adeyemi Beyond Structural Adjustment: a Policy Framework, Management of the Nigerian Economy, 1996 NES Conference Proceedings , Ps 113-14.
[8] Tunji Oluwuyin," Senate Receives 30 Petitions on Privatization", Business Day Newspaper, 22-24 August, 2008 P.7

Committee to investigate the whooping amount purportedly spent on power and recommended in its report that $13.27s billion[1] was spent by Obasanjo government during the period without any result. Foreign aid is useful in a country that has good and responsible leadership, not in a corrupt country like Nigeria with inept government.

**6.Do African Countries Need Aid?**

There is no country in the world that is self-sufficient. Every successful nation need other states in at least where her comparative disadvantage in high . According to Richards William; Nations such as Nigeria are indeed in need of aid, but not in the form of money ,clothes or even food. Nigerians need jobs, the faith of its people in their government, and a sound economy that will grow and prosper in the years to come[2].

Laura Miller said that "the main objective of bilateral aid is not always humanitarian reliefs but also used to strengthen fragile or strategic States and improve trade relations with the West .Money from the World Bank is often geared towards large infrastructural projects such as water systems and road networks. Usually the recipient government is responsible for managing funds given by the World Bank . Some countries governments are more transparent and provide more oversight over aid than others[3] Instead of putting the aid into profitable ventures as canvassed by Miller, African leaders take loans to keep afloat. The number of our political leaders facing money laundering and corruption charges attest to this that foreign loans is not the best option for Nigeria.

**7. Conclusion and Recommendations**

Foreign aid to the developing nations is a fundamental foreign policy of the West to regain the control of the lost colonies and thereby dictate their domestic affairs. The recipient countries including Nigeria should be on her guard when entering into negotiations with any foreign partner in this regard. Moreover, corruption and inept leadership is more of the economic problem than the aid procurement. According to Richard William, "corruption is a staple of the Nigerian government and stains most of the state agencies that could use the help of U.S foreign aid."[4]

To guide against this, this paper recommends:

i The Federal Government should strengthen her security agencies to live up to the global standard in ensuring the security of lives and property of its citizens and foreigners alike. Their intelligence gathering machinery should be strengthened 5 38. There can be no meaningful investment and development without security. The recent upsurge in bomb blasts in the country is capable of keeping the foreign investors outside our borders.6

ii. Foreign Assistance in whatever form should be properly managed and invested in productive ventures meant for them.

iii. Loans acquired from abroad should be free from strings and government given free hand to determine the windows.

iv. Privatization programme embarked upon by the federal government should be overhauled. Members of the National Council on Privatization should be subject to senate screening to ensure their suitability and geographical spread[7]

v. Employment generation and power sector should be aggressively pursued to open up the economy.

vi. All labour issues should be promptly addressed and not allowed to attract usual months of strikes which shortchange the economy particularly the Gross National Product, GNP.

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