

Millennium Development Goal 8

Taking Stock of the Global Partnership for Development

MDG Gap Task Force
Report 2015



UNITED NATIONS

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 30 United Nations entities and other organizations are represented in the Task Force, including the World Bank and the International Monetary Fund, as well as the Organization for Economic Cooperation and Development and the World Trade Organization. The Department of Economic and Social Affairs of the United Nations Secretariat (UN/DESA) and the United Nations Development Programme (UNDP) acted as lead agencies in organizing the work of the Task Force. The Task Force was co-chaired by Lenni Montiel, Assistant Secretary-General for Economic Development, UN/DESA, and Magdy Martínez-Solimán, Assistant Administrator and Director, Bureau for Policy and Programme Support, UNDP, and coordinated by Alexander Trepelkov, Director, Finance for Development Office, Willem van der Geest, Chief, Development Strategy and Policy Unit, Development Policy and Analysis Division, and Diana Alarcón, Senior Economic Affairs Officer, Office of the Under Secretary-General of UN/DESA.

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

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Preface

The Millennium Development Goals (MDGs) Gap Task Force, which I set up in 2007, has provided the international community with a unique review of progress towards the achievement of MDG 8, the commitment to develop a global partnership for development.

According to the Task Force, significant achievements have been made in a number of targets. Flows of official development assistance (ODA) which reflect the international commitment to provide financial resources to support the development efforts of developing countries, have increased from about \$81 billion in 2000 to \$134 billion in 2014 in constant dollars, accounting for about 0.3 per cent of the gross national income (GNI) of developed countries. I commend Denmark, Luxembourg, Norway, Sweden and the United Kingdom of Great Britain and Northern Ireland for meeting the long-established United Nations target of providing 0.7 per cent of GNI as ODA in 2014. There have also been improvements in developing countries' access to developed-country markets, including increased duty-free admission, although progress towards this target has been very limited since 2010. Major initiatives to reschedule or write down the external debt of developing countries have reduced debt burdens, in particular, for low- and middle-income countries.

Yet major gaps remain in reducing vulnerabilities for many developing countries, including least developed countries (LDCs), small island developing States (SIDS) and other low-income countries. Access to essential medicines at affordable prices remains highly problematic, with many households squeezed out of the market due to high prices and limited availability. And while the rapid expansion of information and communication technologies (ICTs) has allowed several billion people in developing countries to join the information society, a major digital divide is still in place, with more people offline than online and particularly poor access in sub-Saharan Africa.

The year 2015 is a milestone for global action: we will come to the end of the time frame in which we have been guided by the MDGs; we are launching a transformative development agenda, including a set of sustainable development goals (SDGs); and we are aiming for a meaningful and universal agreement on climate change. The transition from the MDGs to the SDGs presents a once-in-a-generation opportunity to advance prosperity, secure the planet's sustainability for future generations, and unlock resources for investments in education, health, equitable growth and sustainable production and consumption.

Achieving the SDGs will require an even stronger global partnership, complemented by multi-stakeholder partnerships to mobilize and share knowledge, expertise, technology and financial resources. ODA remains necessary yet not sufficient. The Third International Conference on Financing for Development in Addis Ababa can provide the framework that will turn our aspirations into practical steps and strategies. We will also need to put in place a strong mechanism to follow up on the commitments reached in Addis.

I urge partners across the world to embrace the ambition embodied in the new set of goals. I look forward to working together to deliver on the unfinished MDG commitments, tackle inequality and meet the new challenges that have emerged across the three dimensions of sustainable development—economic, social and environmental. The insights and analysis of the Task Force continue to provide vital support in that effort, and I commend this report to a wide global audience.

A handwritten signature in black ink, reading "Ki Moon Ban". The signature is fluid and cursive, with the first name "Ki" and last name "Ban" being more prominent than the middle name "Moon".

Ban Ki-moon
Secretary-General of the United Nations

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List of Millennium Development Goals and Goal 8 targets and indicators

Goals 1 to 7

Goal 1: Eradicate extreme poverty and hunger

Goal 2: Achieve universal primary education

Goal 3: Promote gender equality and empower women

Goal 4: Reduce child mortality

Goal 5: Improve maternal health

Goal 6: Combat HIV/AIDS, malaria and other diseases

Goal 7: Ensure environmental sustainability

Goal 8: Develop a global partnership for development

Targets

Target 8.A: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system

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

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

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

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

Indicators

Some of the indicators listed below are monitored separately for the least developed countries (LDCs), Africa, landlocked developing countries and small island developing States.

Official development assistance (ODA)

- 8.1** Net ODA, total and to the least developed countries, as percentage of OECD/DAC donors' gross national incomes
- 8.2** Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)
- 8.3** Proportion of bilateral official development assistance of OECD/DAC donors that is untied
- 8.4** ODA received in landlocked developing countries as a proportion of their gross national incomes
- 8.5** ODA received in small island developing States as a proportion of their gross national incomes

Market access

- 8.6** Proportion of total developed country imports (by value and excluding arms) from developing countries and least developed countries admitted free of duty
- 8.7** Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries
- 8.8** Agricultural support estimate for OECD countries as a percentage of their gross domestic product
- 8.9** Proportion of ODA provided to help build trade capacity

Goal 8: Develop a global partnership for development (<i>continued</i>)	
Targets	Indicators
	Debt sustainability
Target 8.D: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term	<p>8.10 Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative)</p> <p>8.11 Debt relief committed under HIPC and MDRI Initiatives</p> <p>8.12 Debt service as a percentage of exports of goods and services</p>
Target 8.E: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries	8.13 Proportion of population with access to affordable essential drugs on a sustainable basis
Target 8.F: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications	<p>8.14 Fixed telephone lines per 100 inhabitants</p> <p>8.15 Mobile cellular subscriptions per 100 inhabitants</p> <p>8.16 Internet users per 100 inhabitants</p>

Executive summary

This report of the United Nations MDG Gap Task Force is the final report in a series that takes stock of recent achievements and gaps in the implementation of Millennium Development Goal (MDG) 8. As has been reported throughout the monitoring process undertaken by the more than 30 organizations that comprise the Task Force, there have been significant positive developments pointing to an effective international effort to realize agreed targets during the MDG period, but several deficits in international cooperation for development have continuously highlighted the need for a rejuvenation of the global partnership for development.

Lessons from monitoring MDG 8

As the international community is considering the structure and scope of a post-2015 development agenda, the final report of the MDG Gap Task Force has undertaken the responsibility of extracting lessons from its monitoring of Goal 8 that may be useful in monitoring the future global partnership for development. Over the course of the reporting experience, the Task Force has noted major gaps, not only regarding the achievement of the targets set in MDG 8, but also regarding its monitoring. Particularly serious has been the lack of quantitative time-bound targets in the five substantive areas, as well as the lack of data to track quantitative and qualitative commitments adequately and in a timely manner. In addition, some MDG 8 indicators displayed a mismatch between targets set and indicators chosen to identify progress. Due in part to both this mismatch and a shortage of trackable data, the Task Force expanded its monitoring and reporting duties beyond the scope of that which was mandated in order to produce coherent and comprehensive annual monitoring updates.

Official development assistance

Increasing concessional international public finance to support developing countries' efforts to achieve the MDGs was a central feature of the Global Partnership for Development envisaged in MDG 8. To this end, official development assistance (ODA) increased substantially in volume terms between 2000 and 2014, reversing an almost decade-long decline in aid flows. However, according to recent Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) estimates, ODA flows fell again in 2011 and 2012 then rose again slightly to approximately \$135 billion in 2013 and 2014. Least developed countries (LDCs) with the least capacity to raise public resources domestically saw a significant increase in aid over the MDG period, although net bilateral ODA to LDCs from DAC donors has declined in recent years, falling by 16 per cent in 2014 to \$25 billion.

Running parallel to the monitoring of amounts disbursed is the assessment of the effectiveness of those sums. Some progress was seen in the untying of aid, particularly to LDCs, though the accompanying conditions continue to be burdensome, remain overly complex, and the aid landscape is still patchy and uncoordinated.

Moving forward, meeting the United Nations target of disbursing 0.7 per cent of GNI of developed countries as ODA will remain crucial. Resources should also be better targeted to the poorest among developing economies, paying special attention to innovative financial uses of ODA, such as those that maximize the potential of ODA to “crowd in” additional financial flows. Examples include combining it with non-concessional public finance or leveraging private finance. Such uses will become more important than ever in the achievement of the post-2015 development goals, although they will not substitute traditional ODA flows.

Market access (trade)

A primary concern of the Global Partnership for Development has been developing countries’ achievement of the MDGs through economic growth, helped by export growth, and supported by an open, rule-based, predictable and non-discriminatory trading and financial system. To this end, it has been encouraging to note that global trade of goods and services expanded significantly over the last fifteen years to more than \$20 trillion. Trade also grew one and a half times as fast as world output for most of the period, although trade growth was reduced after the global financial crisis. Particularly encouraging is the fact that developing countries are playing a larger role in global trade flows, although not all groups of developing countries have shared in this increase. Merchandise exports of LDCs remain miniscule. Another challenge has been the failure of the international community to conclude the Doha Development Round after 13 years of negotiation. Nevertheless, donor countries and institutions have continued to support developing-country efforts to build trade capacity through initiatives such as Aid for Trade. However, the need for developed countries to eliminate other barriers to trade, such as trade-distorting agricultural support within OECD countries, persists.

Also noteworthy is the fact that the trade landscape has been evolving over the MDG period and South-South trade has become an important source of trade expansion for developing countries, especially LDCs. Going forward, it will be important to continue monitoring trends regarding economic and export diversification and value addition in exports of developing countries as measures of resilience building and effective integration into the multilateral trade system.

Debt sustainability

During the MDG period, dealing comprehensively with debt problems of developing countries and achieving debt sustainability became an important area for policy action for the Global Partnership for Development. Debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative has alleviated debt burdens in beneficiary countries, although several HIPC countries have reverted to moderate or high levels of risk of debt distress. The ratio of external debt to gross domestic product (GDP) of developing

countries as a whole has declined over the past decade, while the indicator of debt servicing relative to exports fell initially but then rose. A number of developing countries, particularly small States, continue to face some of the highest debt-to-GDP ratios in the world, and their underlying economic problems warrant further attention.

Therefore, an urgent need remains for more policy action on the part of the international community to help countries enhance their policies towards debt-crisis prevention and facilitate resolution of crises when they do occur. Policies for debt-crisis resolution should aim for predictability, timeliness and comprehensiveness, distributing their costs fairly between debtors and creditors and among different classes of creditors. There is also scope to improve the prevention of crises through enhanced techniques for evaluation of national and international debt sustainability, better debt management, production of timely figures, and adequate engagement by all the parties to the loans when required. The greatest challenge moving forward for the international community will be delivering close support to developing countries to avoid a build-up of unsustainable debt levels. To the extent feasible, prevention is always a superior policy to a painful cure.

Access to affordable essential medicines

Monitoring and addressing shortfalls in access to affordable, essential medicines has remained a key challenge throughout the MDG period, given the absence of global and regional data. Nevertheless, a limited number of surveys have been undertaken in low- and lower-middle income countries in an effort to track these issues. These studies have shown that generic medicines are significantly less available in public health facilities compared to private facilities, and sometimes poorly available even in private facilities. Nevertheless, there are efforts to increase treatment access, in particular in some disease areas such as HIV, tuberculosis, malaria and other priority diseases, largely owing to a massive influx of funding from the international community as well as increased national funding.

More effective regular monitoring of cost, availability and affordability of essential medicines and subsequent publication of the findings would contribute to minimizing the current shortages in developing countries. These economies need to have strengthened health systems that are capable of ensuring access to essential medicines as part of universal health coverage. They could also implement and further use Trade-Related Aspects of Intellectual Property Rights (TRIPS) public health flexibilities, as well as other means such as voluntary license agreements, in order to improve access to those essential medicines that are patent protected.

Access to new technologies

Monitoring the extent of information and communications technologies (ICTs) in developing countries has been a particularly important objective of MDG 8, as accessing ICTs can enable the achievement of broader development objectives. The monitoring of natural catastrophes and illnesses, for instance, could be significantly improved through the use of ICTs. Access to advanced technologies continues to grow at a fast pace, however the impressive gains observed during

the MDG era are hampered by gaps in access to ICTs—gaps which still persist between developed and developing countries as well as within countries.

For example, while growth of developing-country Internet users is robust, increasing by about 10 per cent in 2015, only 35 per cent of people in developing countries are estimated to be using the Internet, as compared with 82 per cent of people in developed countries. Only 20 per cent of Africans are estimated to be online by end-2015. In addition, while mobile-cellular penetration in developing countries in general is estimated to reach 92 per 100 inhabitants at the end of 2015 compared to less than 10 per 100 inhabitants in 2000, this penetration rate will only reach 64 in LDCs.

Though affordability has progressed significantly in recent decades, greater efforts must be undertaken, especially in the economies that most need ICTs but which are least able to access them. The private sector can be a valuable partner for Governments that can in turn provide regulatory systems which are transparent and just. Several countries have already pledged to goals and targets for 2020 that are more inclusive, sustainable and innovative regarding ICTs and will bring us closer to a truly global information society.

Monitoring the global partnership for development

Fifteen years ago, the Millennium Summit put forth an agreement to help developing countries attain what were later codified as the Millennium Development Goals (MDGs) by strengthening the global partnership for development. MDG 8, building the global partnership for development, established a set of targets and indicators for implementing that goal, which the MDG Gap Task Force has monitored since United Nations Secretary-General Ban Ki-moon created the Task Force in 2007. In this, its final report on the implementation of Goal 8, the Task Force reports on recent notable developments during 2014 and 2015, but the report begins with a number of reflections on lessons learned from preparing its eight monitoring reports. These reflections are offered in the spirit of assisting the international community as it prepares for the United Nations Summit to Adopt the Post-2015 Development Agenda in September 2015, where a set of Sustainable Development Goals are expected to be adopted along with a further strengthening of the global partnership for development to help advance implementation of those goals.

Headline indicators over 15 years

The effort to develop the global partnership for development, as reflected in MDG 8, led to a number of significant achievements, but also experienced some major gaps and shortcomings. A major aspect of the work of the Task Force was to bring achievements as well as gaps and shortcomings to public attention in a concise and accessible manner that could be useful to advocates of more intense and effective international cooperation for development. In this regard, the Task Force reports tended to emphasize the more dramatic results being observed, while also seeking to characterize the overall progress and setbacks in building the global partnership for development. It has thus been witness to a number of significant developments.

The decision of the international community to embark on achieving the MDGs proved a rallying cry for making available greater amounts of official development assistance (ODA). The international community indeed moved closer to the United Nations target of providing an annual volume of ODA equivalent to 0.7 per cent of the gross national income (GNI) of donor countries; it rose from 0.22 per cent in 2000 to 0.32 in 2010, but slipped after that, reaching an estimated 0.29 per cent in 2014. Nevertheless, the gap between delivery and the target remained very large throughout the 15 years. The impetus of the MDGs was effective in increasing ODA—although not as much as needed—until confronted by challenges to ODA budgets in a number of countries in the wake of the global financial crisis (discussed later in this report).

The Task Force also monitored encouraging improvements in duty-free access to developed-country markets for developing-country exports. Developing countries received duty-free treatment on only 62 per cent of their exports to developed countries in 2000, but on 82 per cent in 2010 (excluding arms). Duty-free imports from least developed countries (LDCs) increased from 76 to 90 per cent of their trade during the same period. However, since 2010 there has been only slow further progress in this regard, with duty-free imports from all developing countries increasing only slightly to 83 per cent and those from LDCs increasing further to 91 per cent, but falling back to 90 per cent by 2014.

Goal 8 has also focused attention on implementation of the debt-reduction initiative for the heavily indebted poor countries (HIPCs), which was supplemented in 2005 with additional relief from repayment obligations to multilateral financial institutions. Thanks in part to constant public attention in debtor and creditor countries on the predicament of poor people living in HIPCs, those initiatives have now largely been completed. Coupled with debt restructurings for a number of middle-income countries and strong growth in exports, debt service payments relative to export revenues of lower-middle-income countries fell from 30 per cent in 2000 to 17 per cent in 2007, although the ratio has increased again to 25 per cent at the end of 2014. Even so, as the current report highlights, this favourable overall picture hides significant vulnerabilities for many countries, including a number of LDCs and small island developing States.

The Task Force faced an especially difficult challenge in monitoring changes in access to essential medicines at affordable prices, owing to lack of systematic data collection. Nevertheless, it was possible to gather sufficient information from which to draw inferences. Country surveys discussed later in the report show that 15 years after the Millennium Declaration, there has been very limited progress in providing access to affordable essential medicines. On the one hand, the cost of first-line HIV/AIDS medications have fallen dramatically, underlining that progress can be made when there is a global expression of political concern. On the other hand, the general availability of essential medicines in developing countries remains unacceptably low, especially in public institutions.

Perhaps the most dramatic and unexpected development tracked by the Task Force took place in the global diffusion of information and communications technologies (ICTs) that Goal 8 sought to promote. The spread of mobile-telephone subscriptions rose from 10 per cent of the population in developing countries in 2000 to about 90 per cent in 2014. Internet access is lagging (only 32 per cent of the people in these countries have Internet access thus far), but it can be expected to continue to grow rapidly based on the spread of mobile-broadband access.

It would be inaccurate to claim that inclusion in Goal 8 was responsible for the impressive spread of mobile phone technology. Capable enterprises saw an opportunity for profitable expansion of their industry and, enabled by supportive policy environments, were able to act on that incentive. Equally capable pharmaceutical enterprises did not spread affordable essential medicines throughout the developing world because profit incentives led them in other directions—except in instances where policy pressures and the glare of public opinion had an impact, as in the case of HIV/AIDS medications. Coupled with the observations above on ODA, trade and debt, it is clear that the “partnership” element in the global

partnership for development is first and foremost a partnership among States.¹ However, it is also clear that mobilized public advocacy has been essential in moving Governments to take direct actions and adopt policy frameworks that may translate into effective means of implementation of the international goals and targets. The Task Force intended that its reports help in this regard.

Experiences in monitoring MDG 8 targets and indicators

With the benefit of hindsight, it is fair to say that the Task Force was given a difficult task. It was asked to monitor the global partnership for development by monitoring the targets and indicators of MDG 8. However, the Goal 8 targets did not cover all aspects of the global partnership for development, aspects which the 2005 World Summit Outcome document explicitly indicated had been set out in the Millennium Declaration, the Monterrey Consensus and the Johannesburg Plan of Implementation.² Indeed, in the subsequent revision of the MDG indicators, no change was made to the indicators pertaining to Goal 8.³

Moreover, the Goal 8 targets, which had been fixed soon after the Millennium Summit, were not always well specified. Often, they were neither precise nor time bound. In addition, the indicators for monitoring the targets did not always draw upon actual or relevant data. In fact, in some cases, no relevant data existed. Also, by fixing the targets and indicators with no possibility of change soon after the Millennium Summit, important commitments made subsequently would not be tracked. The Task Force, however, did not feel bound by this constraint in preparing its reports. In fact, it expanded its scope beyond the tracking of initial commitments to track additional commitments and all relevant indicators.

Imprecision

An example of an imperfectly formulated target was target 8.F, which reads, “In cooperation with the private sector, make available the benefits of new technologies, especially information and communications”.⁴ There is no guidance as to what types, how much, how fast or what is specifically meant by the “benefits” of these technologies. However, in this case, the International Telecommunications Union systematically collected data on the international spread of ICTs, including on the three selected indicators (8.14 to 8.16), measuring for each

1 At the same time, the Task Force has repeatedly noted the important role of non-state actors, especially foundations, in innovating and helping to finance programmes to realize the Millennium Development Goals (MDGs), such as in the Global Fund to Fight AIDS, Tuberculosis and Malaria.

2 See General Assembly resolution 60/1, para 20.

3 A Task Team of the Inter-Agency and Expert Group (IAEG) on MDGs noted that “there are inconsistencies between goals, targets and indicators. Some goals, targets and indicators are not well-aligned, and some goals are not adequately addressed by existing indicators”. See United Nations, “Lessons Learned from MDG Monitoring from a Statistical Perspective”, Report of the Task Team on Lessons Learned from MDG Monitoring of the IAEG-MDG, March 2013.

4 The list of MDGs and the Goal 8 targets and indicators are reproduced at the beginning of this report

100 inhabitants (i) the number of fixed telephone lines; (ii) the number of mobile-cellular subscriptions; and (iii) the number of Internet users. Trends over time in the selected indicators could thus be routinely monitored.

However, several shortcomings have been recognized in monitoring the technologies target in this way. First, the three indicators do not capture the rapid technological change causing a vast and growing array of ICT services available, going beyond fixed and mobile telephony as well as Internet usage. Second, ICT, though fundamental, is only one of many new technologies that might benefit developing countries. In fact, readers of the technology section of this report will see that the Task Force has selectively brought additional technology advances into the discussion. Third, the indicators tracking supply of ICT services per 100 inhabitants do not help form a picture of the distribution of the services within a particular country. Fourth, the indicators do not offer any insight into the state of cooperation with the private sector. While some households and individuals may have access to multiple connections, others may not have access to any. The state of the digital divide within a country as well as between countries is therefore not adequately captured by the three indicators.

Finally, it should be noted that statistical indicators sometimes fall prey to anomalies that require explanation so as not to mislead. In other words, one should be wary of taking a mechanical approach to the presentation of indicators; it presents the risk of drawing inaccurate conclusions. External debt servicing as a share of export revenues (indicator 8.12) presents some telling examples. For instance, a spike was recorded in the debt-servicing ratio of the low-income countries in 2006. This reflected a standard practice in balance-of-payments accounting in which debt that was being written down following debt relief was shown in the accounts as a principal repayment outflow offset by a grant inflow. Statistics on debt servicing would not show the grant but only the principal payment. This did not mean, however, that the debt was being paid down per se.

Absent data

A second problem noted by the Task Force has been the request to monitor data that did not exist. One example pertains to the availability of and access to affordable essential medicines. The MDG indicator called for monitoring the “proportion of population with access to affordable essential drugs on a sustainable basis [in developing countries]” (indicator 8.13). No such data series had been systematically collected at the national level in developing countries nor aggregated into global figures. However, the World Health Organization, a member of the Task Force, and Health Action International had developed a survey methodology which was applied to a number of countries in order to sample availability and affordability of a number of essential medicines in public and private health institutions. These surveys demonstrated the large gaps in the availability of essential medicines in both public and private sectors, and prices that were set much above the international reference prices, although with wide variations across countries. As reported later in this report, repeat surveys showed a range of changes over time, as availability improved in some countries but deteriorated in others. Not enough individual country data were available to draw conclusions on an overall trend. In addition, a measure of “affordability” had been developed as the number of days’ wages it would cost the lowest paid public sector worker to acquire a spe-

cific lowest-priced generic medicine. Taken together, these studies provide more than anecdotal but less than systematic or comprehensive information. They were instructive, however, and supported concerns expressed in the Task Force reports about the limited degree of access to affordable essential medicines in low- and middle-income countries.

Target rigidity

Conspicuously absent from Goal 8 was the one target that has been on the United Nations development agenda since the 1970s, namely provision of ODA at a level corresponding to 0.7 per cent of donors' GNI, complemented by the subsequently adopted ODA target for assistance to LDCs of 0.15 to 0.20 per cent of donors' GNI. No explicit mention was made of those targets in the specification of Goal 8, presumably because there had been no mention of them in the Millennium Declaration. In a paragraph on LDCs, the Declaration had called for "more generous development assistance, especially to countries genuinely making an effort to apply their resources to poverty reduction,"⁵ but did not include any specific pledge of additional ODA.

In fact, the Task Force reports on the gap between ODA delivered and ODA that would have been delivered had the 0.7 per cent and 0.15–0.20 per cent of GNI targets been universally adopted. Monitoring of performance against these specific targets was never discarded or substantively altered because, as the Task Force noted, "...any such change was seen as undermining the intention of the monitoring exercise itself".⁶

Target flexibility

At the same time, however, the Task Force did not limit itself to monitoring just those targets that had been adopted by the time of the Millennium Summit. When an important joint donor commitment was made, it was monitored by the Task Force for its full time-bound duration. A notable example of this is the pledge made at the summit meeting of the Group of Eight in Gleneagles, Scotland, in 2005 to increase ODA by an additional \$50 billion by 2010, half of which would be channeled to Africa. The Task Force focused on what was needed to realize that commitment, monitored progress, and reported in 2008 that most donors needed to double the rate of increase of their core development programming in order to realize the Gleneagles targets.⁷

One of the challenges the Task Force faced was in recording new or additional commitments that Member States made in intergovernmental forums convened by the United Nations and other organizations, most of which received less publicity than the Gleneagles pledge, and most of which could not be considered in the MDG Gap Task Force reports themselves owing to space constraints. As a response, the Task Force created the Integrated Implementation Framework (IIF) initiative in 2011. It has provided a database on commitments made, which is

⁵ See General Assembly resolution 55/2, para. 15.

⁶ *MDG Gap Task Force Report 2013—The Global Partnership for Development: The Challenge We Face* (United Nations publication, Sales No. E.13.I.5), p. 4.

⁷ *MDG Gap Task Force Report 2008: Delivering on the Global Partnership for Achieving the Millennium Development Goals* (United Nations publication, Sales No. E.08.I.17), p. 7.

available for use by all stakeholders through an interactive web portal.⁸ It offers a synopsis of all international commitments in support of the MDGs; supplies information on these commitments; tracks their delivery; signals the gaps and inconsistencies; and identifies unmet needs in support of national development strategies towards realizing the MDGs. It has been an important complement to the Task Force reports themselves.

The appropriate level of detail

One concern of the Task Force during its lifetime has been to give as informative a picture as possible of the state of international cooperation for development. Headline figures tend to be main aggregates, such as total ODA, share of developing-country exports entering developed-country markets duty free, total debt servicing as a share of exports, and so on. However, there is also considerable policy interest in appropriate decompositions of those aggregates. The Goal 8 indicators partially took this into account, for instance, by requesting monitoring of ODA received by LDCs, land-locked developing countries and small island developing States, or by asking for a count of countries passing through the HIPC Initiative.

The Task Force has taken some further steps in this direction, for example, by highlighting the concentration of ODA in individual countries. Indeed, during the period 2000–2013, Iraq, Afghanistan, Ethiopia, Viet Nam and the Democratic Republic of the Congo—the five top recipients of ODA and assistance from Southern partners that report their data to the Organization for Economic Cooperation and Development—received more than 20 per cent of the total net disbursement from all providers. The next five recipients—Nigeria, Tanzania, Pakistan, India and Mozambique—received 13.1 per cent, bringing the cumulative share of the top ten recipients to exceed one third of all disbursements. During the period, 19 countries received half of all assistance and 44 countries received more than 75 per cent, with the inevitable implication that the remaining quarter of assistance was thinly spread across a large number of countries.

The differential ability of countries to enjoy the fruits of development cooperation has by no means been confined to the allocation of ODA. In 2010, for example, while more than thirty LDCs benefitted from 100 per cent duty-free import regimes, Bangladesh, Benin, Cambodia, the Lao People's Democratic Republic, Malawi, Myanmar and Nepal, could only benefit from duty-free treatment for between 40 to 90 per cent of the value of their exports to developed countries.

Another concern about aggregate indicators was seen in monitoring the debt situation. The commonly used indicator of the ratio of sovereign debt to gross domestic product (GDP) for groupings of countries suffers from the unfortunate circumstance that one or a few large countries can disproportionately influence the group total and distort the picture for the smaller countries included in the aggregate. Thus the aggregate debt-to-GDP ratio of middle-income countries is lower than it would otherwise be, owing to the inclusion of a number of large countries. In particular, the high debt ratios of a number of small Caribbean and Pacific Island States is dwarfed by the more encouraging data of the large economies, as noted later in this report. Therefore, aggregates should be assessed with caution and, when possible, be supplemented by counting which countries show positive or negative developments.

⁸ See <http://iif.un.org/>.

Sometimes, however, the problem is not decomposition of aggregates but selection of what is included in the aggregates. For example, the availability of essential medicines to treat chronic diseases in low-income and lower-middle-income countries was found to be much below that of the availability of medicines to treat acute illnesses, which had been the focus of earlier measurements. This gap in availability by types of medicines did not reflect the high prevalence of chronic diseases, their importance as a cause of mortality, or the negative economic and social consequences that protracted chronic diseases place on households as well as on health systems.

Monitoring indicator methodology

One conclusion that the Task Force wishes to emphasize from its experience is the need to periodically question indicator methodologies, to ask if the indicators are adequately addressing the monitoring tasks that were intended, and how the monitoring might be improved through new or revised indicators.

For example, it was quickly realized that the ratio of external debt servicing to exports of developing countries (indicator 8.12) provided very limited information on debt sustainability. The Task Force thus added several additional debt and macroeconomic indicators (see the debt section of the report) and also tracked the evolution of the Bretton Woods institutions' methodology for debt sustainability assessments.

Indeed, this latter point emphasizes the concern of the Task Force about the inadequacy of exclusive reliance on quantitative indicators for monitoring the global partnership for development. Especially when seeking to monitor implementation of such broad targets as “make available the benefits of new technologies” (target 8.F), it seems useful to consider introducing qualitative indicators and narratives describing processes of partnership formation, commitment, engagement and implementation that could be tracked either comprehensively or as case studies.

In yet another instance, one of the agreed indicators became all but irrelevant over time. This was the case for the number of telephone lines per 100 people (indicator 8.14), which had been included as an indicator of developing-country access to communications technology. The number of these lines has been declining since about 2005. However, with the explosion in cell phone availability and use, fixed-line expansion has become less important than it once was. The Task Force thus simply de-emphasized this indicator.⁹

Monitoring is not implementing

Accurate, informative and internationally credible monitoring of the global partnership for development is a prerequisite for delivering an effective global partnership for development. But the Task Force has also observed that monitoring per se, no matter how well undertaken, does not by itself deliver the cooperation promised by the global partnership for development. There needs to be a willingness of policymakers to act on the findings of the monitoring—a willingness that has ebbed and flowed over the past 15 years.

⁹ On the evolution of indicators monitored by the Task Force see *MDG Gap Task Force Report 2013*, op. cit., Box 1, pp. 3–4.

As an example, the Task Force and its member organizations have been reporting on the break in the growth of ODA since 2010 without thus far generating additional ODA commitments to return to a trend of growing allocations, neither in terms of the ratio of ODA to GNI nor even in absolute amounts. ODA providers have begun to speak more about leveraging their limited aid budgets with private funds, not only foundation grants but also for-profit investments.

Such a complex approach on ODA, along with other proposals to newly reinvigorate the global partnership for development, warrant, and are subject to, international discussion. This was acknowledged and addressed in the preparations for the Third International Conference on Financing for Development (FfD), held in Addis Ababa in July 2015.

Subsequent to this Conference and the September 2015 Summit to Adopt the Post-2015 Development Agenda, adequate follow up is essential. This must include not only effective monitoring of commitments, but effective accountability mechanisms as well, which can address the monitoring results at appropriate technical and political levels in relevant national and international venues. There must also be avenues for advocacy that can reinvigorate the commitment to the global partnership for development should it flag; the international priorities of poverty eradication, environmental protection and economic development cannot be allowed to fade.

During the MDG era, which is now coming to a close, there have sometimes been formulaic responses to the findings of the monitoring exercises rather than concrete policy reforms to bolster the global partnership for development. The challenge for the post-2015 era will be to better link monitoring with policy responses, thereby assuring a living and revitalized global partnership for development.

Official development assistance

Official development assistance (ODA) is central to the global partnership for development. It assists developing countries in their development efforts, including supporting their efforts to eradicate poverty and achieve the Millennium Development Goals (MDGs). Thus, following the United Nations Millennium Summit in 2000, the international community recognized the need for a substantial increase in ODA at the 2002 International Conference on Financing for Development (FfD), after which the volume of ODA (in constant 2013 dollars) began to increase, rising, for most of the past fifteen years, from \$80.7 billion in 2000 to \$134.4 billion in 2014. The FfD conference also called on donor and recipient countries to strive to make ODA more effective and undertook to explore innovative sources of financing for development.¹ Important intergovernmental work ensued on both topics, increasingly joined by foundations and civil society organizations. Moreover, as financial and technological capabilities strengthened in a number of developing countries, initiatives for the provision of assistance among developing countries gathered momentum. Participants in these initiatives have supplemented and increasingly cooperated with providers of bilateral and multilateral ODA, which remain at the core of international development cooperation.

Update of commitments

Specific and general ODA volume commitments were renewed in various intergovernmental meetings in 2014. The Group of Seven (G7) at its summit meeting in Brussels in June 2014 recommitted to the Muskoka Initiative on maternal, newborn and child health. In addition, G7 leaders pledged their continued support for the New Alliance for Food Security and Nutrition and reaffirmed their support for climate change financing, as per the Copenhagen Accord, which calls for mobilization of \$100 billion per year by 2020 from both public and private sources as a means to address climate mitigation and adaptation needs in developing countries.² In July 2014, the High-Level Political Forum on Sustainable Development met under the auspices of the Economic and Social Council and called for “accelerate[d] progress towards the target of 0.7 per cent of gross national income (GNI) as official development assistance by 2015, including 0.15 per cent to 0.20 per cent for the least developed countries”.³ Also in July, the

Donors reaffirmed commitments

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- 1 United Nations, *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18–22 March 2002*. Sales No. E.02.II.A.7, chap. 1, resolution 1, annex: Monterrey Consensus of the International Conference on Financing for Development.
 - 2 See G7 Brussels Summit Declaration, available from <http://www.g8.utoronto.ca/summit/2014brussels/declaration.html>.
 - 3 United Nations, Economic and Social Council (ECOSOC), High-level political forum on sustainable development, Adoption of the ministerial declaration of the high-level

United Nations Development Cooperation Forum agreed that more and better ODA will be a vital ingredient in the post-2015 financing mix and emphasized the importance of a renewed global partnership for development that will work to mobilize financing and other means of implementation to support a post-2015 development agenda.⁴

As international preparations were intensifying towards renewing the global partnership for development, the Development Working Group of the Group of Twenty (G20) sought to strengthen member-country accountability for delivering on outstanding and new development cooperation pledges; it adopted a new accountability framework which would guide a process for addressing stalled or partially implemented commitments of G20 members.⁵ In addition, the High-Level Meeting of the Development Assistance Committee (DAC) in December 2014 modernized its measurement of ODA (see box 1).

Box 1

ODA measurement modernization

At their high-level meeting in December 2014, Development Assistance Committee (DAC) members agreed to modernize the measurement of official development assistance (ODA). Although most ODA is in the form of grants, some countries are increasingly providing their ODA as concessional loans. The new statistical framework measures ODA loans more accurately and seeks to encourage donors to offer their ODA loans to the poorest countries at lower interest rates. It also removes an anomalous incentive to issue loans at interest rates above the donor's own cost of funds and still count them as ODA.

In the current system, both grants and ODA loans are included in donor aid statistics at face value. In the new system, only grants and the *grant equivalent* of ODA loans will be counted. This provides for a more realistic comparison of grants and loans.

In other words, the face value of a concessional loan can be decomposed into a smaller loan on commercial terms and a grant, the latter being called the "grant element". The calculation requires discounting the actual future repayment obligations on the concessional loan to their equivalent present value, where the discount rate used to calculate the present value is meant to reflect what the cost of funds would have been for the borrowing Government, had it obtained them in the international financial markets. Loans were previously deemed ODA-eligible if they contained a 25 per cent grant element, calculated at a 10 per cent discount rate. However, that discount rate has not borne any relationship to market realities for many years.

In the future, different discount rates will be set for least developed countries (LDCs) and other low-income countries and for middle-income countries. At the same time, to discourage offering less concessional loans to the poorest countries, only loans to LDCs and other low-income countries with a grant element of 45 per cent or more will be reportable as ODA. On the other hand, loans to lower-middle-income countries with grant elements of only 15 per cent and to upper-middle-income countries with grant elements of 10 per cent will qualify as ODA, although only the grant equivalent itself will be included in the lender's ODA statistics.

political forum, July 2014, available from http://www.un.org/ga/search/view_doc.asp?symbol=E/2014/L.22&Lang=E.

⁴ 2014 Development Cooperation Forum (DCF): Bringing the future of development cooperation to post-2015, Summary by the President of ECOSOC available from http://www.un.org/en/ecosoc/newfunct/pdf14/2014_dcf_president's_summary.pdf.

⁵ Group of Twenty (G20), "Development working group accountability framework", 5 September 2014.

Greater account will also be taken of the impact of ODA loans on the sustainability of the public debt of aid-receiving countries. Loans whose terms are not consistent with the International Monetary Fund debt limits and/or World Bank non-Concessional Borrowing Policy will not count as ODA. Finally, the interest rates permitted for ODA loans have been lowered for all country categories; they were nearly halved for least developed and other low-income countries.

The new system will become the standard for reporting ODA beginning with the data for 2018, although ODA figures will also continue to be calculated, reported and published on the previous cash-flow system. ODA will be reported for 2015 to 2017 using both the new and the old system to allow for full transparency on ODA volumes.

Finally, the DAC is strengthening its dialogue with developing countries to ensure that its statistical system contributes to meeting their information and planning needs, including by continuing to develop its systems for measuring resource inflows to developing countries.

Source: OECD.

A particularly salient ODA concern in 2014 was the increasingly apparent reduction in the share of ODA allocated to the least developed countries (LDCs). Donors pledged at the December DAC high-level meeting to reverse that decline. In addition, members of the Steering Committee of the Global Partnership for Effective Development Cooperation, at its meeting at The Hague in January 2015, “reaffirmed the relevance of continuing to focus on development cooperation in middle-income countries”.⁶

Furthermore, both the third International Conference on Small Island Developing States (SIDS), held in September 2014 in Apia, Samoa, and the Second United Nations Conference on Landlocked Developing Countries (LLDCs), held in Vienna in November 2014, reaffirmed the importance of ODA to complement efforts of these countries to overcome their specific development challenges.

ODA delivery and prospects

After falling in 2011 and 2012 in the aftermath of the financial crisis and fiscal stresses in some European countries, net ODA from member countries of the DAC reached \$135.2 billion in 2014, according to preliminary estimates of the Organization for Economic Cooperation and Development (OECD),⁷ close to the 2013 record level of \$135.1 in constant 2013 dollars (see figure 1). The DAC survey of donors’ forward spending plans indicates that country programmable aid (CPA) will increase by \$2.7 billion in 2015, after an overall decline in 2014 by 7.0 per cent in real terms to an estimated \$105.3 billion. The survey does not indicate further significant increases in CPA through 2018, with CPA for Africa remaining below its peak in 2013.⁸ This is significant as CPA accounts for over half of donors’ bilateral aid and is the most predictable part of ODA.

Development aid flows were stable in 2014...

⁶ Meeting Summary of the Seventh meeting of the Global Partnership Steering Committee, 19–20 January 2015, The Hague, Netherlands, available from http://effective-cooperation.org/wordpress/wp-content/uploads/2015/03/7th-SC-Meeting-Summary_Final-for-GPEDC-Website-5-March.pdf.

⁷ Organization for Economic Cooperation and Development (OECD), “Development aid stable in 2014 but flows to poorest countries still falling”, Paris, 2015.

⁸ Data as per www.oecd.org/dac/aid-architecture/aidpredictability.htm.

Figure 1

Main components of ODA from DAC members, 2000–2014 (billions of 2013 dollars)

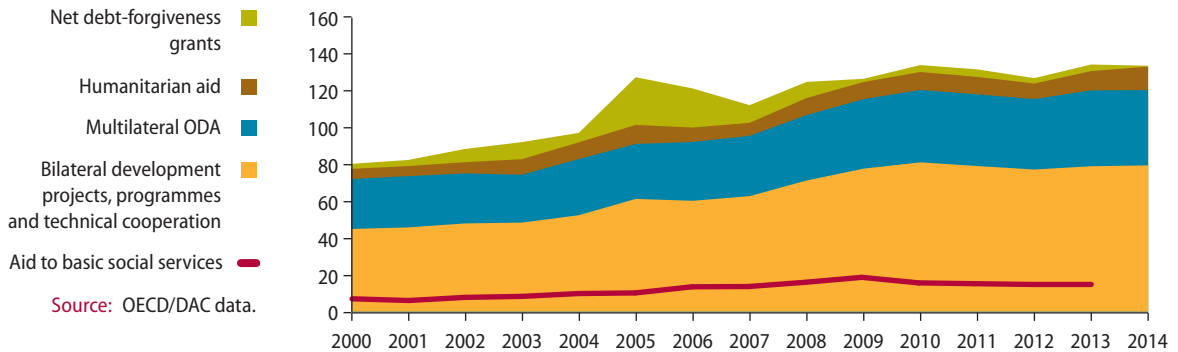
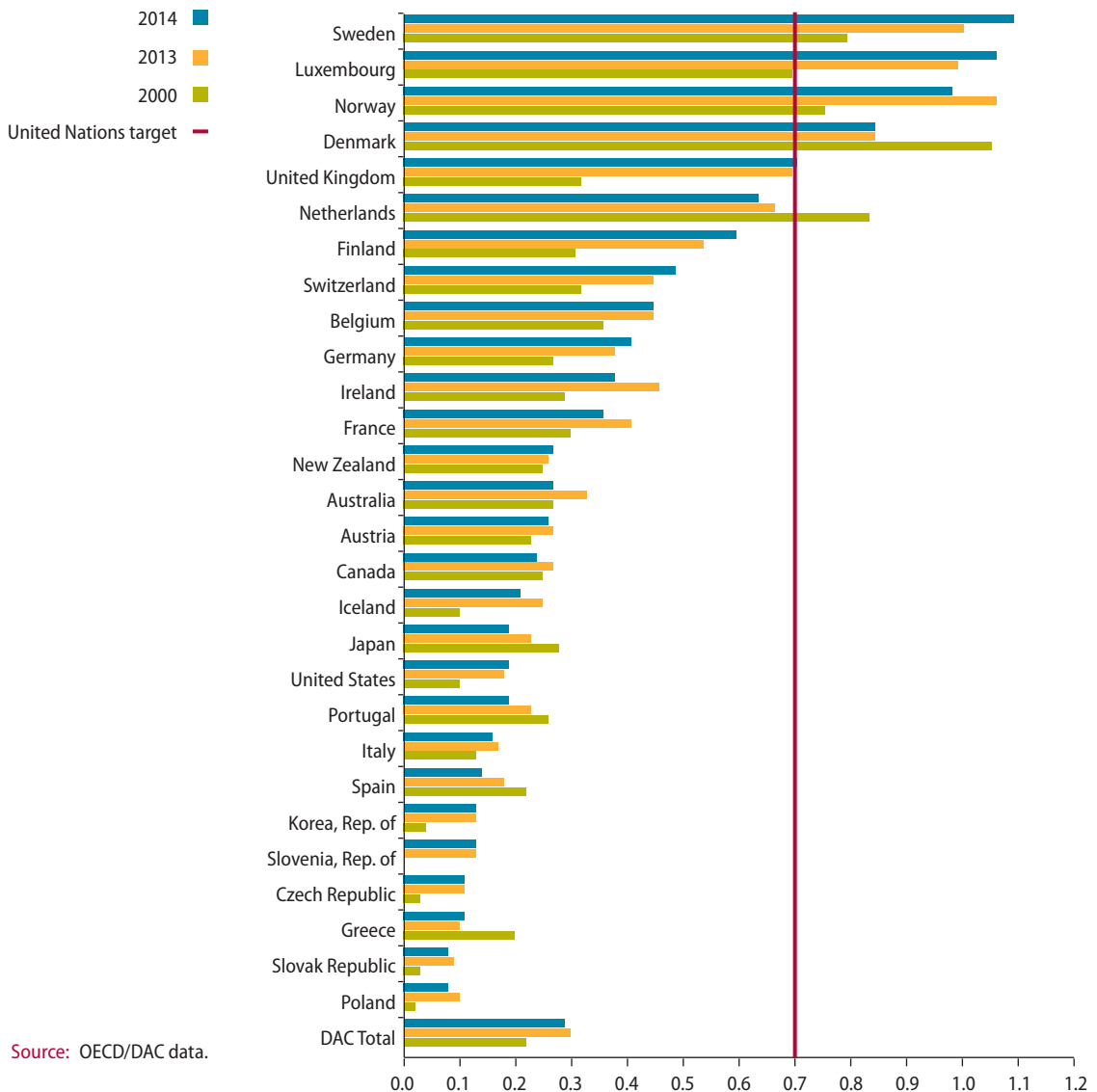


Figure 2

ODA of DAC members, 2000, 2013 and 2014 (percentage of GNI)



Net ODA rose in 13 of the 28 DAC countries in 2014. The largest increases were recorded in Finland, Germany, Sweden and Switzerland. ODA fell in the remaining 15 countries, with the largest decreases in Australia, Canada, France, Japan, Poland, Portugal and Spain. The United States of America remains the largest donor, with ODA of \$32.7 billion in 2014, an increase of 2.3 per cent from 2013 (measured in 2013 prices). In 2014, five countries—Denmark, Luxembourg, Norway, Sweden and the United Kingdom of Great Britain and Northern Ireland—exceeded the United Nations target of disbursing the equivalent of 0.7 per cent of their GNI as aid (see figure 2). Collectively, DAC members fell short of the 0.7 per cent target. Their combined ODA amounted to 0.29 per cent of donor GNI in 2014, leaving a delivery gap of 0.41 per cent of GNI or \$191 billion (see table 1).

Table 1
Delivery gaps in aid efforts by DAC donors, 2013 and 2014

		Percentage of GNI	Billions of current dollars
Total ODA	United Nations target	0.7	326.3
	Delivery in 2014	0.29	135.2
	Gap in 2014	0.41	191.1
ODA to LDCs	United Nations target	0.15–0.20	66.8–89.0
	Delivery in 2013	0.10	44.5
	Gap in 2013	0.05–0.10	22.3–44.5

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

ODA allocation to countries and sectors

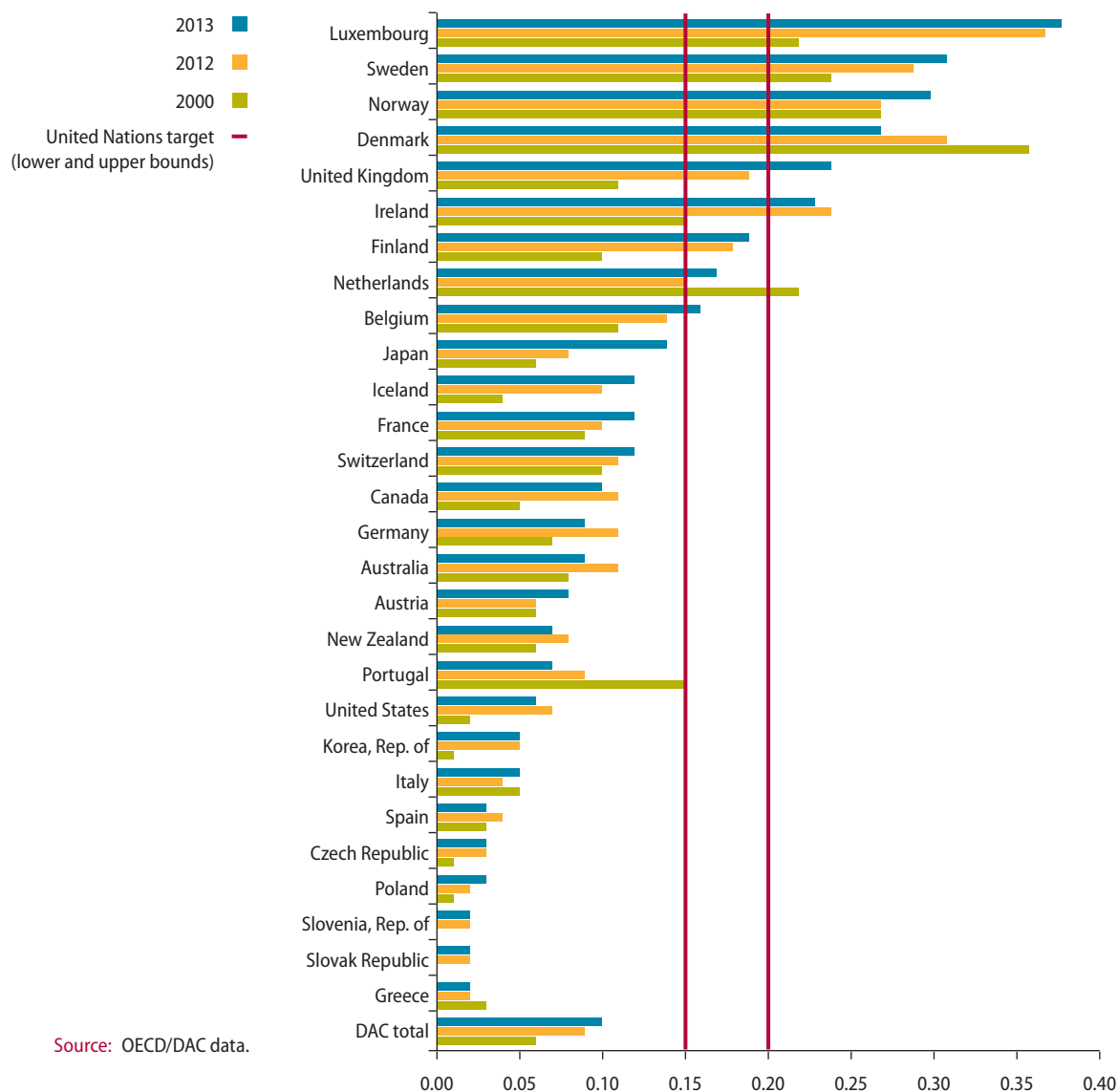
The United Nations has specified groups of countries where development cooperation efforts should be focused, such as the LDCs. ODA to LDCs increased substantially since the Millennium Declaration, more than doubling from \$21.4 billion in 2000 to \$45.8 billion in 2010 (in 2013 dollars). However, the reduction in development assistance in 2011 and 2012 was particularly pronounced in LDCs, where it fell by 12 per cent between 2010 and 2012. A temporary increase in 2013, largely reflecting the accounting for debt relief accorded to Myanmar, brought it to \$44.5 billion. Preliminary 2014 data indicate a renewed fall—at least as far as bilateral ODA is concerned—of 16 per cent in real terms. Sub-Saharan Africa, where many of the poorest countries are located, also witnessed a decrease in bilateral aid of about 5 per cent in real terms in 2014.

ODA for LDCs had increased from 0.06 per cent of donor GNI in 2000 to 0.10 per cent in 2013, the last year for which country-disaggregated data are available. The shortfall in aid relative to the LDC aid targets amounted to \$22.3 to \$44.5 billion in 2013 (see table 1). In 2013, only nine DAC donors surpassed the 0.15 per cent benchmark: Belgium, Denmark, Finland, Ireland, Luxembourg, the Netherlands, Norway, Sweden and the United Kingdom (see figure 3).

...but bilateral aid from DAC countries to Africa declined in 2014

Figure 3

ODA of DAC donors provided to least developed countries, 2000, 2012 and 2013 (percentage of GNI)



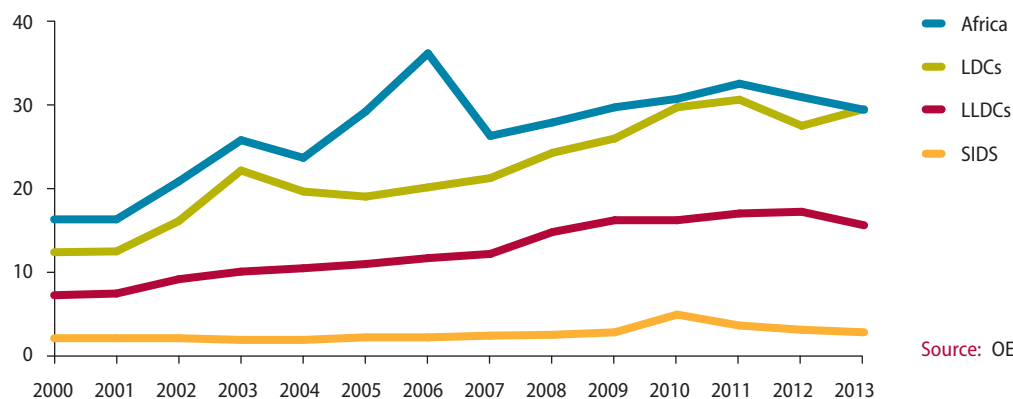
However, 17 DAC members delivered more ODA to LDCs in 2013 than in 2012 (in current dollars). Belgium, which had significantly reduced aid flows to LDCs in 2012, increased its contribution to 0.16 per cent in 2013. Other notable increases were seen by Japan, which improved aid flows from 0.08 per cent of GNI in 2012 to 0.14 per cent in 2013 (largely because of debt relief to Myanmar), and the United Kingdom, which increased its contribution to 0.24 per cent of GNI.

The overall increase in CPA projected for 2015, as noted above, will mostly benefit least developed and other low-income countries, which can expect an increase in ODA of 5.7 per cent in constant prices. If realized and sustained, this projection could be the start of the promised reversal of the recent decline in aid to these countries.

The international community has also committed to increasing support to landlocked developing countries (LLDCs) and SIDS. During the period 2000–2013, ODA flows to both groups of countries increased in absolute terms—from \$11.4 billion to \$26.1 billion in LLDCs and from \$3.1 billion to \$4.5 billion in SIDS—although the peak had been attained earlier (see figure 4). ODA accounted for 3.04 per cent of the GNI of the SIDS and 3.62 per cent of the GNI of the LLDCs in 2013.

Figure 4

Net ODA received by priority groups of countries from DAC donors, 2000–2013
(billions of 2013 dollars)



Source: OECD/DAC data.

Donors tend to concentrate their ODA on a relatively small number of countries (see table 2), leaving other countries significantly under-aided when assessed against both their financing needs and their limited abilities to raise public financing from alternative sources. The 10 countries receiving the largest ODA inflows in 2013, out of a total of 148 countries and territories, received 37 per cent of total net ODA. Four of them (Egypt, Viet Nam, the Syrian Arab Republic, and Turkey) are middle-income countries. Egypt was the largest recipient of ODA, receiving \$5.5 billion.

Many other countries remain under-aided. In a 2014 survey, the OECD identified seven countries that were under-aided in 2012, considering ODA received from DAC donors. These were the Gambia, Guinea, Madagascar, Nepal, Niger, Togo and Sierra Leone; three of these countries had been under-aided consistently throughout the last seven years (Guinea, Madagascar and Nepal).⁹ These allocation outcomes reflect the largely uncoordinated nature of aid relations among ODA donors and other providers of assistance. Bilateral ODA allocations are based on donor-country priorities, often influenced by historic ties with recipient countries, as well as political considerations. Multilateral donors tend to apply more neutral allocation criteria, but also do not always coordinate well with other providers.

Aid continues to be concentrated in a few countries...

... and many countries remain under-aided

⁹ OECD, "Where do we stand on the aid orphans?", *OECD-DAC Development Brief*, Paris, 2014.

Table 2
Top aid recipients in 2013 from all recorded providers (millions of 2013 dollars)

	2000 net receipts	2013 net receipts	Change from 2012 to 2013 (percentage)	GNI per capita in 2013
Egypt	2027	5506	196	3140
Afghanistan	240	5262	-21	690
Viet Nam	2130	4086	6	1740
Myanmar	136	3935	702	..
Ethiopia	1083	3825	16	470
Syrian Arab Republic	212	3618	115	..
United Republic of Tanzania	1608	3430	20	860
Kenya	752	3238	21	1160
Turkey	488	2843	-12	10970
Bangladesh	1748	2630	24	1010
West Bank and Gaza	1072	2609	28	..
Democratic Republic of the Congo	302	2528	-13	430
Nigeria	255	2519	31	2710
India	1879	2435	57	1570
Mozambique	1507	2314	9	610
Pakistan	919	2158	8	1360
Morocco	675	2044	35	3020
Uganda	1355	1692	1	600
Iraq	181	1541	23	6720
South Sudan	..	1447	-9	950
Top 10 total	..	38372
Share in total aid (percentage)	..	37
Top 20 total	..	59659
Share in total aid (percentage)	..	57

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

The sector allocation of ODA has in part reflected the MDG emphasis on basic social needs, most prominently in health and education. The proportion of total bilateral ODA to basic social services, including basic education, primary health care, nutrition, safe water and sanitation, has indeed increased significantly, rising from 15.5 per cent of sector-allocable aid in 2000 to a high of 21.2 per cent in 2009. In recent years, however, its share has been falling, decreasing to 18.0 per cent in 2013. Nonetheless, this represents more than a doubling of ODA in this area in absolute terms, from \$6.4 billion in 2000 to \$14.5 billion in 2013 (see figure 1). In addition to basic health, donors also dramatically scaled up support for HIV/AIDS prevention, treatment and care. ODA for population policies and programmes and reproductive health, which contains HIV/AIDS-related expenditure, increased almost seven-fold, from \$1.1 billion in 2000 to \$7.4 billion in 2013.

There has also been a rapid increase in recent years in ODA aimed at environmental concerns. Bilateral ODA for environmental programmes averaged \$31 billion annually between 2010 and 2012, or 24 per cent of total bilateral ODA.¹⁰

¹⁰ Jan Corfee-Morlot and Stephanie Ockenden, "Finding synergies for environment and development finance," in *OECD Development Co-operation Report 2014: Mobilising*

This was largely driven by the rapid increase in climate-related ODA, which increased by 150 per cent between the periods 2007–2009 and 2010–2012, to reach an average of \$21 billion in the latter period. While there is broad agreement that all ODA should be climate sensitive, there are concerns over the implications of this trend for ODA allocations. A preliminary assessment was made of “fast-start finance”, the new and additional resources pledged by developed countries during the 2009 meeting in Copenhagen of the Conference of the Parties to the United Nations Framework Convention on Climate Change for use in climate change mitigation and adaptation during 2010–2012. That assessment found that 80 per cent of fast-start finance was also counted as ODA, and that it had benefited middle-income countries disproportionately.¹¹

Terms and modalities of assistance

According to the DAC, assistance to developing countries qualifies as ODA only if it promotes the economic development and welfare of recipient countries and if it is “concessional in character”. This includes grants of both funds and technical assistance, which accounted for 85.4 per cent of ODA during 2011–2012. The remainder are loans that meet specified concessionality criteria. In recent years, ODA loans have been growing faster than ODA grants, owing less to development assistance policy changes than to the anomaly arising from extremely low market interest rates in international markets. They have allowed some donors to record loans to middle-income countries as ODA that were provided at market rates.¹² To remove this incentive distortion, the DAC agreed to change the terms that loans need to meet to qualify as ODA, as described earlier (see box 1).

The definition of ODA is being modernized

While the ODA measurement viewed from the donor perspective will thus be clarified, a separate issue arises in measuring the net cost of ODA funds to recipient Governments. This is not a new concern but one made more salient as donors express increasing interest in “blending” their highly concessional assistance with complementary funds from other providers, in particular with non-concessional public funds (whether export credits or development bank loans) or private funds seeking profitable remuneration. The recipient Government needs to be especially aware of the overall financial obligation it assumes when it accepts an aid package that is only partly ODA funded.

The core appeal to donors of market-like instruments and blending is the mobilization of additional resources for sustainable development. In view of the ambitious post-2015 development agenda expected to be adopted at the United Nations in September 2015, leveraging is seen as an important opportunity for addressing expanded financing needs. Many priority investments will be financed by combinations of public and private financing. Nonetheless, there are concerns over the use of scarce ODA resources in this manner, including the risk of subsidiz-

Resources for Sustainable Development, Paris, October 2014.

11 Smita Nakhooda and others, *Mobilizing International Climate Finance: Lessons from the Fast Start Period* (Overseas Development Institute (ODI); World Resources Institute (WRI); Institute for Global Environmental Strategies (IGES); Open Climate Network (OCN), November 2013).

12 Suzanne Steensen, “Keeping ODA focused in a shifting world”, in *OECD Development Co-operation Report 2014: Mobilising Resources for Sustainable Development*, Paris, October 2014.

ing private investments that would have been carried out even without public support. It will also be critical to assure the development impact of ODA-supported private investments that have profitability as their primary motive. Macroeconomic and debt risks will also need to be monitored. Finally, the degree of transparency and accountability acceptable for private transactions will need to be clarified when cooperating with private actors to promote sustainable development.

Recent international attention on blending ODA with other financing so as to “crowd in” or leverage private resources has raised the profile of such financial market instruments in development cooperation circles. These include equity investment (in which the investor takes an ownership stake) and “mezzanine” investments (debt/equity hybrids), as well as greater use of guarantees and other public-private blending facilities. While such instruments do not qualify as ODA, they are often deemed supportive of development. The DAC is thus currently seeking to take better account of their catalytic role. Indeed, the DAC is developing a broad indicator—to be called “total official support for sustainable development” (TOSSD)—which would determine eligibility for inclusion of various types of concessional and non-concessional financing, including grants, loans, equity, mezzanine financing and development-related export credits (see box 2).

Box 2

Total Official Support for Sustainable Development (TOSSD): A proposed indicator

Development assistance agencies have long mobilized other forms of external finance to work alongside official development assistance (ODA) in support of achieving the Millennium Development Goals (MDGs), including investment by the private sector. They are expected to engage in such practices more intensively in the future. To monitor these practices and advocate for deeper cooperation, the DAC has thus begun work on systematizing a common approach to determine when specific official financial instruments would be counted and when donor support to development finance institutions should be included in what it is calling “total official support for sustainable development” (TOSSD).

At their high-level meeting in December 2014, DAC members agreed to further develop the TOSSD concept, which should cover the totality of official resources extended to developing countries and multilateral institutions in support of sustainable development. The new measure would foster accountability and promote transparency of resource flows for sustainable development to developing countries. The TOSSD measure would include but not replace ODA, which will remain the yardstick for monitoring donor performance against the United Nations ODA targets. TOSSD would instead be a distinct, complementary measure, devised to enhance international accountability for broader international support of financing for sustainable development. It would aim to provide a fuller picture of providers’ bilateral and multilateral contributions to development.

While the features and parameters of TOSSD will be contingent upon the final shape of the framework of sustainable development goals that it is meant to help achieve, the DAC intends the TOSSD indicator to be developed in close collaboration with all development stakeholders, including providers of development cooperation, developing countries, financial intermediaries, project preparation facilities, public-private partnership entities, philanthropic institutions and civil society.

Source: OECD.

South-South cooperation

Financial and technical cooperation among developing countries is playing an increasingly important global role in development. The volume of South-South assistance has grown significantly in recent years. Total South-South development cooperation (SSDC) was estimated to be between \$16.1 billion and \$19.0 billion in 2011. Estimates based on available data show that South-South development cooperation may have reached \$20 billion in 2013 as a result of a major increase in contributions from some Arab countries.¹³ It should be noted that the reporting of the financial value of such cooperation can only be indicative and cannot capture the actual scale and impact of SSDC.

An estimated 55 per cent of South-South cooperation is for infrastructure investment, while over a third supports social sectors. Recent trends point to increasing involvement in social protection to combat inequality, accelerated investment in infrastructure for growth, sustainable green energy and land/water use, and strengthening smallholder agriculture.

A number of recent initiatives by some developing economies bode well for continued growth of bilateral South-South cooperation. For example, in 2013 China launched the Silk Road Economic Belt and the 21st Century Maritime Silk Road initiatives, with an aim to better connect the economies of the Asian, European and African continents and their adjacent seas. A strong focus of these initiatives is placed on infrastructure, trade and financial integration. A \$40 billion Silk Road Fund has been established to support the initiatives. India also plans to establish a special purpose facility to fund roads, bridges and power plants across southern Asia and Africa.

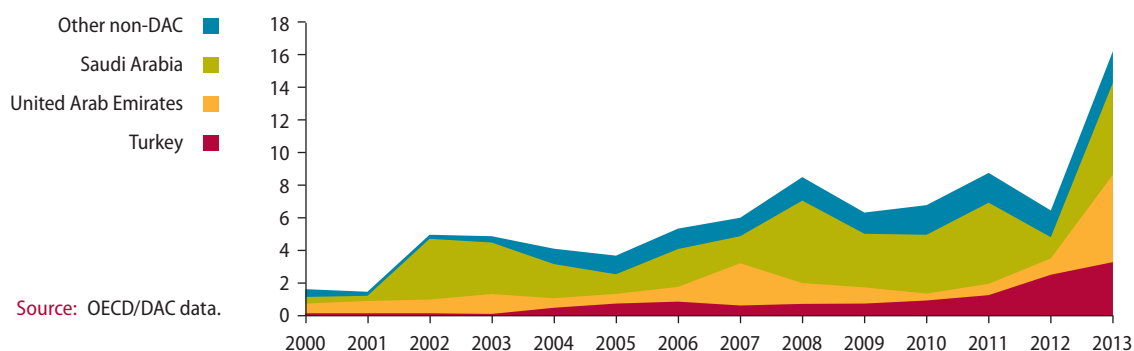
Developing countries have also taken steps to establish new development finance institutions, notably the New Development Bank and the Asian Infrastructure Investment Bank, which are expected to provide and leverage substantial additional resources, especially in support of infrastructure development. The New Development Bank (also known as the BRICS Development Bank) and the Asian Infrastructure Investment Bank will have an initial authorized capital base of \$100 billion each. Both financial institutions are expected to be fully operational between 2015 and 2016. Additional Southern development finance institutions with a regional focus are at the planning stage, including the Shanghai Cooperation Organization Development Bank and the SAARC Development Bank of the South Asian Association for Regional Cooperation. Together with existing Southern financial institutions, such as the Islamic Development Bank, Banco del Sur and the Banco de Desarrollo de America Latina, coupled with the World Bank Group and the regional development banks, the family of international development finance institutions is increasingly positioned to offer a substantial range and volume of financial resources for the post-2015 development era.

South-South development cooperation has increased significantly...

... and developing countries have established new development finance institutions

¹³ Many Southern partners do not publish data on a yearly basis. Figures on the total volume of South-South development cooperation (SSDC) in the text are estimates based on data collected in preparation for the second international development cooperation report (United Nations, Department of Economic and Social Affairs (UN/DESA), forthcoming). See also United Nations, "Report of the Secretary-General on trends and progress in international development cooperation", E/2014/77.

Figure 5
Development finance from non-DAC providers¹⁴ reporting to the OECD, 2000–2013
(billions of 2013 dollars)



Other concessional sources of development finance

Private sources of development financing are becoming increasingly important

Private organizations have also grown in significance as a source of concessional financing for development. They include faith-based and humanitarian organizations that mobilize large sums, usually comprising millions of very small donations from households in both developed and developing countries. Many of the organizations began with a focus on relief from natural catastrophes and human conflict, but have added a development dimension in order to reduce the vulnerability of the affected populations. Some have a national or regional focus, growing out of initiatives of populations living outside their home country, while others seek to ameliorate emergencies wherever they occur in the world.

A second category of private organizations supporting development includes large philanthropic foundations. They usually begin as initiatives of wealthy individuals who wish to devote a portion of their wealth to activities ranging from anti-poverty work to environmental protection to support of the arts and cultural traditions. They thus include but are not universally focused on promotion of sustainable development. They pursue the priorities established by their benefactors and oversight boards and have sometimes engaged systematically with official providers of development cooperation. Many of these foundations have contributed in substantial ways to the global effort to achieve the MDGs. Their involvement has been especially important in the health sector, where the Bill and Melinda Gates Foundation and others played a key role in both the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria, and GAVI, the Vaccine Alliance. In total, the OECD estimates that total private grants to developing countries amounted to \$29.8 billion in 2012, as compared to only \$3 billion ten years earlier.¹⁵

¹⁴ Eighteen “emerging providers of development finance and other countries” are not members of the Development Assistance Committee (DAC), but voluntarily report to the DAC. They are Bulgaria, Croatia, Cyprus, Estonia, Hungary, Israel, Kuwait, Latvia, Liechtenstein, Lithuania, Malta, Romania, Russian Federation, Taiwan Province of China, Thailand, Turkey, United Arab Emirates and Saudi Arabia. Development finance from other non-DAC providers is not included in Figure 5.

¹⁵ Bathylle Missika and Emile Romon, “Foundations as development partners”, in *OECD Development Co-operation Report 2014: Mobilising Resources for Sustainable Development*, Paris, October 2014.

An additional category of concessional support for development is provided by initiatives of the Leading Group on Innovative Financing for Development, currently chaired by Chile. In these initiatives, Governments agree to complement their usual ODA or South-South cooperation programmes by mobilizing additional resources through internationally agreed and highly targeted efforts, such as the “solidarity contribution”, in which a number of countries from the North and South collect small levies on airline tickets. In this case, the funds are earmarked for use by UNITAID, a global facility for bulk purchases of medicines for HIV/AIDS, tuberculosis and malaria treatment and prevention. While not thus far raising large volumes of funds, these initiatives are important ways to target funding and public attention on particular global priorities.

Finally, Governments and international institutions also provide official finance that may have a concessional element but not one large enough to qualify as ODA (although potentially eligible to be counted as TOSSD, if intended to support development). Developed countries provided \$71.9 billion in such other official flows (OOF) in 2013, up from \$45 billion in 2004. Other OOFs are provided by international financial institutions, such as the World Bank and regional development banks. Their non-concessional financing is overwhelmingly allocated to infrastructure projects in middle-income countries and has played an important countercyclical role in the aftermath of the global economic and financial crisis of 2008 and 2009.¹⁶

Effectiveness of development cooperation

In a world of multiple and increasing offers of development cooperation—not to mention the likely increased blending with private resources—it is a challenge for Governments to provide and manage assistance in a way that maximizes the national development benefit. To assist in this regard, in addition to commitments to increase the quantity of ODA, the international community has also helped to strengthen the quality and effectiveness of ODA.

This includes a donor pledge to “untie” ODA, i.e., to ensure that government procurement is unrestricted and can therefore select the most suitable provider, which may not be located in the donor country. However, the share of untied aid of DAC member countries has stayed largely constant during the period 2000–2013, rising only marginally from 80.4 to 83.2 per cent. Donor countries’ practices differ greatly in this regard (see figure 6), with several countries having untied 100 per cent or close to 100 per cent of their aid (Australia, Belgium, Denmark, Iceland, Ireland, Luxembourg, the Netherlands, Norway, Poland and the United Kingdom), while others have untied less than half of their ODA (Austria, the Czech Republic, Greece, Portugal and the Slovak Republic). The DAC recommended in 2001, in particular, to untie ODA to the LDCs to the greatest extent possible, and there has been steady progress towards this goal, with 87.9 per cent of ODA untied in 2013, up from 57.6 per cent in 2000 and 80.3 per cent in 2010 (see figure 7).

Non-concessional support for development is playing an important role in middle-income countries

Emphasis has been placed on strengthening the quality and effectiveness of ODA

¹⁶ Alexander Klein and others, “The growing development potential of other official flows”, in *OECD Development Co-operation Report 2014: Mobilising Resources for Sustainable Development*, Paris, October 2014.

Figure 6
Share of untied bilateral ODA of DAC members, 2012 and 2013 (percentage)

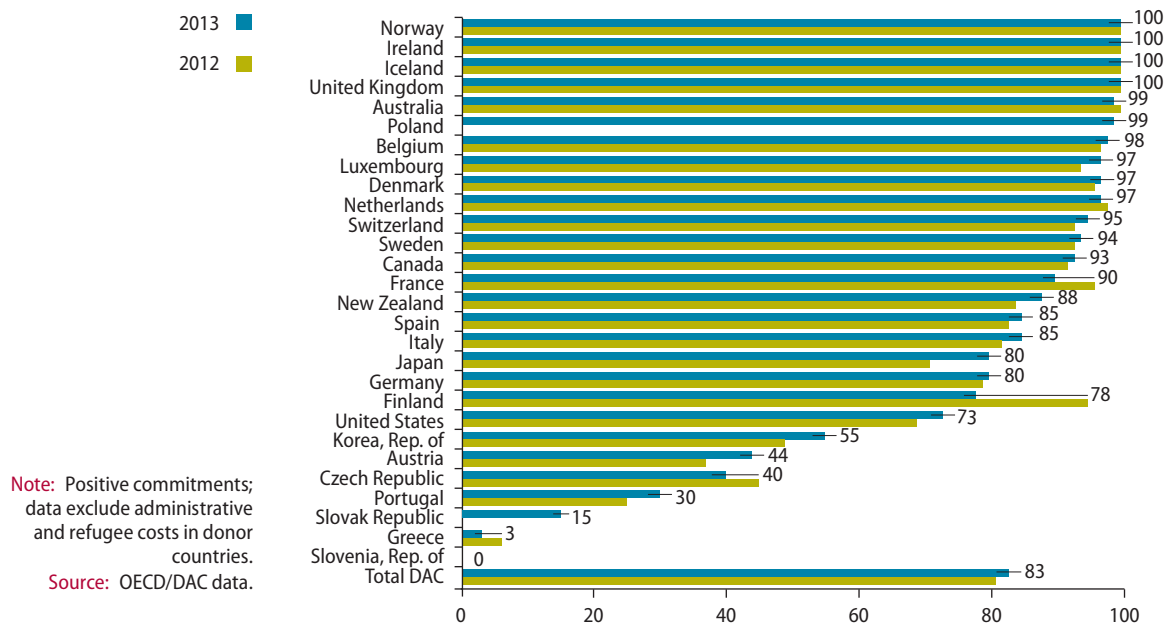
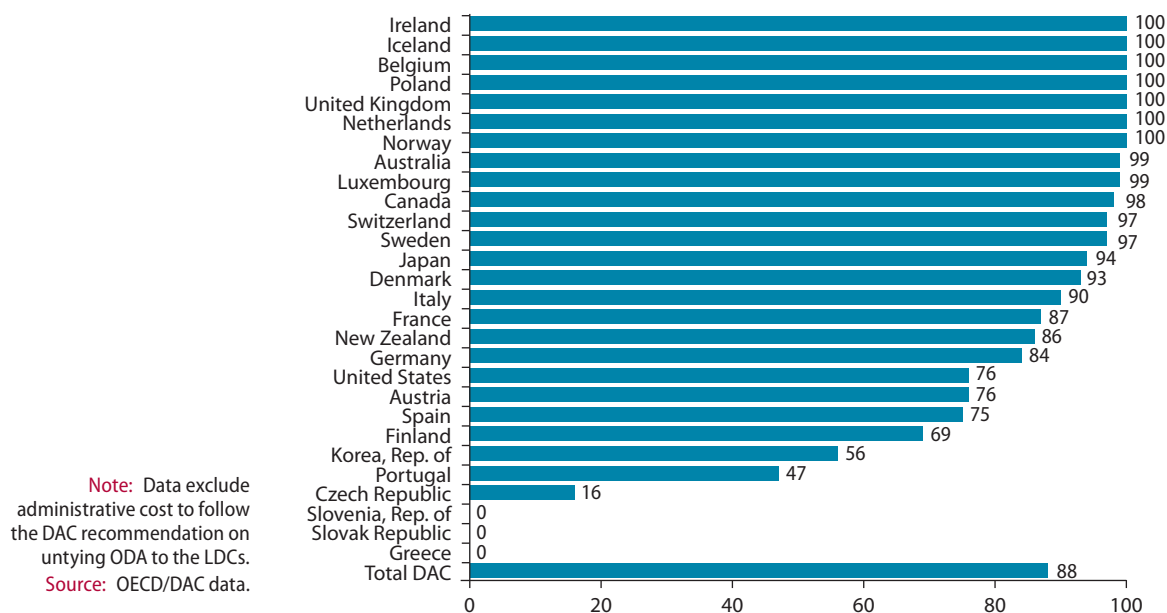


Figure 7
Share of untied bilateral ODA of DAC members to LDCs, 2013 (percentage)



The DAC took the lead in developing activities aimed at improving aid effectiveness. These included deliberation on and adoption of a set of effectiveness targets and indicators, followed by monitoring and advocacy of their implementation. Despite some progress, however, only one of twelve agreed indicators was fully realized by the final review in 2011, underlining the political and adminis-

trative hurdles to changing the aid relationship in many instances. To reinvigorate the process, a broader set of partners then created the Global Partnership for Effective Development Cooperation (GPEDC), aiming for more comprehensive monitoring and sharing of policy lessons. The first high-level meeting is planned for 2016, supported by a secretariat team drawn from OECD and the United Nations Development Programme (UNDP).

Following the World Summit in 2005 to monitor implementation of the Millennium Declaration, the United Nations created the Development Cooperation Forum (DCF) to review trends in international development cooperation. Meeting biennially, with intensive preparatory processes before each session, the DCF approaches the effectiveness of development cooperation mainly through fostering the monitoring, review and accountability of providers and recipients of development cooperation. There is mounting evidence that mutual accountability can make development cooperation contributions more targeted and predictable and lead to more effective allocation of financial resources. Through three broad-based surveys (2009, 2011, 2013), the United Nations Department of Economic and Social Affairs has identified progress on a range of enablers for mutual accountability, such as political leadership, the existence of a national development cooperation policy, the use of a country-driven monitoring framework that includes targets for individual providers, the availability of information, and the use of independent analytical inputs from civil society and parliaments in monitoring and review exercises. While other factors, such as stability and rule of law in a country, are key determinants of successful development cooperation, implementing mutual accountability enablers can help to simplify and structure the way in which progress is achieved.¹⁷

In all, progress has been made in untying aid, in reporting ODA in national budgets of aid-receiving countries, and in using country administrative systems in the management of aid-funded programmes and projects. Nonetheless, conditions that donors attach to ODA remain burdensome, internal procedures by donors remain complex, and the fragmented landscape continues to pose coordination challenges for recipient countries. Strengthening the effectiveness of ODA and other types of development cooperation thus remains an imperative for the post-2015 development agenda, alongside increasing its volume and allocation to priority groups of countries.

¹⁷ UN/DESA, in collaboration with United Nations Development Programme (UNDP), will conduct the fourth survey for the DCF on national mutual accountability in summer/fall 2015. The survey questionnaire has been broadened to include more actors and modalities of development cooperation and reflect the economic, social and environmental dimensions of sustainable development.

Market access (trade)

Trade and the multilateral trade system have contributed to the significant development achievements of the last fifteen years and will constitute critical components of a revitalized partnership in the context of a more ambitious, comprehensive and universal agenda for sustainable development post-2015. The World Trade Organization (WTO) has committed to intensifying efforts to conclude the Doha Development Agenda (DDA) by end-2015, which would close an important gap in the global partnership. Further strengthening of an open, rule-based, predictable, non-discriminatory multilateral trading system, such as that envisaged by the DDA, is imperative for safeguarding the economic gains made by developing countries in the past and for creating new opportunities in the future.

Even absent the boost to trade that had been anticipated from the unfinished Doha Development Agenda, global trade in goods and services expanded significantly over the last fifteen years to more than \$20 trillion today. Moreover, developing countries are playing a bigger part; merchandise exports by developing countries increased from 30.5 per cent of world trade in 2000 to 43.8 per cent in 2014; their share of world trade in services grew from 24 per cent to 30 per cent over the same period. The merchandise exports of the least developed countries (LDCs), however, accounted for 1.17 per cent of world trade in 2013, while their share in services exports amounted to 0.68 per cent of world commercial trade in services.¹

In 2013, South-South trade accounted for 51.8 per cent of developing countries' exports, an increasing portion of LDC exports, and 22.7 per cent of world trade. The expansion in South-South trade is linked to the rapid emergence of large developing countries and a high demand for the primary commodities needed in their expansion; but it is also explained by reforms in emerging economies that created market opportunities for other developing countries. The ability of countries to benefit from those opportunities varies, however. African exports to other developing countries, particularly in Asia, show a high concentration in primary products, notably oil, which accentuates their vulnerability to fluctuations in commodity prices. Furthermore, only three African countries (Angola, Nigeria and South Africa), account for 80 per cent of Africa's exports to developing Asia suggesting that not all African countries partake equally in the new South-South opportunities.

In all, the growth in the value of developing-country trade since the millennium has reflected two important developments. First was the growth of trade within global value chains (see box 1), which is expected to continue to provide important opportunities in the post-2015 era, raising the importance of supportive international policies, in particular Aid for Trade (discussed below). The second was the period of high commodity prices. The real price index of energy and of

¹ World Trade Organization (WTO), *World Trade Report 2014—Trade and Development: Recent Trends and the Role of the WTO*, Geneva, 2014.

metals and minerals more than doubled between 2000 and 2008; the same index for agriculture commodities almost doubled from 2000 to 2011.² Although this “super-cycle” of high commodity prices ended in 2014, WTO suggests that in the medium term, real commodity prices will remain relatively high. This opens up prospects for developing countries. Indeed, South-South agricultural trade has already grown significantly, especially for LDCs; 69 per cent of LDC agricultural exports were shipped to developing countries in 2012, up from half in 2000.³

Along with the opportunities, especially for agriculture exporters, however, come significant challenges, including productivity gaps in smallholder agriculture, market access barriers, high market concentration in agriculture markets, meeting food safety and other quality requirements along the value chain, and volatility in prices—all of which complicate investment decisions and impact poor consumers, particularly in net food-importing developing countries.

Box 1

The rise of global value chains

The increase in global trade has been underpinned by the expansion of international production networks, commonly referred to as global value chains (GVCs). Production processes have been unbundled, creating sequential chains of tasks dispersed across borders. GVCs are typically coordinated by transnational corporations (TNCs), which manage trade of production inputs and outputs taking place within their networks.^a The rise in GVCs underlines the increasingly intimate connection of international policy on trade and investment, which may become increasingly inseparable in future international trade negotiations.

The prominence of GVCs is greatest in certain industries such as electronics, automotive and garments, but they increasingly involve activities across all sectors, including services. About 29 per cent of global imports consisted of intermediate goods and services in 2012 and developing countries are increasingly important sources of those imports, that is, developed countries sourced two thirds of such imports from other developed countries in 1996, but less than half in 2012. Developing countries are increasingly sourcing their own intermediate inputs from other developing countries, rising from 6 per cent in 1988 to almost 25 per cent in 2013.^b

By spreading economic activity more widely, GVCs provide developing countries with opportunities for participation in global trade at lower costs. However, the benefits of participating in GVCs are not automatic and entail risks, and not all countries are able to participate equally, with many LDCs struggling to connect to GVCs. The experience of individual countries in terms of economic growth and development varies and depends on the nature of the GVC itself and the business and institutional environment of the developing country concerned. For instance, the local value added of a GVC would be limited if the import component of exports were high, volumes were low, and if participation remained at the low value/low skill segment of the GVC. When a significant part of the domestic value added is generated by TNC affiliates, it can be lost to the host country through transfer prices and earnings repatriation. Cost pressures along the chain may lead to abrupt losses of employment and/or poor working conditions and undermine application of environmental regulations. Participation in GVCs may also promote higher inequality between the skilled and unskilled and restrict countries to a narrow technology set with limited spillover effects or options for upgrading.

Source: WTO.

^a United Nations Conference on Trade and Development (UNCTAD), *World Investment Report 2013—Global Value Chains: Investment and Trade for Development* (United Nations publication, Sales No. E.13.II.D.5), p. 122.

^b Measured in value-added terms, the share of developing countries in global value chain (GVC) trade was 51 per cent (*World Trade Report 2014*, op.cit., pp. 84–88).

² Ibid., p. 130.

³ Ibid., p. 138.

Strengthening multilateralism

Concluding the Doha Development Round

The failure to conclude the Doha Development Round after 13 years of negotiation represents a significant gap in achieving the global partnership for development contemplated in Millennium Development Goal 8. In the last two years however, substantial progress has been made and current efforts are focused on the negotiation of “a clear, detailed, modalities-like work programme which will lead to a rapid conclusion of the Round”.⁴

An important catalyst that has added impetus to the multilateral trade talks is the agreement reached in December 2013 at the WTO Ministerial Conference in Indonesia on a subset of issues called the Bali Package. The main decisions covered three topics: trade facilitation, agriculture and development-related issues.

Through the adoption of the Trade Facilitation Agreement (TFA), WTO members agreed to simplify and improve customs procedures, which some studies suggest may reduce trade costs in developing countries by 13.2 to 15.5 per cent. The TFA also introduced an innovative approach to special and differential treatment (S&D), allowing LDCs and other developing countries to modulate commitments according to their capacity for implementation. In November 2014, the TFA was incorporated into the WTO legal framework through an amendment protocol, and will enter into force after ratification by two thirds of its members.

Several decisions made in Bali pertained to agriculture. On domestic support, WTO members expanded the measures that, in their view, cause only minimal trade distortion to include programmes related to land reform and rural livelihood security in developing countries. Members also decided to grant interim protection against legal challenges under the WTO to existing food stockholding programmes in developing countries and in November 2014, agreed to extend such protection until a permanent solution is found. Other decisions sought to enhance transparency regarding market access and export subsidy commitments. On cotton, members reiterated their commitment to the negotiations.

Regarding development issues, WTO members agreed to establish a Monitoring Mechanism to review implementation of S&D provisions, and adopted decisions of particular interest to LDCs related to duty-free, quota-free (DFQF) market access, preferential rules of origin, and operationalization of the services waiver. In February 2015, more than 20 members indicated their intention to grant preferential treatment to services and service suppliers from LDCs.

Following decisions by the General Council in November 2014, negotiations on the most contentious topics of the DDA in agriculture, non-agriculture market access and services resumed. Recent proposals to move negotiations forward point to the continued engagement by WTO members but fall short of achieving a breakthrough in the process. Recognizing that efforts need to intensify, the critical step is to adopt a work programme for the remaining issues under the DDA with the aim of achieving substantial results by the time of the Tenth Ministerial Meeting of the WTO, scheduled to take place in Nairobi, Kenya, in December 2015.

WTO member states need to work towards concluding the Doha Development Round

⁴ Statement by Roberto Azevêdo WTO Director General to the WTO General Council on 20 February 2015, in his capacity of Chairman of the Trade Negotiations Committee, available from www.wto.org.

Regional trade agreements have the potential to stimulate economic growth for participating countries...

...but raise concern for excluded countries

Regional trade agreements and the multilateral trading system

Regional trade agreements (RTAs) have continued to proliferate over the past 15 years. Since 2000, 186 RTAs were notified to the WTO. More recently, so called mega-regional initiatives, such as the Trans-Pacific Partnership Agreement,⁵ the Transatlantic Trade and Investment Partnership between the United States of America and the European Union, and the Regional Comprehensive Economic Partnership⁶ have emerged. These agreements are likely to be “qualitatively different from previous RTAs in their size, depth and systemic consequences and generally draw on a template developed by major players”.⁷

These initiatives have the potential to stimulate economic growth in the countries within these blocks, but raise concerns for the countries outside of the negotiations. The agreements may develop disciplines on issues that currently go beyond the Doha multilateral agenda and increase standards harmonization, thus becoming norm setters for later multilateral agreements with the large majority of developing countries that are not party to them becoming de facto norm takers. Finally, such agreements are ill suited to addressing systemic issues such as agriculture subsidies.⁸

The continued proliferation of RTAs and the potential system-wide implications of the mega-regionals underline the importance of promoting their coherence with the multilateral trade system to minimize the fallout on LDCs and other developing countries and ensure that new trade arrangements support an enabling environment for sustainable development.

Renewed partnerships for LLDCs and SIDS

At international conferences held in 2014, the international community renewed its commitment to supporting development efforts by landlocked developing countries (LLDCs) and small island developing States (SIDS) on account of their particular needs and vulnerabilities, including in the realm of trade policy.

The Second United Nations International Conference on the Landlocked Developing Countries adopted the Vienna Programme of Action (VPoA). The overarching goal of the VPoA is to provide a framework for addressing the specific development challenges of LLDCs. The VPoA adopts a holistic approach, identifying actions in relation to six priority areas: fundamental transit policy issues, infrastructure development and maintenance, international trade and trade facilitation, regional integration and cooperation, structural economic transformation, and means of implementation. Partnerships between the LLDCs, transit countries and development partners are acknowledged as central to ensuring the achievement of the VPoA objectives.

⁵ The following countries’ participation in the Trans-Pacific Partnership (TPP) negotiations to date: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States of America and Viet Nam.

⁶ The following countries participate in the Regional Comprehensive Economic Partnership (RCEP) process: Australia, Brunei Darussalam, Cambodia, China, India, Indonesia, Japan, Lao People’s Democratic Republic, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, South Korea, Thailand and Viet Nam.

⁷ *World Economic Situation and Prospects 2015* (United Nations publication, E.15.II.C.2), p. 55.

⁸ *Ibid.*, pp. 56–57.

The Third International Conference on Small Island Developing States adopted the Small Island Developing States Accelerated Modalities of Action (SAMOA Pathway). The document underlines the particular vulnerabilities of SIDS. Three hundred partnerships were registered under the Conference, addressing a range of priority areas of SIDS. Several of these relate to trade. Sustainable tourism, for example, is put forward as an important driver of sustainable economic growth and decent job creation. In the area of food security, the SAMOA Pathway focuses on open and efficient markets to enhance food security and nutrition. In addition, trade is mentioned as a means of implementation to increase integration of SIDS in world markets.

The international community reaffirms commitments to support development in vulnerable countries

Delivering on market access

Attention in this report focuses not only on commitments made, but also on the implementation of those commitments, on which there is progress to report but also concerns to flag.

Duty-free and preferential access to developed-country markets

The share of exports of developing countries entering developed countries duty free has increased over time. In 2014, 79 per cent of developing countries' exports benefited from duty-free treatment when imported by developed countries, up from 65 per cent in 2000. This ratio rises to 84 per cent for products exported by LDCs, up from 70 per cent fifteen years ago.

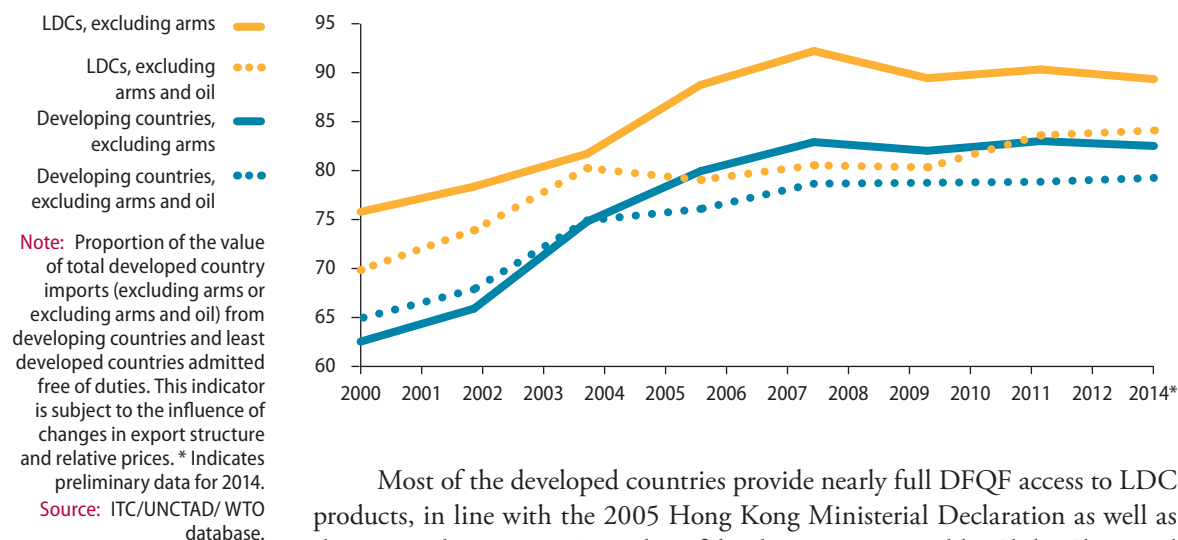
The share of duty-free imports from developing countries and LDCs grew over the MDG period...

Figure 1 shows a convergence of LDCs and developing-country share of duty-free market access over time. The increasing trend in this indicator for non-LDCs can be explained by most-favoured-nation (MFN) tariff reductions under sectoral arrangements, such as the Information Technology Agreement (ITA) and preferences negotiated under RTAs. Before 2005 it is also noticeable how the WTO Agreement on Textiles and Clothing dismantled the tariffs and quotas that the earlier Multifibre Arrangement (1974–1994) had established on some major apparel exporters in Asia. On the other side, the convergence for LDCs is explained also by an increased utilization of LDC preferences, meaning a concomitant concentration of non-oil LDC exports on dutiable items, where those preferences are more valuable.

About 60 per cent of LDC exports (excluding oil and arms) benefited from “true” preferential treatment in 2014, compared to 35 per cent in 2000.⁹ In contrast, most developing-country exports that enter developed countries duty-free receive this treatment under the MFN treatment, thus without gaining any competitive margin over other exporters. The margin of preference granted by developed countries also varies depending on countries' locations and is not always linked to the development status of the recipient countries. Latin America and North Africa, for example, benefit from high preferences as a result of trade agreements with industrialized countries.

⁹ “True” preferential duty-free access is defined as the percentage of exports offered duty-free treatment under the Generalized System of Preferences for least developed countries and other preferential schemes as opposed to duty-free access under most-favoured-nation (MFN) treatment.

Figure 1
Proportion of developed-country imports from developing countries admitted duty free, 2000–2014 (percentage)



... but countries' ability to utilize this access varies considerably

Most of the developed countries provide nearly full DFQF access to LDC products, in line with the 2005 Hong Kong Ministerial Declaration as well as the 2013 Bali Decision. A number of developing countries, like Chile, China and India, have also undertaken comprehensive DFQF schemes for LDCs.

The ability of exporters, especially from LDCs, to fully utilize the preferential access granted under various schemes varies considerably, however. A wide set of issues ranging from criteria attached to the programme, such as rules of origin, to supply-side constraints affect the utilization rate of preferential schemes.¹⁰ The Bali Decision on preferential rules of origin sets out some guidelines for WTO members to develop their rules of origin arrangements applicable to imports from LDCs, with a view to further facilitating market access for LDC products.

Developed-country tariffs on key exports of developing countries

Figure 2 shows that average tariffs by developed countries on textile and clothing products from developing countries have fallen since 2000, but those reductions began to decelerate in 2005. Average tariffs on agriculture showed a reversal in 2010, due to the revision of the list of beneficiary countries of the Generalized System of Preferences (GSP) of the European Union.

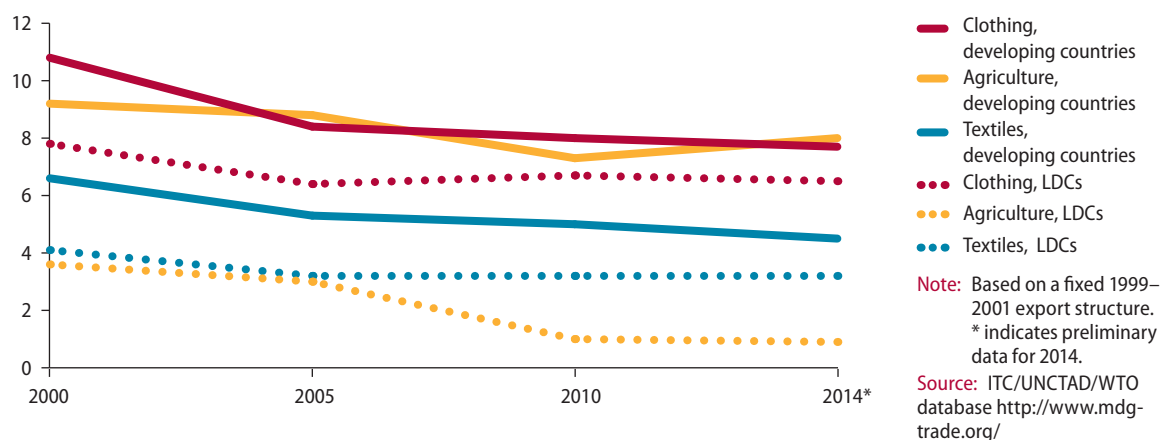
Of particular interest to the LDCs, agriculture tariffs fell by 75 per cent between 2000 and 2014. Following a sharp reduction from 2005 to 2010, they are now below 1 per cent. The evolution of tariffs for textiles and clothing has been less favourable for LDCs, in view of the exclusion of these items for some LDC Asian exporters from the U.S. GSP schemes. In fact, with that exception, and having completed DFQF treatment in developed countries, we are arriving at the exhaustion limit for tariff gains for LDCs in developed countries. This is also

¹⁰ For a literature review on the utilization and effectiveness of preferential schemes, see Bernard Hoekman and Caglar Ozden, "Trade preferences and differential treatment of developing countries: a selective survey" (World Bank, Research Department, 2005).

shown by the margin of preference for LDCs over other developing countries, which has eroded in textiles and clothing, fish and fish products, leather and leather products, electrical machinery, wood and wood products.¹¹

Figure 2

Average tariffs imposed by developed countries on key products from developing countries and least developed countries, selected years, 2000–2014 (percentage ad valorem)



Other features of tariff structure in developed countries also affect market access and export diversification in developing countries. This is the case with tariff peaks, which refer to tariffs on certain products being considerably higher than usual, and tariff escalation, which penalizes domestic value added by charging higher tariffs on products at more advanced stages of production.

Table 1 shows that since 2000 there has been little change in the percentage of tariffs in developed countries affected by tariff peaks. These are especially prominent in agriculture, where 35 per cent of tariffs in 2015 were tariff peaks. Tariff escalation is mostly a problem in agriculture, with a 9 percentage-point difference remaining in 2015 between tariffs on raw and finished agricultural goods.

Table 1

Tariff peaks and escalation in high-income OECD countries, 2000, 2005 and 2010–2015 (percentage)^a

	2000	2005	2010	2011	2012	2013	2014	2015
Tariff peaks^b								
All goods	9.2	9.5	8.8	9.3	9.7	9.6	10.0	9.5
Agricultural	33.4	37.6	34.6	36.3	36.0	35.8	37.2	35.4
Non- agricultural	3.1	2.2	2.2	2.3	2.5	2.6	2.6	2.5
Tariff escalation^c								
All goods	1.0	0.1	0.1	0.2	-0.4	-0.1	-0.2	-0.3
Agricultural	12.6	10.7	9.8	11.2	10.0	10.5	10.9	8.9
Non- agricultural	2.1	1.6	1.2	1.2	0.3	0.3	0.3	0.3

^a Values shown are averages weighted by share in world imports.

^b Proportion of total tariff lines in a country's MFN tariff schedule with tariffs above 15 percent.

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

Note: Data for Australia refers to 2014. The increase in the proportion of tariff peaks reflects the impact of exchange rate movements only.

Source: ITC.

¹¹ *World Trade Report 2014*, op. cit., p. 200.

Non-tariff measures

Non-tariff measures (NTMs) are policy measures, other than ordinary customs tariffs, that can potentially have an impact on international trade in goods.¹² NTMs refer to a wide range of requirements on imports from technical standards and sanitary and phytosanitary measures to rules of origin and other administrative provisions. The use of NTMs has increased since 2000, in particular in agricultural products, textiles and apparel. Promoting transparency and ensuring that administrative barriers do not increase the restrictiveness of legitimate regulatory measures is important, as is assisting developing countries and LDCs to build capacity both to comply and to demonstrate compliance with export markets' requirements.

Agriculture subsidies in OECD countries

Member Governments of the Organization for Economic Cooperation and Development (OECD) continued to provide significant support to their agricultural producers in 2014—\$239 billion, in fact. As a percentage of gross farm receipts, support to agricultural producers fell from 32.13 per cent in 2000 to 17.32 per cent in 2014 (table 2). However, total agricultural support as a percentage of OECD countries' gross domestic product (GDP) has changed less markedly; between 2000 and 2007, it fell from 1.08 per cent to 0.80 per cent of GDP and has changed less significantly since, reaching an estimated level of 0.70 per cent of GDP in 2014.

Table 2

Agricultural support in OECD countries, 2000–2014

	2000	2007	2008	2009	2010	2011	2012	2013	2014*
Total agricultural support in OECD countries									
Billions of United States dollars	305	319	349	331	337	355	355	355	333
Billions of euros	331	233	239	239	255	255	276	267	249
As percentage of OECD countries' GDP	1.08	0.8	0.85	0.83	0.81	0.82	0.8	0.77	0.7
Support to agricultural producers in OECD countries									
Billions of United States dollars	244	242	260	246	247	258	260	254	239
Billions of euros	264	177	178	177	186	186	202	191	179
As percentage of gross farm receipt (percentage PSE)	32.1	20.6	20.3	21.6	19.6	18.2	18.4	18.0	17.3

Note: * indicates preliminary data.

Source: OECD, "Producer and Consumer Support Estimates", OECD Agriculture Statistics (database), 2015.

Despite the anti-protectionist commitments of the G20, trade-restrictive measures have increased

The anti-protectionist pledge

Governments of the Group of Twenty (G20) decided to extend until the end of 2016 their commitment to refrain from restricting trade and to roll back new protectionist measures. Nevertheless, trade-restrictive measures have continued to increase. From 2008 to mid-October 2014, G20 countries took 1,244 such

¹² See UNCTAD, *Non-tariff Measures: Evidence from Selected Developing Countries and Future Research Agenda* (United Nations publication, UNCTAD/DITC/TAB/2009/3, ISSN 1817-1214).

measures, while removing only 23 per cent of them. The slow rollback of the measures has resulted in 4.1 per cent of world imports now being covered by these pledged-against trade restrictions.¹³

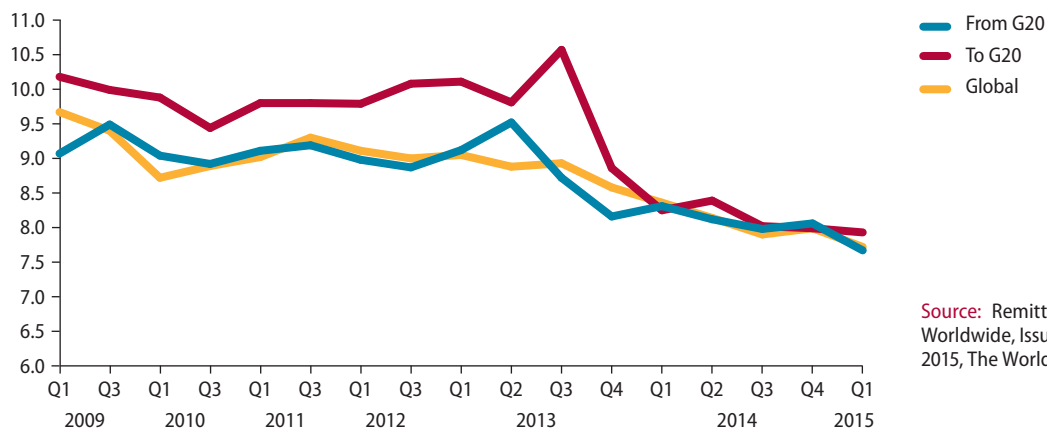
Reducing the cost of remittances

In 2010, the G20 committed to “a quantified reduction of the global average cost of transferring remittances”. This commitment was further refined at the G20 Cannes Summit when the group agreed to “bringing down the global average cost of remittances to 5 per cent by 2014”.¹⁴

Since then, the global average of remittance costs fell from 9.67 per cent of the amount transferred in the first quarter of 2009 to 7.72 per cent in the first quarter of 2015 (figure 3).¹⁵ The weighted global average cost which accounts for the relative size of the flows in each corridor, has remained broadly stable at around 6 per cent, but below the simple average, suggesting that costs are lower where larger volumes are transferred.¹⁶ The costs of sending remittances from the G20 countries followed a similar downward trend, falling from 9.11 per cent in first quarter 2011 to 7.67 per cent in first quarter 2015, while the costs of sending remittances to G20 countries fell from 9.80 per cent to 7.93 per cent over the same period.¹⁷

Figure 3

Cost of remittances from the G20, to the G20 and overall global average, 2009–2015 (percentage)



Source: Remittance Prices Worldwide, Issue n. 13, March 2015, The World Bank.

¹³ WTO, Organization for Economic Cooperation and Development (OECD) and UNCTAD, “Report on G20 Trade and Investment Measures (mid-May 2014 to mid-October 2014)”, Geneva, November 2014, p. 20.

¹⁴ World Bank, “Report on the Remittance Agenda of the G20”, Washington, D.C., 2014, p. 5, available from http://siteresources.worldbank.org/EXTFINANCIALSECTOR/Resources/282884-1400093105293/GPFI_Remittances_Report_Final072014.pdf.

¹⁵ Figures refer to the cost of sending \$200 or the local currency equivalent. The global average cost of sending remittances is monitored by the World Bank Remittances Price Worldwide (RPW) database which covers 32 remittance sending countries and 89 receiving countries, for a total of 226 corridors. For further details see <http://remittanceprices.worldbank.org>.

¹⁶ World Bank, *Remittance Prices Worldwide*, Issue No. 12, January 2015, p. 1.

¹⁷ Some of the G20 countries are included in the RPW dataset as remittance senders and others as receivers, thus the need to monitor two indices.

The above assessment indicates that the G20 target of reducing the costs of remittances to 5 per cent by the end of 2014 was missed, although the general trend has been towards a reduction of remittance costs over the period.

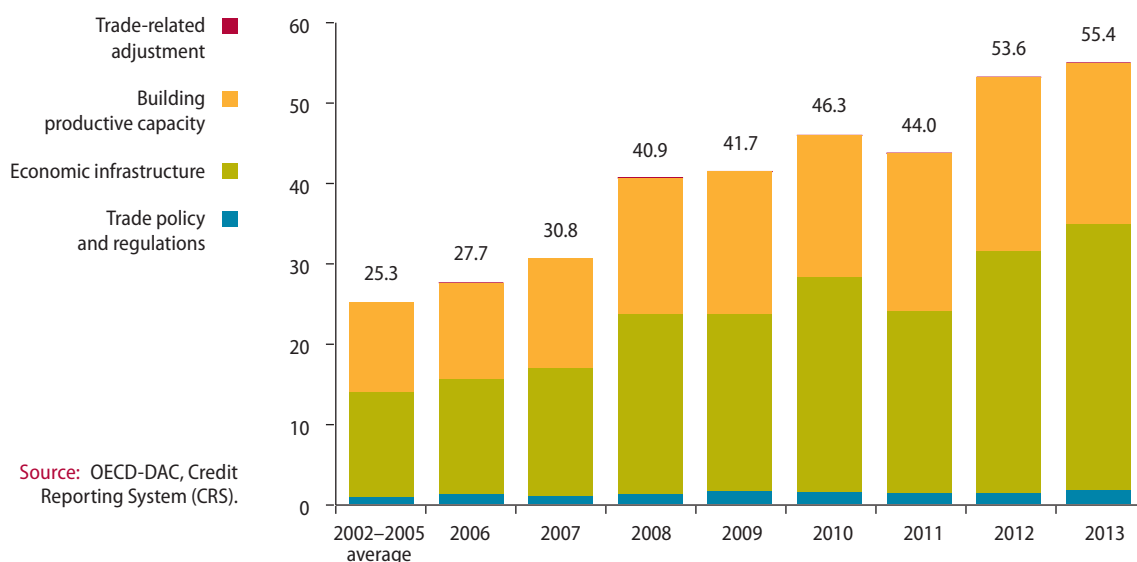
Aid for Trade

Aid for Trade commitments have increased significantly...

Aid for Trade (AfT) commitments reached \$55.4 billion in 2013, representing an increase in real terms of 119 per cent above the 2002–2005 baseline average. The average annual increase of AfT commitments of 11 per cent has led to a significant increase of AfT in total sector allocable aid from 32 per cent during the baseline to 38 per cent in 2013.¹⁸ A total of \$256 billion has been disbursed on AfT programmes since 2006—two thirds by bilateral donors and the remaining by multilateral donors. In addition to the standard channels for disbursing official development assistance, AfT for LDCs is also provided through the Enhanced Integrated Framework (see box 2). Most bilateral donors provide support in the form of grants. Developing-country providers of assistance, such as the United Arab Emirates and Kuwait, increased their commitments in 2013, reaching \$1.8 billion and \$832 million respectively.

Most AfT is allocated to economic infrastructure and building productive capacities (figure 4). Between 2006 and 2013, within these broad categories, 56 per cent of the resources allocated to infrastructure were focused on transport and storage; 40 per cent of funding for building productive capacity was allocated to building agricultural productive capacity and improved food security.

Figure 4
Aid for Trade commitments, by category, 2002–2005, 2006–2013
(billions of 2013 dollars)



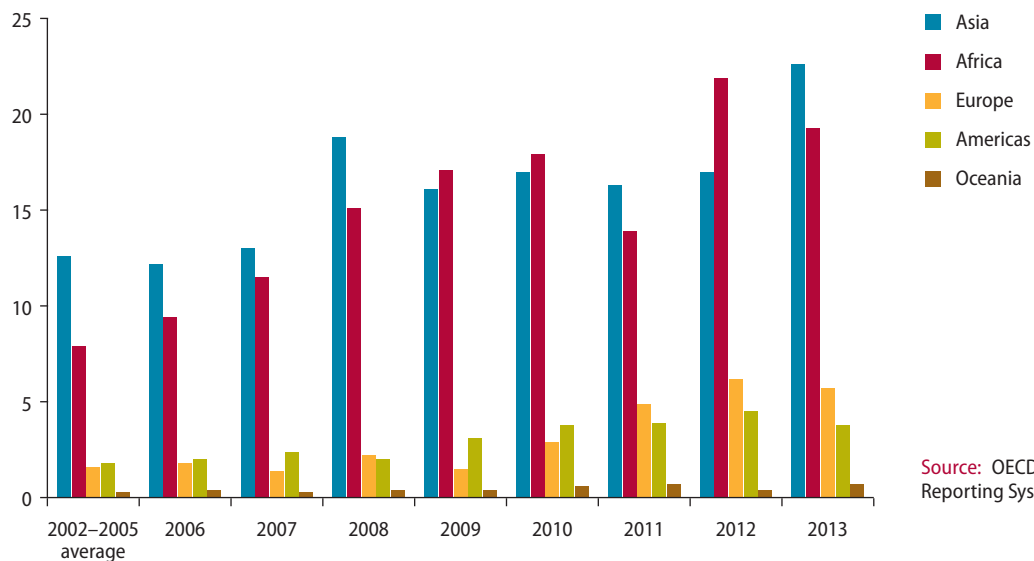
18 OECD and WTO, *Aid for Trade at a Glance* (forthcoming 2015).

Most AfT since 2006 has been disbursed in Asia and Africa, albeit with important year-on-year variations. In 2013, commitments to Africa stood at \$19.3 billion, while flows to Asia reached \$22.6 billion, or 41 per cent of total AfT that year (figure 5). AfT commitments to LDCs more than doubled between 2006 and 2013, but AfT spending in middle-income countries was twice that in LDCs.

AfT flows are concentrated. The top ten recipients received a little over 40 per cent of total AfT, with only three LDCs among them (Afghanistan, Ethiopia and Tanzania).¹⁹ Additionally, the terms of AfT have hardened over time: the share of loans out of total AfT increased since 2010, standing at 60 per cent in 2013 as opposed to 50 per cent in the baseline period.

... but remain concentrated in only a few countries

Figure 5
Aid for Trade commitments, by region, 2002–2005, 2006–2013
(billions of 2013 dollars)



Source: OECD-DAC, Credit Reporting System (CRS).

Box 2

The Enhanced Integrated Framework for least developed countries

The Enhanced Integrated Framework (EIF) is an Aid for Trade (AfT) partnership among donors, least developed countries (LDCs) and agencies seeking to support efforts of LDCs to mainstream trade in national development strategies, establish structures to coordinate AfT, and build trade capacities for better integrating LDCs in the multilateral trading system. Twenty three donors have committed \$248.9 million to the EIF Trust Fund as of 31 December 2014. In December 2014, the EIF Steering Committee made the decision to extend the programme based on the findings of an evaluation study that the EIF is highly relevant to the trade needs of LDCs. The evaluation equally underlined the need for reforms to improve the programme's effectiveness and efficiency. Taking these issues into account, modalities for the second phase were adopted by the EIF Steering Committee on 21 May 2015, paving the way for a pledging conference in December 2015 at the margins of the Tenth WTO Ministerial Conference.

Source: WTO.

¹⁹ Note that the top ten countries account for 30 per cent of developing countries' total population.

Looking forward

The main responsibility for delivering on the Millennium Development Goals has belonged to Member States, albeit in a global environment that could sometimes advance progress and sometimes make it more difficult. Policy coherence has been a key factor in success. In the realm of international trade, this has entailed the responsibility of developing countries to mainstream trade priorities in their national strategies for sustainable development, so as to ensure trade effectively contributes to sustainable and inclusive growth and builds resilience by promoting economic diversification and income opportunities—for example, for women and the poor. For the international community, coherence has entailed alignment of trade and sectoral policies with the global partnership for development. A particular focus has been avoiding trade distortions that harm developing countries and positively supporting the development-oriented integration of developing countries into the international trading system through both trade and aid policy. This perspective should continue to guide policymaking in the post-2015 development agenda.

Debt sustainability

Debt is a powerful financial tool that has been part of human societies throughout recorded history. However, accumulation of debt also comes with a number of risks in terms of fiscal and debt sustainability, with links to financial stability. International efforts are thus made to help States manage their public finances sustainably. MDG 8 addressed these risks, focusing in particular on the difficulties faced by the group of heavily indebted poor countries (HIPC), and on monitoring indicators of sustainable debt. International policymaking since the Millennium Declaration has sought to reduce the debt of the HIPC, ease the process of sovereign debt restructuring, and strengthen debt surveillance and debt management capacities.

Progress under the HIPC and MDRI Initiatives

The HIPC Initiative, already in process as the new millennium began, sought to reduce the external debt obligations of the HIPC to the main multilateral financial institutions, to other Governments (principally organized in the informal Paris Club) and to commercial creditors, sometimes organizing themselves as London Clubs. By 2005, to help accelerate progress towards the MDGs, the HIPC initiative was supplemented by the Multilateral Debt Relief Initiative (MDRI) agreed at the Group of Eight Summit, held in Gleneagles, Scotland, in 2005.

As of 2015, the HIPC Initiative and MDRI have managed to substantially reduce the debt burdens of eligible countries and the schemes are now almost complete with 36 countries out of a total of 39 eligible countries at the completion point (table 1).¹ Just three pre-qualified countries—Eritrea, Somalia and Sudan—have yet to start the debt-relief process. The total cost to the creditors of providing debt relief under the HIPC Initiative and the MDRI is estimated at approximately \$125 billion, \$76 billion under the HIPC Initiative and \$49 billion provided under the MDRI.²

Debt relief under the HIPC Initiative and MDRI helped to free up funds for additional expenditure, including for poverty reduction (figure 1). In 2001, HIPC spent, on average, 6.8 per cent of gross domestic product (GDP) on anti-poverty expenditures; by 2014, this had risen to 9.0 per cent. Debt service as a percentage of GDP also declined from, on average, 3.0 per cent in 2001 to 1.5 per cent in 2014.³ Debt relief thus acted as a catalyst to mobilize additional resources for poverty-reducing expenditure.

Debt relief initiatives are almost complete...

... and have significantly reduced the debt burdens of participating countries

1 Chad reached the completion point at the end of April 2015; there are presently no “interim heavily indebted poor countries (HIPC)” that have reached the decision point under the HIPC Initiative, but have not yet reached the completion point.

2 International Development Association (IDA) and International Monetary Fund (IMF), “Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) - Statistical Update”, 12 December 2014, pp. 11 and 22.

3 Based on data of IMF, *World Economic Outlook*, April 2015.

Table 1
Debt-relief status of HIPC^a (at end-April 2015)

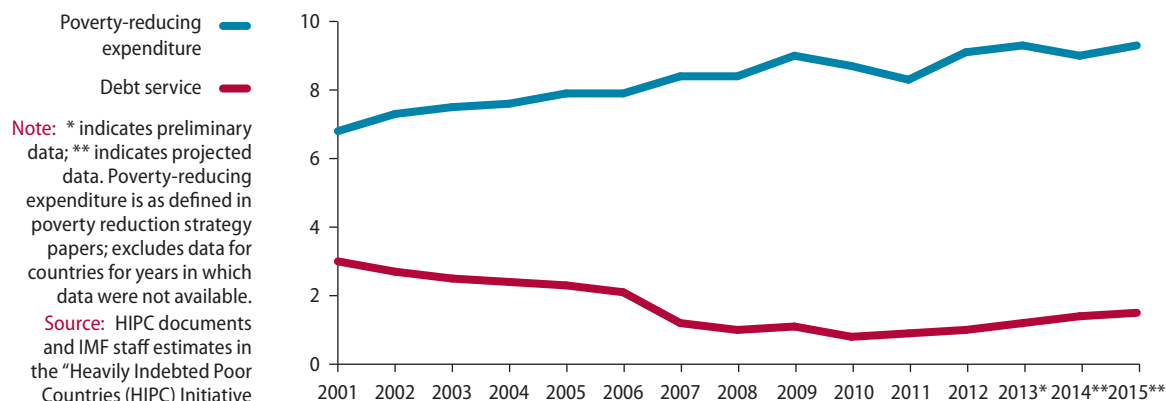
36 Post-completion-Point HIPC ^a				
Afghanistan	Chad	Ghana	Madagascar	Rwanda
Benin	Comoros	Guinea	Malawi	Sao Tome and Príncipe
Bolivia	Congo	Guinea-Bissau	Mali	Senegal
Burkina Faso	Côte d'Ivoire	Guyana	Mauritania	Sierra Leone
Burundi	Democratic Republic of the Congo	Haiti	Mozambique	Togo
Cameroon	Ethiopia	Honduras	Nicaragua	Uganda
Central African Republic	Gambia	Liberia	Niger	United Republic of Tanzania
				Zambia
3 Pre-decision-point HIPC ^b				
Eritrea	Somalia	Sudan		

^a Countries that have qualified for irrevocable debt relief under the HIPC Initiative.

^b Countries that are eligible or potentially eligible and may wish to avail themselves of the HIPC Initiative or the MDRI.

Source: IMF, HIPC/MDRI Update, April 2015.

Figure 1
Average poverty-reducing expenditure and debt service in HIPC^a, 2001–2015
(percentage of GDP)



Note: * indicates preliminary data; ** indicates projected data. Poverty-reducing expenditure is as defined in poverty reduction strategy papers; excludes data for countries for years in which data were not available.

Source: HIPC documents and IMF staff estimates in the "Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI)—Statistical Update", 12 December 2014.

Debt relief by commercial creditors has increased in recent years

Although 90 per cent of multilateral creditors have participated in the HIPC Initiative, it has been a challenge since the programme's inception to secure the participation of all non-Paris Club official bilateral and private commercial creditors. HIPC remains a strictly voluntary initiative and approximately 30 per cent of non-Paris Club creditors are yet to participate in the Initiative. This can be an extraordinary challenge for those HIPC countries that owe large shares of their debt to non-participating creditors.

The delivery of debt relief by commercial creditors has increased markedly in recent years through a few large discounted buyback operations supported by the Debt Reduction Facility of the International Development Association. However, some commercial creditors have initiated litigation against HIPC countries, raising significant legal challenges to burden-sharing among all creditors, including the multilateral institutions. In many cases, judgments have been awarded to the creditors. Often, these creditors purchased HIPC debt on the secondary market for a

fraction of its face value, yet pursued repayment of the full face value in court. HIPC's have paid out millions of dollars to commercial creditors in such lawsuits over the last decade. This has served to undermine debt relief provided by official creditors, and has led the United Kingdom of Great Britain and Northern Ireland to enact legislation to try to prevent further hold-out creditor lawsuits. The number of outstanding litigation cases against HIPC's has been declining in recent years, but at least 11 cases were still outstanding against 6 HIPC's as at end-2014.⁴

As to the future, while clearly benefiting from HIPC debt reduction, debt service by HIPC's is projected to increase over the next few years, in some cases substantially, as countries have recently borrowed from a variety of sources including non-Paris Club official lenders and domestic and external commercial lenders. A number of HIPC's have issued bonds on international capital markets for the first time, part of a broader trend of Governments of low- and middle-income countries beginning to enter or returning to international capital markets. In particular, the central Governments of six post-HIPC's floated \$3.2 billion in bond issues of at least \$200 million each on international markets from 2007 to 2013, mostly between 2012 and 2013.⁵

While these developments are welcomed for providing Governments with much-needed resources for development investments and because they can help them to secure a sovereign credit rating, they also come with risks. Should market conditions deteriorate or other shocks occur, some HIPC's and other low-income countries would be more vulnerable to debt distress. Although some three-quarters of low-income developing countries are currently assessed as being at low or moderate risk of debt distress under the joint Bank-Fund Debt Sustainability Framework, debt levels are high and/or have increased significantly in recent years in a third of low-income developing countries.⁶ This is not insignificant and underscores the importance of continued prudent debt management, high quality debt sustainability analyses and more effective debt resolution mechanisms to manage crises when they do occur. The challenge ahead is to ensure that new borrowing translates into growth-enhancing projects and policies.

The HIPC's also remain vulnerable to natural and man-made shocks. The Ebola outbreak put severe pressure on already fragile infrastructure and health care systems in Guinea, Liberia and Sierra Leone. The International Monetary Fund (IMF), recognizing the urgency of the situation, established a Catastrophe Containment and Relief Trust to provide grants for debt relief to the poorest and most vulnerable countries hit by catastrophic natural disasters or public health disasters, including epidemics. The new trust is intended to complement donor financing and IMF concessional lending. The new instrument has been used to provide debt relief to the three West African countries struck most severely by the Ebola outbreak (Guinea, Liberia and Sierra Leone). In cases of natural emergencies, the Paris Club has also accorded unilateral temporary debt relief.

4 IDA and IMF, op. cit., p.46.

5 See Anastasia Guscina, Guilherme Pedras and Gabriel Presciuttini, "First-time international bond issuance—new opportunities and emerging risks," *IMF Working Paper*, No. WP/14/127, July 2014.

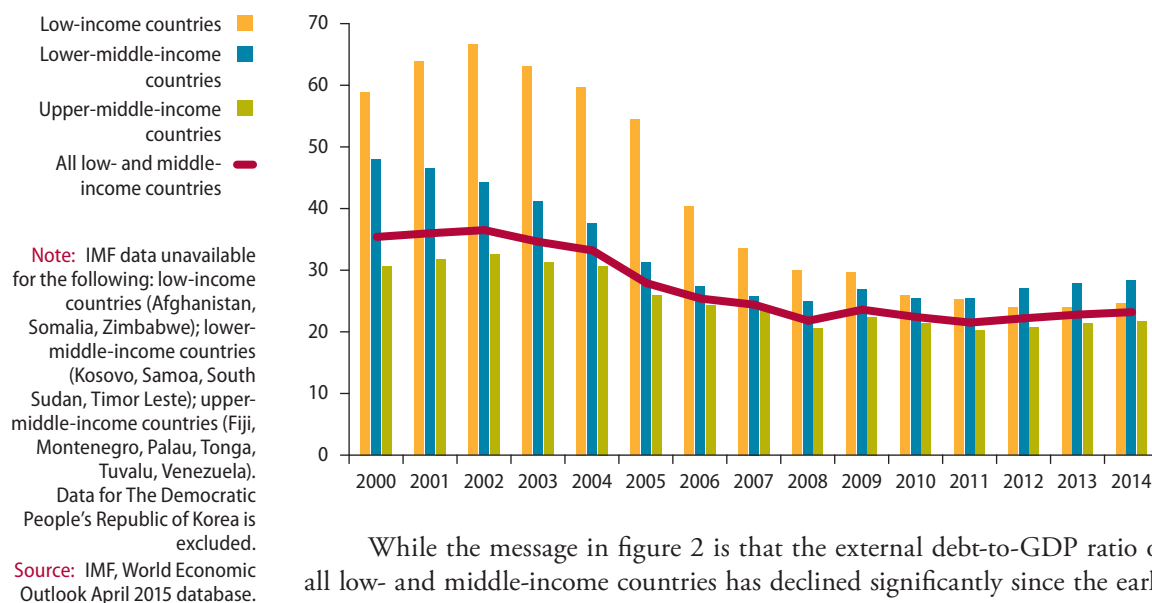
6 See International Monetary Fund, "Macroeconomic development in low-income developing countries", 18 September 2014, available from <http://www.imf.org/external/np/pp/eng/2014/091814.pdf>.

The debt situation in developing countries

External debt ratios have declined over the MDG period for developing countries

At an aggregate level, the debt situation of developing countries appears to be generally benign. The external debt of developing countries measured 23.2 per cent of their GDP in 2014. This compares to 35.4 per cent of GDP in 2000. There had been a significant decline in aggregate debt levels and debt servicing as a result of the HIPC and MDRI debt-relief initiatives, prepayment of debt by several middle-income countries, sound macroeconomic policies, and a global environment conducive to growth, which was disrupted by the 2007–2008 global economic and financial crisis. As can be seen in figure 2, on average, the ratio of total external debt to GDP of all three income groups of developing countries exhibited a declining trend until the crisis in 2007–2008, when the debt ratios of lower-middle-income countries began to increase in response. Upper-middle-income countries had more capacity to absorb the shock by running down current-account surpluses and increasing domestic financing, thus managing to maintain their external debt-to-GDP ratios, albeit halting their decline. With regard to low-income countries (LICs), GDP growth was strong, ranging from 8.9 to 11.1 per cent in 2010–2014 for the group total.

Figure 2
External debt of developing countries, 2000–2014 (percentage of GDP)



But debt vulnerabilities remain, particularly among small States

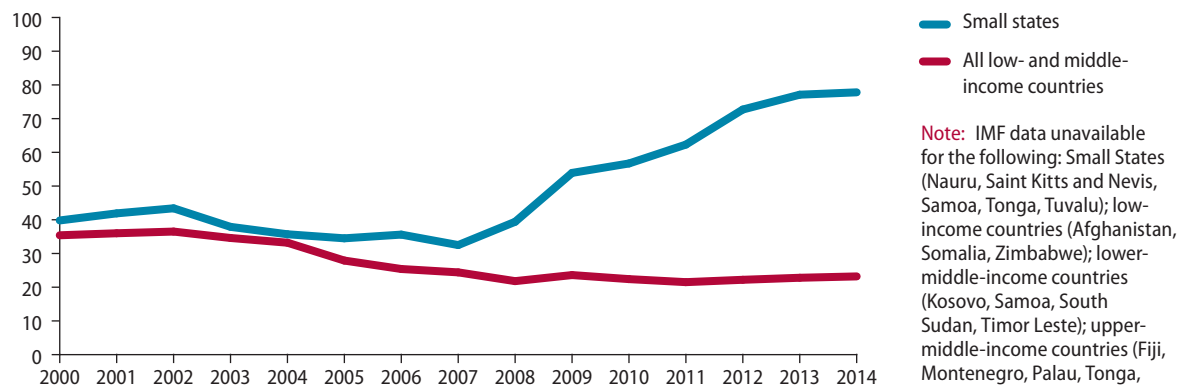
While the message in figure 2 is that the external debt-to-GDP ratio of all low- and middle-income countries has declined significantly since the early 2000s, the aggregate masks the rapid build-up of debt in a group of countries that is included in this classification, namely lower-middle-income countries which are “small States”,⁷ where a number of countries have been caught in debt difficulties for a long time and exhibit very high debt-to-GDP ratios (figure 3). In other words, even a disaggregation of countries into income or regional groups

7 “Small States” is an analytical classification used by the Commonwealth Secretariat to group sovereign countries with a population of 1.5 million people or less, plus a number of larger countries—Botswana, Jamaica, Lesotho, Namibia and Papua New Guinea—that share similar characteristics. Thirty one member states of the Commonwealth are classified as small states (see <http://thecommonwealth.org/our-work/small-states>).

can conceal troublesome cases, as a few big and successful countries can submerge evidence about smaller ones.

Figure 3

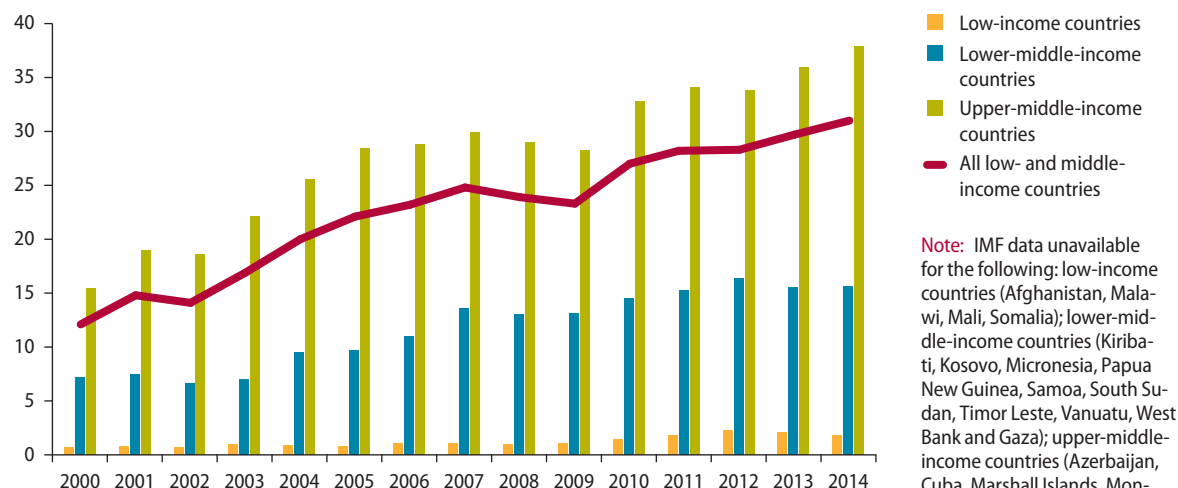
External debt of all low- and middle-income countries and low- and middle-income Small States, 2000–2014 (percentage of GDP)



There is also an emerging vulnerability in a number of developing countries, which can be seen through the lens of additional indicators. It is not only the level of total external debt that matters for debt sustainability but also the maturity structure of the debt. For example, a feature of external debt that warrants attention is the growing proportion of short-term debt in the stock of external debt (figure 4). It is very significant in lower- and upper-middle-income countries. The external debt in question is primarily external borrowing by domestic financial institutions, which becomes a concern to a Government's financial condition if the government takes it over in a crisis or guarantees its repayment.

Figure 4

Share of short-term debt in external debt of developing countries, 2000–2014



The ratios of external debt servicing to exports have also begun to rise (figure 5). The recent ratios remain below the levels of the early years of the millennium, but this in part reflects the unusually low interest rates in inter-

Small states

All low- and middle-income countries

Note: IMF data unavailable for the following: Small States (Nauru, Saint Kitts and Nevis, Samoa, Tonga, Tuvalu); low-income countries (Afghanistan, Somalia, Zimbabwe); lower-middle-income countries (Kosovo, Samoa, South Sudan, Timor Leste); upper-middle-income countries (Fiji, Montenegro, Palau, Tonga, Tuvalu, Venezuela). Small States represented in the figure exclude high income countries.

Data for The Democratic People's Republic of Korea is excluded.

Source: IMF, World Economic Outlook April 2015 database.

Low-income countries

Lower-middle-income countries

Upper-middle-income countries

All low- and middle-income countries

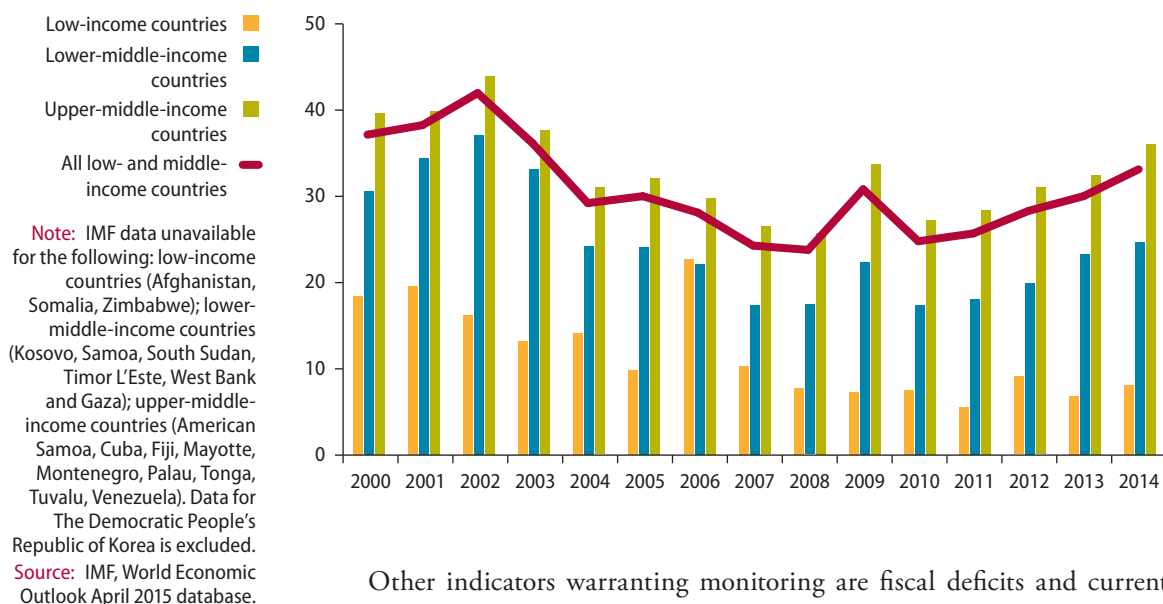
Note: IMF data unavailable for the following: low-income countries (Afghanistan, Malawi, Mali, Somalia); lower-middle-income countries (Kiribati, Kosovo, Micronesia, Papua New Guinea, Samoa, South Sudan, Timor Leste, Vanuatu, West Bank and Gaza); upper-middle-income countries (Azerbaijan, Cuba, Marshall Islands, Montenegro, Palau, Tonga, Tuvalu, Venezuela). Data for The Democratic People's Republic of Korea is excluded.

Source: IMF, World Economic Outlook April 2015 database.

national markets compared to what they were then. The rise in debt servicing thus increasingly reflects the higher principal repayments required each year. This results, in part, from the bunched repayment of loans that Governments took out in the depths of the crisis, and also the shortening average duration of credits taken by private and/or official borrowers. Also, while exports are still rising, they are doing so at a slower pace. There is thus a growing risk of debt vulnerability in the short-term debt with significant roll-over risks that requires effective management.

Figure 5

Total external debt service of developing countries, 2000–2014 (percentage of exports)



Fiscal and current-account balances have not reverted to pre-crisis levels

Other indicators warranting monitoring are fiscal deficits and current accounts in the balance of payments. While they absorbed much of the shock of the 2008 global crisis for developing countries, these indicators have not on the whole reverted to their pre-crisis levels. In other words, the capacity to absorb future economic shocks is limited. Indeed, one may see that all groups of countries increased their fiscal deficits as a response to the crisis (figure 6), thereby requiring increased government borrowing, responding to the weaker economic growth following the crisis. Similarly, the current-account balances of developing countries deteriorated as a response to the crisis. Current-account surpluses of upper-middle-income countries have dissipated, while the deficits of low-income countries worsened. Lower-middle-income countries have improved their current-account balances in the last two years, albeit still remaining in deficit (figure 7). Thus, even though developing countries weathered the storm of the 2008 crisis by absorbing the shock, going forward there is limited capacity to absorb another shock.

It must be said, however, that the aggregate indicator approach to debt sustainability analysis has serious limitations. It does not raise warning flags about the extent to which individual countries are approaching potential difficulties. It is thus useful to view not only specific indicators of the debt situation of developing countries as a whole or according to regional or income classifications, but to supplement this information with a count of countries that show positive or

negative developments according to detailed debt-sustainability assessments (see methodology discussion below). For instance, as of April 2015, 3 low-income countries were classified by IMF and the World Bank as in debt distress, 13 countries were at high risk, 32 countries were at moderate risk, and 22 countries were at low risk of debt distress.⁸

Figure 6

Fiscal balances of developing countries, 2000–2014 (percentage of GDP)

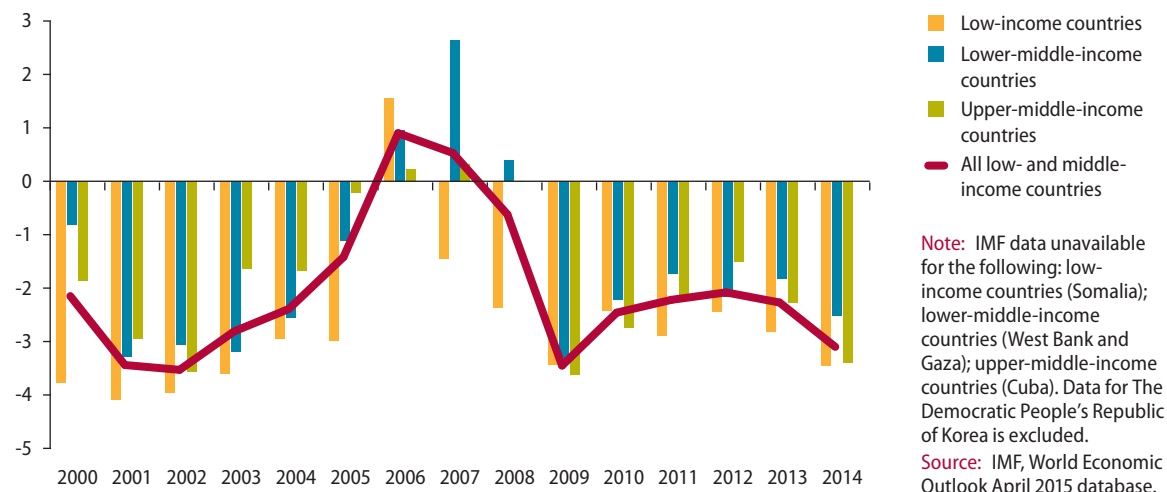
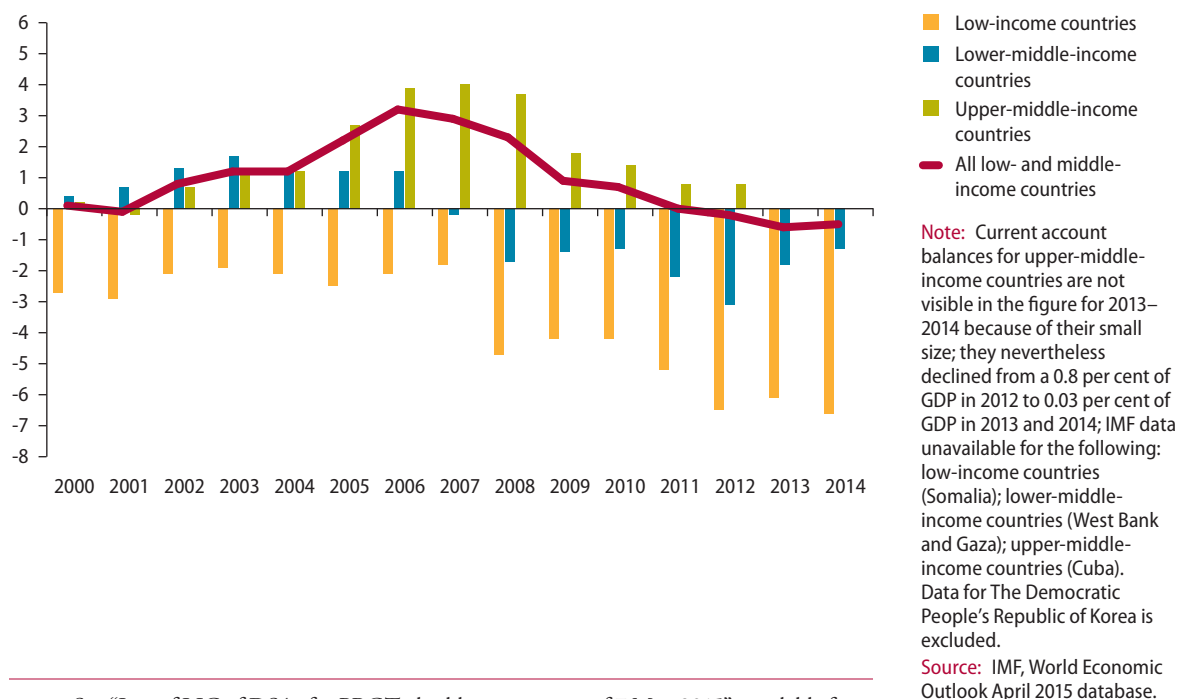


Figure 7

Current-account balances of developing countries, 2000–2014 (percentage of GDP)



⁸ See “List of LIC of DSAs for PRGT-eligible countries as of 7 May 2015”, available from <https://www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf>.

Strengthening frameworks to evaluate debt sustainability

The IMF carries out detailed debt sustainability analyses for market-access countries and, together with the World Bank, does the same for the low-income countries, as noted above. The methodology for these assessments has been developed over the past 15 years and they are now a standard feature in the annual Article IV consultations that the IMF undertakes with its member countries and are critical in defining the economic programme in IMF financing arrangements, reflecting the emphasis now placed on timely and comprehensive debt sustainability analyses (DSAs) as a tool of debt-crisis prevention.

The basic approach of the DSAs is to model different possible scenarios for the future behaviour of key debt sustainability variables, such as the ratio of government debt to GDP, debt service to revenue and total external debt as a ratio to export earnings, under different sets of assumptions. The first projection is the baseline or best-guess scenario, which may be coupled with several standardized and country-specific scenarios. A series of shocks is then simulated to see if they would have greater or smaller impact on the projected scenario outcomes. The scenario exercises are meant to identify particular vulnerabilities that could cause debt distress and, in the case of low-income countries, feeds into the assessment as to whether the country is at high, medium or low risk of debt distress.

Given their importance, the DSA methodologies are under periodic review and revision as more and more experience is gained with them. They are also analyzed by academic experts who may suggest further reforms. For example, the debt sustainability framework (DSF) for low-income countries draws upon the World Bank's Country Policy and Institutional Assessment (CPIA) as a proxy measure for the quality of a country's policies and institutions and therefore its capacity to carry debt (the rationale is that the stronger a country's policies and institutions, the more debt it is able to carry successfully). However, CPIA scores have been subject to criticism for subjectivity, and analysts also argue that in the short run, capacity to repay debt is determined by the existing public debt burden, fiscal and export revenues, and the level of international reserves. It is debated whether the quality of institutions as captured in the CPIA would adequately inform a country's ability to respond to signals from debt sustainability assessments.⁹ On the other hand, it has also been suggested that a measure of "structural vulnerability" be introduced into debt sustainability assessments, such as a measure of environmental or economic vulnerability that might draw upon the United Nations Economic Vulnerability Index or Human Assets Index.

The 2011 IMF review of the DSA framework for market-access countries led to the strengthened approach to debt sustainability assessments in market-access countries, introduced in 2013.¹⁰ The framework for LICs was upgraded following a joint IMF and World Bank review in 2012 that concluded that the approach

Debt sustainability analyses are under review to improve their comprehensiveness

⁹ See, for example, Machiko Nissanke, "Managing sovereign debt for productive investment and development in Africa—a critical appraisal of the joint Fund-Bank debt sustainability framework and its implications for sovereign debt management", paper commissioned by African Development Bank, August 2013.

¹⁰ This point is discussed in depth in IMF, "Modernizing the framework for fiscal policy and public debt sustainability analysis", 5 August 2011, and motivated the strengthened approach to debt sustainability in market-access countries in the latest "Staff guidance

had worked well in identifying vulnerabilities facing LICs, but needed to increase the attention paid to total public debt, rather than focusing narrowly on external public debt.¹¹ It also emphasized the importance of accounting for remittances in assessing the sustainability of external debt, and introduced a new approach (the probability approach) to help the assessment of the risk of external debt distress in cases where the traditional approach does not provide a robust risk rating.

A complementary response is to assist Governments in building the capacity to carry out their own high quality debt sustainability assessments, so as to more actively participate in their debt sustainability consultations. It is also necessary to reduce uncertainty about the level of external debt caused by lags and gaps in data collection and the difficulties in reconciliation of debtor and creditor records.¹²

Going forward, there is much to consider in the further reform of the DSAs. A potentially more useful, albeit more challenging, approach would be to introduce an asset and liability management framework. This balance sheet approach would monitor all the Government's assets and liabilities, including their maturity structure and currency composition, in order to assess debt sustainability. It would allow a better understanding of the linkages between internal and external debt and the value of debt management strategies, as well as more fully include contingent liabilities and the impact of private debt.

In addition, as countries graduate from low- to middle-income status, they will gradually rely less on concessional financing and thus need to take additional care as they increase their market-rate obligations. Overall, debt should be seen as part of a holistic system of public financial management (PFM), where revenue mobilization and productivity of expenditure are critical factors in determining debt needs and costs. Furthermore, domestic debt requires diligent monitoring, as it tends to be harder to track due to data gaps. Private debt is also often overlooked, but in a crisis situation it can quickly become public debt if Governments take over the external obligations of their banks. Indeed, the treatment of contingent liabilities of Governments, such as their pension funds and potentially even their commercial banking system, also warrants scrutiny.

Lessons from debt-crisis resolution

There is a growing sense, based in particular on the recent experiences of Argentina and Greece, that the processes for resolving sovereign debt crises need improvement. They remain decentralized and ad hoc, as they have always been, in that a country in debt crisis has to approach its different classes of creditors for a restructuring of obligations. Alternatively, it may approach a government or international institution to lend it funds with which to pay maturing obligations

The need for improved sovereign debt workout mechanisms remain

note for public debt sustainability analysis in market-access countries”, issued by the IMF on 9 May 2013.

¹¹ The design and performance of the low-income countries (LICs) debt sustainability framework (DSF) will be reviewed again in 2016.

¹² Efforts made since the 1980s to reconcile external debt statistics by the IMF, the Organization for Economic Cooperation and Development, the World Bank and the Bank for International Settlements (BIS) based on a “core” definition of external debt, have led to various improvements, but leave additional work to be done as the different data series are not strictly comparable and gaps remain in coverage and timeliness. Efforts are also needed to improve information on contingent liabilities, domestic and private debt.

that its regular creditors will no longer roll over, with the first European crisis loans to Greece being a case in point.¹³

When a debtor Government in crisis approaches its creditors, official creditors may offer a “reprofiling”, in essence a refinancing of maturing obligations that postpones but does not reduce the debt in nominal terms. This is a standard treatment offered by the creditor Governments participating in the Paris Club, although the Club has occasionally offered deep debt relief to HIPCs and in cases of political sensitivity to major creditor Governments.¹⁴ Like their sovereign counterparts, private creditors are more likely to accept to reprofile the repayment of their loans or bonds than to actually reduce the obligations, if such a treatment fits a given situation.

However, while it is not always easy to distinguish insolvency from illiquidity, where it is clear that the problem is one of insolvency, a debt reduction is the preferred course of action. In those cases, there is a risk that each set of creditors seeks to minimize its losses and shift them onto the other creditors or the debtor. Indeed, for precisely this reason the international community called for “a set of clear principles for the management and resolution of financial crises that provide for fair burden-sharing between public and private sectors and between debtors, creditors and investors”.¹⁵

The Paris Club plays an important coordinating role when a crisis-stricken Government seeks debt relief from official creditors. One of the fundamental tenets of its restructuring agreements is that the debtor has to seek comparable treatment from non-Paris Club Governments and private creditors. However, the Paris Club restructuring agreements do not have a legal foundation and are not binding on non-Paris Club creditors. There is a certain power of moral suasion as the Paris Club members are the world’s most financially powerful countries, but they often cannot guarantee comparable treatment from non-Paris Club creditors.¹⁶

Moreover, debt owed to Paris Club creditors is now a smaller proportion of the total debt of developing countries, in part because of the relief already given to the HIPCs and in part owing to the diminishing share of the Paris Club in total lending to developing countries. South-South flows and lending by the private sector (principally bond issues) have risen in importance.

13 Zsolt Darvas and Pia Hüttl, “How to reduce the Greek debt burden?”, Bruegel, 9 January 2015.

14 Enrique Cosío-Pascal, “Paris Club: Intergovernmental relations in debt restructuring”, in *Overcoming Developing Country Debt Crises*, Barry Herman, José Antonio Ocampo and Shari Spiegel, eds. (New York: Oxford, 2010), pp. 231–276.

15 United Nations, *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18–22 March 2002*. Sales No. E.02.II.A.7, chap. 1, resolution 1, annex: Monterrey Consensus of the International Conference on Financing for Development, para. 51.

16 For example, in 2014 a United States district court judge ruled that the Democratic Republic of the Congo (DRC) must pay a hedge fund nearly \$70 million in lieu of payment for an \$18 million debt that the hedge fund had acquired, dating back to the 1980s. This ruling undermines the intent of the HIPC Initiative, as it takes advantage of the improved fiscal situation in the DRC resulting from its HIPC debt reductions to pay off the claims of the hedge fund. The African Development Bank has set up a facility to support countries in their litigation with “vulture funds”. See <http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/african-legal-support-facility/vulture-funds-in-the-sovereign-debt-context/>.

With or without Paris Club influence, private creditors usually agree to restructure sovereign debt of crisis countries, although as IMF has reported, these restructurings are often, for several reasons, “too little too late”.¹⁷ Moreover, even when debt-reduction agreements are reached with a class of creditors (bond holders, for example), there may be hold-out creditors who seek to recover the full face value of their loans or bonds through litigation. In all, the costs of restructurings are high for both debtors and creditors, and in the case of systemically important countries, for global financial stability as well.¹⁸

Indeed, a small number of non-cooperating creditors (i.e., hold-outs) can tie up a debt-crisis country in years of litigation and prevent its normalization of relations with the financial markets, as has been impressed on the world by the Argentine case. Often, it has been cheaper for a sovereign subjected to litigation by speculative investors to pay the investors. However, this was impossible in the case of Argentina, as it had agreed in 2005 and 2010 with 93 per cent of the bondholders who agreed to exchange its originally defaulted bonds for new, lower-valued bonds, with the stipulation that if Argentina gave an improved deal to any litigating creditor, it would have to extend that benefit to all the holders of the exchange bonds. Argentina thus could not offer the hold-outs anything more than it had offered to exchange bondholders, an offer that remains open. This was known as the “rufo” clause (rights upon future offers), which expired at the end of 2014, but Argentina still feels constrained not to offer the hold-outs anything beyond what it had previously offered for fear of lawsuits by other bondholders.¹⁹ The stalemate thus continues 10 years after Argentina’s debt “workout”.

Moreover, decisions in the U.S. courts on the Argentina case have confounded common legal understandings. In particular, it has not been unusual for courts to support the claims of litigating creditors of defaulting sovereigns, but the decision in the Argentina case went a step further and said that the “pari passu” clause in Argentina’s bond contracts meant that Argentina should make full payment to the litigating creditors with the same priority as paying interest to its exchange bondholders. Thus, when Argentina deposited the funds for its regular interest payment to its current bondholders, the U.S. court stopped the U.S. bank from distributing the interest payments unless and until Argentina fully paid the litigants as well. Moreover, the U.S. court claimed authority to similarly direct payment to the litigants from funds meant to pay interest to holders of the exchange bonds in the United Kingdom and in Argentina. At present, while the litigants have not yet received a penny, most exchange bondholders are also not being paid.

Although Argentina’s case is large, it is not unique, as litigation in sovereign debt defaults has become more common (figure 8). Investment funds that specialize in capitalizing on “distressed debt” were involved in 75 per cent of these cases.

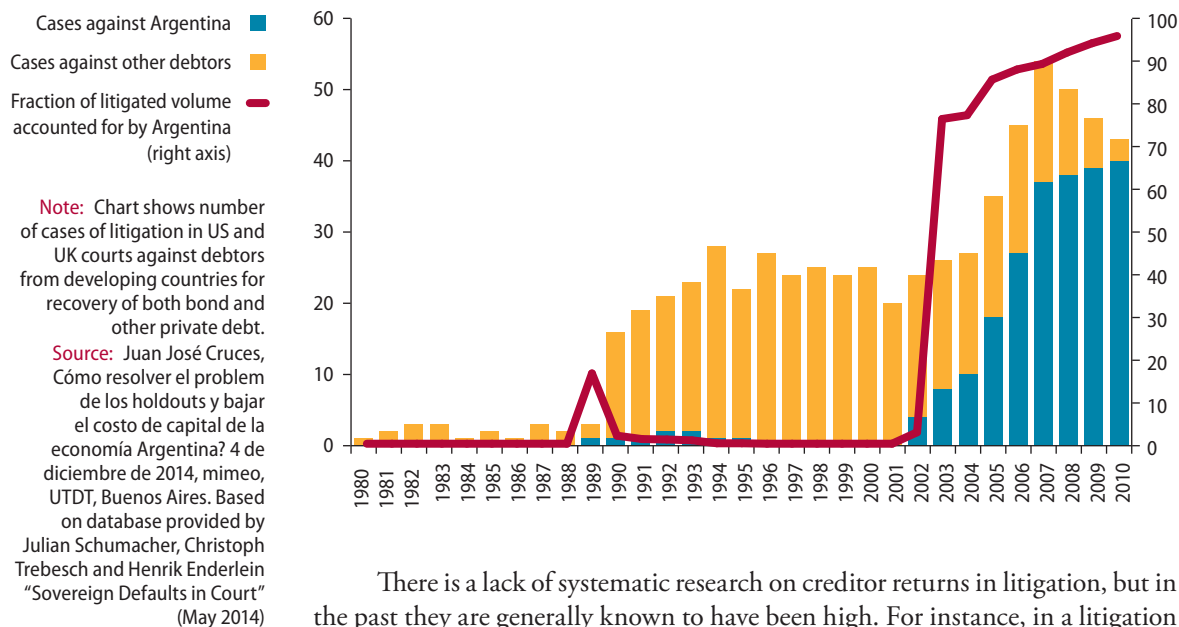
¹⁷ International Monetary Fund, “Sovereign debt restructuring: recent developments and implications for the Fund’s legal and policy framework”, April 2013.

¹⁸ Benu Schneider, “Sovereign debt restructuring: the road ahead”, in *Life after Debt: The Origins and Resolutions of Debt Crisis*, Joseph E. Stiglitz and Daniel Heymann, eds. (New York: Palgrave Macmillan).

¹⁹ Aldo Caliari, “Where the Argentine debt case stands now and why it still matters,” North American Congress on Latin America (NACLA), 6 April 2015, available from <https://nacla.org/news/2015/04/06/where-argentine-debt-case-stands-now-and-why-it-still-matters>.

In recent years, almost 50 per cent of sovereign defaults involved litigation related to the sovereign bonds and loans in default, compared to just 5 per cent in the 1980s. Governments in Latin America and Africa were most affected, accounting for 79 and 27 creditor lawsuits, respectively, during the period 1976–2010. Most cases have been against middle-income countries, although nearly 30 per cent of all lawsuits—or 34 out of 120 cases—were launched against HIPCs.²⁰

Figure 8
Creditor litigation, 1980–2010 (number of cases)



There is a lack of systematic research on creditor returns in litigation, but in the past they are generally known to have been high. For instance, in a litigation against Peru, the litigators achieved an estimated gross return of 400 per cent, 60 per cent in a case against Panama, and a presumed 270 per cent in a case against Yemen.²¹ But the debtor pays more than cash, as there are costs to delaying the return to normal financial market relations, including loss of market access and the debtor’s international trade.²²

There has been a response to these difficulties at the level of international policy, as the U.S. court interpretation of the *pari passu* clause was not shared globally, or even within the United States outside its court system. Thus, a revised standard *pari passu* clause was drafted by the International Capital Markets Association (ICMA) and in October 2014 the IMF Executive Board endorsed it, along with another ICMA proposal to modify clauses in international sovereign bond contracts to reduce the ability of minority hold-out creditors to undermine a bond exchange favoured by the majority of bondholders.²³ Since then, a number of countries have adopted key features of these recommendations in new debt issuances.

²⁰ Julian Schumacher, Christoph Trebesch and Henrik Enderlein “Sovereign defaults in court”, May 2014, p.11.

²¹ Ibid., Appendix 2 on creditor returns to litigation. The gross returns do not account for procedural costs, in particular, funding costs and legal costs.

²² Ibid.

²³ See “IMF supports reforms for more orderly sovereign debt restructurings”, available from <http://www.imf.org/external/pubs/ft/survey/so/2014/NEW100614A.htm>.

The drawback is that these changes do not affect the already existing stock of debt without these new clauses and it would take years for a sufficient stock of debt of a country to be covered by the new clauses. The existing stock of debt remains vulnerable should a country need to restructure it in the interim period. Furthermore, this improvement in contractual technology applies only to bond contracts, as other types of government debt still lack protection. This unprotected debt can include loans, trade finance papers and bilateral credits. Efforts are needed to improve contractual technology for other loans as well.

There have also been national efforts to impede litigation, as in the United Kingdom, where legislation in 2011 made permanent the Debt Relief (Developing Countries) Act 2010. The legislation stops creditors from using the U.K. courts to extract harsh and inequitable payments from poor countries for debts that the companies may in some cases have bought for a fraction of the cost.

In all, the problem of creditor litigation possibly derailing debt restructuring exercises is just one sign of the weakness of the overall approach to sovereign debt crises. Another concern is that the official community has inappropriately paid for the exit of private capital from countries in debt crisis, as seems to have been the case in Greece.

IMF staff is currently also proposing reforms to the IMF lending framework aimed at preventing, and promoting more efficient resolution of, sovereign debt crises. The proposal under consideration has two key elements: (i) the introduction of a “debt reprofiling” option, to make the IMF lending framework more flexible in cases where the borrowing country’s debt is assessed as “sustainable but not with high probability”; and (ii) the elimination of the “systemic exemption” that, in IMF staff’s view, has proven to be ineffective at mitigating contagion, and does not constitute a coherent solution to addressing spillovers from a sovereign debt crisis. The IMF is seeking to strike a carefully thought-out balance between financing, adjustment and managing spillover effects from any needed debt operation.²⁴

In addition, the United Nations General Assembly agreed to consider elaboration of a multilateral legal framework for sovereign debt restructuring processes (resolution 68/304), which it began to undertake in January 2015 through an ad hoc committee. This initiative has created an intergovernmental forum for discussion of principles and possible institutional processes that might address multiple ways to overcome shortcomings in how sovereign debt is addressed—not only the disruptive role of litigating hold-outs and the disproportionate burden-sharing between official and private creditors, but also whether there should be some form of coordination or coherence among the many tribunals and adjudication bodies already dealing with debt issues. For instance, there is lack of coordination between different courts and the International Centre for the Settlement of Investment Disputes at the World Bank, which has also been asked to settle sovereign bond repayment questions. Indeed, bonds are issued under the laws of different jurisdictions and thus do not embody uniform obligations of the debtor or bondholder in the courts of different countries.

Creditor litigations highlight overall weaknesses in current approaches to sovereign debt crises

²⁴ See International Monetary Fund, “The Fund’s lending framework and sovereign debt—preliminary considerations”, 22 May 2014; and *MDG Gap Task Force Report 2014: The State of the Global Partnership for Development* (United Nations publication, Sales No. E.14.I.7).

Challenges remaining

The experiences in resolving sovereign debt crises point to the lack of timely, predictable, impartial and durable solutions to debt problems. This was equally true at the start of the millennium. The international community called for an examination of enhanced approaches to sovereign debt restructuring in the Monterrey Consensus of 2002 and the Doha Declaration of 2008, and reiterated the request in outcome documents of major United Nations conferences and General Assembly resolutions. It has proved a very difficult issue, highly sensitive to borrowing and lending Governments, to the investors in sovereign bonds, and to the public at large. It thus remains on the international agenda. The challenge for the international community is to deal appropriately with high debt burdens where they arise, to help developing countries prevent the build-up of unsustainable debts, and support countries whose sustainable debt situations are suddenly rendered unsustainable by natural catastrophes, conflict or global financial disturbances.

In addition to the policy measures discussed in this chapter, sovereign borrowers and their lenders may also be encouraged to adopt principles for responsible behavior, as proposed by an expert group that met under the auspices of the United Nations Conference on Trade and Development (UNCTAD)²⁵ or as endorsed by the Human Rights Council in its resolution 20/10.²⁶ Given the interrelationships between sovereign debt, the macroeconomic situation and financial sector development, attention to complementary policy is also warranted in strengthening the financial sector, its regulatory frameworks, macroeconomic policies and exchange-rate management. This too should form part and parcel of the post-2015 development agenda.

In sum, while the range of financing options available to developing-country Governments is much wider now than ever before, including borrowing from international capital markets, this brings both opportunities and challenges and warrants close monitoring. Multilateral and bilateral assistance have a significant role to play in countries that are highly vulnerable and have limited ability to diversify or manage the risk of private capital flows. This is particularly the case for small and fragile States. In order to maximize the benefits of sovereign borrowing, public investment needs to be guided by a proper analysis of risk and return with appropriate borrowing strategies and countercyclical macroeconomic policies. In accordance with a country's specific needs, technical assistance in such areas as devising sound borrowing strategies, diversifying risk, and learning how to assess the sustainability of debt and manage it will strengthen debt-crisis prevention.

Debt sustainability monitoring will remain crucial in the post-2015 development agenda

²⁵ United Nations Conference on Trade and Development, "Draft principles on promoting responsible sovereign lending and borrowing", available from http://unctad.org/en/Docs/gdsddf2011misc1_en.pdf.

²⁶ Office of the United Nations High Commissioner on Human Rights, "Report of the Independent Expert on the effects of foreign and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights", A/HRC/20/23, Annex.

Access to affordable essential medicines

Disease and poor health remain major barriers to social and economic development, despite the progress in accelerating treatment for major global health challenges over the past 15 years. Most of the 5 million deaths occurring every year from epidemics of the major infectious diseases—such as HIV/AIDS, tuberculosis, malaria and viral hepatitis—occur in low- and middle-income countries. At the same time, 80 per cent of the deaths in 2013 from non-communicable diseases—such as cardiovascular disease, cancers, chronic respiratory diseases and diabetes—occurred in low- and middle-income countries. Lack of access to essential medicines is one of the contributing factors to these deaths, many of which were preventable. The recent Ebola crisis in West Africa only underlines the imperative to collectively address the problems not only of access but also of innovation (see box 1). Indeed, for such reasons, Millennium Development Goal (MDG) 8 included a focus on improving access to affordable essential medicines in developing countries.

Box 1

Lessons of the Ebola crisis

By 22 March 2015, one year into the Ebola crisis, 24,872 cases of the Ebola virus disease had been confirmed or suspected, claiming 10,311 deaths, mostly in Guinea (2,263), Liberia (4,301) and Sierra Leone (3,747).^a The Ebola outbreak has had a major negative impact on sectors beyond health, including agriculture and education. The World Bank, for example, estimated a loss of about 12 per cent of gross domestic product for these three worst-affected countries in 2015.^b The Ebola crisis has thus underlined the urgent need for intensified international and national action to improve access to health care and medicines.

Many countries have materially contributed to the emergency response to the Ebola epidemic through support of quarantines, testing areas, rapid-response recovery systems and hospitals and public health laboratories specifically designed for Ebola patients. However, when the crisis is over, West Africa will still lack the appropriate health-care systems to fight outbreaks of diseases like Ebola, let alone provide necessary access to health care in general.

Indeed, efforts to manage the Ebola crisis have been detrimental to other pressing health-care issues, such as measles, cases of which have increased during the Ebola outbreak due to a drop in immunization coverage rates. The United Nations Children's Fund (UNICEF) is thus assisting Governments and communities to restart stalled immunizations.^c

In addition, the Ebola crisis has spurred extensive support for research and development of vaccines, diagnostics and medicines. The World Health Organization (WHO) has reported on two vaccine candidates initiated into Phase III efficacy trials in early 2015 in Guinea and Sierra Leone, following promising safety data presented at a WHO meeting in January 2015.^d A third vaccine is expected to start efficacy trials in Sierra Leone in the second semester of 2015, while other vaccines are in the development

^a See WHO, Ebola situations reports, available from <http://apps.who.int/ebola/current-situation/ebola-situation-report-25-march-2015>.

^b World Bank, "The economic impact of Ebola on sub-Saharan Africa: updated estimates for 2015", Working Paper No. 93721, 20 January 2015. See also, United Nations, Economic Commission for Africa, "Socio-economic impacts of the Ebola virus disease on Africa", Addis Ababa, December 2014, available from <http://www.uneca.org/publications/socio-economic-impacts-ebola-africa>.

^c See UNICEF, "UNICEF helps restart measles immunizations in Ebola-hit countries", 9 January 2015, available from http://www.unicef.org/media/media_78416.html.

^d See WHO, "WHO Ebola R&D Effort—vaccines, therapies, diagnostics, 30 January update", available from http://www.who.int/medicines/ebola-treatment/ebola_r_d_effort/en/.

^e United States Centre for Disease Control and Prevention, “Outbreaks chronology: Ebola virus disease”, available from <http://www.cdc.gov/vhf/ebola/outbreaks/history/chronology.html> (accessed 6 March 2015).

^f World Trade Organization (WTO), “Symposium highlights importance of inter-agency cooperation on public health challenges”, available from https://www.wto.org/english/news_e/news14_e/trip_10nov14_e.htm.

Source: WHO and UN/DESA

pipeline. Industry sources indicate that enough supplies will become available in case deployment becomes necessary, with the Global Alliance for Vaccines and Immunization (GAVI) prepared to disburse \$300 million for the purchase of up to an estimated 12 million doses of vaccine. Four diagnostic tests have also been assessed and listed by WHO as eligible for United Nations procurement in affected countries.

While these urgently needed international and domestic responses are welcomed, it must also be noted that they have been much overdue. There have been 35 known cases and outbreaks of the Ebola virus disease since 1976 and the present outbreak was the seventh time that the Ebola virus disease has claimed more than one hundred victims in sub-Saharan Africa.^e Dr. Marie-Paule Kieny, WHO Assistant Director-General for Health Systems and Innovation, noted that the Ebola outbreak “reminded us that we have diseases where the current patent system does not deliver the innovation we need. The lack of expected return on investment was one of the major reasons why today we have to test the Canadian Ebola vaccine in a few months while this could have been done many years ago,” she added. “We hope that this reminder will trigger more long-term financial commitments by Governments, including those of middle-income countries, to finance the needed research and development.”^f

Recent international commitments

International commitments to improve access to affordable essential medicines were further strengthened in 2014. For example, the leaders of the Group of Seven (G7) recognized the impact of GAVI and welcomed its efforts to “expand access to vaccines to an additional 300 million children during 2016–2020”.¹ The G7 leaders reaffirmed their commitment to replenish the funds of GAVI as well as to support the Global Fund to fight HIV/AIDS, Tuberculosis and Malaria. The G7 also pledged to build global capacity to effectively respond to such threats as Ebola. Furthermore, the Group of Twenty (G20) called on international financial institutions to assist Ebola-affected countries, noting that the crisis highlights the need to address systemic issues and gaps.²

In addition, mayors from around the world convened in Paris, France, on 1 December 2014 for World Aids Day and signed the Paris Declaration, committing to achieve the UNAIDS targets of having 90 per cent of people who are living with HIV know their HIV status, 90 per cent of the people who know they are HIV-positive on antiretroviral treatment, and 90 per cent of the people in treatment having suppressed their viral loads, keeping them healthy and reducing the risk of HIV transmission.³

In March 2015, more than 350 Chinese and African health leaders met at the Fifth International Roundtable on China-Africa Health Collaboration in Beijing, China. The Roundtable recommended deepened dialogue, increased investment in health, and “alignment with African regional and national strategies”. The recommendations focused on universal health coverage, improved

1 See G7 Brussels Summit Declaration, available from <http://www.g8.utoronto.ca/summit/2014brussels/declaration.html>.

2 G20 Leaders’ Brisbane Summit, Statement on Ebola, available from <http://www.g20.utoronto.ca/2014/2014-1115-ebola.html>.

3 Joint United Nations Programme on HIV/AIDS (UNAIDS), “Paris Declaration—Fast-Track Cities: Ending the AIDS Epidemic”, 1 December 2014, available from http://www.unaids.org/sites/default/files/media_asset/20141201_Paris_Declaration_en.pdf.

government accountability through better monitoring and evaluation, as well as “access to safe and high-quality drugs and vaccines”.⁴

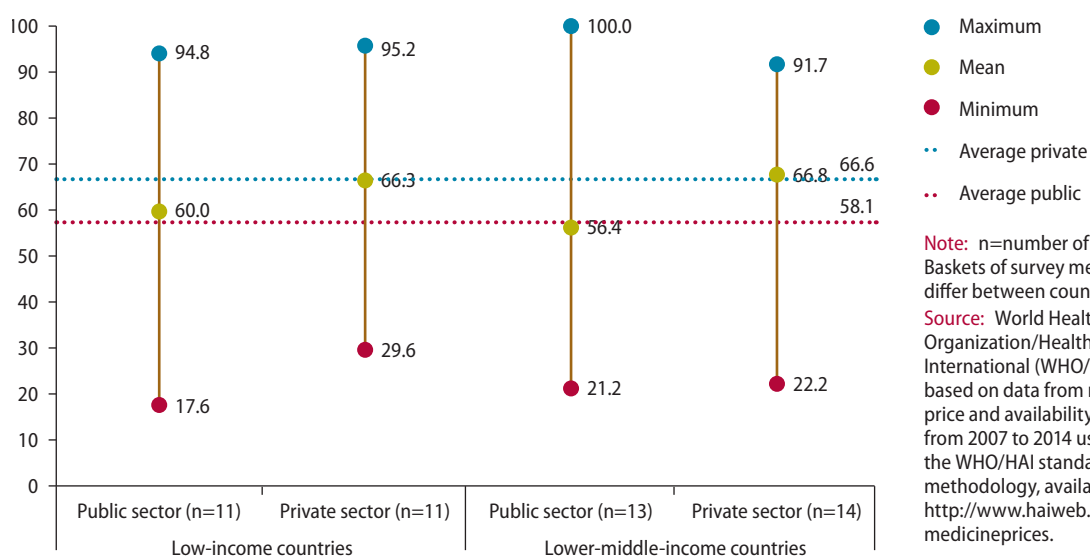
Availability and prices of essential medicines

Data on medicine availability and prices have been collected in 26 surveys conducted from 2007 to 2014 in low-income and lower-middle-income countries, using the standardized World Health Organization (WHO)/Health Action International (HAI) methodology.⁵ In these countries, generic medicines were available on average in 58.1 per cent of public sector health facilities.⁶ In private sector facilities, the average availability was 66.6 per cent. The variance around the average availability has been very pronounced for both public and private sectors (see figure 1).

Availability of essential medicines in developing countries is still low in both private and public facilities...

Figure 1

Median availability of selected generic medicines in public and private health facilities in low- and lower-middle-income countries, 2007–2014 (percentage)



Note: n=number of countries. Baskets of survey medicines differ between countries.

Source: World Health Organization/Health Action International (WHO/HAI), based on data from medicine price and availability surveys from 2007 to 2014 using the WHO/HAI standard methodology, available from <http://www.haiweb.org/medicineprices>.

Patient prices for lowest-priced generics were, on average, 2.9 times higher than international reference prices (IRPs) in public sector facilities and 4.6 times higher in private sector facilities.⁷ Patients buying medicines in the public sector of

... and prices remain high

4 Fifth International Roundtable on China-Africa Health Collaboration in Beijing, available from <http://jointlearningnetwork.org/news/china-africa-explore-opportunities-for-collaboration-on-health-care-for-all>.

5 WHO/Health Action International (WHO/HAI), “Measuring medicine prices, availability, affordability and price components”, May 2008, available from <http://haiweb.org/medicineprices/>.

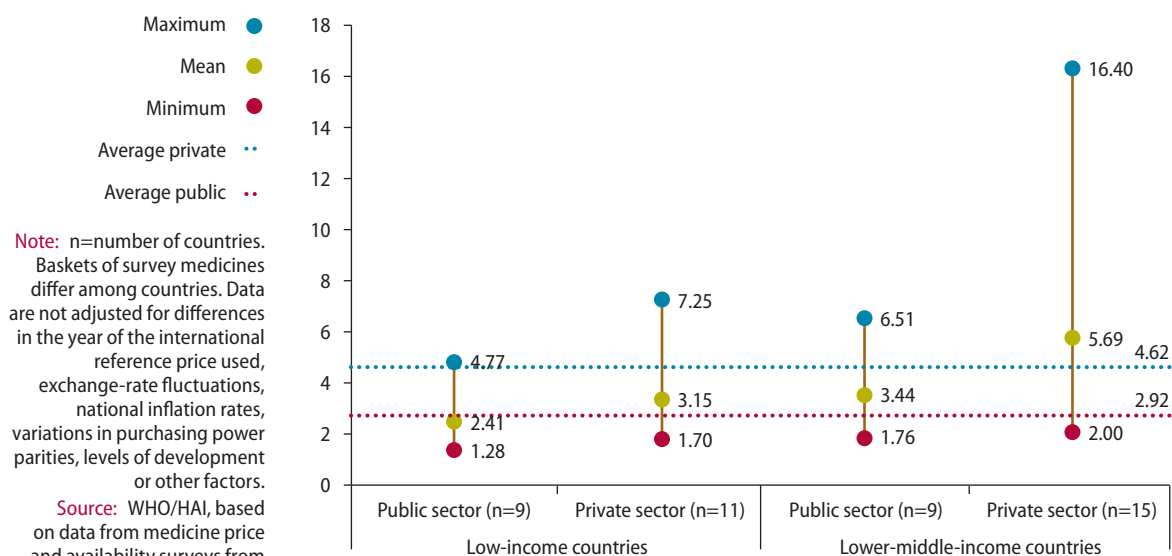
6 Availability is assessed as the percentage of facilities stocking the medicine on the day of data collection.

7 International reference prices (IRPs) are median prices of quality multi-source medicines offered to low- and middle-income countries by not-for-profit and for-profit suppliers (and where there is no supplier price, buyer/tender prices), as available from

the low-income countries paid on average 2.4 times international reference prices, whereas patients paid 3.4 times international reference prices in lower-middle-income countries. A similar picture was seen in the private sector where, on average, patients paid 3.2 times international reference prices in low-income countries and 5.7 times international reference prices in lower-middle-income countries.

Figure 2

Ratio of consumer prices to international reference prices for selected lowest-priced generic medicines in public and private health facilities in low- and lower-middle-income countries, 2007–2014



Information on changes over time

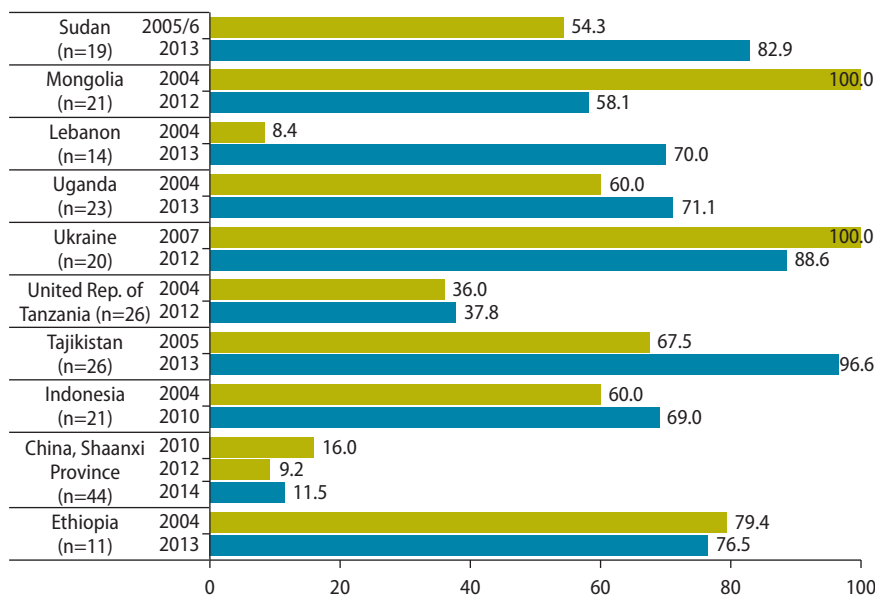
The WHO/HAI methodology was designed as a one-point-in-time survey. However, eleven countries are known to have conducted two or more surveys, providing an opportunity to compare findings over time.⁸ This data suggest that the median availability of generics in public sector facilities rose in Lebanon, Sudan, Uganda, Tajikistan and Indonesia. The greatest increase was seen in Lebanon, where availability grew from 8.4 per cent in 2004 to 70.0 per cent in 2013 (figure 3). There was little change in Tanzania, Ethiopia and Shaanxi Province. The availability of generics decreased in Mongolia and Ukraine. In the more recent survey, only three of the countries (Tajikistan, Ukraine and Sudan) were found to have availability of generics of 80 per cent or greater. A mixed picture was also seen in the private sector. As shown in Figure 4, the median availability of generics increased in Sudan, Mongolia and Tajikistan, and showed little or no change in Kyrgyzstan, Lebanon, Ukraine and Tanzania. Availability decreased in Uganda,

Management Sciences for Health (MSH) International Drug Price Indicator Guide. See <http://erc.msh.org/mainpage.cfm?file=1.0.htm&module=DMP&language=English>.

⁸ The eleven countries are Shaanxi Province of China (2010, 2012 and 2014), Ethiopia (2004 and 2013), Indonesia (2004 and 2010), Kyrgyzstan (2005 and 2010), Lebanon (2004 and 2013), Mongolia (2004 and 2012), Sudan (2005/6 and 2013), Tajikistan (2005 and 2013), Uganda (2004 and 2013), Ukraine (2007 and 2012) and United Republic of Tanzania (2004 and 2012).

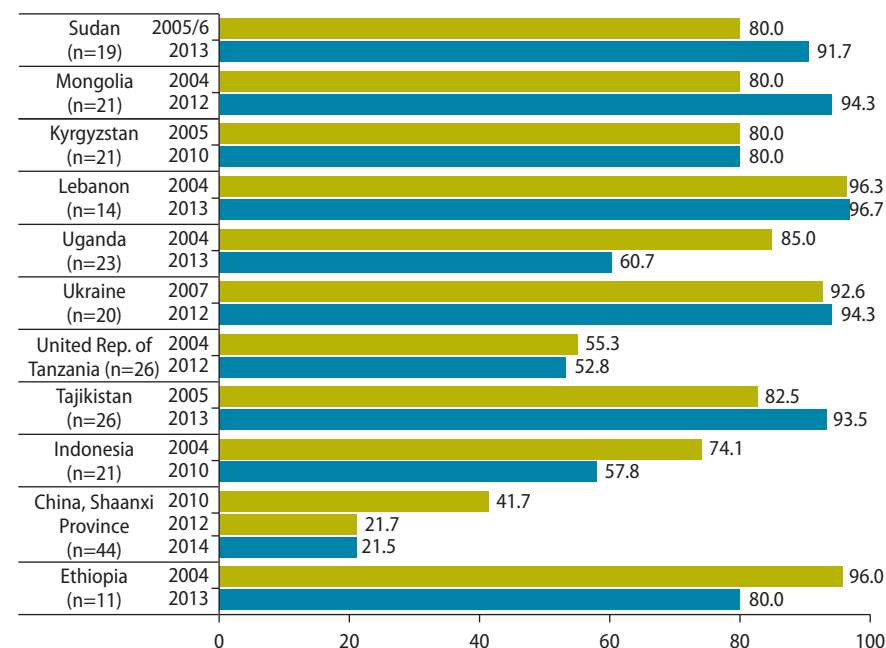
Indonesia, Ethiopia and Shaanxi Province. Of note was the very poor availability of generics in both sectors in recent surveys in Shaanxi Province in China (public sector 11.5 per cent; private sector 21.5 per cent) and Tanzania (public sector 37.8 per cent; private sector 52.8 per cent).

Figure 3
Median availability of selected generic medicines in the public sector, selected countries, selected years between 2004 and 2014



Note: n=number of medicines.
Source: WHO/HAI using data from medicine price and availability surveys undertaken using the WHO/HAI standard methodology, available from <http://www.haiweb.org/medicineprices>

Figure 4
Median availability of selected generic medicines in the private sector, selected countries, selected years between 2004 and 2014



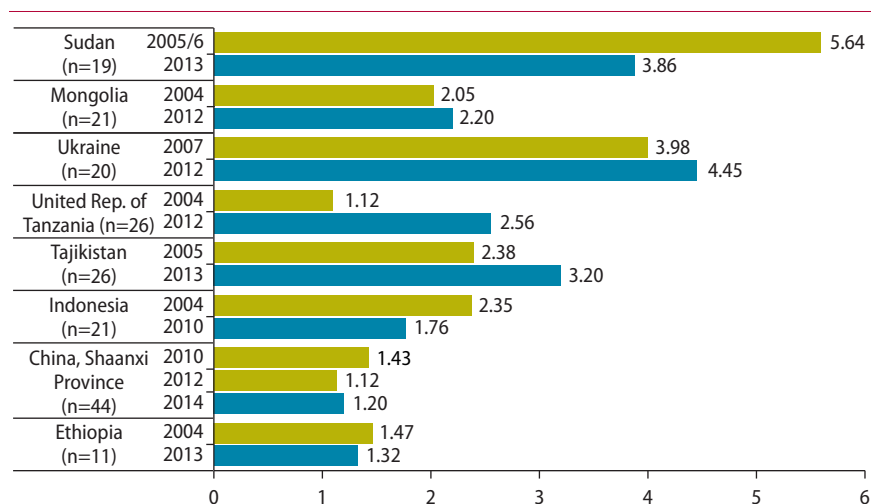
Note: n=number of medicines.
Source: WHO/HAI using data from medicine price and availability surveys undertaken using the WHO/HAI standard methodology, available from <http://www.haiweb.org/medicineprices>

Across the eight countries where patients pay for medicines in public sector facilities, median prices of lowest-priced generics increased in four countries (Mongolia, Ukraine, Tanzania and Tajikistan) and decreased in four countries (Sudan, Indonesia, Shaanxi Province and Ethiopia) as shown in Figure 5. Public sector patient prices remain high in many of these countries when compared to international reference prices. For example, in Ukraine, Sudan, Tajikistan and Tanzania, lowest-priced generics were 4.5, 3.9, 3.2 and 2.6 times higher than the international reference prices, respectively. Across the eleven countries, patient prices of lowest-priced generics in the private sector were the highest, and showed the greatest increase, in Lebanon (price ratio of 5.4 in 2004 and 7.6 in 2013) as shown in Figure 6. Price increases were also seen in Mongolia, Kyrgyzstan, Ukraine, and Tajikistan. There was little change in Tanzania, and prices fell in Sudan, Uganda, Indonesia, Ethiopia and China's Shaanxi Province.

Figure 5

Ratio of consumer prices to international reference prices for selected lowest-priced generic medicines in the public sector, selected countries, selected years between 2004 and 2014

Note: n=number of medicines.
Source: WHO/HAI using data from medicine price and availability surveys undertaken using the WHO/HAI standard methodology, available from <http://www.haiweb.org/medicineprices>. Data are not adjusted for differences in the year of the international reference price used, exchange-rate fluctuations, national inflation rates or other factors.



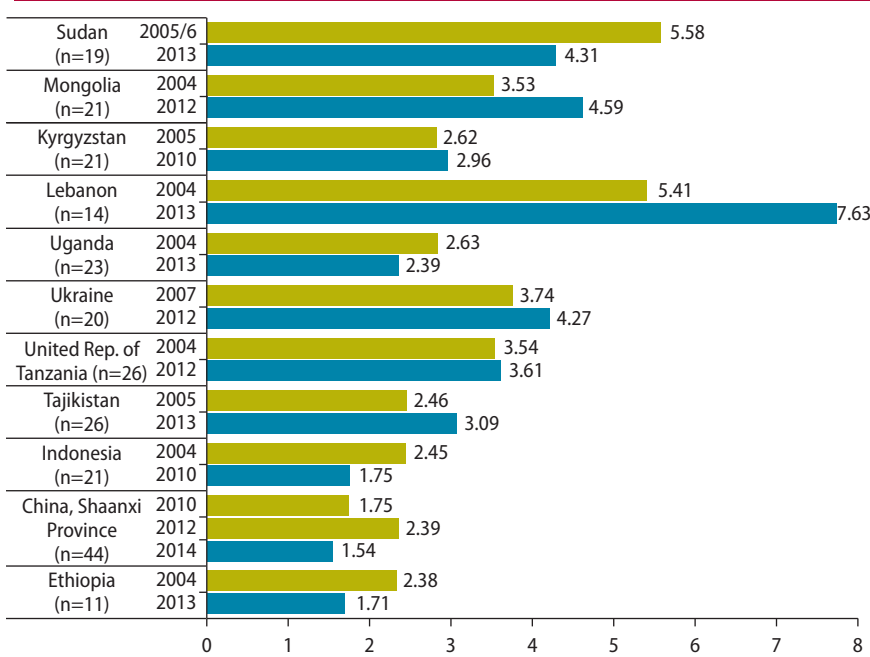
Another approach to estimating the financial burden of essential medicines is to express median prices in terms of the number of days the lowest-paid unskilled government employee would need to work to buy treatment. Figure 7 shows the affordability of the lowest-priced generic salbutamol 100mcg/dose inhaler (200 doses) used to treat asthma when purchased in the private sector. In Ukraine, Lebanon and Shaanxi Province, affordability remained at less than 1 days' wages to buy an inhaler. While a massive improvement was seen in Tajikistan (from 15 days' wages in 2005 to 3.1 days' wages in 2013), this essential medicine remains unaffordable for those on low wages. In Kyrgyzstan, salbutamol affordability went from an already high 4.5 days' wages in 2005, to a totally unaffordable 11.3 days' wages in 2010 for the lowest-priced generic.

The affordability of essential drugs varies greatly across developing countries

These data suggest there is no international pattern for changes in the availability or affordability of medicines over time. In both the public and private sectors, availability and overall patient prices of lowest-priced generics are increasing in some countries and decreasing in others (and staying the same in a few countries). However, the number of countries in the analysis is limited. Regular moni-

toring of medicine availability and price are needed in all countries to gain a better understanding of developments. The public should be informed of the findings.

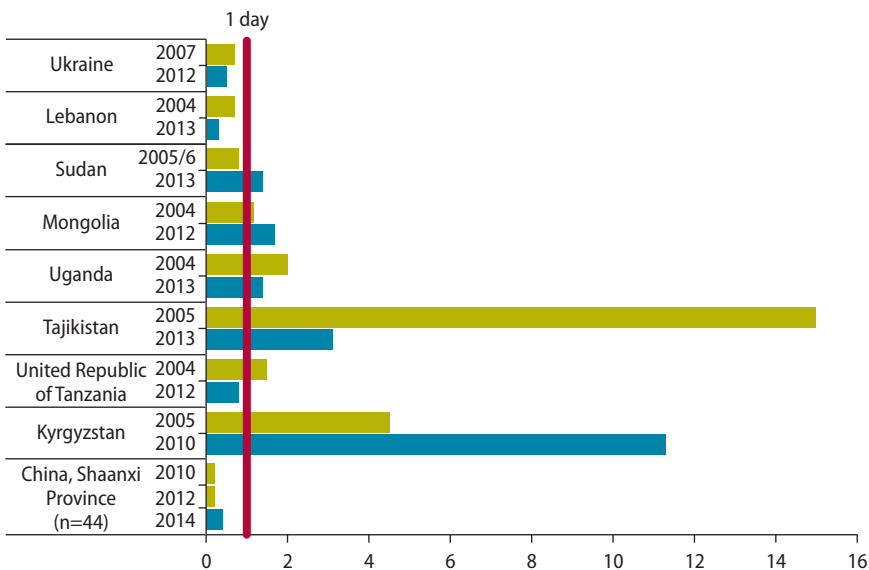
Figure 6
Ratio of consumer prices to international reference prices for selected lowest-priced generic medicines in the private sector, selected countries, selected years between 2004 and 2014



Note: n=number of medicines.

Source: WHO/HAI using data from medicine price and availability surveys undertaken using the WHO/HAI standard methodology, available from <http://www.haiweb.org/medicineprices>. Data are not adjusted for differences in the year of the international reference price used, exchange-rate fluctuations, national inflation rates or other factors.

Figure 7
Number of days' wages needed by the lowest-paid unskilled government worker to pay for one lowest-priced generic salbutamol 100mcg/dose inhaler (200 doses) for asthma, when purchased in the private sector, selected countries, selected years between 2004–2014



Source: WHO/HAI using data from medicine price and availability surveys undertaken using the WHO/HAI standard methodology, available from <http://www.haiweb.org/medicineprices>.

What is suggested by the survey findings reviewed here is that medicine availability is poor in many countries (particularly in the public sector), prices are high, and treatments, especially those for non-communicable diseases, are unaffordable for those on low wages. For example, the likelihood of a patient in a low-income country receiving one or more medicines for secondary prevention of cardiovascular disease is only 19.8 per cent, compared to 54.9 per cent in an upper-middle-income country. The high price of some non-communicable disease medicines, together with the growing burden of non-communicable diseases, could make offering universal health coverage in some countries less effective, less sustainable, or otherwise financially unviable. Much more must be done to improve this situation.

Access to antiretroviral and hepatitis C medicines

To complement the analysis of changes in access and affordability of essential medicines, this report examines two distinct cases: access to antiretroviral (ARV) medicines and access to medicines to treat the hepatitis C virus (HCV) during the MDG period.

The case of antiretroviral therapy for HIV/AIDS

As AIDS evolved from a little known disease into a full-blown public health crisis in the late 1980s and 1990s, it was thought almost impossible to prevent the deaths of millions of people living with HIV, especially those in low- and middle-income countries. Triple-combination antiretroviral therapy (ART), under patent at the time, cost more than \$10,000 per patient per year (ppy). The introduction of generic antiretroviral treatment in 2001 at the drastically reduced price of \$350 ppy triggered dramatic reductions in the cost of first-line treatment. Today, competition from generic ARVs continues to exert downward pressure on prices; internationally approved first-line treatment regimens are available at a little more than \$100 ppy, enabling more people living with HIV than ever to gain access to treatment. As of June 2014, 13.6 million people living with HIV had access to antiretroviral therapy.⁹ More than 11.7 million people receiving antiretroviral therapy are located in low- and middle-income countries and this number is expected to continue to rise to 16.8 million by the end of 2016, of which more than 1 million will be children.¹⁰

The median price of the first-line ARV regimens, weighted by volume of sales decreased from \$147 in 2004 to \$115 in 2013.¹¹ People who fail first-line regimens are recommended to undertake second-line regimens and the prices of

9 See UNAIDS, “World AIDS Day 2014 Report - Fact sheet”, available from <http://www.unaids.org/en/resources/campaigns/World-AIDS-Day-Report-2014/factsheet>.

10 WHO, “Antiretroviral medicines in low- and middle-income countries: forecasts of global and regional demand for 2013–2016”, Geneva, 2013.

11 The WHO collects information on the cost of antiretroviral medicines (ARVs) through the Global Price Reporting Mechanism (GPRM). The median price of the main first-line ARV regimens used in lower-middle-income countries, during the period 2003–2005, in U.S. dollars per patient per year (ppy), ranged between \$150 and \$660, depending on the specific regimen. For the same ARVs the price range in 2013 was between \$50 and \$120.

these have also come down a great deal since 2005, from above \$500 to about \$330 ppy in low- and middle-income countries by 2013. Nevertheless, considerably higher prices are reported in upper- and middle-income countries, as emphasized in the 2014 MDG Gap Task Force Report.¹²

However, third-line, and many second-line ARTs, which are new to the market and more widely covered by patents are much more expensive; prices for these medicines are in some cases increasing.¹³ Third-line treatments are on average 15 times the price of first-line antiretroviral therapy, thus making them priced out of reach for many of the people who need them. Indeed, the use of second- and third-line treatment in low- and middle-income countries remains low. This most likely reflects the higher cost of these treatments as well as challenges in diagnosing treatment failure of first-line ARTs.

Prices for paediatric treatments have also decreased significantly over the last decade. Since 2008, the cost for different treatments and age ranges has varied from \$100 to \$400 ppy, while the same exceeded \$1,000 in 2004. Some upper- and middle-income countries however continue to pay considerably more for their paediatric treatments, including China, Kazakhstan, the Russian Federation and Ukraine.

The opening up of the market to generic suppliers has been a main determinant of the decrease of prices of ARVs in low- and middle-income countries. By March 2014, WHO had prequalified 200 ARVs and the United States Food and Drug Administration (FDA) had approved 170 ARVs.¹⁴ The market share of generic manufacturers, in volume, shot up dramatically to 98 per cent by 2012. Another driver of the impressive scale-up in ARTs has been the emergence of international donors and partnerships like the United States President's Emergency Plan for AIDS Relief (PEPFAR) and the Global Fund to fight HIV/AIDS, Tuberculosis and Malaria. Nevertheless, ARVs account for at least 35 per cent of the total annual treatment cost per patient in low- and middle-income countries, despite the presence of international aid and declining prices.¹⁵

Low- and middle-income countries are taking an increasingly important role in self-financing their domestic treatment programmes.¹⁶ Low- and middle-income countries are also seeking to combine their efforts to increase their access to essential medicines. The African Union's Roadmap on Shared Responsibility and Global Solidarity for AIDS, TB and Malaria Response focuses on diversi-

The use of generic medicines sharply reduced prices for antiretroviral therapies, but some remain very costly

Developing countries are increasing efforts to self-finance treatments for their citizens

¹² Prices in Brazil, China, Indonesia and Ukraine in 2012 exceeded \$500 ppy, with those in Kazakhstan and the Russian Federation at \$1,800 and exceeding \$4,000 ppy, respectively. See *MDG Gap Task Force Report 2014: The State of the Global Partnership for Development* (United Nations publication, Sales No. E.14.I.7), pp.57–58.

¹³ See WHO/Global Price Reporting Mechanism. Darunavir (DRV, 600 mg) increased during 2010 to 2013 from \$3,833 to \$5,180 ppy. Over the same period, ENF (90 mg) prices reduced from \$20,700 to \$17,170, whereas TPV (250 mg) reduced from \$6,560 to \$ 6,072 ppy.

¹⁴ WHO, "Access to antiretroviral drugs in low- and middle income countries: technical report", Geneva, 2014, p.20.

¹⁵ Fernando Pascual, "Intellectual property rights, market competition and access to affordable antiretrovirals", *Antiviral Therapy 2014*, No. 19, Suppl 3, p. 57.

¹⁶ Increased self-financing may also be observed in upper-middle-income countries. For instance, Thailand, which already finances 90 per cent of its response, has pledged to increase its domestic spending to cover the additional \$75 million of HIV funding needed from 2015 and 2017.

Procurement and regulatory issues also continue to hamper access to medicines in developing countries

fied financing, access to affordable and quality-assured medicines, and enhanced leadership and governance. Complementary regional initiatives aim at pharmaceutical production, pooled procurement and public-private partnerships.¹⁷

There is some debate about the long-term sustainability of the ARV market in low- and middle-income countries, in view of the sharply reduced prices. However, research has found that not only are these prices economically viable, they are also profitable from a manufacturer's perspective, "provided the cost of developing them can be recovered from a sufficient sales volume".¹⁸

Industry sources indicate that bottlenecks in the public procurement practices, payment delays and other regulatory hurdles may interfere with meeting the increased demand in time. Procurement and supply management systems will need to be geared up to avoid the risks of stock out or drug expiry. An initiative to coordinate procurement planning monitors 22 countries in sub-Saharan Africa. It reported in the first quarter of 2014 that half of these countries were severely at risk of stock out in the next 6 to 9 months, and nearly all remaining countries are at risk of stock out in the next 9 to 18 months.

Of additional concern are capacity constraints in regulatory authorities that can lead to situations where necessary medicines are not available at all or only from one or a few suppliers, leading to higher prices and less choice.¹⁹ WHO monitors the regulatory approvals for the most commonly used ARVs in 139 low- and middle-income countries. In 96 out of the 139 countries, one or more ARVs were registered, with no registration in the other countries. Half of the 14 most common ARVs are not registered in 3 out of 4 low- and middle-income countries.²⁰ Suppliers can sell their products in countries that do not require regulatory approval and thus assurance of their quality is questionable. However, to date, few ARV quality problems have been reported from major providers such as the Global Fund to fight HIV/AIDS, Tuberculosis and Malaria and PEPFAR, as they require prequalification from WHO or tentative approval by the FDA.

Poor quality medicines that do not meet intended specifications can often be more dangerous than no treatment at all. Money spent on spurious medicines is not only wasted, it causes deleterious effects on people and leads to great additional costs. Therefore, as noted in the literature, it is hoped that in the long-term "all national regulators and their collaborative networks [will be] gradually enabled to assume their regulatory functions to assure medicines quality to current international standards".²¹

17 African Union, "Roadmap on shared responsibility and global solidarity for AIDS, TB and Malaria responses in Africa", available from http://www.au.int/en/sites/default/files/Shared_Res_Roadmap_Rev_F%5B1%5D.pdf.

18 Joseph Perriens, and others, "Prices paid for adult and paediatric antiretroviral treatment by low- and middle-income countries in 2012: high, low or just right?", *Antiviral Therapy* 2014, No. 19, Suppl 3, p.46.

19 Michel Sidibé, Li Yong and Margaret Chan, "Commodities for better health in Africa—time to invest locally", *Bulletin of the World Health Organization*, vol. 92, No. 6, pp. 385–464. doi: <http://dx.doi.org/10.2471/BLT.14.140566>.

20 WHO, "Access to antiretroviral drugs in low- and middle income countries: technical report", Geneva, 2014, p.19. Registration of pediatric ARV formulations was found to be even less prevalent than those for adults.

21 L. Rågo and others, "Regulatory frameworks for access to safe, effective, quality medicines", *Antiviral Therapy* 2014, No. 19, Suppl 3, p. 76.

The case of more affordable treatment for hepatitis C

Currently, access to treatment for HCV is limited, with only a minority of the estimated 130–150 million people infected worldwide receiving a diagnosis, and even fewer assessed for eligibility and initiated on treatment. Treatment rates are lowest in resource-limited countries, including those countries with the highest prevalence. Key reasons for limited treatment access have been the cost, complexity, limited effectiveness of treatment, and lack of access to reliable and affordable diagnostics.²²

This is changing with a new generation of directly acting antiviral treatments that has recently been included in the WHO Essential Medicines List. However, these remain out of reach for many for the time being. For example, sofosbuvir, a medicine to treat chronic HCV, was launched in the United States of America in 2013 at a cost of \$84,000 for a single 12-week course, or around \$1,000 per pill. Lower prices offered by the manufacturer, and license agreements and competition from generic producers will contribute to lower prices in poorer countries, but even where it is available, cost is still likely to place a considerable burden on health budgets. Egypt, the country with the highest infection rates for HCV with an estimated infection prevalence of more than 10 per cent of its population, has negotiated a reduced price of \$900 per 12-week periods of treatment. Production costs for the new HCV direct-acting antivirals are reported to be comparable to those of HIV ART;²³ so in principle, significant price reductions as experienced for HIV ARTs should be possible for the treatment of hepatitis C.

Access to antiviral treatment for hepatitis C is poor...

... but significant price reductions are possible

Intellectual property rights and access to essential medicines

Legislation, policies and measures in the field of intellectual property rights (IPRs), where those are well designed and implemented, can support innovative activity and facilitate access to affordable essential medicines but may, where this is not the case, also hinder such access.²⁴ The relevant domestic framework within which such measures are taken and IPRs are managed will usually depend on a country's international obligations, including those resulting from the Trade-related Aspects of Intellectual Property Rights (TRIPS) Agreement and relevant World Intellectual Property Organization (WIPO) Conventions, its obligations under regional arrangements and free trade agreements, as well as decisions that are motivated by domestic considerations.

The TRIPS Agreement obligates countries to provide at least 20 years of patent protection in all fields of technology, including pharmaceuticals; however,

The appropriate use of IPRs can facilitate access to affordable essential medicines...

22 Nathan Ford and others, "Simplification of antiviral hepatitis C virus therapy to support expanded access in resource-limited settings", *Journal of Hepatology*, No. 61 (1 Suppl), pp. S132–138. doi: 10.1016/j.jhep.2014.09.019.

23 A. Hill and others, "Minimum costs for producing hepatitis C direct-acting antivirals for use in large-scale treatment access programs in developing countries", *Clinical Infectious Diseases*, vol. 58, pp. 928–936.

24 WHO, World Intellectual Property Organization (WIPO) and WTO, *Promoting Access to Medical Technologies and Innovation: Intersections between Intellectual Property, Public Health and Trade*, 2012, chap. III, Section D; and chap. IV, Section C. Available from https://www.wto.org/english/res_e/booksp_e/pamtiwhowipowtoweb13_e.pdf.

it contains a number of important flexibilities which allow countries to balance their intellectual property regimes with public health needs. In 2001, the WTO Ministerial Meeting unequivocally stated that the Agreement “does not and should not”²⁵ prevent members from protecting public health. It reaffirmed “the right of WTO members to use, to the full, the provisions in the TRIPS Agreement, which provide flexibility for this purpose”.²⁶

Different approaches have been followed to make generic versions of otherwise patent-protected medicines available. Right holders may voluntarily provide licenses to generic manufacturers. Voluntary licenses are producing promising results in the area of HIV, but do not yet address increasing needs across a broader range of health technologies. Full incorporation and use of TRIPS flexibilities will thus continue to be important to encourage pharmaceutical companies to license their products in order to increase access while not discouraging innovation.

... and some developing countries are using various TRIPS flexibilities to source medicines effectively

Low- and middle-income countries have used various TRIPS flexibilities to source essential medicines from local production, from imports or from both.²⁷ In some cases, Governments have issued compulsory licenses, i.e., permitting the use of the patent without the authorization of the patent holder on grounds of public health. It is essential that countries retain this instrument as a means to increase competition through the supply of generic medicines and ensure that manufacturers supply them at competitive terms.

A further TRIPS flexibility relates to the criteria for patentability. The Agreement defines no specific criteria; it only requires that an invention must be new, involve an inventive step and be of industrial applicability. This leaves considerable discretion to WTO members as to how to interpret, define and apply these criteria within their national laws.

The original transition period for developing countries to become fully TRIPS-compliant expired in 2005. Least developed countries (LDCs) benefit, however, from an extended transition period that currently runs until 1 July 2021. Pursuant to a decision taken by the TRIPS Council on 11 June 2013, they are thus not required to apply the TRIPS Agreement, other than its non-discrimination rules, in any field of technology, including the pharmaceutical sector.²⁸ In addition, LDCs also benefit from a sector-specific transition period under which they are exempt from providing patent and clinical data protection in the pharmaceutical sector until 1 January 2016.²⁹ In February 2015, the LDC Group requested an extension of this transition period until such time that they

25 Declaration on the TRIPS Agreement and Public Health, adopted on 14 November 2001, Doha WTO Ministerial, available from www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_trips_e.htm.

26 Ibid.

27 See WHO, “Increasing access to HIV treatment in middle-income countries: key data on prices, regulatory status, tariffs and the intellectual property situation”, Geneva, 2014; and “Access to antiretroviral drugs in low- and middle income countries: technical report”, Geneva, 2014, p.24.

28 WTO, “Extension of the transition period under Article 66.1 for least developed country members”, Decision of the Council for TRIPS of 11 June 2013, IP/C/64.

29 WTO, Extension of the transition period under Article 66.1 of the TRIPS Agreement for least developed country members for certain obligations with respect to pharmaceutical products”, Decision of the Council for TRIPS of 27 June 2002, IP/C/25.

are no longer classified as an LDC.³⁰ The request aims at facilitating access to affordable medicines in LDCs. It is motivated by the massive health challenges resulting from communicable and non-communicable diseases in LDCs, their socioeconomic and financial constraints, as well as the lack of an adequate technological base and local manufacturing capacities in the pharmaceutical sector.

In recent decades, India and other countries, have been supplying affordable generic medicines to the world, often when those medicines may have been on patent elsewhere. However, since the expiry of the TRIPS transition periods in many of these countries, and in India in particular, generic manufacturers are no longer able to automatically begin manufacturing new medicines and exporting them. However, opportunities remain for LDCs, owing to their longer transition period, to invest in creating their own manufacturing capacity.

For this reason, expanding local manufacturing capacities may be considered where it can be expected to contribute to the achievement of public health objectives. In this regard, India and Uganda have provided an interesting example of South-South cooperation. That is, Uganda has benefited from a technical and business partnership with experienced Indian generic manufacturers to become a manufacturer of ARV and malaria combination therapies. The transfer of technology in this way, from India to Uganda, with a flow of benefits to neighbouring countries, is facilitated by the fact that Uganda has implemented the flexibility open to it as an LDC to make use of the transition period to become fully TRIPS-compliant as it builds a viable technological base.³¹

The policy challenges of essential medicines

As the burdens of disease and the nature of disease itself continue to evolve, so too do the kinds of medicines, diagnostics and vaccines required to meet the health needs of patients. Along with the challenges of access to health technologies to address the burden of communicable disease, low- and middle-income countries are also increasingly grappling with the rising burdens of non-communicable diseases. Yet newer, patented treatments often carry price tags that are not affordable for the vast majority of patients in low- and middle-income countries. For example, 11 of the 12 new cancer treatments approved by the FDA in 2012 cost at least \$100,000 per patient per year.³² Continued attention to enabling legal and policy environments for pharmaceutical sector innovation and access across

Continuous evolution of health technologies is necessary to address future health challenges

30 See WTO, “Request for an extension of the transitional period under Article 66.1 of the TRIPS Agreement for least developed country members with respect to pharmaceutical products and for waivers from the obligation of Articles 70.8 and 70.9 of the TRIPS Agreement”, Communication from Bangladesh on behalf of the LDC Group, 20 February 2015, IP/C/W/605.

31 Initiative for Global Development, Interview with Emmanuel Katangole, CEO, Quality Chemical Industries, Ltd., available from <http://www.igdleaders.org/igd-interview-emmanuel-katangole-ceo-quality-chemical-industries-ltd/>.

32 See “The price of drugs for Chronic Myeloid Leukemia (CML) is a reflection of the unsustainable prices of cancer drugs: from the perspective of a large group of CML experts,” *Blood*, vol. 121, No. 22, pp. 4439–4442; as well as Shannon Gibson, Hamid R. Raziee and Trudo Lemmens, “Why the shift? Taking a closer look at the growing interest in niche markets and personalized medicine,” *World Medical and Health Policy*, vol. 7, No. 1, pp. 3–27, available from <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC4405057/>.

all health challenges is thus critical to resolve remaining tensions between the system of intellectual property protection for pharmaceutical products on the one hand and international human rights obligations and public health requirements on the other.

Nevertheless, the profit motive for innovation, which the patent system supports, has provided inadequate incentives for research and development into the specific health technologies needed to prevent and treat the diseases that especially afflict developing countries. Of the 1,556 new medicines approved between 1975 and 2004, only 21 (1.3 per cent) were developed for tropical diseases and tuberculosis, which are prevalent in developing countries. Of the 850 new medicines registered between 2000 and 2011, only 37 (4 per cent) were developed for tropical diseases, which are prevalent in low- and middle-income countries, and of these only 4 were approved diseases (3 for malaria, 1 for diarrhoeal disease).³³

Interested stakeholders are increasingly making efforts to explore models to overcome this gap, including ventures not driven by profit, or only partly so. Many different kinds of initiatives have been suggested, including patent pools, public-private partnerships, prize funds, research incentives, tax breaks for some activities and tax levies for others, new donor relationships and strategies, and a globally binding treaty to prioritize and ensure funding for research and development.³⁴ WHO works on the follow-up of the report of the Consultative Expert Working Group on Research and Development: Financing and Coordination, including on the implementation of a number of demonstration projects aimed at developing health technologies for diseases that disproportionately affect developing countries, and for which identified research and development (R&D) gaps remain unaddressed, owing to market failures. The projects must demonstrate effectiveness of alternative, innovative and sustainable financing and coordination approaches to address identified R&D gaps. WHO member states during the World Health Assembly 2015 decided upon the establishment of a pooled fund for voluntary contributions towards R&D for type III and type II diseases and the specific research and development needs of developing countries in relation to type I diseases.³⁵

³³ See Dr. Belen Pedrique and others, “The drug and vaccine landscape for neglected diseases (2000–11): a systematic assessment”, *The Lancet Global Health*, vol. 1, Issue 6, pp. e371–e379.

³⁴ See, for further details, WHO, *Research and Development to Meet Health Needs in Developing Countries: Strengthening Global Financing and Coordination*, Report of the Consultative Expert Working Group on Research and Development: Financing and Coordination, April 2012, available from http://www.who.int/phi/cewg_report/en/.

³⁵ See “TDR plan to manage new pooled R&D fund moves forward”, 25 May 2015, available from http://www.who.int/tdr/news/2015/tdr_manage_pooled_RnD_fund/en/.

Access to new technologies

In the modern world, the use of improved technology is a major driver in increasing the standards of living. The Global Partnership for Development thus put a special emphasis on access of developing countries to new technologies. At the beginning of the millennium, the most rapid and promising technological change appeared to involve information and communication technologies (ICTs). The Millennium Development Goals therefore paid special attention to ICT, as have the MDG Gap Task Force reports.

Over the course of the MDG period, increased access to and use of ICTs have profoundly changed the way billions of people go about their daily lives. Growth in mobile-cellular networks and services, particularly over the last decade and a half, has allowed many people to join the information society. Access to ICTs can be an important enabler of broader development objectives, for instance, through the field known as “e-government” services. Other forms of technological change have also been monitored, if succinctly, in the current series of reports, including those addressing climate change and disaster risks. Indeed, important commitments were made over the past year in both of these areas, as well as in ICT.

New international commitments

In September 2014, the United Nations hosted the Climate Summit, during which world leaders committed to take urgent action to limit the rise in global temperature to less than two degrees Celsius.¹ In addition to pledges by individual Governments, coalitions of Governments, businesses and civil society announced ambitious plans, including the intent of financial institutions, banks, insurance companies and pension funds to mobilize over \$200 billion for financing low-carbon and climate-resilient development, much of which will embody providing access to new technologies. The Summit aimed to raise ambition, mobilize resources, and generate action towards a universal climate agreement, which will be taken forward during the 21st Session of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) in December 2015, in Paris, France.

Also in September 2014, at the Third International Conference on Small Island Developing States (SIDS)—which adopted the Small Island Developing States Accelerated Modalities of Action (SAMOA) Pathway to guide genuine and durable partnerships towards sustainable development (A/CONF.223/3)—more than 300 new partnerships were registered, addressing a wide range of priority areas including access to technologies. For instance, the SIDS Lighthouse Initia-

The international community has made several new commitments related to access to technologies

¹ See Chair’s Summary, 2014 Climate Change Summit, available from <http://www.un.org/climatechange/summit/2014/09/2014-climate-change-summary-chairs-summary/>.

tive, developed by the International Renewable Energy Agency, will seek to raise \$500 million to assist small island developing States in increasing their share of energy from renewable sources, enabling them to meet or exceed their renewable energy targets. Other initiatives included the South-South Technology Transfer Facility for SIDS, which will mobilize nearly \$5 million to transfer technology in areas such as health and agriculture; other programmes will strengthen the ability of SIDS to manage the anticipated consequences of climate change.²

In November 2014, a global agenda to shape the future of the ICT sector was unanimously adopted by Governments attending the 2014 Plenipotentiary Conference of the International Telecommunications Union (ITU). The Connect 2020 Agenda for Global Telecommunication/ICT Development (Resolution 200 (Busan, 2014), Annex) is an ambitious new framework with a set of 4 goals and 17 targets to be achieved by 2020, covering the areas of ICT growth, inclusiveness, sustainability, and innovation and partnership. A concrete plan to implement the agenda will help prioritize the work of ITU and its membership and help realize the vision of an interconnected world.

Among the decisions reached at the Lima Climate Change Conference in December 2014 was to elevate concern about adaptation to climate change, as by agreeing to give greater visibility to national adaptation plans (NAPs) and to consider how the Green Climate Fund could support formulation and implementation of country NAPs. A work programme was also established under the Warsaw International Mechanism on Loss and Damage, aiming to enhance the understanding of how loss and damage due to climate change affects particularly vulnerable developing countries and populations including those of indigenous or minority status.³

Further, the international community adopted the Sendai Framework for Disaster Risk Reduction 2015–2030 at the Third World Conference on Disaster Risk Reduction held in Sendai, Japan, 14–18 March 2015. The World Conference was attended by over 6,500 participants, including 2,800 government representatives from 187 Governments. The Sendai Framework underscores the importance of enhancing the access of States to environmentally sound technology, supported by financing from a variety of international sources on concessional and preferential terms as mutually agreed. The Framework builds on the lessons learned from the Hyogo Framework for Action 2005–2015, noting that disasters continue to undermine efforts to achieve sustainable development. Over the last ten years 700,000 people lost their lives in disaster events, 1.4 million were injured, and approximately 23 million were made homeless as a result of disasters. The economic loss from major disaster events was more than \$1.3 trillion during the period.⁴

2 For a complete listing of partnerships, see <http://www.sids2014.org/index.php?menu=1601>.

3 See United Nations Framework Convention on Climate Change (UNFCCC), “Report of the Conference of the Parties on its twentieth session, held in Lima from 1 to 14 December 2014, Addendum, Part two: Action taken by the Conference of the Parties at its twentieth session”, Decisions 2/CP.20 and 3/CP.20.

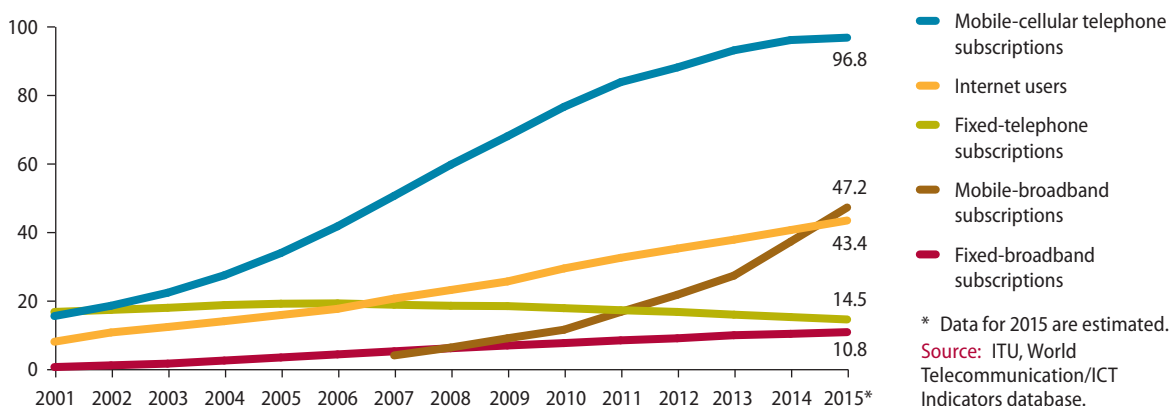
4 United Nations, General Assembly, “Sendai Framework for Disaster Risk Reduction 2015–2030”, A/CONF.224/L.2, paras. 4, 46 and 47.

Trends in ICT services and Internet usage

As per MDG 8, the main focus in monitoring the diffusion of new technologies to developing countries has been with respect to ICT. Growth in mobile-cellular networks and services since 2000 has been dramatic. The number of mobile-cellular subscriptions in the world is estimated to grow to just over 7 billion by end-2015 and more than 95 per cent of the world's population will be covered by a mobile-cellular signal. At the same time, there are 43 Internet users per 100 inhabitants in the world. However, as mobile-cellular penetration rates refer to number of subscriptions, not number of unique subscribers, users or owners, the statistic can be misleading. In line with recent trends and partly due to the growth of the mobile market, the number of fixed-telephone subscriptions continues to fall.

In general, access to ICT has continued to increase

Figure 1
Global trends in access to ICT, 2001–2015 (per 100 inhabitants)



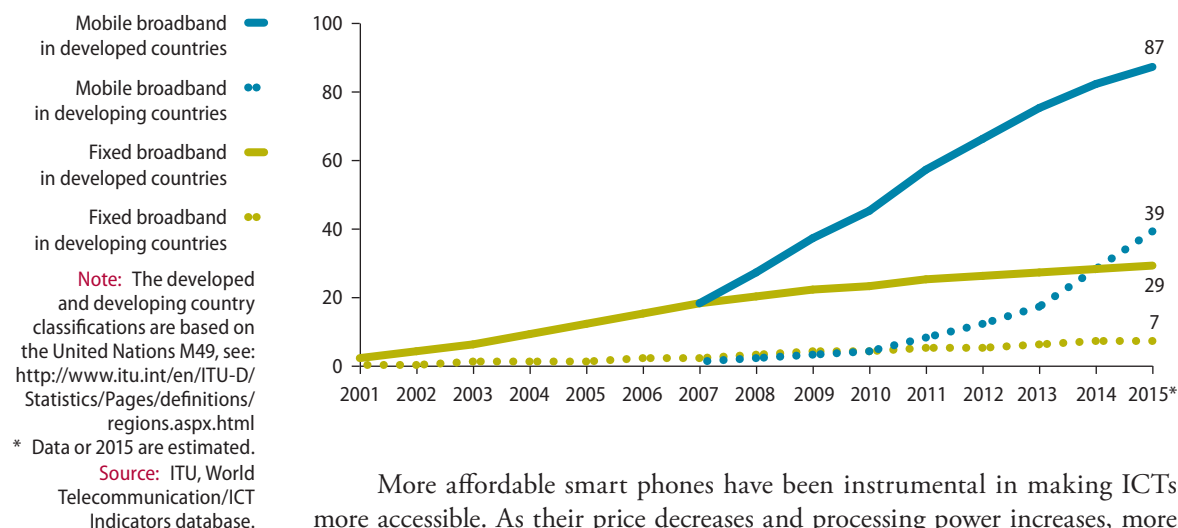
Advances in fixed- and mobile-broadband technologies and services have made Internet access better and faster, and opened up new opportunities in terms of services and applications. By end-2015, global fixed and mobile broadband penetration had reached 11 and 47 per 100 inhabitants, respectively (figure 1). Mobile broadband, in particular, has helped to bring high-speed data services to remote and previously unconnected areas.

Internet access has become better, faster and more widespread over time...

Broadband networks and services are showing similar patterns of growth in developed and in developing regions, albeit with developing countries lagging behind. Fixed-broadband penetration has reached relatively mature levels in developed regions, where penetration stood at 29 per 100 inhabitants in 2015, and where growth rates continued to be modest, at around 3 per cent. In developing regions, fixed-broadband penetration growth rates have slowed down and remain sluggish. Penetration remains very low, at less than 1 per cent, in the least developed countries (LDCs). In contrast, there has been strong growth in mobile-broadband subscriptions in both the developed and developing world (figure 2). Mobile broadband is the fastest growing market segment, with double-digit growth rates again in 2015 and an estimated global penetration of 47 per cent, which is four times higher than the rate observed just five years earlier. Mobile broadband is growing fastest in developing regions, where 2015 growth rates were 7 times as high as in developed regions, albeit from a lower base.

...but a digital divide between developed and developing countries persists

Figure 2
Fixed (wired)-broadband and mobile-broadband subscriptions in developed and developing countries, 2001–2015 (per 100 inhabitants)



More affordable smart phones have been integral to increased access to ICTs...

...but the majority of the world still lacks access to the Internet

More affordable smart phones have been instrumental in making ICTs more accessible. As their price decreases and processing power increases, more and more people are purchasing this technology. Its ability to instantly deliver tailored content on a multitude of topics—from banking to transport to education to health—makes it a hugely valuable link for users.

However, many people in the world are still not able to benefit from the advantages of the information society. Inequalities in access between economies and within economies persist, regarding not only ICT access but also the quality of service and the content available through ICT sources. This effectively creates a divide between those with nearly ubiquitous access to an increasing amount of content using high-speed networks and those with limited or no access. Despite estimated mobile-cellular penetration reaching a global rate of almost 97 per 100 inhabitants in 2015, penetration in LDCs stood at 64 per 100 inhabitants and an estimated 450 million people residing in rural areas were not within reach of a mobile signal. Many people in low- and middle-income countries—disproportionately women⁵—do not own or use a mobile phone.

Globally, approximately 57 per 100 inhabitants are not using the Internet. As long as more people are offline than online, it is not possible to talk about a global information society. Just over one third of the population in developing countries is using the Internet, compared to about 82 per 100 inhabitants in developed countries (figure 3). Less than 20 per 100 inhabitants in sub-Saharan Africa and only about one out of ten people in LDCs are online.

Huge differences also exist in terms of households with Internet access. In 2015, an estimated 46 per cent of households worldwide had home Internet access, with 82 per cent of households in Europe having Internet access, compared to only 11 per cent in Africa (figure 4).

⁵ Survey data indicate that 41 per cent of females compared to 48 per cent of males own a mobile phone in low- and middle-income countries, making for a gender gap of 200 million women (see, GSMA Connected Women Global Development Alliance, “Connected Women 2015—Bridging the gender gap: mobile access and usage in low and middle-income countries”).

Figure 3
Internet users per 100 inhabitants, 2001–2015

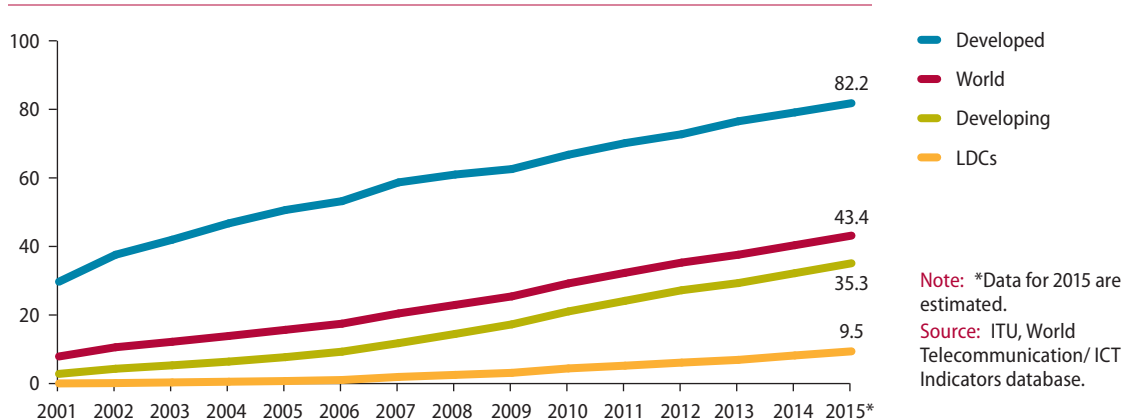
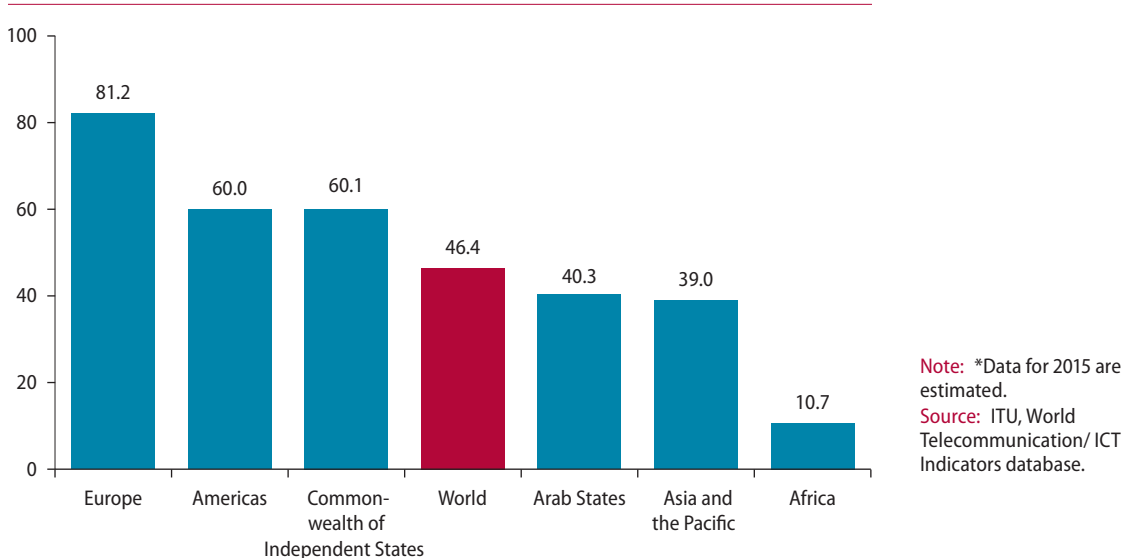


Figure 4
Households with Internet access, by region, 2015* (percentage)



Mobile-broadband technologies and networks have been able to extend ICT access from urban to rural and remote areas. However, in several low-income countries, difficulties such as limited international Internet bandwidth and weak national backbone capacities hinder the provision of affordable, high-speed Internet, particularly in small-island and landlocked developing States. These differences have concrete impacts on the speed and the quality of the Internet connection, and on the types of services and applications that users can access. This limitation will not only affect the type of Internet access that citizens can subscribe to at home, but also poses serious constraints on the development of businesses.

In several of the poorest countries in the world, disparities are aggravated by comparatively greater costs for ICT services, low ICT capabilities, and absence of local, relevant content. On the one hand, the amount of Internet content is growing rapidly, including user-generated content such as social media. On the other hand, available data on the origin of content suggests that major digital divides

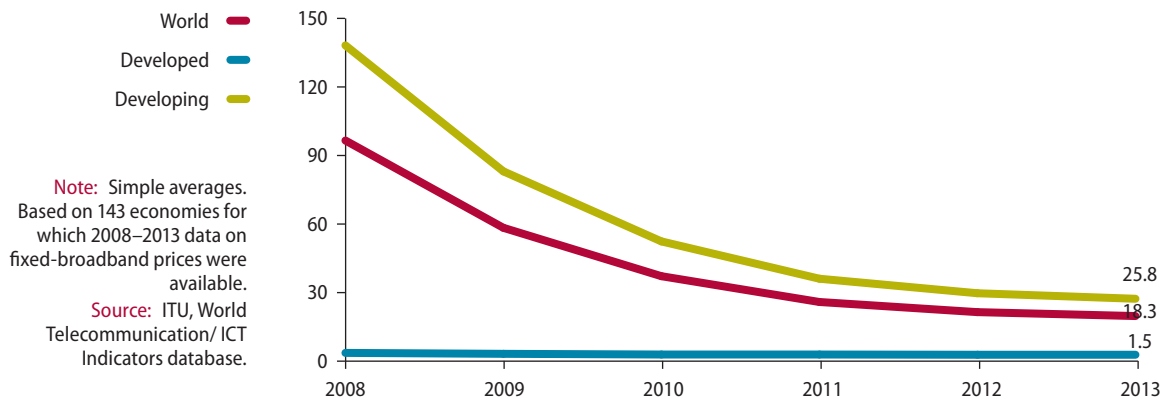
The relatively high cost of ICT services still hampers usage in developing countries

exist and that the majority of content is created in developed countries. In addition, Internet content continues to be dominated by a small number of languages, making it less relevant for people who do not speak one of those dominant languages.

Recognizing the importance of making ICT services affordable, many countries have taken regulatory steps to increase competition to reduce prices for ICT services. The Broadband Commission for Digital Development identified a specific target on broadband affordability for entry-level services as “less than 5 per cent of average monthly income” to be attained by 2015.⁶ Fixed-broadband prices have dropped significantly, in particular in developing countries, where in 2008 prices represented close to 140 per cent of per capita gross national income (GNI), compared to 26 per cent in 2013. Yet the average price of services remains relatively high in many of the world’s poorest countries. By 2013, close to 100 countries, including about 60 developing countries had reached the affordability target. However, in close to 20 countries, mainly from sub-Saharan Africa, prices remained very high, representing more than 50 per cent of per capita GNI. Despite major progress in making broadband more affordable, more efforts must be made to lower prices even further, particularly in countries where services are most needed but remain least affordable.

Figure 5

Fixed broadband prices, by level of development, 2008–2013
(percentage of GNI per capita)

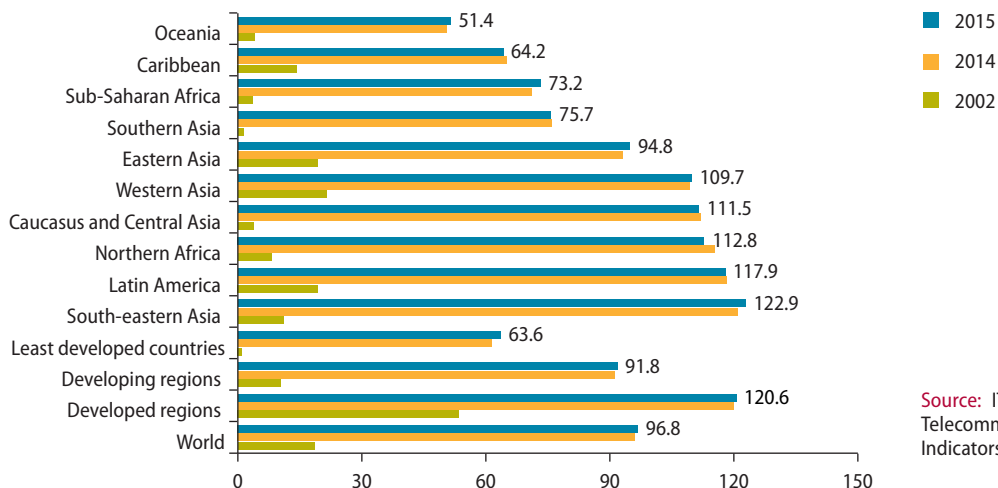


Mobile-cellular subscriptions have grown over the MDG period...

The number of mobile-cellular subscriptions per 100 inhabitants has increased dramatically during the MDG period 2000–2015. Estimated subscriptions by end-2015 remain the lowest in Oceania, with 51 per 100 inhabitants, followed by the Caribbean and sub-Saharan African regions, at 64 and 73, respectively. Several developing regions are expected to reach a level of penetration close to that of developed regions, which is estimated at 121 for end-2015. South-Eastern Asia is likely to exceed developed regions with its ratio of 123 subscriptions per 100 inhabitants (figure 6).

⁶ Broadband Commission for Digital Development, International Telecommunication Union (ITU) and United Nations Educational, Scientific and Cultural Organization (UNESCO), “Broadband targets for 2015”, available from http://www.broadbandcommission.org/Documents/publications/Broadband_Targets.pdf.

Figure 6
Number of mobile-cellular subscriptions per 100 inhabitants, 2002, 2014 and 2015



Source: ITU, World Telecommunication/ ICT Indicators database.

During the MDG period, the importance of fixed-telephone subscriptions in several sub-regions remained stable or declined. The declining trend was observed particularly in developed regions where subscriptions have decreased from 49 per 100 inhabitants at the beginning of the millennium to an estimated 39 at the end of 2015. In developing regions, the number of fixed-telephone per 100 inhabitants remained virtually unchanged during the MDG period, from 9.8 in 2002 to an estimated 9.4 by the end of 2015.

Addressing the difficulties of affordability and marked differences in subscription and access across developed and developing regions will prove crucial in the construction of a truly global information society. ICTs can be key tools in the delivery of sustainable development and powerful allies in the management of diseases and natural disasters, helping with monitoring, mitigation and adaptation. During the recent Ebola outbreak, for instance, response mechanisms were improved by tracking population movements using ICTs.

Diffusion of e-government services

ICTs are finding increased use in delivering government information and services to citizens, a practice known as e-government. It promises to enhance efficiency, effectiveness, transparency, accountability, access to public services and citizen participation. To monitor and support progress in adoption of e-government practices over time, the United Nations Department of Economic and Social Affairs has developed the *United Nations e-Government Survey*, whose quantitative findings on three dimensions are combined into a composite indicator, the e-Government Development Index (EGDI).⁷ EGDI also serves as a proxy indicator for efforts made by Governments to liaise with civil society and the private sector through means of ICTs for service delivery, e-participation and accountability.

...while the importance of fixed-telephone subscriptions has waned

ICTs are proving useful for delivering e-government services

⁷ The e-Government Development Index (EGDI) is a weighted average of three normalized indices covering (i) scope and quality of online services, (ii) development status of telecommunications infrastructure, and (iii) human capital. See United Nations and American Society for Public Administration, "Benchmarking e-government: a global perspective", available from <http://unpan3.un.org/egovkb/Portals/egovkb/Documents/un/English.pdf>.

The global index increased from 0.4020 in 2003 to 0.4712 in 2014 (figure 7), amid considerable national variation. The most recent *Survey* shows increased e-government development in all regions, albeit not in all subregions (figure 8).⁸ Nevertheless, by 2014 all 193 United Nations Member States had an online presence through official government websites (national portals). The *Survey* also documents how Governments across the globe are undertaking a process of transformative reform in the design and implementation of innovative e-practices.

Figure 7

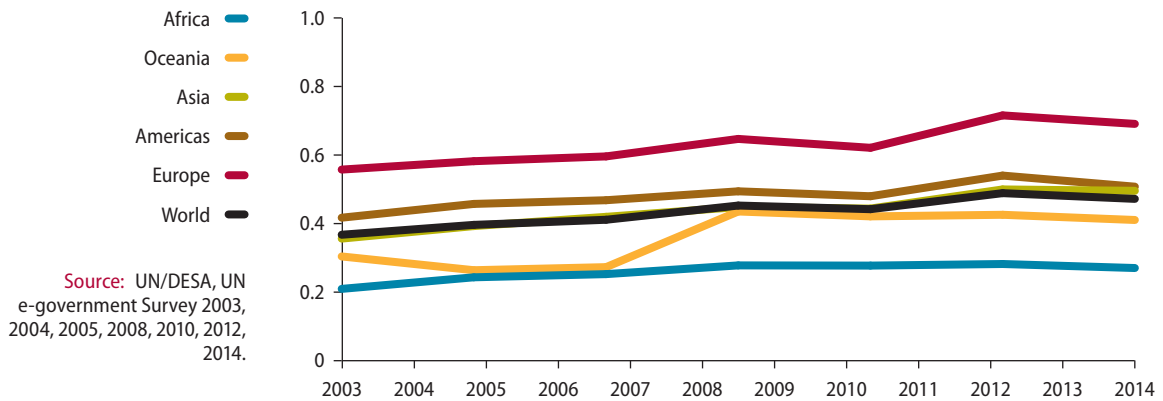
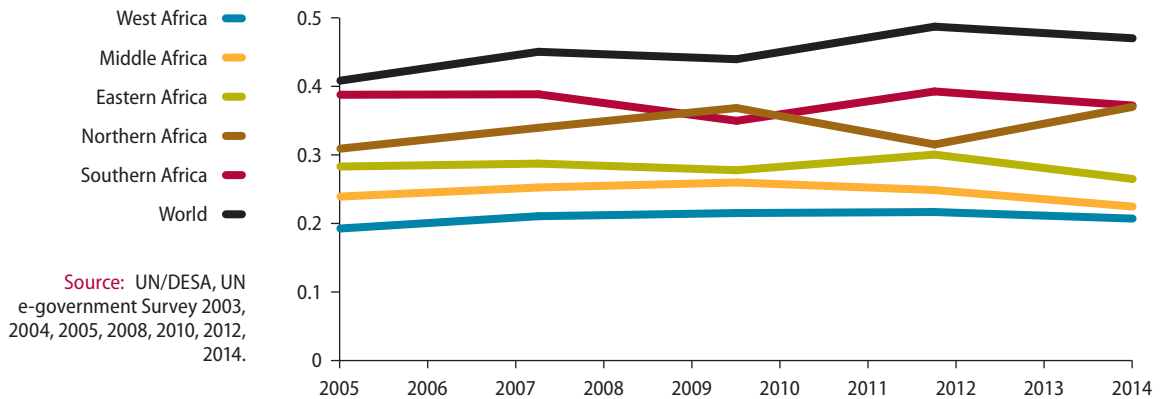
e-Government Development Index, 2003–2014

Figure 8

e-Government Development Index, 2005–2014: World and African sub-regions

In addition, the Survey looked into connections between national portals and the Ministries of finance, health, education, labour and social services, indicating global progress in these areas, and assessing their online presence according to four developmental stages: emerging, enhanced, transactional and connected. Moreover, between 2012 and 2014, the number of Governments offering mobile

⁸ The EGDI in Asia shows an increase in all sub-regions except Southern Asia. In Africa, Northern Africa shows an increase while Eastern, Middle, Southern and Western Africa show a decrease. See *United Nations e-Government Survey 2014: e-Government for the Future We Want* (United Nations publication, Sales No. 14.II.H.1).

apps and mobile portals doubled to nearly 50, while 130 countries publish parts of their budgets online. There are 118 Governments officially using social media while 75 put their e-participation policy online, demonstrating potential for enhanced civic engagement.

Technologies for disaster risk reduction

The Sendai Framework, noted above, places a strong emphasis on tackling the underlying drivers of disaster risk such as poverty and inequality, climate change and variability, eco-system decline, unplanned and rapid urbanization, and poor land management. It notes a comprehensive set of factors compounding risks, including the limited availability of technology. It defines seven global targets: (i) reduce disaster mortality; (ii) reduce the number of people affected; (iii) reduce the direct economic losses; (iv) reduce damage to critical infrastructure and basic services; (v) increase the number of countries with disaster risk reduction strategies; (vi) enhance international cooperation with developing countries; and (vii) increase the access to early warning systems.

The development and implementation of early warning systems was one area under the Hyogo Framework for Action 2005–2015, the predecessor to the Sendai Framework, where the most progress was made. Improvements in risk monitoring and forecasting, satellite data quality and increasing computer power and connectivity resulted in a transformation of early warning across the globe. Mobile phone penetration, coupled with the growing sophistication of hydro-meteorological monitoring and forecasting, has driven this transformation, particularly in low-income countries. Mobile phone coverage has dramatically increased the potential to disseminate timely warnings directly to those at risk and to support peer-to-peer warning.⁹

Despite the considerable progress, gaps remain: integration of comprehensive risk information into hazard warning information is still weak, as is information and support for action beyond evacuation. Early warning continues to prioritize monitoring and forecasting hazards, with less consideration given to exposure and vulnerability in explaining risk levels. Related to this, is the absence of value-added early warning information—that which goes beyond the alert to provide information on the level or risk and local context, and to support hazard-exposed households and communities in managing their risks as well as their vulnerability and resilience. In addition, many low-income countries are challenged to maintain the necessary technical and institutional infrastructure.¹⁰

International cooperation and global partnership needs to address the disparity in technological innovation and research capacity among countries in order to enhance technology transfers through facilitating flows of skills, knowledge, ideas, know-how and technology from developed to developing countries. A particularly important means of implementation would be promotion of the use of global technology pools and global systems to share know-how, innovation and research and to ensure access to technology and information in disaster risk reduction.

Disaster risk reduction efforts have benefitted from improved access to ICTs

⁹ United Nations Office for Disaster Risk Reduction (UNISDR), *Making Development Sustainable: The Future of Disaster Risk Management*, Global Assessment Report on Disaster Risk Reduction, Geneva.

¹⁰ Ibid.

Facilitating access to new technologies for low carbon, climate-resilient development

International efforts seek to enhance the development and transfer of climate technologies

Overcoming barriers to technology transfer for climate change mitigation and adaptation has been a priority for the international community ever since the Rio Summit in 1992. Acknowledging the need to accelerate the deployment of climate change mitigation and adaptation technologies, the Parties to the UNFCCC thus committed in the COP 15 in Copenhagen in 2009 to establish a Technology Mechanism. Its operational arm, the Climate Technology Centre and Network (CTCN), established by COP 17 in Durban in 2011, stimulates technological cooperation to enhance the development and transfer of climate technologies. The Centre assists developing-country Parties at their request, consistent with their respective capabilities and national circumstances and priorities, to build or strengthen their capacity to identify technology needs, and to facilitate the preparation and implementation of technology projects and strategies, with a view to supporting concrete action on mitigation and adaptation that will lower emissions and climate-resilient development.

The Centre, hosted by the United Nations Environment Programme in collaboration with the United Nations Industrial Development Organization, is supported by 11 partner institutions. It works to reduce the risks and costs of technology development and transfer. It facilitates the transfer of technologies through (i) providing technical assistance to accelerate the transfer of climate technologies; (ii) creating access to information and knowledge on climate technologies; and (iii) fostering collaboration among climate technology stakeholders via the Centre's network of regional and sectoral experts from academia, the private sector, and public research institutions. It also collaborates closely with financial institutions to spur climate technology deployment. Blending of technical assistance with the financial services from specialized institutions creates an ensemble of integrated services at the disposal of developing countries.

Services of the Centre are targeted at any of the stages of the technology innovation process, ranging from research and development to market deployment. Developing countries have requested technical assistance in mitigation, adaptation or both combined. Requests have stemmed from all regions and from low-, middle- and upper-income countries and pertain to a broad range of technologies, from energy, water and waste management and efficient transport to agriculture, fisheries, biodiversity and water harvesting.¹¹

By the end of 2014, the CTCN had received 40 requests, 20 of which were deemed eligible and were formally submitted, while others were under discussion. Implementation of the first technical assistance projects has begun. Requests had originated from across Asia, Eastern Europe, Latin America and the Caribbean, and sub-Saharan Africa. Most requests came from individual countries, though some were multi-country requests. In addition, liaison is undertaken with global

¹¹ More information about requests from developing countries may be found at www.ctc-n.org as well as UNFCCC, "Joint annual report of the Technology Executive Committee and the Climate Technology Centre and Network for 2014", FCCC/SB/2014/3, 27 October 2014. See also Jukka Uosukainen, "The effort to transfer climate technologies", presentation at the United Nations General Assembly Dialogue on Technology, 30 April 2014, available from <https://sustainabledevelopment.un.org/content/documents/9937Uosukainen.pdf>.

and regional development banks, the Adaptation Fund and the Green Climate Fund in order to link timely provision of technical assistance with financing of climate projects.

In addition, the Centre's knowledge management system provides access to climate adaptation and mitigation technology resources, tools, reports and online training opportunities via an open data platform. It works with leading global, regional and national knowledge brokers specializing in climate and development information.

Regional training workshops seek to build capacity with national focal points for activities on climate change technology development and transfer in their respective countries and requests have emanated in particular from countries participating in the CTCN projects. Individuals trained thus far have come from 119 countries in Asia, Africa, Latin America, Eastern Europe, the Middle East, including from SIDS. In addition, online training resources, specifically targeted at national designated entities, provided an overview of climate technologies for adaptation and mitigation purposes across various sectors. The international community may wish to consider scaling up initiatives promoting access to new technologies as more experience is gained.

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