



David Roodman and Scott Standley

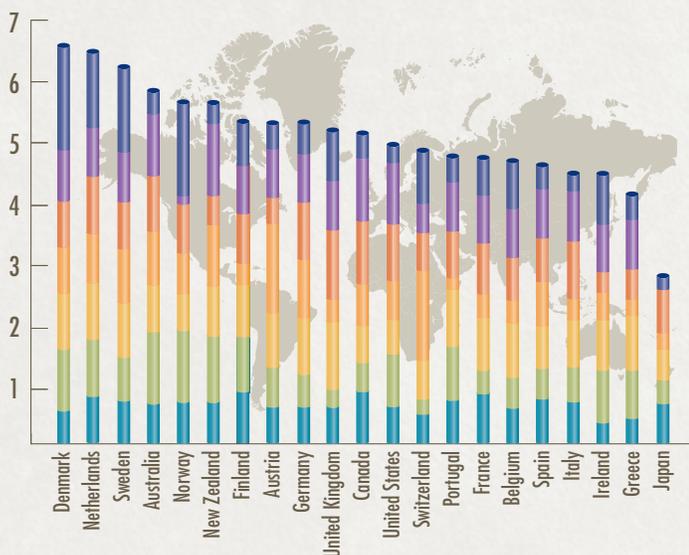
The Commitment to Development Index (CDI) ranks 21 of the world's richest countries based on their dedication to policies that benefit poor nations. Looking beyond standard comparisons of foreign aid flows, the CDI measures national effort in seven policy areas that are important to developing countries: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

## Finland's 2005 CDI performance

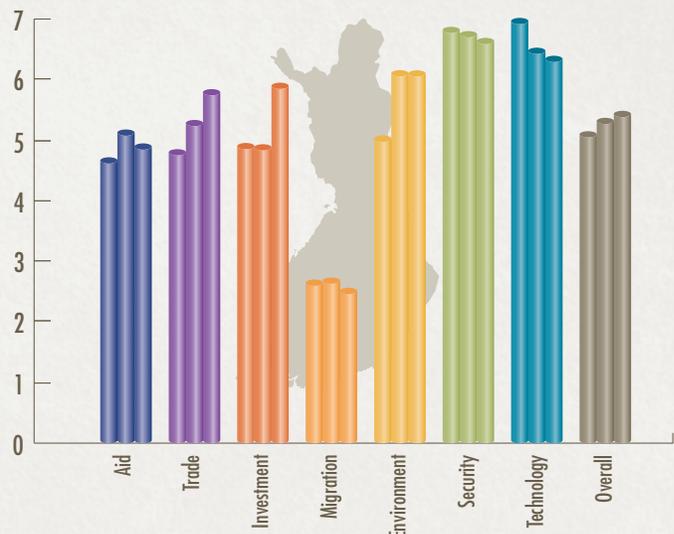
- ▶ Overall score: 5.4
- ▶ Overall rank 2005: 7
- ▶ Change since 2003: +0.2

Finland ranks 7<sup>th</sup> overall in 2005. The Finnish government is a strong supporter of technological innovation and dissemination to the developing world and has also made significant contributions to international peace-keeping and forcible humanitarian interventions. But due to high barriers that restrict entry, the flow of immigrants from poor countries to Finland is one of the lowest in the CDI as a share of country population.

COMMITMENT TO DEVELOPMENT INDEX, 2005



FINLAND'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: 4.9**

► **Rank: 9**

### STRENGTHS

- High net aid volume as a share of GDP (0.40%; rank: 7)
- Strong on selectivity; large share of aid to poor recipients with democratic governments (rank: 5)

### WEAKNESSES

- Small amount of private charitable giving, attributable to tax policy (rank as a share of GDP: 18)
- No tax incentive for private charitable giving
- Large share of tied aid (14%; rank: 13)

## 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: 5.8**

► **Rank: 15**

### STRENGTHS

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

### WEAKNESSES

- High total aggregate protection of agricultural commodities (rank: 15)
- High agricultural subsidies (rank: 17)

## 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: 5.9**

► **Rank: 9**

### STRENGTHS

- Provides wide official insurance coverage against political risk
- Participates in international anti-corruption agreements

### WEAKNESSES

- Imposes restrictions on pension fund investments in emerging markets

## 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: 2.5**

► **Rank: 18**

### STRENGTHS

NA

### WEAKNESSES

- Only a small increase during the 1990s in the number of unskilled immigrants from developing countries living in Finland (rank as a share of population: 15)
- Small number of immigrants from developing countries entering Finland in 2003 (rank as a share of population: 19)
- Bears small share of the burden of refugees during humanitarian crises (rank: 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: 6.1**

► **Rank: 11**

### STRENGTHS

- Large decline in greenhouse gas emission rate between 1999-2003 (*average annual growth rate/PPP GDP, -2.7%; rank: 7*)
- High gas taxes (*rank: 7*)
- Few imports of endangered species (*rank: 3*)

### WEAKNESSES

- High greenhouse gas emission rate per capita (*18 tons of carbon dioxide equivalent; 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: 6.6**

► **Rank: 6**

### STRENGTHS

- Significant financial and personnel contributions during interventions in Bosnia and Kosovo (*overall contribution rank over last 10 years as share of GDP: 6*)
- Few 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: 6.3**

► **Rank: 2**

### STRENGTHS

- High business expenditure on R&D as a share of GDP (*rank: 2*)
- High government expenditure on R&D as a share of GDP (*rank: 1*)
- Low share of government R&D expenditure on defense (*1.6%; rank: 9*)

### WEAKNESSES

- Low tax subsidy rate to businesses for R&D (*-1%; rank: 16*)
- Offers patent-like proprietary rights to developers of data compilations, including those assembled from data in the public domain

## 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.

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For more information about the 2005 Commitment to Development Index, visit [www.cgdev.org/rankingtherich](http://www.cgdev.org/rankingtherich).

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