Center for Global Development

CGD Brief

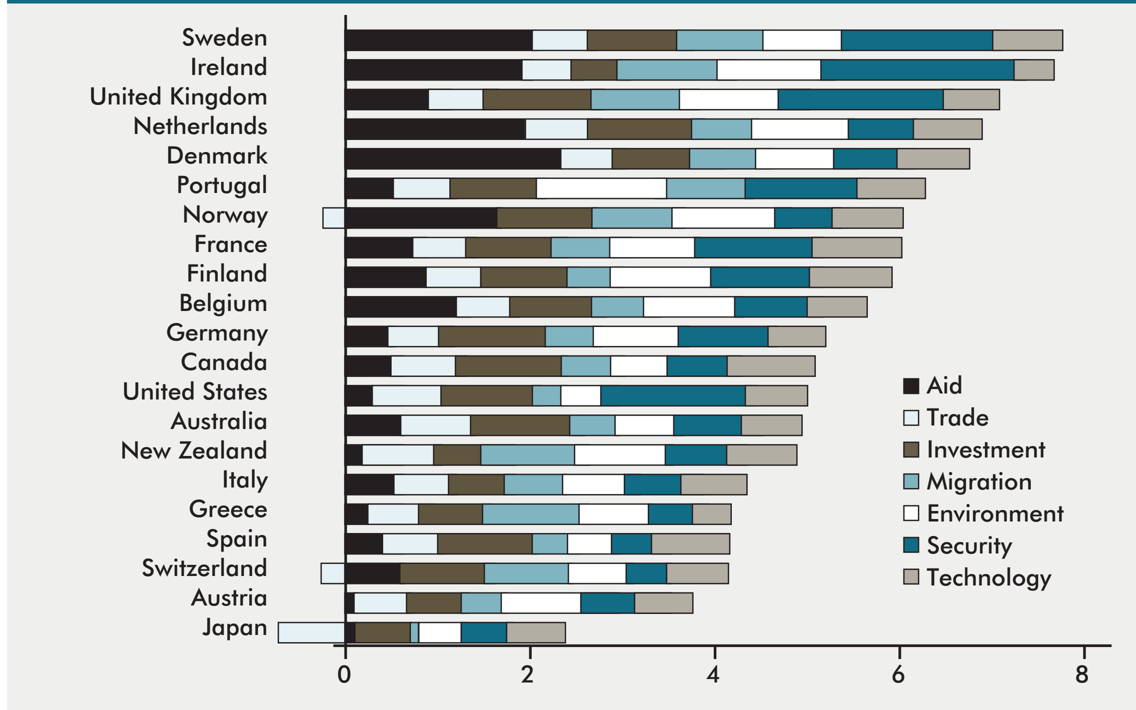
May 2008

The Commitment to Development Index for Africa

How Much do the Richest Countries Help the Poorest Continent?

David Roodman†

When it comes to helping Africa, rich countries are most often compared on how much foreign aid they give as a share of GDP. But the rich world is connected to Africa in many ways—not just through aid, but through trade, investment, migration, the environment, military affairs, and technologies. Think of the extraordinary spread of vaccines and cell phones on the continent and their transformative impact on the lives of the poor. Think of the African immigrants who work hard inside Western Europe and send billions of euros home to their families. Think of the Ghanaian factories that employ hundreds of women making clothes for sale in Walmart. And think of the foreign troops keeping a precious and precarious peace on the streets of Monrovia, Liberia.[1]



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[1] This CGD Brief is based on David Roodman, "The Sub-Saharan Africa CDI: Methodology and Results," Center for Global Development, April 2008. For more on the global CDI, see the CGD Brief, "The 2007 Commitment to Development Index: Components and Results." www.cgdev.org/cdi. Commitment to Development Index publications are made possible in part by financial support from the Rockefeller Foundation and the 11 donor governments in the CDI Consortium. The views and conclusions expressed in this paper are those of the author and should not be attributed to the board of directors or funders of the Center for Global Development.

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Since 2003, the Center for Global Development in Washington, DC, has rated and ranked 21 rich countries on how much their policies help or hurt developing countries through *all* these channels, in order to remind the world that helping those in need takes more than aid. Now CGD has recalculated the CDI to measure rich-country policies with respect only to Sub-Saharan Africa or "Africa" for short. (We use the World Bank definition of "Sub-Saharan Africa," which includes the band of states running across the southern Sahara but puts Algeria, Djibouti, Egypt, Libya, Morocco, and Tunisia under "Middle East and North Africa.") These rankings may be of particular interest as the 2008 G–8 summit in Hokkaido, Japan, draws near and focuses attention on whether the leading industrial nations are living up to promises made at past summits to help Africa.

The results presented here are built on a detailed database of rich-country policies for 2007. The methodology, too, is adapted from the long-standing "global" CDI with minimal change. Both the global CDI and the Africa CDI score 21 rich countries and cover seven major policy domains: foreign aid, trade, investment, migration, environment, security, and technology. The Africa investment, environment, and technology components are adapted without modification from the global CDI because the flows they measure, such as greenhouse gas emissions and support for research development, are not region-specific. And as on the global CDI, scoring adjusts for size, in order to focus on whether individual countries live up to their *potential* to help. Scores are scaled so that a 5.0 indicates average performance within the group of 21. A country's overall Africa CDI score is the average of its seven component scores.

Despite these many continuities, the Africa CDI standings differ from the global standings in surprising ways.

Aid

Foreign aid is the first policy that comes to mind when people in rich countries think of helping poorer countries. Aid donors give grants, loans, food, and advice to poor countries to support everything from road building to immunization programs in tiny villages.

Most comparisons between donors are based on how much aid each gives, either in absolute terms or as a percentage of GDP. For the CDI, quantity is merely a starting point in a review that also assesses aid quality. The index penalizes "tied" aid, which recipients are required to spend on products from the donor nation; this prevents them from shopping around and raises project costs by 15–30%. The index also subtracts debt payments the rich countries receive from developing countries on aid loans. And it looks at where aid goes, favoring poor, less corrupt nations. In the global CDI, for instance, aid to Iraq is counted at 10¢ on the dollar since corruption in Iraq is rampant and rule of law weak. Aid to Mozambique, on the other hand, with its high poverty and relatively good governance, is counted at 77¢ on the dollar. Finally, donors are penalized for overloading recipient governments with too many small aid projects. When projects are many and recipient officials few, the obligation to host visits from donor officials and file regular reports becomes a serious burden.

The index rewards governments for letting taxpayers write off charitable contributions since some of those contributions go to Oxfam, CARE, and other nonprofits working in developing countries. All CDI countries except Austria, Finland, and Sweden offer such incentives. Since the index is about government policy, it only counts private giving that is attributed to tax incentives.

The Africa CDI aid component is calculated just like the global one, except that only aid to Sub-Saharan Africa enters. Regional breakdowns of rich-country charitable flows are not available, so to estimate them we assume that the share of a country's private aid going to Africa is the same as for its public aid.

By and large, the countries that give the most aid globally for their size—Denmark, the Netherlands, Norway, and Sweden—also dominate the Africa aid standings. One surprise, though, is Ireland, which more than any other donor concentrates its aid in

CDI for Africa: Aid component

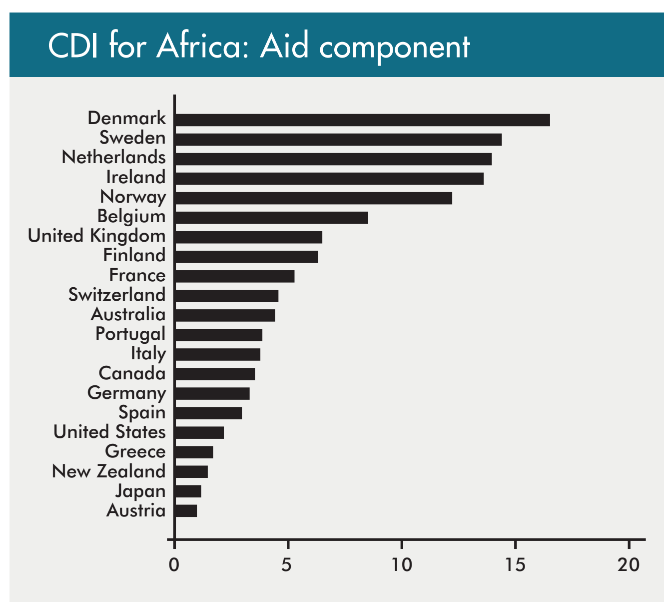


Table 1. Commitment to Development Index for Africa

Rank	Country	Aid	Trade	Investment	Migration	Environment	Security	Technology	Overall (Average)
1	Sweden	14.3	4.0	6.9	6.6	5.9	11.3	5.3	7.8
2	Ireland	13.5	3.7	3.4	7.7	7.7	14.6	3.1	7.7
3	United Kingdom	6.4	4.1	8.1	6.9	7.4	12.4	4.3	7.1
4	Netherlands	13.8	4.5	8.0	4.5	7.2	5.1	5.2	6.9
5	Denmark	16.4	3.9	5.8	5.2	5.8	4.8	5.4	6.8
6	Portugal	3.8	4.2	6.5	9.9	5.9	8.5	5.2	6.3
7	Norway	12.0	−1.6	7.5	6.3	8.0	4.6	5.6	6.1
8	France	5.2	4.0	6.5	4.5	6.4	8.8	6.9	6.0
9	Finland	6.2	4.2	6.5	3.3	7.5	7.6	6.2	5.9
10	Belgium	8.5	3.9	6.2	4.0	6.9	5.6	4.5	5.7
11	Germany	3.3	3.9	8.0	3.7	6.4	6.8	4.3	5.2
12	Canada	3.5	4.9	8.0	3.7	4.3	4.6	6.7	5.1
13	United States	2.1	5.2	7.0	2.2	2.9	10.9	4.9	5.0
14	Australia	4.4	5.1	7.6	3.5	4.3	5.1	4.6	4.9
14	New Zealand	1.4	5.4	3.4	7.3	6.8	4.8	5.0	4.9
16	Italy	3.7	4.3	6.1	2.4	4.7	4.3	5.0	4.3
17	Greece	1.6	4.0	4.9	7.3	5.2	3.4	3.0	4.2
17	Switzerland	4.5	−1.8	6.7	6.8	4.6	3.4	4.9	4.2
17	Spain	2.9	4.2	7.1	2.7	3.3	3.0	6.0	4.2
20	Austria	0.9	3.9	3.9	3.1	6.1	4.1	4.4	3.8
21	Japan	1.1	−7.2	5.9	1.1	4.6	4.9	6.3	2.4

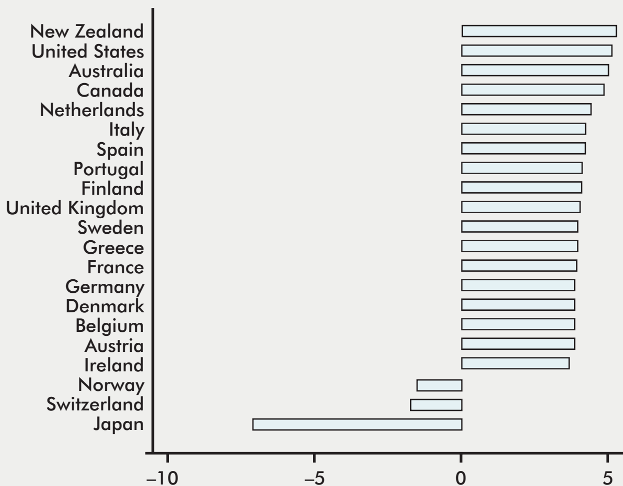
Africa (two-thirds in 2005)—perhaps a Geldof/Bono effect? As a result, Ireland gave 0.29% of its GDP in aid to Sub-Saharan Africa, on par with the four usual suspects atop the aid rankings. This lifts it to 13.5 on the aid component, where a 10 would indicate performance twice the average and 15 thrice. Only Norway and the Netherlands do better.

Trade

The system of rules that governs world trade has developed since World War II through a series of major international negotiating "rounds." Because rich countries have called the shots, their barriers to some of the goods poor countries are best at producing—including crops—have largely stayed in place. Yet when rich countries tax food imports and subsidize their own farmers' production, they cause overproduction and dumping on world markets, which lowers prices and hurts poor-country farmers. Industrial tariffs also tend to be anti-poor, with low rates for raw commodities and high rates for labor-intensive, processed goods. U.S. tariffs on imports from India, Indonesia, Sri Lanka, and Thailand brought in $2.06 billion in 2005—twice what the U.S. committed to these countries for tsunami relief the same year. CGD Senior Fellow William Cline estimates that if rich countries dropped all remaining trade barriers, it would lift 200 million people out of poverty in a relatively short period of time.

For the index's trade component, each country's complex collection of tariffs and subsidies is converted into a flat, across-the-board tariff representing its total effect on developing countries. The highest barriers by far are in agriculture, and since agriculture dominates the economies of the relatively poor countries of Africa, they effectively face the highest trade

CDI for Africa: Trade component



barriers despite "trade preference" programs such as the U.S. Africa Growth and Opportunity Act and the EU Everything But Arms initiative.

Though the barriers against African exports are especially high, the ranking on the Africa trade index is similar to that for the global index. Canada does best on trade in the Africa index, with Australia, New Zealand, and the U.S. not far behind. In general, EU nations share common trade and agriculture policies, so they score essentially the same on trade. Two European nations outside the EU, Norway and Switzerland, score worse. Japan is in last place, largely because its tariffs on rice average 600–800%. It should be explained that the negative trade scores for these last three do not mean that they impede trade while the other 18 support it. Rather, the trade scores are scaled so that 10 would indicate a complete absence of barriers, 5 indicates average barriers, 0 means barriers twice the average—and the negative results merely indicate that trade barriers are *more* than twice as high as the average.

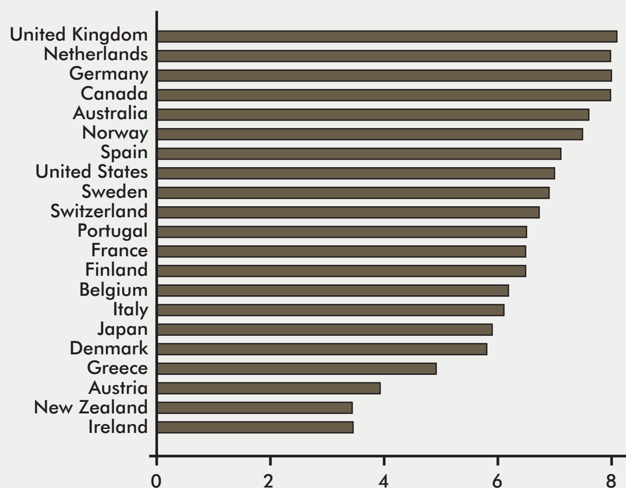
Investment

Foreign investment can be a significant driver of development in poor countries. Many of East Asia's fastest-growing countries—South Korea, Malaysia, Singapore, and Thailand—benefited from investment from abroad. However, foreign investment can also breed instability (witness the 1997 Asian financial crisis) as well as corruption and exploitation, a prime example being the pollution and unrest in Nigeria's oil-producing regions.

The Africa investment index, identical to the global one, looks at what rich countries are doing to promote investment that is actually good for development. It looks at two kinds of capital flows: 1) foreign direct investment, which occurs when a company from one country buys a stake in an existing company or builds a factory in another country; and 2) portfolio investment, which occurs when foreigners buy securities that are traded on open exchanges. The component is built on a checklist of policies that matter. Do the rich-country governments offer political risk insurance, encouraging companies to invest in poor countries whose political climate would otherwise be deemed too insecure? If so, do they filter out projects likely to do egregious environmental harm or exploit workers? Do they have tax provisions or treaties to prevent overseas investors from being taxed both at home and in the investment country?

As with the global CDI, the lowest scorers for investment are Ireland and New Zealand, which do not provide political risk insurance and do little to prevent double taxation, and Austria, which restricts pension fund investments in developing countries. Top-ranked Britain does better on all these counts and has participated aggressively in international arrangements to control corruption, such as the Kimberley Process to track and eliminate trade in "blood diamonds" used to finance warlords in Angola and Sierra Leone.

CDI for Africa: Investment component



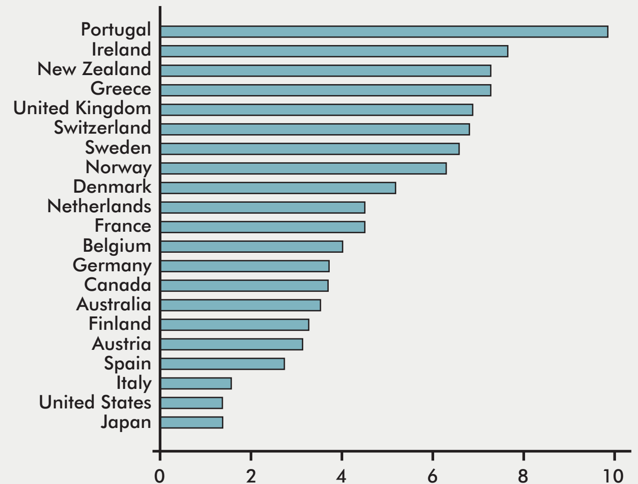
Migration

Some 200 million people today—one in 33—do not live in the country where they were born. That number should grow as aging rich societies run short of workers, and that should be a boon for development. Workers who have migrated from poor to rich countries already send billions of dollars back to their families each year, a flow that surpasses foreign aid. Some immigrants from developing countries, especially students, pick up skills and bring them home as engineers and physicians as well as entrepreneurs who, for example, start computer businesses.

But what about brain drain? Emigration has been blamed for emptying African clinics of nurses who can earn far more in London hospitals. But CGD research fellow Michael Clemens has found little evidence that these skilled people hurt their home country by leaving it. Far more ails African clinics and hospitals than a lack of personnel, and personnel shortages themselves result from many forces—such as low pay and poor working conditions—untouched by international migration policies

The Africa CDI rewards immigration of both skilled and unskilled people from the continent, though unskilled more so. One indicator used is the net increase during the 1990s in the number of unskilled immigrant residents native to Sub-Saharan Africa.[2] (Based on rich-country census data, it cannot be updated often.) Another is the gross inflow of migrants from Sub-Saharan Africa in a recent year, including unskilled and skilled immigrants but leaving out illegals. Unfortunately, international migration data are extremely poor; at present we lack breakdowns of immigration flows by home region for six of the 21 CDI countries (Canada, France, Ireland, Japan, Portugal, and Switzerland). For these, we assume that the regional percentage allocation is the same as for the indicator based on census data. The index also uses indicators of openness to students from poor countries and aid for refugees and asylum seekers; these come directly from the global CDI.

In marked contrast with the global CDI, Portugal leads on migration in the Africa CDI. It saw the number of unskilled immigrants from Africa triple between 1990 and 2000, a gain equivalent to 0.42% of the country's population and four times the CDI average. Other strong finishers are Greece, Ireland, New Zealand, Switzerland, and the U.K.



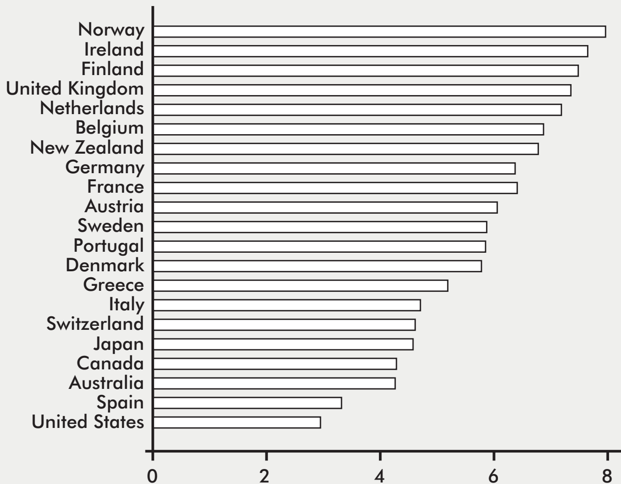
Environment

A healthy environment is sometimes dismissed as a luxury for the rich. But environmental degradation hurts poor people the most. And poor nations have weaker infrastructures and fewer social services than rich countries, making the results of climate change all the more damaging. The environment component looks at what rich countries are doing to reduce their disproportionate exploitation of the global commons. Are they reining in greenhouse gas emissions? How complicit are they in environmental destruction in developing countries by, for example, importing commodities such as tropical timber? Do they subsidize fishing fleets that deplete waters off the coasts of such countries as Senegal?

Norway tops the environment standings, which are identical to those in the global CDI. Its net greenhouse gas emissions fell during 1995–2005, the last ten years for which data are available, thanks to steady expansion of its forests, which absorb carbon dioxide. Also high are Ireland, whose economy grew 6.6% per year faster in the same period than its greenhouse gas emissions, and the U.K., which has steadily increased gasoline taxes and supported wind and other renewable energy sources. Spain finishes low as a heavy subsidizer of its fishing industry while Japan is hurt by its high trop-

[2]This data set was revised in late 2007, so the figures used here are not completely consistent with those in the published 2007 CDI. Notably, Switzerland's numbers haven fallen substantially. The revised source is Frédéric Docquier, Abdeslam Marfouk, and B. Lindsay Lowell, "A gendered assessment of the brain drain," draft, October 2007.

CDI for Africa: Environment component



CDI for Africa: Security component

ical timber imports. The U.S. has not ratified the Kyoto Protocol, the most serious international effort yet to deal with climate change. That gap, along with high greenhouse emissions and low gas taxes, puts the U.S. last. Two notches up, Australia cuts a similar profile, with the highest per-capita greenhouse gas emissions in the group.

Security

Rich nations engage daily in activities that enhance or degrade the security of developing countries. They make or keep the peace in countries recently torn by conflict, and they occasionally make war. Their navies keep open sea lanes that are vital to international trade. Rich countries also supply developing-country armed forces with tanks and jets.

The *global* CDI looks at three aspects of the security-development nexus. It tallies the financial and personnel contributions to peacekeeping operations and forcible humanitarian interventions in developing countries, although it counts only operations approved by an international body such as the U.N. Security Council or NATO (thus the invasion of Iraq does not count). It also rewards countries that base naval fleets where they can secure sea lanes vital to international trade. And it penalizes arms exports to certain undemocratic countries that are also heavy military spenders, especially if they are very poor. All the indicators take averages over multiple years of data because the data themselves are quite volatile—more volatile, presumably, than underlying policy stances. Older data get less weight.

The security component of the Africa CDI contains the largest methodological departure from the global CDI: arms exports are not counted. Exports of conventional arms from the CDI countries to Africa are rare in the Stockholm International Peace Research Institute (SIPRI) database; yet because countries are scored relative to each other, very small exports can translate into large penalties. Because of the sparse data, the arms exports penalty in the Africa CDI security component gets 0% rather than the 12.5% it receives in the global CDI.

Ireland again surprises, with a powerful first place finish, thanks in no small part to its contribution of some 400 troops—a lot for this small nation—to the ongoing U.N. peacekeeping operation in Liberia, which has quelled conflict there and is helping a broken country get back on its feet. The U.K. finishes second, primarily because it sent 4,500 soldiers under its own flag but with U.N. Security Council backing on a similar mission into Sierra Leone in 2000.

Technology

One important way that rich countries affect poorer ones over the long run is through technology. For example, with medical technology from the rich countries, human health and survival in Latin America and East Asia made gains over four decades during the 20th century that took Europe almost 150 years. Today, the Internet is facilitating distance learning, democracy movements, and new opportunities to participate in the global economy. Of course, some new technologies do as much harm as good, creating huge challenges for the developing

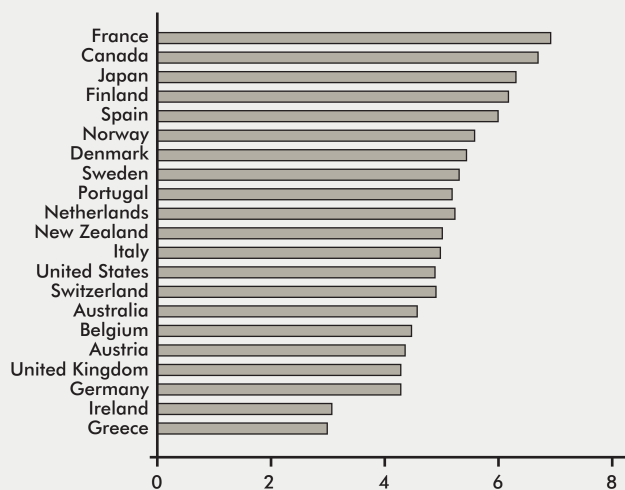
world: consider the automobile, which symbolizes gridlock and pollution at least as much as it does freedom and affluence in dense and growing cities such as Bangkok.

The technology index rewards polices that support the creation and dissemination of innovations of value to developing countries. It rewards government subsidies for research and development, whether delivered through spending or tax breaks. Spending on military R&D is discounted by half. On the one hand, much military R&D does more to improve the destructive capacity of rich countries than the productive capacity of poor ones. On the other, military security is important for development, and military R&D can have civilian spin-offs. Consider that the Pentagon partly funded the early development of the Internet.

Also factored in are policies on intellectual property rights (IPRs) that can inhibit the international flow of innovations. These take the form of patent laws that arguably go too far in advancing the interests of those who produce innovations at the expense of those who use them. Some countries, for example, allow patenting of plant and animal varieties. In such countries, a company could develop a crop variety that thrives in poor tropical soils, patent it, and then opt not to sell it because the poor who could use it have inadequate buying power. Other countries use their leverage to negotiate trade agreements with individual developing countries that extend certain IPRs beyond international norms in the General Agreement on Tariffs and Trade. U.S. negotiators, for example, have pushed for developing countries to agree never to force the immediate licensing of a patent even when it would serve a compelling public interest, as a HIV/AIDS drug might if produced by low-cost local manufacturers.

No country does spectacularly better than its peers on technology. The U.S. loses points for pushing for compulsory licensing bans, and the Europeans are penalized for allowing the copyrighting of databases containing data assembled with public funds. Greece and Ireland lag considerably behind overall because of low government R&D subsidies. France, which spends a substantial 1% of GDP on government R&D, takes first. Canada, whose policies on IPRs are the least restrictive of the group, places second.

CDI for Africa: Technology component



Overall results

The Netherlands and the Nordic countries, long known for their generosity in aid giving, do well on the Africa CDI. But they are challenged by surprising contenders. Ireland comes in a close second behind Sweden on the strength of a large program of aid for Africa—nearly as large as a share of GDP as those of the Nordics—and strong contributions to peacekeeping. The U.K. places third thanks to high performance on investment, migration, environmental policy, and security. Portugal also does well thanks to its acceptance of African immigrants.

However, among the G–7 countries—whose economic size gives them the most potential to help Africa—five are mediocre or worse when it comes to living up to their potential. The United States, for instance, still gives little aid to Africa for its size and places last when it comes to slowing global warming. And firmly in last place is Japan. Only Austria gives a smaller share of its GDP in aid to Africa. Its trade barriers in agriculture are equivalent to a 140% sales tax or VAT on crops from Sub-Saharan Africa. And despite an aging workforce it has accepted essentially no immigrants from Africa (and few from developing countries in general). The Africa CDI depicts Japan as a country that is distinctly more insular and inward-oriented than its economic peers—which it indisputably is. That is why it scores poorly on an index whose fundamental precept is that engagement with Africa can and should be good for Africa.

A larger message should not be lost in all these comparisons. Even top-ranked Sweden scores about average (five) in four of the seven Africa CDI policy areas. None of the countries, then, should be content with its performance. All can do better, and especially the low-ranked titans among the G–7 have an opportunity to help Africans much more.

The Center for Global Development is an independent, non-partisan, non-profit think tank dedicated to reducing global poverty and inequality through policy oriented research and active engagement on development issues with the policy community and the public. A principal focus of the Center's work is the policies of the United States and other industrialized countries that affect development prospects in poor countries. The Center's research assesses the impact on poor people of globalization and of the policies of governments and multilateral institutions. In collaboration with civil society groups, the Center seeks to identify policy alternatives that will promote equitable growth and participatory development in low-income and transitional economies. The Center works with other institutions to improve public understanding in industrialized countries of the economic, political, and strategic benefits of promoting improved living standards and governance in developing countries.

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