

Financing for Development in Africa - From Abuja to Accra: The Journey So Far

A Presentation

By

Abdoulie Janneh

United Nations Under-Secretary General and Executive Secretary, ECA

At the Second African Ministerial Conference on Financing for Development
Accra, Ghana, May 30, 2007

Introduction

This presentation should ideally be made by the Minister of Finance of the Federal Republic of Nigeria. But in view of the transition in political leadership now going on in that country, the country does not at this time have a Finance Minister. The GoG asked me to make the presentation instead. I consulted with representatives of the GoN and they have no quarrels with my doing so. They made materials for preparing this presentation readily available to us and commented on early drafts of the presentation.

In 2005, there was intense international attention on Africa. That year saw the publication of the Report of the UK Commission for Africa (CfA) “In Our Common Interest”, new commitments by the G-8 at their Gleneagles Summit to scale up aid to Africa and the 2005 UN World Summit which called attention to the Special Needs of Africa. But there was no mechanism to monitor the fidelity of Africa’s development partners to their commitments. Experience from the past showed that the absence of such a mechanism contributed to poor promise delivery by development partners even when African countries have put in place the wide-ranging reforms required of them as pre-requisite for increased aid flows.

But the need to scale up efforts to reach the MDGs requires that these promises not be observed in the breach. The report of the UN millennium Project “Investing in Development”, the Report of the UK Commission for Africa, “Our Common Interest” and earlier studies such as the report of the Commission on Macroeconomics and Health demonstrated that with adequate financing, Africa could achieve the MDGs by the target. Recognizing the critical importance of donors fulfilling their commitments to Africa, the G8 Finance Ministers at the end of their meeting in St. Petersburg Russia called “for full implementation of commitments made on the Multilateral Debt Relief Initiative, aid effectiveness, and increasing resources for development”.

What was missing here was an African-led initiative. It was in this context that the government of Nigeria, offered at the AU Summit in Khartoum, Sudan to host the first Conference at the AU Summit Khartoum, Sudan. The First Conference, jointly organized by the Government of Nigeria, the African Development Bank (AfDB) and the United Nations Economic Commission for Africa was held in May 2006 in Abuja. Ghana offered to host the second Conference.

My purpose in this presentation is not to present to you a score card on each of the commitments made in Abuja or a score-sheet of progress on the education commitment. As you can see from the program, others have been assigned that responsibility. I will instead focus on the broader policy issues that the Abuja Conference raised. This presentation is structured as follows – In Section II, I recount the specific and intersecting actions taken to advance the Abuja agenda. Section III focuses on the four (4) specific broad but inter-related policy issues of the Abuja Conference while Section IV proposes some actions that could be taken to improve monitoring and reporting on implementation of the decisions of this very important initiative.

II. Follow-up Actions after Abuja

- a. A follow-up meeting was held on the sidelines of the World Bank/IMF meetings in Singapore, in September 2006 to review progress. Ten (10) countries – Ethiopia, Gambia, Mali, Mauritania, Mozambique, Senegal, Sierra Leone, Tanzania, and Uganda out of the 20 that pledged in Abuja to prepare detailed long-term education plans presented progress report in Singapore. This shows that only 50% of the countries that committed to prepare detailed education plans in Abuja are following through on their commitment **even though** the money to enable some scaling up of interventions in this area is available from the UK government. It will be important to understand why the rate of progress on this by countries is this low.
- b. Related to but not directly emanating from the decisions reached in Abuja was the March 2007 Forum of Energy Ministers of Africa (FEMA) in Maputo, Mozambique. FEMA met to, inter-alia, “articulate a policy and investment framework for scaling up energy access in Africa, which could help establish a strategic contract between African nations and their Development Partners to accelerate access to modern energy in order to boost growth, reduce poverty and attain the MDGs.” One of the major outcomes of FEMA was the recognition that scaling up financing is critical for improving energy access in Africa.

III. Progress since Abuja?

What progress has been made on the specific policy issues addressed in Abuja? Abuja focused on four broad and inter-related areas of policy:

1. PRSPs as a framework for scaling up efforts to reach the MDGs
2. The macroeconomic impacts of scaling up aid

3. Emerging aid architecture
4. More and better aid: Monitoring commitments and Action

It is difficult to provide a progress report on each of these policy areas because there are many actors and processes associated with them. What I will do here is to the extent possible, map progress in our region on some to some of these issues to the Abuja outcome – “The Commitment to Action.”

- ***On the PRSP and the Planning Framework for Scaling up efforts to reach the MDGs***

As you may recall Africa’s experience with the Poverty Reduction Strategy Papers clearly demonstrated that process had many difficulties. Chief among these difficulties were that PRSPs had “missing middle” in that they did not map poverty reduction strategies to growth and their 3-year time horizon did not permit for the longer term planning horizon needed to fully understand the magnitude of resources and actions needed to achieve the MDGs by the target date. Hence, it was quite appropriate that one of the issues that the Abuja Conference addressed was the planning framework conducive to scaling up efforts to reach the MDGs.

First, the Conference agreed that the PRSP was a necessary but inadequate framework for scaling up efforts to reach the MDGs. In this regard, it recommended that countries, consistent with the Development Outcomes of the 2005 UN World Summit, prepare MDG-based national development plans which are comprehensive, bold and ambitious.

One year on, there is evidence that many countries in our region, especially in SSA, are preparing MDG-based national development plans. ECA and UNDP have been monitoring progress in this area. Both institutions report that today, over 35 countries in Sub-Saharan Africa either have MDG-based national development plans or are in the process of finalizing one.

Second, countries meeting in Abuja also committed to strengthen their macroeconomics framework. There is evidence that they are doing so. According to ECA’s Economic Report 2006 as well as AfDB/OECD African Economic Outlook and the recent report of the IMF’s Independent Evaluation Office’s (IEO) review of the role of the IMF in Africa, “The IMF and Aid to Sub-Saharan Africa” improved macroeconomic policies lie at the heart of Africa’s resurgent growth. It will be very heroic to ascribe this success entirely to the Abuja Conference, but it will be impossible to contest the view that it reinforced existing national actions in this area.

Third, there was a commitment by countries present to prepare 10-year Education Plans. As I have mentioned earlier, there will be a separate report of progress on this commitment. I will only reiterate that progress on this score is just satisfactory because, according to evidence available to me, only ten of the twenty countries that committed to prepare detailed education plans have done so one year on.

Finally, conferees agreed to increase effort to make financial information freely available to all stakeholders. There is limited progress in this area. In some countries, new legislation – for example Freedom of Information Acts – may be required. In others where such legislation exists, progress is limited by lack of trust among actors. Nonetheless, there is evidence of

some movement in this area. Some countries publish their monthly allocations to various tiers of government or various government departments on the web and/or in national Newspapers.

- ***The Macroeconomic consequences of scaling up aid***

The Conference succeeded in placing this issue squarely on the table for debate. Indeed countries present in Abuja stated quite unequivocally that they are able to manage increased aid inflows successfully, without harming macro-stability, a major preoccupation of the IMF. According to the report of the IEO's report, African governments bound by an IMF Poverty Reduction and Growth Facility (PRGF) spent, on average, only 28% of their ODA receipts during 1999-2005. Countries with an inflation rate of over 5% even spent less, 15%. The Abuja Conference brought this problematic issue to the centre of the scaling up debate.

The IMF, I recall quite vividly, said in Abuja, that it was not opposed to scaling up of aid to Africa and that it believed that African countries can manage these inflows well without causing significant erosion of macroeconomic stability. This was very significant in my view. I am aware that the macroeconomic framework of the IMF's Poverty Reduction and Growth Facility (PRGF) continues to be restrictive – and the IMF is making progress in addressing this - the debate now is no longer about how to *contract* fiscal space in order to ensure macroeconomic stability but how to expand it **while** ensuring macro-stability.

I believe that the Abuja Conference's contribution to the debate on fiscal space has been very consequential. There is a considerable attenuation of the extreme fixation on macroeconomic stability. African countries and their development partners are today exploring innovative ways to scale up ODA in order to scale up efforts to reach the MDGs.

- **Emerging Aid Architecture**

Countries agreed in Abuja that “there is real scope for restructuring the existing aid delivery architecture”. This “agreement” was made in the context of the fact that the aid architecture has changed dramatically over the past 15 years. New sources of money are fueling the proliferation of aid initiatives. Actors include bilateral and multilateral donors, private foundations, civil society organizations, etc. Today, it is estimated that nearly a third of ODA flows through some global partnerships and regional programs whose goals are set at the global level rather than through bilateral negotiations between donor and recipient. This has resulted in unnecessary duplication and overlap, confusion, waste, and erosion of country ownership.

Regrettably, there has not been progress on this score. Much remains to be done in this area since Abuja. Aid to Africa remains highly unpredictable and costly to deliver. Although many countries have prepared well costed programs based on MDG Needs Assessments, they are not sure if and when they will get the aid that they have been promised by the international community in order that they can bring their programs to live. I am aware that initiatives and processes such as the Paris Declaration and the for a such as the Strategic Partnership with Africa (SPA) are working on these issues but the fact remains that many African countries continue to be saddled with multiple and onerous reporting requirements by donors.

On the composition of aid, there is noticeable progress. There has been some increase in direct budget support. There is also progress with respect to technical cooperation (often difficult for countries to factor into their plans because it is controlled by donors) as some donors are making some effort to de-emphasize it. There has also been a noticeable increase in the ratio of grants to total aid. But humanitarian continues to claim a large chunk of ODA.

As I have underlined elsewhere in this presentation, the contribution of the Abuja Conference on these very important issues was to focus and ratchet up world attention. Abuja also brought a uniquely African perspective to the debate on these very critical issues.

- ***More and Better Aid: Monitoring Commitments and Actions***

On this last issue, there has not been much progress. According to Oxfam and other aid monitors, G8 aid to poor countries “fell in 2006 for the first time since 1997”. This is if debt relief is excluded. According to Oxfam’s calculations (see table below) the G-8 will be, if current trends continue, off its target by US\$30 billion.

There has been renewed effort to set up mutual accountability processes but progress remains slow. Local, African, CSO and NGO capacity to monitor aid remains weak and there does not appear to have been any concerted efforts at the regional, sub-regional and national levels to build grassroots capacity to monitor in spite of the Abuja call for action in this area. Monitoring Commitments is an area needing much more work.

V. Some Proposals

Based on the above, I would like to make two specific few proposals.

- First, there is a need to better monitor implementation of commitments. It may be strange for us to meet on annual basis to assess implementation of commitments made to Africa by its development partners and have no way of monitoring commitments that we make ourselves to ourselves. There is an implementation matrix that has been prepared. I would like to suggest that it should be reviewed and adopted by this Conference.
- Second, there is a need to have a Secretariat to provide technical and administrative support to the organizers. In Abuja, ECA offered, in the context of its mandate as the responsible UN agency in Africa for monitoring and reporting on progress in implementing the Monterrey Consensus on Financing for Development in Africa, to assist with such a Secretariat. I would like to repeat that offer. Should the offer be acceptable, we can work out the terms of reference of such a Secretariat to ensure that this Conference retains its unique identity as an activity owned and led by African Ministers of Finance themselves, not another UN Conference.

Conclusion

It is clear from this brief stocktaking that much has been achieved since Abuja and much still remains to be done. ECA, along with the AfDB, has been an active supporter of this Conference and is committed to continue to do so. We will continue to provide technical and other support as the country that is hosting the Conference deems fit. For example, we can prepare, for the third Conference, a comprehensive report on the Commitments that will be

FINAL VERSION

made here or indeed those made in Abuja, linking and anchoring them firmly in our region's renewed efforts to scale up interventions and public sector investments to reach the MDGs by the target date.

As you are probably aware, ECA has been charged with preparing our region for the follow-up of the Monterrey Conference on Financing for Development in 2008. It is our expectation that the outcome of this Conference will feed into that process.

Thank you,