Statement by

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Achieving the MDGs – Global Monitoring Report 2004

Including Education For All Fast Track Initiative and Financing Modalities

We meet at an opportune moment, when the United Nations is expected to shortly deliberate on progress on Financing for Development. Since the Monterrey Consensus was established, African countries have deepened reforms in the economic, political and social spheres. As part of the compact, we undertook, among others, to improve governance, adhere to sound policies, strengthen public management and promote the private sector. We have stayed the course.

The process of democratization has taken root in many of our countries. We have also seen increased voice and participation of women in our societies. A notable example is that half of the Commissioners of the African Union are women.

The AU and sub-regional institutions such as ECOWAS have had a positive impact in resolving conflicts in Central and West Africa. At the same time, individual countries have committed resources to the resolution of conflict in neighboring states.

We have proceeded to strengthen public institutions and to enhance capacity to manage our economies. In this regard, a number of countries have established independent agencies to conduct audits and provide oversight on good governance. The African Union has proceeded with the implementation of the African Peer Review Mechanism, which should give us an opportunity to learn from examples of good practices on the continent.

On the economic front, we have strengthened the first generation reforms which began in the 1980s. In general, macroeconomic management has improved. Monetary policies have stayed on a steady non-inflationary path. At the same time, many countries now have positive real interest rates to facilitate mobilization and utilization of domestic resources. PRSPs have become platforms to promote pro-poor growth, and national budgets have been realigned to support their implementation. At the same time, ownership of policies has widened, a result of increased consultation among stakeholders. In the external sector, countries have continued to make progress on trade liberalization.

As a result of these developments, Africa’s overall growth performance has improved but not sufficient to have a material impact on poverty. Meanwhile, our economies remain vulnerable to exogenous shocks; debt levels continue to be
unsustainable; and HIV/AIDS pandemic threatens to undermine our entire development efforts.

Against this background, we welcome the Global Monitoring Report (GMR) for highlighting in clear terms both the hurdles to achieving MDGs as well as the actions needed to be taken by parties to the Monterrey Consensus. The Report calls attention to key areas where the promise of Monterrey is in peril. One such area is the lack of progress in mobilizing adequate financing to support developing countries implementing sound economic policies and promoting good governance.

In all, the GMR’s message is that there is need for urgent action on different fronts. In particular, timely steps should be taken to significantly augment aid flows and improve predictability of disbursements. Also, an early conclusion of the multilateral trade negotiations is important. Another major area for action concerns the Education For All Fast Track Initiative where commitments fall far short of the required financing.

In the last two Development Committee meetings, we have had indications that the SSA region will fall short on most MDG targets, a fact that has been reconfirmed by the GMR. In the circumstance, there is urgent need to speed up action to put the region on course. This will call for, among others, increased efforts to mobilize resources. However, such efforts will need to be complemented by substantial aid flows for both the social sectors and investment in infrastructure necessary for accelerating a sustainable growth. Therefore, raising aid levels to 0.7 percent of GNI should be accorded priority by developed countries. This scaling up of aid should be accompanied by improved donor harmonization and country priorities as articulated in the PRSPs. At the end of the day, effective partnership is one that promotes ownership. In this connection, donors need to address the concerns raised by the aid selectivity index. We observe that the $6 billion aid increase in 2002 was mainly earmarked for special purposes.

We welcome a close look at frontloading mechanisms to increase resource flows to developing countries. In this regard, the recent IFF discussion that took place early this month in Paris was timely. There are still some issues to be resolved, hence we urge the Boards of the Bank and the Fund to continue exploring the way forward.

While more aid is needed, it is argued that absorptive capacity in developing countries is too low. This argument merely underscores the need for closer harmonization of donor practices and procedures with local institutions and systems. At the same time, there is also the question of some of our countries having to turn down financing for PRSPs because of the tight fiscal targets they have had to commit to under the programs supported by the PRGF. It is our view that such programs need adequate fiscal space to support investment to enhance growth. The Bank and the Fund should work on this issue as a matter of priority.

Going forward, we must continue to place emphasis on effective monitoring. This will require concerted effort on building appropriate statistical capacity. In this respect,
we welcome the work done under the Paris 21 auspices and urge speedy implementation in member countries.

In advancing the agenda for achieving the MDGs, it is critical to make progress on multilateral trade negotiations. We agree with the GMR on the need to have specific targets for the next trade talks. A start could be made by reverting to the Central and West African proposal on cotton; continued liberalization of agriculture and industrial tariffs across the board; and the reduction of subsidies. It is clear that trade issues have not been given sufficient attention in the war against poverty. Meanwhile, to benefit more fully from the multilateral trade regime, SSA will need assistance in developing supply capacity and competitiveness. In other words, we need greater emphasis on trade facilitation measures.

International financial institutions (IFI­s) have a significant role to play in assisting countries to achieve the MDGs. For this reason we call for a greater clarification of roles in country programs. We have had situations where too much overlap has confused the beneficiaries. In some instances, issues that seem directly relevant to the World Bank Board have not been resolved timely due to a sequence that seems to call for prior approval by the IMF Board. This leads to confusion, and further compounds the problem with predictability of resource flows. Again, the issue of creating a fiscal space to enable countries to finance PRS programs is most germane to the respective mandates of the two institutions.

We look forward to the next GMR to detail what further progress we can expect from all multilateral development banks in their efforts to assist countries to reduce poverty. For IDA, this would imply more flexibility regarding how different instruments can be combined so as to achieve MDGs while keeping debt levels at sustainable levels. The ideas on blending and the use of debt buy-downs have proved to be a success in limited instances where they have been applied. We would thus encourage further exploration on the use of these instruments.

Regarding the Education For All Fast Track Initiative (EFA FTI), we note that conceptually it has turned out to be a good model for scaling up. It is rooted in a generally accepted platform - the PRSP. It provides an avenue for enhanced donor collaboration, exemplifying what can be achieved on harmonization according to the Rome Agenda. The fact, however, is that notwithstanding the scope for quick gains that the EFA FTI offers, progress has been minimal. We agree with the report on the need to expand EFA to more eligible countries; from ten that are currently benefiting to the proposed 40. In so doing, we must, however, direct further attention to unlocking the rigidities in the delivery mechanism. In particular, attention must be directed at lessening the conditionalities and introducing some flexibility in disbursements. In addition, as the number of qualifying countries increase, we would also expect financial pledges to increase.

We affirm the need to finance some recurrent expenditures. Noting concerns about fungibility of funds and low financial management capacity, we propose that
additional funding must be accompanied by strengthening budget planning and appropriate accountability structures including external audits and transparency mechanisms similar to those applied during the HIPC resource tracking exercise.

Research has established a link between the quality of syllabus and productivity; increased attendance and completion rates; efficiency of well trained teachers and operational efficiency of education departments. In all countries engaged in scaling up, these issues are not going to be immediately solved. We are thus heartened by the fact that a significant improvement in universal primary completion rates and gross enrollment rates has been recorded. Over time, we expect that improvements in quality will also be as notable.

We see the need to emphasize support for multi-budget cycles. In this regard, the EFA FTI makes a good case for complementarity in the use of instruments. In our experience, pooled funding, sector-wide approaches and direct budget support work well. Depending on country circumstances, they can be combined for maximum effect.

**NOTE ON DEBT SUSTAINABILITY**

We have taken note of the emerging research on debt sustainability. The proposed framework seeks to establish parameters for debtors, creditors and international financial institutions in dealing with debt after exiting from the HIPC.

To achieve MDGs, countries have to substantially increase investments in social and productive sectors. The current level of FDI to developing countries is not sufficiently large to address infrastructural needs. For this reason, we foresee a need for increased concessional lending and the facilitation of private public partnerships. In addition, there is a need for increased grants to finance investments in productive sectors.

Increased spending for the attainment of MDGs creates tension between the goals of lower budget deficits and growth. The returns from on track macro-economic programs tend to be on the stabilization front with growth picking up gradually. From all indications, what it will take to achieve MDGs is a combination of actions including graduating from HIPC, more funding and increased market access. In cases where exogenous factors caused a fundamental deterioration in a country’s economic circumstances, there is an irrefutable need to top up. The *Note on Debt Sustainability* echoes this point.

The case for non-HIPC low income countries with unsustainable debt has not been made. It is our conviction that we cannot establish a new framework without approving an inclusive strategy for these countries as well. Even in circumstances where private capital can be attracted to some sectors in these countries, the specter of a debt overhang will undermine confidence. Therefore, a serious discussion on debt sustainability must include all low income countries.
The proposed framework advocates a cautious approach to new borrowing in countries in which the debt-burden indicators exceed thresholds under plausible assumptions. Without pre-empting the results of further research to be done in this area, we would caution that such assumptions should be made on a sound basis. To us, it appears that this work is opening an avenue for prejudging a country’s capabilities. It is also possible that this work is giving mixed signals to creditors on future ability-to-pay and debt resolution scenarios.

A clear message from all the Development Committee papers today is that there should be additional external resources from creditors and donors to meet the MDGs. For this reason, we would like to emphasize the need for the Boards of the two institutions to include in their on-going work, mechanisms for dealing with exogenous shocks. Several instruments for terms of trade shock absorption have been piloted. We would encourage mainstreaming such work.

In the context of HIPCIs, the modalities for implementation had a significant shortcoming in that they could not compel private creditors not to litigate against countries in the Initiative. In this proposed framework, we would encourage a clear identification of stakeholders and an improvement in the process of consultations such that there is no ambiguity that the Initiative applies to all stakeholders.