Commitment to Development Index 2010

The Commitment to Development Index (CDI) ranks 22 of the world's richest countries on their dedication to policies that benefit the five billion people living in poorer nations. Moving beyond standard comparisons of foreign aid volumes, the CDI quantifies a range of rich country policies that affect poor people in developing countries:

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

Scores on each component are scaled so that an average score in 2008, the reference year, equals 5.0. A country's final score is the average of those for each component. Throughout, the CDI adjusts for size in order to compare how well countries are living up to their potential to help. For example, the United States gives much more foreign aid than Denmark, but far less for the size of its economy, so Denmark scores higher on this measure.

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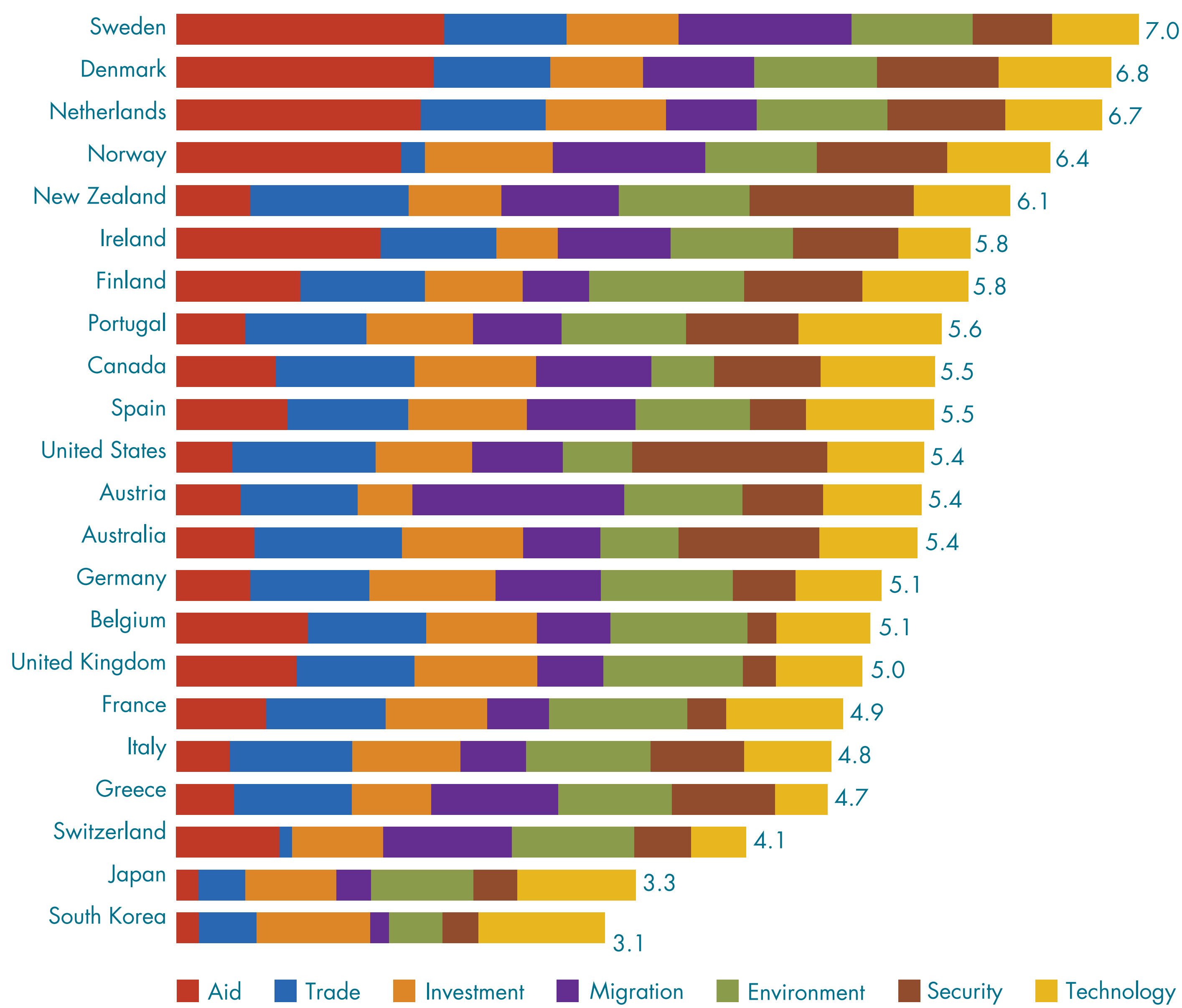
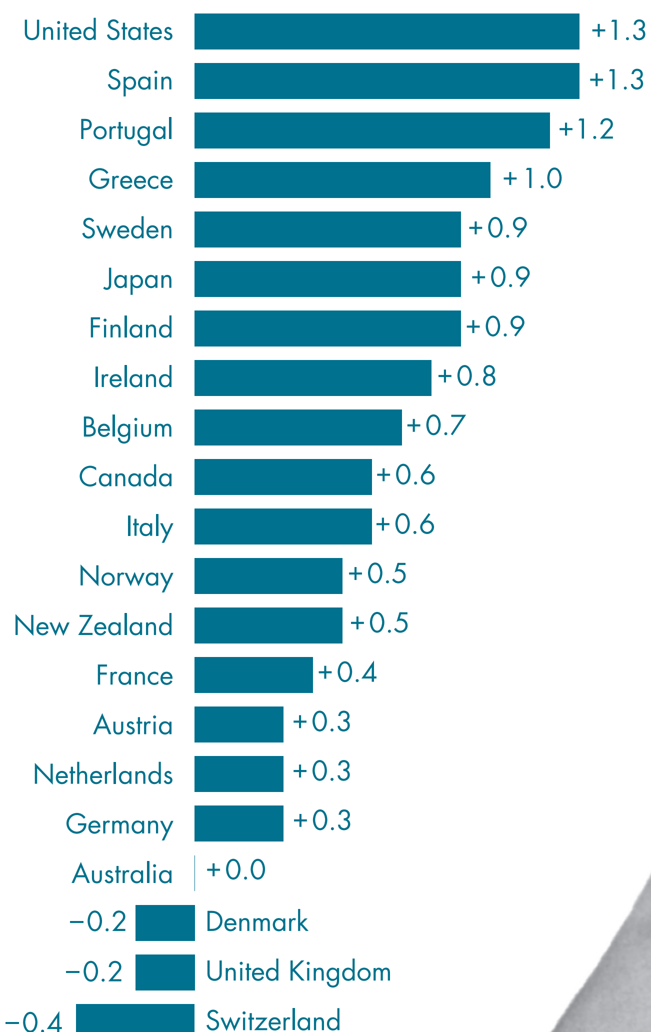
Why does the CDI matter? In an increasingly integrated world, rich countries cannot insulate themselves from global poverty and insecurity. Poverty and weak institutions can breed global public health crises, security threats, and economic instability that can destabilize an entire region, sending shockwaves around the world. But the Index is also about whether countries are consistent in their values. No human being should be denied the chance to live free of poverty and oppression and to enjoy a basic standard of education and health. The CDI countries, all democracies, preach concern for human life and dignity within their own borders; the Index looks at whether rich countries' actions match their words.



The Bottom Line

Sweden comes in first on the 2010 CDI on the strength of high aid quality and quantity, admission of large numbers of migrants, and low and falling greenhouse gas emissions. Close behind are Denmark, the Netherlands, and Norway, also generous aid donors. New Zealand and Spain make it into the top half with a very different profile: generally low on aid but strong on trade, investment, migration, and security. Among the G–7 countries—those that matter most by dint of their economic power—only Canada and the United States squeeze into the top half. Japan and South Korea finish last. Like the United States, the two Asian nations have small aid programs for their size. The two also engage less with the developing world in ways measured by the CDI, with tight borders to the entry of goods and people and limited involvement in peacekeeping. Still, even the first-place Swedish score only about average (near 5.0) in four of the seven policy areas. All countries could do much more to spread prosperity.

Change, 2003–10



South Korea is omitted because it was added to the CDI in 2008.

Aid

Foreign aid is the first policy that comes to mind when people in rich countries think of helping poorer countries. And most comparisons between donors are based only on how much aid each gives. Have they doubled aid to Africa? Are they giving 0.7 percent of GDP? For the CDI, quantity is merely a starting point in a review that also assesses aid quality. The CDI penalizes "tied" aid, which requires recipients to spend aid on products from the donor nation; this prevents recipients from shopping around and raises project costs by 15–30 percent. The CDI also looks at where aid goes, favoring poor, uncorrupt nations. While aid to Iraq—where corruption is rampant and rule of law weak—is counted at 15¢ on the dollar, aid to Malawi—where poverty is high and governance relatively good—is counted at 89¢ on the dollar. Donors are penalized for overloading recipient governments with too many small aid projects, which burden recipient officials with hosting obligations and regular report filing. Finally, the Index rewards governments for letting taxpayers write off charitable contributions, since some of those contributions go to Oxfam, CARE, and other nonprofits working in developing countries.

The dramatic differences between countries in raw aid quantity heavily influence the overall aid scores. The Scandinavian countries and the Netherlands take the top four slots on aid, while Japan and the United States place near the bottom. Sweden takes first place both overall and for sheer aid quantity as a share of GDP. But quality matters too. Norway is ranked second on sheer aid quantity as a share of GDP, but falls to fourth in the overall aid component for funding smaller projects and being less selective. And the United States would score higher if it did not tie some 23 percent of its aid and gave less to corrupt or undemocratic governments in Iraq, Jordan, Pakistan, and elsewhere.

Trade

The system of rules that governs world trade has developed since World War II through a series of major international negotiating "rounds." Because rich-country players call most of the shots in this intensely political process, some goods that poor countries are best at producing—including crops—still face high barriers in rich countries. Yet when rich countries tax food imports and subsidize their own farmers' production, they cause overproduction and dumping on world markets, which lowers prices and hurts poor-country farmers. Industrial tariffs also tend to be anti-poor, with low rates for raw commodities and high rates for labor-intensive, processed goods. And, CDI countries spend almost exactly as much subsidizing their own farmers as they do on aid: some $100 billion per year. Because the ability to sell in rich-country markets is crucial for developing countries, the CDI trade component ranks countries according to how open they are to developing-country imports.

New Zealand does best on trade in the 2010 Index, with Australia, the United States, and Canada not far behind. In general, because EU nations share common trade and agriculture policies, they score essentially the same on trade. Japan's rice tariffs have shrunk in recent years relative to the rising world price of rice, but are still high at 536 percent (equivalent to a 536 percent sales or value-added tax on imports). Switzerland ranks at the bottom, due largely to high tariffs on meat, dairy products, sugar, and wheat from poor countries.

Investment

Foreign investment can be a significant driver of development in poor countries. Many of East Asia's fastest-growing countries—South Korea, Malaysia, Singapore, and Thailand—benefited from investment from abroad. However, foreign investment can also breed instability, corruption, and exploitation.

The CDI strives to reward rich countries that pursue policies that promote investment that is good for development. It looks at two kinds of capital flows: foreign direct investment, which occurs when a company from one country buys a stake in an existing company or builds a factory in another country; and portfolio investment, which occurs when foreigners buy securities that are traded on open exchanges. The investment component is built on a checklist. Do the rich-country governments, for example, offer political risk insurance, encouraging companies to invest in poor countries whose political climate would otherwise be deemed too insecure? Do they have tax provisions or treaties to prevent overseas investors from being taxed both at home and in the investment country?

At the bottom of the investment component is Austria, which restricts pension fund investments in developing countries, as well as Ireland and Greece, which provide limited political risk insurance. Top-ranked Norway and Germany do better on all these counts and have participated aggressively in international arrangements to control corruption, such as the Kimberley Process to track and eliminate trade in "blood diamonds" that have financed warlords in countries including Angola and Sierra Leone.

Migration

Some 200 million people today—1 in 33—do not live in the country where they were born. Workers who have migrated from poor to rich countries already send billions of dollars back to their families each year, a flow that surpasses foreign aid. Some immigrants from developing countries, especially students, acquire new knowledge and skills and bring them home—engineers and physicians as well as entrepreneurs who, for example, start computer businesses. But what about brain drain? Emigration has been blamed for emptying African clinics of nurses, who can earn far more in London hospitals. But in careful statistical study, CGD research fellow Michael Clemens has found little evidence that these skilled people hurt their home country by leaving it. Far more ails African clinics and hospitals than a lack of personnel, and personnel shortages themselves result from many forces—such as low pay and poor working conditions—untouched by international migration policies.

The CDI rewards migration of both skilled and unskilled people, though unskilled more so, using data on the gross inflow of migrants from developing countries in a recent year and the net increase in the number of unskilled migrant residents from developing countries during the 1990s. (Based on census data, this last measure cannot be updated often.) The CDI also uses indicators of openness to students from poor countries and aid for refugees and asylum seekers.

Austria takes first for accepting the most migrants for its size, many from the civil war in Yugoslavia, with Sweden and Spain in second and third place. Near the bottom is Japan, which accepts less than 258,000 migrants a year from developing countries, a number equal to 0.2% percent of its own population.

Environment

A healthy environment is sometimes dismissed as a luxury for the rich. But people cannot live without a healthy environment. And poor nations have weaker infrastructures and fewer social services than rich countries, making the results of climate change all the more damaging. A study coauthored by CGD senior fellow David Wheeler predicts that a two-meter sea level rise would flood 90 million people out of their homes, many of them in the river deltas of Bangladesh, Egypt, and Vietnam.

The environment component looks at what rich countries are doing to reduce their disproportionate exploitation of the global commons. Are they reining in greenhouse gas emissions and fossil fuel production? Do they subsidize fleets that deplete fisheries off the coasts of Senegal and India?

Finland tops the environment standings. Its gasoline taxes are among the highest in the CDI, and its net greenhouse gas emissions are among the lowest, having declined significantly over the last ten years. Also near the top is the UK, which has supported wind and other renewable energy sources. Although Norway has the lowest greenhouse gas emissions rate per capita in the CDI, it produces the largest amount of fossil fuel per person. Australia finishes low as the biggest emitter of greenhouse gases per capita, while the United States is the only CDI country that has not ratified the Kyoto Protocol, the most serious international effort yet to deal with climate change. That gap, along with high greenhouse emissions and low gas taxes, puts the United States third from the bottom.

Security

Rich nations engage daily in activities that enhance or degrade the security of developing countries. They make or keep the peace in countries recently torn by conflict and keep vital sea lanes open to international trade. But rich countries also supply developing countries with tanks and jets. The CDI looks at three aspects of the security-development nexus. It tallies the financial and personnel contributions to peacekeeping operations and forcible humanitarian interventions, although it counts only operations approved by an international body such as the UN Security Council or NATO. It also rewards countries that base naval fleets where they can secure sea lanes. Finally, the CDI penalizes some exports of arms, especially to nations that are undemocratic and spend heavily on the military. Putting weapons in the hands of despots can increase repression at home and the temptation to launch military adventures abroad. Buying weapons diverts money that might be better spent on teachers or transit systems.

The United States takes the top spot on security for their significant financial and personnel contributions to internationally sanctioned peacekeeping and humanitarian interventions, namely the current operation in Afghanistan, which was endorsed by the UN Security Council in 2001, as well as their large number of military ships stationed in sea lanes. Australia and New Zealand also rank at the top for their UN-approved action in 1999 to stop Indonesian oppression of East Timor.   At the bottom are Belgium and the United Kingdom, due to high arms exports to poor and undemocratic countries. South Korea earns a perfect score on arms exports to developing countries (it has none) but lags otherwise because of its low international military profile.

Technology

The Internet, mobile phones, vaccines, and high-yielding grains were all invented by rich-country researchers and exported to poorer ones, where they improved—and saved—many lives. Of course, new technologies do harm as well as good: consider the motor vehicle, which symbolizes gridlock and pollution more than freedom in dense and growing cities such as Bangkok. The CDI rewards polices that support the creation and dissemination of innovations of value to developing countries. It rewards government subsidies for research and development (R&D), whether delivered through spending or tax breaks, while discounting military R&D by half. Also factored in are policies on intellectual property rights (IPRs) that can inhibit the international flow of innovations. These take the form of patent laws that arguably go too far in advancing the interests of those who produce innovations at the expense of those who use them. U.S. trade negotiators, for example, have pushed for developing countries to agree never to force the immediate licensing of a patent even when it would serve a compelling public interest, as an HIV/AIDS drug might if produced by low-cost local manufacturers.

Portugal finished first on the technology component, due to the highest government expenditure on R&D in the CDI. Spain finishes second, thanks to R&D subsidies worth more than 1 percent of GDP (despite devoting much that to defense). The United States loses points for pushing for compulsory licensing bans, and Europeans are penalized for allowing the copyrighting of databases containing data assembled with public funds.

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	Rank	Aid	Trade	Investment	Migration	Environment	Security	Technology	Overall (Average)	Change, 2003–10
Sweden	1	13.6	6.2	5.7	8.8	6.2	4.0	4.4	7.0	+ 0.9
Denmark	2	13.1	5.9	4.7	5.7	6.3	6.2	5.7	6.8	– 0.2
Netherlands	3	12.5	6.4	6.1	4.6	6.7	6.0	4.9	6.7	+ 0.3
Norway	4	11.4	1.2	6.5	7.8	5.7	6.6	5.3	6.4	+ 0.5
New Zealand	5	3.8	8.1	4.7	6.0	6.7	8.4	4.9	6.1	+ 0.5
Ireland	6	6.3	6.3	5.0	3.4	7.9	6.0	5.4	5.8	+ 0.9
Finland	6	10.4	5.9	3.1	5.8	6.2	5.4	3.7	5.8	+ 0.8
Portugal	8	3.5	6.2	5.4	4.5	6.3	5.7	7.3	5.6	+ 1.2
Canada	9	5.7	6.2	6.0	5.5	5.8	2.9	6.5	5.5	+ 1.3
Spain	9	5.1	7.1	6.2	5.9	3.2	5.4	5.8	5.5	+ 0.6
United States	11	2.8	7.3	4.9	4.6	3.6	9.9	4.9	5.4	+ 1.3
Austria	11	3.3	6.0	2.8	10.8	6.0	4.1	5.0	5.4	+ 0.3
Australia	11	4.0	7.5	6.2	3.9	4.0	7.2	5.0	5.4	+ 0.0
Germany	14	3.8	6.1	6.4	5.4	6.7	3.2	4.4	5.1	+ 0.3
Belgium	14	6.7	6.0	5.6	3.7	7.0	1.5	4.8	5.1	+ 0.7
United Kingdom	16	6.1	6.0	6.2	3.4	7.1	1.7	4.4	5.0	– 0.2
France	17	4.6	6.1	5.2	3.1	7.1	2.0	6.0	4.9	+ 0.4
Italy	18	2.7	6.2	5.5	3.3	6.3	4.8	4.4	4.8	+ 0.6
Greece	19	2.9	6.0	4.1	6.5	5.8	5.3	2.7	4.7	+ 1.0
Switzerland	20	5.3	0.6	4.6	6.6	6.2	2.9	2.8	4.1	– 0.4
Japan	21	1.1	2.4	4.6	1.8	5.2	2.2	6.0	3.3	+ 0.9
South Korea	22	1.1	3.0	5.8	1.0	2.7	1.8	6.5	3.1	N/A

For More Information

For the details of the 2010 CDI, see "The Commitment to Development Index: 2010 Edition," by David Roodman, available at **www.cgdev.org/cdi**. The website has reports on each of the 22 countries in the CDI, as well as graphs, maps, and spreadsheets. The website also has background materials for each policy area: David Roodman on foreign aid, William R. Cline and Roodman on trade, Theodore H. Moran on investment, Elizabeth Grieco and Kimberly A. Hamilton on migration, B. Lindsay Lowell also on migration, Amy Cassara and Daniel Prager on environment, Michael E. O'Hanlon and Adriana Lins de Albuquerque on security, Jason Alderwick and Mark Stoker also on security, and Keith Maskus on technology.

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