

# G7

## Perspectives from

José Manuel Barroso • David Cameron

Angela Merkel • Barack Obama

François Hollande • Abdalla Salem El-Badri

Donald Kaberuka • Anthony Lake • Guy Ryder

Angel Gurría • Mukhisa Kituyi • Ronald Noble

Achim Steiner • Hamadoun Touré

Kanayo Nwanze • Ertharin Cousin

Valerie Amos • John Kirton

THE BRUSSELS SUMMIT

JUNE 2014

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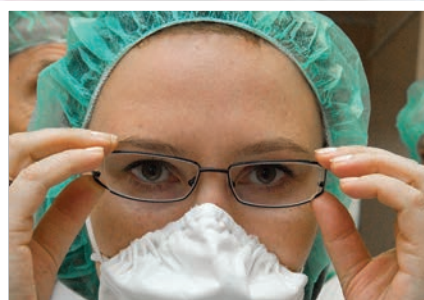
# Fighting Smart in the Battle Against MDR-TB

Multidrug-resistant tuberculosis is increasing; its symptoms devastating. But through education, empowerment and efforts to improve access to quality medicines, the Lilly MDR-TB Partnership is improving health outcomes of those affected by TB around the world



## India

Shardaben and Jyotiben are former TB patients from a village in Gujarat, India. Here they share their experiences with other women during an awareness session hosted by the Self Employed Women's Association (SEWA), which is supported by the Lilly MDR-TB Partnership. Other projects focus on educating healthcare providers, such as local pharmacists, to support India's treatment programme.



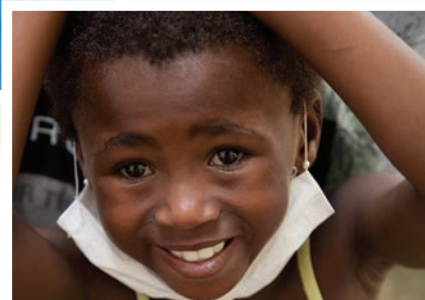
## Russia

The Lilly MDR-TB Partnership has collaborated with Partners in Health for many years to provide training and support services in Tomsk, a remote region of Siberia. These best practice learnings are now being applied in other regions to train doctors and nurses in MDR-TB infection control. By empowering nurses, it is possible to free up the doctors' time to deal with the most serious cases.



## China

Doctors in China inspect a chest x-ray from a person suspected to have TB. The doctors had attended a training course on MDR-TB, hosted by the Chinese Medical Association and World Medical Association, and supported by the Lilly MDR-TB Partnership. The work also includes support of six pilot centres to develop and show effectiveness of training and engagement of local healthcare professionals.



## South Africa

Every day, this young girl accompanies her mother to a clinic in Cape Town's impoverished Gugulethu suburb so her mother can receive TB medication. The child wears a mask while sitting in the clinic's waiting room to avoid inhaling TB bacteria from patients waiting to be attended to. As in Russia, part of the Lilly MDR-TB Partnership's South African work focuses on educating and empowering nurses.

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SYLVAIN SONNET/GETTY IMAGES

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In the rapidly globalizing world of the 21st century, the Group of Seven major market democracies serves as an effective centre of comprehensive global governance. G7 members – the United States, Japan, Germany, the United Kingdom, France, Italy, Canada and the European Union – contain many of the world's critical capabilities and are committed to democratic values. At its annual summit and through a web of G7-centred institutions at the ministerial, official and multi-stakeholder levels, the G7 does much to meet global challenges, especially in the fields of security, development and economics.

The G7 Research Group and the G8 Research Group are global networks of scholars, students and professionals in the academic, research, media, business, non-governmental, governmental and intergovernmental communities who follow the work of the G7, the G8 and related institutions. The groups share a mission to serve as the world's leading independent sources of information, analysis and research on the G7/8. Founded in 1987, they are managed from Trinity College and the Munk School of Global Affairs at the University of Toronto. Professional Advisory Council members, Special Advisors and participating researchers span the world. Through the G7 and G8 Research Groups, Trinity's John W. Graham Library has become the global repository of G7/8 documents, transcripts, audiotapes, media coverage, interviews, studies, essays, memorabilia and artifacts.

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# History belongs to those who embrace the future

**José Manuel Barroso, president of the European Commission, outlines the support that Europe is giving in aid of a stable, sovereign, democratic and peaceful Ukraine**

**U**kkraine can count on the European Union, now and in the future. Our meeting [with members of the Ukrainian Government at the European Commission on 13 May 2014] was a very successful one. It was an unprecedented one – it is the first time the European Commission is meeting with another government outside of the European Union that has an association agreement with us. And I think we can say there was a great convergence and the spirit was really friendly and constructive.

The situation we are seeing in Ukraine is, of course, of the greatest concern. First of all, for the Ukrainian people, but I believe it is also the greatest challenge to Europe's security since the fall of the Iron Curtain and the fall of the Berlin Wall.

It is therefore critically important that we stop the spiral of political and security escalation that we have seen over recent weeks. We need to build on the diplomatic efforts agreed in the Geneva statement and continued by the OSCE [Organization for Security and Co-operation in Europe].

The so-called referendum held in Ukraine's eastern regions is illegitimate and illegal. We will not recognise its outcome. The rights of national minorities and all persons need to be respected and upheld, but in the framework of a united and unitarian Ukrainian state.

I have made clear to Prime Minister Yatseniuk that we support all efforts made by the Ukrainian Government to promote a broad-based and inclusive national dialogue with all regions, in particular on the issue of constitutional reform.

The Ukrainian system of government, the election of the next president of Ukraine and agreements with third countries are decisions for the Ukrainian people to freely decide, without external interference.

The doctrine of limited sovereignty should belong to history books. And history belongs to those who embrace the future, not to those who try to hijack it.

From the very beginning, our policy regarding the crisis in Ukraine had a very important central objective: to support a viable, sovereign state of the republic of Ukraine; to support a democratic, stable, united and prosperous country. This is our first goal looking to the response to the crisis.

## Measures to support Ukraine

Our joint meeting today was therefore part of our continued support to this stable, sovereign, democratic and peaceful Ukraine.

We are acting like never before to deliver short-, medium- and long-term support measures worth €11 billion – measures that I

presented to you here in early March. Today, we have gone through this package and our joint European Agenda for Reform in detail and identified ways to support the political, economic and financial stability of Ukraine. Specifically, the new State Building Contract programme I just signed with the prime minister, worth €355 million, plus €10 million to support civil society, will help the Government of Ukraine to address short-term economic stabilisation needs and implement governance reforms in order to promote inclusive socio-economic development. This State Building Contract includes concrete steps towards building transparency and fighting against corruption, and will help to increase the government's ability to respond to citizens' demands and needs.

Another major deliverable of today's meeting was the conclusion of the Memorandum of Assistance to Ukraine that is necessary to give effect to the €1 billion Macro Financial Assistance loan programme. The EU will soon disburse the first package of €600 million of a total amount of €1.6 billion of Macro Financial Assistance.

## *The rights of national minorities and all persons need to be respected and upheld, but in the framework of a united Ukrainian state*

These two specific actions come on top of a wide range of the European Commission's assistance to Ukraine in other areas, such as the elimination of customs duties on goods originating from Ukraine – worth nearly €500 million per year in tariff reductions; and the signature of the Memorandum of Understanding enabling gas flows from Slovakia to Ukraine, which was an important first step to diversify Ukraine's sources of gas supply. I was present in the signature of this memorandum in Bratislava recently. And the European Commission, as you know, is holding trilateral energy talks with Ukraine and Russia aimed at safeguarding the security of supply and transit of gas to and through Ukraine.

Another point is the work conducted by the Commission, endorsed yesterday by the Foreign Affairs Council, to give effect to our policy of non-recognition of Crimea's annexation by Russia.

And we are working together on many other areas, for example visa liberalisation, aviation and research.

Today ... our focus has been on the support we can give to Ukraine. Let me add a word on the actions of Russia. Our message to Russia is to engage, to implement its part of the Geneva statement, to repeal the mandate of the Federation Council to use force on Ukrainian soil and to act as a responsible stakeholder of our community of nations. Together with the prime minister, before the executive-to-executive meeting, we have also analysed the situation there. My opinion is that it is still not too late if Russia wants to work constructively. I believe it is in the interest of everybody in Europe, including Russia, to cease this kind of action and that we can turn back this page and that we can in fact come to a real de-escalation of this conflict.



European Commission president José Manuel Barroso has declared his support for the Ukrainian Government's efforts to promote an inclusive national dialogue



DEAN MOUTARPOPOULOS/GETTY IMAGES

After the signing in March of the political chapters of our Association Agreement, today's meeting shows the EU and Ukraine are jointly committed to working together towards Ukraine's political association and economic integration with the EU.

Closer association between the EU and Ukraine was something we proposed to, not imposed on, Ukraine and its people.

And we remain committed to concluding the signature procedure of the remaining chapters of the Association Agreement as soon as possible after the presidential elections on 25 May. We received clear assurances from the Ukrainian side that it is exactly the goal

of the Ukrainian authorities. As I have said in the past, this agreement was never an agreement against someone, but for something: for democracy, prosperity and well-being of all the Ukrainian people. And we continue to stand by these goals. ■

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*Excerpts from the press statement by European Commission president José Manuel Barroso after the visit of Prime Minister Arseniy Yatseniuk and members of the Government of Ukraine, Brussels, 13 May 2014*



# Building trust in global supply chains



By **Philippe Amon**  
Chairman & CEO, SICPA

**S**afe international trade is essential for the economic growth governments are currently seeking, but it is threatened by the ever-evolving asymmetrical threat of fraud and illicit activity. These crimes, be they through sale of counterfeits, contraband, tax evasion, avoidance of quality controls or theft of intellectual property, damage government revenues, undermine policies and put public health and citizens' well-being at risk.

International cooperation is crucial to tackling the issue, as are clear policies

and a strong framework at national level. Leading governments are well-placed to set a positive example by being ambitious in this area – ensuring their individual and collective approaches take advantage of the best new solutions available and by setting an example of proactive cooperation. There is a win-win to be achieved through putting in place robust national systems that can be linked across borders to build an interoperable international network.

SICPA is at the forefront of those in the private sector investing in developing up-to-date tools for governments so they can meet these challenges now and in the future. Our SICPATRACE® platform is designed to accommodate a broad range of products, to protect licit industries and help promote the conditions suitable for economic development and investment.

Our approach builds on our long experience providing security inks and security features to protect bank notes and through working in partnership with governments. SICPA has developed a modern toolbox that can be implemented in a modular way and adapted to take account of national needs and priorities. At the core of the approach is secure track and trace, which provides transparency and

control for governments across the length of complex supply chains that criminals are so adept at exploiting.

## **Digital technology needs to be complemented by material-based security**

Secure track and trace is based on marking legitimate products securely so as to guarantee authenticity and give each item a unique identity, so that it can be monitored through its life cycle from manufacturer to consumer. Digital technology is essential for monitoring and for the full exploitation of data, but to protect against the vulnerabilities of cyberspace, secure marking needs to use material-based features such as high-security inks.

To meet government needs, a secure tracking and tracing system should be modular and adaptable to a wide range of products – be they excisable goods, consumables likely to be fraudulently traded, medicines or sensitive equipment. At each stage there are benefits. At the beginning of the supply chain benefits include production control, which tackles the mis- or under-declaration that results in tax losses. There are further tax and health gains from preventing diversion frauds, adulteration and illegitimate repackaging. At inspection stages





## About SICPA

Founded in 1927 and headquartered in Lausanne Switzerland, SICPA is a trusted provider of secured identification, traceability and authentication solutions and services to central banks, governments and high-security printers around the world. High-technology security inks are at the core of the company's expertise and for more than 60 years SICPA has been at the forefront of research and innovation in this area.

SICPA inks and security features protect the majority of the world's bank notes, security and value documents

from counterfeiting and fraud. They range from inks developed for specific printing processes to solutions adapted for varnishing and theft-deterrence systems.

SICPA Government Security Solutions integrates material-based security features and digital technology to offer solutions and services to governments, ensuring product authentication, traceability and protection as well as tax reconciliation and production controls.

Operating on five continents, SICPA is a global company supporting governments in more than 200 countries.

there are tools to counter corruption. Business intelligence, risk profiling and reporting modules exploiting 'big data' ensure best use of enforcement resources. Real-time information of evidential quality improves the 'hit rates' of enforcers for seizures and prosecutions.

### Implementation requires a holistic approach and expertise

SICPA knows from its extensive practical experience in countries across the globe that implementing a successful control system requires a holistic approach and proven expertise. It needs to address the needs of all stakeholders so that implementation is not slowed by unnecessary resistance. Permissive legislation needs to be in place. A good

system is unintrusive and has minimal impact on production processes – it copes with difficult industrial environments. The integrity of data capture is crucial – it has to be highly accurate and the means acceptable to all supply chain actors. It has to be collected and stored in a way that respects commercial sensitivities but which nevertheless allows governments to reap the benefits of 'big data' manipulation. It requires a fully reliable and secured system of aggregation so that, for example, a bulk package does not require unpacking. Checks by the authorities need to be quick and easy, compatible with trade facilitation schemes based on AEO and contain anti-corruption safeguards.

The cost of illicit trade is high. The benefits of combating it are significant.

The technology now exists to do so successfully. It is a tool par excellence of good governance. We stand ready to support governments to make it happen!



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# Bringing the benefits of globalisation home

**The core values of Britain's liberal democracy are vital foundations for commercial success, UK prime minister **David Cameron** told the World Economic Forum**

**T**he key challenge for politicians and business leaders in Europe is how we make a success of globalisation ... If we engage in the right way, if we get the fundamentals of our economies right, sort out our debts, maximise our competitiveness and build on our strengths, then globalisation offers our businesses the chance to win new contracts to export into markets that were previously closed and create jobs fulfilling the demands of new consumers thousands of miles away.

Indeed, if we make the right decisions, we may also see more of what has been a small but discernible trend where some jobs that were once offshored are coming back from East to West ...

All of this is about the same purpose. Securing sustainable, well-paid jobs. Giving people pride in using their skills. Offering workers a chance to make world-beating products. Bringing more of the benefits of globalisation home and ensuring those benefits are felt by hard-working people in terms of security, stability and peace of mind.

## Getting the fundamentals right

Let me start with what we are doing in Britain. We have set out a long-term economic plan to secure our country's economic future. It has five parts. First, getting the fundamentals right – cutting the deficit so we deal with our debts, safeguarding our economy for the long term and keeping mortgage rates low. Second, reducing taxes to help hard-working people become more financially secure. Third, capping welfare and reducing immigration so our economy delivers for people who want to work hard and play by the rules. Fourth, delivering the best schools and skills for young people so the next generation can be best placed to win the jobs of the future. And fifth, driving job creation by backing small business and enterprise with better infrastructure and lower jobs taxes.

Each part of this plan is already producing results.

The deficit we inherited was the biggest in our post-war history – but already it is down by a third. Our economy is growing. Just this week, the International Monetary Fund upgraded its growth forecasts for Britain by more than any other G7 country and we have also seen the largest quarterly increase in employment since records began.

There are now more than 1.6 million new private sector jobs since early 2010 – and around 400,000 more small businesses. We have cut taxes for over 25 million people, reformed welfare so that it pays to work and created more apprenticeships than at any time in our history.

And we have taken unprecedented steps to back enterprise, scrapping £1.2 billion of red tape – including pushing for the removal of the most problematic European Union regulations and investing

billions in our infrastructure – in roads, rail and what is set to become the best superfast broadband network in Europe.

Ernst and Young now say Britain is the best place in Europe for new entrepreneurs. This has not come automatically; it is because we have chosen to build our long-term economic plan on Britain's great strengths. We have chosen to play to our strengths as an open, trading economy, championing the vital EU trade deals with America, Canada and Asia that can add millions of jobs to our economies and billions of pounds to the value of our businesses.

Rather than trying to pull up the drawbridge and shut ourselves off from globalisation, we have chosen to embrace foreign investment ... And we are proud that in the first half of last year, the United Kingdom became the world's largest recipient of inward foreign direct investment ... I think there is a chance for Britain to become 'the re-shore nation' ... As we do so, we should never forget one of our most important strengths. We should never undersell the core values of our

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***Rather than trying to pull up the drawbridge and shut ourselves off from globalisation, we have chosen to embrace foreign investment***

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liberal democracy: the rule of law, the freedom of speech and freedom of the media, property rights and accountable institutions – all vital foundations for long-term stability and commercial success.

But for re-shoring to happen we need to build on those foundations. That means settling once and for all two key arguments that risk undermining our competitiveness. First, on the overall business environment. And second, on the need for cheap and predictable sources of energy ...

All of us here in Davos know what it is that businesses need if they are to choose to locate in Europe. Macroeconomic stability. European economies with their debts and deficits under control. Strong finance – like that provided by the City of London. Consistent support for free trade – especially the vital trade deal with the United States. And above all, we need an unashamedly pro-business regulatory environment – with labour market flexibility, low jobs taxes and a willingness to pave the way for new business and new business models ...

## An enterprise-friendly Europe

We are making progress in the battle for an enterprise-friendly Europe. The eurozone crisis has focused governments on the need for structural reform. The accession to the EU of countries that experienced state socialism and the progress of sensible pro-enterprise governments. All these things have helped. But the fight is not yet won ...

There are still people who think that the key to success is ever greater social protections and more regulations. Let's be clear. We don't protect workers by piling on the regulations and directives to such an extent that they become unemployable. We have to maintain the flexibility for companies to grow and expand. Incredibly complex and overwritten directives that take this flexibility away, that make life difficult for temporary workers, or that stop firms moving people



UK Prime Minister David Cameron says that an “unashamedly pro-business regulatory environment” with labour market flexibility is needed in order for businesses to locate in Europe



AMMAR AWAD/REUTERS

between plants, just mean that companies who want to re-shore will re-shore somewhere else ...

The same is true of energy. To relocate in Europe, businesses will be encouraged by cheap and predictable sources of energy. Yes, we need renewables – these are a vital part of our future. That is why Britain had made itself one of the best places for green investment anywhere in the world, with the world's first dedicated green investment bank and the largest offshore wind market in the world.

We need nuclear as part of that energy mix too. And I am delighted that in Britain last year we agreed the first new nuclear build for a generation, with £16 billion of investment and 25,000 new jobs. That will ensure safety of energy supplies.

But we also need to explore the opportunity represented by shale gas ... We need the right regulations, such as ensuring that well casings are set at the right depths with tight seals. And governments need to reassure people that nothing would go ahead if there were

environmental dangers. But if this is done properly, shale gas can actually have lower emissions than imported gas ...

We should be clear that if the European Union or its member states impose burdensome, unjustified or premature regulatory burdens on shale gas exploration in Europe, investors will quickly head elsewhere. Oil and gas will still be plentifully produced, but Europe will be dry ...

European countries face a choice. If we act now, we can ensure our businesses, our peoples and our societies can benefit from the next phases of globalisation.

The security, stability and peace of mind that those we serve yearn for can only be delivered by facing the difficult choices. We must not fail them. ■

*Excerpts from UK prime minister David Cameron's speech to the World Economic Forum (Davos) on 24 January 2014*

# A commitment to developing healthcare in the emerging markets

GE Healthcare's focus on localization and capacity building is contributing to more sustainable healthcare in developing nations, one partnership at a time



## Skander Malcolm

President and CEO of GE Healthcare's Eastern & Africa Growth Markets Region, covering Russia, Central Asia, Turkey, the Middle East, Saudi Arabia and Africa

In the developing world and indeed across Africa, Russia, Turkey and the Middle East, the demand for better healthcare and education is greater than ever before.

Indeed, if emerging market healthcare challenges can be solved, this will contribute to a more stable economic recovery and faster growth, presenting a much more attractive profile for investors including the G7 and global companies, such as GE.

In a very global economy, it makes sense for G7 countries to support financially – and through technology, education and infrastructure – the development of emerging market healthcare. For G7 members and global institutions like GE,

this represents a huge opportunity to invest and solve. It is therefore time to double-down our efforts on the emerging markets.

At GE, our approach to solving this is called healthymagination – it is about driving up quality, lowering cost and increasing access in healthcare.

## Differences in systems and populations

Despite advances, government healthcare spending per capita remains low versus the West and infrastructure is often poor. Across many parts of sub-Saharan Africa, for example, access to appropriate healthcare facilities and qualified healthcare expertise remains a challenge.

Recognising that health and socioeconomic prosperity are inextricably linked, governments in these emerging markets understand that they must aim for a fast-changing healthcare agenda where increasing access to primary healthcare services, educating the predominantly young population on key health issues and ensuring adequate training and critical skills for the healthcare workforce rank among the top priorities.

Already we see significant investments being made across the region in the establishment of a more modern healthcare infrastructure. In addition to revised legal frameworks and healthcare policies, the focus too on capacity building in these developing nations is unprecedented.

Of course, not all healthcare systems are created equal. As many emerging nations mobilise to transform health, leverage

innovation and consider more holistic, system-wide approaches to fixing gaps in the system, we observe some countries even begin to leapfrog their counterparts in the West – a significant sign that progress is being made.

Moreover, governments in the emerging markets are today seeking a system-wide approach to tackle several healthcare issues. They want the guarantee of improved connectivity across the hospital network, smarter hospital design, broader financing options, better patient throughput and productivity and improved patient care. They want tailor-made solutions that address these critical needs.

At GE, we see that it takes all different perspectives and approaches to solve a problem and we are helping by providing medical technologies, consumer education, training, financing and software – in short, all the collective experience we have – and deploying it in a way that works in the emerging market context.

## Innovation in healthcare development

We see that healthcare innovation has a different meaning depending on where you are in the world. What is consistent is that it has to be economically and clinically relevant. Most importantly, given the varying healthcare challenges, is that it is most effective when aimed at fixing a specific healthcare gap.

At GE, we see that innovation comes in different shapes and sizes: from big iron systems to small handheld scanning devices. For example, we found that GE's portable mobile ultrasound, which fits in the palm of your hand like a smartphone, is a great product that has potential to improve maternal and infant care in rural settings. Through our focus too on reverse innovation, GE is bringing a new way of thinking in product development, based first on specific emerging-market needs and then scaling these for resource-rich settings.

In parallel, several new technologies with the potential to help emerging healthcare systems leapfrog the West are also very

## About

GE Healthcare (NYSE: GE), one of the world's leading healthcare companies, provides a range of technologies, services and solutions that cover the spectrum of care, from medical imaging, software and IT, patient monitoring and diagnostics to drug discovery, biopharmaceutical manufacturing technologies and performance-improvement solutions. GE Healthcare helps medical professionals around the world deliver better healthcare to their patients.



encouraging. For example, tele-radiology and tele-pathology are two pieces of software development that will allow care to be optimized. Better data-management tools will also enable governments and care providers to understand in more depth disease patterns, treatment outcomes and care provision, so that their spending can be used more productively. Further, emerging manufacturing techniques will give us reliable, low-cost devices and allow us to put scans in place in remote and rural settings.

Naturally, technological innovation is just one aspect of the paradigm. We also see innovation in processes, productivity and leadership practices that ensure a holistic approach to innovation that is both tangible and intangible, but one that healthcare providers and ultimately patients will feel.

#### **A 100-year commitment to developing healthcare in the emerging markets**

GE has a long history in the emerging markets. Since arriving in Africa over 100 years ago, we have been at work to deliver healthcare solutions that address real areas of need led by a commitment to building sustainable long-term partnerships. Today, we are scaling up and localising our operations, our people and our offerings across the region.

We believe that helping our partners fix their problems is where we can add the greatest value, and nowhere is there greater demand for this than in the emerging markets where GE is actively bringing its expertise, technologies and innovations to the region.

Through our experience in the region, we see a profound need for training and education. Moreover, through our work we are helping hospitals reduce inefficiencies and eliminating waste; scaling service capabilities to optimise product performance and patient safety; increasing general knowledge to help populations make better-informed decisions about their health; supporting human-capital development; professionalising the region's healthcare workforce; and leveraging big iron and

big data to connect machines, people and information to improve outcomes.

Our approach is simple: we strive to listen to and understand our customers and work with our partners to develop solutions aimed at addressing specific needs.

Here are just a few examples of our most recent work across the region:

**In Algeria**, GE was selected as a strategic partner to support the government's plan to improve healthcare services, with a performance-improvement programme. In 2013, with an emphasis on knowledge transfer and human-capital development, GE Healthcare launched the Advanced Applications Centre to provide vocational and continuous education.

**In Egypt**, GE is supporting the Ministry of Health with the deployment of the country's first centralised image-exchange repository, providing clinicians with real-time access to patient images.

**In Iraq**, with more than 100 local employees, GE launched the Healthcare Service Centre, customising its global service systems and processes specifically to scale the service needs of the Ministry of Health.

**In Kenya**, GE, USAID and the Kenya Commercial Bank are collaborating to support SMEs, with \$10 million in local financing for the development of private health facilities including doctor partnerships, diagnostic centres and hospitals.

**In Nigeria**, working with the Nigerian Federal Ministry of Health and USAID, GE launched the \$20 million healthymagination Mother & Child Initiative at the World Economic Forum in May 2014, aimed at reducing preventable child-maternal deaths in Nigeria.

**In Russia**, GE partners with local technology manufacturer Meditsinskii Technologii Ltd on the assembly of its hi-tech Computed Tomography and Ultrasound technology for the Russian market.

**In Turkey**, GE is contributing to the delivery of sustainable public-private partnerships, providing project financing and know-how in design and technology integration to build

capacity in the healthcare system, in line with the vision of the Ministry of Health.

**In Saudi Arabia**, with the Saudi Ministry of Health, GE launched the Healthcare Skills Training Institute to provide technical, clinical and healthcare management courses across the region. Globally, GE Healthcare trains more than 10,000 customers across 120 classroom courses annually, and in the Kingdom has trained more than 5,000 healthcare professionals since 2009. In other work in the Kingdom to enhance hospital efficiencies, GE also helped to eliminate 9,000 hours of administrator paperwork and 36,000 patient waiting hours across 12 emergency departments.

**In Tanzania**, GE's handheld portable ultrasound, in combination with education and training of midwives, is demonstrating a higher rate of antenatal visits at clinics with ultrasound. Therefore, this has the potential to have a meaningful impact on UN Millennium Development Goals 4 (reducing child mortality) and 5 (improving maternal health) in a rural setting.

Through our partnerships in the region, GE Healthcare is striving to bring the best of its expertise, technologies and solutions to support real healthcare transformation and deliver better clinical and patient outcomes for the region's governments, healthcare providers and their two billion citizens.

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# A stable, competitive European Union

**The foundations for growth and prosperity in Europe need to be constantly shored up and worked at, as **Angela Merkel** remarked during a recent visit to London**

**E**uropean integration shows that we have learned the lessons from bloody conflicts and a painful history. Together we have changed Europe for the better. Thanks to the peaceful revolution in Central and Eastern Europe, whose 25th anniversary we are celebrating this year, it was possible to overcome further frontiers in Europe. Current events in Ukraine demonstrate how grateful we should be for this good fortune. We stand shoulder to shoulder with the people there, and in many other countries, as they struggle to protect justice and freedom.

For me personally, as for millions of people behind the Iron Curtain, the fall of the Berlin Wall in 1989 was a moment of incredible happiness. I learned first-hand: change – change for the better – is possible. We should be guided by that maxim in this year of commemoration. Every political generation has its responsibility; as do we, the politicians of today. Standstill can quickly lead to setbacks. Or, in the words of Winston Churchill: “To improve is to change, to be perfect is to change often.” I believe we politicians should take this to heart ...

On 25 March 2007, we member states of the European Union pledged in a Berlin declaration to mark the 50th anniversary of the signing of the Rome Treaties: “Our history reminds us that we must protect this for the good of future generations. For that reason we must always renew the political shape of Europe in keeping with the times.” We have to renew it time and again in keeping with the times so that Europe can continue to fulfil its promise to ensure peace, freedom and prosperity.

I know that many believe that the European Union's peace mission has been accomplished. They believe that in the early post-war years, it was an obvious motive for European integration. Now, many think, this promise is outdated as today a war among European Union member states is – thank goodness! – impossible.

It is true that a war among the European Union's member states is inconceivable today. But let us not forget that the last war on the European continent took place less than a generation ago. The Western Balkans show how clear and present the danger of military conflict remains. Our soldiers and police officers are still serving there today. Without a European perspective for these countries, a future in peace would still be a long way off.

And we have to continue to stand up resolutely against extremism and inhumanity, which are still present in today's Europe. We have to continue to condemn and fight hate, violence and terrorism of any kind – day after day.

We member states of the European Union have a duty to pass on the lessons we have learned from our history and to help foster peace and the rule of law in our neighbourhood and in the world. This includes enabling others in the world to do more themselves to ensure stability and security in their region and to settle their conflicts as peacefully as possible ...



The Europe without borders is one of the great achievements of European integration. All the member states and all their citizens benefit from it. Be that as it may, if we are to preserve this freedom of movement and ensure that it is still accepted by the citizens, then we must also have the courage to acknowledge adverse developments and try to correct them.

## Fair and open trade

In our European democracies, freedom is secured by the rule of law. In business, too, a reliable legal framework is a prerequisite for enterprise and trade. That is the basis of our single market. Germany and the United Kingdom want to use the strength inherent in this single market to maintain our prosperity through fair and open trade with other regions of the world. Not least in order to ensure that we can in future continue to keep this third promise of Europe, we must always renew the political shape of Europe in keeping with the times. We must constantly remind ourselves that the world is not waiting for Europe. Economic strength and competitiveness must be continually enhanced and renewed.

For a long time we Europeans took it for granted that economic development would, on the whole, be positive. With the single market and the single currency we created an unparalleled success story that opens up new opportunities for us. However, the international financial crisis and the ensuing sovereign debt crisis in the euro area also made it clear that the foundations for growth and prosperity in Europe need to be constantly shored up and worked at ...

I am convinced that, when it comes to tackling both the international financial crisis and the European sovereign debt crisis,



LUKE MACGREGOR/REUTERS

Chancellor Angela Merkel addresses members of both UK Houses of Parliament in the Royal Gallery of the Palace of Westminster, London

it cannot simply be enough just to try to survive them somehow. We must set our sights higher. Our aim must be to come out of the crises stronger than we were at the start, because it is a matter of upholding our values and interests worldwide ...

### Defending common values

The Cold War blocs no longer exist. Globalisation and digitisation determine how we live, how we do business and how we work in a way we could never have imagined ...

Today the world is home to more than seven billion people. We 500 million Europeans make up a mere seven per cent of the world's population. We have to face up to the major tasks of our age together. I am convinced that any of us acting alone would achieve less than if we all act together: less in terms of defending our common values and less in terms of the prosperity of our citizens in the global competition ...

Despite Europe's 25 per cent share of global economic output, the World Trade Organization estimates that, over the next five years, 90 per cent of growth will be generated outside Europe. So to keep the European promise of prosperity in the future, it will be vital to benefit from growth opportunities in other parts of the world. To that end, we must dismantle further barriers to trade. In particular, the planned free trade agreement between the European Union and the

United States of America can make a significant contribution to growth and employment in Europe ...

We must make even more intensive use of the European Union's clout to push our common interests, for example with regard to international climate protection. No one EU member state alone would have sufficient weight to stand fast in the international negotiations. A stable, competitive European Union can combine economic success and social responsibility in a sustainable way. To this end, the euro

states must back up monetary union with a strong economic union with a clearly defined and sustainable architecture ...

We Germans will never forget that we owe our country's prosperous development to our European partners' willingness to forgive and reconcile.

We Germans are aware of our responsibility for a bright future for the European Union. We will therefore do our utmost to ensure that the European Union can continue to keep its promise of peace, freedom and prosperity in future. Whatever we do or fail to do now to renew the European Union's political shape in keeping with the times will decide Europe's future. ■

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***The world is not waiting for Europe. Economic strength and competitiveness must be continually enhanced and renewed***

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*Excerpts from Chancellor Angela Merkel's speech to the UK parliament in London, 27 February 2014*

# Doing business in the heart of Europe and soaking up San Marino's sights, history and culture

**Daniela Berti**

Head of Cabinet Ministry of Finance and Budget

**M**ore than 1,700 years of independence and freedom, amid history and legend: the special traits of the world's oldest republic, a small piece of land that clings to Mount Titano, in the heart of Europe and Italy. Over the centuries, popes, potentates and even the emperor Napoleon have shown respect for the liberty of this country, which is today a fully fledged member of the United Nations and the Council of Europe, as well as other major international organisations, in which it strives to defend human rights and peace.

It was thanks to the wisdom that inspired the ancient San Marino Commune that its people were able to tackle dangerous situations and strengthen their independence. In 1797, Napoleon offered to extend the country's land area as far as the sea, but this offer was wisely refused. In 1861, Abraham Lincoln showed his friendship for San Marino by writing to the Captains

Regent: "Though your country is small, nevertheless it is one of the most honored throughout history..."

The historical peculiarity of San Marino is revealed in its ancient institutions, which are unique in the world. The two Captains Regent, for example, appointed for the first time in 1243, are an institution still in force today. The Great and General Council is the legislative body composed of 60 parliamentarians, elected every five years by universal suffrage, and the Congress of State (government) is today composed of nine members whose mandate shall not exceed a maximum of ten consecutive years.

San Marino is also known for its tradition of great hospitality. Right of exile has never been refused, whatever the condition and ideas of the refugee. One emblematic episode is the hospitality given during the Second World War to 100,000 Italian refugees from the surrounding districts.

## San Marino on the UNESCO World Heritage List

The San Marino Historic Centre and Mount Titano site became part of the UNESCO World Heritage List in 2008. It is a place of quality and well-being thanks to historical, cultural, traditional and environmental factors and a high level of security.

## San Marino's full integration in the international community

The Republic of San Marino is a member of the United Nations and many UN programmes, funds and specialised agencies, as well as the Organization for Security and Co-operation in Europe (OSCE) and the Council of Europe (CoE). It has also joined the IMF, the World Bank, the CEB and INTERPOL. It takes part with its own parliamentary delegation in the Inter-Parliamentary Union, the Parliamentary Assembly of the Council of Europe and that of the OSCE. San Marino has diplomatic and consular relations with more than 100 European and extra-European countries.

With the European Union, San Marino has a special Customs Union Agreement and a Monetary Agreement, and by the end of this year the republic will start official negotiations for an Association Agreement.

On 3 October 2013, the double taxation agreement (DTA) with Italy entered into force.

## The economic system

San Marino is based on a diversified economy, with a developed industrial sector, banking and financial services, trade, tourism and handicrafts. The government is promoting internationalisation of the economic system by adopting specific regulations favourable to attract foreign investments. Since San Marino is a small country, it presents the advantage of being flexible and fast in the decision-making process. It offers conditions for developing successful projects, including reduced bureaucracy and direct negotiation with institutions for providing solutions tailored to investors' needs. The level of education is very high and English is widely spoken. These elements allow companies to find most of the skills they require. However, access to the external labour market is always possible in case of missing professional profiles.

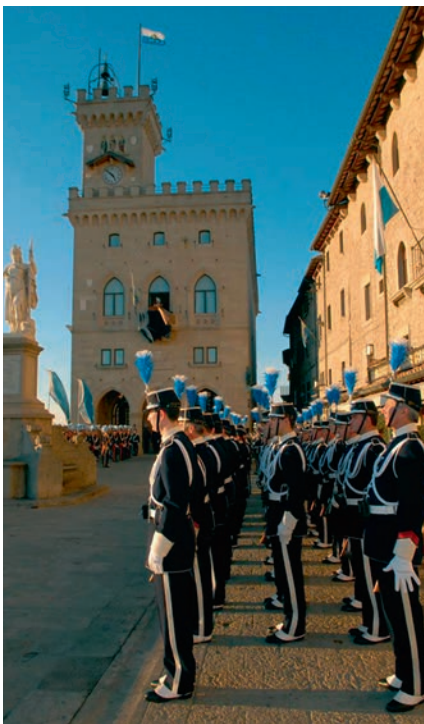
## Taxes, facilities and the financial system

San Marino offers competitive low tax rates and a new law on direct taxation came into force in January 2014. It has a modern structure with a low taxation both for natural and legal persons (the corporate tax rate is 17 per cent). Furthermore, a reform of indirect taxation is being studied in order to draft a law in line with EU directives.

San Marino is a good place for developing innovative projects that can benefit from the new Science and Technology Park and from legislation able to support strategic initiatives. Moreover, the establishment of fruitful collaborations with the local university is possible thanks to its openness to the real economy.

San Marino has an internationally oriented financial system, which provides a wide range of financial services to satisfy the needs of all types of client.

The financial system is composed of around 30 financial institutions, including seven banks specialised in full-scope banking services to private and corporate customers, as well as in private banking and family office solutions. Nowadays, financial intermediaries in San Marino can offer the best services meeting the







best international standards in one of the most secure and advanced economies in the world. There are two institutions responsible for promoting, sustaining and controlling the financial system: the Central Bank is mainly involved in fostering and safeguarding financial stability, while the Financial Intelligence Agency is responsible for analysing suspicious transactions. The current Anti Money Laundering and Countering Financing of Terrorism (AML/CFT) regime is fully in compliance with Financial Action Task Force (FATF) recommendations and the relevant directives and regulations of the EU. Moreover, the current Monetary Agreement with the EU, signed on 27 March 2012 and in force since September 2012, ensures the implementation of all relevant EU directives and regulations in banking and the financial sector listed in the Annex to the Agreement, in accordance with the deadlines therein specified. San Marino boasts a modern and competitive legislation on insurance, investment funds and trusts.

#### **Tax information exchange**

Since 2008, San Marino has been deeply committed to a process of greater transparency and, since April 2009, it

has signed a significant number of Tax Information Exchange Agreements (TIEAs) and DTAs, according to the new standards of the Organisation for Economic Co-operation and Development (OECD), with several countries and jurisdictions. As a consequence, on 23 September 2009 San Marino was placed on the OECD white list. San Marino has in place more than 41 Agreements, meeting the latest OECD standards, 24 of which are with OECD or EU countries. Furthermore, San Marino is an active member of the Global Forum on Transparency and Exchange of Information for Tax Purposes. In 2013, San Marino signed the OECD-CoE Multilateral Convention on Mutual Administrative Assistance in Tax Matters. The Central Liaison Office is in charge of exchanging tax information.

#### **Welcoming tourists from around the world**

San Marino will take part in the Milan Expo 2015 Bio-Mediterranean cluster, with its own exhibition space: 'San Marino, small enough to be big'.

Every year, almost two million tourists from all over the world come to San Marino, visiting in particular the Historical Centre with its museums, churches, buildings

and roads, all made of the beautiful and precious stone of San Marino. The landscape on the Adriatic coast and inland views offer the most beautiful and emotional experiences. Tourists can find accommodation facilities, shopping opportunities, and a rich culinary offer based on excellent local agricultural products. In addition to that, many events are held all year round, particularly during the summer season and at Christmas time. Two prestigious international events are also organised in San Marino: Renata Tebaldi International Voice Competition and International Piano Competition.



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# The hard work of building democracy

## In US president **Barack Obama's** State of the Union Address, he reasserted the efficacy of American diplomacy

**O**ppportunity is who we are. And the defining project of our generation is to restore that promise.

We know where to start: the best measure of opportunity is access to a good job. With the economy picking up speed, companies say they intend to hire more people this year. And over half of big manufacturers say they are thinking of insourcing jobs from abroad ...

Let's do more to help the entrepreneurs and small business owners who create most new jobs in America. Over the past five years, my administration has made more loans to small business owners than any other. And when 98 per cent of our exporters are small businesses, new trade partnerships with Europe and the Asia-Pacific will help them create more jobs. We need to work together on tools like bipartisan trade promotion authority to protect our workers, protect our environment and open new markets to new goods stamped 'Made in the USA'. China and Europe are not standing on the sidelines. Neither should we ...

One of the biggest factors in bringing more jobs back is our commitment to American energy. The all-of-the-above energy strategy I announced a few years ago is working, and today, America is closer to energy independence than we have been in decades.

One of the reasons why is natural gas – if extracted safely, it is the bridge fuel that can power our economy with less of the carbon pollution that causes climate change. Businesses plan to invest almost \$100 billion in new factories that use natural gas. I will cut red tape to help states get those factories built, and this Congress can help by putting people to work building fuelling stations that shift more cars and trucks from foreign oil to American natural gas. My administration will keep working with the industry to sustain production and job growth while strengthening protection of our air, our water and our communities. And while we are at it, I will use my authority to protect more of our pristine federal lands for future generations.

It is not just oil and natural gas production that is booming; we are becoming a global leader in solar, too. Every four minutes, another American home or business goes solar, every panel pounded into place by a worker whose job cannot be outsourced. Let's continue that progress with a smarter tax policy that stops giving \$4 billion a year to fossil fuel industries that do not need it, so that we can invest more in fuels of the future that do.

### A cleaner, safer planet

And even as we have increased energy production, we have partnered with businesses, builders and local communities to reduce the energy we consume. When we rescued our automakers, for example, we worked with them to set higher fuel efficiency standards for our cars. In the coming months, I will build on that success by setting new standards for our trucks, so we can keep driving down oil imports and what we pay at the pump.

Taken together, our energy policy is creating jobs and leading to a cleaner, safer planet. Over the past eight years, the United States has reduced our total carbon pollution more than any other nation

on Earth. But we have to act with more urgency, because a changing climate is already harming western communities struggling with drought, and coastal cities dealing with floods. That is why I directed my administration to work with states, utilities and others to set new standards on the amount of carbon pollution our power plants are allowed to dump into the air. The shift to a cleaner energy economy will not happen overnight, and it will require tough choices along the way. But the debate is settled. Climate change is a fact. And when our children's children look us in the eye and ask if we did all we could to leave them a safer, more stable world, with new sources of energy, I want us to be able to say yes, we did ...

Tonight, because of the extraordinary troops and civilians who risk and lay down their lives to keep us free, the United States is more secure. When I took office, nearly 180,000 Americans were serving in Iraq and Afghanistan. Today, all our troops are out of Iraq. More than 60,000 of our troops have already come home from Afghanistan. With Afghan forces now in the lead for their own security, our troops have moved to a support role. Together with our allies, we will complete our mission there by the end of this year, and America's longest war will finally be over.

After 2014, we will support a unified Afghanistan as it takes responsibility for its own future. If the Afghan Government signs a security agreement that we have negotiated, a small force of Americans could remain in Afghanistan with NATO allies to carry out two narrow missions: training and assisting Afghan forces, and counterterrorism operations to pursue any remnants of al-Qaeda. While our relationship with Afghanistan will change, one thing will not: our resolve that terrorists do not launch attacks against our country.

The fact is, that danger remains. While we have put al-Qaeda's core leadership on a path to defeat, the threat has evolved, as al-Qaeda affiliates and other extremists take root in different parts of the world. In Yemen, Somalia, Iraq and Mali, we have to keep working with partners to disrupt and disable these networks. In Syria, we will support the opposition that rejects the agenda of terrorist networks. Here at home, we will keep strengthening our defences, and combat new threats like cyberattacks. And as we reform our defence budget, we have to keep faith with our men and women in uniform, and invest in the capabilities they need to succeed in future missions ...

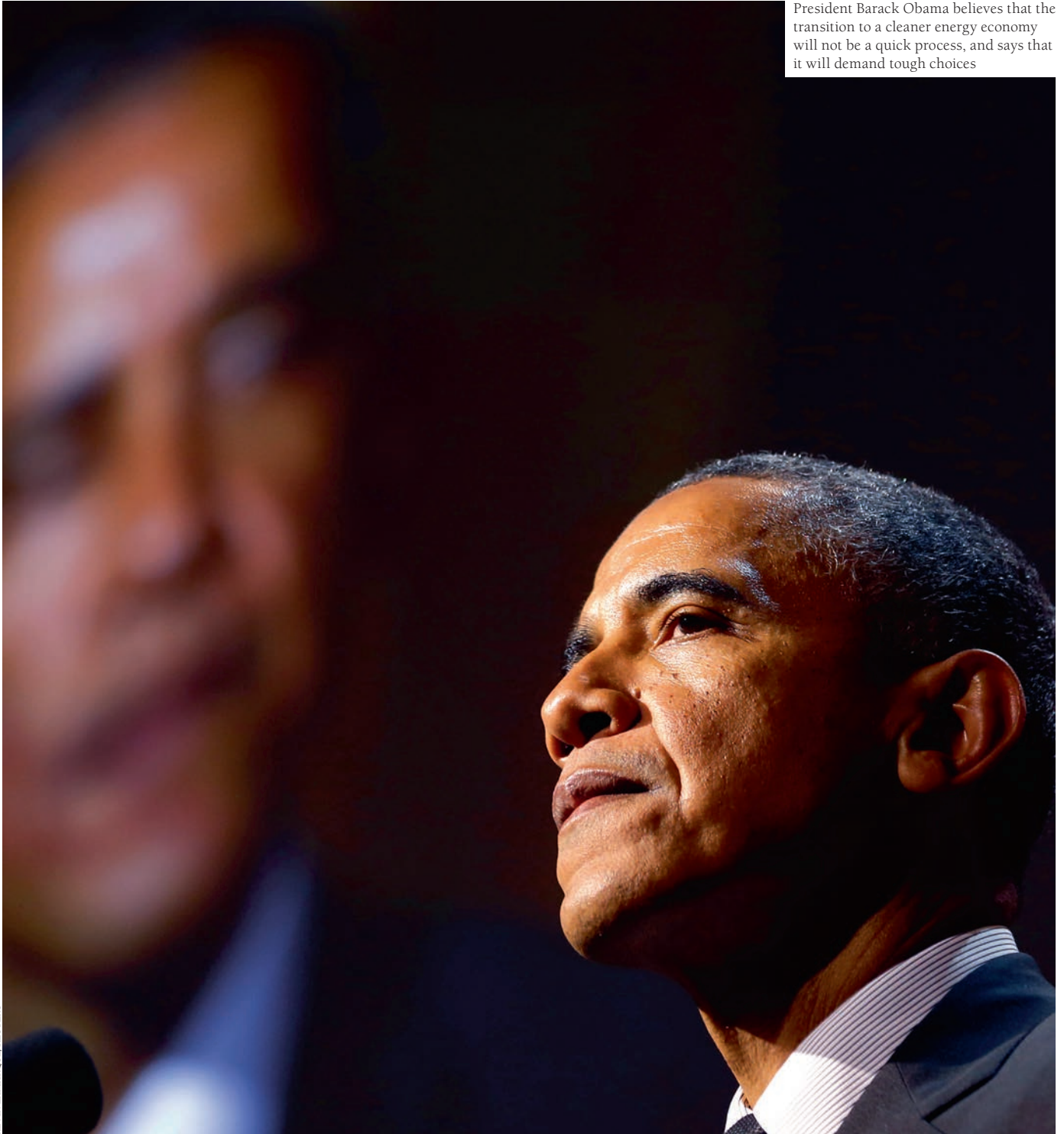
### A world of complex threats

In a world of complex threats, our security and leadership depends on all elements of our power – including strong and principled diplomacy. American diplomacy has rallied more than 50 countries to prevent nuclear materials from falling into the wrong hands, and allowed us to reduce our own reliance on Cold War stockpiles. American diplomacy, backed by the threat of force, is why Syria's chemical weapons are being eliminated, and we will continue to work with the international community to usher in the future the Syrian people deserve – a future free of dictatorship, terror and fear. As we speak, American diplomacy is supporting Israelis and Palestinians as they engage in difficult but necessary talks to end the conflict there; to achieve dignity and an independent state for Palestinians, and lasting peace and security for the State of Israel, a Jewish state that knows America will always be at its side.

And it is American diplomacy, backed by pressure, that has halted the progress of Iran's nuclear program – and rolled parts of that programme back – for the very first time in a decade ... Iran has begun to eliminate its stockpile of higher levels of enriched uranium.



President Barack Obama believes that the transition to a cleaner energy economy will not be a quick process, and says that it will demand tough choices



KEVIN LAMARQUE/REUTERS

It is not installing advanced centrifuges. Unprecedented inspections help the world verify, every day, that Iran is not building a bomb. And with our allies and partners, we are engaged in negotiations to see if we can peacefully achieve a goal we all share: preventing Iran from obtaining a nuclear weapon ...

Our alliance with Europe remains the strongest the world has ever known. From Tunisia to Burma, we are supporting those who are willing to do the hard work of building democracy. In Ukraine, we stand for the principle that all people have the right to express themselves freely and peacefully, and have a say in their country's future. Across Africa, we are bringing together businesses and governments to double access to electricity and help end extreme

poverty. In the Americas, we are building new ties of commerce, but we are also expanding cultural and educational exchanges among young people. And we will continue to focus on the Asia-Pacific, where we support our allies, shape a future of greater security and prosperity, and extend a hand to those devastated by disaster – as we did in the Philippines, when our marines and civilians rushed to aid those battered by a typhoon, and were greeted with words like “We will never forget your kindness” and “God bless America!” ■

*Excerpts from the 2014 State of the Union Address delivered by US president Barack Obama on 28 January*



# Kuwait Fund For Arab Economic Development

## Partners in development, helping people help themselves

Shortly after its independence in December 1961, the State of Kuwait established Kuwait Fund for Arab Economic Development to assist other Arab countries in their development. In July 1974, The Fund expanded its scope of operations to include all developing countries.

Over the past 52 years, the Fund had pursued its activities with the primary objective of assisting developing nations in their efforts to achieve their development goals and improve the standard of living of their people and

societies. The Fund continued its main activity of providing concessional loans for financing development projects accorded high priority by the recipient countries. Projects supported by the Fund are based on well-prepared feasibility studies, and the results of appraisals carried out by the Fund's professional staff.

### Supporting activities

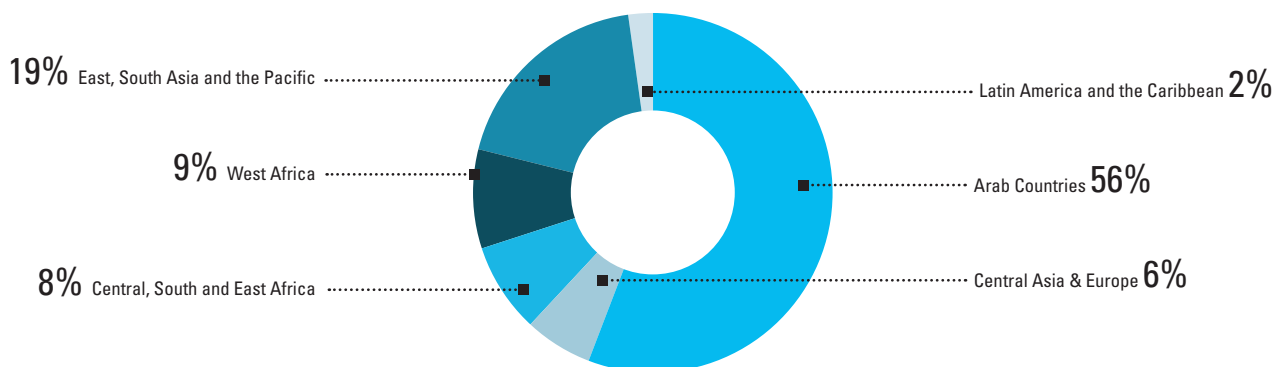
The Fund also provides technical assistance required to finance the preparation of feasibility studies for projects and to improve administrative and

technical capabilities of the beneficiary countries. In addition, the Fund contributes to the financial resources of development institutions to support their activities in developing countries and cooperates with several national, regional and international development institutions in coordinating efforts and participating in the financing of projects. Furthermore, the Fund administers grants extended by the State of Kuwait to developing countries and institutions.

Operations of the Fund cover development projects in various

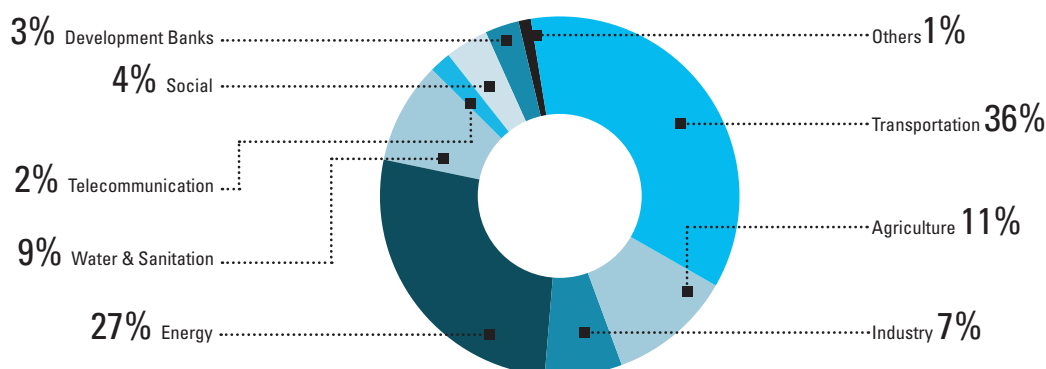
**Figure 1: Regional distribution of total loan commitments**

Up to 31 December 2013



**Figure 2: Sectoral distribution of total loan commitments**

Up to 31 December 2013





economic sectors including agriculture, communication, energy, industry, transport, water and sanitation, as well as education and health. In addition, the Fund supports small and medium private-sector projects financed by the national development banks and social development funds of the recipient countries, with the aim to create new jobs opportunities and improve living standards.

On December 31 2013, 104 countries received concessional loans and technical assistance from the Fund. It maintains

close cooperation with its partners in development with respect to their priorities and with full support to their ownership of the development operations. It also provides its partners in development with advice, as needed, on all matters relating to preparing and implementing projects.

#### Distributing loans

Up to 31 December 2013, the Fund has provided concessional loans with a total value of approximately US\$17.2 billion distributed over regions and sectors as shown in Figures 1 and 2.

### Basic Information on Kuwait Fund Up to 28 February 2014

| PROFILE   | (US\$) Million |
|---|----------------|
| Capital   | 6,600          |
| Loans Commitment  | 17,456         |
| Total Disbursements of Loans  | 13,890         |
| Total Repayment of Loans  | 8,206          |
| Amount of Kuwait Fund Grants  | 335            |
| Amount of Technical Assistance  | 42             |
| Amount of Kuwait Government Grants                                    | 3,310          |
| Number of Loans   | 858            |
| Number of Beneficiary Countries (Loans)                               | 103            |
| Number of Kuwait Fund Grants  | 197            |
| Number of Technical Assistance  | 48             |
| Number of Kuwait Government Grants                                    | 75             |
| Number of Beneficiary Countries and Institutions (K F Grants)         | 95             |
| Number of Beneficiary Countries and Institutions (Tech Assistance)    | 36             |
| Number of Beneficiary Countries and Institutions (Kuwait Govt Grants) | 43             |

### About the Kuwait Fund for Arab Economic Development

Since its independence in 1961, the State of Kuwait has participated in economic development efforts, motivated by its firm belief in the principles of cooperation and humanity. Therefore, Kuwait proceeded to establish the Kuwait Fund for Arab Economic Development, the first institution in the Middle East to take an active role in international development efforts. The Kuwait Fund extends loans to finance development projects in developing countries, provides assistance with feasibility studies, offers training for nationals of the recipient countries, and subscribes to the capital of international and regional development institutions. Today, Kuwait Fund forms a solid bridge of friendship and solidarity between the State of Kuwait and developing nations.

**Kuwait Fund for  
Arab Economic Development**  
**Mirqab**  
**Mubarak Al-Kabeer St**  
**Kuwait City**  
**PO Box 2921 Safat 13030 Kuwait**  
**State of Kuwait**  
[www.kuwait-fund.org](http://www.kuwait-fund.org)



الصندوق الكويتي للتنمية  
**Kuwait Fund For Development**



# In support of Ukraine's territorial integrity: restoring economic and political stability

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**The Government of Canada has always stood with those who defend freedom, democracy, human rights and the rule of law, Prime Minister Stephen Harper said on a recent visit to Kiev**

**I**n recent months, the whole world has witnessed the courage of the Ukrainian people. You have driven back a regime that pointed its guns at your people and killed Ukrainians. Through such dark days, you have provided inspiration and a new chapter in humanity's ongoing struggle for the freedom, democracy and justice of its citizens.

Now you face an even greater test.

President Vladimir Putin's actions in Crimea are a clear violation of international law, a campaign of armed aggression widely condemned by the international community.

Canada and its G7 partners have spoken with one voice: we do not accept what has happened in Crimea, a parody of a referendum that violates the constitution, sovereignty and territorial integrity of Ukraine, and the results of which only reveal the brutality of Putin's military occupation.

In coordination with our allies, Canada has already taken action in response to the events in Crimea, including suspension of our preparations for the G8 in Sochi, suspension of the Canada-Russia Intergovernmental Economic Commission, cancellation of joint military operations, and an array of travel bans and sanctions on members of the Russian Government and of the former Yanukovich regime.

For Ukraine, the consequences of the actions of the Putin regime are obvious and can only be remedied by their complete reversal.

Furthermore, all of us who desire peace and stability in the world must recognise that the consequences of these actions will be felt far beyond the borders of Ukraine or even the European continent itself ...

By his open repudiation of the Budapest Memorandum, President Putin has undermined international confidence in the protection afforded by such agreements.

Ukraine relinquished its nuclear weapons, the nuclear weapons it inherited from the former Soviet Union, on the basis of an explicit Russian guarantee of its territorial integrity. By breaching that guarantee, President Putin has provided a rationale for those elsewhere who needed little more encouragement than that already furnished by pride or grievance to arm themselves to the teeth. However, the effect of President Putin's attempt to impose the law

of the jungle ought to be to redouble the free world's unwavering fervour and to reinforce the growing diplomatic and economic isolation of the regime in place in Moscow.

The Government of Canada has always stood with those who defend freedom, democracy, human rights and the rule of law.

We have also been proud that we were the first Western country to recognise Ukraine's independence in 1991.

We are here today to reiterate our commitment to your independence. I am here today to reiterate our support for Ukraine's sovereignty and territorial integrity, and to support your efforts, Prime Minister Yatseniuk, to restore economic and political stability.

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***Canadians are impressed by the restraint shown by the Ukrainian Government and people in the face of obvious provocations***

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To that end, Canada has already announced loan guarantees as part of a broader package under consideration by the International Monetary Fund. These guarantees must be accompanied by the restoration of Ukrainian institutions after the damage inflicted by the corruption of the Yanukovich regime.

Canada stands ready to help Ukraine in this necessary work.

Prime Minister Yatseniuk and I talked today about a number of additional ways Canada can assist and work with the government here. In particular, Prime Minister Yatseniuk and I agreed to establish a basis to restart our suspended free trade negotiations at the earliest possible opportunity.

Canadians, I should mention ... are also impressed by the restraint shown by your government and the Ukrainian people in the face of obvious provocations, and we commend your commitment to respect regional and linguistic differences within your own country, and to seek good relationships with your neighbours, both east and west.

Let me conclude with this: it is for Ukrainians and Ukrainians only to decide their future. In this principle, Canada will not waiver. And to help the Ukrainian people peacefully secure a bright future of freedom, we shall spare no effort. This courageous people deserves no less. *Slava Ukraina.* ■

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*Taken from remarks delivered by Canadian prime minister Stephen Harper at a joint press conference with Prime Minister Arseniy Yatseniuk of Ukraine, Kiev, 22 March 2014*



Canada's prime minister Stephen Harper reiterated his country's commitment to Ukraine's independence and sovereignty



GLEB GARANICH/REUTERS

# Shaping global destiny

**France's president François Hollande spoke recently on how his country is working towards a fairer world, according to firm principles**

**O**ur world is uncertain, unstable and unpredictable at the present time. But when has it been anything else in recent years? It was certainly organised according to a system: by the Cold War for many years, and later by what has been called a 'unipolar world'. The minister of foreign affairs ... has spoken of a zero-polar world!

But what does that mean? It means that we are faced with responsibilities – all countries, but more especially those whose status and history, as well as their economy or their population, confer upon them a role in shaping global destiny ...

France can do so only according to principles it has laid down ...

The first principle is peace; that is the posture constantly adopted by France. On every occasion it is the solution we seek through dialogue, through negotiation. And when it is no longer possible to achieve it, we then take action, always within the framework of an international mandate, that of the United Nations.

That is what we have done in Mali ... at the request of a country that is our friend, and, contrary to what has been said, France was at no time alone. First, because France was there with our Malian friends; second, because France was accompanied or, more precisely, France supported African forces that were also mobilised; and, last, because from the outset France received support from the countries of Europe and the United States. It was a year ago that the decision was taken.

And the outcome is there to see and must demonstrate to the international community that we can take action and succeed. The jihadi extremists have been defeated in the space of a year. They have not all disappeared but they have been driven, pushed back. Mali's territorial integrity has been restored and free, transparent elections organised. The state of Mali is being rebuilt with its new president, Ibrahim Boubacar Keïta.

Just when we thought the task was finished, fears arose of a major catastrophe in the Central African Republic. Already, incidents of brutality and violence, of which women were often the first victims, were leading to the conclusion that there was a possible risk of genocide. Inevitably, I had the events in Rwanda in mind.

The month or more that we have been in the Central African Republic – 1,600 French soldiers and 4,000 African soldiers – has brought about, not a halt to all conflict, all fighting, but something approaching calm ...

## Crisis resolution

Looking beyond Africa, France also intends to play its part in crisis resolution. First, in the Middle East. We are encouraging a resumption of the dialogue between the Israelis and Palestinians ...

Our greatest concern in the region is of course Syria. I refuse to accept that the choice that might be placed before the world will be either the perpetuation of a dictatorial regime, that of Bashar al-Assad, or Islamist extremism. I think that there is in Syria a majority of



CHRISTIAN HARTMANN/REUTERS

the population of all faiths, all communities with just one desire: reconciliation and democracy ...

The Syrian conflict has many consequences for the region: for Jordan, where tens of thousands of refugees are making life even more complicated; for Lebanon, where at least a third of the population is now of Syrian origin. We must help those countries ...

I also know that the Gulf states are making the necessary effort to facilitate those settlements. But there are not only conflicts that continue. Others have prospects for settlement. I am thinking here of the events in Tunisia, where three years ago the Arab Spring was born. Today, a new constitution is on the way to being adopted and further democratic



President François Hollande has said that, on every occasion, peace is the first solution sought by France through dialogue and negotiation

elections will take place this year ... That example may inspire other countries, and I have in mind Egypt, which has experienced violent events, but where the goals must be the same: the search for a democratic way forward in which the rights of every individual can be respected ...

Our concern for Iran was great. It remains so but there is now an interim agreement reached after ten years of impasse. France ... laid down requirements in all of the discussions – requirements that have become those of the entire international community. There is no question of allowing Iran to equip itself with nuclear weapons. But in the meantime, we should note the progress that has been achieved: the enrichment process has been halted ...

The second principle underlying our foreign policy is to contribute to the building of a new international order.

Where trade is concerned, the crisis – which has affected the developed world but with consequences for the entire planet – has in the past prevented all progress on trade negotiations. It is my belief that the recovery in the global economy that is now evident will be all the stronger if trade is facilitated.

The proof of this is that after five years of successive failures the World Trade Organization has reached an agreement in Bali ...

Similarly, an economic partnership agreement has been signed between Europe and Canada after years of negotiation. Others are on the way between Europe and Japan, and between Europe and the United States ...

The opening up of markets, the removal of non-tariff barriers, the development of trade ... all of this can ... stimulate the global economy. But there must also be rules, especially where currencies are concerned ...

In the same way, we must arrive at an international system that combats social dumping ... On this we can welcome the progress accomplished at the G20 in St Petersburg: the automatic exchange of information, removal of banking secrecy, combating fiscal optimisation – it is all there! ...

France is working towards a new international order, which also means a fairer world. France is the fourth largest donor where development aid is concerned ... [Our] road map has been revised for greater coherence with the combat against extreme poverty, as well as with the imperative of environmental protection.

France has accepted a responsibility for 2014 that will come to fruition in 2015: the organisation of the climate conference. As I often say, we volunteered to be its host and we were up against limited competition because of memories of Copenhagen. That failure was a resounding one, not for the organisers but for the international community ...

### Prospects for the future

What matters is that we always need prospects for the future, an accepted destiny, confidence in ourselves. That is the responsibility of Europe ... It must have ambitions. But what ambitions?

First, defence. We have begun work on this with the shared determination to develop new capacity, to ensure that our defence industries cooperate more and to include countries such as Poland that want to play a full part in the enterprise.

A second ambition: energy. I have mentioned the climate but I could also have said that where competitiveness is concerned there is a great deal that we need to do on energy: to implement a policy both to diversify our resources and to pool our networks; to put in place a genuinely effective European energy community.

The digital economy. We must also master the technology, protect our personal data, put this mass of information to good use. That is an attractive ambition for Europe ...

And, finally, it is my wish that Europe should not necessarily have constantly to enlarge its borders but should rather talk to major countries, and Russia in particular, within the framework of a strategic relationship. ■

*Excerpts from President François Hollande's speech to the Diplomatic Corps, Élysée Palace, 17 January 2014*



# A proactive contribution to peace

## When addressing the North Atlantic Council, Japan's prime minister **Shinzo Abe** described his country and NATO as "natural partners"

**O**ver the almost 70 years since the end of World War Two, Japan has followed the path of a peace-loving nation and consistently made efforts to realise the fundamental values, such as freedom, democracy, human rights and the rule of law, embodied in the United Nations Charter. Japan will continue to adhere steadfastly to this course into the years to come.

At the same time, Japan has made steady contributions to world peace and stability across various individual fields, from international peace cooperation, disarmament, non-proliferation, international counterterrorism and the advancement of 'human security' to disaster management cooperation. In Cambodia, the Golan Heights, Haiti and South Sudan, as well as in the Indian Ocean for the fight against international terrorism, and in Iraq for providing reconstruction assistance, as many as 50,000 members of the Self-Defense Forces since the end of the Cold War have worked for peace in such locations all around the world.

Japan is shouldering roughly 11 per cent of the total United Nations peacekeeping operations budget, a figure second only to the United States. Japan has carried out more than \$300 billion of official development assistance (ODA) in total to 190 countries and regions to date. Japan's ODA marks its 60th anniversary this year. Looking back, we see that Japan has extended hands of assistance to our friends in Asia and elsewhere around the world since the time when Japan was still impoverished after the war.

On the foundation of this kind of unwavering path we have followed as a peace-loving nation, Japan will commit even more strongly than ever before to fostering global peace and prosperity. Moreover, I believe that Japan should play a more proactive role in order fully to defend freedom of overflight, freedom of navigation and other global commons ...

Japan is a 'natural partner' of NATO ... Together we triumphed in the Cold War, and more than two decades have passed since that time. The security environments surrounding Japan and Europe are each once again becoming increasingly severe ...

It is fair to say that the current situation in Ukraine is the greatest challenge for post-Cold War Europe. We cannot accept changes to the status quo by force or coercion. This is a global issue that also impacts Asia. Japan strongly urges all parties concerned to respect the rule of law and territorial integrity and to behave responsibly with maximum self-restraint.

The easing of tensions in eastern Ukraine is of the foremost importance.

We will encourage the restoration of democracy as well as national dialogue and integration. Towards that end, Japan will steadily implement the \$1.5 billion of economic assistance to Ukraine that it already pledged at the G7 summit in the Hague. We will be proactive in providing assistance towards the upcoming presidential election and in making contributions to the Organization for Security and Co-operation in Europe's Special Monitoring Mission ...

The security landscape of the Asia-Pacific is also becoming increasingly severe.

North Korea's ongoing development of nuclear weapons and ballistic missiles is a 'clear and present danger'. Even this year, North Korea has repeatedly launched ballistic missiles towards the Sea of Japan and released statements indicating another nuclear test. These launches and another nuclear test clearly violate the relevant United Nations Security Council resolutions. The situation also involves the risk of proliferation of nuclear materials and related technologies to third countries including Iran. This is no longer an issue confronting East Asia alone, but rather a critical challenge facing the international community.

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***On the foundation of this unwavering path we have followed as a peace-loving nation, Japan will commit even more strongly than ever before to fostering global peace and prosperity***

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It is a matter of course that the North Atlantic Council released a statement that condemns in the strongest terms the nuclear test North Korea conducted in February 2013. In the Asia-Pacific, defence expenditures and arms imports have been increasing dramatically in recent years. In particular, China's foreign policy approach and its military developments have become issues of concern for the international community, including Japan ... In the South China Sea, there has been a series of actions based on unilateral claims, and a sense of urgent vigilance is mounting among regional countries.

For Japan, realising peace and prosperity in the Asia-Pacific is a top priority. We will act in cooperation with any nation who seeks to play a constructive role towards that end ...

Japan has reliably been materialising the assistance to Afghanistan that I pledged seven years ago ... Japan's assistance to Afghanistan, at a total scale of \$5.4 billion since 2001, has steadily brought forth positive results through partnerships with NATO and others in the international community. NATO's future directions are now under consideration towards its next summit to be held in Wales, the United Kingdom, in September. Japan will for its part develop its partnership with this 'future NATO' from the standpoint of putting our 'proactive contribution to peace' into practice ...

Japan places great importance on the concept of human security.

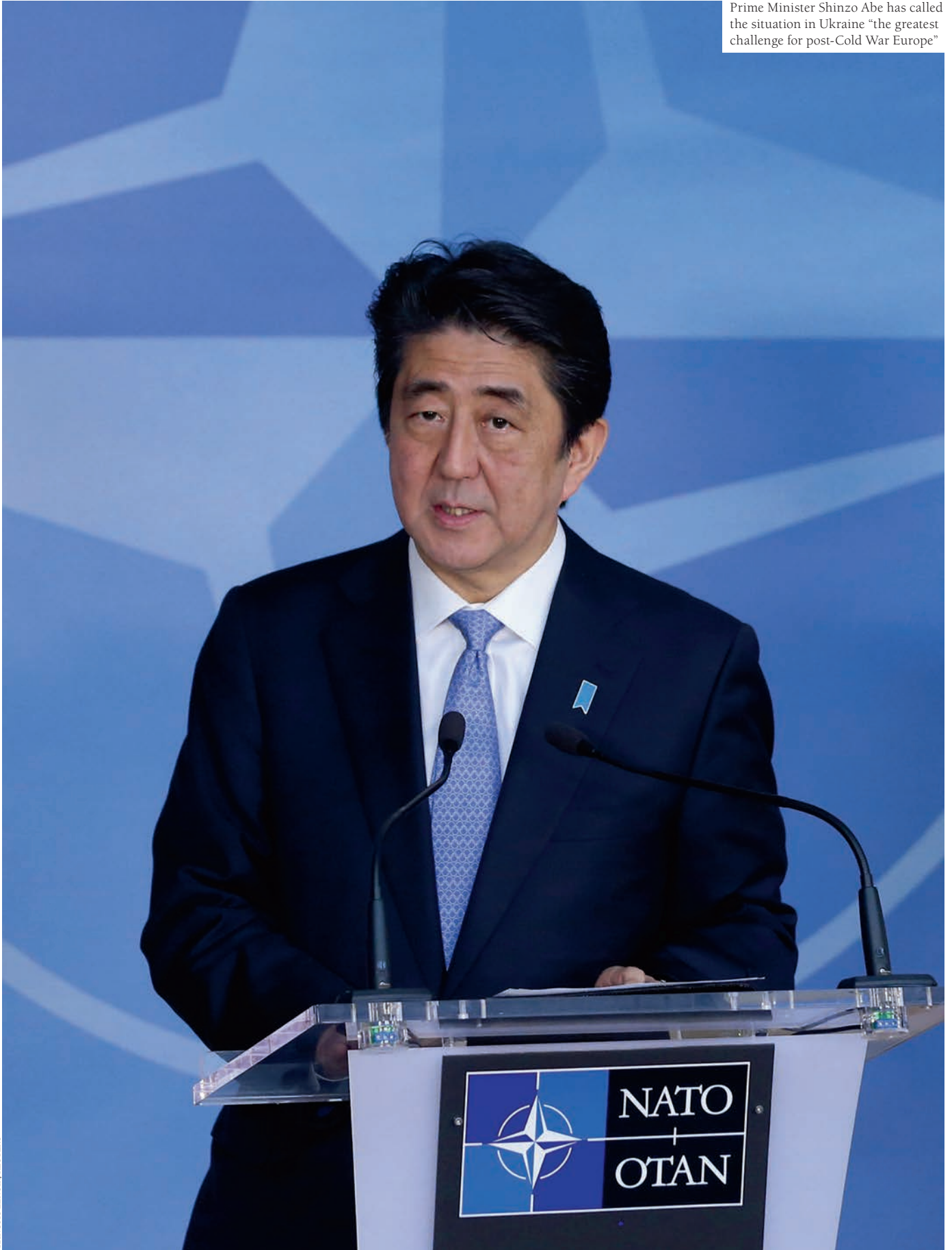
We are implementing down-to-earth assistance in such areas as capacity building for women as well as maternal and child health and the protection and promotion of women's rights in countries around Asia and in other developing countries. It is truly tragic that during armed conflicts, a large number of women suffer wounds of both the mind and body that do not easily heal – a situation that remains rife even here in the 21st century ...

I would like to close by asking one more time: why Japan and NATO? We are more than simply natural partners that share fundamental values. We are also reliable partners corroborated by concrete actions ... I sincerely look forward to Japan turning new pages of cooperation in the months and years to come as a reliable natural partner of NATO. ■

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*Excerpts from a speech by Prime Minister Shinzo Abe at a meeting of the North Atlantic Council in Brussels, 6 May 2014*

Prime Minister Shinzo Abe has called the situation in Ukraine “the greatest challenge for post-Cold War Europe”



# The Mediterranean is the heart of our political and cultural actions

**Italian prime minister **Matteo Renzi** stresses the importance of Europe-US relations, and Italy's support for the people of North Africa**

**T**he great challenge that's been thrown out in the relationship between the US and the European Union is a fascinating challenge. I do think that in Europe we need reforms, but we also need more growth. I think that Europe must be the place where politics will give hope back to our families ...

Our grandfathers had to fight for Europe. The United States had to fight to save democracy in Europe. And in Europe, there was a fratricidal war. I know that my mother used to cry before the Berlin Wall, when that boundary fell, when it broke down. And my generation is the Erasmus generation. I'm thinking of a future generation where there will be a stronger unification process, and where in Europe there will be peace and stability, but where there will also be growth and the fight against youth unemployment. We will be investing in our hopes and our prosperity ...

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***We need to support the desire for freedom and democracy of the Libyans and of the people living in North Africa***

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And I think that in the EU semester during which Italy will have the presidency, we will be delivering the same message. And, clearly, Italy will work on the reform and process that is under way ... I can just confirm that we do want to change Italy, because we are convinced of the fact that if we change Italy, we'll be helping Europe to change as well, and we'll be strengthening our relations with the US evermore.

So from this standpoint, I do confirm the commitment of our country together with European partners and together with the United States, and in particular in the Mediterranean region. The Mediterranean is the place that the Romans used to call 'Our Sea' – 'Mare Nostrum'. Maybe it's not the most appropriate translation. In other words, in Latin they say 'Mare Nostrum'. But we mean when we say this that there were youngsters who triggered the Arab Spring and, therefore, we need to support all this. We need to support the desire for freedom and democracy of the Libyans and of the people living in North Africa. So this is what I mean when I say it's 'Our Sea', in particular ...

Europe should not consider the Mediterranean as a frontier. It should be seen as the heart of our political and cultural and moral actions.

Now, I also wish to underscore that the relations between the United States and the European Union and Italy are still strong,



despite the difficult moment in connection with the Ukrainian crisis. President Obama and the European nations in the G7 meeting discussed, in fact, the crisis in Ukraine, and we shared the view that we do not uphold the decisions made by Russia. This goes against international law. And we tried to convey a message showing our unity, our strength and our great concern, and yet our great resolve – the resolve of the international community.



During the Italian presidency of the European Union, Prime Minister Renzi hopes to be able to move forward in economic cooperation and also in ICT



REUTERS/GIORGIO PEROTTINO

I also appreciated the words of President Obama at the G7 meeting when he reiterated the need to look into energy issues more thoroughly. I think that during the Italian presidency of the EU, we'll be able to work with determination and resolve and tenacity. And I also hope that during our presidency of the EU, we'll be able to move forward in economic cooperation and also in ICT [information and communication technology], for example,

and in connection with our traditional values and the hopes that we have in terms of boosting employment and doing this also through the ICT sector. ■

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*Taken from remarks made by Prime Minister Renzi during a joint press conference with US president Barack Obama in Rome, 27 March 2014*

# Seeking to strengthen democratic security and solidarity worldwide

## The crisis in Ukraine is at the heart of the G7 agenda, but resolving key global challenges will require the cooperation of Russia

By John Kirton, G8 Research Group

**T**he G7 summit, being held in Brussels on 4-5 June 2014, promises to be a significant event in several ways. It will be the first annual G7 summit held without a Russian leader being present since Boris Yeltsin started attending as a guest in 1992. It will be the first such summit since 2002, when the G7 leaders issued a stand-alone statement from their last G7 session within the larger G8 summit, which Russia had joined as a full member in 1998. It will be the second G7 summit within three months, following the G7's emergency meeting in the Hague on 24 March, held on the margins of the larger Nuclear Security Summit. It will be the first regular summit held in a country that is not itself a member of the G7/8, marking the advent of the European Union, headquartered in Brussels, as a G7 summit host. And it will be the first summit in decades to showcase and strengthen the democratic solidarity and responsibility that the G7 members share as the basis for their efforts to build a better world.

### Dependence on gas imports

At the centre of the summit agenda is the crisis in Ukraine, in its many forms. The first is energy security. Building on the results of the G7 energy ministers' meeting in Rome on 5-6 May, the leaders will identify ways to keep gas and other energy supplies flowing to Ukraine, to Central and Eastern Europe, and to the European Union as a whole. They will seek to diversify their sources of supply, thus reducing their dependence on gas imports from an unpredictable and thus unreliable Russia that has shut off the flow in the recent past. In doing so they will be guided by their success in confronting the oil shock from the Middle

East in 1979, recalling that their coordinated, multifaceted strategy then led within a decade to the demise and ultimate disappearance of the energy-empowered Soviet Union that had invaded Afghanistan in late 1979.

G7 leaders will again commit to energy conservation and efficiency, starting with efforts to stop governments subsidising and thus wasting fossil fuels. They will also shift to alternative and renewable fuels, regulatory reforms and improved infrastructure to open and integrate markets across Europe and on both sides of the Atlantic and Pacific oceans, especially so that the abundant supplies from the energy superpowers in North America can easily flow to a Europe and Japan where they are needed most. If

### *Trade liberalisation will seek to connect a reforming Ukraine with its European neighbours*

necessary, G7 leaders could signal or start the release of the excess oil from the large strategic petroleum reserves that the United States and other members of the International Energy Agency have accumulated, and could even restart the nuclear power reactors recently shut off in energy-dependent Japan and Germany. These moves should steadily and substantially reduce the world price for oil and gas, and thus the fiscal resources, economic growth and currency value of Russia and other unfriendly petro-dollar states.

A second focus, building on the priority placed on transparency at last year's G8 Lough Erne Summit, is on recovering stolen assets, especially those taken from Ukraine's state and citizens by their former rulers. This will give the Ukrainian Government some of the fiscal

resources it badly needs, as well as helping to identify the places where certain leading Russians have hidden their ill-gotten wealth. This will make the next round of targeted or smart sanctions more effective in damaging and deterring those supporting Russia's forceful expansion into Ukraine. G7 leaders will further examine how and when they might need to impose more serious broader sanctions against key sectors, such as energy, minerals and banking, on which Russia's natural-resource-based economy depends.

### Still fragile economic recovery

A third focus is on mobilising more resources from the International Monetary Fund and other global financial institutions and donors to quickly and reliably give Ukraine the money and impose the tough conditions it badly needs to become a strong modern state. Here the primary task is to stamp out the corruption that has crippled Ukraine since its independence in 1991. Only then will the money that flows in not rush out to tax havens abroad, but instead be used to build the physical and human security that the Ukrainian people deserve. With such conditions and supports in place, G7 leaders at Brussels can mobilise further funding to build the armed forces and government ministries needed to convince all Ukrainians that they will be much better off in a democratically strong, united, sovereign state of their own.

A fourth focus is on managing the global economy, to keep the geopolitical risks from an expansionist Russia and China from damaging investor confidence and thus the still-fragile economic recovery and financial stability that the G7 members and their global democratic partners now enjoy. Emphasis will be placed on the tough tasks of structural reform, tax fairness, fiscal sustainability and trade liberalisation. Trade liberalisation will seek to connect a reforming Ukraine more closely with its like-minded European neighbours and to combine the world-leading market power of the EU and the US through a transatlantic free trade and economic partnership deal.

A fifth focus will be on strengthening G7 members' defence spending and



G7 leaders need to find ways to keep energy supplies flowing to Ukraine, to Central and Eastern Europe, and to the European Union as a whole



ITAR-TASS PHOTO AGENCY/ALAMY

sharing, and encouraging their partners in the now 28-member North Atlantic Treaty Organization to do so, too. All can thus better bear the burden of providing democratic security to a Europe that feels newly endangered and, through the Deauville Partnership and in other ways, to a still-troubled Middle East, North Africa and sub-Saharan Africa as well.

Beyond this focus on the immediate fundamentals stand the broader global issues that lie ahead. One task is to advance development and health, by helping to meet the Millennium Development Goals by their due date next year and by shaping a new generation

of goals to galvanise global action for the 15 years beyond. Another task is to define the framework for an effective climate change control regime, to be approved by the full United Nations when its leaders meet in Paris at the end of 2015. Also demanding attention are issues of food security and cyberspace.

#### **Halting nuclear proliferation**

All these global challenges will eventually require the cooperation of a responsible Russia if they are to be solved before the harmful consequences and costs overwhelm all. The same is true of many of the political security challenges beyond Europe that the

G7 will address. These include ending the deadly civil war in Syria and removing all chemical weapons there; the Middle East peace process; countering civil conflict, insurgency and terrorism in North Africa and sub-Saharan Africa, notably in Mali, the Central African Republic and Nigeria; and halting nuclear proliferation in North Korea, Iran and elsewhere. As such threats arise from within Russia in Chechnya and Dagestan and from Russia's nearby neighbours in Iran and North Korea, there are strong incentives for a Russia, rationally pursuing its national and human security, to return to the democratic G8 fold. ■



# Private-sector-led growth and the global economy

**Providing valuable services and infrastructure, the private sector helps foster growth in emerging markets. Here, business leaders explain how they are working with governments to expand international trade**

## DSM Nutritional Products



### Dr Manfred Eggersdorfer

Dr Manfred Eggersdorfer is senior vice president for nutrition science and advocacy at DSM Nutritional Products, and professor of healthy ageing at the University of Groningen in the Netherlands. Prior to DSM, Manfred Eggersdorfer worked for BASF, Ludwigshafen, Germany, in positions including head of research and development fine chemicals.

Dr Eggersdorfer is an honorary professor at the University of

Groningen's Faculty of Medical Sciences and a member of the advisory board of the Johns Hopkins Bloomberg School of Public Health. He is also a published author on the subject of vitamins.



### Dr Klaus Kraemer

Dr Klaus Kraemer is the director of Sight and Life, the humanitarian nutrition think tank of DSM, and adjunct associate professor in the Department of International Health at the Johns Hopkins Bloomberg School of Public Health. Sight and Life helps to improve the lives of some of the world's most vulnerable populations by supporting innovations to eradicate malnutrition. As a nutrition scientist with over 25 years' experience in

research, advocacy, communication, and strategic and organisational leadership in nutrition and public health, Dr Kraemer has expertise in research and product development, as well as programme work.

### What is your company's vision for expanding in the global marketplace to fuel your corporate success?

We connect our unique competencies in life sciences and materials sciences to create solutions that nourish, protect and improve performance. We believe that improved nutrition of the population in emerging economies will reduce malnutrition, improve health and the ability to escape from poverty and increase economic well-being. This will provide growth opportunities for companies for investing in emerging economies.

### What strategy and assets are you pursuing to this end?

DSM is expanding into fast-growing economies with application centres for food and beverages, premix plants and the co-creation of local food solutions with customers. We engage in PPPs [public-private partnerships] that go beyond traditional knowledge transfer, where we partner and co-lead with other sectors to achieve backward and forward integration in product development, distribution and marketing.

DSM intends to establish open innovation platforms in emerging economies. This will provide in-depth consumer insights and allow the development and production of affordable products tailored to market needs.

### Where will the next big emerging markets be and how are you preparing to work in and with them?

One of the most promising markets for DSM to grow is South-East Asia. DSM applies a novel approach to engage with stakeholders across sectors from governments, civil society, the United Nations and business. This provides in-depth insight in local nutritional problems and opportunities for co-creation of effective solutions. For this approach, DSM works with local stakeholders on effective standards for nutritious products.

### What can G7 governments do to fuel strong, sustainable, balanced, private-sector-led growth?

The most challenging obstacles for a company like DSM to venture into the BoP [bottom of the pyramid] market is the lack of demand for

nutritious products. Demand for nutritious food should be created through a public-sector-driven awareness campaign. Structured demand via vouchers should be created via governments to ensure access to food by the most vulnerable.

### How are you working with governments to put in place the reforms needed to access and expand these markets?

DSM works with local governments directly, through industry organisations, UN agencies and academia to strengthen capacity to develop e.g. food fortification standards and methodology for [their] enforcement. DSM also helps to identify nutrient gaps in populations and supports research on the impact of nutrition interventions on nutrition status and health. A solid evidence base is the ultimate requirement for DSM to build a sustainable business and contribute to resilient societies. DSM adheres to the transparent sharing of expertise with policymakers and government authorities in all markets, and has registered in the European Commission's voluntary register of lobbyists active in Brussels. ■

## GE Healthcare



### Skander Malcolm

Skander Malcolm is the president and chief executive officer of GE Healthcare's 84-country Eastern and Africa growth markets region.

Appointed in December 2012 and based in Istanbul, Turkey, Malcolm leads GE Healthcare's operations in Russia and the CIS, Turkey and Central Asia, and the Middle East and Africa.

In this position, Malcolm is focused on driving the organic growth of GE Healthcare's businesses across these

key emerging markets through a strategy of localisation, expanding footprint and building operational capabilities to meet the evolving needs of customers and ultimately patients across the region.

Malcolm joined GE in 2003 and most recently served as president and CEO for GE Capital Australia and New Zealand, a specialist financial services company of more than \$16.5 billion in assets, focused on consumer and commercial funding.

He brings over 20 years' experience in the financial services sector in roles covering the United Kingdom, United States and Australia, having previously held several senior leadership roles at Westpac Bank and Household International (now part of HSBC).

Malcolm holds a Bachelor of Economics degree from the University of Sydney in Australia.

### What is your company's vision for expanding in emerging markets?

We are a technology and infrastructure company, which can bring financing – we see emerging markets as needing all three. Whether it's healthcare, power generation, transportation or cleaner energy, our customers in emerging markets look to us to help them build their infrastructure as they build. In emerging markets, we think we can help solve these infrastructure challenges they face, whilst adding local capabilities and skills, and, of course, jobs.

At GE Healthcare, globalisation is a cornerstone of our strategy, and our operations are organised around key growth regions to ensure close proximity to our customers. Moreover, we are making significant investments in the development of emerging-market healthcare with over 50 per cent of all revenues coming from outside of the United States.

An example of our global business model is GE Healthcare's Eastern and Africa growth markets (EAGM) region, covering 84 countries stretching across Russia, the CIS and Central Asia, Turkey and the Middle East and Africa. We have grown our business to over \$1 billion in revenues, with more than 1,800 staff as well as more than 300 local partners and we have invested very significantly in developing products and solutions that fit the needs of our customers.

### How would you describe your current strategy to this end?

As the cornerstone of sustainable economic development, countries need education and healthcare. That is why our growth is accelerating in regions like the Middle East, Russia and Africa. Indeed, everywhere we go, we see ministries of health working hard to improve access to quality and affordable healthcare for their people.

In response to this, GE launched a three-pillar strategy we call healthymagination. Healthymagination is our global \$6 billion commitment to develop 100-plus innovations that will lower healthcare cost, increase

healthcare access and improve healthcare quality by 15 per cent by 2015. As of 2013, we have invested \$4.2 billion with 100 validated product innovations, touching more than 1.5 billion lives.

This strategy has helped GE Healthcare prioritise its investments, drive big ideas forward, partner with thought leaders and link more closely with the healthcare system, touching the efforts of hospital managers, doctors, clinical specialists and, ultimately, patients.

One example is the recent healthymagination mother and child initiative we launched in Nigeria. Together with the Nigerian Federal Ministry of Health, and USAID, we are investing \$20 million to help tackle maternal and infant mortality. What is unique about this programme – and it

Emerging markets need help from G7 and European countries in the form of skills, knowledge, financing and manufacturing. In our experience, it is most effective when it is localised, creating local knowledge, skills and, of course, jobs.

Consider Iraq: where health expenditure grew from \$143 to \$226 per capita, an increase of 58 per cent (between 2009-12), and where a massive workforce upgrade and more than 60,000 new hospital beds are required to cover the current need. Or Africa: with over a billion people (more than 60 per cent under the age of 30 years), where it is estimated that there are only two doctors for every 10,000 people in sub-Saharan Africa. The healthcare challenges facing these governments are not insignificant. These governments know

***At GE Healthcare, globalisation is a cornerstone of our strategy, and our operations are organised around key growth regions to ensure close proximity to our customers. We are making significant investments in emerging-market healthcare***

is typical of how we are tackling emerging markets – is that we are not just providing equipment, we are also providing training, education, financing and whole solutions that will remain locally operated.

### What business activities and partnerships are you currently pursuing in your region where the G7 countries and European Union can help? How in turn will this benefit the G7 and EU?

Advancing healthcare in the emerging markets is good for everybody. Indeed, in a global economy, it makes sense for the G7 countries and the European Union to support the development of emerging-market healthcare. This will contribute to a more stable economic recovery and faster growth for all.

that not addressing their massive healthcare challenges is simply not an option, and are taking steps to address them. As a result we are optimistic about the emerging markets and we are investing.

### Governments around the world invest considerably in healthcare but sustainability is a considerable challenge. In the emerging markets where the needs are many, how is sustainability ensured?

Sustainability is a significant issue regardless of where you are in the world, and in the emerging markets – where in some settings governments are establishing healthcare infrastructure from scratch – ensuring the long-term effectiveness of these investments is essential.

In the emerging markets, what we have learned is that technology alone is no longer enough. Instead, we are designing new models of healthcare delivery leveraging relevant technology, a significant focus on training and skills enhancement, and nurturing sustainable partnerships to develop localised solutions aligned firmly with the needs of our customers.

We are also addressing some of the major healthcare challenges such as reducing waste, improving healthcare efficiencies and eliminating unwarranted variation in diagnosis and therapy. In some countries we further match this with consumer education highlighting the importance of health awareness and disease prevention. Through this approach, we strive to increase sustainability by ensuring that improved clinical and patient outcomes are 'built in' to our solutions.

**As we approach a new era of innovation in a wide range of fields, how does GE foresee future developments in technology and their likely effects on industry and society?**

True to its heritage, GE is at its core a technology and innovation company. Each year, the company invests five to six per cent of revenue back into R&D.

In Healthcare, the scale and rate of innovation is set to significantly transform the sector in the next 10 years as Healthcare continues to industrialise.

Indeed, innovation in healthcare has a different meaning, depending on where you are in the world; what is consistent is that it has to be economically and clinically relevant.

In a digital world, the 'industrial internet' for GE Healthcare is about creating and enabling technologies and services that will

change the way healthcare providers work together to use big data and analytics to manage the patient through the healthcare system.

With these technologies, GE is enabling caregivers to spend more time caring for patients and we have committed \$2 billion to harnessing data and developing software for healthcare to reduce costs, optimise care delivery, and eliminate unnecessary waste.

GE is also leading the way in advanced manufacturing. Material science and analytics are transforming the way that our factories can operate.

Digital tools will make us faster and more efficient. We are a leader in advanced fabrication innovations like 3D printing, to lower product cost and drive speed. This is making our factories smarter, more distributed and reconfigurable. ■

## International Gas Union



**Torstein Indrebø**

Torstein Indrebø is secretary general of the International Gas Union. He holds a Master of Science in Business from the Norwegian School of Economics and Business Administration, Bergen and has a degree in Petroleum Taxation from the University of Bergen.

Indrebø started his career with the Ministry of Defence and Ministry of Foreign Affairs before joining the Oil and Gas Division of Norsk Hydro in 1980. He was assigned to Mobil Oil in the US from 1985-86 before returning to Norsk Hydro's Natural Gas division in Norway.

In 1995 Indrebø was appointed vice president and head of the Oil and Gas office of Norsk Hydro in Brussels, Belgium. In 2001 Indrebø assumed the position of vice president strategy and business development, natural gas. He served as president of the Norwegian Gas Association from 2001-05. Following his appointment as secretary general of the International Gas Union in 2007, Indrebø transferred the IGU Secretariat to Oslo, Norway under the sponsorship of Statoil.

**What is your organisation's vision for expanding in the global marketplace to fuel your success?**

The global gas industry is a tremendous success story, with natural gas now accounting for over 23 per cent of primary energy consumption worldwide. The International Gas Union (IGU) expects that this figure will rise to 25 per cent or more by 2035.

IGU encourages international trade in gas by supporting non-discriminatory policies and sound contracting principles and practices, promoting development of technologies which add to the environmental benefits of gas and further enhance safe production, transmission, distribution and utilisation of gas.

**What strategy and assets are you pursuing to this end?**

The world's conventional and unconventional natural gas resources are equivalent to more than 250 years of global consumption, so there is no problem with underlying availability. This fact enables gas to be positioned as a foundation fuel for the world's current and future energy, delivering less carbon-intensive energy solutions, and as the perfect partner for renewable energy sources. With almost no pollutants, increased use of gas will also contribute to improved air quality in urbanised areas.

**Where will the next big emerging markets be and how are you preparing to work in and with them?**

The largest gas market growth in the coming years is expected in Asia. This is dominated by the growing energy needs in China and India, and the contribution that natural gas can make to reduce air pollution and

improve local air quality. IGU expects that gas will increase its share in power generation and in the transportation sector. IGU works through our extensive Asian membership and network to advance the gas industry in the Asian region.

**What can G7 governments do to fuel strong, sustainable, balanced, private-sector-led growth?**

Energy diplomacy is a 21st-century reality, and changing political concerns have a direct effect on our markets. As gas is an increasingly international business, geopolitical issues can have a direct impact on the prospects for investment and further expansion in the global marketplace.

Governments and the G7 group should invite industry representatives and organisations like IGU to dialogue meetings. A closer cooperation between policymakers and industry will help to attract the investments in energy infrastructure needed for global energy security.

**How are you working with governments to put in place the reforms needed to access and expand these markets?**

IGU and the International Energy Forum jointly organise Ministerial Gas Fora that explore the geopolitical and economic realities of developing new markets and expanding international trade by promoting dialogue between producing and consuming countries. We are actively engaging in energy issues with global and regional organisations, and publish an extensive range of publications addressing relevant topics ([www.igu.org](http://www.igu.org)). IGU is available for further interaction through G7 processes or bilaterally with individual governments. ■





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# The pursuit of energy security and market stability in the oil industry

Energy resources – both conventional and non-conventional – remain abundant, but the industry faces issues around deliverability and sustainability



PLANETPIX/ALAMY

## Not just for the oil sector, but for the energy industry as a whole, cooperation and dialogue are key to the creation of a stable and sustainable future

**By** Abdalla Salem El-Badri, secretary general,  
Organization of the Petroleum Exporting Countries

**T**oday, anxieties and concerns about local, regional and global energy security top the agendas of countries worldwide, not just with regard to oil, but across the entire energy value chain. It is thus essential to understand the needs and requirements of each and every stakeholder – whether those stakeholders be individuals or large

multinationals, national or international energy companies, upstream or downstream players, consumers or producers.

The key to this is to view the entire energy system holistically, especially given the ever-increasing linkages at local, regional and global levels. Understanding the interrelated nature of the challenges and opportunities the world faces will help us all to achieve our

shared goals of enhancing energy security – from the perspectives of producers and consumers – and advancing market stability.

With the global energy system expected to grow significantly in the coming decades, joint understanding of each other's requirements must continue to evolve through open dialogue and cooperation. It is essential that all better appreciate one another's viewpoints, that all strive to be realistic in their targets and goals, and that all are pragmatic in their discussions.

There are plenty of resources to meet future energy growth patterns – from both fossil fuels and non-fossil fuels. Oil, conventional and non-conventional resources are clearly abundant for the foreseeable future. And with technological advances continuing to extend the reach of the industry, reduce costs and unlock additional resources, the availability of resources is not a concern.



# The European Gas Research Group and the challenge of innovation for our energy future



**Robert Judd**

Secretary general, European Gas Research Group (GERG)

**T**he world of energy is becoming more complex, and the old rules no longer apply. This is as true for research and innovation as it is for the business models of the industry. The gas industry can no longer be seen as mature – we need to work alongside renewables, address the challenges of decarbonisation and harmonisation, and fit a whole new portfolio of unconventional resources into our strategic planning. Energy security is clearly becoming more important than ever before.

Europe has set the pace on challenging targets for the decarbonisation of its energy systems. Global energy systems are also adapting to this challenge, which is highly dependent on generating a substantial

proportion of electricity from renewable sources. A larger proportion of final energy is used to provide heating and mobility. It is known that gas grids typically carry far more energy than electricity grids, and therefore the debate needs to be firmly about energy, not just about electricity. Dealing with intermittency, back-up power and peak heat as well as aspiring to decarbonise transportation will undoubtedly require support from the infrastructure of the gas networks.

In order to succeed in meeting the challenges of secure, affordable and sustainable energy, we will need to create many new ways of interacting with our energy networks. These will need to enable the integration of renewables of all types, the addition of demand-side responses and close coupling of gas and electricity networks. All of this will need to be done in a 'smart' way. There is a dilemma to be faced within this, as individual networks are subject to significant economic and technical regulation that focuses them on the shorter-term horizon and issues such as unbundling, asset life extension and providing value to customers. A major challenge will be to provide the regulatory environment to allow innovations to be tested on live grids and to send the signals to the grid operators to work on horizon developments over longer periods of time.

GERG has been part of the gas industry picture for more than 50 years now. In that time it has witnessed huge changes.

The past decade in particular has seen a transformation, with few, if any, of the original industry giants standing still, and a slicing of the old vertically integrated gas companies into a much larger pack of leaner, more focused companies, each concentrating on a part of the chain. Along with these changes, mergers and deregulation have led to many gas companies becoming multi-utility players and energy companies. GERG now has a growing role in providing the 'glue' of innovation, developing the ideas and the projects that will show how our existing gas infrastructure can be integrated into a future 'smart' interdependence.

The current focus of GERG is enabling new gas technologies to integrate with renewables and increasing their flexibility:

- The existing gas grid provides a flexible storage medium for energy and avoids costs of electricity grid reinforcement and under-utilisation of renewable capacity.
- Flexible gas-powered generation is developing, which can support the intermittency of renewables.
- Decarbonisation of the gas network is happening through a mixture of power-to-gas and biomethane injection.
- The integration of a new generation of gas end-use appliances will provide a lower cost and flexible alternative to a dependence on increases in electricity transmission capacity.

Natural gas technology will be vital in enabling the smart supply and demand-managed, low-carbon integrated energy network of the future. GERG is working across a rapidly changing landscape of partners to make this future a reality.



This gas pipeline is typically carrying 10 times as much of our energy as an electricity transmission cable

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The energy industry has a responsibility to maintain confidence in – and enhance the security of – the energy system on which everyone depends

MIKE PERRY/ALAMY



The main focus is on issues related to deliverability and sustainability.

For the oil industry, this includes developing a better understanding of the factors that could have medium- and long-term impacts on supply. For example, the energy and environmental policies of a number of consuming countries provide an unclear picture of their potential impact on future oil consumption levels and overall energy demand. There is thus a need for clearer policies – ones that are reliable and predictable.

Moreover, there is a need to continually improve the understanding of other matters – such as the effects of excessive market volatility, the role and impact of financial speculation, human resource requirements and potential staffing shortages.

In addition, there are other, broader issues to be considered by the industry's stakeholders, as well as world leaders, in the years ahead. These include environmental protection, climate change and sustainable development.

Among activities in this area are the ongoing United Nations climate change negotiations. The Organization of the Petroleum Exporting Countries (OPEC) recognises the importance of being part of these negotiations to develop solutions that safeguard the legitimate interests of all parties. However, it is essential that these multilateral negotiations reach an agreement that is comprehensive, balanced, fair and equitable – one that respects all the principles and provisions of the United Nations Framework Convention on Climate Change and its Kyoto Protocol.

It is also essential that all remain focused on ensuring everyone has access

to reliable and sustainable modern energy services. With around 1.2 billion people lacking access to electricity and some 2.8 billion relying on biomass for their basic needs, energy poverty must receive the urgent and critical attention of world leaders. Sustainable development is a high priority for OPEC members. It is the main objective of the financial and technical assistance they provide to developing countries, directly through their own aid institutions, as well as through the OPEC Fund for International Development.

To help meet some of the challenges and uncertainties facing the global oil market and the world in general, we at OPEC believe in continually looking to explore ways to develop and expand

gas and coal market outlooks. OPEC has also been closely involved in several of the G20's energy-related work streams, including the role of the oil price reporting agencies and ways to enhance JODI-related activities.

### **Finding common ground**

In addition, a number of cooperative activities have taken place over the past year as part of the well-established European Union-OPEC energy dialogue. These include the 10th ministerial-level meeting, a joint round table on the safety of the offshore oil and gas industry, and a study – and subsequent round table – on potential staffing bottlenecks in the petroleum industry. And 2013 saw the second high-level meeting of the OPEC-Russia energy dialogue take place in Moscow.

Those of us in the energy business have a responsibility to do everything possible to maintain confidence in – and enhance the security of – the energy system on which we all depend. And, of course, central to this is dialogue and cooperation, which I am sure all participants in the Brussels Summit appreciate.

Obviously, each stakeholder will have differing agendas and challenges, which means that one can never expect to find complete consensus on everything. Nevertheless, it is important to continue to work towards finding common ground on issues of mutual concern. Thus, all need to look for shared solutions, wherever and whenever appropriate, and to have an environment that is conducive to reaching constructive end results. All need to make sure that they have input from each and every stakeholder.

These are all important tasks, especially since they have one common objective: a stable and sustainable energy future for all. ■

## ***There is a need to continually improve the understanding of the effects of excessive market volatility, financial speculation and human resource requirements***

our dialogue and cooperation with others. We recognise the value of strong and mutually beneficial relationships.

A prime example of this is the proactive participation of OPEC in the International Energy Forum (IEF), which plays an important role in strengthening energy cooperation and dialogue between producers and consumers. This includes OPEC's involvement in the Joint Organisations Data Initiative (JODI), as well as in various forums, such as those between OPEC, the IEF and the International Energy Agency (IEA). Over the past year, this has included workshops and symposia on energy outlooks, the interactions between physical and financial markets, and

# Meeting South Africa's nuclear needs



**Phumzile Tshelane**  
Chief Executive Officer of  
The South African Nuclear  
Energy Corporation (Necsa)

## History of Necsa

The South African Nuclear Energy Corporation (Necsa) was established as a public company in the 1940s in terms of the Nuclear Energy Act, 1999 (Act No 46 of 1999), and is wholly owned by the State. The main functions of Necsa are to undertake and promote research and development in the field of nuclear energy and radiation sciences and technology; to process source material, special nuclear material and restricted material; and to cooperate with persons in matters falling within these functions.

## Operations, capabilities and responsibilities

Inherent in its mandated activities is the responsibility for the operation and utilisation of the SAFARI-1 nuclear research

reactor for radioisotope production and research activities.

In addition, the company is responsible for the management and operation of the Vaalputs National Radioactive Waste Disposal Facility in the Northern Cape on behalf of the National Radioactive Waste Disposal Institute (NRWDI).

Necsa engages in commercial business mainly through its wholly owned commercial subsidiaries: NTP Radioisotopes SOC Ltd (NTP), which is responsible for a range of radiation-based products and services for healthcare, life sciences and industry, and Pelchem SOC Ltd (Pelchem), which supplies fluorine and fluorine-based products. These main subsidiaries supply local and foreign markets, earning valuable foreign exchange for South Africa.

Necsa is also responsible for promoting public understanding of nuclear science and technology, and facilitates regular communication with the public and its stakeholders.

## Cutting-edge technology

Since the early 1990s, the Necsa Group, through the SAFARI-1 nuclear research reactor and the Necsa subsidiary NTP Radioisotopes SOC Ltd, established itself as a world leader in the production and supply of radiochemicals used in the diagnostic nuclear medicine procedures. Our technology is cutting edge and second to none, as can be observed in the innovative qualities of our products. Today, we are the only company in the world producing the medical isotope called

molybdenum-99 on a commercial scale without using weapons-grade uranium.

Being a world leader in the production and supply of radiochemicals, NTP is among the world's top three radiochemical producers and enjoys a reputation built on consistent, reliable service and product-quality excellence.

NTP exports its products to nearly 60 countries on five continents and maintains world-class quality, safety and regulatory compliance systems and performance.

## A diverse supply chain

As a research and development company, our supply chain is diverse, and is not only limited to raw material supplies for our products, but extends to sourcing talent and intellectual property. Our linkages are very important and include government departments, research institutions, universities, international partners, the private sector, regulatory bodies and professional bodies.

The importance of these partnerships is their contribution towards our commercial success and their influence on our ability to carry out our responsibilities as mandated by the South African Government, especially when it comes to enabling us to contribute to the National System of Innovation (NSI) to support general economic growth and development in South Africa.

## Corporate culture

Our robust incentive schemes for workers and suppliers are designed to attract a wide spectrum of job seekers and suppliers

**Phumzile Tshelane** holds a Bachelor of Science Honours (BSc Hons) degree in Nuclear Physics and an Executive Development Programme.

He was appointed as the chief executive officer of the South African Nuclear Energy Corporation Ltd (Necsa) with effect from 1 September 2012.

Prior to his appointment, Tshelane served as acting general manager of the Eskom Nuclear New Build division from June 2010.

He has participated in long-term national and international academic research projects, been the recipient of the Ford Foundation Research Internship in 1988, and was awarded the first prize for his physics essays in 1989 and 1993.

Tshelane has held a number of key positions in other entities, namely:

- Vice president, Nuclear Industry Association of South Africa (NIASA);
- Non-executive director of NIASA, acting as Eskom representative. He also served in the finance committee of the NIASA board;
- Non-executive director at Necsa;
- Founder member and steering committee chairperson of the South African Nuclear Human Asset and Research Programme; and
- Founder member and chairperson of the board of directors of the RGM School of Excellence.





The SAFARI-1 Research Reactor in Pretoria, South Africa

who are experts in their fields. We strive to meet and exceed all our targets in terms of job creation, localisation, skills development, and contribution to economic growth and development.

#### **Sustainability and the environment**

As a nuclear organisation operating a nuclear research reactor and several nuclear facilities, sustainability risks relating to safety, security, regulatory compliance and commercial success of subsidiaries are managed very closely and monitored continuously.

A comprehensive environmental monitoring programme is in place to meet the requirements of the Air Quality Act, the National Environmental Management Act and the National Water Act. Resource usage, waste generation, and the impact on media and ecology are monitored and illustrated in our various public reports and submissions to Parliament, and are discussed routinely with our neighbouring communities.

#### **Towards the future**

The main focus in the years ahead is to further align the organisation's expenditure framework with the available resource base

and implement projects to enable further growth of the resource base to ensure that Necsa is effectively able to service the current and future nuclear research needs of our nation.

The Necsa Group growth prospects for the near future include the following:

- government decisions regarding the procurement process of the planned nuclear power reactor fleet;
- projects towards the establishment of a low enriched uranium fuel and target-plate manufacturing plant at Necsa;
- in-principle decision-making regarding a multipurpose reactor to replace SAFARI-1 at the end of its operational life;
- further market penetration for new NTP business initiatives relating to new products and services (for example, F-18 FDG, gamma irradiation and radiography sources);
- demonstration of the plasma-based waste-to-energy system;
- demonstration of the uranium recovery process that was proven on laboratory scale; and
- further expansion of our networks and clinical trials of candidate radiopharmaceuticals.

Our long-term strategy is engraved in our vision as a highly profitable, world-class organisation that boasts the best nuclear products and component-production facilities. We would like to root our success in our world-class technological capability, R&D programmes and increased national competence in terms of design, quality management, project management and architected engineering.

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# Water security for growth

## In a world of climate uncertainty, investment in water infrastructure is central to growth and prosperity

By Benedito Braga, president, World Water Council

**T**hroughout history, managing water resources has been the common thread connecting social stability, human wealth, prosperity, economic growth and sustainable ecosystems. Water has been central to achieving good public health, food security and sustainable energy. Water infrastructure and its good management have been humanity's major adaptive measures to increase options for decision-makers in times of drought and floods, to help make cities more resilient and to guarantee the quality of the environment.

### ***Hydropower reservoirs and their multipurpose operations are increasingly important elements in the strategy for coping with climate variability***

Today the world faces a major ethical public policy dilemma. Water and security debates are raising public anxiety about how changes in climate patterns will affect water availability and water-related extreme events. At the same time, little is being invested in what are known to be effective adaptive means to cope with such projected events.

Humanity faces inherent uncertainty in dealing with climate change phenomena, to which the hydrologic cycle is inextricably linked. Water resources are the most vulnerable to the impacts of climate change and variability. Public concern about climate is not about climate per se, but about the consequences of water-related impacts such as floods, droughts or increased variability in rainfall. By and large, felt impacts of climate variability are manifested through water.

The impacts of Hurricane Katrina in the United States in 2005 and the droughts and consequent poor harvests in Russia in 2010, which affected international food prices,

demonstrate that everyone, in both rich and poor parts of the planet, can be affected by extreme water-related disasters, and must be prepared for them. The operation of large flood-risk reduction infrastructures on the Mississippi and the Yangtze in the 2011 floods of record, as well as the Delta Works in the North Sea and other such initiatives, continue to prevent enormous damage to life and property: some estimate the returns on these investments to be reaching benefit-to-cost ratios of almost seven to one.

With floods demolishing homes, with projections of upwards of 60 per cent of the Earth's population to be living in vulnerable coastal megacities in 40 years' time, with droughts destroying crops while demand for food increases, with widespread depletion in the quality of water, with changing climate risks and uncertainty, the imperatives of water infrastructure to achieving sustainable economic growth and building resilient societies are stark.

### **Increasing resilience**

The question that all must ask is what the water sector can do to increase resilience and to reduce the vulnerability of social systems. How can we adapt to the wide-ranging impacts of changing patterns of climate variability across sectors and across continents?

Adapting to climate variability means understanding the role that water plays in the global economy, in socioeconomic development and in the well-being of people. Adapting means ensuring that measures are taken to make all sectors of society more resilient and robust.

The capacity to manage uncertainties of too much or too little water is central to the ability to grow and prosper. This requires specific infrastructure. Lack of infrastructure is much greater in developing countries. In the developed world, where water infrastructure has been implemented, damage due to floods and droughts as a percentage of gross domestic product has been pushed down to around five per



cent or lower; for developing countries it is routinely higher than 20 per cent.

In the US, the cumulative benefit of avoided losses from floods is as much as \$700 billion. If water is stored and managed well, economic growth is possible; decision-makers have greater options for dealing with stress on natural systems and thus preserving social stability. Based on hundreds of years of experience and on today's uncertain climate variability, water professionals are becoming convinced that hydropower reservoirs and their multipurpose operations are increasingly important elements in the strategy for coping with climate variability and change.

### **A pact for water security**

Water security consists, primarily, of attaining basic human requirements for everyday life, ensuring safe drinking water, hygiene and health while maintaining the good functioning of ecosystems. Water security also means guaranteeing economic and social security, using water to produce food,





In developed countries, where water infrastructure has been built, damage due to floods and droughts is down to five per cent of gross domestic product

DANITA DELMONT/GETTY IMAGES

energy, and the goods and services needed for development and rising living standards.

Changing climate patterns are affecting water security. Due to uncertainties in precipitation patterns and consequent stream flows in rivers and creeks, adaptive water management is needed, including management tools on both the supply and demand sides. On the demand side, conservation measures must be implemented. On the supply side, the role of engineered storage systems must be expanded to meet multiple uses of water, such as water supply, irrigation, inland navigation and hydropower.

These issues were highlighted during recent World Water Council dialogues on water, climate change and adaptation, which revealed very different viewpoints among countries. Developed countries are more likely to think of the environment and security in terms of global environmental changes, whereas developing countries are more concerned with the human security issues raised.

The World Water Council advocates global recognition of water as a milestone in the forthcoming Sustainable Development Goals and calls for the inclusion of a stand-alone goal on water security in the post-2015 development agenda.

#### **Water as a human right**

Since 2010, the world has witnessed major events acknowledging the importance of water. For example, in 2010 the United Nations General Assembly officially recognised access to water and sanitation as a basic right, and in 2012 the Rio+20 declaration included a dedicated chapter on water and sanitation. These events testify to a growing awareness of the importance of water at the highest possible political level, an objective towards which the World Water Council has strived since its creation in 1996.

The technical solutions already exist. However, economic incentives and innovative means for financing multipurpose water infrastructure along with effective cross-sectoral partnerships based on win-win

outcomes are needed to achieve integrated, sustainable and resilient practices. These needs go beyond external aid. They call for financing mechanisms that simultaneously build local capital markets, manage risks to capital investments and create revenue streams, while also delivering widely distributed public benefits.

G7 leaders will certainly consider the importance of investing in water infrastructure as a response to climate variability and change. By recognising interdependencies and common goals in water security, they can create the conditions for the long-term well-being of cities, economies, societies, humanity and, indeed, the planet.

An enormous challenge lies ahead in inventing new financing mechanisms for investing in water infrastructure. Placing water investments into mainstream economic policies and endorsing a water security pact will help assure water availability, manage its distribution, and thus guarantee security throughout the world in many other domains. ■



# Escaping the poverty trap

## Fiscal policy reforms may be required to unlock the potential of public and private finance for green growth and climate resilience

**By** Achim Steiner, United Nations under-secretary general and executive director, United Nations Environment Programme

**L**ifting the world's 1.2 billion poorest to a life of dignity is an ambition, a challenge and an established target for the global development community. Achieving it will require financing, innovation, technology and capacity building, along with effective governance and mutually beneficial partnerships.

But generating sustainable growth and prosperity can only be achieved within the safe operating systems of a resource-constrained planet.

The share of the poorest 40 per cent of the population in global wealth is marginal: less than five per cent of gross domestic product (GDP). It is reduced further by the impacts of climate change and the erosion of natural capital. It is this segment of humanity that relies on nature as a safety net, for nature is the wealth of the poor. Recognizing the value of natural resources demands rethinking the traditional links between resource use and economic prosperity. And while visions, methodologies and tools may vary, an appreciation of the value of natural capital is at the heart of efficient development planning.

By 2050, humanity could devour an estimated 140 billion tonnes of minerals, ores, fossil fuels and biomass per year – three times its current appetite – unless economic growth is 'decoupled' from natural resource consumption.

At the same time, the effects of climate change are already occurring on all continents, and the world remains ill prepared to face these impacts, according to the latest report produced by the Intergovernmental Panel on Climate Change. Should the global community not embark on wide-ranging actions to narrow the greenhouse gas emissions gap by 2020, the chance of remaining on a least-cost path to keeping

the global temperature rise below 2°C this century might swiftly diminish.

To address such challenges, economic and financial strategies need to be shifted towards investment paradigms that simultaneously provide sustainable pathways to economic development, conserve natural resources, create jobs and achieve prosperity for wide sections of society.

Allocating just two per cent of global GDP for greening economic sectors will produce a higher global GDP within 10 years, compared with a business-as-usual scenario, studies show. Building the momentum of the global transition towards a green economy requires

### ***Governments have a variety of fiscal instruments at their disposal to facilitate the transition to a low-carbon, green economy***

substantial redirection of investment to increase the current level of public and private sector flows to key priority areas. The bulk of this will need to be mobilised through financial markets.

While much of the world's private capital is locked up in carbon-intensive investment throughout the developed world, developing country investment in a low-carbon future is on the rise. Clean energy investments reached \$244 billion in 2012, while outlays in developing countries reached \$112 billion, according to estimates by the Renewable Energy Policy Network for the 21st Century.

But such progress remains inadequate. Progress in green investment continues to be outpaced by investment in fossil fuel-intensive, inefficient infrastructure. As a result, greenhouse gas levels continue to rise.

The World Economic Forum estimates that an annual investment in infrastructure of approximately \$6 trillion is needed over

the next 16 years to deliver a low-carbon economy. Of this, nearly \$1 trillion is over and above the business-as-usual trajectory.

Fiscal policies are particularly important in a low-carbon, green-economy transition. Governments have a variety of fiscal instruments at their disposal that should be used to facilitate the transition, from taxing fossil fuel use or emissions and reforming energy subsidies that promote wasteful and environmentally harmful economic activity, to supporting clean technology and sustainable production with the help of fiscal incentives.

### **Source of new revenue**

Constructive fiscal measures can reflect environmental externalities through full-cost pricing of energy and transportation services. They can also provide a significant source of new revenue. In the United States it is estimated that a levy of \$25 per ton of carbon dioxide could bring in about one per cent of the country's GDP, or more than \$1 trillion over a decade.

Confronted by a fiscally constrained world, fiscal policy reforms might appear to be a daunting challenge to a green economy transition. Yet external crises – be they fiscal, economic or environmental – can be a catalyst for policy reform.

Energy subsidies account for a significant portion of GDP annually. Petroleum subsidies alone amounted to \$200 billion in 2011. Removing

\$500 billion of fossil fuel subsidies could boost the global economy by around 0.3 per cent and reduce global greenhouse gas emissions by six per cent by 2050.

Of the \$409 billion spent on subsidies on fossil fuel consumption in 2010, only eight per cent reached the poorest income quintile. Energy subsidies appear to perform poorly as a means of supporting the incomes of poor social groups.

Globally, the energy sector accounts for around two thirds of total greenhouse gas emissions. Estimates for global energy-related carbon dioxide emissions reveal a 1.4 per cent increase in 2012, according to the International Energy Agency (IEA). Unless the world finds ways to double the rate of energy efficiency, energy-related carbon dioxide emissions are expected to rise by 20 per cent by 2035.

The newly launched report, *Global Trends in Renewable Energy Investment 2014*,

Solar panels at a water pump station near Douz in southern Tunisia: clean energy investments in developing countries reached \$112 billion in 2012

WOLFGANG WINTER/ALAMY

reveals that total investment in renewables – excluding large hydroelectric projects – fell for the second year running in 2013, reaching \$214 billion worldwide – 14 per cent lower than in 2012 and 23 per cent below the 2011 record.

#### Falling prices for solar panels

Yet the drop in investment had some silver linings. Sharply falling prices for solar panels and wind turbines meant renewable energy in 2013 accounted for more than 43 per cent of the newly installed power capacity globally. In an increasing number of locations, these technologies are now being installed

on an unsubsidised basis even without environmental externalities priced in.

Annual emissions of greenhouse gases would have been 1.2 gigatonnes higher if the same power had been generated by the non-renewable technology options that today still dominate the energy mix – further widening the gap between where emissions are heading and where they need to be in 2020, if the world is to have a realistic prospect of staying under a 2°C temperature rise.

The IEA predicts that an unprecedented long-term shift in investment from fossil fuels towards a cleaner energy portfolio is needed over the next few decades to avoid

dangerous climate change. This is only achievable by re-evaluating investment priorities, shifting incentives, building capacity and improving governance.

There are choices to be made to enhance preparedness and adapt to the challenges ahead. And as governments get ready to convene in Nairobi for the first-ever United Nations Environment Assembly – the most influential environmental forum feeding directly into the General Assembly – it is imperative that we seize the moment to promote robust policy action for greener and more equitable living. The choice is ours, and so is the historic responsibility. ■

WE WANT TO HELP POWER  
THE GLOBAL ECONOMY



# Climate-change governance: achievements, hopes and dangers

## Global leaders must put climate protection at the heart of key agendas in the wake of the dire warnings spelt out in the IPCC's latest report

By Ella Kokotsis, G8 Research Group

**O**n 30 March 2014, the Intergovernmental Panel on Climate Change (IPCC) released its most compelling scientific evidence to date of the catastrophic consequences of global climate change. The report concludes what many in the scientific community have been affirming for years, namely that “increasing magnitudes of warming increase the likelihood of severe, pervasive and irreversible impacts” – impacts not only on the natural environment and marine ecosystems, but also on food security, freshwater availability, agricultural incomes and human health.

According to the report, the striking feature of observed impacts is that they are “occurring from the tropics to the poles, from small islands to large continents, and from the wealthiest countries to the poorest”. Taken together, the cumulative effects of a significantly changing climate are projected to drastically increase the rate and likelihood of violent conflict around the globe, particularly in high-density urban poverty hotspots.

### Early commitments

Yet 35 years ago, the leaders of the G7, meeting in Tokyo, declared in their final communiqué the need to “expand alternative sources of energy, especially those which help to prevent further pollution, particularly increases of carbon dioxide and sulphur oxides in the atmosphere”.

By boldly acknowledging the need to halt the concentration of carbon dioxide emissions in the world's atmosphere, the leaders embarked on a process that would see the G7/8 produce close to 400 discrete commitments on issues related to energy and climate governance since its inception in 1975. The G7/8's leadership, however, has been exerted unevenly over this 40-year period, with clear surges in the

group's governance of climate issues from 1975-80, 1987-92, and again from 2005-09, and with notable dips in between.

Although the process of governing global climate change by the G7/8 has been both challenging and constraining, the group is credited with leading climate governance in ways that other international environmental institutions have largely failed to do. Since its inception in 1975, the G7/8 has put climate protection at the forefront of its policy objectives, alongside economic, health, energy and security goals, reaching consensus repeatedly among its leaders on the importance of stabilising emissions through energy efficiency, conservation, investment and technological innovation.

### An important turning point

But while the G7/8 has performed well on climate issues linked to energy, its performance historically has been less impressive on issues linked to carbon sinks and marine protection. It also failed to deliver the convention on forests that it promised at its Houston Summit in 1990. Furthermore, during times of failed consensus, summit leaders have had to retreat to issues on the margins of the climate question, focusing for example on acid deposition (1985 Bonn), observation networks (1989 Paris), clean water (2003 Evian) and the ‘Reduce, Reuse, Recycle’ initiative (2004 Sea Island).

But the 2005 Gleneagles Summit marked an important turning point. British host

Tony Blair made climate change one of his top summit priorities, assembled the world's largest carbon emitters at the summit through the G8 Plus Five process, which brought in Brazil, China, India, Mexico and South Africa, and persuaded the United States to accept a new climate-change regime that would move ‘beyond Kyoto’ to include all existing and emerging powers. Gleneagles thus marked the emergence of a new consensus among the G8 members on the importance and urgency of the effects of a changing climate on energy, health, security and the global economy.

From 2005-09, the G8's focus shifted from reacting defensively to climate issues to becoming more proactive in the development of governance regimes that would deal with climate issues in more innovative and inclusive ways. Recognising the failure of the United Nations Framework Convention on Climate Change and the Kyoto Protocol in containing the world's largest carbon emitters – led by China – the G8 embraced these actors in more inclusive, burden-sharing ways. By bridging the efforts of G8 energy ministers as well as carbon-consuming and producing countries through G8-centred bodies, the leaders put in place more comprehensive and inclusive initiatives to further institutionalise the process by which these actors would consolidate their climate mitigation efforts.

And since 2009, the G8's success has been most evident in effectively recognising the need to be more inclusive on climate governance issues and decisions.

At its most recent 2013 summit in Lough Erne, Northern Ireland, G8 leaders noted they would pursue “ambitious and transparent actions” on climate change through various international forums, including the Major Economies Forum on Energy and Climate, the International Civil Aviation Organization and the International Maritime Organization. Moreover, in joining

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***Words in the global climate vernacular are largely viewed as mere rhetoric without the commitment of hard cash by the largest industrialised countries to fund climate-related programmes and initiatives***

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the Climate and Clean Air Coalition, the G8 members formally recognised that climate change was “a contributing factor in increased economic and security risks globally”.

But words in the global climate vernacular are largely viewed as mere rhetoric without the commitment of hard cash by the largest industrialised countries to fund climate-related programmes and initiatives. To this end, the G8 leaders reiterated at Lough Erne their commitment to mobilise \$100 billion of climate finance a year by 2020 through a “wide variety of sources”.

### Effecting change

What obstacles do world leaders currently confront in meeting these global challenges?

The challenges presented by global climate change are vast and their impacts have the potential to affect every species and human being on Earth, as the most recent IPCC report concludes. But one of the biggest challenges currently faced by world leaders is their ability, and indeed competence, not only to comprehend the vastly complex and largely uncertain characteristics of the climate debate, but also to act in a concerted and comprehensive fashion in the face of this mounting, yet disputed, scientific consensus.

How world leaders at future summits can best help in this regard is indeed a complex question. Over the past 40 years the G8's governance of global climate change has been neither continuous nor complete in addressing the vast array of issues related to climate mitigation and control.

To effect change in the climate debate moving forward, world leaders must exert leadership in ways that have yielded successes in the past – through initiation, leadership, inclusion and collective support of global climate governance initiatives. But to do so, world leaders must place climate protection at the apex of their health, development, security and economic agendas. Only by continuing to recognise the complex interdependencies of climate mitigation can world leaders take the political steps needed to reverse these alarming and threatening global climate trends. ■

A man wearing a mask cycles through a smog-covered Beijing, China. The G8 members have joined the Climate and Clean Air coalition



REUTERS/KIM KYUNG-HOON





# Maternal and child health at the centre of the development agenda

Global mortality rates for young children and pregnant women have almost halved since 1990, but many deaths are preventable and must be avoided



OLIVIER ASSELIN/ALAMY

**While the improvement of maternal and child health is a laudable aim in its own right, it is also a driver of sustainable economic growth**

By Anthony Lake, executive director, UNICEF

**I**t is, perhaps, obvious that putting equitable investments in maternal and child health at the centre of the future global development agenda is a moral imperative. Anyone who has seen a child or woman in pregnancy die for want of a vaccine or antibiotic knows this. And it is

more than that: it is also a key to sustainable growth and prosperity for all countries.

As the recent *Lancet* commission on Global Health 2035 persuasively argues, there is an enormous pay-off from investing in health. For example, as much as 24 per cent of the economic growth in low- and middle-income

countries between 2000 and 2011 resulted from health improvements, with progress on maternal and child mortality a key contributor to this increase. The commission calls for the mobilisation of resources to forge the convergence of the child and maternal survival rates of low- and middle-income countries with those of today's high-performing upper- and middle-income countries within a generation.

In 2010, the G8 recognised the moral and the economic significance of improving maternal and child health. The G8 Muskoka Initiative on Maternal, Newborn and Child Health catalysed global action to reduce maternal and infant mortality and improve the health of mothers and children in the world's poorest countries. Now part of the United Nations secretary general's Every Woman Every Child strategy, the initiative

aims to assist developing countries in preventing 1.3 million deaths of children under five years of age and 64,000 maternal deaths between 2010 and 2015 – a key contribution to the effort to achieve the Millennium Development Goals on maternal and child health (MDGs four and five).

Globally, mortality rates for both young children and women in pregnancy have almost halved since 1990. Maternal mortality decreased from 400 to 210 maternal deaths per 100,000 live births between 1990 and 2010. Child mortality under five years old was reduced from 90 to 48 deaths per 1,000 live births between 1990 and

for the development of countries. For all children to realise their full potential and contribute productively to their communities and nations, maternal and child health needs to remain a global priority. It requires accelerated and more equitable interventions.

#### **Need for clear targets**

Equity-focused strategies are not only good news for the most disadvantaged; they spur long-term, sustainable economic growth for countries as a whole. Andrew Berg and Jonathan Ostry at the International Monetary Fund found that,

opportunity to shed light on the remaining gaps and renew this collective commitment. Getting the right metrics to measure progress will be of critical importance. As the old adage goes, what gets measured, gets managed.

The post-2015 agenda must include clear targets on ending preventable maternal, newborn and child deaths within a generation, building on the consensus of 177 countries brought together in 'Committing to Child Survival: A Promise Renewed', a global movement of governments, civil society and the private sector working to end preventable child deaths within a generation. Targets to assess progress towards universal health coverage are also being considered, and must include and prioritise essential maternal, newborn and child health interventions. Finally, disaggregated indicators for all targets – and potential targets on closing equity gaps – are imperative for accounting for and addressing existing inequalities.

For too long, improvements in health have primarily been seen as a dividend of economic growth. It is time to acknowledge that equitable investments in maternal and child health are important drivers of sustainable growth, and to scale them up. It is the joint responsibility and common interest of the global community. The world's leaders have demonstrated their commitment to maternal and child health in the past. They must do so again now, as they debate the future development agenda. This is an issue that cannot wait – the future prosperity of countries will depend on healthy children born to healthy mothers today. ■

### ***A dollar invested in the health of a mother or child helps create a ladder of opportunity from which families, communities and countries can realise their ambitions***

2012. This is testimony to the commitment of donors, governments and communities. Yet, despite progress, MDGs four and five will not be achieved by 2015.

If one looks beyond global averages, entire countries are left behind – 38 have made no significant progress on child mortality. Most of these are fragile and affected by conflict but, even within countries with rapid progress, disparities are often widening. On current trends, MDG four will not be achieved until 2028 and, as a result, an additional 35 million children will die between 2015 and 2028. This is a tragedy. It is also a loss

globally, a 10-percentile decrease in inequality increases the expected length of an economic growth period by 50 per cent. Other recent studies point to the fact that measures to tackle inequalities, such as equitable investments in health and education, can induce growth.

A dollar invested in the health of a mother or child does more than improve individual well-being – a worthy goal in itself. It also helps create a ladder of opportunity from which families, communities and countries can realise their ambitions.

The current process of defining the future development agenda presents a historic





# Unite in the fight against HIV/AIDS, tuberculosis and malaria

## The G7 members must renew their commitments to tackling HIV/AIDS, tuberculosis and malaria, as millions are still missing out on vital treatment

By Joy D Fitzgibbon, Global Health Diplomacy Program, University of Toronto

**T**he United Nations' Millennium Development Goals (MDGs) were created to harness the collective power of governments and leading international development agencies to address the needs of the world's poorest people. Included in these goals was a commitment to improving global health by combating HIV/AIDS, malaria and tuberculosis. The G7 has the opportunity to secure and accelerate progress on these goals as the world moves towards and beyond the 2015 MDG deadline.

### Progress so far

MDG six pledges to "combat HIV/AIDS, malaria and other diseases" by reaching three targets. The first is to "have halted and begun to reverse the spread of HIV/AIDS". This goal has been met. HIV/AIDS infections are declining in most regions and have decreased overall by 33 per cent.

The second target is to "achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it". While this has not been met, 9.7 million people were treated in 2012 – 1.6 million people more than in 2011. Fewer HIV-positive patients die from HIV/AIDS. Earlier treatment with antiretroviral therapy increases the patient's life span and decreases the risk of transmitting HIV to others. In response to new research, in 2013 the World Health Organization released guidelines to simplify and expand antiretroviral treatment so that people newly diagnosed with HIV might receive early treatment. This policy change will prevent an additional three million deaths and 3.5 million infections in low- and middle-income countries by 2025.

The third target is to "have halted by 2015 and begun to reverse the incidence of malaria and other major diseases". At present, 59 out of the 97 countries reporting malaria have met

this goal. The global incidence of malaria has declined by 25 per cent since 2000 and deaths from malaria have dropped by 42 per cent. Since 2000, 3.3 million people's lives have been saved, 90 per cent of whom were children under five living in sub-Saharan Africa. In countries with malaria control, the percentage of children dying from malaria has fallen by 20 per cent. In sub-Saharan Africa more children sleep under insecticide-treated bed nets. And many countries now provide free, rapid diagnostic testing through the public sector.

Improved access to treatment for tuberculosis has saved 22 million lives between 1995 and 2011. By the end of 2002, all countries with a high incidence of tuberculosis were also addressing multi-drug-resistant tuberculosis (MDR-TB). The MDG of reducing the mortality rate of tuberculosis patients by 50 per cent from 1990 may be met if political commitment continues. In 2012, 8.6 million people were newly diagnosed with tuberculosis and 1.3 million died, which is a decline from 2011. The new diagnostic test known as Xpert MTB/RIF represents a critical diagnostic advance as it allows for earlier treatment of MDR-TB patients with the appropriate drug regimens. Today, 88 low- and middle-income countries receive access to this equipment.

### Outstanding challenges

Each year, 2.5 million people are newly infected with HIV. Of these, 1.6 million are in sub-Saharan Africa. While new infections are declining, as of 2011, 34 million people live with HIV, seven million of whom are eligible for but lack access to antiretroviral treatment. While the MDG target of universal access in 2010 was missed, it will still be possible to reach this goal if current trends are sustained. Public health interventions must

continue to improve access to antiretroviral treatment while expanding public education programmes to young people.

The ongoing success of the Roll Back Malaria partnership requires sustained political commitment to maintain this momentum. There is a need to expand the distribution of insecticide-treated mosquito nets to children under five in sub-Saharan Africa, and to scale up vector control in sub-Saharan Africa. More children under five must receive access to artemisinin-based therapy, which reduces illness and death from the most common form of malaria. Finally, drug and insecticide resistance is growing: five countries in

## ***Leaders should renew their commitments to provide WHO with the resources to strengthen surveillance on global drug resistance***

South-East Asia have malaria strains resistant to artemisinin, and 64 countries have mosquitos resistant to insecticides. The funding gap is approximately \$2.8 billion.

The incidence of tuberculosis is declining by only two per cent per year. Continued and future success requires improved patient detection – WHO's Stop TB Partnership estimates that the healthcare system is missing three million patients who have the disease. It also requires expanding access to MDR-TB treatment. Drug resistance could reverse the progress in managing tuberculosis. In 2012, 450,000 people were diagnosed with MDR-TB, 10 per cent of whom had extremely drug-resistant tuberculosis – a form that is more difficult and expensive to treat. The challenge is to advance new scientific discoveries and rapidly implement them in high-risk communities. The funding gap to accomplish these goals is \$2 billion.

### The G7 contribution

G7 members need first to bridge the funding gaps and honour all pledges to the Global Fund to Fight AIDS, Tuberculosis and Malaria. Some of these pledges are outstanding.

A South Sudanese woman gets a blood test for HIV/AIDS, malaria and tropical diseases. Each year, 2.5 million people are newly infected with HIV



JOERG BOETHLING/ALAMY

Second, antimicrobial drug resistance is a looming global crisis that threatens to undo progress on tuberculosis and malaria and has other important domestic public health implications for G7 members. The G7 leaders should deepen the commitments they made at Lough Erne by agreeing to promote research and development through strategic partnerships on new drugs and diagnostic tools, and on the public health structures necessary for maintaining gold-standard care for those affected by antimicrobial drug resistance, including tuberculosis and malaria

patients. Leaders should also renew their commitments to provide WHO with the resources to strengthen surveillance on global drug resistance. When the group of senior officials issues its report in 2015 on the global research infrastructure for innovation, established in Okinawa and restated in Lough Erne, it should include world health research and innovation.

Third, the G7 should hold a cross-sectoral meeting on economic reform and global healthcare delivery, drawing on expert knowledge from WHO, the World Bank

and leading academic researchers, for the purpose of informing science and finance ministers. G7 decisions on economic growth and poverty eradication must support, not erode, global health efforts.

Advances in HIV/AIDS, tuberculosis and malaria campaigns since 2000 are significant, but subject to reversal. The response of the G7 members is critical to maintaining and accelerating this fragile progress. Efforts such as the ones proposed here could provide an effective and lasting contribution far beyond 2015. ■

WE'RE BUILDING HEALTHY  
RELATIONSHIPS AROUND  
THE WORLD.



# Calling for champions: can world leaders rise to the challenge and win the fight against tuberculosis?

Considering today's medical advances, with genetic tests predicting Alzheimer's and infants being functionally cured of HIV, it seems absurd that a fully preventable disease known to us for centuries is today the second deadliest infectious disease on the planet. Yet it is true, and both of us have witnessed first-hand how the devastating effects of tuberculosis (TB) have ravaged our communities from North America to Africa. Having spent decades to mobilise international efforts to curb TB, we can both attest to the progress still urgently required to make our vision of TB elimination a reality.

In 1970, most forms of TB were curable yet new, virulent drug resistant strains were beginning to appear. Today, over a million people a year continue to die from TB. Worse yet, we now have fewer effective tools to treat TB, to the point where some patients are sent home to die because we lack medicines and the proper care to treat them. How is this possible?

The answer lies in a combination of neglect and complacency – neglect from world leaders who have not focused enough attention on the TB threat and complacency from TB advocates who continue to use the same tired approaches that fail to capture the public's attention. Most G8 countries considered TB a disease

"of the past". As a result, public and private institutions reduced investments in TB control and medical research, to the point where only two new TB drugs have been approved in the past 40 years. Simple, effective diagnostic tests like those used for HIV or malaria are not available for TB. Neglecting immunisation, neglecting public education and neglecting the search for better tools to safeguard against this airborne disease has led to a massive resurgence of TB cases.

Although TB remains predominant in middle- and low-income countries, no place is isolated. One third of the world's population is infected with TB bacteria and over 8.5 million people become sick every year.<sup>1</sup> With increased worldwide mobility no person is immune. For example, London witnessed a large outbreak of TB in the early 2000s. Last year, Californian high schools experienced a TB scare when 45 students were diagnosed as TB-infected. The list of such examples is increasing. Nevertheless, the voice of the TB community remains weak.

Without increased pressure from people affected by TB worldwide, it is difficult for a champion to emerge who feels inspired to take on the cause and for him or her to demand more investments in new tools and implementation of more effective policies. The lack of national commitments and discipline to control TB has frequently

led to poor programme implementation, with incorrect treatments that lead to an emergence of resistance to the few TB drugs we have.

The result is a frightening rise of multi- and extensively drug-resistant tuberculosis (MDR- and XDR-TB), man-made calamities that occur when a person becomes resistant to at least two of the first-line medicines. XDR-TB is resistant to both first- and second-line drugs. XDR-TB was reported by 58 countries in 2010, but by 2012 surged to 84 countries.<sup>2</sup> Shockingly, most of the high-burden MDR- and XDR-TB countries are in the WHO European Region.

Despite the high morbidity and urgency for new solutions, political commitment to TB remains low. In 2006, G8 leaders in St Petersburg pledged new support, stating they were "determined to achieve tangible progress". Some areas they agreed to work on included improved access to prevention and treatment, strengthening capacity of health systems, and supporting innovative clinical research, among others. These leaders must keep up their commitment in 2014 so that progress can continue. Unlike other infectious diseases that gain headlines such as SARS, TB infects and kills slowly, which is why a long-term view and sustained effort is required. We hope that this year's summit will help identify a champion and thereby inspire other world leaders to join the fight.

## About Otsuka Pharmaceutical Co Ltd

Otsuka Pharmaceutical Co Ltd is proud to partner in the global efforts to eliminate TB. Its corporate philosophy of addressing the world's unmet medical needs has led Otsuka to invest in improving TB care and control worldwide, focusing on both public- and private-sector treatment. The company remains committed to developing

public health and case management models that reduce the spread of drug resistance, improve rational use of new TB medicines and prevent – not just treat – TB. Continuing to lead efforts to find new TB treatments for more than 30 years, Otsuka is the largest funder of TB drug development worldwide.





RICCARDO VENTURI

This includes bringing more funding to the table. Currently, the majority of funds for TB R&D come from only a few sources led by the US government, the Bill & Melinda Gates Foundation, and a few from the private sector such as the Japanese pharmaceutical company Otsuka, which alone provides a quarter of the total global spending on TB drugs.<sup>3</sup> When funding for such an urgent cause is dominated by only a few, it places the entire system on a precarious footing. The global nature of TB means that no government, organisation or company can defeat it alone – everyone has a role to play.

To be fair, not every country is neglecting TB control. Many have expanded their efforts. For example, Latvia and Estonia, which had the highest MDR- and XDR-TB rates in the world, have successfully increased treatment control, detection rates and public awareness, containing the spread of the disease and reducing mortality. Their investment, anchored in strong political will, paid off.

Political commitment to control TB is the number one recommendation of the WHO and the cornerstone to its eradication. Regardless of whether it is Africa, the Americas, or any other region, we share the same message: no country should be allowed to let its guard down again and

permit more than a million preventable deaths each year. Society cannot afford to become complacent and must cultivate champions that can keep government accountable in fulfilling its promises. With proper attention and dedication, the fight against TB can be won.



**Benedict Xaba** is the former health minister of Swaziland and ministerial TB champion for the STOP TB Partnership Coordinating Board



**Dr Lee B Reichman** is the founding executive director of the New Jersey Medical School Global Tuberculosis Institute in Newark, New Jersey

1 World Health Organization (WHO) Global Tuberculosis Report 2013

2 World Bank 2013 data

3 Treatment Action Group 2013 Report on Tuberculosis Research Funding Trends, 2005-2012

# Proactive prevention: the Caribbean contribution to global health

## The Caribbean Community is taking a leading role in elevating non-communicable diseases to the global development agenda

By C James Hospedales, executive director, Caribbean Public Health Agency

Besides being famous for Olympic sprinters and beautiful beaches, the Caribbean was the first area in the world to eliminate measles after the May 1991 'Big Bang' immunisation campaign. More than 20 years of measles-free benefits have accrued, including the prevention of thousands of cases and hundreds of deaths. With leadership from the Pan American Health Organization and two years of planning, the campaign vaccinated 91.4 per cent of children between the ages of two and 14, stopping measles transmission and establishing proof of concept. This model was adapted to eliminate indigenous measles throughout the Americas and gave a glimpse into the possibility that global eradication was possible. The Caribbean countries' ability to punch above their weight heralded their success two decades later in elevating the issue of chronic non-communicable diseases (NCDs) to the United Nations General Assembly.

### Threat to global development

Global health and economic development face significant threats from NCDs such as heart disease, stroke, cancer, diabetes and chronic respiratory disease, plus overweight and obesity epidemics. Closely related are mental health problems such as dementia. Representing some two thirds of all mortalities, these conditions are the major preventable causes of death in most countries and drive the upward spiral in avoidable health costs. NCDs are a cause and effect of poverty. More than 80 per cent of NCD deaths are in developing countries, with half in the prime productive years. The epidemic of NCDs is being driven by population aging

and widespread risk factors such as tobacco use, unhealthy diet, physical inactivity and harmful consumption of alcohol, plus a lack of access to quality health services.

Tobacco is the biggest killer on the planet; at current trends up to one billion people will die in the 21st century as the result of tobacco use. More than one billion people in the world are now overweight or obese, facing approximately 50 per cent higher lifetime health costs. The alarm has intensified as children increasingly become overweight and unfit, with associated educational, mental health and employment problems, in addition to national security concerns about youth failing admission criteria to uniformed services. Besides contributing to

***One billion people will die in the 21st century from tobacco. More than a billion people are now overweight or obese***

NCDs, the harmful use of alcohol is also a major contributor to mental health problems, all types of injuries and violence, damaged families, and reduced workplace productivity.

The human and economic costs are not sustainable for government, business and families. The World Economic Forum and Harvard University have estimated a \$30 trillion economic impact due to NCDs over a 20-year period, rising to \$46 trillion if mental health conditions are included, representing millions of families being pushed into poverty. By way of example, take a 45-year-old man with diabetes and kidney failure requiring dialysis, who resigns his job and has two female relatives give up their employment to care for him. At some

\$15,000 per year in out-of-pocket costs, plus the indirect costs of lost income, the man and his family soon become poor. He dies with his relatives resenting the effect of his illness.

In contrast, evidence now exists on how millions of preventable deaths may be avoided and economic losses greatly reduced by putting added focus on prevention and investment. The World Health Organization estimates that key measures for cutting tobacco exposure and harmful use of alcohol, as well as promoting healthy diets and physical activity, will cost \$2 billion per year for low- and middle-income countries, or less than \$0.40 per person. Tobacco control and dietary salt reduction have benefit-to-cost ratios in the order of 20 or 40 to one.

### Need for whole-of-society approach

Up to 80 per cent of heart disease and diabetes, and half of cancers are preventable or treatable. However, given that the root causes of NCDs lie mostly in non-health sectors such as education, agriculture, trade and finance, urban planning and transportation, combined with cultural habits and private sector forces, successful intervention requires a whole-of-government and a whole-of-society approach, at all levels from local to global. Some interventions, such as cycling and walking as alternative modes of transport, have triple bottom-line returns: good for health, good for climate change due to lower emissions, and good for energy

security and the fuel import bill. Some interventions, such as reducing dietary salt, require close collaboration with the food manufacturing industry.

### Leadership and raising NCD awareness

In 2001, the governments of the Caribbean Community recognised that the "health of the region is the wealth of the region" – the countries having had Caribbean Cooperation in Health (CCH) programmes in place since 1985. The latest example is the Caribbean Public Health Agency (CARPHA) programme, which was established by the Caribbean Community and Common Market (CARICOM) in 2010. A merger of five regional health institutions, CARPHA



Morant Bay, Jamaica: health interventions in terms of cycling and healthy eating require a whole-of-society approach involving non-health sectors



GETTY IMAGES

encompasses surveillance and response to emergencies, laboratories, nutrition and food security, health research, environmental health, and pharmaceutical quality. It aims to provide a more efficient, effective and synergistic approach to the region's health and development challenges.

The recognition of NCDs as a 'super priority' in the 2005 *Report of the Caribbean Commission on Health and Development* led to the first heads-of-state summit on NCDs in September 2007. It issued the Port-of-Spain declaration, *Uniting to Stop the Epidemic of NCDs*. Annual monitoring of the 27 commitments in the declaration shows movement on indicators under the control of health, but less progress on indicators requiring multi-sectoral action, such as trade,

agriculture and labelling standards. An evaluation of the Port-of-Spain declaration is under way to learn lessons on how to accelerate multi-sector implementation. The CARICOM summit led to the historic UN High-Level Meeting on NCDs in September 2011. Subsequently, Caribbean countries participated actively in the development of the global monitoring framework and targets.

#### Leading the way

Caribbean countries have been contributing to redefining global health through proactive prevention, including being the first region in the world to eliminate measles and leading the charge to elevate NCDs to the global development agenda. In reality, NCDs are symptoms of the failure of

today's development paradigms. Excessive consumption of food, tobacco, alcohol and fossil fuels underpin the epidemic of NCDs and the ever-increasing concern about climate change.

Caribbean countries as small states are particularly vulnerable to external human-made or natural shocks. They have banded together to take joint action on common problems such as NCDs, recognising their threat to economic growth and sustainable development. Other world leaders should take note and follow through on their commitments made at the UN High-Level Meeting on NCDs, including the need for whole-of-government and whole-of-society approaches, to remove these preventable impediments to growth. ■



# The Democratic Republic of Congo: investing in child development



**T**he Democratic Republic of Congo (DRC) is the second-largest country in Africa with an estimated population of 71 million. More than two thirds live in poverty. Decades of continued armed conflicts have weakened the social sector – including health. In spite of these challenges, the country has made encouraging progress to reduce mortality among children and women.

**Progress towards achieving the Millennium Development Goals**  
**MDG 1: Eradicate extreme poverty and hunger** Between 2001 and 2010, the prevalence of underweight among

children fewer than five years decreased from 31 per cent to 24 per cent, and the prevalence of acute malnutrition decreased from 16 per cent to 11 per cent. However, the prevalence of chronic malnutrition has remained very high and stagnant at 43 per cent. More than two million children are affected by acute malnutrition and more than six million children are stunted.

**MDG 4: Reduce child mortality** Over the past decade, child mortality fell from 213 to 158 deaths per 1,000 live births. At this rate, DRC will not reach the MDG 4 target by 2015. The country remains the world's third-largest contributor to child mortality, following India and Nigeria.

## **MDG 5: Improve maternal health**

Between 2000 and 2010, maternal mortality decreased from 930 to 540 deaths per 100,000 live births. However, without a concerted effort, the country will not reach the target set for 2015.

## **MDG 6: Combat HIV/AIDS, malaria and other diseases**

The HIV epidemic in DRC is generalised. In 2008, HIV prevalence was estimated at three per cent in the general population and 3.7 per cent among pregnant women. In 2011, respective figures were at 2.6 per cent and 3.5 per cent among pregnant women attending antenatal care facilities.

## Causes of slow progress towards achieving the MDGs

There are several factors within the health system and bottlenecks that limit access to quality health services for women and children:

- frequent stock outs of essential commodities and drugs;
- limited availability of trained and motivated health personnel;
- financial barriers to access services;
- geographical barriers in certain areas of the country; and
- overall low quality of healthcare.

## Opportunities

- High coverage of antenatal consultations (first visit) – 87 per cent.
- High coverage of births attended by a skilled personnel – 74 per cent.
- High coverage of the first dose of the pentavalent vaccine (diphtheria, pertussis, tetanus, haemophilus B, hepatitis B) – 85 per cent.
- Fivefold increase in the use of ready-to-use therapeutic foods to treat severe acute malnutrition between 2008 and 2012.
- Existence of community-based approaches implemented to scale, such as the Healthy Villages programme.

## Implementation strategies

The government has developed a strategy for the provision of family kits containing essential drugs, nutritional supplements

and other basic commodities. To reduce household financial barriers to access healthcare and to improve motivation of health personnel, the approach also incorporates a voucher system. Furthermore, this approach will ensure a win-win, as it will piggyback on high-coverage interventions such as antenatal care and immunisation to facilitate rapid scaling-up of the family kits. In turn, this will trigger and increase in coverage these

interventions. In hard-to-reach areas, the community-based approaches will improve access to health services.

## In nutrition

The treatment of acute malnutrition will be scaled up through the provision of ready-to-use therapeutic foods at community level. Prevention will be strengthened, particularly the implementation of multisectoral and coordinated interventions, by ensuring both direct nutrition-specific interventions (optimal infant and young child feeding) and broader multisectoral nutrition-sensitive interventions (water, sanitation and food security). In this regard, the DRC's commitment to global initiatives, such as Scaling Up Nutrition (SUN), will facilitate the mobilisation of partners and resources for large-scale actions. To monitor progress, the government has developed a score card based on child survival indicators.

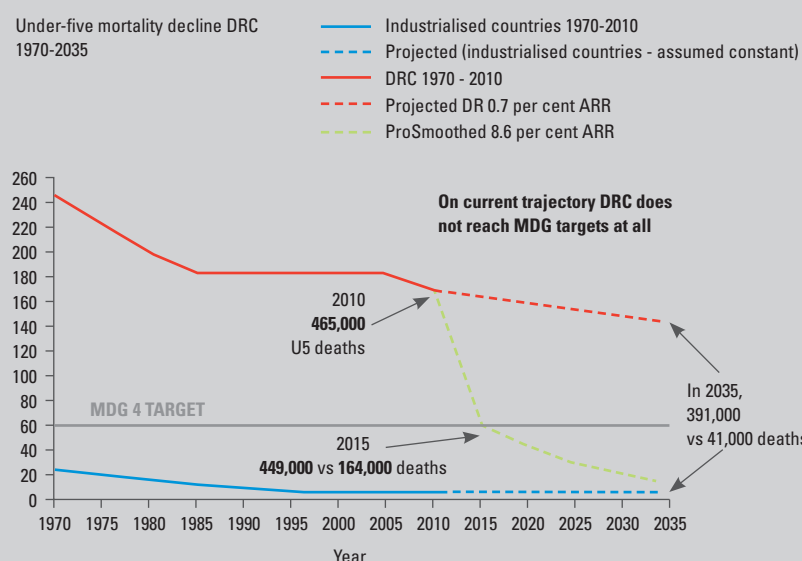
'A Promise Renewed' is a global initiative to align actions and mobilise more resources in favour of women's and children's health. The intention is to reduce infant and child mortality, by 2035, to fewer than 20 deaths per 1,000 live births. The guiding principles of the initiative are: equity, national leadership, multisectoral action, efficiency and mutual accountability.

In response to high child and maternal mortality rates, the Government of DRC, in line with this global initiative, has committed, since June 2012, to accelerate progress towards MDGs 1, 4, 5 and 6. More specifically, this commitment will:

- increase the coverage of high-impact interventions against the main child-killer diseases (malaria, acute respiratory infections, diarrhoea and severe acute malnutrition);
- increase the coverage and quality of antenatal care to reduce the incidence of low birth weight, prematurity and prevent neonatal and maternal tetanus, mother-to-child HIV transmission, and pregnancy complications (such as hypertension, malaria, anemia, bleeding);
- increase the coverage and quality of skilled attendance at birth in health facilities to reduce complications related to bleeding, infection and eclampsia for mothers, as well as hypothermia, asphyxia and neonatal infection for newborns; and
- increase the coverage and quality of routine immunisation and introduce new high-impact vaccines to reduce child mortality.

## Deaths per thousand live births

Under-five mortality decline DRC 1970-2035



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# Joint commitment can kickstart growth

## The return to the G7 structure enables leaders to focus on a key strength of the forum

By Robert Fauver, former US G7/G8 sherpa

Once again, the leaders of the major industrial countries are meeting at a time of uncertainty in their own and the world's near-term economic outlook.

Data for the fourth quarter of 2013 had indicated that perhaps the major economies were at last experiencing solid economic expansion. Unfortunately, developments during the first quarter of 2014 dashed those optimistic expectations. And, for the fourth straight year, expectations of a sustained, strong recovery in the United States were shattered with the release of weaker than anticipated first-quarter real growth in gross domestic product (GDP).

Economic forecasts prepared by the International Monetary Fund for its April meetings had also indicated an optimistic outlook for 2014 and 2015. Unfortunately, these projections were completed before the release of the disappointing data on GDP growth in the US during the first three months of this year and the weaker than expected economic performance in Europe during the early months of 2014.

At the time of writing, the European growth outlook is particularly cloudy, as the Ukrainian situation has raised worries regarding the future cost (and availability) of natural gas and oil from Russia. Furthermore, Europeans are deeply concerned about the potential use of further economic sanctions against Russia in response to the crisis. These worries are undoubtedly holding back both consumer and business spending. Yet despite these uncertainties, Germany continues to expect a significant strengthening of GDP growth this year after a lacklustre 2013. Domestic demand is picking up as industry and consumer confidence grows. Germany will lead the eurozone in terms of real growth performance with a rate between 1.5 and 2 per cent. But, for a change, the United Kingdom's rate of real growth will head up

Europe: it is likely to approach three per cent this year. However, despite these real growth performances in the UK and Germany, European unemployment is expected to remain high by historic standards with levels of youth joblessness disturbingly high and long lasting.

The bright spot among the G7 economies this year is Japan. It is apparent that the three-pronged macro and micro policy approach that Prime Minister Shinzo Abe has put into place has affected the real economy and, more importantly, business and consumer expectations. Business seems to be willing for

### ***The G7 leaders have not focused on tackling structural problems for years. It is time for them to do so in Brussels***

the first time in many years to look inward for investment opportunities instead of only looking abroad for profitable investments. Given the large sums of cash available to major Japanese firms, this new confidence in the domestic economy could be very important for stimulating domestic demand.

Unfortunately, for the first time in years, the BRICS grouping of Brazil, Russia, India, China and South Africa is not likely to provide much strength to the global economic outlook in 2014. China is adjusting to slower GDP growth, partly as a result of a slowdown in exports and partly as a consequence of conscious government policy choices to restrict the domestic economy. While real growth will remain strong by world standards, it will represent a continued slowing of GDP growth in China – and could result in changes in domestic policy



management if the slowdown is sharper than currently anticipated. India is likely to see growth pick up at the margin if the global growth strengthens and Indian exports expand faster than in recent years. Given the downside risks for global growth, this mild optimism could be excessive. Russia – given an already weak domestic situation – faces uncertainty over the effects of business and consumer confidence due to economic sanctions.

### **G7 cooperation and coordination**

With a return to the original G7 structure for this year's economic summit, the leaders have an opportunity to return it to its original strength. In earlier days, the annual summit process focused on macroeconomic policy actions that could strengthen the near-term outlook among the participating countries. In the past,

A weaker than expected economic performance in Europe throughout the first quarter of 2014 was compounded by worries prompted by the Ukraine crisis



PIDJOE/GETTYIMAGES

leaders used their finance ministers to lay the groundwork for a substantive communiqué at the summit. Their joint commitments fortified consumer and business confidence, which in turn enhanced – at the margin – the near-term economic performance.

In recent years, the original principle of the summit process has fallen out of practice. In earlier periods, the leaders of the major industrial economies urged their finance ministers and central bankers to engage in a process of economic policy ‘coordination and cooperation’. The concept was straightforward. With economic authorities working in concert, the effects of macroeconomic policy changes could reinforce each other and the sum of the effects would be greater than if policy actions were undertaken in isolation.

The industrial economies face domestic rigidities that dampen domestic demand and

employment growth. While the Organisation for Economic Co-operation and Development has attempted to tackle structural problems for years, the G7 has not focused on them since the late 1970s.

### High levels of unemployment

It is time for G7 leaders to focus on structural problems in their joint communiqué in Brussels. All participating countries face large unfunded national pension schemes. With aging populations and continued high levels of unemployment, unfunded liabilities are growing faster than is acceptable. By sharing their commitment to stabilising pension plans, confidence levels would be strengthened in all G7 members. Similarly, labour force retraining is a critical problem facing the G7 area. Technological innovation has rendered large portions of national labour forces untrained for work. No single country

has yet developed a successful retraining programme for the 21st century. By working jointly, the G7 members could tackle this glaring problem.

Aside from these structural issues, leaders should address other labour market rigidities and the need for tax reforms in many countries. They could, for example, instruct their finance ministers to seek to unify corporate tax rates and principles in order to end tax evasion by corporations moving profits to tax havens. Finally, leaders need to strengthen their commitment to reducing trade barriers, whether in the area of goods, services, investment, intellectual property protection or labour mobility. Leaders could endorse the breadth of the Trans-Pacific Partnership now being negotiated and suggest that it may provide the next model for trade liberalisation discussions. Leaders could also endorse the transatlantic negotiations. ■



# Generating decent jobs for youth

## Great Depression-level unemployment rates are hitting young people especially hard. World leaders must act now to address the global jobs challenge

By Guy Ryder, director general, International Labour Organization

**L**abour markets around the world are in severe distress. With the projections of weak, uneven and uncertain growth recovery in the global economy in 2014 and probably beyond, the prospects of a rapid and sustainable turnaround are grim. Action is needed by global leaders and proactive measures are called for from policymakers in each country to change the pace and direction and make employment recovery a global priority and a national reality.

Across the world today, about 202 million people are unemployed, and average unemployment spells have increased considerably. The global recession of 2008-09 and its aftermath continues to take a heavy toll on people at the start of their working life. The labour market outlook for young people has deteriorated in nearly every region of the world, with the sharpest change occurring in the Middle East and North Africa. In Southern Europe, the youth unemployment rate has reached proportions not seen since the Great Depression. Worldwide, about two in every five unemployed people are aged 15-24 – a total of 75 million young men and women looking for a job.

The International Labour Organization (ILO) estimates that the global jobs gap – the difference between what would have prevailed had pre-crisis global growth been sustained and what prevails now – is 62 million today and is expected to increase to 81 million by 2018.

The estimated global jobs gap is merely the tip of the iceberg. There are manifold manifestations of labour market distress across the world: the changing nature of unemployment; deterioration in the quality of jobs and pay; the persistence of high levels of 'working poverty'; rising trends in inequality; and polarisation in the labour markets.

The advanced economies have experienced a surge in unemployment since the global recession of 2008-09. The unemployment rate in the high-income G20 members

has increased from 5.7 per cent in 2007 to 8.4 per cent in 2013. Even by 2016, the unemployment rate in this group of countries is projected to be 8.1 per cent. The European Union has suffered the worst fate in terms of labour market distress, with the overall unemployment rate projected to be around 11 per cent in 2016 compared with 7.2 per cent in 2007. What is even more worrisome is the widespread concern among analysts that what started off as short-term, cyclical unemployment is mutating into long-term, structural unemployment. The Organisation for Economic Co-operation and Development (OECD) estimates that long-term unemployment has increased sharply and persistently in many high-income countries. Examples include Spain (+27.6 percentage points between the last quarter of 2007 to the first quarter of 2013), the United States (+18.8 percentage points between the last quarter of 2007 to the first quarter of 2013) and the United Kingdom (+10.9 percentage points).

### ***Young people who are not productively engaged in work, education or training must not be allowed to give up on their aspirations***

In the case of low- and middle-income countries, the overall unemployment rate and its duration are not necessarily the best indicators of labour market distress. The issue is the scale and persistence of low-productivity employment, which, of course, predates the crisis years of 2008-09.

One way of gauging this change is to focus on the incidence of informality: those groups in the labour force earning a living under precarious conditions or employed on a casual basis without access to social security

benefits. It ranges above 30 per cent in the middle-income G20 countries and, in some cases, reaches more than 80 per cent of the workforce. The ILO estimates suggest that informal employment has declined in only 26 out of 49 countries for which reliable statistics are available. In addition, the most recent ILO school-to-work transition surveys in a number of African countries show that more than 50 per cent of young women and men are self-employed, often trapped in low-productive and survivalist informal employment.

Hence, moving out of informality is of paramount importance for low- and middle-income countries.

Another distressing trend is the significant drop in the global youth labour participation rate. It is now two percentage points below pre-crisis levels. This suggests that young people, discouraged by the lack of adequate job opportunities, have lost hope, given up the search and are dropping out of the workforce. This does not necessarily mean that they make the transition to education or some form of training. The share of young people who are neither in employment, education or training has increased in 30 out of 40 countries.

Young people who are not productively engaged in either the world of work or education and training must not be allowed to give up on their aspirations for a better life and future for themselves, their families and for societies.

### **Youth employment: a tripartite challenge**

One of the core strategic objectives of the ILO is to support a portfolio of policy actions that enable its members to make significant progress towards full and productive employment for all. It works closely with its tripartite constituents – governments, employers and workers – to develop a shared vision of how to make the collective aspiration of attaining full and productive employment for all a reality.

Addressing the challenges of quality job generation in today's distressed economic and social environment, the ILO engages in policy research on what works in terms of generating good jobs; offers policy advice at the country level; and advocates actively, with its development partners, in global and regional forums, for policy coherence and action in promoting more and better jobs. For example, the ILO is actively seeking to shape the full, productive and decent work agenda, once again with its tripartite constituencies



A queue for an unemployment registry in Madrid. Long-term unemployment in Spain increased by 27.6 percentage points between 2007 and 2013





## UNITE FOR QUALITY EDUCATION

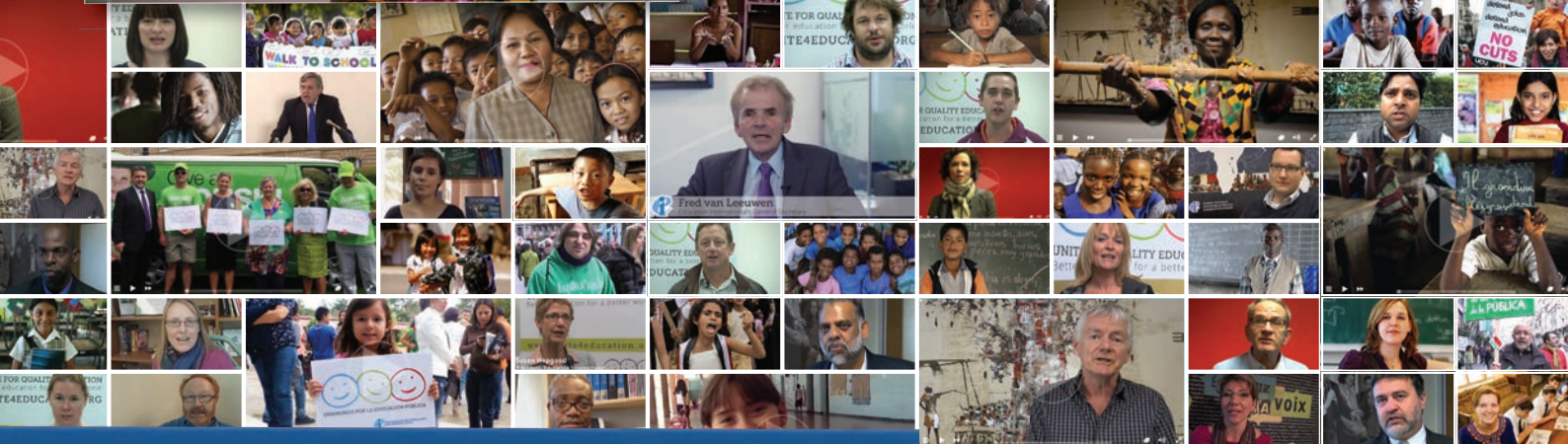
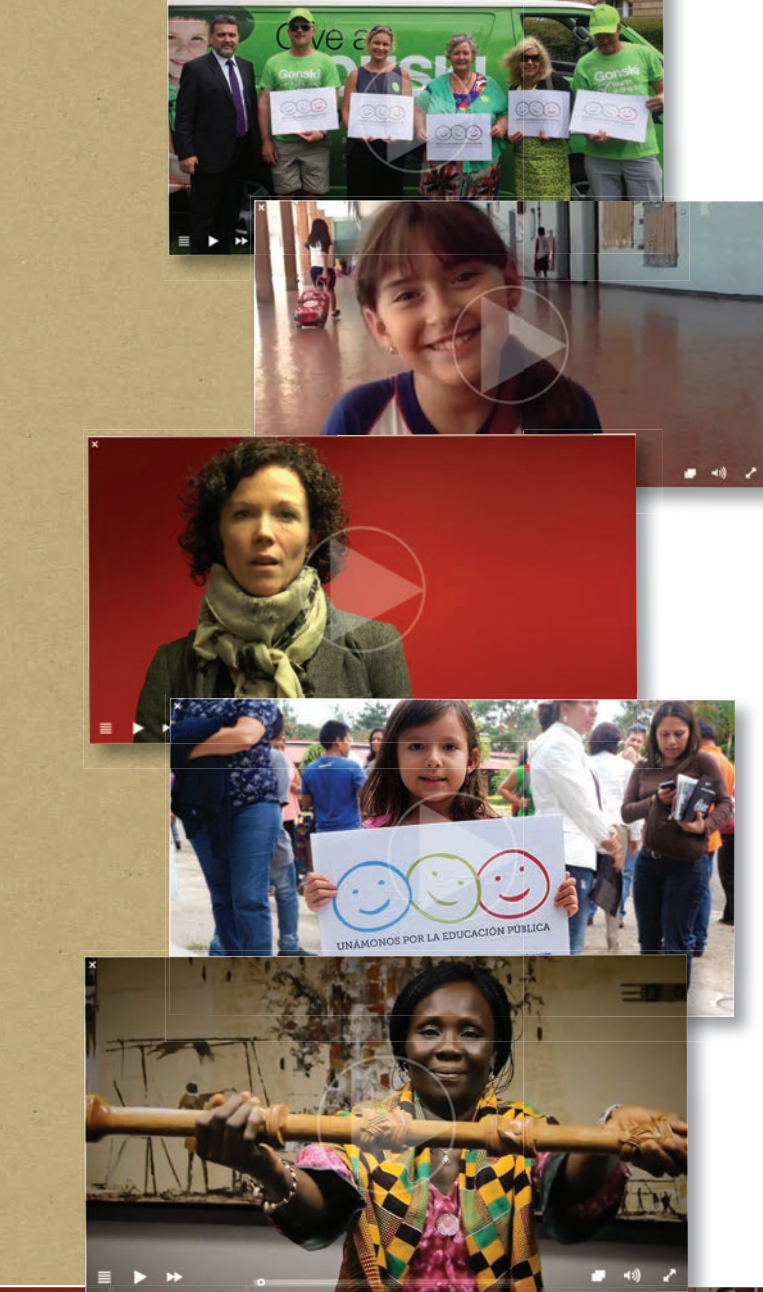
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Unite for Quality Education is a campaign of Education International





Young people march in London ahead of the 2009 G20 summit. Across the world, two in every five unemployed people are aged between 15 and 24

ANNA LATIMER/ALAMY

and its development partners, in the post-2015 development agenda that will succeed the Millennium Development Goals. The ILO is also actively supporting the G20, through its various task teams and in particular the Task Force on Employment, with evidence-based analyses and policy assessments of how to realise the leaders' commitment to promoting stronger growth and quality job generation.

The ILO call for action on the youth employment crisis, adopted by the global community of governments, employers and workers at the June 2012 International Labour Conference, is a case in point. It demands urgent and targeted action, but it also offers a policy portfolio of tried and tested measures that can have a significant impact in breaking the vicious cycle of disconnects from the labour market, reinvolving the disadvantaged youth and re-establishing the basis for longer-term sustainable economic and employment recovery.

Internally, the highest importance has been given to more and better jobs, and in particular jobs and skills for youth, as areas of critical concern for the global community. The ILO has undertaken a reorganisation to reinforce and further expand knowledge on what works in fast-changing labour markets, to harness synergies across its diverse

community of practitioners, and to extend the global reach of the best possible collective knowledge by forging and leading stronger partnerships with its development partners.

Drawing on its experience, the ILO is consistently advocating short- and long-term initiatives, and demand- and supply-side measures, enabling macroeconomic frameworks, and effective labour market policies and institutions to address the global labour market distress and promote quality job generation, decent work and more inclusive societies. Such measures and initiatives should be tailored to country-specific circumstances.

### Global leadership

Global leaders including the G7 play a key role in driving action on youth employment within a broader commitment to tackling the overall jobs deficit.

A fundamental step is the recognition that generating decent jobs is at the core of shared economic prosperity and is a necessary pillar for recovery.

Furthermore, the G7 leaders can put forward a shared vision for a comprehensive range of policy actions to promote more and better jobs rather than focusing on narrow approaches to labour market reforms or

specific training programmes. Multiple influential international organisations have endorsed such a message; for example in the World Bank and International Monetary Fund jobs reports as well as the McKinsey Global Institute jobs report on Africa.

Some common threads of a global narrative are emerging. These include the urgent need to tackle weak aggregate demand in today's global economy through a nuanced approach to fiscal consolidation, incentive-compatible initiatives to promote priority job-creating sectors, appropriate skilling of the workforce, and labour market policies that strike the right balance between attenuating structural impediments to job creation and protecting workers from precarious working conditions. It must also be tackled by increasing investments in infrastructure, promoting financial inclusion, better connecting education with the world of work, and paying particular attention to the plight of young people.

A bold and persuasive statement of commitment by world leaders – including those of the G7 – backed up by a credible plan to build on collective knowledge and the converging consensus to address the global jobs challenge could do much to galvanise people into action. ■



# Education for sustainable, shared prosperity

## Successful education systems fuel economic growth, but depend on countries first identifying the policies that will help promote learning for all

By Harry Anthony Patrinos, lead education economist, World Bank, and Gaurav Tiwari, education consultant, World Bank

A productive labour force is the result of an efficient, equitable, good-quality education system; this is the crux of the drive for sustainable growth, employment and social equity. An effective education system emphasises learning for all, and the reason for this is simple: learning promotes growth, development and poverty reduction. The equity aspects of a strategy for learning are crucial because major access challenges remain for disadvantaged populations at all education levels.

Strategies to reach the most vulnerable, and partnership between the public and private sectors are crucial to achieve such goals. Emphasising the central role for public-private partnership, Liberian president Ellen Johnson Sirleaf said recently that growth alone could not provide answers and we have to build capacity.

### The major challenges on the way to securing sustainable prosperity

Securing sustained prosperity hinges on growth, which depends on favourable policy change, matching the skills produced by the education system with the demands of the labour market, as well as macroeconomic stability around the world. However, according to the World Bank, growth in the Middle East and North Africa is expected to remain weak for the next two years, while growth in developing countries will pick up from 4.8 per cent in 2013 to a slower than previously expected 5.3 per cent this year, 5.5 per cent in 2015 and 5.7 per cent in 2016.

According to the Organisation for Economic Co-operation and Development (OECD), more than 75 per cent of people in Norway aged 15-64 years have a paid job, compared with nearly 60 per cent in Mexico.

These figures are consistent with each country's educational performance – only 36 per cent of adults aged 25-64 have earned the equivalent of a high-school degree in Mexico, compared with 81 per cent in Norway – although the quality of education plays a significant role in the quality of employment.

Mexican students scored on average 420 points in reading literacy, maths and science in the OECD's Programme for International Student Assessment (PISA), lower than the OECD average of 497, compared with 500 in reading literacy, maths and science by the Norwegian students. OECD secretary general Angel Gurría has fittingly said that competitiveness and future job prospects will depend on what people can do with what they know.

The lack of a fair distribution of skills in society is another factor contributing to overall inequality. Highly unequal income distribution, lack of access to education and poor-quality education for the poor aggravate the problem severalfold. If access is inequitable, it diminishes the performance and compromises the social and economic benefits of schooling. Ghana is a case in point: in the past, the country suffered from access and equity issues along gender, geographic and socioeconomic lines; but the country has made gains by adopting appropriate policies, such as equalising educational opportunities at the basic level.

### Education as a central contributor to meeting these challenges

Education produces human capital with relevant skills, capable of helping to meet the challenges of economic growth and social equity. The distribution of skills in society is closely related to the distribution of income, and economic growth is strongly affected

by the skills of workers. Since 1995, upper-secondary graduation rates have increased by an average of eight percentage points among OECD countries with comparable data. Although graduation rates are not measured in terms of skills, the improved education performance has certainly contributed to producing the human capital that is central to meeting the challenges of society. Students in high-performing OECD countries are graduating at a better rate than are students in low-income countries. Based on the OECD evidence alone, countries need to invest in education for sustained prosperity.

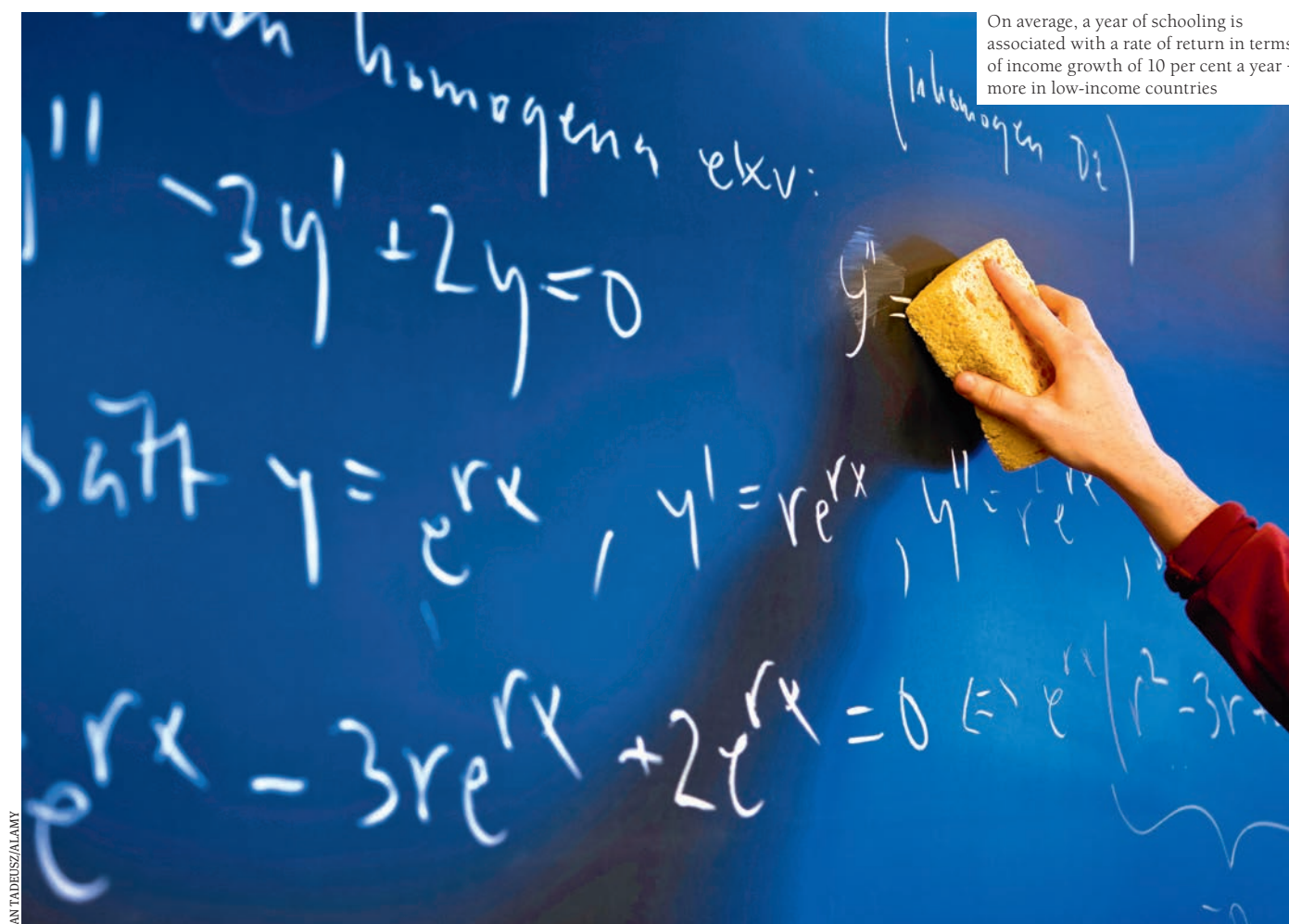
Growth research demonstrates that what people actually learn in school significantly changes the role of education in economic

## Research shows that what people actually learn in school changes the role of education in economic development

development. That is, a good education orients individuals with a set of skills relevant to the market, at the same time making them more likely to find a job that meets their aspirations.

A good education is an important requisite for finding a job. In Norway, 88 per cent of individuals with at least a tertiary education have a paid job, compared with an estimated 56 per cent for those without an upper secondary education. Even in Finland, whose students consistently perform well in the PISA tests, an estimated 85 per cent of individuals with at least a tertiary education are working, compared with an estimated 42 per cent for those without an upper secondary education. Similarly, in Austria, an estimated 86 per cent of individuals with at least a tertiary education have a paid job, compared with an estimated 50 per cent for those without an upper secondary education. These statistics demonstrate that the more educated an individual, the better the chances of employment, whatever the country.

Returns to investment in education are a useful indicator of the productivity of



On average, a year of schooling is associated with a rate of return in terms of income growth of 10 per cent a year – more in low-income countries

IAN TADEUSZ/ALAMY

schooling, and an incentive for people to invest in their own human capital. Each year of schooling contributes to an individual's earnings. On average, a year of schooling is associated with a rate of return in terms of income growth of 10 per cent a year. This is higher in low-income countries, demonstrating the need for further investment in education where the supply of schooling is scarce.

Only a productive education system can ensure sustainable, shared prosperity. The elements of a successful education system can be pieced together using the results of the Systems Approach for Better Education Results (SABER), the World Bank initiative to collect and analyse policy data on education systems around the world through evidence-based frameworks, highlighting the policies and institutions that help promote learning for all. Those elements include the following.

First, information is required on where the education system is and where it needs to go. The SABER Education Management Information System helps countries identify areas for improvement in data collection, comprehensive data system management and the use of data in decision-making.

Second, information obtained from assessments on whether all students in an education system are learning – and how

well – is crucial to improving education quality and learning for all.

Third, competent teachers – selected from the best candidates, supported by the right training and incentivised according to results – serve as the motivated and qualified individuals for desired results. Research suggests that salaries and alternative employment opportunities are important influences on the attractiveness of teaching. Effective teacher retention is an important facet of a successful education system.

Fourth, good governance is another ingredient for a successful education system. The right policies on school autonomy and accountability, the role of government in education, and public-private partnerships are crucial, especially during times when a country's economy is weak.

#### How the G7 leaders can help

Helping countries identify and implement the best policy mix depends on the availability and use of data, evidence from the field, and a concerted effort to innovate, take risks and make policy based on evidence. The G7 leaders at Brussels can contribute to these efforts by facilitating three revolutions:

1. A data revolution: the availability of data will make policymakers more

knowledgeable about the state of the various education systems, and more sensitive to their needs. This will also allow countries to assess existing policies and make the necessary interventions to ensure sustainable and shared prosperity.

2. An evidence revolution: the call for and use of more evidence of policies that make a difference will make a case for good governance. At the same time, the evidence-based practice would complement the readily available data, and also help policymakers contextualise the work in education.
3. A service delivery revolution: the right environment encourages innovation, risk-taking and evidence-based policymaking. The propensity for innovation and risk-taking can help growth become a norm, not just in developing countries, but all around the world. This is all done in the name of building better systems for shared prosperity and growth.

Enabling countries to use education for sustainable and shared prosperity is the inevitable intervention for today. Such a revolution is very much in the reach of world leaders, and a responsibility they all share. ■



# Big and open data

## While 'big data' offers huge opportunities, businesses must act fast in order to exploit them

**By** Neelie Kroes, vice president, European Commission, responsible for the Digital Agenda for Europe

**T**oday the world is witnessing a new industrial revolution – a digital revolution, driven not by coal or steel, but by high-performance computing, and fuelled most of all by the power of data.

From industrial processes to scientific research, most activities produce data, data that anyone can now use on an unprecedented scale, allowing new products and services, new business models and processes, and new ways to make scientific discoveries.

'Big data' is expected to grow 40 per cent per year, surpassing €10 billion (\$13.9 billion) by 2015. That is about seven times faster than the overall information and communication technology (ICT) market. In the United Kingdom alone, the number of specialist big data staff working in larger firms could rise by 243 per cent in the five years to 2017.

To seize these opportunities and compete, Europe needs to be quick and effective. It needs to develop the enabling technologies that underpin innovation; it needs better ICT infrastructure; and it needs better skills. At the same time it needs the right policies – on interoperability, privacy, security and intellectual property.

Tomorrow's data-driven economy will be research-rich, full of opportunities for business and for modernised public services. Data sets and the infrastructure they use will be available, high quality, reliable and interoperable – and able to create new value, benefiting the economy and boosting society.

The framework for this activity will need to ensure privacy, security and coherent rules on data ownership. The European Union's proposed reform on data protection aims to make those rules modern, strong, consistent and comprehensive, and to safeguard privacy in the digital age, while building trust and confidence.

The EU will be consulting on voluntary guidelines on big data applications: looking at how issues such as data anonymisation, information notices, consent and consumer privacy could work and be improved in

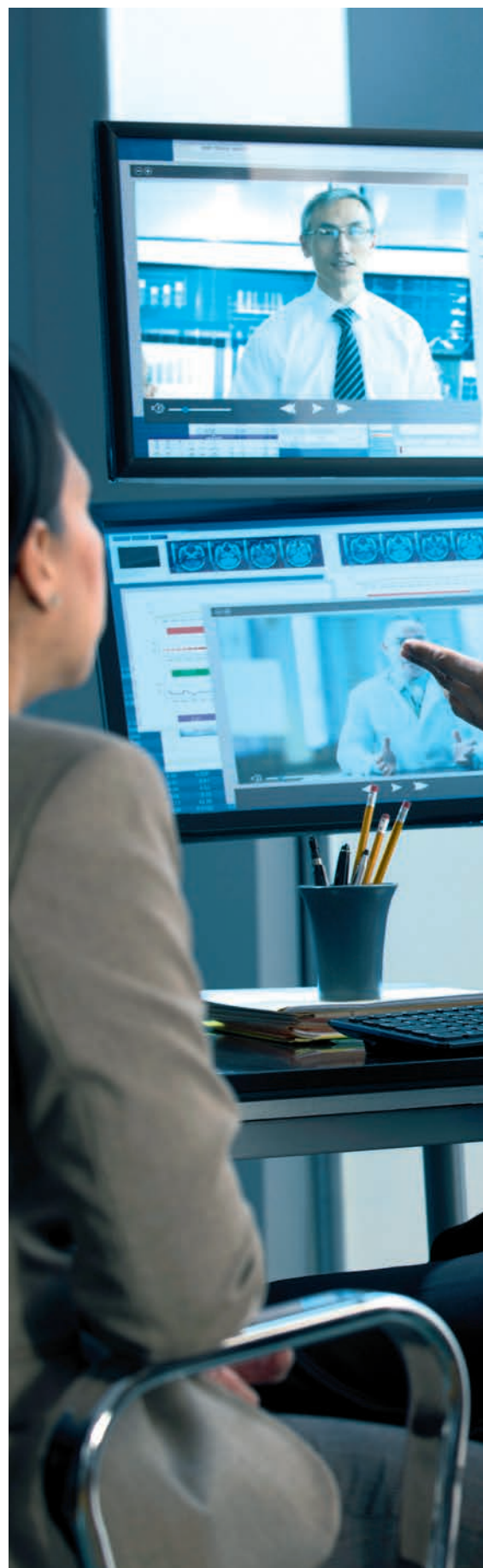
practice. Of course, technical safeguards count as much as rules. So it will also actively invest in innovative technical solutions that can enhance privacy 'by design', or easily anonymise or pseudonymise data.

Supported by its cybersecurity arm, the EU Agency for Network and Information Security (ENISA), the EU will also look at big data security risks – and set out how to manage and mitigate those risks, for example through tips on how to store data to prevent it from becoming compromised. As more and more sectors go digital, the right 'cybersecure' mindset should be embedded everywhere, with companies able to detect and disrupt attacks.

The current copyright framework is often an obstruction, especially for scientists hoping to use data or text mining. Such research is often innovative and life-saving: the EU is already looking at how to reform the copyright framework so that it no longer stands in the way of such research. And, even under the current framework, I urge the EU's national governments to allow those activities as much as they can – after all, the power often lies in their hands.

Finally, in many sectors – finance, for example – requirements to house data in a certain country or area limit the cross-border flow of information: they are a barrier to the EU single market in cloud computing and big data, and an obstacle to European leadership. The EU will be looking very carefully at those barriers, and at what more it can do – as well as consulting on issues of data ownership and liability, especially for the Internet of Things.

From sustainable health to smart cities, there is a huge data dividend waiting to be delivered. Awaiting Europe are a more competitive economy, more innovative and nimble small businesses, better public services, and a better quality of life for its people. I do not want to see the European economy, or people, suffer for lack of capacity; nor do I want to see an over-reliance on solutions from abroad. I want European leadership. In the emerging global data economy, no one can afford to miss out, or get left behind. ■



With expected annual growth of 40 per cent, big data will necessitate large numbers of specialist staff, as well as investment in skills and infrastructure





# Strengthening standards for cybersecurity and surveillance

## Surveillance is a vital tool in the fight against terrorism and organised crime, but governments must do more to convince the public of its necessity

By John Lyons, chief executive, International Cyber Security Protection Alliance

In the wake of Edward Snowden's revelations, a great deal has been said, mainly by politicians in the United States, about what steps will be taken to ensure that citizens' privacy is respected. There have been embarrassments too at ministerial level, about the US and UK intelligence agencies 'spying' on their allies and friends – something that, apparently, they have been doing for years.

Security, intelligence and law enforcement agencies have complained about the disastrous effects the publication of these national secrets could have on their ability to fight terrorism and organised crime.

So how does the international community expect to address these issues of security and privacy? These two often conflicting requirements are fundamental rights that are vitally important to all. Yet few governments will be likely to address the issues at all, leaving the G7 members to draw up their own doctrines governing future national communications surveillance activities.

Along the way to doing so, it is helpful to understand the context in which such operations are carried out. To do this thoroughly and honestly, and keep citizens engaged and win their support, governments need to be much more open about the necessity for such surveillance. This failure to communicate to citizens the proportionality and necessity argument is one of the clearest lessons learnt from the Snowden fiasco.

### Systemic failures

According to Oxford Dictionaries, the definition of a fiasco is "a complete failure, especially a ludicrous or humiliating one". That precisely describes the Snowden affair. All organisations that hold highly sensitive information, be they in the government sector or in industry, would do well to consider how

it is that one person in a relatively junior role could gain access to significant amounts of critically important information. It happened before in the US in the case of Private Bradley Manning. To have it repeated so soon with Snowden – a contractor at the US National Security Agency – suggests that there are systemic failures in the way in which very important information is stored and accessed. Lessons are clearly not being learnt and remedial measures not being implemented quickly enough.

It is self-evident why this is important to the future integrity of information held by governments and companies. However, one of the less attractive, and possibly equally damaging in the long term, by-products of these revelations is their impact on citizens' trust in their governments and security agencies. This growing lack of confidence in governments' ability to secure important information will have detrimental knock-on effects on many areas of daily life.

Policies relating to, for example, the need for doctors and hospitals to share medical information nationally will struggle to gain acceptance by patients and many of their doctors. When governments fail to secure information from unauthorised access, or to safeguard information when it is in the hands of those who require it, they do themselves and every citizen a disservice.

### Transparency: vital for gaining public support

First and foremost, governments that carry out communications surveillance with the aim of protecting the lives of citizens and preventing harm must embark upon a public information awareness campaign that supports these activities. This can be achieved without revealing techniques or secrets about government capability; however, methods



PETERHOWELL/ISTOCKPHOTO

have to be invented because it is imperative to keep secrets between those who 'need to know' what they are.

(Of course, not all governments carry out this work for these reasons. There are many that conduct this type of surveillance for the purpose of identifying those who disagree with them in order to incarcerate them. This article is not concerned with such regimes.)

These are some of the arguments that could be put forward to form the basis of an awareness campaign directed at citizens:

- Communications surveillance is carried out by security and law enforcement agencies only to save lives and reduce harm to citizens.
- Such operations are necessary and proportionate to counterterrorist



Recent revelations have lifted the lid on government surveillance activities, prompting questions over intelligence agencies' failure to secure information

want to concentrate their activities on identifying, disrupting and, wherever possible, bringing to justice those who would seek to inflict harm on others.

Examples of successful operations that have been brought to court could be highlighted without the need to reveal techniques. Blogs and Q&A sessions could also be created to answer the public's questions. The media should be engaged in the campaign, and ministers should speak about these activities and hold public debates about them. This level of engagement should be continuous and not reactive.

#### **'Blue-on-blue' surveillance**

Some might be forgiven for thinking that government security agencies should have enough to do by surveilling countries that are potentially hostile. What hope is there for international accord and for building lasting trust among countries already party to treaties such as NATO's if a government cannot be sure that its allies are not spying on it?

Countries need assurances that this trust, hard won and easily lost, is not jeopardised by security and intelligence activities carried out on the basis of some outdated doctrine.

On the other hand, it could be argued that governments ought to be better able to protect their communications and information against threats from any quarter. This is axiomatic, but it should nevertheless become the norm that one does not spy on one's friends. Perhaps, it would be more helpful instead to alert them to weaknesses in their systems and help repair these, rather than use them to infiltrate government systems.

It is difficult for governments to justify seeking to discipline those who have illegally gained access to their systems while at the same time conducting surveillance of other governments' systems. In the interests of international harmony and to encourage the sharing of vital intelligence among countries that are already members of a club, they should at least consider signing up to an agreement that outlaws surveillance on each other. Security and intelligence agencies can then get on with the job of conducting communications surveillance on hostile countries and on those who would bring death and destruction to the streets. ■

### ***Governments that carry out surveillance with the aim of protecting the lives of citizens must embark upon a public information awareness campaign that supports these activities***

operations and in the fight against organised crime. Sometimes, individuals who carry out criminal acts will also be the subject of surveillance activities.

- All operations are authorised at ministerial level and overseen by an independent organisation that reports to parliament and identifies inappropriate activity.
- Terrorists and organised criminals are using very sophisticated applications available on the internet, mobile devices, computers

and phones to support their illegal operations and to cause harm to innocent people at home and in other countries.

- In order to identify this criminal activity and the people engaged in it, it may be necessary to conduct surveillance of 'innocent' communications by citizens who are not engaged in criminal activity. Authorities will work hard to ensure that this information is discarded as quickly as possible. They do not need it and they



# Promoting growth and development through trade



MIKE THEISS/NATIONAL GEOGRAPHIC SOCIETY/CORBIS

## The implementation of the Bali package of multilateral trade agreements will require all WTO members to work together in a spirit of generosity

By Yonov Frederick Agah, deputy director general, World Trade Organization

**T**he past two decades have seen the fastest rate of poverty reduction in history. International trade has played, and continues to play, a central role in this. Successful developing economies have embraced market-oriented policies and used the open global economy as a source of demand, technology and ideas. Open access to important markets makes it possible for developing countries to pursue export-led growth strategies – and many are doing so, with great success. Led by China, they have taken advantage of steadily diminishing trade barriers at home and abroad to import what the world offers, and export what it is willing to buy.

These open markets did not come about by accident. Successive rounds of multilateral trade liberalisation under the General Agreement on Tariffs and Trade (GATT) redefined the openness of the global economy from the wreckage of the 1930s and '40s. The World Trade Organization, which succeeded the GATT in 1995, has further enhanced the rules and ever-stronger norms in favour of liberalised markets.

The most recent round of multilateral trade negotiations, the Doha Development Agenda, was launched in 2001. Its objective was to put the concerns of developing countries at the heart of the negotiating agenda. Since 2001, however, the Doha round has suffered

prolonged periods when progress has not been forthcoming, not only because of the large number of complex issues on the table, but also because of the changing geopolitical dynamics and the worst financial crisis in three generations.

As a result, while the WTO's dispute settlement and monitoring functions were operating reasonably well, its role as a forum for negotiating new global trade rules was clearly not. In the run-up to the ministerial conference in Bali in December 2013, there was a widespread perception that yet another high-profile failure would deal a devastating blow to the WTO's credibility. Fortunately, members were able to break the stalemate, reaching a landmark agreement.

### The Bali package

Multilateral trade deals are never easy, but when they are struck, they matter. And this is very much true of the Bali package, which has three main pillars: trade facilitation, development and agriculture.

In commercial terms, trade facilitation is the most important outcome of the Bali



Simplifying customs procedures and making them more transparent, the trade facilitation agreement was one of the Bali conference's most important outcomes

ministerial. While tariffs have come down over the years, actually getting goods across borders remains costly in many places. By simplifying customs procedures and making them more transparent, encouraging cooperation among customs agencies and establishing predictable rules for transit, the agreement on trade facilitation will substantially lower trade-related costs. An important aspect of the trade facilitation agreement is the linkage of the provision of financial and technical assistance with the taking on of obligations by developing members.

The development-specific agreements adopted in Bali included a package for the least-developed countries (LDCs). WTO members strengthened their commitments to providing duty-free/quota-free market access to LDC exports, and to stepping up the monitoring of such access. They agreed on indicative parameters on how members can make it easier for LDC merchandise to qualify for these preferential access schemes. Another decision puts in place a process for granting LDC service providers market access on terms more favourable than those extended to other

### ***The post-2015 agenda will shape policy for the next decade and a half. It would make sense for it to reflect the connections between trade, growth and sustainable development***

members. Ministers also created a mechanism for monitoring and improving the operation of the many provisions in WTO rules that grant special and differential treatment to developing countries.

In agriculture, members took a further step towards phasing out the highly trade-distorting agricultural export subsidies and measures with equivalent effects. They agreed on procedures aimed at ensuring that existing import quota obligations did not go unused because of red tape rather than low market demand. They renewed a longstanding political commitment to cutting trade barriers and subsidies to cotton – an issue of economic and symbolic importance in the Doha negotiations, in particular to the West African countries that grow it. Ministers also took an important decision on food security, agreeing to a measure to protect developing countries from legal challenges at the WTO over public expenditures incurred while stockpiling staple foods for distribution to the poor.

#### **Putting the plan into action**

WTO members now face a twofold task: fully implementing the Bali agreements and devising a work programme on how to proceed with the rest of the Doha agenda by the end of 2014. Both objectives will require all members to work together in a spirit of generosity and compromise. The process of devising the work programme should, of course, be inclusive and transparent, involving all members at every step.

Since the start of 2014, delegations in Geneva have been deliberating over the potential content of the post-Bali work programme. WTO director general Roberto Azevêdo has urged negotiators to choose goals that are realistic and 'doable' in the light of each other's political constraints, and to be ambitious where possible, but also to use what they have learned from over a decade of negotiations about what cannot be achieved. He has asked them to explore creative approaches, while keeping the delivery of

tangible development gains, particularly for the poorest countries, at the centre of their efforts. As progress on agriculture will be linked to industrial goods and services, members are considering the increasing need for balance across the different areas of the negotiations, so that all of them can both contribute and benefit.

In tandem with these additional reforms to multilateral trade rules, which might be termed the demand side of the trade equation, many countries still need help building supply capacity if they are to boost their participation in international trade. The aftermath of the financial crisis has taken a toll on official development assistance flows, and aid for trade has been no exception. It is therefore crucial that donors adhere to the commitments they have made and halt this downward trend.

Global development policy discussions, such as the ongoing talks on a successor agenda to the United Nations Millennium Development Goals, would also benefit from active participation by governments that are both major markets and sources of private as well as public development assistance. The post-2015 agenda will shape government policy and catalyse support from new actors for the next decade and a half. It would make sense for the agenda to reflect the deep-rooted connections between trade, sustained growth and sustainable development.

In the area of global partnerships and trade relations, the ongoing bilateral and regional deals being negotiated have the potential to complement the work of the WTO. But they cannot replace the gains that a multilateral trade agreement can deliver, especially for the emerging markets, largely because the WTO remains the only forum that can bring all countries, and all issues, to the table. Clearly, therefore, the world requires an effective WTO to maximise the contribution of free trade to economic growth, employment, poverty alleviation and sustainable development, all of which remain top priorities for all governments. ■



# Fair share and fair taxation; a balancing act.



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In 1927, U.S. Supreme Court Justice Oliver Wendell Holmes observed that “taxes are what we pay for civilized society.” Reasonable people agree with this. However, like most things in life, balance is called for. Excessively high taxes can represent a cost to society because they dampen economic growth. The composition and mix of taxes are also important, because not all taxes have the same impact on the drivers of the economy. The choices that are made regarding how, what, and whom to tax are critically important to ensuring that the cost of civilized society is funded at the least economic cost to society.

Today, the concept of “fair taxation” has captured the public’s attention around the world. Reasonable people agree that everyone should pay their fair share. The focus of many headlines and blogs is on the particular question of whether multinational companies are paying enough tax. These stories often spark vigorous public debate and as such deserve thoughtful analysis. And, the right answer to the question of fair taxation should reflect due consideration of the impact of corporate taxes on the drivers of economic growth and prosperity.

Spurred in part by the public spotlight on the tax profile of multinational corporations and with the strong support of the G7, the OECD has embarked on a major project aimed at addressing government concerns about base erosion and profit shifting (BEPS). We welcome this project as the forum for a truly global discussion of the effectiveness of existing international tax policies and of potential changes to these policies that could have significant implications for cross-border trade and investment. However, it would be short-sighted for the G8 and OECD policymakers to limit their consideration of the issues and the solutions merely to corporate income tax. A holistic approach is called for, with thoughtful consideration given to the right mix of corporate and other tax revenue generating tools to best serve the fiscal needs of governments, while helping to foster economic growth, prosperity and the global recovery.

Many countries trade off lower corporate income taxes to stimulate jobs and investment, which in turn result in other non-corporate tax revenues.

Policymakers seek to improve the lives and welfare of their citizens by attracting foreign direct investment, encouraging domestic investment and entrepreneurship, and incentivizing job creation. Government policies to stimulate investment, jobs, and entrepreneurship often take the form of lower corporate tax rates, accelerated depreciation allowances, corporate tax credits, and other tax incentives. The increased economic activity that is created with these supply-side policies often result in higher individual income, payroll, consumption, and property tax revenues. These increased tax revenues, in turn, offset some or all of the effects of the lower corporate income taxes.

Corporate taxes in a global economy are increasingly borne by workers.

With greater mobility of global capital, recent economic analysis of the economic burden (or incidence) of corporate income taxes show a significant percentage of the corporate tax is borne by persons other than the owners of capital. Like the positive effects of many corporate tax incentives on jobs, personal income and the overall economy, the negative effects of corporate taxation are borne widely throughout a country’s economy. High corporate taxation makes a country less attractive for business investment, including inbound investment by foreign-headquartered companies. Less business investment reduces job opportunities, constrains the capital stock and limits productivity growth, the last of which is the primary source of national income growth that fuels worker compensation.

Corporate income taxes are more harmful to economic growth than other taxes.

Recent OECD analysis shows that corporate taxes are more likely to reduce a country’s economic growth than other taxes. Again, corporate income taxation lowers the after-tax return to capital, which slows

the rate of capital accumulation that, in turn, reduces productivity, including labor productivity. The double taxation of corporate equity income both at the business and shareholder level results in an additional tax on saving and investment.

The economic costs associated with corporate income taxes are significant relative to total corporate tax revenues.

The drag on a country's economy from the economic distortions caused by excessive corporate income tax is high compared to the actual revenues collected. Lower corporate tax rates reduce these economic distortions, as there is an exponential relationship between distortions and marginal tax rates. However, compliance costs borne by corporate taxpayers and tax administration costs borne by governments continue to be high. These compliance costs can be particularly onerous as a relative matter for small and mid-sized businesses (SMEs) – and, SMEs are the job creation engine of most economies.

Real reforms could reduce the economic costs of current corporate income taxes.

It is not necessary to eliminate the corporate income tax to significantly enhance economic growth, reduce economic distortions, and reduce tax complexity. Reforms within the system could reduce the adverse effects of current corporate income taxation. A recent OECD report outlined several fundamental corporate tax reforms that would be beneficial, including integration of corporate and individual income taxes, a shift to a corporate cash-flow tax, and allowances for returns on corporate equity.

Reform of the corporate income tax also requires a recognition that business income is increasingly earned in non-corporate form through vehicles such as partnerships and trusts.

Therefore, we must consider more than just the universe of corporate structures. Because business income can be earned in many forms other than through a corporate structure, governments must more broadly consider how business tax bases are impacted by the use of non-corporate structures. By focusing on taxing income from business activity irrespective of its legal form, governments may be able to raise more revenue, create a level playing field for all business and reduce the harmful impact on their economies.

Now is the time for the G8 and the OECD to seize the opportunity and expand the global discussion around BEPS beyond the current focus on corporate income tax.

It is imperative that policymakers take a broader view of the global tax environment and consider the economic, policy, and revenue dimensions of the whole suite of tax approaches available to governments in funding civilized society. That is the key to ensuring truly fair taxation and fostering prosperity.





# Sound investment policies for sustainable economic development

## International development institutions can help encourage investment in next year's Sustainable Development Goals

By Mukhisa Kituyi, secretary general, United Nations Conference on Trade and Development

Countries worldwide are convinced that foreign direct investment (FDI) can contribute to sustainable economic development, inclusive growth and poverty alleviation. This is why countries seek to attract foreign investment and why liberalisation, promotion and facilitation dominate the investment policy landscape.

At the same time, policymakers are aware of the potential risks to economic stability from unfettered and uncontrolled capital flows. Recent experience has shown that financial crises can rapidly wipe out development gains that have taken decades to attain. Many countries are now revisiting their entry conditions for investment, and strengthening the related regulatory environment.

Moreover, there is greater realisation that the degree to which FDI makes a lasting contribution to equitable and balanced economic growth depends on wider policies and strategies. These can help to create the links with the domestic economy that build productive capacity, especially in developing countries. Investment policies also need to respond to other challenges related to sustainable development, namely persistent global imbalances, climate change, food and energy security, and poverty reduction. Furthermore, FDI can also help to improve the local population's access to basic infrastructure (such as roads, electricity, water supply and sanitation), education and health services.

Commitment to meeting these challenges will be reflected in the Sustainable Development Goals (SDGs) currently under discussion by the international community for the post-2015 agenda, when the UN Millennium Development Goals expire.

Due to be adopted next year, the SDGs are expected to pursue a development agenda encompassing environmental and social sustainability as well as economic growth. This new set of goals will make mobilising investment for sustainable development an even greater priority.

Against this background, it is a positive sign that developing countries and transition economies have been gaining a larger share of global investment flows, both as recipients and sources. Recent United Nations Conference on Trade and Development (UNCTAD) statistics on investment show that FDI inflows to developing economies are now exceeding those to developed countries. Furthermore, FDI outflows from developing countries and transition economies now account for almost 40 per cent of global investment.

Nonetheless, there remains huge untapped potential for private investment into economic sectors and activities relevant to the SDGs. Development strategies and related policies face the challenges of alleviating existing constraints for such investments, mobilising new financial resources, channelling investment into SDG sectors and activities, and ensuring positive sustainable development outcomes of these investments.

### Moving beyond low-cost labour

At the same time, it is not easy for countries, in particular developing countries, to find, defend and strengthen their place as an investment destination in a globalised economy. It is less problematic for countries that have a natural competitive advantage, such as mineral resources, or are attractive to investors because of their sheer market size. However, countries that have traditionally



Foreign direct investment can help improve access to basic infrastructure such as water supply, roads, electricity and sanitation

attracted FDI due to low labour costs face a dual challenge of keeping such investment from moving elsewhere and ensuring that FDI feeds into broad-based economic development. Low-cost labour is a mixed blessing. It continues to help many developing countries attract FDI and can open up new business opportunities when other jurisdictions become more expensive as investment locations. But, given that wages tend to rise with economic development, depending on low labour costs to encourage FDI is not a sensible long-term strategy. Moreover, relying only on cheap labour-induced FDI prevents host countries from moving up the value chain.

To become more attractive for higher-value FDI, governments need to put more emphasis on enhancing domestic productive capacities. Education and training are key. Both play an important role not only in manufacturing and services, but also in improving the



NOOR KHAMIS/REUTERS

efficiency of agricultural production. Within development strategies, there also can be a case for targeting specific industries or activities with comparative advantages that improve the chances of integration into international value chains.

The need to align national investment policies with SDGs implies a stronger focus on quality investment. This requires that governments improve their regulatory framework for environmental and social protection and that they vigorously enforce respect for human rights, core labour rights and safety regulations, among others. It also means governments should put more emphasis on policies to promote low-carbon FDI. Many developing countries have the

advantage of attractive natural conditions for investment in renewable energies. In addition, it is necessary to promote and strengthen corporate social responsibility.

Countries may also have legitimate reasons for restricting FDI in individual sectors as part

of their development strategies. These can include the protection of infant industries, the wish to build national champions, concerns about a crowding out of local actors,

and national security interests in sensitive industries and critical infrastructure.

However, vigilance is needed to ensure these policies do not become a pretext for investment protectionism – a risk that is particularly high during economic and financial crises. International policies play an

important role in promoting investment into SDGs. Through their technical advice and financial support, international development institutions can significantly contribute to shaping an enabling framework for such investment. Furthermore, international investment agreements can help increase legal stability, predictability and thereby investor confidence in host countries. However, still more could be done to strengthen the sustainable development dimension of these treaties, in particular through a better balancing of rights and obligations in treaty provisions, by preserving sufficient regulatory space for host countries and by a greater emphasis on social and environmental concerns in relation to FDI.

Published in June, UNCTAD's *World Investment Report 2014* is devoted to the question of how to enhance the role of private investment for the SDGs and is proposing a global action plan for investing in SDGs. ■

### ***Many countries are now revisiting their entry conditions for investment***



# Advancing global action to support fiscal sustainability

## The OECD is working with international partners to eradicate tax evasion and tax avoidance, but strong political leadership is still needed

By Angel Gurría, secretary general,  
Organisation for Economic Co-operation and Development

**I**n the aftermath of the global financial crisis, strengthening the resilience of all economies and societies requires a multifaceted approach across a number of policy areas.

In the international tax sphere, the Organisation for Economic Co-operation and Development (OECD) is working in two key areas. First, it has a project on base erosion and profit shifting (BEPS) that is modernising the rules for the taxation of multinational corporations. Second, it is seeking to end offshore tax evasion via the automatic exchange of information (AEOI) on tax matters.

Tax evasion and tax avoidance have been depriving national governments of precious resources for decades. The problem has been getting worse over the years, as individuals and companies have become smarter at exploiting loopholes and inconsistencies in tax rules across countries. With the fiscal pressures imposed by the crisis, this problem has become even more significant.

Tax evasion and avoidance, when left unchecked, also raise the question of economic fairness and efficiency, which is particularly relevant in a context of severe fiscal consolidation and social duress. Taxation underpins the social contract, and is a powerful instrument to reduce inequality and create opportunities for all citizens and companies to prosper in an increasingly competitive environment.

Tax evasion and avoidance also distort the efficient allocation of resources in an economy, and hence have a negative impact on growth. In the light of G20 members' ambitious commitment to raise the collective gross domestic product by two per cent over the next five years, the need to fight BEPS as well as tax evasion has never been so urgent.

In recent years, international tax matters, and in particular cross-border tax planning strategies that enable corporate profits to go

untaxed anywhere, have been the subject of unprecedented concern among political leaders and the public alike. At stake here is the integrity of the corporate income tax.

Tax policy is at the core of national sovereignty, with each country being free to devise its corporate tax system in the way it considers most appropriate. However, in a globalised world where economies are increasingly integrated, domestic tax systems designed in isolation are often not aligned. This may result in double taxation or in double non-taxation – one of the root causes of BEPS.

### Tax transparency

In 2013, the OECD worked together with its G8 and G20 partners to achieve a quantum leap in international tax transparency and in the fight against tax avoidance and tax evasion. At the G8 Lough Erne Summit, leaders supported efforts to tackle BEPS and committed to work with the OECD to develop a multilateral model of automatic exchange of information.

This work gained further political impetus at the G20 St Petersburg Summit. In response to a call from the G20, the OECD developed, together with G20 members, a comprehensive and ambitious G20/OECD Action Plan on Base Erosion and Profit Shifting aimed at revisiting the rules, standards and transparency of international taxation. At St Petersburg, leaders welcomed the G20/OECD BEPS project and endorsed the associated action plan. In order to minimise BEPS, leaders called on member countries to examine how their domestic laws contribute to BEPS and to ensure that international and national tax rules do not allow or encourage multinational enterprises to reduce overall taxes paid by artificially shifting profits to low-tax jurisdictions.

The G20/OECD BEPS action plan will roll out over the next two years and will

allow countries to draw up coordinated, comprehensive and transparent standards. It will address the gaps between different countries' tax systems, while respecting their right to design their own rules; it will revise the existing international rules on tax treaties and transfer pricing, introduce more transparency by companies, and improve cooperation between governments.

The BEPS project builds on a broad engagement, drawing on experience and perspectives beyond governments, including those of global business leaders, civil society groups and labour representatives. The OECD works closely with all the stakeholders and has put in place a number of mechanisms to ensure full transparency in the process, with a large number of public consultations.

### *Tax evasion and avoidance distort the allocation of resources in an economy*

Although BEPS is a global concern requiring global solutions, the nature and scale of the risks faced by developing countries – and the challenges involved in addressing them – may be different. There is wide recognition that BEPS deprives developing countries of essential tax revenue: on average, 20 per cent of tax revenues in developing countries derive from corporate income tax, compared with eight to 10 per cent in OECD countries. In these countries, BEPS results in capital flight and gives multinational corporations a competitive advantage over domestic businesses that are not able to take advantage of cross-border tax planning strategies.

To address this issue, the OECD is working with developing countries on its own account and through the G20 Development Working Group. The OECD put in place a series of regional BEPS consultations – in Africa, Asia and Latin America, as well as a specific consultation for francophone countries – which bring together senior policymakers to discuss challenges specific to developing countries. The first series of regional



Automatic exchange of information will help authorities in the fight against individuals who evade tax by exploiting inconsistencies in different tax systems

consultations was attended by more than 80 countries and over 300 delegates.

The OECD is also working with the United Nations and the International Monetary Fund to avoid duplication of efforts and ensure the institutions' work streams complement each other.

Work on the BEPS project is only part of the plan to modernise the approach to countering international tax evasion. The OECD also promotes the automatic exchange of information on tax matters as the single global standard. This year, it has taken a major leap forward in improving international tax cooperation that will enable governments to better fight offshore tax evasion.

#### International standard

Following a call from the G20 leaders at the St Petersburg Summit, the OECD delivered to the G20 a proposal for a new international standard for AEOI – the common reporting standard – which was endorsed at the February 2014 meeting of G20 finance ministers and central bank governors. This builds on previous work to ensure effective

exchange of information 'on request' between tax administrations, which is now led through the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. The forum counts more than 120 jurisdictions as members, including more than 60 developing countries.

By the G20 Brisbane Summit in November 2014, the OECD will deliver the technical details of the AEOI standard that will allow the G20 to take the next step and move towards its effective implementation. As announced in St Petersburg, the G20 leaders expect to begin to exchange information automatically by the end of 2015. One of the main legal instruments that provides for AEOI, the multilateral Convention on Mutual Administrative Assistance in Tax Matters, has now been signed by 64 countries, with another 14 jurisdictions covered by way of territorial extension.

The OECD again recognises that developing countries may face specific challenges in implementing AEOI, inasmuch as there is varying capacity to implement it in an effective and timely way. The Global Forum

on Transparency and Effective Exchange of Information is developing a road map to show developing countries how they can overcome obstacles to participation in AEOI, which will assist them in meeting the standard and thereby allow them to share the benefits of improved global transparency.

#### Political leadership

Today, together with its G20 partners, the OECD is changing the rules governing international tax practices that lead to lost tax revenues. As it uses its expertise and experience to find the most appropriate solutions, strong political leadership is still needed. At an international level, leaders should continue to draw attention to the need for collective action to deliver on these two important initiatives. These efforts should be augmented by swift action at the domestic level to undertake the requisite national reforms. Coordinated political support and international cooperation are crucial as we define the policy approaches and tools required to create the international tax systems of the 21st century. ■



# Clamping down on tax evasion: why taxpayer information is the new industrial revolution



**Mariano Giralt,**  
Managing Director,  
Head of EMEA  
Tax Services

For many years, governments have been working actively to combat offshore tax evasion. Adopting various legal actions to enforce the disclosure of cross-border financial account information, governments have added a significant and powerful tool to improve cross-border tax compliance: automatic exchange of financial account information.

## The OECD's standard for automatic exchange of information

In 2012, the G8 and G20 leaders asked the Organisation for Economic Co-operation and Development (OECD) to develop a standard to facilitate automatic exchange of tax information between non-US countries.

Published on 13 February 2014, and formally endorsed by the G20 leaders on 23 February, the OECD's model Competent Authority Agreement (CAA) and Common Reporting Standard (CRS) are designed to be a standardised and cost-effective model for the multilateral exchange of taxpayer information.

Presenting this new standard, the OECD Secretary-General Angel Gurría said: "This is a real game changer. Globalisation of the world's financial system has made it increasingly simple for people to make, hold and manage investments outside their country of residence. This new standard on automatic exchange of information will ramp up international tax cooperation, putting governments back on a more even footing as they seek to protect the integrity of their tax systems and fight tax evasion."

The OECD developments on the automatic exchange of information complement existing measures recently implemented by governments, such as:



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- **Foreign Account Tax Compliance Act (FATCA)** Effective on 1 July 2014;
- **Intergovernmental Agreements (IGAs)** Designed to enable non-US financial institutions to comply with FATCA;
- **G5 Multilateral Pilot European Union Initiatives** To expand Automatic Exchange of Information (AEOI) between EU member states; and
- **UK FATCA** With British Overseas Territories and Crown Dependencies.

## What are the OECD's CAA and CRS?

The CAA is a bilateral agreement, but governments can conclude bilateral or multilateral AEOI agreements. It draws heavily on the principles outlined in the Model 1 FATCA IGA and establishes a legal basis for AEOI between tax authorities. The CRS contains the reporting and due diligence rules and imposes obligations on financial institutions to collect and report financial account holder information to their home government. However, it has no direct legal force and will, therefore, need to be translated into local law before it can be implemented.

Financial institutions required to report include banks and custodians, depository institutions, brokers, certain collective investment vehicles and certain insurance companies. The scope of information to be reported includes interest, dividends, income from certain insurance contracts and other similar types of income, account balances and gross sales proceeds from financial assets. While the CAA and CRS set a minimum standard for information to be exchanged, governments may choose to exchange information beyond this minimum.

With 44 countries already signed up for early adoption, it is possible we will see agreements concluded soon.

## Does the CRS close the gap on tax evasion completely?

As recognised by the OECD, we are living in a highly integrated world where cross-border portfolio investment is commonplace and an important feature in a global economy.

Investors making cross-border investments will typically aim to receive income from their investments. Such investments may be subject to source-country taxation and, absent a simplified mechanism to collect any tax relief that the investor may be entitled to, source-country taxation is applied anonymously to the income paid. If that end investor is not reportable under the CRS and CAA initiatives, and despite the fact that CRS due diligence and reporting requirements will go a long way towards addressing residency-country tax concerns, it may not capture everything.

The OECD's other work in the area of tax compliance could be the final piece in the jigsaw to achieving full disclosure.

That work is the Treaty Relief and Compliance Enhancement (TRACE) project, which was endorsed in January 2013 by the OECD's Committee on Fiscal Affairs. It is designed to reduce compliance costs and facilitate cross-border investment by enabling financial institutions to act as financial intermediaries, by providing tax relief at source on cross-border portfolio investment and simultaneously reporting account holder information to the source country. The implementation of the OECD's CAA and CRS implies a significant investment in technology and resources for local governments and their financial institutions. Substantial efficiencies can be achieved for both businesses and governments by aligning implementation covering both AEOI and TRACE initiatives simultaneously.

The benefits derived from TRACE implementation would not only offset many of the additional compliance

## About BNY Mellon

BNY Mellon is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As of 31 March 2014, BNY Mellon had \$27.9 trillion in assets under custody and/or administration, and \$1.6 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). Additional information is available at [www.bnymellon.com](http://www.bnymellon.com), or follow us on Twitter @BNYMellon



account holders to identify their residence for tax purposes and provide an additional cross-check for governments.

### The start of industrialising client data?

There will now be vast amounts of data to collect, manage and mine in order to meet the reporting requirements under these various tax evasion initiatives. The method in which data is collected and recorded will be vital to its effectiveness. The way in which financial institutions interact with customers and conduct know your customer (KYC) and anti-money laundering (AML) procedures for capturing the relevant tax information will need to be enhanced. New local AML rules will include tax avoidance as a money laundering offence. Therefore, customer relationship teams will need to be trained to identify and determine sources of wealth in addition to wrestling with the jigsaw of tax residency definitions of each customer.

Coupled with the reporting of the information, this puts significant strain on IT systems that collect data from customers and share customer information from or with other sources.

This industrialisation of client data, creating centralised information hubs and designing solutions to integrate

KYC without violating customer privacy, presents opportunities.

To that end, for well-prepared financial institutions it can lead to an improved and more comprehensive identification of customers and a reduction in time to onboard customers to new products or services.

With full transparency over investment activity and products becoming the norm across the globe, financial institutions that have solutions in place to meet these various tax-reporting initiatives will have a distinct competitive advantage. Customers will be looking for certainty that their financial institutions are compliant and able to assist them in meeting their reporting obligations.

BNY Mellon supports these core tax-compliance objectives and believes the cross-border gathering and exchange of information is an essential aspect of global financial markets, with financial institutions playing a key role as tax intermediaries globally.

We strongly encourage the development of a standardised and truly global framework for customer due diligence, reporting and simplification of cross-border tax relief.

costs associated with new information reporting requirements in AEOL, but would also reduce many of the administrative burdens governments currently face in running tax relief systems.

Furthermore, the momentum of the proposed CRS effort may be enhanced if governments agree that a financial intermediary cannot operate the TRACE system unless it is resident in a country that participates in the CRS, or otherwise agrees to AEOL with the source country.

By tying TRACE to the proposed CRS, financial institutions will have a strong incentive to urge their respective governments to adopt the CRS. In addition, participation in TRACE by financial institutions will provide an incentive for

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# The G7/G20 tax agenda: time to secure progress across the world

## The results of initiatives to end tax avoidance and evasion will depend on how fully they are applied

By Dries Lesage, Ghent Institute for International Studies, Ghent University

“Profits should be taxed where economic activities deriving the profits are performed and where value is created.” Such was the conclusion of G20 finance ministers at their February 2014 meeting in Sydney, Australia, on the issue of the taxation of multinational corporations.

Recognition of this principle at that political level was long overdue, but nevertheless historic. In close partnership with the Organisation for Economic Co-operation and Development (OECD), the G20 is currently working on a project to prevent tax base erosion and profit shifting (BEPS). The measures put forward should enable governments to tax corporations adequately according to the economic realities of multinational groups and the actual geographies of production. With this in mind, the project addresses transfer price manipulation, aggressive tax incentives and other devices that make it possible for taxable profits to surface in tax havens or other low-tax jurisdictions in purely artificial ways.

### Danger of inertia

Notwithstanding this progress, the greatest concern at this point is that the G20/OECD approach might not be radical enough, and that in just a few years' time the work will have to be done all over again. A similar situation occurred with regard to the G20/OECD's tax information exchange regime. After several years of muddling through on the basis of the suboptimal 'information upon request' standard, recently the G20 and OECD fully embraced the more effective standard of automatic information exchange.

But the new standard at the global level is nowhere close to being implemented yet, and precious years have been lost. In the world of global tax cooperation, policy inertia and conservatism are costly for public treasuries. The BEPS initiative must now ensure that

tax authorities stay ahead of corporations and their armies of tax advisers for a long time, rather than the other way around.

A related concern is that the BEPS initiative may not remove the extreme complexity of the matter. This could be all the more problematic for developing countries, which are likely to continue to struggle with the exact determination of transfer prices for multinationals' intra-firm trade. The 2013 G8 summit at Lough Erne and the OECD have already hinted at this problem.

The fundamental question remains whether developed and developing countries would not be better off with a regime of 'unitary taxation' and the apportionment of countries' taxing rights based on an easy formula, rather than sticking to the current 'at-arm's-length principle', which treats cross-

### ***The BEPS initiative must now ensure that tax authorities stay ahead of corporations***

border trade between entities of the same multinational group as if this trade occurs between independent parties.

With regard to the second major challenge – cross-border exchange of information on individual taxpayers – work is currently under way on a detailed new OECD standard that countries can adopt for their bilateral dealings. As endorsed by G8 and G20 leaders, this standard implements the principle of automatic exchange of information (AEOI). This is a giant leap forward. The big question now is how this standard will be spread across the world. For now, G20 governments have agreed to apply the standard among themselves, and to promote it vis-à-vis other countries. The latter part is critical for success,



since the problem is not one of hidden billions in each other's countries – it is all about tax havens. So, how are the G7, G20 and OECD to convince dozens of secrecy jurisdictions to implement automatic information exchange? So far, the communiqués produced by leaders and finance ministers remain silent on this crucial question.

### **Two-way dialogue**

In the past 16 years, since information exchange has moved higher up the multilateral agenda, the OECD and G20 have considered concerted 'sanctions' against non-complying jurisdictions several times. But they always stepped back, to give dialogue on an equal footing between OECD/G20 countries and tax havens a chance. In those formats, the tax havens have mostly dragged their feet.



Work is under way on a new OECD standard, endorsed by G8 and G20 leaders, that implements the principle of automatic exchange of information

JACOBH/ISTOCKPHOTO

At this stage, a critical evaluation of these processes would be useful. At present, the international dialogue takes place within the OECD-led Global Forum on Transparency and Exchange of Information for Tax Purposes. Two-way consultations about how to design and implement the new standard are surely preferable to unilateral action, as long as these talks deliver. But if, in a globalised world, secrecy jurisdictions use their sovereignty to undermine the actual tax autonomy of the rest of the international community, the other countries are allowed to use their sovereignty to the full to enforce their own domestic tax rules concerning the worldwide income of their citizens.

Concretely, such an expression of sovereignty can take the form of concerted action by OECD and G20 countries.

Action might include measures that touch upon the financial and economic ties with non-complying jurisdictions. In order to avoid more years lost, at the Brussels Summit the G7 leaders should come up with courageous ideas on this issue. As with the BEPS initiative, a key question about AEOI is what's in it for poor countries not represented in the G7, G20 or OECD? Certainly, it will be possible for them to enter into bilateral treaties with OECD and G20 countries committing themselves to reciprocal AEOI.

#### Focus on tax havens

But in addition to the huge technical challenge of complying with the standard, this poses the question of how useful all these efforts would be. The overall success of the new standard hinges on compliance by more

sophisticated, but secretive, financial centres – and, to a lesser extent, on 'normal' countries exchanging information. Tax havens should be the focus, and preferably through genuinely multilateral arrangements and instruments. If the G7 and OECD are serious about improving the recently discovered tax-development nexus, they should prioritise the flow of tax-relevant information from tax havens to developed and developing countries alike.

The odd thing here is that the bulk of global taxation governance is monopolised by international institutions that exclude poor countries. Will the G7 Brussels Summit, hosted by the pro-development and pro-multilateral European Union, speak out in favour of a substantial upgrade of the United Nations' tax work in partnership with the OECD and other relevant institutions? ■



# Improving tobacco control and boosting government revenues

The World Health Organization's Framework Convention on Tobacco Control (WHO FCTC) has been described as the world's first public health treaty. It has been developed in response to the global tobacco epidemic and contains a set of wide-ranging measures and recommendations that will ultimately lead to governments having better control of the tobacco market. What is less well known is the significant impact this treaty can have on increasing government revenues



**Helen Cochrane**  
Director, Government Revenue Solutions  
De La Rue

**T**he WHO FCTC, the first international treaty negotiated by the WHO, features an extensive series of measures to combat the health impact of tobacco. Some relate to price levels and taxes; others are non-financial approaches, such as regulating the ingredients, packaging and labelling of tobacco products, and promoting smoking cessation campaigns and research.

The FCTC's governing body, known as the Conference of the Parties, can make recommendations and decisions to promote the implementation of the treaty by adopting a protocol. Added to the FCTC at the end of 2012, the first protocol, Illicit Trade Protocol (ITP), focuses on eliminating the illicit trade in tobacco products. A total of 53 countries, plus the European Union, have now expressed their political approval of the treaty by signing up to implement the protocol, and that number is likely to grow over the coming months.

The ITP is the framework that will help governments across the world control the supply chain more effectively and consistently. A key element of the protocol

is the requirement that a global track and trace system for tobacco products – seen as being fundamental in helping to stop the flow of illicit products – is established within five years of the protocol coming into force.

## The problem and the solution

Customs officials across the world face the constant challenge of trying to prevent cross-border smuggling by sophisticated and well-funded criminal operations. The WHO estimates that up to 600 billion cigarettes are circulating in the black market, which represents about 10 per cent of the total cigarette market. This is, without doubt, a global problem.

The illicit trade in tobacco products comes in many forms, from petty criminal activity to the work of highly organised criminal gangs. The activity can be broadly categorised into three areas:

- Smuggling involves moving undeclared products between tax jurisdictions operated on a small scale by individuals or highly organised gangs trading very large quantities;
- Counterfeiting of cigarettes requires access to raw materials and equipment and often involves large-scale manufacturing. The resultant cigarettes have none of the safeguards of legitimate products and often have highly increased toxicity levels; and
- Tax evasion involves the falsification of shipping and taxation documents to allow criminals to take advantage of different tax levels between territories without physically moving the products.

The crimes are similar and interlinked and all have the same outcomes – impacting public health, fuelling criminal activity and reducing government revenues.

The WHO's Tobacco Free Initiative (a WHO programme set up in 1998 to focus

international resources and attention on the global health issue of tobacco) recommends that the most up-to-date technologies should be adopted, wherever possible – in particular, state-of-the-art monitoring of the supply chain, and tracking and tracing systems on products themselves. Introducing track and trace technology would give each pack of cigarettes a unique identity stored centrally on a secure database.

WHO FCTC also requires a unique, secure and non-removable identification marking to be fixed to each pack.

Highly secure labels and printing technologies have been used to great effect in this area, and with the addition of unique, machine-readable barcodes this provides law-enforcement officials with a powerful set of tools.

Customs officials can be armed with barcode scanners and authentication tools to rapidly identify and prosecute illicit trade and facilitate genuine trade.

The challenges for governments are to select and integrate the technology into existing processes, retain implementation independence from the tobacco industry and ensure that taxpayers get value for money.

## The benefits

Many countries already run successful tax stamp programmes for tobacco, alcohol and pharmaceutical products. In 2011, more than 80 governments had tax stamp programmes in place and there were over 150 billion tax stamps in use to fight illicit trade and boost government revenue.

That means there are still more than 100 countries that could benefit from implementing a government revenue solution on tobacco products. It is estimated that close to \$33 billion in tax on tobacco products is not being



collected. These countries are missing out on significant and predictable sources of government revenue. As illicit products are blocked from the market, consumers switch to taxed products, which increases tax collections.

#### The partner: De La Rue

As more countries seek to adopt the WHO FCTC treaty and accompanying protocol, De La Rue's status as a long-term trusted partner of governments in areas of key national interest, such as banknote production and identity systems, means it is well positioned to help governments introduce robust revenue protection schemes. Its Government Revenue Solutions business has introduced schemes in 20 countries across the world.

De La Rue's track and trace system is specifically designed to support government revenue protection programmes. It links secure stamps and unique codes to a central database holding important production and tax data, enabling government officials to track activity and verify products quickly in the field.

Based on De La Rue's experience, introducing unique identifying marks to individual products will enable product verification, significantly reduce illicit trade and boost revenue collected on the sale of high-tax products. Across North America,

Europe, Asia and Africa the implementation of unique code verification systems has led to significant gains, including revenue increases in excess of 100 per cent.

Stemming the huge tide of illicit cigarettes passing through borders and circulating in countries on all continents can only be achieved through coordinated and sustained efforts by police and customs officials, government departments and

industry experts sharing knowledge, best practice and information across borders.

A coordinated approach can deliver a significant return on investment for taxpayers. The benefits to governments are clear – compliance with the WHO protocols, reduced illicit trade and better health controls, which are all funded by the improved collection of existing taxes.

Helen Cochrane is an expert advisor to both governments and global organisations on the critical elements of a successful revenue protection programme to help combat illicit trade. Driving product and market strategy in De La Rue, Helen also manages key stakeholder relationships and works with organisations such as the WHO, WCO, UN and product manufacturers. Helen regularly travels internationally advising clients and stakeholders on strategies to combat illicit trade, protection of revenues and health while maximising genuine trade and cross-border activity.

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# Put an end to money laundering, bribery and corruption

## Registers of beneficial ownership are a start, but governments need to do more to eliminate secrecy

By Cobus de Swardt, managing director, Transparency International

**C**orruption around the world is facilitated by the ability to launder and hide proceeds derived from the abuse of power, bribery and secret deals.

Dirty money enters the financial system and is given the semblance of originating from a legitimate source, often by using corporate vehicles offering disguise, concealment and anonymity. For example, corrupt politicians used secret companies to obscure their identity in 70 per cent of more than 200 cases of grand corruption surveyed by the World Bank.

For far too long, crooked figures have been able to stash the proceeds of corruption easily in foreign banks or to invest them in luxurious mansions, expensive cars or lavish lifestyles. They do this with impunity and in blatant disregard for the citizens or customers they are supposed to serve.

Importantly, the corrupt are aided by complacent and sometimes complicit governments of countries with banking centres that facilitate money laundering and allow the corrupt to cross their borders to enjoy stolen wealth. Weak government actions are failing to prevent the corrupt from evading justice and have enabled cross-border transfers of corrupt assets. Complacent governments responsible for protecting the public from such criminal acts are de facto supporting impunity for corruption.

Banks, real estate companies and retailers of high-end goods are the final links in this chain, as they facilitate criminal behaviour by accepting illicit money as payment. Even the

recommendations on basic due diligence and record-keeping are frequently overlooked.

The overall problem is huge. According to the United Nations Office on Drugs and Crime, the amount of money laundered worldwide in one year is up to five per cent of global gross domestic product. The ease of laundering and hiding stolen assets is of great concern to Transparency International, as well as many other organisations, governments and citizens. It must be ended urgently.

### An incentive for massive theft

Extensive research by numerous institutions has mapped the systems of money laundering, as well as the activities in international financial havens that permit corrupt individuals to easily set up 'shell' holding companies. They indicate the complicity of all manner of financial institutions and the associated professional firms that handle the cash proceeds of corruption in secret, dark channels.

Take secret companies, for example. Laws in many jurisdictions ensure that the identity of those relocating their money through them cannot be disclosed. This secrecy permits individuals and corporations to hide enormous financial transfers of stolen and illicit funds with few or no questions asked about the real, living person, about who controls the money, or about where they came from. This person is the 'beneficial owner' – not a nominee or another company. In many cases shell companies can be set up in a few hours and then be used to transfer millions or billions of dollars, with virtually

no public oversight to determine the source or the intended recipients of such transfers. This creates an incentive for massive theft of public money to continue, and for the thieves to enjoy the proceeds of corruption.

An inventory of grand corruption cases compiled by the Financial Action Task Force in 2011 showed that politicians and public officials often abuse corporate secrecy. For instance, out of 32 grand corruption cases analysed (including embezzlement, bribery, extortion and self-dealing), foreign accounts were used to hide the proceeds of corruption in 27 cases. In most instances, the assets were hidden in more than one foreign jurisdiction, including countries such as the United States (19 cases), the United Kingdom (13 cases) and Switzerland (15 cases), as well as offshore havens such as the Cayman Islands, Singapore, Hong Kong, Jersey and the Bahamas. Moreover, in 28 cases, the individuals involved (or their families) made use of corporations and shell companies to hide the beneficiaries – those who actually used the money for investments, luxuries and lavish lifestyles.

The good news is that there are glimmers of hope. At the G8 summit last year in Northern Ireland, leaders pledged to "take action to tackle the misuse of companies and legal arrangements". They further produced the G8 Action Plan Principles to Prevent the Misuse of Companies and Legal Arrangements, and members agreed to add to these principles with national action plans.

### Listing beneficial owners of trusts

In October 2013, the UK set the tone. During the Open Government Partnership Summit, UK prime minister David Cameron announced the creation of a central register of the beneficial owners of companies in the UK that would be publicly accessible. In November 2013, the leaders of the UK's 14 overseas territories, including Gibraltar, agreed to consider establishing public registries listing the beneficial owners of trusts and companies. In a communiqué published by the Foreign and Commonwealth Office following the joint ministerial council meeting, the leaders pledged to launch consultations "on the question of establishing a central registry of beneficial ownership, and whether this information should be publicly available".

***In many cases, shell companies can be set up in a few hours and then used to transfer millions of dollars, with virtually no public oversight to determine the intended recipients***



WEBPHOTOGRAPHER/GETTY IMAGES

Secrecy permits individuals and corporations to hide transfers of stolen and illicit funds with few questions asked about who controls the money

This is a start, but much more action is needed by all leaders on this global threat to economic security. Governments leading the reform of the international financial system should commit to establishing public corporate registers that include beneficial ownership information. The public has every right to know who owns, controls or ultimately benefits from these companies.

Each government should take concrete steps to end corporate secrecy by ensuring

that their existing registers on companies contain beneficial ownership information about the true identity of the person or persons who own and profit from any company, legal trust or foundation.

In addition, those countries with influence over secrecy jurisdictions such as Hong Kong, the Cayman Islands or Jersey, to name but a few, should push these countries to establish public registers of beneficial ownership.

Ending all theft of public money and eliminating bribery as an acceptable way of doing business are indeed complex challenges. Transparency International will continue to work with dedicated individuals in government, the private sector and civil society to seek and implement solutions. Stopping the facilitation of cross-border corruption through secret company ownership is an important step that global leaders can act on in 2014. ■



# Turning economic growth into economic transformation

## Africa's \$50 billion annual infrastructure funding gap is a barrier to inclusive, sustainable growth

By Donald Kaberuka, president, African Development Bank

**M**any commentators make big and bold statements about Africa and its development prospects, and the swinging pendulum of success and setback. Mine is simple: I believe that this is a unique moment in Africa's economic trajectory. Over the last decade, sub-Saharan Africa has outperformed the rest of the world in terms of growth, and almost all stable countries in Africa have a good chance of becoming 'middle income' by 2025.

Africa is growing, but it is not growing fast enough, or evenly enough. What it needs is not five per cent growth in gross domestic product (GDP), but at least a sustained seven per cent. The decline in poverty rates over the past 10 years – from 58 per cent to 48 per cent – is painfully slow, and there are still not enough jobs for the 15 million young people who come onto the market every year. Meanwhile, the population rises.

I see a landscape influenced by four megatrends that are shaping Africa in an irreversible way. First is the emergence of a multipolar economic world, bringing new investment sources and export destinations, development experience and know-how. Second is the demographic potential – human capital – of a young and increasingly urbanised continent of one billion people. Third is the continuing discovery of large amounts of natural wealth. Fourth is the ongoing opportunity to leapfrog through technologies such as the mobile phone, bringing the benefits of better service delivery and the reduced cost of doing business.

The question remains: how can Africa turn economic growth into true economic transformation? Many of the foundations are in place, including increasingly sound economic policies and sound institutions. What more still needs to be done?

The first thing to do is to achieve real regional economic integration, and allow the

54 fragmented economies of Africa to coalesce – across the regions, and across the continent. The collective task is to facilitate trade, and plug the gaps in hard and soft infrastructure to build conduits for Africa's integration into the global economy. Second, Africa needs to manage its natural resources better, taking advantage of the current strong cycle of commodity prices and ploughing back the proceeds into national priority areas such as health and education, rather than into foreign bank accounts. Third, the challenges of those African states that are designated as fragile,

### ***It is time for a different value proposition based on African countries taking charge of funding and managing their own development***

home to tens of millions of people, must be addressed. Fragility undermines countries – it is also contagious, and can weaken entire regions. I have just set up a high-level panel under Liberian president Ellen Johnson Sirleaf to tell us how to do this even better; one of its key findings is that fragility should not be seen as a category of state, but as a risk inherent in the development process.

At the root of all these challenges is the gap in African infrastructure. Infrastructure is both the means to trade and the means to economic and social development. The primary task of the African Development Bank and the continent is to close the \$50 billion annual infrastructure funding deficit, which costs Africa no less than two per cent annual GDP growth every year. Building and rehabilitating the continent's

transport, power and water networks will account directly for the missing growth.

Filling the funding gap cannot be achieved by public means alone: the challenge is to leverage what public funds there are, in order to bring additional financing and ideas. Private capital is a large part of the answer: a \$50 billion funding gap is small compared with what the private sector can offer, and organisations such as the African Development Bank need to mediate between the two.

### **Take risk out of the equation**

Financing infrastructure projects is notoriously hard, with high transaction costs, sometimes serious political unknowns and a lack of bankable projects that are ready to go. The key is to take the risk out of the equation. The prerequisites are in place: the policy and regulatory arenas, the public-private partnership frameworks, the independent regulators. This was what triggered the private-sector-led telecommunications transformation of the 1990s, and it can do the same for the infrastructure (and especially energy) transformation of the 2010s.

The tools of risk mitigation – such as the African Development Bank's credit guarantees – are also in place, giving comfort to investors, especially in high-risk and low-income countries. And for each dollar at the bank's disposal, it estimates that it can leverage a further six. This is a very smart way to use public money. And, if it can go further in combining this 'smart aid' with the vast national savings and reserves that are now invested outside Africa – in the form of the newly launched Africa50 Infrastructure Fund – it will succeed.

So there are no 'business as usual' solutions if Africa really is to move to the next level, which is true economic transformation. It is time for a different value proposition based on African countries taking charge of funding and managing their own development. This is what the African Development Bank is trying to help with: its 10-year strategy for the period from 2013 to 2022 bears the title 'At the Center of Africa's Transformation'. The strategy is built on achieving growth that is both inclusive and sustainable – it is growth for all, and growth for all time. ■



Infrastructure is the means to trade and to economic and social development, but Africa's infrastructure funding deficit costs it two per cent GDP growth a year



# Climate finance: show me the money

**A**t a recent meeting on climate change with a group of African parliamentarians in South Africa, everyone, except fellow MPs, was baffled by a question from one of the participants who, on listening to a presentation on climate finance, could hardly hide his feeling of disillusionment. "Show me the money," he said, after the presenter spoke about the so-called 'fast-start finance', under which developed countries had committed to provide Africa with \$30 billion in new and additional climate finance by 2012. That same sense of frustration still prevails among African delegations to this day.

Even a cursory look at how the international community has handled climate change negotiations would tend to justify Africa's growing dissatisfaction with the entire architecture of climate finance. For example, every single report on the process has pointed to the dismal level of mismatch between promises and actual disbursements on climate finance commitments by developed countries. One study by the African Climate Policy Centre reveals that only a small fraction – less than 11 per cent – of currently provided climate finance meets the UN specification of being 'new and additional'.

Consequently, Africa has come to the conclusion that the experience with the fast-start pledges and discussions of the \$100 billion promise suggest that the adequacy and predictability of climate finance may remain very low if the future climate finance architecture reflects current practice. Today, just one in every 10 dollars is new and additional.

Just like many developing countries, African states are vulnerable to climate change and are among those least likely to have the resources required to withstand its adverse impacts. Yet, there is currently no indication that the magnitude of climate finance will meet the scale of what is needed. Finance is one of the thorniest issues in current climate negotiations. However, programmes such as ClimDev Africa recognise this tension, but point to the necessity of rewriting a new narrative of opportunity that is strongly aligned with seizing potential gains in productive sectors, such as agriculture,

and turning these into growth poles that will feed Africa's booming population and secure its industrial aspirations.

Last year, Africa had hoped that developed countries would commit at the last Conference of the Parties (COP19, held in Warsaw, Poland) to provide a detailed climate finance roadmap 2013-20, through which they demonstrate how they intend to fulfill the \$100 billion promise by 2020 – that is, a scenario showing a gradual increase in climate finance between 2013 and 2020. Such a scenario would have included intermediate targets (say, for 2013 and 2017), indicated the share of public finance, and provided clarity on the mix of both direct budget contributions from developed countries as well as alternative sources of public finance. Nothing of the sort came to pass in Warsaw.

## International cooperation is important and critical for durable impact

However, be it on climate finance, research or on policy formulation, Africa is not standing still, as initial action taken in 2009 by the three foremost development institutions on the continent has continued to gain traction. Just before the 2009 climate talks in Copenhagen, the African Union Commission (AUC), the UN Economic Commission for Africa (UNECA) and the African Development Bank (AfDB) supported African governments to convene the 7th Africa Development Forum (ADF 7) on the theme of addressing climate change in Africa. Some 500 government representatives, legislators, scientists, politicians, policymakers and civil society groups, including women and youths, attended and deliberated extensively on the theme of the conference. The most important outcome of that conference was a commitment by these institutions to help Africa design a common approach to the way they deal with climate change.

The ideas soon crystallized into what has become the main driver behind every important discussion on climate change in Africa – the Climate for Development in Africa Programme, or ClimDev-Africa.

### ClimDev-Africa: a solution from within

The programme is mandated at the highest level by African leaders (AU Summit of Heads of State and Government) to create a firm foundation for Africa's response to climate change. Beyond the AUC-UNECA-AfDB partnership, the programme works closely with other institutions and partners specialising in climate and development.

Each of the three main partners contributes towards the achievement of the overall goal by drawing from inner strengths to support each of the three pillars of the programme. ECA's African Climate Policy Centre (ACPC) is a hub for a demand-led knowledge base on climate change in Africa. It addresses the need for greatly improved climate information for Africa and strengthens the use of such information for decision-making, by improving analytical capacity, knowledge management and dissemination activities.

The objective of the Climate Change and Desertification Unit (CCDU), which is led by the AUC, is to provide policy and political guidance, and to enhance coordination and harmonisation of Africa's activities in the field of climate change. This entails effectively engaging Africa's political leadership at all levels, and using the AU structures in order to advance climate change issues.

The ClimDev Special Fund (CDSF) is a demand-led fund that pools resources to finance investment activities on the ground across Africa for the generation and use of climate information for climate-resilient development. The fund provides grants to projects in line with the ClimDev-Africa programme's goal, purpose and results areas, and they are implemented by national entities.

Through joint advocacy activities by the three partner institutions, the fund has mobilised more than 30 million euros, and in the coming year will be able to fund some of the projects already screened by the programme's

Joint Working Group, of which there are more than 20. The constantly increasing number of demands for policy analyses and project formulation that the ACPC receives from African governments and regional institutions attest to the established credibility of ClimDev-Africa.

### Essential international cooperation

Aware of the global nature of climate change causes and impacts, ClimDev-Africa brings to the table an African perspective in the global climate change discourse, but more importantly, it shines a light on aspects of focused research that more often than not fall through the cracks when research plans are drawn.

ClimDev-Africa has carried a consistent message to leaders of the region: climate change is a reality that is here to stay and investments in the production and use of climate services cannot be sustained solely through externally funded projects. The impression we have is that the message has gone down well.

The other message it wants to bring to G7 leaders is that no region can effectively handle climate change on its own. International cooperation is important and critical for durable impact.

### Working together

Without greater accountability and transparency in the so-called long-term climate finance, such that African countries are able to predict how much of the money is new, where it is coming from, and whether it will be directed towards adaptation or mitigation projects, climate talks would only serve to buy time, even as extreme climate events continue to bring the reality of its devastating effects to every region of the world.

Even as a good number of developed countries have made substantial contributions towards climate change programmes in Africa, the reality is that all the amounts contributed were neither new nor additional. They were mostly from resources previously earmarked as either Overseas Development Assistance (ODA) or from other foreign aid funds put in



place earlier for education, health or water projects in Africa.

Arguments could be made about the shift in budget line, but put in the context of failed promises that have bedeviled climate talks between developed countries and Africa, there are more and more people at all levels in Africa who think that discussions about climate finance have run their course, and action needs to begin.

The current feeling among climate negotiators and within African government circles that climate talks could be a ploy to avoid facing real issues on the unfolding global calamity could deepen the sense of distrust among partners and spell failure yet again in the upcoming negotiations on the anticipated legally binding global treaty in Paris next year.

ClimDev-Africa, speaking as the main regional voice on climate change, remains optimistic that leaders of

the industrialised countries will rise to commitments by their respective governments on climate finance, as well as on reductions in emission levels that, in the final analysis, is the only long-term solution to the threat that climate change poses to humanity.

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United Nations  
 Economic Commission for Africa





# The role of ICTs in developing Africa

## Work must continue to ensure that all Africans have access to the continent's rapidly growing network of mobile communications and broadband services

By Hamadoun Touré, secretary-general, International Telecommunication Union

In the 21st century, information and communication technologies (ICTs) have become ubiquitous. They now play an important role in the lives of almost every person on the planet. As truly transformational drivers of social and economic progress, ICTs have the potential to make the whole world a better place – and nowhere is this more true than in Africa.

Indeed, Africa has offered many of the best examples of just how transformative ICTs can be in terms of development over recent years, from the spectacular success of mobile banking in East Africa, to smart apps now being used across the entire continent for tracking and preventing malaria, to distance learning opportunities at every level of education, and to telecentres that help preserve and enrich the cultural lives of rural and remote communities.

### ICT growth

As a continent, Africa has witnessed quite extraordinary ICT growth since the start of the millennium, particularly concerning mobile cellular communications. Back in 2000, mobile penetration in sub-Saharan Africa was under two per cent, and very few people believed that mobile phones would ever be anything other than a luxury for the wealthy few in rich urban centres. Today, however, mobile telephony is affordable and available right across the continent. The International Telecommunication Union (ITU) estimates that by the end of 2013 mobile cellular penetration in sub-Saharan Africa surpassed 63 per cent.

There has also been tremendous progress in internet access. In 2000, just one in 200 people in sub-Saharan Africa was online, but by the end of 2013 that proportion had grown to one in six people. Over the past few years, submarine cables have tremendously enhanced international connectivity for many African countries. The continent now has more than 10 terabytes of submarine connectivity around Northern Africa, about

seven terabytes around Eastern Africa, and four terabytes around Western Africa.

The investments being made in infrastructure and services in Africa signify something far more profound than mere bandwidth; they represent renewed confidence and optimism in Africa's digital future.

There is no denying, however, that there is still far to go. More than 80 per cent of people in sub-Saharan Africa are still offline, denied access to the incredible wealth of knowledge and riches that the internet can bring into their lives. And even for those who do have access, it is still far too expensive, with mobile broadband costing 40-60 per cent of average income in sub-Saharan Africa.

### Transforming Africa

In October 2013, ITU and the Government of Rwanda organised the Transform Africa Summit, to take stock of progress to date, and to set the agenda for the coming years. The summit was attended by seven African heads of state, 46 ministers and more than 2,000 participants. It focused on the theme of 'The Future Delivered. Today', encapsulating the tremendous spirit of hopefulness seen right across Africa now, which will help drive forward rapid social and economic progress on a scale never seen before.

The principal outcome adopted by the summit was the SMART Africa Manifesto and its implementation framework, the SMART Africa Alliance, both of which were endorsed by the African heads of state at the subsequent African Union Assembly in Addis Ababa, Ethiopia. The summit noted the extraordinary progress that has already been made, in large part due to solid and continued infrastructure investment. Indeed, participants have already surpassed the \$55 billion committed in investment pledges at the ITU's Connect Africa Summit in 2007, and are now confident that the final total for the seven-year period will exceed \$70 billion.

And, while improvements in internet access in Africa over recent years have



largely been confined to the capital cities, the very rapid spread of mobile data and 3G services is changing this very quickly now, with mobile networks bringing internet access to many areas outside Africa's main cities for the first time.

### Rapid adoption of mobile broadband

Indeed, mobile broadband is the fastest-growing technology in human history. It took 125 years from the invention of the telephone to the first billion fixed-line subscriptions globally, and the world will probably never reach a second billion. But it took just nine years to amass the first billion mobile broadband subscriptions, and two more years to reach the second billion.

Africa has been incredibly quick to take advantage of mobile broadband, and is catching up with other regions faster than with any previous technological advance; mobile broadband penetration rates in sub-Saharan Africa coming into 2014 were already close to those seen in the Arab States and Asia-Pacific regions only two years earlier, at the start of 2012.

Clearly, the time is right for Africa to bridge the digital divide and step boldly



IMAGEBROKER/LAMY

Telecentres such as this one in Accra, Ghana, can enhance the lives of rural and remote communities, demonstrating the transformative power of ICTs

into the hyperconnected future. ITU – the United Nations specialised agency for ICTs – has redoubled its efforts in Africa, and all three sectors of ITU (radiocommunications, standardisation and development) have been involved in projects across the region.

The agency has been particularly active in capacity building, regional harmonisation, broadband wireless, and the creation and maintenance of centres of excellence across the African continent.

#### **Digital access for schools and hospitals**

To give just one example, ITU and Craig and Susan McCaw's Broadband Wireless Network project for Africa continues to implement broadband wireless networks and develop ICT applications to provide free or low-cost digital access for schools and hospitals, and for under-served populations in rural and remote areas. The network is already operational in Burundi, and is being implemented in Burkina Faso, Djibouti, Mali and Rwanda.

In terms of training, the ITU Academy has trained thousands of Africans in areas as diverse as regulatory best practice, the digital dividend, internet exchange point (IXP) installation and fibre-optic training – and

### ***More than 80 per cent of people in sub-Saharan Africa are still offline, denied access to the incredible wealth of knowledge and riches that the internet can bring into their lives***

ITU has been working most recently with the administrations in Chad, Democratic Republic of the Congo and Gabon, as well as many other countries in the region.

The goal, of course, is to make sure that all Africans have access not just to mobile communications but also to the benefits of fast, affordable broadband services. I am encouraged to see so many countries in Africa working to adapt their policy and regulatory frameworks to the broadband world. This has been one of the very positive outcomes of the Broadband Commission for Digital Development, which was set up by ITU and UNESCO in 2010, to bring broadband to the top of the development agenda, as a means of helping accelerate progress towards meeting the Millennium Development Goals, as well as the new sustainability goals to be set post 2015.

Having seen the tremendous progress over the recent years, I am confident that Africa will seize the opportunity and employ the transformative power of ICTs to accelerate its development. It is very important to point out that those who are committed to Africa's development, including partners and investors, will be fairly rewarded.

I am also confident that ICT-driven Africa will be a place where people prosper, where communities enjoy strong bonds, where businesses thrive, and where governments enable strong and sustainable development as well as efficiently and effectively serving their people. ITU, for its part, will continue to be a place where African countries collaborate among themselves and with other regions to turn such visions into reality. I am proud of ITU's role in supporting Africa's ICT development. ■



# Powering Africa forward



## Barack Obama's Power Africa initiative is making progress in lining up the financial deals needed to double access to electricity in sub-Saharan Africa

By Andrew M Herscovitz, coordinator, Power Africa and Trade Africa

**S**atellite television is not the first thing that comes to mind when one thinks of energy poverty issues. However, throughout some of the world's most remote villages and poorest urban areas, satellite dishes are a common sight – even atop makeshift homes with dirt floors. Residents use these satellite dishes sporadically, most often during key sporting events. They seem to cover the cost

of this luxury from time to time. Electricity is not a luxury. Even the poorest people find ways to pay for it when it is available, just as they pay for the one billion mobile phones in Africa, for which they often have to walk miles to find an outlet to recharge.

Around 600 million sub-Saharan Africans, or 70 per cent, live with no or limited access to reliable electricity. In rural areas, that figure rises to above 85 per cent. Sub-Saharan

Africa generates 91 megawatts (MW) of power per million people. Comparatively, the United States has more than 3,300 MW per million people – 37 times more electricity to power homes, businesses and communities. However, despite Africa's dearth of available power, seven of the world's 10 fastest growing countries are projected to be on the continent.

Energy poverty remains a direct obstacle to sub-Saharan Africa's economic growth and development. Electricity is integral to all development sectors, including education, agriculture and health. Governments and the private sector should partner to facilitate and finance the generation, transmission and distribution of power, which would result in significant improvements in development indicators. Allowing a student to study at night, a farmer to collect market prices via a mobile phone or a healthcare practitioner to operate life-saving equipment are the

Sub-Saharan Africa generates 91 megawatts (MW) of power per million people, compared with the more than 3,300 MW per million people in the United States



ULRICH DOERING/ALAMY

backbone of US president Barack Obama's Power Africa initiative. Power Africa is a partnership between the US, the governments of Ethiopia, Kenya, Tanzania, Ghana, Liberia and Nigeria, the private sector, and other bilateral and multilateral development partners, and works to double access to electricity in sub-Saharan Africa.

Since Power Africa was launched in late June 2013, 12 US Government agencies have worked in concert to provide legal, policy and financial assistance to close financial deals that will introduce or increase power to people and communities on the continent. Power Africa's founding private sector partners have continued to work to meet commitments to mobilise more than \$14.5 billion to support these efforts. To date, 2,800 MW have been financially closed, and more than 5,000 MW are planned to come online in the near term, demonstrating that

### ***The OECD estimates that the financing need for sub-Saharan Africa's power sector is nearly \$41 billion per annum. At current spending levels the financing gap stands at roughly \$23 billion***

notable progress has been made towards the goals of adding 10,000 MW and 20 million connections in the six focus countries.

The Organisation for Economic Co-operation and Development estimates that the financing need for sub-Saharan Africa's power sector is nearly \$41 billion per annum. At current spending levels from government, donors and the private sector, the financing gap for the energy sector stands at roughly \$23 billion annually. These figures prove that no one can go at it alone. Power Africa continues to expand its engagement with a variety of partners, including G7 members.

Already, several G7 members work within sub-Saharan Africa to develop new technologies and financing products, and to support projects in gas, geothermal, hydro, solar and wind. G7 members have committed to expanding access to energy across Africa, utilising clean and renewable methods.

#### **Maximising reach and impact**

A recent Power Africa partnership with the United Kingdom's Department for International Development (DFID) and the Multilateral Investment Fund is funding a global investment index called Climatescope that measures and ranks the investment climate for clean energy in developing countries. Power Africa is also partnering with DFID to support Big Results Now! – a 'delivery unit' that pushes focused energy reforms at the presidential and ministerial levels in Tanzania, with the potential to replicate the model across several countries.

The Japanese International Cooperation Agency, the European Union and other partners are currently in dialogue with Power Africa to align their off-grid, geothermal and other renewable energy efforts. This type of collaboration helps avoid duplication of efforts and maximises reach and impact.

Power Africa's transactional approach of working out why particular transactions might derail and identifying targeted solutions is what will propel the initiative. Power Africa is taking note of what the private sector highlights as necessary policy reforms, and ensuring that there is sustainable financing and strong governance for energy projects.

Power Africa has already had a significant impact in its focus countries, specifically in Ethiopia, Kenya and Tanzania. Its collaboration with the Government of Ethiopia and other partners will provide millions of people with access to clean electricity when new, privately owned geothermal plants come online in the country, an achievement made possible by Power Africa's assistance in crafting the framework for the first power purchase agreement in Ethiopia. The 1,000 MW Corbetti geothermal project is a first step towards tapping into the estimated 15,000 MW of clean geothermal energy available in East Africa's Rift Valley.

#### **Need for coordinated effort**

In Kenya, many partners have teamed up to turn the high, consistent winds blowing across the country's plains into clean, sustainable energy. The 300 MW Lake Turkana Wind Project was shepherded through the rigorous financial agreement phase, and will increase Kenya's electricity generation capacity by approximately 25 per cent at the lowest energy price currently available.

In Tanzania, a 5 MW solar project had been long delayed due to obstacles in concluding a power purchase agreement at an appropriate tenor. As a result of Power Africa's involvement, the Government of Tanzania extended the standard power purchase agreement from 15-25 years, which enabled the private sector partner and other developers to become eligible for financing and to finalise terms.

Power Africa recognises the need for coordinated efforts to drive progress, including the provision of patient capital, technical expertise and access to credit. As USAID administrator Rajiv Shah said: "Power Africa encourages countries to make energy sector reforms, while connecting entrepreneurs to investment opportunities that are created by those reforms themselves."

We challenge all partners to continue to address energy poverty, furthering our efforts to Power Africa forward. ■



# Growing a better future for all

## Targeted rural development can transform lives more dramatically than any other intervention

By Kanayo Nwanze, president, International Fund for Agricultural Development

It is, perhaps, ironic that at a time of growing global urbanisation, investment in agriculture and rural development is needed more than ever. Simply stated, populations that once fed themselves with what they grew have now migrated to cities but still depend on rural areas for their food and clean drinking water. It is blindingly obvious to say that humans need clean water and a steady supply of healthy, nutritious food to thrive. And yet, at a time when global populations are growing, available agricultural land is shrinking and climate change is putting pressure on yields and water systems in many parts of the world, investment in agriculture is too often an afterthought in national and international budgets.

***Growth in gross domestic product generated by agriculture is at least twice as effective in reducing poverty as growth in other sectors***

For those working in development, the continuing neglect of agriculture and rural development is incomprehensible. The best way to achieve food and nutrition security and to maximise the impact of development spending is to invest in rural areas and the billions of people who remain there, even as today's cities grow.

Poverty continues to be deepest and most intransigent in the rural portions of developing countries, which lag behind towns and cities in rates of childhood nutrition, education, health, job opportunities and a host of other development indicators. Last year, the World Bank reported that 76 per cent of the world's poorest people still lived in the rural areas of developing countries, not the cities. However, experience repeatedly shows that inclusive agricultural development

creates vibrant rural communities that in turn ensure a dynamic flow of economic benefits between rural and urban spaces. In this way, countries can have balanced and sustained development.

Indeed, addressing the imbalance between rural and urban communities must be a prerogative of all development efforts. As the World Economic Forum's *Global Risks 2014* report so clearly indicated in January, inequality is the risk most likely to cause damage globally in the coming decade. Nowhere is inequality greater than between urban and rural areas. Ignoring problems does not make them go away. Neglect of the rural space has led to a steady exodus of people – particularly youth – from rural areas to cities in search of better opportunities. Unfortunately, too many of these rural people do not have the skills, training or education they would need to find steady and well-paid employment. As a result, too often the problems of rural areas merely shift to urban areas along with the migrating population, with no discernible reduction in inequality.

### Need for investment

The starting point for narrowing the gap between rural and urban communities must be investment in agriculture. Many studies have shown that growth in gross domestic product generated by agriculture is at least twice as effective in reducing poverty as growth in other sectors. By some estimates, it is as much as 11 times more effective for sub-Saharan Africa.

There is no shortage of demand for food today, and no prospect of a shortage of demand to come. Agriculture has a bright future, but if it is also to help reduce poverty and improve food and nutrition security, investment and growth will need to focus on involving small-scale family farmers. Most of the world's farms are small, particularly in developing countries, where there are an estimated 500 million small-scale family farms. These farmers typically rely on their own production for a significant proportion of the foodstuff consumed by their families.





Agriculture has a bright future but if it is to contribute to poverty reduction and food security, future investment will need to include small-scale farmers



MARTIN HARVEY/GETTY IMAGES





Investment in rural people contributes to stability by addressing food and nutrition insecurity, which is often a contributing factor to civil conflict

At the International Fund for Agricultural Development (IFAD), over the past 35 years, we have seen that agriculture for development can transform lives, build communities and improve food security when results are measured not just by higher yields but by improvements in income, job opportunities, reduced malnutrition, gender equality and better health. Indeed, undernutrition and poverty are complex problems that demand systematic solutions ranging from investment in infrastructure – such as roads, electricity and safe storage facilities – to developing non-exploitative business opportunities for small-scale farmers to access new markets.

#### Development in practice

Targeted, inclusive rural development can transform lives more dramatically than any other form of intervention. Investing in rural people results in better livelihoods, improved food security and nutrition, and healthier communities. It also contributes to stability by addressing food and nutrition insecurity, which is so often a contributing factor to civil conflict. This has been borne out in

many IFAD-supported projects, including one in Yemen that has worked to protect and promote rural livelihoods despite the country's critical security situation. About 5,000 women and men have participated in community-led advisory services that

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***To truly create a world without hunger, an even greater commitment to agriculture and rural development is needed***

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have introduced new crop varieties and drip irrigation in one of Yemen's poorest and most insecure governorates. Evaluations have found a considerable improvement in household food security and reduced rates of child malnutrition. The project has proved to be popular with beneficiaries, who have invested their own money in a domestic water scheme,

which is saving women up to 300 hours a year in time spent collecting water. Project participants report a significant reduction in violent conflict in project areas.

Highly industrialised countries have long recognised the importance of agriculture to their own economies and food security. But to truly create a world without hunger, an even greater commitment to agriculture and rural development is needed. This includes a commitment to participate in shared, normative frameworks for investment, such as the Voluntary Guidelines on Land Tenure and responsible agriculture investment principles, so that the people who most need to benefit from new opportunities in agriculture – rural people – are not marginalised. Investing in inclusive, sustainable agricultural development is, of course, good for the 2.9 billion women, men and children who live in the rural areas of developing countries. But it is also an essential investment for the future health of the billions of people who make their homes in cities by providing a source of clean air and water, protection for biodiversity, and a foundation for stable societies. ■

# Sustainable Growth

For Olam, unlocking mutual value is not just the right way to do business, it is the only way



Olam's cotton operations in Mozambique are part of the Better Cotton Initiative programme, which aims to improve the social, environmental and economic aspects of sustainable cotton production

A key theme of this year's summit is Sustainable Growth, which resonates whether your world view is from a developed country or from within an emerging economy. At Olam, we are privileged to see both sides. Feeding, clothing and sheltering a growing world population is a shared global challenge, the answer to which lies in collaboration towards Sustainable Growth.

Tackling the issues around global food security is one way in which we are partnering with countries, such as Nigeria, to reduce net imports of staples

including rice. Growing more food for local consumption in the countries where we operate helps supplement imports and improves the environmental footprint while creating long-term viable employment opportunities in agriculture.

In Gabon, we are working with the government in a Private Public Partnership to ensure that palm oil is produced responsibly (to RSPO certification) so that social and environmental needs are taken into account. By also using our expertise to support the smallholders growing palm around our plantations, we will help to meet Africa's growing demands for this essential and nutritious cooking oil.

At a global level transparency and traceability are becoming ever more critical as consumers everywhere want to understand how their food is sourced when supply chains are so complex. They are seeking greater assurances from brands that ingredients like cocoa, and crops such as cotton, are fairly and sustainably produced. This means collaborating with our global stakeholders including NGOs, certification bodies, customers and peers. In Mozambique, our cotton operations are part of the Better Cotton Initiative (BCI) programme, which aims to improve the social, environmental and economic aspects of sustainable cotton production, while in India we are

collaborating with IFC, Solidaridad and Hindustan Unilever Foundation to boost sustainable sugarcane productivity.

In developed economies Olam is driving a different kind of sustainable innovation. Working with major brands in the US for example, we have developed elite hybrid onions which have higher yields and lower water and land requirements, minimising our environmental impact.

So for governments, for brands and the 3.9 million farmers we work with alike, Sustainable Growth is fundamentally dependent on the transfer of agri knowledge from the big players to the small so that across the continents cultivated land reaches its potential and agriculture is a livelihood to be pursued. That is good for Olam, for our customers, for farmer livelihoods and, ultimately, for our world.

## Company overview

Olam International is a leading agri-business operating from seed to shelf, supplying food and industrial raw materials to over 13,600 customers worldwide.

With a direct presence in 65 countries, Olam has built a leadership position in many of its businesses such as Edible Nuts, Spices & Vegetable Ingredients, Cocoa, Coffee, Cotton and Rice.

For enquiries, please contact Olam at [enquiries@olamnet.com](mailto:enquiries@olamnet.com)

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# Working to achieve the vision of a world free from hunger

## Investment in social protection is a vital component of initiatives to end hunger and malnutrition

By Ertharin Cousin, executive director, World Food Programme

**T**he world stands ready for a new development agenda. Every country should seize this opportunity to set a course for development that is transformative, universal and sustainable. As the Millennium Development Goals (MDGs) unified the world around a set of discernible priorities, the new post-2015 goals and targets discussed and ultimately agreed upon by members of the United Nations will inspire global debates, inform policymaking and influence government, as well as private sector investments, for decades to come. For the world's hungry, undernourished poor, the final goals must generate the political will to realise a world free from hunger within our lifetimes.

The UN secretary general's Zero Hunger Challenge provides the foundation for translating this vision into reality. The vision brings together five elements: eliminating stunting in children under two years of age, guaranteeing universal access to adequate and nutritious food, ensuring that all food systems are sustainable, increasing smallholder productivity and income by 100 per cent, and eradicating food waste and loss.

A number of countries have achieved some or all of the MDGs. However, reducing the global rate of hunger and malnutrition has proved to be one of the most difficult development challenges faced by governments and civil society. Some 38 countries will achieve the MDG hunger target, yet 842 million people remain undernourished around the world. These numbers starkly reflect the daunting challenge.

### Nutrition assistance

In addition to the chronically undernourished, a further two billion people suffer from micronutrient deficiencies. The impact of this undernutrition will be felt for decades to come. Some 165 million children endure the effects of stunting. Furthermore, poor

nutrition causes half of the 3.1 million deaths of children under five years of age that occur each year. Developing and implementing adequate nutrition assistance programmes for maternal, newborn and early child health can prevent millions of these deaths. Undernutrition and micronutrient deficiencies result in lifelong educational and cognitive developmental impacts with detrimental consequences for the child and his or her family, community and indeed country. If the global community fails to act now, these consequences will remain far-reaching.

No one organisation or government alone can end hunger or fully meet the challenges of chronic undernutrition. To truly address the causes and consequences of hunger, the world needs a renewed partnership that builds the capacity of governments, communities, civil society and individuals working together. How can such a partnership be achieved?

### *Poor nutrition causes half of the 3.1 million deaths of children under five years of age that occur each year*

It is neither a question of simply increasing agricultural production or delivering increased levels of assistance, although such programmes offer a part of the solution. A renewed partnership can be achieved by approaching this work in a manner that addresses the immediate hunger and nutrition needs while simultaneously designing, when appropriate, solutions that develop resilience and the capacity of the most vulnerable to ultimately feed themselves.

Working together, we must implement programmes that ensure nutritious food is

not only available but also regularly accessible, particularly to those most in need. The new sustainable development agenda offers the opportunity to fully integrate this twin-track approach.

Ensuring that nutritious food is fully accessible to the most vulnerable requires that universality and equity are embedded in the new goals and targets. Recent research confirms that reducing poverty rates through income growth does not translate directly into equivalent reductions in the rate of hunger and malnutrition. Although rising incomes have helped to reduce hunger and malnutrition at national levels, inherent inequalities and social exclusion have often prevented the benefits of economic growth from reaching the most vulnerable.

To realise the long-term vision of Zero Hunger, therefore, concrete steps must be taken to ensure that economic growth translates into long-term benefits for everyone in society.

### Food safety nets

Investments in social protection programmes are a key element in enabling the equitable elimination of hunger and malnutrition. These mechanisms include food-based 'safety net' programmes. Indeed, safety nets have been central to food security and nutrition policy in many countries since at least the beginning of the last century. Historically, these programmes played, and continue to perform, a vital role in ensuring that the most vulnerable people, as well as those unexpectedly affected by shocks, are protected from hunger and undernutrition.

According to recent data from the World Bank, more than 98 developing and emerging countries have implemented safety net programmes. Many of these programmes provide targeted cash, voucher or food transfers to the most vulnerable. Assistance is often conditional on participation in special programmes that increase access to health and other basic services, restore or create productive community assets, or improve livelihood opportunities for the poorest. In many cases, these programmes also seek to address the special concerns of marginalised groups, including women and minorities.

Ethiopia's Productive Safety Net Programme illustrates how investments

In addition to 842 million chronically undernourished people around the world, a further two billion suffer from micronutrient deficiencies



HADYNYAH/ISTOCKPHOTO

in social protection can both address the underlying structural causes of hunger and meet the immediate food needs of people affected by climatic and other livelihood-affecting shocks. Every season, the size of the response is calculated using the Livelihoods, Early Assessment and Protection tool. This tool was developed by the Ethiopian Government with support from the World Food Programme (WFP) and other partners. By monitoring rainfall patterns and predicting crop yields, it is possible to adjust the size of the programme and to scale up assistance before households are affected by seasonal food shortages, avoiding gaps between meeting nutritious food needs and programme service delivery.

Whether in developing or developed economies, the effectiveness of safety net programmes is well established. As income levels have risen in India, Indonesia and Nigeria – among other countries – governments have increasingly adopted safety nets that place food security and nutrition at the centre of national development strategies. Evidence from a number of countries indicates that safety nets have been an instrumental means to invest in development outcomes and reduce inequality. For example, South Africa's Child Support Grant has reduced the Gini coefficient by three per cent.

Well-designed safety nets can also contribute to wider poverty reduction goals. The second series of research papers published in *The Lancet* in June 2013 demonstrates the positive impacts of safety net programmes with integrated nutrition objectives. Nutrition-focused safety nets can dramatically accelerate progress in reducing undernutrition and raising economic productivity. Recent research findings indicate that children who benefited from a nutritional safety net programme in Guatemala earned nearly 50 per cent more as adults.

### The power of markets

In rural communities, investments in social protection programmes also have the power to transform economies. The evidence demonstrates that reliable markets stimulate agriculture by creating the financial demand for local production. Reliable commercial or government markets will not develop overnight.

To address this gap, WFP is now implementing a patient procurement platform initiative. Through this programme and using its purchasing power, WFP will serve as an initial catalyst market. Working with developing country smallholder farmers, the private sector and national governments, together with partners such as the Food and

Agriculture Organization and International Fund for Agricultural Development, WFP will increase the agricultural value chain and ultimately identify conglomerates of commercial and government buyers to provide long-term, sustainable and durable market access. WFP and its partners will also work directly with agricultural cooperatives to explicitly link smallholder production to safety net programmes. The key to the success of this initiative is the effective utilisation of WFP's purchasing power to kick-start local ventures.

Each of the programmes described here helps WFP and the world achieve the goal of Zero Hunger. We can fully harness their power when, combined with other efforts, they form a wholly integrated approach. The global ability to ensure that people do not have to choose between nutritious food today and their health or education requirements of tomorrow depends on the global community's ability to address hunger and nutrition challenges successfully, sustainably and durably. In setting the post-2015 goals, world leaders must embrace the proven potential of safety nets and other social protection tools. By establishing such equitable, universal investments, we can achieve sustainable development and realise the vision of a hunger-free world in our lifetime. ■



# The humanitarian crisis in Syria poses a threat to world peace

## Political objectives are getting in the way of helping the millions of people caught up in the Syrian conflict, but the imperative to act is clear

**By** Valerie Amos, under-secretary general and emergency relief coordinator, United Nations Office for the Coordination of Humanitarian Affairs

**S**igned in June 1945, the United Nations Charter stated that the purposes of the UN were to “achieve international cooperation in solving international problems of an economic, social, cultural, or humanitarian character, and in promoting and encouraging respect for human rights and for fundamental freedoms for all”.

Further to this, as the UN secretary general’s January 2009 report on *Implementing the Responsibility to Protect* noted: “Weaknesses of capacity and the paucity of will, including in many capitals that speak in favour of advancing goals relating to the responsibility to protect, feed off each other in a particularly vicious cycle of hesitation and finger-pointing in the face of unfolding atrocities. Most visibly and tragically, the international community’s failure to stem the mass violence and displacements in Darfur, as well as in the Democratic Republic of the Congo and Somalia, has undermined public confidence in the United Nations and our collective espousal of the principles relating to the responsibility to protect. I am firmly convinced that we can and will do better in the future.”

The founding values of the United Nations set the framework for the way the organisation works. These values, spelt out in the Charter, clearly call for the international community to act when states do not protect their citizens from war crimes and violations of humanitarian and human rights law. In Syria, these values are being eroded every day as the parties to the conflict violate international humanitarian and human rights law.

The conflict in Syria is the greatest humanitarian crisis facing the world today, posing a threat to peace and security in

neighbouring countries, the broader region and the world. The influx of three million refugees into bordering countries, including over a million who have arrived in Lebanon alone, is putting a huge strain on the communities hosting the refugees and on the economic and social infrastructure of host countries. Fragile relationships between different communities are being tested every day, leading to anti-refugee rhetoric in some countries. Repeated calls for the refugee burden from Syria to be shared more equitably by the international community continue to go largely unheeded.

The conflict continues to do significant damage to the people and the social fabric

### ***Calls for the refugee burden from Syria to be shared more equitably by the international community continue to go largely unheeded***

of Syria. The economy has imploded, with the currency having lost two-thirds of its value. Unemployment levels now stand at nearly 50 per cent; essential infrastructure, including the electricity and water supply systems, have been damaged or destroyed; schools have closed and the health sector has been severely affected, with half of Syria’s doctors having left the country.

The UN estimates that more than nine million people need aid and protection inside Syria; some 6.5 million people have been forced from their homes, of whom half are children, and many of them have fled the conflict more than once. Well in excess of 130,000 people have been killed and hundreds of thousands injured. In blatant disregard for the norms of international humanitarian law, an estimated 3.5 million

people are living in areas that are hard to reach with humanitarian aid, and an estimated 241,000 are under siege: 196,000 people in areas besieged by government forces and 45,000 in areas besieged by opposition groups. They are not allowed to leave and humanitarian workers cannot enter. Those who have managed to leave these besieged areas are thin and malnourished.

### **Hundreds of thousands of lives at stake**

Many people are dying because they cannot get the medicines they need. A generation of children has been brutalised and traumatised; everyone has now seen heart-rending pictures of families cowering in ruined buildings and babies being pulled from the rubble. Every day that the world allows international humanitarian law to be ignored and flouted, the tenets of international justice and accountability are undermined and the achievements of 150 years of humanitarian action are eroded, with profound repercussions for the future.

The UN Security Council came together in February 2014 to pass Resolution 2139 on the

provision of humanitarian aid in Syria. This was seen as a sign that, with hundreds of thousands of lives at stake and nearly three years into the conflict, Security Council members could agree, despite their political differences, on the importance of tackling human rights violations and

of consistent and widespread delivery of humanitarian aid in Syria. But, more than three months on, the needed step change has not happened.

Civilians continue to be targeted with indiscriminate attacks on residential areas. Humanitarian agencies continue to be denied access to enable the delivery of much-needed aid. In April, less than 10 per cent of people in hard-to-reach or besieged areas received humanitarian assistance. The Security Council is divided over what needs to be done to ensure the implementation of the strong statements it supported in Resolution 2139. This division is impeding progress. Long-term differences between countries with influence on the Syrian Government or with armed groups on the ground are being played out diplomatically and militarily. Another

The Syrian conflict has forced around 6.5 million people from their homes, of whom half are children, and many have fled the conflict more than once



ROBERT MATTON AB/ALAMY

complicating factor is the proliferation of factions on both sides of the conflict. Over the past three years, hundreds of armed groups have been formed in Syria.

In February, during negotiations for a humanitarian pause and the evacuation of civilians from Homs, differences emerged between the governor and some local militias allied with the government. On the opposition side, divisions among armed groups have developed into open warfare. Conducting access negotiations with multiple armed groups, including some designated as terrorist organisations by the UN and some member states, is a complex and, at times, dangerous task. These divisions inevitably have an impact on the implementation of Resolution 2139. There is no unified approach; the overriding necessity of getting aid to millions

of people is lost as countries, factions and armed groups push competing agendas and impose conflicting demands and conditions. As happens so often in conflict situations, the humanitarian agenda is pushed into second place, behind political objectives.

#### Massive humanitarian operation

UN agencies are already engaged in a massive humanitarian operation in Syria, thanks to the courage and dedication of their staff and their implementing partners on the ground. These partners include the Syrian Arab Red Crescent, which has lost more than 30 of its volunteer staff to the conflict, and other national and international non-governmental organisations. UN agencies and partner organisations are reaching millions of people every month with food, clean water

supplies, healthcare and household goods. This requires constant negotiations with the government and with armed groups so that relief supplies can be taken across conflict lines and across borders. But the gap between the needs and what humanitarian efforts are able to do to meet them is huge, and growing all the time. When Syrians ask me why the world has abandoned them, I have no answer.

With an estimated 5,000 people dying each month, each of us needs to ask: what will it take for the international community to demonstrate the political will to find a solution to the crisis in Syria? How can we best support and help the people of Syria? It is crucial that all UN member states fulfil their responsibilities under the UN Charter, not only for the sake of the people of Syria, but for the people of the world. ■



# Achieve secure borders through dedication, not tragedy

## The disappearance of Malaysia Airlines flight MH370 has highlighted the need for global systematic use of INTERPOL's database of stolen and lost travel documents

By Ronald Noble, secretary general, INTERPOL

**T**he disappearance of Malaysia Airlines flight MH370 left many in disbelief that with the advanced technology and safeguards that exist, an airplane carrying 227 passengers and 12 crew members could disappear into thin air. When it took off in the early hours of 8 March, no one could have imagined the hysteria that would follow, or the pain that hundreds of families would soon have to endure. From day one, there were simply more questions than answers: how was it possible that contact could have been lost? Why were the emergency signals not activated? What was the reason for the disappearance: was it a malfunction, intentional hijacking or terrorism?

### The importance of screening

While the coordinated, multi-country search and international investigation are gradually providing some answers, certain questions could have been avoided in the first place. One, which for days shifted the focus away from finding the plane, is how two Iranian nationals travelling with authentic Iranian passports were able to board flight MH370 using stolen Italian and Austrian passports.

If these passports had been screened against INTERPOL's stolen and lost travel documents (SLTD) database, authorities would have seen these passports listed as stolen. The question would never have needed to be asked, and the families of those on flight MH370 would be one step closer to the closure they deserve. Instead, the passports were not screened, and speculation in the media ran rampant, fuelling debate on the fate of the flight, the motivation behind it and the state of aviation security globally.

Since it was created in 2002, the SLTD database has grown from a few thousand passports and searches to more than 40 million records and 800 million searches per year, resulting in more than 60,000 hits. While this growth is an impressive indicator of its importance, it is history that tells the more powerful tale. The story is of how SLTD could have stopped Ramzi Yousef from entering the United States on a stolen Iraqi passport, which he did before perpetrating

### *The lessons learned from MH370 may soon fade, along with the political will that is now demanding INTERPOL work harder to secure borders*

the first World Trade Center attack in 1993; or how it could have prevented Milorad Ulemek, who crossed borders 26 times using a stolen passport, from assassinating Serbian prime minister Zoran Djindjic in 2003.

What these stories, and that of the MH370 case, demonstrate is that SLTD may have 40 million records and 800 million searches, but it is that one record that is not shared or that one search that is not conducted that could make all the difference.

### Standardised reporting and review

INTERPOL is the first to recognise how little these big numbers matter, and that it is about each and every record and search. This is why from the start our only goal has been to promote standardised reporting and review

of SLTD records, and the global systematic screening of SLTD by our 190 member countries at all border crossings. For us, it is about achieving certainty that no one, anywhere, could travel across borders with a stolen or lost travel document and put lives at risk. However, when the two passengers stepped onto MH370 using stolen passports, they revealed to the world just how far we are from this certainty: an average of four out of every 10 international passengers are still not screened against the SLTD database and, of those who are screened, only a handful of countries are responsible.

### Using a stolen or lost passport

While no country can sit idly by and afford to accept this reality, governments should not be the only ones responsible for this burden. Across the world today, the budgets of law enforcement and border security are dwindling, with expectations only increasing. However, the threats they protect people from also affect industries and markets, which are often victims as well as being in a position to act. This is why INTERPOL is in the early stages of implementing a new model where information shared internationally by police can reach private sector entities, such as airlines, that can help law enforcement and border security identify and stop criminals and terrorists from exploiting security gaps. For example, in the near future, SLTD will not only prevent someone from boarding a plane using a stolen or lost passport, but, in partnership with airlines, will also ensure that person will not even be able to buy a ticket.

Tragedy should never be the galvanising force that drives the global community towards action. Yet the lessons learned from MH370 may soon fade into the past, along with the political will that is now demanding INTERPOL work harder to assist its members to secure their borders.

While it must act now, INTERPOL cannot do it alone. The G7/8 is a critical partner, whose support is required in order to turn the momentum for an effective global screening regime into sustained action that will bring such a regime about. It is about creating safer skies together that will benefit all, and stronger mechanisms to protect borders and citizens, bringing us all one step closer to a safer world. ■

An average of four out of every 10 international passengers are still not being screened against INTERPOL's database of lost and stolen passports





# Protecting global security norms for nuclear non-proliferation

## As well as curbing the spread of weapons, the G7 nuclear powers must fulfil their obligation to disarm

By David Shorr, foreign policy and international affairs analyst

Besides subverting the rights of Ukrainians to choose a course for their own country, Russian president Vladimir Putin's brazen machinations in another sovereign state show an alarming defiance of international norms. As leaders of the G7 and other countries decide how to respond, the underlying issue is about the preservation of norms. Does this sort of norm-violating behaviour bring meaningful costs and consequences? Is it a winning strategy for a political leader to flout commonly agreed standards? Putin's defection from global norms is a reminder that the rules-based international order cannot be taken for granted – to preserve it, the rules must be upheld.

The stakes go beyond the principles of citizens' rights of self-determination and nations' mutual respect for sovereignty. Russia's sabotage of Ukraine also has repercussions for nuclear non-proliferation. The crisis raises new questions about whether Putin will play a constructive role in the global non-proliferation effort, and how other key players might need to step in to fill any resulting leadership gap. Ironically for the Brussels Summit, the G8's big nuclear security initiative, the Global Partnership Against the Spread of Weapons and Materials of Mass Destruction – which is a useful technical cooperation project with Russia – is bound to be overshadowed by larger issues.

Another set of questions harks back to Ukraine's decision to give up its nuclear arms after gaining sovereignty in the early 1990s. By meddling in its neighbour's internal affairs, Russia has violated the so-called Budapest Memorandum of 1994. That agreement swapped Russia's commitment to respect Ukrainian sovereignty in exchange for Ukraine shedding the sizable remnant Soviet nuclear force based on its territory. Given this background, some have drawn their

lesson by flipping the scenario to imagine that for Ukraine, keeping a nuclear arsenal would have been a better guarantee of its sovereignty. There are several things wrong with this argument. First, it is a completely ahistorical view of the matter. Second, it blithely casts the most destructive weapons ever known as the basis for a peaceful regional neighbourhood. In reality, nuclear weapons are an international security problem rather than an answer.

As Tom Nichols of the United States Naval War College points out, the discussion in 1994 was entirely about denuclearising Ukraine's military. The post-Soviet republics

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***According to the Nuclear Non-Proliferation Treaty, none of the 190 state parties to that agreement should ultimately have nuclear weapons***

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were rather anarchic and uncertain to begin with; nukes would only multiply the potential nightmares. Writing on his blog, The War Room, Nichols remembers thinking at the time that "the Russian Federation was the Soviet successor state, and like most Westerners, I wanted to deal with one nuclear state, not three or four new ones".

According to the landmark 1970 agreement that set the rules and obligations for most of the world community, none of the 190 state parties to that agreement should ultimately have nuclear weapons. The Nuclear Non-Proliferation Treaty (NPT) is a grand bargain aimed at minimising the role of nuclear arms in international relations. It requires the nuclear 'have-nots' to stay that way and, in return, obliges countries with

nuclear arsenals to eventually disarm. For the G7 leaders gathered in Brussels, the NPT's two-sided bargain frames the challenges they confront: trying to press forward on both the non-proliferation and disarmament fronts.

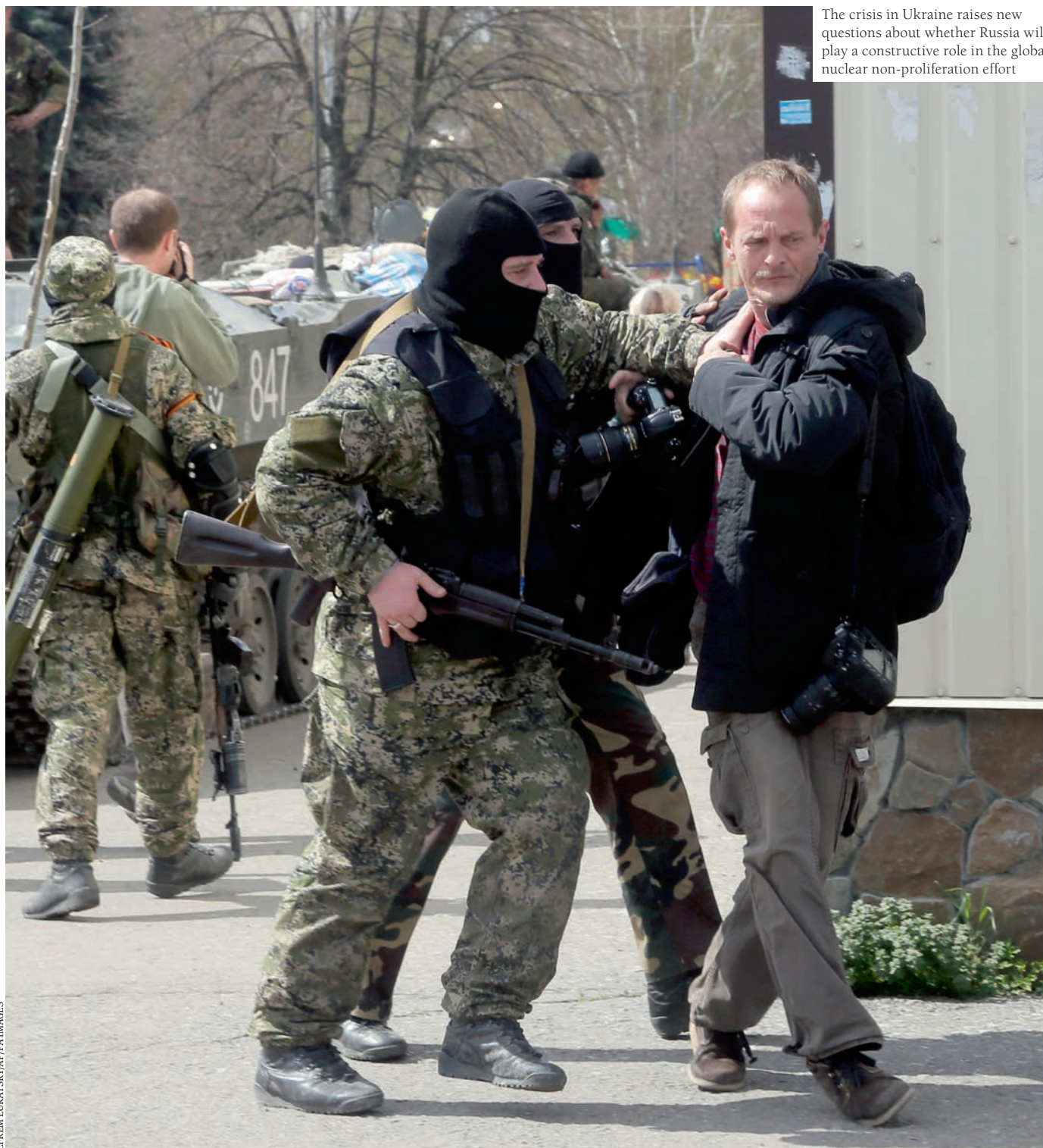
As the bastions of the post-Second World War international order, their leadership will be vital to shoring up the multilateral framework. The task is made more urgent, and complicated, amid uncertainty regarding Putin's intentions: will Russia play the role of status quo power or renegade? In terms of the G7 role, it is significant that the group includes three of the world's five nuclear-armed NPT signatory states as well as Western alliance relationships in which nuclear doctrines and deployments weigh heavily.

### Implications for nuclear talks with Iran

At the top of the agenda on the non-proliferation front are the ongoing talks about keeping Iran's nuclear programme on the civilian side of the line. That effort has gained a measure of positive momentum recently – spurred by a strong international consensus for holding Iran's feet to the fire and by newly flexible approaches from both the US and Iran. But will Russia use its seat at the negotiating table and in the United Nations Security Council to join in crafting a diplomatic solution or drive a wedge between the parties? The talks with Iran are nearing the expiry of a six-month interim deal meant to buy time for a final agreement to be hammered out. Here at a delicate moment, Putin could follow Russia's avowed shared interest in preventing a nuclear-armed Iran and instruct his foreign minister, Sergei Lavrov, to help reach a deal. Or he could revert to his government's previous policy of running interference for Iran. In whatever ways they can, G7 leaders should nudge Putin towards the first option rather than the second.

While it would be hard to achieve progress on non-proliferation by circumventing Russia, pushing ahead on disarmament without it is arguably the proper path forward. Throughout the nuclear era, agreements to limit or reduce nuclear arms have been a bilateral affair – strictly between the US and the Soviet Union or Russian Federation. Since the biggest two nuclear powers had vastly larger arsenals than the three other nuclear-armed NPT

The crisis in Ukraine raises new questions about whether Russia will play a constructive role in the global nuclear non-proliferation effort



EFREM LUKATSKY/AP/PA IMAGES

signatories (the United Kingdom, France and China), this had a certain logic. Now, however, with the US arsenal less than a fifth of its peak level, it is time for the other three countries to start fulfilling their obligation to disarm.

### New frameworks

Devising new frameworks for disarmament by the three is a substantial project in itself, but US president Barack Obama, French president François Hollande, UK prime minister David

Cameron and their G7 colleagues can make a useful start in Brussels by acknowledging the ripeness of the issue.

The extent of the Russian leader's defection will become clearer in the months ahead. More optimistically, he could seize on nuclear non-proliferation issues as a chance to rejoin the world community's international-law-abiding majority. Either way, the big picture for international relations and the global diplomatic agenda is the challenge of

preserving a robust rules-based order. The two issues suggested above as items for the G7 are a mere fraction of the nuclear proliferation challenge, which also includes disarming North Korea, securing the world's vulnerable nuclear material, defusing the India-Pakistan standoff and establishing a Middle East free of nuclear weapons. But an agreement with Iran and an arms control regime for China, France and the UK would help pave the way for all the others. ■



# Tackling regional security conflicts: sanctions or military force?

## An examination of past tactics used in response to regional security conflicts may be useful in reaching consensus on the crisis in Ukraine

By Julia Kulik, G8 Research Group

Since the first G7 summit in Rambouillet, France, in 1975, the G7/8 has been committed to promoting and protecting democracy around the world.

United by the principles of democracy, human rights and the rule of law, the G7/8 members have made clear the forum's willingness to intervene in the internal political character of states if those principles were compromised.

In the post-Cold War years, the G7/8 has increasingly endorsed military intervention to address regional security conflicts, most notably in Iraq in 1991, Kosovo in 1999, Afghanistan in 2001, Libya in 2011 and Mali in 2013. In other conflicts and more frequently, the G7/8 has chosen instead to endorse the use of sanctions; for example in Iran in 1980, Sudan in 2004, North Korea in 2006 and Syria in 2011.

A number of factors contribute to the G7/8's decision to use a particular tactic in an attempt to halt the escalation of regional security conflicts and bring them to an end. A comparison of the cases in which the G7/8 has authorised force and sanctions offer some initial explanations. The first is that when G7/8 members are collectively more powerful than the target country they have been far more likely to use force than sanctions. The same is true if the forum has the support of the relevant regional organisation, specifically the North Atlantic Treaty Organization, and the relevant multilateral one, the United Nations. The proximity of members to the target country and any former colonial relationships can also make the use of force more likely.

The effectiveness of these specific cases has been mixed. Among the cases involving the use of force, the G7/8 has been more successful, achieving its desired results four out of five times. It was successful in removing Saddam Hussein's armed forces from Kuwait during the first Gulf War, removing troops

from Kosovo in 1999 and overthrowing Muammar Gaddafi's government in Libya in 2011. Although it had some success in Afghanistan and Mali, it was unable to achieve the goal of bringing peace and stability to either region. However, in the four cases in which sanctions were used, the G7/8 did not achieve clear success.

Success is also measured by how well G7/8 members comply with the regional security commitments they collectively make. Of the 16 regional security commitments assessed by the G8 Research Group from 1996-2011, G8 members have an average compliance score

### ***Among the cases involving the use of force, the G7/8 has achieved its desired results four out of five times***

of 78.5 per cent, just above its average for the total 397 commitments assessed, at 75.5 per cent. Compliance with regional security commitments has been led by the United States at 90.5 per cent, followed in turn by Italy at 82 per cent, Canada and Japan each at 81.5 per cent, the European Union at 81 per cent, the United Kingdom at 78 per cent, Germany at 72 per cent and Russia at 64.5 per cent. What is notable is the unusually high compliance of Italy, which is most often the member physically closest to the target where force or sanctions are used and whose compliance with commitments in all issue areas tends to be very low.

In the six specific commitments on cases where force was used, the G7/8's average compliance was 77 per cent. The distant, but highly capable, US achieved a score of 100 per

cent, and the score of the proximate, but less powerful, Italy was 80 per cent. And in the 46 commitments from 1996-2008 relating to cases involving sanctions (including the few that ended up using force), average compliance was 75.5 per cent. That of the US was 81 per cent, while that of Italy was 67.5 per cent.

### **Protecting Ukraine's territorial integrity**

At the time of writing, G7 leaders are preparing to assemble, without Russia, for a summit in Brussels on 4-5 June 2014, following their decision not to participate in the Russian-hosted Sochi Summit set for the same time. The leaders will face one of the most complicated regional security conflicts since they began meeting, as they have agreed on sanctions against fellow G8 member Russia. Admitted in 1998 after committing to democratisation, Russia has been an active G8 member ever since. However, in February 2014, Russia began actions in Crimea and Eastern Ukraine in a manner directly contradicting the principles of the G8, including the respect for the rule of law.

The sanctions agreed on by the G7 have not yet halted what is perceived to be Russia's expansion into Ukraine. The escalation of the crisis in eastern Ukraine, which has included the occupation of government buildings by pro-Russian militants, the mobilisation of Russian troops on Ukraine's border and the seizure of seven members of an observer mission sent to Ukraine by the Organisation for Security and Co-operation in Europe, will undoubtedly be a primary agenda item at the Brussels Summit.

At a G7 meeting in Rome on 5-6 May, in the lead-up to Brussels, energy ministers considered solutions to reduce European dependence on Russian gas. Improving European energy security by diversifying supply will diminish Russia's energy superpower status and allow for a more intensive and effective use of sanctions. Without any sign at the time of writing of diplomatic or military retreat by Russia, G7 members must use the Brussels Summit to reach a consensus on how to protect the territorial integrity of Ukraine and prevent any further Russian expansion in the region. Anything short of this will leave European security vulnerable to what has been called the greatest threat since the end of the Cold War. ■



A French soldier talks with a civil society leader in Mali, 2013. The G7/8 has, on occasion, endorsed military intervention to address regional conflicts





# The political threats facing East Asia

## Empathy is key to resolving disputes in some of East Asia's most volatile hotspots

By David A Welch, chair of global security, Balsillie School of International Affairs, and senior fellow, Centre for International Governance Innovation

In science circles, the Pacific Rim is known as the 'ring of fire' because of its many active volcanoes. The label is apt when applied to security challenges as well. Like volcanoes, they dominate the landscape and stand as perpetual reminders of peril. They rarely erupt, but when they do, it is without much warning and at great human cost.

There are three particularly worrisome security 'volcanoes' in East Asia. By far the most complex and least tractable is North Korea, the world's last remaining klepto-totalitarian state. Almost everything about it is mysterious. Little is known of its ruler, Kim Jong-un, and even less about the power structure and dynamics of his inner circle. When Kim came to power in 2012 following the death of his father, analysts had expected that his youth would mean he would play little more than a symbolic role in a culture where age confers authority. To the extent that he wielded influence at all, the smart money held, his Swiss education and exposure to life in the West would incline him towards reform. It also held that his uncle, Jang Song-thaek, particularly well connected to the Chinese and known to be an advocate of economic engagement, would be a key player. All in all, Kim's ascent seemed a hopeful sign.

Every expectation has proved wrong. Kim has maintained the family tradition of erratic, unpredictable foreign-policy behaviour, while slamming the door on reform and having his uncle shot. North Korea is determined to maintain and improve its nuclear arsenal and its missile capability. South Korea, Japan and the United States – and, increasingly, China – are unwilling to tolerate a nuclear North Korea forever. Thus Pyongyang appears set on a collision course with its neighbours even if it does – and perhaps even more so if it does not – manage to avoid economic collapse.

The second volcano is the Senkaku/Diaoyu Islands, administered by Japan, but claimed by China and Taiwan (islands that are, in fact, of volcanic origin). Uninhabited and of negligible strategic or economic value except to those from Okinawa and Taiwan who work their waters, the islands are symbolically important lightning rods for lingering historical grievances, national antipathies and geopolitical anxieties. The good news is that all sides agree that these islands are not themselves worth fighting for. The bad news is that history is full of examples of wars breaking out over useless islands. The

***The danger is not that the US or China will choose war willingly, but rather that they will decide it is inevitable, as did Japan's leaders in 1941***

main danger here, analysts agree, is not that Beijing or Tokyo will coldly calculate that the likely gains of military conflict outweigh the likely costs, but that an unexpected event such as an encounter at sea, an air defence action, a landing by nationalist activists or even just a change in the political status quo will inflame passions and trigger escalation.

### Resolution through diplomacy

Many of these dangers can be reduced by improved channels of communication, agreements on maritime codes of conduct (such as the recently signed Code for Unplanned Encounters at Sea) and other technical confidence- and security-building measures. But these dangers cannot be eliminated until and unless the parties agree



either to put the dispute back in the box or to resolve it through diplomacy or adjudication. Taiwan and Japan have managed to do the former by means of their April 2013 fishing accord; but Tokyo and Beijing cannot even agree that there is a dispute to resolve. Japan insists that there is not, and China has so far refused to play its one card that would force Japan to agree that there is: namely, referring the matter to the International Court of Justice.

By contrast, Japan and China also disagree on the demarcation of maritime rights over a large part of the East China Sea continental shelf. The latter dispute implicates some valuable oil and gas deposits, but the two countries have in fact managed this particular dispute relatively well.

The third volcano is US-Chinese rivalry. The United States fears that China seeks to overthrow the US-centric San Francisco system that has provided order and stability in the region for more than 60 years. In particular, it is worried that, as China's rise continues, it will seek to dominate its neighbours, assert control over crucial sea lines of communication and supplant the US as the dominant military power in the



AP/PA IMAGES

The world is struggling to manage the security challenges posed by North Korea, having failed to anticipate the direction in which Kim Jong-un would take the country

region, much as it has become its dominant economic power. In turn, China fears that Washington wants to 'contain' it, keep it weak, frustrate its economic development and perpetuate its perceived historical humiliation. China insists that it seeks to rise peacefully and poses no threat to the legitimate interests of its neighbours. The US insists that its 'strategic rebalance' to Asia is not containment but a contribution to order and stability. Neither has done a good job of convincing the other. The danger is not that US or Chinese leaders will choose war willingly, but that they will decide that it is inevitable, as did Austrian and German leaders in 1914 and Japanese leaders in 1941.

For the most part, the proverbial 'alphabet soup' of security organs in the Asia-Pacific region – APEC, ASEAN, ARF, EAS, ADMM, ADMM-Plus, SCO, and so on – have been marginal in managing these security challenges. In the case of North Korea, this is primarily because of the hermit kingdom's isolation. It does not participate in any of these forums, and none of them has any leverage over it. (China has the greatest influence, given Pyongyang's dependence upon Beijing for crucial energy supplies

and strategic materials, but China's fears of inadvertently hastening North Korea's collapse have thus far stilled its hand.) Japan, China and the US prefer to handle their security challenges themselves and neither encourage nor invite third parties to get involved. But even if they were willing to multilateralise management of these issues, progress would be impossible in the absence of agreement on the nature of the problem to be solved.

#### Lack of understanding

What is the underlying problem? It is lack of empathy. With regard to North Korea, the world's failure to anticipate trends and events in the dictatorship makes the global lack of understanding abundantly clear (and the ignorance is probably mutual). Without knowing how decision-makers in Pyongyang see the world – what they want, need, fear, perceive, judge and are willing to do or to suffer with equanimity – it is impossible to know which carrots or sticks might work and which might backfire. With respect to Chinese-Japanese and Chinese-American relations, empathy may be in short supply, but at least it is attainable in principle. Research that my colleagues and I at the Centre for

International Governance Innovation are conducting in the context of our project on Confidence, Trust and Empathy in Asia-Pacific Security indicates systematic, but correctable, overestimations of threat. What is needed is a frank, honest exploration of each other's interests, needs, fears and hopes for the future.

Sadly, the G7 is not well positioned to play a central role in bridging these empathy gaps. Japan and the US are the only two members of the G7 directly implicated, and they are two that enjoy high levels of empathy and trust. Except with respect to the defunct Six-Party Talks, Russia remains not much of a player in East Asian security, so even if recent events in Ukraine had not undermined Russia's trustworthiness and standing, the G8 would not be in a much better position to do so. The G7 does dominate the headlines once a year, however, and can at least help draw attention to the underappreciated lack of empathy in the region and to the importance of finding ways of addressing it. Perhaps the greatest contribution G7 leaders in Brussels could make is to help the governments and peoples of East Asia see that some of their most dangerous volcanoes are of their own making. ■



# Keeping the faith: still focused on goals

## The planned interfaith leaders' summit in 2014 may have been disrupted, but the joint focus on the Millennium Development Goals is unwavering

By Karen Hamilton, general secretary, Canadian Council of Churches

Since 2005, faith leaders of the G8 members have gathered prior to the summits. These interfaith leaders' summits have brought together senior leaders of a wide variety of faith traditions, representing those of the G8 countries, to meet, to engage each other on the issues facing their countries and the G8 summits, to involve the forum's political leaders and to issue a statement. The statements, all of which can be found at [www.faithchallengeg8.com](http://www.faithchallengeg8.com), emphasise the priorities of the faith leaders for the sake of the people of the world.

The interfaith leaders' summits, whether in the format of face-to-face meetings, as most of them are, or via the 2012 Twitter campaign and the 2013 open letter to the *Financial Times*, are intended to engage not only the faith leaders but also the G8 political leaders and the general public. The faith leaders commit themselves to ongoing, detailed efforts in terms of such life-giving and life-changing global strategies as the Millennium Development Goals (MDGs), climate change, and peace and security challenges. They also call upon the G8 political leaders to take action in these vital areas and to keep the promises that they have already made for the sake of the world's people.

### Unique challenges

These interfaith leaders' summits have been held in whichever country is hosting the G8 political leaders every year since 2005. This year, 2014, has some unique challenges. The G8 political leaders were to meet in Sochi in Russia, following the Winter Olympics held there. However, the tension between Russia and Ukraine and the response of the G7 members has meant that the G7 will now meet alone. On 2 March, the G7

leaders announced the suspension of their participation in preparations for the Sochi Summit. On 24 March, they announced that a G7 meeting would instead be held in Brussels on the scheduled dates.

This has had an effect on the interfaith leaders' summit for 2014. However, the commitments to the past interfaith leaders' statements remain strong, clear and extremely focused. With 2015 being the final year for the MDGs to be reached, attention to these goals has increased as one of the key issues very consistently addressed by the

### *The commitments to the past interfaith leaders' statements remain strong, clear and extremely focused*

world's faith leaders since 2005. The faith communities of the globe are aware that the commitments of the G8 members to meeting these goals have, in many cases, not been met.

The result has been a higher profile and renewed focus on the MDGs themselves and their successors. The term 'sustainable' has been used extensively in thinking ahead to a framework to succeed the MDGs.

### Change in ethos hard to measure

Harder to measure but clear to see has been a change in ethos. It is now much more common than it was in 2005 for faith leaders simply to assume that when they address such issues as the MDGs, for the health, well-being and flourishing of the people of the world, they will do so in a multi-faith way. It is much easier for global faith leaders to issue

consensus statements and be in agreement on what needs to be done to address climate change, nuclear weapons or the small arms trade, doing so with a clear level of studied expertise, than it is for them to be in agreement with political leadership.

This does not necessarily indicate any growing polarisation between faith leaders and political leaders. It indicates the growing relationship and use of common terms and language that faith communities in many places around the globe are finding with each other.

It must, of course, be recognised that there are religious and polarising aspects to many of the current conflicts in the world. In some cases there is a polarisation within the faith community. This does not change the fact that interfaith convergence is growing on issues such as poverty, healthcare, the eradication of disease and the education of children.

While there are fewer concrete details of the interfaith leaders' summit process this year, because of the challenging situation in Ukraine, the process is continuing in very concrete ways for 2015. In the eight-year cycle of summits, Germany is due to host the G7/8 political leaders in 2015. The faith groups of Germany have been planning their response and their gathering since 2012.

### Strength and momentum

Spearheaded by the Evangelical Lutheran Church of Germany, substantial planning has already taken place for an interfaith youth event for 2015 to highlight the anticipated failure to achieve the MDGs. The determination to focus on the final year of the MDGs is noteworthy; so too is the growing priority of the youth of the world's faith traditions to jointly witness and engage in the issues before the G8.

While a 2014 interfaith leaders' summit in Russia would have been an important opportunity to strengthen global faith relationships and to make a strong statement about future directions for the faith leaders and the G7/8 in pursuit of sustainable living and equity for all people, the interfaith leaders' summit process has gained such strength and momentum that its continuity, consistency and persistency will carry its statements and priorities into 2015 and beyond. ■



Slum dwellers in New Delhi, India. Interfaith convergence is growing on issues such as poverty, healthcare and the education of children



# Assessing compliance with the Lough Erne commitments

## Research into how G8 members comply with their summit undertakings allows an assessment of the effectiveness of global governance institutions

By Caroline Bracht, G8 Research Group, and Mark Rakhmangulov, International Organisations Research Institute, National Research University Higher School of Economics, Moscow

Understanding how much and how well the G8 members implement the summit commitments they make enhances the group's legitimacy as an international decision-making body in pursuit of its core values of open democracy, individual liberty and social advance.

The G8 Research Group, based at the University of Toronto, and the International Organisations Research Institute at the National Research University Higher School of Economics in Moscow have collaborated on many compliance reports since 2006.

These reports measure the extent to which G8 members have implemented their priority commitments across a range of issues raised at each summit. The reports rely on publicly available information, and are distributed to a broad stakeholder community for feedback to ensure comprehensive and accurate data collection and assessment.

The most recent compliance report, which assesses 18 of the 214 commitments made at the 2013 Lough Erne Summit, is based on relevant government actions taken from the day the commitments were made, 18 June 2013, until 13 January 2014. This period ends at the halfway mark between the Lough Erne Summit and the G7 Brussels Summit on 4-5 June 2014. Any actions taken by a G8 member since 13 January will be considered in the final compliance report, which will be released on the eve of the Brussels Summit.

For the six-and-a-half-month period after the Lough Erne Summit, the G8 achieved a

compliance average of 70 per cent. This is on par with previous years. In 2010 the interim score was 70 per cent as well and the final score rose to 73 per cent. Since 2010 the final compliance average has been increasing, with final scores of 77 per cent in 2011 and 80 per cent in 2012.

### How members rank

Individual members' interim rankings are mainly in line with past performance, with some variations. The United States and the European Union are tied for first place, each receiving an overall score of almost 81 per

### ***Compliance was highest on the commitment to cooperate in reducing global imbalances, with almost all members achieving 100 per cent***

cent. The United Kingdom follows with 78 per cent, just ahead of Canada and France each with 72 per cent, followed by Italy and Germany with 64 per cent, and Russia with 61 per cent. Russia's score is slightly higher than its score of 59 per cent in 2012, but considerably lower than in 2011 and 2010, when it ranked third and first respectively. Japan ranks last among G8 members, with an interim compliance score of almost 59 per cent. This is a deviation, as Japan's score was higher than the overall average in 2012 and 2011.

The difference between the highest and lowest compliance scores is 22 percentage points, similar to the difference in the 2010 final report. This represents a considerable

decline compared with the very high level of 35 percentage points in 2012.

Average compliance by commitment is almost uniformly distributed from 50 to 100 per cent, with the sole exception of climate finance (at 45 per cent). As in previous years, only one commitment achieved a 50 per cent average. No commitments were fully complied with by all members, unlike in previous years, with four in 2012, one in 2011, and three in 2010. Of the 18 commitments assessed, 11 had scores above the overall average of 70 per cent. This set of commitments is quite diverse and includes not only areas where the G8 usually scores the highest, such as regional security and terrorism, but also macroeconomic policy, information and communication, and health. Other commitments with high compliance averages were on issues directly related to the Lough Erne Summit's priority agenda of trade, tax and transparency.

The level of compliance was highest on the commitment to cooperate in reducing global imbalances, with almost all members achieving a score of 100 per cent. However, the other macroeconomic policy commitment, on nurturing the

global recovery by supporting demand, was considerably lower, below the overall average score of 67 per cent. The three trade commitments received varying scores, with the one on facilitating institutional investment flows into bankable trade-related infrastructure projects in Africa coming in the

highest at 78 per cent. The commitment to pursue negotiations on bilateral, regional or multilateral trade deals scored highly as well (at 72 per cent), but the remaining one on liberalising trade in green goods and services received only 50 per cent.

### Progress on open data

The majority of G8 members complied fully with the commitment on implementing the Open Data Charter, including by developing appropriate national action plans, producing an average level of almost 84 per cent. Two interrelated commitments achieved a high level of compliance: improving corporate transparency, at 78 per cent, and raising global standards and working towards

Leaders at the 2013 summit at Lough Erne: at 70 per cent, the G8's interim compliance average was on a par with that of previous years



REUTERS/YVES HERMAN

common reporting standards in the extractive industries, at 72 per cent.

Climate change revealed a disappointing but consistent trend. The G8 has consistently performed poorly on its climate change commitments and this trend remained unchanged. In fact, the only commitment with an average below 50 per cent was the one on mobilising \$100 billion in climate finance per year by 2020. Only two members complied in full and four countries complied partially. Another climate change commitment was assessed at a higher score of

67 per cent, but that was still below average. All G8 members joined the Climate and Clean Air Coalition, but their level of support was mixed for developing the relevant scientific evidence base and involving the private sector.

The final scores for complying with the Lough Erne Summit commitments, which will be presented before the Brussels Summit, are significantly affected by the decision of the G7 members to suspend their participation in the preparations for the G8 summit in Sochi, Russia. With the cancellation of the Sochi Summit, attention is now focused on

the situation in Ukraine and cooperation in many G8-related forums has been suspended in the absence of an effective pre-scheduled presidency. However, independent assessment of compliance with summit-made commitments remains a powerful instrument for analysing the effectiveness of global governance institutions. Further research on the performance of the G7 members after the Brussels Summit will facilitate comparative assessments of the group's effectiveness in comparison with other multilateral institutions, including the G8. ■





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## European Union

### José Manuel Barroso

José Manuel Barroso became president of the European Commission in November 2004. He was prime minister of Portugal from 2002-04 and president of the Social Democratic Party from 1999-2004. Before entering politics Barroso was an academic. Born in Lisbon on 23 March 1956, he studied law at the University of Lisbon and holds a master's degree in political science from the University of Geneva. He is married to Margarida Sousa Uva and has three children. He has attended every G8 summit since 2005.



JASON RANSOM

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ELISABETTA VILLA/GETTY IMAGES



## Canada

### Stephen Harper

Stephen Harper was elected prime minister of Canada in January 2006, and was re-elected in October 2008 and again in May 2011. He was first elected as a member of parliament in 1993. Harper served as leader of the opposition for several years before becoming prime minister. Born in Toronto, Ontario, on 30 April 1959, he studied at the University of Toronto and the University of Calgary, earning a master's degree in economics in 1991. He and his wife, Laureen, have two children. Harper has attended every G8 summit since St Petersburg in 2006, and hosted the 2010 Muskoka Summit.

**Sherpa:** Peter Boehm

## France

### François Hollande

François Hollande was elected president of France on 6 May 2012. He served as first secretary of the Socialist Party from 1997-2008. He was the deputy for Corrèze in the National Assembly of France from 1988-93 and again from 1997-2012. He was also the mayor of Tulle from 2001-08. Hollande joined the Socialist Party in 1979, and was an economic adviser to François Mitterrand. Born in Rouen on 12 August 1954, Hollande holds degrees from the École nationale d'administration (ENA) and the Institut d'Études Politiques de Paris (Sciences Po). He has four children with his former partner, Ségolène Royal. Hollande's first G8 summit was Camp David in 2012.

**Sherpa:** Paul Jean-Ortiz

## Germany

### Angela Merkel

Angela Merkel became chancellor of Germany in November 2005. Merkel was first elected to the Bundestag in 1990 and has held the cabinet portfolios for women and youth, environment, nature conservation and nuclear safety. Before she entered politics, Merkel worked as a researcher and physicist. Born in Hamburg on 17 July 1954, Merkel received her doctorate in physics from the University of Leipzig in 1978. She is married to Joachim Sauer and has no children. Merkel has attended every G8 summit since hosting Heiligendamm in 2007.

**Sherpa:** Lars-Hendrik Röller

## Italy

### Matteo Renzi

Matteo Renzi became prime minister of Italy on 22 February 2014 after the resignation of Enrico Letta. He became the secretary of the Democratic Party on 15 December 2013. In 2004 he was elected president of the Province of Florence. In 2009, having joined the Democratic Party, he won the election for mayor of Florence, a position he held until March 2014. Before entering politics, Renzi worked in his family business and was very active in the Boy Scouts. Born on 11 January 1975 in Florence, he graduated from the University of Florence in 1999 with a degree in law. He and his wife, Agnese Landini, have three children. Brussels will be his first G7/8 summit.

**Sherpa:** Armando Varricchio



THE COUNCIL OF THE EUROPEAN UNION

## Herman Van Rompuy

Herman Van Rompuy was elected the first full-time president of the European Council on 19 November 2009. He was previously prime minister of Belgium from 2008 to 2009. Before entering politics, Van Rompuy was a lecturer. Born in Etterbeek, Belgium, on 31 October 1947, he holds a bachelor's degree in philosophy and a master's degree in applied economics from Katholieke Universiteit Leuven. He is married to Geertrui Windels and has four children. Brussels is Van Rompuy's fifth G7/8 summit.

**Sherpa:** Didier Seeuws



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## Japan

### Shinzo Abe

Shinzo Abe was elected prime minister of Japan on 28 December 2012, having previously served from September 2006 to September 2007. He has been president of the Liberal Democratic Party since 2006. He was elected to the first district of Yamaguchi Prefecture in 1993. In 1999, he became the Social Affairs Division director and served in the cabinets of Yoshiro Mori and Junichiro Koizumi before becoming LDP secretary general. In 2005, Abe was nominated chief cabinet secretary in Koizumi's cabinet. Born on 21 September 1954 in Nagato, Abe studied political science at Seikei University and public policy at the University of Southern California. He is married to Akie Abe. Abe attended the 2007 Heiligendamm Summit and the 2013 Lough Erne Summit.

**Sherpa:** Yasumasa Nagamine



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## United Kingdom

### David Cameron

David Cameron became prime minister of the United Kingdom of Great Britain and Northern Ireland in May 2010. He was first elected to parliament in 2001 as the representative for Witney, and has served as party leader since 2005. Before becoming a politician, Cameron worked for the Conservative Research Department and served as a political strategist and adviser to the Conservative Party. Born in London, England, on 9 October 1966, he received a bachelor's degree in philosophy, politics and economics at the University of Oxford. He is married to Samantha and has three children; a fourth child died in 2009. Brussels will be Cameron's fourth G7/8 summit, having hosted the 2013 Lough Erne Summit.

**Sherpa:** Tom Scholar



THE WHITE HOUSE

## United States of America

### Barack Obama

Barack Obama was re-elected president of the United States in November 2012, having been elected for his first term as president in November 2008. In 2005, Obama was elected to the Senate, after previously working as a community organiser, a civil rights lawyer and a state legislator for Illinois. He was born on 4 August 1961 in Honolulu, Hawaii, to a Kenyan father and an American mother. He received his bachelor's degree from Columbia University in 1983 and a law degree from Harvard University in 1991. He is married to Michelle and they have two children. Obama has attended every G8 summit since 2009, and hosted the 2012 Camp David Summit.

**Sherpa:** Caroline Atkinson



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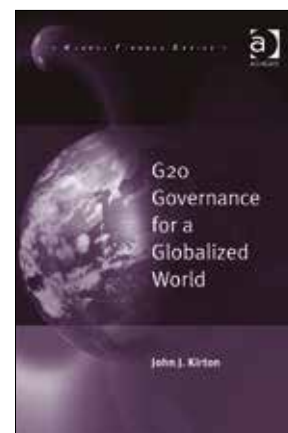
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