Written evidence submitted by Owen Barder & Petra Krylová

This written evidence is submitted by the Center for Global Development (CGD), an independent, non-partisan think tank with offices in Washington, DC and London, UK. CGD conducts research and analysis on a wide range of topics related to how policies and actions of the rich and powerful affect poor people in the developing world. Examples include aid effectiveness, climate change, education, globalization, health, migration and trade. CGD works closely with thought leaders, policymakers, and others to move ideas to action. CGD Europe is a UK registered charity. For more information and fully transparent disclosure of CGD’s sources of funding (including from the UK’s Department for International Development), please see http://www.cgdev.org/page/about-cgd.

Summary

1. The Commitment to Development Index (CDI) ranks 27 developed countries using quantitative measures of their policies that affect people living in poorer nations. We have described in a separate memorandum why we believe good development policy should be about more than aid to poor countries. The Commitment to Development Index, which has been published by the Center for Global Development each year since 2003, quantifies rich countries’ performance in seven areas: aid, trade, finance, migration, environment, security, and technology.

2. The United Kingdom ranked seventh overall in 2013, behind Ireland and just ahead of New Zealand. Denmark has the highest score overall. The UK finishes near the top of the finance, aid, trade, and environment components, thanks to policies that promote healthy investment in developing countries and financial transparency, relatively low barriers to imports from developing countries, promoting good donor practices, and a relatively strong environmental record from the perspective of poor countries. On the other hand, the UK performs poorly on its contribution to global security and technology transfer relative to other developed countries.

1 Owen Barder is Senior Fellow and Director for Europe at the Center for Global Development. Petra Krylová is the Programme Manager of the Commitment to Development Index.

2 Owen Barder & Theo Talbot, Why Beyond Aid Matters. Evidence submitted to the International Development Committee 8 September 2014.
Key findings

- In 2013, the UK ranked seventh among the 27 countries in the CDI
- The UK scores above the average for all countries, and above EU collective score
- There has been almost no improvement over 10 years, in the UK or internationally
- The UK has made most progress in aid, environment and migration policies
- The UK’s security and technology transfer policies have become less development-friendly
- The UK scores above the EU collective score in all but one policy area – technology transfer

3. The memorandum begins by a brief explanation of the Commitment to Development Index (a), assesses progress in development policies over time (b), compares UK’s results to the best performing countries (c), and continues with detailed assessment of six components of the Commitment to Development Index: (d) trade, (e) finance, (f) migration, (g) environment, (h) security, and (i) technology transfer.

A. Understanding UK’s Commitment to Development

4. For the past 10 years the Center for Global Development (CGD) has been ranking rich countries each year on the extent to which their policies support the efforts of poor countries to lift themselves out of poverty. The Commitment to Development Index (CDI) uses more than a hundred quantitative indicators, based on publicly-available data, to assess the policies of wealthy countries in seven areas: aid, trade, finance, migration, environment, security, and technology transfer. It provides a rigorous, cross-country comparison of the extent to which rich countries’ non-aid and aid pursue policies which are likely to have a positive effect on development in low income countries.

5. In 2013, the eleventh CDI edition, United Kingdom (UK) ranked seventh out of 27, and scored highest among the G-7 countries. When compared to a consolidated score for the European Union (EU)^3 the UK scores higher than the EU in all but one component – technology transfer. Graph 1 compares the Commitment to Development Index 2013 results with and without the aid component. UK’s ranking improves slightly when aid is not counted for.

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^3 The consolidated score is a hypothetical score that the EU would receive if it were a single jurisdiction; it reflects both the policies of individual member states (e.g. research and development, peacekeeping contributions) and community policies (e.g. trade).
6. Over the past decade there has been growing interest in how the policies of rich countries affect poverty reduction in the developing world. This has come to be labelled “Policy Coherence for Development” (PCD). Despite this rhetoric, Graph 2 (below) clearly demonstrates that over the past decade rich countries have not made much progress on improving their development policies. Although, on average, the UK has had more development-friendly policies compared to the EU and indeed with the average of all the countries in the CDI\(^4\), there has been almost no change in the overall scores over time in the UK or elsewhere.

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\(^4\) The Rest refers to the consolidated score of Australia, Canada, Japan, New Zealand, and United States. South Korea was added to the Index in 2008, and is not included in this group.
7. Of the seven policy areas evaluated by the CDI, the UK has improved the most in migration, aid, and environment policies. On the other hand, there was almost no progress in trade and finance, and technology and security policies have deteriorated (significantly so in the case of security). See graphs 3 below for comparison with the EU and the Rest of the developed countries included in the CDI.

C. The UK compared to the EU Consolidated Score

8. Compared to other countries assessed by the Commitment to Development Index, the UK is not the best-ranked country in any of the policy dimensions. It scores above the EU overall in trade, finance and environment, about the same on aid, migration, and security, and below the EU as a whole on technology transfer. Graph 4 indicates UK’s position relative to the best
performing countries in the index; for each policy dimension the best performing country is stated.

**Graph 4 The UK and the Best Performers**

D. Trade

9. The CDI indicator focuses particularly on the extent to which tariffs are imposed on poor countries, and the extent to which they are applied to goods which those countries have the capacity to produce. As an EU member state, the United Kingdom imposes low tariffs on agricultural products including wheat, dairy, some meats, textiles and apparel, but relatively high tariffs on rice, sugar and beef. For example, EU tariffs imposed on sugar cane are among the highest in the world, which is harmful for sugar cane producers such as Brazil, India, Thailand and Pakistan\(^5\).

10. The UK does not impose many limitations on the importation of services (according to the Services Trade Restrictions Index). According to Doing Business database it takes only a few days to import a shipping container and only 6 documents are required for the importation of goods. Compared to other EU countries, Denmark requires the least - 5, whereas the Czech

Republic requires the most - 20. UK also provides high agricultural subsidies as part of EU’s Common Agricultural Policy (equivalent to a tariff worth 15.6% of the value of imports). While valuable to farmers, these subsidies make it difficult for developing country exporters to compete, as well as imposing costs on taxpayers.

E. Finance

11. The CDI rewards policies that support healthy investment in developing countries and which promote transparency in financial transactions at home. Rich-country investment in poorer countries can transfer technologies, upgrade management and create jobs. Conversely, policies that permit financial secrecy of companies and banks can facilitate illicit activities and illicit financial flows that reduce capital available for domestic investment and reduce the size of the tax bases of low-income country governments. Graph 5 displays the overall score, as well as scores for the two subcomponents: support to investment and financial secrecy.

Graph 5 Finance score

12. Like many other EU countries, the UK has a political risk insurance agency (UKEF) that insures nationals against political risks for investment in developing countries and screens potential projects for violations of human, labor and environmental rights.
13. The UK also actively participates in transparency initiatives such as the Extractive Industries Transparency Initiative and the Kimberley Process on conflict diamonds. The UK also provides assistance to companies looking for investment opportunities abroad. Collectively, these policies encourage and facilitate investment overseas, and are the reason the UK receives the best score among EU countries on supporting investment abroad. However, relatively poor financial secrecy score brings down the UK’s overall score in the finance component (although UK’s performance is higher than EU’s consolidated score).

**F. Migration**

14. The movement (including temporary migration) of people from poor to rich countries provides immigrants with jobs, income and knowledge. This increases the incomes of the migrants directly, the amount of remittances sent home, and the transfer of skills when migrants return.

15. The UK ranks about average on migration policies compared to other EU countries. The CDI includes three indicators and scores above the EU average on inflow of immigrants weighted by national population (based on data from the OECD International Migration Database). Norway receives the highest score for receiving 0.37% of its population, whereas Hungary is ranked last for receiving only 0.03%; the UK receives 0.24% of its population. The second migration indicators measures the share of non-DAC countries student population studying at UK’s universities – the UK ranks average (Greece comes top, and Slovakia at the bottom). The UK’s overall performance is pulled down by a low score on refugee burden sharing, which is captured by an index generated by the United Nations High Commission on Refugees (UNHCR) measuring countries’ contribution to aiding refugees and asylum scaled by GDP. In 2013, the UK received its worst score since 2003 on this measure. Sweden’s score, in comparison, was almost four times higher, implying it does proportionally almost four times as much. For detailed comparison of the UK and EU on the respective subindicators, see Table 1.

16. Notably, in migration- unlike many of the CDI’s other components- the UK’s score has improved markedly over time (from 3.9 in 2003 to 5.8 in 2013). This reflects increased arrivals of immigrants and, to a lesser extent, a greater number of foreign students studying in UK schools and universities.

**Table 1 Migration score, UK and EU**

<table>
<thead>
<tr>
<th></th>
<th>Immigrant flow</th>
<th>Foreign students</th>
<th>Refugee burden sharing</th>
<th>Composite</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>6.3</td>
<td>5.2</td>
<td>4.6</td>
<td>5.8</td>
</tr>
<tr>
<td>EU</td>
<td>4.7</td>
<td>5.3</td>
<td>5.6</td>
<td>5.0</td>
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</tbody>
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Source: CGD, 2013
G. Environment

17. The CDI measures the developed country policies towards the global climate, fisheries, and biodiversity because rich countries use a disproportionate amount of scarce environmental resources, and poor countries are most vulnerable to global warming and ecological deterioration.

18. The United Kingdom ranks above the EU overall average and scores at or above average in all but one indicator, namely greenhouse gas emissions and production of fossil fuels. In 2011 the UK produced 13.5 tonnes CO\textsubscript{2} equivalent per person, whereas Europe as a whole produced 11.1 tonnes per person. The UK’s CO\textsubscript{2} per capita consumption levels are the same as EU’s average of 8.8 tonnes. Sweden consumes the least at 2.9 tonnes per capita. Unlike many other European countries UK is penalized for gas, coal and oil production. UK’s fossil fuel production has dropped from 10.8 tonnes per capita CO\textsubscript{2} equivalent in 2003 to 4.7 tonnes per person in 2013, which is still the fifth highest figure among the EU countries.

19. According to the other CDI environment indicators, the UK imposes relatively high petrol taxes, provides relatively small distortionary fishing subsidies, reports well on biodiversity treaties, and like the rest of the EU countries signed up and ratified the Kyoto protocol and UN Fisheries Agreement. Indicators on consumption of ozone-depleting substances and tropical timber imports are averaged across Europe (data by country are not available) and the UK is therefore scored the same as the rest of the EU, which performs better on these two measures than the rest of the developed regions included in the CDI. The UK’s score has improved over time also because of the reduction in consumption of ozone-depleting substances.

H. Security

20. Security is a prerequisite for development, so the CDI rewards contributions to internationally sanctioned peacekeeping operations and humanitarian interventions, military protection of global sea lanes, and participation in international security treaties. For the same reason, it penalizes arms exports to poor and undemocratic governments.

21. In 2013 CDI the UK scored average on the security dimension. Although the UK performs well on many of the assessed indicators, a relatively high level of arms exports to poor and undemocratic governments brings down the score. According to a report (2012) of the Committees on Arms Export Controls\textsuperscript{6} the UK government has approved more than 3,000 export licenses for military equipment worth of £12.3bn to countries which are on its list for human rights abuses. The Committee’s report concludes “The Government should apply significantly more cautious judgments on the export of arms to authoritarian regimes which might be used for

Sweden received the lowest score on the arms exports indicator for exporting arms to poor and undemocratic countries.

22. In 2013 the UK ranked third overall on its contributions to international security (measured by personnel and financial contributions to internationally-sanctioned peacekeeping and humanitarian interventions over last decade). While the UK scored well relative to its peers, its contribution was its lowest (measured as a share of GDP) since the CDI was first calculated in 2003 (when the contribution accounted for 0.24% GDP). The UK also participates in all assessed international security treaties and regimes. Norway leads the security rankings because of its relatively high contribution to internationally sanctioned peacekeeping and low arms exports.

I. Technology

23. One of the most effective ways in which industrialised countries contribute to development is by developing new technologies and products, and allowing those technologies to spread. The CDI captures this by measuring government support for research and development, and penalizing strong intellectual property rights regimes which unnecessarily limit the dissemination of new technologies to poor countries. In theory the 1994 Trade Related Intellectual Property Rights (TRIPS) Agreement obliges developed countries to support technological advancement by helping to spread technologies to developing countries.

24. Based on 2011 data the UK allocated about 0.59% of GDP to research and development (according to OECD Main Science and Technology Indicators). Only 6 other EU countries allocated less – Hungary, Greece, Ireland, Italy, Poland, and Slovakia; while 2 countries – Denmark and Finland – invested more than 1% of their GDP in research and development. On average, EU countries allocated 0.66% GDP to research and development in 2011. Overall South Korea does most to support research and development creation and New Zealand imposes the lowest intellectual property rights restrictions enabling more open access to new technologies.

25. Over the past decade, the United Kingdom increased the restrictiveness of its intellectual property rights regime, and contributed to further restrictions as a member state of the EU. For example, the UK does not issue compulsory licensing which compels a patent or copyright holder to license the invention or work to a third party; does not allow revocation of patents due to discontinued usage, and it imposes strict anti-circumvention regulations to protect IPR owners against piracy. These restrictions prevent the diffusion of technologies and limit access to important products such as medicines and software.

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7 The Nuclear Non-Proliferation Treaty; the Comprehensive Nuclear Test Ban Treaty; the Chemical Weapons Convention; the Biological Weapons Convention; the Ottawa Mine Ban Treaty; the Convention on Certain Conventional Weapons; the Convention on Cluster Munitions; and the Rome Statute creating the International Criminal Court.
8 Data for some countries are from 2012
26. As a member state of the EU, United Kingdom offers patent-like proprietary rights to developers of data compilations, including those assembled from data in the public domain, contributes to extending intellectual property rights in bilateral trade treaties, and allows patents on plant and animal varieties. These legal restrictions artificially restrict the ability of entrepreneurs and innovators to make fair use of existing technology, and so reduce the UK’s technology transfer score.

References: