Center for Global Development

CGD Brief

August 2006

The 2006 Commitment to Development Index: Components and Results

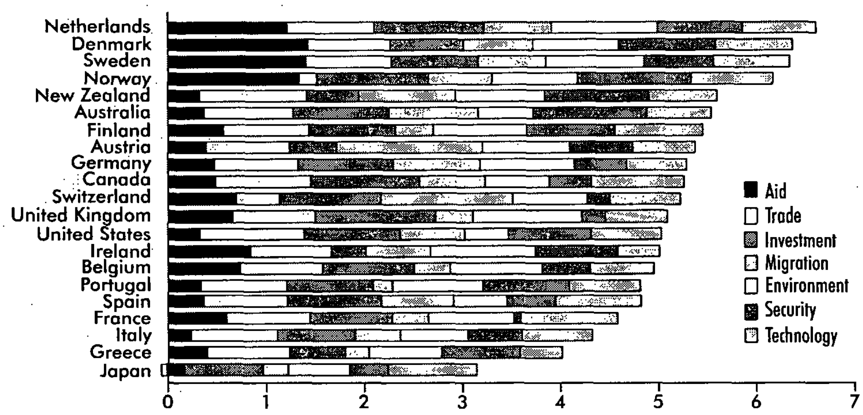
By David Roodman *

The Commitment to Development Index (CDI) ranks 21 of the world's richest countries on their dedication to policies that benefit the 5 billion people living in poorer nations. Moving beyond standard comparisons of foreign aid volumes, the CDI rates countries on:

- Quantity and quality of foreign aid
- Openness to developing-country exports
- Policies that influence investment
- Migration policies
- Environmental policies
- Security policies
- Support for creation and dissemination of new technologies

Scores on each component are scaled so that an average score in the CDI's first year, 2003, equals 5.0. A country's final score is the average of those for each component.

Commitment to Development Index 2006



* David Roodman is a Research Fellow at the Center for Global Development

www.cgdev.org

Throughout, the CDI adjusts for size in order to compare how well countries are living up to their potential to help. For example, the U.S. gives much more foreign aid than Denmark, but far less for the size of its economy, so Denmark scores higher on this measure. Similarly, U.S. tariffs on clothing and crops from developing countries do much more harm than Denmark's because of the sheer size of the U.S. market. But since U.S. tax rates on imports are actually lower, the U.S. scores higher on trade. The CDI, conceived in partnership with *Foreign Policy* magazine, quantifies the full range of rich country policies that have an impact on poor people in developing countries. The Index builds on contributions from scholars at the Center for Global Development, the Brookings Institution, Georgetown University, the Migration Policy Institute, the World Resources Institute, and the University of Colorado. For more information about the CDI, go to www.cgdev.org.

Why does the CDI matter? In an increasingly integrated world, rich countries cannot insulate themselves from global poverty and insecurity. Poverty and weak institutions can breed global public health crises, security threats, and economic instability that can destabilize an entire region, sending shockwaves around the world. Another reason is fairness. Current trade policy, for example, places disproportionate burdens on poor countries. Finally, the index looks at whether countries are consistent in their values. No human being should be denied the chance to live free of poverty and oppression and to enjoy a basic standard of education and health. The CDI countries—all democracies—preach concern for human life and dignity within their own borders; the index measures whether their policies promote these same concerns in the rest of the world.

In an increasingly integrated world, rich countries cannot insulate themselves from global poverty and insecurity.

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, uncorrupt nations. Aid to both Israel and Iraq, for instance, is counted at 10¢ on the dollar, since Israel is hardly poor and in Iraq corruption 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 78¢ 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 quarterly 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 counts only private giving that is attributed to tax incentives. Private giving to developing countries is higher in the U.S. than in most countries, at 10¢ per person per day. But even adding that to the 19¢ a day in government aid leaves the U.S. well short of donors such as Sweden and Denmark, which give 86¢ and $1.08 a day in government aid alone.

The differences between countries in raw aid quantity are dramatic, and as a result they heavily influence the overall aid scores. The Netherlands and the Scandinavian countries take the top four slots on aid, while Japan and the U.S. end up near the bottom. But quality matters too. Norway ties Denmark for first on shear aid quantity as a share of GDP, but falls to third in the CDI for funding smaller projects and being less selective. And the U.S. would score higher if it did not tie 70% of its aid and gave less to autocrats in Russia, Jordan, Pakistan, and other countries.

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 been able to call the shots, their barriers to some of the goods poor

Commitment to Development Index 2006

Rank	Country	Aid	Trade	Investment	Migration	Environment	Security	Technology	Average
1	Netherlands	8.5	6.2	7.8	4.8	7.5	6.1	5.3	6.6
2	Denmark	10.0	5.9	5.3	5.0	6.1	6.9	5.5	6.4
3	Sweden	9.8	6.1	6.2	4.8	7.0	4.9	5.4	6.3
4	Norway	9.3	1.2	8.0	4.6	6.1	8.1	5.9	6.2
5	New Zealand	2.2	7.6	3.7	6.9	6.4	7.4	4.9	5.6
6	Australia	2.5	6.4	6.9	6.4	3.9	8.1	4.6	5.5
7	Finland	3.9	6.1	6.2	2.7	6.7	6.3	6.3	5.4
7	Austria	2.7	5.9	3.3	10.5	6.2	4.5	4.5	5.4
9	Germany	3.3	5.9	6.8	6.2	6.7	3.7	4.3	5.3
10	Canada	3.3	6.8	7.7	4.7	4.5	3.0	6.6	5.2
10	Switzerland	4.8	3.1	7.2	9.5	5.3	1.6	5.1	5.2
12	United Kingdom	4.6	5.9	8.6	2.6	7.8	1.6	4.5	5.1
13	United States	2.2	7.4	6.9	4.6	3.2	5.9	5.0	5.0
13	Ireland	5.9	5.7	2.5	4.6	7.5	5.9	3.0	5.0
15	Belgium	5.1	5.9	6.5	2.6	6.6	3.4	4.5	4.9
16	Portugal	2.3	6.1	6.2	1.4	6.4	6.2	5.1	4.8
16	Spain	2.5	6.0	6.7	5.2	3.8	3.5	6.1	4.8
18	France	4.1	6.0	5.9	2.6	6.1	0.5	6.9	4.6
19	Italy	1.6	6.1	5.5	3.2	4.8	3.9	5.1	4.3
20	Greece	2.7	5.9	4.0	1.7	5.2	5.6	3.0	4.0
21	Japan	1.1	-0.4	5.6	1.7	4.3	2.8	6.3	3.1

High scores · Low scores

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. CGD Senior Fellow William Cline calculates that if rich countries dropped all remaining trade barriers, it would lift 200 million people out of poverty.

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. New Zealand does best on trade in the 2006 index, with Australia, Canada, and the U.S. not far behind. The latter two, along with European Union (EU) nations, gained points in 2005 for keeping a commitment negotiated in 1994 to abolish quotas on textile and apparel imports. 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. In last place is Japan, whose tariffs on rice average 900%.

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. Angola's government, which reaps massive oil revenues from foreign firms, reportedly "lost" or misspent $4.5 billion in five years, equivalent to nearly a tenth of its GDP.

The index 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?

The lowest scorers 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 countries such as Angola and Sierra Leone.

Migration

Some 175 million people today—one in 40—do not live in the country where they were born. That number should grow as aging rich societies run short of workers, which 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. Latin America received $32 billion in remittances in 2002, six times what it received in foreign aid. Some immigrants from developing countries, especially students, pick up skills and bring them home—engineers and physicians as well as entrepreneurs who, for example, start computer businesses. But emigration has also been blamed for emptying Ghanaian clinics of nurses, who can earn far more in London hospitals.

The CDI rewards immigration of unskilled people more than skilled. One indicator used in the index is the gross inflow of migrants from developing countries in a recent year, including unskilled and skilled immigrants but leaving out illegals. Another is the net increase in the number of unskilled immigrant residents from developing countries during the 1990s. The index also uses indicators of openness to students from poor countries and aid for refugees and asylum seekers.

About 175 million people today—one in 40—live in a country different than the one where they were born.

Austria takes first for "importing" the most labor for its size, especially unskilled labor, with Switzerland not far behind. At the bottom is Japan, whose population of unskilled workers from developing countries actually shrank during the 1990s. The U.S., the great nation of immigrants, scores a surprisingly mediocre 4.6. Why? For its size, its inflow of legal immigrants and refugees is actually low compared to those of many European nations.

Environment

A healthy environment is sometimes dismissed as a luxury for the rich. But people cannot live without a well-functioning environment. And poor nations have weaker infrastructures and fewer social services than rich countries, making the results of climate change—like floods, droughts, and the spread of infectious diseases—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, for example, by importing commodities such as tropical timber? Do they subsidize fishing fleets that deplete fisheries off the coasts of such countries as Senegal and India?

Climate change will be more damaging to poor nations than richer ones because poor nations have weaker infrastructure and fewer social services.

CDI Performance over time, using 2006 methodology

Country	2003	2004	2005	2006	Change, 2003–06	Rank by improvement
Spain	3.9	4.4	4.7	4.8	+0.9	1
United Kingdom	4.6	4.8	5.3	5.1	+0.5	2
United States	4.5	4.9	5.0	5.0	+0.5	2
Japan	2.7	2.9	2.8	3.1	+0.4	4
Portugal	4.4	4.9	4.9	4.8	+0.4	4
Sweden	5.9	6.5	6.6	6.3	+0.4	4
Canada	4.9	5.1	5.3	5.2	+0.3	7
Greece	3.7	3.9	4.1	4.0	+0.3	7
Ireland	4.7	4.8	4.9	5.0	+0.3	7
Italy	4.0	4.2	4.5	4.3	+0.3	7
Norway	5.9	6.1	6.2	6.2	+0.3	7
Finland	5.2	5.4	5.6	5.4	+0.2	12
Austria	5.3	5.4	5.4	5.4	+0.1	13
Belgium	4.8	4.6	4.9	4.9	+0.1	13
France	4.7	4.8	4.8	4.6	−0.1	15
Germany	5.4	5.3	5.5	5.3	−0.1	15
Netherlands	6.7	6.7	6.8	6.6	−0.1	15
Switzerland	5.3	5.0	5.1	5.2	−0.1	15
Australia	5.8	5.7	5.7	5.5	−0.3	19
New Zealand	5.9	5.6	5.6	5.6	−0.3	19
Denmark	7.0	6.9	6.7	6.4	−0.6	21
Average	5.0	5.1	5.3	5.2	+0.2	

The data and formulas in the CDI have steadily improved since the first edition in 2003. To judge fairly which countries have improved most since 2003, this table applies the 2006 CDI formulas to past years. The average score climbed modestly from 5.0 in 2003 to 5.3 in 2005 but fell to 5.2 in 2006. Twice as many countries improved as deteriorated over the full period. Several pieces of good news are behind the rise. Greece, Norway, Switzerland, the United Kingdom, and the United States gave more aid. Canada, the European Union, and the United States ended quotas on imports of textiles and clothing. Belgium, Denmark, Spain, and Sweden curtailed prohibitions against pension funds investing in developing countries.

Britain tops the environment standings. It cut greenhouse gas emissions by more than 7% during 1994–2004, the last ten years for which data are available, thanks to steady increases in gasoline taxes and strong support for wind and other renewable energy sources. *Most rich countries' emissions* rose. Spain finishes low as a heavy subsidizer of its fishing industry while Japan is hurt by its high tropical timber imports. Japan is also the only holdout among CDI countries, aside from landlocked Switzerland, against the U.N. Fisheries Agreement, which is meant to limit overfishing in international waters. The U.S. ratified that agreement but not the Kyoto Protocol, the most serious international effort yet to deal with *climate change. That gap, along with high greenhouse gas* 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 riven by conflict, and they occasionally make war. Their navies keep open sea lanes vital to international trade. But rich countries also supply developing-country dictators with tanks and jets.

The CDI looks at three aspects of the security-development nexus. It tallies the financial and personnel contributions to peacekeeping operations and forcible humanitarian interventions. 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. Only four countries get points for that: France, the Netherlands, Britain, and the U.S.

Finally, the index penalizes some arms exports to undemocratic nations that spend heavily on weapons. Putting weapons in the hands of despots can increase repression at home and the temptation to launch military adventures abroad. When weapons are sold instead of being given to developing nations, this diverts money that might be better spent on teachers or transit systems. Still, because countries need guns as well as butter—arming a police force can strengthen the rule of law—the index penalizes exports to some countries but not all.

Australia and Norway share the top spot on security—Australia for its U.N.-approved action in 1999 to stop Indonesian oppression of East Timor, and Norway for steady contributions to peacekeeping operations in the former Yugoslavia and the Middle East. The U.S. scores above average overall, earning points for flexing its military muscle near sea lanes but making only average contributions to approved international interventions and losing points for its record as a leading arms merchant to Middle Eastern dictatorships such as Saudi Arabia. Japan earns a perfect score on arms exports to developing countries (it has none) but lags otherwise because of its peace constitution and minimal international military profile.

Technology

One important way that rich countries affect poorer ones over the long run is through technology transfer. For example, with medical technology from 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 new challenges for the developing world. Consider the motor vehicle, which symbolizes gridlock and pollution at least as much as it does freedom and affluence in dense and growing cities such as Bangkok.

The 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.

With rich-country technology, Latin America and East Asia have made the same gains in human health in 40 years that took Europe 150 years.

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, say, 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 an 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.

The Bottom Line

The Netherlands comes in first on the 2006 CDI on the strength of ample aid-giving, falling greenhouse gas emissions, and support for investment in developing countries. Close behind are three more big aid donors, Denmark, Sweden, and Norway. Australia takes fifth with a very different profile: low on aid but strong on trade, investment, migration, and security. Among the G-7—the countries that matter most for developing countries by dint of their economic power—Germany comes in first, followed closely by the U.K. and the U.S. Japan comes in last on the index. Like the U.S., its aid program is small for the size of its economy, and its impact all the smaller when the $7.5 billion that developing countries pay it in debt service each year is taken into account. Japan also tends to engage less with the developing world in ways measured by the index, with tight borders to the entry of goods and people from poorer countries and limited involvement in peacekeeping abroad. Still, even the number-one Dutch score only about average (near 5.0) in three of seven policy areas. All countries could do much more to spread prosperity.

Even the number-one Dutch *score only about average* (near 5.0) in three of the seven policy areas. All countries could do much more to spread prosperity.

For More Information

For the details of the 2006 CGD/FP Commitment to Development Index, see "The Commitment to Development Index: 2006 Edition," by David Roodman, available at www.cgdev.org/cdi. The website has reports on each of the 21 countries in the CDI, as well as graphs, maps, and spreadsheets. The website also has background papers for each policy area: David Roodman on foreign aid, William R. Cline on trade, Theodore H. Moran on investment, Elizabeth Grieco and Kimberly A. Hamilton on migration, B. Lindsay Lowell and Victoria Carro also on migration, Amy Cassara and Daniel Prager on environment, Michael E. O'Hanlon and Adriana Lins de Albuquerque on security, and Keith Maskus on technology.

On the relationship between foreign direct investment and developing country growth, read Theodore H. Moran, Edward M. Graham, and Magnus Blomstrom, eds., *Does Foreign Direct Investment Promote Development?* (CGD and Institute for International Economics, 2005). On the impact of skilled migration in developing countries, see Devesh Kapur and John McHale's *Give Us Your Best and Brightest* (CGD, 2005) and *Rich World, Poor World: A Guide to Global Development* (CGD, 2006).

In Trade Policy and Global Poverty (CGD, 2004), Cline puts current international trade negotiations in perspective with his estimate that complete trade liberalization by rich and poor countries would lift 500 million people out of poverty. On third world debt, see Nancy Birdsall and John Williamson, *Delivering on Debt Relief: From IMF Gold to a New Aid Architecture* (IIE, 2002), Roodman, *Still Waiting for the Jubilee: Pragmatic Solutions for Third World Debt* (Worldwatch Institute, 2001), and Todd Moss, Birdsall, and Scott Standley, *Double-Standards, Debt Treatment, and World Bank Country Classification: The case of Nigeria* (CGD, 2004).

The Migration Policy Institution and the World Resources Institute, two organizations that significantly contribute to the Index, are excellent sources of additional information. The World Bank's annual, *Global Monitoring Report*, is the institution's look at what rich countries can do to support development.

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.

Center for Global Development

1776 Massachusetts Ave., NW
Third Floor
Washington, D.C. 20036

www.cgdev.org

CGD Brief

The 2006 Commitment to Development Index: Components and Results

David Roodman

August 2006

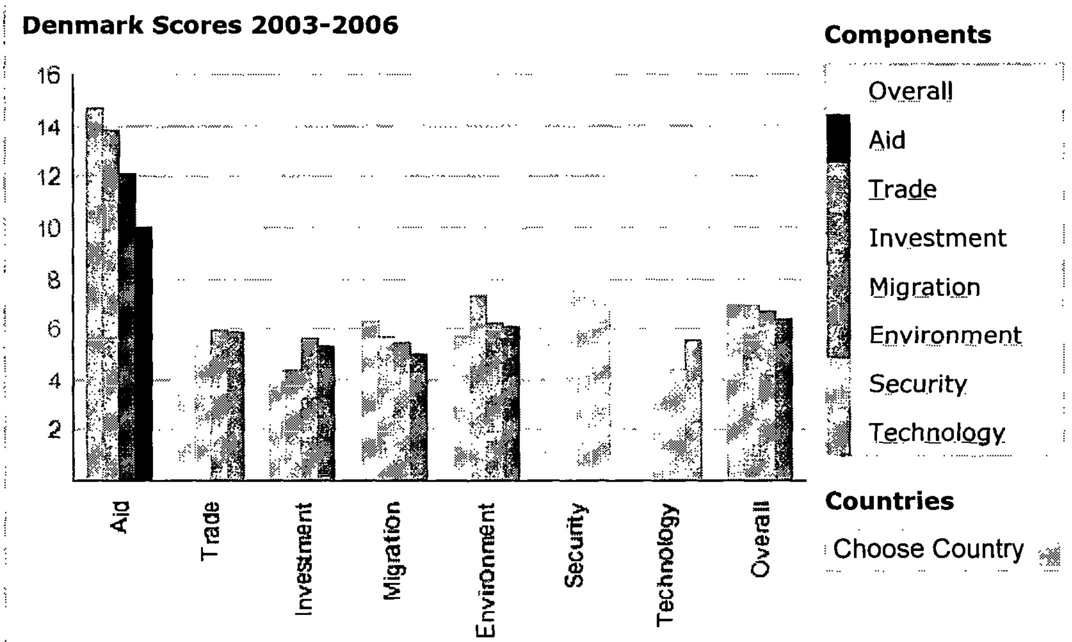
Denmark

Next Country: Finla

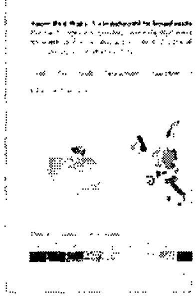
Overall score 2006: 6.4
Change since 2003: -0.6 (using 2006 methodology)

Denmark ranks 2nd overall in 2006. The Danish foreign aid program is the best in the world in terms of quantity, weighted for country size, as well as its quality. Denmark also contributes a large amount of personnel and finance to international peacekeeping and humanitarian interventions, encourages research and development, and has a strong environmental record from the perspective of poor countries. But Denmark's performance is affected by its barriers against agricultural imports from developing countries and its high fishing subsidies.

Chart |



Data Maps



Country Repo

2006 full tex
English (PDF,

2006 Results

Aid	
What it measures	Aid quality is just as important as aid quantity, so the CDI measures gross aid as a share of GNI adjusted for various quality factors: it subtracts debt service, penalizes "tied" aid that makes recipients spend aid only on donor goods and services, rewards aid to poor but relatively uncorrupt recipients, and penalizes overloading poor governments with many small projects.
Denmark Overall	• Score: 10.0 • Rank: 1
Denmark Strengths	• Very high net aid volume as a share of the economy (0.89%; rank: 2) • Prevents project proliferation; large average project size (rank: 7) • Selectivity: large share of aid to less poor and relatively less democratic governments (rank: 2)

Denmark Weaknesses	• Small amount of private charitable giving attributable to tax policy (rank by share of GNI: 14)

Trade	
What it measures	International trade has been a force for economic development for centuries. The CDI measures trade barriers in rich countries against exports from developing countries.
Denmark Overall	• Score: 5.9 • Rank: 16
Denmark Weaknesses	• High protection of agricultural commodities (rank: 16)

Investment	
What it measures	Rich-country investment in poorer countries can transfer technologies, upgrade management and create jobs. The CDI includes a checklist of policies that support healthy investment in developing countries.
Denmark Overall	• Score: 5.3 • Rank: 17
Denmark Strengths	• Employs foreign tax credits to prevent double taxation of corporate profits earned abroad • Provides official assistance to developing countries to set up investment promotion agencies
Denmark Weaknesses	• Does not screen projects for social impacts through national political risk agency • Does not allow domestic investors to take advantage of developing country tax incentives • Has yet to complete Phase 2 monitoring of implementation of the OECD Anti-Bribery Convention • Does not participate in the Extractive Industries Transparency Initiative (EITI) • Does not provide official support for outflows of portfolio investment

Migration	
What it measures	The movement of people from poor to rich countries provides unskilled immigrants with jobs, income and knowledge. This increases the flow of money sent home by migrants abroad and the transfer of skills when the migrants return.
Denmark Overall	• Score: 5.0 • Rank: 7
Denmark Strengths	• Bears large share of the burden of refugees during humanitarian crises (rank: 3) • Large increase during the 1990s in the number of unskilled immigrants from developing countries living in Denmark (rank by share of population: 8) • No tuition fee for foreign students
Denmark Weaknesses	• Small number of immigrants from developing countries entering Denmark in 2004 (rank by share of population: 15)

Environment	
What it measures	Rich countries use a disproportionate amount of scarce resources, and poor countries are most vulnerable to global warming and ecological deterioration, so

	the CDI measures the impact of policies on the global climate, fisheries and biodiversity.
Denmark Overall	• Score: 6.1 • Rank: 11
Denmark Strengths	• Policy to regulate imports of illegally cut timber • Large decline in greenhouse gas emissions rate in 1994-2004 (average annual growth rate/PPP GDP, -4.2%; rank: 2)
Denmark Weaknesses	• High fishing subsidies (rank: 21) • High greenhouse gas emissions rate per capita (13 tons of carbon dioxide equivalent; rank: 13)

Security	
What it measures	Since security is a prerequisite for development, the CDI rewards contributions to internationally sanctioned peacekeeping operations and forcible humanitarian interventions, rewards military protection of global sea lanes, and penalizes arms exports to poor and undemocratic governments.
Denmark Overall	• Score: 6.9 • Rank: 4
Denmark Strengths	• Significant financial and personnel contributions to internationally sanctioned peacekeeping and humanitarian interventions (overall contribution rank over last 10 years by share of GDP: 5) • No arms exports to poor and undemocratic governments
Denmark Weaknesses	• No protection of global sea lanes

Technology	
What it measures	Rich countries contribute to development through the creation and dissemination of new technologies. The CDI captures this by measuring government support for R&D and penalizing strong intellectual property rights regimes that limit the dissemination of new technologies to poor countries.
Denmark Overall	• Score: 5.5 • Rank: 7
Denmark Strengths	• High tax subsidy rate to businesses for R&D (17.8%; rank: 6) • Low share of government R&D expenditure on defense (0.5%; rank: 5)
Denmark Weaknesses	• Offers patent-like proprietary rights to developers of data compilations, including those assembled from data in the public domain • Imposes strict limitations on anti-circumvention technologies that can defeat encryption of copyrighted digital materials

1776 Massachusetts Avenue NW, Third Floor, Washington DC 20036
Tel 202.416.0700 | Fax 202.416.0750

Center for Global Development

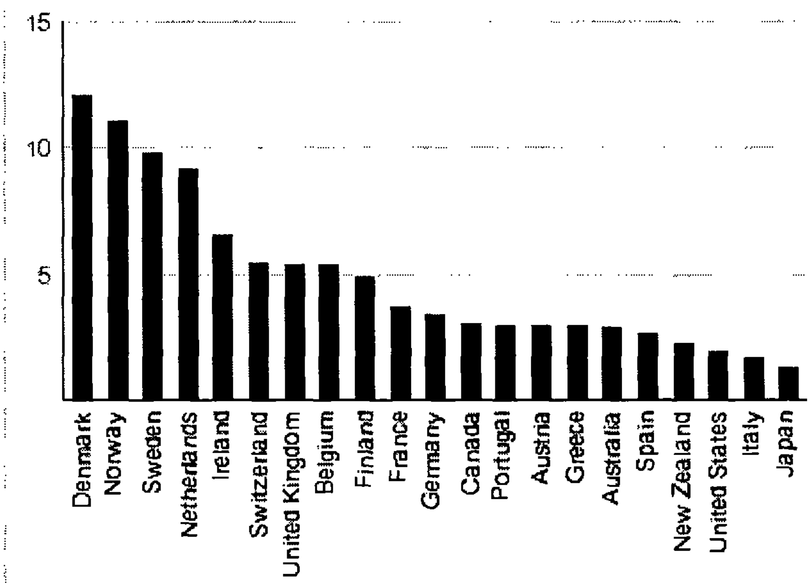
Aid

Next Component: Tra

Foreign aid is the first policy that comes to mind when people in rich countries think of helping poorer countries. The aid component of the CDI moves beyond standard but narrow comparisons of the quantity of aid governments give, factoring in quality too. It penalizes donors for giving aid to rich or corrupt governments, for overburdening recipients with lots of small aid projects, or for "tying" aid, which forces recipients to spend it on the donor country's own goods rather than shop around for the lowest price. The component also rewards tax deductions and credits that support private charity.

Chart | Trends |

Aid Scores 2006



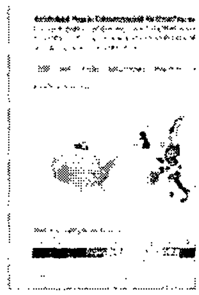
Components

Overall
Aid
Trade
Investment
Migration
Environment
Security
Technology

Countries

Choose Country

Data Maps



Resources on

Topic overview
Publications
Experts

Aid Summary

Most comparisons between donors are based on how much aid each gives, either in absolute terms or as a percentage of gross domestic product. For the CDI, quantity is merely a starting point in a review that als assesses aid quality. The index penalizes tied aid, which recipients are required to spend on products from the donor nation; this prevents them from importing from elsewhere 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, uncorrupt nations. Aid to both Israel and Iraq, for instance, is counted at 10¢ on the dollar, since Israel is hardly poor and in Iraq corruption 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 78¢ 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 quarterly 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 counts only private giving that is attributed to tax incentives. Private giving to developing countries is higher in the U.S. than in most countries, at 10¢ per person per day. But even adding that to the 19¢ a day in government aid leaves the U.S. well short of donors such as Sweden and Denmark, whic give 86¢ and $1.08 a day in government aid alone.

The differences between countries in raw aid quantity are dramatic, and as a result they heavily influence the overall aid scores. The Netherlands and the Scandinavian countries take the top four slots on aid, whil Japan and the U.S. end up near the bottom. But quality matters too. Norway ties Denmark for first on shear aid quantity as a share of GDP, but falls to third in the CDI for funding smaller projects and being less selective. And the U.S. would score higher if it did not tie 70% of its aid and gave less to autocrats in Russia, Jordan, Pakistan, and other countries.

For more, go Inside the Index.

1776 Massachusetts Avenue NW, Third Floor, Washington DC 20036
Tel 202.416.0700 | Fax 202.416.0750

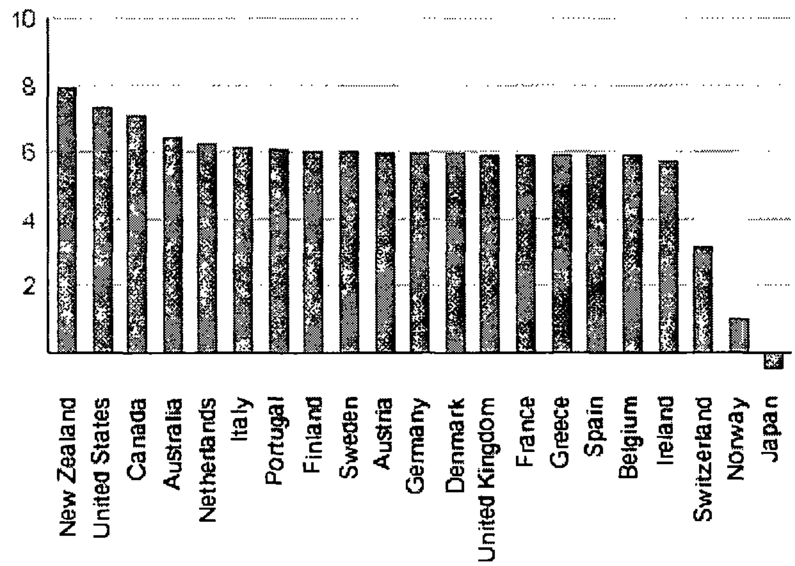
Trade

Next Component: Investm

The trade component of the CDI penalizes countries for erecting barriers to imports of crops, clothing, and other goods from poor nations. It looks at two kinds of barriers: tariffs (taxes) on imports, and subsidies for domestic farmers, which stimulate overproduction and depress world prices. Such barriers deny people in poor countries jobs and income.

Chart | Trends |

Trade Scores 2006



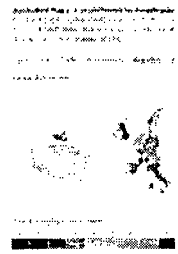
Components

Overall
Aid
Trade
Investment
Migration
Environment
Security
Technology

Countries

Choose Country

Data Maps



Resources on

Topic overview
Publications
Experts

Trade Summary

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 been able to call the shots, their barriers t some of the goods poor countries are best at producing—including crops—have largely stayed in place. Ye 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. CGD Senior Fellow William Cline calculates that if rich countries dropped all remaining trade barriers, it would lift 200 million people out of poverty.

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. New Zealand does best on trade in the 2006 index, with Australia, Canada, and the U.S. not far behind. The latter two, along with European Union nations, gained points in 2005 for keeping a commitment negotiated in 1994 to abolish quotas on textile and apparel imports. 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. In last place is Japan, whose tariffs on rice average 900%.

For more, go Inside the Index.

1776 Massachusetts Avenue NW, Third Floor, Washington DC 20036
Tel 202.416.0700 | Fax 202.416.0750

Center for Global Development

Contact Us | Support CGD

Search

HOME INITIATIVES RESEARCH TOPICS PUBLICATIONS OPINIONS
EVENTS EXPERTS ABOUT US

HOME > INITIATIVES > COMMITMENT TO DEVELOPMENT INDEX 2006 > Send to Prin

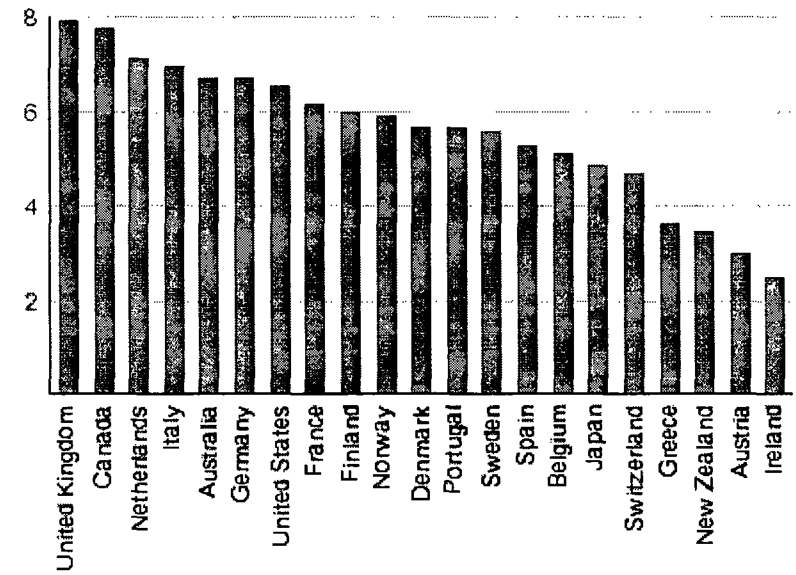
Investment

Next Component: Migrat

The investment component of the CDI compares rich countries on policies that encourage constructive investment in poor countries. It is based on a checklist of 22 questions. For example, do governments allow public pension funds to invest in poor countries? Do they offer insurance against political risks, such as expropriation, to encourage domestic companies to venture abroad? Do they first check for potential environmental and labor rights abuses in factories to be insured?

Chart | Trends |

Investment Scores 2006



Components

Overall
Aid
Trade
Investment
Migration
Environment
Security
Technology

Countries

Choose Country

Data Maps

Resources on

Topic overview
Publications
Experts

Investment Summary

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. Angola's government, which reaps massive oil revenues from foreign firms, reportedly "lost" or misspent $4.5 billion in five years, equivalent to nearly a tenth of its GDP.

The index 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; an 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 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 explo workers? Do they have tax provisions or treaties to prevent overseas investors from being taxed both at home and in the investment country?

The lowest scorers are Austria, which restricts pension fund investments in developing countries, and Ireland and New Zealand, which do not provide political risk insurance and do little to prevent double taxation. 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 countries such as Angola and Sierra Leone.

For more, go Inside the Index.

1776 Massachusetts Avenue NW, Third Floor, Washington DC 20036
Tel 202.416.0700 | Fax 202.416.0750

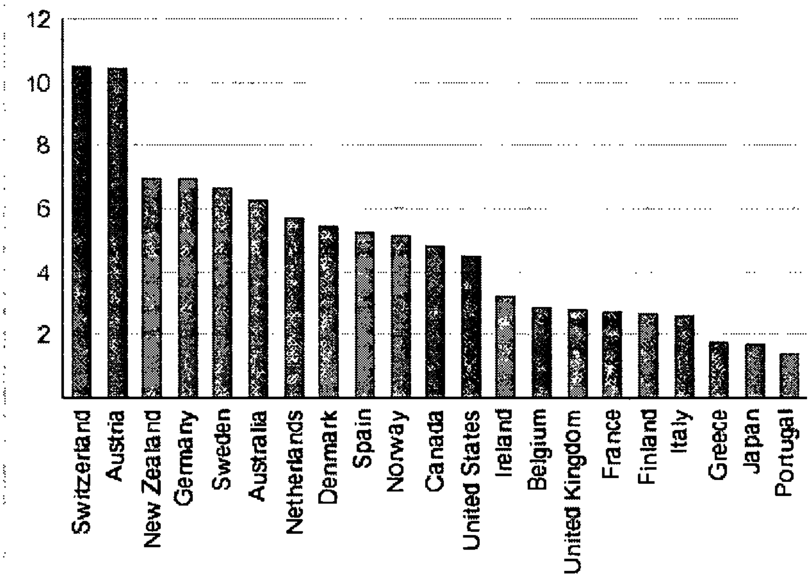
Migration

Next Component: Environm

The migration component of the CDI compares rich countries on how easy they make it for people from poor ones to immigrate, find work or get education, send home money--and even return home with new skills and capital.

Chart | Trends |

Migration Scores 2006



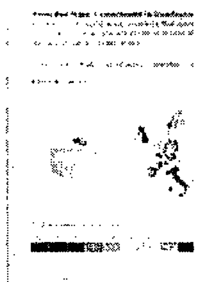
Components

Overall
Aid
Trade
Investment
Migration
Environment
Security
Technology

Countries

Choose Country

Data Maps



Resources on

Topic overview
Publications
Experts

Migration Summary

Some 175 million people today—one in 40—do not live in the country where they were born. That number should grow as aging rich societies run short of workers, which 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. Latin America received $32 billion in remittances in 2002, six times what it received in foreign aid.

Some immigrants from developing countries, especially students, pick up skills and bring them home—engineers and physicians as well as entrepreneurs who, for example, start computer businesses. But emigration has been blamed for emptying Ghanaian clinics of nurses, who can earn far more in London hospitals.

The CDI rewards immigration of unskilled people more than skilled. One indicator used in the index is the gross inflow of migrants from developing countries in a recent year, including unskilled and skilled immigrants but leaving out illegals. Another is the net increase in the number of unskilled immigrant residents from developing countries during the 1990s. The index also uses indicators of openness to students from poor countries and aid for refugees and asylum seekers.

Austria takes first for "importing" the most labor for their size, especially unskilled labor, with Switzerland not far behind. At the bottom is Japan, whose population of unskilled workers from developing countries actually shrank during the 1990s. The U.S., the great nation of immigrants, scores a surprisingly mediocre 4.6. Why? For its size, its inflow of legal immigrants and refugees is actually low compared to many European nations.

For more, go Inside the Index.

1776 Massachusetts Avenue NW, Third Floor, Washington DC 20036
Tel 202.416.0700 | Fax 202.416.0750

Center for Global Development

Contact Us | Support CGD

Search

HOME | INITIATIVES | RESEARCH TOPICS | PUBLICATIONS | OPINIONS | EVENTS | EXPERTS | ABOUT US

HOME > INITIATIVES > COMMITMENT TO DEVELOPMENT INDEX 2006 >

Send to Prin

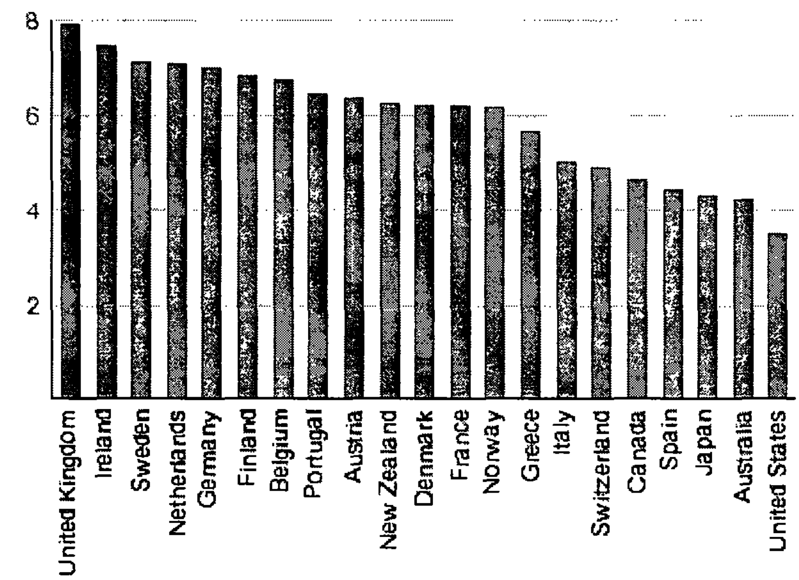
Environment

Next Component: Secur

The environment component of the CDI compares rich countries on policies that affect shared global resources such as the atmosphere and oceans. Rich countries use these resources disproportionately while poor ones are less equipped to adapt to the consequences, such as global warming. Countries do well if their greenhouse gas emissions are falling, if their gas taxes are high, if they do not subsidize the fishing industry, and if they control imports of illegally cut tropical timber.

Chart | Trends |

Environment Scores 2006



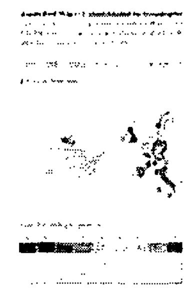
Components

Overall
Aid
Trade
Investment
Migration
Environment
Security
Technology

Countries

Choose Country

Data Maps



Resources on Environment

Topic overview
Experts

Environment Summary

A healthy environment is sometimes dismissed as a luxury for the rich. But people cannot live without a well-functioning environment. And poor nations have weaker infrastructures and fewer social services than rich countries, making the results of, for example, climate change—like floods, droughts, and the spread o infectious diseases—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, for example by importing commodities such as tropical timber? Do they subsidize fishing fleets that deplete fisheries off the coasts of such countries as Senegal and India?

Britain tops the environment standings. It cut greenhouse gas emissions by more than 7% during 1994–2004, the last ten years for which data are available, thanks to steady increases in gasoline taxes and strong support for wind and other renewable energy sources. Most rich countries' emissions rose. Spain finishes low as a heavy subsidizer of its fishing industry while Japan is hurt by its high tropical timber imports. Japan is also the only holdout among CDI countries, aside from landlocked Switzerland, against the U.N. Fisheries Agreement, which is meant to limit overfishing in international waters. The U.S. ratified that agreement but not the Kyoto Protocol, the most serious international effort yet to deal with climate change. That gap, along with high greenhouse gas 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.

For more, go Inside the Index.

1776 Massachusetts Avenue NW, Third Floor, Washington DC 20036
Tel 202.416.0700 | Fax 202.416.0750

Center for Global Development

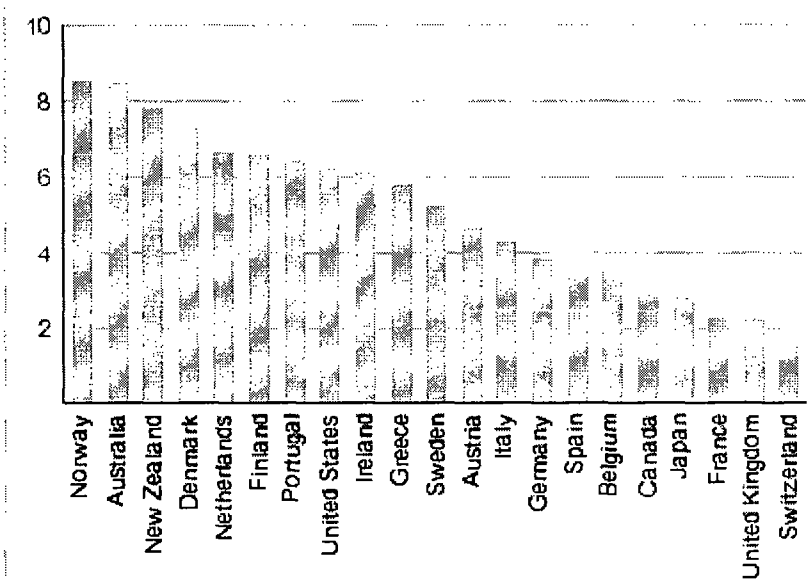
Security

Next Component: Technolo

The security component of the CDI compares rich countries on military actions that affect developing countries. Rewarded are contributions to international peacekeeping and forcible humanitarian interventions that have an international mandate—unlike the invasion of Iraq but like the NATO intervention in Kosovo. Countries also get points for protecting sea lanes for global trade, but lose them for exporting weapons to authoritarian regimes with heavy military spending.

Chart | Trends |

Security Scores 2006



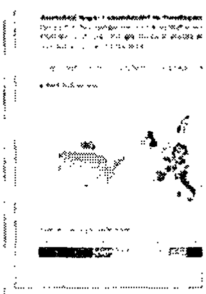
Components

Overall
Aid
Trade
Investment
Migration
Environment
Security
Technology

Countries

Choose Country

Data Maps



Resources on

Topic overview
Publications
Experts

Security Summary

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

The CDI looks at three aspects of the security-development nexus. It tallies the financial and personnel contributions to peacekeeping operations and forcible humanitarian interventions, although it counts only operations approved by an international body such as the U.N. Security Council or NATO (thus the invasio of Iraq does not count). It also rewards countries that base naval fleets where they can secure sea lanes vital to international trade. Only four countries get points for that: France, the Netherlands, the U.K., and the U.S.

Finally, the index penalizes some arms exports to undemocratic nations that spend heavily on weapons. Putting weapons in the hands of despots can increase repression at home and the temptation to launch military adventures abroad. When weapons are sold instead of being given to developing nations, this diverts money that might be better spent on teachers or transit systems. Still, because countries need guns as well as butter—arming a police force can strengthen the rule of law—the index penalizes exports *to some countries but not all.*

Australia and Norway share the top spot on security—Australia for its U.N.-approved action in 1999 to sto Indonesian oppression of East Timor, and Norway for steady contributions to peacekeeping operations in the former Yugoslavia and the Middle East. The U.S. scores above average overall, earning points for flexing its military muscle near sea lanes but making only average contributions to approved international interventions and losing points for its record as a leading arms merchant to Middle Eastern dictatorships such as Saudi Arabia. Japan earns a perfect score on arms exports to developing countries (it has none) but lags otherwise because of its peace constitution and minimal international military profile.

For more, go Inside the Index.

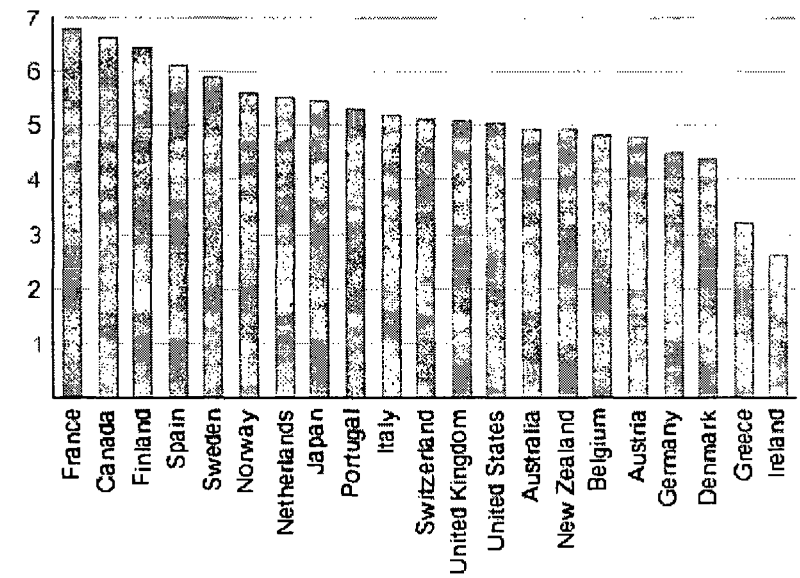
1776 Massachusetts Avenue NW, Third Floor, Washington DC 20036
Tel 202.416.0700 | Fax 202.416.0750

Technology

The technology component of the CDI analyses policies of the rich countries that support creation and dissemination of new technologies, which can profoundly shape life in developing countries. The component rewards government funding and tax breaks for research and development but penalizes certain patent and copyright rules deemed too restrictive to the flow of ideas across borders.

Chart | Trends |

Technology Scores 2006



Components

Overall

Aid

Trade

Investment

Migration

Environment

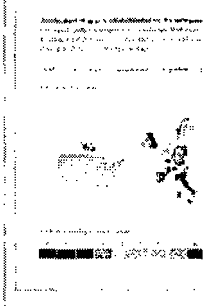
Security

Technology

Countries

Choose Country

Data Maps



Resources on

Publications

Making Market

Experts:

Michael Kreme
Fellow

Ruth Levine, D
Programs and

Technology Summary

One important way that rich countries affect poorer ones over the long run is through technology transfer 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 new challenges for the developing world: consider the motor vehicle, which symbolizes gridlock and pollution at least as much as it does freedom and affluence in dense and growing cities such as Bangkok. The index rewards polices tha 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, say, 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.

For more, go Inside the Index.

1776 Massachusetts Avenue NW, Third Floor, Washington DC 20036
Tel 202.416.0700 | Fax 202.416.0750