

## Executive summary

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

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

### Official development assistance

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

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

programmes has increased by over 50 per cent (in constant prices) since its low of 1997 and by nearly 30 per cent since 2000—the year of the Millennium Declaration—but the pace of this increase has slowed dramatically since 2005.

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

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

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

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

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

## Market access (trade)

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

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

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

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

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

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

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

## Debt sustainability

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

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

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

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

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

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

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

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

## Access to affordable essential medicines

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

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

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

At the **national level**:

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

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

**At the global level:**

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

## Access to new technologies

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

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

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

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

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

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