



**Reflections on “Our Common Interest,”
The Report of the Commission on Africa**

**Testimony for the Senate Committee on Foreign Relations
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Introduction

Senator Lugar, Members of the Committee, thank you for this opportunity to appear before the full Committee today to talk about the recent Report of the Commission for Africa, *Our Common Interest*. I would like to ask that my full testimony be entered as part of the record, and I will then briefly summarize my major points.

In 2001, I helped found the Center for Global Development, an independent, non-partisan think tank based in Washington, DC that is dedicated to improving the policies of the rich countries vis-à-vis the poorest countries in the world. I am particularly pleased today to comment on the Commission’s report—and to clarify what I think it means for the United States—because the Commission’s report is such an eloquent exposition of what rich countries can do for their poor counterparts in the developing world.

If I might, I would like to take this opportunity to thank Nancy Kassebaum-Baker, who was once a member of this distinguished committee, and Tidjane Thiam for the work that they and their fellow Commissioners have done under the leadership of British Prime Minister Tony Blair.

As you know, all of us in the room have a tremendous opportunity to make progress in the fight against global poverty this year. 2005 is referred to by many as the “Year of Development,” thanks in part to the work of the Africa Commission, but also thanks to a number of other mutually reinforcing commissions, events and milestones. In January of this year, the United Nations Millennium Project—under the leadership of Jeffrey Sachs—issued a 14-volume report on what actions are needed if we are to meet a series of international goals to reduce poverty, curb disease, and tackle underdevelopment called the Millennium Development Goals (MDGs). In July, the United Kingdom will host the annual G-8 Summit in Gleneagles, Scotland—an event which will focus on development first and foremost.

Moving to September, heads of state from 191 countries will convene in New York on the floor of the General Assembly to assess international progress on

development, security, and human rights and chart a way forward on the difficult issues of UN reform. Finally in December, the next round of WTO ministerial-level trade talks will take place in Hong Kong, where hopefully the world will take concrete steps toward a multilateral trading system that is more friendly to developing countries.

This unusual confluence of events and increased global attention to development reflects the deepening recognition—among national officials, international organizations, and throughout civil society—that the changes wrought by the new wave of globalization make reducing poverty and global inequality more possible, more compelling and more necessary than ever. The United States, as the world’s only superpower and a leading “shareholder” in the international financial institutions and the United Nations, has a particular responsibility and *an interest* to help move the development project forward. I do not need to remind the members of this Committee that nowhere is this needed more than in sub-Saharan Africa.

In my remaining time, I will comment briefly on progress in Africa as reflected in the Report of the Commission, then on several of the Commission’s key recommendations, and finally on the nature and kind of support the United States should signal for Africa’s development at the upcoming G-8 Summit.

A Timely Report, in the Right Spirit

The spirit of the report and the depth of its analysis should be warmly welcomed. The report emphasizes the mutual responsibility—of Africans and their governments to build sound and accountable government institutions, and of the rich world to provide greater opportunities and more aid. It incorporates lessons of the last 15 years on the need for help from outside to come in the form of solidarity and partnership across the board, with respect to trade and peacekeeping as well as additional aid, and for aid to be not merely higher in quantity, but “better”: more predictable, untied, in the form of debt relief and grants, and most of all supportive of capable and committed governments’ own priorities.

The report is timely because it builds on a decade of considerable success, in at least some countries in Africa, in many arenas: unprecedented (by historic standards in the West and in Asia) increases in educational opportunities and access to basic health care, newfound macroeconomic stability, and in such countries as Mozambique, Ghana, and Uganda, steady per capita growth. These classic development successes have accompanied by and reinforced on the security and political fronts. Though conflicts persist, many have been resolved thanks to leadership within Africa, and today Africa has a dozen working democracies compared to just three a decade ago.

Comments on Some Key Recommendations

The package approach. The report emphasizes the need for Africans to attack their problems on multiple fronts at once: trade, investment in people, infrastructure, and the nitty gritty of improving government budget management and accountability. This

provides a rationale for the proposed major increase in aid for Africa. Yet even the more competent governments in Africa have limited capacity to manage simultaneously multiple new investments and social delivery programs as well as better auditing, introducing the rule of law, undertaking judicial reform and so on. Their biggest challenge may well be to set priorities in the deployment of their scarce administrative resources—which large infusions of new aid cannot easily “buy”. Fortunately, the experience of successful countries—Korea, India, Chile—is that doing a few things right, in particular to encourage local private investment, can trigger a sustained growth process; and that avoiding privileging insiders (i.e. getting the politics reasonably right) goes a long way to ensuring that the poor capture some of the resulting growth gains.

The hard part is deciding on those initial “few things”. They have to be invented and led locally, by leadership that is savvy about local institutional and political openings (and constraints). In Ghana investing in rural roads may be the quickest route to raising girls’ education—by increasing rural incomes and reducing costs of transport to markets. In Ethiopia, education, agriculture and AIDS programs may depend more than anything else on implementing per capita block transfers to new local governments. In Mozambique, the most critical next step may be to address the regulatory and banking problems that reduce access to credit for the working poor.

Another \$50 billion in annual aid transfers. The Commission’s proposed increases in aid are trivial in terms of the rich world’s wealth, and are well below amounts other countries received at critical moments in their development. South Korea received nearly \$100 per person (in today’s dollars) in annual aid between 1955 and 1972. Botswana, the world’s single fastest growing country between 1965 and 1995, received annual aid flows averaging \$127 per person. (It did so by combining rapid expansion of diamond exports with exceptionally good governance.) By contrast, annual assistance to sub-Saharan Africa today averages about \$28 per person—not nearly enough to build a foundation for sustained growth and development.

However it is not clear that the Commissioners grappled fully with the question of at what speed the large increases proposed can be used effectively. (The proposal is to increase aid flows by \$25 billion annually between now and 2010, and then assuming reasonable results, to add another \$25 billion annually. This would eventually triple total annual aid inflows to sub-Saharan Africa from the current level of about \$25 billion from all sources. The emphasis on the need for recipient governments to be accountable if aid is to be effective is highly welcome and sensible. One problem is that that emphasis is already heavily reflected in donor allocations across countries within Africa. In the best-performing countries aid as a proportion of GDP is currently more than 20 percent of gross national income in Malawi, Mozambique and Ethiopia, and more than 15 percent in Uganda, Tanzania, and Rwanda (in both cases, among others). It is about 12 percent of GNI in Ghana. In most countries aid finances virtually all new public investment. In the seven countries in sub-Saharan Africa now eligible for assistance under the Millennium Challenge Account (MCA), aid is currently between 6 percent (Lesotho) and 25 percent (Mozambique) of GNI, and is likely to increase further as they benefit from the MCA.

There are risks in rapid infusions of new aid. These risks include reducing the receiving country's ability to compete in export markets (if aid puts upward pressure on exchange rates or induces people to leave productive private businesses to work in government and aid-financed public programs), overwhelming fragile preventive health efforts and road maintenance programs as attention shifts to new investments, and in the worst case, creating new pressures for corruption and patronage as procurement and expenditure management break down. My concern is not with the amount recommended in itself, but with the timing, with our limited understanding of the risks in the aid community, and with the resulting need for much greater attention to minimizing and managing those risks.

In addition, the report does not make explicit the logic of different amounts of aid for different countries, depending on country governance. Some countries have the leadership and competence to use aid well; others have honest and reformist leadership but limited capacity; still others have leadership that is unwilling and in the worst cases deeply corrupt. The Millennium Challenge Account, for example, promises ample aid to those countries most likely to use aid well. (The report does note the logic of different types of aid for different countries, depending on their governance, making the point for example that countries performing well, in terms of governance and macroeconomic stability, should be able to benefit from direct donor support for their own expenditures across the board ("budget support")).

The regionalism challenge. The economy of all of sub-Saharan Africa, including South Africa, is slightly smaller than the economy of Chicago. Imagine Chicago with more than 40 "mayors" and ministers of education and public works, more than 40 tariff regimes and customs rules and barriers, and restrictions on movement of workers from one neighborhood to another. The Commission puts welcome emphasis on the role of such African organizations as NEPAD and the African Union—in defining regional priorities, in managing peacekeeping operations, and so on. In its recommendations on trade, the Commission does not shy from pushing for reduction of the tariff and other barriers which inhibit trade within Africa. It may not go far enough, however, in emphasizing the potential benefits to Africa of developing regional and sub-regional centers of excellence—for agricultural research, university training, policy advice and review among peer governments—among other reasons as a mechanism to encourage a return of the African diaspora to the continent and discourage the ongoing hemorrhage of Africans' most skilled and educated people to the rich world. The report sets out the need for as much as \$20 billion a year in new infrastructure investments in the region, especially to encourage exploitation of export potential; much of this new infrastructure investment will have to be done across borders, and will require the kind of difficult coordination and negotiations that among our U.S. states helped bring to fruition the U.S. federal highway system.

The United States' Contribution at the G-8 Summit

Peace and security in Africa. The Commission emphasized the importance of peace and security in Africa, and the critical need for donors to support the emerging

African peace and security infrastructure, particularly by strengthening the African Union (AU). However, the report does not directly address the broader challenge of building state institutions in weak and fragile states (those states that have not yet “failed” but are at risk of doing so). On this broader challenge, the United States could take several immediate steps, while urging its G-8 participants to follow suit.¹

First, the Administration and Congress should work together to fully support and finance the new Office for Reconstruction and Stabilization within the State Department. This office is charged with coordinating U.S. efforts to address the threats posed by weak and failing states, and seize quickly the windows of opportunity to support their recovery and stabilization. Its creation stems from a forward-looking 2004 legislative initiative of Senators Lugar and Biden. I want to commend their leadership in this important and heretofore neglected area.

Second, the United States could take increased leadership with its G-8 partners in building up the African peace and security architecture of the AU and the respective regional and sub-regional entities that will be ultimately be responsible for responding to, and hopefully preventing, the next Darfur, Rwanda, or Congo. As a first step, the U.S. should maintain and increase its level of support for the Global Peace Operations Initiative, a G-8 plan to train 75,000 peacekeepers, a majority of them African, by the year 2010. I understand that Congress approved just over \$100 million for this program in fiscal year 2005, and that the Administration has requested another \$114 million for fiscal year 2006. These sums should be seen as only a down payment. I urge the Administration to work with Congress to increase support for this initiative, and to work with our G-8 partners to follow through on their commitments as well, in a coordinated, coherent, and timely manner.

Malaria and AIDS vaccines. A good portion of aid to Africa—certainly on the order of \$5 billion a year—could best be spent outside Africa, where absorption constraints will not bind.² How? Africa and other poor regions constitute poor markets, and because of their poverty, private companies, including in the United States, have little incentive to create the technologies that are relevant specifically to them. African countries are poor because of limited technological opportunities (for rain-fed agriculture in Africa’s soil conditions, for example), but in turn these opportunities are difficult to create because of the region’s low income. The research that led to the Green Revolution in Asia was almost wholly publicly funded. It yielded among the highest economic returns of any development investment.

In health, the problem is particularly acute, as lives are literally at stake. An estimated 90 percent of all research undertaken by rich country pharmaceutical firms is on diseases prevalent in the rich world—that affect less than 10 percent of the world’s

¹ Commission on Weak States and U.S. National Security, On the Brink: Weak States and U.S. National Security, Washington, D.C., Center for Global Development, 2004. Available at: <http://www.cgdev.org/weakstates>.

² See also Jagdish Bhagwati, “A Chance to Lift the ‘Aid Curse,’” The Wall Street Journal, March 22, 2005.

population. Rich country governments can address this problem in a simple yet powerful way. They can make a legally binding promise to reward the creation of new technologies, be it via “prizes” or via agreements to purchase a fixed amount of the resulting product or process. With such a promise, the rich world would guarantee a minimum financial return to research undertaken by private firms for the benefit of developing countries.

The financial and legal outline of this kind of advance market mechanism, at an estimated cost of \$3 billion, has recently been developed for the case of a malaria vaccine.³ The United Kingdom has proposed creation of such a mechanism on a pilot basis for the immediate guaranteed purchase of undersupplied immunizations, and to create a similar advance market for an AIDS as well as a malaria vaccine. The Bush Administration could signal its support at the G-8 Summit for the UK proposal by indicating its willingness to explore with Congress how to provide U.S. financial support for such a mechanism, and by urging that such explorations be made in the other G-8 countries and reported on at next year’s Summit.

Debt relief. The Commission on Africa recommends 100 percent debt relief for all “low-income countries” in Africa. My colleagues and I have elsewhere proposed that countries with per capita income *below* \$500 (many of which are in Africa) receive 100 percent debt relief, including from multilateral as well as bilateral debts), and that they receive only grant transfers from the World Bank and the African Development Bank—until their income grows beyond \$500.⁴ The United States could bring this simple and straightforward proposal to the G-8 Summit. Agreement on it would resolve the still prickly controversy between the U.S. and Europe on use of IDA resources for grants, while reflecting the widespread Congressional and public support in the United States for debt relief programs. The U.S. could also support highly limited sales of IMF gold to cover the IMF debt write-down, and could propose limited use of gold or contributions from donors to ensure that the IMF could assist the poorest countries that have had debt relief to manage weather, commodity price and other shocks, over a limited time period.⁵

Strengthening AGOA and locking in aid to support trade adjustment and address preference erosion. The Commission includes an excellent set of recommendations for changes in the trade regimes of African countries themselves, to encourage more trade within the region, and in the advanced economies. The U.S. will already be looked to for continued leadership on pushing forward the multilateral Doha round. At the Center, we

³ The proposal and its legal, financial and budget implications are set out in Ruth Levine, Michael Kremer, and Alice Albright, Making Markets for Vaccines: Ideas to Action, Washington D.C., Center for Global Development, 2005. Available at: <http://www.cgdev.org/publications/vaccine/>.

⁴ See Nancy Birdsall and John Williamson, “Gold for Debt: What’s New and What Next?”, CGD Note, 2005. Available at: http://www.cgdev.org/docs/CGD%20Note_IMF%20Gold.pdf; and Steve Radelet, “Grants or Loans? How Should the World Bank Distribute Funds to the World’s Poorest Countries?”, CGD Note, forthcoming.

⁵ Nancy Birdsall and John Williamson, Delivering on Debt Relief, Washington D.C., Center for Global Development, 2002. Available at: <http://www.cgdev.org/Publications/index.cfm?PubID=42>; see also Nancy Birdsall and Brian Deese, “Delivering on Debt Relief,” CGD Policy Brief, 2002. Available at: <http://www.cgdev.org/Publications/?PubID=31>.

have recommended that in addition: 1) the Congress extend current AGOA preferences for at least a decade, and 2) eliminate the complicated and burdensome rules of origin treatment.⁶ AGOA has contributed to increases in apparel and other exports (and in jobs, for example from 10,000 to almost 40,000 in Kenya in apparel) from some African countries (though with recent worrying signs of a leveling off with the end of the quota protection under the Multi Fibre Agreement). Its effectiveness, however, is limited since it is perceived as easily revocable for any one country on the part of the U.S., and because of its complexity. (The proposed “Trade Act of 2005” introduced by Senators Baucus, Feinstein, Santorum, and Smith would address these points in part.) In addition, the U.S., as a longtime leader in trade liberalization and trade capacity-building and adjustment help, could propose at the G-8 Summit that simple guidelines be developed, under the rubric of the WTO, for assistance to Africa tied to reduced fiscal income as tariffs decline, and to temporary adjustment problems with job declines in sectors affected by preference erosion.

Aid to Africa: More multilateral, more evaluation of results; more emphasis on regional infrastructure and capacity building. At the G-8 Summit the United States should emphasize the importance of improving the *quality* of aid to Africa. In addition to the ideas included in the Commission report, emphasis is needed in three areas.

First, the G-8 should agree to maximize new donor contributions through multilateral channels, which are less subject to political and other sources of volatility and less burdensome on recipient countries than the multiplicity of programs, rules, protocols and negotiations implied by the many different bilateral programs, including those of the United States. Multilateral agencies include, of course, the World Bank, and in the critical fight against AIDS in Africa, the Global Fund to Fight Aids, TB and Malaria. Second, as the champion of aid effectiveness and results-based aid, the United States should begin discussion with its G-8 partners on the creation of a completely independent evaluation system for assessing and reporting publicly on the effectiveness of aid-funded programs in Africa—funded by all sources. Independent evaluation of aid programs has been a constant recommendation of various independent and congressionally mandated commissions over the last decade. Becoming serious and systematic about such evaluation is particularly critical if the case is to be made for sustaining the increases in transfers to Africa that the Commission envisions beyond the next several years. Third, the U.S. should focus any additional aid to Africa on support for regional centers of excellence and for major investments in cross-border infrastructure since these are areas where the U.S. has particular strength.

⁶ William R. Cline, “Trading Up: Strengthening AGOA’s Development Potential,” CGD Policy Brief, 2003. Available at: <http://www.cgdev.org/Publications/index.cfm?PubID=88>.