

Impact of foreign aid on nigeria development



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CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5. 1 Summary

This study examined the extent to which Foreign aid; particularly the debt relief initiative has contributed to human development in Nigeria. It particularly sought to examine the relationship between Foreign aid and development considering the underlying political-economic conditions and the effectiveness of aid on human development. This work also sought to analyze how the World Bank's Debt Relief initiative has enabled human development in form of better living standards and access to essential facilities in Nigeria. Finally, this research sought to evaluate the political-economic conditions particularly underlying the effectiveness of the World Bank's Debt Relief initiative to Nigeria.

Chapter one introduced the study introducing a general background to the study; the statement of problem; the research questions; objectives of the study; research proposition; significance of the study; scope and limitations of the study.

Chapter two focused on the review of scholarly literature on the subject matter. The chapter illustrated the historical background to Foreign aid in the International system and its contributions to development in general. The chapter also included a theoretical framework examining the theory used for study review as well as the current trends regarding the subject.

Chapter three in the other hand was devoted to the historical perspective of foreign aid in Nigeria. Chapter four attempts a critical discourse of the subject matter of debt relief and human development. The chapter reviewed and evaluated the debates on the effectiveness of the Debt Relief Initiative to Nigeria. It particularly sought to examine the impact and effect of the debt relief initiative on Human development in Nigeria. It started off examining the debt relief initiative, followed by the debates on its effectiveness and management in recipient states and concluded with a critical analysis of the effectiveness of the debt relief initiative on human development in Nigeria so as to determine if foreign aid in form of debt relief has contributed to human development in Nigeria. This chapter being the fifth summarizes the research and all findings carried out. It also includes recommendations and suggestions for further studies.

5. 2 Recommendations

One of the significant conclusions of the aid-effectiveness literature has been that aid is more effective when the recipient country's policy and institutional environment satisfies some minimal criteria, and that aid should thus be allocated selectively on the basis of the quality (established policies and initiatives) of prospective recipients' economic and social policies (World Bank, 1998). To buttress this assertion, Thomas (2001) points out that some Heavily Indebted Poor Countries (HIPCs) had no policy responses to poverty, HIV/Aids or corruption until they were required to do so as conditions for debt relief under the HIPC Initiative. He concluded by suggesting that unless debt relief is effectively conditioned on the proper use of funds and the pursuit of

structural reforms, it is unlikely to help the poor. This has been the Aid efficiency-conditionality debate -surrounding the subject matter.

It is rather quite unfortunate that the afore mentioned assertion or debate was somewhat verified in Nigeria with the establishment of the Debt Management Office and the Virtual Poverty Fund - initiatives that were as a result of a desperate need for a debt relief. What is more relieving though is that the DMO is actually still in place and very much efficient in managing the Nation's external and internal debt, and have shown certain level of accountability and transparency. This is seen with the up-to-the-minute information available on the Debt Management Office (DMO) website for Nigerians to familiarize themselves with the office and all that has been done to get a debt relief and all that there is to managing further debt both on the state level and the federal level. This research further recommends that revenues from oil be utilized appropriately to make resources available to finance investment that would in turn lead to growth.

No doubt, there is the individual approach to office administration and policy initiation. But because the nature of Public administration allows for continuity even after the presiding officer or chair steps down, it is therefore appropriate to recommend that the established Debt Management Office and the Virtual Trust Fund (VPF) that was internationally commendable suggest that the Nigerian Government is competent enough to initiate functional approaches to challenges in the state and manage such initiatives effectively. It would be worthwhile therefore, to have our leaders put that same zeal and drive to initiating solutions to several other challenges facing

the state and run it efficiently as the DMO was viciously run to get debt relief.

Apart from debt relief being a form of aid; in Nigeria, the aid fund goes directly to the ministries, department or agency (MDA) that uses the fund. This is contrary to what happened in other Sub Sahara African Countries such as Kenya and Ghana in which foreign aid is treated as part of the budget. The Senate in Nigeria has warned against the disbursement of foreign aid coming into the country without National Assembly's involvement. The lawmakers are now insisting that such funds must henceforth be captured in the nation's budget process for the purpose of tracking its flow and disbursement into Nigeria's critical sectors (The Will, 2011). The idea is that by-passing budget will result in timely release of the aid to the critical sectors of the economy. Also, by-passing budget would ensure that aid money is not diverted to non-aided projects in the country. It is possible that there is the fear of embezzlement and mismanagement. And so I would recommend that the ministries, department or agency (MDA) that receive and utilize aid fund continue to do so but with a report to the National Assembly on a detailed account of aid fund.

To effectively assess the effectiveness of the VPF or any aid fund for that matter, it is important for recorded projects to include the names or complete detail of projects so as to allow for complete evaluation.

One may question if poor policy performance is a cause or a consequence of external debt or debt over hang for that matter. The debt overhang theory and the more general concerns of debt distorting incentives of the borrowing

countries to reform imply that poor policy performance could be an outcome caused by external debt, at least in some of the HIPC countries, especially in the short run, as governments have much less incentive to absorb reform costs if they primarily produce income for foreign creditors. This should not be the case for Nigeria with the surplus revenue from oil does. It does not allow for the conclusion that poor policy performance could be an outcome caused by external debt. Rather, gross mismanagement of public fund, looting and perpetuated greed has caused poor policy performance.

The civil society could have suppressed mismanagement to some extent but that is not really the case because what is seen is a state where there is minimal horizontal accountability and almost an invisible vertical accountability. In fact, the Nigerian citizens are negligent of the existence of the state and tend to survive with or without its input. This should not be the case. For Nigerian leaders to be accountable, citizens must actively participate in the politics of the state and make demands without fear.

As many other reviews have recommended, this research would also recommend that Nigeria should diversify her economy to have multiple income streams. It is true that no state can be self-sufficient but the manner in which aid is given to Nigeria is very appalling and not needed. Least to say the food imported to Nigeria on a daily basis. If any state cannot feed itself and grow itself and its capacity, such state is bound to be underdeveloped of which Nigeria is not fit to be termed underdeveloped due to her vast riches in natural resources, man power, intellectual and industrial capacity, market and population. This research would therefore recommend a shift from a “Rentier mentality” to a self-reliant economy and state.

5. 3 Conclusion

In other research, the overall impact of debt relief continues to be unclear. Whereas there is little in the way of complete analysis or country case studies to compare the Nigeria case with. Chauvin and Kraay (2005) however, argue that debt relief has had no perceptible impact on the composition or effectiveness of public spending. Some skeptics, including Easterly (2002) and Jain (2007) have argued that debt relief, or the Heavily Indebted Poor Countries process can make public policy worse. On the other hand, Arslanalp and Henry (2005) argue “ both borrowers and lenders can benefit from debt relief when the borrower suffers from debt overhang”, whilst World Bank (2006) paints a broadly positive tone as to the policy course of post completion point countries of the Heavily Indebted Poor Countries Initiative. Against this mixed picture, the Nigerian analysis as summarized in the preceding chapter, suggests a success story.

More so, it is important to note that debt relief is only a drop in the ocean of reform that is needed in Nigeria. Besides, debt relief was labeled as ‘ special money’ that had political support, high visibility, and accountability processes surrounding it especially so as to gain credit from international donors (at the initial stages). Every other money is wasted, mismanaged or syphoned, as it has been the norm within public administrations. And because debt fund alone cannot lead to development in a state (even if well accounted for), development challenges still persist coupled with lack of devoted leaders to change. Such attitude keeps a state in a continuous spin within the dependency circle. So yes, political conditions do have effects on

the effectiveness of foreign aid and much more, on the development of a state.

5. 4 Suggestion for Further Research

The decay in social services such as the education sector was not only because of inadequate financial allocation but also as a result of corrupt practices. What this work couldn't cover adequately was to find out how possible it is that relief funds were not diverted, yet, the NAPEP estimated impact on human development is not all that visible. This is because diversion in funds impedes development. Or could it be that the infinitesimal growth experienced from the debt relief fund was all that there was and funds were not diverted, mismanaged or wasted? In other words, why didn't the debt relief plan aid NEPAP in eradicate poverty before 2010?