



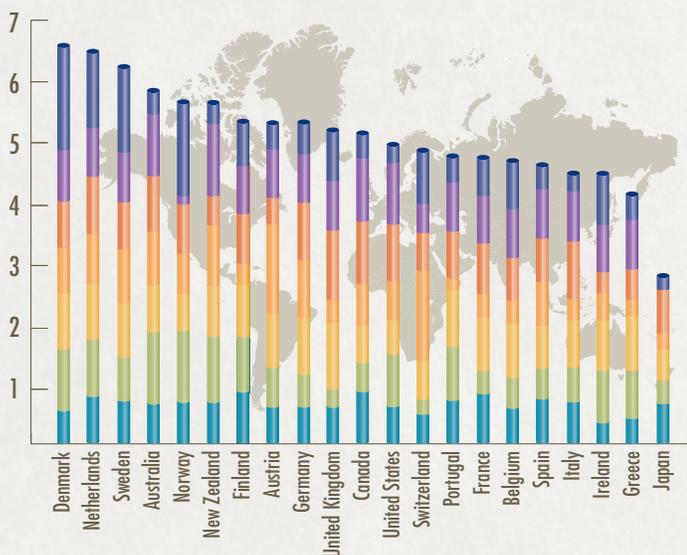
The Commitment to Development Index (CDI) ranks 21 of the world's richest countries based on their dedication to policies that benefit poor nations. Looking beyond standard comparisons of foreign aid flows, the CDI measures national effort in seven policy areas that are important to developing countries: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

## Australia's 2005 CDI performance

- ▶ Overall score: 6.0
- ▶ Overall rank 2005: 4
- ▶ Change since 2003: -0.2

Australia ranks 4<sup>th</sup> overall in 2005. Australia's high total score is driven by its leading role in recent peace-keeping efforts in East Timor and by its low trade barriers against developing country exports. But on the negative side, Australia gives only a small share of its income in foreign aid, has the highest greenhouse gas emission rate per person, and, along with the United States, is one of only two CDI countries that have not ratified the Kyoto Protocol.

COMMITMENT TO DEVELOPMENT INDEX, 2005



AUSTRALIA'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: 2.5**

► **Rank: 17**

### STRENGTHS

- Large amount of private charitable giving, attributable to tax policy (*rank as a share of GDP: 5*)

### WEAKNESSES

- Small net aid volume as a share of GDP (*0.24%; rank: 16*)
- Large share of tied aid (*33%; rank: 16*)
- Weak on selectivity; large share of aid to less poor and less democratic governments (*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: 7.3**

► **Rank: 2**

### STRENGTHS

- Low total aggregate protection of agricultural commodities (*rank: 2*)
- Low tariffs on agriculture (*rank: 1*)
- Low agricultural subsidies (*rank: 5*)

### WEAKNESSES

- High barriers against textiles (*rank: 21*)
- High barriers against apparel (*rank: 21*)

## 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: 6.5**

► **Rank: 7**

### STRENGTHS

- Provides wide official insurance coverage against political risk
- Employs tax-sparing arrangements to prevent double taxation of corporate profits earned abroad
- Provides official support for design of securities regulations and institutions in developing countries

### WEAKNESSES

- Does not allow domestic investors to take advantage of developing country tax incentives

## 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: 6.5**

► **Rank: 5**

### STRENGTHS

- Large increase during the 1990s in the number of unskilled immigrants from developing countries living in Australia (*rank as a share of population: 3*)
- Large share of foreign students from developing countries (*79%; rank: 4*)

### WEAKNESSES

- Bears small share of the burden of refugees during humanitarian crises (*rank: 13*)



## 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: 5.4**

► **Rank: 14**

### STRENGTHS

- Low consumption of ozone-depleting substances per person (*13 ODP metric tons; rank: 3*)
- Low fishing subsidies (*\$1.83 per person; rank: 7*)
- Few imports of endangered species (*rank: 2*)

### WEAKNESSES

- High greenhouse gas emission rate per capita (*28 tons of carbon dioxide equivalent; rank: 21*)
- Low gas taxes (*rank: 19*)
- No ratification of Kyoto Protocol on climate change
- 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: 8.5**

► **Rank: 2**

### STRENGTHS

- Significant financial and personnel contributions during interventions in East Timor, Papua New Guinea and Solomon Islands (*overall contribution rank over last 10 years as share of GDP: 3*)
- 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: 5.0**

► **Rank: 11**

### STRENGTHS

- High tax subsidy rate to businesses for R&D (*20%; rank: 5*)
- No attempt to incorporate "TRIPS-Plus" policies in bilateral free trade agreements with developing countries

### WEAKNESSES

- Low business expenditure on R&D as a share of GDP (*rank: 16*)
- Allows patents on plant and animal varieties
- Allows patents on software programs
- Imposes strict limitations on anti-circumvention technologies that can defeat encryption of copyrighted digital materials

## 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.

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For more information about the 2005 Commitment to Development Index, visit [www.cgdev.org/rankingtherich](http://www.cgdev.org/rankingtherich).

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