

Europe Beyond Aid: Assessing Europe's Commitment to Development

Owen Barder, Julia Clark, Alice Lépissier, Liza Reynolds, and David Roodman

Abstract

European countries pride themselves on being leaders in spurring development within poor countries. We find that Europe's approach to development could be characterised as energetically tackling the symptoms of poor economic opportunities for developing countries by providing effective aid, while doing relatively little to tackle the underlying structural causes of poverty. We use the Center for Global Development Commitment to Development Index (CDI) as a tool to examine Europe's performance overall. We combine the scores for the twenty-one European countries which are included in the 2012 edition of the Commitment to Development Index to calculate the single score they would have obtained if they had been a single country. This represents the combined commitment to development of these countries, by giving appropriate weight to the larger, more populous countries in Europe, which tend to have less development-friendly policies than the Nordic countries and the Netherlands. Our calculations show that compared to the other countries in the CDI, Europe as a whole performs better than most CDI countries on aid and environment, but less well in other dimensions such as trade and security. This paper provides the background to a series of more detailed studies of the policies of European countries, individually and collectively through the European Union, in each dimension of the CDI, which the Center for Global Development in Europe is coordinating.

Keywords: Commitment to Development Index.

**Europe Beyond Aid: Assessing Europe's Commitment to
Development**

Owen Barder
Julia Clark
Alice Lépiessier
Liza Reynolds
David Roodman

Center for Global Development

CGD is grateful for contributions from the CDI Consortium in support of this work.

Owen Barder et al. 2012. "Europe Beyond Aid: Assessing Europe's Commitment to Development." CGD Working Paper 313. Washington, DC: Center for Global Development.

<http://www.cgdev.org/content/publications/detail/1426746>

**Center for Global Development
1800 Massachusetts Ave., NW
Washington, DC 20036**

202.416.4000
(f) 202.416.4050

www.cgdev.org

The Center for Global Development is an independent, nonprofit policy research organization dedicated to reducing global poverty and inequality and to making globalization work for the poor. Use and dissemination of this Working Paper is encouraged; however, reproduced copies may not be used for commercial purposes. Further usage is permitted under the terms of the Creative Commons License.

The views expressed in CGD Working Papers are those of the authors and should not be attributed to the board of directors or funders of the Center for Global Development.

Assessing Europe's Commitment to Development

Owen Barder, Julia Clark, Alice Lépissier, Liza Reynolds & David Roodman

Summary

- We use the framework of CGD's Commitment to Development Index (CDI) to explore Europe's impact on development in greater depth, especially to look 'beyond aid' at other policies which affect the prospects for economic growth and poverty reduction in the developing world.
- Discussions about the effects of rich countries on poor countries sometimes conflate *development policy* and *aid*. As well as aid, European countries affect developing countries through policies on migration, trade, the environment, security, transfers of technology and investment practices; and the scale of these effects may be much larger than the effect of aid. Europeans are justly proud of their generous and effective aid programmes, but our analysis is intended as a reminder that Europe should not be complacent about the overall effect of its policies on development.
- Though some European countries (especially the Nordic countries and the Netherlands) typically pursue policies which are supportive of development, many of the larger European countries do not. To illustrate this, we have combined the twenty-one European countries in the 2012 CDI to calculate the score Europe¹ would achieve if it were a single country. Taken as a whole, Europe would be only slightly above the global average for commitment to development: better than Japan, South Korea and the US, but behind Canada and New Zealand.
- On some dimensions of commitment to development —such as aid and the environment —Europe has a relatively good record. On others —such as encouraging trade and technology transfer —Europe is far down the rankings. Europe's approach to development could be characterised as energetically tackling the symptoms of poor economic opportunities for developing countries by providing substantial and effective aid, while doing relatively little to tackle the underlying structural causes of poverty.
- There is considerable variation among European countries. Every country could improve its impact on development by bringing some of its policies in line with the policies pursued in at least one other country. Spreading current best practice would lead to a significant improvement in the effect of rich countries on poor countries. This suggests that improvement in development impact is politically feasible.

Commitment to Development Index Background

The policies and actions of rich countries and powerful global institutions have a significant impact on the pace and shape of global development. Decisions on foreign aid, trade and investment flows, movement of people, natural resources, military affairs, and technology dissemination can all help or hinder development abroad.

Each year since 2003, the Center for Global Development (CGD), has used the Commitment to Development Index (CDI) to 'rank the rich' by assessing which wealthy nations do the most to bring prosperity to the rest of the world. The core idea of the CDI is that the choices made by individual countries affect other nations in many different ways, and the CDI scores rich countries in seven distinct policy areas:

1. Aid;
2. Trade;
3. Investment;
4. Migration;
5. Environment;
6. Security; and
7. Technology transfer.

A country is scored more highly in the index for policies which are likely to have a positive effect on development or to help lift a constraint; and the score is reduced for policies which are likely to hinder or constrain development. The CDI also rewards countries for working together, delivering aid through multilateral arrangements, signing global environmental agreements and peace treaties, and participating in internationally sanctioned security operations. Since we do not know the "production function" of development, that is, whether a one-point gain on, say, trade is better or worse than a one-point gain on migration for developing countries, the seven components are equally weighted within the CDI.¹

The CDI embodies intellectual contributions from many collaborators over the years: Theodore Moran of the Georgetown University School of Foreign Service (investment²); Kimberly Hamilton, Elizabeth Grieco, and Jeanne Batalova of the Migration Policy Institute (migration³); B. Lindsay Lowell and Valerie Edwards Carro of Georgetown University (also migration⁴); Michael O'Hanlon and Adriana Lins de Albuquerque of the Brookings Institution (security⁵); Jason Alderwick and Mark Stoker (also security); Amy Cassara and Daniel Prager of the World Resources Institute (environment⁶); and Keith Maskus of the University of Colorado at Boulder (technology⁷). As always, the final design of the CDI departs in places from the recommendations of background paper authors. Ultimate responsibility for it rests solely with CGD.

This index does not purport to measure the overall impact of rich-country governments and institutions on poor countries. We do not know enough about the effects of all these policies to do that. Nonetheless, the index measures in the best way possible the policies that matter for development. The results are meaningful and draw attention to the fact that rich countries affect development in many different ways. This paper is the starting point for a work programme which aims to provoke debate about which policies matter; to highlight gaps in current knowledge; to stimulate data collection and other research; to monitor how much policies are changing; and to help to identify and create pressure for policies which would lead to a more positive impact. In this sense it is a starting point for a conversation about development policy – especially non-aid policies – in Europe.

¹ Weighting the components equally is the best methodological choice in the face of theoretical uncertainty. For a more detailed discussion, see Roodman, "The Commitment to Development Index: 2012 Edition. Technical Paper", p. 4.

² Moran, Theodore. "Rationale for Components of a Scoring System of Developed Country Support for International Investment Flows to Developing Countries". Center for Global Development, Washington, DC, May 2007.

³ Grieco, Elizabeth M. and Kimberly A. Hamilton. "Realizing the Potential of Migrant 'Earn, Learn, and Return' Strategies: Does Policy Matter?", Migration Policy Institute, Washington, DC, February 2004.

⁴ Lowell, B. Lindsay and Valerie Edwards Carro. "An Evaluation of Extended Index on Pro-Development Migration Policies", Center for Global Development, Washington, DC, April 2006.

⁵ O'Hanlon, Michael and Adriana Lins de Albuquerque. "Note on the Security Component of the 2004 CDI", Center for Global Development, Washington, DC, April 2004.

⁶ Cassara, Amy, and Daniel Prager. "An Index of Rich-Country Environmental Performance: 2005 Edition", Center for Global Development, Washington, DC, 2005.

⁷ Maskus, Keith. "Components of a Proposed Technology Transfer Index: Background Note", Center for Global Development, Washington, DC, March 2005.

Europe's Performance in the Commitment to Development Index

The European Union is the world's largest donor of both development⁸ and humanitarian⁹ assistance, and this aid makes a significant contribution to improving the lives of people in developing countries. European countries provide 53%¹⁰ of the world's aid through bilateral and multilateral aid agencies, but there is much more that European countries can do, either acting as individual member states or through their collective decisions, which affect development through their other policies.¹¹

Some European countries perform quite well in the CDI, making up nine of the top ten positions in the index. However, the highest ranked nations are small, mainly Nordic countries; while some of the larger and richer countries, especially Poland, Hungary, Greece and Italy, do relatively poorly overall.

⁸ OECD Stat Database, <http://stats.oecd.org/index.aspx?DataSetCode=CRS1>, (DOI 10.1787/data-00285-en; accessed 25 June 2012).

⁹ European Commission, *Annual Report 2011 on the European Union's Development and External Assistance Policies and Their Implementation in 2010* (Brussels, Belgium, 2011), http://ec.europa.eu/europeaid/files/publications/europeaid_annual_report_2011_en.pdf.

¹⁰ In 2010, the net ODA disbursements by European countries (DAC and non-DAC countries), by EU institutions (counting grants only, as the statistics do not distinguish which EIB loans are concessional in character), and the Nordic Development Funds amounted to US\$90.44 billion. Total net ODA disbursements by all donors in 2010 totalled US\$170.59 billion. From OECD Stat Database, Table 2a: <http://stats.oecd.org/Index.aspx?DataSetCode=TABLE2A> (accessed 3rd December 2012).

¹¹ In this paper, the 'European' countries are the 21 European countries which are included in the 2012 Commitment to Development Index. These include Norway and Switzerland, which are European but not members of the EU. It does not include all the 27 members of the EU, for which the data needed to assemble the CDI are not available.

CDI 2012 Rankings		
Rank	Country	Score
1	Denmark	7.0
2	Norway	6.6
3	Sweden	6.4
4	Luxembourg	6.3
5	Austria	6.2
6	Netherlands	6.1
7	Finland	6.0
8	New Zealand	5.8
9	United Kingdom	5.7
10	Portugal	5.5
11	Canada	5.4
11	Germany	5.4
13	Belgium	5.3
13	France	5.3
15	Spain	5.2
15	Australia	5.2
17	Ireland	5.1
18	Switzerland	5.0
19	United States	4.8
20	Italy	4.7
21	Greece	4.5
22	Hungary	4.0
23	Slovakia	3.8
24	Czech Republic	3.7
25	Poland	3.6
26	Japan	3.4
27	South Korea	2.7

Table 1

The CDI assigns points in seven policy areas: aid (both quantity as a share of income and quality), trade, investment, migration, environment, security, and technology. Within each component, a country receives points for policies and actions that support poor nations in their efforts to build prosperity, good government, and security. The points are calculated taking into account the size of the country, in order to discern how much countries are living up to their potential to help. These individual points are standardised and averaged to provide the scores for each of the seven components. The seven components are then averaged for an overall score. The index thus includes thirty-three different indicators, all of which are related to how much countries are doing to help development.¹²

¹² See 'The Commitment to Development Index: 2012 edition' for a technical discussion of the indicators.
<http://www.cgdev.org/doc/CDI%202012/Index%20technical%20paper%202012.pdf>

With a few exceptions, scores on each indicator of the CDI are scaled so that they average 5.0 in 2012, which is now the reference year.¹³ Scores for other years are not constrained to average 5.0, so that the index properly reflects changes over time. In 2012, the year on which this analysis is focused, Europe performs below average in security (4.1), close to the average in aid (4.9), trade (5.3), migration (5.0) and technology (5.0), and slightly higher on environment (6.8) and investment (5.7).

Europe as one in 2012		
Rank	Country	Score
1	New Zealand	5.8
2	Canada	5.4
3	Europe	5.3
4	Australia	5.2
5	United States	4.8
6	Japan	3.4
7	South Korea	2.7

Table 2

No country in the CDI – European or otherwise – performs well on every dimension. For instance, Norway has consistently been one of the top scorers in aid, but performs in the bottom three on trade. One of the strengths of the index is that it highlights the ways in which individual countries can improve by matching or exceeding the performance of other countries. Europeans are proud of their aid programmes, which are both relatively generous and of relatively high quality. Nonetheless, Europe's performance on the wide range of policies that affect development leaves much to be desired, and there are other countries which do better.

¹³ Exceptions include some indicators of ratification of treaties such as the Kyoto Protocol or for fisheries, which take values of 0 or 10 according to whether a country has ratified the treaty or not. The other exception to the "mean-5" rule is a new penalty for the non-disclosure of arms export data, which assigns a score of 0 to the affected countries' (Australia and South Korea) arms export indicator.

Europe as a Whole: Trends

To look at Europe's performance as a whole, we have combined the scores of the twenty-one European countries which were included in the 2012 CDI to see how well the European countries in the index would perform if they were one country. The performance of each country, and hence this aggregate score, depends on both the policies pursued by member states individually (for example, on tax policy) and on those policies which are determined at European Community level (for example, on trade). So this combined Europe score is not intended as an indicator specifically of policies agreed at EU level, but as an indicator of all policies pursued by European countries – irrespective of whether they are agreed at the level of member states or collectively.

The Commitment to Development Index is intended to measure each country's effort relative to its size. To do this, most indicators are expressed as a share of GDP or population. For instance, aid is calculated as a share of GNI, whereas the immigrant flow indicator is expressed as a share of population. Indicators that relate to harmful consumption or production (such as imports of timber, or production of greenhouse gases) are weighted by population (because expressing these in proportion to GDP would signal that it was acceptable for the rich to pollute more). The indicators have been computed for Europe as a whole in the same way. The measure of Europe's greenhouse gas emissions is the ratio of total emissions to population for the twenty-one European states in the CDI, just as it would be for each nation. Some indicators lack a natural denominator, such as the rewards in the investment component for certain policies. These have been computed for Europe as whole by taking a weighted average across the twenty-one countries, with weights proportionate to GDP at purchasing power parity.

The CDI methodology is adjusted each year in light of feedback, analysis, and availability of data. But revisions are always made as consistently as possible to past results too, so that all time series are computed on a consistent basis. This means that any trends over time in the latest data set, including those displayed here, result from changes in policy and behaviour, not from changes over time in the way the index is computed.

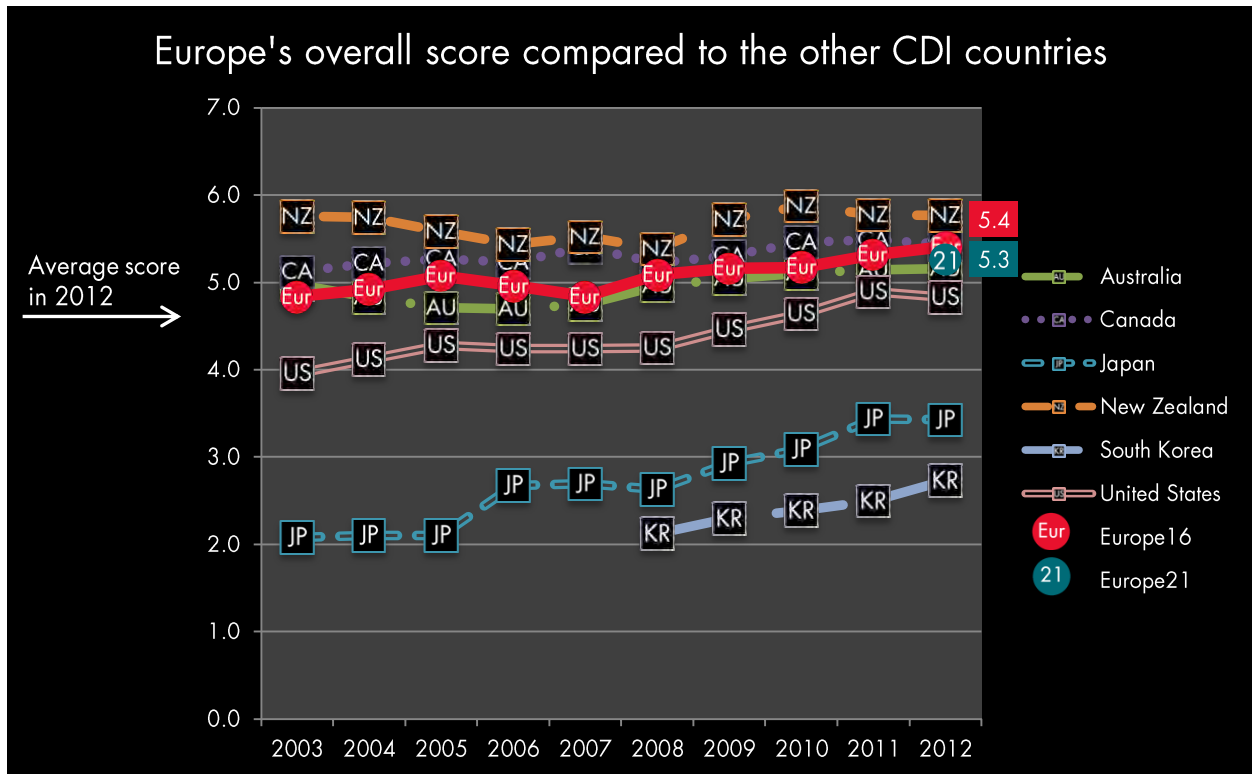
The figures in this paper cover the years 2003 to 2012 and use the methodology of the 2012 Commitment to Development Index, which has been published in the last quarter of 2012. The data used in this paper are the most recent available.

The European countries covered in this analysis are: Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, and the UK. The 2012 edition of the Commitment to Development Index includes five new countries which were not included in previous editions of the CDI: the Czech Republic, Hungary, Slovakia, Poland (collectively known as the Visegrád 4), and Luxembourg. The CDI does not include data for these new countries for previous years – it would be inconsistent to compare Europe (as 16 countries) from 2003-2011 to Europe (as 21 countries) in 2012. Therefore, we have run the numbers to consider Europe as if it were made up of the sixteen European countries which have been included in the CDI since its inception for the year 2012. When we look at trends in European policy, we refer to the European countries for which we have data from 2003 to 2012. We refer to these countries as "Europe 16", which consists of: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the UK. This score looks slightly different from what is published on the website.

When we look at Europe's performance in 2012, we include all the twenty-one European countries for which data are available. Including the five new additions to the CDI provides the most comprehensive available analysis for 2012, but this group of countries cannot be used for comparisons across time. As graph 1 shows, the inclusion of the Visegrád 4 and of Luxembourg in 2012 has brought Europe's overall CDI score down from 5.4 to 5.3. The addition of these new countries affects Europe's score in different ways. On the one hand, the migration policies of the Visegrád 4 are restrictive of migration from developing countries, but they also have some of the most environment-friendly policies in the CDI. Likewise, Luxembourg delivers the highest amount of aid per capita, but it also emits the highest amount of greenhouse gases per capita.

In 2012, the European countries score a little above the global average; and over time Europe has gradually improved, doing roughly as well as Australia but always behind New Zealand and Canada. The United States has made more significant progress since 2008. Japan and South Korea are also improving rapidly from a low base. If Europe considers that its commitment to development is exceptional, there is little sign of it here. Europe does not outperform the rest of the

world, nor are its policies improving rapidly. There is little sign of any significant changes resulting from Europe's aspirations towards greater policy coherence and the commitments Europe has made in various international agreements, including the Millennium Declaration¹⁴ in 2000, the Paris Declaration on Aid Effectiveness¹⁵, the G8 Gleneagles agreement¹⁶ in 2005 and the Busan Partnership on Effective Development Cooperation in 2011.¹⁷



Graph 1

Graph 2, below, illustrates Europe's performance compared to the other countries on the seven dimensions of the CDI. Being on the outside of the graph is a sign of more development-friendly policies. As the graph shows, Europe is a leader in the environment and aid dimensions, and its investment policies are also above average. In 2012, Europe's performance on migration and technology is roughly in line with the global average. But in 2012, Europe as a whole performs poorly on the trade and security components, which might be thought to be important as determinants of prospects for economic growth in developing countries.

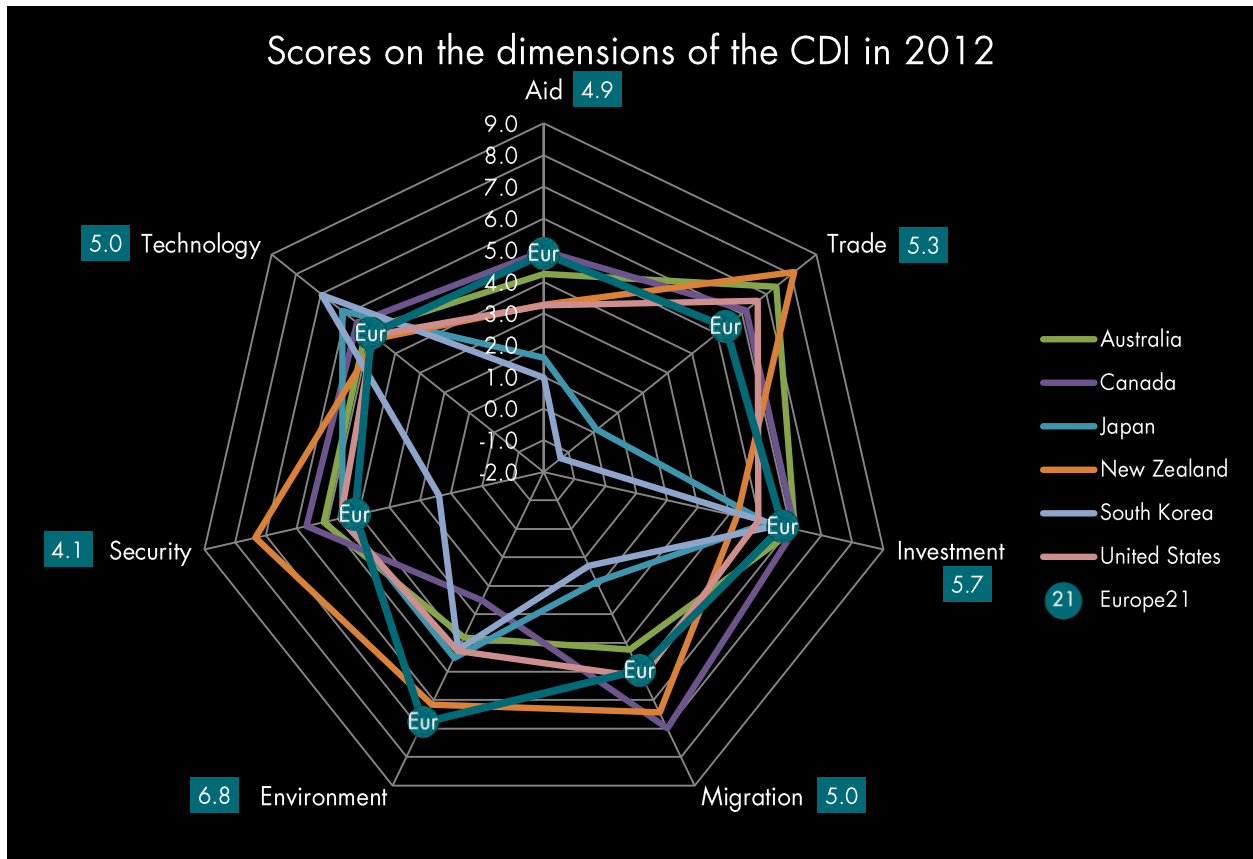
Within these overall averages there are considerable disparities between European countries. Most countries are leaders in some policy areas and laggards in others. For instance, Portugal is the best performing country on technology because of its high share of GDP expenditure on non-military R&D, but it falls behind on aid with a small share of its budget going to overseas assistance. These disparities might be regarded as good news: they represent an opportunity for improvement, since they challenge every country to improve their policies in ways which are considered politically feasible elsewhere.

¹⁴ UN General Assembly, *United Nations Millennium Declaration, Resolution Adopted by the General Assembly*, 18 September 2000, A/RES/55/2, available at: <http://www.unhcr.org/refworld/docid/3b00f4ea3.html>, accessed 2 July 2012.

¹⁵ OECD. *The Paris Declaration on Aid Effectiveness*. 2005. Available at <http://www.oecd.org/dac/aideffectiveness/34428351.pdf>, accessed 2 July 2012.

¹⁶ G8 Summit, *The Gleneagles Communiqué*, June 2005. Available at http://www.unglobalcompact.org/docs/about_the_gc/government_support/PostG8_Gleneagles_Communique.pdf, accessed 3 July 2012.

¹⁷ Open Forum for CSO Development Effectiveness, 4th High-Level Forum on Aid Effectiveness, *Busan Partnership for Effective Development Cooperation*, Busan, Republic of Korea, 29th November-1st December 2011. Available at <http://www.oecd.org/dac/aideffectiveness/Busan%20partnership.pdf>, accessed 19 October 2012.



Graph 2

Given its experience with multilateral cooperation, Europe might be expected to perform well in fostering cohesion between countries and promoting greater coherence of policies. Yet Europe's areas of excellence in the CDI are the quantity of and quality of its aid and its environmental policies. Europe has a much less compelling story to tell on policies which are likely to affect the structural causes of poverty, such as trade and technology transfer. This may be because Europe's policies such as the Common Agricultural Policy reflect a compromise resulting from political lobbying within Europe, and so are less able to also reflect Europe's collective strategic interest in global prosperity and poverty reduction.

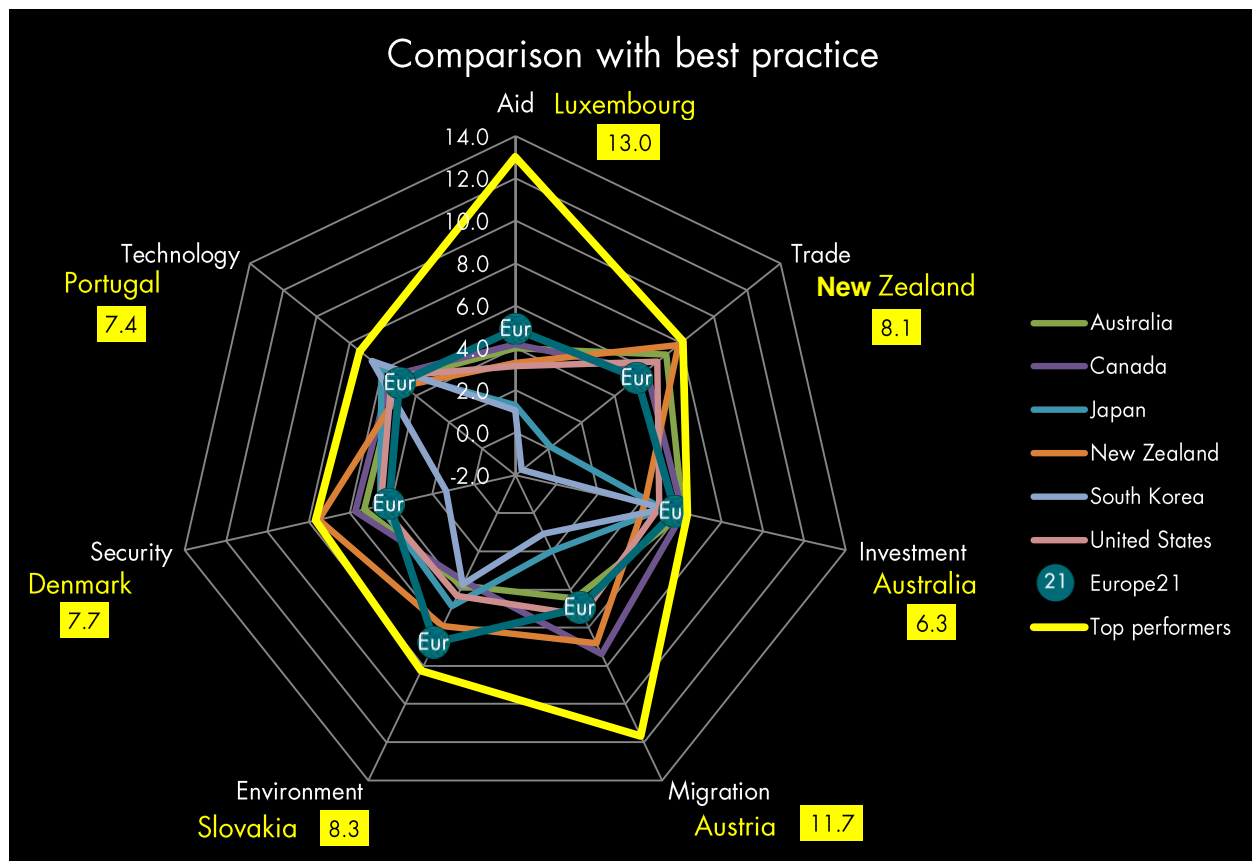
Over the coming months, specialist researchers will investigate in more detail the reasons for Europe's performance in each of the seven dimensions of the CDI, and they will propose specific policy measures needed to improve Europe's impact on the developing world. The following sections set out the main contours of the analysis.

Beyond Aid

Aid can bring about significant improvements in the quality of the lives of people in developing countries; but it is far less clear whether it can make a significant contribution to the transformative economic, social and political changes which are required for development.¹⁸ The Commitment to Development Index is designed partly as a tool to remind policymakers that aid alone is not enough to enable nations to lift themselves out of poverty. By paying attention to policies beyond aid¹⁹ – which all affect the way poor countries participate in the exchanges of resources, information and technology – the rich world could do much more to increase the pace of development.

Policymakers are sometimes concerned that development-friendly policies are politically difficult, especially in areas such as migration and trade. Political constraints vary across countries, but the results suggest that every country could improve its score considerably if it did no more than implement policies which have been proved to be politically feasible elsewhere.

Graph 3, below, suggests that improvement could be politically feasible by showing how Europe as a whole performs compared to the current best scores in each dimension. If all European countries were to match the performance of the best country in each of the seven dimensions of the CDI, the overall score for Europe would jump from 5.3 to 8.9. This suggests that it would be politically feasible to make a significant improvement in the development impact of European policies by adopting existing practice, even without stretching the envelope of possibilities. This would increase Europe's score by about 67%. The analysis shows that there are "low-hanging fruit": policies which could be altered relatively easily in order to make them more development-friendly, such as revoking unused patents, or using foreign tax credits to prevent double taxation of corporate profits earned abroad.



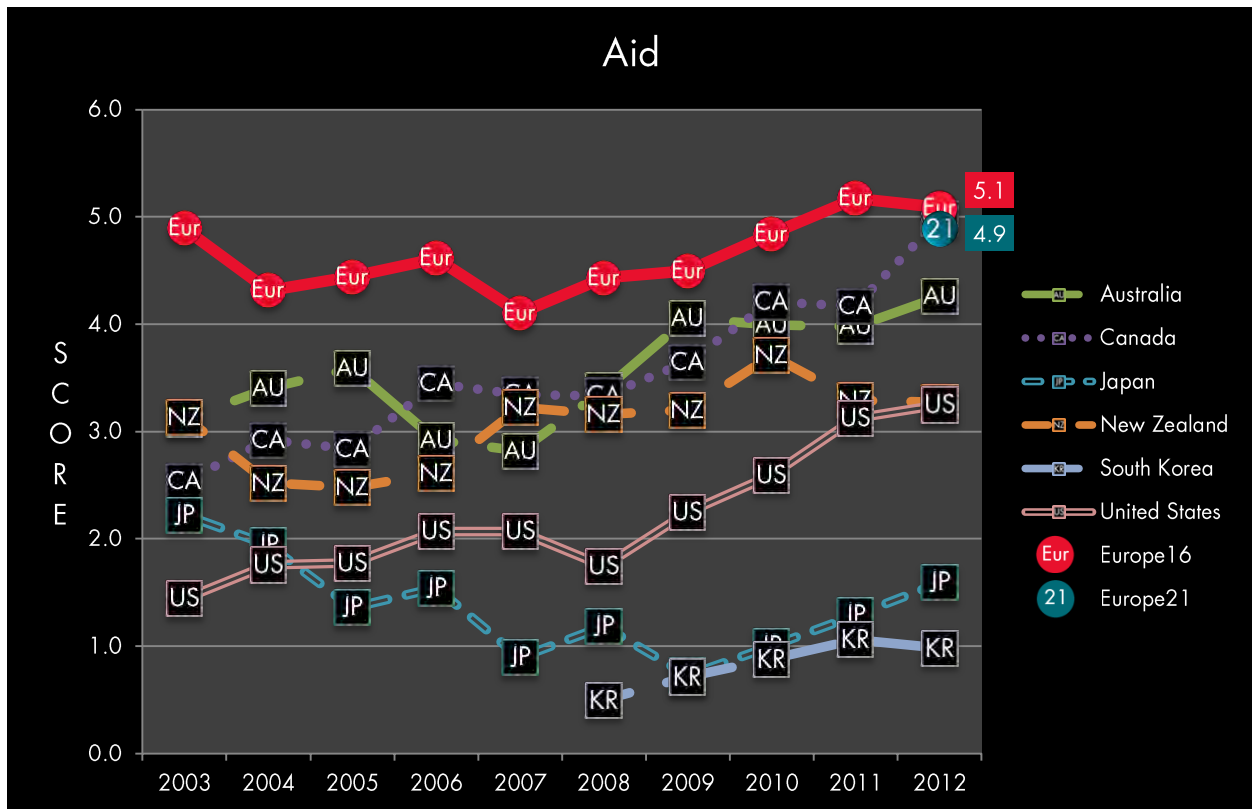
Graph 3

¹⁸ Owen Barder, "Can Aid Work? Written testimony submitted to the House of Lords," Center for Global Development, July 2011, <http://www.cgdev.org/content/publications/detail/1425286>.

¹⁹ Alan Hudson and Linnea Jonsson, "Beyond Aid' for sustainable development." *ODI Project Briefing Number 22*. (London: Overseas Development Institute, May 2009), available at <http://www.odi.org.uk/resources/docs/4293.pdf>.

The seven dimensions of the CDI

Aid



Graph 4

The aid component measures the quantity of aid (as a share of the country's national income), while also taking into account the quality of that aid (supporting particularly poor and well-governed countries and limiting project proliferation and tied aid) and private charitable giving.

The European countries in the CDI have consistently outperformed the rest of the world in the aid component, thanks largely to strong performances by Norway, Sweden, Denmark and the Netherlands. Luxembourg has been added to the CDI this year, and outperforms all these countries. However, a weighted average which reflects the economic strength of European countries, and hence their potential to help, falls below the unweighted average which gives more weight to these smaller countries. Europe's average score on aid has increased since 2007, reflecting the commitments on aid given collectively and implemented by individual member states since 2005.

Luxembourg, the Nordic countries and the Netherlands score highly because they have generous official aid budgets in proportion to their national income, and they provide high quality aid, not overloading recipient governments with many small aid projects, supporting countries with good governance and not restricting aid spending to goods and services from the donor country. Apart from Luxembourg, the four other new countries have entered the CDI at the bottom of the aid rankings. These low scores reflect the fact that these relatively new donors do not yet give a significant amount of official aid relative to the size of their economy.

2012 European League: Aid		
Rank	Country	Score
1	Luxembourg	13.0
1	Norway	13.0
3	Sweden	12.6
4	Denmark	11.5
5	Netherlands	9.5
6	Ireland	7.5
7	United Kingdom	6.8
8	Finland	6.6
9	Belgium	6.4
10	Switzerland	5.2
11	France	4.2
12	Spain	4.0
13	Germany	3.9
14	Portugal	3.1
14	Austria	3.1
16	Greece	1.6
17	Italy	1.3
18	Czech Republic	1.1
19	Hungary	0.8
19	Slovakia	0.8
21	Poland	0.7

Table 3

Europe's top performers on Aid:²⁰

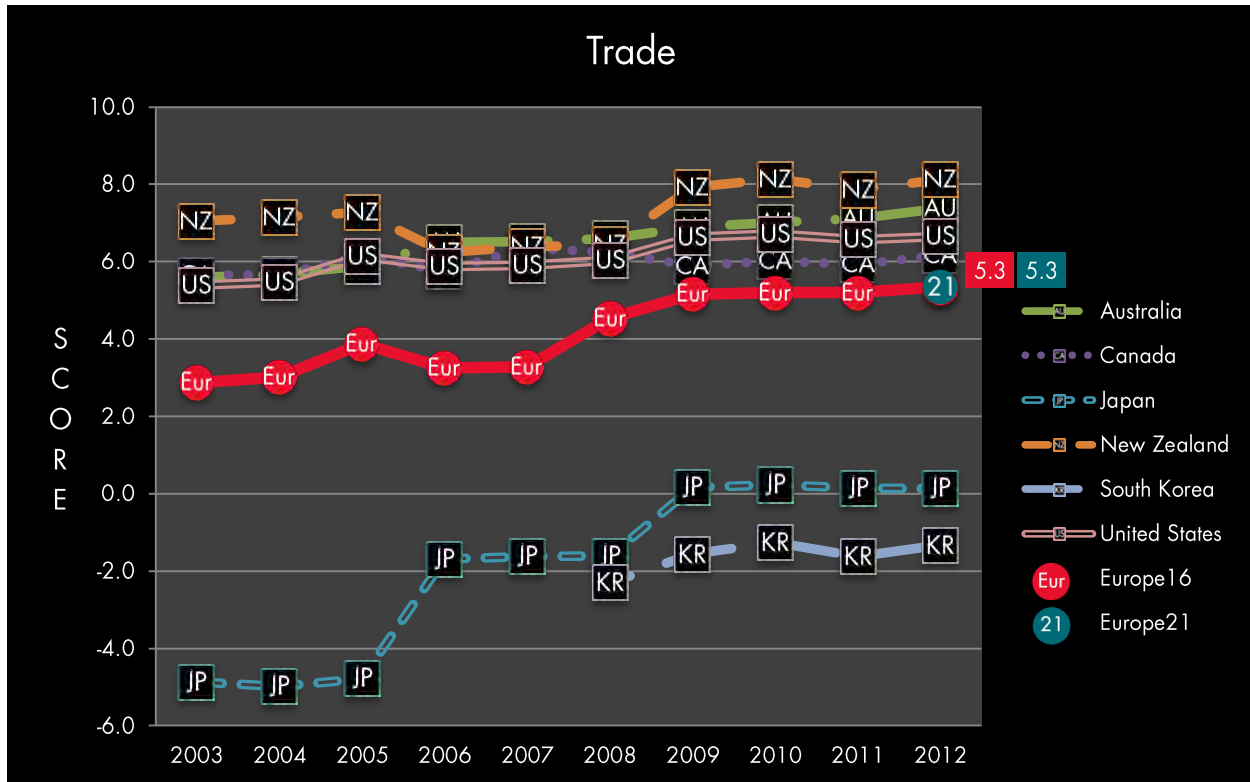
- **Luxembourg:** High net aid volume as a share of the economy (1.04%)
- **Norway:** Small share of tied or partially tied aid
- **Sweden:** Prevents project proliferation; large average project size
- **Denmark:** Large share of aid to poor and relatively well-governed recipients

Europe's lowest performers on Aid:

- **Poland:** Lowest net aid volume as a share of the economy (0.08%)
- **Slovakia:** Low aid volume as a share of the economy
- **Hungary:** Largest share aid to less poor and worse-governed recipients (bottom of CDI on selectivity)
- **Czech Republic:** Low net aid volume as a share of the economy; and fails to report tied aid

²⁰ The Center for Global Development website has reports on each of the 22 countries in the CDI, including these strengths and weaknesses, as well as graphs, maps, spreadsheets, and background papers. "2012 Commitment to Development Index", www.cgdev.org/cdi.

Trade



Graph 5

The trade component gives countries a higher score if they have a high level of manufacturing imports from the developing world, and a lower score if they have high barriers (such as tariffs and subsidies) to imports from poor countries. Agricultural subsidies to domestic farmers in the rich world, under the Common Agricultural Policy, make it difficult for farmers in developing countries to compete, especially in fast growing markets elsewhere.

European countries' average trade score has increased since 2007, from a low base, but it has plateaued in the past years and it still remains behind Canada, the United States, Australia and New Zealand, though ahead of Japan and South Korea.

Because most trade policy is a community competence, all EU member states have the same tariff rates (18.9% for agricultural products and 4.1% for other goods), but their subsidy levels vary. European countries have different scores because the CDI reflects difference in their contributions to the European Agricultural Guarantee Fund. Since 2003, the Netherlands have led Europe on trade by a thin margin thanks to their low agricultural subsidies.

Both Norway and Switzerland, which are members of the European Free Trade Association (EFTA) but not the EU, score very poorly on the trade component. In basic agricultural products, each EFTA state negotiates a separate bilateral agricultural agreement with each third country, as EFTA countries do not have a common agricultural policy.²¹

²¹ "European Free Trade Association," Switzerland State Secretariat for Economic Affairs, accessed 15 June 2012, <http://www.seco.admin.ch/themen/00513/00515/00516/index.html?lang=en>.

2012 European League: Trade		
Rank	Country	Score
1	Netherlands	5.9
2	Sweden	5.8
2	Finland	5.8
2	Slovakia	5.8
5	Italy	5.7
6	Austria	5.6
6	Poland	5.6
6	Portugal	5.6
6	France	5.6
10	United Kingdom	5.5
10	Spain	5.5
10	Germany	5.5
10	Czech Republic	5.5
10	Belgium	5.5
15	Hungary	5.4
16	Denmark	5.3
16	Greece	5.3
16	Luxembourg	5.3
19	Ireland	5.2
20	Switzerland	1.5
21	Norway	1.1

Table 4

Europe's top performers on Trade:²²

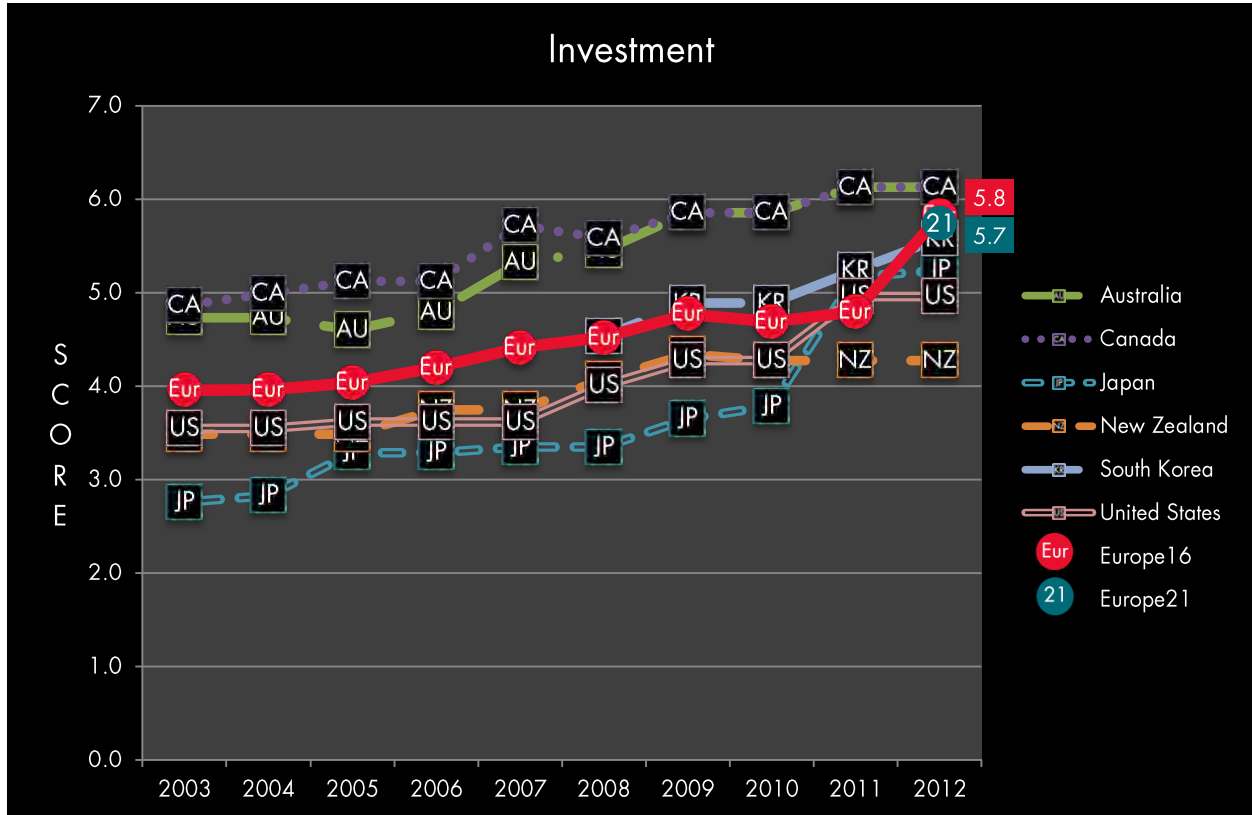
- **Netherlands:** Low agricultural subsidies (estimated to deter agricultural imports as much as a 6.8% uniform *ad valorem* tariff would)

Europe's lowest performers on Trade:

- **Norway:** High tariffs on agricultural products (equivalent to a tariff of 86.3 % of the value of imports)
- **Switzerland:** High tariffs on textiles (34.1% of the value of imports, ranks at the bottom of the CDI on this indicator)
- **Ireland:** Highest agricultural subsidies (equivalent to a tariff of 17.2% of the value of imports) of the CDI countries
- **Luxembourg:** High agricultural subsidies (equivalent to a tariff worth 15.1% of the value of imports)

²² "2012 Commitment to Development Index"

Investment



Graph 6

The investment component compares policies to encourage constructive investment in poor countries, focusing on two kinds of capital flows: foreign direct investment and portfolio investment. In addition, the CDI reflects a country's participation in the Extractive Industries Transparency Initiative (EITI), the Kimberley Process on blood diamonds, and in the OECD anti-bribery convention. In 2012, the index also grants points to countries for completing Phase 3 monitoring of the OECD anti-bribery convention. Europe's scores have risen gradually over time, and Europe comes in third below Canada and Australia. Investment practices (along with technology transfers) are one of the rare policy areas where South Korea does well, even though it has been overtaken by Europe this year.

2012 European League: Investment		
Rank	Country	Score
1	Netherlands	6.3
1	Germany	6.3
1	United Kingdom	6.3
4	Norway	6.1
4	France	6.1
6	Spain	5.9
7	Italy	5.4
8	Belgium	5.3
8	Sweden	5.3
10	Portugal	5.2
11	Finland	5.1
12	Austria	4.8
13	Denmark	4.7
14	Switzerland	4.4
15	Luxembourg	4.2
16	Poland	4.1
17	Greece	4.0
18	Czech Republic	3.9
19	Hungary	3.6
20	Ireland	2.9
20	Slovakia	2.9

Table 5

Europe's top performers on Investment:²³

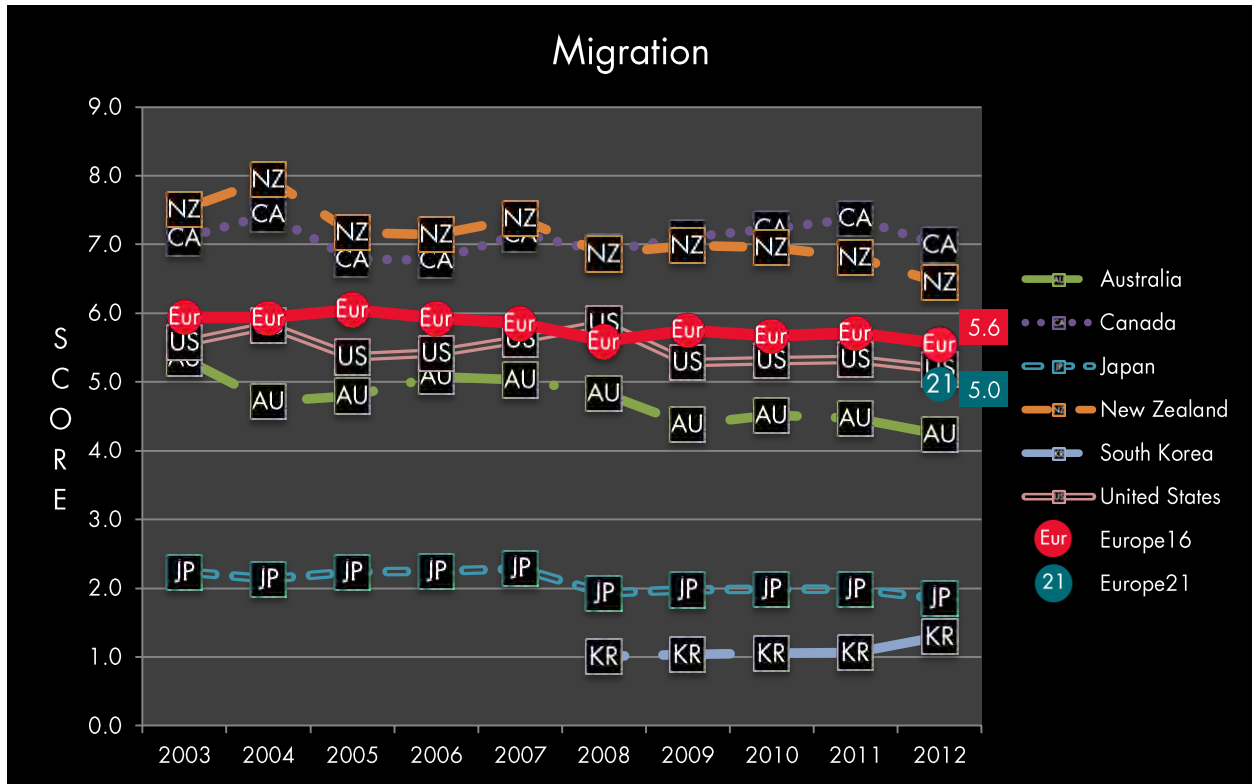
- **Netherlands:** Political risk insurance agency provides wide coverage and screens potential projects for violations of human, labour and environmental rights
- **Germany:** Employs tax treaties to prevent double taxation of corporate profits abroad
- **United Kingdom:** Active participation and leadership in extractive industries transparency initiative
- **Norway:** Displays leadership in encouraging poor countries to join the EITI and is one of the contributors to the World Bank Special Trust Fund to assist in its implementation

Europe's lowest performers on Investment:

- **Slovakia:** Loopholes in domestic legislation permit bribe payers to circumvent the OECD Convention
- **Ireland:** Does not provide political risk insurance through a national agency; and lacks policies to fully prevent double taxation of corporate profits earned abroad
- **Hungary:** Limited prosecution of home-country bribe payers
- **Czech Republic:** Political risk insurance agency does not screen projects for social impacts

²³ "2012 Commitment to Development Index"

Migration



Graph 7

The migration component of the CDI rewards countries which accept unskilled immigrants from developing countries as well as those which receive refugees during a humanitarian crisis. European performance has gradually drifted down, perhaps reflecting growing political concerns about immigration in some European countries. Migration policy affecting people coming from developing countries is largely determined by individual member states, rather than the European Union. The sixteen European countries rank third, well below Canada and New Zealand, but better than the United States. Including the five new countries brings "Europe 21" below the United States.

2012 European League: Migration		
Rank	Country	Score
1	Austria	11.7
2	Norway	9.9
3	Switzerland	8.6
4	Sweden	7.8
5	Germany	6.9
6	Luxembourg	6.8
7	Greece	6.4
8	Denmark	6.2
9	Netherlands	5.5
10	Spain	5.4
11	Belgium	5.0
12	Italy	4.7
12	United Kingdom	4.7
14	Finland	4.4
15	France	4.0
15	Portugal	4.0
17	Ireland	2.8
18	Hungary	1.7
19	Czech Republic	1.3
20	Poland	0.6
20	Slovakia	0.6

Table 6

Europe's top performers on Migration:²⁴

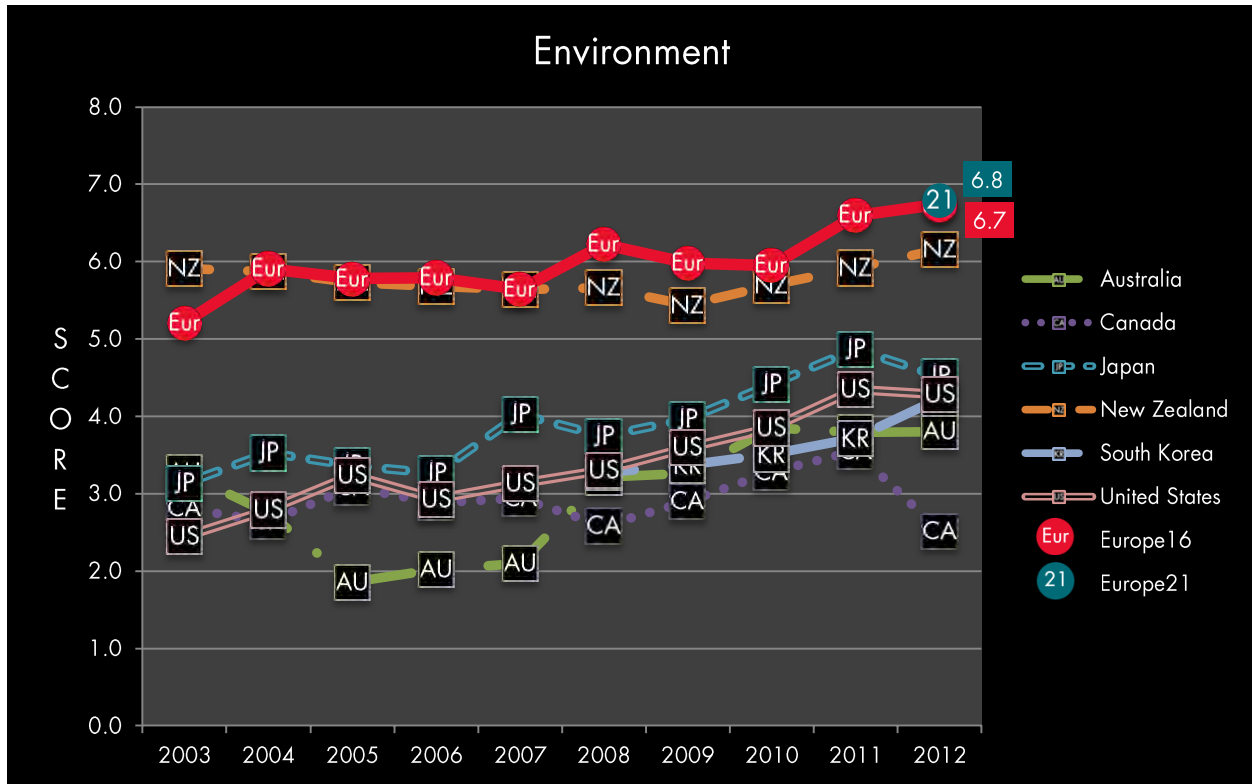
- **Austria:** Large increase during the 1990s in unskilled immigrants from the former Yugoslavia
- **Norway:** Free tuition for foreign students and for nationals
- **Switzerland:** Bears large share of the burden of refugees during humanitarian crises
- **Sweden:** Large number of immigrants from developing countries

Europe's lowest performers on Migration:

- **Slovakia:** Small share of foreign students are from developing countries; and tuition for foreign students is higher than for nationals
- **Poland:** Only a small increase during the 1990s in the number of unskilled immigrants from developing countries
- **Czech Republic:** Bears small share of the burden of refugees during humanitarian crises
- **Hungary:** Small share of foreign students are from developing countries

²⁴ "2012 Commitment to Development Index"

Environment



Graph 8

The environment component ranks countries on their contribution to climate stability, sustainable fisheries practices, the protection of forests, the preservation of biodiversity, and policies that promote sustainable agriculture. Europe has led the world in this dimension of the CDI since 2008 with New Zealand, a close runner-up because it has no fishing subsidies.

Until the inclusion of the Visegrád 4 in the index, the leading performers in Europe have been Nordic countries such as Finland and Sweden. In 2012, Slovakia and Hungary have displaced the traditionally environment-friendly Nordic countries to secure the top spots in the rankings, thanks to their policies which are protective of fisheries and which discourage fossil fuel consumption. The exception to the generally positive performance of Nordic countries is Norway, which is penalised for its high per capita production of oil and gas and so finishes in last place overall.

2012 European League: Environment		
Rank	Country	Score
1	Slovakia	8.3
2	Hungary	7.9
3	Finland	7.4
3	Poland	7.4
5	Sweden	7.3
6	Portugal	7.2
6	Czech Republic	7.2
6	United Kingdom	7.2
9	Belgium	7.0
10	France	6.9
10	Germany	6.9
12	Denmark	6.8
13	Netherlands	6.7
13	Italy	6.7
15	Ireland	6.5
16	Spain	6.4
17	Austria	6.2
18	Greece	5.9
19	Switzerland	5.8
20	Luxembourg	5.5
21	Norway	3.2

Table 7

Europe's top performers on Environment:²⁵

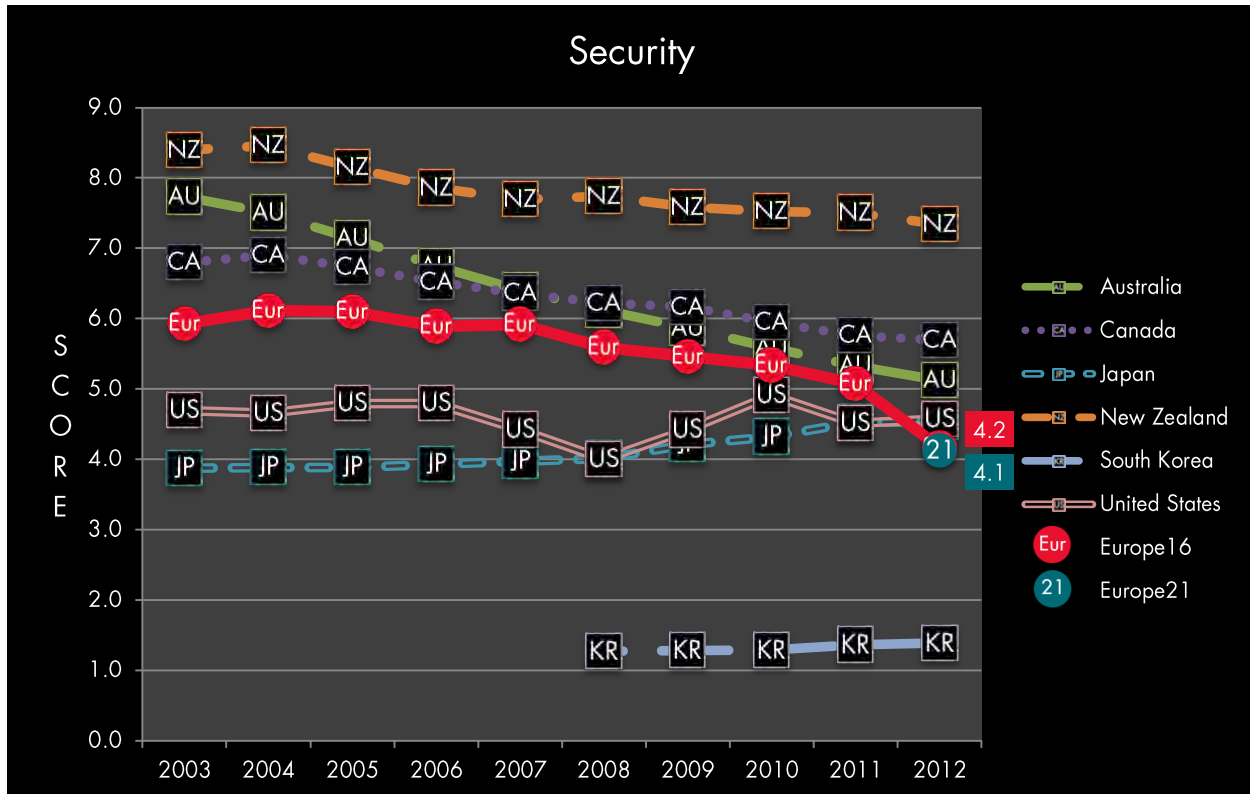
- **Slovakia:** No fishing subsidies; and GDP growth exceeded growth in greenhouse gas emissions over the past decade
- **Hungary:** Excellent compliance with mandatory reporting requirements under multilateral environmental agreements relating to biodiversity; and highest gas taxes in the CDI (\$1.54 per litre)
- **Finland:** Lowest fossil fuel production per capita in the CDI
- **Poland:** High gas taxes (\$1.40 per litre)

Europe's lowest performers on Environment:

- **Norway:** Highest fossil fuel production per capita in the CDI (109.9 tons of carbon dioxide equivalent)
- **Luxembourg:** High greenhouse gas emissions per capita (23.7 tons of carbon dioxide equivalent)
- **Switzerland:** Low gas taxes (\$0.58 per litre)
- **Greece:** High fishing subsidies (\$5.04 per person)

²⁵ "2012 Commitment to Development Index"

Security



Graph 9

The security component of the CDI gives credit for financial and personnel contributions to UN-run or internationally sanctioned peacekeeping and humanitarian military operations, a country's efforts to protect and secure sea lanes for global trade, participation in international security regimes such as the International Criminal Court, and it penalises weapons exports to undemocratic countries with heavy military spending. This year, CGD has added new indicators that reward participation in international security regimes, such as the Ottawa convention to ban anti-personnel landmines. These new indicators were added to diversify the component and capture non-military actions that promote peace and security.

In common with other parts of the world, Europe's overall score on the security component has steadily decreased since 2007. Australia's scores have dropped quite significantly over time – probably because of a reduction of its military involvement East Timor since the 1990s – but Australia still outperforms Europe because of a significant contribution to internationally sanctioned interventions. In 2012, the United States overtook Europe as a whole on security. Europe's drop in score stems mainly from an increase in arms exports from Belgium and Sweden, which have dented Europe's performance on this indicator down.

2012 European League: Security		
Rank	Country	Score
1	Denmark	7.7
2	Norway	7.6
3	Ireland	6.9
4	Finland	6.6
5	Austria	6.1
6	Portugal	6.0
7	Greece	5.7
8	Slovakia	5.5
9	Hungary	5.4
9	United Kingdom	5.4
11	Italy	5.0
11	Luxembourg	5.0
13	Switzerland	4.4
14	Poland	3.8
15	France	3.7
15	Germany	3.7
17	Belgium	3.6
18	Spain	3.4
19	Netherlands	3.2
20	Czech Republic	1.6
21	Sweden	1.2

Table 8

Europe's top performers on Security:²⁶

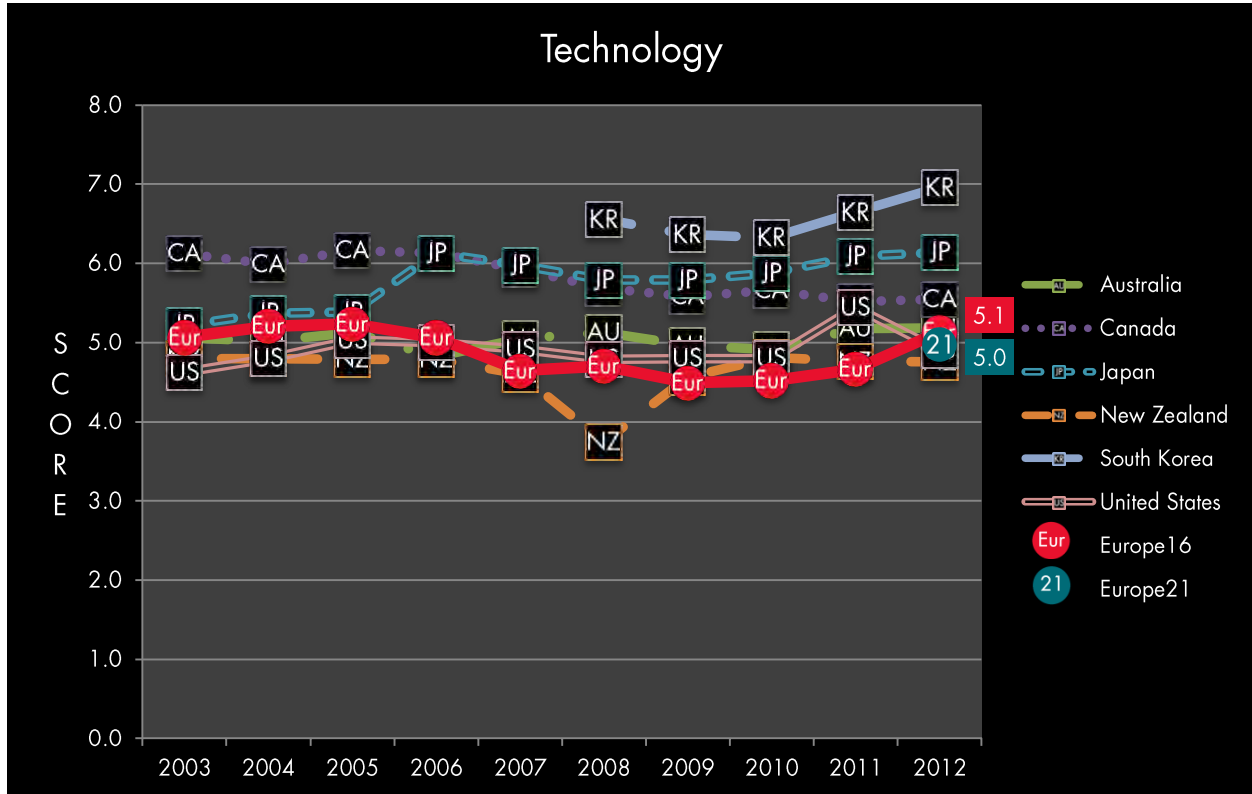
- **Denmark:** Positions naval fleet to protect sea lanes vital for international trade
- **Norway:** Highest per capita financial and personnel contributions to internationally sanctioned peacekeeping and humanitarian interventions in the CDI
- **Ireland:** Few arms exports to poor and undemocratic governments
- **Finland:** Significant financial and personnel contributions to UN peacekeeping operations over the last decade

Europe's lowest performers on Security:

- **Sweden:** Highest arms exports by share of GDP to poor and undemocratic governments in the CDI
- **Czech Republic:** Has not ratified the Convention on Cluster Munitions (CCM)
- **Netherlands:** High level of arms exports to poor and undemocratic governments
- **Spain:** Small financial and personnel contributions to internationally sanctioned peacekeeping and humanitarian interventions over the last decade

²⁶ "2012 Commitment to Development Index"

Technology



Graph 9

Within the technology component of the CDI, countries are rewarded for government funding and tax breaks for research and development, and they are penalised for particular patent and copyright rules which restrict the flow of ideas and knowledge across borders. Europe performs at the global average on technology, but it is still outperformed by most of the CDI countries, and it scores roughly on par with New Zealand and the United States. Japan and South Korea have the most development-friendly policies on technology.

The technology component is unusual for Europe in that it is the dimension of the commitment to development index in which the leaders are not only Nordic but also Mediterranean countries, such as Portugal, France and Spain.

2012 European League: Technology		
Rank	Country	Score
1	Portugal	7.4
2	France	6.6
2	Denmark	6.6
4	Finland	5.9
5	Spain	5.8
6	Austria	5.7
6	Norway	5.7
8	Netherlands	5.4
9	Czech Republic	5.3
10	Germany	5.0
11	Switzerland	4.8
12	Sweden	4.7
13	Belgium	4.6
14	United Kingdom	4.3
15	Luxembourg	4.2
15	Italy	4.2
17	Ireland	3.9
18	Hungary	3.4
19	Greece	2.8
20	Poland	2.7
21	Slovakia	2.6

Table 9

Europe's top performers on Technology:²⁷

- **Portugal:** High government expenditure on R&D; and high subsidy rate to businesses for R&D
- **France:** Highest tax subsidy rate to businesses for R&D in the CDI
- **Denmark:** Low share of government R&D expenditure on defence (0.32%)
- **Finland:** Provides patent exceptions for research purposes

Europe's lowest performers on Technology:

- **Slovakia:** Lowest government expenditure on R&D in the CDI
- **Poland:** Pushes to extend intellectual property rights in bilateral trade treaties ("TRIPS Plus" measures) that restrict the flow of innovations to developing countries
- **Greece:** Offers patent-like proprietary rights to developers of data compilations, including those assembled from data in the public domain
- **Hungary:** Low government expenditure on R&D; and does not revoke unused patents

²⁷ "2012 Commitment to Development Index"

Drawing Policy Conclusions

Discussions about the effects of rich countries on poor countries sometimes conflate *development policy* and *aid*. As well as aid, European countries affect developing countries through policies on migration, trade, the environment, security, transfers of technology and investment practices; and the scale of these effects on development may be much larger than the positive effect of aid. We have used the framework of CGD's Commitment to Development Index (CDI) to explore Europe's impact on development in greater depth, especially to look 'beyond aid' at other policies which affect the prospects for economic growth and poverty reduction in the developing world.

If Europe were one country, consisting of the twenty-one countries in the CDI, it would be only slightly above the global average for commitment to development: better than Japan, South Korea and the US, but behind Canada and New Zealand. On some dimensions of the index – such as aid and environment – Europe has a relatively good record. On others – such as encouraging trade and technology transfer – Europe performs poorly compared to the rest of the world. Europe's approach to development can be characterised as energetically tackling the symptoms of poor economic opportunities for developing countries by providing substantial and effective aid, but doing less than other countries to tackle the underlying structural causes of poverty.

Europe's modest collective performance raises a series of questions about European development policies. The Center for Global Development in Europe, in partnership with specialists across Europe and around the world, plans to examine these questions in more detail. The aim is to understand further the reasons why European policies are not especially development-friendly, compare European policies to international best practice, and identify practical policy measures that European countries can implement, individually or collectively, to improve Europe's impact on the developing world.

With the help of these experts, CGD will produce detailed, quantified research for each CDI component, which explores how Europe performs on that dimension and analyse the key drivers of that performance, including policies collectively agreed in the European Union and policies implemented by individual countries. The seven studies – one for each component of the CDI – will be brought together into a synthesis volume that will draw together the key policy conclusions and an assessment of the effect of European collective decisions.

References

Bannon, Alicia, and David Roodman. "Technology and the Commitment to Development Index", Center for Global Development, Washington, DC, April 2004.

Barder, Owen. "Can Aid Work? Written Testimony Submitted to the House of Lords." Center for Global Development, July 2011. Available at <http://www.cgdev.org/content/publications/detail/1425286>.

Cassara, Amy, and Daniel Prager. "An Index of Rich-Country Environmental Performance: 2005 Edition", Center for Global Development, Washington, DC, 2005.

Center for Global Development. "2011 Commitment to Development Index." Last modified 1 November 2011. <http://www.cgdev.org/cdi/>

Cline, William. "An Index of Industrial Country Trade Policy Toward Developing Countries", Working Paper 114, Center for Global Development, Washington, DC, 2002.

European Commission. EuropeAid. *Annual Report 2011 on the European Union's Development and External Assistance Policies and Their Implementation in 2010*. Brussels, Belgium: Publications Office of the European Union, 2011. Accessed 25 June 2012, http://ec.europa.eu/europeaid/files/publications/europeaid_annual_report_2011_en.pdf.

G8 Summit, The Gleneagles Communiqué, June 2005. Available at http://www.unglobalcompact.org/docs/about_the_gc/government_support/PostG8_Gleneagles_Communique.pdf, accessed 3 July 2012.

Grieco, Elizabeth M. and Kimberly A. Hamilton. "Realizing the Potential of Migrant 'Earn, Learn, and Return' Strategies: Does Policy Matter?", Migration Policy Institute, Washington, DC, February 2004.

Open Forum for CSO Development Effectiveness, 4th High-Level Forum on Aid Effectiveness, Busan Partnership for Effective Development Cooperation, Busan, Republic of Korea, 29th November-1st December 2011. Available at <http://www.oecd.org/dac/aideffectiveness/Busan%20partnership.pdf>.

Hudson, Alan and Linnea Jonsson, "'Beyond Aid' for sustainable development." *ODI Project Briefing Number 22*. London: Overseas Development Institute. May 2009. Available at <http://www.odi.org.uk/resources/docs/4293.pdf>.

Lowell, B. Lindsay and Valerie Edwards Carro. "An Evaluation of Extended Index on Pro-Development Migration Policies", Center for Global Development, Washington, DC, April 2006.

Maskus, Keith. "Components of a Proposed Technology Transfer Index: Background Note", Center for Global Development, Washington, DC, March 2005.

Moran, Theodore. "Rationale for Components of a Scoring System of Developed Country Support for International Investment Flows to Developing Countries". Center for Global Development, Washington, DC, May 2007.

Moran, Theodore. "How Multinational Investors Evade Developed Country Laws". Working Paper 79, Center for Global Development, Washington, DC, February 2006.

O'Hanlon, Michael and Adriana Lins de Albuquerque. "Note on the Security Component of the 2004 CDI", Center for Global Development, Washington, DC, April 2004.

Organisation for Economic Co-Operation and Development (OECD) Stat Database. <http://stats.oecd.org/index.aspx?DataSetCode=CRS1>. (DOI 10.1787/data-00285-en; accessed 25 June 2012).

Organisation for Economic Co-Operation and Development (OECD). *The Paris Declaration on Aid Effectiveness*. 2005. Available at <http://www.oecd.org/dac/aideffectiveness/34428351.pdf>. Accessed 2 July 2012.

Roodman, David. "The Commitment to Development Index: 2011 Edition. Technical Paper". Center for Global Development, October 2011. Available at <http://www.cgdev.org/doc/CDI%202011/Index%20technical%20paper%202011.pdf>.

Roodman, David. "An Index of Donor Aid Performance", Center for Global Development, Washington, DC, 2011. Available at http://www.cgdev.org/files/3646_file_Roodman_Aid_2011.pdf.

Roodman, David. "How do the BRICs Stack Up? Adding Brazil, Russia, India and China to the Environment Component of the Commitment to Development Index", Center for Global Development, Washington, DC, October 2007.

Roodman, David. "Production-weighted Estimates of Aggregate Protection in Rich Countries toward Developing Countries", *World Economy*, 30:6, June 2007.

Roodman, David. "Building and Running an Effective Policy Index: Lessons from the Commitment to Development Index", Center for Global Development, Washington, DC, 2006.

Switzerland State Secretariat for Economic Affairs. "European Free Trade Association." Accessed 15 June 2012. <http://www.seco.admin.ch/themen/00513/00515/00516/index.html?lang=en>.

UN General Assembly. *United Nations Millennium Declaration, Resolution Adopted by the General Assembly*. 18 September 2000. A/RES/55/2. Available at: <http://www.unhcr.org/refworld/docid/3b00f4ea3.html>. Accessed 2 July 2012.

Annex

Commitment to Development Index 2012 (2012 methodology)									
Rank	Country	Aid	Trade	Investment	Migration	Environment	Security	Technology	Overall (Average)
15	Australia	4.3	7.4	6.1	4.2	3.8	5.1	5.2	5.2
5	Austria	3.1	5.6	4.8	11.7	6.2	6.1	5.7	6.2
13	Belgium	6.4	5.5	5.3	5.0	7.0	3.6	4.6	5.3
11	Canada	5.0	6.2	6.1	7.0	2.5	5.7	5.5	5.4
24	Czech Republic	1.1	5.5	3.9	1.3	7.2	1.6	5.3	3.7
1	Denmark	11.5	5.3	4.7	6.2	6.8	7.7	6.6	7.0
7	Finland	6.6	5.8	5.1	4.4	7.4	6.6	5.9	6.0
13	France	4.2	5.6	6.1	4.0	6.9	3.7	6.6	5.3
11	Germany	3.9	5.5	6.3	6.9	6.9	3.7	5.0	5.4
21	Greece	1.6	5.3	4.0	6.4	5.9	5.7	2.8	4.5
22	Hungary	0.8	5.4	3.6	1.7	7.9	5.4	3.4	4.0
17	Ireland	7.5	5.2	2.9	2.8	6.5	6.9	3.9	5.1
20	Italy	1.3	5.7	5.4	4.7	6.7	5.0	4.2	4.7
26	Japan	1.6	0.1	5.2	1.9	4.5	4.5	6.1	3.4
4	Luxembourg	13.0	5.3	4.2	6.8	5.5	5.0	4.2	6.3
6	Netherlands	9.5	5.9	6.3	5.5	6.7	3.2	5.4	6.1
8	New Zealand	3.3	8.1	4.3	6.4	6.2	7.3	4.8	5.8
2	Norway	13.0	1.1	6.1	9.9	3.2	7.6	5.7	6.6
25	Poland	0.7	5.6	4.1	0.6	7.4	3.8	2.7	3.6
10	Portugal	3.1	5.6	5.2	4.0	7.2	6.0	7.4	5.5
23	Slovakia	0.8	5.8	2.9	0.6	8.3	5.5	2.6	3.8
27	South Korea	1.0	-1.3	5.6	1.3	4.2	1.4	7.0	2.7
15	Spain	4.0	5.5	5.9	5.4	6.4	3.4	5.8	5.2
3	Sweden	12.6	5.8	5.3	7.8	7.3	1.2	4.7	6.4
18	Switzerland	5.2	1.5	4.4	8.6	5.8	4.4	4.8	5.0
9	United Kingdom	6.8	5.5	6.3	4.7	7.2	5.4	4.3	5.7
19	United States	3.2	6.7	5.0	5.2	4.3	4.6	4.9	4.8
	Europe	4.9	5.3	5.7	5.0	6.8	4.1	5.0	5.3

