



David Roodman and Scott Standley

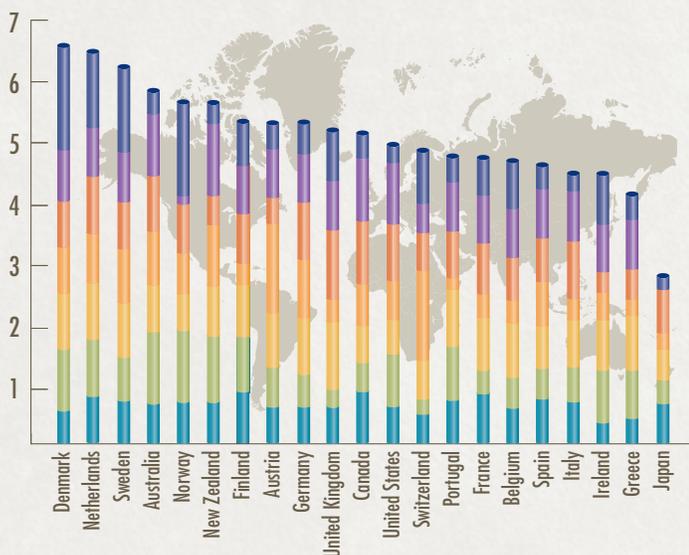
The Commitment to Development Index (CDI) ranks 21 of the world's richest countries based on their dedication to policies that benefit poor nations. Looking beyond standard comparisons of foreign aid flows, the CDI measures national effort in seven policy areas that are important to developing countries: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

Italy's 2005 CDI performance

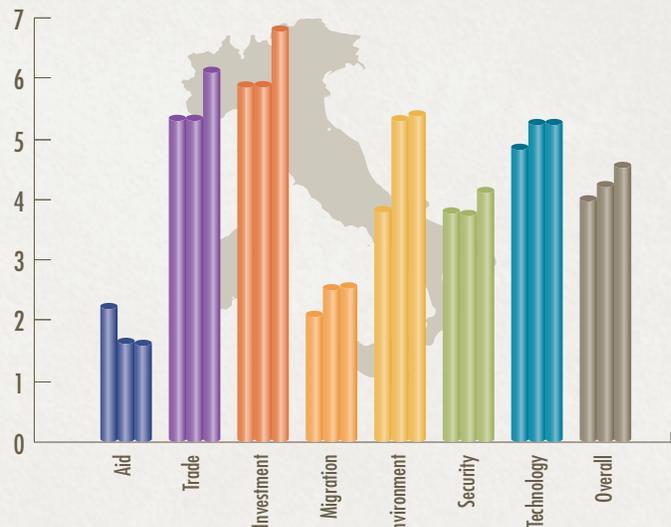
- ▶ Overall score: 4.5
- ▶ Overall rank 2005: 18
- ▶ Change since 2003: +0.5

Italy ranks 18th overall in 2005. The Italian government is above average on funding for research and development and has in place policies that promote Italian investment in the developing world. But Italy's overall score is brought down by a very small foreign aid program, poor donor practices (including the highest share of "tied" aid in the CDI), and the low number of immigrants entering from developing countries as a share of the Italian population.

COMMITMENT TO DEVELOPMENT INDEX, 2005



ITALY'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: 1.6**

► **Rank: 20**

STRENGTHS

NA

WEAKNESSES

- Low net aid volume as a share of GDP (0.16%; rank: 19)
- Small amount of private charitable giving, attributable to tax policy (rank as a share of GDP: 21)
- Large share of tied aid (92%; rank: 21)
- Weak on selectivity; large share of aid to less poor and undemocratic governments (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: 6.1**

► **Rank: 5**

STRENGTHS

- Low total protection of agricultural commodities (rank: 5)
- Low agricultural subsidies (rank: 4)
- 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: 6.8**

► **Rank: 3**

STRENGTHS

- Provides wide official insurance coverage against political risk
- Employs tax-sparing arrangements to prevent double taxation of corporate profits earned abroad

WEAKNESSES

NA

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: 17**

STRENGTHS

NA

WEAKNESSES

- Only a small increase during the 1990s in the number of unskilled immigrants living in Italy (rank as a share of population: 13)
- Small number of immigrants from developing countries entering Italy in 2000 (rank as a share of population: 13)
- Bears small share of the burden of refugees during humanitarian crises (rank: 19)

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: 5.4**

► **Rank: 15**

STRENGTHS

- Low greenhouse gas emission rate per capita (*10 tons of carbon dioxide equivalent; rank: 5*)
- High gas taxes (*rank: 4*)
- Low fishing subsidies (*\$1.13 per person; rank: 5*)

WEAKNESSES

- Small decrease in greenhouse gas emission rate between 1999-2003 (*average annual growth rate/PPP GDP, -0.6%; rank: 18*)
- Large number of endangered species imports (*rank: 21*)

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: 4.1**

► **Rank: 13**

STRENGTHS

NA

WEAKNESSES

- Small financial and personnel contributions to internationally sanctioned peacekeeping and humanitarian interventions (*overall contribution rank over last 10 years as share of GDP: 15*)
- 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: 5.3**

► **Rank: 8**

STRENGTHS

- Large tax subsidy rate to businesses for R&D (*21%; rank: 4*)
- Small share of government R&D expenditure on defense (*1.6%; rank: 10*)

WEAKNESSES

- Low business expenditure on R&D as a share of GDP (*rank: 18*)
- Allows patents on plant and animal varieties
- 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. 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.

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