



MYTH: More Foreign Aid Will End Global Poverty

Food and Financial Aid Often Reaches Only Corrupt Officials, Not the Poor

By **JOHN STOSSEL AND PATRICK McMENAMIN**

May 12, 2006 — - This myth may really rattle your brain. Lots of well-meaning people believe foreign aid will cure poverty.

U2's lead singer, Bono, stops almost every concert to tell his fans that Western governments can end poverty.

"We have the resources, we have the know-how to end extreme poverty," he said last year in Chicago.

Angelina Jolie visited a model village in Africa to promote what she believes would be possible if our governments would just give more. The village she visited is the creation of Jeffrey Sachs, director of the U.N. Millennium Project and author of the best-selling "The End of Poverty." He's also America's most vocal promoter of giving more foreign aid to Africa.

"How can we go another day when 20,000 children are going to be dying of these stupid reasons that are utterly preventable," he asked.

Sachs helped persuade Western governments to double foreign aid to Africa to \$50 billion dollars. And the people in his model village were thrilled about getting all this help from Sachs and Jolie.

But journalist June Arunga doesn't think this will really help in the long run.

"You look like an angel if you have all these poor people behind you," she said. "Of course, they'll be smiling. Who wouldn't be smiling if they've just been given stuff? But that's not real life."

Arunga grew up in Kenya, and she wonders why Americans waste money on foreign aid to Africa ... when many politicians just steal it.

"Africa is full of governments that steal money," she said.

Billions of dollars are hidden by African politicians in Swiss banks or spent on mansions, lavish trips and luxury cars.

Even food aid gets stolen. When "20/20" went to Kenya a few weeks ago, Kenyan farmers said bags of food aid from their government never arrived.

"You find most of it is getting lost on the way," farmer Joseph Nthome said. Lost, but then found ... for sale in street markets.

So much is stolen because we rely primarily on governments to administer foreign aid, and many African governments are kleptocracies.

"Kenya does not need aid to get out of poverty," said James Shikwati, director of the Inter Region Economic

Network and a consultant to ABC News on this story. He took us to the Kibera slums of Nairobi where people work hard selling clothing, shoes, furniture, yet they still can't climb out of poverty because the government won't let anyone own the land.

"What's holding down Africans is actually the bad governments, the bad policies that make it difficult for Africans to make use of their own property," Shikwati said. "What the aid money is doing to Africa is to subsidize the bad policies that are making Africans poor."

Carpenter Richard Kadivane told us he would expand his business, but he's afraid because the government might bulldoze it down for any random reason at any time, just as they've done before in other parts of the slums.

"If you gave aid money," Arunga asked. "How does that solve the problem of the government razing down people's businesses?"

The Kenyan government made John Githongo one of its anti-corruption watchdogs, but when he complained that his government was stealing money, he said they told him to back off.

"If you continue down the path that you're continuing," Githongo said he was warned, "then you will come to a sticky end."

I asked him what a "sticky end" meant in Kenya.

"A car accident," he said. "A robbery gone wrong."

He fled the country for England, where he now lives in exile.

I asked Githongo whether we could cure poverty if we just gave more foreign aid.

"No amount of foreign aid is going to make any difference," he said.

He may have a point. In the past 40 years, Western governments have given Africa more than half a trillion dollars. Yet Africa is even poorer than it was before the foreign aid began.

Two studies by World Bank economists say foreign aid is one of the problems because "higher aid levels erode the quality of governance."

Former World Bank economist William Easterly agrees. His new book, "The White Man's Burden," argues that Western efforts to cure poverty in the rest of the world have done more harm than good.

"Aid has the perverse effect that it makes [African] politicians much more oriented toward what will get them more money from the West than it does to making them meet the needs of their own people, which is really a scandal," he said.

Fifty years ago, countries in East Asia were as poor as Africa. Now many are rich, despite much lower levels of aid because their governments created understandable laws so people could trade, borrow and start their own businesses.

In 1999, I went to Hong Kong and in one day, with one form, I got legal permission to open a shop.

The next day "Stossel Enterprises" was open for business, selling ABC trinkets. By contrast, to open a legal business in Kenya you might have to get licenses from 20 ministries and you may have to bribe people. It can take years, and the government can still shut you down.

Foreign aid won't solve that -- especially if it's stolen.

But Jeffrey Sachs argues that this emphasis on bad governance is misleading. "This idea that the poorest of the poor are our enemies, the big lie that we tell all the time," he said. "That all they want to do is shake you down."

"Poor people don't want to shake me down," I replied. "The rich leaders of these countries want to shake me down."

"Our government can find practical ways to ensure that the money that we're actually giving for real things there reaches the real people," Sachs said.

"We can do that in Africa? We can barely do it in America."

"Audit what's happening," he said. "Those systems have been shown repeatedly to work."

Sachs argues that foreign aid would have worked in the past if we had only spent enough. U2's Bono agrees. At his concerts, he asks his fans to use their cell phones to send a message demanding our politicians increase foreign aid ... but why petition politicians? Why doesn't he ask his fans to spend their own money?

It's good to help. I'll contribute to a charity like "The Free Africa Foundation," which builds malaria-free villages from individual contributions. Charities are much more likely to keep a close eye on the money. If they don't, donors stop giving.

By contrast, foreign aid often just makes politicians rich -- but leaves their people poor.

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