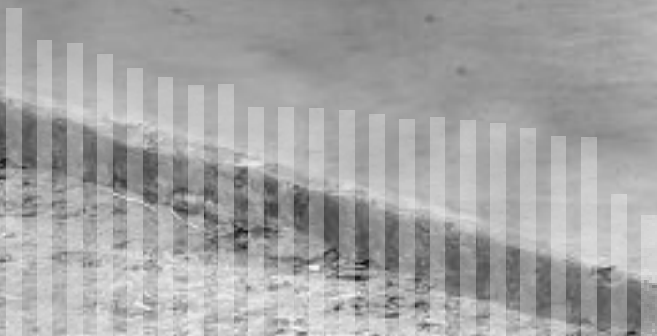


The Commitment to Development Index ranks 22 of the world's richest countries on their dedication to policies that benefit the 5.5 billion people living in poorer nations. Moving beyond standard comparisons of foreign aid volumes, the CDI quantifies a range of rich-country policies that affect poor people in developing countries:

- Quantity and quality of aid
- Openness to exports
- Investment policies
- Migration policies
- Environmental policies
- Security policies
- Support for new technologies

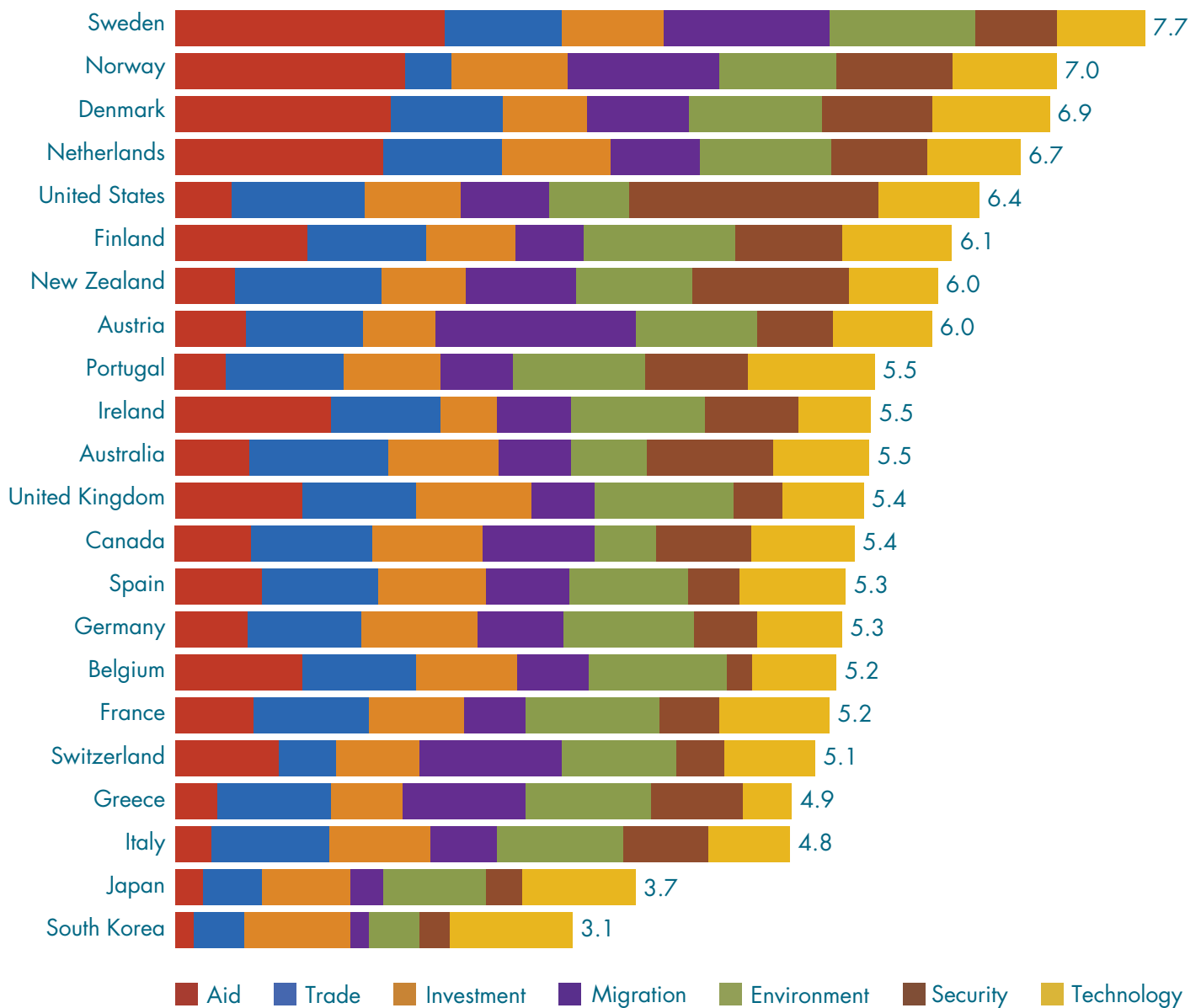
Scores on each component are scaled so that an average score in 2008, the reference year, equals 5.0. A country's final score is the average of those for each component.

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.



# Commitment to Development Index 2011

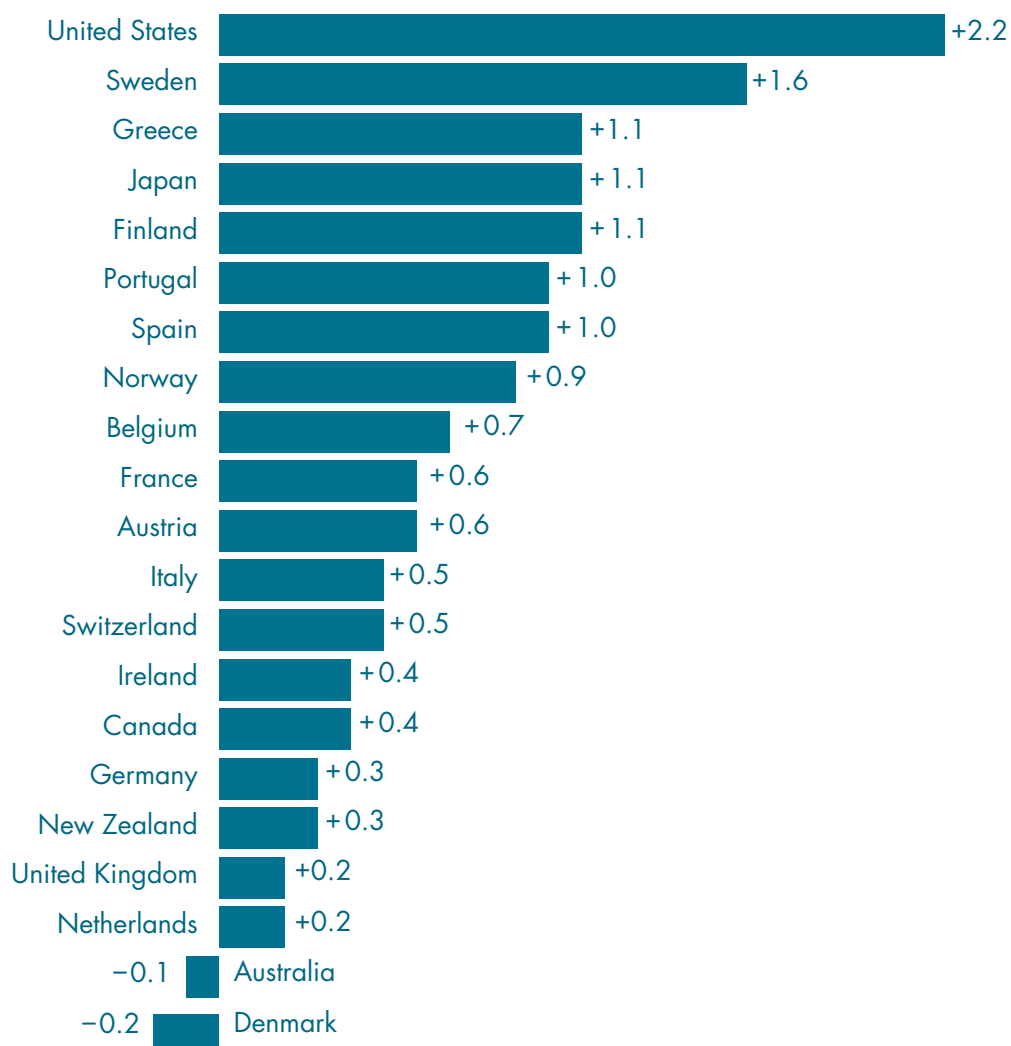
Why does the CDI matter? In an increasingly integrated world, rich countries cannot insulate themselves from global poverty and insecurity. Poverty and weak institutions can breed global public health crises, security threats, and economic instability that can destabilize an entire region and send shockwaves 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 2011 CDI on the strength of its high aid quality and quantity, admission of large numbers of migrants, and low and falling greenhouse gas emissions. Close behind are Norway, Denmark, and the Netherlands, also generous aid donors. New Zealand and Austria place in the top half with very different profiles: both generally score low on aid, but New Zealand is strong on trade and security, and Austria is particularly strong on migration. Among the G-7 countries—those that matter most by dint of their economic power—only the United States ranks in the top half of the Index. Japan and South Korea finish last with small aid programs for their sizes. 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 Swedes have only average scores (near 5.0) in three of the seven policy areas. All countries could do much more to spread prosperity.

### Change, 2003–11



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, because it prevents recipients from shopping around and raises project costs by 15–30 percent. The CDI also looks at where aid goes, favoring poor and relatively well-governed nations. While aid to Iraq—where corruption is rampant and rule of law weak—is counted at 22¢ on the dollar, aid to Ghana—where poverty is high and governance relatively good—is counted at 97¢ 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 top six slots on aid are occupied by the Scandinavian countries, the Netherlands, and Ireland, while Italy, Japan and South Korea place at the bottom. Sweden takes first place both overall and for sheer aid quantity as a share of GDP. But quality matters too. Germany ranks 11th on sheer aid quantity as a share of GDP, but falls to 14th in the overall aid component for funding smaller projects and tying nearly a quarter of its aid. At 17th, the United States also ranks in the bottom half of donors on aid. It would score higher if it contributed a higher share of its GDP 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 2011 Index, with Australia, the United States, and Canada not far behind. In general, EU nations share common trade and agriculture policies and therefore 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 538 percent (equivalent to a 538 percent sales or value-added tax on imports). Overall, however, Norway ranks last in trade largely because of 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—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 investment-promotion policies that are 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?

Ireland places at the bottom of the investment component. It is one of only three CDI-ranked countries without a national agency to offer political risk insurance and also lacks policies to fully prevent double taxation of corporate profits earned abroad. Ireland is joined at the bottom of the rankings by Greece, which restricts pension fund investments in developing countries, and Austria, which offers little remedy for double taxation. Top-ranked United Kingdom, Norway, and Germany do better on each of these dimensions and have also 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 place for accepting the most migrants for its size, many from the civil war in Yugoslavia, with Sweden, Norway, and Switzerland also in the top four. Greece and South Korea host the largest shares of foreign students from poor countries. However, South Korea ranks last overall because it accepts less than 1,500 migrants a year from developing countries, a number equal to 0.003 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 among 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 fourth 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 they 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 its significant financial and personnel contributions to internationally sanctioned peacekeeping and humanitarian interventions, namely the current operation in Afghanistan endorsed by the UN Security Council in 2001, as well as its large number of military ships stationed in sea lanes. New Zealand and Australia also rank at the top for their UN-approved action in 1999 to stop Indonesian oppression of East Timor. However, the United States is also penalized for exporting a large amount of arms to poor and undemocratic countries, as are the United Kingdom, France, and Belgium. South Korea and Japan earn perfect scores on arms exports to developing countries (they have none) but lag otherwise because of their low international military profiles.

## Technology

The Internet, mobile phones, vaccines, and high-yielding grains were all invented in rich countries 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 policies 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, South Korea, and Denmark finish at the top of the technology component, thanks to government expenditure on R&D worth around 1 percent of their GDPs (despite South Korea devoting much of this to defense). France and Spain give the highest tax subsidy rates to businesses but spend less overall on R&D as a share of GDP. The United States and many European countries lose points for promoting compulsory licensing bans and pushing for the incorporation of “TRIPS-Plus” measures—which restrict the flow of innovations to developing countries—into bilateral free trade agreements.

## Commitment to Development Index 2011

	Rank	Aid	Trade	Investment	Migration	Environment	Security	Technology	Overall (Average)	Change, 2003–11
Sweden	1	14.9	6.5	5.6	9.2	8.1	4.5	4.9	7.7	+ 1.6
Norway	2	12.7	2.6	6.4	8.4	6.5	6.4	5.8	7.0	+ 0.9
Denmark	3	11.9	6.2	4.7	5.6	7.4	6.1	6.5	6.9	- 0.2
Netherlands	4	11.5	6.6	6.0	4.9	7.3	5.3	5.2	6.7	+ 0.2
United States	5	3.1	7.4	5.3	4.9	4.4	13.8	5.6	6.4	+ 2.2
Finland	6	7.3	6.6	4.9	3.8	8.4	5.9	6.1	6.1	+ 1.1
New Zealand	7	3.3	8.1	4.7	6.1	6.4	8.7	4.9	6.0	+ 0.3
Austria	7	3.9	6.5	4.0	11.1	6.7	4.2	5.5	6.0	+ 0.6
Portugal	9	2.8	6.5	5.4	4.0	7.3	5.7	7.0	5.5	+ 1.0
Ireland	9	8.6	6.1	3.1	4.1	7.4	5.2	4.0	5.5	+ 0.4
Australia	9	4.1	7.7	6.1	4.0	4.2	7.0	5.3	5.5	- 0.1
United Kingdom	12	7.0	6.3	6.4	3.5	7.7	2.7	4.5	5.4	+ 0.2
Canada	12	4.2	6.7	6.1	6.2	3.4	5.3	5.7	5.4	+ 0.4
Spain	14	4.8	6.4	6.0	4.6	6.6	2.8	5.9	5.3	+ 1.0
Germany	14	4.0	6.3	6.4	4.8	7.2	3.5	4.7	5.3	+ 0.3
Belgium	16	7.0	6.3	5.6	4.0	7.6	1.4	4.7	5.2	+ 0.7
France	16	4.3	6.4	5.3	3.4	7.4	3.3	6.1	5.2	+ 0.6
Switzerland	18	5.7	3.2	4.6	7.9	6.3	2.7	5.0	5.1	+ 0.5
Greece	19	2.3	6.3	4.0	6.8	6.9	5.1	2.7	4.9	+ 1.1
Italy	20	2.0	6.5	5.6	3.7	7.0	4.7	4.5	4.8	+ 0.5
Japan	21	1.5	3.3	4.9	1.8	5.7	2.0	6.3	3.7	+ 1.1
South Korea	22	1.0	2.8	5.9	1.0	2.8	1.7	6.8	3.1	N/A

### For More Information

For the details of the 2011 CDI, see “The Commitment to Development Index: 2011 Edition,” by David Roodman, available at [cgdev.org/cdi](http://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 on security as well, and Keith Maskus on technology.

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