



FOREIGN AID AND THE POVERTY PARADOX: BETWEEN DEVELOPMENT ASSISTANCE AND DEPENDENCY

Dhruv Singh*

ABSTRACT

This paper analyses whether aid helps or hurts the poor. The paper examines the effectiveness of foreign aid from a development perspective. The paper also seeks to analyse foreign aid through the lens of international law. Aid, in itself, is neither helpful nor harmful to developing countries. The key question is what kinds of institutions and legal systems allow aid to help or hurt the poor. Aid can help the poor by providing humanitarian assistance, improving health care and education, building institutions, bolstering infrastructure, and engaging in good governance, as has happened in South Korea and Rwanda. Aid can hurt the poor by creating dependency, allowing corruption to thrive, damaging domestic industries, and providing donors with political leverage, as has occurred in Haiti and the Democratic Republic of Congo. International law recognises the right to provide and receive foreign aid. This paper analyses the UN charter, the International Covenant on Economic, Social and Cultural Rights, and sovereignty as reaffirmed in the Nicaragua case, Military and Paramilitary Activities in and against Nicaragua. Aid is legal and morally permissible when it furthers socio-economic rights, accountability, and ownership.

Keywords: Foreign Aid, Poverty Reduction, International Law, State Sovereignty, Development Assistance, Socio-Economic Rights.

INTRODUCTION

Foreign aid has been heralded as a major channel through which developed countries can and do help poor countries reduce poverty, improve people's lives, and promote development. Billions of dollars in aid are transferred annually from donor countries and organisations to developing countries in the form of grants, loans, humanitarian aid, technical

*BA LLB, FIRST YEAR, NATIONAL LAW SCHOOL OF INDIA UNIVERSITY, BANGALORE.

assistance, and development funding. Aid proponents say this money can save lives, build roads, help provide better healthcare systems and foster opportunity. Aid opponents argue that foreign aid creates dependency, props up corrupt governments, damages local economies, and can actually harm the poor it purports to help.

Does Foreign Aid Help or Harm the Poor? will conclude that there is no straightforward answer to. The impact of foreign aid on poor countries and poor people has been shown to depend on many factors. These can include what type of aid is given,¹ what type of government receives the aid, whether donors act with altruistic goals or not, and what international laws and institutions are in place to mediate the distribution of aid. Foreign aid has radically helped the populations of some countries while hurting the citizens of others by empowering corrupt leaders and fostering dependency.

The purpose of this article is to explore this debate and analyse both sides. The article will look at the pros and cons of foreign aid, provide examples of countries that have been helped and harmed by it, and will discuss foreign aid from a legal perspective (Under international law).

THE DEVELOPMENTAL PROMISE OF FOREIGN AID

Foreign aid has frequently supplied crucial assistance in situations where national governments are unable to fulfil the fundamental requirements of their citizens. One of the best things about foreign aid is that it helps people in need during times of crisis. Aid often gives people food, medicine, and shelter that can save their lives during natural disasters, famines, and wars. For instance, the international response to the 2010 Haiti earthquake brought in billions of dollars in emergency aid, which stopped an even worse humanitarian disaster in a country that was already very poor.² In the same way, international health aid in sub-Saharan Africa has paid for vaccination campaigns and programs to stop malaria that have saved millions of lives.³

Foreign aid has also helped long-term social development a lot, especially in health and education. Donor money has helped poorer countries build more hospitals, improve maternal health, and make it easier for people to go to school. Bangladesh is a good example of how development aid can help people read and write, lower the number of babies who die, and get

¹ Sean Ross, *Types of Foreign Aid: Bilateral, Military, Humanitarian & More* (Investopedia 2026).

² Paul Farmer, *Haiti After the Earthquake* (PublicAffairs 2011).

³ World Bank, *World Development Report 2021* (World Bank 2021).

better access to public health services.⁴ After the genocide in Rwanda in 1994, foreign aid helped rebuild health systems, which helped people live longer and cut down on child deaths. These results show that well-targeted aid can directly help poor communities. Also, foreign aid can help the economy grow by paying for infrastructure projects that poorer countries can't afford on their own. Aid money goes toward roads, irrigation systems, power grids, and schools that make things better.

For example, Ethiopia used development aid to make its transportation and agricultural infrastructure better, which made it easier for people in rural areas to get to markets and work.⁵ These kinds of investments can help reduce poverty by creating jobs and allowing the economy to grow over time. Aid can help build institutional capacity even more. Weak institutions often make poverty worse by making it harder for people to get public services, making it harder to hold people accountable, and encouraging corruption. Countries that have been through war, like Liberia, have benefited from donor-supported programs that aim to rebuild their governments, courts, and public services.⁶ In this way, foreign aid can help build the institutional foundations that are needed for long-term development.

THE STRUCTURAL HARMS OF FOREIGN AID

Despite all the benefits mentioned above, foreign aid can also have its own downsides, turning in ways such as harming the poor population by compromising domestic governance and economic self-sufficiency. One of the most prominent criticisms of foreign aid is that it can lead to dependency. Countries where the governments rely largely on external monetary facilitation, they might have less proclivity to build a structured domestic tax system, strengthen legislation and administration or promote local interest. Damsiba Moyo argues that consistent aid dependence has worked as a debilitating factor in many African states by shrinking accountability between governments and citizens⁷. When nations derive a copious revenue from foreign donors rather than taxpayers, the political inclination to respond to domestic needs diminishes.

Foreign aid may also make corruption worse by giving political elites resources that they can use for their own ends. When governance structures are weak, aid money often doesn't get to

⁴ Amartya Sen, *Development as Freedom* (OUP 1999).

⁵ World Bank, *World Development Indicators* (World Bank 2023).

⁶ United Nations Development Programme, *Human Development Report 2022* (UNDP 2022).

⁷ Dambisa Moyo, *Dead Aid* (Penguin 2009).

the people who need it. The situation in Zaire during Mobutu Sese Seko's rule is often used as an example of how aid can be stolen on a large scale while the people stay poor.⁸ In these situations, aid may fortify authoritarian regimes and entrench patronage networks instead of alleviating deprivation. Another worry is that aid can mess up local economies. When imported goods lower domestic prices, humanitarian food aid can hurt local farming, even though it is important in emergencies. This makes it hard for farmers in the area to compete, which makes them less likely to grow their own food. Like the displacement of local manufacturing industries in some African economies due to the arrival of donated goods such as clothing. This kind of distortion could demote the domestic market and alleviate conditions for employment income generation for the poor.

Foreign aid is often a product of donor self-interest. And rather than ensuring state compliance with poverty reduction, donor states may deploy aid towards political alliance-building, political interests and/or economic ambitions. In the Cold War, aid flows were in many cases similarly founded on geopolitical instead of developmental requirements.⁹ This trend persists in contemporary aid relationships where political conditionalities may influence recipient policy-making and be reflective of the fact that the donor may prioritise more than local needs.

These concerns imply that aid is a means through which states can reinforce unequal power relations with one another. It may reproduce forms of dependency and external control that thwart genuine development rather than enabling poorer populations.

COMPARATIVE COUNTRY EXPERIENCES

The experiences of aid-receiving countries show that the success of foreign aid depends greatly on the quality of domestic governance. South Korea is often presented as a strong example of aid being used effectively. Following the Korean War, the country received substantial assistance from the United States and other international donors, which supported the rebuilding of infrastructure and encouraged industrial development. However, the positive impact of this aid was not simply the result of the amount provided. Its success was largely due to the ability of the South Korean government to manage resources efficiently and direct aid towards long-term national priorities¹⁰. Combined with strong domestic policies and a clear

⁸ William Easterly, *The White Man's Burden* (Penguin 2006).

⁹ Carol Lancaster, *Foreign Aid: Diplomacy, Development, Domestic Politics* (University of Chicago Press 2007).

¹⁰ Alice H Amsden, *Asia's Next Giant* (OUP 1989).

development strategy, foreign assistance became a useful tool for economic transformation rather than a source of dependency. Rwanda is another good example of how to use aid well. After the genocide, help from donors helped rebuild government institutions, improve healthcare, and cut down on poverty. Although Rwanda falls very behind in democratic freedom, it still somehow shows how foreign aid can work as a catalyst for development gains where governance is functioning effectively and in a disciplined manner.

Haiti, on the other hand, shows how aid can only go so far when institutions aren't strong. Haiti is still one of the poorest countries in the world, even though it has received a lot of help over the years. Aid has frequently been disjointed, inadequately coordinated, and detached from local institutional capacity, resulting in minimal sustainable impact.

Similarly, the Democratic Republic of the Congo has also received a lot of help from other countries, but it still has a lot of problems with poverty, conflict, and bad government. Corruption and instability in institutions have made aid less effective, which has kept resources from getting to poor communities. These cases show that aid alone can't fix problems with how a government works.

THE LEGAL FRAMEWORK OF FOREIGN AID IN INTERNATIONAL LAW

From an international law standpoint, foreign aid occupies a complicated normative space. States are not legally required to give foreign aid. The United Nations Charter's principle of sovereign equality means that countries have the right to choose whether and how to help.¹¹ Foreign aid is thus predicated on voluntary cooperation rather than obligatory legal obligation. Still, international law promotes working together for development. Articles 55 and 56 of the UN Charter tell countries to work together to improve living conditions, the economy, and society.¹² The International Covenant on Economic, Social and Cultural Rights also says that international help and cooperation are necessary for people to enjoy their economic and social rights.¹³

These international provisions establish important moral and normative expectations, but they do not create enforceable legal duties requiring states to provide a specific amount of aid. For

¹¹ Charter of the United Nations (adopted 26 June 1945, entered into force 24 October 1945) 1 UNTS XVI art 2.

¹² *Ibid* arts 55-56

¹³ International Covenant on Economic, Social and Cultural Rights (adopted 16 December 1966, entered into force 3 January 1976) 993 UNTS 3 art 2(1).

example, the international community has agreed that developed countries should contribute 0.7 percent of Gross National Income as Official Development Assistance, yet this commitment remains a political target rather than a binding legal obligation.¹⁴ As a result, states face no legal penalty if they fail to meet it.

A rights-based approach to foreign aid further emphasises that aid should promote fundamental rights such as access to health, food, and education. Under this framework, both donor and recipient states share responsibility for ensuring that aid contributes to human welfare and sustainable development.¹⁵ However, in practice, the mechanisms for accountability remain limited, making these responsibilities difficult to enforce effectively.

Additional legal concerns arise where aid is made conditional on economic or political reforms, as these conditions may affect the independence of recipient states and raise questions about fairness and sovereignty. Donor countries often attach economic or governance conditions to foreign aid, requiring recipient states to implement certain reforms in exchange for assistance. Although these conditions are generally lawful because the agreements are entered into voluntarily, they remain controversial. Critics argue that such requirements can place significant pressure on recipient governments, effectively limiting their freedom to decide domestic policies independently. In this way, aid conditions may weaken state sovereignty by allowing donor priorities to shape national decision-making. Therefore, although foreign aid operates within the framework of international law, the rules governing it are influenced more by political bargaining than by strict legal enforcement.

CONCLUSION

Helping other countries is a big deal when it comes to fighting poverty around the world. There are some really good things about it - it has saved lives, helped more people get healthcare and education, assisted in building roads and bridges, and supported the rebuilding of governments in poorer countries. For example, just look at what happened in South Korea and Rwanda; they show that when a country has good leaders and systems in place, help from other countries can really make a big difference in how well they do.

¹⁴ UN General Assembly, *International Development Strategy for the Second United Nations Development Decade* (24 October 1970) A/RES/2626(XXV).

¹⁵ Stephen P Marks, 'The Human Right to Development' (2004) 3 *Harvard Human Rights Journal* 137.

But there is also a downside to this narrative. Aid provided by other nations can sometimes do more harm than good. Giving help could be harmful since it might result in dependency, corruption, disrupt economies, and meet the requirements of donor nations instead of the people who receive aid. To prove this point, let us look at the case of some nations like Haiti and the Democratic Republic of the Congo, where political and other structures are not developed and lack regulatory instruments. As we see from these examples, aid in this case does not bring about a decrease in poverty. On the contrary, such aid creates dependency on other countries, which makes them expect aid while there are many other ways in which they can resolve their problems independently. This is quite a complex question, yet it is important to explore both aspects of foreign aid in order to make good use of it and reap more benefits.

From the legal viewpoint, international law acknowledges that cooperation is a prerequisite of development; however, no state is required to offer aid under international law. Thus, foreign aid essentially becomes a question of politics and morality and not one of obligation under international law. It would be incorrect to assert that foreign aid is intrinsically good or bad; it all boils down to how aid is provided in certain legal, political, and institutional frameworks. The key issue here lies not only in the amount of aid provided but more importantly in its effectiveness as well as its responsiveness to the demands and interests of impoverished communities. This is when and only when foreign aid truly becomes an effective weapon against poverty.

INTERNATIONAL POLICY RECOMMENDATION

For foreign aid to contribute towards poverty alleviation efforts, it is recommended that the international community use an approach that prioritises accountability, transparency, and respect for human rights during the provision of aid to developing nations. The focus should not be on the quantity of foreign aid provided to poor countries but on the way in which such aid is disbursed and its effect on the capacity of recipient nations to provide for themselves in future. First, aid initiatives should aim at building the capacity of recipient nations and not leaving them to develop their economies based on donations from richer nations. For instance, aid can help strengthen the public service and improve governance and administrative capacity in order to empower recipient nations to eventually be capable of meeting the demands of their citizens without much aid from other nations. Accountability is another crucial consideration regarding foreign aid programs. It is imperative that not only international organisations but donor countries too involve themselves with the recipient countries for developing monitoring

mechanisms through which they make sure that the aid programs are reaching out to those communities where they are supposed to be reached. This would help prevent any kind of fraud in the process of aid distribution and administration.

Aid policy must also respect the sovereignty of the recipient nations. While it is the prerogative of donors to suggest reforms, it should not be within the power of donors to force governments to adopt policies that compromise their sovereignty. The introduction of a cooperative partnership approach to aid will make aid governance fairer and more efficient.

Finally, international law ought to be developed further in order to promote responsibility in aid governance. International law encourages cooperation, which is considered integral for economic growth; hence, it is necessary to impose more duties in the field. The developments will be able to help ensure that socio-economic rights are fulfilled, providing people with access to health care, nutrition, and education, and encouraging sustainable development.

Overall, the main objective of foreign aid policy cannot only be seen as providing financial assistance to other countries but also ensuring the empowerment of those states to establish effective institutions and ensure the protection of the rights of their citizens. Foreign aid, when conducted with proper partnership and cooperation between donor and recipient, may contribute greatly to the reduction of poverty.