

Development aid does not help in the fight against poverty

By Rainer Zitelmann

February 16, 2024 10:13 am

In 2006, [NATO](#) defense ministers agreed to commit a minimum of 2% of their gross domestic product to defense spending in order to ensure the alliance's long-term military readiness. [Germany](#) spends more than 12 billion euros on development aid every year (more than any other country except the United States), but has not fulfilled its NATO commitments for years.

However, despite economic challenges and pressing problems at home, Germany is spending considerable amounts of money on absurd development aid projects around the world — including in [India](#). Despite being the fourth nation in the world to conduct a successful moon mission recently, Germany is giving India 1.3 billion euros to expand sustainable urban mobility and develop sustainable cities. In recent years, Germany has provided almost 200 million euros in grants and low-cost loans to promote buses and cycle paths in Peru.

German development economist Frank Bremer has dedicated his life to the fight against poverty and has been involved in development aid in 30 countries in Africa, the Caribbean, Central Asia, and the [Indian Ocean](#).

After more than 50 years of involvement with development aid, he offers a scathing assessment: "This has been going on for 50 years, and the entire international development aid industry, which is financed with public funds, lives from this kind of project. The alleged beneficiaries, the poor farmers, who are supposed to be helped by these projects, are no less poor at the end and are once again left to fend for themselves. Instead of helping the poor, these projects create countless jobs for seconded professionals and their supervisors at the aid organizations' headquarters."

William Easterly, professor of economics and African studies at [New York University](#), describes development aid as largely useless, often even counterproductive. One of his examples: In two decades, 2 billion U.S. dollars in development aid were spent on road construction in Tanzania. But the road network did not improve in the slightest. Because

the roads were not maintained, they deteriorated faster than the donors could build new ones, Easterly reports.

The “growth industry” in Tanzania, on the other hand, was a gigantic bureaucracy: “Tanzania produced more than 2,400 reports a year for its aid donors, who sent the beleaguered recipient one thousand missions of donor officials per year.” Foreign aid, Easterly notes, did not supply what the poor needed (roads); it supplied a lot of what the poor had little use for ([bureaucracy](#)).

Easterly’s overall assessment of development aid is scathing: “an emphasis on loans made rather than on the results of those loans, a surplus of reports that no one reads, a fondness for grand frameworks and world summits, moral exhortations to everyone rather than any agency taking responsibility for any one thing, foreign technical experts to whom no one is listening, health clinics without medicines, schools without textbooks, roads and water systems built but not maintained, aid-financed governments that stay in power despite corruption and economic mismanagement, and so on.”

[CLICK HERE TO READ MORE FROM THE WASHINGTON EXAMINER](#)

In my book *How Nations Escape Poverty*, which draws on numerous scientific studies, I show that development aid is, at best, a waste of money and, at worst, very often counterproductive because it supports dictatorial and corrupt regimes in Africa. What really helps against poverty is not development aid, but capitalism.

One example of this is Vietnam, once the poorest country in the world (poorer even than any and all African countries). Before the pro-market economic reforms began, every bad harvest led to hunger, and Vietnam relied on support from the [United Nations](#)’s World Food Programme and financial assistance from the Soviet Union and other Eastern Bloc countries. As late as 1993, 79.7% of the Vietnamese population was living in poverty. By 2006, the rate had fallen to 50.6%. Today it is less than 5%. The country, which still officially describes itself as “socialist,” was not helped by development aid, but by market economy reforms — in other words, more capitalism.

Rainer Zitelmann is the author of the recently published book [How Nations Escape Poverty](#).