

# Commitment to Development Index 2012



**T**he Commitment to Development Index ranks 27 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:

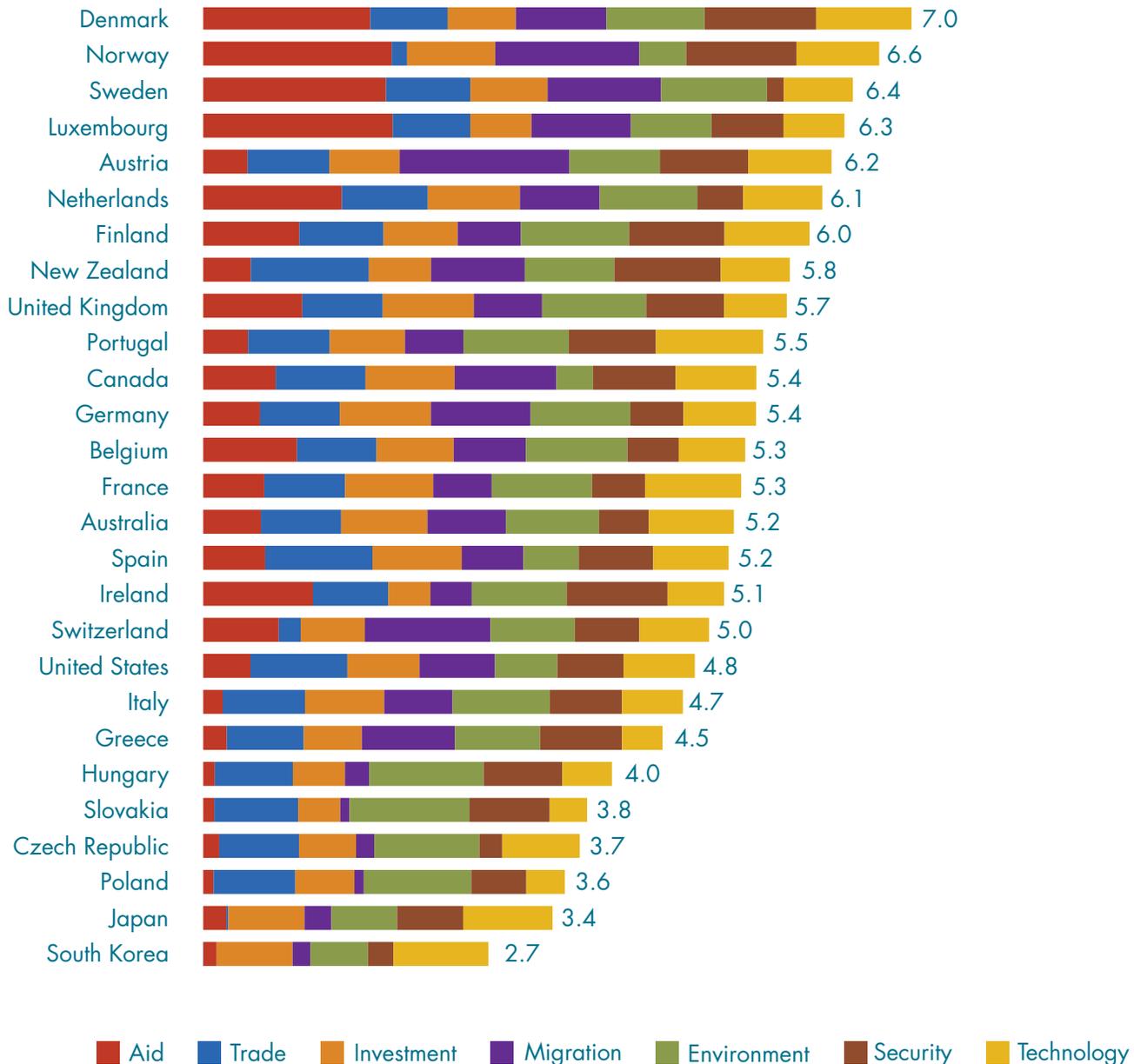
- Quantity and quality of foreign aid
- Openness to exports
- Policies that encourage investment
- Migration policies
- Environmental policies
- Security policies
- Support for technology creation and dissemination

Scores on each component are scaled so that an average score in 2012 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.

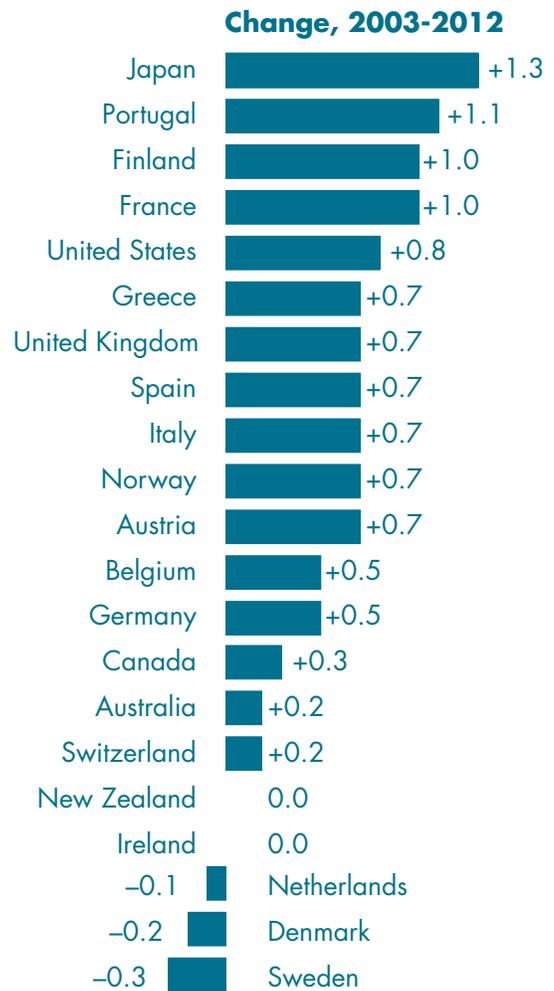
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Why does the CDI matter? Because in an increasingly integrated world, the behavior of rich countries can profoundly affect the lives of people in poor countries and because poverty and weak institutions in developing countries can breed public health crises, security threats, and economic crises that know no borders. Committing to policies that promote development and well-being is a global imperative—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

Denmark comes in first on the 2012 CDI based on its high aid quantity and quality, commitment to security in developing countries, and significant portion of GDP spent on developing new technologies. Close behind are Norway, Sweden, and Luxembourg, also generous aid donors with strong migration records. 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 Kingdom places in the top 10. Japan and South Korea finish last with small aid programs for their sizes, tight borders to the entry of goods and people, and limited involvement in peacekeeping. They are joined near the bottom by Hungary, the Czech Republic, Poland, and Slovakia, which rank at or below average in most components, except for the environment component, where they occupy top spots. Still, even the first-place Danes have only average scores (near 5.0) in two of the seven policy areas. All countries could do much more to spread prosperity.



Only countries that have been ranked by the CDI since 2003 are shown. South Korea was added in 2008; the Czech Republic, Hungary, Luxembourg, Poland, and Slovakia were added in 2012.

## 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; this 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 Equatorial Guinea—where corruption is rampant and rule of law weak—is counted at 15¢ on the dollar, aid to Ghana—where poverty is high and governance relatively good—is counted at 94¢ on the dollar. Donors are penalized for overloading recipient governments with too many small aid projects, which burden recipient officials with hosting obligations and frequent 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 performers on the aid component are Luxembourg, Norway, Sweden, Denmark, and the Netherlands; all give large quantities of aid as a share of GDP. But quality matters too. Spain 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 fifth of its aid. Despite policies that promote private charitable giving, the United States also ranks in the bottom half (17th) of donors on aid. It would score better if it contributed a higher share of its GDP and gave less to corrupt or undemocratic governments in Iraq, Jordan, Afghanistan, and elsewhere. The Visegrad countries—the Czech Republic, Hungary, Slovakia, and Poland—and South Korea place last in both aid quantity and quality.

## 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 some \$91 billion per year subsidizing their own farmers, a substantial fraction of what they spend on aid (\$122 billion). 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 2012 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). South Korea and Norway join Japan at the bottom of the trade component. Norway scores poorly largely because of high tariffs on meat, dairy products, and grains from poor countries; Korea has the highest tariff rates on textiles and apparel of any CDI country and rice tariffs nearly as high as Japan’s.

## 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? Do they support international arrangements to control corruption, such as the Extractive Industries Transparency Initiative (EITI) or the Kimberley Process to track and eliminate trade in “blood diamonds” that have financed warlords in countries such as Angola and Sierra Leone?

Ireland places at the bottom of the investment component. It is one of only three CDI 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 the Visegrad countries, which do the least to stem bribery and corrupt investment practices. Conversely, top-ranked Netherlands, United Kingdom, and Germany are leaders in the EITI, the Kimberley Process, and other efforts to support ethical resource extraction. They also have measures in place to insure investing firms against political risk and promote portfolio investment in emerging countries.

## 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 a careful statistical study, CGD senior 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. (Because it is 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 Norway, Switzerland, and Sweden also in the top four. Greece and South Korea host the largest shares of foreign students from poor countries. However, South Korea accepts less than 2,800 migrants a year from developing countries, a number equal to 0.004 percent of its own population. Poland and Slovakia rank last in migration, with borders that are relatively closed to unskilled laborers, refugees, and students from developing countries.

## Environment

A healthy environment is sometimes dismissed as a luxury for the rich, but in many ways it matters more for the poor. 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 emeritus 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? Do they control imports of illegally cut tropical timber?

Slovakia and Hungary top the environment standings. Their gasoline taxes are the highest, and their greenhouse gas emissions are among the lowest. Finland, which produces no fossil fuels, takes third, followed by Poland. Although Norway has among the lowest greenhouse gas emissions per capita in the CDI, it produces the largest amount of fossil fuel per person. Australia also ranks poorly as the biggest emitter of greenhouse gases per capita, while the United States and Canada are the only CDI countries not party to 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 Canada at the bottom.

## Security

Rich nations' actions can enhance or degrade the security of developing countries. They make or keep the peace in countries recently torn by conflict and protect vital international trade routes. But rich countries also supply developing countries with tanks and jets.

The CDI looks at four 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 for basing naval fleets where they can secure sea lanes, and for participating in international security regimes that promote nonproliferation, disarmament, and international rule of law—such as the Comprehensive Test Ban Treaty (CTBT), the Ottawa Convention on land mines, and the International Criminal Court (ICC). Finally, the CDI penalizes some exports of arms, especially to undemocratic nations that spend heavily on the military. Selling weapons to despots can tempt them to increase repression at home and to launch military adventures abroad. In developing nations, buying weapons diverts money that might be better spent on teachers or transit systems.

Denmark, Norway, and New Zealand take the top spots on security for their significant contributions to internationally sanctioned peacekeeping and humanitarian interventions and ratification of major arms control treaties and the ICC-creating Rome Statute. France, the United States, and United Kingdom have also contributed to international peacekeeping—most notably the 2011 NATO operations in Libya—but are penalized for exporting a large amount of arms to poor and undemocratic countries, as are Belgium and Sweden. 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. Korea, the United States, and Poland are penalized for not ratifying the Ottawa Convention, and the United States loses additional points as the only CDI country not party to the CTBT or ICC.

## Technology

The Internet, mobile phones, vaccines, and high-yielding grains were all invented in rich countries and exported to poorer ones, where they have improved—and saved—many lives. Of course, new technologies do harm as well as good: consider motor vehicles, which symbolize 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. US 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, France, and Denmark finish at the top of the technology component, thanks to government expenditure on R&D worth around 1 percent of their GDPs. Spain has the second-highest tax subsidy rate for business R&D, but spends less overall on R&D as a share of GDP. Poland and Slovakia spend less than 0.3 percent of GDP on R&D, but they devote a significant portion of this to defense. The United States and many European countries (particularly Sweden and Germany) lose points for promoting compulsory licensing bans and pushing for bilateral free trade agreements to include "TRIPS-Plus" measures that restrict the flow of innovations to developing countries.

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	Rank	Aid	Trade	Investment	Migration	Environment	Security	Technology	Overall (Average)	Change, 2003–12
Denmark	1	11.5	5.3	4.7	6.2	6.8	7.7	6.6	7.0	-0.2
Norway	2	13.0	1.1	6.1	9.9	3.2	7.6	5.7	6.6	+0.7
Sweden	3	12.6	5.8	5.3	7.8	7.3	1.2	4.7	6.4	-0.3
Luxembourg	4	13.0	5.3	4.2	6.8	5.5	5.0	4.2	6.3	N/A
Austria	5	3.1	5.6	4.8	11.7	6.2	6.1	5.7	6.2	+0.7
Netherlands	6	9.5	5.9	6.3	5.5	6.7	3.2	5.4	6.1	-0.1
Finland	7	6.6	5.8	5.1	4.4	7.4	6.6	5.9	6.0	+1.0
New Zealand	8	3.3	8.1	4.3	6.4	6.2	7.3	4.8	5.8	0.
United Kingdom	9	6.8	5.5	6.3	4.7	7.2	5.4	4.3	5.7	+0.7
Portugal	10	3.1	5.6	5.2	4.0	7.2	6.0	7.4	5.5	+1.1
Canada	11	5.0	6.2	6.1	7.0	2.5	5.7	5.5	5.4	+0.3
Germany	12	3.9	5.5	6.3	6.9	6.9	3.7	5.0	5.4	+0.5
Belgium	13	6.4	5.5	5.3	5.0	7.0	3.6	4.6	5.3	+0.5
France	14	4.2	5.6	6.1	4.0	6.9	3.7	6.6	5.3	+1.0
Australia	15	4.3	7.4	6.1	4.2	3.8	5.1	5.2	5.2	+0.2
Spain	16	4.0	5.5	5.9	5.4	6.4	3.4	5.8	5.2	+0.7
Ireland	17	7.5	5.2	2.9	2.8	6.5	6.9	3.9	5.1	0.
Switzerland	18	5.2	1.5	4.4	8.6	5.8	4.4	4.8	5.0	+0.2
United States	19	3.2	6.7	5.0	5.2	4.3	4.6	4.9	4.8	+0.8
Italy	20	1.3	5.7	5.4	4.7	6.7	5.0	4.2	4.7	+0.7
Greece	21	1.6	5.3	4.0	6.4	5.9	5.7	2.8	4.5	+0.7
Hungary	22	0.8	5.4	3.6	1.7	7.9	5.4	3.4	4.0	N/A
Slovakia	23	0.8	5.8	2.9	0.6	8.3	5.5	2.6	3.8	N/A
Czech Republic	24	1.1	5.5	3.9	1.3	7.2	1.6	5.3	3.7	N/A
Poland	25	0.7	5.6	4.1	0.6	7.4	3.8	2.7	3.6	N/A
Japan	26	1.6	0.1	5.2	1.9	4.5	4.5	6.1	3.4	+1.3
South Korea	27	1.0	-1.3	5.6	1.3	4.2	1.4	7.0	2.7	N/A

The above table lists scores for each of the 27 CDI-ranked countries across seven policy areas. A country's overall performance is the average of its seven component scores, each of which are scaled so that an average score in 2012 equals 5.0. The final column shows the change in each country's overall score since the CDI began in 2003 (using 2012 methodology).

### For More

Visit [cgdev.org/cdi](http://cgdev.org/cdi) for the complete 2012 edition of the Commitment to Development Index. There, you can explore the numbers with our interactive graphing tool, view additional publications and background papers, and dive deeper into the CDI methodology by downloading our data and code.

### About the CDI

The Commitment to Development Index has been compiled each year since 2003 by the Center for Global Development (CGD), an independent think tank that works to reduce global poverty and inequality through rigorous research and active engagement with the policy community. CGD senior fellow David Roodman is the chief architect of the CDI, and collaborators have included William R. Cline on trade; Theodore H. Moran on investment; Jeanne Batalova, Kimberly A. Hamilton, and Elizabeth Grieco on migration; Amy Cassara and Daniel Prager on environment; Michael E. O'Hanlon, Adriana Lins de Albuquerque, Mark Stoker, and Jason Alderwick on security; and Keith Maskus and Walter Park on technology. The Index is supported by the CDI Consortium.



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