

Raelene Clarkson of Aldergrove, BC asks:

How much money does the federal government spend on foreign aid?

By Nick Bergamini

Here at the Canadian Taxpayers Federation, our supporters often seek clarification from us on the truth of the many internet chain mail letters that makes claims of outrageous government spending.

One email that gets passed into our inbox at least once a month is entitled “\$15 billion given to foreign countries?” It admonishes the Canadian government for sending billions in foreign aid to countries like Russia and Mexico, while ignoring seniors, veterans and the homeless.

Does Canada really ship billions overseas in foreign aid? Yes it does. While the government comes nowhere close to spending the amount claimed in the email, in 2011-2012 alone, Ottawa spent \$6 billion in foreign aid – a pretty big chunk of change.

To put things in perspective, that’s just slightly more than the feds spend on departments of health, the environment and the Canada Food Inspection Agency *combined*. Foreign aid also costs more than the cumulative budgets of the Royal Canadian Mounted Police and the Canada Border Services Agency.

The bulk of the aid budget - \$4 billion – goes to the Canadian International Development Agency (CIDA)– which was folded into the Foreign Affairs and International Trade department in the recent federal budget.

CIDA divides countries into three main categories: fragile, low-income, and middle-income states. The agency focuses its aid on a handful of countries in each category. The money then gets spent on local CIDA employees, along with grants to NGOs and businesses in the region.

But that hasn’t always been the agency’s business model. Founded in 1968, CIDA focused its efforts on major infrastructure projects like roads and highways in the developing world. But a lot of this government to government funding ended up in the Swiss bank accounts of foreign dictators.

After this dismal failure, CIDA began in the late 1970s working at the local level directly with the people they hoped to assist. But an academic study condemned the agency for having “only marginal relevance to the needs of poor Third World countries,” with little or no results to show for their large annual budget.

44 countries received Canadian funding in 2011-2012, with the bulk of the funding going to a handful of targeted nations. The top three recipients of Canadian foreign

aid are Ethiopia (\$208 million), Haiti (\$204 million) and Tanzania (\$181 million) – three of the poorest nations on earth.

But Canada also donates to economic superpowers like China and Russia. With economies of \$8.2 and \$2 trillion respectively, it begs the question: do they really need our money?

Recently, the government has changed course on China and a handful of other countries, shaving \$377 million off the annual aid budget by 2014-15.

According to a 2004 opinion poll, Canadians are divided on whether foreign aid should be a tool to advance the national interest or simply our moral imperative as a wealthy nation. But regardless of what camp you fall into, it's important to ask if taxpayers are getting value for their dollars

The massive “foreign aid industry” of government bureaucrats, NGO workers and local officials who have made careers out of aid funding will certainly say yes. But there has been a growing consensus in recent years that while foreign aid is well intentioned, it has had little to no impact on the countries it seeks to help. Interestingly, a massive study of 6000 individuals receiving direct foreign aid in developing countries found that while they appreciate the assistance, that the aid has made no impact improving their lives.

The best example of the failures of foreign aid spending is Haiti. With a population of eight million, it has received \$1 billion in Canadian government funding since 2006 and billions more from the international community. This cycle of dependency on foreign aid goes back decades. Yet the country remains the poorest in the Americas and one of the worst governed places on earth.

Meanwhile, in the Palestinian territory of Gaza, CIDA admits that despite the territory receiving the highest per capita foreign aid funding in the world, the humanitarian situation is actually “regressing.” The majority of the population lives in poverty and relies on food handouts from the UN mission in the region.

The UN estimates that 800 million people have been lifted out of poverty since 1990. But there has been no evidence that this is connected to foreign aid. Instead, countries that have adopted lower taxes, trade liberalization and the rule of law have flourished.

Recognizing past failures, the government has pivoted its efforts away from traditional humanitarian assistance towards private sector partnerships with both Canadian and foreign businesses that will spur economic growth in developing countries while boosting trade with Canada.

The feds seem to be basing their strategy on the old saying: “give a man a fish and feed him for a day. Teach a man to fish and feed him for a lifetime.”

Ottawa's new initiative to use foreign aid to benefit the national interest may also be the most effective way to boost the fortunes of people in developing nations. Evidence from the last 45 years has made it clear that trade, not aid is what the developing world needs.

So yes a lot of government money - \$5.7 billion worth - gets spent on foreign aid every year. But hopefully the recent changes will give taxpayers a better return on their investment. Otherwise, Canada will continue to follow into the old trap, where foreign aid transfers money from poor people in rich countries, to rich people in poor countries.