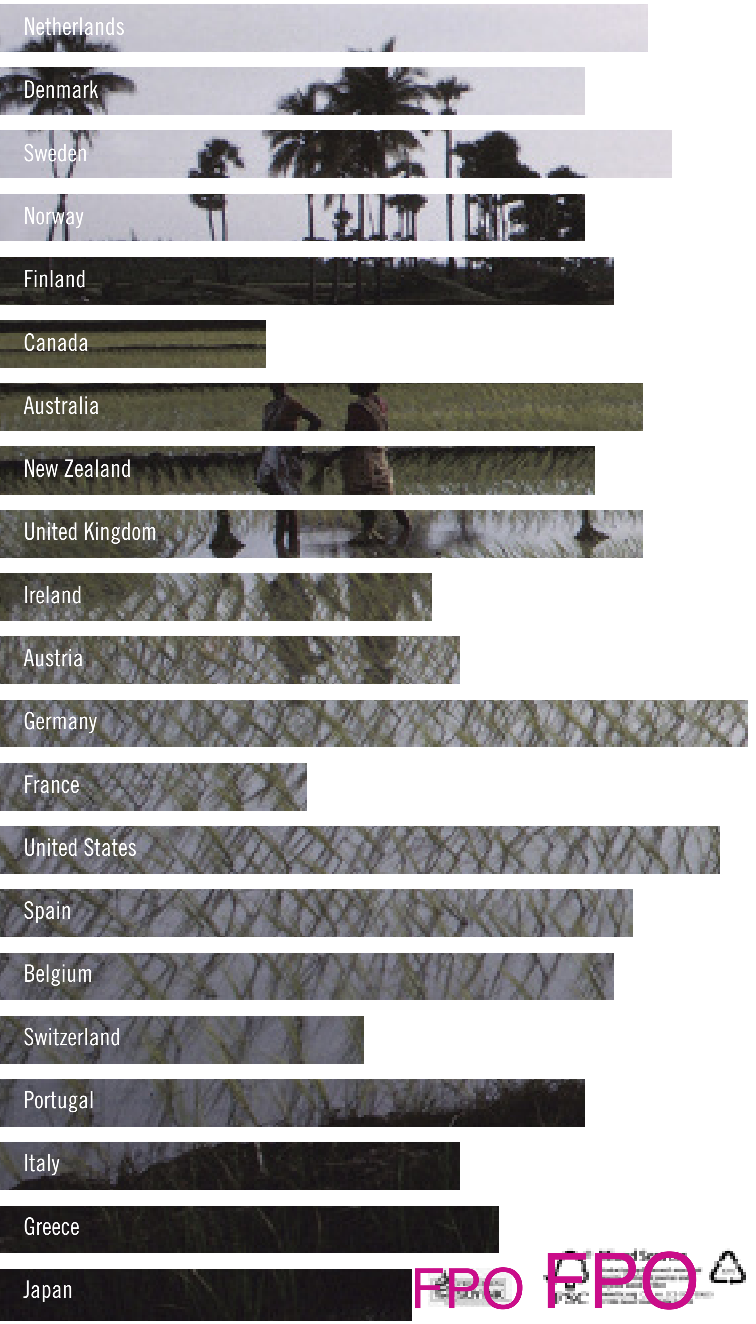

Center for Global Development

Independent research and practical ideas for global prosperity

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Center for Global Development

Commitment to Development Index 2007

Letter from Nancy Birdsall

The Center for Global Development (CGD) was founded in November 2001 with a mission to analyze and influence the policies of rich countries in order to bring opportunity, prosperity, and security to people in poor ones. Though planning for CGD began before the attacks of September 11, 2001, that day punctuated a deep theme in the Center's raison d'être: the moral and physical interconnectedness of rich and poor countries. From the start, several principles guided CGD's work, among them commitments to rigor in our research, savvy and creativity in our outreach to policymakers and the public, and attention to all the government policies that matter, not just foreign aid.

Over lunch with *Foreign Policy* editor Moisés Naím in early 2002, he and I hit upon an idea that embodied those core principles, what eventually became the Commitment to Development Index (CDI). Each year since 2003, the CDI has ranked 21 rich-country governments on how the full span of their policies and actions affect the developing world. Rich and poor countries are connected in many ways—by aid, commerce, migration, a shared environment, military affairs, and the spread of new technologies. The CDI captures these dimensions, reminding the world that there is more to helping than aid, and that all rich countries have much room for improvement.

The CDI is not meant as the final word on what matters for developing countries, but as an eye opener and conversation starter. We are pleased that the CDI's messages have reached millions of people through newspapers, radio, television, and the Web, and that many governments are using the CDI as a framework for understanding how the full array of their policies serves or undermines their goals for assisting poor nations.

I hope you will take a few minutes to leaf through this introduction to CGD's calling card, the Commitment to Development Index.

Commitment to Development Index 2007

The Commitment to Development Index ranks 21 of the world's richest countries on their dedication to policies that benefit the five billion people living in poorer nations. Moving beyond simple comparisons of foreign aid funding, the CDI rates countries on seven themes:

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

Each of these components comprises several indicators. These are weighted according to their importance to the developing world.

The CDI adjusts for country size. It asks, "are countries living up to their potential to help?" For example, the United States gives much more foreign aid than Denmark, but far less compared to the size of its economy, so Denmark scores higher on this measure. Similarly, U.S. trade barriers hurt farmers in developing countries more than Denmark's because of the sheer size of the U.S. market. But since U.S. tariffs are actually lower, the United States scores higher on trade.

As you turn each page of this booklet, you will learn about the key ideas underpinning each component, and you will see the component score for each of the 21 countries that the Index ranks. You also will see how countries have improved—or become worse—over time. By the end, you will understand why each of the seven policy areas matters to the lives of poor people in the developing world. And you will know which rich countries score well—or poorly—overall and what countries could do to improve their scores.

Component scores are scaled so that an average score in 2003, the first year of the Index, is equal to 5.0. A country's final score is the total for the seven components divided by seven. Thus component scores and total scores greater than 5 are above average, and those below 5 are worse than average.

We have designed this booklet to work like an old-fashioned flip book of a horse race, with the final standings revealed only at the end. Now is the time to place your bets. Which country do you think will come out ahead? Which will come last? If you are a citizen of one of the 21 rich countries ranked, how do you think your country will score in the various components and overall? Turn the page to find out.

Aid

The call to charity is as old as human society. As technology has brought people closer together, our sense of responsibility to all the world's poor has grown. Modern foreign aid began after World War II with the Marshall Plan and the founding of the World Bank. Today there are more donors, giving more aid, than ever before.

The CDI aid component levels the playing field for donors, grading governments on how much aid they give as a share of gross national product (GNP) and on how well they give it.

Donors are commonly compared purely on the quantity of aid they disburse. Have they doubled aid to Africa? Are they meeting the target of 0.7 percent of gross domestic product (GDP)? For the CDI, quantity is merely a starting point since quality matters too. The CDI penalizes "tied" aid—requiring recipients to spend aid on products from the donor nation—since that prevents recipients from shopping around and raises project costs by 15–30 percent. And it looks at who receives aid, favoring poor, uncorrupt nations. Aid to Iraq, for instance, is counted at 10¢ on the dollar, since corruption is rampant there and rule of law weak. But aid to Mozambique, with its high poverty and relatively good governance, is counted at 77¢ on the dollar. Finally, donors are penalized for overloading recipient governments with too many small aid projects.

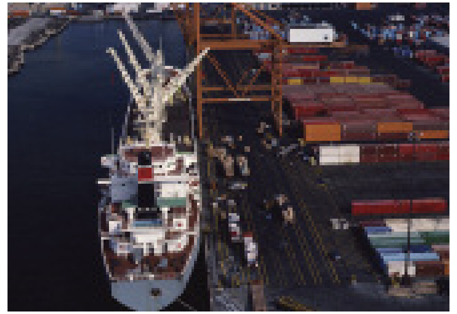
Since individuals give aid too—usually through Oxfam, CARE, and other nonprofits working in developing countries—the CDI rewards governments for letting taxpayers write off charitable donations.

Some countries, especially the Nordics, give far more aid for their size, a difference so dramatic that it dominates the CDI aid rankings. But quality matters too, which is why the United States is pulled lower than it otherwise would place by extensive tying and the 90 percent discount on its aid to Iraq.

Change in Aid Score since 2003

Trade

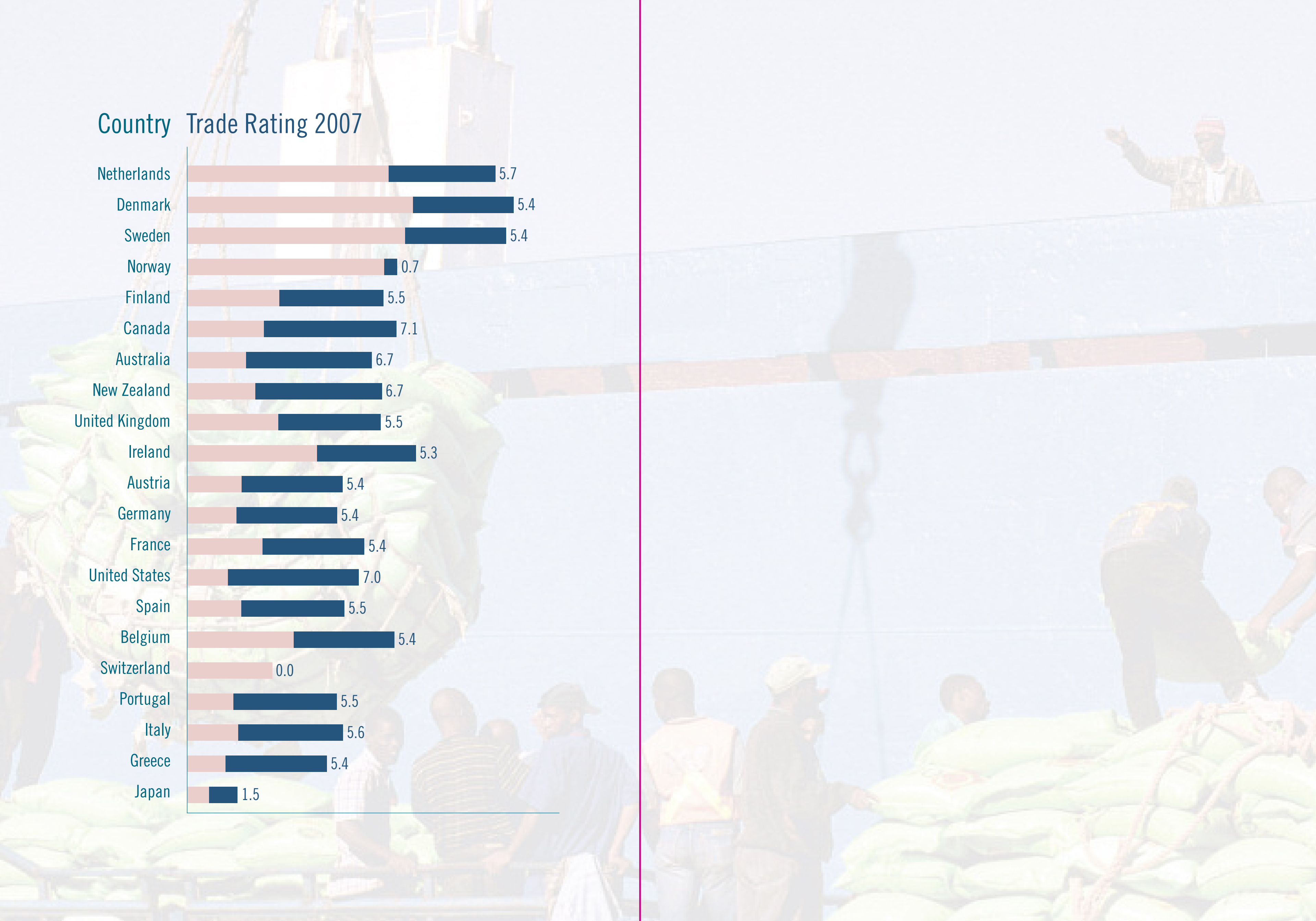
After international polarizations ignited two world wars, many people became convinced that cross-border commercial ties are essential to global peace and prosperity. In the half century that followed, nations collectively chipped away at trade barriers through rounds of negotiations. In this intensely political process, corporations, farm lobbies, and other rich-country players called most of the shots. As a result, some goods that poor countries are best at producing still face high barriers in rich countries.



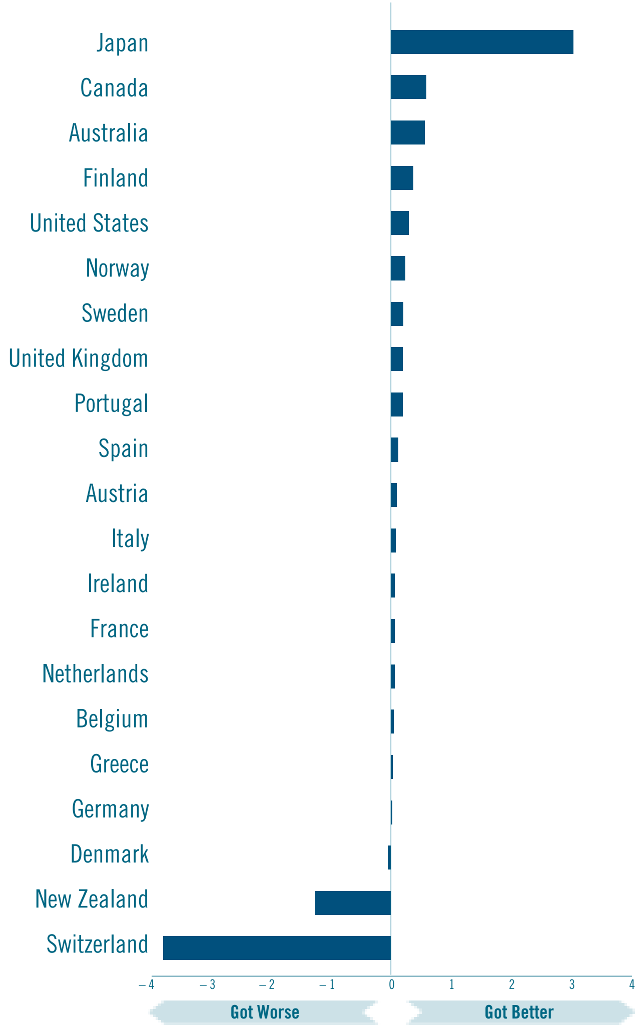
Because the ability to sell their products in rich-country markets is crucial for developing countries, the CDI trade component ranks countries according to how open they are to developing country imports.

The biggest barriers are tariffs—taxes—on agricultural imports. In addition, while CDI countries spend some $80 billion a year on aid, they spend $97 billion a year subsidizing their own farmers. Industrial protection also tends to be anti-poor, with low rates for raw commodities and higher rates for labor-intensive, processed goods. U.S. tariffs on imports from India, Indonesia, Sri Lanka, and Thailand generated $2.06 billion in revenue for the United States in 2005—twice what the United States committed that year for tsunami relief in the same countries. CGD senior fellow William Cline calculates that if rich countries dropped all remaining trade barriers, it would lift 200 million people out of poverty.

The CDI trade component distills each country's complex tariffs and subsidies into a flat, across-the-board tariff representing its total effect on developing countries. Canada does best in 2007, with the United States, Australia, and New Zealand close behind. European Union (EU) nations share trade and agriculture policies, so their scores are essentially the same. Japan's rice tariffs have shrunk in recent years relative to the rising world price of rice, but are still high at 500 percent (equivalent to a 500 percent sales or value-added tax on imports). High tariffs on meat, dairy products, sugar, and wheat from poor countries put non–EU members Norway and Switzerland last.



Change in Trade Score since 2003



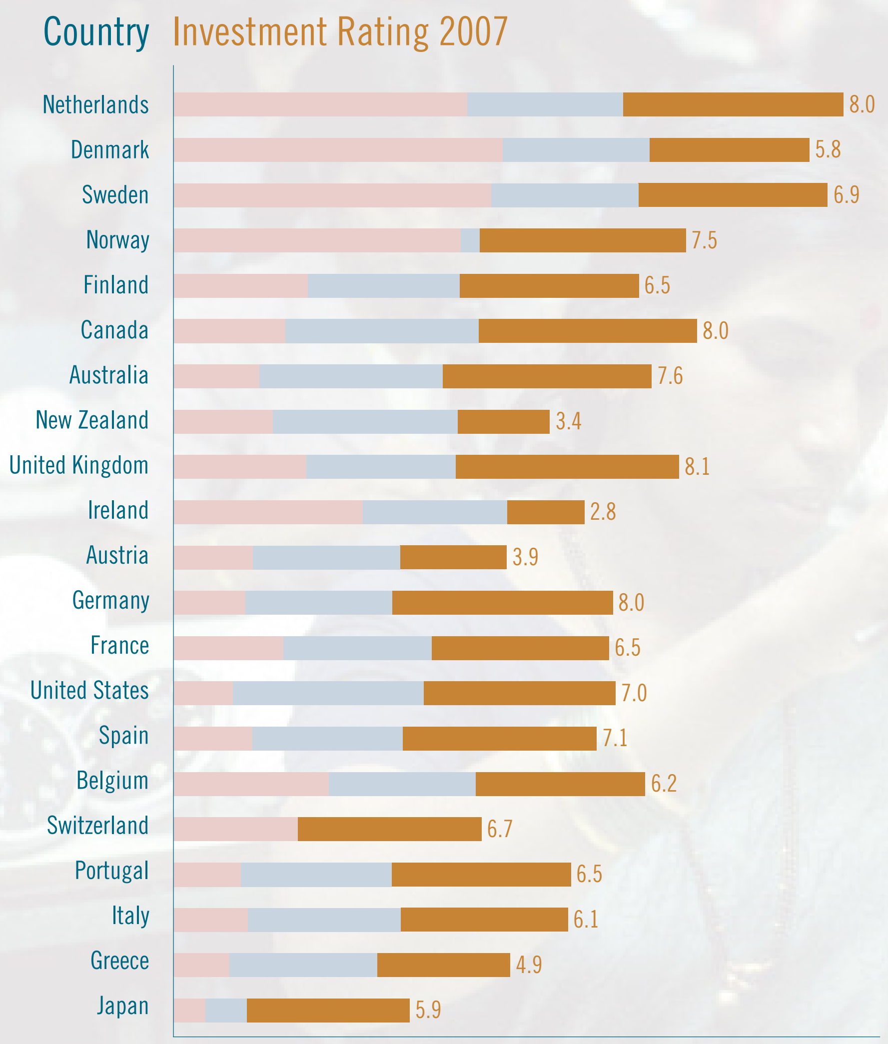
Investment

Foreign investment can be a significant driver of development in poor countries today, just as it was when English investors placed funds in the young United States. Many of East Asia's fastest-growing countries, for example, benefited from investment from abroad. However, foreign investment can breed instability—witness the 1997 Asian financial crisis—as well as corruption and exploitation, a prime example being the pollution and unrest in Nigeria's oil-producing regions.

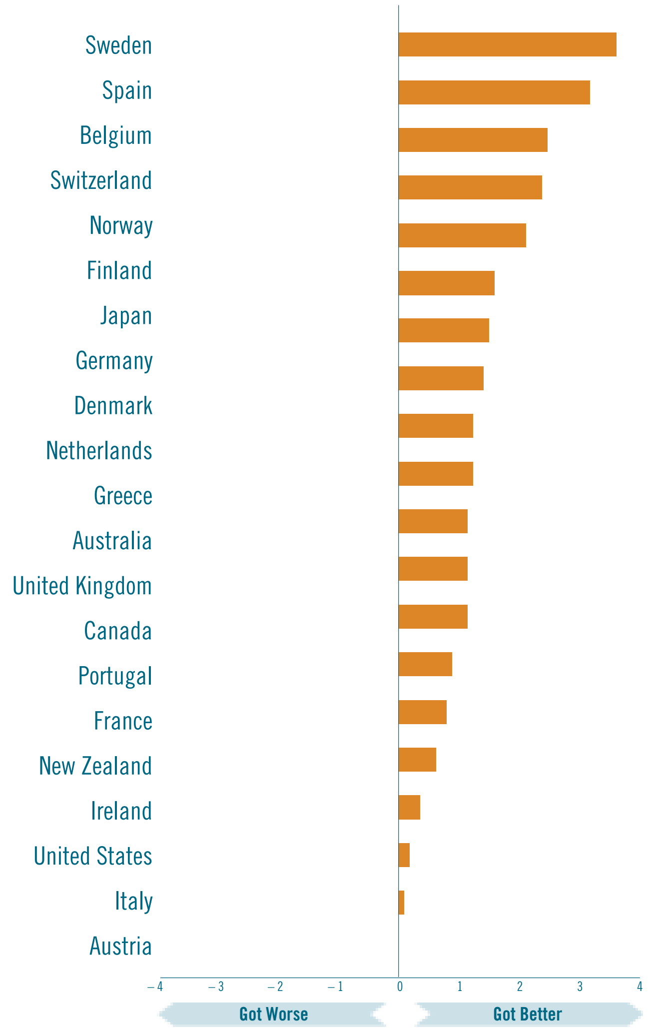
The CDI investment component rewards rich countries that pursue policies that promote investment that is good for development.

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

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



Change in Investment Score since 2003



Migration

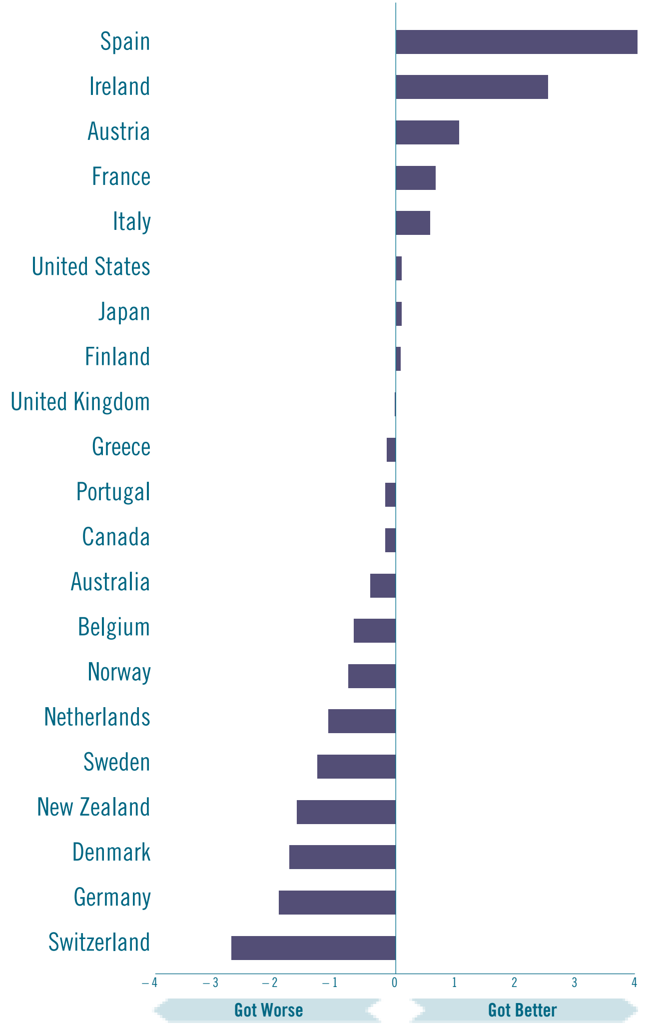
Some 200 million people today, one in 33, do not live in the country where they were born. That number is likely to grow as aging rich societies run short of workers. The CDI looks positively on this trend, just as it rewards engagement in the domains of aid, trade, and investment. Some migrants, especially students, acquire new knowledge and skills that they take with them when they return home. Many others send home money, a flow that surpasses foreign aid.

The CDI migration component rewards countries that are relatively open to migration from the developing world.

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

Austria takes first place for accepting the most migrants for its size from developing countries, especially lower-skilled ones, with Switzerland not far behind; both accepted many migrants from the nearby Yugoslavia as that nation dissolved into civil war. At the bottom is Japan, which accepts 300,000 migrants a year from developing countries. That is equal to 0.25 percent of its own population, which is half the CDI average. The United States, the great nation of immigrants, scores a mediocre 4.7 (where 5.0 is average). Why? For its size, its inflow of legal immigrants and refugees is actually low compared to those of many European nations.

Change in Migration Score since 2003



Environment

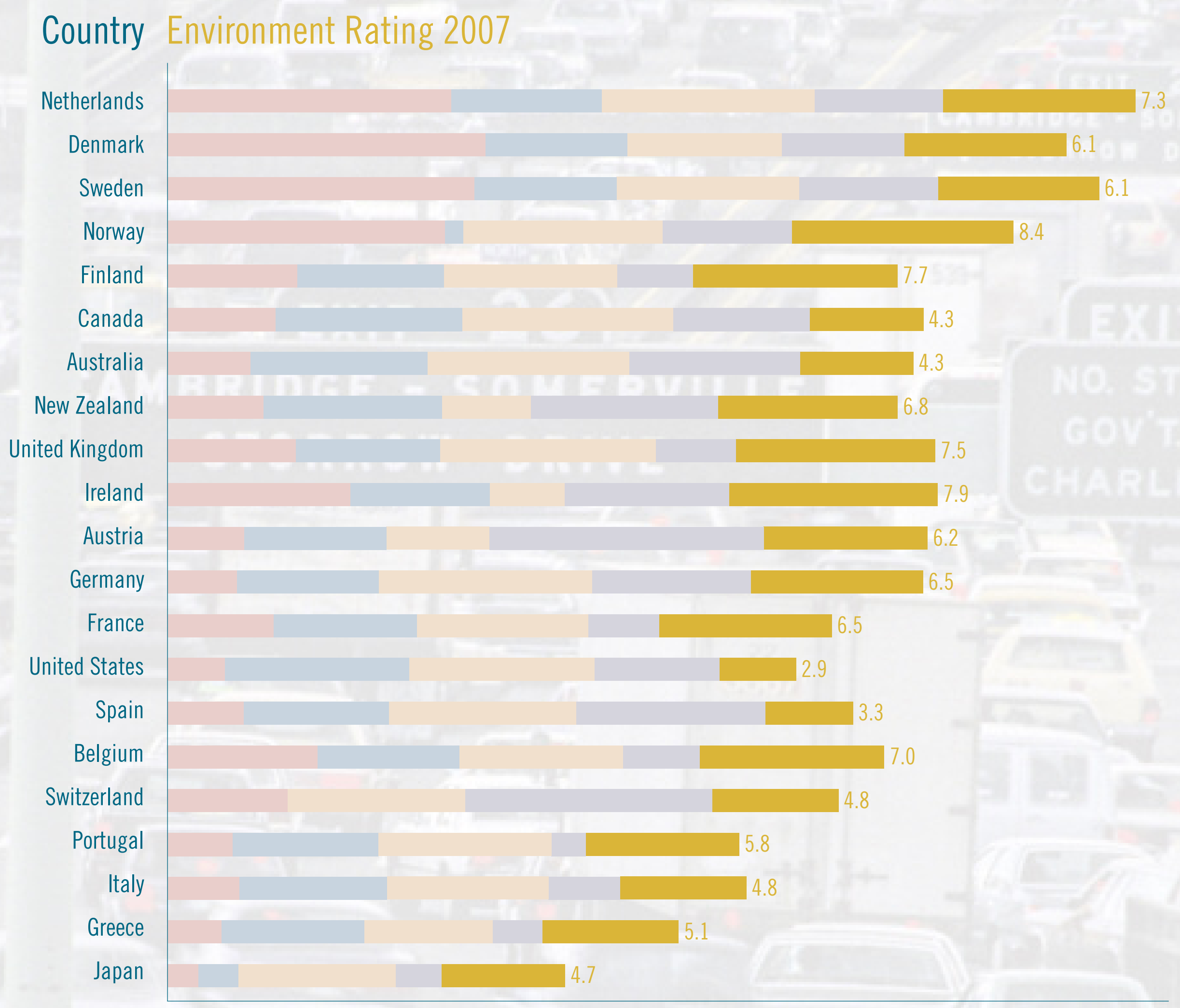
How will our great-grandchildren judge us in our role as global citizens, we who have the luxury to worry about more than our daily survival? Will they judge us by how much aid we gave or trade we encouraged? Or by our stewardship of the global environment?

Rich country environmental policies impact poor people in the developing world in many ways. A new study co-authored by CGD senior fellow David Wheeler predicts that a two-meter sea level rise driven by global warming would flood 90 million people out of their homes, many of them in the river deltas of Bangladesh, Egypt, and Vietnam.

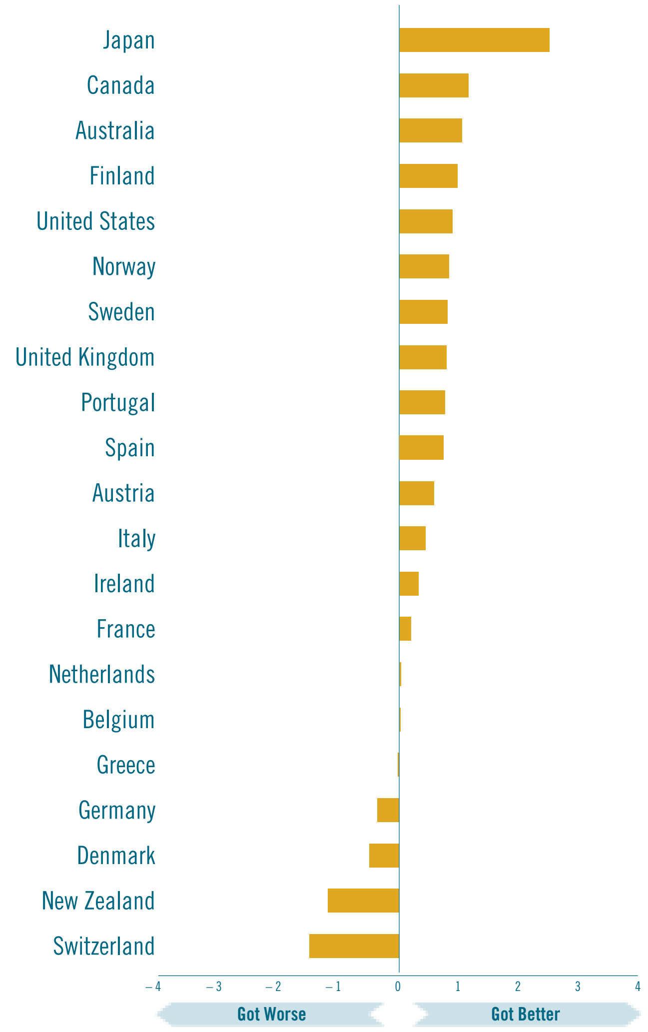
The CDI environment component looks at what rich countries are doing to reduce their disproportionate exploitation of the global commons.

Are they reining in greenhouse gas emissions? How complicit are they in environmental destruction in developing countries, for example, by importing commodities such as tropical timber? Do they subsidize fishing fleets that deplete fisheries off the coasts of Senegal or India?

Norway tops the environment standings, thanks to falling greenhouse gas emissions, high gasoline taxes, and minimal use of chemicals that deplete the ozone layer. Spain finishes low as a heavy subsidizer of its fishing industry. The United States comes in last because of high and growing greenhouse gas emissions, and for not ratifying the Kyoto Protocol, the most serious international effort yet to deal with climate change. Two notches up, Australia cuts a similar profile. Within the group, it is the one other abstainer from Kyoto, and has the highest greenhouse gas emissions per person.

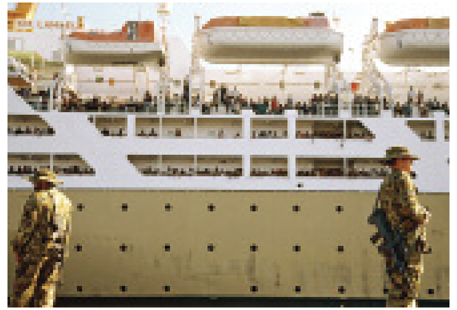


Change in Environment Score since 2003



Security

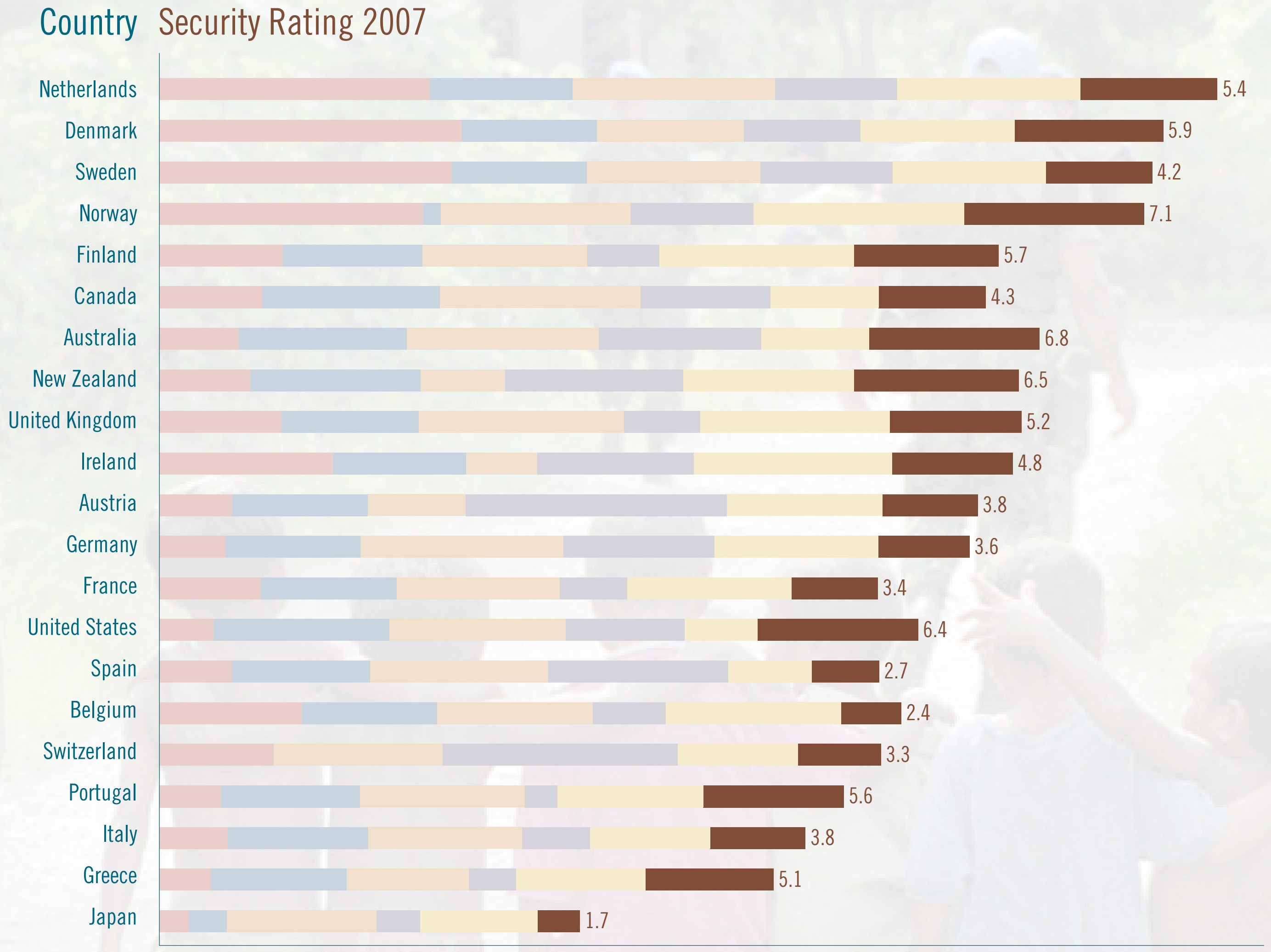
Rich nations engage daily in activities that enhance or degrade the security of developing countries. They keep the peace in countries recently torn by conflict. Occasionally, they make war, backed by an international mandate, as in Kosovo. Their navies keep open sea lanes vital to international trade. But they also supply despots with tanks and jets.



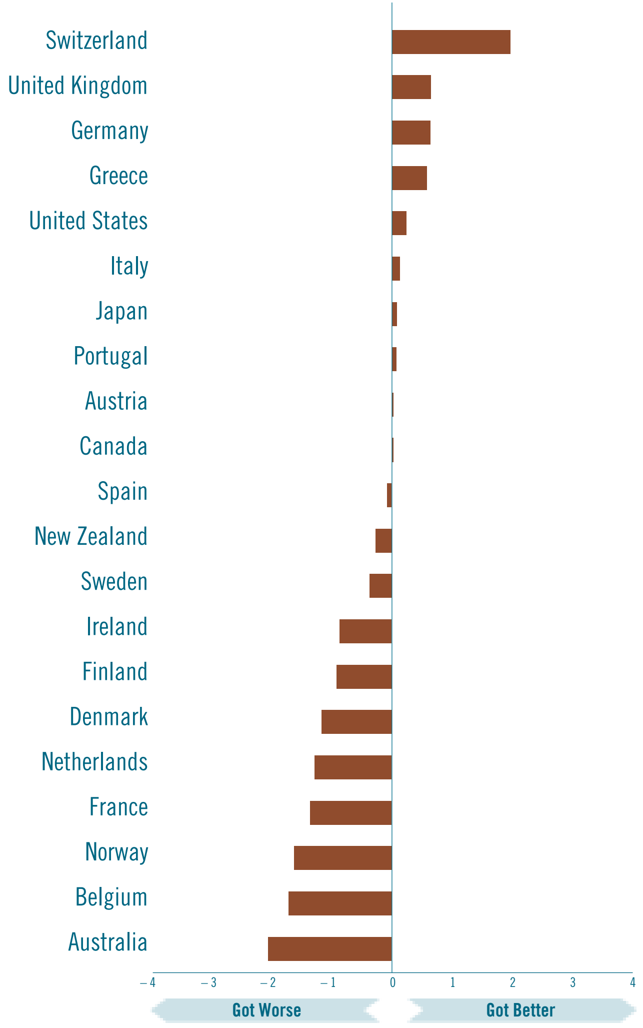
The CDI security component rewards contributions to global security efforts, such as peacekeeping and secure sea lanes, and penalizes certain types of arms sales.

The CDI looks at three aspects of the security-development nexus. It tallies the financial and personnel contributions to peacekeeping operations and forcible humanitarian interventions, although it counts only operations approved by an international body such as the U.N. Security Council or NATO. (So the invasion of Iraq does not count.) It rewards countries that base naval fleets where they can secure sea lanes for international trade. Only four countries get points for that: France, the Netherlands, Britain, and the United States. Finally, the CDI penalizes arms exports to undemocratic nations that spend heavily on weapons.

Australia and Norway take the top two spots on security. Australia places second for its U.N.-approved action in 1999 to stop Indonesian oppression of East Timor, while Norway comes first for steady contributions to peacekeeping operations in the former Yugoslavia and the Middle East. (Because such operations are infrequent, the CDI here factors in at least ten years of history.) The United States scores above average overall, earning points for flexing its military muscle near sea lanes but making only average contributions to approved international interventions, and losing points for selling arms to Middle Eastern dictatorships such as Saudi Arabia. Japan earns a perfect score on arms exports (it has none) but lags otherwise because of its peace constitution and low international military profile.



Change in Security Score since 2003



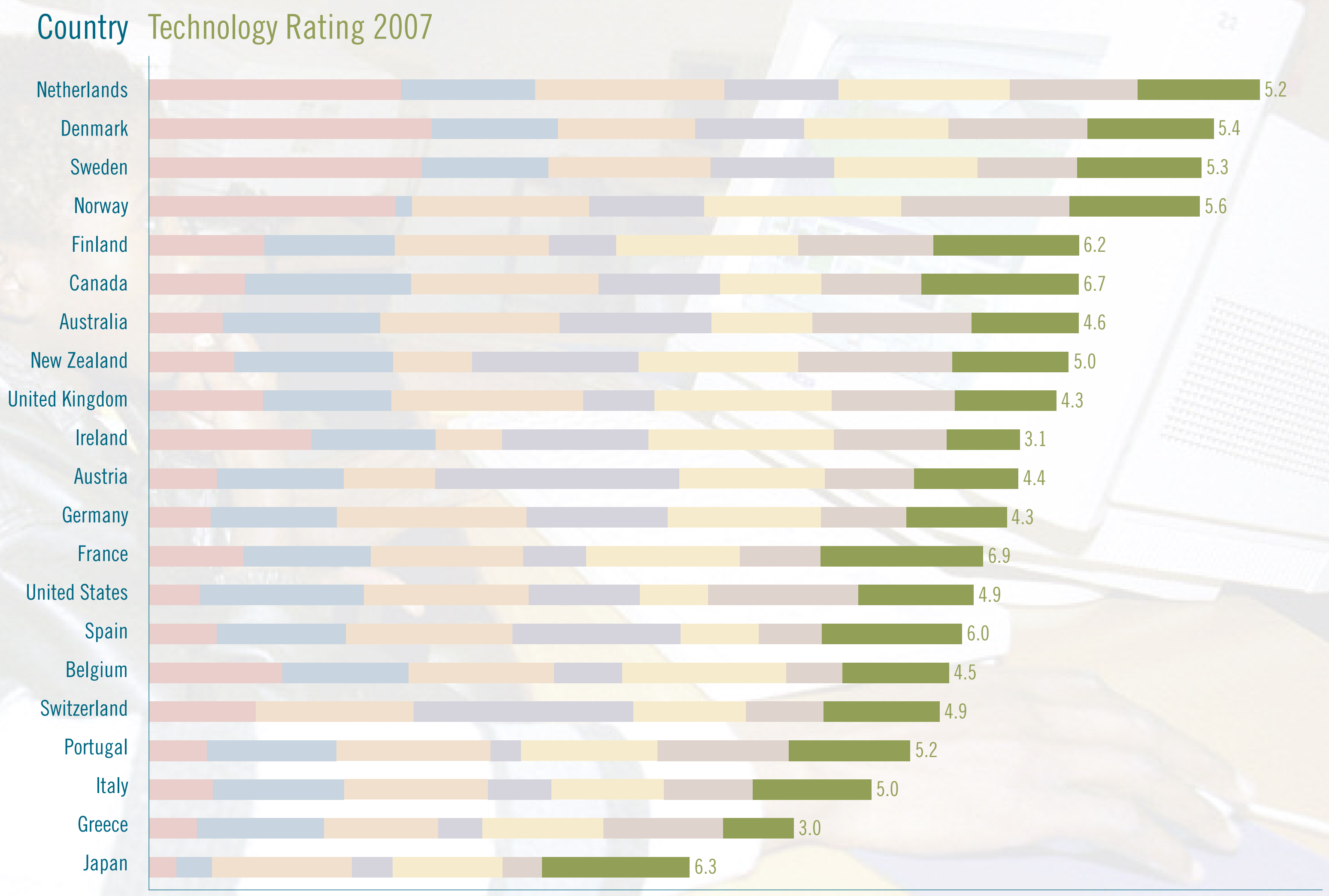
Technology

Technology

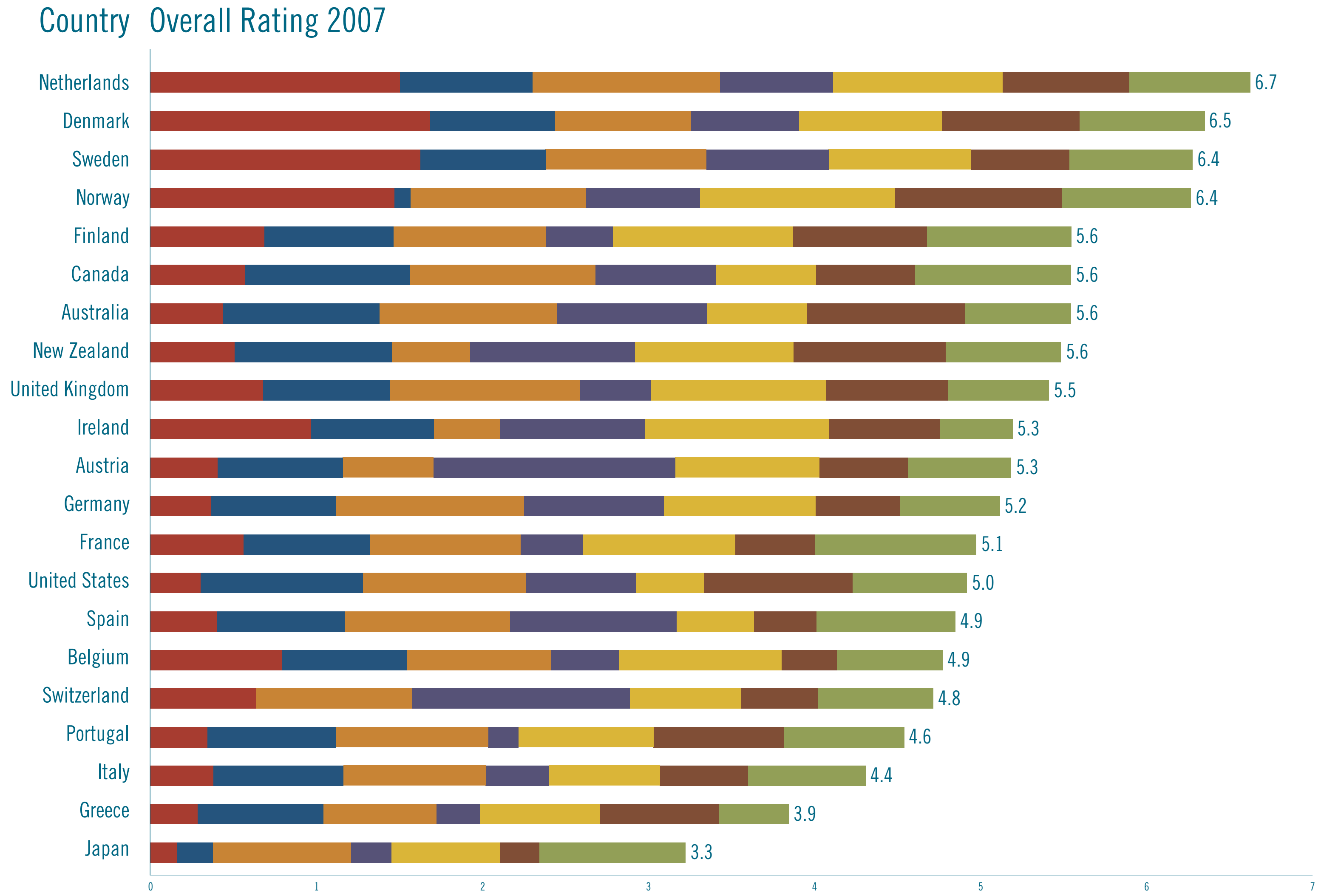
The Internet, mobile phones, vaccines, antibiotics, and high-yielding grains were all developed in rich countries and exported to poorer ones, where they improved—and saved—many lives. Of course, the industrial West also deserves blame for inventing the cars and coal-fired power plants that choke developing-country megalopolises with pollution and traffic. Clearly, rich-country innovations profoundly affect the entire world. And rich-country policies shape the path and pace of innovation.

As in other domains, the CDI favors policies that intensify positive connections between rich and poor countries—in this case the creation and dissemination of innovations.

It tallies government subsidies for research and development (R&D), whether delivered through spending or tax breaks. It also factors in policies on intellectual property rights (IPRs) that can inhibit the international dissemination of new technologies. These take the form of patent rules that go too far in advancing the interests of those who produce innovations at the expense of those who use them. Some countries, for example, use their leverage to negotiate trade agreements with individual developing countries that extend IPRs beyond international norms. U.S. negotiators have pushed for developing countries to agree never to force the immediate licensing of a patent even when it would serve a compelling public interest, as a HIV/AIDS drug might if produced by low-cost, local manufacturers. Overall, the U.S. loses points for those pushing for compulsory licensing bans, and the Europeans are penalized for allowing the copyrighting of databases containing data assembled with public funds. Greece and Ireland lag because of low government R&D subsidies. France, whose government spends a substantial 1 percent of GDP on R&D, takes first. Canada, whose IPR policies are the least restrictive, places second.



Change in Technology Score since 2003



The Bottom Line

The Netherlands comes in first on the 2007 CDI on the strength of ample aid-giving, falling greenhouse gas emissions, and support for investment in developing countries. Close behind are three more big aid donors: Denmark, Sweden, and Norway. Australia, Canada, and New Zealand are among those tying for fifth. They have a very different profile: generally low on aid but strong on trade, investment, migration, and security. Among the G–7—the countries that matter most for developing countries by dint of their economic power—the U.K. comes in second behind Canada, followed by Germany, while Japan comes in last on the Index. Like the United States, Japan's aid program is small for the size of its economy, and its impact all the smaller when the $5.9 billion that developing countries pay it in debt service each year is taken into account. Japan also tends to engage less with the developing world in ways measured by the Index, with tight borders to the entry of goods and people from poorer countries and limited involvement in peacekeeping abroad. Still, even the first-place Dutch score only about average (near 5.0) in four of the seven policy areas. All countries could do much more to spread prosperity.

Commitment to Development Index 2007

Country	Rank	Aid	Trade	Investment	Migration	Environment	Security	Technology	Overall Score	Change since 2003
Netherlands	1	10.7	5.7	8.0	4.8	7.3	5.4	5.2	6.7	–0.1
Denmark	2	12.0	5.4	5.8	4.6	6.1	5.9	5.4	6.5	–0.4
Sweden	3	11.6	5.4	6.9	5.2	6.1	4.2	5.3	6.4	+0.3
Norway	3	10.5	0.7	7.5	4.9	8.4	7.1	5.6	6.4	+0.4
Finland	5	4.9	5.5	6.5	2.9	7.7	5.7	6.2	5.6	+0.5
Canada	5	4.1	7.1	8.0	5.1	4.0	4.3	6.7	5.6	+0.4
Australia	5	3.1	6.7	7.6	6.5	3.8	6.8	4.6	5.6	–0.3
New Zealand	5	3.6	6.7	3.4	7.1	6.8	6.5	5.0	5.6	–0.3
United Kingdom	9	4.8	5.5	8.1	3.0	7.5	5.2	4.3	5.5	+0.3
Ireland	10	6.9	5.3	2.8	6.2	7.9	4.8	3.1	5.3	+0.6
Austria	10	2.9	5.4	3.9	10.4	6.2	3.8	4.4	5.3	0.0
Germany	12	2.6	5.4	8.0	6.0	6.5	3.6	4.3	5.2	–0.1
France	13	4.0	5.4	6.5	2.7	6.5	3.4	6.9	5.1	+0.2
United States	14	2.2	7.0	7.0	4.7	2.9	6.4	4.9	5.0	+0.3
Spain	15	2.9	5.5	7.1	7.1	3.3	2.7	6.0	4.9	+1.1
Belgium	15	5.7	5.4	6.2	2.9	7.0	2.4	4.5	4.9	+0.2
Switzerland	17	4.5	0.0	6.7	9.3	4.8	3.3	4.9	4.8	–0.6
Portugal	18	2.4	5.5	6.5	1.3	5.8	5.6	5.2	4.6	+0.2
Italy	19	2.7	5.6	6.1	2.7	4.8	3.8	5.0	4.4	+0.3
Greece	20	2.0	5.4	4.9	1.9	5.1	5.1	3.0	3.9	+0.2
Japan	21	1.2	1.5	5.9	1.7	4.7	1.7	6.3	3.3	+0.7

About the Commitment to Development Index

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. It is therefore in the interest of every rich country to find ways to help poor countries develop.

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. Rich countries preach concern for human life and dignity; the CDI looks at whether rich countries' actions are consistent with their values.

The CDI is a team project. It builds on contributions from scholars at the Center for Global Development, the Brookings Institution, Georgetown University, the Migration Policy Institute, the World Resources Institute, and the University of Colorado. To learn more about the technical details of the CDI's construction, visit www.cgdev.org/cdi.

The research and analysis that underpin this report, and the preparation and publication of this booklet and other CDI products, were made possible by the Rockefeller Foundation, the 12 donor governments that have joined the CDI Consortium, and by the core support that CGD founder and board chair Edward W. Scott Jr. provides for the Center's work.

If you have found this Index interesting and useful, talk to your friends, family, neighbors and co-workers about it. Tell elected officials that you want them to support policies and practices that make it less difficult for poor people in the developing world to improve their lives. Ask them what they think about your country's rank on the Commitment to Development Index, and what they are doing to help improve your country's score.

Is it far fetched that the CDI can help to change country policies? No. The governments of Finland and the Netherlands have already adopted the CDI as their measuring stick for how their policies effect developing countries.

About the Center for Global Development

CGD is an independent, not-for-profit think tank that works to reduce global poverty and inequality by encouraging policy change in the United States and other rich countries through rigorous research and active engagement with the policy community.

At the Center for Global Development we believe that changes in the policies and practices of the United States, other rich countries, and international corporations and institutions matter for people in developing and emerging market countries, and that our research and policy advocacy can make a real difference in their lives.

Our goals include: major reforms of the flawed aid "industry"; new, bigger and more predictable financing of key global public goods, especially to combat malaria and other tropical diseases; an international initiative, led by developing countries, to promote credible impact evaluation—including of microfinance and AIDS prevention and treatment programs; migration policies that will maximize the "brain gain" for sending countries; and getting the immense costs that climate change will impose on the world's poorest people on the global agenda.

By matching research with action, the Center goes beyond simply adding to the development literature; it conceives of and advocates for policies that can directly improve the economic and social development prospect in poor nations.The Commitment to Development Index is one example of how the Center is working to achieve its goals. Some of CGD's proposals have already been taken up and are making a difference.

To learn more about the Center's initiatives or how you can get involved visit us at www.cgdev.org.

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