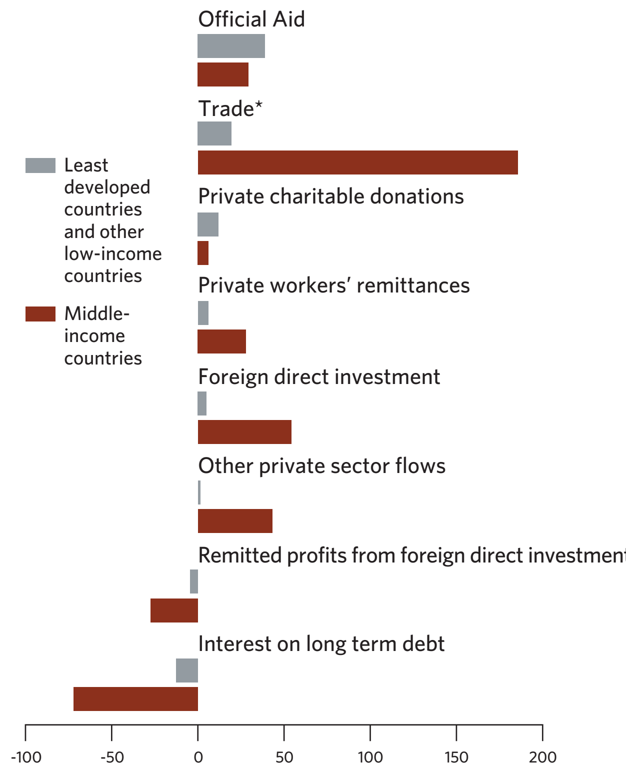
Trade, aid and debt

The eighth Millennium Development Goal is about action to be taken by developed countries, in partnership with the developing countries, to make achievement of the other seven Goals possible.

National leaders at the July 2005 Group of 8 meeting in Gleneagles, UK, agreed to double aid to Africa, from the current $25 billion a year to $50 billion by 2010. If fulfilled, pledges made at Gleneagles or in the run up will bring total ODA to $129 billion by 2010 – although many development advocates were disappointed that no new timelines were set to reach the UN goal of 0.7 per cent of national income for ODA, other than the 15 European Union members that had already reached that target or set a deadline for reaching it. Other indications of progress and of shortcomings are charted below.

Aid is critical for the poorest countries, while middle-income countries benefit more from trade



Receipts and payments of foreign exchange for developing countries, average 2002–2003 (Billions of United States dollars)

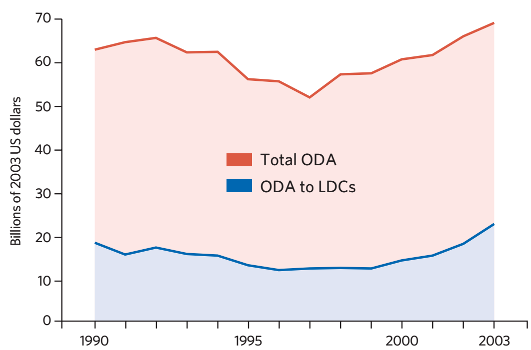
Official aid and private charitable donations from developed countries are the main source of external financing for the poorest countries. For middle-income developing countries, trade is the primary source of foreign revenue. Private foreign direct investment ranks second for these countries, but is partially offset by the return of profits to corporations' home countries. Money sent home by migrants working in developed countries totalled some $34 billion in 2000 and is an increasingly important source of external finance for several developing countries. It also brings concrete benefits to recipient families.

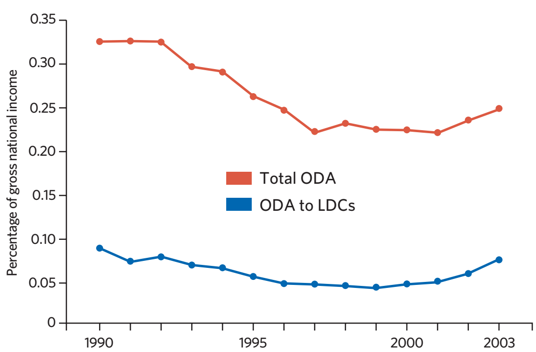
In low-income countries, higher levels of aid are needed to overcome disease, illiteracy and lack of infrastructure. Until such handicaps are overcome, these countries will not be able to attract investment or compete in world trade. Fairer access to rich-country markets would help these countries gain a foothold in a competitive global economy. It would also help middle-income countries, where trade in commodities and manufactured goods is already important.

* Exports less imports of goods and services excluding oil.

Source: *The Millennium Development Goals Report 2005*, DPI/2390

Development aid has reached an all-time high, but remains at a historically low level as a share of donor country income

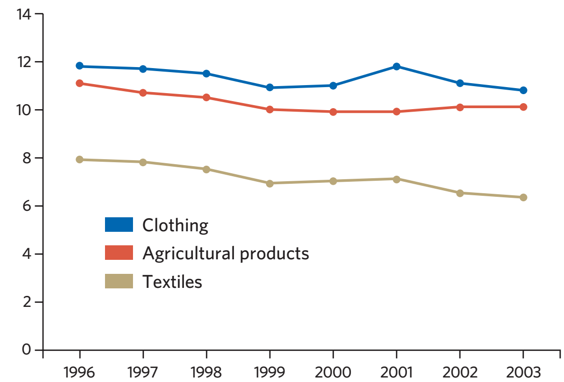




Official development assistance from developed countries, 1990–2003 (Constant United States dollars and as a proportion of donor country gross national income)

Official aid has recovered from its decline in the 1990s, reaching a record high of $79 billion in 2004. Donors have pledged to raise aid by an additional $20 billion by 2006. Despite this recovery, aid is still equivalent to just one quarter of 1 per cent of donor countries' national income and only five countries — Denmark, Netherlands, Luxembourg, Norway and Sweden — currently meet or exceed the United Nations target of 0.7 per cent of national income. Six more countries have pledged to do so before 2015. If all new commitments are honoured, aid is expected to exceed $100 billion by 2010. Still, this falls short of the amounts widely considered necessary to achieve the MDGs.

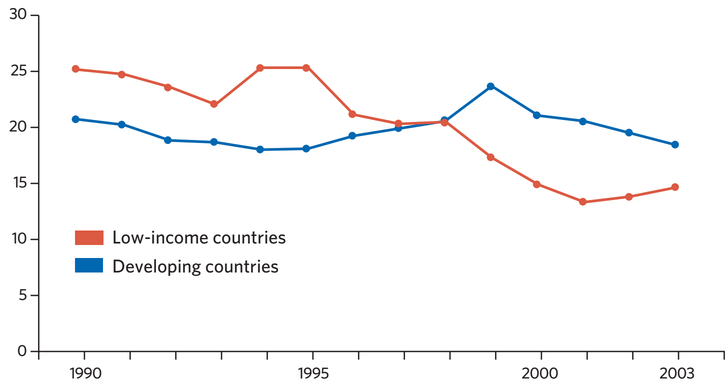
Tariffs on important exports from developing countries remain largely unchanged



Developed countries' average tariffs on imports of key products from developing countries, 1996–2003 (Percentage)

Developed countries' tariffs remain high on goods that are strategically important to developing economies, such as textiles and farm products. Ongoing multilateral trade negotiations provide an opportunity to make the markets of all countries more accessible to exports from the developing world.

External debt is still an obstacle to development, and not just in the poorest countries



Developing countries' debt-service payments in relation to export revenues, 1990–2003 (Percentage)

A debt-relief programme for the most heavily indebted countries has reduced future debt payments for 27 nations by $54 billion. That should bring their payments down to 10 per cent of export earnings. But even this reduced level is proving difficult for many of these countries. External debt payments also pose an obstacle for a number of middle-income countries. Implementing an agreement reached by the finance ministers of the seven largest industrialized countries in February 2005 to write off up to 100 per cent of the poorest countries' external debt would be an important breakthrough.