EXPLANATION OF SCORING SYSTEM

Assessing Developed Country Efforts to Support Developing Country Growth via Foreign Direct Investment

What kinds of measures can developed countries take to facilitate the flow of foreign direct investment to developing countries, and ensure that the projects involved support (and do not detract from) host country growth and welfare?

This assessment is derived from *Harnessing Foreign Direct Investment for Development*, Theodore H. Moran, Center for Global Development, 2006.

Developed Country Measures to Help Developing Countries Benefit from FDI

Providing an answer to the question of how developing countries can facilitate the flow of foreign direct investment to developing countries, and ensure that the projects involved support (and do not detract from) host country growth and welfare, involves a certain amount of conjecture.

Surveys of what international investors say they want in order to engage in FDI compile long wish-lists of subsidies and special favors that might or might not be decisive in influencing any given investment decision, and might or might not be desirable to help host country development.

Measurements of “additionality” – the amount of “extra” FDI generated by a given developed country policy tool, the reduction in FDI that would take place “but for” a given developed country action – have been notoriously difficult to construct.

Developed country policy measures that are strongly advocated by the multinational investment community sometimes – as reported later – show no statistical correlation whatsoever with the actual outcomes of international investment flows.

Despite the uncertainties about which developed country instruments affect outward flows of international investment to developing countries by how much, the following sections point to three areas in which developed countries policies are clearly important. These are 1) provision of national or multilateral political risk insurance; 2) avoidance of double taxation of profits earned abroad; and 3) regulation to combat bribery and to prevent diversion of public revenues to private pockets.

At the same time, some developed country policy actions clearly hinder outward FDI flows. For example, national, state, and municipal authorities in the developed world often offer substantial packages of locational incentives to attract multinational investors to their own economies, or to keep them from leaving. The potency of these locational incentives in dampening and discouraging outflows of FDI to developing countries has been growing over time.

Finally, there is a significant interaction between trade liberalization and the facilitation of FDI that extends beyond the scope of this assessment. Multilateral trade liberalization, and bilateral or regional trade agreements, have as a byproduct the stimulation of foreign direct investment flows among the participants. Conversely, developed country protection against imports and subsidies for local production (such as agricultural support programs) undermine the ability of international investors to use poor host economies as platforms for export. Antidumping regulations that are filed for reasons other than international price discrimination have the protectionist effect of deterring foreign investment – developing countries with a comparative advantage in industries that range from processed seafood and fruit juices, to manufactured products, to chemicals and petrochemicals, find exporters, including foreign-owned exporters, penalized and discouraged from expanding investment.

The Rationale for Public Support: Market Failures and Externalities

What does it mean for developed countries to “facilitate”, “support”, or “promote” flows of foreign direct investment to the developing world?

On the one hand, it could mean that developed countries simply remove barriers in the way of outward FDI flows to developing countries, but do not take special measures to encourage such flows.

On the other hand, it could mean that developed countries design policies that explicitly discriminate in favor of outward investment to developing countries – tilting the playing field, so to speak, to reward outward FDI to the developing world more generously than other kinds of investment.

In between, it could mean that developed countries devise mechanisms to correct for market failures that hinder flows of foreign direct investment to developing countries, when such flows generate externalities for the capital-importing and capital-exporting countries involved.

This assessment includes the first and the last approaches to public support – removal of barriers to investment flows, along with light-handed measures to overcome market failures and allow enjoyment of externalities.

Appropriately structured FDI projects in manufacturing and assembly can make a strongly positive contribution to host country development, adding to the capital base, improving efficiency in use of local resources, and altering the production frontier of the host economy.

Vital to the discussion here, however, FDI in manufacturing and assembly can also generate externalities – economic and social benefits for the host country beyond what can be appropriated by the investors themselves. Foreign investment projects not only utilize host country resources more productively and make a larger contribution to host country growth than domestic investment, but they also train workers and managers who leave the foreign firm and move throughout the host economy, and transfer technology, management techniques, and quality control procedures to other firms in the host country (in particular, in a vertical direction to suppliers, but also sometimes in a horizontal direction to rivals).

FDI in natural resources and infrastructure can also make a substantial contribution to host country development. Petroleum and mining industries generate resource rents, a large portion of which can be taxed away by public authorities – if corruption and diversion are prevented – for broad public use. Well-functioning infrastructure allows local businesses to operate more competitively, expanding employment and generating more rapid economic growth.

Outward investment from developed countries – conventional wisdom notwithstanding – actually enhances the export performance of home-based firms that make the investment, improves the proportion of high wage-high benefit jobs in the home economy, and reinforces the stability of earnings in communities where globally-engaged firms are located.

Vital to the discussion here, once again, is the discovery of externalities – that the social value of the global trade-and-investment-related activities to the home economy is larger than the benefits that can be captured by the firms that undertake the outward investment.

Thus, not only can FDI from developed to developing countries enhance welfare, growth, and the creation of good jobs in both capital-exporting and the capital-importing states, but also generate externalities for both sides in the process.

These beneficial results and positive externalities do not, however, emerge from every FDI project. Some FDI projects detract from welfare. Some FDI revenues are diverted to corrupt officials.

Thus, within the mechanisms to facilitate FDI flows to developing countries, there is a rationale for developed countries to separate out those investment projects that do provide positive benefits to both sides, from those that do not, and to support the former but not the latter – or, to take measures to turn the latter into the former.

Provision of Publicly-Backed Political Risk Insurance

The inability to make credible commitments about the treatment of foreign investors that endure from one minister to the next, or from one government administration to the next, constitutes a market failure for many developing countries. Breach of contract occurs most frequently in natural resource and infrastructure projects, but is present in other sectors as well.

“Pioneer projects” and “first movers” are particularly prone to the dynamics of the “obsolescing bargain”, but later investors are subject to this same process of forced contract-renegotiation as well, especially if they involve large fixed investments and long payback periods: precisely the kinds of projects, paradoxically (and perversely), that are likely to generate substantial externalities for the host economy.

Private political risk insurers – such as Lloyds of London, Zurich, or AIG -- can play only a limited role in dealing with breach of contract. They offer compensation if host countries take political actions that damage the project covered. The existence of private insurance policies is often kept secret, so that host authorities do not single out well-covered projects for harsh treatment (knowing that the investor will not actually suffer large losses).

Quasi-official political risk insurance, such as that provided by multilateral lending agencies like the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group, or by regional development banks such as the Inter-American Development Bank, or by national agencies such as the Overseas Private Investment Corporation (OPIC) of the United States, also offer compensation.

But their "extra" facilitative support for investors comes in the form of *deterrence* against hostile actions on the part of the host authorities.

As a consequence, official political risk insurance – from a national or multilateral provider – can help provide credibility to host country promises about treatment of foreign investment projects, especially politically sensitive projects. The presence of multilateral or national political risk insurers in a project aids in overcoming the market failure associated with imperfect contracts by helping host authorities to "bind the hands" of themselves and their successors, to limit opportunistic behavior.

Official political risk insurers – especially MIGA, or the counterpart in a regional multilateral development bank like the Inter-American Development Bank, Asian Development Bank, or the European Bank for Reconstruction and Development – can help mediate potential disputes behind the scenes before they become actual claims.

The involvement of national or multilateral insurers thus provides comfort to foreign investors as they contemplate a risky project. But the rationale for official "support" does not extend to a subsidized rate for the insurance. It would be inappropriate for a multilateral guarantee agency such as MIGA, or a national political risk insurer such as OPIC, to use the ability to borrow with the full faith and credit of the World Bank or the US Treasury to under-price insurance from private suppliers or drive them out of business.

Investigating and comparing rates of official and private-sector political risk insurers is not easy. Private insurers do not make the rates they actually charge clients public. Private insurers sometimes provide global policies across bundles of countries and sectors, and give a portfolio discount. Private insurers often offer multiple kinds of insurance, adding property or casualty coverage to political risk insurance, and perhaps other business services as well.

A study using confidential internal data, commissioned by the Overseas Private Investment Corporation from a prominent Lloyds broker, compared OPIC's insurance rates with comparable private sector coverage, and found that in many cases OPIC's premiums were actually higher than private premiums, notwithstanding OPIC's ability to raise capital with the backing of the US government.[1] In general, OPIC rates appeared to be lower than those of the private sector in high-risk markets and higher in low-risk

[1] Berry, Palmer & Lyle. 1998. *A Study of the Political Risk Insurance Premium Structure of the Overseas Private Investment Corporation*. London: Berry, Palmer & Lyle.

markets (in part due to less vigorous competition among private insurers in the former and more vigorous competition in the latter).

One method to maintain the deterrence benefit from official coverage while avoiding inappropriate pricing on the part of official insurers might be found in structures like MIGA's Cooperative Underwriting Program (CUP). The CUP arrangement essentially allows MIGA to take the lead in syndication, with the participants receiving a common insurance rate that they all agree upon. MIGA acts as the insurer of record, and takes the lead in pursuing recovery in the event of a loss, providing the "halo" of deterrence for all participants.

Facilitating outward FDI to developing countries therefore requires policies that allow firms in the home country to participate in the political risk insurance of multilateral lending institutions. Japanese investors, for example, can take advantage of the services of MIGA since Japan is a member of MIGA. The contrary case might be New Zealand, since New Zealand investors cannot -- New Zealand is not a member of MIGA. In ranking the performance of developed countries in facilitating FDI flows to the developing world, Japan would receive credit in this category; New Zealand would not.

> **Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).**

It is important that official political risk insurers not provide coverage indiscriminately, without evaluating the positive or negative consequences of the investment. The evidence examined there indicated that FDI in manufacturing and assembly subtracted from host country output when it involved projects oriented toward small, protected local markets.

Here many developed countries would receive a poor grade. A survey of 19 developed countries with political risk guarantee agencies, in 2005, showed that 18 (including those in the United Kingdom, Canada, France, Germany, Italy, and Japan) do not screen projects to disqualify those that depend upon protection to survive.[2]

More damaging, the community of developed countries has failed to exert pressure upon multilateral guarantee agencies where they have a strong voice – such as the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group, or the Inter-American Development Bank, the Asian Development Bank, and the European Bank for Reconstruction and Development – to initiate such a screening process within these institutions.

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[2] Foreign Policy/Center for Global Development Commitment to Development Index 2005.

Multilateral or national political risk insurers behave in a counterproductive manner when they spread the umbrella of their support over projects that harm host country growth. To avoid this, they need a vetting process that identifies and refuses support for FDI undertaken behind trade barriers to substitute for imports. In this context, the use of project profitability as the sole criterion for providing coverage is not at all sufficient, since many projects that rely on trade protection turn out to be veritable cash-cows for the parent investor.

As part of the determination of eligibility, official political risk insurers should also ensure that projects meet the World Bank's baseline environmental guidelines (including requirements for pre-investment environmental impact assessments for sensitive projects), arrange for follow-up monitoring to be carried out by qualified independent auditors, and provide for the results to be made public on a timely basis with wide local disclosure. Projects that are rejected on environmental grounds should be so-identified.

Of the 21 principal capital-exporting developed countries, only Ireland and New Zealand do not have a national political risk insurance agency that screens the applications of outward investors for compliance with the World Bank's baseline environmental guidelines.[3]

Turning to evaluation of the effects of outward investment projects on the home economy, national political risk insurers have a legitimate right to assess the impact of providing coverage for a proposed applicant on domestic workers and communities. To accomplish this, the test for support should be what would happen in the home economy if a given proposed investment did *not* take place.

The rigorous answer is that in the great majority of cases the home economy would be less vibrant, the competitive base of investor would be weaker, and the number of high-productivity jobs paying favorable wages and benefits would be smaller. Keeping firms at home – or denying them help to overcome market failures in moving abroad – would leave the home economy *worse off* than is the case when they are able to take advantage of opportunities around the world.

The appropriate test for home country support is not, would this outward investment project result in any job loss? The appropriate test is not even, would this outward investment project help or hurt the current net employment rate?

But some national political risk insurers are forbidden to consider support for outward investment in projects if a plant is to be closed or some workers are to be laid off. Some national political risk insurers are not permitted to provide support at all for outward investment on the part of firms in "sensitive sectors" of the home economy, such as textiles, footwear, electronics, auto parts, and steel.

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[3] Foreign Policy/Center for Global Development Commitment to Development Index 2005.

Such prohibitions are inappropriately restrictive – since they do not comply with the "better-or-worse-off-if-the-investment-were-not-made?" test -- and do not serve the interests of the home economy or the interests of the developing world. Developed countries with such prohibitions should receive poor marks as facilitators of FDI flows to the developing world. Six of 19 developed countries with national political risk insurance agencies apply badly-conceived home country economic tests to projects, including Austria, Greece, Japan, Sweden, and Switzerland.[4]

Which firms in the home country should be eligible for national political risk insurance?

Here there has been a pronounced transformation of analytic perspective over the past decade. Originally, when national political risk insurance agencies were launched, the prevailing approach was that home country support should be limited to home country companies. But debate about "Who is US?" has transformed the notion of which firms should be eligible, shifting away from narrow nationality-of-ownership criteria to broader criteria related to the extent to which firm operations touch the lives of workers, managers, suppliers, and communities on the ground in the home economy, independent of who owns the firm.

According to the new criteria, any firm that has a significant presence in the home market deserves support in using that home market as a hub for investment in the developing world. On this basis, companies of any national origin with a significant presence in Canada, for example, are eligible to purchase political risk coverage from Export Development Canada.

Restricting national political risk coverage to firms that are wholly-owned (or even majority-owned) by home country nationals does not maximize the benefit from outward investment for the home country, nor maximize the benefit from inward investment for the developing world.

In the United Kingdom, in contrast to Canada, only companies of UK origin can purchase political risk coverage from the UK Export Credit Guarantee Department (ECGD). The interests of both home and host countries would be better served if the United Kingdom's ECGD provided political risk coverage for outward investment from any firm with a substantial presence in the UK home market. Five of 19 developed countries with national political risk insurances agencies limit coverage to nationally-owned firms, including Greece, Sweden, and Switzerland, as well as the United Kingdom.[5]

Finally, the screening mechanisms that multilateral and national political risk insurers set up can be important monitors for evidence of bribery and corruption. To be sure, political risk insurers – as a rule -- are not structured or empowered to engage in formal investigation of wrongdoing, but they can be careful to refuse to insure projects of

[4] Foreign Policy/Center for Global Development Commitment to Development Index 2005.

[5] Foreign Policy/Center for Global Development Commitment to Development Index 2005.

questionable character, and watchful to turn evidence of misbehavior over to the appropriate justice authorities, as discussed infra.

> **Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.**

Mechanisms to Avoid Double Taxation

A foreign investor may be exposed to double taxation if the investor is required to pay an income tax or royalty to the host government, and then again to the home government when the income from the developing country project is remitted or consolidated with its home country earnings.

Double taxation constitutes a barrier to the foreign investment process. A tax sparing agreement, or the use of a foreign tax credit, can eliminate this obstacle.

In addition, a tax sparing agreement helps the developing country to attract foreign direct investment by offering a low tax rate or a tax holiday. If a host country were to grant a 10% tax rate to foreign investors, or award a “pioneer status” tax holiday to foreign investors, the home country would simply collect the difference between the host country rate and the home country rate when the foreign earnings were repatriated or consolidated if there were no tax sparing arrangement.

Some tax regimes that avoid double taxation may be more efficient than others, but it is difficult to evaluate how much of a difference alternative approaches make. Some researchers argue that tax sparing regimes make a large difference in facilitating foreign direct investment in comparison to foreign tax credit regimes; others dispute this and argue that the two are not very different in practice.

Ten of the 21 principal capital-exporting developed countries have tax regimes that do not allow foreign investors to enjoy the benefits of developing country tax incentives, including Australia, Austria, Belgium, Denmark, Greece, Netherlands, Norway, Spain, Sweden, and Switzerland.[6] Two of these countries do not allow foreign investors a

[6] Foreign Policy/Center for Global Development Commitment to Development Index 2005.

foreign tax credit at all, but only allow them to count foreign taxes as a business expense (Austria and Belgium).

Multinational business groups have long contended that bilateral investment treaties (BITs) are essential not only to avoid double taxation but to stimulate FDI flows more generally.[7] But there is remarkably little support for this latter assertion. In 1998, UNCTAD tested whether the number of BITs signed by any given host was correlated with the amount of FDI it received. It found no evidence that BITS increased flows of foreign direct investment.[8]

In 2003, Mary Hallward-Driemeier tried a retest that examined the bilateral flows of OECD members to 31 developing countries over twenty years.[9] The analysis showed that countries that had concluded a BIT were no more likely to receive additional foreign direct investment than were countries without such a pact.

Driemeier then investigated whether a BIT might act as a signaling device that would draw multinational investors' attention to a particular country, generating an increase in flows following completion of the BIT agreement. But there was no significant increase in foreign direct investment in the three years after a BIT was signed in comparison to FDI during the three years preceding the negotiation. Finally, investigating whether the presence of a BIT affected the relative amount of FDI from a given developed country to a given developing country, no statistically significant correlation emerged.

> **Scoring Formula: A country will receive 20 points if it uses tax sparing provisions and 18 points if it uses a foreign tax credit. It will be penalized if it relies on individual BITs to avoid double taxation, depending upon the extent of BIT coverage. The country will be penalized 6 points if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries. It will be penalized 10 points if it allows foreign taxes as an expense, not a credit.**

Developed Country Efforts to Prevent Bribery and Corrupt Practices

The OECD Anti-Bribery Convention of 1997 has become the central international mechanism to ensure developed country prosecution of corrupt payments from multinational investors to public officials in developing countries. As of 2005, all 30

[7] E.g. "Businesses Call for Ambitious FTAA in Light of Failed WTO Talks", *Inside US Trade*, September 10, 2003, p. 1.

[8] UNCTAD (United Nations Commission on Trade and Development), *World Investment Report* (New York: United Nations, 1998).

[9] *Global Economic Prospect and the Developing Countries 2003: Investing to Unlock Global Opportunities* (Washington, DC: The World Bank, 2003), p. 129.

OECD members and six non-members have enacting anti-bribery laws based on the OECD Convention, making a bribe by one of their multinationals to an official in a developing country a punishable offense.[10]

Signatories to the OECD Anti-Bribery Convention then go through a two phase peer-review examination process. Phase 1 involves an assessment of the conformity of the country's anti-bribery laws with the OECD convention. Phase 2 consists of one week of intensive meetings in the examined country between experts from other OECD states and key actors from government, business, trade unions and civil society to assess how effectively that country's anti-foreign bribery laws function in practice.

As of 2005, Phase I has been completed for the 35 of the 36 signatories, with one country remaining to be examined. Fifteen countries, including the G7, have completed Phase 2. The remainder are scheduled to be completed by 2007.

Turning next to the expansion of publish-what-you-pay and publish-what-you-spend practices, developed country authorities and multilateral agencies can only achieve limited progress on their own. Vital to this endeavor is the endorsement and wholehearted participation of developing country authorities – requiring all potential investors to take part, including public and private companies from home countries that do not require such transparency. Developed countries have a role in encouraging developing countries with whom they have special relationships to take part. They can also contribute to the World Bank's Trust Fund, and provide bilateral support to build independent monitoring capacity within individual developing countries and sponsor widespread timely disclosure. Ultimately developed countries may decide that it is counterproductive to continue to provide assistance – including multilateral financial assistance – to developing countries that do not take part in the Extractive Industries Transparency Initiative, the Kimberly Process (for diamonds), and other such programs.

> **Scoring Formula: A country will receive 10 points if it has completed Phase II examinations, 6 points if Phase II examinations will not be completed until 2007, and zero points if Phase II examinations have yet to be scheduled. A country will receive up to 16 points for participation in the Extractive Industries Transparency Initiative (EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points if it scores in the first quintile (lowest reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points in the second quintile, 2 points in the third quintile, 1 point in the fourth quintile, and 0 points in the fifth**

[10] The OECD Anti-Bribery Convention: Does it Work? 2005. Paris: OECD.

quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

In 2006-7, as in 2005-6, there will be a special bonus of up to 6 points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund).

There will be a special 4 point bonus for evidence of vigorous action to punish home country bribe payers, and a 4 point penalty for evidence of negligence in identifying bribery and corrupt practices on the part of home country firms abroad. All OECD countries currently receive a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery which have allowed home countries to award partnerships as gifts to family members and cronies of developing country rulers in order to secure infrastructure concessions.[11]

Other Measures to Facilitate Foreign Direct Investment Flows to Developing Countries

In some developed countries, the Foreign Service or Commercial Service is trained to help home country firms to find investment opportunities -- as well as export opportunities -- in the developing world. Corporations often follow a regular progression from supplying exports to an external market, to setting up an in-country marketing network, to assembling components within the host country. Developed countries that offer a seamless web of support in identifying export, marketing, and investment opportunities have the greatest likelihood of solidifying the competitive position of their home firms in the host market. This is particularly valuable for smaller or less experienced firms.

Fifteen of the 21 major developed countries provide official assistance in identifying investment opportunities in developing countries, including Australia, Austria, Canada, Denmark, Finland, Germany, Greece, Italy, Japan, Netherlands, Norway, Portugal, Spain, Switzerland, and the United Kingdom.[12]

Other developed countries do not – or are forbidden to – engage in this kind of support for outward investors, captured by the mistaken notion that keeping investors at home will preserve home country jobs. This roster includes Belgium, France, Ireland, New Zealand, and Sweden.

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[11] For details, see Moran, *Harnessing Foreign Direct Investment for Development, op. cit.*

[12] Foreign Policy/Center for Global Development Commitment to Development Index 2005.

Another measure developed countries can take to facilitate FDI flows to developing countries is to provide support for host investment promotion agencies. A well-staffed and up-to-date investment promotion agency – complete with real-time links to relevant ministries and satisfied investors --can play a key role in attracting new investment projects, even in poorer developing countries.

Financial assistance and technical support from developed countries have often made a crucial difference. The Lesotho National Development Corporation (LNDC), charged with attracting and promoting foreign direct investment, for example, was established with support from – and is owned 10 percent by -- the German Finance Company for Investments in Developing Countries. In the first three years of its existence it attracted 55 export-oriented investors, employing 32,000 workers, with exports of garments, electronics, and processed foods worth $216 million.

Fourteen of the 21 largest developed countries have provided assistance to developing states for the establishment and maintenance of investment promotion agencies; the remaining seven have not, including Belgium, France, Greece, Ireland, Italy, Japan, and Switzerland.

> **Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted for evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.**

Facilitating Portfolio Investment

There is well-deserved controversy about the desirability, sequencing, and pace of liberalizing the capital account in developing countries. On the one hand, there is a legitimate concern that this might exacerbate exposure of developing countries with weak banking systems and regulatory institutions to financial instability and speculative attacks. On the other hand, the opening of stock markets to foreign investment has been associated with lower costs of capital, investment growth, and increases in the rate expansion of output per worker.[13]

This index does not attempt to make a judgment about when developing countries might decide it is beneficial to take the risks associated with capital account liberalization. For countries that have taken the decision to open their economies to portfolio investment, however, the index will track developed country measures to help or hinder flows of portfolio investment to the developing world.

[13] Peter Blair Henry, "Capital Account Liberalization, the Cost of Capital, and Economic Growth" (Cambridge, MA: The National Bureau of Economic Research, NBER Working Paper No 9488, 2003).

Some countries provide official support for design of effective developing country securities institutions and regulations. This will receive a positive score.

Many DAC countries increasingly supplant or supplement their state-run pension systems with pension funds that are allowed to invest in private equities. The managers of these funds are subject to various kinds of “prudent person” investment regulations governing diversification and exposure to risk. This will not receive any scoring penalty as long as the managers are allowed to diversify their risk by investing in emerging markets. If the regulations contain blanket prohibitions on investment in foreign securities (like some US states) or impose particularly heavy tax burdens on foreign holdings, this will receive a negative score.

Some countries have a policy of promoting portfolio investment in developing countries. For example, an official agency may provide loans or guarantees to home country investors/fund managers to invest in LDC equity markets (like the programs of OPIC and the IFC).

> **Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be considerable variation in developing country determinations about their opening security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations, and an additional 4 points for providing official assistance for outflows of portfolio investment.**

Commitment to Development Index

Index of Support for Capital Flows to Developing Countries

Country Scorecards 2004-2005

(Countries listed in alphabetical order.)

Facilitating Investment Flows
2007 Scorecard for Australia

Below is a summary of how Australia scored in each of the categories of the "Investment Flows" component of the 2007 Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

For 2006-7, Australia is awarded a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

Australia receives 13 out of 15 points because EFIC does not explicitly screen out import substitution projects.

Total: 23 of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.
Australia receives a nearly perfect 18 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. Countries may earn up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

On EITI, Australia made a commitment to contribute to the multi-donor trust fund in 2007(but has yet to do so) and is a formal supporter and alternative representative on the EITI Board. This score may rise in 2007-08, once the contribution is made.

Australia receives 10 of 10 points for OECD Phase II monitoring, and 12 of 16 points for support of EITI (acknowledgment of commitment to contribute to World Bank Trust Fund). 4 points are awarded for 1st quintile standing in the Transparency International Bribe Payers Index 2006. Like all OECD countries, Australia receives a penalty of 2 points for discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 24 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

In 2006-7, Australia receives a perfect score of 5 points.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

Australia receives 4 points for providing assistance to developing countries to design effective securities institutions and regulations, but loses 4 points because it provides no official support for facilitating portfolio investment in developing countries.

Total: 16 out of 20 points.

2006-2007 Australia Composite Score: 86 points of 100

Facilitating Investment Flows
2007 Scorecard for Austria

Below is a summary of how Austria scored in each of the categories of the "Investment Flows" component of this year's Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

Austria is awarded a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

In 2006-7, Austria incurs a 2 point deduction because of insufficient evidence that all sectors are eligible for coverage by official political risk insurer CESCE. 2 points are subtracted for uncertainty regarding inappropriate national economic interest tests and 2 more points deducted since coverage is not denied to inefficient and distortionary import substitution projects. Austria receives 9 of 15 points.

Total: 19 out of 25.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

In 2006-7, Austria loses 18 points due to insufficient evidence that the tax system affords foreign investors the benefit of developing country tax incentives. Taxation of dividends from foreign investments at the full Austrian rate appears to be the default position.

Total: 2 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2007 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

In 2006-7, Austria receives 10 out of 10 points for 2005 completion of OECD Phase II examinations. 4 points are received for 1st quintile standing in the Transparency International Bribe Payers Index 2006. A standard 6 of 16 points are earned for EU participation in EITI and Kimberly. Like all OECD countries, Austria received a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 18 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

In 2006-7, Austria receives a perfect score of 5 points.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

In 2006-7, Austria again loses 12 points because it forbids pension fund portfolio investment in emerging markets. Austria provides no official support for design of developing country securities institutions and regulations (0 of 4 points) and provides no support in the facilitation of portfolio investment in developing countries (0 of 4 points).

Total: 0 out of 20 points.

2006-2007 Austria Composite Score: 44 points of 100

Facilitating Investment Flows
2007 Scorecard for Belgium

Below is a summary of how Belgium scored in the "Investment Flows" component of this year's Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

In 2006-7, Belgium is awarded a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

In 2006-07, 2 points are deducted from Belgium because it is not clear that OND screens out inefficient and distortionary import substitution projects.
13 out of 15 points awarded.

Total: 23 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

In 2006-7, Belgium receives a nearly perfect base score of 18 out of 20 points, from which 6 points are deducted since it does not allow tax holidays and other tax advantages (below 15% rate) for FDI operations in developing countries.

Total: 12 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

Belgium earns 10 of 10 points for completion of OECD Phase II monitoring. 12 of 16 points were received for participation in the Kimberly Process and the Congo Forestry Process (may be converted into a higher score next year depending upon actual contribution to the World Bank Trust Fund). 3 points were received for 2nd quintile standing in the Transparency International Bribe Payers Index 2006. Like all OECD countries, Belgium incurred a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 23 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

Although Belgium demonstrates a commitment to supporting SMEs through microfinance institutions in developing countries (BIO), there is no evidence of official assistance to Belgian businesses in identifying investment opportunities (2 points forgone). An additional 3 points are lost since there is no official support to investment promotion agencies in developing countries.

Total: 0 out of 5.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

In 2006-7, 4 points are lost because there is no evidence Belgium provides official support for design of developing country securities institutions and regulations.

Total: 16 out of 20.

2006-2007 Belgium Composite Score: 74 points of 100

Facilitating Investment Flows
2007 Scorecard for Canada

Below is a summary of how Canada scored in each of the categories of the "Investment Flows" component of this year's Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

In 2006-07, Canada earns a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country earns 15 points for having a national political risk insurance and guarantee agency. From this, 4 points are subtracted if the agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriate restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

For 2006-7, Canada incurs a 2 point deduction because project qualifications stipulated by official insurer EDC do not include denial of coverage to inefficient and distortionary import substitution projects (13 of 15 points).

Total: 23 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

Canada receives a perfect 20 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of

assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

For 2006-7, Canada receives 10 out of 10 points for completion of OECD Phase II examinations. 12 of 16 points are awarded for official support of EITI (including commitment, but not yet payment, to World Bank Trust Fund) and the Kimberly Process. Canada is in the 1st quintile of the Transparency International Bribe Payers Index 2006 (4 points). Like all OECD countries, Canada received a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 24 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

In 2006-7, Canada receives a perfect score of 5.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

For 2006-7, Canada receives 2 points for official support for facilitating portfolio investment in developing countries (Canada Investment Fund for Africa initiative).
A perfect score of 16 points is earned for all other Section V components.

Total: 18 points.

2006-2007 Canada Composite Score: 90 points of 100

Facilitating Investment Flows
2007 Scorecard for Denmark

Below is a summary of how Denmark scored in each of the categories of the "Investment Flows" component of this year's Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

In 2006-7, Denmark earns a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

Denmark incurs a 2 point deduction because the official political risk insurer EKF screens for environmental impact, but not for worker or human rights. Nor does EKF screen for inefficient and distortionary import substitution projects (minus 2 points). 11 out of 15 points received.

Total: 21 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

In 2006-7, Denmark receives a nearly perfect 18 of 20 points for avoiding double taxation. 6 points are deducted because Denmark appears to deprive foreign investors the benefits of tax incentives in developing countries.
Total: 12 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries

that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

Denmark receives 10 of 10 points for completion of OECD Phase II examinations. Denmark participates in the Kimberly Process on Diamonds and EITI via the EU, but there is no evidence that Denmark participates actively beyond this (standard 6 of 16 points). Denmark was not included in the 2006 Transparency International Bribe Payers Index (plus 2 points). Like all OECD countries, Denmark received a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 16 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

In 2006-7, Denmark receives a perfect score of 5.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

In 2006-7, Denmark again loses 4 points because it provides no official support for design of developing country securities institutions. Nor does Denmark provide official support for facilitating portfolio investment in developing countries (0 out of 4 points).

Total: 12 out of 20 points.

2006-2007 Denmark Composite Score: 66 points of 100

Facilitating Investment Flows
2007 Scorecard for Finland

Below is a summary of how Finland scored in each of the categories of the “Investment Flows” component of this year’s Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

In 2006-7, Finland receives a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

In 2006-7, Finland incurs a 2 point deduction because official political risk insurer Finnvera does not screen for human rights, labor rights and social impact. Nor does Finnvera screen for import substitution projects (minus 2 points).
11 out of 15 points received.

Total: 21 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

In 2006-7, Finland receives a nearly perfect 18 of 20 points for avoiding double taxation.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme

(KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

In 2006-7, Finland receives 10 out of 10 points for completion of OECD Phase II examinations. 14 of 16 points are earned for Finland's participation in anti-corruption initiatives, including participation in the Nordic-Baltic constituency, and encouragement of developing countries to adopt such methods (including the Forest Law Enforcement and Governance (FLEG) Program). Like all countries not included in the 2006 Transparency International Bribe Payers Index, Finland received 2 points. Like all OECD countries, Finland received a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 24 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

For 2006-7, Finland receives a perfect score of 5.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

In 2006-7, Finland earns 0 of 12 points due to impediments to pension fund investments. 4 points are awarded for support of developing country private equity funds and 2 points for support of financial sector reforms.

Total: 6 out of 20 points

2006-2007 Finland Composite Score: 74 points of 100

Facilitating Investment Flows
2007 Scorecard for France

Below is a summary of how France scored in each of the categories of the “Investment Flows” component of this year’s Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

France is awarded a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

For 2006-7, France incurs a 2 point deduction because of insufficient evidence that official political risk insurer COFACE screens for labor rights or human rights (with the exception of the narrow issue of displaced populations). From the COFACE website it also appears that COFACE fails to deny coverage to inefficient and distortionary import substitution projects (minus 2 points).
11 out of 15 points received.

Total: 21 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

In last year’s Index, France received a perfect 20 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the Transparency International Bribe Payers Index 2006, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

In last year's Index, France received 10 out of 10 points for completion of Phase II examinations by the OECD. France earned 16 of 16 points for participation in EITI, but there was no evidence to award bonus points for influencing countries in Francophone Africa or elsewhere to undertake active EITI programs. France received 2 points for 3rd quintile standing in the Transparency International Bribe Payers Index 2006. Like all OECD countries, France received a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 26 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

In 2006-7, there is evidence that France helps French businesses identify investment opportunities (2 of 2 points), especially in the Mediterranean and Middle East. There is no indication, however, that France helps developing countries establish investment promotion agencies (0 of 3 points).

Total: 2 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

In 2006-07, 12 points are lost because France forbids pension fund portfolio investment in emerging markets. France provides no official support for design of developing country securities institutions and regulations (0 of 4 points). There is evidence that France provides support in the facilitation of portfolio investment in developing countries, via Proparco Equity Funds (4 of 4 points).

Total: 4 out of 20 points.

2006-2007 France Composite Score: 73 points of 100

Facilitating Investment Flows
2007 Scorecard for Germany

Below is a summary of how Germany was scored in each of the categories of the "Investment Flows" component of this year's Commitment to Development Index (CDI).
Annual Score Discrepancy: The change to Germany's score since 2006, a positive total of 14 points, is entirely attributed to Anti-Corruption efforts. Specifically, Germany is rewarded for its leadership on the EITI board and for state prosecution of corruption.

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

For 2006-7, Germany is awarded a perfect score of 10 points

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

Germany is penalized 2 points because official political risk insurer, Hermes, fails to deny coverage to inefficient and distortionary import substitution projects.
13 out of 15 points earned.

Total: 23 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

For 2006-7, Germany receives a perfect score of 20 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries

that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

In 2006-7, Germany receives 10 of 10 points for completion of OECD Phase II monitoring and is awarded 16 of 16 points plus 4 bonus points for energetic participation in the Extractive Industries Transparency Initiative (on EITI Board and contributor to World Bank Trust Fund). 4 additional bonus points are awarded for prosecution of corruption. 3 points are received for 2nd quintile standing in the Transparency International Bribe Payers Index 2006. Like all OECD countries, Germany received a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery. An additional penalty of 4 points was incurred due to German companies' awarding of partnerships to family members and cronies of developing country rulers in order to secure infrastructure concessions.

Total: 31 of 30 points due to bonus award.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

In 2006-7, Germany receives a perfect 5 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations. An additional 4 points will be awarded for providing official assistance for outflows of portfolio investment.

Germany receives 12 points for no impediments to pension fund portfolio investments in emerging markets. Germany misses 4 points for failure to provide official support for outflows of portfolio investment. 4 more points are missed because Germany provides no assistance for design of developing country security institutions and regulations.

Total: 12 out of 20 points.

2006-07 Germany Composite Score: 91 points of 100

Facilitating Investment Flows
2007 Scorecard for Greece

Below is a summary of how Greece scored in each of the categories of the "Investment Flows" component of this year's Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

Greece is awarded a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

In 2006-7, Greece incurs a 2 point deduction because ECIO limits insurance to Greek firms. From the website there is no evidence that ECIO denies coverage to inefficient and distortionary import substitution projects (minus 2 points).
11 out of 15 points received.

Total: 21 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

In 2006-7, Greece receives a nearly perfect 18 of 20 points for avoiding double taxation. However, 6 points are deducted because Greece does not appear to allow investors to enjoy the benefits of tax breaks in developing countries.

Total: 12 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

Greece receives 10 out of 10 points for completion of OECD Phase II examinations. Greece was not included in the Transparency International Bribe Payers Index 2006 (plus 2 points), but receives 6 points for EU support of EITI and Kimberly. Like all OECD countries, Greece received a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 16 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

In 2006-7, Greece receives 2 of 2 points for providing official assistance to Greek businesses in identifying investment opportunities. There is no evidence that Greece helps developing countries establish investment promotion agencies (0 of 3 points).

Total: 2 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

Greece loses 12 points because it forbids pension fund portfolio investment in emerging markets. Greece provides no official support for design of developing country securities institutions and regulations (0 of 4 points). 4 points are awarded for provision of official assistance for outflows of portfolio investment in developing countries.

Total: 4 out of 20 points.

2006-2007 Greece Composite Score: 55 points of 100

Facilitating Investment Flows
2007 Scorecard for Ireland

Below is a summary of how Ireland scored in each of the categories of the "Investment Flows" component of this year's Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

In 2006-07, Ireland is awarded a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

In 2006-07, Ireland missed 15 points because it does not have an official political risk insurer.

Total: 10 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

For 2006-7, Ireland received 0 points since tax its treaties are almost exclusively with OECD and EU-accession countries, not developing countries.

Total: 0 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme

(KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

For 2006-7, Ireland receives 10 of 10 points for completion of OECD Phase II, minus 6 points for explicit OECD criticism. Ireland receives a standard 6 points for EU support of EITI and Kimberly. Ireland was not included the Transparency International Bribe Payers Index 2006 (2 points). Like all OECD countries, Ireland received a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 10 points

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

For 2006-7, there is no evidence that Ireland helps Irish businesses to identify investment opportunities (0 of 2 points). Nor does Ireland help developing countries set up investment promotion agencies (0 of 3 points).

Total: 0 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

In 2007, Ireland lost 4 points because it provides no official support for the design of developing country securities institutions and regulations. Nor does Ireland officially support portfolio investment in developing countries (0 of 4 points).

Total: 12 out of 20 points.

2006-2007 Ireland Composite Score: 32 points of 100

Facilitating Investment Flows
2007 Scorecard for Italy

Below is a summary of how Italy scored in each of the categories of the "Investment Flows" component of this year's Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

In 2006-7, Italy receives a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

In 2006-7, Italy incurred a 2 point deduction because the official political risk insurer SACE fails to deny coverage to inefficient and distortionary import substitution projects. 13 of 15 points were received.

Total: 23 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

In 2006-7, Italy received 14 of 20 for relying solely on Bilateral Tax Treaties to avoid double taxation.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme

(KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

In 2007, Italy received 10 out of 10 points for completion of OECD Phase II examinations. There is no evidence that Italy participates actively in the Extractive Industries Transparency Initiative, but earns a standard 6 points for EU support of this and the Kimberly Process. Italy received 1 point for 4th quintile standing in the Transparency International Bribe Payers Index 2006. Like all OECD countries, Italy received a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery. Total: 15 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.
In 2006-07, Italy receives a perfect score of 5.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

In 2006-7, Italy received 12 of 12 points for no impediments to pension fund portfolio investments in emerging markets. There is no evidence that Italy provides official support for facilitating portfolio investment in developing countries (0 of 4 points). Nor does it provide official support for design of developing countries securities institutions (0 of 4 points).

Total: 12 out of 20 points.

2006-2007 Italy Composite Score: 69 points of 100

Facilitating Investment Flows
2007 Scorecard for Japan

Below is a summary of how Japan scored in each of the categories of the "Investment Flows" component of this year's Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

In 2006-7, Japan is awarded a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

In 2006-7, Japan incurred a 2 point deduction due to insufficient evidence that NEXI, the official political risk insurer, denies coverage to inefficient and distortionary import substitution projects.

Total: 23 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

In 2006-7, Japan is awarded a nearly perfect 18 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

In 2007, Japan received 10 of 10 points for completion of OECD Phase II monitoring. Japan participates rather passively in the EITI and G-8 Anti-Corruption and Transparency Action Plan (10 of 16 points). 3 points were received for 2nd quintile standing in the Transparency International Bribe Payers Index 2006. Japan incurred a penalty of 4 points due to Japanese companies' awarding of partnerships to family members and cronies of developing country rulers to secure infrastructure concessions. Like all OECD countries, Japan received a 2-point penalty for discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 17 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

In 2006-7, Japan received a perfect 5 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will earn an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

In 2006-7, Japan received 4 points for providing official assistance to stock markets in developing countries. Japan forbids pension fund portfolio investments in emerging markets (0 of 12 points). There is no evidence that Japan provides official support for design of developing country securities institutions and regulations (0 of 4 points).

Total: 4 out of 20 points.

2006-2007 Japan Composite Score: 67 points of 100

Facilitating Investment Flows
2007 Scorecard for The Netherlands

Below is a summary of how The Netherlands was scored in each of the categories of the "Investment Flows" component of this year's Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

In 2006-7, The Netherlands receives a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

In 2006-7, The Netherlands is penalized 2 points because political risk insurer Gerling NCM fails to deny coverage to inefficient and distortionary import substitution projects. 13 out of 15 points earned.

Total: 23 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

The Netherlands receives a nearly perfect 18 out of 20 points for avoiding double taxation by the exemption method, by foreign tax credits, and by tax treaties. 2 points are subtracted because foreign withholding taxes cannot be credited.

Total: 16 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

In 2006-7, The Netherlands earns 10 of 10 points for completion of OECD Phase II monitoring. 12 points are awarded for strong support of EITI, plus a 4 point bonus for active leadership and contribution to World Bank Trust Fund. 3 points are received for 2nd quintile standing in the Transparency International Bribe Payers Index 2006. Like all OECD countries, the Netherlands received a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 27 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

In 2006-7, The Netherlands receives a perfect 5 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

In 2006-7, The Netherlands receives a perfect 20 out of 20 points.

2006-2007 The Netherlands Composite Score: 91 points of 100

Facilitating Investment Flows
2007 Scorecard for New Zealand

Below is a summary of how New Zealand scored in each of the categories of the “Investment Flows” component of this year’s Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

In 2006-7, New Zealand loses 5 points because it is not a member of MIGA.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

In 2006-7, New Zealand misses 15 points because it has no official political risk insurer.

Total: 5 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.
In 2006-6, New Zealand is awarded only 5 points since tax sparing rules are relatively stringent.

Total: 5 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of

assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

In 2006-7, New Zealand receives 10 of 10 points for completion of OECD Phase II examinations. 0 of 16 points are awarded since there is no evidence that New Zealand participates in the Extractive Industries Transparency Initiative or any other anti-corruption initiative. New Zealand is not included in the Transparency International Bribe Payers Index 2006 (2 points). Like all OECD countries, New Zealand received a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 10 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

New Zealand receives 2 of 5 points for helping developing countries set up investment promotion agencies. While New Zealand is a supporter of the IFC, there is no evidence of support to its businesses in identifying direct investment opportunities (0 of 2 points).

Total: 2 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

In 2006-7, New Zealand earns 12 of 12 points for no impediments to pension fund investments in developing countries and 4 points for supporting outflows of portfolio investments (Kula II). New Zealand provides no official support for the design of developing country securities institutions and regulations (0 of 4).

Total: 16 out of 20 points.

2006-2007 New Zealand Composite Score: 38 points of 100

Facilitating Investment Flows
2007 Scorecard for Norway

Below is a summary of how Norway was scored in each of the categories of the "Investment Flows" component of this year's Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Norway to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

In 2006-7, Norway is awarded a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

In 2006-7, 2 points are deducted from Norway since official political risk insurer GIEK does not deny coverage to inefficient and distortionary import substitution projects. 13 out of 15 points awarded.

Total: 23 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

In2006-7, Norway earns a nearly perfect 18 out of 20 points.

Total: 18 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme

(KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

In 2006-7, Norway received 10 of 10 points for completion of OECD Phase II monitoring. 16 points plus a 6 point *bonus* were received for exceptional leadership in EITI. Norway is not included in the Transparency International Bribe Payers Index 2006 (2 points). Like all OECD countries, Norway received a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 32 of 30 based on bonus.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

In 2006-7, Norway earns 2 points for assisting Norwegian businesses in identifying investment opportunities. 3 points are lost since there is no official support to investment promotion agencies in developing countries.

Total: 2 out of 5.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

Since Norway does not permit public pension funds to invest in emerging market equities, 6 points are deducted. There is no evidence that Norway provides official support for the design of stock markets or their respective regulations in developing countries (0 of 4 points).

Total: 10 out of 20.

2006-2007 Norway Composite Score: 85 points of 100

Facilitating Investment Flows
2007 Scorecard for Portugal

Below is a summary of how Portugal was scored in each of the categories of the "Investment Flows" component of this year's Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Portugal to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

In last year's Index, Portugal was awarded a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

In 2006-07, 2 points are subtracted since political risk insurer COSEC does not screen for the social impact of projects. Only Portuguese firms are eligible (minus 2 points) and there is insufficient evidence that all sectors are eligible (minus 2 points). COSEC does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points). 7 out of 15 points are awarded.

Total: 17 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

In 2006-7, Portugal receives 16 out of 20 points, for narrow concentration on Lusophone countries.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

In 2006-7, Portugal receives 10 of 10 points for undergoing the OECD Phase II site-visit in October. Portugal does not participate in EITI or the Kimberly Process and receives a standard 6 of 16 points for EU support of these initiatives. Portugal ranks in the 3rd quintile of the Transparency International Bribe Payers Index 2006 (2 points). Like all OECD countries, Portugal received a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 16 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

In 2006-7, Portugal earns a perfect 5 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

For 2006-7, Portugal earns a perfect 20 out of 20 points.

2006-2007 Portugal Composite Score: 74 points of 100

Facilitating Investment Flows
2007 Scorecard for Spain

Below is a summary of how Spain scored in each of the categories of the "Investment Flows" component of the 2006-2007 Commitment to Development Index (CDI).

<u>I. Provision of Political Risk Insurance (25 points)</u>

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

In 2006-07, Spain is awarded a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

In 2006-7, Spain incurs a 2 point deduction because the official political risk insurer CESCE fails to deny coverage to inefficient and distortionary import substitution projects.

Total: 23 out of 25 points.

<u>II. Treatment of Possible Double Taxation (20 points)</u>

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

Spain receives a perfect 20 out of 20 points.

<u>III. Prevention of Bribery and Other Corrupt Practices (30 points)</u>

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of

assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

In 2006-7, Spain receives 10 out of 10 points for completion of OECD Phase II examinations. Spain participates rather passively in the Extractive Industries Transparency Initiative and Kimberly via the EU (6 of 16 points). Two points were received for 3rd quintile standing in the Transparency International Bribe Payers Index 2006. Like all OECD countries, Spain received a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 16 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

Spain receives a perfect score of 5.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

In 2006-7, Spain misses 4 points because it provides no official support for facilitating portfolio investment in developing countries.

Total: 16 out of 20 points.

2006-2007 Spain Composite Score: 80 points of 100

Facilitating Investment Flows
2007 Scorecard for Sweden

Below is a summary of how Sweden was scored in each of the categories of the "Investment Flows" component of this year's Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Sweden to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

For 2006-7, Sweden is awarded a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

For 2006-7, Sweden is penalized 2 points because official political risk insurer EKN does not screen for human and labor rights impacts. 13 out of 15 points received.

Total: 23 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

In 2006-7, Sweden receives 18 points for general avoidance of double taxation through foreign tax credits. There is insufficient evidence that Sweden allows Swedish firms to enjoy tax incentives in developing countries (minus 6 points).

Total: 12 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries

that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Sweden has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

In 2006-7, Sweden receives 10 of 10 points for OECD Phase II monitoring. Sweden does not participate actively in the Extractive Industries Transparency Initiative and receives a standard 6 points for the EU's participation. Sweden obtained 1st quintile status in the Transparency International Bribe Payers Index 2006 (4 points). Like all OECD countries, Sweden received a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 18 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

In 2006-7, Sweden earns a perfect score of 5 points.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

In 2006-7, Sweden earns a perfect score of 20 points

2006-2007 Sweden Composite Score: 78 points of 100

Facilitating Investment Flows
2007 Scorecard for Switzerland

Below is a summary of how Switzerland was scored in each of the categories of the "Investment Flows" component of this year's Commitment to Development Index (CDI).

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Switzerland to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

In 2006-07, Switzerland is awarded a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

Switzerland is deducted 2 points since eligibility is limited to Swiss firms.
13 out of 15 points awarded.

Total: 23 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

In 2006-7, Switzerland receives 16 points for avoidance of double taxation via tax treaties. There is no evidence that Swiss firms are allowed to benefit from tax incentives in developing countries (minus 6 points).

Total: 10 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries

that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

Switzerland receives 10 of 10 points for completion of OECD Phase II monitoring. A standard 6 points were awarded for EU support of EITI and the Kimberly Process. 4 points were received for 1st quintile standing in the Transparency International Bribe Payers Index 2006. Like all OECD countries, Switzerland received a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery.

Total: 18 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

Switzerland receives a perfect 5 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

Switzerland receives a perfect 20 out of 20 points.

2006-2007 Switzerland Composite Score: 76 points of 100

Facilitating Investment Flows
2007 Scorecard for the United Kingdom & Northern Ireland

Below is a summary of how the UK & Northern Ireland scored in each of the categories of the "Investment Flows" component of this year's Commitment to Development Index (CDI).

Annual Score Discrepancy: The change to the UK's score since 2006, a 4-point decrease, is attributed to weaker performance on both screening of ISI-Projects for Risk Coverage and Anti-Corruption efforts. Two points were lost on Political Risk since, in practical terms, only UK firms are eligible for coverage. While the UK is an active leader among EITI participants, the commitment to the prosecution of corruption was insufficient.

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

The UK is awarded a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

For 2006-7, the UK incurs a 2 point deduction since coverage is not denied to inefficient and distortionary import substitution projects. Eligibility is essentially limited to UK firms (minus 2 points). 11 out of 15 points are earned.

Total: 21 of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

UK receives a nearly perfect 18 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

The UK completed OECD Phase II examinations (10 out of 10 points). Especially active in EITI, 16 of 16 points are earned, plus 4 bonus points. 4 points are earned for 1st quintile standing in the Transparency International Bribe Payers Index 2006. Like all OECD countries, 2-points are deducted for inadequacy in OECD Bribery code. The UK is penalized 4 points for insufficient attention paid to prevention of corruption (captured by refusal to prosecute BAE systems on bribery charges in a Saudi Arabia Arms deal).

Total: 28 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

The UK earns a perfect score of 5 points.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

The UK earns a perfect score of 20 points.

2006-2007 the UK Composite Score: 92 points of 100

Facilitating Investment Flows
2007 Scorecard for the United States

Below is a summary of how The US scored in each of the categories of the "Investment Flows" component of this year's Commitment to Development Index (CDI

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

The US is awarded a perfect score of 10 points.

2. National political risk insurance and guarantee agency (15 points).

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

In 2006-7, 2 points are deducted because official political risk insurer OPIC employs inappropriate national economic tests for eligibility. OPIC does not support labor-intensive or sensitive industry and agricultural investments (minus 2 points). OPIC fails to deny coverage to inefficient and distortionary import substitution projects (minus 2 points) and only US firms are eligible for coverage (minus 2 points).
7 out of 15 points received.

Total: 17 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Scoring Formula: A country will receive 20 points if it eliminates double taxation on income earned by foreign direct investors abroad, and allows the latter to enjoy the benefits of tax exemptions, incentives, or low tax rates in developing countries. The country will be penalized points to the extent that it imposes double taxation on outward foreign direct investors. 6 points will be deducted if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries.

In 2006-7, the US receives a nearly perfect 18 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

Scoring Formula: 10 points will be awarded to countries that have completed Phase II examinations, 6 points to countries whose Phase II examinations will not be completed until 2007, and 0 points to countries that have yet to schedule Phase II examinations. A country may receive up to 16 points for participation in the Extractive Industries Transparency Initiative(EITI), the Kimberley Process Certification Scheme (KPCS) for diamonds, and the International Tropical Timber organization – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery. A country will receive 4 points for scoring in the first quintile (least reputation for paying bribes) of the 2006 Transparency International Bribe Payers Index, 3 points for the second quintile, 2 points for the third quintile, 1 point for the fourth quintile, and 0 points for the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points.

*In 2006-7, as was the case in 2005-6, countries may receive up to 6 *bonus* points for leadership on EITI issues (e.g. Norway has been a leader of the EITI effort, has made Statoil a model, has helped influence several LDCs to join, and is one of four contributors to the World Bank Special Trust Fund). In 2006-7, as in 2005-6, there is a standard 2 point deduction for weaknesses discovered according to the OECD definition of bribery.

In 2006-7, The US earns 10 of 10 points for completion of OECD Phase II examinations. 16 of 16 points plus 4 bonus points are awarded for taking an active role in EITI and other Anti-Corruption actions. 3 points are earned for 2rd quintile standing in the Transparency International Bribe Payers Index 2006. Like all OECD countries, the US receives a penalty of 2 points for the discovery of serious loopholes in the OECD Convention to Combat Bribery. The US is penalized 4 points for insufficient attention paid to prevention of corruption with US companies' awarding of partnerships to family members and cronies of developing country rulers in order to secure infrastructure concessions.

Total: 27 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

Scoring Formula: A country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted based on evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years.

In 2006-7, the US loses 2 points because it provides no official assistance to US firms in identifying foreign direct investment opportunities.

Total: 3 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

Scoring Formula: There is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be substantial variation in developing country determinations regarding their opening of security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations and 4 points for providing official assistance for outflows of portfolio investment.

In 2006-7, the US loses 6 of 12 points because some states continue to impose significant restrictions on pension fund portfolio investment in emerging market securities.

Total: 14 out of 20 points.

2006-2007 US Composite Score: 79 points of 100