Millennium Development Goal 8

Delivering on the Global Partnership for Achieving the Millennium Development Goals

UNITED NATIONS

MDG Gap Task Force
Report 2008

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 inter-agency coordination. More than 20 United Nations agencies are represented in 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 chaired by Ad Melkert, Under-Secretary-General of the United Nations and Associate Administrator 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.

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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 Monetary Fund (IMF)

International Telecommunication Union (ITU)

Joint United Nations Programme on HIV/AIDS (UNAIDS)

Office of the United Nations High Commissioner for Human Rights (OHCHR)

Office of the United Nations High Commissioner for Refugees (UNHCR)

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 Research and Training Institute for the Advancement of Women (INSTRAW)

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

World Trade Organization (WTO)

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Preface

In September 2000, at the United Nations Millennium Summit, world leaders agreed to a set of time-bound and measurable goals and targets for combating poverty, hunger, disease, illiteracy, environmental degradation, and discrimination against women, and placed them at the heart of the global agenda. World leaders have repeatedly confirmed their commitment to the goals, and to consolidating a global partnership that would improve the lives of poor people around the world within the timespan of one generation.

We have now passed the midpoint between the adoption of the goals and the target date of 2015. There has been progress, but in most parts of the world much more needs to be done. With respect to the eighth goal—to create a global partnership for development—Member States have made concrete commitments focusing in particular on the areas of trade, official development assistance, external debt, essential medicines and technology. Such steps are important in their own right but would also provide critical support for attaining the other goals.

A number of United Nations inter-agency processes track whether goals one to seven are being met at both the global and national levels. But it has proved more difficult to assess whether the global partnership for development is being put in place, and whether international commitments are being fulfilled. For this reason, in 2007 I created the MDG Gap Task Force to consolidate all the available information regarding delivery on those commitments.

This first report of the Task Force makes clear that while there has been progress on many fronts, the delivery on commitments has been deficient and has fallen behind schedule. A shared future for all will not be possible without globally concerted action and strong partnerships. At this midpoint in our work towards meeting the 2015 deadline, it is essential that all partners accelerate their efforts to deliver on the promises they have made.

Ki Moon Ban

BAN KI-MOON
Secretary-General of the United Nations

Contents

Executive summary

The MDG Gap Task Force has assessed the global commitments contained in the framework of the Millennium Development Goals (MDGs) ratified by Governments at the various international events that followed the Millennium Summit. The United Nations Millennium Declaration emphasized that strengthened global partnerships for development were needed to provide the enabling environment for accelerating progress in reducing poverty, improving health and education, establishing gender equality and ensuring the protection of the environment as defined in the MDGs.

The main message of the present report is that while there has been progress on several counts, important gaps remain in delivering on the global commitments in the areas of aid, trade, debt relief, and access to new technologies and affordable essential medicines. The weakening of the world economy and the steep rises in food and energy prices threaten to reverse some of the progress made in the various dimensions of human development. Strengthened global partnerships are needed to avoid any reversal of progress made thus far. In the countdown to 2015, urgent responses are needed to bridge the existing implementation gaps and deliver on the promises to achieve the MDGs.

Official development assistance

There is a large delivery gap in meeting commitments towards the MDG target of **addressing the special needs of the least developed countries …** [and to provide] **more generous official development assistance for countries committed to poverty reduction**.

Efforts to step up official development assistance (ODA) have suffered a setback. In 2007, the only countries to reach or exceed the United Nations target of 0.7 per cent of their gross national income (GNI) were Denmark, Luxembourg, the Netherlands, Norway and Sweden. The average effort by the 22 member countries of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) was just 0.45 per cent of GNI, but when weighted by the size of their economies, total net aid flows from the DAC members represented only 0.28 per cent of their combined national income. Financial assistance to least developed countries (LDCs) also fell short of the commitments made. In addition to the aforementioned countries, only Belgium, Ireland and the United Kingdom of Great Britain and Northern Ireland have met the target of providing aid to LDCs amounting to at least 0.15-0.20 per cent of their GNI; the average for all DAC countries was just 0.09 per cent. Aid flows climbed steadily from 1997, reaching a peak of $107 billion in 2005, boosted by exceptional debt relief in that year. Thereafter, net ODA (in constant prices) dropped by 4.7 per cent in 2006 and a further 8.4 per cent in 2007. Excluding debt relief and humanitarian aid, support for core development programmes has increased by over 50 per cent (in constant prices) since its low of 1997 and by nearly 30 per cent since 2000—the year of the Millennium Declaration—but the pace of this increase has slowed dramatically since 2005.

The 2005 Paris Declaration on Aid Effectiveness represents the most comprehensive effort to date to improve aid coordination and alignment with national priorities. Slow progress has been made in meeting the Paris targets for 2010 that were set in 2005. The Accra High Level Forum on Aid Effectiveness that will take place in September 2008 will provide an opportunity for accelerating efforts to improve the predictability of aid, and for reducing aid fragmentation and high transaction costs in the administration of aid resources. Further progress is also needed in reducing the degree of aid tied to the purchase of goods and services in donor countries and in improving alignment of aid flows with national budgets, thus broadening the policy space for countries to define their own development priorities.

In recent years, non-DAC donors, developing country donors and private funds have increased the availability of financial resources for development. Partial records of total ODA from non-DAC countries estimate an increase (in constant prices) from $1.5 billion in 2000 to $5.1 billion in 2006. Additional efforts will have to be made to improve dialogue and coordination with these new stakeholders to avoid further aid fragmentation and increasing transaction costs among recipient countries.

Current implementation gaps in the delivery of aid flows and slow progress in improving the quality of ODA are early warnings of the risk of not meeting global targets within the time frame set by the MDG agenda and reaffirmed by Member States at subsequent summits and international forums. Urgent action is needed to put aid flows on track to support the achievement of MDGs 1 to 7 in developing countries.

Accelerated progress requires explicit actions, which would include the following:

- Donors should increase aid flows by $18 billion (at July 2008 exchange rates) per year between 2008 and 2010 to support core development programmes in order to meet the agreed targets by 2010. In 2007 total ODA fell short by over $10 billion compared to that needed to ensure a smooth path towards the agreed target;
- In order to provide a manageable path to reaching the committed increase in the annual flow of net ODA to Africa by 2010, donors should allocate an additional $6.4 billion a year at constant 2005 prices to the region (or $7.3 billion per year at July 2008 exchange rates);
- Even if the commitments regarding increased net ODA to Africa are fulfilled, donors should increase further their ODA to LDCs (many of which are in Africa). The total annual flow to LDCs would have to increase on average by $8.8 billion (at July 2008 exchange rates) between 2008 and 2010 in order to reach the target of between 0.15 and 0.20 per cent of each donor's GNI;
- Donors, including emerging donors and recipient countries, should accelerate progress towards the alignment of aid, harmonization, management for results and mutual accountability of aid resources as well as improve dialogue with non-DAC donors to adhere to these principles.

Market access (trade)

Only slow progress has been made in meeting the MDG target of **developing further an open, rule-based, predictable, non-discriminatory trading and financial system** and providing **tariff- and quota-free access for the least developed countries' exports**. One of the objectives of the Doha Round of trade negotiations initiated in 2001 was to address the needs of developing countries according to a "development agenda". Seven years on, the failure to conclude a development round constitutes the largest implementation gap in the area of trade, and arguably within the realm of MDG 8. International efforts must be redirected to complete the Round in accordance with its original intention of being development-focused, and thus of special benefit to the lowest-income countries. This would entail prioritizing market access for developing countries, especially the LDCs, and maintaining the flexibility of developing countries for supporting economic diversification, employment generation and food security.

Additional efforts are required to address the consequences of the erosion of preferential access of LDCs to the markets of developed countries by easing overly restrictive rules of origin, ensuring full product coverage and tackling other supply-side constraints. Accelerated progress is needed to meet the established target of increasing the share of duty-free exports of LDCs to the markets of developed countries to 97 per cent from the current level of 79 per cent.

Member States should make clearer and stronger commitments to expand Aid for Trade resources to assist low-income countries in realizing their productive and export potential and in supporting their efforts to create productive employment. The resources for Aid for Trade and their allocation should be better aligned with specific country needs. Similar efforts to accelerate the implementation of the Enhanced Integrated Framework will facilitate the integration of LDCs into the multilateral trading system by increasing their access to funds under the Aid for Trade Initiative.

The emergence of significant new challenges resulting from high food prices and their impact on poverty and hunger has given additional impetus to recognizing past policy failures in ensuring national and global food security. This has underscored the need for increased investment in agricultural development in developing countries while at the same time removing market distortions in the agricultural markets of developed economies.

To improve market access for developing countries, the international community will need to take the following action:

- Redouble efforts to conclude the Doha Round of trade negotiations, and refocus on the elements that would make it a "development" round;
- Ensure that prospective bilateral and regional economic partnerships provide genuine market access and entry for exports of developing countries, and that they act as "stepping stones" towards rather than substitutes for multilateral agreements;
- Prioritize trade and its links to development and poverty reduction in national development strategies;
- Reduce substantially the tariffs and tariff escalation imposed by developed countries on agricultural products, textiles and clothing from developing countries;

- Accelerate the reduction of domestic and export subsidies on agricultural production in developed countries;
- Urgently assess the regional and country needs for Aid for Trade, and ensure that total available resources and allocations meet those needs;
- Step up efforts to make the Enhanced Integrated Framework fully operational.

Debt sustainability

Important progress has been made in meeting the MDG target of **dealing comprehensively with the debt problems of developing countries**, but additional efforts are needed to make progress sustainable. Actions are also needed to reduce the debt burden of countries that have not yet benefited from current debt-relief initiatives.

As of June 2008, 23 of the 41 heavily indebted poor countries (HIPCs) had reached their completion point under the enhanced HIPC Initiative. There are still 10 countries between decision point and completion point; 8 others are potentially eligible and may wish to avail themselves of the enhanced Initiative. Post–completion point countries become eligible for further debt relief under the Multilateral Debt Relief Initiative (MDRI).

Debt cancellation for the HIPCs, together with high commodity prices and strong global growth, helped to decrease the ratio of debt-service payments to exports to 6.6 per cent in 2006 for all developing countries. The ratio is expected to have fallen to 3 per cent in 2007, thus creating an environment for investment and recovery. However, less dynamic growth of the world economy in the near future could reverse this trend. In recent years, a significant number of countries that benefited from debt relief have seen their debt vulnerability indicators deteriorate, in part because they still face significant development financing challenges. Of the HIPCs, 21 (including 14 at post-completion point) are considered to be at moderate-to-high risk of falling back into debt distress; 10 HIPCs (mostly those at pre-completion point) are currently considered to be in debt distress.

Non–Paris Club official and private creditors have fallen short on delivering their full share of debt relief in the HIPC context. The low participation of these creditors has undermined the principle of equitable burden sharing underlying the enhanced HIPC Initiative, and litigation by vulture funds has undermined debt relief.

The MDG target of dealing comprehensively with the debt problems of developing countries has not been achieved in full. Despite HIPC and MDRI debt relief and corresponding increases in social expenditures, a large number of developing countries still spend more on debt servicing than on public education or health. In 2006, 10 developing countries spent more on debt service than on public education, and in 52 countries debt servicing amounted to more than the public health budget. Additional concessionary resources should be made available to vulnerable countries, and new efforts made to relieve the debt burdens of countries that are not part of the HIPC Initiative, including the establishment of a sovereign debt arbitration mechanism for countries under severe debt distress.

The framework for assessing debt sustainability should be kept under review. Even low levels of debt may not be sustainable if debt servicing crowds out public spending for the MDGs. Continued technical assistance and greater coordination is needed to support countries in strengthening their debt-management capacity.

Specific actions to improve the external debt sustainability of countries include:

- Mobilizing additional donor resources to facilitate debt relief in some HIPCs which have not yet reached completion point;
- Encouraging non–Paris Club official bilateral and private creditors to provide relief on HIPC-comparable terms on eligible outstanding debt;
- Continuing to review and refine the currently employed Debt Sustainability Framework;
- Establishing an orderly sovereign debt restructuring process for non-HIPCs experiencing debt distress.

Access to affordable essential medicines

The MDG target that aims, **in cooperation with pharmaceutical companies,** [to] **provide access to affordable essential drugs in developing countries** has served to mobilize resources and improve coordination aimed at increasing access to essential drugs and treatments to fight HIV/AIDS, malaria and tuberculosis in many countries. Access to essential medicines in developing countries, however, is far from adequate.

Part of the difficulty in assessing progress towards this commitment is the lack of a defined quantitative target. Efforts in defining such a target will improve the accountability of global actions to expand sustainable access to essential drugs. Information available in a number of countries suggests the existence of large gaps in the availability of medicines in both the public and private sectors as well as a wide variation in prices—much higher than the international reference prices (IRPs)—which render essential medicines unaffordable to poor people. New World Health Organization (WHO) estimates show that public sector availability of essential medicines covers only one third of needs, while private sector availability covers about two thirds. The prices people pay for lowest-priced generic medicines vary from 2.5 to 6.5 times the IRPs in the public and private sectors, respectively. The fact that some developing countries have better availability and lower prices shows that access to quality, assured, affordable essential medicines can be improved through stronger partnership among governments, pharmaceutical companies and civil society, including consumers.

Accelerated progress requires more forceful national and global actions in a number of areas, including:

At the **national level**:

- Eliminating taxes and duties on essential medicines;
- Updating national policy on medicines;
- Updating the national list of essential medicines;

- Adopting generic substitution policies for essential medicines;
- Seeking ways to reduce trade and distribution markups on prices of essential medicines;
- Ensuring adequate availability of essential medicines in public health care facilities;
- Regularly monitoring medicine prices and availability;

At the **global level**:

- Encouraging pharmaceutical companies to apply differential pricing practices to reduce prices of essential medicines in developing countries where generic equivalents are not available;
- Enhancing the promotion of the production of generic medicines and removing barriers to uptake;
- Increasing funding for research and development in areas of medicines relevant to developing countries, including children's dosage forms and most neglected diseases.

Access to new technologies

The MDG target that aims, **in cooperation with the private sector,** [to] **make available the benefits of new technologies, especially information and communications**, has seen rapid progress in bridging the gap in the mobile phone sector, but large gaps remain in improving access to key technology (Internet with broadband access being a good example) that is essential to increasing productivity, sustaining economic growth and improving service delivery in such areas as health and education.

Part of the difficulty in assessing progress in this area is the lack of numerical targets regarding delivery on global commitments. While there has been significant expansion of mobile telephony and computers in developing countries, the digital divide in the access to modern technology is widening between developed and developing countries. Deficits in complementary infrastructure, such as limited coverage of electricity supply in the low-income developing countries, are preventing faster penetration of information and communication technologies (ICT).

Recent emerging issues in development require stronger commitments and development cooperation. The recent food crisis and the challenges of climate change facing developing countries require more flexible approaches to accelerating the transfer of technology for agricultural development, improved access to essential medicines and adaptation to climate change.

Actions required to expand the access to technology for development include:

- Formulating national ICT strategies aligned with broader development strategies;
- Introducing more flexibility in relation to Trade-Related Intellectual Property Rights to accelerate the diffusion of technology for development to developing countries, including that related to renewable energy and adaptation to climate change;

- Increasing efforts to expand both basic infrastructure (such as electricity supply) and ICT-facilitating infrastructure, especially in low-income countries;
- Creating incentives for the private sector to develop technologies relevant to people in low-income countries, including those that address issues of climate change adaptation and renewable energy;
- Applying more widespread differential pricing practices to reduce the costs of key technology in developing countries in order to make access affordable to all.

Introduction

The global partnership for achieving the Millennium Development Goals

At the beginning of a new millennium, world leaders made commitments to consolidating a global partnership to improve the life of poor people around the world in the course of one generation, from 1990 to 2015. The Millennium Development Goals (MDGs) are part of the international development agenda of the United Nations. The agenda includes quantitative targets to improve results in poverty reduction, health, education, gender equality and the protection of the environment through stronger partnerships between developed and developing countries, stronger partnerships among developing countries themselves, and partnerships with the active involvement of the private sector.

Eight years after their adoption, the MDGs have become a platform for galvanizing international efforts to reduce poverty and hunger and advance the agenda of human development in all countries. Progress in achieving the MDGs, however, has been uneven both across and within countries. Countries in sub-Saharan Africa, where the development challenge is greatest, show the largest gaps. In middle-income countries, residents in rural areas and traditionally excluded groups are also lagging behind.

MDG achievements are the result of both government policies and the extent of the involvement of the private sector. But the international context plays a critical role in providing an enabling environment for development. With regard to goal 8 of the MDG framework, Member States have made concrete commitments to strengthening the global partnership for development in the areas of official development assistance (ODA), trade, external debt, essential medicines and technology. Such strengthened partnerships should provide critical support towards the achievement of the other development goals. Global targets have been ratified by Governments within the framework of the various international conferences and major events that followed the 2000 United Nations Millennium Summit, among which were the initiation of the Doha Round of multilateral trade negotiations (2001), the World Summit on HIV/AIDS (2001), the Brussels Plan of Action for the Least Developed Countries (2001), the International Conference on Financing for Development (2002), the World Summit on the Information Society (2003 and 2005), the 2005 World Summit, the Paris Declaration on Aid Effectiveness (2005), the G8 Gleneagles Summit (2005) and the World Trade Organization (WTO) Hong Kong Ministerial Meeting (2005).

The objective of the present report is to identify remaining obstacles to accelerating progress in the achievement of the targets contained in MDG 8. The report will highlight the degree of compliance to the commitments made by developed and developing countries with a view to strengthening the global partnership for development.

The United Nations family of agencies carries a special obligation to support, coordinate and integrate global and national efforts towards the achievement of the MDGs. A central role of the United Nations system involves tracking the implementation of the commitments made. There are a number of United Nations inter-agency processes tasked with the monitoring and reporting of MDGs at the global and national levels. There are existing platforms for inter-agency coordination in respect of MDGs 1 to 7, but the monitoring of the global partnership contained in MDG 8 has resulted in significant fragmentation of information, making it difficult to monitor efficiently global and country-level compliance with the international commitments to support the achievement of the MDGs. Hence the decision of Secretary-General of the United Nations Ban Ki-moon to create the MDG Gap Task Force to improve the monitoring of MDG 8 by leveraging inter-agency coordination. More than 20 United Nations agencies are represented in the Task Force that prepared the present report, including the World Bank and the International Monetary Fund (IMF), as well as the Organization for Economic Cooperation and Development (OECD) and the World Trade Organization (WTO).

Part of the difficulty in monitoring MDG 8 is the lack of quantitative targets in some areas and the lack of data to track commitments adequately. Effective monitoring of commitments associated with or made under MDG 8 requires a methodology that helps to maintain a current inventory of the different international initiatives and that proposes ways to measure the degree of compliance with commitments. The ultimate objective of this exercise is to identify how global partnerships translate into actual benefits for recipient countries, in particular their contribution to achieving MDGs 1 to 7. Accordingly, in monitoring MDG 8, it is possible to distinguish between three types of implementation gaps: (*a*) the *delivery gap*, that between global commitments and their actual delivery; (*b*) the *coverage "gap"*, that between actual delivery on global commitments and the distribution of actual receipts across countries; and (*c*) the *MDG 8 needs gap*, that between actual delivery on global commitments and "estimated needs for support" by developing countries. The present report is mainly concerned with identifying the delivery gap; subsequent reports of the MDG Gap Task Force will analyse at greater length the coverage gap and the MDG 8 needs gap. The compilation of the major global commitments in support of MDG 8 was prepared in the format of an MDG Matrix of Global Commitments. Though not included in this report, this matrix is available online.[1]

In addition, and to the extent allowed by data availability, the report documents the remaining delivery gaps in the five areas that are part of MDG 8: ODA, trade, external debt, essential medicines and technology. At the end of each section of the report, there are policy recommendations intended to guide the debate on the best ways of closing the remaining gaps between the commitments and actual delivery of resources and assistance for development.[2]

1 The full text of the MDG Matrix of Global Commitments is available from **http://www.un.org/esa/policy/mdggap/**.

2 More specific policy recommendations for Africa are proposed in the report of the MDG Africa Steering Group, Achieving the Millennium Development Goals in Africa (June 2008), available from http://www.mdgafrica.org/pdf/MDG%20Africa%20Steering%20Group%20Recommendations%20-%20English%20-%20HighRes.pdf (accessed on 5 July 2008).

With only seven years until the deadline for achieving the MDGs in 2015, world leaders cannot afford to spare efforts in consolidating the partnership for development that emanated from the Millennium Summit. The opportunity for delivering major improvements in the living conditions of the poor in a way that reinforces international collaboration and partnership requires greater accountability with regard to global commitments, along with new initiatives to accelerate progress on human development. The present report seeks to contribute to developing an improved framework for monitoring the global commitments.

Official development assistance

Target

8b … more generous official development assistance (ODA) for countries committed to poverty reduction

The United Nations Millennium Declaration called on industrialized countries "to grant more generous development assistance, especially to countries genuinely making an effort to apply their resources to poverty reduction". This was reaffirmed in 2002 at the International Conference on Financing for Development and the World Summit on Sustainable Development when world leaders pledged to "make concrete efforts towards the target of 0.7 per cent" of their gross national income (GNI) to be provided as official development assistance (ODA), and also called on recipient and donor countries as well as international institutions to make aid more effective. At the 2005 Gleneagles Summit, G8 leaders noted the agreements to increase the yearly allocations of aid to developing countries that amounted to an extra $50 billion by 2010 compared to 2004, and made commitments to channel $25 billion of that increase to Africa. This commitment was reaffirmed during the G8 summits in Heiligendamm in 2007 and Hokkaido in 2008. The commitment implies that ODA should reach at least $130 billion per year by 2010 (at 2004 prices and exchange rates), of which over $50 billion per year would go to Africa. In this context, the 15 countries that joined the European Union (EU) before 2004 have set a collective ODA target of 0.56 per cent of GNI by 2010 and 0.7 per cent by 2015. For the 12 newer EU members, the ODA target is to reach 0.17 per cent of GNI by 2010 and 0.33 per cent by 2015.

Furthermore, countries adhering to the 2001 Brussels Action Plan made specific commitments to least developed countries (LDCs), establishing a goal of providing between 0.15 per cent and 0.2 per cent of donor country GNI to these countries.

In addition to increasing ODA, the 2005 Paris Declaration on Aid Effectiveness formalized the actions that donor countries would take to improve the effectiveness of aid, emphasizing national ownership of development priorities, harmonization and alignment of donor activities, predictable and untied aid, programme-based approaches, improved procurement and financial management systems, and results-oriented frameworks.

Recent developments in the world economy will require additional resources to prevent a humanitarian emergency as a result of rising food prices and to assist countries in preparing for the consequences of climate change. Greater clarity and transparency will be required in allocating resources by means of assistance and according to the specific needs of receiving countries.

The MDG 8 indicators for monitoring ODA commitments are:

Indicators

8.1 Net ODA, total and to the least developed countries as a percentage of OECD/DAC donors' GNI;

8.2 Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services;

8.3 Proportion of bilateral ODA of OECD/DAC donors that is untied;

8.4 ODA received in landlocked developing countries as a proportion of their GNI;

8.5 ODA received in small island developing States as a proportion of their GNI.

The gap in meeting the United Nations 0.7 per cent target

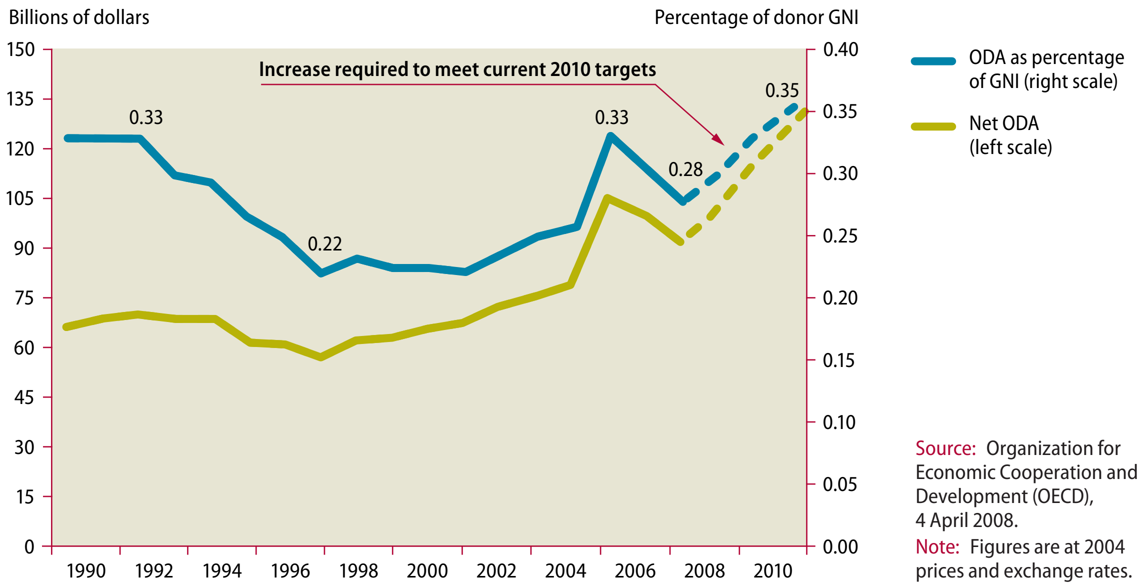
In 2007, net aid disbursements were $103.7 billion, representing 0.28 per cent of the combined national income of the developed countries (figure 1), an 8.4 per cent fall in real terms as compared with 2006 after correcting for price and exchange-rate adjustments. This fall was expected following the exceptionally high level of development assistance in 2005 and 2006 owing to the large Paris Club debt-relief initiatives for Iraq and Nigeria. Excluding debt-relief grants, net aid rose in real terms by 2.4 per cent in 2007. But this is the second year in which this underlying growth has been slower than during the period 2000 to 2005, which makes fulfilling the commitments made for 2010 an even bigger challenge.

The only countries to reach or exceed the United Nations target of 0.7 per cent of GNI are Denmark, Luxembourg, the Netherlands, Norway and Sweden. In contrast, as a proportion of GNI, ODA from the largest developed economies remains insufficient, with large drops in 2007 as the exceptional debt relief to Iraq and Nigeria in 2005 and 2006 passed out of the figures. For instance, net ODA from the United States of America fell by 9.9 per cent in real terms to an ODA/GNI ratio of 0.16 per cent in 2007. The real value of ODA provided by Japan fell by 30.1 per cent in 2007 and dropped to 0.17 per cent of GNI, thereby continuing its downward trend since 2000. The combined ODA of the EU-15, accounting for 60 per cent of the total, fell by a somewhat lesser amount—5.8 per cent—in real terms in 2007. At 0.40 per cent of GNI, the 2007 performance only just surpassed the intermediate target of 0.39 per cent set by the EU-15 for 2006. Aid provided by the European Commission rose by 3 per cent, reflecting increased budget support and improved disbursement capacity. The EU, too, will need to accelerate progress if it is to reach the collective 0.56 per cent target by 2010.[1]

The pledges made at the G8 Gleneagles Summit and at United Nations summits, combined with other commitments, imply a targeted increase in aid

1 See "Debt relief is down: other ODA rises slightly", Organization for Economic Cooperation and Development, news release, 4 April 2008, available from www.oecd.org/document/8/0,3343,en_2649_34485_40381960_1_1_1_1,00.html.

Figure 1
DAC members' net ODA, 1990-2007, and DAC Secretariat simulations to 2010



Source: Organization for Economic Cooperation and Development (OECD), 4 April 2008.
Note: Figures are at 2004 prices and exchange rates.

from $80 billion in 2004 to $130 billion in 2010 (at constant 2004 prices). Most DAC members now need to increase their ODA budgets for 2008 to 2010, with present rates of increases to core development programmes needing to more than double over the next 3 years if projected aid levels for 2010 are to be achieved (figure 1).

Figure 2 shows that during 2004-2007, ODA from DAC members increased annually at half the amount required to meet the 2010 target. In order to meet the target, net ODA flows now need to increase by nearly $13 billion (in constant 2004 dollars) on average per year between 2008 and 2010 (or about $18 billion a year at July 2008 exchange rates). A recent survey by the Organization for Economic Cooperation and Development (OECD) of the spending intentions of Development Assistance Committee (DAC) member States shows that of the $50 billion promised in additional ODA by 2010, only $21 billion has thus far been delivered or is in the planning figures. This leaves nearly $30 billion—at 2004 prices and exchange rates—to be programmed into donor budgets.[2]

To fulfil their existing aid commitments, donors need to increase aid disbursements to at least $13 billion per year (at constant 2004 prices) between 2008 and 2010

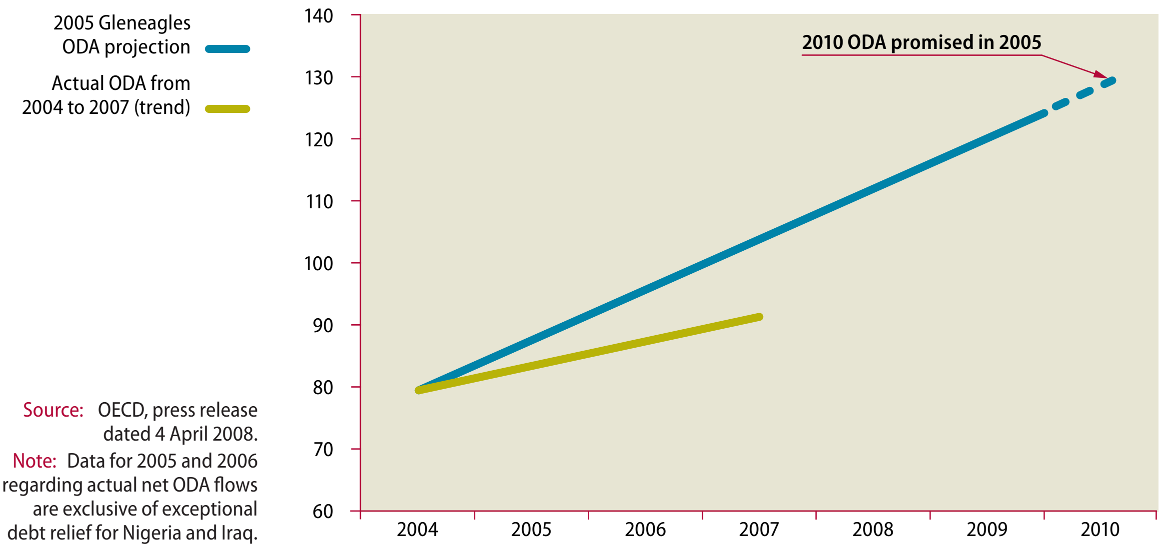
The challenge of doubling aid to Africa

Aid flows to Africa also need to be stepped up in order to reach the targeted increase of at least $25 billion a year by 2010. Preliminary data for 2007 show that, excluding debt relief to the region, bilateral ODA rose by 9 per cent. Between 2008 and 2010, net ODA to Africa will have to increase by over $6 billion per year in absolute terms (in 2005 prices) to reach the target (figure 3). Only about $4 billion of this increase has so far been programmed into donors' spending plans.[3]

2 See OECD/DAC, Report of 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans (www.oecd.org/dac/scalingup).
3 Ibid.

Figure 2

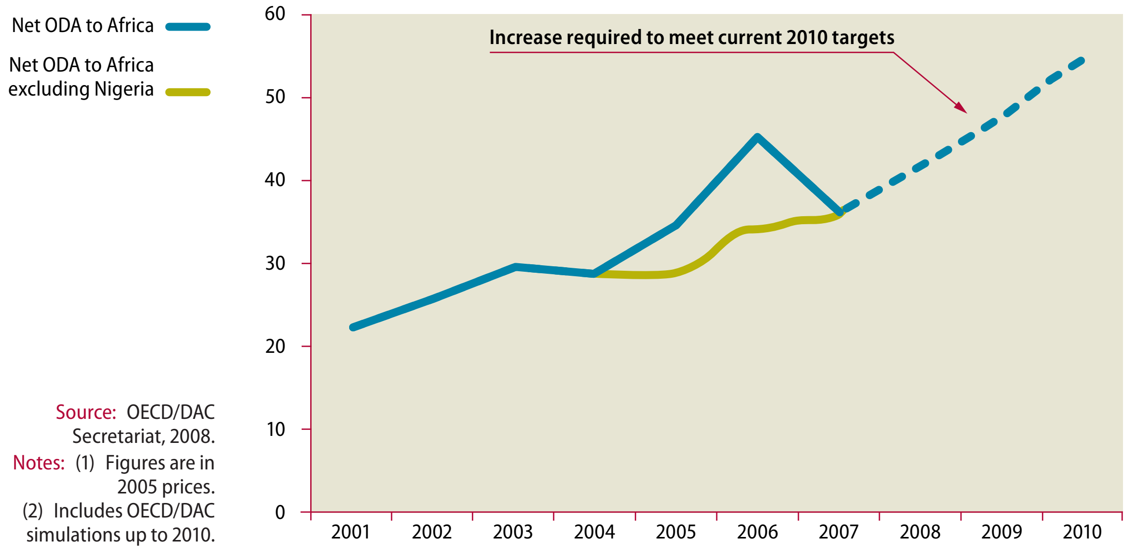
Performance against 2005 Gleneagles ODA projection
(*billions of constant 2004 dollars*)



Source: OECD, press release dated 4 April 2008.
Note: Data for 2005 and 2006 regarding actual net ODA flows are exclusive of exceptional debt relief for Nigeria and Iraq.

Figure 3

ODA to Africa, excluding debt relief for Nigeria, 2001-2007, and required increase to 2010 (*billions of dollars*)



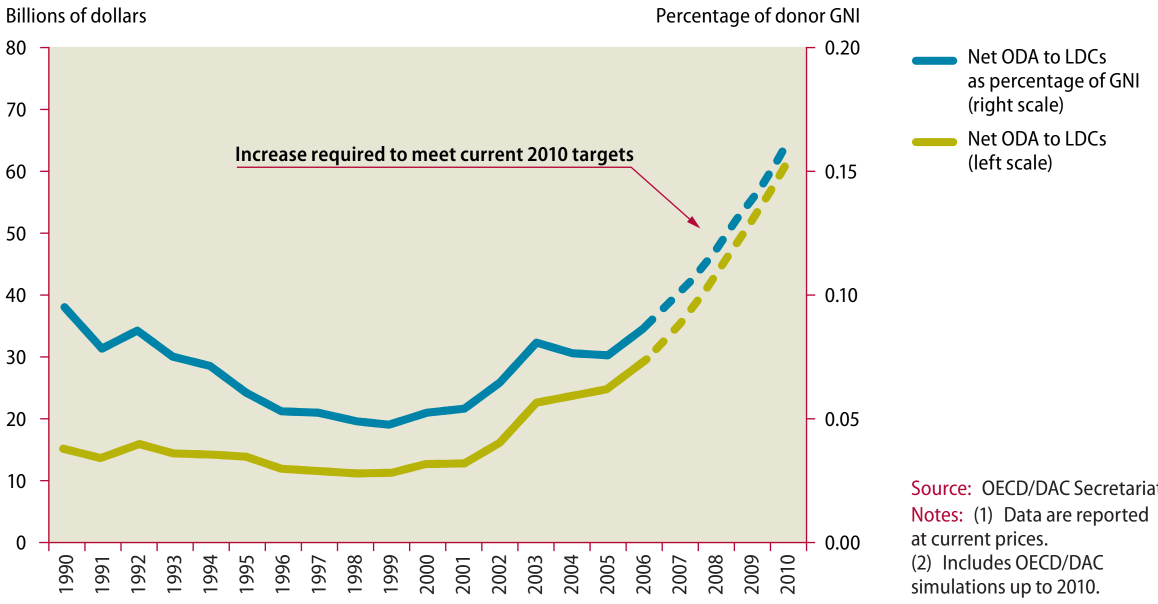
Source: OECD/DAC Secretariat, 2008.
Notes: (1) Figures are in 2005 prices.
(2) Includes OECD/DAC simulations up to 2010.

Aid to least developed countries

The delivery gap in meeting aid commitments for LDCs by 2010 is about $33 billion

By 2006, only eight OECD/DAC countries had met the commitment reaffirmed as part of the 2001 Brussels Action Plan, whereby donor countries agreed to provide between 0.15 and 0.20 per cent of their GNI in the form of aid to LDCs by 2010. The target has been met or exceeded by Belgium, Denmark, Ireland, Luxembourg, the Netherlands, Norway, Sweden and the United Kingdom of

Figure 4
DAC members' net ODA to LDCs, 1990-2006, and required increase to 2010



Source: OECD/DAC Secretariat.
Notes: (1) Data are reported at current prices.
(2) Includes OECD/DAC simulations up to 2010.

Great Britain and Northern Ireland. Figure 4 shows the gap between current levels—$29.4 billion (0.09 per cent) for all DAC countries in 2006—and the 2010 target which equates to an estimated $62 billion (or, on average, 0.16 per cent of GNI of DAC member States combined).

Aid to landlocked developing countries and small island developing States

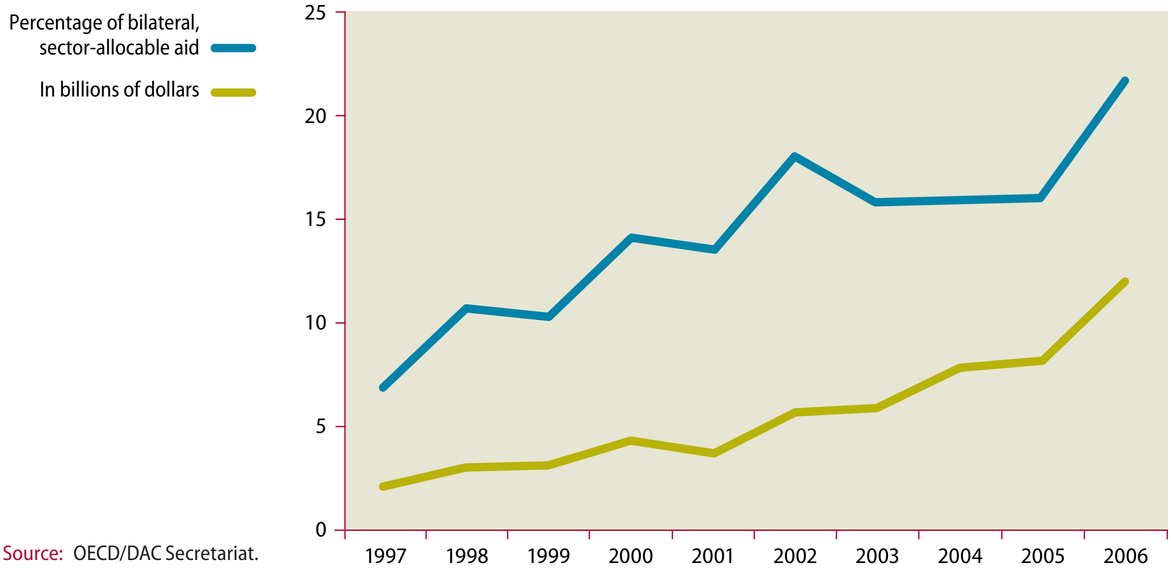
While the MDG framework contains specific reference to addressing the special needs of landlocked developing countries (LLDCs) and small island developing States (SIDS), no specific targets have been defined. Existent MDG indicators trace the proportion of ODA received by these countries as a proportion of their GNI. Information reported by OECD for the United Nations MDG Report in 2007 shows that SIDS continue to receive between $2 billion and $2.5 billion of ODA per year, equivalent to about 3 per cent of their combined GNI. The proportion of ODA for LLDCs has not changed much and amounted to 6.3 per cent in 2005, some $11.9 billion.[4]

Allocation of aid to basic social services

ODA for basic social services includes expenditures on basic education, primary health care, nutrition, safe water and sanitation. Figure 5 shows that the share of ODA allocated to basic social services increased from 7 per cent in 1997 to over 21 per cent in 2006, to some $12 billion per year. While a larger share of ODA to basic social sectors is critical for supporting faster progress towards meeting

4 See http://mdgs.un.org/unsd/mdg/Resources/Static/Data/Stat%20Annex.pdf.

Figure 5
ODA from DAC donors to basic social services, 1997-2006



Source: OECD/DAC Secretariat.

the MDG targets on health, education, water and sanitation, slowing growth of ODA flows in recent years has decreased the flow of external resources for economic infrastructure and productive sectors (including agricultural development and Aid for Trade[5]) needed to stimulate production, employment creation and poverty reduction.

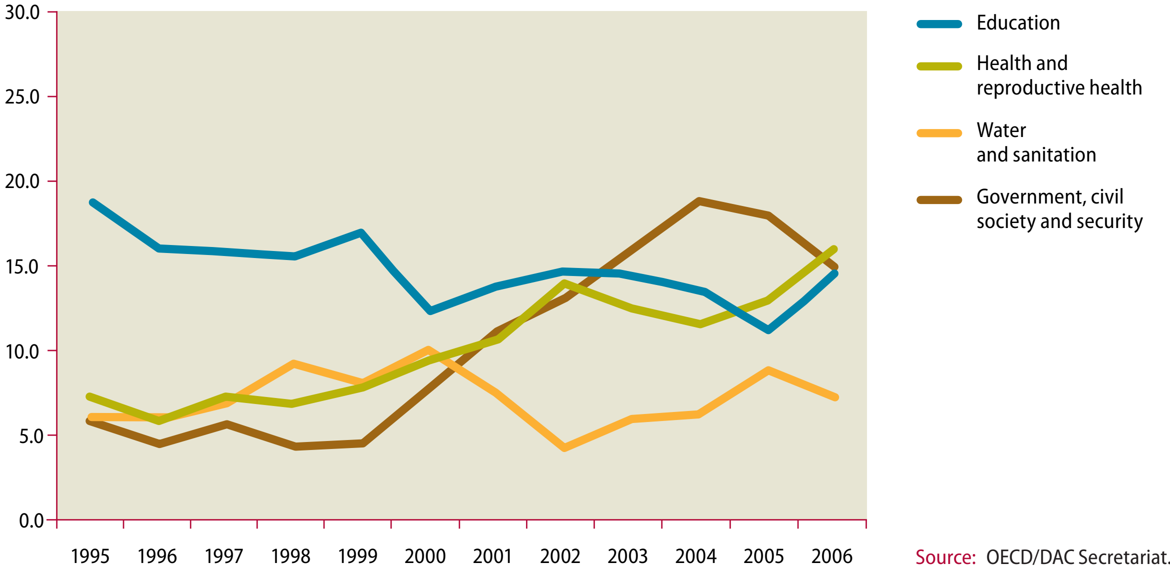
The allocation of aid for social sectors includes support for developing government and civil society capacity and support for conflict prevention, peace and security. This sector has shown the strongest increase in its share since 1999, rising to 15 per cent by 2006, of which 3 per cent was devoted to peace and security (see figure 6). Allocations for health and reproductive health have doubled their share, while those for education and water and sanitation have been relatively static at about 15 per cent and 8 per cent, respectively. Needs assessments of global health, education, and water and sanitation plans suggest that current aid flows still fall short of the resources required to reach the relevant MDG targets.

The allocation of ODA to basic social services has increased, but aid resources still fall short of those needed to meet the MDG targets on education and health

Aid for primary education[6] is estimated to have been about $2 billion per year from 1999 to 2003, climbing to nearly $4 billion in 2006, but this level is still well below the estimated $11 billion in aid required annually to reach universal primary education by 2015.[7] In 2005 and 2006, there was an estimated funding gap of about $0.5 billion each year to support approximately 20 countries with national education plans endorsed by the Education for All initiative.[8]

5 See the section on market access below for a discussion of aid resources for Aid for Trade.
6 OECD-DAC Secretariat estimates, which exclude aid specifically for secondary education or above from total aid to education.
7 UNESCO, *Education for All by 2015: Will We Make It?* EFA Global Monitoring Report 2008. The estimate is the outcome of consultations with all EFA partners.
8 See Education for All—Fast Track Initiative (http://www1.worldbank.org/education/efafti/faq.asp#III-10).

Figure 6
Shares of sector-allocable ODA for social sectors, 1995-2006 (*percentage*)



Source: OECD/DAC Secretariat.

In the health sector, ODA for maternal, newborn and child health increased from \$2.1 billion in 2003 to \$3.5 billion in 2006,[9] still not sufficient to meet the targets. Additional aid flows at the level of \$10.2 billion per year are required to ensure sufficient financing to strengthen health systems in order to meet the demand for maternal and child care and other reproductive health services.[10]

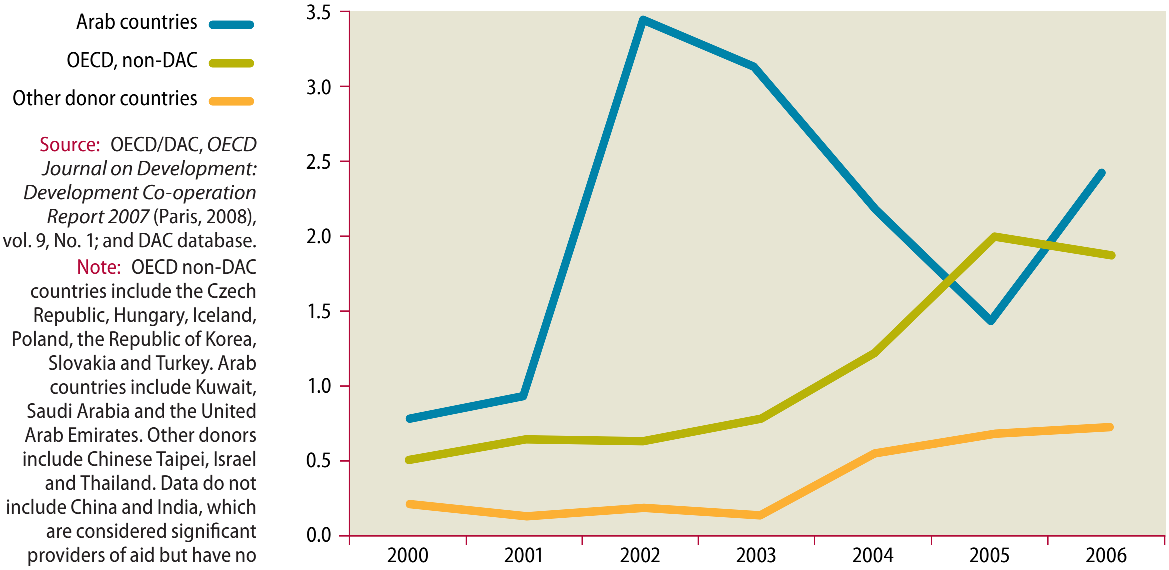
The increasing role of non-DAC donors and private sources

The commitments made within the MDG framework correspond to OECD/DAC countries, which currently provide in excess of 90 per cent of global ODA. In recent years, significant aid flows have been forthcoming from non-DAC donors, including from South-South cooperation and non-governmental donors. Net ODA disbursements by 13 donor countries that are not members of DAC and for which consistent data are available rose from \$1.5 billion in 2000 to \$5.1 billion in 2006 (see figure 7 for the main origins of these flows). However, to date there are no comparable data for some major providers of South-South development assistance, most notably China and India, which are rapidly increasing their aid, especially to Africa. In addition, there is a need to identify more systematically the scale of aid flows (both financial and in kind) between other developing countries, including intra-African aid.

9 G. Greco and others, Countdown to 2015: assessment of donor assistance to maternal, newborn, and child health between 2003 and 2006 (*Lancet, April 2008*; 371(9620): 1268-1275).

10 Partnership for Maternal, Newborn and Child Health (2008), A global call for G8 leaders and other donors to champion maternal, newborn and child health.

Figure 7
Total net ODA from non-DAC members, 2000-2006 (*billions of dollars*)



Source: OECD/DAC, *OECD Journal on Development: Development Co-operation Report 2007* (Paris, 2008), vol. 9, No. 1; and DAC database.
Note: OECD non-DAC countries include the Czech Republic, Hungary, Iceland, Poland, the Republic of Korea, Slovakia and Turkey. Arab countries include Kuwait, Saudi Arabia and the United Arab Emirates. Other donors include Chinese Taipei, Israel and Thailand. Data do not include China and India, which are considered significant providers of aid but have no comparable data.

The amount of non-DAC ODA is expected to rise further, from the current estimate of about 5 per cent of worldwide ODA to possibly 10 per cent or more by 2015. This prospect raises additional issues of transparency concerning the amount and content of the aid flows and their effectiveness in recipient countries.

Similar issues relate to the emergence of private sources and new partnerships between public and private donors. Since the adoption of the Millennium Declaration, commitments of development assistance for health and population programmes, for example, increased from $4 billion in 1999 to $13.7 billion in 2006, mostly as a result of new partnerships for health such as GAVI (formerly known as the Global Alliance for Vaccines and Immunization) and the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), some of which include large private donors like the Bill and Melinda Gates Foundation.

Improving aid effectiveness

Meeting the MDGs depends not only on increasing ODA but also on enhancing its effectiveness. Aid alignment and harmonization are de facto prerequisites for achieving the MDGs; this being the case, increases in the volume of ODA should be accompanied by improvements in ODA quality and predictability. As called for under the 2003 Rome Declaration on Harmonization and the 2005 Paris Declaration on Aid Effectiveness, ODA needs to be aligned with recipient country priorities and programming systems so as to increase the likelihood that it will be spent effectively.

The untying of aid

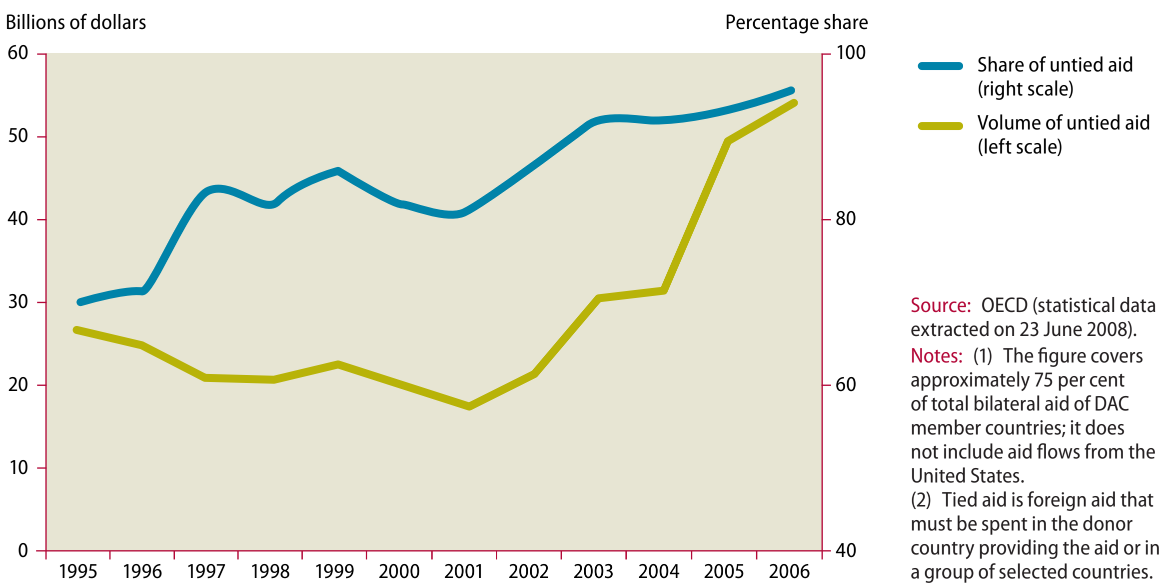
The untying of aid is considered to be a key element in making development cooperation more effective, thus allowing developing countries to make their own decisions on the basis of sound procurement policies and practices. As shown in figure 8, the amount of resources delivered to countries and reported as untied has increased substantially, reaching 95 per cent of bilateral aid in 2006. This reflects a considerable increase in untying following the 2001 agreement of DAC members to untie their aid to LDCs, with some members going even further and untying all of their aid. Unfortunately, information on untied aid does not reflect that of all DAC members (most notably the United States), nor does it cover all types of aid (technical cooperation and administrative costs are excluded from the reporting). The full extent of untying is therefore not known.

Progress in the implementation of the Paris Declaration on Aid Effectiveness

The 2005 Paris Declaration on Aid Effectiveness reflects a commitment by over 100 Governments and international organizations to improve the quality of ODA. The Paris Declaration goes beyond a statement of general principles and coordinates a practical, action-oriented road map with an evaluation process against a set of indicators and targets that must be met by 2010. The aim of the Paris Declaration is to tailor large-scale development aid to the specific requirements of recipient countries, in particular to improve ownership, alignment, harmonization, managing for results and mutual accountability.

The monitoring of commitments made in the Paris Declaration is done through periodic surveys conducted by the OECD/DAC Secretariat within the beneficiary countries. Table 1 shows progress made in the different dimensions of aid effectiveness in the countries where two data points exist. In Africa, most

Figure 8
Volume and share of untied bilateral aid, 1995-2006



Source: OECD (statistical data extracted on 23 June 2008).
Notes: (1) The figure covers approximately 75 per cent of total bilateral aid of DAC member countries; it does not include aid flows from the United States.
(2) Tied aid is foreign aid that must be spent in the donor country providing the aid or in a group of selected countries.

Table 1
Progress made on seven indicators of aid quality, 2005-2007 (*percentage points*)[a]

Indicators	Regions[b]			
	Africa	LAC	Asia	Others
Technical assistance coordinated with country programmes	16.6	37.6	6.0	26.5
Number of PIUs[c] parallel to country structures (average reduction)	−2.1	−28.2	−2.3	−3.8
Disbursements on schedule and recorded by Governments	1.3	−1.0	3.0	5.5
Untied bilateral aid	9.4	6.0	14.3	8.3
Coordinated donor missions	13.0	20.8	13.8	16.9
Coordinated country-analysis	20.8	30.2	11.3	7.0

Source: OECD/DAC, Joint Venture on Monitoring the Paris Declaration, 29-30 May 2008.
a Percentage change is the unweighted average of the change in percentage points reported by countries in each region.
b Includes 17 countries in Africa, 5 in Latin America and the Caribbean, 4 in Asia and 4 in other regions.
c PIU stands for project implementation units; the target is to reduce the number.

progress was made in the areas of donor coordination and the alignment of technical assistance with country programmes. In Latin America and the Caribbean, most progress was in aligning technical assistance with country programmes and donor coordination to organize missions and conduct country analysis, along with a significant reduction in the number of project implementation units. In Asia, progress was less marked, except for a visible improvement in the untying of bilateral aid.

Greater aid coordination among donors is required to prevent further fragmentation of resources, higher transaction costs and lack of alignment with the development priorities of receiving countries

The quality of aid can be further enhanced by more predictable aid flows programmed at the country level. Country programmable aid (CPA) reflects the amount of aid that can be programmed by the receiving country in support of its own budget priorities. CPA provides a basis for projecting future aid spending and thus helps to improve the predictability of aid. The DAC survey of spending plans shows improvement in this area, especially for sub-Saharan Africa where planned CPA is expected to increase by 38 per cent between 2005 and 2010.

The increasing importance of non-DAC donors and private funds requires improved coordination of aid and alignment with national priorities of the recipient countries. In the health sector, for example, there are more than 40 bilateral donors and 90 global initiatives, posing the risk of fragmentation and reducing the effectiveness of aid. Only about 20 per cent of health aid is given to support the sectoral priorities of government; most aid flows are earmarked for specific purposes.[11] The sustainability of interventions to reduce the incidence of tuberculosis, malaria and HIV/AIDS depends on strengthening the publicly provided health services. Initiatives like the International Health Partnership (IHP), launched in September 2007 with support from donor and recipient Governments, multilateral organizations and private foundations, are providing pioneering examples of ways to improve donor coordination in order to make interventions consistent with national priorities and contribute to the strengthening of the institutional capacity of recipient countries.

Best practices in improving aid coordination are yet to become far-reaching

Good practices—especially in the health sector—in improving aid coordination and harmonization with country objectives are yet to become far-reaching. Strengthening the global partnership for development requires greater

11 OECD/DAC, *OECD Journal on Development: Development Co-operation Report 2007* (Paris, 2008), chap. 3.

recognition of national budgetary systems as the mechanism through which to channel aid flows, the national execution of development projects and greater donor coordination to reduce the transaction costs of aid within a clearly defined framework of accountability. Clearly, the effectiveness of ODA largely depends on the implementation capacity of Governments. Additional efforts must be made to strengthen institutional capacities in lower-income countries for improving budget execution, accounting and reporting.

Is the global partnership on development assistance taking shape?

Accelerated progress will be required to meet the commitment made by donors in various world summits, conferences and multilateral negotiations to increase the volume of aid resources to African countries, LDCs, LLDCs and SIDS.

Aid commitments should take into account country needs based on a careful assessment of existing gaps between national resources and the cost of interventions to meet the MDGs. A more challenging issue that requires urgent attention is the special case of fragile situations confronting countries that are emerging from conflict and countries with a poor governance record. The DAC Principles for Good International Engagement in Fragile States and Situations are a good starting point that requires accelerated effort. Some of the most vulnerable groups, including children and women, are in such situations, with only restricted access to international assistance.

The prospects of a slowdown in the world economy in the coming years, together with increasing food and fuel prices and the recurrence of emergencies generated by climate change, will require more effective delivery of assistance to accelerate progress towards the MDGs and, in some cases, to avoid a reversal of gains made so far.

Accelerated progress requires explicit actions, including the following:

- Donors should increase aid flows by $18 billion (at July 2008 exchange rates) per year between 2008 and 2010 to support core development programmes in order to meet the agreed targets by 2010. In 2007, total ODA fell short by over $10 billion compared to that needed to ensure a smooth path towards the agreed target.
- In order to provide a manageable path to reaching the committed increase in the annual flow of net ODA to Africa by 2010, donors should allocate an additional $6.4 billion a year at constant 2005 prices to the region (or $7.3 billion per year at July 2008 exchange rates).
- Even if the commitments regarding increased net ODA to Africa are fulfilled, donors should further increase ODA to LDCs (many of which are in Africa). The total annual flow to LDCs would have to increase on average by $8.8 billion (at July 2008 exchange rates) between 2008 and 2010 in order to reach the target of between 0.15 and 0.20 per cent of each donor's GNI.
- Donors, including emerging donors and recipient countries, should accelerate progress towards the alignment of aid, harmonization, improved predictability, management for results and mutual accountability of aid resources, as well as improve dialogue with non-DAC donors regarding adherence to these principles.

Market access (trade)

Targets

- 8a Develop further an open, rule-based, predictable, non-discriminatory trading and financial system[, including] a commitment to good governance, development and poverty reduction—both nationally and internationally
- 8b Address the special needs of the least developed countries. [On trade,] includes tariff- and quota-free access
- 8c Address the special needs of landlocked developing countries and small island developing States

The main trade target in MDG 8 is to develop further an open, rule-based, predictable and non-discriminatory trading and financial system. Further targets call for special attention to be given to the needs of vulnerable countries—the least developed countries (LDCs), landlocked developed countries (LLDCs) and small island developing States (SIDS).

The Doha Round of trade negotiations was initiated one year after the adoption of the United Nations Millennium Declaration. One of the objectives of the Round was to address the needs of developing countries and hence direct the talks according to a "development agenda". Seven years on, the failure to conclude the Round constitutes the largest implementation gap in the area of trade, and arguably within the realm of MDG 8. Only slow progress has been made since the Round's inception (see box below), but of greater significance is the likelihood that the completion of the Round will fall short of its original intention of being development-focused and thus of special benefit to developing countries.

Failure to conclude the Doha Round of trade negotiations is one of the largest implementation gaps relating to MDG 8

As negotiations in the Round continue, some progress has been made in improving duty-free access for LDCs, reducing tariffs and tariff escalation, and stripping away producer support in developed countries. But developing countries still face significant distortions and reduced access to the markets to which they could export and thereby generate growth. Non-tariff barriers are also becoming more significant. Barriers to trade also exist between developing countries. South-South trade could be stimulated by appropriately designed regional economic trade agreements, which in turn could act as a stepping stone to a broader multilateral undertaking.

Political commitments have been made to increase the resources to help build trade capacity in developing countries—for both infrastructure and trade institutions—but the proportion of sector-allocable official development assistance (ODA) devoted to Aid for Trade fell between 2002 and 2006.

Although developing countries are giving greater priority to trade and its linkages to poverty in their national development strategies, the market share of

Progress in the Doha Round negotiations and the development agenda

Agriculture

The objective of the negotiations on agriculture is to substantially improve market access, phase out all forms of export subsidies and substantially reduce other trade-distorting domestic support. At the same time, it has always been accepted that developing countries will require "special and differential treatment" because of capacity or other market constraints. The negotiations have moved forward very slowly since the launch in Doha in 2001, and it remains to be seen whether any agreement will offer adequate flexibility to developing countries through special and differential treatment.

Market access for non-agricultural products

The aim of that part of the negotiations relating to market access for non-agricultural products has been to reduce tariffs, tariff escalation and non-tariff barriers on non-agricultural products. Progress has been made on agreeing a formula that will help to reduce high tariffs and tariff escalation, but some developing countries remain concerned about revenue loss, the potential weakening of their competitiveness and the expected erosion of their preferential access to markets. In line with the aspiration for special and differential treatment, an important issue for developing countries has been to ensure less than full reciprocity in the outcome that goes beyond merely an extended time frame for implementation, but it remains to be seen whether this will transpire.

Services

The negotiations on services have been conducted on the basis of "requests" and "offers", but this has led to a slow-paced and uneven process with little progress in substance. Some developing countries have sought recognition for the liberalization of services that many initiated prior to the Round.

Rules negotiations

Rules negotiations are aimed at improving disciplines on anti-dumping subsidies and countervailing measures, and on existing provisions relating to regional trade agreements. They are also aimed at introducing new disciplines on fisheries subsidies. Some developing countries see more strict disciplines on the use of anti-dumping and countervailing measures as a possible positive outcome of the negotiations. However, many developing countries are themselves users of these instruments and are concerned about their capacity to implement more complex rules.

Trade-Related Intellectual Property Rights

The Trade-Related Intellectual Property Rights (TRIPS) issues being addressed in the Doha Round currently relate to protecting "geographical indications" for wines and spirits and are not of immediate relevance to the majority of developing countries. However, although not part of the Doha Round, important work on public health and access to medicines has been carried out in the World Trade Organization (WTO), with a particular focus on clarifying the way in which TRIPS flexibilities should be interpreted and used in respect of public health. Despite the adoption of the Declaration on the TRIPS Agreement and Public Health in 2001, and subsequent clarification of when WTO members with insufficient manufacturing capacity can import generic medicines from other countries through "compulsory licensing", this flexibility has barely been used in practice.

Trade facilitation

While many developing countries initially resisted the launch of negotiations on trade facilitation, considerable progress has been made during the course of the negotiations. Technical support programmes have assisted developing countries in the negotiations themselves, as well as in assessing national needs and gaps. The outcome of these negotiations is likely to be beneficial to developing countries, as it would provide a link between trade policy and Aid for Trade.

the developing countries in world exports is only marginally higher than it was 15 years ago, and many of these countries now face significant new challenges with high import prices for fuel and food. This has given additional impetus to the need for increasing investment in agriculture in developing countries while at the same time removing market distortions in the agricultural markets of developed economies.

Trade targets in MDG 8

The indicators that relate to trade targets in MDG 8 cover duty-free access to developed country markets, average tariffs on important exports from developing countries, agricultural support in rich countries, and ODA to build trade capacity:

Indicators

8.6 Proportion of total developed country imports (by value and excluding arms) from developing countries and LDCs, admitted free of duty;

8.7 Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries;

8.8 Agricultural support estimate for OECD countries as a percentage of their GDP;

8.9 Proportion of ODA provided to help build trade capacity.

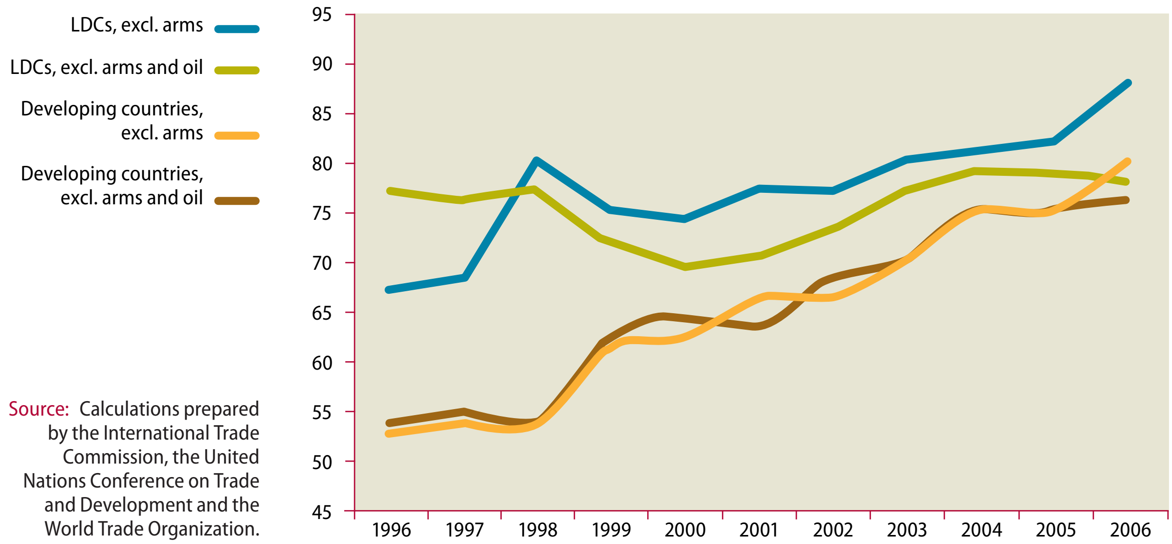
Increased duty-free access to developed country markets

The increase in duty-free access of LDCs to developed country markets falls well short of the target

Developing countries as a group saw their duty-free access to developed country markets increase between 1996 and 2006. But this improvement has only been very moderate for the LDCs once trade in arms and oil products is excluded (figure 9). Despite the target established by the developed countries in the December 2005 Ministerial Declaration adopted at the Sixth Ministerial Meeting of the World Trade Organization (WTO), held in Hong Kong Special Administrative Region (SAR) of China, to extend duty-free treatment to 97 per cent of tariff lines, duty-free access to the markets of developed countries covers only 79 per cent of LDC exports when arms and oil are excluded. The margin of preferential access between developing countries and the LDCs has also narrowed, eroding the advantage that the LDCs had previously enjoyed.

Figure 9

Proportion of developed country imports from developing countries and LDCs admitted free of duty, 1996-2006 (*percentage*)



Source: Calculations prepared by the International Trade Commission, the United Nations Conference on Trade and Development and the World Trade Organization.

Reduction of tariffs on developing country exports of agricultural products and textiles and clothing

There has been only a mild reduction of tariffs on developing country agricultural exports

The average tariffs that developed countries place on the imports of agricultural goods, textiles and clothing have fallen for both developing countries as a whole and the LDCs, although to varying degrees. During the decade 1996 to 2006, average tariffs on agricultural exports fell from 10.5 to 8.6 per cent for developing countries, and from 4.0 to 2.8 per cent for the LDCs. Tariffs on textiles fell from 7.3 to 5.2 per cent for developing countries and from 4.5 to 3.2 per cent for the LDCs, while those on clothing fell from 11.4 to 8.4 per cent for developing countries and from 8.1 to 6.4 per cent for the LDCs in the same period.[1] As tariffs on clothing have fallen more steeply for the group of developing countries as a whole, the preferential access that LDCs had previously enjoyed has been eroded. Preferential treatment for LDCs remains significant only for some agricultural products, in terms of duty-free market access and the average level of applied tariffs. The design of preferential access schemes has made it difficult for developing countries to make use of existing preferences because of overly restrictive rules of origin or product exclusions, or because of their short-term nature and associated uncertainty.[2]

1 Average tariffs are the simple average of all applied ad valorem tariffs (tariffs based on the value of the import). It is important to note that this does not capture the use of non–ad valorem tariffs (quotas, seasonal duties etc.).

2 The exclusion of groundnuts from the United States African Growth and Opportunity Act (AGOA) has severely limited the value of the scheme for a number of producers in Africa, while African clothing exporters that have been successful under AGOA have failed to have the same degree of penetration in the European Union because of restrictive rules of origin.

Agricultural subsidies in high-income countries

Trade-distorting agricultural support in Organization for Economic Cooperation and Development (OECD) countries has been declining both in value as a percentage of GDP and in farm receipts, but at $363 billion in 2006 (or $355 billion in 2005 prices) remains very high in absolute terms, almost four times ODA (table 2).[3]

Agricultural subsidies in OECD countries remain high, affecting the prospects for developing country agriculture

The recent surge in food prices after 2006 has been the result of many factors. Inventories of basic grains have been declining in recent decades as a consequence of slow productivity growth in food agriculture that has not kept pace with increased global food demand caused by a growing world population and changing dietary preferences in fast-growing economies, especially in Asia. In recent years, this longer-term pattern of tightening food commodity markets has been compounded by a shift in agricultural land use towards biofuel production, as well as by droughts in many key supplier countries. Furthermore, the turmoil in financial markets in the major economies and the weakening dollar have pushed prices further upwards as financial investors have increasingly sought higher returns in commodity futures markets. In terms of the Doha trade negotiations, the concerns with the food crisis are twofold. First, the high levels of agricultural (domestic and export) subsidies given to farmers in developed countries have kept world food prices low for a prolonged period, but they have provided negative incentives to invest in agriculture in developing countries, explaining in part the low productivity growth. The result has been a highly distorted market with, in 2001, prices at historically low levels due to overproduction in some countries and underinvestment in agriculture in others. Second, most recently, developing countries have responded to the food crisis by imposing export restrictions to ensure food security at home, but this has been at the cost of a further tightening of the world market for food. The solution to the food crisis requires a broad and concerted approach, but multilateral trade negotiations should make a contribution to improving global food security in the medium term by significantly reducing producer support in developed countries and addressing other barriers to developing country production and exports.

Table 2
Agricultural support in OECD countries, 1990 and 2003-2006

	1990	2003	2004	2005	2006
Agricultural support in OECD countries[a]					
In billions of dollars per year[b]	436	387	390	376	355
As a percentage of GDP of OECD countries	2.0	1.2	1.1	1.1	1.0
As a percentage of gross farm receipts in OECD countries	32.0	30.0	30.0	28.0	27.0

Source: Organization for Economic Cooperation and Development (OECD) Trade and Agriculture Directorate; PSE/CSE database, 2007.
a Total Support Estimate (TSE).
b In constant 2005 prices.

3 The provisional Total Support Estimate (TSE) for 2007 is even higher, valued at US$ 365,082 million.

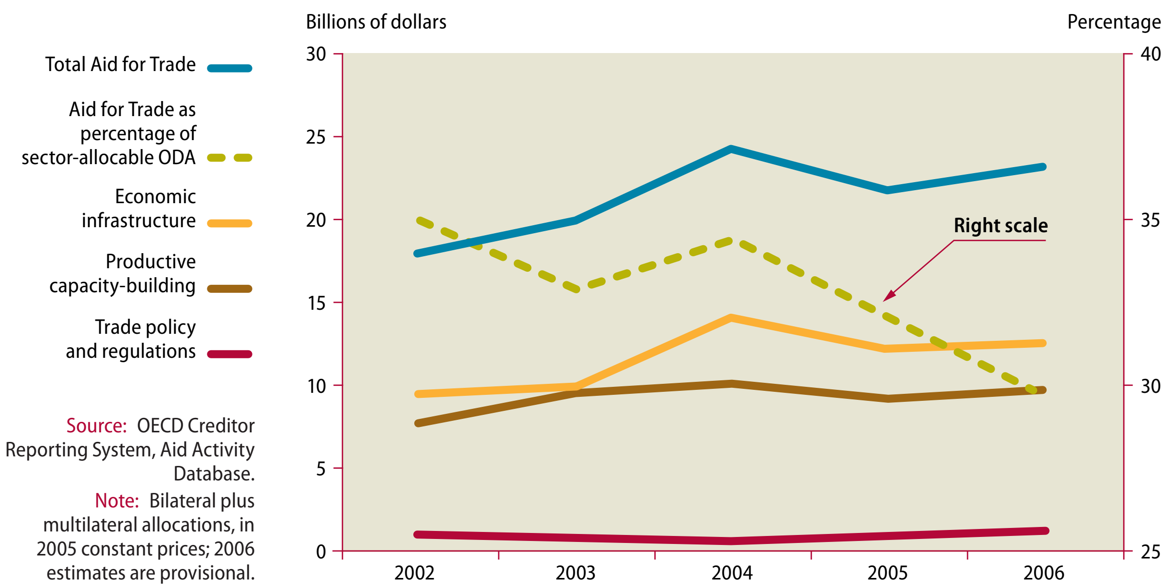
Aid for Trade

During the Hong Kong WTO Ministerial Conference in 2005, some donor Governments pledged to increase the amount of ODA they allocate to Aid for Trade. In the period 2002-2005, the first Global Review reports average Aid for Trade at approximately $21 billion per year.[4] However, once adjusted to 2005 constant prices, the figures reported in the OECD Creditor Reporting System see an increase up to 2004, but have decreased since that peak (see figure 10). Moreover, as a share of sector-allocable ODA, Aid for Trade has fallen from almost 35 per cent in 2002 to about 30 per cent in 2006. Finally, the allocation of Aid for Trade has been uneven, with the top five recipients—Iraq, India, Viet Nam, Afghanistan and Indonesia—accounting for nearly 30 per cent of the total.[5]

Donor resources for Aid for Trade should be increased

Increasing Aid for Trade was recognized as a key way of supporting countries in developing their export capacity. The definition of Aid for Trade adopted by the WTO General Council includes aid directed to support trade policy and regulations in receiving countries, trade development, trade-related infrastructure, the building of productive capacity, and the cost of trade-related adjustment.[6] Resources committed for Aid for Trade according to this broad definition cannot be monitored precisely through existing aid statistics. Information available thus far is based on the records of the Creditor Reporting System, from

Figure 10
Commitments on Aid for Trade by category, 2002-2006: value and share of sector-allocable ODA



Source: OECD Creditor Reporting System, Aid Activity Database.
Note: Bilateral plus multilateral allocations, in 2005 constant prices; 2006 estimates are provisional.

4 Aid commitments are reflected in signed agreements between donors and partners. OECD and WTO, *Aid for Trade at a Glance 2007, 1st Global Review*, available from http://www.oecd.org/document/46/0,3343,en_2649_34665_39619566_1_1_1_1,00.html

5 World Bank and International Monetary Fund, Global Monitoring Report 2008 (Washington, D.C.: World Bank).

6 If identified as a development priority in the national strategy of developing countries.

which it is not possible to differentiate aid flows specifically for building trade capacity from those regular aid flows used to support general infrastructure and productive capacity.

In parallel with efforts to increase resources for Aid for Trade, a number of measures are needed to increase its effectiveness. First, developing countries need to further integrate trade and competitiveness into their national development strategies. Some progress has been made in this area, with the majority of National Development Strategies/Poverty Reduction Strategies incorporating an analysis of trade. A forthcoming study commissioned by the United Nations Development Programme (UNDP) indicates that over two thirds of the National Development Strategies reviewed included an analysis of trade, and many of these linked their trade analysis to their poverty situation.[7]

For the LDCs, the Enhanced Integrated Framework (EIF) for Trade-Related Technical Assistance can play an important facilitating role in this area by identifying investment needs and priorities, as well as bankable projects in the areas of trade facilitation, infrastructure and export production. Second, bilateral and multilateral donors should follow best-practice principles in allocating and delivering Aid for Trade–supporting national priorities, employing national systems, and coordinating their support to minimize transaction costs.[8]

Expedited disbursement of resources within the EIF will support trade diversification in LDCs, but more funding is needed

Improvements in the implementation of the EIF are still needed. In May 2007, the new governing structure of the EIF adopted a series of recommendations to facilitate the integration of LDCs into the multilateral trading system.[9] To date, over $170 million has been pledged by bilateral donors to the EIF Trust Fund, but this is likely to be insufficient to adequately support the faster integration of LDCs into the global trade system.

Is the promise of a strengthened global partnership being fulfilled?

Looking beyond the trade indicators in MDG 8, a variety of other indicators and data sources can be considered in evaluating whether the global partnership on trade is being put in place.

Lower tariff peaks and tariff escalation

Tariff peaks and tariff escalation in agriculture in high-income countries have declined

One of the objectives of the Doha Round of multilateral trade negotiations has been to reduce tariff peaks and escalation in products of particular importance to developing countries, in order to enable them to strengthen their exports and the benefits they can gain from them. As can be seen in table 3—notwithstanding the failure to conclude the Doha negotiations—tariff peaks in high-income countries have indeed declined, as has tariff escalation in agriculture.

7 Stephen Kosack, Trade for Poverty Reduction: The Role of Trade Policy in Poverty Reduction Strategy Papers, United Nations Development Programme, 2008 (forthcoming).

8 The second Global Review on Aid for Trade is scheduled to take place in the first half of 2009, preceded by an expert symposium in September 2008 and a number of national and subregional Aid for Trade reviews.

9 For further information, see http://www.integratedframework.org/enhanced_if.htm.

Table 3

Tariff peaks and escalation in agriculture in high-income countries, 1995-2006

	1995-1999	2000-2004	2005/06[a]
Tariff peaks[b]	8.92	8.75	7.75
Tariff escalation in agriculture[c]	–	5.37	4.61
Tariff escalation in manufacturing[c]	–	−0.144	−0.563

Source: World Bank, *World Trade Indicators*, 2007.
a Most recent data available.
b Percentage of tariff lines with an applied rate greater than 15 per cent.
c Percentage change from raw to fully processed.

Expanding developing country trade

But if the global partnership on trade were taking shape more efficiently, one would expect developing countries to be trading more in absolute terms, and also to be carving out a greater share of world trade.

World trade has grown rapidly in the new millennium—export volumes grew at an average rate of 8 per cent per annum during the period 2002-2007 (figure 11), more than doubling the rate of growth of world output. Developing countries as a group have seen their share of global exports rise by about 10 percentage points between 1995 and 2006, regardless of whether oil exports are included. This is only to be expected when taking into account the phenomenal growth of many industrializing developing countries—such as China, India and Brazil.

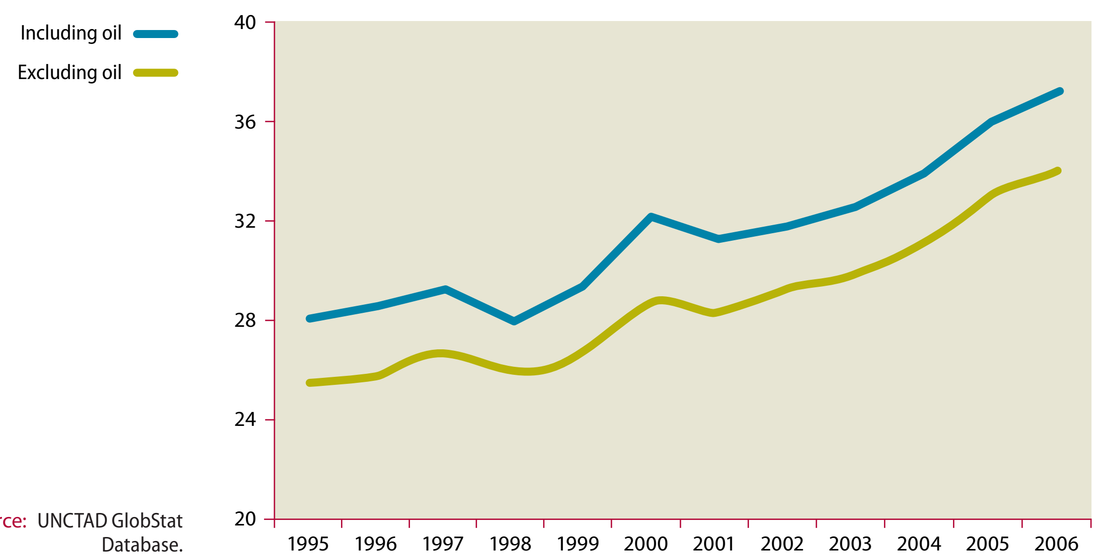
Less progress in terms of export penetration by LDCs

LDCs have not managed to increase their share in world trade …

However, the picture is far less favourable for the LDCs. This group of the most vulnerable countries did manage to increase its share in global exports from 0.42 per cent in 1995 to 0.66 per cent in 2006. But this greater export penetration has been entirely on account of rising volumes and prices of oil, exported by just a few of the LDCs. When oil is excluded, the share of global exports emanating from the LDCs effectively stagnated at about 0.38 per cent (see figure 12).

Figure 11

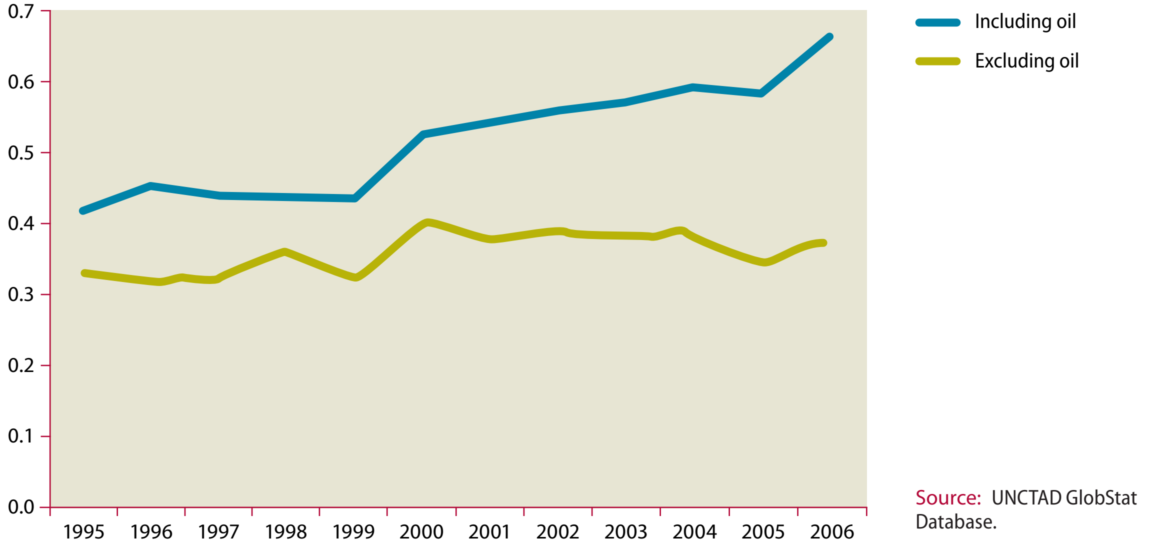
Developing country share in world exports, 1995-2006 (*percentage*)



Source: UNCTAD GlobStat Database.

Figure 12

LDC share in world exports, 1995-2006 (*percentage*)



Source: UNCTAD GlobStat Database.

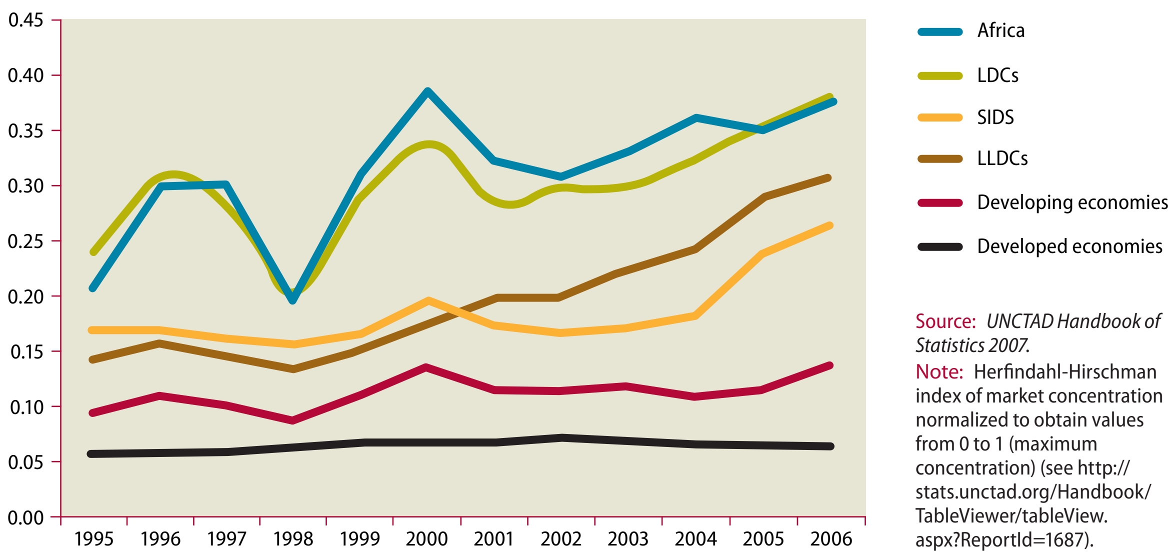
Concentration of developing country exports

... and increasingly depend on fewer export products

Developing countries—and the LDCs in particular—remain highly vulnerable to trade shocks, as the recent hikes in fuel and food prices have made painfully clear. Many are dependent on a few important commodities to generate the majority of their export earnings, and the rise in international prices during the past five years has served to discourage further diversification. Export concentration ratios have increased over the past decade for the LDCs—although this may reflect the rise in the price of oil and non-fuel minerals relative to other export products (figure 13). High dependence on a narrow range of export commodities

Figure 13

Export concentration ratios of developing countries, 1995-2006



Source: *UNCTAD Handbook of Statistics 2007.*

Note: Herfindahl-Hirschman index of market concentration normalized to obtain values from 0 to 1 (maximum concentration) (see http://stats.unctad.org/Handbook/TableViewer/tableView.aspx?ReportId=1687).

has been found to be a major source of macroeconomic volatility, detrimental to long-term growth prospects.[10]

Efforts to generate greater market access for developing countries and LDCs therefore need to be complemented by a significant Aid for Trade programme. Developing countries can only fully gain from open world trade when they improve and diversify their production and export capacity.

To improve market access for developing countries the international community will need to take the following actions:

- Redouble efforts to conclude the Doha Round of trade negotiations, and refocus on the elements that would make it a "development" round;
- Ensure that prospective bilateral and regional economic partnerships provide genuine market access and entry for exports of developing countries, and that they act as "stepping stones" towards rather than substitutes for multilateral agreements;
- Prioritize trade and its links to development and poverty reduction in national development strategies;
- Reduce substantially the tariffs and tariff escalation imposed by developed countries on agricultural products, textiles and clothing from developing countries;
- Accelerate the reduction of domestic and export subsidies on agricultural production in developed countries;
- Urgently assess the regional and country needs for Aid for Trade, and ensure that total available resources and allocations meet those needs;
- Step up efforts to make the Enhanced Integrated Framework fully operational.

10 For related evidence, see United Nations, *World Economic and Social Survey 2006: Diverging Growth and Development* (United Nations publication, Sales No. E.06.C.II.1), available from http://www.un.org/esa/policy/wess/wess2006files/wess2006.pdf; and United Nations, *World Economic and Social Survey 2008: Overcoming Economic Insecurity* (United Nations publication, Sales No. E.08.C.II.1), available from http://www.un.org/esa/policy/wess/wess2008files/wess2008.pdf.

Debt sustainability

Targets

8d	Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term
8b	… enhanced programme of debt relief for heavily indebted poor countries (HIPCs) and cancellation of official bilateral debt … for countries committed to poverty reduction

Targets 8d and 8b are currently measured by the following indicators:

Indicators

8.10	Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative);
8.11	Debt relief committed under HIPC and MDRI initiatives;
8.12	Debt service as a percentage of exports of goods and services.

Debt relief under the HIPC Initiative

The Heavily Indebted Poor Countries (HIPC) Initiative was launched by the World Bank and the International Monetary Fund (IMF) in 1996. It gave countries an opportunity to reduce their debt-service burden, provided that a series of key reforms designed to encourage sustainable economic growth, macroeconomic stability and poverty reduction were introduced. The HIPC Initiative was enhanced in 1999 in order to provide more substantial debt relief and more explicitly condition eligibility for debt cancellation to the existence of a defined poverty reduction strategy.

The HIPC Initiative was supplemented by the Multilateral Debt Relief Initiative (MDRI) in June 2005. The MDRI allows 100 per cent relief on eligible debts owed to IMF, the International Development Association (IDA) of the World Bank and the African Development Fund for countries completing the HIPC Initiative. Its implementation by the respective institutions started in January 2006 and July 2006. The Inter-American Development Bank joined the MDRI officially in March 2007 and decided to provide similar debt relief to the five HIPCs in Latin America and the Caribbean. Countries that have received MDRI relief from the World Bank experienced a corresponding fall in their IDA allocation.

In 2007, in order to avoid the situation where debt relief under the MDRI would lead to less aid provided through IDA, donors pledged to replenish the capital of IDA by an additional $25.1 billion. Combined with internal World Bank resources, this will provide IDA15 (the most recent replenishment) with a total concessional lending capacity of about $41.6 billion or $14 billion per year within the three-year period of the IDA round.

Debt relief received

Thus far, 41 countries have been found eligible or potentially eligible for debt relief under the HIPC Initiative, and by the end of June 2008, 33 of these had reached the HIPC Initiative decision point and are receiving debt relief. As of that point, 23 of the 33 had reached their completion point, which is when creditors are expected to provide irrevocably the full amount of debt relief committed at decision point. The 23 post–completion point countries have also benefited from debt relief under the MDRI.

Important progress has been achieved, but more donor resources are needed for further debt relief in some cases

The 33 post–decision point HIPCs are to receive a total amount of debt relief of $48.2 billion (in end-2006 net present value (NPV) terms) through the HIPC Initiative. Through the MDRI, an additional $26.8 billion has been committed for all HIPC countries, of which $21.2 billion has been delivered in full to 23 post–completion point countries. The most recent update of the HIPC Status Report (March 2008) estimated that debt relief in all forms (HIPC, MDRI, traditional debt relief and other "voluntary" bilateral debt relief) would reduce debt stocks for 33 post–decision point countries from $105 billion to $9 billion (2006 NPV), which is a reduction of more than 90 per cent.

Non–Paris Club and private creditors must take their part in the burden sharing of debt-relief operations

For the countries with long-standing arrears on debt obligations with multilateral institutions, additional donor resources will be needed to cover the estimated cost of debt relief. Further, participation of non–Paris Club official creditors has been low, delivering on average only about one third of their expected share in debt-relief operations for HIPCs.[1] Private creditors have not delivered their share of HIPC debt relief either. The low participation of these two types of creditors has undermined the principle of equitable burden sharing underlying the HIPC Initiative. The international financial system does not provide mechanisms that guarantee and enforce comparable treatment among creditors, and establishing these should be a priority and should apply not only to HIPCs but also with respect to all external debt obligations.

Falling debt-service burdens

The principal aim of the HIPC Initiative is to release resources for development. The reduction of debt stock has been welcomed by all beneficiary countries, though it has not necessarily led to the freeing up of large sums of resources in all cases because of the existence of large payment arrears in some countries.

On the whole, however, the debt relief has contributed to a substantial reduction in the external debt-servicing obligations of the 33 post–decision point HIPCs. Many of these have been further helped by high commodity prices and

1 United Nations, *World Economic and Social Survey 2008: Overcoming Economic Insecurity* (op. cit.).

strong growth in the world economy in the past few years. The debt service-to-exports ratio for all developing countries declined from almost 12.5 per cent in 2000 to 6.6 per cent in 2006 (figure 14). It is expected to have fallen to about 3 per cent in 2007.

As a further indication of falling debt-service burdens, in 2006 all post–completion point HIPCs and IDA-eligible countries had a debt-service ratio in their public external debt that was below the 25 per cent threshold identified as sustainable. This was an important improvement considering that in 1990, 10 HIPC countries had debt-service ratios above that threshold.

Debt reduction to HIPCs together with high commodity prices and strong growth has helped reduce the debt-service ratio of developing countries

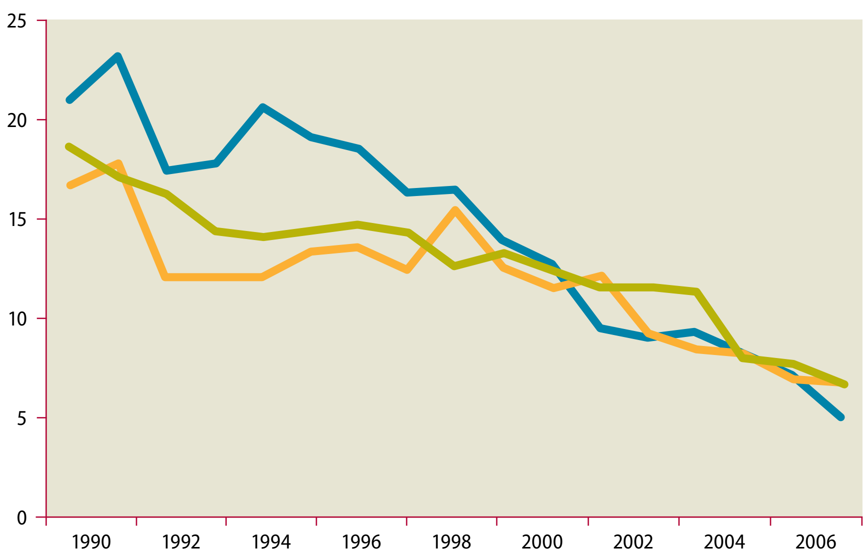
The reduction in debt burdens has created a better environment for investment and future growth. This outcome is not guaranteed, however. Commodity prices may become less buoyant in the coming years with a weakening world economy.[2] Moreover, even with the debt relief obtained, a considerable number of HIPCs are considered to be vulnerable to falling back into debt distress (see the subsection on sustainability of debt relief below).

More resources for social expenditures?

Debt-relief initiatives have stimulated increases in social spending in beneficiary countries

While variable across countries, debt relief has increased the fiscal space of benefiting countries, enabling them to increase social spending. Among the countries that have received debt relief, public expenditures on social sectors and poverty reduction programmes have increased. This trend is not surprising, as the provision of such expenditure increases was incorporated into the Poverty Reduction Strategy Papers (PRSPs) that countries have to prepare in order to qualify for debt relief.

Figure 14
Debt-service payments as a proportion of export revenues, 1990-2006 (*percentage*)



Source: World Bank, Global Development Finance database.

2 See United Nations, *World Economic Situation and Prospects: Update as of Mid-2008* (available from http://www.un.org/esa/policy/wess/wesp2008files/wesp08update.pdf).

Further debt relief is needed for countries whose debt-service burden is still higher than the volume of resources for education and health

However, despite the increases in social expenditures, a large number of developing countries still spend more on debt servicing than on public education or health. In 2006, there were 10 developing countries spending more on debt service than on public education and 52 where debt servicing was more than the public health budget. The number of countries in this category has been on the decline since 2000, however (figure 15). Most of this improvement was achieved following debt relief under the HIPC Initiative.

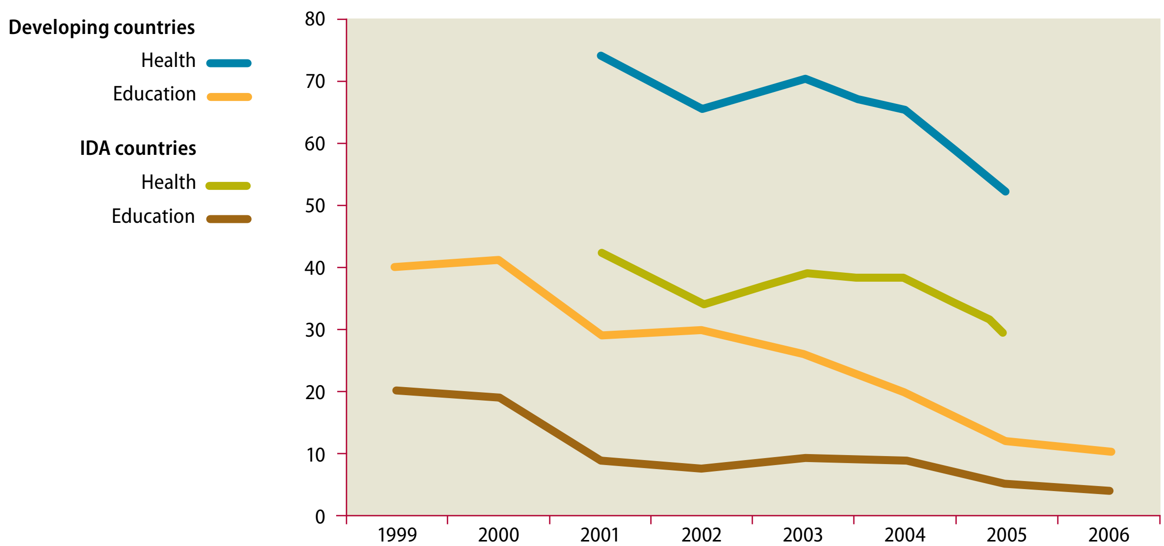
Sustainability of debt relief

Debt sustainability remains an issue of concern in many HIPCs. The effective reduction in the debt-servicing burden varied across countries, depending on the level of arrears each country had. In Senegal, for example, the reduction in debt-service flows was less than 25 per cent. In one third of the HIPCs, the reduction in debt-service flows was in the range of 25 to 50 per cent, and in another one third of countries such reduction was just above 50 per cent. Furthermore, a report of the World Bank's Independent Evaluation Group on debt sustainability has indicated that debt ratios deteriorated in 11 of the 13 countries for which data were available.[3]

Rwanda and the Gambia, 2 post–completion point countries, are classified as being at "high risk" of debt distress, while 12 have moderate debt vulnerability

Figure 15

Number of developing countries with public debt-service payments exceeding public spending on education and health, 1999-2006



Source: World Bank estimates prepared for the MDG Gap Task Force. Data on health expenditures are from the World Health Organization, *World Health Report* and updates, supplemented by World Bank poverty assessments and country and sector studies; data on education expenditures are from the UNESCO Institute of Statistics.

Note: The International Development Association provides interest-free credits and grants to the poorest countries. Currently, there are 80 countries served by IDA, 39 of which are in Africa.

3 Available from http://siteresources.worldbank.org/EXTDEBRELPOOR/Resources/hipc_update_evaluation.pdf.

(figure 16a). Only 9 of the 23 post–completion point HIPCs could be classified as being at "low risk" of debt distress.[4] In addition, there are 24 IDA countries either in debt distress or at risk of debt distress (figure 16b).

Risk of debt distress remains high among HIPCs, including those that have received full debt relief

The aid environment is changing rapidly, with much greater activity by non-DAC donors. China and India, together with commercial lenders, have emerged as important sources of development finance in Africa. Beneficiary countries should seize these new opportunities, but they should also remain cautious with a view to keeping new borrowing within the limits of sustainable total public debt.

Donor resources for debt relief must be fully additional to ODA for core development programmes

Although debt relief under the HIPC Initiative was envisaged as being additional to existing aid flows, the rate of increase in ODA net of debt relief has lagged the overall increase in ODA. Some flows registered as ODA represented transfers among creditor agencies to wipe out unpaid debts. For the MDRI, the provision of compensatory financing at the time of IDA replenishment is intended to be additional to what donors would have otherwise provided. It is not clear, however, against which benchmark to establish this "additionality". Nonetheless, it can be said that debt relief has crowded out fresh flows of ODA to some degree, especially over the last two years.[5] As detailed in the section on ODA above, total aid flows in real terms have fallen from peak levels in 2005, which included significant allocations for debt relief.

The currently employed Debt Sustainability Framework should be kept under review and refined further

The Debt Sustainability Framework (DSF) of the World Bank and IMF has undergone important improvements in recent years, but should remain under review. Even low levels of debt may not be sustainable if repayments squeeze out essential investments in the MDGs. In addition, the current threshold approach does not appropriately address the uses of borrowed funds and therefore neglects the question of whether the rate of return on investment projects is sufficient to service the debt and whether sufficient foreign exchange can be acquired as a result of the investment. For that reason, the relevant United Nations agencies and multilateral institutions should explore ways of placing debt sustainability within a broader asset-liability framework. Efforts should be continued to fully integrate domestic debt within debt sustainability analyses, as domestic liabilities have increased considerably during the past decade. Finally, while technical assistance provided by United Nations agencies, multilateral and bilateral agencies over the past decade has helped developing countries develop their debt management capacity significantly, continued efforts and greater coordination are needed in this area.

4 The debt sustainability measure is based on country-specific evaluations conducted jointly by the World Bank and the International Monetary Fund (IMF). External debt distress is based on the following classifications. A country is at low risk when all debt indicators are well below relevant country-specific debt-burden thresholds. Moderate risk is when the baseline scenario does not indicate a breach of debt or debt-service thresholds over the projection period. High risk is for countries whose baseline scenarios indicate a breach of debt or debt-service thresholds during the projection period. Countries in debt distress are those with current debt and debt-service ratios significantly above thresholds.

5 See UNCTAD, Trade and Development Report 2008 (forthcoming).

Figure 16a
Risk of debt distress in HIPCs, 2008 (*number of countries*)

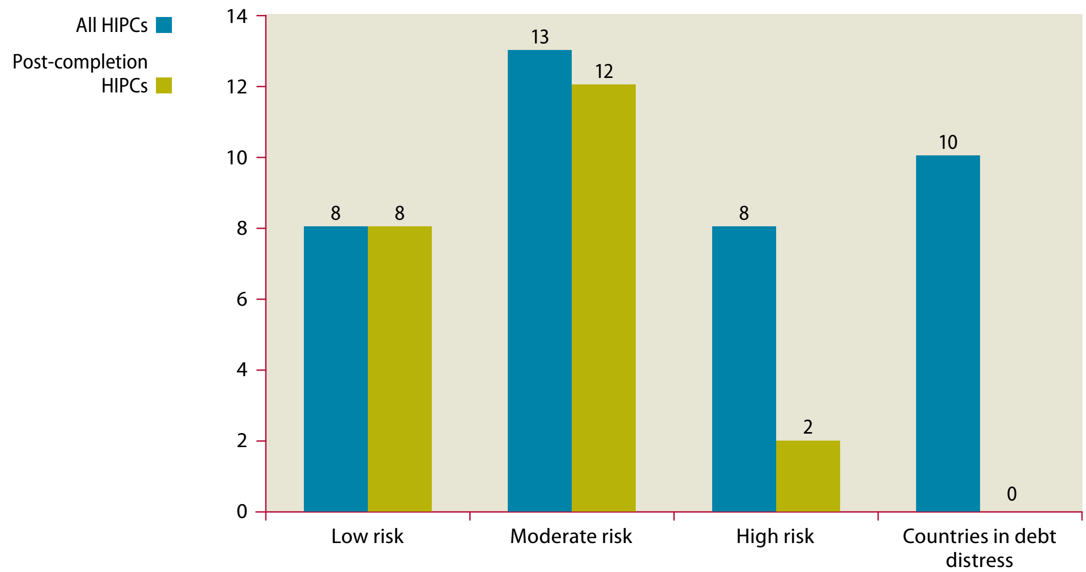
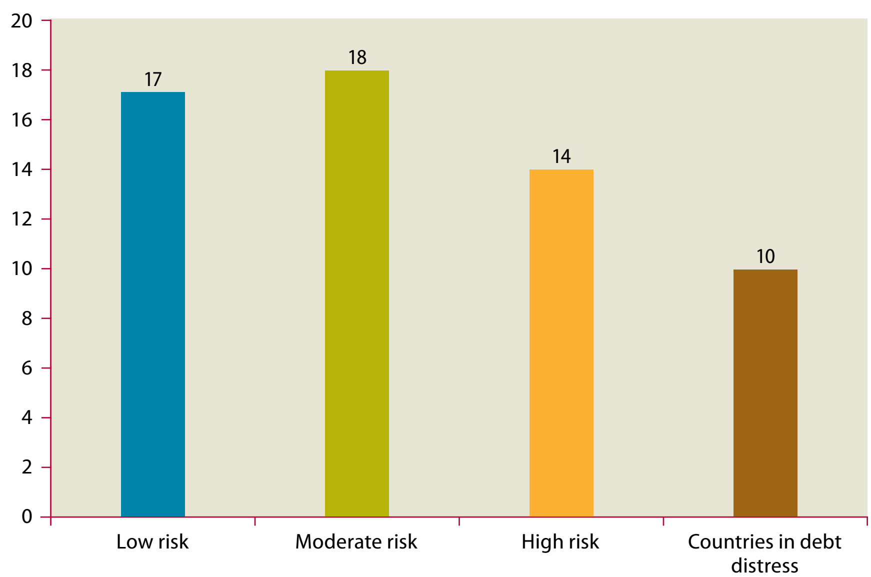


Figure 16b
Risk of debt distress in IDA-only PRGF-eligible countries, 2008
(*number of countries*)



Source: World Bank estimates, prepared for the MDG Gap Task Force.

Notes: (1) PRGF stands for Poverty Reduction and Growth Facility.
(2) The figures reflect the assessment in the latest joint World Bank/IMF Low-Income Countries Debt Sustainability Assessments (as of end-April 2008) for the countries that were IDA-only and PRGF-eligible countries as of 1 February 2007.

Beyond the HIPC Initiative

More debt relief may be needed for a wider range of developing countries with external debt problems. The MDRI and HIPC initiatives cover only 41 countries, compared to the 78 low-income countries that are eligible for concessional lending from IMF, several of which suffer from considerable debt stress, as shown in figure 16b.

The risk associated with higher food and energy prices may increase the debt distress of low-income countries in coming years

Furthermore, a significant number of middle-income countries, which predominantly rely on private sources of financing, are heavily indebted as well. Several of these, especially net food and energy importers, may feel increasing debt distress as the world economy weakens and if food and oil prices remain high in the coming years. Existing debt restructuring mechanisms may not be adequate for orderly debt workouts in case of severe distress for these countries, and new mechanisms will have to be put in place.

New mechanisms for debt restructuring must be considered

Is the global partnership working to make developing country debt sustainable?

Under the HIPC and MDRI initiatives, substantial progress has been achieved in reducing the debt burden of many of the heavily indebted poor countries. In this sense the envisaged global partnership has been effective. However, the MDG target of dealing comprehensively with the debt problems of developing countries has not been achieved in full.

Specific actions to improve the external debt sustainability of countries include the following:

- Mobilizing additional donor resources to facilitate debt relief in some HIPCs which have not yet reached completion point;
- Encouraging non–Paris Club official bilateral and private creditors to provide relief on HIPC-comparable terms on eligible outstanding debt;
- Continuing to review and refine the currently employed Debt Sustainability Framework;
- Establishing an orderly sovereign debt restructuring process for non-HIPCs experiencing debt distress.

Access to affordable essential medicines[1]

Target

8e In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.

Target 8e of the Millennium Development Goals acknowledges the need to improve the availability of affordable medicines for the world's poor. Several countries have made substantial progress towards increasing access to essential medicines and treatments to fight HIV/AIDS, malaria and tuberculosis, but access to essential medicines in developing countries is not adequate. In countries for which there is information, the availability of medicines in the public sector is only one third, while private sector availability is about two thirds, and the prices people pay for lowest-priced generic medicines vary from 2.5 times to 6.5 times international reference prices (IRPs) in these two sectors, respectively. Recent progress in a number of countries shows that access to essential medicines can be improved through stronger partnership among governments, pharmaceutical companies and civil society, including consumers, working together to ensure universal access to essential medicines. The role of pharmaceutical companies, ranging from multinationals to generic manufacturers to national distributors, is critical in this effort.

Target 8e is currently measured by the following indicator:

Indicator

8.13 Proportion of population with access to affordable, essential drugs on a sustainable basis.

Access is defined as having medicines continuously available and affordable at public or private health facilities or medicine outlets that are within one hour's walk from the homes of the population.[2] Given its complexity, an overall picture of the degree of access to essential medicines can only be generated using a range of World Health Organization (WHO) medicine access indicators that provide

1 Access indicators developed by the World Health Organization are available from http://www.un.org/esa/policy/mdggap/appendix.pdf.

2 United Nations Development Group, *Indicators for Monitoring the Millennium Development Goals* (United Nations, New York, 2003).

data on medicine availability and price in both the public and the private sectors, in combination with key policy indicators.[3]

Coverage of countries with a recently updated national Essential Medicines List

Essential medicines are those that satisfy the priority health care needs of the population. They are intended to be available within the context of functioning health systems at all times in adequate amounts, in the appropriate dosage forms, with assured quality, and at a price the individual and the community can afford. A national Essential Medicines List (EML) is a government-approved selective list of medicines that guides the procurement and supply of medicines in the public sector, schemes that reimburse medicine costs, medicine donations and local medicine production. It is a cost-effective means of providing safe, effective treatment for the majority of communicable and non-communicable diseases.[4]

Nearly all developing countries have a published national Essential Medicines List, the majority of such lists having been updated in the last five years

Nearly all developing countries (95 per cent) have a published national EML. Of these lists, 86 per cent have been updated in the past five years. Given the importance of updating medicine selections to reflect new therapeutic options and changing therapeutic needs, all countries should ensure that their EML is updated regularly. This means that 19 per cent of developing countries need to establish an EML or update an existing one.

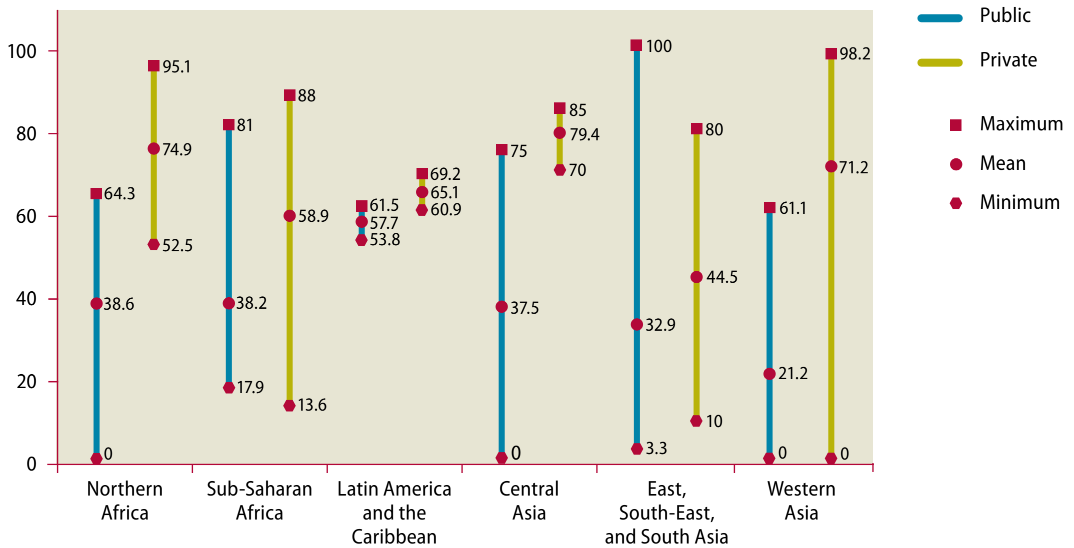
Availability of essential medicines

Public sector availability of medicines is low in all developing country regions, and is consistently lower than in the private sector (figure 17). In the 27 developing countries for which data are available, average public sector availability was only 34.9 per cent. When medicines are not available in the public sector, patients will have to purchase medicines from the higher-priced private sector, or forgo treatment altogether. Since health facilities in the public sector generally provide medicines at low cost or free of charge, they are especially important for providing access to medicines for the poor. In individual surveys, availability is reported as the percentage of medicine outlets in which a medicine was found on the day of data collection. Median availability is determined for the specific list of medicines in each survey and does not account for alternate dosage forms of these products or therapeutic alternatives. Public sector data may be limited by the fact that the list of survey medicines may not correspond to national EMLs—where these exist—and some public sector facilities may not be expected to stock all

3 At the time of the development of the MDG indicators, WHO used interviews with national experts to assess the pharmaceutical situation in each country. More recently, a standard methodology for measuring medicine prices, availability, affordability and medicine price components has been developed and validated in partnership with Health Action International (HAI). To date, more than 50 surveys have been carried out in over 40 countries (see http://www.haiweb.org/medicineprices/). Such surveys are a significant step towards making "access" measurable with standardized, reliable indicators.

4 World Health Organization, Essential Medicines, 2005. Available from http://www.who.int/medicines/services/essmedicines_def/en/ (accessed on 5 June 2008).

Figure 17
Availability of selected medicines in public and private health facilities between 2001 and 2007 (*percentage*)



Source: Surveys of medicine prices and availability using WHO/HAI standard methodology (available from http://www.haiweb.org/medicineprices/).
Notes: (1) Where multiple state or provincial surveys have been conducted (China, India, the Sudan), results from individual surveys have been averaged without weighting.
(2) Number of countries in the sample: among developing countries, there were 27 and 30 countries for the public and private sectors, respectively; Northern Africa, 3 countries; sub-Saharan Africa, 9; Latin America and the Caribbean, 2; Central Asia, 2 for the public sector and 4 for the private sector; East and South Asia, 7 for the public sector and 6 for the private sector; Western Asia, 5 for the public sector and 6 for the private sector.

of the survey medicines. This has been addressed in the revised edition of the survey tool, which allows public sector data to be analysed by EML status and level of care.

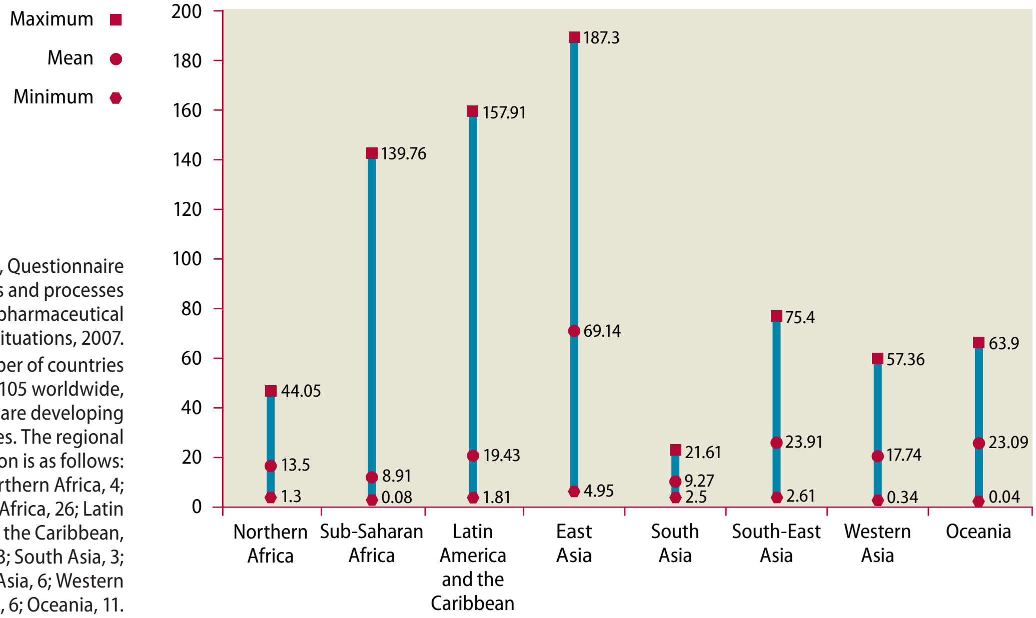
Medicine availability is not guaranteed in private health facilities either. On average, about one third (36.8 per cent) of private providers in developing countries lacked availability of essential medicines, but in a sample of six countries in East, South-East and South Asia the percentage was more than half (55.4 per cent).

Poor availability of medicines, particularly in the public sector, is a key barrier to access to affordable essential medicines in developing countries, especially for the poor

Public sector expenditure on pharmaceuticals

Low availability of medicines in the public sector may be caused by several factors. Inadequate financing or underbudgeting can result in insufficient funds to meet national needs. As shown in figure 18, there is wide variation in national per capita spending on medicines by the public sector, ranging from \$0.04 to \$187.30 among developing countries. This variation occurs even among countries of similar economic status: expenditures range from \$26.67 to \$505.46 across developed countries and from \$0.04 to \$16.30 across least developed countries. Other determinants of low public sector availability of medicines include procurement of high-priced products, such as originator brands, and inefficiencies in the supply and distribution chain.

Figure 18
Public per capita expenditure on medicines, 2007 (*dollars*)



Source: WHO, Questionnaire on structures and processes of country pharmaceutical situations, 2007.
Note: Number of countries in the sample: 105 worldwide, of which 77 are developing countries. The regional representation is as follows: Northern Africa, 4; sub-Saharan Africa, 26; Latin America and the Caribbean, 16; East Asia, 3; South Asia, 3; South-East Asia, 6; Western Asia, 6; Oceania, 11.

Addressing the root causes of low public sector availability of medicines can lead to substantial improvements. In Kenya, for example, the availability of artemether-lumefantrine 20/120 mg for treating uncomplicated falciparum malaria increased dramatically between July and October 2006 (figure 19). This corresponds to the period during which Kenya received financial support through the Global Fund to Fight AIDS, Tuberculosis and Malaria to procure and distribute artemether-lumefantrine to public health facilities.[5]

Adequate financing and affordable procurement prices are key determinants of medicine availability in the public sector

Kenya also benefits from a differential pricing agreement whereby the manufacturer Novartis sells this medicine at lower costs to public health systems in developing countries.[6] The principle behind such differential pricing is that prices should be adapted to the purchasing power of governments and households in lower-income countries so that they receive the best possible prices for life-saving medicines.

Pricing of essential medicines

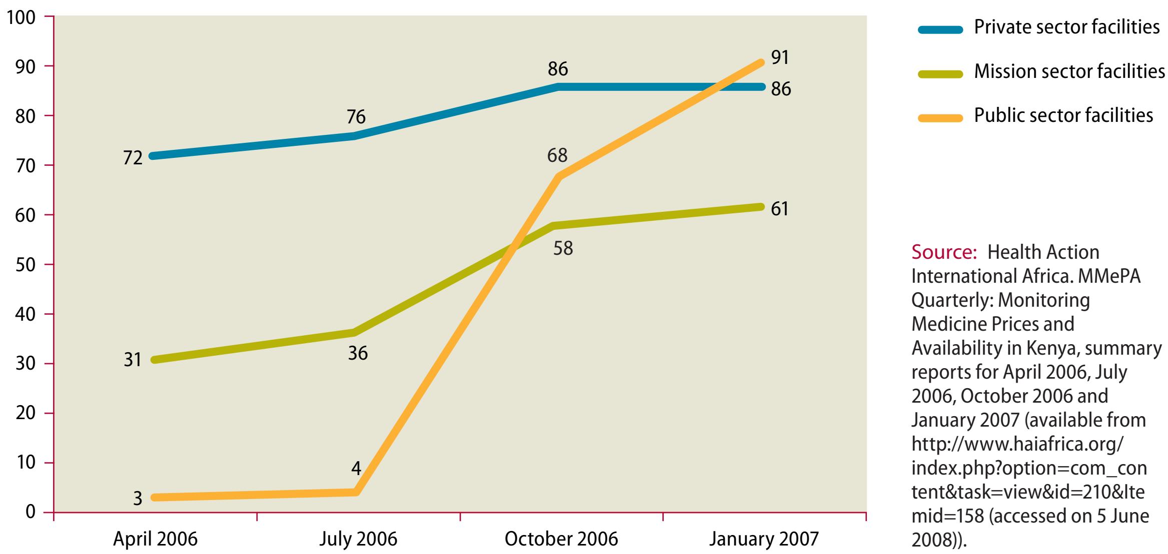
The high price of medicines, particularly in the private sector, is another key barrier to access to affordable essential medicines in developing countries

Given the often low public sector availability of medicines, patients are frequently forced to purchase medicines in the private sector, where prices are higher. In the 33 developing countries for which data are available, lowest-priced generic medicines cost over six times IRPs in the private sector (figure 20). For

5 The Global Fund to Fight AIDS, Tuberculosis and Malaria, Kenya Country Proposal Malaria Component, Round 4, available from http://www.theglobalfund.org/search/docs/4KENM_797_0_summary.pdf (accessed on 5 June 2008).

6 Novartis, Coartem in Africa: Gaining momentum on the ground, available from http://www.corporatecitizenship.novartis.com/patients/access-medicines/access-in-practice/coartem-in-africa.shtml (accessed on 5 June 2008).

Figure 19
Availability of artemether/lumefantrine 20/120 mg in Kenya, April 2006–January 2007 (*percentage*)



Source: Health Action International Africa. MMePA Quarterly: Monitoring Medicine Prices and Availability in Kenya, summary reports for April 2006, July 2006, October 2006 and January 2007 (available from http://www.haiafrica.org/index.php?option=com_content&task=view&id=210&Itemid=158 (accessed on 5 June 2008)).

originator brand medicines, costs are generally much higher.[7] In public sectors in which patients pay for medicines, lowest-priced generics cost about 2.5 times more than IRPs. While national government procurement prices are usually close to or below international prices, patients pay substantially more owing to markups in the supply chain and expensive local purchases geared at addressing stockouts.

A current limitation of medicine price data in developing countries is that they do not assess the extent to which access to medicines is equitable. Such equity issues are currently being investigated using data collected in 54 world health household surveys.

The final price of medicines can be strongly determined by the high add-on costs in the supply chain

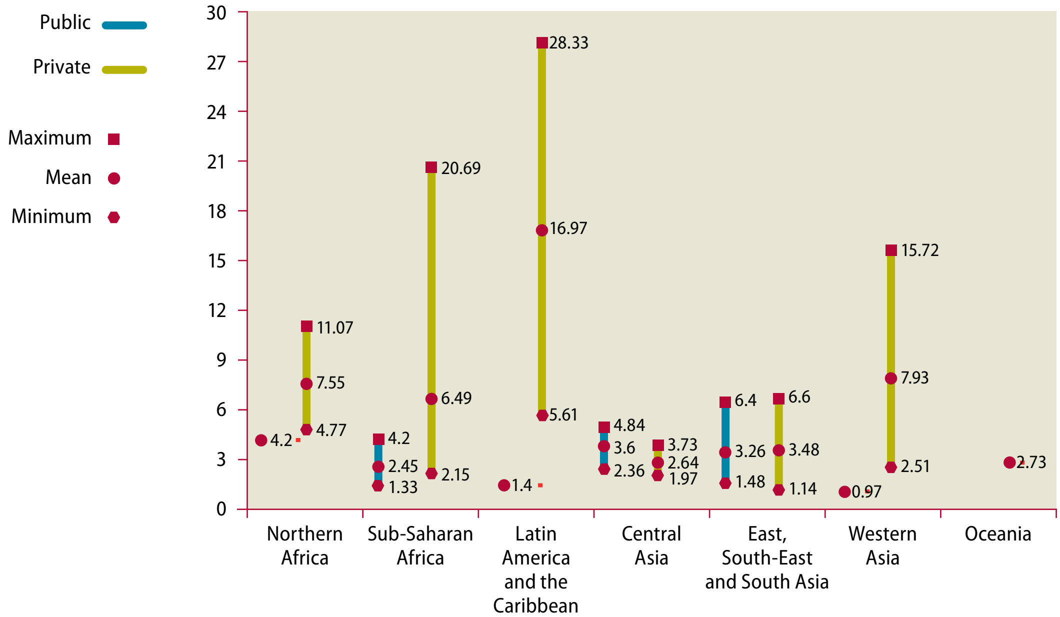
Few data are available on the markups applied to the cost of the production of medicines as they move through the supply and distribution chains. In the limited number of countries for which such data are available, results show that these add-on costs can be substantial in both the public and the private sectors (table 4). A key contributor to these add-on costs are wholesaler and retailer markups. Countries such as South Africa have attempted to make private sector markups transparent.[8] Other countries have regulated markups by adopting regressive schemes that allow higher markups for lower-priced products, thereby providing an incentive for retailers to sell lower-priced products. In the Syrian Arab Republic, for example, private pharmacy markups range from 30 per cent when the pharmacy procurement price is 1-40 Syrian pounds (SYP) to 8 per

7 Surveys of medicine prices and availability using WHO/HAI standard methodology, available from http://www.haiweb.org/medicineprices/.

8 National Medicine Policy for South Africa, available from http://www.doh.gov.za/docs/policy/medicinesjan1996.pdf (accessed on 5 June 2008).

Figure 20

Ratio of consumer prices to international reference prices (*consumer price ratio*) **for selected generic medicines in public and private health facilities**



Source: Surveys of medicine prices and availability using WHO/HAI standard methodology (available from http://www.haiweb.org/medicineprices/).

Notes: (1) In each survey, median consumer price ratios are obtained for the relevant basket of medicines found in at least four medicine outlets. As baskets of medicines differ by individual country, results are not exactly comparable across countries. However, data on specific medicines are publicly available on the Health Action International (HAI) website (http://www.haiweb.org/medicineprices/).
(2) Data correspond to the most recent survey available for countries in the region taken over the period 2001-2006.
(3) Number of countries in the sample for the public and private sectors, respectively: Northern Africa, 1 and 3; sub-Saharan Africa, 9 and 10; Latin America and the Caribbean, 1 and 2; Central Asia, 2 and 4; East and South Asia, 4 and 7; Western Asia, 2 and 7; Oceania, 1.

Table 4

Margins between producer and consumer prices in the public and private sectors (*percentage*)

Country	Public sector markup	Private sector markup
China	24-35	11-33
El Salvador		165-6 894
Ethiopia	79-83	76-148
India		29-694
Malaysia	19-46	65-149
Mali	77-84	87-118
Mongolia	32	68-98
Morocco		53-93
Pakistan		28-35
Uganda	30-66	100-358
United Republic of Tanzania	17	56

Source: Surveys of medicine prices and availability using WHO/HAI standard methodology (available from http://www.haiweb.org/medicineprices/).

cent when the procurement price is 501 SYP or higher.[9] Taxes and duties are other contributors to add-on costs in the supply chain. Medicine prices can be reduced by eliminating duties and taxes on medicines,[10] a policy measure which has already been implemented in many countries.

While affordable prices are a key determinant in improving access to medicines, adequate, sustainable and equitable financing of medicines is also required. UNITAID and Advance Market Commitments for vaccines (AMC) are two examples of innovative financing mechanisms that have recently been put in place. UNITAID uses the proceeds of a solidarity tax on airline tickets to purchase drugs and diagnostics for HIV/AIDS, malaria and tuberculosis, while AMC uses donor commitments to provide incentives to vaccine makers to produce vaccines for developing countries.

The Global Fund to Fight AIDS, Tuberculosis and Malaria, the United States President's Emergency Plan for AIDS Relief (PEPFAR), and UNITAID have generated substantial funding for the treatment of HIV/AIDS, tuberculosis and malaria. Further support is needed for chronic, non-communicable diseases such as cardiovascular disease, cancer, diabetes and chronic respiratory disease. Globally, approximately 35 million deaths (i.e., 60 per cent of all deaths) are attributable to chronic diseases each year, 80 per cent of which occur in low- and middle-income countries.[11]

Generic substitution policies

Generic substitution is a key policy for ensuring access to affordable essential medicines which should be adopted by more countries

In the majority of cases, generically equivalent products are priced substantially lower than the originator brand.[12] Increasing the use of quality-assured generic medicines is therefore a key strategy for improving the affordability of medicine. A range of policy options is available to promote the use of generics, including allowing pharmacists to dispense a generically equivalent product in place of the originator brand listed on the prescription. Such generic substitution by pharmacists is allowed in many countries, sometimes with a requirement to inform the patient.[13] Legal provisions to allow and encourage generic substitution in the private sector exist in 86 and 100 per cent of the developed and transition economies, respectively. Such provisions are in place in fewer developing countries (72 per cent) (see figure 21). Less than half of the countries in South and Western Asia (40 per cent) and Oceania (38 per cent) have generic substitution policies.

9 World Health Organization Regional Office for the Eastern Mediterranean 2008, Survey of medicine prices, availability, affordability and price components: summary survey report for Syrian Arab Republic (available from http://www.haiweb.org/medicineprices/surveys/200312SY/sdocs/EMPSyriasummarynewpricingWEB.pdf (accessed on 5 June 2008)).

10 M. Olcay and R. Laing, Pharmaceutical tariffs: what is their effect on prices, protection of local industry and revenue generation? (Geneva: Commission on Intellectual Property Rights, Innovation and Public Health, May 2005). Available from http://www.who.int/intellectualproperty/studies/tariffs/en/index.html.

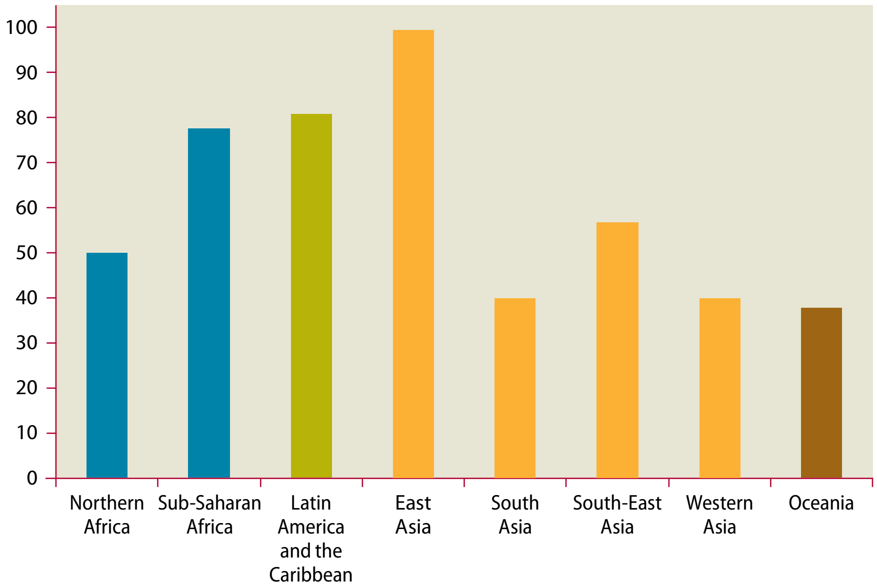
11 World Health Organization, *Preventing Chronic Diseases: A Vital Investment* (Geneva: World Health Organization, 2005).

12 Surveys of medicine prices and availability using WHO/HAI standard methodology (loc. cit.).

13 A. Nguyen, What is the range of policies that can be used to promote the use of generic medicines in developing and transitional countries? (unpublished, 2007).

Figure 21

Percentage of countries with legal provisions to allow/encourage generic substitution in the private sector, 2007



Source: WHO, Questionnaire on structures and processes of country pharmaceutical situations, 2007.

Recognition of essential medicines and technologies in national constitutions

Most national constitutions do not specifically recognize access to essential medicines or technologies as part of the fulfilment of the right to health

National constitutions define the fundamental political principles of a country and usually guarantee certain rights to their people. Health is a fundamental human right recognized in at least 135 national constitutions. Access to health care, including access to essential medicines, is a prerequisite for realizing that right. However, only five countries specifically recognize access to essential medicines and technologies as part of the fulfilment of the right to health.

Recently updated national medicines policies

A large proportion of developing countries have national medicines policies, but many have not been updated in the past five years

A national medicines policy (NMP) plays an important role in defining the national goals and objectives for the pharmaceutical sector, and in identifying the strategies needed to meet them. An NMP is an essential part of health policy which should be adopted and regularly updated. Worldwide, 71 per cent of countries have a published NMP.[14] However, only 48 per cent of developing countries have updated their policies in the past five years, compared to 86 per cent of developed countries. In Africa, for example, 73 per cent of countries have an NMP, but only 33 per cent of those policies have been updated in the last five years.

14 World Health Organization, Questionnaire on structures and processes of country pharmaceutical situations, 2007.

Towards a strengthened global partnership to improve access to affordable essential medicines

Assured access to essential medicines occurs when there is government commitment, careful selection, adequate public sector financing, efficient distribution systems, and control on taxes, duties and other markups. Ensuring rational use of these medicines is critical to preventing resistance and overconsumption. This complex web of activities requires cooperation between the public and private sectors, between prescribers and dispensers, and between different government institutions. Consumers also need to be informed through a transparent system that addresses widespread patterns of information asymmetry.

Formerly, WHO stated that one third of the world's population lacked access to essential medicines. With the more accurate estimates provided by the WHO/HAI survey methodology, we now know that in about 40 developing countries, public sector medicine availability is only one third, while private sector availability is about two thirds. The prices people pay for lowest-priced generic medicines vary from 2.5 to 6.5 times IRPs in the public and private sectors, respectively. Clearly, all developing countries should be measuring access using this survey methodology at least every two years. The fact that some developing countries have better availability and lower prices than others shows that access to essential medicines can be improved.

No doubt the MDG target to **provide, in cooperation with pharmaceutical companies, access to affordable essential drugs in developing countries** has served to mobilize resources and improve coordination aimed at increasing access to essential medicines and treatments to fight HIV/AIDS, malaria and tuberculosis in many countries. Access to essential medicines in developing countries, however, is not yet adequate.

Part of the difficulty in assessing progress towards this commitment has been the lack of a quantitative target. Recent efforts to develop reliable indicators to measure access (namely, those related to availability and price) will improve accountability in respect of global actions to expand sustainable access to essential medicines. Information available in a number of countries suggests the existence of large gaps in the availability of medicines in both the public and private sectors as well as a wide variation in prices—much higher than IRPs—which render essential medicines unaffordable to poor people. A wide range of policy and programmatic options exist for countries, companies and consumers for improving access to essential medicines in the different sectors of developing countries.

Accelerated progress requires explicit national and global targets in a number of areas.

At the **national level**:

- Eliminate taxes and duties on essential medicines;
- Update national policy on medicines;
- Update the national list of essential medicines;
- Adopt generic substitution policies for essential medicines;
- Seek ways to reduce trade and distribution markups on prices of essential medicines;

- Ensure adequate availability of essential medicines in public health care facilities;
- Regularly monitor medicine prices and availability.

At the **global level**:

- Encourage pharmaceutical companies to apply differential pricing practices to reduce prices of essential medicines in developing countries where generic equivalents are not available;
- Enhance the promotion of the production of generic medicines and remove barriers to uptake;
- Increase funding for research and development in areas of medicines relevant to developing countries, including children's dosage forms and most neglected diseases.

Access to new technologies

Target

8f In cooperation with the private sector, make available the benefits of new technologies, especially information and communications

Target 8f highlights the potentially positive impact of new technologies on the socio-economic development of developing countries and the need to broaden access to information and communication technologies (ICT). The target is currently measured by the following indicators:

Indicators

8.14 Telephone lines per 100 population;

8.15 Mobile cellular subscribers per 100 population;

8.16 Internet users per 100 population.

The international community has not agreed on numerical targets for any of the above indicators. This makes it difficult to quantify the implementation gaps in this area. It is possible, however, to measure progress in terms of higher ICT penetration rates or wider ICT options through these indicators. To assess the role and contribution of the private sector in providing access to ICT, additional information is needed.

Lack of numerical targets for ICT prevents the proper monitoring of global commitments

Rapid increase in coverage of population with access to mobile phones

The number of mobile cellular subscribers and Internet users has increased rapidly since the mid-1990s, while coverage of fixed telephone lines has grown only modestly. Mobile phone technology may be seen as "the breakthrough ICT in developing countries"[1] and could function to help bridge the divide between rich and poor in terms of access to telecommunications by reducing the connectivity shortfalls that fixed telephones cannot fill.

The number of mobile phone subscribers has increased by 500 million since 2005 and reached over 2.8 billion by the end of 2006 worldwide. In Africa,

1 United Nations Conference on Trade and Development (UNCTAD), *Information Economy Report 2007-2008, Science and Technology for Development: The New Paradigm of ICT* (United Nations publication, Sales No. E.07.II.D.13), p. 21.

almost every country has more mobile than fixed telephone subscribers, and some 65 million new mobile subscribers were added in 2006. With close to 200 million subscribers by the end of 2006, 22 per cent of the population in Africa had a mobile phone. It should be noted, however, that in many developing countries still less than 1 in 10 people have subscribed to a mobile telephone.

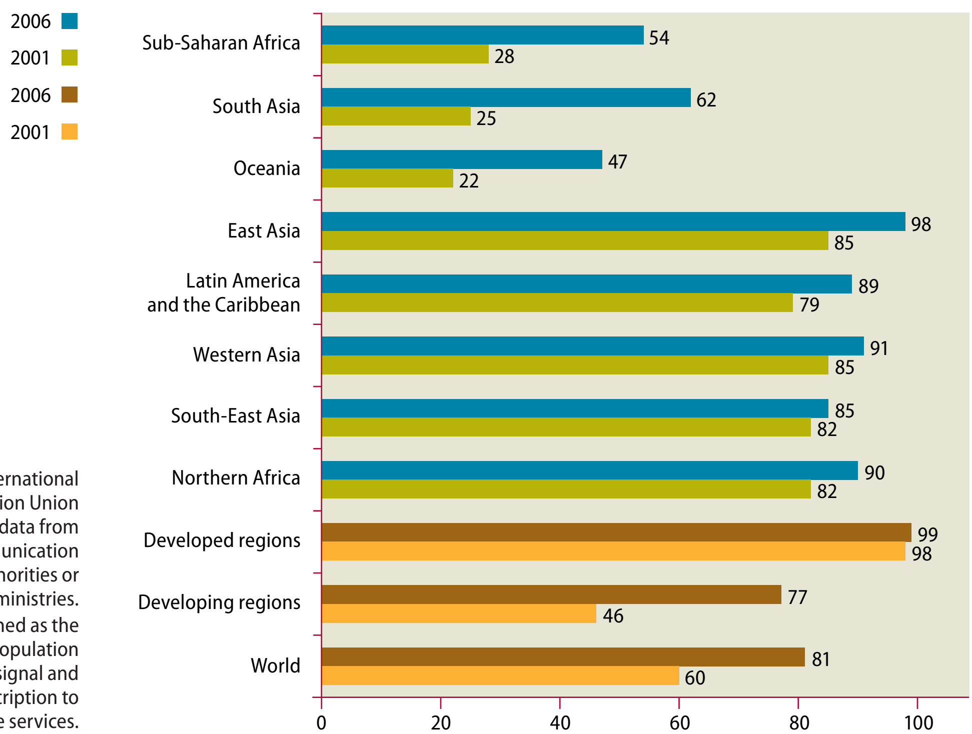
A complementary measure of the availability of ICT is the coverage of population with access to mobile phone networks. This is measured as the percentage of inhabitants who are within range of a mobile cellular signal, irrespective of whether they are subscribers. This measure is particularly useful, since wireless communications support not only voice communications but also text messaging and Internet access (at increasingly higher speeds including broadband). Figure 22 shows an increase in the population covered by a mobile cellular signal from 60 per cent in 2001 to 81 per cent in 2006. By 2006, 77 per cent of the population in developing countries was covered by a mobile signal. The lowest rates prevail in sub-Saharan Africa and South Asia, where 54 and 62 per cent of the population, respectively, live in areas with such coverage.

Rapid expansion of the coverage of population with access to mobile networks is reducing gaps in access to telecommunication technologies

The coverage of population with access to mobile phones is expected to continue to grow in the coming years as the expansion of basic ICT infrastructure has been rapid, mainly as a result of substantial investment in infrastructure by the private sector.[2]

Figure 22

Population covered by a mobile cellular signal, 2001 and 2006 (*percentage*)



Source: International Telecommunication Union (ITU), based on data from national telecommunication regulatory authorities or ministries.

Note: Defined as the proportion of the population covered by a mobile signal and does not imply subscription to mobile services.

2 The global trade body for the mobile industry has been actively involved in the expansion of mobile signals with a special emphasis on some of the poorest regions, as exemplified by the recent extension of coverage in Africa (see http://www.gsmworld.com/news/press_2008/press08_34.shtml).

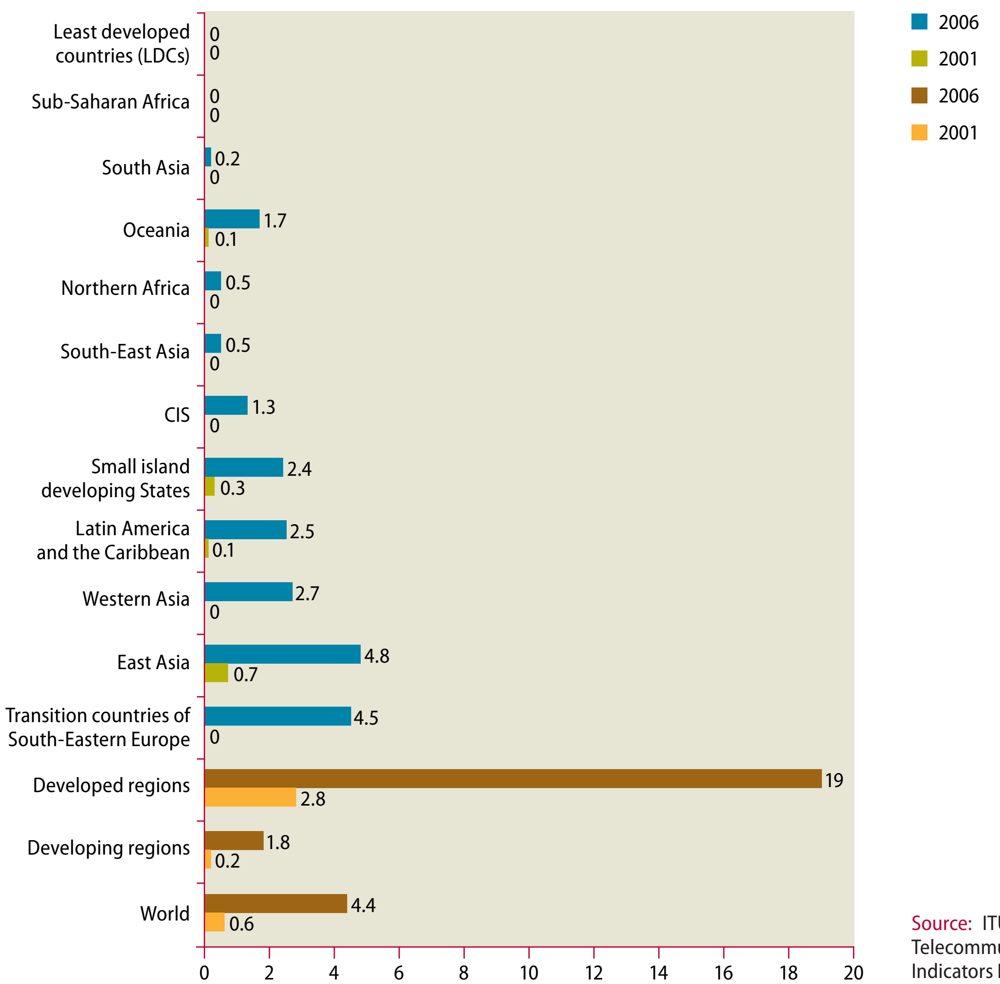
The digital divide in Internet use

Broadband Internet uptake is slow in many developing countries …

The use of broadband is playing an important role in transforming countries into information societies, and some of the applications that are having the greatest impact on people and businesses are closely linked to broadband uptake.[3] Regional data on fixed broadband uptake, as highlighted in figure 23, show major disparities. In most of the developing regions, the number of fixed broadband subscribers is negligible, while developed countries are approaching a 20 per cent penetration rate. By 2006, most countries in sub-Saharan Africa had not yet commercially deployed broadband services, and where available, such services remained inaccessible because of their prohibitive expense.

Internet use and penetration continue to increase around the world, but developed countries still account for the majority of Internet users and have the highest penetration rate. In 2002, Internet availability in developed countries

Figure 23
Total fixed broadband subscribers per 100 population, 2001 and 2006



Source: ITU, World Telecommunication/ICT Indicators Database.

3 Broadband wireless access is expected to play a key role in developing countries. Currently, data on mobile broadband are, however, not yet sufficiently available (or internationally comparable).

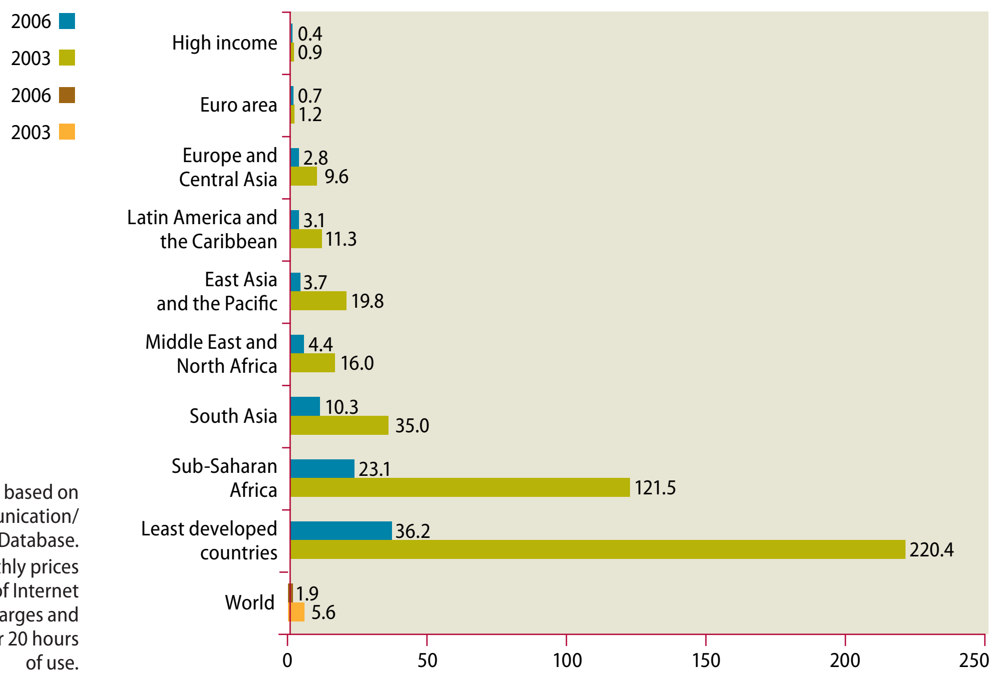
was nine times higher than in developing countries; in 2006, it was six times higher. By the end of 2006, just over 18 per cent of the world's population were using the Internet. However, the proportions are skewed in favour of high-income countries. Close to 60 per cent of the population in developed regions were using the Internet in 2006, compared to 11 per cent in developing regions and 1 per cent in the 49 least developed countries (LDCs).[4]

Limited access of low-income countries to the Internet and to ICT in general

… because of high costs and infrastructural deficiencies

One of the barriers against wider use of the Internet—broadband or other—is the high cost of using the technology relative to average income in developing countries. Average costs of Internet subscription have declined in all regions in (nominal) dollar terms, and some developing regions are now offering more affordable services than developed countries, but their fees are more expensive, in some regions prohibitively so (figure 24). In sub-Saharan Africa and the LDCs, monthly prices are on average 23.1 and 36.2 per cent of monthly income, respectively, despite the fact that prices have been significantly reduced since 2003. In contrast, Internet subscribers in developed countries pay on average less than 1 per cent of their monthly incomes.

Figure 24
Total monthly price of Internet usage as a percentage of monthly GNI per capita,[a] 2003 and 2006



Source: UN/DESA, based on ITU World Telecommunication/ ICT Indicators Database.
a Total monthly prices refer to the sum of Internet service provider charges and telephone charges for 20 hours of use.

4 For data and a discussion of this indicator, see *Millennium Development Goals Report 2008*, available from http://mdgs.un.org/unsd/mdg/Host.aspx?Content=Products/ProgressReports.htm.

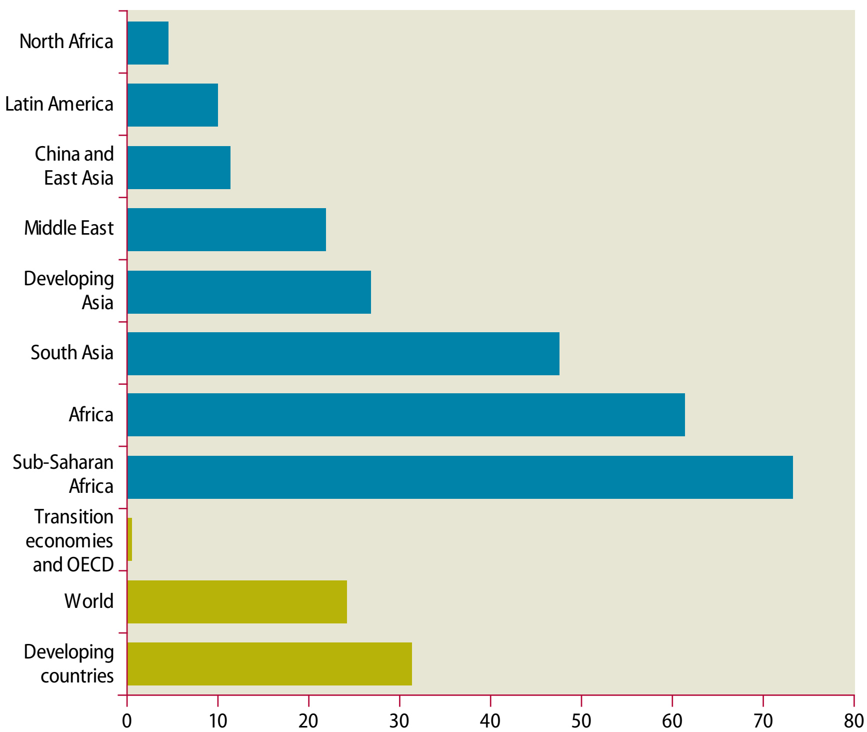
Critically, deficiencies in general infrastructure, and electricity provisioning in particular, are preventing faster diffusion of ICT. In sub-Saharan Africa, the share of the population without access to electricity is 74 per cent, compared with 10 per cent in Latin America and near-universal access in developed countries and transition economies (figure 25). Owing partly to the low level of the coverage and partly to the inefficiency in electric distribution systems (reflected in high percentages of power transmission and distribution losses), the average individual in developing countries, particularly in South Asia and LDCs, consumes far less electric power and suffers a larger number of interruptions, restricting the possibility of their having regular access to modern ICT.

Public-private partnerships or privatization?

Strengthening public-private partnerships is essential to expanding access to modern technology in developing countries

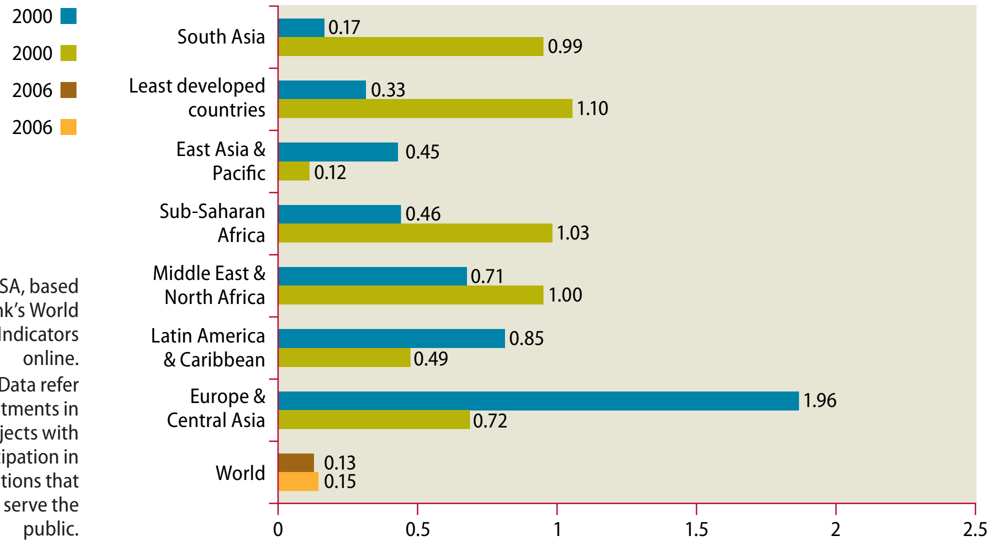
The existing MDG indicators for tracking target 8f have not specifically addressed the role and contribution of the private sector in providing access to ICT, and have failed to reflect the spirit of the target, with its emphasis on strengthened private-public partnerships. Little consistent information is available regarding the importance of such partnerships worldwide. There is, however, a trend towards an increased role for the private sector as a result of the widespread privatization and deregulation of the telecommunication/ICT sector. Figure 26 shows the involvement of the private sector in infrastructure investment in telecommunications. The role of the private sector has become predominant in countries of the Middle East, Northern Africa, sub-Saharan Africa and South Asia, regions where such

Figure 25
Percentage of population without electricity, by region, 2005



Source: UN/DESA, based on the World Bank and International Monetary Fund (IMF) Global Monitoring Report 2008, p. 191.

Figure 26
Investment in telecommunications with private sector participation as a percentage of GNI, 2000 and 2006



Source: UN/DESA, based on the World Bank's World Development Indicators online.
Note: Data refer to investments in infrastructure projects with private participation in telecommunications that directly or indirectly serve the public.

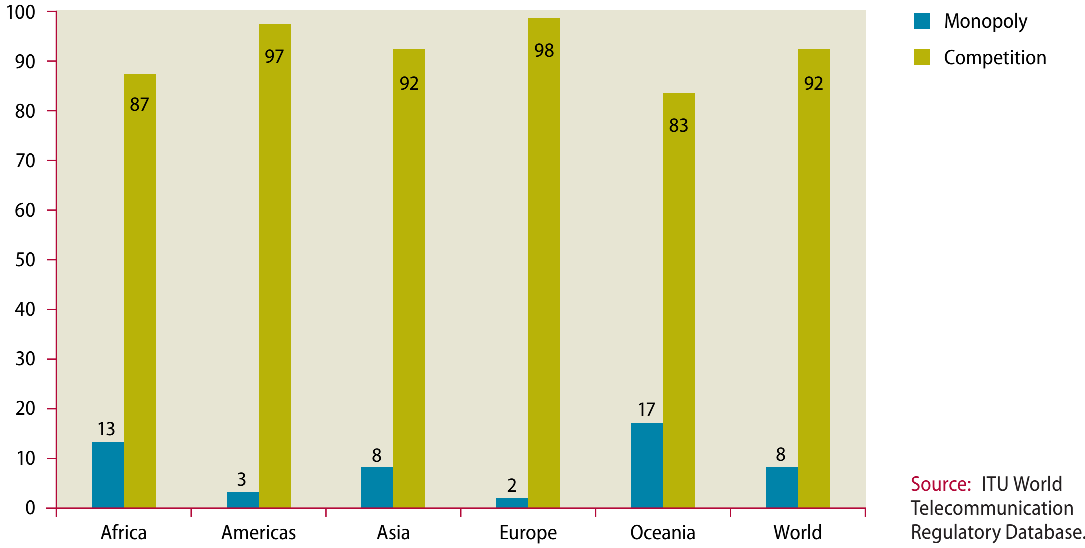
involvement and exploitation used to be virtually non-existent. Public-private partnerships are also contributing to building the capacity of people and private business in developing countries to make more efficient use of technology, including by developing programmes to support the professional education and training of young people from low-income countries.[5]

Increasing access to the benefits of modern telecommunication and ICT requires competitive and efficient markets. International Telecommunication Union (ITU) data show that by the end of 2006, 149 countries (78 per cent of all countries) worldwide had a competitive mobile cellular market. The percentage is even higher in the Internet market, where 92 per cent of countries worldwide have competing Internet service providers (see figure 27). In order to decrease the costs, governments need to tackle mobile-specific taxes and high licence fees that restrict access to and increase the cost of using modern technology. Furthermore, trade and investment barriers may impede the adoption of new technologies. Many developing countries possibly undermine their own ICT promotion strategies by imposing high tariffs on information technology–related products.

At present, there is little commercial incentive for the private sector to undertake research of specific relevance to poor people living in low-income countries. There is a need to create these incentives and to adopt practices that facilitate the transfer of technology to developing countries and the creation of local capacities. Ideas such as the "$100 laptop" and the "$20 Africa phone" have generated other projects aimed at providing inexpensive information appliances

5 Examples of these types of partnerships are provided by the Internet Training Center Initiative, which is a partnership between the International Telecommunication Union (ITU) and Cisco Systems, among others (see http://www.itu.int/ITU-D/hrd/itci/index.html (accessed on 19 June 2008)). The Youth Education Scheme provides scholarships to young people in partnership with ITU (see http://www.itu.int/ITU-D/youth/yes/youth_education_scheme.html (accessed on 19 June 2008)).

Figure 27
Percentage of countries with competition in Internet services



Source: ITU World Telecommunication Regulatory Database.

to the poor, in a variety of formats (personal computers, laptops, mobile phones, personal digital assistants etc.).[6] Similarly, private companies need to consider the needs of low-income countries by adopting differential pricing of services and differential treatment in the payment of licensing fees to facilitate faster diffusion of modern technology. Examples of these include different prices paid by readers of some academic journals in developing and developed countries and similar positive discrimination in the pricing of software products. Global partners should seek to provide incentives to make such practices widespread in order to help accelerate the diffusion of technology for development.

The need to strengthen the global partnership for access to new technology

Improving access to new technology is critical for accelerating progress towards other MDG targets. Currently, the MDG framework does not have a defined quantitative target with respect to technology. While there has been a significant expansion of access to mobile telephony and computers, the digital divide has widened between developed and developing countries owing to restricted access to the type of technology that today is critical for increased productivity, sustained economic growth and improved service delivery in such areas as health, education and public administration.

ICT should be seen as a means to development rather than an end in itself. Additional indicators need to be identified that measure the impact of new technologies on socio-economic development as part of the MDG framework.

6 Examples of these initiatives are available from http://www.infodev.org/en/Project.37.html.

The commitment of the private sector is important in the development and dissemination of ICT. However, the public sector plays an important supportive role in the promotion of transparent, pro-competitive and predictable policy and of an adequate legal and regulatory framework, which should provide appropriate incentives and support for the private sector. Equally important is the role of Governments in devising national ICT strategies and rules for sound governance of the sector. The provision of general infrastructure (including improved coverage of basic services, such as electricity) and accelerated progress in human resources development to make more effective use of technology are also key to development. Enabling citizens to be effective users of ICT may require increased emphasis on supportive educational approaches in school curricula and vocational training.

At the global level, greater flexibility in the interpretation of Trade-Related Intellectual Property Rights (TRIPS) to adapt the protection of copyrights, patents and industrial designs to the special needs of countries at different levels of development would contribute to accelerating the diffusion of technology for development, as demonstrated by the experience of developed countries in their early stages of industrialization.

In addition to improving access to ICT, developing countries need broader support in the form of technology transfer for applications in key areas, especially in agricultural development, improved access to essential medicines and adaptation to climate change.

Actions required to expand access to technology for development include the following:

- Formulating national ICT strategies aligned with broader development strategies;
- Introducing more flexibility to TRIPS to accelerate the diffusion of technology for development to developing countries, including that related to renewable energy and adaptation to climate change;
- Increasing efforts to expand both basic infrastructure (such as electricity supply) and ICT-facilitating infrastructure, especially in low-income countries;
- Creating incentives for the private sector to develop technologies relevant to people in low-income countries, including those that address issues of climate change adaptation and renewable energy;
- Applying more widespread differential pricing to reduce cost of key technologies in developing countries to make access affordable to all.

http://www.un.org/esa/policy/mdggap

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