Millennium Development Goal 8

The Global Partnership for Development: Time to Deliver

MDG Gap Task Force Report 2011
Preface

Last September, when world leaders met to take stock of the progress made towards the Millennium Development Goals, they agreed that achieving the Goals was realistic and confirmed their obligation to reach them by the 2015 deadline.

Governments also reaffirmed their commitments to support national efforts to meet the Goals, both through direct assistance and by creating a more enabling international economic environment for development.

To this end, Member States, together with international institutions and non-State actors in civil society and the private sector, have forged a global partnership for development. The present report assesses the current state of that partnership.

The partnership has produced important achievements, including a record volume of official development assistance (ODA) in 2010, increased aid to the least developed countries (LDCs) and growing South-South and other cooperation for development.

Still, there is reason for concern about the rate and scale of progress as 2015 draws near. Three examples highlight the problem.

First, even as ODA reached record levels in 2010, donor Governments intend to increase spending more slowly during 2011-2013. It is unclear how this will accord with pledges to raise aid levels to the United Nations target of 0.7 per cent of national income by 2015.

Second, despite intense negotiations at the World Trade Organization to deliver on the Doha Development Agenda, there are fears that the Round may not be successfully concluded, even a decade after it began. Governments are discussing a package of trade policy reforms for the December 2011 Ministerial Conference aimed at benefiting the LDCs. While this is a positive development, I believe more can be done.

Third, although there have been major efforts to increase access to medicines and information and communication technologies, their costs remain prohibitive in many developing countries. Both present a hindrance to development.

This fourth report of the MDG Gap Task Force challenges the international community and other stakeholders to intensify their efforts to realize the potential of the global partnership for development. There are many initiatives, large and small, official and non-State, to monitor their implementation, and, as the report highlights, the United Nations system is initiating a more comprehensive framework for holding all partners accountable for what they are doing—and where they are falling short.
I call upon all members of the global partnership to deliver on their promises. Only four years remain. The stakes are high, but so are the rewards.

BAN Ki-moon

Secretary-General of the United Nations
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**Target 8.A:** Develop further an open, rule-based, predictable, non-discriminatory trading and financial system

Includes a commitment to good governance, development and poverty reduction—both nationally and internationally

**Target 8.B:** Address the special needs of the least developed countries

Includes tariff and quota free access for the least developed countries’ exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction

**Target 8.C:** Address the special needs of landlocked developing countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)

**Target 8.D:** Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term

**Target 8.E:** In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries

**Target 8.F:** In cooperation with the private sector, make available the benefits of new technologies, especially information and communications
Executive summary

With only four years remaining in which to achieve the key targets of the Millennium Development Goals (MDGs), most of the world’s Heads of State and Government came to the United Nations in September 2010 to take stock of progress made thus far. Despite significant setbacks owing to the 2008-2009 global economic crisis and surges in food and energy prices, it seems that the developing world as a whole will reach many of the MDGs. However, some countries and regions are not on track to reach the goals and require intensified efforts to reduce poverty and child and maternal mortality rates and to improve access to drinking water and sanitation. The objective of MDG 8 is to assist all developing countries in achieving the goals through a strengthened global partnership for international development cooperation. The present report describes how that partnership is producing significant results on many fronts, but notes that many important gaps between expectations and delivery remain.

At the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals (MDGs) (the “MDG summit”), which was held from 20 to 22 September 2010, Governments committed themselves to strengthening the global partnership in order to “keep the promises” to the peoples of the world, particularly the poorest among them, which they had made 10 years previously in the Millennium Declaration.

When the MDG partnership goals were conceived, the deep global financial and economic crisis of 2008-2009 and its consequences had not been anticipated. Indeed, many countries now need to devote substantial additional resources to MDG-related programmes to overcome the effects of the global recession; in some cases, as much as 1.5 per cent of their annual gross domestic product (GDP) is required. This is beyond what many countries can mobilize on their own. Stepping up international support is, therefore, essential.

To underscore the importance of the promised cooperation in realizing the MDGs by 2015, the United Nations is setting up an enhanced monitoring mechanism to provide greater accountability for delivery on the commitments to the global partnership for development among all stakeholders. To be called the Integrated Implementation Framework (IIF), the proposal is expected to be operational by the end of 2011.

At the same time, it has become increasingly recognized that, in our highly decentralized international system, greater coherence is needed among policies on aid, trade, finance, employment and the environment. With commitments made at so many international forums and meetings, it is essential that these policies and other efforts complement one another in a coherent manner and that they not work at cross purposes. As the United Nations is the global community’s forum for integrated, holistic policy discussion, the General Assembly decided to begin, later in 2011, to consider how to better serve that function so as to, inter alia, best facilitate the achievement of the MDGs in all countries.
Official development assistance

Donor countries provided a record-high $129 billion in official development assistance (ODA) in 2010, which was equivalent to 0.32 per cent of the gross national income (GNI) of members of the Development Assistance Committee (DAC). Only five countries provided assistance exceeding the United Nations target level of 0.7 per cent of GNI, and a large gap of $153 billion remains in actual delivery. Moreover, owing to fiscal constraints in several donor countries, growth of ODA is expected to slow to about 2 per cent per year during 2011-2013, compared to 8 per cent annually over the previous three years.

Aid to the least developed countries (LDCs) has also increased, but it, too, remains below targeted levels. DAC member countries provided $37 billion in ODA to LDCs in 2009, or 0.10 per cent of their combined GNI, well short of the United Nations target of between 0.15 and 0.20 per cent. In absolute values, the shortfall was between $21 billion and $40 billion. Other groups of countries that are accorded special focus at the United Nations—particularly Africa, small island developing States (SIDS) and landlocked developing countries (LLDCs)—have also seen rising ODA inflows, though not as much as required. Overall, ODA remains highly concentrated. The top 10 recipients receive about one quarter of DAC aid and the top 20 recipients receive 38 per cent. Conversely, many countries are underserved.

South-South and other non-DAC official cooperation for development purposes have grown significantly over the decade. Data on such flows are incomplete, but were estimated to be in the range of $12 billion to $15 billion as at end-2008. Private philanthropy to support the development of developing countries was estimated to have reached $53 billion in 2009, mainly, though not exclusively, from sources in the United States of America.

At the same time, important resource needs remain unmet; hence, discussions on “innovative” sources of financing for development have recently received renewed attention. Interest seems to have grown, particularly in Europe, in adopting financial transaction taxes, which could potentially mobilize considerable amounts of additional resources that could be harnessed for development purposes.

Considerable international attention has been devoted to strengthening aid effectiveness through greater capacity-building within developing-country Governments and the promotion of effectiveness principles, such as aligning donors’ aid objectives with recipient countries’ national development strategies, streamlining administrative processes and promoting recipient “ownership” of donor-assisted programmes and projects. An important DAC-led international stocktaking of progress in implementing the aid effectiveness agenda will take place later in 2011 in Busan, Republic of Korea. United Nations Member States meeting at the high-level segment of the Economic and Social Council in July 2012 will further deepen the implementation of the mandates of the United Nations Development Cooperation Forum (DCF) and make recommendations for the sustained strengthening of the effectiveness and coherence of all development efforts, as well as address other issues relating to the quantity and quality of aid.

Certain initiatives have already been set in motion in order to facilitate better international coordination of aid efforts at the global level. In particular, in 2011, the DAC adopted a new recommendation on good pledging practices, which is intended to lead to clearer specification of the parameters of a donor
pledge, enhance the comparability of pledges by different donors and improve the ability to monitor outcomes; all of which will help to improve accountability vis-à-vis the needs of recipients.

In connection with ODA, the present report recommends that:

- Governments deliver on all of their ODA commitments
- All donors provide detailed multi-year intentions for their country-programmable assistance and align them with national development strategies
- Donors and individual programme countries make additional joint efforts to improve the coherence of cooperation efforts with one another and with international development goals and principles
- The 2012 United Nations Development Cooperation Forum (DCF) further discuss the issues addressed at the Fourth High-level Forum on Aid Effectiveness in Busan with a view to developing a global consensus on ways in which to improve the effectiveness and coherence of all international cooperation efforts for development
- All stakeholders fully align growing South-South cooperation and philanthropy for development with recipient country development plans
- The international community further accelerate the introduction and implementation of innovative sources of financing for development

Market access (trade)

Developing-country exports dropped 9 per cent in 2009, owing to both the evaporation of trade finance as part of the global financial crisis and recessionary conditions in their own major markets. Their export volume recovered in 2010, growing by 13 per cent. It is expected to grow at 8 per cent in 2011 and 2012, significantly slower than the average annual rate of 11 per cent registered over the three-year period before the crisis. High and volatile commodity prices have especially affected LDC trade. However, LDCs have been increasingly able to diversify their export markets, with emerging market economies absorbing a greater share of their exports. Nevertheless, low-income countries, especially those in sub-Saharan Africa, continue to face difficulties in accessing trade finance and therefore risk being marginalized from future growth of world trade.

Although widespread protectionism has been averted, some countries did adopt trade restrictive measures following the outbreak of the economic crisis. Analyses also show that discriminatory measures adopted by countries, including members of the Group of Twenty, have affected the developing countries, in particular the LDCs. The crisis-related rise in unemployment has exacerbated negative public attitudes towards labour immigration, with some destination countries taking measures to limit the inflow of migrant workers. Remittances to developing countries fell in 2009, but recovered to $326 billion in 2010.

After almost 10 years of negotiations, the lack of political will to realize the promise of a true “development round” stands in the way of concluding the Doha agenda. While there are a number of stumbling blocks, the most immediate cause of the impasse are demands by some members of the World Trade Organization (WTO) for emerging countries to reduce significantly their tariffs on non-agricultural goods, to a level close to that of developed countries. This is at odds with the Doha mandate and MDG 8 targets, which emphasize improve-
ments in market access for products of export interest to developing countries. A failure of the Doha Round could weaken the WTO rule-based system.

A significant share of exports from developing countries are now imported free of duties in developed countries, reflecting the overall liberalization of world trade. But with 20 per cent of exports still facing tariff duties and, in particular, with no improvement for LDC exports since 2004, significant impediments remain for the expansion of those exports. There has been little reduction in tariffs imposed on developing-country exports since 2005, except for some agricultural products from LDCs. Tariff levels and trade preferences are uneven, not only across products, but also across regions. Agricultural subsidies for domestic producers in member countries of the Organization for Economic Cooperation and Development (OECD) also have a strong negative impact on trade, affecting agricultural market access of developing-country exporters.

Non-tariff measures (NTMs) play an increasingly important role as barriers to trade, including trade in services, where the measures are complex and difficult to assess. More generally, high domestic logistics and transaction costs increase the prices of exports and limit the ability of low-income countries to compete internationally. Reduction of transport costs and other domestic constraints are among the most important measures for supporting efforts by these countries to exploit market access opportunities.

Donor countries and institutions have supported developing-country efforts to build trade capacity through initiatives such as Aid for Trade and the Enhanced Integrated Framework for Trade-related Assistance for LDCs. Aid for Trade supports the development of productive and export capacities as well as adjustment costs arising from trade liberalization. The initiative continued to increase its assistance to a record $40.1 billion in 2009, although that growth was slower compared with previous years.

In the area of trade, the present report recommends that the international community:

- Intensify efforts to conclude a balanced, comprehensive, ambitious and development-oriented Doha Round of trade negotiations
- Increase support for the development of trade capacities in developing countries, especially LDCs, aligned with their national development strategies and through initiatives such as Aid for Trade and the Enhanced Integrated Framework for LDCs
- Put in place and strengthen programmes to ensure LDC and other low-income countries access to trade finance at affordable prices and further reduce transaction costs through improved border management and logistics
- Remove trade restrictive measures adopted following the 2008-2009 crisis and refrain from introducing new ones, especially those that have a negative effect on the commercial interests of developing countries, in particular those of the LDCs
- Ensure, by no later than the end of 2011, agreement on concrete measures in favour of LDCs, including the full implementation of duty-free, quota-free market access on a lasting basis, the elimination of export subsidies and domestic support measures on cotton, and preferential market access for service exports by LDCs
- Accelerate delivery of the commitment to eliminate all forms of agriculture export subsidies by 2013 and agricultural production subsidies in developed countries within a credible medium-term time frame
Debt sustainability

The debt indicators of most developing countries improved in 2010 along with the recovery experienced after the global economic and financial crisis of 2008-2009. However, some countries have found it more difficult to emerge from the recession or are still coping with large deficits and reduced fiscal space, especially given the additional shocks of higher food and energy prices. The situation is acute in some lower-middle-income countries that already faced problems prior to the global crisis. In addition, uncertain forecasts for the global economy carry risks to debt sustainability, as a deterioration in economic performance could imperil smooth debt servicing. The continued emphasis on improving debt management capacities in debtor nations is crucial for sound fiscal management.

Thanks to the recovery of world trade, the debt servicing-to-export ratios of developing and emerging countries have returned to pre-crisis levels, despite an increase in debt-service payments for low-income and lower-middle-income countries. However, the situation varies across countries and regions. For instance, the Caribbean, Oceania and Southern Asia recorded increases in their debt service-to-export ratios—to high levels of vulnerability in some cases.

As at mid-May 2011, the International Monetary Fund (IMF) identified 19 countries that were in debt distress or at high risk of debt distress, including 8 countries that had completed the Heavily Indebted Poor Countries (HIPC) Initiative. Since June 2010, progress under the HIPC Initiative continued, with 4 countries reaching their completion points (thus becoming eligible for irrevocable debt relief under the HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI)) and one country, the Comoros, reaching its decision point. As a result, as at end-March 2011, 32 out of 40 eligible countries had reached their completion points, while 4 remained between their decision and completion points.

The main debt sustainability monitoring instruments are the joint IMF-World Bank Debt Sustainability Framework for low-income countries and the IMF Debt Sustainability Analysis framework for market access countries. A review of these frameworks is currently under way, aimed at improving their analytics and thus their ability to help developing countries manage their debt situations.

The international financial architecture should be better equipped to solve cases of debt distress as delays and inequities have high costs for both debtor Governments and their creditors. The existence of major gaps in the architecture for debt restructuring has been recognized in many intergovernmental agreements, including the 2010 MDG summit outcome document, where calls were made to enhance debt restructuring mechanisms. Steps need to be taken to move forward on this as appropriate debt workouts—and standstills, where needed—could ensure a fairer distribution of the burden among debtors, creditors and the population in the affected debtor country and could contribute to the achievement of the MDGs. At the same time, improvements in policy coordination are needed among international institutions, bilateral donors and recipient countries to ensure that ODA and debt relief decisions, as well as borrowing and lending decisions, keep the sustainability of debt in view.
In the realm of sovereign debt-related policy, the present report proposes that the international community:

- Institute an inter-agency technical working group on debt sustainability, which would aim at enhancing the analysis and effectiveness of the ex ante frameworks currently in place
- Ensure debt sustainability by substantially increasing the share of aid delivery to low-income countries that takes the form of grants
- Consider extending the HIPC Initiative to all low-income countries in debt distress
- Impede litigation by creditors not participating in internationally arranged debt workouts
- Reflect on improving the effectiveness of debt restructuring and relief modalities, including criteria for the possible use of debt standstills, with a view to developing an enhanced framework for orderly sovereign debt workouts for any country potentially in need
- Convoke, in addition to the technical group on debt sustainability, an inter-agency working group to address pressing debt distress situations until a comprehensive international framework has been elaborated
- Strengthen the capacity for debt management through additional efforts in technical cooperation, especially in countries with weak operational debt management

### Access to affordable essential medicines

Having access to medicines is important for achieving the health-related MDGs and attending to the health needs of developing countries. However, essential medicines are available in only 42 per cent of facilities in the public sector compared to 64 per cent in the private sector. On top of poor availability, the lack of national regulatory capacity to ensure quality remains a problem in many countries, and thus populations remain vulnerable to low quality medicines. The availability of medicines to treat non-communicable diseases is even lower than that of communicable diseases. This is also a growing concern in low-income countries, where the burden of these diseases is rapidly increasing.

Insufficient access to medicines for children is another major area of concern. There is a need not only to increase the supply of paediatric formulations but to better facilitate their use by health-care staff.

The limited availability of essential medicines in the public sector is forcing patients to buy from the private sector, where medicines are more expensive. As the majority of medicine purchases in low- and middle-income countries are made out of pocket, the affordability of medicines is a key determinant of access. Substantial shares of the populations in many low- and middle-income countries can be impoverished by the costs of medicine purchases, particularly where originator brand products are used. Switching private sector purchases from originator brands to the lowest-priced generic equivalents can reduce expenditure by 60 per cent.

A number of steps have been taken to reduce costs and to increase the availability of essential medicines. These include UNITAID activities in fostering the expansion and decreasing the costs of paediatric AIDS treatment, while assuring their quality through the WHO prequalification programme; and the use by
Executive summary

many developing-country Governments of public health-related flexibilities of the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), such as compulsory licences for domestic production or importation of patent-protected medicines. Recent initiatives have also been helpful, including that of the pharmaceutical industry’s having granted other research organizations access to “early stage” drug compounds, thus increasing the chances of a successful development of new products for neglected diseases, the development of innovative approaches to facilitate generic competition and the building of local capabilities.

Local production can offer an additional way in which to enhance the availability of medicines and can facilitate access to innovation, in particular through technology transfer arrangements. Developing local production capacity has been prioritized in several regional and subregional programmes in Africa, and has also been recognized as a priority at the national level, as in Botswana, Ghana, Kenya and the United Republic of Tanzania.

Making affordable essential medicines more accessible will require stronger and more complex measures at the local, national, regional and international levels, as well as greater collaboration between the public and private sectors.

The present report recommends taking the following actions to increase the accessibility and affordability of essential medicines:

- Assist national Governments in low- and middle-income countries in promoting the use of quality-assured, low-cost generic medicines, and in providing essential medicines at little or no cost to the poor through the public health system
- Introduce programmes focused on essential medicines for non-communicable diseases as part of national medicine policies
- Provide more donor funding for the treatment and prevention of non-communicable diseases
- Increase the use of public health-related TRIPS flexibilities and improve the availability of patent information in developing countries
- Facilitate and encourage regional cooperation by developing countries to promote innovation among pharmaceutical manufacturers through, for instance, the Medicines Patent Pool

Access to new technologies

The development of relevant technology in developing countries and the transfer of appropriate technology from developed economies are essential for long-run development. As an example, significant progress has been made in the global sharing of information and communication technologies (ICT) and in technologies for addressing climate change and coping with its impacts, including the growing risk of natural disasters.

Access to ICT has continued to grow globally. In developing countries, the spread of mobile cellular subscriptions continues to be particularly rapid, growing by an estimated 17 per cent between 2009 and 2010 and reaching 68 per cent of the population. However, several regions still lag behind.

Internet use has also continued to grow in both developed and developing countries, with the number of users surpassing the 2 billion mark. The global
spread of mobile cellular networks and upgraded technologies have begun to allow mobile broadband services to become an alternative to fixed broadband Internet access. This is particularly important in developing countries, where fixed broadband access continues to be limited, especially in the poorest regions of the world where the number of subscribers is still negligible. In recognizing broadband as an important engine that can usher in a broad range of social, economic and environmental benefits, 70 countries around the world adopted national broadband plans or a national policy including broadband.

Considerable efforts have been made over the past decade to privatize State-owned ICT service providers and foster competition in ICT markets with a view to bringing down prices. Nevertheless, broadband services remain prohibitively expensive in many of the world’s poorest nations, and price disparities persist among and within regions, even as prices for ICT services continue to fall drastically.

Developing countries require technological and financial assistance in their efforts to protect themselves from the adverse impacts of climate change. At the 2010 Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in Cancun, developed countries not only reiterated commitments made earlier in Copenhagen to provide fast-start and long-term finance for climate change mitigation and adaptation in developing countries, but also agreed to establish the Green Climate Fund and a new Technology Mechanism to enhance the development and transfer of technology to support mitigation and adaptation actions.

There is widespread recognition of the urgent need to reduce the risk of disasters caused by natural hazards. Progress has been made in the development, sharing and use of new technologies for disaster reduction. Greater efforts are needed, however, including further development of early warning systems and collection of reliable data on losses caused by past disasters.

To improve access to new technologies for development, the present report recommends that the international community take the following actions:

- Promote research and development collaboration among private, non-profit and official parties across national boundaries to enhance technology development and transfer to developing countries
- Strengthen global monitoring of ICT development, particularly for tracking the evolving needs of developing countries
- Foster and facilitate use of the new Technology Mechanism for climate change mitigation and adaptation when it becomes operational in 2012
- Ensure that the fast-start and long-term finance commitments for climate change mitigation and adaptation are delivered on schedule to developing countries
- Assist national Governments in supporting e-health and e-education initiatives and other public services in collaboration with the private sector
- Strengthen national and local capacities to draw upon advanced technologies to reduce natural disaster risks
Introduction

We commit ourselves to … enhancing the global partnership for development to ensure the achievement of the Millennium Development Goals by 2015

United Nations, General Assembly resolution 65/1

The international community comes together periodically at the United Nations to take stock of progress towards important and broadly held goals; to examine commitments made to reach those goals; to take note of examples of success and lessons learned, including inconsistencies among different policies; and to recommit to achieving the goals through new, more fully integrated and more thoroughly implemented policy commitments. From 20 to 22 September 2010, the sixty-fifth United Nations General Assembly hosted a meeting of this kind, the High-level Plenary Meeting on the Millennium Development Goals (MDGs). The present report, prepared by the MDG Gap Task Force, examines implementation through the first half of 2011 of the Millennium Development Goal 8 (MDG 8) commitments initially made at the Millennium Summit in 2000 and subsequently updated at the 2005 World Summit and the September 2010 High-level Plenary Meeting, as well as in other forums. Together, these pledges and practices constitute the global partnership for development.

Action pledged from 2010 forward

Heads of State and Government, ministers and senior officials who met in New York in September 2010 committed themselves to “keeping the promise” and achieving the MDGs by 2015. They welcomed the progress made since their previous stocktaking in 2005, but expressed deep concern that it fell far short of what was needed. Fully aware that they had only five more years in which to achieve the MDGs, they were determined to “collectively advance and strengthen the global partnership for development, as the centrepiece of [their] cooperation, in the years ahead.” The outcome document that Governments adopted by consensus at the end of the summit committed the international community to a global action plan for reaching all eight MDGs by the target year.

At the same time, individual Governments, multilateral institutions and non-State entities made separate pledges, large and small, conventional and innovative, to accelerate progress towards specific MDGs. For example, as

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1 General Assembly resolution 55/2 of 8 September 2000.
2 General Assembly resolution 60/1 of 16 September 2005.
3 General Assembly resolution 65/1 of 22 September 2010, para. 1.
4 Ibid., para. 7.
The Global Partnership for Development: Time to Deliver

a contribution to eradicating poverty and hunger (Goal 1), the World Bank pledged to increase its support of agriculture to between $6 billion and $8 billion per year (compared to $4 billion annually before 2008) under its Agricultural Action Plan. Dell, the computer manufacturer, committed to giving $10 million for education technology initiatives in 2010 in a step towards advancing primary education (Goal 2). Senegal committed to implementing a recently adopted law on gender equality, including parity in the representation of women and men in all institutions (Goal 3). The United Nations Secretary-General mobilized commitments of over $40 billion from several official and non-State donors, to be spent over the period 2011-2015, for a Global Strategy for Women’s and Children’s Health (Goals 4 and 5). The Global Fund to Fight AIDS, Tuberculosis and Malaria promised to continue to support reprogramming to prevent mother-to-child transmission of HIV in the 20 highest-burden countries (Goal 6). The United States committed $51 million over the period 2011-2015 for the Global Alliance for Clean Cookstoves, a public/private partnership led by the United Nations Foundation, to install 100 million clean-burning stoves around the world (Goal 7). Furthermore, China pledged zero-tariff treatment for more goods imported from the least developed countries and continued debt cancellation (Goal 8).

The agreed action agenda—coupled with individual commitments, a small sample of which were noted above—entails a rich programme of work for developing and developed countries, international institutions and non-State actors that have committed to support actively attainment of the MDGs. Time is short as 2015 fast approaches; therefore, the review process has to take place more frequently than every five years. Indeed, the summit outcome called upon the General Assembly to undertake implementation reviews on an annual basis. These will begin in late 2011.

The secretariats of the international organizations cooperating in monitoring the implementation of the MDGs, such as those that work together in the MDG Gap Task Force, need to monitor a multitude of specific development partnership promises embodied in the agreed texts and unilateral pledges announced at the 2010 MDG summit, as well as the earlier MDG targets and indicators selected for regular review.

Moreover, new pledges and consensus texts continue to be adopted at different forums and need to be taken into account. For example, at its Seoul Summit in November 2010, the Group of Twenty (G-20) adopted the “Seoul Development Consensus for Shared Growth” which contains a multi-year action plan involving specific commitments and deadlines for implementation

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6 General Assembly resolution 65/1, op. cit., para. 79.
7 Monitoring of 22 specific targets and 60 indicators is carried out annually. The most recent global statistical update is The Millennium Development Goals Report 2011 (United Nations publication, Sales No. E.11.I.10). Most Governments that produce country-level MDG reports have adapted the global targets and indicators to best fit their national needs; for example, by substituting a national poverty line indicator for the dollar-a-day measure used at the global level (United Nations Development Programme, Beyond the Midpoint: Achieving the Millennium Development Goals (New York: UNDP, January 2010), pp. 8-12). For individual country reports, see http://www.mdgmonitor.org/factsheets.cfm.
in nine areas. In addition, each G-20 member country made complementary pledges, which included those related to specific development commitments.

Furthermore, the international community continues to review, adapt and extend other global development strategies and policies that have a bearing on the outcomes of the 2010 MDG summit, while not overriding them. One such international meeting, which took place from 9 to 13 May 2011 in Istanbul, was the Fourth United Nations Conference on the Least Developed Countries (LDCs), at which Governments agreed to accelerate trade, investment and aid measures for the sustainable development of LDCs into the next decade. A high-level meeting of the United Nations General Assembly on the prevention and control of non-communicable diseases will take place in September 2011 in New York, and will focus on galvanizing action at the global and national levels to address and arrest the health and socio-economic impacts of non-communicable diseases. In addition, the fifth High-level Dialogue on Financing for Development will take place in the United Nations General Assembly in New York on 7 and 8 December 2011. This will be followed by the thirteenth session of the United Nations Conference on Trade and Development, to be held in Doha from 21 to 26 April 2012, and the United Nations Conference on Sustainable Development (Rio+20), to be held in Rio de Janeiro from 4 to 6 June 2012. Rio+20 will address the themes of the “green economy in the context of sustainable development and poverty eradication” and the “institutional framework for sustainable development”. Alongside these special conferences, the regular meetings of the intergovernmental bodies of the United Nations system may also influence the march towards the achievement of the MDGs.

In this context, a new inter-agency mechanism is being prepared to help identify and monitor progress in relation to the host of joint and individual commitments made within the framework of the global partnership for development. With so many specific commitments in different forums, it has become difficult not only to assess and improve their mutual coherence but to strengthen monitoring of delivery. This Integrated Implementation Framework (IIF) initiative would create and continually update a database on an interactive Web portal for use by all stakeholders; provide a synoptic overview of all international commitments in support of the MDGs; supply information on these commitments; track delivery, signalling gaps and inconsistencies; and identify unmet needs in support of national development strategies. The mechanism

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8 Infrastructure, human resource development, trade, private investment and job creation, food security, growth with resilience, financial inclusion, domestic resource mobilization and knowledge sharing (see “The G-20 Seoul Summit document”, 11-12 November 2010, annex I).


11 These include meetings of the General Assembly, the Economic and Social Council and its Development Cooperation Forum, and bodies associated with the United Nations specialized agencies, as well as other, unaffiliated meetings.

12 United Nations, “An Integrated Implementation Framework (IIF): supporting the achievement of the MDGs more effectively through mutual accountability”, concept note presented at the twenty-first session of the Chief Executives Board for Coordination (CEB) High-Level Committee on Programmes, New York, 3 and 4 March 2011
is intended to increase the effective transparency of commitments and the ability of relevant stakeholders to hold actors accountable vis-à-vis their pledges of support. It is expected to be operational by the end of 2011.

The politics of development partnership pledges

Efforts such as the IIF, which are geared towards a closer monitoring of international cooperation pledges, are paralleled by efforts in some intergovernmental forums to make pledges more precise, as well as to indicate specific deadlines for their realization. Both efforts have been made in response to disappointment at the degree to which some official commitments have been implemented in recent years. This reflects, in part, the political nature of the commitments.

Joint commitments made in negotiated documents of any multi-State forum, whether a global one, such as the United Nations, or one of limited membership, such as the G-20, are collective statements of intention made by the leaders or other representatives of sovereign authorities and are not legally binding. There is no global enforcement body in place to discipline a country that does not fulfill its commitments. The only binding commitments are those made in treaty bodies—the multilateral trade agreements of the World Trade Organization, for example. Most development cooperation commitments are, rather, promises by the executive arm of a Government to seek action to implement them through their legislatures. Indeed, partnership commitments are almost always announced publicly so that the group or individual Government leaders can build public support for the initiative and overcome potential legislative opposition.

A question of tactics thus arises. If commitments are vague, the committing authority has some negotiating room with the implementing legislature. In many countries, precise commitments usefully challenge supporters of the promise to mobilize political support, including through the media and civil society, to meet the target. Specific commitments thus put greater pressure on implementing legislatures to accede to the leader’s promise, but they also risk failure if the legislature resists approval of the promised action.

The degree of precision or vagueness of a commitment entails even further political tactics when a group makes a commitment to act. Members of the group pledging to act together are implicitly also announcing how they intend to share the burden among themselves. Conceptually, the issue is the same whether the commitment involves aid, trade, debt relief or any other aspect of the global partnership for development. It may be illustrated using the case of aid.

In keeping with one option followed by some multilateral institutions, each donor’s relative contribution to the funding is pre-set according to a burden-sharing formula (for instance, it may be in accord with the allocation of votes (CEB/2011/HLCP-XXI/CRP.3/Rev.2), para. 4 (the CEB endorsed this proposal at its meeting on 2 April 2011)). The deadlines are especially clear in the “Multi-year Action Plan on Development” agreed at the G-20 Seoul Summit, where actual delivery dates for actions were specified (see “The G-20 Seoul Summit document”, 11-12 November 2010, annex II). In addition, the Development Assistance Committee of the Organization for Economic Cooperation and Development recently adopted guidelines on good pledging practices for official development assistance (ODA) (see chapter on ODA).
for making decisions on how the funds will be spent). In such cases, negotiation among donors relates to the total contribution, with each donor calculating what that will mean for its own obligation. Effectively, it is thus the least generous donor that determines the total amount to be pledged. This may be considered “unfair” and it also mobilizes insufficient resources. In line with an alternative option, Governments voluntarily pledge amounts which they regard to be appropriate for themselves (while accepting that burden-sharing will be uneven) in order to mobilize larger amounts. An aspirational target that only the more generous donors attain can reintroduce a burden-sharing concept into the voluntary commitment process. It provides a way both to exert moral pressure on the less generous donors to increase their assistance effort and to persuade domestic constituents that the Government is trying to meet global norms of generosity in support of development. Indeed, this has been the effective function of the United Nations target of spending 0.7 per cent of donor country gross national income as official development assistance (ODA).

In fact, certain donor Governments have not accepted the United Nations aid target; measuring their performance against the target is therefore a moral comment on their commitment to burden-sharing and not a comment on whether they are meeting their commitments. However, when civil society campaigners, the media and political actors comment on the unacceptable extent of global poverty and argue that additional international assistance can help countries advance, powerful pressure is added, prompting Governments that do not meet or accept the joint target to pledge to meet a unilateral target and thereby increase their contribution and share of the burden.

This political process was quite visible in the run-up to the 2002 International Conference on Financing for Development, where the growing public pressure of widespread civil society campaigns to raise aid levels, reduce debt burdens and win commitments to other reforms were reflected in the resulting Monterrey Consensus. Nevertheless, the actual joint commitment to increase aid levels had to be stated in a way that all Governments could accept, namely that “a substantial increase in ODA and other resources” would be required. The word “substantial” was left undefined, but Governments agreed to urge developed countries that had not done so “to make concrete efforts towards the target of 0.7 per cent”.

The latter statement, in itself, did not entail a commitment to increase ODA by any country that did not accept the target. The first statement was understood to commit all donors, albeit in a vague manner. The inclusion of both paragraphs enabled a consensus to be reached that increased ODA “substantially”. In fact, individual countries and groups added precision by announcing specific ODA commitments, including that of the European Union to raise its ODA from 0.33 per cent of its gross national product to 0.39 per cent by 2006, and that of the United States to increase its core assistance to developing countries by 50 per cent.

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16 The ODA target was later specified as a percentage of gross national income, a purely technical change.
over the following three years, specifying target levels for each year. Additional specific pledges were also made by Canada, Norway and Switzerland.17

Diplomats preparing for Monterrey thus found wording to overcome the problem of how to combine voluntary and burden-sharing aid principles succinctly, while some Governments separately specified precise aid commitments to which they could be held accountable. However, what mattered most, in the end, were not the words themselves, but the fact that they reflected a degree of political momentum. Heads of State and Government and their representatives returned to their capitals and began to press their legislatures to implement the new commitments.

As hard as it is to mobilize political momentum for greater international cooperation, it must also be nurtured after its creation, lest it erode. Public monitoring of the implementation of commitments constitutes a tool that can check such erosion as it helps to push Governments into implementing agreed or announced targets. It strengthens the ability of the media to focus appropriate attention on the issue and of civil society to lobby for implementation.

Serious reflection on previously agreed goals and targets, complemented by renewed public interest and pressure by civil society, can breathe new life into unrealized commitments made years previously or can lead to the substitution of new commitments that Government leaders will fight to implement. The 2010 MDG summit was a case in point. It brought nearly 140 Heads of State and Government to the United Nations and concluded with a reconfirmed strategy and new promises of action. The outcome declaration renewed political momentum to boost the global partnership for development. It is now up to development advocates in the official and non-State sectors to build on this momentum and successfully make the final push towards the goals set for 2015.

**Strengthening coherence in the global partnership**

As noted above, the global partnership for development includes jointly negotiated commitments in various global and other official forums, as well as pledges by Governments, international institutions, individual private enterprises, foundations and other non-State actors. Implementation is largely left to the committing authorities in a highly decentralized global system of public and non-State actors. It should not be surprising, therefore, that the multitude of policy actions are not always consistent or that the policies, when taken collectively, do not make for a coherent whole.

Many examples exist of international cooperation policies working at cross purposes. Indeed, the Organization for Economic Cooperation and Development has a major work programme aimed at increasing "policy coherence for development".18 An archetypical illustration of incoherence would be when donor aid policies help to boost exports, which then face import barriers in aid-giving countries. Similarly, new policy inconsistencies may start to emerge if developed

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18 See http://www.oecd.org/about/0,3347,en_2649_18532957_1_1_1_1_1,00.html. This was also the focus of World Economic and Social Survey 2010: Retooling Global Development (United Nations publication, Sales No. E.10.II.C.1).
countries ostensibly seek to mitigate global warming through “green protectionism”, negatively impacting developing-country exports, a concern that is likely to be the subject of discussion at Rio+20 in 2012.19

An example at the more detailed level involves aid donors’ promising resources to strengthen the capacity of in-country systems so as to manage aid more effectively, in line with commitments contained in the 2005 Paris Declaration on Aid Effectiveness, but then bypassing those commitments owing to the donors’ internal fiduciary regulations. If they are not utilized, these systems cannot be built up and capacity development will remain largely notional. The debate surrounding the use of country systems in the context of the aid effectiveness agenda has tended to focus on the reduction of transactions costs; in other words, if recipients can use their own systems for reporting and monitoring the use of donor funds, instead of having to meet each donor’s specific reporting requirements, it would simplify and reduce the costs of managing aid. While this has obvious value, little is said in that debate about the positive impact of using country systems on the development of country capacities and capabilities.20

Not all cases of policy incoherence involve ODA, but those that do are rightly the subject of discussion in donor and United Nations forums on aid and aid effectiveness (see chapter on ODA). Other issues of coherence are also addressed in multiple forums and ad hoc processes. For example, aided by an expert group, the United Nations Conference on Trade and Development recently released a set of “Draft Principles on Promoting Responsible Sovereign Lending and Borrowing” which aim to boost international discussion of the concept of “responsibility”, including the coherence of a loan with national and international development principles.21

But many coherence concerns go well beyond development cooperation policy per se. Besides the fear of “green protectionism” mentioned above, macro-economic policies in developed countries can undermine macroeconomic and exchange-rate management in developing countries—for example, by having to respond to the global liquidity increase from the “quantitative easing” monetary policy in 2010-2011.22 In this context, the decision of the United Nations General Assembly to consider strengthening the role of the United Nations in global economic governance could be important.23

This initiative follows earlier efforts towards strengthening the contribution of international debate to more coherent global policy, including the creation of the Commission on Sustainable Development at the United Nations Conference on Environment and Development (the Earth Summit) in 1992 to address comprehensively the three pillars of sustainability: social, economic and environmental. A subsequent effort to create a fully inclusive forum for coherence at the United Nations, albeit one with a financial focus, was in the follow-up (“Staying

20 Information supplied by the International Monetary Fund on 6 May 2011.
23 General Assembly resolution 65/94 of 8 December 2010; for a discussion of related policy coherence issues, see World Economic and Social Survey 2010: Retooling Global Development, op. cit.
Engaged”) process to the Monterrey International Conference on Financing for Development. The initiative, reflected in the General Assembly debate on global economic governance, can build on the successes and disappointments of these previous initiatives, as the world requires more strenuous efforts to forge global social, economic, financial and environmental coherence for development.

**Time to deliver**

The recent global financial and economic crisis was an important setback in the progress made towards the MDGs, but many countries are (or are once again) on track to attaining at least some of the goals by 2015. The vast majority of low-income countries are lagging on all of the MDGs, in part because they are further removed from the goals. Prospects hinge upon important but uncertain sustained, rapid, employment-generating economic growth. In addition, owing to the setbacks, many developing countries need to devote additional resources to MDG programmes to reach the goals, which in some cases could amount to as much as an additional 1.5 per cent of gross domestic product (GDP) per year. Mobilizing additional domestic resources of that magnitude in such a short period is beyond the capacity of most countries.

It therefore follows that stepped-up international support from the global partnership for development is essential. This means that donor countries contemplating fiscal tightening need to exempt their ODA allocations from budget cuts, and, indeed, increase them, as some donors are already doing (for further discussion, see chapter on ODA below). It also means that the efforts of developing countries to increase their earnings need to be supported through the accommodating trade policies promised by donor countries, even in the face of opposition from politically powerful constituencies and broader domestic concerns about employment levels. There are many ways to create jobs that do not come at the expense of the poorest people of the world. Trade, investment and ODA policies must similarly support the necessary flows of essential medicines to developing countries on an affordable basis. Strong but sustainable levels of official and private investment, on the one hand, and domestic and foreign, on the other, are also needed, not just to expand the stock of fixed capital and human resources but also to promote the new technologies embedded in new enterprises and activities. In addition, Governments need to manage their monetary, fiscal and sovereign debt policies carefully so as to maintain sustainability and an enabling economic environment, while the international community needs to monitor closely global progress towards the target year of 2015 and ensure that the contribution of the global partnership for development is adequate, timely and reaches all relevant communities.

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Official development assistance

The fulfilment of all official development assistance commitments is crucial

United Nations, General Assembly resolution 65/1

During the September 2010 United Nations summit on accelerating progress towards the Millennium Development Goals (MDGs), donor nations reaffirmed their commitments to increase official development assistance (ODA), many of them aiming to reach the target of 0.7 per cent of gross national income (GNI) and to extend 0.15–0.20 per cent of GNI as ODA to the least developed countries (LDCs).¹ The European Union (EU) pledged to reach the 0.7 target by 2015. Countries that had set interim ODA volume goals for 2010 also pledged to try to meet them by year’s end.

The ODA commitments made at the summit were not new, nor were most of the pledges made to attain them. Thus, in addressing one of the concerns described in the introduction to the present report, namely, that the commitments in the partnership for development should be more specific and properly monitored, the Development Assistance Committee (DAC), the principal international donors’ forum, based at the Organization for Economic Cooperation and Development (OECD), adopted a Recommendation on Good Pledging Practice in April 2011. In their future pledging activities, DAC members will strive to ensure clarity, by specifying all parameters relevant to the assessment of the pledges; comparability, so that different donor pledges may be aggregated; realism, in the light of each donor’s budgetary and economic circumstances; measurability, on the basis of accessible or supplied indicators; and accountability vis-à-vis the needs of recipients and transparency for monitoring by beneficiaries.²

In addition, the international development community has sought ways to improve aid effectiveness. The Fourth High-Level Forum on Aid Effectiveness, to be held in Busan, Republic of Korea, from 29 November to 1 December 2011, will bring a number of aid stakeholders together with the donor community to take stock of recent efforts to improve the impact of aid. United Nations Member States meeting at the high-level segment of the United Nations Economic and Social Council in July 2012 will further deepen the implementation of the mandates of the United Nations Development Cooperation Forum (DCF), will make recommendations for sustained strengthening of the effectiveness and coherence of all development efforts, will address issues relating to the quantity and quality of aid, and may hold each other accountable for delivery of their commitments on development cooperation for realizing the MDGs. Both meetings provide opportunities to strengthen the coherence of national and institutional

¹ See General Assembly resolution 65/1 of 22 September 2010, para. 78 (f).
aid efforts, which include a burgeoning number of actual and potential additional sources of aid, so as best to align them all with national development strategies.

**ODA delivery in 2010 and its near-term prospects**

ODA from DAC donors reached a record high of almost $129 billion in 2010, according to preliminary data. ODA reached 0.32 per cent of DAC member countries’ GNI in 2010, up from 0.31 per cent in 2009. Excluding debt relief (which does not entail new resource transfers) and humanitarian assistance (which is driven by emergency needs rather than planned assistance), the value of ODA, as measured in 2009 dollars, has increased steadily since 2004, except for a small dip in 2006 (see figure 1).

Despite reaching record highs, the volume of ODA continues to fall well short of the United Nations target of 0.7 per cent of donor country GNI. Had all DAC donors provided aid at that level, ODA would have reached $282 billion, more than double the present level (table 1). Only five countries—Denmark, Luxembourg, the Netherlands, Norway and Sweden—met the United Nations target in 2010 (figure 2). The two largest donors in absolute terms, the United States of America and Japan, increased aid in 2010, but, when measured as a share of GNI, they still remain among the smallest donors.

In recent years, ODA has received a boost from specific pledges made at international forums, such as the Gleneagles Summit of the Group of Eight (G-8) in 2005. Yet, delivery on those pledges has also fallen short. Had those commitments been met, ODA would have reached $149 billion in 2010. Measured in 2004 dollars (the base year for the original commitments), donors committed to increasing ODA to $127 billion by 2010, but actual delivery amounted to $109 billion in 2010. Although this implies an increase of $30 billion over the 2004 level of $79 billion, it fell $18 billion short of the pledged amount (table 1 and figure 3).

**Figure 1**

**Main components of ODA from DAC members, 2000-2010 (billions of 2009 dollars)**

![Figure 1](image-url)
Table 1
Delivery gaps towards aid commitments by DAC donors

<table>
<thead>
<tr>
<th></th>
<th>Percentage of GNI</th>
<th>Billions of 2010 dollars</th>
<th>Billions of 2004 dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total ODA</td>
<td>Overall United Nations target</td>
<td>0.7</td>
<td>282.2</td>
</tr>
<tr>
<td></td>
<td>Delivery in 2010</td>
<td>0.32</td>
<td>128.7</td>
</tr>
<tr>
<td></td>
<td>Gap in 2010</td>
<td>0.38</td>
<td>153.4</td>
</tr>
<tr>
<td>ODA to LDCs</td>
<td>Target</td>
<td>0.15-0.20</td>
<td>58.2-77.6</td>
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<tr>
<td></td>
<td>Delivery in 2009</td>
<td>0.10</td>
<td>37.6</td>
</tr>
<tr>
<td></td>
<td>Gap in 2009</td>
<td>0.05-0.10</td>
<td>20.6-40.0</td>
</tr>
<tr>
<td>Gleneagles commitments for 2010&lt;sup&gt;a&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total ODA</td>
<td>Commitment&lt;sup&gt;b&lt;/sup&gt;</td>
<td>0.38</td>
<td>148.5</td>
</tr>
<tr>
<td></td>
<td>Delivery</td>
<td>0.32</td>
<td>127.6</td>
</tr>
<tr>
<td></td>
<td>Gap</td>
<td>0.05</td>
<td>21.0</td>
</tr>
<tr>
<td>ODA to Africa</td>
<td>Commitment</td>
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<td>64.0</td>
</tr>
<tr>
<td></td>
<td>Delivery&lt;sup&gt;c&lt;/sup&gt;</td>
<td>-</td>
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<td></td>
<td>Gap&lt;sup&gt;c&lt;/sup&gt;</td>
<td>-</td>
<td>18.0</td>
</tr>
</tbody>
</table>

Source: UN/DESA, based on OECD/DAC data.
Note: The hyphen (-) indicates that the item is not applicable.
<sup>a</sup> Excluding the Republic of Korea, which was not a DAC member at the time of the Gleneagles commitments in 2005.
<sup>b</sup> The target is adjusted for lower-than-expected GNI owing to the global recession.
<sup>c</sup> Based on OECD estimates of ODA to Africa in 2010.

Figure 2
ODA of DAC members in 2000 and 2010 (percentage of GNI)

Source: OECD/DAC data.
As part of the Gleneagles initiative, 15 EU members of DAC pledged to reach or maintain an aid level of at least 0.51 per cent of GNI in 2010. As can be seen in figure 2, eight of those countries met that goal, while France missed it by only 0.01 per cent of GNI. The United States had pledged to double its aid to sub-Saharan Africa between 2004 and 2010. It surpassed that goal in 2009, one year ahead of schedule. Canada kept its promise to double international assistance from 2001 levels. Australia achieved its aim to increase its aid budget to $A 4 billion. Norway surpassed its commitment to maintain ODA at 1 per cent of GNI, while Switzerland met its commitment to an ODA/GNI ratio of 0.41 per cent. Also, in 2005, Japan had promised to provide $10 billion more over the period 2004-2009, but it fell short of this commitment by $3.6 billion. However, Japan’s aid budget rose significantly again in 2010. New Zealand appears to be on track to achieve its planned ODA level of NZ$ 600 million by 2012-2013.

In addition to the envelope of individual and collective ODA pledges made at the September 2010 MDG summit (as noted in the previous chapter) and at Gleneagles, Governments also coordinate their commitments to multilateral ODA, which are determined in periodic multi-year replenishment negotiations. The largest recent exercise was the sixteenth replenishment of the International Development Association (IDA) at the World Bank, completed in December 2010, which will provide $49 billion for disbursement from July 2011 to June 2014, an 18 per cent increase over disbursements during the previous three-year cycle.3 Similarly, countries donating to the African Development Fund of the

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3 The replenishment exercise mobilized over $26 billion in new commitments from developed and developing country donors, which is to be combined with outstanding funding commitments to cover International Development Association (IDA) debt forgiveness, repayment of IDA loans (including accelerated repayments by some IDA graduates) and transfers from earnings elsewhere in the World Bank (see World Bank,
African Development Bank raised their commitments by almost 11 per cent, which, when combined with internally generated funds, will provide approximately $9.5 billion in highly concessional resources for Africa during the period 2011-2013. Among other examples, the Global Environment Facility was replenished in May 2010 and received a 34 per cent increase in funding (over $4 billion) for projects to be implemented between July 2010 and June 2014. Total contributions to the operational activities for development of the United Nations system amounted to $22 billion in 2009, the same level in real terms as the year before. Non-core funding now represents 73 per cent of United Nations funding, and there is little coordination of this funding among donors.

The near-term prospects for ODA are uncertain. If history is any guide, there are reasons for concern about the prospects for aid. Donor Governments have typically curtailed aid budgets for several years in the aftermath of a financial crisis—a dozen years on average, according to one study. However, history is not preordained to repeat itself. In today’s context, many countries remain committed to aid targets. This embodies the potential for substantial increases in aid, despite present political pressures to reduce fiscal spending in the face of mounting public indebtedness in most donor countries. However, a number of donor Governments consider ODA to be non-essential, discretionary spending and thus a budget item that could well suffer as part of fiscal consolidation efforts.

In any case, future trends in ODA will remain sensitive to political priority setting. In this regard, the United Kingdom of Great Britain and Northern Ireland has sent a positive signal. Although the new coalition Government made substantial reductions in overall budget outlays, it has protected ODA. It has also reiterated the previous Government’s pledge to reach the United Nations target of 0.7 per cent of GNI by 2013. Indeed, the Government announced that it intended to present legislation to Parliament that would enshrine the 0.7 per cent target in law. All major political parties have reached consensus on this issue.

Overall, however, the 2011 OECD survey of donor spending plans finds that “country programmable aid” (ODA planned for programmes and projects in developing countries) is expected to grow by about 2 per cent per year (at constant prices and exchange rates) between 2011 and 2013. This could be taken as a positive sign in the light of the shift towards fiscal austerity among donors, but it would nonetheless put the trend well below the annual growth rate of 8 per cent.
achieved during 2008-2010. Moreover, most of the projected increase is expected to come from the outlays of multilateral agencies. Bilateral ODA of DAC member countries is expected to grow by only 1.3 per cent annually.\(^9\)

In this uncertain ODA environment, the ability of ODA-receiving countries to plan their development programmes realistically would improve if donors were willing to commit to supporting those programmes on the basis of multi-year plans for ODA outlays. While donor Governments do not have concrete multi-year ODA budgets, they usually do have indicative plans. DAC members currently provide such information on a confidential basis to the DAC Secretariat for use in its aid intentions survey. In addition, cooperative actions, such as the International Aid Transparency Initiative, also commit a number of donors to providing developing countries with their forward expenditure and implementation plans, and with indicative resource allocations that developing countries can integrate into their planning. The central aim should be to facilitate the cooperative development of a package of support for the aid-recipient’s national development strategy. As it is, donors do not fully coordinate their aid allocation decisions with each other, let alone with the recipient country. The multilateral institutions and certain bilateral donors have a formal allocation system,\(^10\) as a result of which, while donors’ individual allocation decisions may be rational, their collective consequence may mean that some countries are “under-aided”. This coordination issue could become a problematic aspect of ODA in the next few years as a number of donors are inclined to target aid to fewer countries.

### Aid allocations by country

DAC donors have pledged to give priority in allocating aid to certain groups of countries most in need, in particular the LDCs. ODA from DAC donors to LDCs has increased substantially, to about $37 billion in 2009 (the latest year for which detailed data are available), up from $21 billion in 2000, as measured at 2009 prices and exchange rates.\(^11\) This reflects an increase in the DAC aid effort in favour of LDCs from 0.06 per cent of donor GNI in 2000 to 0.10 per cent in 2009. Yet, only 9 of the 23 DAC member countries met the United Nations lower bound target of providing aid of 0.15 per cent of GNI to LDCs (figure 4). If all DAC members had met the 0.15 target, ODA for LDCs would have been $21 billion higher (table 1). Moreover, the 0.15 per cent target was meant as the lower bound on a range from 0.15 per cent to 0.20 per cent of GNI. Only seven donor countries reached 0.20 per cent. Had the 0.20 per cent target been reached by all DAC donors, aid extended to these countries would have been $40 billion higher.

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\(^11\) These data differ slightly from those shown in figure 5, which reports aid received from all sources.
At the Fourth United Nations Conference on the Least Developed Countries, held in Istanbul in May 2011, development partners set a target for enabling half of the LDCs to meet the criteria for graduation from LDC status by 2020. The ODA target for LDCs was not adjusted, but pressure to meet it was increased. Country programmable aid (CPA) for LDCs is expected to increase by $2.3 billion between 2009 and 2012, but almost all of it will be delivered in 2010 and 2011. Moreover, CPA for 13 of the 48 LDCs is projected to decrease by $847 million in the next few years, with 90 per cent of the reduction concentrated in Ethiopia and Afghanistan, which had been the largest ODA recipients in 2009 (see below).

In addition, Governments that made aid pledges at Gleneagles also pledged to deliver an additional $25 billion in ODA to African countries by 2010. As shown in table 1, had this commitment been met, aid to Africa would have reached almost $64 billion, instead of the $46 billion estimated by the OECD. Measured in 2004 dollars, the base year, in which the commitments were made, the target for 2010 was about $55 billion; delivery in 2004 prices was $40 billion, implying a shortfall of about $15 billion.

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Governments at the United Nations have also called upon donors to focus attention on assistance to small island developing States (SIDS) and landlocked developing countries (LLDCs). Donors as a whole provided over $4 billion in aid to SIDS and $25 billion to LLDCs in 2009.\textsuperscript{14} ODA for SIDS increased by 16 per cent in real terms in 2009, marking the sixth year of increases since 2003 (figure 5). The aid volume (at 2009 prices and exchange rates) for LLDCs increased by 13 per cent in 2009, continuing the decade-long upward trend.

Growth of ODA flows to LLDCs over the past decade has been absorbed mainly by the two largest ODA recipients in the group, Afghanistan and Ethiopia. In 2007 and 2008, Iraq was the largest aid recipient among all developing countries, absorbing about $10 billion in ODA each year, but this was mainly on account of the inclusion of debt relief in ODA statistics. In 2009, however, ODA to Iraq fell by over 70 per cent (table 2), making Afghanistan the largest aid recipient by far. The top aid recipients listed in table 2 include both conflict-affected and peaceful States, slow- and fast-growing countries, large economies and very small ones. In 2009, the 10 largest ODA recipients received 25 per cent of ODA. Those countries absorbed 13 per cent of the total in 2000. The top 10 recipients of aid in 2000 also absorbed about 25 per cent of total ODA at that time. Similarly, the share of the 20 largest recipients was 38 per cent of total ODA receipts in both 2009 and 2000. This suggests that while favoured aid recipients change over time, the overall country concentration has remained relatively constant at the top end of the spectrum.

\textsuperscript{14} The aid inflow amounted to an estimated 3.8 per cent of recipient country GNI for SIDS and 6.4 per cent of recipient GNI for LLDCs (MDG 8 indicators 8.4 and 8.5 uniquely specify ODA in relation to recipient, as opposed to donor, GNI).
Table 2
Top ODA recipients in 2009 *(millions of 2009 dollars and percentage share)*

<table>
<thead>
<tr>
<th>Country</th>
<th>2000 receipts</th>
<th>2009 receipts</th>
<th>Change from 2008 to 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>220</td>
<td>6,235</td>
<td>31.0</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>1,037</td>
<td>3,820</td>
<td>18.3</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>2,151</td>
<td>3,744</td>
<td>47.7</td>
</tr>
<tr>
<td>Occupied Palestinian Territory</td>
<td>961</td>
<td>3,026</td>
<td>21.8</td>
</tr>
<tr>
<td>United Republic of Tanzania</td>
<td>1,547</td>
<td>2,934</td>
<td>31.4</td>
</tr>
<tr>
<td>Iraq</td>
<td>164</td>
<td>2,791</td>
<td>-71.7</td>
</tr>
<tr>
<td>Pakistan</td>
<td>917</td>
<td>2,781</td>
<td>88.3</td>
</tr>
<tr>
<td>India</td>
<td>1,837</td>
<td>2,502</td>
<td>20.9</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>574</td>
<td>2,366</td>
<td>287.2</td>
</tr>
<tr>
<td>Democratic Republic of the Congo</td>
<td>288</td>
<td>2,354</td>
<td>38.0</td>
</tr>
<tr>
<td>Sudan</td>
<td>345</td>
<td>2,289</td>
<td>-1.3</td>
</tr>
<tr>
<td>Mozambique</td>
<td>1,429</td>
<td>2,013</td>
<td>5.6</td>
</tr>
<tr>
<td>Uganda</td>
<td>1,296</td>
<td>1,786</td>
<td>12.2</td>
</tr>
<tr>
<td>Kenya</td>
<td>723</td>
<td>1,778</td>
<td>34.3</td>
</tr>
<tr>
<td>Nigeria</td>
<td>244</td>
<td>1,659</td>
<td>31.1</td>
</tr>
<tr>
<td>Ghana</td>
<td>843</td>
<td>1,583</td>
<td>25.6</td>
</tr>
<tr>
<td>Turkey</td>
<td>503</td>
<td>1,362</td>
<td>21.7</td>
</tr>
<tr>
<td>Zambia</td>
<td>1,209</td>
<td>1,269</td>
<td>17.7</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>1,676</td>
<td>1,227</td>
<td>-38.0</td>
</tr>
<tr>
<td>China</td>
<td>2,271</td>
<td>1,132</td>
<td>-18.9</td>
</tr>
<tr>
<td>Sub-total, top 10 recipients in 2009</td>
<td>9,696</td>
<td>32,554</td>
<td></td>
</tr>
<tr>
<td>Share in total ODA</td>
<td>13.4</td>
<td>25.5</td>
<td></td>
</tr>
<tr>
<td>Share in country-allocable total ODA</td>
<td>17.7</td>
<td>36.0</td>
<td></td>
</tr>
<tr>
<td>Sub-total, top 20 recipients in 2009</td>
<td>20,236</td>
<td>48,651</td>
<td></td>
</tr>
<tr>
<td>Share in total ODA</td>
<td>27.9</td>
<td>38.2</td>
<td></td>
</tr>
<tr>
<td>Share in country-allocable total ODA</td>
<td>37.0</td>
<td>53.8</td>
<td></td>
</tr>
<tr>
<td>Sub-total, top 10 recipients in 2000</td>
<td>18,174</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share in total ODA</td>
<td>25.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share in country-allocable total ODA</td>
<td>33.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-total, top 20 recipients in 2000</td>
<td>27,488</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share in total ODA</td>
<td>37.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share in country-allocable total ODA</td>
<td>50.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: UN/DESA, based on OECD/DAC data.*
Terms and uses of aid

The DAC has developed various criteria to define a resource transfer as ODA. It must be either a grant (financial support or technical assistance) or a loan to a developing country on highly concessional terms, and must be used for development purposes. By 2009, only 11 per cent of ODA from DAC was in the form of loans, with the Republic of Korea and Japan having the largest shares (54 per cent and 48 per cent, respectively). Most donors provide ODA largely in the form of grants. Over time, grants and the grant element of concessional loans have increased, especially in aid for LDCs, for which the grants plus grant element as a ratio to total ODA reached 99.3 per cent in 2008-2009. The comparable figure for ODA to all recipients was 96.1 per cent, up from 94.3 per cent in 1998-1999.¹⁵

The value of an aid transfer to the recipient increases not only when its financial terms are more like a grant, but also when fewer restrictions are placed on how the money is to be used. The DAC has thus sought agreement from its members that they not require aid funds to be spent on suppliers from the donor country. In 2009, 84 per cent of bilateral DAC aid was classified as untied in this sense. However, according to information provided by OECD, while a number of donors have increased their share of untied aid since the mid-decade, others have reduced it. By 2009, Austria, Italy, the Netherlands and Spain saw their share of untied aid fall below 85 per cent from higher, mid-decade levels. As may be seen in figure 6, less than half of the aid extended by Greece and Portugal was untied in 2009, as was the case with the Republic of Korea, which plans to untie 75 per cent of its aid by 2015. It should be noted that the estimates of untied aid by DAC donors exclude technical cooperation and food aid. With the inclusion of these items, the share of untied aid drops to about 70 per cent on average.¹⁶

In addition, mindful of the MDGs, the international community has placed emphasis on the social sectors in aid allocation. Bilateral aid directed to basic social services has grown over the past decade to reach almost $17 billion in 2009, equivalent to 21 per cent of total bilateral aid—the highest level since 2000 (see figure 1). Furthermore, almost 60 per cent of sector-allocable ODA from DAC donors was devoted to social infrastructure and services in 2009, while 20 per cent was directed towards economic infrastructure and services. The comparable shares in 2000 were 50 per cent and 26 per cent, respectively. “Aid for Trade” is another priority in aid allocation, accounting for about 33 per cent of sector-allocable ODA in 2009. ODA statistics include economic infrastructure, trade and regulatory policy development, building productive capacity and trade-related adjustment assistance under Aid for Trade (see chapter on market access for further details).

The agricultural sector received just 5.3 per cent of sector-allocable aid in 2009. This share is likely to increase in the coming years if the pledges made at the September 2010 United Nations summit on the MDGs to promote “a strong enabling environment for enhancing agricultural production, productiv-

ity and sustainability in developing countries” are fulfilled. Furthermore, the international community has pledged to support LDC priorities in strengthening productive capacity in a number of sectors. If, as projected by OECD and noted above, the future growth of ODA becomes quite constrained, it will be difficult to boost ODA allocations to investment in productive capacity without challenging the present preference for social sector allocation. While aid is not the only source of funding productive investment—and indeed, domestic and foreign private flows generally carry most of the burden—the contribution of aid-financed, productivity-enhancing public investment in developing countries is essential. The foregoing underlines the difficulties that donors face in meeting multiple priorities in an environment of weakening growth in their aid volumes, a situation which, in turn, poses the threat of continued shortfalls in meeting internationally agreed targets.

Increasing aid effectiveness

Concerns about how to increase the degree to which ODA accelerates development are as old as ODA itself. In fact, the global commitment to make aid more effective gathered momentum after endorsement in the “Monterrey Consensus”...
in March 2002.\textsuperscript{19} Subsequently, the DAC led a special effort to strengthen aid effectiveness through informal international dialogue between donors and recipients, first in the Paris Declaration on Aid Effectiveness in 2005 and then in the Accra Agenda for Action in 2008. A large number of countries committed to taking action to implement the principles of these documents, particularly by promoting recipient ownership of aid-assisted programmes and projects, alignment of donor efforts behind national strategies, harmonization of donor in-country efforts to streamline administrative processes; and, more generally, by managing for results and recognizing the mutual accountability of donors and recipients for ODA outcomes. The specific commitments undertaken by the participants in those meetings were to be implemented by 2010, and the Fourth High-level Forum on Aid Effectiveness in Busan will both assess implementation and help to define a new framework for aid quality.

Meanwhile, it is being recognized more and more that improving the quality and impact of development cooperation requires the active engagement of a network larger than the traditional bilateral and multilateral providers of ODA and their recipients. On the one hand, increasingly significant development cooperation is being provided in the context of South-South and triangular cooperation,\textsuperscript{20} in recognition of which the DAC Working Party on Aid Effectiveness hosted a Task Team on South-South Cooperation comprising Governments from the North, some Governments from the South, regional organizations and institutions, and the “Better Aid” network of civil society organizations (CSOs). Similarly, a coalition of CSOs created the Open Forum for CSO Development Effectiveness which, at its first global assembly in Istanbul from 28 to 30 September 2010, adopted a set of eight CSO development effectiveness principles (the “Istanbul Principles”) on issues including human rights, gender equality, democratic ownership and environmental sustainability.\textsuperscript{21}

Parallel to these ad hoc processes, since its creation in 2007, the United Nations Development Cooperation Forum (DCF) has developed into the principal opportunity for global policy dialogue on the quantity and quality of development cooperation and ODA policy coherence. The debate and activities among the broad range of development cooperation actors under the DCF complement those under the Paris and Accra initiatives. For example, DCF discussions have pointed to some areas of concern for developing countries and other development cooperation actors that need to be addressed in greater detail in the aid effectiveness agenda (such as flexibility, conditionality and concessionality).\textsuperscript{22} DCF activities include the second survey on mutual accountability between donors and programme countries and aid transparency at the country level, which was undertaken in cooperation with the United

\textsuperscript{19} See Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002 (A/CONF.198/11, chap. 1, resolution 1, annex), para. 43.
\textsuperscript{22} See United Nations, “Development cooperation for the MDGs”, op. cit., p. 23.
Nations Development Programme (UNDP) and complements the Survey on Monitoring the Paris Declaration Monitoring. The results of both surveys are to be released after the present report goes to press. The DCF also explores ways in which to strengthen developing-country policy space and capacity in order to define, monitor and better “manage” for results. Indeed, this was a focus of the first preparatory symposium for the 2012 DCF, which took place in Bamako, Mali, on 5 and 6 May 2011.

Since 2010 was the agreed expiry year for the Paris commitments, international political discussion of aid effectiveness will be needed after the High-level Forum in Busan, which will be the last of a planned series of ad hoc political meetings. The conclusions of the Busan forum should be brought to the United Nations, just as the initial Paris meeting grew out of commitments at the United Nations International Conference on Financing for Development. Ensuing discussions, such as those that will take place at the 2012 DCF, could lead to a global consensus at the United Nations on objectives and approaches for a sustained strengthening of the quality and effectiveness of development assistance—which the DCF might be charged with reviewing, drawing upon the expertise and current reporting functions of the DAC, the UNDP, the World Bank and other official and civil society partners in the international community.

**Multiple modalities of development cooperation**

Increasingly, ODA is being complemented by other programmes of assistance, including those provided by developing countries and economies in transition. Some of these countries inform the OECD of their assistance efforts, which were equivalent to $7 billion in 2009—although this is believed to understate grossly the total level of South-South cooperation. A study for the World Bank estimated that non-DAC official assistance was $12 billion to $15 billion in 2008. A study undertaken for the DCF estimated South-South cooperation flows at $15 billion in 2008, an increase of 78 per cent in two years. In addition to South-South Government-to-Government support, there is also a growing, albeit not systematically monitored, philanthropic movement in developing countries that mobilizes large and small volumes of funds for application in domestic and regional cooperation programmes.

Private philanthropy based in developed countries is an increasingly significant source of funding for development cooperation, in terms of both direct transfers to service providers in developing countries and funding of certain multi-donor institutions, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria. Based on survey data of the main types of providers in 14 DAC countries and incomplete data on private assistance that Governments reported to DAC, it is estimated that non-State assistance from DAC member countries amounted to $53 billion in 2009. The United States was the largest national

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source, providing $37.5 billion; this included private and voluntary organizations ($12 billion), corporations ($9 billion), religious organizations ($7 billion), foundations (almost $5 billion), volunteerism ($3 billion) and universities and colleges ($2 billion).26

Given the global growth and concentration of private wealth of recent decades, even greater efforts are possible. Thus, major philanthropists are encouraging other wealthy individuals to join them in increased giving for development—illustrated most famously by the visits of Bill Gates and Warren Buffett to India in 2011 and to China in 2010.27 Indeed, it has been estimated that 1,210 individuals in the world have at least $1 billion in wealth.28 Together, these individuals hold $4.5 trillion in wealth, a small portion of which they might devote annually to development and poverty eradication without impairing their standard of living or the prospects of continued growth of their wealth.

Even with these growing private voluntary efforts, the scope of additional expenditure needs by authorities accountable to citizens in donor and recipient countries far exceeds the amount that domestic public revenues and international official assistance has thus far mobilized, especially when account is taken of essential environmental mitigation and adaptation expenditures that are above and beyond the usual focus of official development cooperation. Ways to mobilize additional public funds to supplement the traditional mechanisms of domestic taxation and ODA are being considered internationally under the rubric of “innovative mechanisms”. Some have already been implemented, such as the air ticket levy and the International Finance Facility for Immunisation.29 The United Nations General Assembly has taken note of the potential of innovative mechanisms to add substantial resources on a stable, predictable and voluntary basis and will hold a special meeting in this regard in late 2011.30

One innovative mechanism that has been attracting particular interest of late is the financial transaction tax (FTT). This would be paid by actors making any of a range of financial transactions in countries that participated in the mechanism. The tax could be a very small charge that would, given the very large daily volume of financial transactions, raise quite substantial sums for development and have a minimal impact on prices for financial services and a very low administrative cost.31 A simple argument against the fairness of the tax is the following: the wealthy engage in far more financial transactions than

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26 Ibid., p. 9.
30 General Assembly resolution 65/146 of 20 December 2010.
the poor, especially non-cash transactions; the tax would therefore fall mainly on wealthy people, who will undoubtedly strongly oppose it. Perhaps with some such political struggle in view, the proposal is called the Robin Hood tax in the United Kingdom.\textsuperscript{32}

While additional conceptual and practical work is needed to develop the mechanisms and decision processes for allocating the funds that would be collected, a number of Governments have expressed interest in advancing the FTT proposal, including Austria, Belgium, Benin, France, Germany, Japan, Norway and Spain; all members of the Leading Group on Innovative Financing for Development have expressed support.\textsuperscript{33} Indeed, in March 2011, the European Parliament adopted two resolutions calling upon member States of the EU to introduce a low-rate financial transactions tax which could generate an estimated 200 billion euro per year for European Governments. In the absence of global support for imposing such a tax worldwide, the resolution calls upon the EU to introduce it at the European level as a first step.

The EU resolutions also call for more measures to reduce tax evasion and tax fraud, and for more tax-related development assistance from EU member States to boost revenue and efficiency in developing countries. This stems from recent studies suggesting that as much as 800 billion euros are lost annually from developing countries owing to tax havens and illicit financial flows.\textsuperscript{34} Indeed, having people pay their taxes would be, in many cases, a major source of financing for development and an important innovation.

\begin{table}[h]
\centering
\begin{tabular}{|c|}
\hline
\textbf{Policy recommendations} \\
\hline
\begin{itemize}
\item Governments must, as an immediate priority, eliminate the gap between their commitments and the delivery of ODA, in order to keep the promise of the Millennium Declaration to developing countries, especially the least developed among them
\item All donors should provide detailed, multi-year intentions for country programmable assistance so as to enable ODA-recipient countries to strengthen the forward planning of their national development strategies and predictability in their development interventions
\item Donors and individual programme countries need to make additional joint efforts to improve the coherence of cooperation among one another and with respect to international development goals and principles, with a view to strengthening mutual accountability and transparency
\end{itemize}
\hline
\end{tabular}
\end{table}

\textsuperscript{32} See http://robinhoodtax.org.


The United Nations Development Cooperation Forum should discuss the issues addressed at the forthcoming Fourth High-level Forum on Aid Effectiveness in Busan, Republic of Korea, with a view to developing a global consensus on ways in which to improve the quality, effectiveness and coherence of all international development cooperation efforts.

While welcoming and further encouraging deepening South-South cooperation and growing domestic and international philanthropy for development, along with private investment inflows, all stakeholders must ensure that such flows are fully aligned into receiving countries’ development plans within mutual accountability frameworks.

The international community should make efforts to accelerate further the growing momentum of recent years to create, implement and govern innovative sources of financing for development, including through consideration in the United Nations General Assembly—as planned for in late 2011—as well as in regional and other forums.
Market access (trade)

We commit ourselves to … fully supporting and further developing a universal, rules-based, open, non-discriminatory, equitable and transparent multilateral trading system

United Nations, General Assembly resolution 65/1

At the High-Level Plenary Meeting of the General Assembly on the Millennium Development Goals (MDGs) in September 2010, world leaders reiterated the important role of trade as an engine of growth and development, and acknowledged the contribution of trade to the attainment of the MDGs. In November 2010, the Group of Twenty (G-20) major world economies, meeting in Seoul, Republic of Korea, reiterated the commitment made at the September MDG summit, towards fighting protectionism. They also recognized “a critical window of opportunity” in 2011 for bringing the Doha Round of multilateral trade negotiations towards an ambitious, comprehensive and balanced conclusion.

In spite of political statements in support of concluding the Doha Round, significant divergences on key issues remain among members of the World Trade Organization (WTO). These have put the Round’s successful conclusion “at serious risk”, thereby raising concerns about the implications of a Doha failure for the future of the multilateral trading system embodied in the WTO. The Doha impasse also stands in the way of making progress in the market access targets of MDG 8. Meanwhile, although Aid for Trade has been embraced as a major component of official development assistance (ODA), trade policy measures by development partners continue to portray a mixed picture in terms of supporting development. Meanwhile, the fragile global economic recovery and volatile international commodity prices present challenges for developing country policy-makers.

The fragile global recovery and its impact on trade

Trade is essential for the accelerated economic growth required by developing countries to increase incomes and reduce poverty. The global crisis caused the volume of developing-country exports to drop by 9 per cent in 2009, but it bounced back in 2010, increasing 13 per cent on the strength of a robust recovery in Eastern and Southern Asia. The developing-country export volume is forecast to grow by about 8 per cent a year in 2011 and 2012, which does not compare favourably with the annual average of 10.6 per cent during the three years before the onset of

1 General Assembly resolution 65/1 of 22 September 2010.
the crisis in 2008. Worldwide, the crisis led to an increase of almost 28 million unemployed between 2007 and 2010, with little hope of this figure reverting to pre-crisis levels in the near term. Most job losses in developing countries were in export sectors, forcing more workers into vulnerable jobs with lower pay, albeit temporarily for many, as employment has been recovering faster in developing than in developed countries. In addition, international commodity prices have been highly volatile, delivering terms-of-trade gains to exporters of fuels, minerals (both of about 5 per cent) and agricultural commodities (1 per cent) in 2010. However, exporters of manufactures experienced a small terms-of-trade loss (1 per cent), as did net food importers that do not export oil or mining products. Given the volatility in commodity prices, these gains and losses can easily be reversed.

Many developing countries are highly vulnerable to the gyrations in international commodity prices as they are heavily reliant on a few commodities for their export earnings. The least developed countries (LDCs) show a particularly high concentration of exports in a few commodities, and their dependence on them has increased during the last decade. The average export concentration index for LDCs increased from 0.23 in 1995 to 0.54 in 2008—well above that of other groups of developing countries. LDCs are thus particularly vulnerable to external shocks.

LDCs fell further behind in world trade as their share of world exports fell to less than 1 per cent in 2009. However, LDCs did increase trade with other developing countries, especially with dynamic economies in Eastern Asia. The share of LDC exports to developing countries increased to 49 per cent in 2009, up from 45 per cent in 2006.

**Trade finance**

Following the outbreak of the financial crisis and the tightening of credit markets, trade finance dried up, thereby impacting developing-country trade. In response, at its 2009 Summit in London, the G-20 committed itself to mobilizing $250 billion for trade financing within two years. In the first year after the initiative, additional trade financing of $170 billion was mobilized, mainly through export credit agencies. Expert discussions convened by the WTO have revealed that the trade finance market has improved considerably since the second quarter of 2009. Yet, low-income countries in particular, especially those in sub-Saharan Africa, continue to face difficulties in accessing trade finance at an affordable cost.

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7 The measure of export concentration reported here is the Herfindahl-Hirshmann Index of export product concentration defined on a scale from 0 to 1. A value of 1 represents complete concentration in just one product, while a value approaching 0 would mean complete diversification across products (see United Nations Conference on Trade and Development (UNCTAD), The Least Developed Country Report 2010: Towards a New International Development Architecture for the LDCs (Geneva, 2010)).
Market access (trade)

Only one third of the 60 poorest countries in the world benefit regularly from the services offered under trade finance programmes. Without international risk mitigation programmes for these countries, local importers face very high fees and collateral requirements.\textsuperscript{10} Priority should thus be given to strengthening and extending trade finance facilitation programmes.

**Trade-restrictive measures**

The fear that widespread protectionism might result from the crisis has not materialized. Nevertheless, some countries did take measures that restricted trade. The trade coverage of such measures increased only slightly, from 1.0 per cent of total world imports in 2009 to 1.2 per cent in 2010.\textsuperscript{11} Moreover, the number of trade restrictive measures adopted by the G-20 economies increased at a faster pace over the six months ending in April 2011 than they had done in previous periods, thereby increasing the pressure on their commitment to resist protectionism.\textsuperscript{12}

The majority of new measures included increases in tariffs, other import-related taxes and non-tariff measures, as well as the initiation of trade remedy investigations\textsuperscript{13} that may lead to the imposition of additional tariffs on imports. Further trade distortions emanated from particular measures contained in the economic stimulus packages undertaken by a number of Governments, which led to concerns about their potential impact on open and fair competition. Developing countries, including LDCs, have been adversely affected by such measures.\textsuperscript{14}

According to analysis by the Global Trade Alert,\textsuperscript{15} 141 measures adopted by countries worldwide have affected the commercial interests of LDCs, 70 per cent of which have been taken by G-20 members since November 2008. Tariff increases, export taxes or restrictions, and export subsidies were commonly used. These measures—which affected the key export sectors of LDCs, such as textiles and clothing, leather, sugar and cereal grains—have had a direct impact on trade flows by LDCs; however, an estimate of the value of trade lost by these countries is not available.

The trade restrictive measures have had an adverse effect on the market access benefits for LDCs gained from trade preferences. To address this, greater policy coherence is required and restrictive measures that negatively affect LDCs and other developing countries should be removed.

\textsuperscript{10} World Trade Organization “Expert group meeting on trade finance—22 October 2010”, informal report by the WTO Secretariat (WT/WGTDF/W/49), 26 October 2010.

\textsuperscript{11} World Trade Organization, “Overview of developments in the international trading environment”, Annual report by the Director-General (WT/TPRO/OV/13), 24 November 2010.


\textsuperscript{13} Trade remedy investigations refer to procedures per WTO agreements, to determine whether anti-dumping, countervailing or safeguard measures may be justified.

\textsuperscript{14} UNCTAD, “Assessing the evolution of the international trading system and enhancing its contribution to development and economic recovery”, Note by the UNCTAD secretariat (TD/B/C.1/15), 28 March 2011.

Tighter restrictions on labour mobility

Facilitating the movement of people to work across borders is an important component of a fair multilateral trading system. Recent trends give rise to some concern in this regard. The severe, crisis-related rise in unemployment has exacerbated already sensitive public attitudes towards migration in many countries. A number of destination countries have taken steps to limit inflows of migrant workers. Policies vary across countries, but in general, policymakers have tried to regulate migrant inflows through such measures as adjusting numerical limits on immigrants (quotas, targets, caps), tightening labour market tests to assess the need for foreign labour, limiting the ability of migrants to change their status or to renew permits, applying supplementary conditions to discourage inflows (such as by limiting family unification and humanitarian flows), and providing incentives for return migration. Furthermore, a number of countries have intensified their efforts to curb irregular migration.\(^{16}\) Actions have mainly taken the form of adaptation and tighter application of existing rules.\(^{17}\) Meanwhile, Governments of some countries of origin have adopted a number of measures to protect the rights of migrant workers, such as by lending support for the reinsertion of returnees into their labour markets and helping prospective migrants explore other destinations less adversely affected by the crisis.\(^{18}\)

On balance, migrants have wired less money back home as many saw their wages drop or lost their job during the economic downturn. Total remittances to developing countries fell in 2009, but subsequently recovered to $326 billion in 2010. For LDCs as a group, remittances increased to above pre-crisis levels: from $17.4 billion in 2007 to $26 billion in 2010.\(^{19}\) This is explained by the fact that the main migration corridors for the largest LDC recipients of remittances involve countries less affected by the crisis, such as Bangladeshi workers in India and Saudi Arabia.

The Doha Round at risk of failure

After almost 10 years of negotiations, serious gaps in position stand in the way of concluding the Doha Round. Faced with the possibility of failure, and in an attempt to restore confidence in the process and allow negotiations on the most intractable issues to continue beyond the end of the year, WTO members have shifted their focus towards finding a set of deliverables—an “early harvest”—at the Eighth Ministerial Conference of the WTO, to be held in Geneva, Switzerland, from 15 to 17 December 2011. But finding consensus on the nature and scope of a “deliverables” package is by no means certain. Nor is it likely that the Round will be concluded in the foreseeable future.

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\(^{18}\) International Labour Organization, “Protecting migrant workers”, op. cit.

\(^{19}\) World Bank, Migration and Remittances Factbook 2011 (Washington, D. C., 2010).
Differences among WTO members regarding tariff reductions in industrial products—classified as non-agricultural market access (NAMA)—are the most immediate cause of the impasse. The insistence by some WTO members to bring down the tariffs of emerging countries to the level of developed countries in a number of sectors of export interest to the latter contradicts the mandate of the Doha negotiations. That mandate asked only for reduction or, as appropriate, elimination of tariffs, in particular on products of export interest to developing countries.

Furthermore, only limited progress has been made in the negotiations on agriculture. One concern is the scope of allowed “flexibilities” in meeting obligations to reduce trade barriers on sensitive products identified by the developed countries. Another is the need to ensure a significant reduction of domestic subsidies in developed countries, thereby eliminating space to continue high levels of support to agriculture; this would include cotton, an important sector in many developing countries.

Negotiations on trade in services, which continue through bilateral and plurilateral “request and offer” discussions, have also been slow. Important gaps remain between the requests put forward and the responses received both in terms of sector coverage and access. For instance, offers on “mode 4” of the General Agreement on Trade in Services (GATS) (cross-border movement of “natural persons” to supply a service) do not cover many sectors of interest to developing countries and are subject to residency and nationality requirements, numerical ceilings and economic needs tests, among other restrictions that limit the value of the offer. However, a proposed waiver to allow WTO members to extend more favourable conditions of market access to LDC service exports was a positive sign. Nevertheless, as noted above, the economic crisis led countries to tighten conditions for cross-border labour mobility.

The WTO, through means including its surveillance and judiciary functions, helped prevent a downward spiral of protectionism during the financial crisis and has supported trade liberalization more generally. A failure of the Doha Round might question the degree of international commitment to the multilateral, rule-based system itself. The proliferation of bilateral and regional trade agreements are not a substitute for the multilateral framework. Outstanding issues of interest to developing countries, such as the reduction of agricultural subsidies, are unlikely to be achieved outside this framework. Market access—whether for agriculture, industrial goods or services—for developing countries and, in particular, for LDCs may not improve either, or may do so only at the cost of significant reciprocal concessions. Thus, if an early harvest in the Doha Round could be achieved in December 2011, it would, insofar as it reflects the original Doha commitments, send a positive signal to the world. It should have a strong development component and should produce deliverables in areas of particular interest to the LDCs, such as duty-free, quota-free (DFQF) market access, with simple, transparent and predictable rules of origin, an LDC waiver in services, and elimination of export subsidies and trade-distorting domestic support to cotton production in developed countries.

The Global Partnership for Development: Time to Deliver

Market access indicators

A significant share of the value of exports from developing countries is now imported free of customs duties in developed markets. Progress in increasing the duty-free share has been much slower for LDCs than for other developing countries. For LDCs, this share, which was initially above average but which has seen little improvement since 2004, has converged towards the average for all developing countries, at about 80 per cent of exports, excluding arms and oil (figure 1). With 20 per cent of exports still facing tariff barriers, significant impediments to developing-country export growth remain.

Tariff barriers and tariff preferences

Tariffs imposed on developing-country exports have continued on a decelerating downward trend (figure 2). The recent progress has been the result of several initiatives, such as the full incorporation by the European Union (EU) of rice and sugar under the Everything But Arms initiative.

Sub-Saharan African countries benefit from low average tariffs for their exports. In 2009, these stood at 4.5 per cent for agriculture, 1.6 per cent for clothing and 2.9 per cent for textiles. In contrast, higher tariffs were paid on imports from Eastern Asia than on those from other regions. The average tariff on imports from Eastern Asia was 11 per cent for both agricultural products and clothing and 6 per cent for other textiles. The average tariff on agricultural products imported from LDCs was 1 per cent in 2009; it was slightly above 6 per cent on clothing and was 3 per cent on textiles. The average tariffs levied on LDC exports of clothing and textiles have not changed since 2005, thus showing no overall improvement in this market access indicator.

Figure 1
Proportion of developed-country imports from developing countries admitted free of duty, by value, 2000-2009 (percentage)

Source: ITC, UNCTAD and WTO, based on the Common Analytical Market Access Database (CAMAD).
To a significant degree, these trends reflect the overall liberalization of world trade as more and more products are now routinely imported duty-free under most favoured nation (MFN) treatment. Under the Information Technology Agreement (ITA), MFN duty-free treatment includes not only raw products, but also manufactures such as electronic equipment. Indeed, in 2009, no duties were paid on 78 per cent of developing-country exports to industrial countries (excluding oil and arms); of these, 59 per cent were the result of MFN treatment and 19 per cent were as a consequence of “true” preferential treatment in 2009.\(^{21}\)

In the case of the LDCs, no duties were paid on 80 per cent of their exports to industrial countries, 27 per cent of which fell under MFN treatment and 53 per cent under true preferential access (a level unchanged since 2006). Not only are tariff preferences differentiated by country group but product coverage of tariff preferences is also uneven. For example, only 11 per cent of Eastern Asian exports receive true preferential treatment. This is mainly due to the exclusion of textiles and clothing from some preferential schemes, particularly for exports to the United States of America. However, the low share is also the result of bilateral and regional trade agreements from which they are excluded.\(^{22}\) Owing to exclusion and different tariff rates on different products, average tariffs differ by export categories. Figure 3 shows such differences for LDC exports.

Because of the special preferences granted to low-income countries, their margin of preference, measured as the difference between the lowest tariff they have to pay and MFN treatment, is larger than that of other developing countries.

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\(^{21}\) True preferences refer to the proportion of imports that benefit from duty-free access other than products benefiting from duty-free treatment under the most favoured nation (MFN) regime.

In 2009, this preferential margin was 5.9 percentage points for clothing, 4.7 for agriculture and 3.1 for textiles. This margin has remained stable over time, except for agriculture, where it increased because developed countries are giving deeper preferences on generally lower MFN tariffs.

Moreover, available market access preferences are not always fully utilized by exporters. The average rate of utilization of LDC preferential schemes in selected developed countries (Australia, Canada, the EU and the United States) was 87 per cent in 2008. It is lower in the EU (81 per cent) and higher in the United States (93 per cent), but applies to a smaller range of products. Apart from the exclusion of certain key export products and low preferential margins, it appears that low utilization results from uncertainty regarding the predictability of the preferences, capacity constraints related to products for which preferences have been granted, non-tariff barriers and complicated rules of origin. On the other hand, while research by the International Monetary Fund (IMF) suggests that extending DFQF treatment to all products from all LDCs by developed and emerging economies could boost exports from LDCs by $10 billion per year, such an increase in exports would represent only 0.02 per cent of developed countries’ total imports and would likely have no significant impact on their economies. In the case of emerging economies, the aggregate domestic impact, although not very significant either, would require setting a pace and timeline consistent with these countries’ economic development needs.

To ensure that tariff preferences are given to only qualifying exporters, importing countries apply “rules of origin” in order to exclude non-qualifying

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**Figure 3**

*Average tariffs of developed countries on imports of key products from LDCs, 2000 and 2009 (percentage)*

<table>
<thead>
<tr>
<th>Product</th>
<th>2009</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Textiles</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** ITC, UNCTAD and WTO, based on the Common Analytical Market Access Database (CAMAD).

**Note:** Market access is based on the best applicable tariffs (MFN and preferential treatments granted to LDCs and developing countries). Average tariffs were weighted using a standard export structure based on 1999-2001 data in order to limit the impact of year-to-year changes in export composition and relative prices on the indicators.

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23 World Trade Organization, “Market access for products and services of export interest to least developed countries”, Note by the Secretariat (WT/COMTD/LDC/W/48/Rev.1), 9 March 2011.

24 Ibid.

goods. The way in which these requirements have been defined and applied has determined the degree of ease with which LDCs have been able to benefit from preferential schemes, particularly in the case of certain manufactured goods such as apparel. Certain rules, such as those that require LDCs to manufacture apparel products for export using yarns rather than fabric (the “double-transformation” rule), have been particularly constraining for the LDCs concerned. In this regard, some improvements in rules of origin have been made in some preference-granting countries. For instance, the EU introduced new rules of origin for its Generalized System of Preferences in January 2011, including LDC-specific rules on manufactured goods. A large number of apparel products are now subject to “single transformation” origin requirements which allow the use of imported fabric to make apparel. This has made it easier for LDC exporters of textiles and clothing to qualify for preferential treatment. On the other hand, the introduction of new administrative procedures proposed for implementation in 2017, which shift the commercial and financial burden of verifying origin to exporters and importers, may have implications for the effective utilization of preferences by LDCs.

Tariff peaks and escalation

Concerns relate not only to the average tariffs imposed on imports, but also to the structure of rates in tariff schedules. The application of different rates on different imported products causes differential trade distortions. One such concern is tariff “peaks”, which refer to situations where tariffs on some products are at levels considerably above the usual rate. In table 1, tariff peaks are defined as individual tariffs of more than 15 per cent. The table shows very little change in the application of tariff peaks in high-income countries of the Organization for Economic Cooperation and Development (OECD), which have affected on average 9 per cent of tariff lines over the past decade. The majority of tariff peaks can be attributed to agricultural products, where they remain high, at 35 per cent of product lines. The Tariff Trade Restrictiveness Index (TTRI), developed by the World Bank, confirms that high-income countries applied the highest tariffs on agricultural products in 2008. Upper-middle-income countries had the lowest tariffs on these products.

Tariff “escalation” is another concern. It refers to a tariff scheme in which higher rates are charged on finished and intermediate products than on primary inputs. Overall, the degree of tariff escalation did not change in the second half of the 2000s, although the tariffs applied to finished agricultural products continued to be much higher than for raw agricultural products. Tariff escalation encourages the domestic processing of imported primary products, turning them into intermediate or final goods that have higher protection. In so doing, it discourages primary product exporters from moving into higher value-added exports, typically leaving them with high primary product export concentration and hence highly vulnerable to commodity price volatility.

26 The TTRI summarizes the trade policy stance of a country by calculating the uniform tariff that will keep its overall imports at the current level when the country has, in fact, different tariffs for different goods. Unlike trade-weighted average tariffs, the TTRI takes into account the importance of each good in total imports, as well as the responsiveness of the import of each good with respect to tariffs.
The Global Partnership for Development: Time to Deliver

Agricultural subsidies in OECD countries

Governments tend to support domestic producers through tariffs and subsidies. Subsidies are not necessarily provided with the intention of trade protection, but in practice they have the same effect as they give a competitive edge to domestic producers. Agricultural support measures by OECD countries are a prime example of such implicit trade protectionism.

Support to producers in the agriculture sectors of the OECD countries increased as a percentage of farm receipts in 2009, but fell back below 2008 levels in 2010 (table 2). The increase in 2009 constituted a break in the modest but steady downward trend seen since 1986. The OECD Secretariat reports that “the most distorting forms of support … still dominate in the majority of OECD countries”. Such support has a strong adverse impact on the production and trade of developing countries, including the LDCs. The support measures counteract the potential welfare gains brought about by enhanced ODA from OECD donor countries and are inconsistent with efforts to enhance the trade capacities of developing countries in agriculture, including through Aid for Trade.

Other non-tariff measures

With lower tariff barriers, non-tariff measures (NTMs) have become more important as forms of protectionism affecting developing-country exports. Customs and administrative procedures, technical measures, domestic regulations, rules of origin, and export subsidies (whether or not WTO-compatible) limit market access for developing countries, especially LDCs.

Non-tariff measures also affect trade in services, although such barriers are complex and difficult to quantify. They relate to investment and complex behind-the-border regulations that tend to differ by sector. While trade liberalization in

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**Table 1**

<table>
<thead>
<tr>
<th>Tariff peaks(^a)</th>
<th>1996</th>
<th>2000</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>All goods</td>
<td>10.4</td>
<td>9.2</td>
<td>9.5</td>
<td>9.5</td>
<td>9.3</td>
<td>9.0</td>
<td>8.9</td>
<td>8.8</td>
</tr>
<tr>
<td>Agricultural</td>
<td>35.4</td>
<td>33.4</td>
<td>37.6</td>
<td>37.6</td>
<td>37.4</td>
<td>37.5</td>
<td>36.5</td>
<td>34.6</td>
</tr>
<tr>
<td>Non-agricultural</td>
<td>4.0</td>
<td>3.1</td>
<td>2.2</td>
<td>2.3</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
</tr>
</tbody>
</table>

**Tariff escalation\(^c\)**

| All goods           | 1.1  | 1.0  | 0.1  | 0.2  | 0.1  | 0.1  | 0.1  | 0.1  |
| Agricultural        | 13.4 | 12.6 | 10.7 | 10.7 | 11.2 | 11.8 | 11.2 | 9.8  |
| Non-agricultural    | 2.4  | 2.1  | 1.6  | 1.6  | 1.3  | 1.4  | 1.4  | 1.2  |

**Source:** International Trade Centre.

\(^a\) Aggregated values over countries are the weighted average by share in world imports.

\(^b\) Proportion of total tariff lines in a country’s MFN tariff schedule with tariffs above 15 per cent.

\(^c\) Percentage-point difference between the applied tariffs for finished (or fully processed) goods and the applied tariffs for raw materials. Prior to aggregation over countries, the country average is a simple average of Harmonized System six-digit duty averages.

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services may generate economic efficiency gains, it may not be realized without coordinated regulatory reforms and additional policies.²⁹

The results of a survey conducted among developing-country exporting companies by the International Trade Centre (ITC) indicate that “technical measures” are perceived to be the most challenging impediments, possibly owing to the complexity of the measures and their lack of transparency.³⁰ Such technical requirements on products may be set by Governments or private entities.

Standards are necessary, but they also need to be properly applied. For example, environmental standards can be effective in accelerating technological transformation for sustainable development both in developed countries and, coupled with appropriate cooperation schemes, in developing countries.³¹ The combination of standards and patent protection has implications for the adequate diffusion of environmental technologies, however. It reinforces the need for an enabling environment for the development, adaptation and transfer of environmental technology by developing countries. This would include the adjustment of international trade disciplines.³²

Lack of participation of developing countries in international standard-setting bodies explains, in part, the lack of familiarity with international meas-

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³⁰ The survey covers only trade in goods. For details of the survey methodology, country coverage, and so forth, see International Trade Centre, Market Access, Transparency and Fairness in Global Trade: Export Impact for Good, 2010 (United Nations publication, Sales No. E.11.III.T.1).
³¹ World Economic and Social Survey 2011: The Great Green Technological Transformation (United Nations publication, Sales No. E.11.II.C.1).
³² Ibid., p. 43.
ures and creates the risk that developing countries’ technological capacity and demand structures might not be taken into account when setting international standards. Transparency, and effective participation of developing countries in standard-setting, as well as adequate technical and financial support to adopt and meet technical measures, including environmental standards, remain critical.

The ITC survey results further highlight the importance of inadequate administrative procedures and weak export facilitation as obstacles to developing-country trade. For instance, a study shows that “in Burkina Faso, more than 50 per cent of the 74 companies interviewed experienced trade barriers linked to domestic challenges. Similar preliminary results were found among other surveyed countries. Other obstacles not directly linked to NTMs related to transportation, the business environment and security”.

Indeed, LDC exporters face higher domestic costs of logistics and of handling transactions. Delays in processing paper work and high administrative fees affect export competitiveness. An international comparison of transaction costs confirms that LDC exporters are at a clear disadvantage. They face a much higher waiting time in complying with export procedures. The unit container cost is almost $1,800, which is 63 per cent more than that for exporters in developed countries and 95 per cent more than for exporters in East Asia and the Pacific. Such differences in transaction costs greatly diminish any competitive edge the LDCs might have obtained through preferential trade schemes. Reducing transport costs by improving trade facilitation and transport logistics are critical in helping developing countries better exploit market access opportunities. This need is recognized in the Doha trade facilitation negotiations and in the Aid for Trade initiative.

**Aid for Trade**

With growth of trade envisaged to play a major role in development strategies, donor countries and institutions have given special focus to providing assistance in strengthening developing-country productive and export capacities through initiatives such as Aid for Trade and the Enhanced Integrated Framework (EIF) for trade-related assistance for LDCs. ODA categorized as Aid for Trade increased to a total of $40.1 billion in 2009, the latest year for which data are available (figure 4). This figure represents a 60 per cent increase over the 2002-2005 baseline period. However, the annual rate of increase of Aid for Trade in 2009 slowed sharply to 2 per cent compared to the period since its launch by WTO members in 2005. Economic infrastructure remains the most important component, followed by support to build productive capacities. Sub-Saharan Africa and Asia receive the bulk of the funding allocated to Aid for Trade (figure 5). Aid for Trade to the former increased by $3.5 billion, to a record $12.5 billion, in 2009. In Asia, India and Iraq saw a decline in ODA destined to Aid for Trade. Aid-for-Trade

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Market access (trade)

Market access (trade) commitments to LDCs and other low-income countries represented 49 per cent of total Aid for Trade in 2009. Viet Nam was the largest recipient, followed by India.

The OECD and WTO are leading a review of country experiences in utilizing Aid for Trade, which is to be discussed at the Third Global Review, to be held on 18 and 19 July 2011 in Geneva. National development strategies are pivotal in defining priority needs for building trade capacities. Results of the Global Review in Geneva should feed into the broader review at the Fourth High-level Forum on Aid Effectiveness, to be held in Busan, Republic of Korea, from 29 November

Figure 4
Aid for Trade commitments, 2002-2005 average and 2006-2009 (billions of constant 2009 dollars, left-hand scale; total aid for trade as a percentage of total sector-allocable aid, right-hand scale)

Group of Twenty countries have pledged to maintain Aid for Trade levels

Figure 5
Allocation of Aid for Trade commitments by region, 2002-2005 average, 2008 and 2009 (billions of 2009 dollars)

Source: OECD/DAC data.

Note: Country-allocable Aid for Trade only, excluding multi-country and regional Aid for Trade.
to 1 December 2011, and subsequently, into discussions in the United Nations Development Cooperation Forum in 2012 (see chapter on ODA). The G-20 has pledged to sustain support for Aid for Trade beyond 2011 at a level equal to at least $32.5 billion per year, the average provided during 2006-2008.\footnote{Calculations based on the OECD/DAC Credit Reporting System online database (OECD-CRS).} The effective use of this support depends heavily on the broader policy framework (which includes recipient country national development strategies) for strengthening productive capacity and fostering economic diversification, including through trade.

**Policy recommendations**

Actions at the national and international levels required to ensure improvement in the market access of developing countries include the following:

- Intensifying efforts to conclude a balanced, comprehensive, ambitious and development-oriented Doha Round of trade negotiations
- Increasing support for the development of trade capacities in developing countries, especially for LDCs, through Aid for Trade and the Enhanced Integrated Framework, while ensuring that this support is aligned with national development strategies
- Putting in place and strengthening, where appropriate, trade finance and trade facilitation programmes to ensure LDC and other low-income country access to trade finance at affordable costs; providing support to improve border management and logistics
- Removing trade-restrictive measures adopted in response to the crisis and refraining from introducing new ones, in particular those that have negative effects on the commercial interests of developing countries, especially those of LDCs
- Ensuring, through the multilateral trade framework and by no later than the end of 2011, concrete measures in favour of LDCs, including:
  - Full implementation, by developed countries and developing countries in a position to do so, of the DFQF on a lasting basis for all products and for all LDCs, with simple, transparent and predictable rules of origin
  - An ambitious, expeditious and specific agreement to overcome impediments in cotton trade, in particular through the elimination of export subsidies and trade-distorting domestic support to cotton production in developed countries
  - Preferential market access for LDCs in service sectors and modes of export interest under a WTO waiver
- Accelerating delivery of the commitment to eliminate all forms of agricultural export subsidies by 2013 and agricultural production subsidies in developed countries within a credible medium-term time frame
Debt sustainability

We commit ourselves to … assisting developing countries in ensuring long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief and debt restructuring, as appropriate

United Nations, General Assembly resolution 65/1

External borrowing plays a crucial role in supplementing domestic savings to finance desirable development investments (including essential infrastructure), accelerating economic growth and smoothing macroeconomic cycles. Yet, for many reasons, both external and domestic, and which also include economic and natural disasters, many developing countries have at one time or another accumulated mounting debt burdens and onerous debt-servicing obligations. Prudent macroeconomic policies and public debt management are necessary conditions for maintaining sustainable debt burdens, but despite such efforts, debt sustainability can be derailed by global economic and financial instability and unexpected shocks.

When sovereign debt distress turns into a crisis, the central policy matter becomes how speedily and effectively the workout can return the country to a sustainable debt configuration and how the burden of the workout can be shared between creditors and the debtor, avoiding any undue sacrifice by the population or delay in the achievement of the Millennium Development Goals (MDGs). For these reasons, the outcome document of the High-level Plenary Meeting of the General Assembly on the MDGs (the “MDG summit”)1 underlines the importance of ensuring long-term debt sustainability and reiterates the need for appropriate debt workouts when sovereign debts become unsustainable. Indeed, one concern of policymakers is the uneven treatment of different developing countries in their debt workouts and the uncertainty regarding how future debt crises in poor and middle-income countries will be handled. Despite recognition of the need for enhanced approaches to debt restructuring, no actions have been undertaken to create a comprehensive and efficient international debt restructuring mechanism since the unsuccessful outcome of the discussions on this issue in 2003.

The debt situation and financial flows to developing countries

Although developing countries are leading the global recovery and debt ratios have declined in the aggregate, some countries have found it more difficult to emerge from the recession or are still coping with large deficits and reduced fiscal space, especially given the additional shocks of higher food and energy prices.

1 General Assembly resolution 65/1, adopted on 22 September 2010.
Outstanding external debt of emerging and other developing economies increased 8 per cent in 2010.\textsuperscript{2} Despite this increase, the global economic recovery has helped reduce the average ratio of external debt to gross domestic product (GDP) from 24 to 22 per cent. Multilateral lending continued its countercyclical surge in 2010. The International Monetary Fund (IMF) has made loan commitments totalling more than $250 billion since mid-2008. In fiscal 2010, the World Bank committed to lending $44 billion in non-concessional resources, up from the previous record high of $33 billion in 2009. Concessional flows from the Bank’s International Development Association (IDA) in fiscal 2010 reached $14.5 billion, a 3.5 per cent increase over 2009. Concessional funds from multilateral development banks such as IDA are constrained by the fixed envelope of resources at their disposal. To accelerate their response to the crisis, however, they have boosted flows to the poorest countries by frontloading available resources.\textsuperscript{3}

In part as a result of the surge in borrowing from multilateral lenders, along with increased lending by private sector and emerging market creditors, as well as owing to earlier debt reduction operations for a number of low- and middle-income countries, the share of credits from members of the Paris Club in total debt has become rather small. For low- and lower-middle-income countries, respectively, Paris Club lenders accounted for 20 per cent and 13 per cent of total debt in 2009. The share was only 2 per cent for upper-middle-income countries.\textsuperscript{4} The reduced importance of official creditors united in the Paris Club increases the need for setting up new arrangements for debt restructuring, as discussed further below.

In addition, faced with limited access to concessional finance and pressing development needs, some low-income countries have sought, for some time now, to broaden their access to international lending, and have begun to issue more bonds in international capital markets. The countries involved tend to be those with low debt and debt-service levels; nevertheless, they generally have low credit ratings (that is, grades in the B-/B+ range) and hence face relatively high borrowing costs. That having been said, the risk premium they face varies widely among these countries.

Quite a number of other low-income countries have not been able to overcome their debt difficulties, however, and still have outstanding arrears. The stock of arrears of low-income countries averaged 18 per cent of exports in 2008-2009—although this is down from 31 per cent in 2005. Only six countries account for most of the outstanding arrears.\textsuperscript{5}

\textsuperscript{2} International Monetary Fund (IMF), \textit{World Economic Outlook: Tensions from the Two-Speed Recovery—Unemployment, Commodities, and Capital Flows} (Washington, D.C., April 2011), table B22.


\textsuperscript{4} Calculations based on data from the Paris Club website and IMF World Economic Outlook April 2011 database.

\textsuperscript{5} Cambodia, the Democratic Republic of the Congo, Myanmar, Somalia, the United Republic of Tanzania and Zimbabwe each had arrears of more than $1 billion in 2009, accounting for 77 per cent of the total arrears of low-income countries. Estimates are based on arrears data reported by the World Bank Global Development Finance Databank, available from http://data.worldbank.org/data-catalog/global-development-finance, and on export data published in the IMF World Economic Outlook April 2011 database.
The key indicator of debt sustainability monitored as part of the MDG 8 targets is the ratio of external debt service to exports of goods and services. The latest available estimates, as shown in figure 1, show that the ratio declined to pre-crisis levels for all income groups in 2010. The decline can be explained largely by the generalized recovery of exports.

The dollar value of debt-servicing payments increased in low- and lower-middle-income countries in 2010. However, in about 43 per cent of the countries, debt servicing fell in 2010, while the debt service-to-exports ratio fell in about two thirds of all countries. Indebted countries in the Caribbean and Southern Asia showed no improvement in the ratio in 2010 owing to sluggish export recovery (figure 2). In Oceania, the increase in debt outpaced the increase in exports, resulting in a slight increase in the debt-servicing ratio.

**Figure 1**
External debt service-to-exports ratio, 2005-2010 (*percentage*)

[Graph showing external debt service-to-exports ratio from 2005 to 2010 for different income groups.]

**Figure 2**
External debt servicing-to-exports of goods and services ratio, by region, 2000, 2007 and 2009-2010 (*percentage*)

[Bar chart showing debt servicing-to-exports ratio for different regions and years.]

**Source:** International Monetary Fund (IMF) World Economic Outlook April 2011 database.

**Note:** The debt service recorded refers to actual payments.
The current account of the balance of payments is an indicator of external financing needs, as it must be covered by some combination of net foreign borrowing, net direct and equity investment inflows, and use of reserves. In 2010, the current-account deficit of low-income countries averaged 9 per cent of GDP, much higher than that of lower- and upper-middle-income countries, which recorded deficits of 2.2 per cent and 5.6 per cent of GDP, respectively.\(^6\) Thirteen low-income countries face potential liquidity constraints as their level of international reserves has dropped below the bare minimum value of three months’ worth of imports.

At the other end of the spectrum, a number of emerging economies have seen massive inflows of private portfolio capital, putting upward pressure on their exchange rates and adding to the stock of international reserves. In several instances, the capital inflows are inflating domestic asset price bubbles and adding to inflationary pressures.\(^7\) This, in turn, has increased fears of sudden reversals in capital flows, and an increasing number of emerging economies have adopted capital controls to stem short-term portfolio inflows.\(^8\)

**Progress in the implementation of debt relief initiatives**

In 1996, the international community adopted a specific mechanism for a comprehensive workout from the debt crises of the heavily indebted poor countries (HIPCs), which was later supplemented by the Multilateral Debt Relief Initiative (MDRI). Since June 2010, the Democratic Republic of the Congo, Guinea-Bissau, Liberia and Togo have reached their completion points in the HIPC process and are eligible for irrevocable debt relief under the HIPC Initiative and the MDRI. The Comoros, in the meantime, reached its decision point, which is the interim step in receiving debt relief. As at end-March 2011, 32 out of 40 countries are regarded as being post-completion-point countries and 4 are in between their decision and completion points.\(^9\) The four remaining (pre-decision-point) countries are Eritrea, Kyrgyzstan, Somalia and the Sudan. To become eligible for full debt relief, these eight countries will “require continued efforts to strengthen policies and institutions, and support from the international community”\(^10\).

The HIPC-MDRI process had reduced the debt of 36 post-decision-point HIPCs by over 80 per cent as at end-2010.\(^11\) The debt-relief initiative for the HIPCs has been using targets for reducing debt levels to what is deemed a “sustainable” debt service of no more than 15-20 per cent of exports. In practice, debt relief brought the debt-service ratios faced by most HIPCs significantly below

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6 The data reflects the simple average by group.  
8 See, for example, United Nations, “World economic situation and prospects as of mid-2011” (E/2011/113).  
this threshold. Between 1999 and 2010, the debt service-to-export ratio of the 36 post-decision-point countries as a group fell from 18 per cent to 3 per cent, while the present value of external debt relative to GDP declined from 114 per cent to 19 per cent. The reduced debt burden has, in part, allowed increased spending for poverty reduction. Related expenditures increased, on average, from 44 per cent of revenue (or 6 per cent of GDP) in 2001 to 57 per cent of revenue (or almost 10 per cent of GDP) in 2010.

Not all creditors comply with agreements to provide debt relief to HIPCs. What is more, a number of holders of claims have tried to recover the face value of the loans in court. The number of outstanding litigation cases reached 17 in 2009, of which 1 was a new case (against Kyrgyzstan).

Outside the HIPC Initiative and the MDRI, the Paris Club offered temporary debt relief to Antigua and Barbuda through an agreement that is to reduce debt service by 86 per cent over the three-year period of the IMF support programme agreed upon in September 2010. Jamaica and Seychelles undertook significant debt exchanges in 2010. Jamaica’s debt exchange, covering 47 per cent of public debt, was restricted to domestic debt instruments and domestic resident bondholders. Seychelles’ commercial creditors (which held about 60 per cent of Seychelles’ debt) agreed to a restructuring offer made by the Government in January 2010 to cut the amount owed by 50 per cent. Under the agreement, remaining repayments will be spread over the period 2016-2026. In addition, the Solomon Islands normalized its debt obligations with its creditors, cooperating under the Honiara Club Agreement in September 2010.

Vulnerable countries and countries in debt distress

Based on the most recent joint IMF-World Bank Debt Sustainability Framework (DSF) assessments, the IMF classified 19 countries as being at high risk or in debt distress from the list of countries eligible to draw from its Poverty Reduction and Growth Trust (PRGT). The distribution of countries by degree of risk of debt distress and according to World Bank income groupings is presented in figure 3. Thirteen of them are classified by the World Bank as being in fragile situations and eight of them are post-completion-point HIPC countries. Among these

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12 Ibid.
13 International Development Association (IDA) and IMF, “Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI)—Status of Implementation”, 14 September 2010.
14 Ibid.
17 Since its April 2010 assessment (see IMF and World Bank, “Preserving debt-sustainability in low-income countries in the wake of the global crisis”, 1 April 2010, available from http://www.imf.org/external/np/pp/eng/2010/040110.pdf), the level of risk of Maldives, Saint Lucia, Saint Vincent and the Grenadines and Togo changed to moderate; Liberia went from “in debt distress” to low-risk and there was no new assessment for Eritrea, Myanmar and Somalia, which were previously in debt distress.
The four interim HIPCs, two (the Comoros and Guinea) are classified as being in debt distress and one (Côte d’Ivoire) is at high risk. While the rating of two of the four pre-decision-point HIPCs is unavailable, one of them (the Sudan) is rated as being in debt distress. Zimbabwe, which is not a HIPC, is also in debt distress. Six other non-HIPCs are classified as being at high risk of debt distress: Djibouti, Grenada, the Lao People’s Democratic Republic, Tajikistan, Tonga and Yemen.

The ratio of public debt to GDP is another indicator of debt vulnerability. Although there is no consensus regarding critical levels of this ratio to benchmark loss of sustainability, some researchers have suggested a threshold of 40 per cent for low-income countries. In order to assess the potential risk of a debt crisis properly, this vulnerability indicator needs to be put in context and assessed in conjunction with other influencing factors, such as the composition and the maturity structure of debt, the level of interest rates, inflation, growth prospects and the external economic environment.

In 2009, 11 low-income countries had ratios above the 150 per cent of present value of debt-to-exports threshold for debt write-offs in the HIPC Initiative, suggesting their debt situations are highly vulnerable and that they are facing debt-servicing problems, or will face them in the near future. As figure 4 shows, nine of these countries also had public debt-to-GDP ratios of more than 40 per cent in 2010. Twenty-two lower-middle-income countries also had a ratio of public debt to GDP in 2010 above the critical level of 40 per cent.

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20 The IMF-World Bank Debt Sustainability Framework (DSF) for low-income countries sets a 40 per cent threshold for countries classified as having “medium” policy performance (see IMF and IDA, “Staff guidance note on the application of the joint Bank-Fund debt sustainability framework for low-income countries”, 22 January 2010, p. 9).

21 Eritrea and Guinea are pre-completion-point HIPCs, meaning their debt has been slated for reduction.
Several countries in the Caribbean also exhibit high public debt-to-GDP ratios. As they also face other external vulnerabilities, their situations give reason for concern. On average, across small States as a whole, the recent financial crisis reversed the downward trend in debt burden indicators seen over the previous decade. Public debt has also increased in some emerging economies (for example, in Central and Eastern Europe) and countries in Central Asia, especially the net energy importers among them. Public debt ratios are also high in some middle-income Latin American countries. As much of this debt is denominated in foreign currency, debt sustainability is also highly sensitive to exchange-rate movements.

Albeit with the individual exceptions noted above, the data suggest that there is no imminent systemic crisis looming in the developing world. Much of the increase in fiscal deficits in 2009 was on account of the crisis. As figure 5 shows, fiscal deficits decreased in 2010 in the developing world, as recoveries took hold, but they still remain substantial as a share of GDP, especially in low- and lower-middle-income countries. In some countries where recovery has been weak, and where other pressures like energy and food prices have added to vulnerability, the situation is challenging.

Just as global prospects remain uncertain given the weakness of the recovery in the developed countries and volatility in the markets for food, energy and foreign currencies, so, too, does the outlook for debt sustainability, and there is still considerable risk that conditions could worsen for many countries. The situation thus requires continued careful monitoring.

22 Four of them have a ratio of public debt to GDP over 100 per cent.
Debt sustainability assessments

Low-income countries

The analysis of the debt sustainability of low-income countries is carried out by the Bretton Woods institutions using their joint DSF. Initially, the framework established recommended limits to borrowing in order to maintain debt sustainability. These were addressed particularly to donors who might be able to provide assistance in the form of grants instead of loans. In the aftermath of the global financial crisis, the limits were adjusted to introduce more flexibility. A further review is under way, aimed at improving the analytics of the framework while maintaining its simplicity.

The DSF analysis examines individual country indicators against indicative thresholds that depend, in part, on assessments of the strength of the policies and institutions in the country concerned. The empirical evidence shows that it is actually very difficult in practice to determine the critical threshold beyond which sovereign debt would become unsustainable. Economic situations differ too much from country to country to establish such a threshold unambiguously. In part to reflect such different circumstances, the DSF makes distinctions among low-income countries based on the World Bank’s Country Policy and Institutional Assessment (CPIA), an indicator meant to assess the “quality” of...
Debt sustainability

borrower countries’ policies and institutions. It is a quantitative indicator based on qualitative Bank staff assessments of a range of economic, institutional and social factors that were originally created for purposes other than assessing debt sustainability. To focus on the factors that directly affect debt sustainability, the IMF and the Bank could replace the CPIA in the DSF with indices that relate to debt and macroeconomic management, which would better assess the capacity of the authorities to manage public resources.

The DSF includes “stress tests”, which aim to analyse what may happen should there be a major change in a key economic variable, such as a large devaluation of the currency. However, additional stress tests could be conceived; for example exposure to extreme weather events or a disruption in the expected inflow of aid.

The DSF should also contemplate nationwide—or at least financial sector—asset liability assessments. This balance-sheet approach would consider the Government’s portfolio of assets and liabilities, maturity structure and currency composition. It would facilitate a better understanding of the linkages between internal and external debt and between Government, quasi-public and private obligations that can become Government responsibilities in a crisis. For instance, it would prompt analysts to take explicit account of contingent liabilities, especially in the financial sector. It is crucial that the total liability structure of public and private debt be taken into account when gauging sovereign debt sustainability.

Middle-income countries

The debt sustainability of middle-income countries is currently monitored using the IMF framework for Debt Sustainability Analysis (DSA) for market access countries (MACs). The framework considers that if the debt-to-GDP ratio is either stable or declining, the solvency condition has been met. However, if it stabilizes at a high rate, problems might still arise. In contrast to the DSF for low-income countries, this framework does not use any debt ratio thresholds. One of the reasons for not doing so is that such benchmarking could directly influence the risk premium middle-income countries would have to pay on international loans, whether or not this was warranted by actual country conditions.

Other considerations are also important when analysing MAC debt sustainability. While the measure of external debt in the MAC framework includes private as well as Government obligations (relative to exports), the domestic debt indicator refers only to public debt. A build-up of bubbles in the domestic financial sector would therefore not be tracked, nor would inadequately financed insurance or investor guarantees. As has been observed during the aftermath of the financial crisis, fragile debt positions in the private sector can subsequently

26 The current approach is to shock one variable, keeping the rest constant, and observe the effects on the ratios. Alternative options are to incorporate interactions among the different variables, calibrated based on country-specific data, and create a baseline scenario with confidence intervals. Alternative scenarios, in case certain risks materialize, could then be conducted.

become public sector liabilities. Contingent liabilities, including the banking system, should thus be taken into account, although they are difficult to quantify.

Another important issue is the sustainability framework’s focus on solvency alone, while lack of consideration is given to liquidity risks. Although the framework includes estimates of gross financing needs (that is, borrowing to cover maturing debt and new borrowing), it focuses extensively on ratios involving the stock of debt, de-emphasizing relevant liquidity indicators which would identify currency and maturity mismatches between debt obligations and fiscal resources. While liquidity concerns are a focus in parts of IMF surveillance other than the DSA, this framework could also take account of these factors, along with more disaggregated—and higher frequency—data on the debt stock, including short-term and domestic debt.

In addition, by looking merely at debt-creating flows, analysts could overlook the build-up of asset bubbles generated by non-debt creating capital inflows, which could affect debt sustainability through their impact on macroeconomic variables both during upswings or when those bubbles burst. Further, the mere focus on Government debt could overlook the build-up of fragile debt positions in the private sector. If such positions become critical and lead to bailouts, public sector liabilities are bound to rise as a result. The framework should also include present values of debt. Similarly, both total domestic and external public debt should be covered in the analysis so as to identify unsustainable patterns outside or within the public sector. Contingent liabilities, although difficult to quantify, should also be considered to provide an accurate image of potential debt obligations. Finally, spillover effects in debt, currency and banking problems should also be taken into account to avoid systemic risk.

An inter-agency technical working group should be formed to study these issues and suggest options to improve the frameworks for debt sustainability analysis. This would contribute to helping countries attain, and then ensure, long-term debt sustainability, as called for at the 2010 MDG summit.

**Policy coherence issues in debt sustainability**

The responsibility of low-income countries for the fiscal and financial management of their development is sometimes complicated by insufficient coordination between international institutions and multiple bilateral donors who want to support Government programmes and projects but can offer loans only. One objective of the DSF for low-income countries is to signal when grants should be extended in lieu of loans, but the option of switching the funding mode is not always available to donors. Meanwhile, Governments adopt national development strategies and donors pledge their help towards realizing them. When promises regarding projects are made to citizens but pledged aid is not delivered, Governments are put under pressure to mobilize alternative funding sources, including non-concessional credits. There is thus a disconnect between advising

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28 Morris Goldstein, ibid., p. 9.
29 This would include three months’ worth of imports plus liabilities due in the short and medium term.
30 IMF, “Staff guidance note on debt sustainability”, op. cit.
31 Morris Goldstein, op. cit.
32 General Assembly resolution 65/1, op. cit., para. 78(q).
countries that they should not borrow on non-concessional terms and failing to ensure sufficient aid resources to support national investment plans, such as those in MDG-related programmes.

Enhancing institutional arrangements for debt restructuring

Whenever a default occurs, the creditor groups typically negotiate the best deals, and the solutions are often excessively creditor-friendly and thus costly for developing countries. The final outcome depends on the political strengths of the debtor and its different classes of creditors. Resolution usually takes a long time, especially given the time already elapsed between the onset of debt distress and actual default. The end result is that even after the crisis is resolved, many countries are not in a position to embark on a sustainable growth path.

The outcome document of the 2010 MDG summit called for the consideration of an enhanced approach to debt restructuring, but no action has been taken so far. The current, informal official debt restructuring machinery, which includes the Paris Club, faces many challenges. When the Paris Club was created, there was very little international private lending and little international lending other than by developed-country Governments and international institutions. It thus had a central role to play in sovereign debt restructuring. Today, this role is much less clear. An emerging issue is the absence of a mechanism for new providers of development finance (mainly emerging economies that are playing an increasingly important role in financing other developing countries). The Stiglitz commission report suggested the creation of an international debt restructuring court as the way forward.

In addition, the growing importance of private debt in total external debt poses new challenges for the Paris Club, which requires its debtors to seek comparable treatment from other creditors, including private creditors. Apart from moral suasion and relationship-based outcomes, the fundamentals for private and official non-Paris Club creditors to provide treatment comparable to that of the Paris Club are weak and the agreements non-binding. There is also a potential conflict of interest as regards the advisory role of the IMF in Paris Club debt

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33 See Barry Herman, José Antonio Ocampo and Shari Spiegel, eds., *Overcoming Developing Country Debt Crises* (Oxford and New York: Oxford University Press, 2010).

34 In the Paris Club, the entire process is reported to take from six months to two and a half years, with some creditors reaching agreement faster than others. After agreement is reached in the meeting of the Club, time is spent in bilateral negotiations to agree upon interest rates and define the list of debts covered. The negotiated interest rate can vary from one bilateral agreement to another. In the 1980s, countries came up for rescheduling, even while the last agreement had not yet been completed in the bilateral negotiations. Bond restructuring can be arranged quickly or, as in the case of Argentina, can take several years.

35 The Paris Club has functioned since 1956. Its membership comprises 19 Government creditors, with the IMF playing a significant advisory role in the debt restructuring process. Other creditor countries have been invited to participate in negotiations with individual countries where they have sizeable exposures.

restructuring, since the IMF is a preferred creditor, on the one hand, and a broker between debtors and creditors, on the other.

Private debt restructuring is conventionally undertaken through ad hoc groups, such as the London Club, for commercial bank debt, or sometimes by bondholder committees, formed for bond debt at the time of insolvency. In bond restructuring, a workout is typically accomplished when the debtor makes an offer to exchange defaulted bonds for new ones on reduced terms and the offer is accepted by the requisite supermajority of holders.

A permanent debt restructuring machinery which would invite all creditors to deal simultaneously and comprehensively with a debtor country’s difficulties, as needed, could resolve many shortcomings in the existing system. It should be guided by principles that can be drawn upon in making assessments of a debtor’s ability to pay, such as past payment records, future revenue streams, the ability to withstand shocks and, above all, social imperatives, not least the achievement of the MDGs. An international mechanism could be empowered to adjudicate disputes if informal negotiations fail. Other difficulties that it could address pertain to the delay and attendant high costs in finding a resolution, as well as the lack of comprehensiveness in dealing with all liabilities. The system needs to be fairer and more timely and effective in working out debt problems.

Policy recommendations

To enhance global financial stability and mitigate the impact of high debt burdens on the poor in developing countries, the international community should continue efforts to prevent and manage debt crises. Several policy options to strengthen these efforts should be considered; these include:

- Instituting an inter-agency technical working group on debt sustainability, which would aim at enhancing the analysis and effectiveness of the ex ante frameworks currently in place
- Ensuring debt sustainability by substantially increasing the share of aid delivery to low-income countries that takes the form of grants
- Considering the extension of the HIPC Initiative to all low-income countries in debt distress
- Impeding litigation by those creditors not participating in internationally arranged debt workouts
- Reflecting upon improved effectiveness of debt restructuring and relief modalities, including criteria for the possible use of debt standstills, with a view to developing an enhanced framework for orderly sovereign debt workouts for any country potentially in need
- Convoking, in addition to the technical group on debt sustainability, an inter-agency working group to address pressing debt distress situations until a comprehensive international framework has been elaborated
- Strengthening the capacity for debt management through additional efforts in technical cooperation, especially in countries with weak operational debt management
Access to affordable essential medicines

We commit ourselves to … improving access to medicines … [and] the production of affordable, safe, effective and good quality medicines

–United Nations General Assembly resolution 65/1

Essential medicines are a crucial ingredient for fighting disease; thus, having access to them on affordable terms, though an insufficient requirement in itself, is essential for achieving the health-related Millennium Development Goals (MDGs) and attending to other health needs of developing countries. The analysis in this chapter stresses the critical importance of providing access to essential medicines for both chronic and communicable diseases. Medicines must be accessible to the population in acceptable quantities, dosages and quality, and at affordable prices. Unfortunately, this is not the case in most developing countries, and only modest progress has been made in this regard over the past decade.

Availability and prices of essential medicines

People who are ill must be able to purchase or otherwise obtain essential medicines as needed. This is not typically the case for people in developing countries who rely on public sector dispensing facilities. During the period 2001-2009, essential medicines were, on average, available in only 42 per cent of public sector facilities, while they were available in 64 per cent of private sector facilities (figure 1).\(^1\) Median prices were, on average, 2.7 times higher than international reference prices in the public sector and 6.1 times higher in the private sector.

Limited availability of essential medicines in the public sector is often caused by a lack of resources, under-budgeting, inaccurate demand forecasting or inefficient procurement and distribution. This forces patients to buy (generic) medicines from private providers, which often charge two to three times more.\(^2\) The private sector’s preference for originator brand products further increases the price and makes treatment even more unaffordable. Prices in the private sector tend to be higher because of higher manufacturers’ prices, taxes and tariffs, and high mark-ups in the supply chain.

1 Availability is reported as the percentage of facilities where a product was found on the day of data collection.

Medicines for the treatment of chronic diseases

While the availability of generic essential medicines is limited in general, especially in the public sector, the situation with regard to medicines for treating chronic conditions is particularly poor. This is very worrisome given the fact that chronic diseases are the cause of no less than 40 per cent of all deaths in low-income countries.\(^3\) Indeed, a recent study shows that generic medicines used for chronic conditions were available in only 36 per cent of the facilities in the public sector and 55 per cent of those in the private sector.\(^4\) Moreover, only 27 per cent of respondents from poor households in low-income countries who needed treatment for a chronic condition reported having received it.\(^5\)

While donor funding for essential medicines for non-communicable diseases in developing countries has grown rapidly over the past decade, it still represents less than 3 per cent of total global development assistance for health


\(^4\) Based on a comparison of the availability of 30 commonly used medicines for acute and chronic conditions in 40 developing countries. Alexandra Cameron and others, “Differences in the availability of medicines for chronic and acute conditions in the public and private sectors of developing countries”, Bulletin of the World Health Organization, vol. 89, No. 6 (June), pp. 412-421.

in 2008. Multilateral organizations remain the largest donors, but the greatest increase in recent years has come from private, non-profit donors. Aid for health is crucial, especially in low-income countries where about 15 per cent of health expenditures come from external sources.

In quite a number of developing countries, limited access to medicines used for chronic conditions also results from policy decisions that impede widespread provisioning throughout the public sector (as such conditions may be perceived to be less critical), as well as from technical and resource-related barriers to adapting the health system to the changing epidemiological profile of their populations. The quality of the medicines is often also a problem. For example, a recent survey in Rwanda showed that 20 per cent of hypertension medicines purchased in the market were substandard, while 80 per cent were of insufficient stability. The number of cases of the sale of counterfeit medicines for chronic diseases is also increasing through, for example, unregulated Internet sales.

Finally, challenges remain with regard to the development of evidence-based clinical guidelines for non-communicable diseases, including diagnostic standards and international agreement on criteria for when medicinal treatment should begin. Potential conflicts of interest between the industry, patient organizations, professional associations, health insurances and public sector organizations must be carefully identified and managed when developing such guidelines.

**Paediatric medicines**

Access to medicines for children is another area of concern. A study of key paediatric medicines in 14 African countries found their availability at primary health care clinics to be poor (ranging from 28 to 48 per cent). Availability at retail or private pharmacies tended to be better (between 38 and 63 per cent), but still insufficient.

Barriers to the availability of medicines for children arise from factors on both the supply and demand sides. On the supply side, there are disincentives for manufacturers to produce paediatric formulations. Clinical research of children's medicine is often difficult and costly, and paediatric medicine markets are often small and fragmented owing to the need for weight-specific strengths. Demand-side issues are less well understood, but it has been suggested that barriers to the uptake of paediatric formulations at the country level include the lack of awareness of their existence by facility staff, regulatory barriers and reluctance to use new dosage forms such as dispersible tablets, as well as inadequate standard treatment guidelines and retraining of health-care staff and caregivers.

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7 Marc Twagirumukiza and others, “Influence of tropical climate conditions on the quality of antihypertensive drugs from Rwandan pharmacies”, *The American Journal of Tropical Medicine and Hygiene*, vol. 81, No. 5 (November), pp. 776-781.


Affordability of essential medicines

The majority of medicine purchases are made out of pocket in low- and middle-income countries, making affordability of medicines a key determinant of access. The affordability of individual medicines can be assessed by comparing their costs with internationally established poverty lines. In the estimates presented below, the assessment is expressed, hypothetically, in terms of what share of the population would fall below the income poverty lines of $1.25 and $2 per day (in purchasing power parity (PPP) dollars) after purchasing necessary medicines.

A recent study making such an assessment found that substantial portions of the populations across 16 low- and middle-income countries would be “pushed” below the poverty line as a result of the purchase of medicines, particularly if originator brand products were used (table 1). For example, it was found that in the Philippines, purchasing originator brand treatment for hypertension (Atenolol) would “push” an additional 22 per cent of the population below the $1.25 per day poverty line, compared to 7 per cent if the lowest-priced generic equivalent were available for purchase.

Another way of assessing affordability is to look at the proportion of a household’s resources needed to purchase medicines and its capacity to spend that amount. In the literature, total health-care expenditures are sometimes considered “catastrophic” if they exceed 40 per cent of non-food expenditures. It is assumed that at this threshold, the household may be forced to sacrifice purchasing other basic necessities, sell assets, incur debt or be pushed into poverty.

An analysis of household survey data found that more than one in five households in 22 low-income countries incurred a “potentially catastrophic” level of health-care costs and over 40 per cent had to rely on additional resources to cover the expenses.

Promoting the use of generic medicines

Originator brand medicines generally cost substantially more than their generic equivalents. Patients purchasing medicines in the private sector in developing countries pay, on average, 2.6 times more for originator brands than for their lowest-priced generic equivalent. Generic medicines therefore offer the potential to achieve equivalent health outcomes at lower cost, provided their quality is assured. A study has found that, on average, 60 per cent of the cost could be saved

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12 The study uses estimates of prevalence and assumes prevalence to be evenly distributed throughout the income distribution. In addition, it assumed that the burden to pay for the medicine is additional to the basic household necessities as reflected in the poverty lines.
13 Anita K. Wagner and others, op. cit.
Access to affordable essential medicines

if private providers were to switch from originator brands to the lowest-priced generic equivalents. Similar gains are also possible among public health providers. In China, for example, over $86 million could have been saved by switching to generics in the case of only four types of medicine provided by public hospitals in 2008. It would have saved patients an average of 65 per cent of the actual cost.

However, evidence points to a suboptimal uptake of generic medicines. In pharmaceutical markets where patent protection does not exist, physicians and pharmacists lack incentives to prescribe or to dispense generics. Patients and health professionals also tend to distrust the quality of generic medicines. The efficiency gains from an increased uptake of generic medicines warrant investments in promoting the availability and use of generic medicines and ensuring their quality.

Public health systems

The poorest sections of the population may not be able to afford even the lowest-priced generic products. Ensuring the availability of medicines at little or no cost through the public health system is thus critical to ensuring access for all. An adequately functioning public health system is found to be associated with greater access to necessary medicines and a reduced need to recur to the use of savings or

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borrowing or to selling assets to pay for health care. Furthermore, ensuring that health insurance systems provide widespread coverage of essential medicines may help mitigate the impoverishing effects of medicine purchases.\textsuperscript{17} Public coverage may also discourage inappropriate self-medication through, for example, the use of dated or substandard medicines or partial doses.\textsuperscript{18}

**Global initiatives to improve access to essential medicines**

In addition to the above-mentioned broad strategic measures, a number of steps have been taken to reduce the costs and increase the availability of essential medicines. Further steps may be proposed in September 2011, when the United Nations General Assembly holds its first high-level meeting on non-communicable diseases (NCDs). The summit will bring together Heads of State and Government and public health experts to address the threat that NCDs (chronic diseases) pose to large populations in low- and middle-income countries. While many aspects of measurement, prevention and health promotion will be discussed, a critical element of the summit will be how to improve curative care for which medicines are a key element. The summit should also bring about a better balance between the policy attention given to communicable diseases and that given to chronic diseases.

**Improving access to paediatric medicines**

An example of international efforts to improve access to paediatric medicines has been the UNITAID activities in the area of paediatric antiretrovirals (ARVs). Specifically, UNITAID is fostering the expansion of paediatric AIDS treatment and is working to decrease prices. In cooperation with the Clinton HIV/AIDS Initiative (CHAI), UNITAID has provided predictable funding for large-scale purchases of paediatric ARVs. By thus ensuring minimum order volumes from a reliable funding source, incentives have been created for producers to enter the niche market of paediatric ARVs.\textsuperscript{19} The results have been most impressive: the average number of suppliers per paediatric product has doubled,\textsuperscript{20} the coverage of treatment of children in need increased from 10 per cent in 2005 to 38 per cent in 2008\textsuperscript{21} and the price of quality AIDS medicines for children has dropped by 60 per cent since 2006.\textsuperscript{22}

\textsuperscript{17} Anita K. Wagner and others, op. cit.

\textsuperscript{18} Lucy Gilson and Di McIntyre, “Removing user fees for primary care in Africa: the need for careful action.” *BMJ*, vol. 331, No. 7519, pp. 762-765.

\textsuperscript{19} Brenda Waning and others, op. cit.


Greater involvement of the pharmaceutical industry

As it is the large pharmaceutical corporations that produce most medicines, one strategy to increase access of the poor to essential medicines has been to get these corporations directly involved. The Access to Medicine Index (AMI) project is a multistakeholder initiative that was established in 2005 to identify gaps in access to medicines and the role pharmaceutical companies should play in addressing them. Based on survey results, companies are ranked according to performance scores (summarized in the AMI) in seven strategic areas: access to medicine management, public policy, research, equitable pricing, patents, product development, and donations and philanthropy. First published in 2008, this biennial analysis facilitates the identification and sharing of leading and lagging practices, promotes cooperation and dialogue among all stakeholders, serves as a learning tool for the pharmaceutical industry and assesses progress made since the previous survey.

The 20 largest research-based “originator” and 7 largest “generic” pharmaceutical companies were ranked based on their efforts to provide access to medicines in the 88 countries deemed most in need. Company initiatives in medicine, vaccine and diagnostic product portfolios were analysed for the 33 priority diseases that had caused the largest health burden over a two-year period.

The AMI for 2010 reveals that some companies are increasingly granting external research organizations access to their potentially valuable “early stage” drug compounds, thereby increasing the chances of the successful development of new products for neglected diseases. A prime example is GlaxoSmithKline’s “open lab”, which provides 60 external researchers with the opportunity to access the firm’s expertise, knowledge and infrastructure. Additionally, companies are increasingly embracing collaboration—often with a public partner—for the development of products for diseases that disproportionately affect people living in developing countries.

The index also showed that a growing number of companies are developing innovative approaches. One example of a private-public partnership at the product-supply level is “SMS for Life”. This is a pilot project aimed at reducing or eliminating the incidence of stockouts and improving access to malaria medicine at remote health facilities using short message services (SMS), Internet and mapping technologies. SMS for Life was undertaken during 2009-2010 in three rural districts of the Republic of Tanzania and involved 129 health facilities. The Tanzanian Ministry of Health and Social Welfare, the Roll Back Malaria Partnership, Novartis Pharma AG, Vodafone Global Enterprise and IBM took part in the pilot project.

Some originator companies are also facilitating generic competition for their products through “non-exclusive voluntary licensing” arrangements. This maintains incentives for both originator and generic companies while at the same time expanding access. However, current examples are largely limited to a few products and countries.

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24 For more information, see http://www.gsk.com/collaborations/tres-cantos.htm.
The index also measures the efforts of companies to build local capabilities. One example is that of Novo Nordisk, which is working with local ministries of health to reduce supply chain mark-ups that frequently have a significant impact on the ultimate price paid by consumers.26 Another example is Sanofi-aventis, which is working closely with local regulatory agencies in clinical development and product registration.

The index has also identified some areas for improvement. Although most companies price their products with some consideration for the varying economic situations among countries, relatively few currently attempt to tailor pricing to reflect purchasing power disparities within countries. In addition, when companies engage in more equitable pricing practices, the impact on customers or the firm remains unknown or undisclosed. In addition, stakeholders feel there is currently insufficient disclosure of information in key areas such as marketing and promotional activities, lobbying policies and practices, and intellectual property and competition policies, all of which could have an impact on access to and rational use of medicines.

Innovation and intellectual property

Intellectual property rights can serve as an important incentive for the development of new health-care products, as the exclusive rights granted by patents may allow the patent holders to recover their investment in research and development. However, this incentive alone may not be sufficient to foster the development of new products to fight diseases where the potential market is small or uncertain, as in the case of neglected diseases. Moreover, legislation, policies and measures related to intellectual property protection can either facilitate or hinder access to more affordable generic essential medicines.

Although the majority of medicines on the World Health Organization (WHO) Model List of Essential Medicines27 are off-patent, that is, not protected by patents,28 medicines that are patented can be extremely expensive in the absence of generic competition, as is the case with second-line antiretroviral medicine.29 In addition, up-to-date domestic patent information (which includes information on the filing of an application, the granting of a patent and its legal status) is difficult to obtain in many developing countries. This information is needed for procurement agencies, companies and individuals in order to determine how to procure or manufacture the products or the extent to which they might have to negotiate licences.30

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26 For more details, see http://changingdiabetesaccess.com/Differential_Pricing.aspx.
28 For analysis, see Amir Attaran, “How do patents and economic policies affect access to essential medicines in developing countries?”, *Health Affairs*, vol. 23, No. 3 (May), pp. 155-166, based on the thirteenth WHO model list of essential medicines.
The World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) was adopted in 1994. It requires WTO member States to make patents available for new and inventive pharmaceutical products and processes and to provide a patent term of at least 20 years. However, least developed countries currently enjoy an extended transition period, exempting them from the obligation to protect and enforce rights related to patents and undisclosed information until 1 January 2016.\(^{31}\) The TRIPS Agreement also specifies that protection and enforcement of intellectual property rights should promote technological innovation, as well as the transfer and dissemination of technology, to the mutual advantage of producers and users of such technology and in a manner conducive to social and economic welfare.\(^{32}\)

The Agreement contains provisions which enable Governments to take measures to promote public health and access to medicines. These are commonly referred to as “TRIPS flexibilities”. Some key flexibilities have been reaffirmed by the Doha Declaration on the TRIPS Agreement and Public Health, which proclaims that the Agreement “can and should be interpreted and implemented in a manner supportive of WTO Members’ right to protect public health and, in particular, to promote access to medicines for all”.\(^{33}\) Utilization of the TRIPS public health flexibilities has also been supported by the United Nations General Assembly through the Political Declaration on HIV/AIDS,\(^{34}\) the WHO global strategy and plan of action on public health, innovation and intellectual property and many other international agencies and national Governments. This type of coherence between international trade and public health policies should be strengthened in order to improve access to essential medicines, but it will entail solving the above-mentioned supply- and demand-side problems.

Compulsory licences and Government-use orders to manufacture, import or otherwise deal with patent-protected medicines are among the key TRIPS public health flexibilities. They enable Governments to use a patented invention, or permit its use by a third party, without the consent of the patent holder. They have already been used for domestic production or importation of medicines by many developing-country Governments to reduce the cost of medicines. The production of generic medicines under compulsory licence specifically for export to countries with insufficient or no production capacity in the pharmaceutical sector is also allowed under a special waiver of the WTO.\(^{35}\) The TRIPS Agreement

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35 The Mechanism has been used only once so far, for the export of antiretroviral (ARV) medicines from Canada to Rwanda. See also “Implementation of paragraph 6 of the Doha Declaration on the TRIPS Agreement and public health”, Decision of the General Council of 30 August 2003, available from www.wto.org/english/tratop_e/trips_e/implem_para6_e.htm.
requires prior negotiations with the patent holder before recourse to compulsory licensing, but in the case of public, non-commercial use and in situations where there is anti-competitive behaviour or where there is a national emergency or other extreme urgency, States can waive this requirement. The patent holder must be notified and must receive adequate remuneration based on the economic value of the licence. The United Nations Development Programme (UNDP) and WHO have published guidelines on how this remuneration may be calculated. Some recent examples of compulsory licensing and Government-use licences for essential medicines, including ARVs, are summarized in table 2 below.

The case of India illustrates how intellectual property policy can be used to increase access to affordable HIV medicines in developing countries. By taking advantage of the transition period, India was able to delay the introduction of patent protection for pharmaceutical products until 2005, allowing its generic manufacturers to provide ARVs at substantially lower costs than branded medicines. The Indian pharmaceutical industry is highly export oriented and, by utilizing the transition period, became a major supplier of generic medicine and low-cost ARVs to developing countries. However, a recent study of the impact of the TRIPS Agreement found that Indian pharmaceutical exports will decrease as India has been prevented from producing new generic versions of ARVs and other new patented medicines, thus depriving developing countries of their major source of affordable generic medicines.

The Medicines Patent Pool

The Medicines Patent Pool, established with the support of UNITAID in July 2010, aims to improve the health of people living with HIV/AIDS in developing countries by increasing access to more appropriate and affordable HIV treatments. It does so by negotiating voluntary licences from patent holders of HIV medicines so as to increase generic competition that would drive prices down. In September 2010, the United States National Institutes of Health gave the pool its first licence; currently, the pool negotiates with additional patent holders for key antiretroviral drugs. If successful, the pool could contribute to increased generic competition, reduced prices and simplified treatment regimens, as well

36 See WTO, TRIPS Agreement, Part II, sect. 5, Article 31.
38 For ARV medicines, see Brenda Waning, Ellen Diedrichsen and Suerie Moon, “A life-line to treatment: the role of Indian generic manufacturers in supplying antiretroviral medicines to developing countries”, Journal of the International AIDS Society, vol. 13, No. 35 (September).
41 See “U.S. National Institutes of Health (NIH) first to share patents with medicines patent pool as it opens for business”, 30 September 2010, available from http://www.medicinespatentpool.org/content/download/310/2027.
Access to affordable essential medicines

as new treatment formulations—for children, for example. The Medicines Patent Pool relies on the goodwill of pharmaceutical companies to license their patents to the pool voluntarily.

**Pooled procurement**

Group purchasing or pooled procurement by a number of individual developing countries may help pharmaceutical companies to justify bringing products to market commercially. Recent examples of efforts to seed regional pooled procurements are the Rockefeller Foundation’s Charting a Fairer Course for Intellectual Property Rights programme in sub-Saharan Africa; UNDP and WHO assistance to the East African Community (EAC); and the Southern African Development Community’s (SADC) adoption of a Pharmaceutical Business Plan, which will harmonize a range of drug regulatory issues ranging from treatment regimens, treatment protocols, medicines regulation and intellectual property policy and legislation among the SADC member States. Also, the International Union Against Tuberculosis and Lung Disease created the Asthma Drug Facility (ADF) to provide access to quality assured essential asthma medicines for low- and middle-income countries. The ADF is a procurement mechanism that obtains reduced prices for quality assured products. These low prices mean substantial savings for patients and public health systems.

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African Network for Drugs and Diagnostics Innovation

The African Network for Drugs and Diagnostics Innovation (ANDI) was initiated by the WHO Special Programme for Research and Training in Tropical Diseases (TDR) in 2008 and formally launched in October 2010 in Nairobi, Kenya. ANDI seeks to create a sustainable platform for health-related innovation in Africa by increasing collaboration among African institutions and fostering public-private partnerships within Africa.

Local production of essential medicines

There are some indications that safe and effective medicines can be produced in low- and middle-income countries. The political will to develop local production in Africa seems to exist and the first enterprises that have met WHO prequalification criteria have emerged. The Global Strategy and Plan of Action on Public Health, Innovation and Intellectual Property (GSPOA) calls for increased investment in research and development, as well as in the production of essential medicines. This strategy is to be coordinated by the beneficiary countries. This marks a political consensus that low- and middle-income countries now have to translate into national policies, strategies and activities.

Developing local production capacity has been prioritized in several regional and subregional programmes in Africa, such as the African Union’s (AU) Pharmaceutical Manufacturing Plan for Africa, the 2007-2013 Pharmaceutical Business Plan of SADC, and the draft regional pharmaceutical manufacturing plan of action of the East African Community (EAC), which is currently being finalized.

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49 See “Pharmaceutical Manufacturing Plan for Africa”, third session of the African Union Conference of Ministers of Health, Ministers’ Meeting, 10-13 April 2007 (CAMH/ MIN/8(III)).


The importance of developing local production of pharmaceuticals has also been recognized as a priority at the national level by, for instance, Botswana, Ghana, Kenya and the United Republic of Tanzania. Among the 37 African countries that have some pharmaceutical manufacturing capacity, the largest share of local production belongs to South Africa, followed by Nigeria.

With the exception of South Africa, local production in sub-Saharan Africa is currently limited to manufacturing final formulations, which include analgesics, simple antibiotics and vitamins. Only a few local producers have managed to satisfy WHO pre-qualification requirements that allow them to compete under procurement schemes of medicines funded by international donors to fight AIDS, tuberculosis and malaria. However, Kenyan producers have managed to achieve certification under the Pharmaceutical Inspection Co-operation Scheme (PICS).

Cooperation in local production seems to have been taking place from the earliest stages. The Southern African Generic Medicines Association (SAGMA) was established in 2009 and the East African Pharmaceutical Manufacturing Association was launched in late 2010. A bioequivalence study centre opened in Addis Ababa, and advanced industrial pharmacy training courses are taking place in the United Republic of Tanzania.

Developing countries that invested early on in national pharmaceutical production capacity, such as Brazil, China and India, have already developed the capacity for research and development of drugs and vaccines, and have the necessary infrastructure and personnel in place. Bangladesh is another example of a low-income country with a growing local pharmaceutical industry.

**Policy recommendations**

Making affordable essential medicines more accessible will require stronger measures at the local, national, regional and international levels, as well as greater collaboration between the public and private sectors. This is the only way of adequately addressing the multitude of financial, legal, technological, human resources, supply and distribution challenges. Actions recommended at the national and international levels in order to increase accessibility and affordability of essential medicines include:

- Encouraging national Governments, with the assistance of the international community, to promote the use of quality-assured, low-cost generic medicines over originator brands in low- and middle-income countries, through means such as enhancing confidence in and ensuring their quality, establishing adequately resourced and staffed national regulatory authorities with legal powers to inspect production facilities and medicines, and enforcing quality standards.

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52 See “UNIDO support in fostering local pharmaceutical industry in developing countries, with special regard to essential health products”, Report by the Director-General (IDB.38/15), p. 3.
53 Ibid., p. 7.
54 Ibid., p. 9.
56 Supported by the St. Luke Foundation in the United Republic of Tanzania, Howard University, Purdue University, UNIDO and others.
Policy recommendations (continued)

- Providing essential medicines through the public health system at little or no cost to the poor, while containing any budgetary impact through a variety of measures, such as improved public procurement, social marketing through the private sector, mobilization of foundation support, control of wholesale and retail mark-ups, exemption of essential medicines from taxes, establishment of clinical guidelines that recommend generic products when available, reimbursement measures, differential pricing, local production, and increased use of flexibilities contained in international trade agreements such as the TRIPS Agreement
- Introducing dedicated programmes that focus on essential medicines for non-communicable diseases as part of national medicine policies
- Increasing donor funding for the treatment and prevention of non-communicable diseases in line with the rapidly growing burden of these diseases in poor developing countries
- Encouraging, within the developing countries, regional cooperation in exploring innovation through mechanisms such as the Medicines Patent Pool
- Improving the availability of patent information in developing countries
Access to new technologies

We commit ourselves to … promoting the strategic role of science and technology, including information technology and innovation in areas relevant for the achievement of the MDGs

United Nations, General Assembly resolution 65/1

Countries can raise income levels by increasing labour productivity; one way of achieving this is through the use of more advanced technologies. The development of relevant technology in developing countries and the transfer of advanced technology on appropriate terms from developed economies are thus at the heart of long-run development. Accordingly, target 8.F of the Millennium Development Goals (MDGs) calls upon the international community, in cooperation with the private sector, to make the benefits of new technologies available to developing countries.

While the full range of technologies is important to development, the present report discusses three areas in which significant global technological advances have been made and where sharing those technologies with and among developing countries has been on the international policy agenda: information and communication technologies (ICT), addressing climate change and coping with the potential impact of the rising incidence of disasters.

Access to ICT services

The ICT revolution continues and is spreading in developing countries. There were close to 5.3 billion mobile cellular subscriptions in the world as a whole by end-2010 (up from 4.6 billion in 2009) and the number of Internet users surpassed the 2 billion mark. By contrast, the number of fixed telephone lines decreased by about 1.5 per cent as more people are opting to use only mobile cellular networks or bundled Internet and voice services.1 In developing countries, where fixed-line telephone services have been undersupplied and of poor quality in many locations, the spread of mobile cellular service continues to be rapid, having grown by an estimated 17 per cent between 2009 and 2010. In 2000, developing countries accounted for only about 40 per cent of global subscriptions to mobile services, but by 2010 their share had increased to 73 per cent. Between 2008 and 2009, mobile cellular penetration in developing countries surpassed the 50 per cent mark, and by end-2010, it had reached an estimated 68 per 100 inhabitants (figure 1).

Although the number of subscriptions has increased, Oceania and sub-Saharan Africa are still lagging behind other regions. At the end of 2009, both regions had mobile cellular penetration levels of less than 40 per cent (figure 2).

1 Data from the International Telecommunication Union (ITU), World Telecommunication/ICT Indicators database.
Mobile cellular subscribers in developed countries
Mobile cellular subscribers in developing countries
Internet users in developed countries
Internet users in developing countries

Source: International Telecommunication Union (ITU), World Telecommunication/ICT Indicators database.

a Estimates.

Figure 1
Penetration of mobile cellular subscriptions and Internet users in developed and developing countries, 2000-2010 (percentage of inhabitants)

Figure 2
Number of mobile cellular subscriptions per 100 inhabitants, 2000, 2008 and 2009

Source: ITU, World Telecommunication/ICT Indicators database.
Along with Southern Asia, these two regions are also lagging behind in terms of the number of fixed telephone lines (figure 3). In many parts of the world, mobile networks usually provide an additional communication network, either replacing or complementing the fixed-line network. In important parts of the least developed countries (LDCs), however, only mobile networks are available, particularly in rural areas. For example, in Bangladesh, Burkina Faso, the Democratic Republic of the Congo, Djibouti, Eritrea and the Lao People’s Democratic Republic, over 90 per cent of all fixed telephone lines are in urban areas.\(^2\)

Internet use has continued to grow in both developed and developing countries. Worldwide, Internet penetration rates have increased on average by about 14 per cent per year between 2005 and 2010, but growth has been stronger in developing countries (22 per cent) than in developed (7 per cent). It should be noted that developing-country growth started from a lower base. By the end of 2010, 72 per cent of the population in developed countries had Internet access, compared with 21 per cent in developing countries (figure 1). China alone accounted for over one third of all Internet users in the developing world.

Fixed broadband Internet services have continued to grow and subscriptions are estimated to have reached 555 million by end-2010. Access remains limited in most developing countries, however. As a result, a deep divide in broad-

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band access remained at the end of 2010, with an estimated penetration rate of 24.6 per cent in developed countries and only 4.4 per cent in developing countries (see figure 4 for regional data in 2009). Fixed broadband subscriptions in the developing world are heavily concentrated in a few countries, with China accounting for about half of the total. The number of fixed broadband subscriptions is still negligible in the poorest regions of the world. Although by 2010 almost all LDCs had deployed fixed broadband commercially, the service typically remains prohibitively expensive. This continues to be the case, despite the fact that prices for ICT services, particularly fixed broadband services, have continued to fall drastically. The average price for a fixed broadband service globally dropped 52 per cent between 2008 and 2010, while customers paid, on average, 22 per cent less for mobile cellular services in 2010. While ICT services are becoming more affordable, disparities still persist among regions. Prices for fixed broadband Internet services are particularly high in Africa. In a number of countries in the region, a monthly subscription for a fixed broadband connection costs more than the average citizen earns in a month (figure 5).

The global spread of mobile cellular networks and the shift from 2G to 3G platforms has allowed mobile broadband services to become an alternative to fixed broadband Internet access. While data on the number of people who use only mobile broadband networks to access the Internet are currently not available, the number of potential users is increasing rapidly. Indeed, the number of mobile subscriptions with access to broadband networks overtook the number of fixed broadband subscriptions in 2008 and exceeded 1 billion by early 2011, according to ITU estimates. While mobile broadband penetration levels in developing countries remain relatively low (at an estimated 5 per cent in 2010), high speed mobile technologies and networks will have a potentially big impact on Internet uptake, especially when services become more affordable (figure 6).

Enhancing the development impact of ICT

Discussions of ICT for development traditionally focus on upgrading technology and spreading access to physical ICT infrastructure. Although access to a sufficient range of ICT networks and services is necessary, this condition alone does not provide adequate availability of services. Attention also needs to be given to how information is being provided to ensure that users will actually benefit from it. For example, in many contexts, it is critical that information be made available in local languages. Furthermore, an effective regulatory environment is important to facilitate access, uptake and use of newer technologies by Government entities, the private sector and citizens alike. Traditional barriers to ICT, such as lack of technical skills to deploy new technologies and the high costs of the services, will also need to be addressed.

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4 Ibid.
Figure 4
Number of fixed broadband subscriptions per 100 inhabitants, 2002, 2007 and 2009

Figure 5
Monthly average prices of ICT services by region, 2010 (as a percentage of monthly GNI per capita)

Source: ITU, World Telecommunication/ICT Indicators database.

Privatization and liberalization of ICT

Transparent competition policies are critical. Most ICT services are currently provided through private enterprises. Privatization of State-owned providers has slowed in recent years, in part because of the global economic downturn, which has reduced the number of interested investors and the availability of investment funds. According to the information received in the responses to the most recent ITU annual telecommunication/ICT regulatory survey in 126 countries, State-owned operators are now partly or fully in the hands of private sector owners, with only 34 per cent of those operators remaining fully State-owned. Additional players have entered the market through foreign investment. While more than three quarters of countries worldwide have limited or no restrictions on foreign investment in their national telecommunications/ICT markets, 10 per cent still restrict investment to a minority interest.

Considerable efforts have also been made to foster competition in ICT markets over the past decade. Establishing a separate ICT regulator was one of the main elements of the reform process. By the end of 2010, separate regulators had been established in more than 80 per cent of countries worldwide. In addition, more than 93 per cent of countries allow competition in the provision of Internet services, up from 86 per cent in 2000. Basic fixed telephone services are still lagging behind the other ICT markets in terms of degree of competition, although 70 per cent of countries have introduced competition in this sector over the past decade, up from 38 per cent in 2000. International gateway services, which are an important element in the provision of Internet services, are now...
subject to competition in 81 per cent of countries worldwide. The vast majority of countries (95 per cent) are allowing competition in the market for 3G mobile broadband services.

### National broadband strategies

Ensuring widespread deployment of broadband is complex and multifaceted. Many countries have adopted national broadband plans or policies to this end. In 2010, 70 countries had such a plan and another 35 were about to adopt one. Most plans consider broadband to be an important factor in improving economic, social and human development and in supporting environmental protection policies. Over 40 countries now include broadband in their universal service/universal access definitions. Some countries have even made broadband access a legal right.

Mobile broadband coverage can, among other things, enable the provision of e-health services. An example is the use of low-cost video-conferencing solutions over a communications network. In Bangladesh, for example, this has allowed a health team operating on a floating hospital to seek medical second opinions via teleconsultation. Through the same communication means, local and international specialists were able to support surgical and medical treatment for people in rural communities. Other examples of e-health services include remote health monitoring and real-time telemedicine consultations, video relay services for the hearing impaired and delivery of time-sensitive medical services and content.

Many new ICT innovations build on the potential of mobile phones and communications to connect remote and underserved populations. Even though some of these mobile innovations use simple Short Message Service (SMS) technology, advanced backbone broadband infrastructures are needed for the delivery of such services. Innovative SMS applications have been used to identify counterfeit drugs in Ghana by texting a serial number to verify whether a drug is genuine; to help farmers check market prices so as to enhance revenue by better timing their harvests; to collect clinical information through mobile phones for the purpose of detecting disease outbreaks in India; to increase literacy among adolescent girls in rural areas of Pakistan; and to access mobile financial services in Kenya, the Philippines and South Africa.

### The role of technologies for e-government

The more intensive use of ICT in Government can also play a crucial role in advancing national and local development objectives and in supporting the achievement of the MDGs by improving the quality of public administration. In many countries, online and mobile applications have significantly enhanced transparency, efficiency and the reach of Government operations and services, health care and health information, education and training, employment, job creation, business, agriculture, transport, protection of the environment and management of natural resources, disaster prevention, cultural activities and the eradication of poverty and other agreed development goals.

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6 Ibid.
A review of the World Summit on the Information Society (WSIS) e-government targets shows that the majority of the United Nations Member States have embraced electronic service delivery since the second phase of WSIS in Tunis in November 2005. One survey indicates that 189 of the 192 United Nations Member States had established a central/national Government website by 2010.\(^7\) In addition, most countries have already published large amounts of information online, many going beyond basic websites to offer national portals that serve as a starting point for users to connect to Government services in different ministries. At the same time, progress towards MDG targets could be accelerated through integrating administrative procedures, simplifying e-government development plans and increasing data availability on public sector ICT infrastructure, human resource capacity and supply and demand of e-services. The expansion of transactional services, such as online registration and payments, also has potential for development. However, implementation remains relatively weak in developing countries, and only a few are able to offer many of these services owing to the lack of portals and the ability to secure transactions.\(^8\)

**Enhancing global measurement and monitoring**

Among the issues of concern to WSIS is that of improving the quality and availability of global ICT statistics. One response to this lies in the work carried out by the Task Group on Measuring the WSIS Targets. This Task Group, launched in May 2010, is part of the Partnership on Measuring ICT for Development. One of the main objectives of the Task Group is to track progress towards the achievement of the 10 WSIS targets. These range from connecting villages, universities and schools to ensuring that more than half of the world’s population has access to ICT by 2015, to facilitating increased use of all world languages on the Internet.\(^9\)

Other initiatives have also been established to track the progress of ICT. For example, the Broadband Commission for Digital Development was recently established by the ITU and the United Nations Educational, Scientific and Cultural Organization (UNESCO). During the MDG summit in September 2010, members of the Commission adopted “A 2010 Declaration on Broadband Inclusion for All”\(^10\) which urged national Governments to take measures to ensure universal broadband access. A number of concrete targets have been proposed in this context by the ITU, including the target that by 2015 at least half the world’s population should have access to broadband Internet.

**Access to technology and funding to address climate change**

Developing countries need to protect themselves from the adverse impacts of climate change and build their own sustainable future; they cannot do it entirely...
on their own, given both their financial and technological limitations. It was thus encouraging that, on 11 December 2010, at the sixteenth session of the Conference of Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) in Cancun, Mexico, Parties to the Convention took a key step towards forming a consensus on a global goal by agreeing on national actions and plans to reduce greenhouse gas emissions and assist developing countries in addressing climate change and on support mechanisms to achieve these goals.

In particular, a Technology Mechanism, under the guidance of and accountable to the COP, was established to facilitate enhanced action on technology development and transfer in support of mitigation and adaptation. The mechanism consists of two components: a Technology Executive Committee (TEC) and a Climate Technology Centre and Network (CTCN). The Technology Mechanism is expected to be fully operational in 2012. The TEC will focus on policy and will promote the development and transfer of technology by way of the following functions: (i) providing an overview of technology needs and an analysis of policy and technical issues; (ii) considering and recommending actions that accelerate action on mitigation and adaptation; (iii) recommending guidance on policies and programme priorities; (iv) promoting and facilitating collaboration among Governments, the private sector, civil society and academic and research communities; (v) recommending actions to address the barriers to technology development and transfer in order to enable enhanced action on mitigation and adaptation; (vi) seeking cooperation with relevant initiatives, including activities under and outside the Convention; and (vii) catalysing the development and use of technology road maps at the international, regional and national levels through cooperation among relevant stakeholders.

The objective of the CTCN is to mobilize and enhance global clean technology capabilities, provide direct assistance to developing countries and facilitate prompt action on the deployment of existing technologies. Furthermore, the Centre will encourage collaboration with the private and public sectors, as well as with academic and research institutions, to develop and transfer emerging technologies. To this end, the CTCN will facilitate a system of national, regional, sectoral and international networks, organizations and initiatives and will directly respond to requests by States Parties.

In Cancun, Governments also found new points of agreement on several issues, including some related to fast-start finance and long-term finance. For fast-start finance, developed-country Governments committed themselves to lending more transparency to the provision of the previously agreed $30 billion for the period 2010-2012 by regularly making information available on these funds. In the context of long-term finance, Governments confirmed their commitment to provide scaled-up, new, additional, predictable and adequate funding to developing countries, taking into account the urgent and immediate needs of those countries particularly vulnerable to the adverse effects of climate change. Governments also recognized the commitment of developed countries, made earlier in Copenhagen, to mobilize $100 billion per year by 2020 to address the needs of developing countries. Funds provided to developing countries may come from a wide variety of sources—public and private, bilateral and multilateral, as well as alternative sources.

Governments also agreed to establish the Green Climate Fund, to be designated as an operating entity of the financial mechanism of the Conven-
tion (which is under the guidance of and accountable to the COP), and put in place a design process to be completed in 2011. Furthermore, they established a Standing Committee under the COP, which will assist the COP in exercising its functions in terms of improving coherence and coordination in the delivery of climate change financing, rationalization of the financing mechanism, mobilization of financial resources and measurement, reporting and verification of support provided to developing countries. The specific roles and function of the Standing Committee are yet to be developed.

Funds at the Global Environment Facility (GEF) were replenished in 2010, a portion of which ($1.4 billion) is to be allocated to climate change mitigation from 1 July 2010 to 30 June 2014.\(^{11}\) In addition, private sector resources, suitably guided by international and national public sectors, could make an important contribution to mitigating climate change in developing countries. The carbon market and private investment in clean energy have grown rapidly over the past few years, albeit in only some countries. Still, much needs to be done to strengthen further policy frameworks by providing incentives to attract private finance from domestic and international sources and to divert investments from conventional technologies to climate-relevant alternatives.\(^{12}\)

Current and pledged levels of resources dedicated to adaptation include funds delivered through multilateral and bilateral channels. The Adaptation Fund, established by the Parties to the Kyoto Protocol of the UNFCCC, was set up to finance concrete adaptation projects and programmes in developing-country Parties to the Protocol. The Adaptation Fund’s cumulative receipts (which have been generated through the collection of a 2 per cent levy on eligible Certified Emission Reductions issued through the Clean Development Mechanism, as well as other contributions) were about $240.6 million as at end-April 2011.\(^{13}\) The Special Climate Change Trust Fund was established to finance activities, programmes and measures relating to climate change that are complementary to those funded by resources allocated to the climate change focal area of the GEF and by bilateral and multilateral funding. As at end-August 2010, the total amount pledged was the equivalent of $169 million, which includes $94 million for the Program for Adaptation.\(^{14}\) The Least Developed Countries Fund was established to support a work programme to assist least developed country Parties in carrying out, inter alia, the prepara-

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12 United Nations Framework Convention on Climate Change (UNFCCC), “Investment and financial flows to address climate change: an update” (FCCC/TP/2008/7), Bonn, 26 November 2008. See also World Economic and Social Survey 2011: The Great Green Technological Transformation (United Nations publication, Sales No. E.11.II.C.1) for an extensive discussion of the challenges and comprehensive policy frameworks needed to induce more accelerated progress in developing and diffusing green technologies worldwide.
Access to new technologies

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It is well recognized that collaborative research and development (R&D), involving enterprises, universities, Governments and other entities in one or more countries, is an effective means of contributing to the promotion of the development and transfer of technologies for adaptation and mitigation, particularly for developing countries with limited technological capabilities. A recent review of existing collaborative research and development activities provides information on the key features of collaborative R&D. It also reveals possible gaps in current activities. The review confirms the conclusions of an earlier report, namely that the portfolio of existing R&D programmes focuses mainly on energy technologies, particularly on renewable energy. There are far fewer collaborative R&D activities in industry, transport and energy efficiency in buildings; forestry, agriculture and waste are covered only within more general programmes.

Despite the focus already devoted to energy technologies, R&D funding to create new ones falls well short of what is needed. Various studies indicate that R&D spending on energy requires a manifold increase if it is to meet long-term climate targets. The reviews also reveal that there is weak coverage of the R&D portfolios for technologies related to climate change adaptation. The health and agriculture sectors are covered by R&D portfolios to a certain extent and are characterized by innovative new collaborative R&D approaches. Collaborative R&D initiatives that involve sharing costs among partners are largely absent. For both mitigation and adaptation, international collaborative initiatives have tended to focus more on sharing knowledge and experiences than on actually undertaking collaborative R&D. Another observation from the review is that very few initiatives involve collaboration with the least developed countries, particularly those in Africa. The developing countries that participate most actively in collaborative R&D are from Asia (China and India) and Latin America.

It is strongly recommended that three key goals be addressed to promote collaborative R&D for enhancing technology development and transfer to developing countries: (a) the adaptation or modification of existing technologies and products to local conditions and contexts; (b) the development of technologies and products, including endogenous technologies, for unaddressed needs specific to developing countries; and (c) the development of technologies for medium- to long-term needs.

15 Ibid.
16 UNFCCC, “Report on options to facilitate collaborative technology research and development”, Note by the Chair of the Expert Group on Technology Transfer (FCCC/SBSTA/2010/INF.11), Cancun, 24 November 2010.
17 UNFCCC, “Recommendations on future financing options for enhancing the development, deployment, diffusion and transfer of technologies under the Convention”, Report by the Chair of the Expert Group on Technology Transfer (FCCC/SB/2009/2), Bonn, 26 May 2009.
18 For example, the International Energy Agency, World Energy Outlook 2010 (Paris, 2010) and World Economic and Social Survey 2011, op. cit.
Access to new approaches to disaster risk reduction

Although there is no conclusive evidence that climate change increases the number of disasters, the impact of disasters due to natural hazards continues to increase, particularly in least developed countries.\(^\text{19}\) The incidence of natural disasters has increased fivefold since the 1970s. This increase can, with a fair degree of certainty, be attributed in part to climate change induced by human activity. The frequency and intensity of heatwaves, droughts, cyclones and hurricanes have particularly increased.\(^\text{20}\)

Thus, there is widespread recognition of the urgent need to reduce the risk of disasters caused by natural hazards. Considerable know-how for reducing the risk of disasters exists within every country, at different levels of government and community. This knowledge relates to nearly every type of hazard and is embedded in a broad range of forms, ranging from indigenous customs and practices to information about risks and practical measures to reduce adverse impacts through building types, to early-warning systems and agricultural practices.

Regular reviews of progress in disaster risk reduction know-how, carried out in the context of the International Strategy for Disaster Reduction (ISDR), have highlighted advancements in the use of new technologies such as the probabilistic modelling of risk and disaster impacts. Some progress has also been achieved in the development and use of cost-benefit analyses of disaster reduction strategies. Many innovations embrace existing local knowledge and experience. For example, systematic studies of building damages following earthquakes in Indonesia, in particular to non-engineered buildings such as certain masonry structures, has allowed the identification of simple engineering approaches adapted to local building culture to reinforce houses in high seismic-risk areas.

Advanced technology is being used to understand the risk of natural hazards in Central American countries through the Central American Probabilistic Risk Assessment (CAPRA). CAPRA applies probabilistic techniques to the analysis of earthquakes, tsunamis, hurricanes, floods, landslides and volcanoes. Hazard information is combined with exposure and vulnerability data, allowing the user to determine risk simultaneously on an interrelated, multi-hazard basis. One key innovation is the hybrid risk model that draws upon information on risks associated with low-probability hazards as well as recorded losses from more frequently occurring hazards. These models have been used by the private sector and are only now being used by Governments to assess their entire stock of disaster risk.

A second innovation is the integration of web applications that facilitate participatory exchanges of information and interoperability. Experience has shown that these technologies are at their most effective when integrated; for example, when indigenous early-warning systems are corroborated by scientific

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20 *World Economic and Social Survey 2011*, op. cit, chap. IV.
analysis—and vice versa—and when satellite-based early-warning systems are adapted to local conditions and practices.

The relevance of ICT for disaster preparedness and response was demonstrated following the earthquake in Haiti in January 2010. Using SMS and Global Positioning System (GPS) technologies, volunteers were able to direct rescue teams to survivors trapped under fallen buildings. Similar approaches were used for rapid assessment of the damages, leading to accelerated recovery efforts. This effort was constrained by the fact that the system was set up during the crisis, but in recent months, new networks have been established in advance to make life-saving response efforts more effective.

Despite many gains in developing, codifying and sharing know-how for disaster risk reduction, significant gaps remain. For example, many countries have not collected reliable data on historic disaster losses, save for those concerning major disasters. Owing to this data-collection gap, Governments cannot effectively determine risk levels. Initiatives such as the global “Making Cities Resilient” campaign, launched by the ISDR in May 2010, need to be strengthened. They help bring disaster reduction knowledge to local governments—those most often responsible for managing disaster risks. However, given competing priorities, application of external know-how to the local context can be hindered by the cost of adaptation and investment. Disaster reduction programmes must become part of national development strategies in order to ensure that they are accorded the proper attention.21

Continued assessment of knowledge and practices in disaster risk reduction, as well as modalities for ensuring effective exchange of experiences, are also needed. A good example is the forthcoming Intergovernmental Panel on Climate Change’s special report, “Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation”, which will examine the most effective ways in which to link disaster risk reduction knowledge with climate change adaptation. The report will guide Governments’ action in scaling up efforts to reduce climate-related disaster risks as part of adaptation and development planning.

Policy recommendations

To improve access to new technologies for development, the international community should take the following actions:

- Promote research and development collaboration among private, non-profit and official actors across national boundaries in order to enhance technology development and transfer to developing countries
- Strengthen global monitoring of ICT development and identify and track measurable targets, particularly as regards the evolving needs of developing countries, including through the WSIS and Broadband Commission processes.
- Foster and facilitate the use of the new Technology Mechanism, when it becomes operational in 2012, so as to enhance technology development and transfer to mitigate and adapt to climate change.

21 Ibid.

… but more attention is needed to make countries more resilient
Policy recommendations (continued)

- Ensure that the fast-start and long-term finance commitments for climate change mitigation and adaptation are delivered to developing countries on schedule.
- Support national Governments’ e-health and e-education initiatives and other public sector services in collaboration with the private sector through exchanges of experience and additional financial support.
- Strengthen national and local capacities to reduce natural hazard risks through the continued assessment of knowledge and practices, and support the UNISDR in its efforts to ensure an effective international exchange of experiences, in particular among countries with similar levels of development.
The present report was prepared by the MDG Gap Task Force, which was created by the Secretary-General of the United Nations to improve the monitoring of MDG 8 by leveraging interagency coordination. More than 20 United Nations agencies are represented on the Task Force, including the World Bank and the International Monetary Fund, as well as the Organization for Economic Cooperation and Development and the World Trade Organization. The United Nations Development Programme and the Department of Economic and Social Affairs of the United Nations Secretariat acted as lead agencies in coordinating the work of the Task Force. The Task Force was co-chaired by Jomo Kwame Sundaram, Assistant Secretary-General for Economic Development, and Olav Kjørven, Assistant Secretary-General and Director of the Bureau for Development Policy of the United Nations Development Programme, and coordinated by Rob Vos, Director in the Department of Economic and Social Affairs of the United Nations Secretariat.

List of bodies and agencies represented on the MDG Gap Task Force

- Department of Economic and Social Affairs of the United Nations Secretariat (UN/DESA)
- Department of Public Information of the United Nations Secretariat (DPI)
- Economic and Social Commission for Asia and the Pacific (ESCAP)
- Economic and Social Commission for Western Asia (ESCWA)
- Economic Commission for Africa (ECA)
- Economic Commission for Europe (ECE)
- Economic Commission for Latin America and the Caribbean (ECLAC)
- International Labour Organization (ILO)
- International Monetary Fund (IMF)
- International Telecommunication Union (ITU)
- International Trade Centre (ITC)
- Joint United Nations Programme on HIV/AIDS (UNAIDS)
- Office of the United Nations High Commissioner for Human Rights (OHCHR)
- Organization for Economic Cooperation and Development (OECD)
- United Nations Children’s Fund (UNICEF)
- United Nations Conference on Trade and Development (UNCTAD)
- United Nations Development Programme (UNDP)
- United Nations Educational, Scientific and Cultural Organization (UNESCO)
- United Nations Framework Convention on Climate Change (UNFCCC)
- United Nations Fund for International Partnerships (UNFIP)
- United Nations Industrial Development Organization (UNIDO)
- United Nations Institute for Training and Research (UNITAR)
- United Nations International Strategy for Disaster Reduction (UNISDR)
- United Nations Office for Project Services (UNOPS)
- United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS)
- United Nations Population Fund (UNFPA)
- United Nations Research Institute for Social Development (UNRISD)
- World Bank
- World Food Programme (WFP)
- World Health Organization (WHO)
- World Institute for Development Economics Research of the United Nations University (UNU-WIDER)
- World Meteorological Organization (WMO)
- World Tourism Organization (UNWTO)
- World Trade Organization (WTO)

Cover photo: “We are still waiting” by Stefan Einarsson. Winner of the “Unleash your creativity against poverty” Europe-wide ad competition launched in May 2010 by the United Nations Regional Information Centre in Brussels as part of the United Nations “We Can End Poverty” campaign.