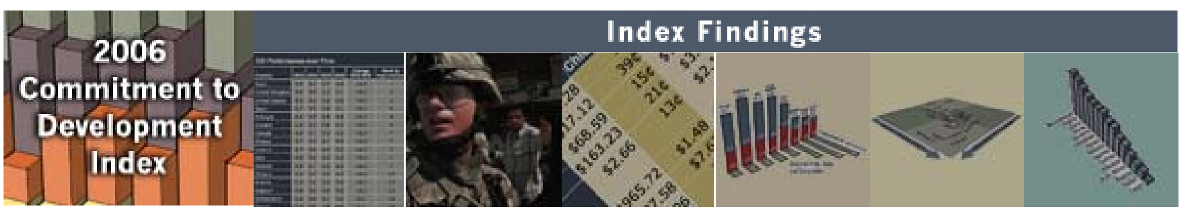
Foreign Policy
http://www.foreignpolicy.com

The FP Index: Ranking the Rich

September/October 2006

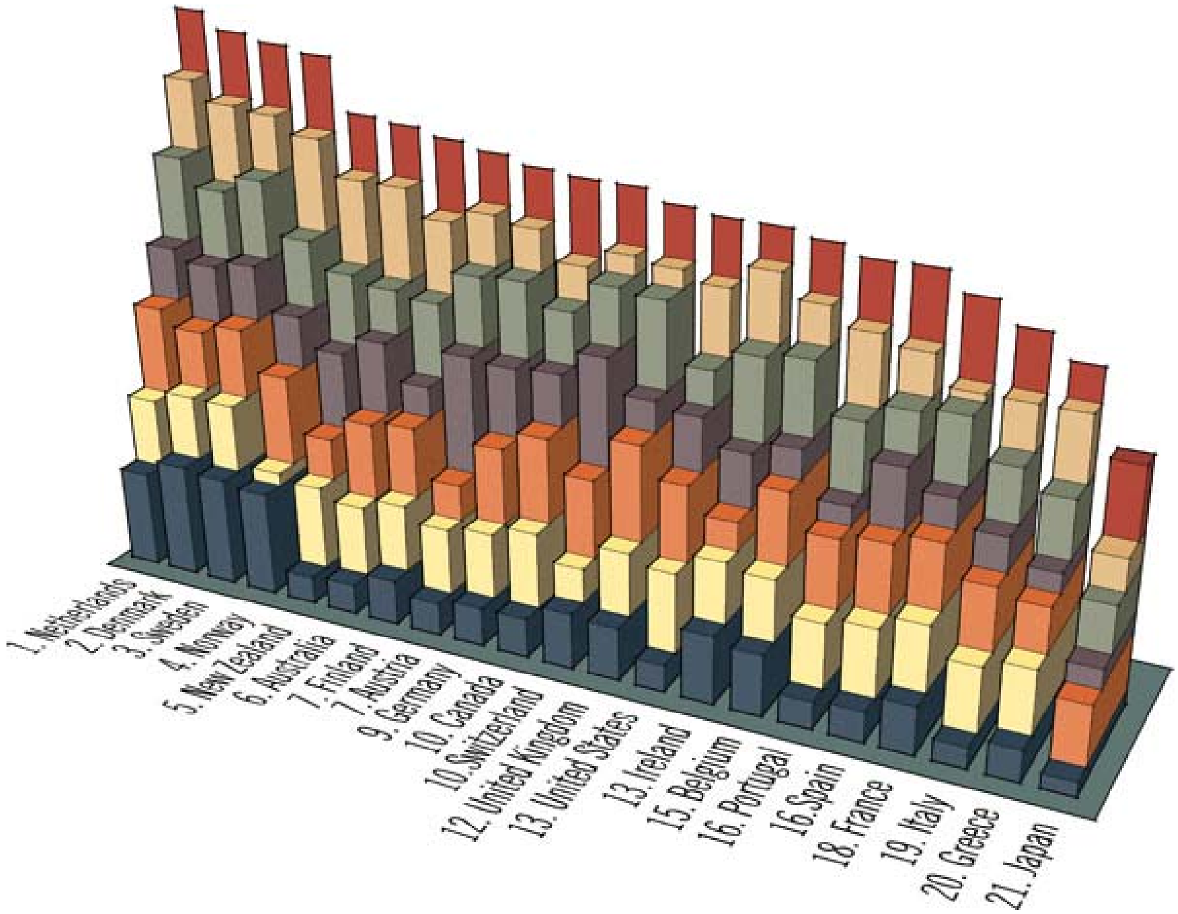
Poverty is blamed for everything from terrorism to bird flu. Rich nations have never sounded more committed to stamping it out. Is it all just hot air? The fourth annual CGD / FP Commitment to Development Index ranks 21 rich nations on whether they're working to end global poverty—or just making it worse.



Resources and Press

Last year was dubbed the "Year of Development." Leaders of the world's richest nations made impassioned pleas to help the poor at a summit in Gleneagles, Scotland. At the World Economic Forum in Davos, French President Jacques Chirac proposed an airline ticket tax to fund foreign aid. At a world trade summit in Hong Kong in December, rich countries offered to phase out subsidies for their agricultural exports. U2 rocker-activist Bono jetted everywhere from Nigeria to the National Prayer Breakfast in Washington, touting The One Campaign to end global poverty, and movie stars donned insignia bracelets in support of his cause. "There can be no excuse, no defense, no justification for the plight of millions of our fellow human beings," British Prime Minister Tony Blair said in March. "There should be nothing that stands in the way of our changing it."

But are the world's richest countries actually making things better for those most in need? Each year the Center for Global Development and **FOREIGN POLICY** look past the rhetoric to measure how rich-country governments are helping or hurting poor countries. How much aid are they giving? How high are their trade barriers against imports such as cotton from Mali or sugar from Brazil? Are they working to slow global warming? Are they making the world's sea lanes safe for global trade? To find out, the index ranks 21 nations by assessing their policies and practices across seven areas of government action: foreign aid, trade, investment, migration, environment, security, and technology. *[continues after chart and table]*


1. Netherlands
2. Denmark
3. Sweden
4. Norway
5. New Zealand
6. Australia
7. Finland
7. Austria
9. Germany
10. Canada
10. Switzerland
12. United Kingdom
13. United States
13. Ireland
15. Belgium
16. Portugal
16. Spain
18. France
19. Italy
20. Greece
21. Japan

Commitment to Development Index 2006

2006 rank	Country	Aid	Trade	Investment	Migration	Environment	Security	Technology	Average
1	Netherlands	8.5	6.2	7.8	4.8	7.5	6.1	5.3	6.6
2	Denmark	10.0	5.9	5.3	5.0	6.1	6.9	5.5	6.4
3	Sweden	9.8	6.1	6.2	4.8	7.0	4.9	5.4	6.3
4	Norway	9.3	1.2	8.0	4.6	6.1	8.1	5.9	6.2
5	New Zealand	2.2	7.6	3.7	6.9	6.4	7.4	4.9	5.6
6	Australia	2.5	6.4	6.9	6.4	3.9	8.1	4.6	5.5
7	Finland	3.9	6.1	6.2	2.7	6.7	6.3	6.3	5.4
7	Austria	2.7	5.9	3.3	10.5	6.2	4.5	4.5	5.4
9	Germany	3.3	5.9	6.8	6.2	6.7	3.7	4.3	5.3
10	Canada	3.3	6.8	7.7	4.7	4.5	3.0	6.6	5.2
10	Switzerland	4.8	3.1	7.2	9.5	5.3	1.6	5.1	5.2
12	United Kingdom	4.6	5.9	8.6	2.6	7.8	1.6	4.5	5.1
13	United States	2.2	7.4	6.9	4.6	3.2	5.9	5.0	5.0
13	Ireland	5.9	5.7	2.5	4.6	7.5	5.9	3.0	5.0
15	Belgium	5.1	5.9	6.5	2.6	6.6	3.4	4.5	4.9
16	Portugal	2.3	6.1	6.2	1.4	6.4	6.2	5.1	4.8
16	Spain	2.5	6.0	6.7	5.2	3.8	3.5	6.1	4.8
18	France	4.1	6.0	5.9	2.6	6.1	0.5	6.9	4.6
19	Italy	1.6	6.1	5.5	3.2	4.8	3.9	5.1	4.3
20	Greece	2.7	5.9	4.0	1.7	5.2	5.6	3.0	4.0
21	Japan	1.1	-0.4	5.6	1.7	4.3	2.8	6.3	3.1

In large part, the deeds of the last year did not live up to the talk. In most policy areas that matter for poor countries, a majority of rich-country governments either failed to follow words with meaningful action—or they simply remained silent. At Gleneagles, British and American negotiators pushed through an agreement to “drop the debt” for up to 40 poor, mostly African countries. It may sound extraordinarily generous, but this debt relief package equals a mere 1 percent increase in aid. The Group of Eight (G-8) industrialized nations also “committed” themselves to “substantially reducing” subsidies and tariffs that protect their farmers at the expense of farmers in poor countries. Again, it may have sounded good, but the G-8’s offer, spelled out later in the year, was only equivalent to cutting the European Union’s import barriers by 1 percent. The feebleness of the offer is one reason why world trade negotiations remain hopelessly deadlocked.

No development news of the past year commanded more headlines than immigration. In the United States, millions of Latin American migrants marched in the streets and boycotted their jobs in an effort to draw attention to the positive contributions they make to America’s economy. In France, demonstrations in the Paris suburbs turned violent as the country’s interior minister, Nicolas Sarkozy, announced he might deport tens of thousands of immigrants back to their home countries. Yet this hotly debated issue was followed by precious little action. Prime Minister Blair convened a Commission for Africa, but it studiously avoided talking about how Britain could make it easier for someone from Kenya or Ghana to immigrate, get a job, develop skills, and send money home. In the United States, immigration legislation brewed in the U.S. Congress, but then stalled. And the subject was equally taboo for French politicians.

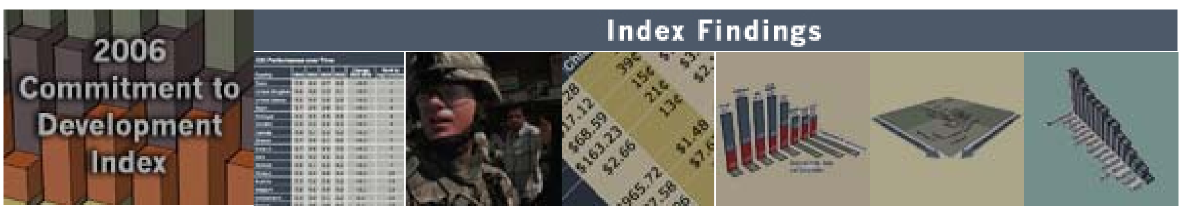
A less publicized event of 2005 was the notable growth in total foreign aid given by rich countries. It shot to a record $106.5 billion, thanks largely to reconstruction efforts in Iraq. But some $19 billion of that aid came in the form of the cancellation of old loans to Iraq and Nigeria. These write-offs, though long overdue, put little new money in the hands of Iraqis and Nigerians. These aid figures should also be kept in perspective. Consider that India and China added some $400 billion to their combined economic output last year alone. That’s proof that internal, not external, forces more often drive economic development. China’s export of goods and India’s export of services to rich countries have helped produce economic growth and poverty reduction so rapid that the Millennium Development Goal of a 50 percent cut in the number of people living on $1 a day has probably already been met on a global level.

Internal factors may drive development, but external ones can facilitate it—or stand in the way. That point was made by Andrew Natsios, the former head of the U.S. Agency for International Development, when he challenged America's longstanding food aid program before stepping down in January. Natsios criticized a law that requires the U.S. government to buy food from U.S. farmers, ship it on American boats, and deliver it to famine-stricken regions via U.S.-based organizations. The U.S. government must deliver food aid this way even when it depresses local food prices, pushing more farmers into poverty, and even when it could buy food from farmers just outside a famine zone for much less. Some nongovernmental organizations that get a large fraction of their funding from the program defended the status quo, arguing that dropping the "made in America" requirement would undermine the program's support among American farmers and shippers. Congress quickly axed Natsios's proposal for reform. That the U.S. government must pay off American interests to feed the starving is a sad commentary on how low the commitment to development may still be.

It also helps explain why the United States finishes 13th in this year's index. The Netherlands, meanwhile, ranks first on the strength of its generous aid-giving, falling greenhouse gas emissions, and support for investment in developing countries. Japan improved, but remains in last place as the rich country least committed to helping the poor. It might seem strange that small nations such as the Netherlands beat out large economies such as Japan and the United States. But the index measures how well countries are living up to their potential. In truth, even the Dutch could do better. They are party, for instance, to Europe's Common Agricultural Policy, which effectively levies a 40 percent tax on farm imports from poor countries. That certainly doesn't help the world's poorest countries, no matter what anyone says.

The FP Index: Ranking the Rich

And the Winner Is...



Resources and Press

This year, the Netherlands beat Denmark to take the No. 1 ranking in the index. A new policy to limit imports of illegally cut timber from tropical nations and its support for an international effort to control bribery helped land the country in the winner's circle this year.

But the main reason the Netherlands came out on top is because others stumbled. The Danes, who have historically been among the index's best performers, registered the largest overall drop. Copenhagen was hurt by a shrinking of its foreign aid spending by 14 percent between 2001 and 2004, while its economy grew by 9 percent. New Zealand also fell, as the number of immigrants it admitted from developing countries plunged from 48,000 in 2001 to 29,000 last year.

One country that made strides this year is Japan, which has finished dead last every year since the index was launched in 2003. It reportedly put an end to a long-held practice of lobbying

CDI Performance over Time

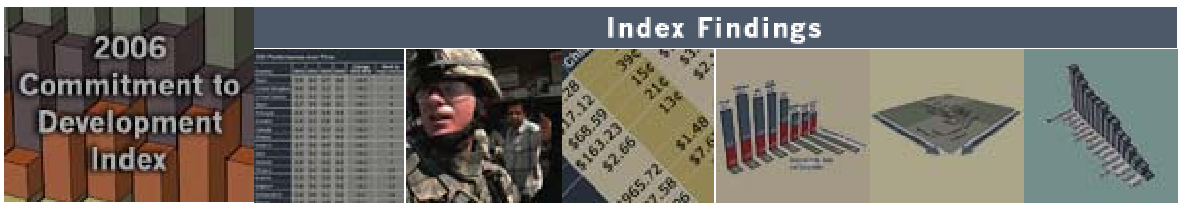
Country	2003	2004	2005	2006	Change 2003 2006	Rank by Improvement
Spain	3.9	4.4	4.7	4.8	+0.9	1
United Kingdom	4.6	4.8	5.3	5.1	+0.5	2
United States	4.5	4.9	5.0	5.0	+0.5	2
Japan	2.7	2.9	2.8	3.1	+0.4	4
Portugal	4.4	4.9	4.9	4.8	+0.4	4
Sweden	5.9	6.5	6.6	6.3	+0.4	4
Canada	4.9	5.1	5.3	5.2	+0.3	7
Greece	3.7	3.9	4.1	4.0	+0.3	7
Ireland	4.7	4.8	4.9	5.0	+0.3	7
Italy	4.0	4.2	4.5	4.3	+0.3	7
Norway	5.9	6.1	6.2	6.2	+0.3	7
Finland	5.2	5.4	5.6	5.4	+0.2	12
Austria	5.3	5.4	5.4	5.4	+0.1	13

poor-country governments against enforcing
labor, human rights, and environmental standards for Japanese-owned factories. The United States improved its score, due in part to falling farm subsidies and rising foreign aid. Spain posted the most spectacular gains, thanks to a migration policy that makes it easier for immigrants to enter and work legally.

For the 21 rich countries as a whole, the overall trend continues to be one of little change. The average score for all the index countries climbed modestly from 5.0 in 2003 to 5.3 in 2005, then fell slightly to 5.2 this year. Still, twice as many countries have seen their score improve as have seen their score decline in the past four years. That's an encouraging trend, because development is about more than just giving money; it's about the rich and powerful taking responsibility for policies that affect the poor and powerless.

The FP Index: Ranking the Rich

Wasting Aid in Iraq



Resources and Press

Last year was a record-smasher for foreign aid. Total aid given by index countries climbed 31.4 percent in 2005, to $106.5 billion. Not surprisingly, flows to Iraq accounted for most of this increase. This sharp rise in generosity, however, is not as much a cause for celebration as it might appear. Rarely has so much been given, and so little received.

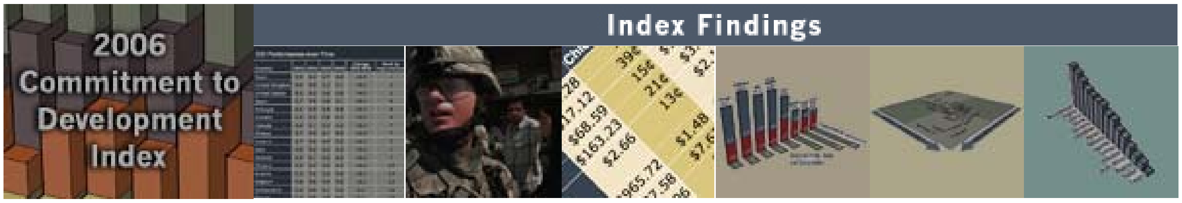
Some $6.3 billion of the 2005 aid total was U.S. aid to Iraq, probably the largest single-year transfer between two countries since the Marshall Plan. But the index counts aid to Iraq at just 10 cents on the dollar, because the World Bank puts the country ahead of only Somalia when it comes to combating corruption and enforcing the rule of law. Sadly, events in 2005 confirmed fears about the country's rampant graft and violence. Senior Iraqi government officials estimate that as much as 30 percent of the country's budget is lost to corruption—ranging from bribery to padded contracts and influence peddling. It isn't just the Iraqis who are poor administrators. Even the U.S. government estimates that $8.8 billion disappeared during the first 14 months that the Coalition Provisional Authority ran Iraq. As of early 2005, at least 40 percent of U.S. reconstruction aid was spent on security. "I'd say that 60, maybe even 70 percent [of what] we see as reconstruction aid goes into nonproductive expenditures," says Ali Allawi, Iraq's minister of finance.

Nor are donors as generous as they would have us believe. Of the reported aid to Iraq, $14 billion came in the form of debt relief. Back in the 1980s when Saddam Hussein had warmer ties with the United States, France, and other Western governments, he borrowed heavily from them. The loans went bad after the 1991 Gulf War. But, on paper, interest and penalties piled up until the formal write-off of the debts in late 2004. Although long overdue, in reality this debt relief put almost no additional cash into the coffers of the new Iraqi government, because most of the debts would never have been repaid anyway. Commitment? Yes. Development? Hardly.

The FP Index: Ranking

the Rich

The Government Trough



Resources and Press

Rich countries spend $84 billion a year subsidizing their farmers. That's nearly as much as they spend on foreign aid, which is about $29 a year for each of the world's 2.7 billion people who live on less than $2 a day. Poor people often get less assistance than the rich world's farm animals. The European Union, for example, doles out almost $30 per year for each sheep living there. In Norway and Switzerland, each cow gets nearly $1,000 of the government's money a year. These subsidies push down global agricultural prices and undermine farmers in poorer countries. Bellying up to the government's trough has never been so costly.

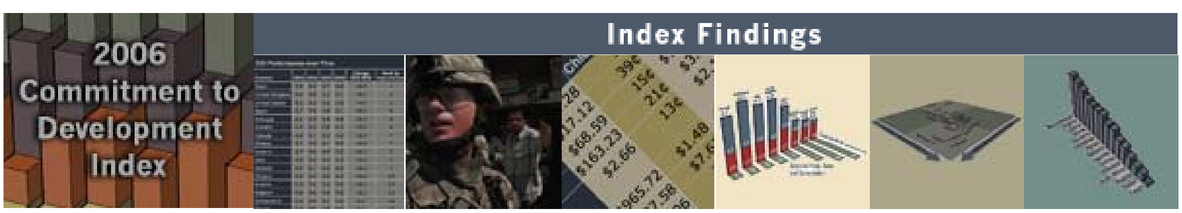
Subsidies per Head per Year (in U.S. $)

Country	Cattle	Chickens	Pigs	Sheep	Aid per poor person in developing world
EU 15	$179.28	1¢	$9.24	$28.93	$16.11
Australia	$17.12	39¢	$6.49	94¢	54¢
Canada	$68.59	15¢	$18.99	0¢	95¢
Japan	$163.23	21¢	$3.92	0¢	$2.38
New Zealand	$2.66	13¢	$2.14	19¢	8¢
Norway	$965.72	$1.48	$39.98	$94.06	83¢
Switzerland	$987.58	$7.63	$139.62	$16.11	61¢
United States	$29.06	58¢	$9.03	$4.12	$7.67
All	$92.59	38¢	$10.58	$12.85	$29.17

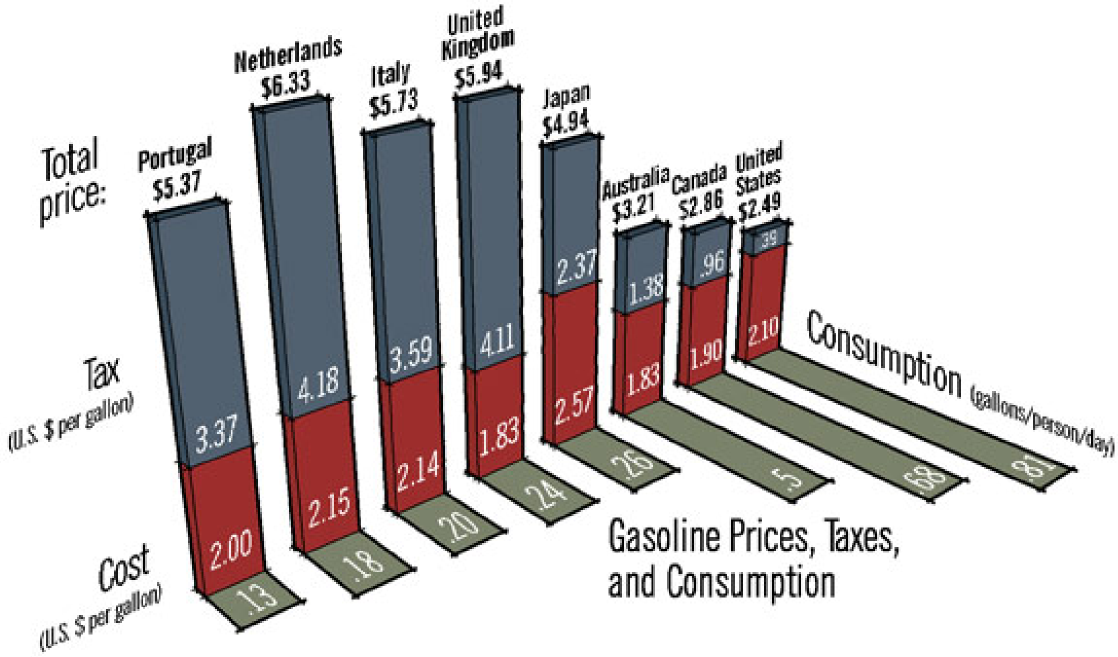
The FP Index: Ranking

the Rich

Hooray for High Gas Prices



Resources and Press

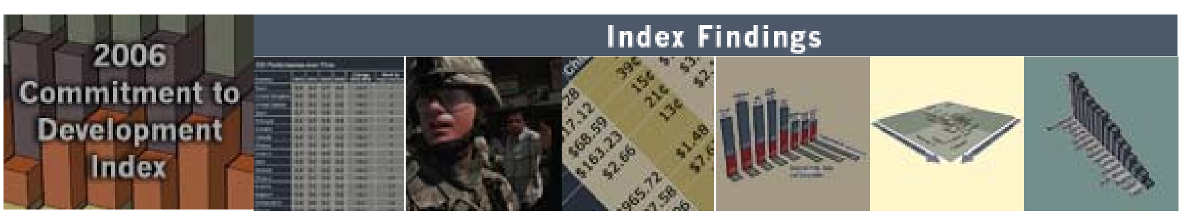


The price of oil has tripled since 2002. That has rich people in the developed world complaining. But for poor countries, it's good news when the rich world pays high prices at the pump. That's because higher gas prices encourage more fuel-efficient cars, less driving, and, ultimately, slower global warming. Poor countries are the most vulnerable to the consequences of climate change, including rising sea levels, floods, and the spread of infectious diseases. The United Nations, for instance, estimates that a mere 1.5-foot rise in sea level could flood more than 6,000 square miles of Bangladesh, displacing 12 million people.

Because taxes on gasoline are one factor that drives up prices, the higher a country's gas taxes, the better it does in the index. The United States, Canada, and Australia have the cheapest gas among the 21 index countries, mainly due to low government taxes. Their citizens also consume the most fuel. For instance, U.S. gasoline taxes average just 39 cents per gallon, whereas in Europe they range between $2.56 and $4.18 a gallon. When gas taxes are low, it is the poor in developing countries who pay the heaviest price.

The FP Index: Ranking the Rich

Development Begins at the Ballot Box



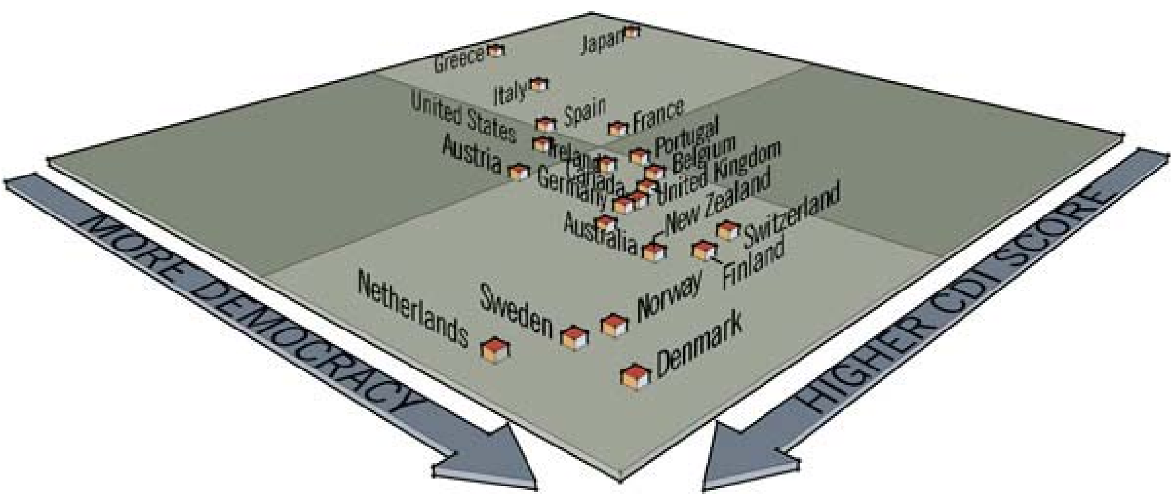
Resources and Press

Democracy has its virtues. Democratic nations, for instance, rarely go to war against each other. Nobel laureate economist Amartya Sen has noted that democracies tend to avoid famines. In the 1960s, while China's Great Leap Forward killed 30 million people, democratic India found ways to feed its growing population. To this list of democratic virtues, the index can add one more: A commitment to democracy at home means a greater commitment to development abroad.

At the World Bank, researchers have built a measure of the quality of democracy, which they call “Voice and Accountability.” It is a mathematical synthesis of expert judgments gathered by groups including Freedom House and the Economist Intelligence Unit, which measures elements of democracy such as free and fair elections and how much the government represses dissent. Governments in wealthy countries haven’t been shy about using these scores to make favorable comparisons between themselves and developing countries.

But the mirror is equally revealing when turned the other way. When the World Bank’s data are compared to the index, it is clear that the more accountable a government is to its own people, the more it does for those to whom it is not accountable. It’s not just that a handful of Nordic nations give lots of foreign aid. In fact, as Jörg Faust of the German Development Institute has found, the pattern persists when aid is dropped from the index. The Netherlands, for instance, not only gives aid generously, but is reducing its greenhouse emissions, has put in place policies that support investment in developing countries, and actively contributes to peacekeeping operations around the globe. At the opposite extreme, Japan, which has the second-least accountable government after Greece, has a small aid program and high barriers to workers and agricultural imports from poor countries.

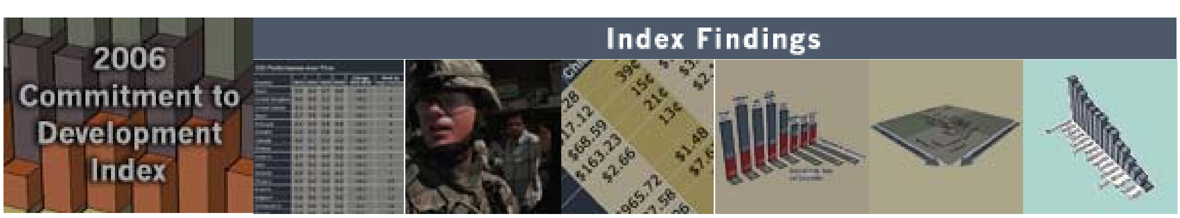
This pattern likely stems from the fact that in wealthy democracies with less accountable governments, special interests hold more sway. They divert government spending away from foreign aid, force aid to be “tied” to spending on donor-country companies, and promote self-interested trade barriers. Development may take place abroad, but the index shows that it often begins at home.



Democracy at Home, Development Abroad
More democracy means a greater commitment to development.

The FP Index: Ranking the Rich

Don’t Blame the Brain Drain



Resources and Press

Wealthy nations are waging a global war for talent. They lure nurses from the Philippines, engineers from India, and lab technicians from China with high pay and no- hassle visas. More Kenyan-born doctors work outside of Kenya than in it, and the same can be said for 15 other African nations. But don’t poor countries need these professionals more than rich ones do?

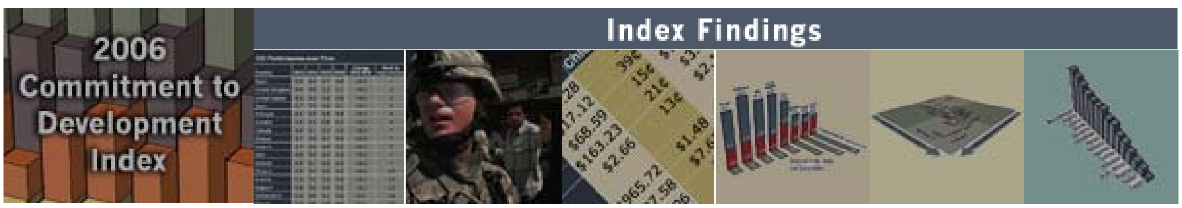
Out of Africa Percentage of physicians who live and work outside their country of birth

It's not that simple. The much-feared "brain drain" from developing countries may even do some good. The same forces that push workers out of Africa and Asia also give frustrated professionals a chance to advance their careers and send large amounts of money back home. Latin America received $32 billion in remittances in 2002, six times what it received in foreign aid.

Consider the healthcare industry in Africa. In Mozambique, about 40 percent of children with serious illnesses are never seen by a doctor or nurse. But the brain drain isn't to blame. Instead, most nurses and doctors are unwilling to work in the villages and slums where these patients live. Awful working conditions and low pay in public hospitals lead many of these professionals to devote much of their time to private clinics catering to the relatively well-off. Media and government officials in Kenya may scapegoat the 3,000 nurses who have left to work in wealthy nations, but such attacks ring hollow when there are more than 6,000 people currently living in Kenya who are qualified to work as nurses—but don't. Denying workers the chance to go abroad to make their fortune only hurts would-be migrants and the family members they could help from far away.

The FP Index: Ranking the Rich

Meet the Experts



Resources and Press

For Media Inquiries and Interview Requests, Contact:
Marshall Hoffman (703) 206-9888, (703) 801-8602
CGD - Tony Kopetchny (202) 416-0705, (202) 321-5584
FP - Jeffrey Marn (202) 939-2242, jmarn@CarnegieEndowment.org

William J. Dobson
Managing Editor
FOREIGN POLICY

William J. Dobson is the managing editor of **FOREIGN POLICY** He is responsible for managing the editorial planning and editorial production of the magazine, as well as editing and commissioning feature articles, reviews, and essays. Prior to joining **FP** , he served as *Newsweek International*'s Senior Editor for Asia and as an associate editor at *Foreign Affairs*. While at *Newsweek*, he supervised coverage that was honored for overall general excellence by the Society of Asia Publishers in 2003 and 2004.

Mr. Dobson was recently chosen to become a member of the Forum of Young Global Leaders by the World Economic Forum. He has published widely on Asia and international relations and is a frequent guest for such news organizations as CNN and National Public Radio, providing commentary for such programs as *Lou Dobbs Tonight*, *Insight with Jonathan Mann*, *To the Point*, and *On Point* and has written for the *New York Times*, *Wall Street Journal*, *Boston Globe*, and *The New Republic.* He received a law degree and a master's degree in East Asian Studies from Harvard University and a bachelor's degree in history from Middlebury College.

David Roodman
Research Fellow
Center for Global Development

David Roodman has been chief architect and project manager of the Commitment to Development Index since the project's inception in 2002. Before joining CGD, he worked at the Worldwatch Institute, where he wrote three monographs on environmental issues, and one on debt. He is the author of the book *The Natural Wealth of Nations: Harnessing the Market for the Environment*, since published in U.S., British, Japanese, and Italian editions. The Japanese edition garnered him a selection as one of “The Outstanding Young Persons” of 2003 by the Osaka Junior Chamber, an award that included an audience with the Emperor and Empress. Roodman graduated from Harvard College where he received a Bachelor’s degree in theoretical mathematics.

The FP Index: Ranking the Rich

Want to Know More?

Details of the 2006 CGD/**FP** Commitment to Development Index can be found in **“The Commitment to Development Index: 2006 Edition,”** by David Roodman, available at www.cgdev.org. The Web site contains reports on each of the index’s 21 countries, as well as background papers organized by policy area: Roodman on foreign aid, Roodman and Scott Standley on tax incentives for private charity, William Cline on trade, Theodore Moran on investment, Elizabeth Grieco and Kimberly A. Hamilton of the Migration Policy Institute on migration, B. Lindsay Lowell and Victoria Carro also on migration, Amy Cassara and Daniel Prager of the World Resources Institute on environment, Michael O’Hanlon and Adriana Lins de Albuquerque on security, and Keith Maskus on technology.

A critical look at the foreign aid practices of major donor nations can be found in William Easterly’s ***The White Man’s Burden: Why the West’s Efforts to Aid the Rest Have Done So Much Ill and So Little Good*** (New York: Penguin, 2006). International migration is the subject of Devesh Kapur and John McHale’s ***Give Us Your Best and Brightest: The Global Hunt for Talent and Its Impact on the Developing World*** (Washington: CGD, 2005).