Center for Global Development

CGD Brief

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The 2008 Commitment to Development Index:
Components and Results

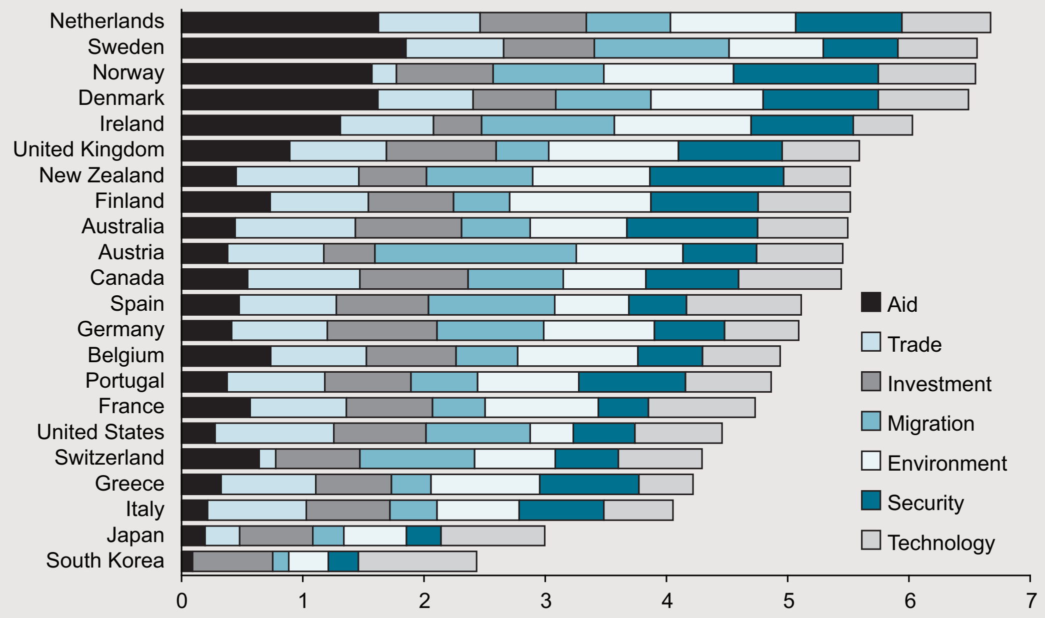
By David Roodman*

The Commitment to Development Index (CDI) ranks 22 of the world's richest countries on their dedication to policies that benefit the five billion people living in poorer nations. Moving beyond standard comparisons of foreign aid volumes, the CDI rates countries on

- Quantity and quality of foreign aid
- Openness to developing-country exports
- Policies that influence investment
- Migration policies
- Environmental policies
- Security policies
- Support for creation and dissemination of new technologies.

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

Commitment to Development Index 2008



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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. Similarly, U.S. tariffs on clothing and crops from developing countries do much more harm than Denmark's because of the sheer size of the U.S. market. But since U.S. tax rates on imports are actually lower, the United States scores higher on trade. The CDI quantifies the full range of rich-country policies that have an impact on poor people in developing countries. The Index builds on contributions from scholars at the Center for Global Development, the Brookings Institution, Georgetown University, the Migration Policy Institute, the World Resources Institute, and the University of Colorado. For more information about the CDI, go to www.cgdev.org/cdi.

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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, sending shockwaves around the world. Another reason is fairness. Current trade policy, for example, places disproportionate burdens on poor countries. Finally, the Index looks at 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 measures whether their policies promote these same concerns in the rest of the world.

Aid

Foreign aid is the first policy that comes to mind when people in rich countries think of helping poorer countries. Aid donors give grants, loans, food, and advice to poor countries to support everything from road building to immunization programs in tiny villages. Most comparisons between donors are based on how much aid each gives, either in absolute terms or as a percentage of GDP. For the CDI, quantity is merely a starting point in a review that also assesses aid quality. The Index penalizes "tied" aid, which recipients are required to spend on products from the donor nation; this prevents them from shopping around and raises project costs by 15–30 percent. The Index also subtracts debt payments the rich countries receive from developing countries on aid loans. And it looks at where aid goes, favoring poor, uncorrupt nations. Aid to Iraq, for instance, is counted at 11¢ on the dollar, since in Iraq corruption is rampant and rule of law weak. Aid to Mozambique, on the other hand, with its high poverty and relatively good governance, is counted at 89¢ on the dollar. Finally, donors are penalized for overloading recipient governments with too many small aid projects. When projects are many and recipient officials few, the obligation to host visits from donor officials and file regular reports becomes a serious burden.

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. All CDI countries except Austria, Finland, and Sweden offer such incentives. Since the Index is about government policy, it counts only private giving that is attributed to tax incentives. Private giving to developing countries is higher in the United States than in most countries, at 8¢ per person per day. But even adding that to the 20¢ a day in government aid leaves the United States well short of donors such as Denmark and Sweden, which give $1.07 and $1.11 a day in government aid alone.

The differences between countries in raw aid quantity are dramatic, and as a result they heavily influence the overall aid scores. The Netherlands and the Scandinavian countries take the top four slots on aid, while Japan and the United States end up near the bottom. But quality matters too. Norway edges out the Netherlands for second place on sheer aid quantity as a share of GDP, but falls to fourth in the CDI for funding smaller projects and being less selective. And the United States would score higher if it did not tie some 50 percent of its aid and if it 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 countries have been able to call the shots, their barriers to some of the goods poor countries are best at producing—including crops—have largely stayed in place. 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

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Rank	Country	Aid	Trade	Investment	Migration	Environment	Security	Technology	Average
1	Netherlands	11.4	5.9	6.1	4.9	7.2	6.1	5.1	6.7
2	Sweden	13.0	5.6	5.2	7.8	5.4	4.3	4.6	6.6
2	Norway	11.0	1.4	5.6	6.4	7.5	8.3	5.6	6.6
4	Denmark	11.3	5.5	4.8	5.5	6.5	6.7	5.2	6.5
5	Ireland	9.2	5.4	2.8	7.7	7.9	5.9	3.4	6.0
6	United Kingdom	6.2	5.6	6.3	3.1	7.5	6.0	4.4	5.6
7	New Zealand	3.2	7.1	3.9	6.1	6.8	7.7	3.8	5.5
7	Finland	5.1	5.7	4.9	3.2	8.2	6.2	5.3	5.5
7	Australia	3.1	6.9	6.1	4.0	5.6	7.5	5.2	5.5
7	Austria	2.7	5.5	3.0	11.6	6.2	4.2	5.0	5.5
11	Canada	3.8	6.5	6.3	5.5	4.7	5.4	5.9	5.4
12	Spain	3.3	5.6	5.3	7.3	4.3	3.3	6.6	5.1
12	Germany	2.9	5.5	6.3	6.2	6.4	4.0	4.3	5.1
14	Belgium	5.1	5.5	5.2	3.6	6.9	3.7	4.5	4.9
14	Portugal	2.6	5.6	5.0	3.9	5.8	6.2	4.9	4.9
16	France	4.0	5.6	5.0	3.0	6.6	2.9	6.2	4.7
17	United States	1.9	6.8	5.3	6.0	2.5	3.6	5.0	4.5
18	Switzerland	4.5	1.0	4.8	6.6	4.6	3.6	4.8	4.3
19	Greece	2.3	5.5	4.4	2.3	6.3	5.7	3.1	4.2
20	Italy	1.5	5.7	4.8	2.7	4.7	4.9	4.0	4.1
21	Japan	1.4	2.0	4.2	1.8	3.6	2.0	6.0	3.0
22	South Korea	0.6	0.0	4.6	0.9	2.3	1.7	6.8	2.4

High scores Low scores

labor-intensive, processed goods. U.S. tariffs on imports from India, Indonesia, Sri Lanka, and Thailand brought in $2.06 billion in 2005—twice what the United States committed to these countries for tsunami relief the same year. For the Index's trade component, each country's complex collection of tariffs and subsidies is converted into a flat, across the board tariff representing its total effect on developing countries.

New Zealand does best on trade in the 2008 Index, with Australia, the United States, and Canada not far behind. In general, EU nations share common trade and agriculture policies, so they 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 500 percent (equivalent to a 500 percent sales or value-added tax on imports). High tariffs on meat, dairy products, sugar, and wheat from poor countries put non–EU members Norway and Switzerland near the bottom. South Korea finishes last owing to 980 percent tariffs on rice, the highest of all CDI countries.

Investment

Foreign investment can be a significant driver of development in poor countries. Many of East Asia's fastest-growing countries—South Korea, Malaysia, Singapore, and Thailand—benefited from investment from abroad. However, foreign investment can also breed instability (witness the 1997 Asian financial crisis) as well as corruption and exploitation, a prime example being the pollution and unrest in Nigeria's oil-producing regions.

The Index looks at what rich countries are doing to promote investment that is actually good for development. It looks at two kinds of capital flows: 1) 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 2) portfolio investment, which occurs when foreigners buy securities that are traded on open exchanges. The component is built on a checklist of policies that matter. Do the rich-country governments offer political risk insurance to encourage companies to invest in poor countries whose political climate would otherwise be deemed too insecure? If so, do they filter out projects likely to do egregious environmental harm or exploit workers? Do they have tax provisions or treaties to prevent overseas investors from being taxed both at home and in the investment country?

The lowest scorers are Ireland and New Zealand, which do not provide political risk insurance and do little to prevent double taxation, and Austria, which restricts pension fund investments in developing countries. Top-ranked Britain, Germany, and Canada do better on all these counts and have participated aggressively in international arrangements to control corruption, such as the Kimberley Process to track and eliminate trade in "blood diamonds" used to finance warlords in countries such as Angola and Sierra Leone.

Migration

Some 200 million people today—1 in 33—do not live in the country where they were born. That number should grow as aging rich societies run short of workers, which should be a boon for development. 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, pick up skills and bring them home—engineers and physicians as well as entrepreneurs who, for example, start computer businesses.

But what about brain drain? Migration has been blamed for emptying African clinics of nurses, who can earn far more in London hospitals. But 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. One indicator used is the gross inflow of migrants from developing countries in a recent year, including unskilled and skilled workers but leaving out illegals. Another is the net increase in the number of unskilled migrant residents from developing countries during the 1990s. (Based on census data, it cannot be updated often.) The Index also uses indicators of openness to students from poor countries and aid for refugees and asylum seekers.

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Austria takes first for accepting the most migrants for its size, with Sweden and Ireland in second and third place. Austria accepted many migrants from the nearby Yugoslavia as that nation dissolved into civil war. Near the bottom is Japan, which accepts 245,000 migrants a year from developing countries. That is equal to 0.19 percent of its own population, which is less than half the CDI average.

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 rise in sea level would flood 90 million people out of their homes, many of them in the river deltas of Bangladesh, Egypt, and Vietnam.

> Climate change will be more damaging to poor nations than rich ones because poor nations have weaker infrastructure and fewer social services.

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? How complicit are they in environmental destruction in developing countries, for example by importing commodities such as tropical timber? Do they subsidize fishing fleets that deplete fisheries off the coasts of such countries as Senegal and India?

Finland tops this year's environment standings. Its net greenhouse gas emissions fell during 1996–2006, the last ten years for which data are available. Also high is Ireland, whose economy grew 6 percent per year faster in the same period than its greenhouse gas emissions; Norway, which has the lowest net greenhouse gas emissions rate per capita thanks to expanding forests; and the U.K., which has steadily increased gasoline taxes and supported wind and other renewable energy sources. Spain finishes low as a heavy subsidizer of its fishing industry while Japan is hurt by its high tropical timber imports. The United States is the only CDI country that has not ratified the Kyoto Protocol, the most serious international effort yet to

CDI performance over time, using 2008 methodology

Country	2003	2004	2005	2006	2007	2008	Change, 2003–08	Rank by improvement
Japan	2.2	2.3	2.2	2.9	2.9	3.0	+0.8	1
Ireland	5.3	5.0	5.1	5.3	5.6	6.0	+0.7	2
Spain	4.4	4.3	4.5	4.6	4.9	5.1	+0.7	2
Greece	3.7	4.0	4.2	4.1	4.1	4.2	+0.5	4
Finland	5.1	5.4	5.6	5.5	5.5	5.5	+0.4	5
Portugal	4.5	5.0	4.9	4.8	4.6	4.9	+0.4	5
Belgium	4.6	4.7	4.9	5.1	5.0	4.9	+0.3	7
Norway	6.3	6.6	6.8	6.7	6.5	6.6	+0.3	7
Sweden	6.3	6.7	6.7	6.3	6.4	6.6	+0.3	7
United States	4.2	4.3	4.4	4.4	4.4	4.5	+0.3	7
Canada	5.2	5.4	5.6	5.6	5.7	5.4	+0.2	11
United Kingdom	5.5	5.6	5.9	5.7	5.4	5.6	+0.1	12
Austria	5.5	5.5	5.7	5.6	5.6	5.5	0.0	13
France	4.7	4.8	5.0	5.0	4.8	4.7	0.0	13
Germany	5.1	5.2	5.4	5.3	5.2	5.1	0.0	13
Italy	4.1	4.2	4.4	4.3	4.4	4.1	0.0	13
Netherlands	6.7	6.8	6.8	6.7	6.7	6.7	0.0	13
Australia	5.7	5.5	5.5	5.4	5.4	5.5	–0.2	18
New Zealand	5.9	5.9	5.8	5.7	5.7	5.5	–0.4	19
Switzerland	4.7	4.7	4.9	4.7	4.3	4.3	–0.4	19
Denmark	7.1	7.2	6.6	6.5	6.6	6.5	–0.6	21
Average	5.1	5.2	5.3	5.2	5.2	5.2	+0.2	

The data and formulas in the CDI have steadily improved since the first edition in 2003. To judge consistently which countries have improved most since 2003, this table applies the 2008 CDI formulas to past years. South Korea is omitted because it is new to the CDI in 2008.

deal with climate change. That gap, along with high greenhouse emissions and low gas taxes, puts the United States second from the bottom. South Korea comes in last as the highest user of chemicals that deplete the ozone layer and largest major importer of wood from tropical countries.

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 occasionally make war. Their navies keep open sea lanes that are vital to international trade. But rich countries also supply developing-country armed forces 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 U.N. Security Council or NATO (thus the invasion of Iraq does not count). It also rewards countries that base naval fleets where they can secure sea lanes vital to international trade. Finally, the Index penalizes some arms exports to undemocratic nations that spend heavily on weapons. Putting weapons in the hands of despots can increase repression at home and the temptation to launch military adventures abroad. When weapons are sold instead of being given to developing nations, this diverts money that might be better spent on teachers or transit systems. Still, because countries need guns as well as butter—arming a police force can strengthen the rule of law—the Index penalizes exports to some countries but not all.

Norway and New Zealand take the top spots on security—Norway for steady contributions to peacekeeping operations in the former Yugoslavia and the Middle East, and New Zealand for its assistance to the U.N.-approved action in 1999 to stop Indonesian oppression of East Timor. Despite earning points for flexing its military muscle near sea lanes, the United States scores below average overall for making only average contributions to approved international interventions and for its record as a leading arms merchant to Middle Eastern dictatorships such as Saudi Arabia. South Korea earns a perfect score on arms exports to developing countries (it has none) but lags otherwise because of its low international military profile.

Technology

One important way that rich countries affect poorer ones over the long run is through technology. For example, with medical technology from rich countries, human health and survival in Latin America and East Asia made gains over four decades during the 20th century that took Europe almost 150 years. Today, the Internet is facilitating distance learning, democracy movements, and new opportunities to participate in the global economy. Of course, some new technologies do as much harm as good, creating huge new challenges for the developing world: consider the motor vehicle, which symbolizes gridlock and pollution at least as much as it does freedom and affluence in dense and growing cities such as Bangkok.

> **With technology from rich countries, Latin America and East Asia have made the same gains in human health over 40 years that took Europe almost 150 years.**

The Index rewards polices 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. Spending on military R&D is discounted by half. On the one hand, much military R&D does more to improve the destructive capacity of rich countries than the productive capacity of poor ones. On the other, military security is important for development, and military R&D can have civilian spin-offs. Consider that the Pentagon partly funded the early development of the Internet.

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. Some countries, for example, allow patenting of plant and animal varieties. In such countries, a company could develop a crop variety, say, that thrives in poor tropical soils, patent it, and then opt not to sell it because the poor who could use it have inadequate buying power. Other countries use their leverage to negotiate trade agreements with individual developing countries that extend certain IPRs beyond international norms in the General Agreement on Tariffs and Trade. U.S. 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 a HIV/AIDS drug might if produced by low-cost local manufacturers.

No country does spectacularly better than its peers on technology. The United States loses points for pushing for compulsory licensing bans, and the Europeans are penalized for allowing the copyrighting of databases containing data assembled with public funds. Greece and Ireland lag behind overall because of low government R&D subsidies. South Korea, which spends a substantial 1 percent of GDP on government R&D and whose IPR policies are some of the least restrictive, takes first. Spain places second with the highest R&D subsidies.

The Bottom Line

The Netherlands comes in first on the 2008 CDI on the strength of ample aid-giving, falling greenhouse gas emissions, and support for investment in developing countries. Close behind are Sweden, Norway, and Denmark, also generous aid donors. Australia, Canada, and New Zealand make it into the top half with a very different profile: generally low on aid but strong on trade, investment, migration, and security. Among the G-7 countries—those that matter most for developing countries by dint of their economic power—only the United Kingdom places firmly in the top half. Japan and South Korea finish last. Like the United States, the two Asian nations have small aid programs for their size. Japan and South Korea also engage less with the developing world in ways measured by the Index, with tight borders to the entry of goods and people from poorer countries and limited involvement in peacekeeping abroad. Still, even the first-place Dutch score only about average (near 5.0) in five of the seven policy areas. All countries could do much more to spread prosperity.

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For More Information

For the details of the 2008 Commitment to Development Index, see "The Commitment to Development Index: 2008 Edition," by David Roodman, available at www.cgdev.org/cdi. The web site has reports on each of the 22 countries in the CDI, as well as graphs, maps, and spreadsheets. The Web site 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 also on security as well, and Keith Maskus on technology.

On the impact of foreign direct investment on developing countries, read Moran's *Harnessing Foreign Direct Investment* (CGD, 2006). On the economics and politics of mobility of unskilled labor, see Lant Pritchett's *Let Their People Come: Breaking the Gridlock on Global Labor Mobility* (CGD, 2006). On the effects in sending countries of skilled health professional emigration, see Michael Clemens's working paper, "Do Visas Kill? Health Effects of African Health Professional Emigration" (CGD, 2007). On the development implications of agricultural protection in rich countries, see Kimberly Ann Elliott's *Delivering on Doha: Farm Trade and the Poor* (CGD and Peterson Institute for International Economics, 2006).

In *The Impact of Sea Level Rise on Developing Countries: A Comparative Analysis* (World Bank, 2007), Susmita Dasgupta and coauthors map and quantify the implications of one- and two-meter sea level rises. William Cline's *Global Warming and Agriculture: Impact Estimates by Country* (CGD and Peterson Institute for International Economics, 2007) estimates the effects of climate change on food production in rich and poor countries. Stewart Patrick and Kaysie Brown look at how effectively seven CDI countries engage fragile states in *Greater Than the Sum of Its Parts? Assessing "Whole of Government" Approaches to Fragile States* (International Peace Academy, 2007).

The Center for Global Development is an independent, non-profit think tank dedicated to reducing global poverty and inequality. The Center's work focuses on the policies of the U.S. and other rich countries and the practices of global institutions that affect development prospects in poor countries. Starting with rigorous empirical research, CGD creates new ideas and fosters informed debate to promote practical, innovative policy alternatives to make the global economy work better for poor people.

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