Canada could do a much better job of helping needy countries
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If the new federal government is serious about not only inching up Canada's traditionally stingy foreign aid budget, but also spending it smarter, then CIDA, its aid arm, has a lot to learn.

According to a new study from the *C*.*D*. *Howe* *Institute*, Canada's aid dollars do far less good than the money spent by several other countries that have aid budgets more or less the same size.

Indeed, *Danielle* *Goldfarb*, a senior policy analyst at the Howe, and Stephen Tapp, a doctoral candidate at Queens, rank Canada dead last in a study of aid budgets in six countries -- Canada plus Denmark, the Netherlands, Norway, Sweden and the United Kingdom.

The annual aid spending from the other five countries in 2004 ranges from slightly less than Canada's $3.4 billion in much smaller countries like Denmark and Norway to about three times more in the U.K., which has about twice Canada's population. (The share of GDP these countries devote to foreign aid ranges from 0.36 per cent to
0.87 per cent, compared with Canada's 0.27 per cent.)

What do these countries know or do that Canada doesn't?

First, they do research on what works and what doesn't, or at least pay attention to research that others do. CIDA doesn't, the researchers say, and it seems to shun feedback and debate.

Next, they keep their bureaucracy lean and their decision-makers in the field so they have first-hand knowledge of what they're doing.
Canada, by contrast, has the largest bureaucracy of any of the aid agencies studied, and it's concentrated massively in Ottawa where almost all the decisions are made.

The other countries focus their aid in a relative handful of places and they target just a few issues where they have real expertise.
Canada, on the other hand dispenses aid almost everywhere, and it tries to tackle a basket of issues so large that it includes almost everything.

(In 2003-04, for example, when Canadian aid was officially favouring just nine countries, Canada gave money to 161 countries -- more than three-quarters of the nations on earth.)

They co-ordinate their aid and trade policies in ways that reinforce each other over long periods of time. Meanwhile Canada's aid and trade policy-makers work in separate silos, and aid policy has been inconsistent, if not capricious, under 11 different ministers in the last 18 years.

They provide most or all of their aid with no strings attached as to where it's spent. Tied aid, which requires recipients to spend it on donors' products, is proven to be less effective, and the UN conservative estimates that it costs $5 billion a year in lost purchasing power. Yet Canada still ties 43 per cent of its aid, including half its food aid.

Canada's scatter-gun approach to aid means that the people making decisions in Ottawa often don't know much about the countries they're dealing with. It also hamstrings our ability to deal with governance inadequacies on the receiving end -- a huge issue identified by Prof. John Richards of Simon Fraser in a companion study for C.D. Howe.

Countries that focus their budgets on fewer countries can often leverage their aid to prompt better policies from the recipients.
But Canada makes itself an uninfluential bit player everywhere by spreading small amounts of money all over the globe.

Richards argues that Canada has a comparative advantage in health and education -- two critical areas of development -- because of our nation's experience running diverse and far-flung systems of our own.

This insight fits well with what Goldfarb and Tapp conclude. One of their five recommendations calls for much tighter focus on fewer countries and fewer issues.

In addition, they say, Canada should:

- Shift staff and decision-making from Ottawa to the field.

- Invest in research capacity to determine what works and what doesn't, or at least draw more on the research of others.

- Untie all of our aid.

- Pay more attention to the mix of aid, participating in multi-lateral approaches instead of bilateral ones when they have advantages such as avoiding overlap or offering economies of scale.

"If Canada targets a few countries, learns about them, exploits our comparative advantage in delivering health and education services," Richards concludes, "we can help improve the quality of life for millions of people beyond our borders."

In other words, we can't save the whole world, but we can do a much better job of helping some very needy parts of it.

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