

THE ROLE OF INTERNATIONAL AID AND FOREIGN INVESTMENTS IN NIGERIA'S DEVELOPMENT: A CRITICAL ANALYSIS

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ABSTRACT

International aid and foreign investment are both crucial for a country's progress and development. Despite being one of the African countries that receives the most foreign investments and international assistance, Nigeria still faces significant developmental challenges. Nigeria has received a total of \$36.16 billion in official development aid between 2015 and 2022. Also, in the first quarter of 2024, Nigeria has experienced a significant increase in foreign investment inflows, reaching US\$3.4 billion. However, the country is still battling with issues such as poverty, inadequate infrastructure, and an unpredictable economy. This paper critically examined the role of foreign investments and international aid on Nigeria's development. The study relies on secondary sources, such as statistical data from official sources, academic papers, and reports from national and international organizations. The paper observed that despite the existence of foreign investments, Nigeria's development remains a challenge. Furthermore, while foreign aid has played some substantial role, issues such as inefficiency, corruption, and inadequate strategic implementation have frequently hindered the projected developmental advantages. The findings revealed that while foreign investments and international aid have provided crucial financial assistance and opportunities for growth, they have also presented challenges such as dependency, misallocation, and oftentimes exacerbating existing issues, despite their necessity. Again, assistance has not aligned with local needs, and foreign investments have not consistently led to overall economic benefits. The paper concluded that, in order for Nigeria to fully fulfill her potential of development, it must address issues related to governance, enhance transparency, and ensure that foreign aid and investments are strategically aligned with the nation's long-term development objectives. The paper recommended that there should be establishment and implementation of checkmating mechanisms to ensure the effective allocation of finances and aid.

Keywords: International Aid, Foreign Investments, Development, Economic Growth Sustainability

INTRODUCTION

Nigeria has consistently attracted attention from the international community through foreign investments and international aid (Taiwo, Achugamonu & Okoye, 2018). These resources are capable of driving economic development, improving infrastructure, and alleviating poverty. Over the past two decades, Nigeria has received substantial financial aid and foreign investments all of which are capable of addressing important sectors such as healthcare, education, infrastructure, and governance. However, the country continues to experience underdevelopment evident in high levels of poverty, unemployment, and socio-economic inequality. Furthermore, Nigeria's socio-economic landscape remains precarious (Aderemi, et al, 2021).

Consequently, international aid has often been criticized for engendering a culture of dependency instead of advancing sustainable development, while on the other hand, foreign investments, despite being advantageous and possessing the potential for economic growth, have sometimes failed to translate into development and prosperity for the Nigerian population. Evidently, some sectors such as telecommunications, banking, and oil have witnessed increased foreign capital injections, other critical areas such as agriculture and manufacturing are lagging behind (Bisiriyu & Osinusi, 2020). This underdevelopment is a challenge for the nation, especially as Nigeria is seeking sustainable development that will benefit its citizenry.

Historically, international aid in Nigeria has recorded both successes and failures. Assistance from institutions like the World Bank, International

Monetary Fund (IMF), and other bilateral donors, has been geared towards alleviating poverty, improving governance, and enhancing the quality of life. However, issues such as mismanagement, corruption, and inefficiencies in the public sector have limited the impact of such aid (Nwokorie, 2017). Foreign investments, on the other hand, have proven to be very helpful for Nigeria's economy. This is due to the fact that FDIs played a critical role in driving

economic growth in different sectors, and they have also exposed the country to external shocks and fluctuations in global oil prices (Okegbe, Ezejiofor & Ofurum, 2019). Additionally, Nigeria's lack of modern infrastructure, epileptic power supply, as well as political instability further undermine the potential benefits of foreign investment in Nigeria, and these factors also limit FDI's capacity to drive sustainable development across various sectors in the country.

Therefore, the relationship between international aid, foreign investment, and development in Nigeria is multifaceted. Scholars have debated the effectiveness of these foreign interventions, particularly in the context of governance and institutional capacity and how they can translate to development in many dimensions. However, while international aid was conceived as one that seeks to address immediate socio-economic needs, foreign investment was largely perceived as profit-driven and subject to global economic forces. This dichotomy raises questions about the sustainability of relying on external resources for development. Furthermore, Nigeria's institutional weaknesses such as corruption and poor governance challenges have hindered the efficient and transparent allocation of both foreign aid and investment as well as their and utilization..

This study is particularly timely in light of the significant increase in foreign investments in Nigeria, especially in the first quarter of 2024, when the country attracted a record US\$3.4 billion in foreign capital inflows (Nigerian Economic Summit Group, 2024). However, this influx stands in contrast to Nigeria's continuous level of development which is characterized by poor infrastructure, economic inequality, and widespread poverty among the citizens. Therefore, the effectiveness of international aid in Nigeria needs to be evaluated and be rechanneled towards the improvements of the quality of life of the average Nigerian citizen.

Thus, this study attempts a critical analysis of international aid and foreign investment in Nigeria through an examination of their roles in advancing development in the country. The study will assess the extent to which these external resources have contributed to the country's development and identify the factors that hinder their full potential.

CONCEPTUAL CLARIFICATION

International/Foreign Aid

Since the 1980s, foreign aid has faced criticism and substantial research on its effectiveness, with a focus on its effects on economic growth (Bigsten and Tengstam, 2015). Despite tremendous efforts, the scholarly definition on the meaning of foreign aid remains inconclusive (Qian, 2015). It basically applies to both general studies of assistance efficacy for overall economic growth and studies on the impact of help on non-growth outcomes such as education and health. To Todaro and Smith (2015), international aid, sometimes known as development assistance, is the transfer of resources (financial, technical, or material) from wealthy countries or international organisations to underdeveloped countries. It aims to promote economic development, raise living standards, and reduce poverty. This sort of help is often provided by government agencies, non-governmental organisations (NGOs), or multilateral institutions such as the United Nations or the World Bank. The goal is frequently to promote sustainable development through long-term projects in education, health, infrastructure, and governance (Todaro & Smith, 2015).

Consequently, international aid can also come in the form of humanitarian aid. In this regard, it refers to a form of international assistance through the provision of immediate relief as a form of response to crises, such as natural disasters, pandemics or war (Monico, Rotabi & Sarhan, 2014). This form of aid focuses on providing essential supplies and services such as food, water, shelter and medical facilities to affected people. Unlike development aid, humanitarian aid is usually short-term and targeted at saving or protecting lives and reducing the suffering of human at emergency periods (Monico, Rotabi & Sarhan, 2014). The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) and the International Federation of Red Cross and Red Crescent Societies (IFRC) are some of the major players that grant humanitarian aid.

Foreign aid can also be defined as debt relief offered to impoverished nations in order to reduce financial constraints or stabilise economies. organizations such as the IMF provide these concessional financing at below-market interest rates to help debt-burdened countries. Also, debt relief programs, such as the Heavily Indebted Poor Countries (HIPC) Initiative, are established to reduce heavy countries' debt loads, allowing them to transfer resources to essential sectors such as healthcare and education (Niyonkuru, 2016).

Foreign Investment

According to Dunning (1993), foreign investment is defined as the movement of capital from one country to another with the goal of establishing a long-term financial interface. It frequently includes investments in resources like as businesses, real estate, or infrastructure within the host country. Dunning emphasises that foreign investment promotes financial integration by transferring capital, innovation, and administrative skills, hence increasing the globalisation of commercial operations (Shar & Malik, 2017). Similarly, Kamminga & Zia-Zarifi (2021) argued that foreign investment is a process by which a company in one country gains custody or control of resources in another. This type of investment allows the contributing corporation to exert influence over generation, management, or decision-making processes within the host country.

Conversely, Shihata (2023) defines foreign investment as a universal capital commitment that involves the exchange of assets beyond national borders for profit. This includes both portfolio investments, such as purchasing stocks and bonds, and coordinated investments, such as constructing manufacturing plants or acquiring enterprises in foreign markets. In the same vein, Narula and Pineli (2019) define foreign investment as an important tool for financial development, in which multinational corporations (MNEs) invest in remote markets to expand their operations and market reach. They further emphasised that by contributing overseas, MNEs benefit local economies by creating jobs, exchanging innovation, and boosting global trade.

Shapiro, Hobdari & Oh (2018) describes foreign investment as a key commercial development movement in which corporations seek to establish or improve their presence in foreign markets through resource ownership and management. They further argued that businesses use foreign investments to reduce costs, gain access to new markets, or capitalise on local resources such as labour and raw materials.

Development

The concept of development is open to various interpretations. Scholars and practitioners hold diverse perspectives on the concept's significance. The term "development" is often used interchangeably with modernisation, growth, change, innovation, and transformation. According to Fayemi (2009), development is the process of improving one's current situation; the process of expanding and adapting society's capacity to meet material and cultural needs aims to increase productivity, create a balanced economic system, eradicate poverty and disease, and liberate individuals from constraints (Karim & Mohammad, 2017). The process requires individual freedom and social security, cultural buoyancy, educational and economic liberty, self-reliance, and a standard sociopolitical system. Over the past four decades, there have been various ways or approach to development. In third- world countries, the focus has shifted from modernisation to economic growth, popular participation, and now Human Capital Development (Odo, 2015).

Consequently, development enhances the quality of life in both quantitative and qualitative aspects. Oronsanya (2006) defines development as a transition from a lower to a greater level of well-being. He further argued that development implies bringing about fundamental and sustainable improvements in society, including quality of life, social fairness, equal opportunity, equitable income distribution, and democratisation.

THEORETICAL FRAMEWORK

Many theories have been put forward to explain why developed countries, especially those in Western Europe and North America, provide aid to less developed countries. Therefore, this study adopts the dependency theory to explain the relationships between countries around the world and the conditions that will lead to one region of the world becoming dependent on another. Vietor (2007) emphasised that countries around the world are divided according to their financial situation; countries with a prosperous economy and a stable economy are called developed countries and the Third world countries are often labeled as less developed countries. Furthermore, developed countries such as Western Europe and the United Kingdom are at the center, while less developed countries such as Africa, Latin America and some Asian countries are at the periphery (Williamson, 2009).

Dependency theory therefore attempts to identify and explain the factors that are important for the economic success gap between developed countries and the less developed countries. The proponents of this theory argue that there is a positive relationship between the two categories of countries, and that less developed countries are dependent on developed countries for growth. Also, this dependency leads to poor development in the peripheral/few countries and development in the middle/high countries because the center, whose resources are controlled by powerful countries, always finds a way to use underdeveloped countries, especially African countries, for its own interests (Williamson, 2009).

The dependency theory is based on the assumption that the transfer of economic resources from underdeveloped countries to the centers of developed countries will contribute to the future of the developing country's economy. According to Ukpong (2017), the theoretical areas of the dependency theory connotes that the contribution of underdeveloped countries to the global economy is to provide natural resources and cheap labor. It is also a high technology and workplace for developing countries. However, without these contributions from underdeveloped countries,

developing countries would not have achieved the level of development they have reached.

Consequently, developed countries have resorted to many methods to prevent development in underdeveloped countries. Therefore, the development of space directly leads to the underdevelopment and dependency of the periphery. The means of operation include the management of media, politics, business, sports, education, culture, banking, finance and all other development of the people. Again, the developed countries have resisted all attempts by the less developed countries to challenge their power through economic sanctions and military use. Thus, the progress in development is due to the poverty in the periphery countries, their failure to fully integrate into the global capitalist system as the capitalists demand (Ukpong, 2017).

However, this theory has been criticized because it assumes that all underdeveloped countries have the same level of exploitation and underdevelopment, while the real world is known to be different. The theory has also been criticized for not including the role played by corruption, mismanagement and political instability in the third world

INTERNATIONAL AID, FOREIGN INVESTMENT AND DEVELOPMENT IN NIGERIA

Nigerian governments have consistently received foreign aid since their independence. Nigeria received several sorts of aid, such as financial aids, resources, labour, and expertise, to support its development goals. From independence in 1960 till 2024, successive governments received foreign aid in cash and kind from various countries. Nigeria's foreign assistance history and economic challenges began with access to loans initiated by many former political leaders. This makes the country's economy vulnerable to the influence of developing countries. It also allows for foreign investments. However, a significant fact that deserves mention is the interest in loans taken from Nigeria's military leaders (\$38 billion in debt) (Obijaku, 2015). Between 1975 and 1979, a large number of loans, although most of them were unconditional, were directed towards investments such as steel plants, paper mills, power and oil refineries. The \$750 million loan from a German- Australian joint venture was one of the guarantees given by the previous administration and was deliberately sought for the Delta steel project near Warri. Thus, it can be said that the first phase was the loans in 1978 and 1979 when the country was preparing for the transition to democratic dispensation (Fasanya & Onakoya, 2012).

Consequently, much of the money borrowed during that period was misappropriated and most of it ended up in the pockets of a small, powerful elite. Where the money was invested, much of it was wasted and useless projects. This is consistent with the claim that countries that rely on aid and rent tend to control their economies (Peter and Ocheni, 2015). Thus, the loans allocated to the least developed countries, including Nigeria, were used recklessly and without exaggerating expectations. Furthermore, despite the credit crisis of 1978/1979, the civilian government of Shehu Shagari became the Achilles' heel of the Nigerian economy. The government began negotiations with the International Monetary Fund (IMF) for additional loans, but they were blocked by the Muhammadu Buhari government. The Muhammadu Buhari government led the negotiations with the International Monetary Fund (IMF). However, the financial aid granted under the name of the International Monetary Fund Adjustment System (SAP) is to provide the population with the standard of consumption that has fallen due to the lending crisis. This was preceded by the Trade Control Act of 1982, which imposed "tighter regulatory controls and export restrictions" supported by monetary measures, economic and financial requirements as one of the fiscal rules issued by the IMF conditions (Obijiaku, 2015).

Nigerian Babangida Government The strategy of implementing privatization and commercialization policies brought about by market forces is based on the size of the Global Economy of the 1980s. According to Professor Akin Abogunje, quoted in Obijiaku (2015), the concept of Structural Adjustment Program (SAP) is used as a strategy to narrow the financial table and eliminate external gap from restrictive monetary policy.

The ultimate goal is to prevent the growth of inflation and support domestic production of goods. The plan is mainly used to leverage external debt and increase savings and investment, as well as access to external capital. In the sixth Senate term, nearly twenty petitions were received from workers and members who benefited from the work (Obijiaku, 2015).

Taking the example of Nigeria Telecommunications (Qualitative) where over 8,000 workers were laid off in the company. The main problem affecting the manufacturing industry is electricity and its huge impact on the standard of living. This caused a huge problem in the project's income during the administration of Olusegun Obasanjo. This led the House of Representatives to set up a committee to investigate electricity usage. The committee said that the Obasanjo-led government spent \$13.27 billion while failing to meet its obligations (Obijiaku, 2015).

Furthermore, the total amount of foreign assistance received from the World Bank in the health, agriculture and water sectors between 2001 and 2010 was US\$96.28 million (Agunbiade and Mohammed 2018). In addition, in 2009, the World Bank provided US\$230 million to Nigeria's HIV prevention programme (Agunbiade and Mohammed 2018). They also provided a US\$250 million loan to support the Nigerian government's ongoing efforts to improve access to water services for rural people (World Bank, 2009). As a result, the total amount of assistance received from all donor countries reached US\$152 million in 1999. This figure has risen to US\$573 million (Agunbiade and Mohammed 2018).

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Between 2015 and 2022, Nigeria has received a total of \$36.16 billion in official development aid. Also, in the first quarter of 2024, Nigeria has experienced a significant increase in foreign investment inflows, reaching US\$3.4 billion. However, the country is still battling with issues such as poverty, inadequate infrastructure, and an unpredictable economy (Nigerian Economic Summit Group, 2024).

ROLE OF INTERNATIONAL AID AND FOREIGN INVESTMENTS IN NIGERIA'S DEVELOPMENT: A CRITICAL ANALYSIS

Nigeria's development has benefitted greatly from foreign assistance, especially in the fields of infrastructure, education, and health. Nigeria receives financial support and aid from numerous international organisations and donor nations in an effort to enhance people's lives and advance sustainable development (Victor, Okoronkwo & Eyitayo, 2016). Initiatives like those run by the World Bank, USAID, and the UN concentrate on reducing poverty and enhancing institutional support and capability. Thus, international aid can help with short-term challenges and urgent needs, but because of problems including corruption, reliance, and improper funding allocation, its long-term efficacy has been called into question in Nigeria.

Undoubtedly, Nigeria's development, most especially economic growth has been greatly aided by foreign direct investment (FDI), which brings capital, technology, and experience to vital industries like manufacturing,

communications, and oil and gas (Oladele, 2015). Furthermore, Nigeria has seen significant investments from multinational corporations (MNCs), which have improved infrastructure and created jobs (Tarasa & Ahmad, 2023). However, because of its uneven distribution and propensity to concentrate in urban areas and the mining industry, this investment exacerbates environmental issues and regional inequalities (Oladele, 2015).

Notwithstanding these drawbacks, foreign investment is crucial to expanding Nigeria's economy beyond the oil industry and fostering creativity in other fields. Foreign investment has primarily concentrated on economic and social work, while international aid has typically concentrated on social areas including health, education, and poverty alleviation (Oladele, 2015). For instance, initiatives have increased rural residents' access to healthcare and education, while foreign investment in telecommunications has increased their use of the internet (Udoh, Madueke & Paul, 2019). Additionally, the combination of assistance and capital is seen in initiatives

like public-private partnerships (PPPs) that enhance public services and infrastructure.

Thus, foreign investment, particularly in the oil industry, has often been criticized for creating economic, environmental and social inequality in communities like the Niger Delta. Furthermore, Nigeria's dependence on external financing raises questions about its ability to govern itself and provide domestic solutions to its compounding development challenges.

CONCLUSION AND RECOMMENDATIONS

International aid foreign investment has undoubtedly played significant parts in forming Nigeria's advancement direction. While international aid has been pivotal in tending to social challenges, such as healthcare, instruction, and destitution lightening, foreign investments have fueled financial development, especially in key segments like oil, broadcast communications, and manufacturing. However, in spite of these commitments, both external initiatives have also been confronted with critical challenges, such as corruption, mismanagement, and environmental degradation.. Despite this, their impact on long-term, feasible improvement in Nigeria remains blended, highlighting the requirement for a more vital approach.

To open the complete potential of international aid foreign investment, Nigeria must address basic wasteful aspects that constrain efficiency. Accountability, transparency and more effectiveness, are essential for comprehensive development.

For international aid foreign investment to have a more significant impact, Nigeria must prioritize the upgrade of responsibility and accountability in administration. Establishing checkmating institutions to effectively supervise the utilization of international aid foreign investment can guarantee that funds are coordinated towards the planning formative objectives. Anti-corruption measures also ought to be strengthened to address the long-standing issue of corruption, which hampers development.

Nigeria should effectively work towards drawing in foreign investments in sectors beyond oil, such as horticulture, innovation, and renewable energy. Foreign aids will advance financial flexibility, and approaches that empower investments in maintaining businesses and should be guaranteed

International aid foreign investment should be channeled towards engaging local communities and business people to make grassroots-level financial development. This may be accomplished by targeted programs that provide funding, training and access to markets.

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