TORONTO STAR
www.thestar.com

Jul. 6, 2005. 01:00 AM

There are many ways to increase the effectiveness of the aid we give, *say Danielle Goldfarb and Stephen Tapp*

Today Prime Minister Paul Martin and leaders of the other G-8 countries are gathering in Glen-eagles, Scotland. As watchers of last weekend's Live 8 concerts know, aid for Africa will be at the top of their agenda.

Musician and development activist Bob Geldof has chided Martin for refusing to commit to an aid target of 0.7 per cent of Canada's economy. Meanwhile, the House of Commons gave unanimous support to a (non-binding) motion that calls on Canada to immediately increase its foreign aid to meet the 0.7 per cent target.

There is a lot of money at stake here. Canada has already committed to doubling its overall aid by 2010, in addition to sharing in the cost of providing debt relief for 18 of the heavily indebted poor countries. Committing to the 0.7 per cent target could cost more than $40 billion over the next 10 years — equal to the increase in federal health transfers agreed to at last year's meeting with the provinces.

But the real danger in all the talk about the size of Canada's aid budget is that it ignores aid effectiveness. Will the aid do any good or, as critics claim, will it merely enable ineffective and corrupt governments to do more of what they have been doing?

First, we should have realistic expectations about what can be accomplished — overly optimistic expectations will inevitably lead to disillusionment and a refusal by Canadians to support overseas aid. As the recent struggle of tsunami-hit countries to absorb relief funds indicates, donors must consider carefully the capacity of developing countries to absorb large and rapid inflows of funds.

Not only that, the international community has learned a number of things over the last 50 years about what makes countries grow and develop. We know that aid can work, but the way we allocate it matters.

We know that the quality of institutions matters. According to World Bank research, when bureaucracies are competent, corruption is controlled, and when legal and political institutions are strong, more aid can raise average incomes and improve social indicators, such as infant mortality.

However, when aid goes to countries where governments are not accountable to their citizens, it has little or no positive impact and can even be destructive by entrenching corruption.

That is why a central theme of British Prime Minister Tony Blair's 17-member Commission for Africa Report is that aid can do good, but "without progress in governance, all other reforms will have limited impact."

How can Canadian aid become more effective?

Canada should focus aid on fewer countries, learn more about them and concentrate on a few core activities, such as health, education and improving the quality of institutions. Australia limits its aid to immediate neighbours in Southeast Asia, while the Netherlands focuses on 17 poor countries it considers well governed.

In the federal government's International Policy Statement released earlier this year, Ottawa says it will move away from giving small amounts to more than 130 countries and instead direct two-thirds of its bilateral aid to 25 countries by 2010. This is a modest step in the right direction, but not enough. If we really want to be effective, why not focus 100 per cent of our bilateral aid on, for example, 10 countries?

Canada should also eliminate tied aid. Almost half of Canadian aid is tied to the purchase of Canadian goods and services. This constrains recipients' choices and confuses aid with subsidies to Canadian businesses.

To be sure, aid is not the only, or necessarily best, tool for development available to rich countries. Trade can often be more effective by providing money directly to individuals.

Canada and other G-8 countries can, and should, do much more to remove trade barriers on goods that poor countries could potentially export, such as clothes and agricultural goods.

Canada did remove duties on most goods from the poorest countries in 2003, but it did not do so for all poor countries. Further reducing subsidies to farmers in G-8 countries would enable developing countries to better compete — and reduce prices for consumers at the same time.

Another more creative, targeted option would be extending temporary work visas to low-skilled workers from poor countries. The great benefit of these programs is that the gains go directly to workers, rather than to governments or companies. Money sent home by workers to their families often dwarfs official development aid. These programs can also fill gaps in Canada's labour market.

As Martin participates in this week's G-8 meeting, we hope the debate can shift from arguments over spending targets to a real dialogue on how Canada can best use aid and other development policies to help the poor.

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