



David Roodman and Scott Standley

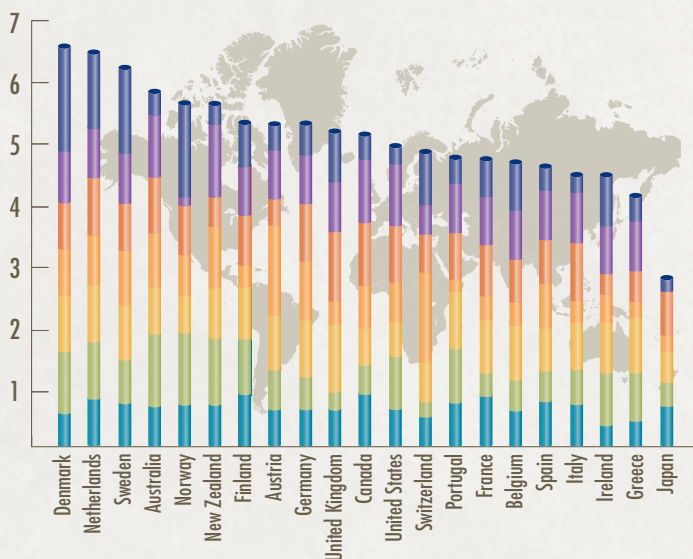
The Commitment to Development Index (CDI) ranks 21 of the world's richest countries based on their dedication to policies that benefit poor nations. Looking beyond standard comparisons of foreign aid flows, the CDI measures national effort in seven policy areas that are important to developing countries: aid, trade, investment, migration, environment, security and technology. This report reviews New Zealand's performance on the 2005 CDI.

## New Zealand's 2005 CDI performance

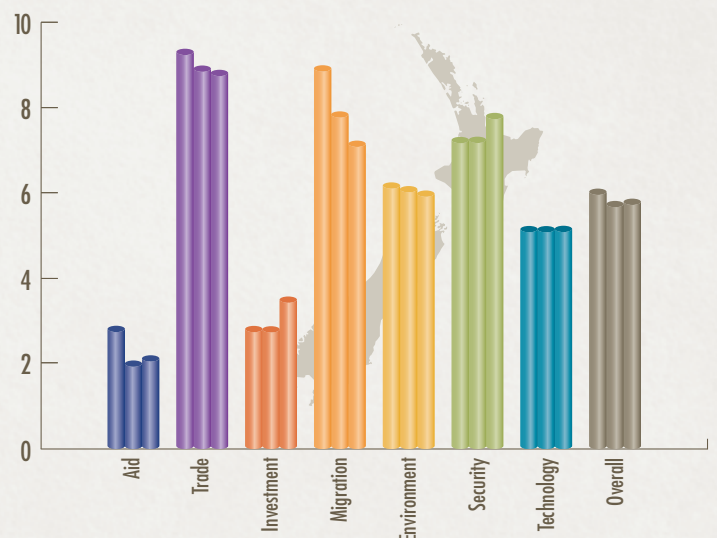
- ▶ Overall score: 5.8
- ▶ Overall rank 2005: 6
- ▶ Change since 2003: -0.1

New Zealand ranks 6<sup>th</sup> overall in 2005. New Zealand has the least restrictive trade barriers in the CDI. For its size, New Zealand also contributes significant finance and personnel to internationally sanctioned security operations and admits a large number of immigrants from developing countries. Yet New Zealand's overall score is brought down by its small foreign aid program, poor donor practices and weak policies toward investment in poor countries (New Zealand is one of just two rich countries lacking a national agency offering political risk insurance).

COMMITMENT TO DEVELOPMENT INDEX, 2005



NEW ZEALAND'S CDI PERFORMANCE, 2003-05



## Aid

Aid quality is just as important as aid quantity, so the CDI measures gross aid as a share of GDP adjusted for various quality factors: it subtracts debt service, penalizes “tied” aid that makes recipients spend aid only on donor goods and services, rewards aid to poor but relatively uncorrupt recipients, and penalizes overloading poor governments with many small projects.

► **Score: 2.1**

► **Rank: 18**

### STRENGTHS

- Large amount of private charitable giving, attributable to tax policy (*rank as a share of GDP: 10*)

### WEAKNESSES

- Low net aid volume as a share of GDP (*0.22%; rank: 18*)
- Weak on project proliferation; funds many small aid projects (*rank: 21*)
- Large share of tied aid (*19%; rank: 14*)

## Trade

International trade has been a force for economic development for centuries. The CDI measures trade barriers in rich countries against exports from developing countries.

► **Score: 8.8**

► **Rank: 1**

### STRENGTHS

- Low total aggregate protection of agricultural commodities (*rank: 1*)
- Low tariffs on agriculture (*rank: 2*)
- Low agricultural subsidies (*rank: 1*)

### WEAKNESSES

- High barriers against apparel (*rank: 19*)

## Investment

Rich-country investment in poorer countries can transfer technologies, upgrade management and create jobs. The CDI includes a checklist of policies that support healthy investment in developing countries.

► **Score: 3.4**

► **Rank: 19**

### STRENGTHS

- Provides official assistance to developing countries to set up investment promotion agencies

### WEAKNESSES

- No national agency providing insurance against political risk
- Weak policies to prevent double taxation of corporate profits earned abroad

## Migration

The movement of people from poor to rich countries provides unskilled immigrants with jobs, income and knowledge. This increases the flow of money sent home by migrants abroad and the transfer of skills when the migrants return.

► **Score: 7.1**

► **Rank: 3**

### STRENGTHS

- Large increase during the 1990s in the number of unskilled immigrants from developing countries living in New Zealand (*rank as a share of population: 4*)
- Large number of immigrants from developing countries entering New Zealand in 2003 (*rank as a share of population: 3*)
- Large share of foreign students from developing countries (*81%; rank: 3*)

### WEAKNESSES

- Bears small share of the burden of refugees during humanitarian crises (*rank: 15*)



## Environment

Rich countries use a disproportionate amount of scarce resources and poor countries are most likely to be hurt by global warming and ecological deterioration, so the CDI measures the impact of environmental policies on the global climate, sustainable fisheries and biodiversity.

► **Score: 5.9**

► **Rank: 12**

### STRENGTHS

- Low consumption of ozone-depleting substances per person (*11 ODP metric tons; rank: 2*)
- Small number of endangered species imports (*rank: 4*)
- Few tropical wood imports (*rank: 2*)

### WEAKNESSES

- High greenhouse gas emission rate per capita (*20 tons of carbon dioxide equivalent; rank: 18*)
- Only a small decrease in greenhouse gas emission rate between 1999-2003 (*average annual growth rate/PPP GDP, -0.8%; rank: 17*)
- Low gas taxes (*rank: 18*)
- High fishing subsidies (*\$10.71 per person; rank: 16*)
- No policy to regulate illegal timber imports

## Security

Since security is a prerequisite for development, the CDI rewards contributions to internationally sanctioned peacekeeping operations and forcible humanitarian interventions, rewards military protection of global sea lanes, and penalizes arms exports to poor and undemocratic governments.

► **Score: 7.8**

► **Rank: 3**

### STRENGTHS

- Significant financial and personnel contributions during interventions in Papua New Guinea, Afghanistan and the Solomon Islands (*overall contribution rank over last 10 years as share of GDP: 4*)
- No arms exports to poor and undemocratic governments

### WEAKNESSES

- No protection of global sea lanes

## Technology

Rich countries contribute to development through the creation and dissemination of new technologies. The CDI captures this by measuring government support for R&D and penalizing strong intellectual property rights regimes that limit the dissemination of new technologies to poor countries.

► **Score: 5.1**

► **Rank: 10**

### STRENGTHS

- Limited patent coverage for software programs
- No attempt to incorporate "TRIPS-Plus" policies in bilateral free trade agreements with developing countries
- Small share of government R&D expenditure on defense (*0.7%; rank: 6*)

### WEAKNESSES

- Low government expenditure on R&D (*rank as share of GDP: 16*)
- Low tax subsidy rate to businesses for R&D (*-2%; rank: 20*)
- Low business expenditure on R&D as a share of GDP (*rank: 19*)
- Allows patents on plant and animal varieties

## For more information

For details of the 2005 CGD/FP Commitment to Development Index, see "The Commitment to Development Index: 2005 Edition" by David Roodman, available at [www.cgdev.org/cdi](http://www.cgdev.org/cdi). The CGD website contains reports on each of the 21 countries in the index, as well as background papers organized by policy area: David Roodman on foreign aid, William R. Cline on trade, Theodore H. Moran on investment, Elizabeth Grieco and Kimberly A. Hamilton on migration, Amy Cassara and Daniel Prager on environment, Michael E. O'Hanlon and Adriana Lins de Albuquerque on security, and Keith Maskus on technology.



David Roodman is a Research Fellow and Scott Standley is a Research Assistant at the Center for Global Development.  
For more information about the 2005 Commitment to Development Index, visit [www.cgdev.org/rankingtherich](http://www.cgdev.org/rankingtherich).

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1776 Massachusetts Ave., NW • Third Floor • Washington, D.C. 20036

Tel: (202) 416-0700 • Fax: (202) 416-0750