

## Denmark

David Roodman and Scott Standley

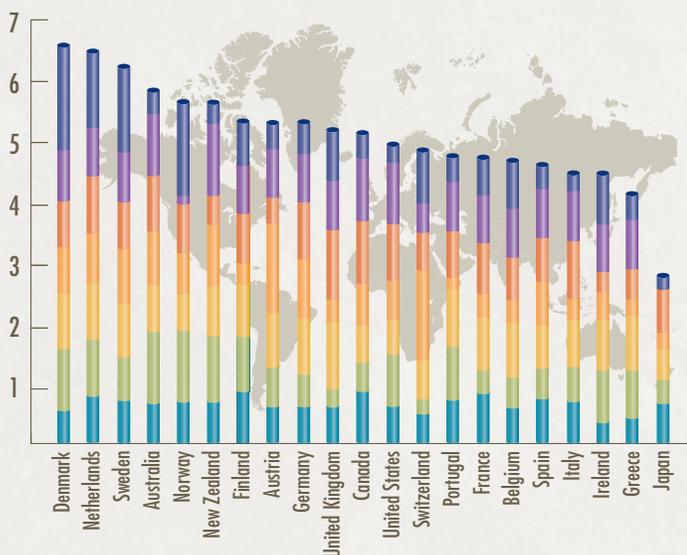
The Commitment to Development Index (CDI) ranks 21 of the world's richest countries based on their dedication to policies that benefit poor nations. Looking beyond standard comparisons of foreign aid flows, the CDI measures national effort in seven policy areas that are important to developing countries: aid, trade, investment, migration, environment, security and technology. This report reviews Denmark's performance on the 2005 CDI.

### Denmark's 2005 CDI performance

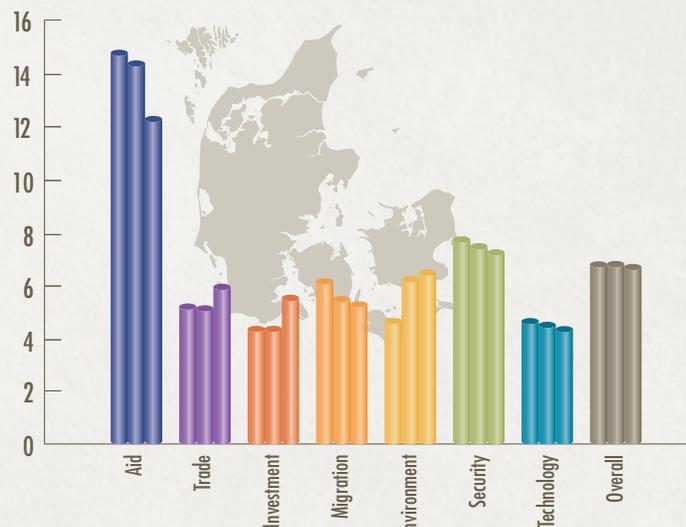
- ▶ Overall score: 6.7
- ▶ Overall rank 2005: 1
- ▶ Change since 2003: 0.0

Denmark ranks 1<sup>st</sup> overall in 2005. The Danish foreign aid program is the best in the world in terms of quantity and quality weighted for country size. Denmark also contributes a large amount of personnel and finance to international peacekeeping and humanitarian interventions and has a strong environmental record. But even Denmark, despite its top ranking, is an average performer in four CDI components. Most notably, Denmark's support of technological innovation and dissemination is below the CDI average.

COMMITMENT TO DEVELOPMENT INDEX, 2005



DENMARK'S CDI PERFORMANCE, 2003-05



## Aid

Aid quality is just as important as aid quantity, so the CDI measures gross aid as a share of GDP adjusted for various quality factors: it subtracts debt service, penalizes “tied” aid that makes recipients spend aid only on donor goods and services, rewards aid to poor but relatively uncorrupt recipients, and penalizes overloading poor governments with many small projects.

► **Score: 12.3**

► **Rank: 1**

### STRENGTHS

- Strong on project proliferation (*no Danish development projects cost under \$100,000; rank: 1*)
- Very high net aid volume as a share of GDP (*0.92%; rank: 2*)
- Strong on selectivity; large share of aid to poor recipients with democratic governments (*rank: 1*)

### WEAKNESSES

- Small amount of private charitable giving, attributable to tax policy (*rank as a share of GDP: 16*)
- Large share of tied aid (*29%; rank: 15*)

## Trade

International trade has been a force for economic development for centuries. The CDI measures trade barriers in rich countries against exports from developing countries.

► **Score: 5.9**

► **Rank: 7**

### STRENGTHS

- Low barriers against textiles (*rank: 3*)
- Low barriers against apparel (*rank: 3*)

### WEAKNESSES

NA

## Investment

Rich-country investment in poorer countries can transfer technologies, upgrade management and create jobs. The CDI includes a checklist of policies that support healthy investment in developing countries.

► **Score: 5.5**

► **Rank: 11**

### STRENGTHS

- Provides wide official insurance coverage against political risk
- Provides official assistance to developing countries to set up investment promotion agencies

### WEAKNESSES

- Does not allow domestic investors to take advantage of developing country tax incentives

## Migration

The movement of people from poor to rich countries provides unskilled immigrants with jobs, income and knowledge. This increases the flow of money sent home by migrants abroad and the transfer of skills when the migrants return.

► **Score: 5.3**

► **Rank: 8**

### STRENGTHS

- Large increase during the 1990s in the number of unskilled immigrants from developing countries living in Denmark (*rank as a share of population: 8*)
- Bears large share of the burden of refugees during humanitarian crises (*rank: 4*)

### WEAKNESSES

- Small number of immigrants from developing countries entering Denmark in 2003 (*rank as a share of population: 14*)

## Environment

Rich countries use a disproportionate amount of scarce resources and poor countries are most likely to be hurt by global warming and ecological deterioration, so the CDI measures the impact of environmental policies on the global climate, sustainable fisheries and biodiversity.

► **Score: 6.5**

► **Rank: 6**

### STRENGTHS

- Large decline in greenhouse gas emission rate between 1999-2003 (*average annual growth rate/PPP GDP, -4%; rank: 2*)
- Policies to regulate illegal timber imports

### WEAKNESSES

- High greenhouse gas emission rate per capita (*14 tons of carbon dioxide equivalent; rank: 14*)
- High fishing subsidies (*\$11.48 per person; rank: 17*)

## Security

Since security is a prerequisite for development, the CDI rewards contributions to internationally sanctioned peacekeeping operations and forcible humanitarian interventions, rewards military protection of global sea lanes, and penalizes arms exports to poor and undemocratic governments.

► **Score: 7.2**

► **Rank: 4**

### STRENGTHS

- Significant financial and personnel contributions during interventions in Bosnia and Kosovo (*overall contribution rank over last 10 years as share of GDP: 5*)
- No arms exports to poor and undemocratic governments

### WEAKNESSES

- No protection of global sea lanes

## Technology

Rich countries contribute to development through the creation and dissemination of new technologies. The CDI captures this by measuring government support for R&D and penalizing strong intellectual property rights regimes that limit the dissemination of new technologies to poor countries.

► **Score: 4.4**

► **Rank: 18**

### STRENGTHS

- High business expenditure on R&D as a share of GDP (*rank: 6*)
- Low share of government R&D expenditure on defense (*0.5%; rank: 5*)

### WEAKNESSES

- Low tax subsidy rate to businesses for R&D (*-1%; rank: 15*)
- Offers patent-like proprietary rights to developers of data compilations, including those assembled from data in the public domain
- Imposes strict limitations on anti-circumvention technologies that can defeat encryption of copyrighted digital materials

## For more information

For details of the 2005 CGD/FP Commitment to Development Index, see "The Commitment to Development Index: 2005 Edition" by David Roodman, available at [www.cgdev.org/cdi](http://www.cgdev.org/cdi). The CGD website contains reports on each of the 21 countries in the index, as well as background papers organized by policy area: David Roodman on foreign aid, William R. Cline on trade, Theodore H. Moran on investment, Elizabeth Grieco and Kimberly A. Hamilton on migration, Amy Cassara and Daniel Prager on environment, Michael E. O'Hanlon and Adriana Lins de Albuquerque on security, and Keith Maskus on technology.

David Roodman is a Research Fellow and Scott Standley is a Research Assistant at the Center for Global Development.  
For more information about the 2005 Commitment to Development Index, visit [www.cgdev.org/rankingtherich](http://www.cgdev.org/rankingtherich).

[www.cgdev.org](http://www.cgdev.org)

Independent Research and Practical Ideas for Global Prosperity

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

Tel: (202) 416-0700 • Fax: (202) 416-0750