# The Global Partnership for Development: Making Rhetoric a Reality

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 on the Task Force, including the World Bank and the International Monetary Fund, as well as the Organization for Economic Cooperation and Development and the World Trade Organization. The United Nations Development Programme and the Department of Economic and Social Affairs of the United Nations Secretariat acted as lead agencies in coordinating the work of the Task Force. The Task Force was co-chaired by Olav Kjørven, Assistant Secretary-General and Director of the Bureau for Development Policy of the United Nations Development Programme, and Jomo Kwame Sundaram, Assistant Secretary-General for Economic Development, and coordinated by Rob Vos, Director in the Department of Economic and Social Affairs of the United Nations Secretariat.

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

Department of Economic and Social Affairs of the United Nations Secretariat (UN/DESA)

Department of Public Information of the United Nations Secretariat (DPI)

Economic and Social Commission for Asia and the Pacific (ESCAP)

Economic and Social Commission for Western Asia (ESCWA)

Economic Commission for Africa (ECA)

Economic Commission for Europe (ECE)

Economic Commission for Latin America and the Caribbean (ECLAC)

International Labour Organization (ILO)

International Monetary Fund (IMF)

International Telecommunication Union (ITU)

International Trade Centre (ITC)

Joint United Nations Programme on HIV/AIDS (UNAIDS)

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

Organization for Economic Cooperation and Development (OECD)

United Nations Children's Fund (UNICEF)

United Nations Conference on Trade and Development (UNCTAD)

United Nations Development Programme (UNDP)

United Nations Educational, Scientific and Cultural Organization (UNESCO)

United Nations Framework Convention on Climate Change (UNFCCC)

United Nations Fund for International Partnerships (UNFIP)

United Nations Industrial Development Organization (UNIDO)

United Nations Institute for Training and Research (UNITAR)

United Nations International Strategy for Disaster Reduction (UNISDR)

United Nations Office for Project Services (UNOPS)

United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS)

United Nations Population Fund (UNFPA)

United Nations Research Institute for Social Development (UNRISD)

World Bank

World Food Programme (WFP)

World Health Organization (WHO)

World Institute for Development Economics Research of the United Nations University (UNU-WIDER)

World Meteorological Organization (WMO)

World Tourism Organization (UNWTO)

World Trade Organization (WTO)

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Millennium Development Goal 8

# e Global Partnership for Development: Making Rhetoric a Reality

MDG Gap Task Force Report 2012

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ese glimmers of what can be achieved should provide encouragement and inspiration. Our challenge is to scale up these success stories and add to them so that we can achieve the promise of the MDGs to improve the well-being of the world's poorest and most vulnerable people.

Ban Ki-moon
Secretary-General of the United Nations

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# Executive summary

In 2007, the Secretary-General of the United Nations invited the organizations of the multilateral system to form an inter-secretariat task force to better monitor implementation of the commitments commonly summarized as “Goal 8” of the Millennium Development Goals (MDGs). Since its formation, the MDG Gap Task Force has been measuring progress in implementing commitments to strengthen o cial development assistance (ODA), to improve access of developing-country exports to international markets, to enhance cooperation to achieve and maintain sustainable external debt situations in developing countries, and to deepen developing-country access to a ordable essential medicines and new technologies. In addition to reporting the progress in these areas, since its rst report in 2008, the Task Force has identi ed the gaps between commitment and delivery and has called upon the international community to ll those gaps.

Each annual report has shown the additional progress and greater e orts needed if the world is to reach the MDGs on schedule. Even during the midst of the global nancial and economic crisis, the MDG Gap Task Force reported additional progress and concluded that the international community was advancing towards its goals. e message of the present report, however, is a more sobering one: the Task Force has had di culty identifying areas of signi cant new progress and for the rst time there are signs of backsliding. With less than three years until 2015, there is no apparent commitment by Governments to “reverse the reversal” in time. Fewer MDGs will be reached in fewer countries as a result.

e waning of support for the global partnership for development may be understandable in the context of a protracted economic and nancial crisis. But the global partnership for development should be seen as a “positive-sum game”. ere is positive feedback when the economies of development partner countries achieve robust growth and become dynamic markets for world trade and investment. Unsustainable pressures on the Earth’s natural limits are a further reason why the global partnership should be seen as an opportunity to yield positive-sum outcomes. Massive investments are needed for climate change mitigation and adaptation and other dimensions of environmental protection with global rami cations. Such investment will come about only through collective action—nationally, of course, but also, and foremost, internationally. e United Nations Conference on Sustainable v68(l)9(o)600(k w)-5(h)9(eD(e)-R(u)-7(d )1(N(+)52(2e )10))-1)h

## O cial development assistance

After peaking in 2010, the volume of ODA fell almost 3 per cent in 2011, owing mainly to scal restraints of donor countries. Member countries of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD/DAC) provided $133.5 billion in ODA in 2011, equivalent to 0.31 per cent of their aggregate GNI. Because of the decline, the gap between actual aid disbursements and committed amounts in accordance with the United Nations target of 0.7 per cent of donor country GNI widened to about $167 billion in 2011. Moreover, growth of core ODA is expected to stagnate between 2013 and 2015, re ecting the delayed impact of the global economic crisis on donor country budgets.

ODA ows to least developed countries (LDCs) from DAC members increased to $44 billion in 2010, or 0.11 per cent of their combined GNI. e shortfall 0.094 Tw1--7(C)-1(f t)-00.094 Twing the d1.358 Td [(O) k5o2(sm)7(e)7

Agricultural subsidies in advanced economies adversely a ect developing-country agricultural trade and production. Total support to the agricultural sector in OECD countries reached a high of $407 billion in 2011. As a share of gross domestic product (GDP) of OECD countries, support increased to 0.95 per cent, reversing the decline observed in 2010.

Non-tari measures (NTMs), which include technical requirements that imported goods must satisfy (such as sanitary and phytosanitary standards) and non-technical measures (such as rules of origin) are another class of trade impediments. NTMs are more restrictive than tari s. Although it is unintentional in many cases, trade of developing countries in general, and low-income countries in particular, tends to be disproportionately hurt by NTMs. Additional and more e ective technical assistance will be essential to enable developing countries to meet international standards and regulations, and to allow them to overcome compliance challenges while staying competitive in international markets.

Total donor commitments to the Aid for Trade initiative reached $45.3 billion in 2010. While this represents a substantial increase over previous years, it is expected that allocations for Aid for Trade will also have been a ected by tighter aid budgets of donor countries in 2011 and 2012.

Policy recommendations

Actions required at the national and international levels to ensure and further increased external debt overhang owing to the uncertain global economic environment and the expected deceleration of world output and trade growth in 2012.

The debt service-to-exports ratios of developing countries increased slightly in 2011, to 26.4 per cent, mainly on account of an increase in lower-middle income countries. In contrast, the ratio in low-income countries continued to decline. Although the situation varies across countries and regions, the debt-service burden is rising in Northern Africa, Eastern Asia, South-Eastern Asia and Oceania.

Currently, two separate frameworks are used to analyse debt sustainability. A recent review of the joint International Monetary Fund (IMF)-World Bank Debt Sustainability Framework for low-income countries focused on adapting the framework to changes in the debt profiles of low-income countries. The changes will give greater opportunity for debt sustainability analyses to take account of individual country-specific issues. The IMF framework for debt sustainability analysis in developed, middle-income developing and transition economies was also reviewed recently in the light of the recent debt crises in developed countries.

By May 2012, 36 of the 39 heavily indebted poor countries (HIPCs) had reached the decision point in the HIPC process, when interim relief is accorded,

## Access to a ordable essential medicines

Increasing access to a ordable essential medicines is important to achieving the health-related MDGs. Yet, there has been little improvement in recent years in improving availability and a ordability of essential medicines in developing

Quality is another key issue in access to essential medicines. Counterfeit as well as substandard pharmaceutical products can pose a very serious threat to health. However, resource constraints limit the capacity of regulatory authori e orts to foster competition in telecommunication/ICT markets during 2011. In more than 90 per cent of all countries, the provision of mobile cellular phone and Internet services takes place in markets where competition is allowed. At the same time, the fast growth of the use of ICT in many new areas has also increased the need for an expansion of regulation into such areas as electronic content, cyber security, data protection and environmental issues.

A ordable access to new technologies for climate change mitigation and adaptation and disaster risk management have also become pressing priorities. At the conference held in Durban from 28 November to 11 December 2011, Parties to the United Nations Framework Convention on Climate Change (UNFCCC) rea rmed their commitment to support developing countries in their e orts to mitigate and adapt to the e ects of climate change through a variety of mechanisms. Arrangements have been made to make sure the Green Climate Fund and the Technology Mechanism become operational in 2012.

e risk of natural disasters continues to increase in both developed and developing countries. Making further progress in reducing and managing risk will require, inter alia, better and more systematic recording of disaster losses and impacts, and the institutionalization of national disaster inventory systems. Most countries currently lack such systems.

### Policy recommendations

- In cooperation with the private sector, developed- and developing-country Governments should accelerate e orts to increase access to and a ordability of Internet usage, especially broadband
- Governments are encouraged to increase the use of ICT in the provision of their services in order to increase e ciency and support the achievement of the MDGs
- Governments are urged to abide by their commitments to the Green Climate Fund and the Technology Mechanism so as to increase access to technologies that address the impact of climate change in developing countries
- Governments are encouraged to increase coordination in technology transfer in order to decrease disaster risk and nd synergies with adaptation strategies in developing countries

# Introduction

Five years ago, the Secretary-General of the United Nations invited the organiza tions of the multilateral system to form an inter-secretariat task force to better monitor implementation of the commitments commonly summarized as “Goal less than a month later at the Follow-up International Conference on Financing for Development held in Doha.[2]

e crisis had been generated by nancial sector excesses in developed countries. Although G20 Governments focused rst on policy actions to counter the crisis in their own countries, they were also concerned about the negative impact on the developing world and the threat posed to the realization of the MDGs in all developing countries by 2015. us, in addition to the measures taken to restart their own economies and re-regulate developed countries' nancial systems, the G20 promised to provide emergency nancial support to developing countries impacted by the crisis and to monitor closely trade-related policies of G20 members in order to resist collectively protectionist pressures that would harm recovery e orts in developed as well as developing countries. ese initiatives were endorsed by the international institutions that were asked to carry them out or to monitor national e orts. ey were also welcomed at the global level by the Conference on the World Financial and Economic Crisis and its Impact on Development held in July 2009 at United Nations Headquarters in New York, which additionally insisted on maintaining international focus on development priorities, including the MDGs, and "strengthening the foundation for a fair, inclusive and sustainable globalization supported by renewed multilateralism".[3]

e emergency nancial measures included the creation of new and reformed lending facilities and credit lines at the International Monetary Fund (IMF) and issuance for the rst time since 1981 of a multilateral form of international liquidity, the Special Drawing Right (SDR). However, most of the $284 billion worth of SDRs that were created in 2009 ($250 billion as promised by the G20 and $34 billion that had been pending since 1997) were allocated to developed countries. Developing and transition economies together received about $107 billion worth of SDRs.[4] In addition, the World Bank and the regional development banks boosted their lending programmes, backed by increases in their capital and replenishment of their concessional lending facilities. Meanwhile, as the close monitoring of trade policy measures undertaken for the G20 en36.226 TD issues has focused on a number of developed countries, the IMF and the World Bank have continued to view a number of low-income and vulnerable developing economies as being at risk of debt distress (see the chapter on debt sustainability). e developing countries with the most di cult economic situations were also the countries about which there was most concern in terms of achieving the MDGs by 2015. In this context, in September 2010, the United Nations General Assembly hosted a global stocktaking on progress in realizing the MDGs, during which the Member States of the United Nations recommitted themselves to deepening the global partnership for development. Moreover, many individual Member States and international organizations promised to undertake speci c additional contributions to the partnership.[3]

Unfortunately, 18 months lortrgndGdties aonev7-12(n)odt2(t)1(e)-17(s a)-2-6(G)-10(s)-5(, d27.982-17(

as the actual adoption of concrete policies in developing and developed countries. For much of the past decade, the partnership has been active at the discussion level, followed by substantial though insu cient policy delivery. However, the signi cant and growing disappointments at the policy-delivery level may now be souring the dialogue in international deliberations.

How many times and in how many forums can the member countries of WTO pledge to complete the Doha Round of multilateral trade negotiations without delivering on that pledge and still retain their credibility? How many times can the international community pledge to take major steps to address climate change and environmentally sustainable development and produce minor progress, at best? How many times can Governments pledge to reach nancial cooperation targets and not achieve them? How many times will multilateral conferences need to issue bland and non-committal outcome declarations to paper over deep divisions?

e waning support for the global partnership for development may be understandable in a context where much of the developed world is stuck in a protracted economic and nancial crisis. e same withdrawal from solidarity is also happening at national and regional levels. Taxpayers in donor countries want to shrink Governments and pay less taxes, not only because they feel economically insecure personally, but also because they seem no longer to trust government to deliver appropriate services [illegible]

# O cial development assistance

In 2011, as  scal austerity took its toll on the economies of developed countries in general, its speci c impact on o cial development assistance (ODA) was also felt. Excluding debt relief, the total volume of ODA fell in real terms for the  rst time in more than a decade, widening the delivery gap against outstanding commitments. At the same time, the international donor community reinforced previous commitments to increase ODA, and high-level international meetings led to new pledges to improve aid e ectiveness. However, progress in meeting the targets previously set for making aid more e ective has been disappointing.  is is the context in which the international community  nds itself in 2012: facing the clear and mounting challenge of how to turn ODA rhetoric into reality.

## ODA commitments made in 2011

Development partners reiterated aid commitments as part of the Istanbul Programme of Action, which was agreed upon in May 2011 at the Fourth United Nations Conference on the Least Developed Countries (LDC-IV). To ensure the ful lment of ODA commitments to LDCs, donor countries providing99(c)6-17(r)3([(g)-1466(i)8(n)-6(g)-3( )]TJ -

cent) after a signi cant rise in 2010. Only Sweden, Norway, Luxembourg, Denmark and the Netherlands[4] continue to exceed the United Nations target of 0.7 per cent of GNI (see gure 2).

and the gap to reach the United Nations target widened

e fall in ODA resulted in a slight widening of the gap between actual ows and the United Nations target of 0.7 per cent of donor GNI. e gap was equivalent to 0.39 per cent of GNI in 2011 (table 1) compared with 0.38 per cent in 2010. To meet the United Nations target, total ODA should more than double, to about $300 billion (in 2011 dollars), thus leaving a delivery gap against that commitment of $166.8. e gap widened by $4 billion in 2011 compared with the year before.

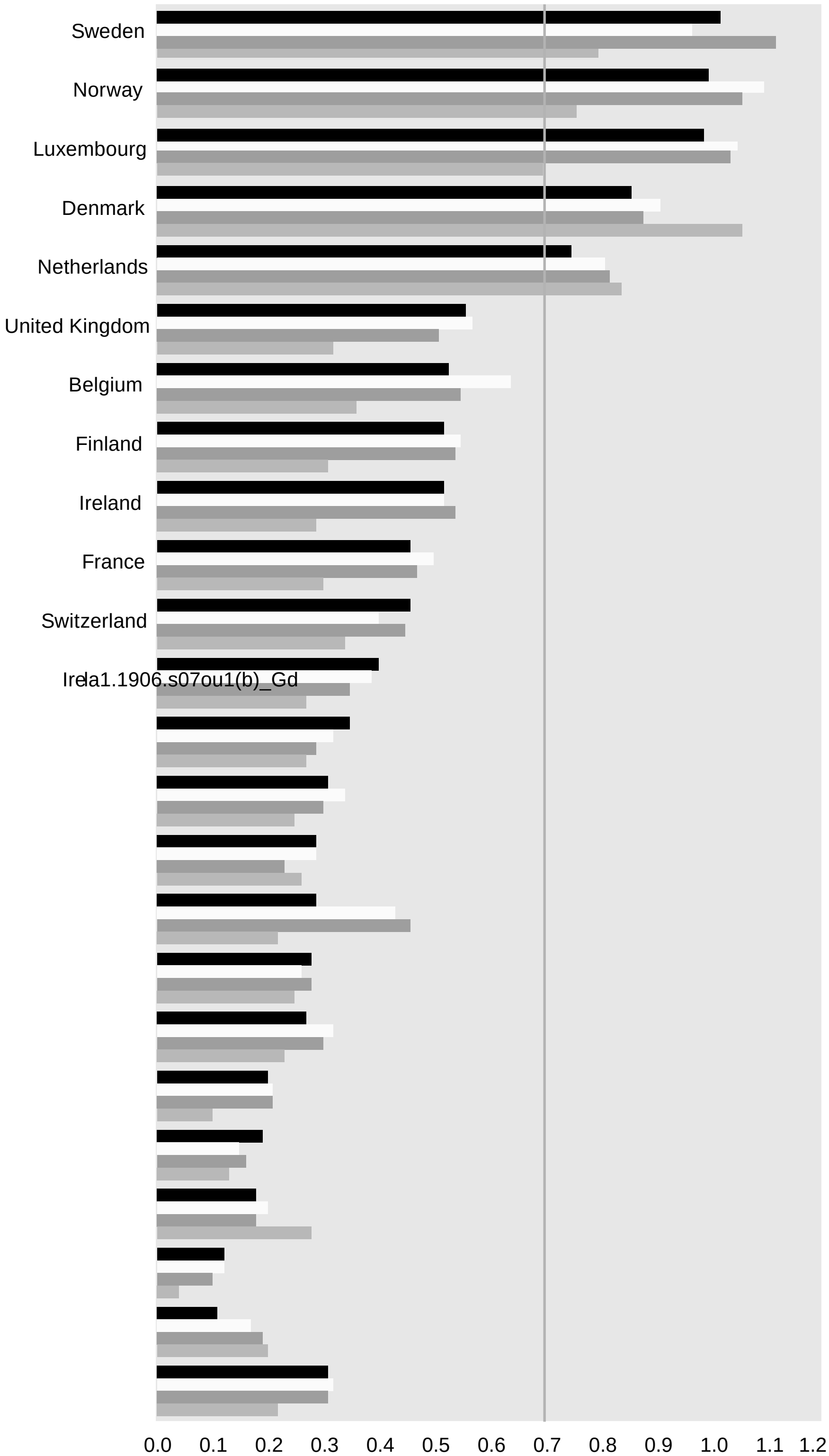
Table 1
Delivery gaps towards aid commitments by DAC donors, 2010 and 2011

| | | Percentage of GNI | Billions of 2011 dollars |
|---|---|---|---|
| Total ODA | United Nations target | 0.7 | 300.3 |
| | Delivery in 2011 | 0.31 | 133.5 |
| | Gap in 2011 | 0.39 | 166.8 |
| ODA to LDCs | United Nations target | 0.15-0.20 | 63.7-84.9 |
| | Delivery in 2010 | 0.11 | 46.5 |
| | Gap in 2010 | 0.04-0.09 | 17.2-38.4 |

Source: UN/DESA, based on OECD/DAC data.

4 In the case of the Netherlands, o cial development assistance (ODA) decreased 6.4 per cent in 2011 in real terms, re ecting the decision of the Government to reduce ODA to 0.75 per cent of GNI. e budget for 2012 sets out to reduce ODA further, to 0.7 per cent of GNI.

Figure 2
ODA of DAC members in 2000, 2009, 2010 and 2011 (percentage of GNI)




Source: OECD/DAC data.

e fall in aid ows in 2011 was not foreseen by the DAC. e 2011 OECD survey of donors' forward spending plans had predicted a small increase in country programmable aid (CPA),

## Allocation of ODA by countries

At the 2005 G8 summit in Gleneagles, Scotland, donor countries made com mitments to increase aid to Africa by $25 billion a year by 2010.  is target was not met, however. Nonetheless, sub-Saharan Africa remains the region that receives the most ODA, and existing commitments in general are still largely focused on Africa, including the Istanbul Programme of Action for the LDCs, the majority of which are in Africa; aid commitments made by the G8 at the 2009 L'Aquila and 2010 Muskoka Summits to support, respectively, agriculture and food security and maternal, newbn Aas mk0.005 Tc -0.032 Tw 0 -1.226 TDpt, are available, up from $37.4 in the previous year. As a share of DAC GNI, aid to LDCs almost doubled from 0.06 per cent in 2000 to 0.11 per cent in 2010, getting closer to the lower bound of the United Nations target (table 1).  is gap has narrowed to 0.04 per cent of donor GNI, or approximately $17 billion. Nevertheless, consistent with the trends in aid to sub-Saharan Africa, prelimi nary estimates indicate that DAC donors appear to have reduced bilateral aid to LDCs by 2 per cent in real terms in 2011.

From a longer-term perspective, though, donors have given increasing priority to LDCs.  e share of ODA provided to LDCs increased from 26.0 per cent in 2000 to 34.4 per cent in 2010. Recent increases, however, have largely consisted of increased debt relief to the Democratic Republic of the Congo and Liberia and emergency relief to Haiti. Liberia received $800 million in debt-forgiveness commitments in 2010 (compared with $100 million in 2009) and the Democratic Republic of the bleTD 2(n 2)-5(0)-22(0)-22 0 -pead-5d ndoa.sg

Figure 5
Total ODA received by priority groups of countries, 2000-2010
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additional core aid provided to developing countries is expected to be outpaced

Figure 7
Share of untied bilateral ODA[a] of DAC members to LDCs, 2010

Source:

## ODA allocated for speci c purposes

Donors have sought to increase the proportion of bilateral sector-allocable aid that is provided for basic social services.  is sector category comprises basic education and health services, population and reproductive health programmes, drinking water supply and basic sanitation systems, as well as multisector aid for basic social services. In 2010, 15.6 per cent of donors' bilateral sector-allocable aid was allocated to basic social services, down from 21.2 per cent in the previous year.  is represents a decline of 20.7 per cent, to $13.8 billion in 2010 dollars. Aid  ows supporting population and reproductive health programmes increased substantially in the period 2006-2010 to an average of 8.8 per cent of DAC sector-allocable ODA, up from 5.6 per cent in 2000-2005.

 e agricultural sector has gained renewed attention in recent years with a number of commitments made by donors, among them the promotion of agricultural productivity, production and sustainability, as committed at the 2010 High-level Plenary Meeting of the General Assembly on the MDGs; provision of enhanced  nancial and technical support for the development of the agricultural sector in LDCs, as committed at the LDC IV Conference; and a commitment of over $20 billion by the G8 L'Aquila Food Security Initiative, some of which will focus on sustainable agricultural development. In target was for technical cooperation programmes in 50 per cent of aid-receiving countries, to be provided through donor-coordinated programmes that were

Despite commitments made in the Accra Agenda for Action to start discussions on an international division of labour among donor institutions, aid has become more fragmented. The number of partner countries with 12 or more non-significant aid relations[24] has increased from 40 in 2008 to 44 in 2009.[25]

The Paris Declaration emphasized that to increase aid effectiveness, mutual accountability mechanisms must be in place; yet this is the area of least progress. A country's progress is evaluated by the existence of an aid strategy, aid effectiveness targets and broad-based dialogue with donors and other stakeholders. A recent survey finds that very few countries have these mechanisms in

24 The significance of the relation is based on the share of the donor's ODA in the recipient country.

place.[26] Lack of political leadership and capacity constraints have been identified as the major obstacles to stronger mutual accountability.

As the target year for the Paris Declaration has now passed, the High-level Forum in Busan in 2011 served as a turning point in the discussions on aid effectiveness, as noted earlier. Progress was also made in Busan regarding transparency when Canada, the United States of America, the Commonwealth's CDC Group, the Inter-American Development Bank, the United Nations Capital Development Fund and UN-Habitat announced that they would sign the International Aid Transparency Initiative (IATI), increasing the membership of IATI to represent up to 75 per cent of official aid flows. Donors who signed the IATI committed to providing developing countries with regular and timely information on their rolling three- to five-year forward expenditure and/or implementation plans. This will include, at least, indicative resource allocations, which developing countries can integrate into their medium-term planning and macroeconomic frameworks.

The Development Cooperation Forum can play a role for broader dialogue

The Busan outcome document recognized the importance of complementary United Nations processes and invited the United Nations Development Cooperation Forum (DCF) to play a role in consultations on the implementation of agreements reached in Busan. Indeed, the DCF offers opportunities for a broader dialogue involving more stakeholders in a continuing official forum on how development cooperation contributes to financing for development. Discussions at the DCF can help broaden the development effectiveness agenda to include dimensions that are of concern to stakeholders but which might not get an adequate hearing in more limited forums. For example, a deeper dialogue on how to increase the predictability of aid might lead to policy changes that would enable countries to engage in longer-term development strategies, while improving the flexibility of aid delivery would enable donors to respond faster to shocks or changes in Government priorities. Past debates at the DCF have also pointed to the need to give greater attention to the speed of delivery of development assistance, a factor that has not been a focus of the aid effectiveness agenda.

## ODA needs of developing countries

While the focus of the present chapter is on measuring the delivery of ODA against agreed targets for both aid volume and aid effectiveness, attention should also be given to whether these targets are sufficient to meet the development needs of recipient countries. However, calculating how much financing would be needed to achieve the MDGs, let alone how much of it should be provided in the form ODA, is no easy task.

A number of studies have come up with aggregate estimates. For example, the UN Millennium Project calculated in 2005 that in order to achieve the MDGs, a typical low-income country in 2006 would have needed to invest about \$70–\$80 per capita towards meeting the MDGs, gradually scaling up to \$120–\$160 per capita towards the end of the period before 2015. Although a rising share of this would be financed with domestic resources, the study calculated that 10-20 per cent of GDP would need to be financed by ODA. This would

26 Based on broad-based surveys carried out in 105 countries by UN/DESA and UNDP in 2010 and 2011 for the United Nations Development Cooperation Forum (DCF).

mean that DAC member countries would need to increase the annual ow of ODA to 0.54 per cent of their combined GNI by 2015.[27] ese gures would cover only the achievement of MDGs, without considering other priorities such as meeting needs for enhancing environmental protection and putting economies on a sustainable development path. In order to attend to all the priorities and achieve the MDGs, the Millennium Project study concluded that donor countries must contribute 0.7 per cent of their GNI, coinciding with the United Nations target. Previously, the World Bank haeseiat 25(n)-13(i -1.226 TD [(a)-25(r)-(l)-19(l2

Figure 9
Foreign aid required for  nancing MDG-related public spending by 2015 (percentage of GDP)

Source:

## Multiple modalities of development cooperation

Non-DAC and private actors are becoming important sources of development  nancing

While ODA remains the dominant source of funding for development cooperation, other sources of  nancing for development continue to grow.  ese include non-DAC o cial assistance, private philanthropy and innovative sources of development  nancing. Each of these sources can make an important contribution to development  nancing, but aligning them e ectively with national development priorities remains a challenge.

Non-DAC donors reporting to OECD disbursed $7.2 billion in development assistance to developing economies in 2010.[30] Aid from these donors has

30 In 2010, these included Cyprus, the Czech Republic, Estonia, Hungary, Iceland, Israel, Kuwait, Latvia, Liechtenstein, Lithuania, Malta, Poland, Romania, the Russian Federation, Saudi Arabia, Slovakia, Slovenia, Taiwan Province of China,  ailand, Turkey and the United Arab Emirates.

been growing rapidly, increasing threefold in real terms since 2000. The biggest reporting donor is Saudi Arabia, accounting for almost half of the total.

Private philanthropy from various sources in developed and developing countries is increasingly seen as an important complement to ODA. However, the lack of comparable data and comprehensive information on the nature and purpose of these flows makes it difficult to determine how much is actually devoted to supporting development efforts.[31] Estimates of private assistance flows in 2010 range from about $30.6 billion to $56 billion.[32] Most of the private philanthropic organizations are active in health and education.

In addition, a number of countries have sought to develop innovative sources of international financing for development, that is, financing processes characterized by all or more of the following attributes: (a) entailing official sector cooperation on cross-border transfers; (b) proposing innovations in the type of resources and how collection or disbursement is governed; and (c) supplementing traditional ODA. Innovative sources are deemed attractive not only as supplementary sources of development financing, but also for the promise they hold as a more stable source of funds, less dependent on annual budgetary decisions in national capitals.

To date, relatively small amounts of innovative funds have been mobilized and disbursed to help address highly targeted needs. However, the initiatives undertaken thus far do represent interesting departures from familiar methods—a kind of experimentation agreed to by certain groups of countries. In particular, the Leading Group on Innovative Financing for Development has brought several proposals to fruition, including a tax on airline tickets now imposed by 11 countries, and a Norwegian tax on carbon emissions from aviation fuel. In both cases, funds are earmarked for UNITAID, a special international facility that purchases medicines in bulk for treatment of HIV/AIDS, malaria and tuberculosis. A different type of mechanism frontloads part of a donor country's ODA flows by issuing bonds whose interest and repayments will be drawn from future ODA budgets. In particular, the International Finance Facility for Immunisation (IFFIm) binds ODA commitments over an extended period to service bonds whose proceeds were provided to the Global Alliance for Vaccines and Immunisation. A third type of innovation uses public funds to mitigate private investment risks by assuring a market for producers of a new product. A prominent case in point is the Pilot Advance Market Commitment for Pneumococcal Vaccines development  nancing) and a  nancial or currency transaction tax. Only the last is in a more advanced stage of political discussion, in particular in the European Union. However, at the time of writing there is no clear commitment to apply a portion of the funds to development cooperation. In other words, implementing a  nancial transaction tax and earmarking a portion of its revenues to develop ment is still a project requiring considerable mobilization of political will.  e more  nancially modest innovations show that it is possible to rally Governments to undertake innovative measures to support development. It is now a question of meeting the challenge to mobilize su cient political will to adopt potentially

Despite agreement at the MC8 to explore ways of reaching provisional or definitive consensus agreements earlier than the full conclusion of the single undertaking, no progress was made.

Indeed, some WTO members, especially developing countries, expressed strong reservations about such an "early harvest" approach and argued that the single undertaking should be respected. While negotiating groups are still working, it seems unlikely that these—let alone all other elements of the Doha Round—will be concluded in the near future. One of the reasons for the impasse is that member States have yet to address the question that lies at its heart: What constitutes a fair distribution of rights and obligations within the global trading system? This is a political question. A political response is required.

Nevertheless, a few decisions of special relevance to least developed countries (LDCs) were taken at the MC8.[3] First, members will now be allowed to grant preferential market access to service exports and service suppliers from LDCs. This agreement is widely seen as experimental and its practical effectiveness remains unknown. Second, the Subcommittee on Least Developed Countries was instructed to develop recommendations to further strengthen, streamline and operationalize the 2002 guidelines on LDC accession to WTO. This includes developing benchmarks in the area of trade in goods and services that take into account the level of commitments undertaken by existing LDC member States, enhancing transparency in the accession negotiations by complementing bilateral market access negotiations with multilateral frameworks, making special and differential treatment provisions applicable to all acceding LDCs and enhancing technical assistance and capacity-building. Third, LDC members will be able to submit requests for extension of their transition period beyond 2013 under Article 66.1 of the TRIPS Agreement.[4]

Concluding a development-oriented Doha Round would be a significant way to redress structural imbalances in the trading system, and even a partial set of deliverables would send a positive message and restart negotiating momentum. However, any new approaches will need to address the Doha Round developmental mandate and be conducted in a transparent and inclusive manner. Issues of importance to all developing countries, such as increasing duty-free market access, eliminating export subsidies and trade-distorting domestic support to cotton production in developed countries, must be fully addressed.

The conclusion of the Doha Round would bring benefits to the global economy, in particular through lowering trade tariffs and enhancing transparency and predictability at borders. Additionally, a concluded Doha Round would bring security to the international trading system by "locking in" unilateral liberalizations through WTO commitments and by lowering tariff bindings, thus

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3 These include: (i) Preferential treatment to services and service suppliers of least developed countries (WT/L/847); (ii) Accession of least developed countries (WT/L/846); and (iii) Transition period under Article 66.1 of the TRIPS Agreement (WT/L/845). Other decisions included reinvigorating the work programmes on small economies and electronic commerce to strengthen their developmental focus, extending the moratorium on TRIPS non-violation and situation complaints, and strengthening the role of

constraining the potential for future protectionism.[5] These effects are expected to be shared among developed and developing countries, albeit with each benefiting in different ways.

## Other international trade policy discussions

The Thirteenth Ministerial Meeting of the United Nations Conference on Trade and Development (UNCTAD XIII) in April 2012 addressed a number of economic, trade and financial topics. The Conference adopted a compromise text, the Doha Mandate,[6] that, inter alia, directs UNCTAD "to enhance the effectiveness" of its contributions to the Enhanced Integrated Framework for LDCs and contribute to the effective implementation of Aid for Trade. It also recognizes the need to identify and implement appropriate policies, at national, regional and international levels, to address the impacts of commodity price volatility on vulnerable groups, and to support commodity-dependent developing countries in formulating sustainable and inclusive development strategies that promote value addition and economic diversification.

The G20 leaders meeting in Los Cabos in June 2012 reiterated the importance of an open, predictable, rules-based, transparent multilateral trading system and are committed to ensuring the centrality of WTO. They explicitly stressed support for the Doha Round mandate and recommitted themselves to working towards concluding the negotiations, including outcomes in specific areas where progress is possible, such as trade facilitation, and other issues of concern for LDCs. G20 let efc tion, or a disguised restriction on international trade; instead, unilateral actions to deal with environmental challenges outside the jurisdiction of the importing country should be avoided and environmental measures addressing transboundary or global environmental problems must be based on international consensus.[10] In addition, Member States reiterated that intellectual property regimes in the transfer of environmentally sound technologies should serve as an incentive and in no way as an obstacle to the transfer of technology and corresponding know-how. Member States also stressed the need for an open, non-discriminatory and equitable multilateral trading system to promote agriculture and rural development in developing countries and global food security.[11]

## Developing-country trade performance

Trade in developing and transition economies rebounded more strongly after the global economic crisis than in developed economies. As a result, the share of exports from developing economies in world exports increased from 39 per cent in 2008 to 43 per cent in 2011.[12] Developing Asian countries, especially China and India, were the drivers of developing-country trade following the crisis, just as they had been in the previous decade. e region's share in world trade has risen to 34 per cent in 2011, up from 30 per cent in 2008.[13] e share for LDCs rose in 2010, but at only 1.1 per cent of world trade (remaining unchanged in 2011 and at only 0.5 per cent when excluding oil), it remains miniscule.

Trade among developing countries expanded by a substantial 32 per cent in 2010, on account of fast growth in developing Asia's trade and a relatively and mid-May 2012.[15] New import-restrictive measures covered around 1.1 per cent of G20 imports, or 0.9 per cent of world imports, up from 0.6 per cent and 0.5 per cent, respectively, in the previous six-month period. Cumulatively, since the beginning of the global financial crisis, nearly 3 per cent of world trade has been affected by trade restrictions.

The new measures have most frequently affected iron and steel, electrical machinery and equipment, vehicles, vegetables, beverages and spirits, and chemical products.[16] More importantly, some of the new measures were introduced by large trading nations, and affect a wide range of sectors, product categories and trading partners.

Contrary to the G20 members' pledges to resist protectionism, to introduce no new measures until end of 2013, and to roll back any protectionist measures, the removal of trade-restrictive measures has been very slow. As of mid-May 2012, only 18 per cent of all the measures introduced since the beginning of the crisis have been eliminated.

The weak and slowing recovery of the global economy and persistent high levels of unemployment, especially in Europe, are continuing to test the political resolve of Governments to resist trade protectionism. This raises the concern that the increasing use of restrictive trade measures could gradually undermine the benefits of trade facilitation and openness. More political will is needed from Governments to abide by their commitments.

## Trade finance

In 2008 and 2009, following the outbreak of the crisis, trade finance availability tightened considerably and the cost increased to unaffordable levels, especially in many low-income countries. Availability seems to have improved somewhat since tively safe financial activity as repayment is generally covered by the movement of goods.[18] The revised regulations did not account for the low-risk and short-term

# Market access

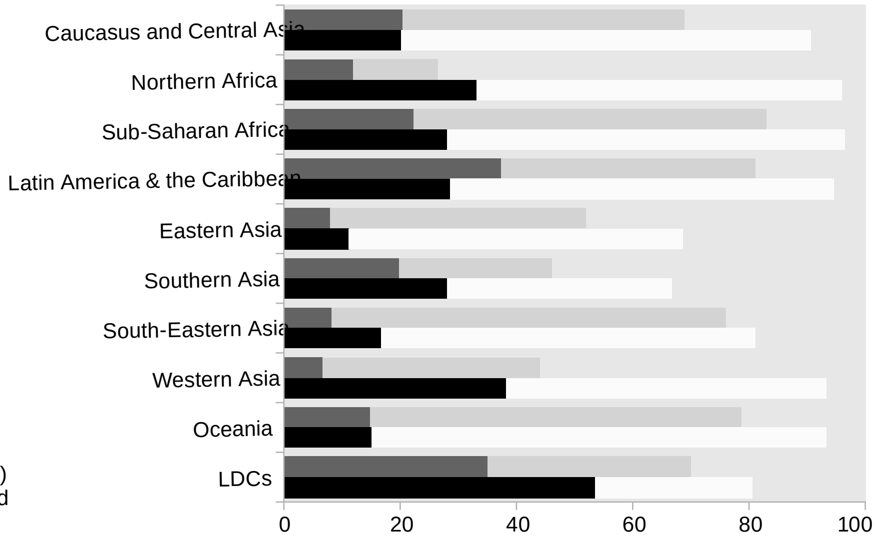
About 80 per cent of the value of exports (excluding arms and oil) that developing countries send to developed-country markets is now imported free of duty. However, this share has remained almost constant for LDC exports since 2004, while that of developing countries as a whole has risen (figure 1). When exports from developing countries access developed-economy markets free of duty, it is generally because the product is no longer taxed under the “most favoured nation” (MFN) regime and thus no particular preference is accorded.

## Preferential access to developed-country markets

Most LDCs enjoy “true” preferential access to developed-country markets: 53.5 per cent of LDC exports entered developed-country markets duty free under true preference in 2010, compared with 35 per cent in 2002.[22] In 2010, for developing countries as a group, no duties were paid on 79 per cent of exports, of which 60 per cent were admitted under the MFN treatment and 19 per cent under true preferential access.

True preferential access is particularly low for exports from Oceania and

Figure 2
Proportion of developed-country imports from developing countries admitted free of duty under MFN and true preferences, by region, 2000 and 2010 (percentage)




Source: UN/DESA, based on the Common Analytical Market Access Database (CAMAD) compiled by ITC, UNCTAD and WTO.

Kong Declaration of WTO. However, the actual rate of utilization of preferential schemes offered by developed countries on products from LDCs and developing countries varies for different reasons, including restrictive rules of origin (see below) or high administrative costs. Nevertheless, the rate of utilization of preferences has been improving over time, standing at an estimated 87 per cent in selected developed markets.[23]

Full implementation of the 2005 Hong Kong commitment to provide duty-free quota-free market access to LDC products, along with simplified rules of origin, would boost the participation of LDCs in the world trading system.

## Preferential access to Southern markets

Developing countries open up their own markets to products from LDCs

Available evidence suggests that increasing efforts are being made by developing countries to open up their own markets to products from LDCs, for example, by granting duty-free market access in line with the 2005 Hong Kong decision as well as through regional and bilateral schemes. Some examples of such schemes are shown in table 1. Thanks to these schemes, the preferential duty-free access for LDC products in developing countries ranges from 32 to 95 per cent of their tariff lines.[24]

23 WTO, "Note by the Secretariat on market access for products and services of export interest to least developed countries", WT/COMTD/LDC/W/51, 10 October 2011.

24 Ibid.; and WTO, "Developing members confirm commitment to open market for poorest countries", press release, 16 April 2012, available from http://www.wto.org/english/news_e/news12_e/acc_16apr12_e.htm

Table 1

## Tari  barriers

Tari s imposed by developed countries on agricultural products from-developing countries have changed little since about 2004 ( gure 3).  e average tari s on agricultural products fell slightly between 2009 and 2010, mainly re ecting changing prices and composition of imports rather than trade policies. Tari s on agricultural products from LDCs dropped from 3 per cent in 2004 to 1 per cent in 2010.

Tari s on textile imports remained unchanged, while tari s paid on cloth

## Agricultural subsidies in OECD countries

Agricultural subsidies in advanced economies adversely a ect developing-country agricultural trade and production. Total support to the agricultural sector in age for OECD countries of 0.95 per cent. Over the past 25 years, the Common Agricultural Policy (CAP) of the EU has been reformed numerous times, partly in response to pressures to reduce the trade distortions it causes.[27] These reforms have lowered the share in total support of market price support and payments based on output and on variable input use, the most distorting kinds of support, from 92 per cent in 1986-1988 to 25 per cent in 2011.

Thanks to these reforms, the distortions to production and trade in the EU agricultural sector have been reduced. However, for some commodity sectors, notably sugar, cereal, rice and dairy products, market access remains restricted and provisions for using export subsidies remain in place. Export subsidies have not been greatly used in recent years by the EU, and their value has gradually fallen since the 1990s, from €14.5 billion in 1991 to €3.9 billion in 2000 and €0.92 billion in 2008. Nonetheless, future reforms of the CAP should focus on improving market access more widely. This will require further reducing the level of price support based on output, one of the most distorting forms of support, which needs to be accompanied by a reduction in trade barriers, including greater market access and elimination of export subsidies.

## Non-tariff measures

There is a class of trade impediments that differ from conventional import tariffs and quotas. These so-called non-tariff measures (NTMs) include technical requirements that imported goods must satisfy, such as sanitary and phytosanitary standards (SPSs), and non-technical measures, such as rules of origin (specifying how much of a product must be made in a preference-receiving country).

Under the Multi-Agency Support Team (MAST) Eminent Experts initiative led by UNCTAD, and in partnership with the World Bank and the International Trade Centre (ITC), data on NTMs have been collected in about 30 developing countries as at April 2012, including about 10 low-income countries. This effort will be continued as part of the Transparency in Trade (TNT) initiative.[28]

According to ITC surveys,[29] agricultural exporters seem on average more affected by NTMs than exporters of manufactured products. The most burdensome NTMs were reported to be SPSs and technical barriers to trade (TBTs), such as certification, testing and technical inspection requirements, followed by rules of origin, pre-shipment inspections and charges/taxes.[30] Also, evidence shows that

27 Organization for Economic Cooperation and Development (OECD), Evaluation of Agricultural Policy Reforms in the European Union (Paris, October 2011).

28 This new global partnership to identify and track policies that increase the costs of trade was developed by the World Bank, the African Development Bank, the International Trade Centre (ITC) and the United Nations Conference on Trade and Development (UNCTAD), in collaboration with the United Nations Statistics Division. The World Bank has also developed a toolkit for policymakers to help them navigate issues related to trade competitiveness and business regulatory improvement agendas (see Olivier Cadot, Mariem Malouche and Sebastián Sáez, Streamlining Non-Tariff Measures: A Toolkit for Policy Makers (Washington, D.C., World Bank, 2012).

29 Based on data from the surveys conducted in Burkina Faso, Egypt, Jamaica, Kenya, Madagascar, Mauritius, Morocco, Paraguay, Peru, Rwanda and Uruguay.

30 When exporting to developed countries, nearly three quarters of the non-tariff measure (NTM) cases concern SPS/TBT measures. When partner countries are developing, this share drops to about half and other types of measures gain relevance.

regional trade agreements do not insulate exporters from NTM requirements. For instance, exporters in the East African Community reported they faced NTMs technology and efficient trade infrastructure. Some exporting countries experience difficulties in meeting specific standards for selected products.[36]

Many NTMs are issued by developing countries as well as developed countries. Increased and more effective technical assistance will also be essential to help developing countries meet international standards and regulations, allow them to overcome domestic constraints and compliance challenges, and stay competitive in international markets. A good example in this regard is the Standards and Trade Development Facility (STDF), a global partnership that provides support and financial assistance to developing countries in building their capacity to implement international SPS standards. More targeted Aid for Trade for capacity-building could also support progress in this regard.

## Aid for Trade

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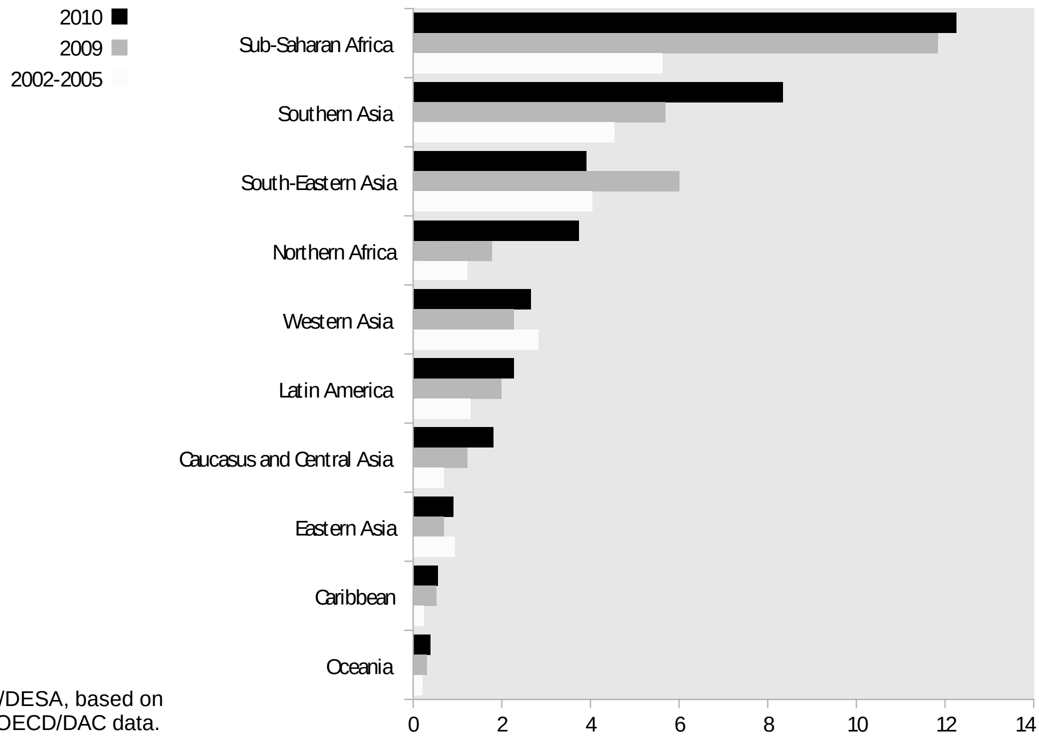
the United States and Germany, which collectively account for nearly 70 per cent of total bilateral contributions and over 40 per cent of total Aid for Trade. Allocations for Aid for Trade will likely be a ected by tighter overall aid budgets in OECD donor countries, as discussed in the chapter on ODA.

As may also be seen in gure 5, the increase in Aid for Trade was mostly concentrated in economic infrastructure. Aid for building productive capacities has remained stable, while support to trade policy and regulations dropped slightly in 2010.[37]

e increased support in 2010 was primarily allocated to Southern Asia and

Figure 6
Aid for Trade commitments by region, 2002-2005, 2009 and 2010 (billions of 2010 dollars)




Source: UN/DESA, based on OECD/DAC data.

and multilateral donors, donor partners from the South and regional economic communities, covering more than 150 countries. e sheer quantity of activities described in these stories suggests that Aid for Trade e orts are substantial and have taken root across a wide spectrum of countries.

Ownership is critical for successful Aid for Trade

e case stories highlighted several factors that are essential for successful Aid for Trade programmes. Country ownership at the highest political level is most frequently reported as a critical factor for success. Active local participation and involvement of the private sector and civil society in the preparation and implementation of activity is also crucial. Integrated approaches to development, for instance, by combining public and private investment with technical assistance, increase the success rate. Equally, long-term donor commitment and adequate and reliable funding are considered essential. Other elements of success highlighted in the case stories include leveraging partnerships, including with partners from the South, keeping project design exible to facilitate adjustments in initial plans, sharing knowledge and transferable lessons at local and global levels, as well as maintaining supportive macroeconomic and structural adjustment policies and good governance. Aid for Trade e orts should concentrate in particular on mainstreaming trade in development policy, engaging the private sector and integrating the key principles of aid e ectiveness into Aid for Trade programmes and projects.

## Policy recommendations

A Global Partnership for Development on trade that delivers improved market access for developing countries e ectively will require renewed e orts by the

# Debt sustainability

Dramatic developments have taken place over the past year in the world of sovereign debt. The fact that the key debt crises have occurred in European developed economies only emphasizes that the exigencies of public finance and the political difficulties of tackling a debt overhang effectively are universal. Lessons from the European crisis reiterate lessons from emerging market debt crises, as well as from the entire history of sovereign debt crises. One of those recent lessons from Europe is that ad hoc political processes for debt workouts do not necessarily lead to timely, effective or fair burden-sharing after debt crises occur.

Most developing countries managed the global crisis reasonably well, supported by emergency increases in official international financing in 2009, mediated through the International Monetary Fund (IMF), the World Bank and the regional development banks, as well as larger financial flows from a number of bilateral sources, including other developing countries. Nevertheless, some countries have faced debt difficulties during the crisis and a number of countries still face the risk of debt distress. Furthermore, the international initiatives to reduce and restructure excessive sovereign debts of heavily indebted poor countries (HIPCs) are coming to a close, such that there is a need to develop a new international framework for addressing future sovereign debt crises in low-income countries. Europe's present sovereign debt crises suggest there is a need for a broader framework for fair and orderly debt workouts applicable to a much wider range of country conditions. Indeed, the 2010 outcome document of the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals[1] and the 2011 Istanbul Plan of Action for the Least Developed Countries[2] (LDCs) reiterated the importance of ensuring long-term debt sustainability. These documents also stressed the need for the establishment of an orderly debt workout mechanism to deal more adequately with unsustainable sovereign debt situations. An agreed and general international framework for debt restructuring could provide Governments and creditors with the opportunity for more efficient, fair and speedy solutions to debt problems.

The threat that future international disruptions will provoke new crises is never far away, and can impact both developed and developing countries. The need to explore establishing an international mechanism for early and cooperative resolution of sovereign debt crises is as great today as it was when the international community recommended it a decade ago in the Monterrey Consensus.[3]

1 General Assembly resolution 65/1 of 22 September 2010.

2 The Istanbul Programme of Action (IPoA) was adopted at the Fourth United Nations Conference on the Least Developed Countries that took place from 9 to 13 May 2011 in Turkey.

3 See *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (A/CONF.198/11, chapter 1, resolution 1, annex), para. 60.

## The debt situation in developing countries

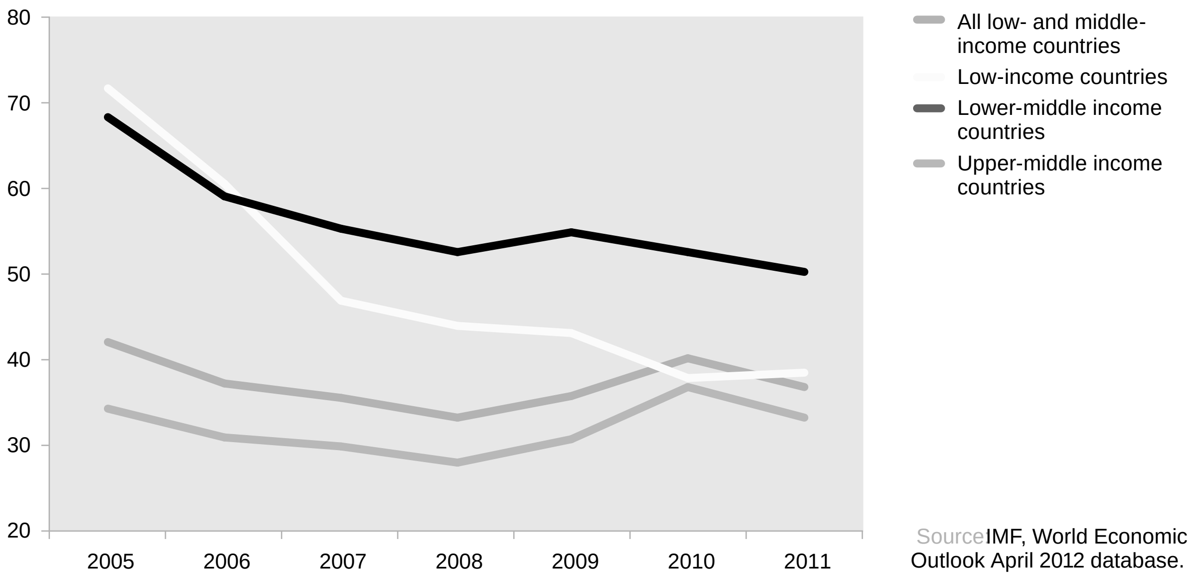
The standard debt indicators do not portend a systemic debt problem in developing countries at this time. Vulnerabilities remain, however, owing in particular to the uncertain global economic environment and the expected deceleration of export growth in 2012.

In the immediate aftermath of the global financial crises, external public debt[4] of developing countries as a whole increased as a share of gross domestic product (GDP), but, owing to economic growth recovery, the debt ratio fell in 2011 (figure 1). In 62 of the sample of 121 developing countries for which data were available, the external public debt-to-GDP ratio was below 40 per cent in 2011, which some observers have marked as indicating a low debt-risk situation. However, global economic growth decelerated in the second half of 2011 and the slower growth is expected to continue during 2012 and 2013. This would likely slow GDP and export growth in developing countries,[5] which could weaken debt ratios.

In low-income countries, however, external public debt as a share of GDP increased in 2011 for the first time since 2005. The IMF projects that debt ratios are likely to rise in about half of the low-income countries, reflecting further widening of deficits on primary fiscal balances.[6] These countries are also expected to experience an increase in the effective interest rate on external debt as access to grant financing will likely become more limited given the disappointing outlook for overall bilateral aid (see the chapter on official development assistance), and low-income countries are increasingly resorting to non-concessional loans to fund investments in infrastructure, energy, mining and the transport sectors. The IMF warns that, despite relatively low debt ratios in most low-income countries, the recent increase in indebtedness could become a cause of concern if the trend continues.[7]

By a different measure, a number of low-income countries already face a

Figure 1
External public debt-to-GDP ratios of developing countries, 2005-2011
(percentage)




Source: IMF, World Economic Outlook April 2012 database.

the 150 per cent threshold established under the HIPC initiative for eligibility for debt relief. A number of other low- and middle-income countries also have high debt-to-export ratios.[9]

Debt-servicing ratios increased slightly…

A third debt indicator, the ratio of debt service to exports, increased slightly in 2011 for the aggregate of developing countries (figure 2). The increase came mainly on account of the lower-middle income countries. The debt-servicing burden of low-income countries continued to decline, to 4.8 per cent of export earnings in 2011, although if the growing debt ratios noted above continue, this is likely to change in the future.

…but varied across income groups and regions

As can be seen in figure 3, the debt-servicing burden rose in Northern Africa, Eastern Asia, South-Eastern Asia and Oceania in 2011. Sub-Saharan Africa was the only region where the overall level of debt-service payments fell. In Latin America, the Caribbean, Western Asia, and Caucasus and Central Asia, the increase in exports outpaced the increase in debt service, thereby lowering their debt service-to-export ratios in 2011.

A fourth indicator is the share of short-term debt (the obligation of a country either to roll over debt as it matures within a year or to repay it) in total external debt. The ratio increased in 2010 in all income groups (figure 4). This upward trend continued in 2011, with the exception of a few HIPCs and LDCs that experienced a slight drop in the share of short-term external debt. In upper-middle income countries, about one third of external debt is now short-term; in lower-middle income countries it increased to 14.8 per cent, while in low-income countries the share is just over 4 per cent.[10] Much of the increase in short-term

9 For country details on a number of indicators, see World Bank, Global Development Finance 2012: External Debt of Developing Countries (Washington, D.C., December 2011), summary table 1.
10 Calculations based on IMF, World Economic Outlook April 2012 database.

debt is trade related, which is usually not problematic as the borrowing pertains to goods moving in or out of the country, and their sale usually generates the revenues to service the debt. However, as was the case during 2008-2009,[11] trade credit may quickly dry up and constrain import demand in a time of crisis. is contracts total debt as outstanding trade credits are paid o , while the negative impact on trade reduces domestic incomes and overall debt-servicing capacity.

## How vulnerable are developing countries to new debt crises?

Despite the GDP and export recovery i eco to

Figure 3
External debt service-to-exports ratios, developing-country regions, 2005, 2007 and 2009-2011 (percentage)

Source: IMF, World Economic Outlook April 2012 database.

(including Guyana) were rated as facing moderate risk of debt distress and 25 countries were perceived to be at low risk (table 1).[13]

Although the risk of debt distress has not changed for most countries since 2009, the Fund and Bank have lowered their joint assessment of the degree of that started in the first quarter of 2011, with a median budgetary cost estimated at more than 1 per cent of GDP.[15] Measures included food and/or fuel price subsidies, safety net expenditures and reductions in taxes and import tariffs.

The external borrowing needs of a country depend in part on the size of the balance of payments on current accounts and whether it is in surplus or deficit. Of 160 developing and emerging economies included in the IMF World Economic Outlook database in April 2012, 77 had a current account deficit in 2011 larger than 5 per cent of GDP (versus 62 countries in 2005). These countries are drawing on international financial resources of one form or another. As can be seen in figure 6, after decreasing slightly in 2009-2010, the current account deficit of low-income countries increased to 5.8 per cent in 2011; more than double the level of 2006-2007. They, too, are drawing on international resources, borrowing more from public sources than private. The surpluses of upper-middle income countries have been on a gradual decline, from 4.6 per cent of GDP in 2006 to 1.4 per cent in 2011.

Countries can cover a current account deficit through net capital inflows or by using official reserve assets. By accumulating reserves, countries increase their ability to weather external economic shocks. A robust international reserve

Figure 6
Current account balances of developing countries, 2005-2011
(percentage of GDP of group aggregates)

Source:

for 2012.[16] In low-income countries, however, growth of imports has outpaced reserve accumulation and their reserve cushion stood just above the bare minimum level of 3.8 months of imports in 2011.[17]

In sum, it appears that the lower-income countries are relatively more vulnerable to being hurt in future crises. e IMF has boosted its resources for use by these countries in such a situation. It will more than double its concessional resources for use by low-income countries, raising them to $17 billion through 2014. e Fund has also boosted its overall resources for deployment as needed by other countries, and additional bilateral funds may be mobilized in a new emergency. However, these are all new debt-creating ows. Countries that are already carrying heavy debt loads may instead need to suspend debt servicing and in some way restructure their external obligations. As will be discussed later, the proposed mechanisms to handle such situations may be cumbersome and ad hoc.

## Improving debt sustainability assessments

Debt sustainability frameworks were reviewed recently…

e Bretton Woods institutions have been using a framework for debt sustainability analysis that they have revised over time, based on lessons of experience and changing nancial circumstances. Currently, two separate frameworks are used to analyse debt sustainability, one for low-income countries (jointly developed by the World Bank and IMF) and another for the rest of the world, referred to as “market-access countries” (developed by IMF). Recently, both frameworks were subject to thorough review.

16 World Economic Situation and Prospects 2012 (United Nations publication, Sales No. E.12.II.C.2), p. 69.
17 Data from IMF, World Economic Outlook April 2012 database.

## Debt Sustainability Framework for low-income countries

The review of the joint IMF-World Bank Debt Sustainability Framework focused on changes in the debt profiles of low-income countries.[18] The review addressed the increasing importance of domestic public debt and private (external) debt, which, although not yet pervasive in low-income countries, are increasing in some. The changes adopted will give greater opportunity in Fund and Bank analyses to take account of individual country specificities, such as deciding when it is necessary to measure total public debt and not just external debt, when to take account of the role of remittances as a regular and reliable source of foreign exchange inflows, how to more adequately reflect the potential contribution of new borrowing to economic growth, and when to pay greater attention to the which countries typically undertake sequentially with banks, bondholders, other Governments and, for the poorest countries, the international nancial institu tions and the IMF. e international community devised a special process to treat the debts of the poorest countries comprehensively—the HIPC Initiative. at process is drawing to a close and brings into question the speci c future role of the Paris Club, a major intergovernmental creditor forum.

## Completing the HIPC Initiative

Donor Governments have supported the HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI), which were launched in 1996 and 2005, respec tively. ese initiatives have reduced the debt of the HIPCs with the aim of restor ing long-term debt sustainability and directly freeing resources for development in those countries. e total cost to creditors of HIPC relief is estimated at $76 billion and that of the MDRI at $33.8 billion in end-2010 present value terms.

By 17 May 2012, 36 of the 39 HIPCs had reached the “decision point” in the HIPC process (the point at which interim relief is accorded) and 32 had reached the “completion point”, thus bene ting from irrevocable debt relief, com plemented by further relief under the MDRI.

Debt relief accorded to the post-decision-point countries reached almost 35 per cent of their 2010 GDP. is assistance, together with debt relief under traditional mechanisms and “beyond HIPC” relief from a number of Govern ment creditors, has reduced the debt burden of these 36 decision-point countries by 90 per cent relative to their pre-decision-point levels, thus allowing them to increase expenditures on poverty reduction programmes by more than 3 per cent of GDP, on average, over the past decade.

Nevertheless, o cial monitoring reports have found that some countries that had received debt relief under the HIPC Initiative are again at risk of unsus tainable debt. Of the 3oed the 10(u)3(c)-145 em t17(a)-26(i)- reng 3s reach Of cancelled.[22] In May 2012, the IMF Executive Board endorsed the progress in the country's recovery programme.[23] is supportive review moved the country closer to its HIPC completion point, when the Paris Club countries would fully implement their November agreement and all obligations to the World Bank's International Development Association (IDA), IMF and the African Development Bank that had been incurred before the MDRI cut-o dates would be eliminated (end-2003 for IDA and end-2004 for the others). Finally, in May 2012, the Government announced it would resume servicing its bonds in June and would begin to address the arrears since its default. In sum, through separate arrangements made by the Paris Club for bilateral debt (under the HIPC Initiative), by the HIPC Initiative and the MDRI for multilateral debt, and by a forthcoming arrangement for private debt, Côte d'Ivoire is obtaining a measure of debt relief.

By 2012, the large multilateral and Paris Club creditors had provided their full share of debt relief to all the completion point HIPCs, but full participation of all creditors is yet to be secured.[24] e majority of small multilateral creditors have committed themselves to delivering debt relief at the completion point. Such creditors have already delivered 55 per cent of the relief committed to completion-point HIPCs. ere has also been some increase in the delivery of debt relief by non-Paris Club bilateral creditors over the past year. Commercial creditor delivery of debt relief to HIPCs has also increased in recent years and the number of cases of private creditor litigation against HIPCs remained unchanged, at 17, in 2010 and 2011 (the IDA Debt Reduction Facility, which has helped reduce the risk of litigation, was extended to end-July 2017).

e HIPC Initiative has thus been largely completed, with three of the four interim countries expected to reach their completion points within a year, and only three countries left to start the process of qualifying for debt relief under the Initiative (Eritrea, Somalia and the Sudan).[25] In its most recent review of the status of implementation of the HIPC Initiative and MDRI, the IMF Board of Directors agreed on 30 November 2011 that the objectives of the initiatives have largely been achieved, but saw the desirability of focusing on the potential need

alternative. If any of the post-HIPCs require a new sovereign debt workout, they will have to rely on the ad hoc process as it exists today for non-HIPCs. As much as the HIPC Initiative has been criticized from di erent perspectives, it did aim at a comprehensive debt workout that would place the country back on a path of sustainable debt. Post-HIPCs will now have to join with the rest of the countries in debt distress and deal separately with Paris Club creditors, non-Paris Club bilateral creditors, multilateral development banks and the IMF, private banks, suppliers and bondholders, making it di cult to ensure that an adequate overall degree of relief is obtained.

In this context, and facing the recent unsatisfying experience in the ad a preliminary summary of the meeting, private creditors who had fought hard against any debt workout mechanism in the past might well consider supporting the creation of one at this time.[31]

Decision-making in such a framework could be guided by principles of “responsible” borrowing and lending. Indeed, the United Nations Conference on Trade and Development (UNCTAD) has undertaken to work with experts and

# Access to a ordable essential medicines

Despite a greater focus on health issues by the international community, little progress can be seen in access to essential medicines. New data show that essential medicines remain una ordable and insu ciently accessible to the poor. Although international initiatives supported by public and private funding will continue to help increase the supply of a ordable medicines and improve their distribution, other developments will also help narrow the gap, if conditions allow. Local production of medicines in developing countries, for example, can reduce production costs, but will depend on enhancing the capacity of these countries and facilitating the use of  exibilities in international trade regulations.  us, the augmented participation of developing countries will be critical in strengthening the global partnership to increase access to essential medicines.

## New commitments made in 2011

Two major health-related international meetings took place in 2011. Although the scope of these meetings goes beyond the provision of medicines, they will help galvanize e orts to improve access to essential medicines. In June, Member States of the United Nations gathered for the High-level Meeting on AIDS. Governments made new commitments and set new targets intensifying the global AIDS response. In a General Assembly resolution, Member States agreed to work towards achieving the following by 2015: a 50 per cent reduction of sexual transmission of HIV, the elimination of mother-to-child transmission and substantially reduced AIDS-related maternal deaths, a reduction in deaths caused by tuberculosis (TB) in people living with HIV by 50 per cent, and the provision of antiretroviral (ARV) treatment to 15 million people.

In September 2011, the High-level Meeting of the General Assembly on Non-communicable Disease Prevention and Control was held at the United Nations. Member States recognized the major challenges that non-communicable diseases (NCDs) pose to development, including limiting progress towards the health-related Millennium Development Goals (MDGs).  ey agreed that prevention of NCDs should be given high priority on national and global development agendas. Member States committed to the following: to advance the implementation of interventions to reduce the impact of NCD risk factors, to establish or strengthen national health systems and multisectoral policies for the prevention and control of NCDs, to strengthen international cooperation and partnerships in support of plans for the prevention and control of NCDs, and to promote research and development. Some concrete actions include creating

funds available to disburse between 2012 and 2014.[7] In January 2012, the Bill countries, the poor rely on the public sector to obtain medicines, since they can obtain them there free of charge or at much lower prices than in the private sector, where medicines are mostly available as higher-priced originator brands.

Prices of available essential medicines continue to be relatively expensive in developing countries, that is, they are several times greater than the international reference prices (IRPs).[14] New data show only minor improvement. e aforementioned surveys show that average prices were still 2.6 times higher in the public sector compared to IRPs. Patients pay ve times more in the private sector of developing countries.[15] In low- and lower-middle income countries, patient prices for lowest-priced generics were, on average, 3.1 times the IRP in public sector facilities and 5.3 times higher in private sector facilities ( gure 2). In upper middle-income countries, average private sector prices were slightly lower than in low- and lower-middle income countries (4.7 times the IRP). Prices in the private sector of lower-middle income countries showed the greatest variation, from 2 times international reference prices in Indonesia to nearly 14 times higher in Sao

salary of one family member to pay for even the lowest-priced medicines. In practice, the situation is worse in many contexts where a majority of workers earn less than the wage of the lowest-paid government worker.

## Other developments regarding access to essential medicines

International e orts to improve the a ordability of essential medicines continue. One such e ort relates to measures that would help reduce the production costs of generic medicines, in particular through stimulating their manufacture-in devel oping countries. Expanding production capacity will depend, inter alia, on human resource development and technology transfer, on enhanced ability of developing countries to take advantage of  exibilities o ered by the Trade-Related Intellectual priately trained technical sta , heavy dependence on import of raw materials including essential active pharmaceutical ingredients (APIs), weak and uncertain markets, high import duties and taxes, lack of a conducive policy environment and policy coherence across sectors, and weak quality control and regulation measures. However, some developing countries have managed to produce locally through national e orts with international support.

Developed countries have supported local production bilaterally through

to issue compulsory licences; providing for patent extensions or supplementary protection; requiring drug regulatory authorities to consider the patent status of medicines before granting marketing authorizations to generic manufacturers; requiring test data protection that restricts the use of clinical test data on pharmaceutical products by drug regulatory authorities for the approval of generic medithese products to generic companies to increase access to treatment in developing countries. The Pool also endeavours to assemble the necessary intellectual property rights regarding key HIV products in order to develop new fixed-dose combination products that integrate multiple drugs into one pill, as well as missing paediatric formulations of existing treatments. In 2011, the Pool reached an agreement on non-exclusive licences with Gilead on tenofovir (TDF) and the co-formulation of TDF with emtricitabine, as well as licences on elvitegravir, cobicistat and their combination with tenofovir and emtricitabine. The negotiations also led to the inclusion of the indication for TDF for the treatment of hepatitis B. Subsequently, the Pool signed three licensing agreements with generic companies for the manufacturing of these products.

In 2011, several research-based pharmaceutical companies that produce ARVs signed non-exclusive licensing agreements that allow for generic competition in a number of countries. Farmanguinhos (the technical-scientific unit of Fiocruz) has entered into an agreement with Bristol-Myers Squibb that allows for the manufacturing and distribution of atazanavir in Brazil, including the local manufacturing of the active pharmaceutical ingredient.[33] Other companies have expanded existing licensing programmes to cover more products or countries. Tibotec Pharmaceuticals, for example, decided not to enter into negotiations with the Patent Pool, but it expanded the geographical scope of its current licensing agreements on rilpivirine, a potent ARV, from 66 to 112 countries.

## Quality of medicines

Despite the lack of information across the much broader range of drugs that a health system requires, there is already evidence to suggest that the impact is substantial and warrants enhanced e orts. For example, a recent study looking at product quality of antimalarial products in African countries found that 39 per cent of products tested in Ghana and as high as 64 per cent of products tested in Nigeria were substandard.[26] e samples included imported as well as locally produced products.

Comprehensive quality assurance conducted by regulatory authorities involves enforcing concepts such as Good Manufacturing Practice, Good Laboratory Practice and Good Distribution Practice as well as conducting "pharmaco-vigilance" activities to monitor products in the market. Regulatory capacity is often not the major bottleneck in developing countries. Rather, resource constraints limit the capacity of regulatory authorities to enforce regulation and provide adequate oversight of product quality. A recent study of 26 countries in Africa showed that, overall, countries did not have the capacity to control the quality, safety and e cacy of medicines circulating in their markets.[27] countries had legal provisions for most essential aspects of medicines control, but

Medicines Regulatory Harmonisation initiative (AMRH)[40] sponsored by the Bill and Melinda Gates Foundation and implemented by WHO, the World Bank and the New Economic Partnership for Africa's Development (NEPAD) are looking to build synergies between the work of National Medicines Regulatory Authorities (NMRA) within the regional economic communities in Africa. e African Union, in partnership with the United Nations Industrial Development Organization (UNIDO), has developed a Pharmaceutical Manufacturing Plan for Africa (PMPA)[41] to develop sources of international standard drug production across the essential medicines list that can be properly overseen by NMRAs.

## Research and development

Only 10 per cent of the world's funds for health research are applied to the study of diseases in developing countries, which is where 90 per cent of the world's On420 scn /GS1 gs /T1_2

In October 2011, the World Intellectual Property Organization (WIPO) announced the launch of “Re:Search”, a new consortium of pharmaceutical manufacturers, Government entities and non-governmental organizations (NGOs) which will share patents in order to drive R&D for new drugs, vaccines and diagnostics for tuberculosis, malaria and neglected tropical diseases.[46]

India has set an example in the area of neglected diseases with the creation of the Indian Open Source Drug Discovery Initiative (OSDD). OSDD is an open innovation platform where ongoing projects and research results are reported on a web resource.[47] Approximately 5,300 partners are registered from more than 130 countries, whereas 1,500 registered participants from 31 different countries are currently working on more than 100 projects posted online. In 2011, OSDD announced that they were involved in discussions with two pharmaceutical manufacturers for the start of clinical trials for two molecules that could lead to the production of effective and inexpensive medicines for treatment of tuberculosis.[48]

# Access to new technologies

Access to new technologies, especially in the area of information and communication technologies (ICT), continues to expand at an accelerated pace in developing countries.  e spread of ICT also continues in developed countries and, as a result, the digital divide remains wide.  e growing use of ICT is supporting

Figure 1
Global trends in access to ICT, 2001-2011 (penetration rates per 100 inhabitants)

…but least developed countries lag behind

e penetration rate of mobile cellular subscriptions in least developed countries (LDCs) remains very low, at 34 per cent, despite a higher rate of increase than the average for developing countries in 2010. By geographic regions, Oceania and sub-Saharan Africa lag well behind other regions, with penetration levels of less than 50 per cent in 2010 (see gure 3). Latin America, on the other hand, has surpassed a penetration rate of 100 per cent.

Sub-Saharan Africa, Southern Asia, Oceania and the Caribbean are the regions with the lowest penetration rates of  xed telephone lines, at around 10 per cent or less (see  gure 4).

Developing countries have increased their share of the world's total number of Internet users from 44 per cent in 2006 to 62 per cent in 2011, and Internet penetration in the developing countries stood at 26.3 per cent ( gure 2). However, the vast majority of people in the LDCs still lack access to the Internet ( g band connections in developed countries reached almost 26 per cent in 2011, growth has slowed in recent years and may reach saturation soon ( gure 6). Fixed broadband coverage in developing countries reached 4.8 per cent on average, but coverage varies greatly across countries and regions.

By contrast, mobile broadband has expanded at a much more dynamic pace.  e number of active mobile broadband subscriptions reached an estimated 1.2 billion at the end of 2011, twice the number of  xed (wired) broadband subscriptions. Today, more than 160 countries provide commercial 3G services. For many people in developing countries, mobile broadband, including

## Wide gaps in a ordability persist

Although the cost of ICT services has been decreasing, they remain much higher in developing than in developed countries. Costs are still prohibitive for the majority of people in some regions, especially Africa. Mobile cellular services cost, on average, about 10 per cent of per capita income in developing countries, but their cost is as high as 25 per cent of per capita income in Africa.[2] e average cost of a xed broadband subscription in Africa is almost three times the per capita income. In developed countries, however, the average cost per user is less than 2 per cent of per capita income.

Figure 6
Fixed (wired) broadband and mobile broadband subscriptions in developed and developing countries, 2001-2011 (percentage of inhabitants)

2 MDG Gap Task Force Report 2011— e Global Partnership for Development: Time to Deliver (United Nations publication, Sales No. E.11.I.11).

In October 2011, recognizing the potential of enhanced accessibility of the Internet to promote development, the Broadband Commission for Digital Development proposed the establishment of concrete targets and indicators networks and services, ensuring fair competition, protecting the interests of con

## Increasing competition in ICT

In 2011, countries continued to make considerable e orts to foster competition in telecommunication/ICT markets. e provision of mobile cellular phone and Internet services remained highly competitive globally. In more than 90 per cent of countries worldwide, competition is allowed in the provision of such services ( gure 8). International gateways[7] are now competitive in 83 per cent of countries worldwide. In 2011, 92 per cent of all countries allowed competition in the provision of 3G services. Basic xed services continued to lag behind other ICT markets in terms of competitiveness. Nonetheless, competition in this area has also been on the rise, with 70 per cent of countries allowing competition in 2011, up from 38 per cent in 2000.

Privatization activity has slowed over the past few years. With more than 65 per cent of providers worldwide already privatized, there are fewer interested investors and reduced availability of investment funds. Of the very few privatizations that were expected to occur over the last two years, only Zamtel, the incumbent operator in Zambia, and SamoaTel, the incumbent in Samoa, were privatized in 2010. Other countries made further e orts to liberalize their markets by simplifying the licensing regime and opening up the ICT sector to foreign investment. While more than three quarters of countries worldwide have either no restrictions or allow for foreign controlling interest in their national ICT market, some 15 per cent still restrict investment to a minority interest.

Figure 8
Share of countries allowing competition for selected ICT services, by region, 2011 (

7 An international gateway is any facility through which electronic communications (that is, voice, data and video) can be sent from the domestic networks of one country to those of another.

## The role of e-government

e use of new technologies in Government can support the achievement of the MDGs by increasing e ciency, e ectiveness, transparency and inclusiveness in public administration and public service delivery. One of the key challenges of national Governments has been improving the quality of public administration. rough the use of ICT, Governments are increasing e ciency and transparency by providing more information online, simplifying administrative procedures, streamlining bureaucratic functions and increasingly providing open Government data. According to a recent survey, 179 countries provided information via their national portals on laws, policies and other documentation of interest to their citizens in the areas of education, health, social welfare and other sectors.[8] ICT is also used e ectively in poverty reduction; it gives vulnerable groups access to information on a range of subjects, including health and education information and management systems, education, and management of natural resources. Studies to evaluate the impact of broadband on national economies have shown that it not only has direct impact in terms of revenues and employment creation, but also has spillover e ects in other sectors by helping to increase e ciency and, at the same time, further stimulate broadband adoption.[9]

Governments are also moving towards centralizing the entry point of service delivery to a single portal where citizens can access all Government-supplied services. In 2012, 70 per cent of countries provided a consolidated one-stop-shop portal compared with 26 per cent in 2003. is not only makes it easier for citizens to nd public services, but it encourages Governments to integrate processes across departments and increase e ciency.

## Increasing access to climate change technology

Some additional progress has been made in creating a more enabling framework for international cooperation in reducing global greenhouse emissions, mitigat

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e Green Climate Fund has received pledges towards its start-up costs from several countries, including Denmark, Germany and the Republic of Korea. It was agreed that a focused work programme on scaling up long-term climate nance and analysing possibilities for mobilization of resources from a variety of sources be undertaken in 2012, recalling that developed-country Parties had committed to mobilize $100 billion per year by 2020 to address the needs of developing countries. In addition, a management framework has been adopted to make the Fund fully operational in 2012. e Fund will nance activities to enable enhanced action on adaptation, mitigation, technology development and transfer, capacity-building, and the preparation of national reports by developing countries. In the meantime, a pledge for fast-start nance was also made by developed countries to disburse $30 billion in additional resources during the period 2010-2012.

Although some e orts have been made to measure how much has been provided towards climate-related assistance, the rst comprehensive data on climate-related aid was only recently published.[11] Preliminary gures for 2010 show that total bilateral climate change-related aid by members of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD/DAC) was $22.9 billion in 2010, equivalent to about 15 per cent of total o cial development assistance (ODA). Two thirds was targeted for mitigation and one third for adaptation. However, it is not clear what portion of this, if any, pertains to the fast-start nance commitment.

Further arrangements were agreed on at Durban to ensure that the Technology Mechanism, established to facilitate action on technology transfer, becomes operational in 2012. Full terms of reference for the Climate Technology Centre and Network (CTCN), the operational component of the Technology Mechanism, were agreed upon, and its activities to address the technology needs of developing countries are set to begin. e mission of the CTCN is to stimulate technology cooperation, to enhance the development and transfer of technologies and to assist developing-country Parties at their request. e CTCN will consist of a Climate Technology Centre and a Network of relevant institutions capable of responding to requests from developing-country Parties related to technology development and transfer.

e Adaptation Committee, composed of 16 members, will report to the Conference of the Parties (COP) periodically on its e orts to improve the coordination of adaptation actions around the world. e adaptive capacities of the poorest and most vulnerable countries are to be strengthened. e most vulnerable are to receive better protection against loss and damage caused by extreme weather events related to climate change.

## Access to ICT to address climate change

In September 2010, the Broadband Commission established a number of working groups to focus on speci c issues related to the challenges and opportunities of broadband networks, services and applications. Climate Change was one of the key issues. In 2011, the dedicated Working Group on Climate Change[12] (WG-

11 Available from www.oecd.org/dac/stats/rioconventions.

12 For more information, see http://0.246 0 Td (-)5(k)-312 46 0 Td (-)5(5(k)-31c701 0.0<7(r)

CC) was established with the main objective being to support innovation in the ICT industry as well as in broadband networks, services and applications that have the potential to accelerate the uptake of transformative low-carbon solutions. e WG-CC will identify how investments in broadband can be leveraged from an environmental perspective to address climate change. e working group will report on the potential of broadband as a solution to mitigate and adapt to cli mate change and make recommendations for achieving a low carbon, sustainable future with the use of ICT.

## Access to information for disaster risk management

e risk of disasters is increasing in developed and developing countries. e pro portion of people living in ood-prone river basins increased by 114 per cent and e27.982T1 5d 6-

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