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POVERTY REDUCTION THROUGH MICRO-FINANCING

OTHER PAPERS

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POVERTY REDUCTION THROUGH MICRO-FINANCING: THE CASE OF INDONESIA AND PHILLIPINES

By Messrs.
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1. INTRODUCTION

Poverty reduction has continued to occupy a centre stage in the development agenda of various nations all over the world. The strategies for achieving the goal has tended to depend on the perceived extent of poverty, the vision for its reduction and the human and material resources at the disposal of each country. One of the means for poverty reduction that has however, assumed universal acceptance and adoption in poverty reduction drives of most countries is the provision of micro-finance services, particularly for the economically active poor. This is based on the believe that such category of the population only need financial empowerment to realize their dreams and unleash their potentials. In South Asia, micro-finance programmes supported by various arms of government, the central banks and private sector have been evident from literature and practical experiences. This article gives an experience of the place of micro-finance in poverty reduction in Indonesia/Philippines. Accordingly, it gives an overview of the economies of the countries; the roles and responsibilities of their Governments, central banks and the private sector in promoting and developing micro-finance activities; active players in the micro-finance industry and the relative impact of micro-finance initiatives on poverty reduction. Following the introductory section above, section two of the paper gives a brief on conceptual issues about poverty and ways of reducing it while section three summarizes the Indonesian experiences followed by that of the Philippines in section four. The application of the experiences of the two countries to the Nigerian micro-finance industry is presented in section five while section six concludes the paper with recommendations.

2.0 CONCEPTUAL ISSUES ON POVERTY AND POVERTY REDUCTION STRATEGIES

Poverty is a multidimensional phenomenon that transcends just lack of money or material resources. It encompasses issues such as lack of access to economic, social, political and religious opportunities. In specific terms, it involves sub-optimal utilization of basic needs such as good food, education, health care, jobs, political power etc., owing to some inhibitive economic and social forces. Simply put, poverty is a state of deprivation. The basic cause of poverty is the uneven distribution of natural resources, endowments, unjust actions of the rich and inability of certain sectors of the population to assert themselves and exert their God given talents for income creation and welfare improvement. Though poverty exists in every country, the number of people affected and the degree of severity vary from one country to another. However,

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the most hard hit are countries in sub-Saharan Africa and South Asia.

Indonesia and Philippines fall within the South Asian Sub-region. In Indonesia there have been significant long-term improvements in the incidence and impact of poverty, driven mainly by export-oriented labor-intensive industrialization and earlier gains in agricultural productivity. However, low quality education, poor maternal health, deficiency of the diet of the poor and near poor and high level of maternal mortality still prevail in the country. Women still have less power than their male counterparts in the labor market while regional disparities also exist. The Human Development Report 2003 revealed that, those without access to improved sanitation amounted to 45%, sustainable access to improved water amounted to 22% of the population and births without assistance of skilled medical personnel was 56%.

In the Philippines, a poverty level of 40% in a population of 86.2 million people was recorded for 2004. The Family Income and Expenditure Survey of 1997 showed that poverty incidence declined from 49.3 percent of the total population in 1985 to 40.6 percent in 1994 and to 36.8 percent in 1997. The combination of continued high population growth rate of 2.2 percent along with negative GDP growth in 1998 however, led to an increase in the incidence of poverty (37.5 percent) as compared to 1997 (36.8 percent).

Various countries world over have been awakened to the task of poverty reduction in this generation more than ever before. The strategies adopted for poverty reduction vary from country to country. Most countries advocate full-scale public enlightenment on the prevalence, the extent, the effects and evil of poverty as the starting point. This is followed by involving the poor themselves in identifying what should be done for them. For any poverty alleviation initiative to last, emphasis should be placed on empowering the poor not from the angle of charity and subsidy but from the angle of economic principles. In the past, poverty alleviation have been combated without proper census of the poor and their poverty statistics such as age, qualification, family size, occupation, income, and residence, amongst others. This trend had led to dissipation of resources and at times their application in wrong directions.

Poverty reduction concerns should, in modern times, set targets as vision for driving persons and resources in the proper direction. Possible areas on which emphasis should be placed include improved access to productive assets, technological development and replication, information on inputs and output markets and specifically targeted women programmes.

3.0 MICRO-FINANCE AS A TOOL FOR POVERTY REDUCTION

3.1 INDONESIAN EXPERIENCE

Indonesia is a country of over 17,000 Islands with a population of over 215 million. The economy is driven by the oil sector, agriculture, trade, commerce and Micro, Small and Medium Enterprises (MSMEs). It has a land area of about 1.8 million square kilometers. The population was growing at about 1.5 %, literacy level was 88.5% while life expectancy stood at 69 years as at December, 2004. The rate of inflation is about 5% while about 9,000.00 Indonesian Ruppia (IDR) exchanged for the dollar by December, 2004. The country's per capital GNP amounted to about $900.00. As at December, 2003 the economy grew at 4.1%, lending rate stood at 16% and the GDP amounted to $195.2 billion.

Micro-finance as a tool for poverty reduction in Indonesia is being combated from various angles.

Actively involved in the poverty reduction strategies in the country are the Government of Indonesia, the Bank Indonesia and the private sector.

3.1.1 Government Based Initiatives

The Indonesian government implements its poverty reduction programme through its Interim Poverty Reduction Strategy Paper (IPRSP). The paper's two grand strategies are increasing income through access to opportunities and reducing cost of basic needs. The government through Act No. 25 of 2000 on National Development Programme (NDP) targeted to reduce the incidence of poverty by 4% within the year 2000-2004. With regard to the Millennium Development Goals, the government of Indonesia has been implementing programmes to improve general food security, lower infant and child mortality, compulsory basic education for school age children and improved access to safe drinking water.

3.1.2 Bank of Indonesia (BI) Related Initiatives

In 1999, a Banking Act was enacted to enable the Bank of Indonesia (BI) operate in line with international trends in central banking. Its principal object was a shift in multi-functional to core functional mandate aimed at reaching and maintaining the stability of the Rupiah (the local currency) through pursuance of monetary and financial system stability for Indonesia's long-term sustainable development. While the Bank no longer stipulated sectoral quotas and interest rates, and does not engage in provision of refinancing funds for credit to priority sectors, its activities in the new Act focus on creation of enabling environment, information dissemination, promotion and supervision of micro-lending, technical assistance and capacity building for micro-finance providers and clients. The BI is specifically involved in regulation and supervision of the rural banks, promotion of linkage programme between the later and commercial banks, encouragement of Micro, Small and Medium Enterprises (MSMEs) desks, operation of a credit bureau, capacity building programmes and international cooperation.

3.1.3 Private Sector Initiatives

The main private providers and promoters of micro-finance services in Indonesia comprised the commercial banks (the Bank Rakyat Indonesia being the most prominent), rural banks, rural bank associations, cooperatives and non-bank financial institutions. The Bank Rakyat Indonesia (BRI), a state owned bank was established in 1895 to provide banking services to the rural areas, particularly for agricultural purposes. As at January, 2005, it had one Head Office, 12 Regional Offices, 323 branches, 64 sub-branches, 3,916 units and 238 service posts nation-wide. The Republic of Indonesia had reduced its original interest to 59% of the shares of the bank with the remaining part subscribed to by the members of the Board of Commissioners and Directors, and the general public. Assets of the bank amounted to $11.11 billion.

Traditionally, the bank was used as a vehicle for channeling government subsidized loans to rural farm dwellers up to 1984. Many of the loans to the farmers were eventually not repaid and this threatened the sustainability of the bank. With effect from 1984, government interference in the activities of the bank was discontinued, the bad agricultural loans were absorbed, partial divestment of state ownership of the bank was embarked upon and the bank was empowered to operate on purely commercial principles; mobilize its deposits, source for funds, and charge interest as dictated by market forces. Before this time, the bank had already established a wide branch network and what remained was the competencies necessary for offering services in those branches in a profitable manner. As part of the turn around initiatives of the bank, each of its branches was charged to operate as profit centres with individual financial statements. Full-time training centres with a new micro-finance curriculum, and performance incentives were put in place as necessary conditions for taking on the task of a fully self-sufficient micro-finance system.

In Indonesia, the rural banks, Bank Perkreditan Rakyat (BPR) are akin to the community banks in Nigeria. The phrase, Bank Perkreditan Rakyat means banks for giving credit to rural people. The Act Number 7/1992 of the Republic of Indonesia on Banking as amended by Act Number 10/1998 was the legal basis for the BPR. Article 13 of the said Act stipulates that the business of rural banks shall comprise mobilizing funds from the public in form of deposits, comprising time deposits, savings, and/or other equivalent forms, providing credits, and placing funds in BI certificates, time deposits, certificates of deposits, and/or savings in other banks.

The banks did not participate in the clearing system but plans have been under way to institute an apex banking arrangement that would facilitate appropriate clearing house transaction and act as banker of last resort to the banks. The rural bank activities are monitored, promoted and controlled by their apex association, the Rural Bank Association (RBA).

3.2 <u>THE PHILIPPINES EXPERIENCE</u>

The Philippines is a country of over 7,000 Islands with a population of about 86.2 million. The economy is driven by agriculture, trade, commerce, Micro, Small and Medium Enterprises (MSMEs) and tourism. It has a land area of about 299,404 square kilometers. The tourism industry dominates the economy of the country. The rate of inflation was about 7.6%, while about 55 Pesos exchanged for the dollar as at December, 2004. The deposit rate was 1% while lending rate stood at 24% per annum during the same period.

The Philippines banking system comprised the Bangko Sentral Ng Philipinas (BSP), universal banks, commercial banks, thrift banks, rural banks, micro-finance banks, cooperative banks and specialized government banks. micro-finance activities in the country were dominated by the thrift banks, rural banks, micro-finance banks, and cooperative banks. Specialized development banks which were mainly government owned banks such as the Land Bank and the Development Bank of the Philippines provided wholesale funds for the micro-finance offering institutions in the country. As in Indonesia, micro-finance development in Philippines is being pursued by the Government of the Philippines, the BSP and the private sector.

3.2.1 <u>Government Initiatives</u>

In the Philippines, the Government micro-finance programmes are hinged on a national micro-finance strategy with a vision of having a viable and sustainable private micro-finance market, supported by the provision of appropriate policy environment and institutional framework. The objective is to provide access to financial services to the majority of poor households and microenterprises by the year 2005. The policy framework emphasizes non-participation of government line agencies in implementation of credit/guarantee programmes. It equally avoids costly, unsustainable and distorting credit subsidies that, in the past failed to reach their intended beneficiaries, led to the weakening of the rural banking system, and saddled the government with a huge fiscal burden.

A distinction is made between credit and welfare policy in micro-finance programmes, with those who need welfare being provided assistance through appropriate government departments based on the strong belief that welfare will never be provided through concessional credit, loan quotas and other financially repressive measures. On the other hand, credit to the economically active poor households/micro-enterprises will be met through a variety of innovative financial products provided by private micro-finance institutions. The government supports the market by providing assistance for institutional and human resource capacity building of micro-finance providers.

The respective roles of various players in micro-finance in the national strategy are as follows:

- **Micro-finance Institutions (MFIs):** to engage in sound, sustainable and viable micro-finance intermediation;
- **National Government through the National Credit Council:** to provide a market-oriented finance and credit policy environment which would promote efficient financial markets, and help private micro-finance institutions broaden and deepen their micro-finance services;
- **National Credit Council (NCC):** as micro-finance policy making body, to ensure development and implementation of appropriate policy environment;
- **People's Credit and Finance Corporation (PCFC):** as the government credit corporation focused on poor households and micro-enterpises, to provide wholesale (loanable funds) and technical assistance to the MFIs and support the development of innovative financial products/services for poor households/ microenterprises;
- **Government financial institutions:** to provide wholesale funds (including those sourced from foreign borrowings) to MFIs which do not have access to wholesale loans from private commercial banks;
- **Commercial and other private banks:** to provide wholesale funds and financial services to MFIs;
- **NGOs:** to provide technical assistance for promoting the linkage between the poor households/microenter-prises and micro-finance institutions, community organizations and capacity building of the target clientele;
- **Donors:** to provide assistance for broadening and deepening of micro-finance services such as products development, training, and upgrading of performance standards, amongst others.

3.2.2 Bangko Sentral Ng Philipinas (BSP) Initiatives

The BSP was set up on January 3, 1949. It assumed an independent and autonomous central monetary authority status pursuant to the Philippines constitution and the new Central Bank Act of 1993 which provided the platform for the restructuring of the old central bank of the Philippines (CBP). At the top of the Bank's organizational structure as at January,2005 was the Monetary Board (MB) comprising of the Governor as Chairman and six other members. The Monetary Board members are full time staff of the BSP and were responsible for corporate policy decisions of the Bank. The specific roles of the BSP on micro-finance development include, enactment of specific regulatory guidelines for rural /micro-finance banks, promotion and advocacy, implementation of concensionary licensing window, specialized micro-finance promotion schemes and initiatives, and promotion of international cooperation initiatives

3.2.3 Private Sector Initiatives

The major private sector players are the micro-finance banks and rural banks :

(i) **The Micro-Finance Banks**

This category is currently the only set of banks being licensed in the country. The rural banks, Non-Governmental Organizations and other financial institutions with "low-end of the market focus" were being encouraged to transform and obtain the micro-finance bank licenses.

(ii) **Rural Banks**

The history of rural banks in the Philippines dates back to the early fifties. With the promulgation of a national policy on micro-finance in 2000, the banks were being encouraged to focus on micro-finance activities in their operations by directing about 50% of their loan portfolio to micro credit (average loan size of about $909). Even though there were no issuance of new bank licences in the Philippines as at January, 2005, concessions were being granted to investors that were willing to set up micro-finance oriented rural banks. The BSP provides support to the banks by way of capacity building and training.

4.0 HOW MICRO-FINANCE ACTIVITIES IMPACT ON POVERTY REDUCTION IN INDONESIA AND PHILIPPINES

While it is possible to give details on how Indonesia and Philippines have faired over the years from data and information available in literature, what is considered important to the reader is the link between micro-finance and poverty reduction in these countries. As a result of the multi-pronged approach to poverty treatment, it is equally difficult to attribute the progress made in the two countries to micro-finance alone. For these reasons, it would be apt to give practical life testimonies of the MFIs and or their clients, while leaving any other country wide poverty reduction indices as attributable to many factors.

4.1 MICRO-FINANCE AND IMPACT ON POVERTY REDUCTION IN INDONESIA

In Indonesia, the rural banks (BPRs) are the formal institutions that provide micro-finance services. The BI defines specific regulatory guidelines for the rural banks taking into consideration their specific characteristics. As of June, 2004, there were a total of 2, 157 BPRs with a network of 3,442 offices. The activities of the banks centre mainly on micro clients. In terms of performance, the business volume of the banks rose from $722,222.2 in December, 2001 to $1.6million (122.7%) as of June, 2004. In the same vein, loan portfolio increased from $544,444.4 in December, 2001 to $1.2million (114.4%) as of June, 2004. Also, the total third party funds of the banks as of December, 2001 amounted to $475.6 million and $1.1 billion as of June, 2004 (131.2% increase). The performance levels indicated efficient operation, increasing public confidence and promising prospects for the rural banking programme and micro-finance services delivery in Indonesia. Most of the banks adopt the group approach to credit and employ group pressure in achieving high loan repayment performance. Loan approvals are also based mainly on cash flow rather than insistence on tangible collateral.

The MSMEs which employs the largest proportion of the poor people of Indonesia occupies a very central position in the economy of Indonesia comprising about 99.9% of the total enterprise establishment in the country, employing about 99.4% of the total work force and contributing 56.7% to the GDP. The BI promotes the funding of the sector through moral suasion. Every commercial bank in

Indonesia is obliged to publish its contribution to MSMEs funding on the television, the newspapers and encouraged to establish an MSMEs desk. This is being used as an advertisement and competitive tool by the banks. The BRI has been particularly making inroads into the micro-finance market and considerably affecting the lives of the poor in Indonesia through its Unit Desas. It had about 3,916 units as at January, 2005. A typical rural branch of the BRI has a customer base comprising of 750 borrowers and 7,400 savers with a total of $388,888.9 outstanding portfolio and $744,444.4 savings. About 50% of its loans were granted to traders. The default rate was 6.7%, while 5.8% of the loans were non performing.

4.2 MICRO-FINANCE AND IMPACT ON POVERTY REDUCTION IN THE PHILIPPINES

In the Philippines, the BSP, in view of the importance attached to micro-finance, issues licenses to only micro-finance banks. The micro-finance oriented banks were assisting poor people to increase their loan sizes and the productive level. For instance as at January 2005, a group micro client of a micro-finance bank who started by borrowing the sum of $91.0 had increased her loan amount over five years to about $300.00. Her production level had increased from two to six fish ponds and fingerlings in the ponds had increased from 4,500 to about 5,500. In addition, she had added selling of processed meat to her business, while at the same time saving on regular basis. Similarly, an individual borrower of the same bank whose first loan in 2003 amounted to $455.0 had grown his loan size to about $2,727.00 in January, 2005. The customer had also increased the size of his cassava farm and processing machines, he was able to purchase a vehicle for transporting raw materials and finished products, acquired a shop and sent his daughter abroad for further studies. Other impacts of micro-finance in poverty reduction is found in client graduation from group to individual borrowing/saving contracts. For instance a graduate of one group who started with $36.4 initial loan in 1996 had about $2,727.3 personal loan as at January, 2005. The number of staff employed in her bakery business increased from 2 to 13 within the same period. In another development, a customer of a micro-finance oriented bank who was on the ninth loan cycle began with $91.0 with the ninth loan amounting to $818.0. From barely anything at the start, the family business had grown, income had increased and the family owned a tricycle which is a major means of transport in the country.

The evidences shown above attest to the efficacy of micro-finance in poverty reduction as people have been able to improve their living standards and indeed generate employment through the use of micro-finance.

5.0 MAJOR LEARNING POINTS FROM THE STUDY TOUR

The following are the major lessons from the Indonesia and Philippines experience that could be applied to the Nigeria micro-finance sub-sector.

5.1 CAPITALIZATION REQUIREMENTS

The countries adopted a tiered approach to the licensing and regulation of rural and micro-finance banks, the equivalent of the MFIs being proposed for Nigeria. Even though, the capital requirements being proposed for the MFIs in Nigeria in the National micro-finance Policy and Regulatory Guidelines might be adequate and appropriate for a start, there would be need to consider a tiering system that maintains ₦20.0million at the lowest level but recognizes higher requirements for state capital and federal capital/Lagos situated MFIs.

5.2 LINKAGE OF MFIS AND SIMILAR INSTITUTIONS WITH BANKS

In the two countries, paucity of funds existed with the micro-finance banks and the policies took steps to bridge the gap. In Indonesia, there is a linkage programme between commercial and rural banks to enable the later source for whole sale funds from the former while in the Philippines, the land and development banks, and the PCFC provided needed wholesale funds for the micro-finance oriented banks. In Nigeria, it would be worthwhile to fashion out an appropriate and attractive model for a linkage to be promoted and encouraged between universal banks and community banks/micro-finance institutions to create room for the later to source for loanable funds for on-lending to their clients.

5.3 ESTABLISHMENT OF A CREDIT BUREAU

As a result of the peculiar characteristics of micro-finance practice, both countries' policies had provision for credit bureaux. In Indonesia, the BI had a credit bureau located at its Directorate of Rural Bank Supervision. The Bureau maintained an on-line data bank for loans in excess of $555.6 with a plan to later cover loans of less amounts. The idea is to nurture the bureau to a stage of maturity and later outsource it. In the Philippines, the BSP is making serious plans to midwife a private sector led credit bureau. A credible Bureau that is particularly manned by the CBN is very essential in the Nigeria situation.

5.4 MFI CERTIFICATION INSTITUTION

In Indonesia, there is a micro-finance certification institutions (Bankakademie International) while the Philippines maintained a Micro-Enterprise Access to Banking Services. In Nigeria, micro-finance practice is hampered by lack of appropriate skills and the proliferation of informal institutions. The Central Bank of Nigeria should collaborate with relevant stakeholders to institute a certification process in the country and determine the procedures and modalities for implementation.

5.5 REFORMATION OF GOVERNMENT OWNED BANKS

The BRI, one of the strongest banks in Indonesia was formally a fully owned state bank. In 1983, government embarked on gradual withdrawal of its interest and following deregulation of the economy, the bank's operations were commercialized. It recruits its staff, determines its customers and services and charge rates appropriate to the industry. The government of the Philippines had already commercialized its Land Bank, freed it from interference and charged it with wholesale funding responsibility in favour of micro-finance oriented banks. In Nigeria it is our view that the NACRDB could be allowed to reposition itself for deposit mobilization and general purpose commercial interest credit to worthy borrowers. The government should commercialize the bank and allow it provide wholesale funds to both the community banks and the envisioned micro-finance banks.

6.0 CONCLUSIONS AND RECOMMENDATIONS

The experiences of Indonesia and Philippines indicates that micro-finance is an imperative strategy in poverty reduction programmes. micro-finance intermediation takes the joint effort of government, central banks and the private sector. In the Nigerian situation, the following recommendation arising from the experiences of the two countries' practices are critical.

- Adopting a tiered capital requirement for licensed micro-finance institutions in Nigeria,

- Fashioning out an appropriate and attractive model for a linkage to be promoted and encouraged between universal banks and the MFIs in Nigeria to create room for the MFIs to source for loanable funds for on-lending to micro-borrowers.

- Establishing a Credit Bureau to embark on credit information storage and dissemination to curb sharp practices by fraudulent clients.

- Establishing a certification institution to determine standards for the MFIs, their directors and managers, develop sound curricular, train practitioners, conduct examinations and award certificates on which micro-finance practice would be based.

- Championing the cause of full deregulation and commercialization of the activities of the NACRDB, repositioning it for deposit mobilization and general purpose commercial interest credit to worthy borrowers.

- Articulating specific micro-finance demands, fostering donor meetings and involvement in supporting projects and programmes that would promote the quick development of micro-finance sub-sector in Nigeria.

The micro-finance market in Nigeria is very large, considering the level of poverty in the country and the population that lives in rural areas. It is thus our belief that if the micro-finance sub-sector is well harnessed and given the necessary attention it deserves, the poverty level in the nation would be reduced to that proposed by the United Nations Millennium Development Goals.

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FINANCING OF HEALTH IN NIGERIA: THE CASE OF HIV/AIDS, MALARIA AND OTHER DISEASES

By
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1. INTRODUCTION

Instead of discussing the financing of health in Nigeria with respect to HIV/AIDS, malaria and **other diseases**, we have limited our discussion to the financing of the three major diseases that are the greatest killers in Nigeria. These are malaria (which kills children more than any other disease), and HIV/AIDS and Tuberculosis which kill adults more than any other diseases. The burden of each of the disease is discussed in Section 2 of this paper while the health sector's response to each disease is discussed in Section 3. The potential and actual sources of financing the diseases are discussed in Sections 4 and 5 respectively while Section 6 presents a short Conclusion.

2. BURDEN OF THE DISEASES

2.1 MALARIA

Malaria caused by *Plasmodium falciparum* accounts for a large part of the disease burden in Nigeria and is the leading cause of morbidity and mortality among the most vulnerable groups: under 5 children and pregnant women. Malaria accounts for: 60% of total outpatient attendance; 30% of childhood deaths (i.e. 3 out of every 10 children who die before their fifth birthday) ; 11% of maternal mortality (i.e. more than 1 out of every 10 pregnant women who die); 11% of low birth weight which is one of the major causes of infant mortality; and 25% of the death of children before their first birthday. At least 50% of the population suffer from one or more episodes of malaria per year and it is estimated that children under five suffer from two to four attacks annually.

The economic burden due to malaria in Nigeria is extremely high. A recent study in five holoendemic communities showed that the cost of treating malaria accounted for 50% of curative health care costs with an average monthly expenditure of N280.8 per household. 71% of all expenditure on malaria comes from households and 25% of household income is expended on control and treatment of malaria. Every year, the nation loses an estimated N132 billion from absenteeism and treatment costs. Malaria reduces 1% of Nigeria's GDP annually ($348 million).

2.2 TUBERCULOSIS

Tuberculosis (TB) is a chronic, infectious disease caused by bacteria generally referred to as '*Mycobacterium tuberculosis complex'*. The most important source of TB is an untreated Pulmonary TB (PTB) patient. Nigeria ranks 4th among the highest TB burden countries in the world. An estimated 363,000 of all forms and 156,000 smear positive (injections) cases of tuberculosis occur annually. 105,000 deaths occur annually. Thus, tuberculosis is a major public health problem in the country and has been recognized as such. This informed the launching of the National Tuberculosis and Leprosy Control Programme in 1991.

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The TB burden is further compounded by the worsening HIV epidemic in the country. HIV sero-prevalence among TB patients rose from 2.8% in 1992 to 19.1% in 2000. A recent HIV sentinel survey shows that 27% of adult pulmonary TB cases are also co-infected with HIV.

TB affects mostly the productive age group with negative consequences on the economy. Hence, any money spent on TB control is a means of spurring economic and social development.

2.3 HIV/AIDS

Nigeria reflects the serious HIV/AIDS situation in Africa region. The first case of AIDS in Nigeria was seen in 1984 in a sexually active 13-year-old girl and was reported in 1986. As a result of this, the National Expert Committee on AIDS which had the role of advising the Federal Government was established.

Between November 1991 and March 1992, Federal Ministry of Health with the World Health Organisation (WHO) support conducted a sero survey for HIV infection in selected sentinel sites in the states. The survey was carried out in pregnant women attending antenatal clinics that showed a national average prevalence rate of 1.9%. This has since increased steadily from 1.9% in 1991 to 5.8% in 2001 and 5.0% in 2003. These figures becloud states' variations. The prevalence rates vary from 1.2% to 12% among states. Fourteen states have prevalence rates above the national mean average of 5%.

The age group 19-24 years is the most affected with a mean prevalence of 5.7. For age group 25-29 years, it is 5.6. These age groups constitute substantially the work force and productive section of the population. They represent the future of the nation. The groups at greatest risk are between 15-49 years of age, often described as the sexually active. These are the most productive people in the society.

UNAIDS report at the end of 2003 estimated the population of People Living with HIV and AIDS (PLWHAs) in the country as 3.5 million. This means that one out of every eleven PLWHAs in the world live in Nigeria. Of the 5.0 million new infections globally, 360,000 occurred in Nigeria (i.e. one out of thirteen); of the 3 million global AIDS deaths recorded, 350,000 occurred in Nigeria (one out of nine). There are 1,800,000 orphans and vulnerable children in the country.

The socio-economic impact of the high prevalence rate of HIV/AIDS in Nigeria is of great concern. The reduction in life expectancy from 53 years in 1990 to 51 years in 2002 is attributable to the scourge.

The impact of HIV/AIDS on national productivity is related to its impact on the working class in general. They include reduced supply of labour, loss of skilled and experienced work force, absenteeism, early retirement, stigmatization and discrimination against productivity and negative impact on economic growth.

3. HEALTH SECTOR'S RESPONSE TO THE DISEASES

3.1 MALARIA

In 1998 Nigeria adopted the Roll Back Malaria (RBM) approach, which emphasised the importance of evidence-based planning and partnership with a broad range of stakeholders including the private sector. The present strategic plan was drawn up within this RBM framework. A detailed situation analysis carried out by the various RBM partners provided a solid body of evidence on which the strategic plan was based.

The goal of Nigeria's 2001 2005 Strategic Plan for RBM is to reduce the morbidity and mortality caused by malaria by 25%. The plan aims to ensure that 60% of pregnant women and children under five have access to adequate and affordable anti-malarials; 60% of pregnant women and children under five have access to effective means of personal protection or vector control; and 60% of pregnant women have access to Intermittent Preventive Treatment (IPT). The plan sets out an approach which involves improving case management, improving coverage with ITNs and IPT, increasing emphasis on research and development, strengthening partnerships and developing a comprehensive information, education and communication (IEC) approach.

One of the main interventions for malaria control is improving case management of malaria through provision of affordable and efficacious anti-malarial medicines. The Federal Government's commitment to make essential RBM commodities affordable and accessible led to the setting up of a multi-sectoral technical committee to oversee local production of Artemisinin-based Combination Therapies (ACTs) in Nigeria. This Committee has produced a road map, which is currently being implemented. Meanwhile, taxes and tariffs have been removed on imported ACTs to make them affordable and accessible to those who need them. The delivery of 2.5 million doses of Artemether/Lumefantrine is expected and the drugs will be distributed to 18 states being supported by Global Fund.

The promotion of the use of insecticide treated nets (ITNs) is ongoing. Seven thousand (7000) ITNs were distributed in January 2005 to all tertiary hospitals in the country for use in their Obstetrics and Gynaecology as well as Paediatric wards. This is in addition to the free nets, which are being distributed through the health facilities to pregnant women who attend ante-natal care clinics and children who complete their immunizations. Over 4 million ITNs have been distributed through this channel. Taxes and tariffs on netting materials have been reduced from 40% to 20% to encourage local production of ITNs.

The promotion of IPT has begun in earnest with the distribution of 500,000 doses of Sulphadoxine-Pyrimethamine (SP) to 12 states in August 2005. These are being distributed to pregnant women through the health facilities.

It has become necessary to include the Integrated Vector Management (IVM) as one the malaria control strategies to effectively control the vectors. Towards this end, a policy framework with an attending plan of action has been developed. An appropriate regulatory framework is expected to be put in place to ensure a smooth take off of the implementation.

Massive training of 4,100 health workers from tertiary to primary health care levels has taken place to ensure the availability of a critical mass of trained health workers needed to implement the updated malaria control interventions.

3.1 TUBERCULOSIS

The aim of the TB control programme in Nigeria is to reduce the burden of TB and prevent the transmission of TB through early detection and treatment. National TB Leprosy Control Programme in collaboration with the Development Partners conducted TB Review in 1999. The findings and recommendations formed the basis of the Strategic Plan 20012005 for Directly Observed Treatment Short course (DOTS) Expansion and the 2006-2010 Strategic Plan for TB Control in Nigeria. Nigeria has been working with Development Partners in implementing the national TB control response through clear and implementable strategies that also reduce poverty. TB control is organized along the tiers of Government and is based on the comprehensive WHO strategy, DOTS. The tenets of DOTS include sustainable government commitment, regular supply of high quality drugs, standard recording and reporting system, sputum microscopy and monitoring of the treatment. The priority of TB control is to ensure that every patient is cured and the focus is sustainability of the control programme nation-wide.

Thus, the three key strategies to advance the goals of the National TB Control Programme are:

- Active and passive case finding that allows the early and accurate diagnosis of persons with TB through effective clinical and laboratory services.

- Prompt and effective free treatment of persons with active TB in supervised programmes.

- Timely surveillance and reporting of disease incidence, drug resistance and treatment outcomes nationally to inform programme evaluation.

Presently, all the 36 States and FCT are implementing DOTS services. There are 2,031 treatment and 598 microscopy centres in 556 Local Government Areas (LGAs). The 2004 case notification was 59,493 of all forms of TB and 33,775 of the smear positive cases. There is significant functional integration of the TB control into the Primary Health Care (PHC). The National targets are to have microscopy centres in the 774 Local Government Areas (LGAs) and treatment centres in 5,000 health facilities in the country.

3.3 HIV/AIDS

This current admini-stration has placed HIV/ AIDS as a priority in its agenda. A Presidential Committee on AIDS (PCA) has been set up under the leadership of Mr. President with some members of the Federal Executive Council as members. In addition, Nigeria's President was the first African leader to contribute to the Global Fund for HIV/AIDS, Tuberculosis and Malaria (GFATM).

The National Action Committee on AIDS (NACA) has been set up since 2000 at the National level. NACA is principally charged with the responsibility of advocating the government proactive multisectoral approach to responding to the HIV/AIDS epidemic and the overall coordination of all inputs to HIV/AIDS prevention and control. There are also State Action Committees on AIDS (SACA) for the same purpose. The legislative arm of the government established the National Assembly Response to HIV/AIDS (NASSRA)

In 2001, the HIV Emergency Action Plan (HEAP) 2001 - 2004 was developed to give a multisectoral response to HIV/AIDS prevention and control. The life span of this action plan has expired and the National Strategic Framework (2005 2009) has been developed with input from every stakeholder involved in HIV/AIDS activities. The National AIDS/STI Control Programme (NASCP) in the Federal Ministry of Health is responsible for the coordination of the health sector response, the development of the health sector strategic plan and the monitoring and evaluation of the HIV/AIDS health interventions in the country.

In 2002, Nigeria started the biggest ART programme in Africa. This Programme which had the goal of providing ARVs to 10,000 adult PLWHAs and 5,000 children is operational in 25 Federal tertiary health facilities at a highly subsidized cost of N1,000/month/patient. Today, the programme has expanded to 43 sites. Prevention of Mother to Child Transmission (PMTCT) intervention is operational in 25 ART sites at tertiary level and 56 states' facilities. Other national ART efforts include the development of national ART guidelines and scale -up plan as well as large-scale training of relevant cadres of health professionals to provide and effective and quality service.

4. POTENTIAL FINANCING SOURCES AND CHANNELS FOR THE DISEASES

The **first** and most important source of financing is the national budget which includes budgetary allocations made by all government sectors and at all levels (national, state/provincial, district/local government) for activities related to reducing the disease burden attributable to the 3 diseases. This source could be defined to include the channelling of the proceeds of debt-relief to disease prevention and control activities but, in this paper, debt relief is treated as a separate source.

The **second** source (and currently the channel through which most money is transferred from donor to developing countries) is bilateral assistance given directly by one country to another. Bilateral donors include the United Kingdom, the United States of America, the Netherlands, Sweden, Germany, Norway, Canada, Japan Australia, Denmark, Belgium, Switzerland, Luxemburg and France. Bilateral channels have the additional advantage of being able to easily draw on the technical resources and experience acquired in programmes for combating these diseases within their own societies.

The **third** is the multilateral channel which includes the funds and programmes of the UN System, the World Bank and the regional development banks (e.g., African Development Bank). Multilateral organisations often have established operational relationships with NGOs and other civil society implementation partners in-country. They are also well placed to ensure that internationally accepted scientific and technical standards are applied. One growing multilateral channel which started within the last three years is the World Bank's Multi-Country HIVAIDS Programme (MAP). The World Bank, through MAP, is committing substantial IDA resources and leveraging co-financing on a country-by-country basis, through the International Partnership Against AIDS in Africa (IPAA). MAP's funds are available to any African country that meets the criteria of eligibility for IDA credit as well as some additional criteria.

A **fourth** channel- comprising major private sector actors, foundations and non-profit organisations- is becoming increasingly important. Examples of these include the following: *Foundations*-Gates, Metclife, Rockefeller, Soros, Kaiser and Mac Arthur Foundations; *Private Companies* Corporate Council on Africa, Abbott Laboratories, Bristol Myres Squibb, Merck, Chevron Companies, Coca Cola and Diaimler Chrysler; and *Charity Organisations*- Hope Nationwide and World Vision. Private sector channels offer a comparative advantage in reaching out to their members/employees and the communities in which they work. Non-profit organisations often bring the added advantage of allowing for more sustainable community-to-community linkages. Foundation channels can bring a high degree of flexibility and ability to take on higher-risk commitments and undertake longer-term projects.

The **fifth** channel is the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM). Operating since January 2002, the Global Fund represents a new approach that emphasizes national ownership and country- led activities, as well as simplified, rapid and innovative process. As a global, public-private partnership, it attracts, manages and disburses new resources to programmes in countries with the greatest need. The Fund is not meant to replace current efforts but to complement other funding initiatives by raising additional resources. Applications for funding are usually from national government but there was agreement that, under certain circumstances, non-governmental organisations could be allowed to submit applications and receive funding outside of, or in lieu of, country-applications. The criteria used for assessing applications include the following: prevalence and incidence of the disease, political commitment, ability to demonstrate results, and an integrated approach, both in terms of the three diseases and in terms of prevention, care and treatment.

The **sixth** channel is debt relief. Reducing the debt burden of poor countries has been seen as having the potential of boosting the AIDS response where it is most needed. The total debt of the 38 heavily indebted poor countries (HIPC) on the average amounts to more than four times their annual export earnings. These debt obligations can undermine a country's social spending, including that required for HIV/AIDS and orphan responses. In 16 African countries in 2001, governments were still spending more on servicing debts than on the health of their citizens. The HIPC debt initiative, devised by the World Bank and International Monetary Fund, is an attempt to relax these constraints. Under the initiative, eligible countries would qualify for debt relief if they met certain conditions, including the adoption of economic adjustments and the drafting of Poverty Reduction Strategies Papers (PRSPs) in which social spending is given a priority. Countries are encouraged to add HIV/AIDS programmes to these strategies.

There are several ways of using the funds released through HIPC for implementing disease or other programmes. Three of them are described as follows:

(i) Earmarking

In a growing number of HIPC debt relief documents, the budgetary savings from debt relief are explicitly calculated for a number of years to come. There is thus an opportunity, in the HIPC context, to specify or "earmark" how much of the savings (either as % of the actual savings or in absolute dollar terms) will be allocated to HIV/AIDS and other programmes.

(ii) Channelling funds to local initiatives

In a number of countries, there is also strong interest in seeing a major part of the debt relief savings assigned to specific diseases. Indeed, sometimes the desire is to channel the entire budget from debt relief in support of the national plan to rapidly and effectively implement local initiatives. These include local government units, local NGOs and community organizations that are trying to carry out prevention, care and support services. In such circumstances, the HIPC process can be an opportunity to develop and put in place effective mechanisms for moving financial and technical resources to local groups implementing disease control activities. This is done through a number of means that might be specified and monitored as part of national compliance with the conditions for debt relief, e.g., the setting up of a Poverty Action Fund (as in Uganda) that receives the debt relief savings and uses them exclusively to implement local initiatives.

(iii) Accountability

In a number of countries, civil society groups and international donors are calling for procedures that would make use of debt relief savings and donor funds in a more transparent way and linked to measurable programme results.

A **seventh** source is user fees/pre-payment schemes. User fees are paid by household members when they "consume" health services during illness. Since illness is unpredictable, in terms of timing and severity, it can sometimes lead to incurring catastrophic cost. One of the drawbacks of user fees is that it may adversely affect the demand for health services. For example, when Rwanda re-introduced pre war-level user fees in health centres and hospitals in 1996, the utilization of primary health care services dropped from 0.3 annual consultation per person in 1997 to a national average of 0.25 in 1999. The drop in demand for health services, combined with growing concerns about rising poverty, poor health outcome indicators, added a worrisome HIV prevalence among all population groups, motivated the Rwandan Government to investigate health care spending through the National Health Account (NHA).

The study result offered crucial information on the sources of financing HIV/AIDS services and insights into the utilization of and payment for HIV related care. It was found that government provided very little funding specifically for AIDS treatment and that donors only provided resources for prevention activities. Therefore, the economic burden of treatment costs fell almost exclusively on HIV/AIDS patients who had to rely on their own incomes and private arrangements for financial assistance and/or borrowing. The NHA analysis pointed to the need to develop alternative financing policies that would increase opportunities in access to treatment, decrease the economic burden on households, and focus HIV/AIDS-related spending on cost-effective activities.

5. ACTUAL SOURCES OF FINANCING THE THREE DISEASES

5.1 HIV/AIDS

The funding of HIV & AIDS in Nigeria comes from a range of sources such as:

Government-through its various Ministries, the Federal Government has provided funds for various intervention programmes. In the health sector, the funds are also being provided for the purchase of ARV drugs, test kits and equipments. Similarly, the State and LGAs have also supported HIV/AIDS programmes in their states. It is estimated that the Federal Government alone has spent about N 10 billion on HIV/AIDS over the period 2001-2004.

Development Partners

There has been a significant shift in the global response to HIV & AIDS with an exponential increase in resources available to national programmes. Partners involved include the following:

- World Bank: Nigeria has been allocated the largest credit (IDA) of US$90.3m over a 5- year period (2001-2005). Nigeria's Multi-country AIDS Project (MAP) which supports HIV/AIDS interventions in public and private sector institutions at all levels, is managed through a Nigerian-staffed National Project Team (NPT) and State Project Teams (SPT) in states. Access to the credit facility is now extended to all states.

- The President Emergency Plan for AIDS Relief (PEPFAR): This initiative is a response to the world wide AIDS situation, and has Nigeria as one of the key beneficiaries. The United States Government (USG) agencies (USAID and CDC), through PEPFAR, are committed to Nigeria for the supply of ARVs to 350,000 HIV positive persons, the care of 1,750,000 HIV positive persons, and the prevention of 1,145,545 new cases of HIV infection by 2009. These projections are based on the figure of 3.5 million people living with HIV/AIDS in Nigeria. Within the context of the implementation of the Initiative, Nigeria has received more than $70.9 million to support a comprehensive HIV/AIDS prevention, treatment and care program. In 2005, the United States committed an additional $113.4 million to support Nigeria's fight against HIV/AIDS.

- The United Nations: The UN family (UNDP, WHO, UNICEF, UNFPA, UNDCP, FAO, ILO, UNHCR and WFP), through UNAIDS, are providing technical and financial support for HIV/AIDS programmes in the country. UNICEF's focus is on children's welfare and PMTCT programme in 15 states and FCT sites is one of the areas of intervention in Nigeria. WHO continues to provide technical and some financial support in the health sector. The UNFPA supports prevention interventions (VCT), focused on pregnant women, youth condom programmes (male and female).

- The AIDS Prevention Programme In Nigeria (APIN) is a programme of Harvard School of Public Health with funding from the Bill and Melinda Gates Foundation. The chief areas of support are provision of ARVs PMTCT services, diagnosis of HIV/AIDS, and monitoring of clients on ARV therapy. They presently support the University Teaching Hospitals at Ibadan, Jos, Lagos, and Maiduguri as well as the Nigeria Institute for Medical Research.

- CIDA's contributions to the Nigerian health sector are channelled through UNICEF. A current 4-year initiative (2003-2007) has two components: PMTCT and reproductive health and HIV/AIDS prevention and care for adolescent and youth.

- DFID supports a 7-year national behavior change and social marketing programme in collaboration with USAID (to the tune of ₤52.8million). This support commenced in January 2002, and is being implemented by the Society for Family Health (SFH) and Action Aid. DFID also supported the multi-sector institutional strengthening (including that of NACA), and collaborated with the World Health Organization to support the process of the development of health sector plan for HIV/AIDS.

- The European Commission has been closely involved in the development of the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) which was created to increase dramatically, resources to fight these three devastating diseases, and operates as a partnership between governments, civil society, the private sector, and affected communities.

- The Global Fund to Fight AIDS, TB and Malaria: Nigeria's proposal for the expansion of anti-retroviral therapy during the first round of the Global Fund award was approved. The total funding requested for a period of five years was $41,772,103.00. Out of the approved funding of $17,712,103.00 for the first 2 years, $11,787,323.00 had been disbursed. Also the proposal on a Program to assess and promote the effective participation of Civil Society Organizations in the national response to HIV/AIDS during Round 1 with a total funding request as well as approved funding for the first 2 years was approved and $816,305.00 of this had been disbursed. The third proposal approved during Round 1 was for the expansion of Prevention of Mother to Child Transmission Centers of Excellence with a total funding request of $27,431,874.00. Of the $8,708,684.00 approved for the first 2 years, $5,495,276.00 had been disbursed. During Round 5, Nigeria's proposal to scale up comprehensive HIV/AIDS Treatment, Care and Support with a total funding request of $180,642,512.00 for a 5-year period was approved with $46,424,283.00 approved for the first 2 years.

- Private Sector: Funding from this source include the Multinational Companies, and philanthropists.
- Private expenditure (out-

of-pocket) by HIV/AIDS patients and their families is an important source of funding HIV/AIDS. Only the lucky patients enrolled under the Federal Government's ART Programme get 70% of the cost of the drugs subsidized. The patients have to pay the remaining 30% and this has been a problem for many of such patients. The Federal Government has however made the drugs free effective from January 1, 2006 for such patients in order to ensure greater compliance with treatment. It is important to add that the patients and their families still have to pay the cost of monitoring and evaluating their treatment which may amount to N30, 000 per patient per year. Patients who are not under Federal Government's ART Programme or whose treatment and other costs are not covered by their employers then need to pay at least N80,000 out-of-pocket annually! Although an HIV/AIDS Health Account has not been constructed for Nigeria, we believe that not less than 80% of the financing of HIV/AIDS is done by the patients and their families.

5.2. MALARIA

Funding comes from a range of sources such as:

Government: Funding from the Federal Government of Nigeria is US$47million over five years excluding overhead cost. However commitment at sub national level is low.

Development Partners: Funds pledged or committed by various partners is US$254million over five years. Major development partners that contribute to financing and implementation of malaria control activities are WHO, UNICEF, DFID and USAID among others.

Global Fund: Nigeria's proposal for scaling up Roll Back Malaria in 12 states was approved by the Global Fund during Round 1 with a total funding request of $44,314,691.00 for 5 years. Of the approved funding amounting to $20,994,149.00 for the first 2 years, $8,706,992.00 had been disbursed. Similarly, Nigeria's proposal for improving Malaria Case Management through promotion and distribution of pre-packaged Artemisin-based Combination Therapy(ACT) and the training of health service providers with a total funding request of $86,122,000.00 over a five year period was approved during Round 4. Of the $20,467,000.00 approved for funding for the first 2 years, $5,925,775.00 had been disbursed.

Private Expenditures (Out of Pocket Expenses): It has been estimated that 25% of household income is expended on malaria control and treatment. The cheapest drug for malaria treatment is fast losing its potency and the new first line drug will mean that more out- of-pocket expenses will be borne by the patients and their families.

National Health Insurance Scheme: For people who are currently covered by formal sector program of the National Health Insurance Scheme, malaria treatment is part of the benefit package.

Current cost estimate for implementing RBM activities between 2006-2010 excluding over-heads is US$845million; about US$160million annually. However, an average of US$50 million is available from government and other sources annually leaving a big gap to be filled by additional funds.

5.3. TUBERCULOSIS

There is increasing public sector resource allocation and reinvigoration of the services including the expansion of DOTS to all states and FCT. DOTS services are in 2013 treatment centres and there are 598 sputum smear microscopy centres in 556 Local Government Areas. The progress recorded has been as a result of technical and financial assistance of various Development Partners in and outside the country. Major partners that contribute to financing and implementation of tuberculosis control are the members of the International Federation of Anti-Leprosy Associations (ILEP) viz: German Leprosy and TB Relief Association (GLRA), Netherlands Leprosy Relief (NLR), The Leprosy Mission International (TLMI) and Damien Foundation of Belgium (DFB). Financial support in form of grants from the Fund for Innovative DOTS Expansion through Local Initiative to Stop TB (FIDELIS) is also given. WHO is the chief technical adviser to the programme. Unlike most other diseases, patients receive TB drugs for free.

Nigeria's proposal for scaling up DOTS expansion was approved by the Global Fund during the fifth round. The total funding request is $68,265,523.00 for a 5-year period and the approved funding for the first 2 years is $25,570,061.00. Nigeria would have benefited from an earlier Round but for our failure to show enough financial commitment to the fight against TB.

6. CONCLUSION

From the discussion above, it is clear that each of the three diseases is financed from various sources. Unfortunately, the total amount available from all existing sources is far less than what is required to scale up the provision of the various cost-effective interventions to ensure access to all who need them. It is within this context that the allocation of N21 billion out of the N100 billion debt relief saving to the Ministry of Health for financing the up-scaling of interventions related to achieving the health-MDGs is highly commendable. Inspite of this additional funding, there is still a large financing gap for the 3 diseases and this is one of the funding challenges. The external sources of financing the 3 diseases constitute a high proportion of available resources and this poses the problem of sustainability. Following from these two challenges is the challenge of broadening the base of financing sources. Scaling up the implementation of the programs of the National Health Insurance Scheme will be one of the ways of broadening the base of financing sources. Finally, there is the challenge of ensuring that efficient use is made of available resources. Towards this end, improved coordination of development partners is an important challenge.

Prof. Nuhu Yaqub

FINANCING EDUCATION IN NIGERIA TO MEET THE MILLENNIUM DEVELOPMENT GOALS (MDGs)

By
Prof. Nuhu Yaqub

INTRODUCTION

It is always an interesting state of affairs to observe political entities coming up with measurable parameters (in the parlance of current usage, "roadmaps") to guide and shape aspirations, conduct, and to structure future perspectives. This observation is in respect of the Millennium Development Goals (MDGs), which have, on a global basis although with particular reference to the developing countries, set desirable temporal targets for attainment. It is furthermore an interesting thing to note that education is one of such targets. We shall soon specify what the target(s) for education is or are, for this group of countries. We are aware that the importance of education can hardly be overemphasized; for education is the only instrument through which various countries across the globe have made a turn around in their fortunes as well as in the welfare of their citizens. In other words, education is a powerful tool available to the humans to alter decisively the direction of their lives. In the modern world, the comprehensive and total development of the human capital of any country is the surest way of setting the "knowledge economy." Consequently, to analyze the mechanism for financing education to enable Nigeria to meet the millennium development goals, at least, should be regarded as a very important undertaking. This particular point is being stressed because there is sufficient evidence to argue that the underdevelopment of Nigeria cannot be totally separated from the lackluster attention this sector of the economy has had to endure overtime. The rest of the paper is structured as follows: the next section takes a further look at the role of education with a brief on its development in Nigeria. This will be followed by an analysis of the pattern of expenditure, especially in the recent past. The intention here is to see how the observable trends could provide the basis upon which to project future expenditure patterns. The succeeding section shall look at the targets for achievement set for the MDGs, to underscore whether or not education has been given its pride of place in the MDGs' scheme, in the first place and also given the extreme importance of education that a preceding section would have analyzed. The final section shall conclude the discussions.

EDUCATION: ITS DEVELOPMENT AND ROLE IN THE NIGERIAN CONTEXT

The mission of education anywhere is the same. It is a process dedicated to enlightenment and the progressive development of a people. It could also be seen as a process by which the intellectual accomplishments or resources of any community or a civilization is transmitted and/or transferred from one generation to another. In other words, it is through education that knowledge is transferred from one generation to another and/or from one place to another. For this process to be accomplished there is a need to have an educational system, wherein schools and other formal structures are set

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up to enable beneficiaries to have or go through the same life and instructional experience. It is not only schools that are set up for this purpose; the informal form of education (which is pristine and still has a pride of place in how we bring up children and/or transmit non formalized cultural traits from one generation to another) should not be discounted when education broadly is being discussed. But the point also has to be made that within the school system, there are gradations that make one level of schooling serve as a springboard for the other. A schooling system can therefore be likened to a conveyor belt in a factory system, which, after selection in the case of the schooling system, conveys those suitable enough to go to the next level (i.e., those qualified by the extant guidelines are permitted to transit from one level to another). Thus, in the schooling system, we have the pre-primary, primary, secondary, and post-secondary (also known as the tertiary) schooling sub-systems. Still on the role of education, it could be stated that it is an instrument for the upward social mobilization of a group or a community. (We shall say more on this shortly.) It must at this juncture be emphasized that there is no community without an educational system; it is just that systems may differ from one entity to another. The level of sophistication may also differ from one community to another. A variety of factors may be responsible for the noticeable differences. Among these, we have the history of the particular educational system; the level of funding as well as the level of the technological and/or the industrial sophistication of the community in question. For instance, Nigeria's educational system is less sophisticated than, say, that of Japan, or the United States, as well as the systems that operate in a number of the European Union (EU) countries. The amount of stability is also an index of or pointer to the degree of difference that could be observed across systems. The Nigerian system was certainly one that was devoid of stability in the late 80's and 90's. Despite its shoddiness, the Nigerian educational system is most probably better off (in terms of breadth and complexity) than in a number of countries in sub-Saharan African countries. For example, in terms of number with respect to higher education sector, alone, Nigeria has more universities (74 currently) than each African country. Figures for the other components of the higher education sector also show high magnitudes. For example, there are no less than 60 polytechnics; 66 colleges of education; and 37 colleges of agriculture in Nigeria in 2001 when a rigorous study was carried out.[1]

Modern western education is one of the outcomes of colonial subjugation of Nigeria. Of course, the colonial authorities introduced the type of educational system that would meet its basic needs of training operatives for the smooth running of the colonial system. Hence, the education given was not more than the three "R's," (meaning "Arithmetic," "Reading," and "Writing.") These subjects were to essentially produce those with skills for interpreting and recording the economic and political intentions of the colonial masters. In short, they were to man the colonial administrative machinery and ensure effective as well as efficient control of the colony. This would, to a very large extent, explain the lack of enthusiasm on the part of the colonialists. We can also note the historically minimal

[1]See Nuhu Yaqub, "Higher Education in Nigeria in Perspective," in Social Science Academy of Nigeria, *Paths to the Sustainability of Higher Education in Nigeria: Proceedings of the 12th General Assembly of the Social Science Academy of Nigeria*, July 3-7, 2001, p.19.

expenditure on education through much of colonialism, as a further evidence of this lack of keenness on the part of the colonial authorities. As a matter of fact, the bulk of the expenditure for the running of the schools were borne by the missionaries who were mainly the managers of the schools and the early shapers of the what loosely could be regarded as the educational policies then.[2] Of course, exception could be cited with respect to the occasional grants-in-aid that the colonial authorities doled out to them in the annual budgetary provisions[3]. Consequently, apart from the Yaba Higher College in Lagos and the University College of Ibadan, the colonial authorities only possessed a few secondary schools and were patently absent in the provisions of primary or pre-primary schooling system. Their involvement was mainly in the area of grant disbursement, which was mainly in the former sub-sector.

As stated briefly earlier regarding the role of education, it could be mentioned that colonial education also led to an unintended consequence: in this one important respect, some of the few Nigerians who had access to it turned out to be not only the grave diggers of the colonial system, but also had a head-start *vis-à-vis* their compatriots. Thus, some of them who had the privilege of acquiring higher education and who also had some exposures in the colonial metropolis as well as in the other advanced western countries, came back to engage in the anti-colonial struggles and eventually emerged as the post-independence leaders of the country. Education, thus, is a veritable instrument for social change as well as for upward mobility. In particular, an education system that is well funded and well structured and focused can lead to the removal of beneficiaries from the throes of poverty, ignorance, and disease, which the troika of the aims to be accomplished by the Millennium Development Goals. We shall shortly come to look at the Goals, but, in the mean time, we need to take a look at the patterns of expenditure in the education sector in recent times.

PATTERNS OF EXPENDITURE IN EDUCATION IN THE RECENT PAST

The phrase "patterns of expenditure" is used to imply also funding of education. When either is used in respect of education, it is largely in the sense in which the public sector disburses resources to this sector. This is somewhat the correct perception of the phrase, in the sense that education is understood to be a social service and government is expected to take the lion share if not the total expenditure that is required for its promotion. In this paper, funding or financing education should also be understood in a much broader sense to the extent that we can underscore also, even if briefly, the private sector contribution to it. Be that as it may, it must also be emphasized that figures from the sector are indeed very scanty, that is, if at all they are available and/or can be accessed. The basic problem about private component of educational funding inheres in the complexity of conceptualizing the dense crowd that occupies the private realm, particularly in the reforms regime currently in place. For instance, how can we get what the individual spends on their ward's education or what a particular ethnic community would spend on running its community school or what is the amount that some organized groups such as the churches, the mosques as well as the organized private sector

[2]The active missionary engagements in the educational sector should however be contextualized: they largely used the schooling system for evangelization and the continued colonialization of Nigeria. It was not that they were also, like the colonialists, seriously inclined to providing education that would lead to the rapid development and/or liberation of the country.

[3]See, among others, A.B. Fafunwa, *History of Education in Nigeria*, London: George Allen & Unwin Ltd., 1975 Impression.

educational and cultural entrepreneurs spend on education, in aggregate? This complexity would not allow us therefore to contextualize the entire private sector spending on education. Thus, our focus shall be on public spending. This is what we proceed to do in the following paragraphs, starting with the table.

Table 1: Total Expenditure on Education, 1981 – 2004

Year	Total Expenditure on Education (=N= Million)	Total Government Expenditure (=N= Million)	GDP at 1984 Factor Price (=N= Million)	Expenditure on Education as a Ratio of Total Govt. Expenditure (%)
1981	930.0	21,238.8	70,395.9	4.4
1982	924.2	15,368.2	70,157.0	6.0
1983	956.0	11,525.0	66,389.5	8.3
1984	745.5	11,686.4	63,006.4	6.4
1985	823.4	7,215.3	68,916.3	11.4
1986	875.2	16,773.7	71,075.9	5.2
1987	448.7	22,018.7	70,741.4	2.0
1988	1,786.7	27,749.5	77,752.5	6.4
1989	3,399.3	41,028.3	83,495.2	8.3
1990	3819.7	60,268.2	90,342.1	6.3
1991	1,553.3	66,584.4	94,614.1	2.3
1992	2,414.2	39,763.3	97,431.1	6.1
1993	7,029.7	97,079.4	100,015.2	7.2
1994	5,654.3	120,462.9	101,330.0	4.7
1995	12,172.8	121,138.3	103,510,0	10.0
1996	14,882.7	337,217.6	107,020.0	4.4
1997	16,791.3	428,215.2	110,400.0	3.9
1998	23,668.1	487,113.4	113,000.0	9.6
1999	27,713.5	947,690.0	116,100.0	11.1
2000	56,568.2	701,059.4	329,170.0(b)	8.7
2001	62,567.1	1,018,025.6	344,310.0(b)	7.0
2002	69,033.8	1,306,032.0	356,280.0(b)	7.9
2003	N.A.	1,225,956.8	392,760.0(b)	N.A.
2004	N.A.	1,377,341.0(a)	416,720.0(a & b)	N.A.

Sources: Ade O. Adenuga, "Educational Expenditure and Performance in Nigeria (1970-2000), The Nigerian Economic Society, *Human Resource Development in Africa*, *Selected Papers for the 2002 Annual Conference*, pp.218-219; and Central Bank of Nigeria, *Annual Report & Statement of Records*, Several Years.

Notes:

(a) Provisional
(b) At the 1990 Constant Basic Prices
(c) N.A. = Not Available

From the table, particularly if one takes a look at the fifth column, the pattern of expenditure has been notoriously and consistently low. This is especially the case from 1981 up to date. The expenditure levels of 1985, 1995 and 1999, when the ratios hit double-digit figures (11.4%, 10.0%, and 11.1%, respectively), should not be seen as improvements, even if they could be referred to as a flash in the pan. Indeed, they did not really represent any significant expenditure appropriated for the education sector, as they were more likely to be substantially utilized in the payment of the emoluments of the staff in the various organs within the Ministry of Education. More significantly, the ratios are very much below what the United Nations Educational, Scientific, and Cultural Organization (UNESCO) have recommended to nations as the minimum of expenditure annually in the educational sector. This minimum is not expected to be less than 26% of annual budget. The dismal picture painted by the table above is even more appalling if the issue of financing education is placed within the context of the demands and requirements of the Millennium Development Goals (MDGs). To look closely at what the MDGs are and what has been recommended to the Third World countries, in particular, is what the next section is devoted to.

MILLENNIUM DEVELOPMENT GOALS[4]

There are eight principles contained in the MDGs. These are (i) to eradicate extreme poverty and hunger; (ii) to achieve universal primary education; (iii) to promote gender equality and empower women; (iv) to reduce child mortality; (v) to improve maternal health; (vi) to combat HIV/AIDS, malaria and other diseases; (vii) to ensure environmental sustainability; and (viii) to develop a global partnership for development. The MDGs are supposed to have emanated from the Millennium Declaration of 2000, and was "adopted at the largest-ever gathering of heads of state… [binding world] leaders [both of the rich and poor countries]…to work together to meet concrete targets for advancing development and reducing poverty by 2015 or earlier."[5] Each of the afore-mentioned principles also has one, two or many accompanying targets, in terms of specifics and time frames. There are also 48 indicators (Ohiorhenuan, 2002/2003:6). Perhaps it may make for better appreciation if we can put at least the goals and their targets in a tabular form.

[4]This section of the paper draws extensively from an earlier work entitled: "The Millennium Development Goals and the Sustainability of Nigeria's Foreign Policy in the Twenty-First Century," in Bola A. Akinterinwa, ed., *Nigeria's New Foreign Policy Thrust: Essays in Honour of Ambassador Oluyemi Adeniji, CON, at 70,* Ibadan: Vantage Publishers, 2004, pp.95-133.
[5]United Nations Development Programme, *UNDP Website*, No Date. p.1; and -----------------------, *Document on Education & Gender MDGs in Nigeria*, No Date.

TABLE 2: THE MILLENNIUM DEVELOPMENT GOALS AND THEIR TARGETS

Serial Number	Millennium Development Goals	Targets
1	To eradicate extreme poverty and hunger	Target 1 : To halve, between 1990 and 2015, the proportion of people whose incomes is less than $1 a day. Target 2 : To halve, between 1990 and 2015, the proportion of people who suffer from hunger.
2	To achieve universal primary education	Target 3 : To ensure that, by 2015, children everywhere, boys and girls alik e, will be able to complete a full course of primary schooling.
3	To promote gender equality and empower women	Target 4 : To eliminate gender disparity in primary and secondary education, preferably by 2005 and in all levels of education not later than 2015.
4	To reduce child mortality	Target 5 : To reduce by two - thirds, between 1990 and 2015, the under - five mortality rate.
5	To improve maternal health	Target 6 : To reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.
6	To combat HIV/AIDS, malaria and other diseases	Target 7 : To halt by 2015 and to begin to reverse the spread of HIV/AIDS. Target 8 : To halt by 2015 and to begin to reverse the incidence of malaria and other diseases

7	To ensure environmental sustainability	Target 9 : To integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources. Target 10 : To halve by 2015 the proportion of people without sustainable access to safe drinking water. Target 11: To achieve by 2020 a significant improvement in the lives of at least 100 million slum dwellers.
8	To develop a global partnership for development	Target 12: To develop further an open, rule-based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction – both nationally and internationally). Target 13 : To address the special needs of the least developed countries (includes tariff - and quota - free access for exports, enhanced program of debt relief for and cancellation of official bilateral debt, and more generous official development assistance for countries committed to poverty reduction).

		Target 14 : To address the special needs of landlocked countries and small is land developing states (through the Program of Action for Sustainable Development of Small Island Developing States and 22nd General Assembly provisions). Target 15 : To deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. Target 16 : To develop, in cooperation with developing countries, and implement strategies for decent and productive work for youth. Target 17 : To provide, in cooperation with pharmaceutical companies, access to affordable essential drugs in developing countries. Target 18 : To make available, in cooperation with the private sector, the benefits of new technologies, especially information and communications technologies.

Source: Adapted by author from United Nations Development Programme, *Human Development Report 2003*, New York and Oxford: Oxford University Press, 2003:1-3.

From this table, only goals two and three, viz., "to achieve universal primary education;" and "to promote gender equality," are pertinent to the discourse of whether or not the manner of financing of education in Nigeria can facilitate or mar the attainment of the MDGs. These two MDGs are not only the ones that pertain to education, but because they are precisely so, they are the key to the attainment of the other goals, be they the issues of the eradication of poverty, tackling the highly dreaded HIV/AIDS pandemic, eradicating under-5 infant as well as maternal mortalities, ensuring sustainable environment, and developing global partnership for development. With respect to the two isolated goals above, there is the need to see how (to what extent) as well as whether or not the targets are being fulfilled, given that certain time frames are being or have been transcended. In the case of MDG three, the target is "to ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling."

The operative phrase here is the completion of "a full course of primary schooling." It is good enough that the government's programme of the Universal Basic Education" (UBE) has come up with a policy thrust that stipulates that there shall be compulsory nine-year of primary and junior secondary schooling system. What this means is that, all things being equal, there shall be 100% transition rate to the junior secondary school. This will, in turn, ensure that the target "of a full course of primary schooling" shall be achieved by 2015, *only for those who enroll in the first instance*. This is however one aspect of the problem. The other one is the extent to which those eligible to enter primary schools actually gain such enrolment. According to the Central Bank of Nigeria [2004:165], enrolments into primary schools throughout the country are as follows: in 2000, 24,895,446; in 2001, 27,384,991; in 2002, 29,575,790; in 2003, 26,292,370; and in 2004, the figure was provisionally put at 28,144,967. Given an estimated population of 120 million, the figures of a little over one-sixth (of the country's population) in primary school enrolment are likely to be an understatement of those who are of primary school age that are not yet there. This is aside from the fact that the figures for 2003 and 2004 are declining trends from the height of 2002. Inadequate funding of education generally may not be the only problem. There is the cultural dynamic to it. What do you do with a parent who (probably a petty trader, a farmer, an artisan, etc.), who believes that it is better for the ward to assist them in their professional line, rather than going to school that is largely under-funded and unaffordable? It would appear that if the objective of getting every primary school age pupil in school as and when due, the UBE programme should not only make this aspect of schooling compulsory as the policy thrust may seem to suggest, but should be made free up to the end of the junior secondary school.

With regard to the third objective, i.e., promoting gender equality and, furthermore, empowering women, the target is to "eliminate gender disparity in primary and secondary education, preferably by 2005 and in all levels of education not later than 2015." Available statistics are as shown in the table below.

Table 3: Enrolment Figures in All Sectors of the Educational System, 2000 – 2004

Sub-Sector	2000	2001	2002	2003	2004(a)
No. of Enrolment at School					
(i) primary	24,895,446	27,384,991	29,575,790	26,292,370	28,144,967
(ii) secondary	6,359,449	6,995,394	7,485,072	7,091,376	6,745,186
(iii) tertiary	1,032,873	1,136,160	1,249,776	1,274,772	417,281
Percentage of Females in Educational Institutions					
(i) primary	49.0	51.0	51.0	53.0	53.0
(ii) secondary	46.0	47.0	48.0	43.0	43.0
(iii) tertiary	45.0	45.0	45.0	43.0	43.0

Source: Central Bank of Nigeria, *Annual Report and Statement of Accounts,* 31st December 2004, p.165.

Note:
(A) Provisional

The table above has brought into bold relief the problem of gender disparity that is likely to be entrenched as the millennium or the target dates roll by. For instance, in all the years shown, enrolment for women progressively declines from the commendable heights at the primary school level to the disappointing levels at both the secondary and tertiary levels. Without doubt, there is a need to redress the noticeable declines, which are unfavourable to the female gender. The implications of not redressing the declines inhere in our inability to achieve the third goal of promoting gender equality as well as empowering the women. This is going to be the case as the women shall always be left as the dregs of the society where demeaning jobs that are accompanied by less pay, shall always be their lot. Their situation shall be less edifying as it shall continue to be entrenched and replicated in all spheres of human endeavour. Consequent upon this, it is necessary that whatever “affirmative action,” should be put in place to ensure that the positive and emerging trend from the primary school is not lost. In this respect, government should embark on building more secondary schools for the female students. Even at the tertiary level, nothing should stop government from establishing all female universities. These measures are likely going to redress the gender imbalance currently being experienced.

Apart from the gender issue raised above, it is observed that the MDGs as roadmaps for the development particularly of the developing countries have not given prominence to education as it should have been the case. Apart from the second and third objectives of the MDGs to which specific references on education generally have been made, the other goals and their targets have been notoriously silent about the role tertiary education, in particular, can play towards the attainment of all the goals as well as the targets of the MDGs. This point has to be stressed because, despite the obvious and self-defined importance of education, the non-articulation and non-inclusion in the other goals as well as their targets is likely to lead to a number of countries, including Nigeria, assuming that this social service does not deserve its prime pride of place among the preoccupations that states are to undertake. It is therefore very pertinent to stress the need to spend a lot of money on education to guarantee that either currently or in the near future there are sufficient manpower resources trained for the country and imbued with high patriotic feelings to want to, for instance, tackle environmental degradation, to combat the scourge of HIV/AIDS and/or to acquire the necessary skills to engage the development partners appropriately in regard to the development of their countries. It is rather naïve to think, argue, and act in the self-delusion that education is an expensive venture. One does not know whether or not those who think in this manner have ever pondered the huge costliness of ignorance and the irredeemable opportunity cost of its continued existence.

CONCLUDING REMARKS

The paper has been concerned with the issue of financing education in order to meet the millennium development goals (MDGs) in Nigeria. The paper approached the subject matter historically, i.e., looking at the development of education from colonialism to date. It was found out that the pattern of under-funding that characterized the colonial era has continued more or less unabatedly. This was particularly made clear by the level of funding in the contemporary times, i.e., in the new millennium, when the huge benefits of education to a “knowledge economy” cannot be underestimated. We therefore call for more and adequate funding in the educational sector. The country should make education the most important single item in the annual budget, by ensuring that nothing less than 26% of the annual budget is set aside or disbursed. After such a broad pre-occupation is achieved, we would also like to recommend that special attention is given to the female gender in terms of the opportunities that may have to be made for it. Such opportunities should be multiplied a number of times or ways by setting up more secondary schools as well as specifically building female gender-oriented universities, technical and teacher colleges. It is often said that if you want to develop an individual, then, you educate a man; but, if you want to educate a community or a nation, it is desired to educate a woman. The women are the torch-bearers of societies and since the MDGs are about the wholesome development of societies, it is only logical that the women who are the ones to also be their (MDGs) torch-bearers should be given the opportunity to be on the drivers' seat.

Dr. M. A. Olaitan

POVERTY REDUCTION THROUGH MICRO-FINANCING: THE CASE OF PAKISTAN

By
Dr. M. A. Olaitan[1]

1.0 INTRODUCTION

Poverty is a widespread social phenomenon affecting 2.8 billion people. More than half the population of the people in developing countries still live on less than $2 a day. Over 1.1 billion of these live on less than $1 a day (World Bank 2004). The international community's commitment to the reduction of poverty led to the declaration of Millennium Development Goals (MDGs) in year 2000 in order to cut poverty to half by 2015. The MDGs focuses on reducing by halve the proportion of people living on less than $1 a day and those who suffer from hunger. Thus development strategy in recent times is driven by the achievement of MDGs of nutrition, education, health, gender equity, productive employment and environment. In absolute terms, the number of poor people has risen in Africa, Latin America, the Caribbean, and Central Asia. In Sub-Saharan Africa alone the number of people in extreme poverty rose to almost 320 million, a quarter of the global total (World Bank 2005). The challenge therefore is immense for the global community in general and Nigeria in particular. To remedy the situation in Pakistan, the government had put in place a robust poverty alleviation strategy which could be adopted by other countries.

This paper provides an overview on poverty reduction using microfinancing as a strategy and draws on the efforts of the State Republic of Pakistan for policy recommendations. After the introduction, the conceptual issues on poverty were reviewed in the second section followed by the role of micro-finance in poverty reduction in third section. In the fourth, incidence of poverty in Pakistan was reviewed. Section five highlights strategies to reduce poverty using micro-financing in Pakistan, while section six examines some lessons for Nigeria on Pakistan's approach. Section seven concludes. The paper is concluded in section.

2.0 CONCEPTUAL ISSUES OF POVERTY

2.1 DEFINITION OF POVERTY

Despite the fact that most people are familiar with the term poverty, and its numerous definitions, the understanding of the concept is extremely complicated. Brener (2001) identified three ways by which poverty had been defined. These are: (a) commodity based notion of poverty (also referred to as income poverty); (b) poverty evaluated in terms of achievement of human capabilities (this include the ability to read and write, have long and healthy life, participate meaningfully in civic life of a community, and freedom of movement) This is mostly associated with the work of Nobel laureate Amartya Sen; and (c) social deprivation approach (an individual's poverty status is determined by using some absolute measure). The report

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of 24 studies sponsored by United Nations Development Programme (UNDP) in 11 selected countries revealed how varied the definition and measurement of poverty in developing countries could be (May 2001).

In the *Oxford Advanced Learners' Dictionary,* poverty is defined as the state of being poor and "a lack of some thing". According to The World Bank (1990), poverty is 'inability to attain a minimal standard of living' measured in terms of basic consumption needs or income required to satisfying them. The National Commission for Poverty Alleviation (NCPA, 1998) of the Palestinian National Authority in defining poverty took cognizance of the multidimensional nature of poverty. In doing so, it noted that poverty had material, mental, political, and communal as well as other dimensions. NCPA therefore concluded that, the material dimensions of poverty expressed in monetary values was critical and therefore cannot be neglected. In a study conducted in Uganda, poverty was defined as lack of asset by men, while women defined it in terms of consumption and ability to provide for the family (UNDP 1999).

Other common terms associated with poverty are ultrapoor (Lipton 1996), core poor, poorest of the poor, destitute (Kozel 1999), highly dependent poor (Wood 2000), declining poor (Hulme, Moore, and Shepherd (2001), absolute poverty or hardcore poor (CGAP 2003). In the light of the foregoing, poverty generally relates to financial insecurity, lack of productive asset, vulnerability, capabilities and social exclusion. As such, the poor have been defined as people who do not have enough resources to meet their basic needs for healthy living. They are also thought of in terms of relative deprivation. The poor could also be people with little or no access to income and wealth in their society.

2.2 POVERTY MEASUREMENT

The poor are a heterogeneous group, comprising people with different kinds of deprivations and vulnerabilities. Some of the conceptual issues of poverty relate to what to include in its measurement. Boltivinik (1998) posited that for the concept of poverty to be useful in its definitional dimensions, "it has to be restricted to those human needs whose satisfaction depends on economic conditions". Otherwise, poverty could be confused with other dimensions of human suffering or human disadvantage. In examining poverty and chronic poverty dynamics in West Africa, Oduro and Aryee (2003) revealed its multidimensionality and explained why it persists overtime. The main findings of the study were that: (a) incidence of poverty was highest in rural areas; (b) pockets of extreme poverty can be found in urban areas; (c) there is unequal distribution of access to basic services; (d) low agricultural productivity and inability to accumulate capital and other assets by households; and (e) women farmers are disadvantaged in terms of access to information and innovation because they do not tend to be targeted by extension agents.

Due to the complexities in defining the incidence of poverty different measurement techniques have emerged overtime. Some of these include (i) basic needs approach and (ii) unsatisfied basic need method (Boltvinik 1998); (iii) vulnerability and poverty assessment, (iv) mapping of living conditions, and (v) participatory poverty assessment (May 2001); (vi) money-metric approaches (measures deficiencies such as lack of income, expenditure or consumption), and (vii) participatory assessments (Brener 2001). The World Bank (1993), noted that "any poverty-cut-off will reflect some degree of arbitrariness due to the subjectivity of how poverty is defined". It is against this backdrop that current approaches to poverty measurement use the standard of living and development, which is a multidimensional approach. An example is the UNDP's Human Development Index (HDI), a composite indicator, introduced in 1990. The HDI measures three basic dimensions of poverty, namely longevity, education attainment and standard of living.

2.3 STRATEGIES FOR POVERTY REDUCTION

The objective of economic policy should be pro-poor growth. As such efforts to reduce it must be multi-faceted and should involve different disciplines, since it is multidimensional. One of the fastest means of reducing poverty is to create productive assets through gainful employment, especially in the agricultural and micro businesses sector. Investments in human capital through capacity building and physical infrastructure are also vital for any poverty reduction strategy to be successful. In view of the fact that certain micro enterprises find it difficult to obtain funds because banks prefer to lend to large and well established enterprises, increase in access of this segment to credit is a necessary requirement for improvement in investment opportunities which would lead to higher growth.

3.0 ROLE OF MICRO-FINANCE IN POVERTY REDUCTION

Access to Micro-Finance is very important because it enables the poor to create, own and accumulate assets and smooth consumption (Rutherland 2000). The United Nations Secretary General Kofi Annan, (2005) observed that "sustainable access to micro-finance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make choices that best serve their needs." In the same vein, the United Nations Capital Development Fund suggested that one of the principles for poverty reduction efforts to have a lasting impact is developing financial systems that include micro-finance so that poor and low income people have access to sustainable financial services.

Micro-finance involves "the provision of credit, savings repositories and other financial services to low income earners or poor households to create or expand their economic activities to improve their standard of living" (Olaitan 2001). Micro-finance services, according to Canadian International Development Agency (2005) include "the provision of very small loans for micro-enterprise, agriculture, educational and consumption purposes as well as savings facilities and other financial products such as insurance services, housing and pension funds." Micro-finance has been successful in opening economic opportunities for the poor, increasing access to resources and contributing to their confidence and well-being (Khandker 1998). Micro-finance is unique among development interventions because it can deliver benefits to the poor on a large scale and permanent basis. Micro-finance institutions that are well managed had provided financial services to the poor on a sustainable way with or without donor support. In addition micro-finance allows the poor to protect, diversify, and increase their sources of income, the essential path out of poverty and hunger. The ability to borrow a small amount of money to take advantage of business opportunities, to pay school fees, or to bridge cash-flow gap can be a first step in breaking the cycle of poverty (Littlefield, Morduch, and Hasheni 2003).

Micro-finance provided to women could cause a shift in the values and expectations that affects their roles in society. A study conducted in a project aided by International Fund for Agricultural Development (2004) in Bangladesh revealed that "women involved in micro-finance not only changed the way they manage household income, they also change their roles and the roles of others in their families and communities". It was also observed that clients who participated in micro-finance programmes on a continuing basis eventually had better returns than non-clients. Access to credit has given the poor people the means to increase and diversify their productive activities. It was also equally revealed that Strategic focus on the two pillars for poverty reduction; empowering people and investment climate (World Bank 2004)

4.0 INCIDENCE OF POVERTY IN PAKISTAN

More than 33 percent of Pakistan's population of 132 million people lives below poverty line. Lack of access to affordable financial services was identified as one of the reasons for incidence of poverty in Pakistan. The banks and other institutional sources which could have remedied the situation had outreach of less than 5 percent of the potential market of nearly 6.5 million households requiring financial services. Aziz (2000) observed that "the micro-finance sector in Pakistan is characterized by a narrow institutional base, limited retail capacity and little, if any, financial integration". He added that, commercial banks are generally not structured to extend their micro-finance exposure beyond experimental forays, while development finance institutions (DFIs) do not target the poor that lacked productive assets. Furthermore services provided through informal sources tend to perpetuate rather than ameliorate poverty. There was a significant demand supply gap for financial services, compounded by limited out reach of MFIs.

Women and other marginalised sections had limited access to Micro-Finance services. The micro-finance sector is therefore considered not only critical but also integral to the poverty reduction efforts of the Government of Pakistan (GoP). Hence government implemented pro-poor financial system aimed at reducing the rising incidence of poverty through improved outreach and sustainability.

5.0 MICROFINANCING AS STRATEGY FOR POVERTY REDUCTION IN PAKISTAN

The strategy adopted by the GoP is to systematically broaden and deepen the micro-finance sector. The strategy could be broadly categorized into three: (1) *Policy, (2) Institution/ programmes, and (3) Endowment Funds*.

5.1 *Policy level:* The State Bank of Pakistan as the apex regulatory body provides proactive and supportive policies to Micro-Finance banks. In order to create a conducive policy environment and mainstream the micro-finance institutions (MFIs) the Micro-Finance Ordinance (MFO) 2001 was issued after consultation and consensus of the stakeholders in the micro-finance industry. Some of the issues covered in the MFO inter alia: application for a micro-finance bank (MFB), definition and categorisation of MFBs, ownership structure, functions and powers, capital requirements, audit and disclosure requirements, regulatory powers of SBP, and winding-up procedures. Three types of MFBs/MFIs could be established under the MFO, namely (i) District based MFIs with a minimum capital of Rs 100million (US$2m); (ii) Province based MFIs- minimum capital of Rs.250million. (US$5m); and (iii) Country-wide MFIs- minimum capital of Rs.500million (US$10m). The policy also allowed *mobile banking* for MFIs (to help minimise cost of setting up a full fledge branch) and *transformation of NGOs/Rural Support Programmes (RSPs)* into *MFBs*. There was also self-regulation of NGO-MFIs through their representative network the Pakistan Micro-finance Network (PMN). The financial infrastructure also included the establishment of a credit bureau (which covered loans for micro-enterprises) and *Microfinance Consultative Committee* (the highest policy making organ for MF) in Pakistan.

5.2 *Institutions/ Programmes:* Some of the institutions/programmes implemented by the GoP were:

(i) Krushali Bank (a micro-finance bank)*:* was set up, owned by 3 public organizations, 11 private sector banks, and 2 international banks to enhance the implementation of the MFO and encourage public-private sector partnership in poverty reduction.

(ii) Rural Finance Sector Development Program (RFSDP) was also implemented with the objectives of : (a) creating a favourable policy environment for the rural finance sector, (b) restructuring of agricultural bank, establishment of Rural Finance Resource Centre (RFRC), and (c) reviewing the existing cooperatives structure and initiating Credit Union Plan.

(iii) National Rural Support Programme (NRSP): was started to mobilize people through social guidance. NRSP identified micro investment opportunities at the household, group and village level and prepared plans for its execution if it met the prioritised needs of the community among others. NRSP linked the community organisations with a number of service delivery agencies. For harnessing people's potential, NRSP used the micro investments plans (MIP) as the basis for determining the kinds of interventions that were required to reduce poverty. Each community organisation member prepared an MIP, indicating the kinds of activity he or she would like to be engaged in order to improve his or her economic activity.

(iv) Urban Poverty Alleviation Program (UPAP) a subsidiary of the NRSP was initiated to improve the quality of life of the disadvantaged and low income people living in urban areas focusing on women, but not excluding men. It was also started to develop a self-financing indigenous model to provide micro credit service to the poor living in urban areas of Pakistan.

5.3 Endowment Funds: Social safety nets funds were introduced by GoP for the hardcore poor to deepen the outreach of its micro-finance programs These were:

(i) *Rural Finance Sector Development Program* (RFSDP) a New Bank Fund (NBF) was established to give soft loans to new MFIs for institutional strengthening, and products and process innovation.

(ii) *Pakistan Poverty Alleviation Fund* (PPAF) was also set up as an innovative model of public/private sector partnership sponsored by the Government of Pakistan (GoP) and funded by the World Bank to enhance the availability of resources and services to the poor to address the problem of poverty at grass root levels. PPAF had US$100million subscribed to by the World Bank (90%) and Government of Pakistan (10%). In line with the objectives of PPAF, its resource base was allocated as follows: (a) Credit & Enterprise Development - US$ 45 m; (b) Community Physical Infrastructure - US$ 28 m; and (c) Capacity Building - US$ 17 m (a and b are credit lines, while b is for grant purposes). GoP's 10% contribution is used for operational costs. PPAF provides three main financial assistance: (a) credit for expansion of poverty targeted micro-credit programs; (b) grants and loans for community physical infrastructure on a cost sharing basis; and (c) grants to strengthen and build the institutional capacity of partner organisations and communities. The PPAF provided funding for community physical infrastructure component with the usual micro credit and capacity building components. This was a holistic approach to development. The small community development projects were for the improvement of the economic, social and marketing infrastructure of clients. PPAF strategic policies included a two pronged approach: (1) support to those partner organisations which had existing capacity or potential to absorb PPAF funding and (2) to simultaneously broaden the base of smaller institutions, by building up their capacities. It also adopted integrated area development strategy to actualise its programs, which encompassed a community managed infrastructure development programme, micro credit, health and education of two of its partner organisations: National Rural Support Programme (NRSP) and Human Development Forum (HDF). NRSP took the responsibility for infrastructure and micro-credit. While HDF helped in the establishment and management of health and education facilities.

6.0 SOME LESSONS FOR NIGERIA

Nigeria and Pakistan's population are almost the same. Nigeria's population is projected to be about 135.6 million people (World Bank 2005). Pakistan has a population of 132 million people. Nigeria and Pakistan had the same life expectancy in the 1970s, in the 1990s Nigeria had retrogressed. The number of people living below the poverty line in Nigeria as at 1999 was 70 percent of the population (NPC/NEEDS 2004), while the number of people living below poverty line in Pakistan is 33 percent (Aziz 2000). On the human poverty index Nigeria was ranked 151st country, while Pakistan ranked 142nd out 177 countries. Comparison of each country's progress towards the achievement of MDGs also revealed that Pakistan had made tremendous progress than Nigeria on most indicators (table 1). In year 200, before the implementation of the Micro Finance Ordinance (MFO) in 2001, Pakistan was ranked 138th country on the Human Development Index (HDI), while Nigeria was ranked 148th country on the HDI. By 2005, after about five years of the implementation of the MFO, Pakistan had moved to 135th country on the HDI, while Nigeria retrogressed to be the 158th country on the HDI. This is inspite of the country's vast wealth and plethora of poverty related programmers and schemes implemented by both the state and federal governments to reduce poverty in Nigeria. The above is indicative of more of efforts by the Government of Nigeria to reduce poverty through such programmes and institutions as Operation Feed the Nation (OFN), Green Revolution, Agricultural Development Programmes (ADP), National Agricultural Land Development Authority (NALDA), Strategic Grains Reserve, National Directorate of Employment (NDE), Vocational Skills Development Programme, Special Public Works Programme, Small Scale Enterprises Programme, the Directorate of Food, Roads and Rural Infrastructure, Better Life Programme, Family Economic Advancement Programme (FEAP), Health Care Scheme, Universal Basic Education and National Poverty Eradication Programme (NAPEP).

The Government of Pakistan had initiated various focused pro-poor programmes to alleviate poverty. There were also deliberate and comprehensive institutional arrangements for collaboration and linkages among public sector institutions, private sector organisations, formal banking sector, local communities, NGOs and donor agencies to bring about micro-finance sector development. Adequate incentives were provided to drive the process. The approach adopted by the GoP had also revealed that enabling policy and viable institutional arrangements matters a lot for micro-finance to thrive and poverty alleviation programmes to be successful. As indicated above the first step taken by the GoP was the implementation of the Micro Finance Ordinance of 2001 which was to develop a pro-poor financial system to address the wide spread lack of access to affordable micro-finance. The policy focus on sustainable micro-finance with encouragement of the private sector's participa-tion in the micro-finance sector for flexibility and innovation.

The importance of working through local institutions, encouraging local participation, mobilizing local communities to identify their priorities and co-financing of small scale local projects which makes them take ownership of their life was demonstrated. The development of the Micro-Finance sub-sector was used by GoP as a pivot for employment generation and creation of productive assets. For instance, the Pakistan Poverty Alleviation Fund (PPAF) provided wholesale fund for micro-finance banks. The Federal Government could also use the same strategy by setting up a 'Micro-Finance Development Fund' and 'Rural Infrastructural Development Fund' to provide necessary fillip for the Micro-Finance sector and provision of rural infra structure.

Pakistan has a large informal sector like Nigeria. The GoP had implemented sustainable policies that caters for low income group and the poor which should be adopted by the Federal Government of Nigeria, with the CBN playing the lead role in the development of micro-finance sub-sector. Social safety nets programmes should also be introduced for the poor who are excluded from the formal banking sector to deepen the outreach of micro-finance. The Micro-finance Policy, Regulatory and Supervisory Frame-work recently launched by the Central Bank of Nigeria (CBN) is commendable since it is crucial for tackling the enigmatic problem of poverty eradication in Nigeria. To give effect to the Micro-finance Policy, the Federal Government and the CBN should expeditiously put in place innovative road map for the development of the micro-finance sub-sector that combines the development of a range of institutions involving both public and private sector to systematically and comprehensively address the factors that have restricted the flow of micro-finance services to the vast majority of the un-banked population, especially the poor and low income earners.

7. CONCLUSION

The development of appropriate policy and strategies for poverty reduction and improvement in livelihoods of the people, especially the poor, require a good understanding of the nature and dimension of poverty. Reduction of poverty should therefore be central to the development strategy of Nigeria and not to be viewed as social issue to be solved by small intermittent interventions. Since poverty is multidimensional, efforts at reducing it must be multi-faceted and should involve different disciplines, while the primary objective of economic policy should be pro-poor growth. The government should promote the development of Micro-Finance sector through prerequisite policy, provision of inducements, and institutional framework that fosters linkages.

TABLE I

COMPARISON OF NIGERIA AND PAKISTAN'S PROGRESS TOWARDS THE ACHEIVEMENT OF THE MILLENNIUM DEVELOPMENT GOALS

Country	Rank on human poverty index	Eradicate Extreme poverty & hunger			Achieve Universal primary education		Promote gender equality		Reduce child mortality		Improve maternal health		
		Share of poorest quintile in national consumption or income	Prevalence of child malnutrition under weight % of children under age 5		Primary completion male %		Ratio of female to male enrollments in primary & secondary schools %		Under five mortality rate per 1000		Maternal mortality rate per 1000 live births modeled estimates	Births attended by skilled health staff % of total	
		1990-2003	1989-1995	2000-2003	1988/89-1993/94	200/01-2003/04	1990/91	2003/03	1990	2003	2000	1990-92b	2000-03b
Nigeria	151	**4.36**	**39**	**29**	**63**	**82**	**78**	*	**235**	**198**	**800**	**31**	**35**
Pakistan	142	8.75	40	35	*	*	*	71	138	98	500	19	23

Source: World Development Indicator (The World Bank Group 2005)

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Mr. Paul N. Eluhaiwe

POVERTY REDUCTION THROUGH MICRO-FINANCING: THE CASE OF INDIA

By

Mr. Paul Nduka Eluhaiwe[1]

1. INTRODUCTION

Access to financial services has been proven to be a powerful tool to help fight poverty. The impact is greatest especially for the poor people when they have access to a broad range of financial services (such as savings, credit, insurance and remittances) with which they can invest in income generating and asset building activities, and meet basic needs such as health, education and nutrition. The ability to manage assets helps poor people to gain control of their own future, and make greater contribution to development. Internationally, micro-finance is acknowledged as one of the prime strategies to achieve the Millennium Development Goals (MDGs). Many countries have continued to employ micro-finance in their poverty alleviation strategies by setting up relevant institutions, develop appropriate human capital, advocating good practices and generally promoting an inclusive financial system.

Micro-finance is often defined as the provision of thrift, credit and other financial services and products in very small amounts to the poor to enable them to raise their income levels and improve their standard of living. This is based on the belief that the goals of micro-finance have been poverty reduction and accessibility to market. These appear to be the major contributions of micro-finance to the achievement of development objectives.

(a) Poverty reduction goal: This ensures service delivery to poor households which lack the financial resources to realize their potentials. Continuous access to affordable financial services by the poor has been demonstrated to have phenomenal impact on: employment especially self-employment, poor children's access to education, household nutritional status, female empowerment within their households and communities, access to medical services.

(b) Market goal: This is the contribution to the establishment of functional financial markets, particularly in rural areas for households that were previously without proper access to financial services.

However, the provision of micro-finance is not an end itself. Therefore, for micro-finance to bring about the well-being in the life of the people and impact positively on poverty level, it is imperative that the enabling environment has to be provided. Such would need the expansion of the financial infrastructure of a country to meet the financial requirements of the economically active poor, low-income groups and operators of micro, small and medium enterprises. Under this circumstance, an appropriate policy and regulatory framework is necessary to develop a sustainable micro-finance sector that is capable of

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attracting viable micro-finance services/ providers. It also becomes imperative to provide the basic infrastructural facilities such as water, electricity, access roads, warehousing and storage services and communication that would enhance the operation of players in the sub-sector. Micro-enterprises producers must be provided with access to ready markets for their products. Micro-finance as an intervention tool in poverty reduction requires an interplay of profound partnership between government and the private sector.

This article therefore, gives a brief account of the key issues on successful micro-finance services practice and its role in poverty alleviation in India, with a view to presenting lesson that could find applicability in Nigeria. The article is divided into six sections. Section one which is the introduction, provides the contextual issues of the article. Section two discusses the country profile, the composition of the Indian financial sector and the institutional arrangements for micro-finance services delivery in India, while section three details the strategies adopted in India for micro-finance services delivery. Section four discusses the lessons learnt from Indian micro-finance experience; section five examines the impact of micro-finance on poverty reduction in India and section six provides recommendation and concludes the article.

2.0 THE FINANCIAL SECTOR AND INSTITUTIONAL ARRANGEMENTS FOR Micro-Finance SERVICES DELIVERY IN INDIA

2.1 Country Profile

India has a land area of 3,287,263 sq. Kilometres, a population of about 1.1 billion and 153 million households. India's real GDP grew at 8.2 per cent in 2003-04 while foreign exchange reserve was about US$113billion, the sixth largest in the world. About 70 percent of the population live in the rural areas and over 30 percent of these are poor.

2.2 India Financial Sector

The financial sector comprises the Reserve Bank of India (RBI) as the apex regulatory institution with 560 banks comprising 48 commercial banks, 196 regional rural banks (RRB), 316 cooperative banks, and 5 non-bank financial centres (NBFC) and 1 rating agency. There were a total of 46,700 branches as at December, 2004. Several Non-Governmental Organisations (NGOs) providing financial services to the poor also abound in the country.

2.3. Institutional Arrangements for Micro-Finance Services Delivery in India

There are various types of institutions in India providing micro-finance (MF) services. The Self-Help Group (SHG)-bank linkage programme is the main platform for the intervention of formal banking sector (National Bank for Agriculture and Rural Development (NABARD), commercial and rural banks) in banking with the poor. The strategy which was launched in1992 and considered a major landmark in lending to the poor, involves forming and nurturing small, homogeneous and participatory self-help groups and administering the financial services to members in the form of savings, credit and or other financial services. The SHG has been accepted also as forum for many social sector interventions in India. The Reserved Bank of India (RBI) in 1994 advised the banks to considered lending to the SHGs as part of their mainstream rural credit operations. Thus SHG-Bank linkage programme was widely accepted by banks, NGOs, and various levels of government departments in India as the major supplementary credit delivery system. NABARD vision by 1998 was to provide access to one third of the rural poor through linking of one million

SHGs to banks by 2007. About 100 million poor households have gained access to formal banking services through SHG bank linkage programme and almost ninety percent (90%) of these came from the most vulnerable category- women groups.

The main institutional structures for providing micro-finance services include:

2.3.1 <u>National Bank for Agriculture and Rural Development (NABARD)</u>

The National Bank for Agriculture and Rural Development (NABARD) is a development bank that provides and regulates credit and other facilities for the promotion and development of agriculture, small industries, cottage and village industries, handicrafts, and other economic activities in the rural areas. The overall goal of NABARD is to promote integrated rural development and secure prosperity in the rural areas. As at December, 2004 the NABARD was the lead wholesale apex financing institution in India. Established on 12 July 1982, the initial paid-up capital which stood at US$2.33m at inception had increased over time to US$46.52m, contributed by Government of India (US$12.8m) and Reserve Bank of India (US$33.72m). The NABARD is charged with the responsibility of promoting appropriate policy, planning and operations in the field of credit for agriculture, and other micro-economic activities in rural/urban areas in India. It provides wholesale and refinancing facilities to micro-finance service providers.

2.3.2 <u>Banks as MF Providers:</u>

There are basically three categories of formal banking sector institutions serving the poor in India. These are;

- The cooperative banking institutions (mainly serving in rural and urban areas);
- Regional Rural Banks (RRBs) which were established by the states in order to provide alternative service to small clients where numerous money lenders operated; and
- Commercial banks which provide loans to the priority sector comprising agriculture and allied activities, small, tiny, cottage and village industries, rural artisans, etc., to the extent of 40 per cent of their credit portfolio as stipulated by the Reserve Bank of India.

2.3.3 <u>Other Institutions Providing Micro-finance Services in India</u>

In India, there is a wide variety of other institutions providing MF services to poor families apart from the commercial, cooperative and rural regional banks. These comprise NGOs, SHGs' federations and certain non-bank cooperative societies. Such institutions could be broadly categorised into three organisational forms:

(a) Not-for Profit MFIs

- Societies registered under Societies Registration Act, 1860 or similar State Acts.
- Public Trusts registered under the Indian Trust Act, 1882.
- Non-profit Companies registered under Section 25 of the Companies Act, 1956.

The practical examples of these include the NGOs and SHGs. There are over 3,000 NGOs, with over 500 NGO-MFIs engaged in financial intermediation in different parts of the country. In some cases, the state governments had also taken initiatives in promoting SHGs by establishing organisations with federal structures thereby bringing synergy in the integration of community level programmes.

(b) Mutual Benefit MFIs; State credit cooperatives, National credit cooperatives, Mutually Aided Cooperative Societies (MACS).

(c) For Profit MFIs; Non Banking Financial Companies (NBFCs), registered under the Companies Act, 1956.

Non-Banking Financial Companies (NBFCs) were companies that mobilised deposits and registered under the Companies Act, 1956 and regulated by the Reserve Bank of India.

3.0 STRATEGIES FOR MICRO-FINANCE SERVICES DELIVERY IN INDIA

The past two decades had witnessed several interesting innovations in micro-finance in India. Various policies and schemes had been enunciated by RBI and NABARD to grow the micro-finance sector in India. Prominent amongst these are:

3.1 Micro-Finance Sector Policy and Legal Framework

Some of the MFIs are governed by different Acts depending on their broad objectives and constitution while others were not covered specifically by such legislations and as such their operations were, to some extent, unregulated and unsupervised, compared to the formal financial sector providing such services. However, banks' lending to weaker section were categorised under three Acts, viz., Banking Reforms Act, Cooperative Societies Act and Regional Rural Banks Act. By virtue of the powers conferred on it by Reserve Bank of India Act, 1934, the RBI undertakes regulation and supervision of all the banks promoting and doing micro-finance. The RBI Act also governed any Non-Bank Financial Companies providing MF service.

Under the RBI (Amendment) Act, 1997, it is obligatory for NBFCs to apply to the Reserve Bank of India for certificate of registration. One of the conditions for a certificate of registration was that the NBFC must have a minimum Net Owned Funds (NOF) of US$ 46,511.6 which made it eligible to accept public deposits. Net owned fund was defined under the RBI Act as the aggregate of the paid-up capital and free reserves as per last balance sheet after deducting there from accumulated losses, deferred revenue expenditure and other intangible assets, etc. Recently, the NOF requirements for new NBFCs, was enhanced to US$58,139.5 while existing NBFCs were required to achieve this amount within 3 years.

In January, 1998, the RBI introduced a new regulatory framework for the NBFCs which empowered them to accept public deposits. Accordingly, the NBFCs falling short of the stipulated minimum NOF were precluded from accepting public deposits. In order to protect depositors, there is a ceiling on the quantum of public deposits allowed for the NBFCs and this depended on the level of credit rating given by the approved credit rating agencies. The prudential requirements for NBFCs were capital adequacy ratio of 12 percent maintenance of liquid assets of 15 percent on public deposits and interest rate ceiling on public deposits of 16 percent per annum.

As a way of mainstreaming micro-credit and enhancing outreach, a Micro- Credit Special Cell was set up in RBI to suggest measures for augmenting flow of micro credit as announced in the Governor of the Reserve Bank of India's Monetary and Credit Policy for the year 1999-2000, while the Task Force on Supportive Policy and Regulatory Framework for Micro Credit was also set up by National Bank for Agriculture and Rural Development (NABARD). Banks were advised to follow the under noted guidelines:

(a) The banks may formulate their own model(s) or choose any conduit

/intermediary for extending micro-credit and such credit would be reckoned as part of their priority sector lending.

(b) Micro-credit was to be included in the branch, block and state credit plans of each bank.

In guiding activities in the micro-finance industry in India, the Reserve Bank of India (RBI), from time to time, issued a number of guidelines and directives to banks relating to micro-credit. In order to consolidate the various circular up to June 30, 2004, a "Master Circular on Micro Credit" incorporating the existing guidelines and directives were issued by Reserve Bank of India which confirmed the capital requirement for setting up a micro-finance institution to be US$465,116.3.

In India the NABARD plays a lead role in micro-finance development. (i) It serves an apex financing agency for the institutions providing investment and production credit for promoting the various developmental activities in rural areas; (ii) takes/promotes institutional building for improving absorptive capacity of the credit delivery system, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions and training of personnel: (iii) co-ordinates the rural financing activities of all institutions engaged in developmental work at the field level, and (iv) maintains liaison with Government of India, State Governments, Reserve Bank of India (RBI) and other national level institutions concerned with micro-finance policy formulation.

NABARD has 28 Regional Offices and one Sub-office, located in the capitals of all the states/union territories, 336 District Offices across the country, one Sub-office at Port Blair and one special Cell at Srinagar. It also has six (6) training establishments.

One of the policy incentives for promoting lending to the sector was the creation of the Micro-Finance Development Fund. The fund as at December, 2004 had US$2.33m, subscribed by Reserve Bank of India (40%), NABARD (40%) and 11 commercial banks -public sector (20%). The Fund was set up to encourage banks and NGOs to mobilise self-help groups (SHGs). About 3,000 NGOs currently operate in India. NABARD extends grants and aids to NGOs to form SHG and provide them with services. As at December, 2004 a total of US$1.86m had been granted to the NGOs.

To support funding of various initiatives leading to design of products and services, creation and promotion of delivery mechanisms, setting up of new organisational structures and devising systems and procedures which would help improve the access of the poor to institutional financial services, a special fund, namely, Credit and Financial Services Fund (CFSF) was set up in NABARD in 1995, with the assistance of the Swiss Development Cooperation (SDC). Most of the MF initiatives of NABARD had been funded through the CFSF. NABARD had also collaborated with, German Technical Cooperation (GTZ), since January 2000 primarily for supporting initiatives in the field of training and capacity building, and development of an appropriate management information system. (MIS).

3.2 Specialized Micro-Finance Sector Development Programmes

In addition to providing needed policy framework, specific programmes aimed at developing the microfinance sub-sector are in place in India. Amongst these are the following:

(a) Capacity Building and Loan-able Funds: NABARD provides capacity building assistance and financial support to its partners for the promotion and broad based Micro-Finance operations. As part of its efforts to link larger number of SHGs to the banking system, NABARD

also trains and sensitises partner agencies, through various interventions.

(b) Liquidity Support to Banks for SHG-bank Linkage: The, NABARD provides 100 percent refinance to all categories of banks [commercial banks, RRBs and cooperative banks] at 6.5 percent rate of interest against their lending under the linkage banking programme. As regards MFI linkage, it gave refinance only to commercial banks to the extent of 100 percent of their bulk loans to NGO-MFIs for on-lending. During 2003-2004 year, US$ 412 million was disbursed as loans to SHGs through various banking institutions. Cumulatively, up to 31 March 2004, bank loans disbursed to the SHGs totaled to US$ 867 million.

(c) Promotional Grant Assistance to NGOs/Regional Rural Banks (RRBs) /District Cooperative Central Banks (DCCBs) to function as SHPIs: NGOs already working in the social sector were encouraged to take up SHG promotion as an "add-on" activity. This not only helps in complementing the core areas of activities of the participating NGOs but also reduces overheads costs in formation and nurturing of groups. The NABARD provided assistance for training of members of SHG, stationery and for group formation.

In India the SHG- Linkage Banking Programme was the major platform for delivering social and finance services to the poor. Broadly, the three variants micro-credit delivery mechanism of this programme are adopted by the financial sector to reach the micro-entrepreneurs.

(i) NABARD - Bank - SHG (without NGO intervention),

(ii) NABARD - Bank - SHG (with NGO or other SHPI as a facilitating agency), and

(iii) NABARD - Bank - NGO - SHG (with NGO as financial intermediary).

An interesting aspect is the increasing proportion of the second model where linkage of SHGs is established by banks with NGOs as facilitators. The progress under the SHG-Bank linkage programme was quite tremendous and impressive with banks lending cumulatively US$867m to 1,079,091 SHGs as at December, 2004 and also 1million SHGs providing credit to 100million poor and reaching 70 million households.

(d) Capacity Building of Partner Institutions in Micro-Finance: Comprehensive training of the staff of banks, NGOs and government agencies involved in the provision of micro-finance services is organised by NABARD to improve service delivery to the poor.

(E) Revolving Fund Assistance (RFA) to MFIs: NABARD had been providing RFA on a selective basis to NGOs, SHG Federations and Credit Unions and other agencies for on-lending to SHGs, to help institutions build their financial intermediation capacity and to prepare them to take bank loans in future.

The adoption of the above strategy of government/ private sector partnership in the post nationalization period in the banking sector in India brought about substantial amount of resources being earmarked toward meeting the financial needs of the poor. The banking sector went through massive expansion with increased number of rural branches network. It further strengthened the strategy using the institutional approach that witnessed the creation of National Bank for Agriculture and Rural Development which leveraged on the expansive rural banks branch network and NGOs in the country to better serve the under-served and un-banked poor. India with its large population, is one of the countries that have made remarkable progress in micro-finance services delivery in terms of breathe and depth of outreach to the poor, performance of micro-finance institutions, product diversity and delivery methodologies.

4.0 LESSONS LEARNT FROM THE INDIAN MICRO-FINANCE EXPERIENCE

The micro-finance development challenge in India is being combated through a series of initiatives and strategies as well as through the involvement of various parties. Some of the major lessons in the Indian micro-finance experience which could prove relevant to the Nigerian environment include amongst others the following:

- That the Reserve Bank of India is involved in the promotion of micro-finance by formulating the policy and regulatory framework to guide the activities of the institutions involved, and by owning shares in some of the apex and development finance institutions in the country.

- In India there is a national micro-finance development fund that provides facilities and support services for the mobilization of Self Help Groups and facilitating their linkage with micro-finance institutions and banks in the country.

- Establishment of credit and financial services fund which provides funding for products and services development, creation and delivery mechanisms for improving outreach and sustainability.

- The NARBAD is akin to the Nigerian Agricultural Cooperative and Rural Development Bank but it has more diversified roles in micro-finance delivery in the country. It provides wholesale funds to the micro-finance institutions, capacity building assistance to various stakeholders and promotion/ mobilization of Self Help Groups.

From the forgoing, there is a compelling need for the continuous involvement of the Central Bank of Nigeria in micro-finance policy and regulatory framework formulation. As a result of the peculiar nature of micro-finance and because of the need to further enhance its fortunes in Nigeria, a micro-finance development fund that would assist in policy implementation, provide wholesale funding, capacity building and development support in favour of micro-finance delivery is of paramount importance. The management of such a fund should be committed into the hands of an autonomous body with private sector orientation devoid of government interference.

Another area to explore is the use of the Non-Governmental Organizations in mobilizing Self Help Groups and linking them with the micro-finance institutions. The NGOs have a comparative advantage to carry out such assignment by virtue of their location to rural households and tested experience in forging such relationships.

5.0 IMPACT OF MICRO-FINANCE ON POVERTY ALLEVIATION IN INDIA

In India, micro-finance has not only permeated the economic wellbeing of the poor but has been registering visible impacts in terms of practical poverty reduction. As at end of 2004, over one million (1,000,000) SHGs of 100 million active poor persons in 70 million households had been reached with majority coming from the most vulnerable group, the womenfolk. A study of SHARE, a micro-finance institution clients in India documented that 75 percent of clients who participated in the program for longer periods saw significant improvements in their economic well-being (based on sources of income, ownership of productive assets, housing conditions, and household dependency ratio) and that half of the clients graduated out of poverty (CGAP focus paper, 2003). It was observed that with micro-finance services, employment patterns of clients shifted from irregular, low-paid daily labor to diversified sources of earnings, increased employment of family members, and a strong reliance on small business. The clients of SHARE in the study disclosed that they were able to shift from using debt to using profits of their micro-enterprise to pay for major social events.

Further, the 2003-2004 annual report of BAIF Development Research Foundation, a multidisciplinary rural Development programme voluntary organization, indicated that farmers who through the various micro-finance programmes had assess to credit were able to improve their family income, created employment for the unemployed youths as well as build their own assets. For example dairy husbandry has become a dependable source of livelihood, particularly in the arid regions of India where support from BAIF has helped over 8million families owning 2-3crossbred cows come out of poverty. The NGO watershed development project, benefitting 2million families has enhanced their crop production by 50-80 percent while assistance given to self-employed para-vets created significant impact on youth who were empowered to own motor cycles and kits to provide extension services on artificial insemination, pregnancy diagnosis and livestock management to farmers. About 15million families spread across 25,000 villages in nine states have benefitted from established 981 centres in operation.

Even though there was lack of empirical reports on a linkage between micro-finance and improved access to safe drinking water and sanitation, there was remarkable evidence that increased earnings arising from access to economic activities due to enhanced financial services led to investments to improve housing, water, and sanitation. This also in turn improved health of the clients. In India, some micro-finance programs provide loans specifically to finance tube-wells and construction of toilets. Others, such as SEWA, provide loans to upgrade community infrastructure (including tap water, public conveniences, drainage, and paved roads).

Politically, clients of micro-finance institution are being empowered to participate in political process. For instance, women clients of both SEWA and the Working Women's Forum in India moved and pressed for better wages and rights for informal women workers and advocate for legal changes in favour of women in India. Empowerment of women through gender sensitization and capacity building has been known to reduce drudgery and positively impacted on their quality of life.

Through access to micro-finance services there has been assured source of income and the women have been motivated to form Self Help Groups and contribute a small amount from their savings for promotion of micro enterprises. A large number of rural women now play a leadership role in the society, hold prominent positions in the local government bodies and contribute in various development activities.

6.0 CONCLUSION AND RECOMMENDATION

In India, micro-finance has been consistently pursued as a strategy for poverty reduction nationally. To drive this process, the government, the Reserve Bank of India, specialized development finance institutions, Non-Governmental Organizations and private micro-finance institutions work together to exploit synergic advantage. The activities of these stakeholders have been impacting on the lives of the poor through enhanced economic opportunities, increased income, improved food intake and general well-being. The adoption of multifaceted approach to poverty reduction drive in India, like in many other countries, make it difficult to establish an empirical linkage between micro-finance and poverty reduction in India. However, there is ample evidence from clients of many institutions that the up-liftment they have experienced over the years arose in considerable part from access to micro-finance services.

As Nigeria pursues the goal of poverty reduction based on her National Economic Empowerment and Development Strategy (NEEDS) and the United Nations Development Goals, the following recommendations are hereby made:

- That the government and the Central bank of Nigeria would need to be partners in poverty alleviation measures particularly those that border on provision of micro-finance services.

- That the Central Bank of Nigeria should in collaboration with other relevant stakeholders formulate appropriate policies that will enhance micro-finance delivery in the country such as policies focused on promoting linkage between universal banks and micro-finance institutions to mainstream micro-financing with formal banking, establishment of micro-finance unit in the CBN, establishment of micro-finance consultative committee of key stakeholders in the industry to provide advice and direction for the sub sector.

- The establishment of a micro-finance development fund to provide wholesale funds for the MFIs, capacity building support and institutional development assistance in the interest of the sub-sector.

- Partnership between micro-finance programs and private infrastructural facilities providers is a promising option, given the limited success by governments to provide access roads, electricity, health centres, water and sanitation to large numbers of poor people and the high initial investments that deter private provision of such services to poor people.

- That development finance institutions in Nigeria, particularly the NACRDB should be repositioned to provide wholesale funds to retail micro-finance institutions that posses the capacity and know-how for the improvement of outreach and lending to micro-finance entrepreneurs.

Poverty reduction focused agencies of government like NAPEP could partner with private sector organizations and rural communities in the funding of basic infrastructural facilities like rural electricity and water projects on cost recovery basis and the identified needs of the partnering communities.

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POVERTY REDUCTION THROUGH MICROFINANCING: THE CASE OF UGANDA

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1. INTRODUCTION

Poverty remains a widespread phenomenon in developing countries, despite significant progress in raising living standards in many countries in recent years. According to World Bank estimates, the headcount ratio (which measures the incidence of poverty i.e. the proportion of individuals or households earning less than a given level of income), based on an international poverty line of $1.08 per day dropped from 40.4 per cent in 1981 to 21.1 per cent in 2001 when China is included. But the decline is only 31.7 per cent to 22.5 per cent without China, where poverty fell from 63.8 per cent to 16.6 during the same period.

In sub-Saharan Africa alone, the incidence of poverty increased from 41.6 per cent in 1981 to 46.4 per cent in 2001 with a $1.08 per day poverty line, and from 73.3 per cent to 76.6 per cent with a $2.15 per day poverty line. Moreover, as a result of sustained population growth, the absolute number of poor doubled during the period, from 164 million in 1981 to 313 million in 2001 with a $1.08 per day poverty line, and from 388 million to 516 million with a $2.15 per day poverty line. As a result the share of the world's poor living in sub-Saharan Africa rose from 11 per cent in 1981 to 29 per cent in 2001. The depth of poverty as measured by the poverty gap remains also the highest in sub-Saharan Africa, having increased from 17.0 per cent in 1981 to 21.0 per cent in 2001.

Interest in micro-finance has soared in the recent decade and the instrument is now seen as one of the most promising tools to tackle poverty in the developing world. The fascination with micro-finance derives from the fact that the provision of financial services can contribute to poverty reduction and pass the test of sustainability at the same time.

The financial system which evolved between 1997 and 1999 in Uganda resulted in the closure of banks and the reduction in the branches of the surviving ones. The closure of banks and bank branches as well as the drive for prudent operations and efficiency of the banking industry cut off the fast growing micro and small enterprise sector and the low income population generally from access to financial services. This gave micro-finance institutions the chance to fill the gap and expand rapidly from mid 1990s. Micro-finance in Uganda came to be regarded as the most viable vehicle for delivering financial services to the urban and periurban low income earners as well as to the rural population.

The objective of this paper is to review the operations of micro-finance in Uganda and draw lessons for the successful operations of micro-finance in Nigeria. The rest of the paper is divided into five sections. Following this introduction is section 2 which, deals with conceptual issues in poverty reduction and micro-finance. Section 3

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highlights the role / impact of micro-finance on poverty reduction in Uganda while section 4 contains the framework adopted for the implementation. Section 5 draws lessons of experience for Nigeria and section 6 concludes the paper.

2.0 CONCEPT OF POVERTY

There is no concise and universally accepted definition of poverty because of its effects on many aspects of human endeavour. Poverty affects many aspects of human condition, including physical, moral and psychological. This makes it difficult to associate it with a specific aspect of human life. Arising from this omnibus nature of poverty, different criteria have, therefore, been used to conceptualize poverty. Most analysis follow the conventional view of poverty as a result of insufficient income for securing basic goods and services. The consideration is with the ability of the individual to command resources to subsist and to reproduce himself, as well as the individual's ability to command resources to achieve this (Sen. 1981; Amis and Rakodi, 1994). Many other experts have conceptualized the poor as that portion of the population that is unable to meet basic nutritional needs (Ojha, 1970; Reutlinger and Selowsky, 1976). Others view poverty, in part, as a function of education, health, life expectancy, child mortality, etc. Musgrove and Ferba (1976) identify the poor, using the criteria of the levels of consumption and expenditure. Sen (1983) relates poverty to entitlements which are taken to be the various bundles of goods and services over which one has command, taking into cognizance the means by which such goods and services are acquired (for example money and coupons, etc.) and the availability of the needed goods. Some other experts see poverty in very broad terms, such as being unable to meet basic needs, namely physical food, healthcare, education, shelter, etc and non-physical, participation, identity, etc) requirements for a 'meaningful life' (Streeten, 1979, Blackwood and Lynch, 1994).

The concept of poverty includes different dimensions of deprivation. The World Bank defined poverty as unacceptable human deprivation in terms of economic opportunity, education, health and nutrition, as well as lack of empowerment and security. In general, it is the ability of people to meet economic, social and other standards of well-being. The multi-dimensionality of poverty is now widely accepted. The 1995 World Summit for social development in Copenhagen and the Millennium Development Goals both assumed that poverty is multi-dimensional. The United Nations Development Programme (UNDP) introduced two relevant concepts; human development defined as a process that enlarges people's choices including freedom, dignity, self-respect and social status: human poverty meaning deprivation of essential capabilities such as a long and healthy life, knowledge, economic resources and community participation.

The OECD (2001) stated that there are many stranded concepts of poverty which reflect the reality of the poor but which make the task of identifying the poor and of monitoring progress more complicated. Some dimensions it stated lacked good measures, and one strand may be inconsistent with others. Furthermore, there may be a risk that policies and activities merely get poverty labels with no real changes towards more effective pro-poor policy action. To address both, these concerns and present a practical and conceptually adequate definition of poverty, placing it in a broader framework of causes and appropriate policy actions, the OECD issued guidelines. The guidelines state that an adequate concept of poverty should include all the most important areas in which people of either gender are deprived and perceived as incapacitated in different societies and local context. It should encompass the casual links between the core dimensions of poverty and the central importance of gender and environmentally sustainable development. The core dimensions are the lack of economic, human, political, socio-cultural and protective capabilities.

Many factors have been identified for the persistence of poverty. Notable among these are deficient governance, which is subject to change; entrenched corruption and rent-seeking elites, lack of respect for human rights, weak institutions, inefficient bureaucracies, lack of social cohesion and political will to undertake reforms. These factors can all lead to inadequate economic growth, which is a major cause of poverty. Others include governance and equity defects, economic policy and market failures, capital flight, low savings and investments, and distorted incentives, all of which lower productivity and incomes. High inflation is a particularly harmful tax on the real incomes and savings of the poor. Crumbling physical and social infrastructures both follow from and aggravate economic stagnation and decline. Protectionism in potential export markets as well as volatility and falling trends in the term-of-trade are international economic causes of poverty. Debt overhang, both domestic and international, is another key catalyst.

Bruno, Squire and Ravallion (1995) indicated that there is ample evidence that policies designed to foster economic growth, significantly reduce poverty, but that policies aimed specifically at alleviating poverty are also important. Akanji (2001) posited that to alleviate poverty, Nigeria must pursue a progressive micro-finance model that will address the totality of the needs of the groups that will participate. The credit must facilitate production, consumption, social/welfare. The emerging micro-finance framework should be such that would be linked with institutional framework and the fiscal support for effectiveness.

The concept of micro-finance can be best described by the title of F. A. J. Bouman's 1990 book, "Small, Short and unsecured". Micro-finance is the provision of very small loans that are repaid within short periods of time, and is essentially used by low income individual and household who have few assets that can be used as collateral. It is important to understand that the concept of micro-finance is not new. The precedence for micro-finance lies in the numerous traditional and informal systems of credit that have existed in developing economies for centuries, long before modern, western-based commercial banking came into the picture. Many of the current micro-finance practices, in fact, derive from community-based mutual credit transactions that are based on trust, peer-based non-collateral borrowing and repayment. The practices are either transactional (e.g. money lenders), mutual (e.g. ROSCAS) or personal (e.g. friends and neighbours). Credit suppliers have always lent to the poor, providing the right quality and quantity of credit, at the right time and place, to low income households.

The aspect of micro-finance that has contributed to its success is the 'credit-plus' approach. This approach essentially integrates adequate and timely credit into larger developmental process such as community development, leadership training, entrepreneurship etc. It is indeed a two way street many interlinked and interdependent criteria need to be satisfied for the success of micro-finance programmes, and conversely availability of micro-finance to assist such activities. The core of micro-finance programme go beyond mere access and distribution of money, to deeper issues of how money is utilized and invested by low income individuals. It helps in fostering and developing a micro, community-based environment where existing networks and interlinks are strengthened. It is important to understand that micro-finance does not stand alone, but overlap on existing developmental activities and helps in their implementation.

3. FRAMEWORK FOR IMPLEMENTATION OF MICRO-FINANCE IN UGANDA

To facilitate the eradication of poverty and ensure increased welfare of all Ugandans, the Government of Uganda developed a Poverty Eradication Action Plan (PEAP) in 1997 to function as a National Planning Framework.

The PEAP is established on four major pillars:

- Creating a framework for economic growth and transformation;
- Ensuring good governance and security;
- Directly increasing the quality of life of the poor.

A Medium Term Competitive Strategy for the private sector (MTCS) was developed within the framework to facilitate the growth of targeted areas that would enable the private sector function as an engine of growth. The important objectives of MTCS include liberalization, fiscal reforms and privatization to create an environment conducive to a modern, competitive private sector within an efficient regulatory and legal framework serving to facilitate private sector operations and protect well-defined public interests.

The PEAP and the sector plans set the framework for preparation of district plans. Under Uganda's decentralized system of governance, the local authorities are responsible for determining the implementation plan for sector programmes based on local priorities. The relationship between both the PEAP and sector plans, and between sector and district plans, and between district and lower local council plans, is an iterative one. The strategy emphasizes the need to develop an appropriate framework for the development of long-term financial services suited to the needs of small and medium scale enterprises as well as the development and professionalisation of Micro-Finance.

Cognizant of the large population residing in the rural areas and their occupation, a Plan for the Modernization of Agriculture (PMA) was designed to facilitate the expansion of the rural economy through increased agricultural production. The priority areas of the PMA include research and technology development, agricultural advisory services, agricultural education and rural finance.
The entire framework of PEAP, the PMA and the MTCS acknowledge the crucial role of Micro-Finance in overcoming the constraints of lack of financial services to the rural areas which has militated against the development of the private and agricultural sectors.

Consequently, the framework contained recommended activities to move the sub-sector forward. The activities relate inter alia to:

- The legal and regulatory framework and the enhancement of the capacity of the Central Bank to regulate and supervise the industry;

- The development and implementation of a rural finance policy;

- The promotion of Micro-Finance Institutions (MFIs) and their linkages to the formal banking systems;

- The building of the capacity of MFIs to ensure their professional survival in the long-term.

Over the past decade, the Government of Uganda initiated, implemented and/or supported various micro credit schemes aimed at fighting poverty in the country. Most of these schemes focused on the provision of revolving funds for micro credit to households at the grass root level. In addition, the government supported credit activities within the framework of their multi-purpose projects. For the successful implementation of the Micro-Finance strategies there was need to build the capacity of the Micro-Finance institutions i.e. human resource development, and the development of new products as well as the delivery mechanism; enhance the effectiveness of service providers, and provide a truly enabling environment for Micro-Finance industry.

The Modern approach to planning involves ensuring that the right framework has been established to enable effective programming, implementation and monitoring. The framework for Uganda's implementation is the Poverty Eradication Action Plan (PEAP).

4. THE ROLE / IMPACT OF MICROFINANCE ON POVERTY REDUCTION IN UGANDA

4.1 Overview of the Rural Financial Sector

Uganda's financial system is characterized by the co-existence of formal and informal financial markets. The formal markets, which mainly comprise of commercial banks, development banks and credit institutions mainly exist in urban areas and offer a narrow range of financial services. They concentrate on providing working capital mainly to medium and large scale enterprises. As such, the rural areas, where the majority of the poor people live, remain either underbanked or served by informal financial institutions. It is estimated that only 10.0 per cent of the rural population and 5.0 per cent of the rural poor have access to financing services in terms of saving and credit. This limits the rate of investment and employment creation particularly in rural areas, thus constraining overall economic growth (MSEPU, 2003).

Following the liberalization of the financial sector, the micro-finance institutions (MFIs) in Uganda have since the mid-1990s gained recognition for the role they play in providing financial services to the low income households, and their contribution to poverty alleviation. The industry was estimated to have grown by as higher 70.0 per cent per annum. Despite this growth, the rural financial sector in Uganda is largely under developed, fragmented and not adequately integrated with the formal financial sector. The costs of operation of MFIs are also generally higher than those of the formal financial institutions since MFI clients are generally located a distance from the branches and require continuous monitoring. Interest rates are hence necessarily higher for loans obtained at MFIs than those on loans obtained from the formal financial institutions (Ledgerwood et al, 2002).

4.2 Size, Structure and Composition of Micro-finance Industry

MFIs in Uganda consist of moneylenders, micro-finance agencies, non-governmental organizations (NGOs), rural farmers' schemes and saving societies that provide savings and/or credit facilities to micro and small-scale entrepreneurs who have experienced difficulties obtaining such services from the formal financial institutions. Their range of activities include: deposit taking, savings schemes, small-scale enterprises, agriculture, real estate, group lending, retail financial services, giving advice on financial matters and training in business management. It is estimated that there are over 1,400 MFIs with an active loan portfolio of over Ushs 97 billion (or US$53.3 million), over 340,000 borrowers and over 900,000 active savers (MSEPU, 2002)(Annex 1). MFIs in Uganda can be broadly categorized according to their respective stages of development. Annex I shows that the majority of the Micro-Finance institutions (i.e. category D) are small Community Based Organisations (CBOs), generally unaware of Micro-Finance best practices, outside the microfinance information loop, focused on rural outreach but have minimum number of clients.

4.3 Products/ Services Offered and Delivery Methodology

In a study by Nammyonjo and Hsubuga it was observed that majority of the MFIs in Uganda provide two main categories of financial products: credit and savings. These services were categorized further by terms and size of loans and type of deposits. The study established an estimated loan portfolio of UShs 97 billion (or US $ 53.3 million) with an average loan size of Ushs 283,266(or US $161). Of this active portfolio, 91 per cent is shared among 17 districts that were classified as high borrowers and the remaining 0.9 per cent among the medium and low borrowing districts. It is worthwhile noting that most districts are net borrowers in that their savings cannot entirely meet their demand for loans. In addition, liquidity risk is high in deposit taking MFIs as they do not have appropriate liquidity management technique in place (Ledgerwood et al 2002), loan terms range from one month to twelve months. There is little similarity in the loan sizes and terms offered by the different MFIs. However, the majority of loans are of three months tenure. Most MFIs report a fairly high recovery rate of about 85 per cent on their loan portfolio. This could be attributed to the importance attached to the recovery of money lent out for sustainability reasons.

Most MFIs mainly employed two methods of delivering their products to their clients; the group and individual lending methodologies. Usually, the first thing a potential borrower was required to do was to become a member of a group. The borrower must also save a percentage of the expected loan directly with the MFI or with a link bank or any other formal banking institution. With regard to the volume of savings, the study established the existence of 909,272 active savers in MFIs countrywide with a total savings volume of Ushs 107 billion (or US $61 million). Women accounted for 65% of the active savers. One of the traditional saving mechanisms popular among communities in Uganda is rotating savings and credit system whereby members contribute a fixed amount into a pool and the total amount is distributed to each member at fixed intervals on a rotating basis and the distribution takes place at the end of the month or the year. The other system of savings mobilization is the accumulated savings and credit where sums collected are on lent or invested against interest during the cycle. Some MFIs use village banking approach where people within communities form a group or groups and mobilize own savings and external credit amongst themselves.

4.4 Impact of Micro-finance on Poverty Reduction In Uganda

Since 1992, Uganda has undergone healthy economic development, GDP in the last decade increased by 6% a year on average and economic growth in 2004 stood at 5.5 per cent. Uganda has reduced poverty to a considerable extent. The proportion of people living on less than USD1 a day (absolute poverty) fell from 56% in 1992 to approximately 38% in 2003. The government's goal is to reduce poverty to 10% by 2017. In 2002, almost half of the population had access to safe drinking water, compared to a quarter in 1992.

Over the past years, a number of attempts have been made to assess the impact of micro-finance on the poor in Uganda. (AMIS 2000, Barnes, Morris and Gaile 1998; Wright et al 1999). Although the studies place emphasis on different aspects, and did not come up with data for meaningful evaluation they all reveal positive impacts from participation in MF programmes. The studies discovered that participation in micro-finance programmes contribute to reducing the vulnerability of their members to economic risks. The poor are very vulnerable to risks (such as illness or death of a household member, medical expenses, funeral costs, crop failure, the lost or theft of a key asset, or a dramatic change in prices) and micro-finance services in Uganda have proven to help protect the poor against these risks. As MFIs provide loans for working capital and to purchase productive assets, clients are able to make their enterprises more competitive and increase profit, diversify their income sources and broaden their asset base.

According to the studies, participation in micro-finance programmes also appears to enable clients build the households' human assets, for example, by investing in children's education or household members' health. Even when loans are used for business, the household's own capital is freed for other investments. Group based lending schemes provided clients with the opportunity to build their social assets by reinforcing reciprocal relationships and social networks. Membership of micro-finance groups link individuals, household and enterprises into a vital web of business and personal relationships that enables members to better cope with the challenges of life. Access to financial services also allowed the poor to cope with shocks or economic stress. Clients were found to use MFI loans to re-stock their businesses and smoothen consumption. As most MFIs offered only inadequate savings services, only few clients were able to use these as source of liquidity in times of emergencies.

It was observed that MFI clients were actively involved in the agricultural and natural resource based marketing chain. Micro-finance programme participation resulted in clients expanding the area of land under cultivation and diversification of the crops they planted for sale and domestic consumption. The study also found that participation in the programme enabled clients to acquire valued skills. In self assessment, clients mentioned acquisition of business related knowledge and savings skills among the most important positive results of participation in micro-finance programme.

There are several reasons behind Uganda's ability to stimulate the economy. Udenrigsministeriet in their report attributed these to, the implementation of a number of successful economic reforms, including strengthening the MFIs, progress in the export of coffee, tea, flower and fish, with adequate financing, this created many new jobs.

In spite of the impact of micro-finance on poverty reduction in Uganda, these institutions face numerous constraints, some internal and others external. These problems threaten the health of the rural financial market and raise serious doubts about the viability and sustainability of the institutions. The constraints faced by MFIs in Uganda include:

- the limited financial resources and reserves of most MFIs;
- very limited banking skills among the MFI staff;
- high rates of illiteracy among existing and potential borrowers;
- poor repayment record among some socially oriented MFIs, reflecting a deep-rooted culture of viewing loans as grants; and

- Poor physical infrastructure, particularly roads and other communication facilities, which makes contact between MFIs and clients difficult and costly.

5. SOME LESSONS OF EXPERIENCE

Micro-finance industries in Uganda were concentrated in urban and peri-urban areas in Uganda. From the distribution, it was evident that for the achievement of the vision of expanded rural coverage and sustainable financial services, there was need for the establishment and maintenance of an enabling policy and regulatory environment for the micro/rural finance industry by the Government. The need for the strengthening of the framework for effective and decentralized management of government funds, and public supports to good micro-finance came to the fore.

The government of Uganda (GOU) recognized it's obligation to provide a conducive environment for the sustainable growth of the micro-finance industry. This commitment is enshrined in the policies of:

a) Divestiture from direct credit delivery and transfer of credit schemes into credit lines and, capacity building support channeled through autonomously managed institutions;

B) Strengthening of the framework for effective and decentralized government structures;

c) Promotion of national coordination and linkages through the micro-finance forum; and

d) Commitments to the provision of incentives and grants to MFIs willing and able to reach out to under-served areas.

5.1 Divestiture from Direct Micro credit Delivery

Experience from Uganda and other parts of the world has shown that private entities are much better placed and more capable and effective in managing, developing and expanding financial services than are public entities. Following the success story worldwide, Federal / State Agencies should disburse Federal and State Governments poverty alleviation funds through micro-finance institutions instead of the current practice of direct disbursement to individuals. This will not only ensure sustainability but also guarantee a wider outreach.

5.2 Enhance Coordination and Local Linkages

The Uganda micro-finance industry displays a very high level of strategic coordination by international standard. The coordination, which is under the auspices of the Micro-finance Forum, is chaired by the Ministry of Finance, Planning and Economic Development. The Micro-finance forum consists of: practitioners, donor agencies, government agencies and private sector service suppliers and associations. The forum holds monthly meetings where developments and constraints in the micro-finance industry are discussed, and information and experience shared. The forum works closely with other coordination fora, such as Donor Sub Groups on Agriculture and Private Sector Development. It monitors developments and provides guidelines for practitioners and donor funded support initiatives. This type of apex coordinating forum is worth replicating in Nigeria, not only to coordinate the activities of micro-finance institutions but to monitor and guide the operations of the numerous NGOs operating in Nigeria. It will provide a forum where issues that pertain to policy and other matters affecting the industry could be discussed and solutions proffered.

5.3 Incentives for Expansion of Rural Outreach

It is a general knowledge that any private business and bank as well as MFIs expand their outreach based on market projections and indicators of viable economic activities and potential clients in new areas. In some areas of the country, the market conditions are not sufficiently conducive to Micro-Finance, and well managed MFIs would therefore not expand into such areas as they are very likely to face significantly risks and incur financial losses by going there. The Government provided necessary motivations for sufficiently experienced MFIs to venture into underserved areas without significantly distorting the development of the industry.

In Nigeria, about 35% of the rural areas are served by the conventional banks and many of the rural areas are without strong economic power to attract MFIs without increasing their operating cost astronomically. There is need for attractive incentives that will encourage the movement of MFIs to the rural areas.

5.4 Effective Coordination

Compared to most other African countries, Uganda stands out for a relatively strong and effective coordination among stake-holders of micro-finance industry. While the consolidation of practitioner, government and donor interests has not been without frictions, the general willingness to listen and learn from each other as well as cooperate is widely acknowledged as one of the key reasons for Uganda's success in micro-finance. The need to ensure effective coordination of the activities of the various micro-finance institutions in Nigeria cannot be emphasized. This will not only assist in the determination of the quantum of resources going into their activities but also help to determine the number of organizations involved in the various activities.

5.5 Capacity Building

Much of the growth and vibrancy of the micro-finance industry in Uganda can be attributed to international organizations providing capacity building to their affiliated national MFIs and the initiatives of some national builders. The national organizations provided training and technical assistance to a large number of Uganda MFIs, increasing their knowledge about best practices and improving their skills to apply same. For the success of micro-finance in Nigeria there is need for cooperation with international organizations / donors to provide capacity for the operators of micro-finance as well as the supervisory and regulatory agencies.

6. CONCLUSION

Micro-finance institutions in Uganda have been adjudged the strongest and most dynamic in Africa. Although Uganda's micro-finance providers still do not serve as many clients as similar institutions in Asia and Latin America, it has reached a stage of development in terms of sustainability, outreach and coherence that is unmatched in other parts of Africa. The principal reasons for this success include: good enabling environment i.e. macroeconomic stability, high population density in urban and peri-urban areas; weakness of formal financial sector; donor commitment; committed MFIs with strong international alliances; strong national capacity building; and stakeholder coordination. While it is not possible to gauge precisely the contribution of each of the above mentioned factors to the observed micro-finance success in Uganda, it is obvious that all stakeholders involved performed very well. Donor and particularly government can learn that support and commitment to the creation of a favourable environment pay off in micro-finance and thus poverty. Factors like population density and climatic conditions can hardly be influenced, but governments, supported by donors can promote macroeconomic stability, financial sector reforms, effective regulatory policies and private sector development in order to make micro-finance work.

The micro-finance industry in Nigeria could benefit from the Uganda's experience by ensuring strong stakeholder partnership between the government, the micro-finance operators and the international organizations for effective capacity building. To avoid a lopsided growth or the micro-finance sub sector, appropriate incentive should be put in place to encourage the MFIs to move into the rural areas where their services are required most. If micro-finance is to become a viable tool for poverty alleviation and development, there is need for repackaging micro-finance to 'graduate' from its dependence on grants and its charity orientation, to one of self-sufficiency and financial sustainability. There is also the need for mainstreaming micro-finance, focusing on governance of MFIs. This calls for a facilitative and supportive legislative environment to be put in place, as a complement to the growing trend of self governance by MFIs.

ANNEX I

STRUCTURE OF THE MICRO-FINANCE INDUSTRY IN UGANDA

Category	Number	Characteristics
A	5-8	At or nearing operational or financial self-sustainability. Well documented operational procedures. Fairly good MIS, well qualified management and staff. Applying micro-finance best practices. Often registered as company limited by guarantee. Active client over 10,000
B	10-15	Mainly NGOs. Also registered as company limited by guarantee. Charge market interest rate, have adopted a business oriented approach to poverty alleviation, and are moving towards Operational Self Sufficiency (OSS). Fair documentation of procedure and MIS. Good management. OSS at levels between 50% and 85%. Active client range from 5,000 to 10,000.
C	40+	Mainly small local NGOs with limited resources and clientele. Fairly familiar with “Best Practices” and are within the industry’s information loop. However, most have modestly qualified management and are still far from reaching OSS (35% to 49%). Active clients ranging from 500 – 3000.
D	Numerous	Small community based organizations, generally not well known in the sector. Largely outside the national micro-finance information loop. Most are generally little aware of micro-finance best practices. Focused on rural outreach but have minimal numbers of clients.

Source: Ledgerwood, et al (2003)

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Mrs. Irene N. Chigbue

THE CHALLENGES OF FINANCING INFRASTRUCTURE IN NIGERIA TOWARDS MEETING THE MILLENNIUM DEVELOPMENT GOALS

By
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Abstract

This paper addresses issues surrounding the establishment of a sound financing framework to meet Nigeria's growing need for infrastructure (largely due to growing population and businesses). The need remains a challenge for policymakers. Efficient transport, adequate and reliable energy supply, safe drinking water, and modern telecommunication systems ensure effective sectoral linkages and resource mobilisation for development. This makes infrastructure development critical in the effort to attract private sector investment, achieve long term investment and growth, expand international trade, and above all meet the Millennium Development Goals (MDGs) by 2015. Accordingly, the paper outlines the MDGs and Nigeria's standing in comparison to other regions, the role of infrastructure in economic development, the status of infrastructure reform efforts in Nigeria, and the challenges and prospects of financing infrastructure development to meet the MDGs.

Acronyms

BPE	Bureau of Public Enterprises
CIS	Commonwealth of Independent States
Discos	Distribution Companies
EPIC	Electric Power Implementation Committee
EPPs	Emergency Power Producers
	Gencos Generating Companies
GSM	Global System for Global Communications
ICT	Information and Communications Technology
IPPs	Independent Power Producers
MDGs	Millennium Development Goals
NCP	National Council on Privatisation
NEPA	National Electric Power Authority
NPA	Nigeria Ports Authority
PHCN	Power Holding Company of Nigeria
PPP	Public-Private Partnerships
PRSPs	Poverty Reduction Strategy Papers
Transiscos	Transmission Companies
TSRC	Transport Sector Reform Implementation Committee

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1.0 INTRODUCTION

The role of infrastructure is so significant to the socio-economic development of any country, especially a developing one like Nigeria. Indeed, so important is infrastructure to economic development that more than a decade ago, economists in the USA a highly developed economy - were devoting considerable attention to investigating the role of infrastructure investment in the productivity slowdown of the 1970s and 1980s[1]. In Africa and other parts of the developing world, the role of infrastructure in development has long been considered to be a very pivotal one. In recent times economists, policy makers and other pundits have focused their debates on the most efficient form of infrastructure investment - private or public. In particular, Harris (2003)[2] in the World Bank Working Paper No. 5 dwelt on this topic extensively. According to him, "governments cannot avoid the inescapable realities that infrastructure services have to be paid for, whether provision is public or private. Most of the concerns about the sustainability of private infrastructure really reflect the difficulties governments have encountered in sustaining cost-recovering tariffs and commercial principles. The real issue is not public infrastructure versus private infrastructure. It is more simple: the issue is less infrastructure versus more".

Some of these areas of infrastructure investments (be they economic or social infrastructure) may be considered very crucial because of their interdependence on each other and the fact that they play a significant role in the development of other areas. In other words, infrastructural development ensures the consistent harnessing of sectoral linkages in the economy for efficient resource mobilisation and utilization. Some of these infrastructures include transport (roads, railways, airports, seaports, etc.), power/energy (electricity, gas, refineries, etc.), communications networks (mobile, fixed wireless, ICT, etc), and water and sanitation systems among others. Before 1990, the water and sanitation sector in Nigeria relied almost entirely on government financing to meet operating cost and investment needs. As late as the mid 1990s, 65-70% of water and sanitation projects were still financed by the public sector; 5% by the domestic private sector; 10-15% by the international donors; and 10-15% by the international private companies[3]. The role of social and economic infrastructure in national development is a very wide and controversial issue that has been the subject of many empirical studies.[4]

2.0 NIGERIA AND THE MILLENNIUM DEVELOPMENT GOALS

The eight Millennium Development Goals bind countries to do more and join forces in the fight against poverty, illiteracy, hunger, lack of education, gender inequality, child and maternal mortality, disease and environmental degradation. The MDGs specifically target the developing world, with goal number eight, calling on rich countries to relieve debt, increase aid and give poor countries fair access to their markets and their technology. The MDGs are a test of political will to build stronger partnerships. Developing countries have the responsibility to undertake policy reforms and strengthen governance to liberate the creative energies of their

[1] http://www.federalreserve.gov/boarddocs/speeches/2001/20010803/default.htm
[2] Private Participation in Infrastructure in Developing Countries: Trends, Impacts and Policy Lessons.
[3] Camdessus, M. (2003)
[4] Familoni, K. A. (2004) Http://www.cenbank.org/OUT/PUBLICATIONS/OCCASIONALPAPERS/RD/2004/JOS-02-2.PDF

people. But they cannot reach the goals on their own without new aid commitments, equitable trading rules and debt relief. The MDGs offer the world a means to accelerate the pace of development and to measure results.

Goal Number One: Eradicate extreme poverty and hunger

By halving the proportion of people who live on less than one US dollar a day and those who suffer from hunger, this goal aims at eradicating extreme poverty and hunger by 2015. According to the UN Secretary General's 2003 Report on Implementation of the Millennium Declaration,[5] the proportion of people living in extreme poverty in sub-Saharan Africa and western Asia has actually increased since 1990, while in Latin America and the Caribbean it is unchanged. Only eastern and south-eastern Asia are on pace to meet the income poverty goal while south-central Asia is also making good progress. This is quite encouraging as two-thirds of all those living on less than $1 a day live in Asia. In Nigeria, the percentage of the population living under a dollar per day from 1984 to 2003 was 70%, while GDP per Capita based on PPP as at 2003 is $1,050. The National Poverty head count, as a percentage of the population from 1984 to 2003 was 34%. From 1989-2002 a sample 10% of the richest and poorest people indicated that 40.8% of the income was owned by the richest group and 1.6% by the poorest. The percentage of children under 5 years of age suffering from moderate to severe underweight is 29%.

Goal Number Two: Achieve universal primary education

This aims at ensuring that children everywhere, boys and girls alike would be able to complete primary school. In Nigeria, according to the most recent figures available, primary school gross enrolment ratio in 2001/2002 indicated a total ratio of 119%[6] while that of male and female was 132% and 107%, respectively. Percentage progression to secondary level as at 1993 was 52%, while net primary enrollment ratio as at 1992 was 60% with male, 67% and female, 53%. The number of schoolteachers as at 2002 was 590,655 and pupil per teacher ratio as at 2002 was 42 i.e. on average, there is one teacher for every 42 pupils. The percentage of population 15 years and above that is literate as at 2002 was 67%, male 74% and female 59%. Again sub-Saharan Africa, south-central Asia and western Asia are lagging behind and need to greatly accelerate their progress if this goal is to be met.

Goal Number Three: Promote gender equality and empower women

This aims at eliminating gender disparities in primary and secondary education preferably by 2005 and at all levels of education by 2015. In Nigeria, the female/male ratio of participation in economic activities i.e. the number of female workers in relation to the number of male workers expressed as a percentage, as at 1995 was 56% and the percentage of households headed by women as at 1999-2001 was 17%. According to the Secretary General's Report, progress towards gender equality in education has been made in most regions, but Africa, south central and western Asia as well as Oceania are still well short of the target of eliminating gender disparities.

[5] http://www.un.org/millenniumgoals

[6] This is the total number of pupils enrolled at the primary level of education, regardless of age, expressed as a percentage of the population corresponding to the official school age of primary education in a given country. Figures may be more than 100 percent since total enrollment includes pupils above and pupils below the primary school age, as well as repeaters (UNESCO data).

Goal Number Four: Reduce child mortality

This aims at reducing by two-thirds the mortality rate in children less than five years of age. According to the Report, some regions have made good progress towards achieving the child mortality target, but in sub-Saharan Africa there has not been considerable progress from 1990-2001, and in south-central and western Asia and in Oceania, progress is still too slow. Life expectancy at birth in Nigeria as at 2003 was forty-five years, while infant mortality per thousand as at 2003 was ninety-eight. Mortality of children under five years of age per thousand as at 2003 was 198 while the percentage of children (one year and above) immunized against measles 1997-2003 was 35%.

Goal Number Five: Improve maternal health

This is hoped to be achieved by reducing by three-quarters the ratio of women dying in childbirth. The situation in Nigeria shows that maternal mortality per 100,000 live births as at 2000 was 800, while percentage of births attended by trained health personnel for the period 1990 2003 was 35%.

Goal Number Six: Combat HIV/AIDS, malaria and other diseases

The target is to halt and begin to reverse the spread of HIV/AIDS and incidence of malaria and other major diseases. HIV/AIDS is the leading cause of death in sub-Saharan Africa - and worldwide, the fourth killer. Sub-Saharan Africa is the most affected region, but other regions, including South Asia, the CIS[7] and the Caribbean, are experiencing rapid increases in the incidence of HIV/AIDS. In Nigeria, the estimated number of people living with HIV/AIDS as at 2003 (adults and children) was 3.6million; adults 15-49 years, 3.3million; children 0-14 years, 290,000; women 15-49 years, 1.9million. Adults and children death cases as at 2003 were 310,000, while AIDS orphans 0-17 years numbered 1.8million. Only two countries have managed to reverse the spread of the epidemic once it reached crisis proportions; some others have succeeded in stopping its spread early. Much better and more open tracking of the epidemic is urgently needed.

Goal Number Seven: Ensure environmental sustainability

This aims at integrating the principles of sustainable development into country policies and programmes and reversing the loss of environmental resources; by halving the proportion of people without sustainable access to safe drinking water by 2015; and by achieving significant improvement in the lives of at least 100 million slum dwellers by 2020. Around 2.4 billion people do not have access to improved sanitation and some 1.2 billion do not have access to an improved source of water.[8] Progress is being made in access to safe water in rural areas of most regions, but the trend is generally negative in urban areas. In addition, more countries will face acute water shortages if decisive action is not taken soon.

Goal Number Eight: Develop a global partnership for development

This deals with official development assistance, market access, debt sustainability etc. New commitments promise an additional $16 billion by 2006, compared with 2002.

[7]Commonwealth of Independent States i.e. the association of former Soviet republics that was established in December 1991by Russia, Ukraine, and Belarus to help ease the dissolution of the Soviet Union and coordinate inter-republican affairs. Other members include Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, and Uzbekistan.

[8]Source: UN Secretary-General's 2003 Report on Implementation of the United Nation's Millennium Declaration

Twenty-six heavily indebted poor countries have started receiving debt relief and many low-income countries are benefitting from duty-free exports to markets in developed countries. However, much more action in the areas of aid, trade and debt is needed to provide adequate support for achieving the MDGs by 2015. In Nigeria's case, the recent debt relief deal with the Paris Club means that this goal can be achieved even much earlier than the target date.

3.0 ROLE OF INFRASTRUCTURE IN ECONOMIC DEVELOPMENT

The role of infrastructure in any nation's economic growth and development is so crucial that no nation has ever developed without first providing certain key infrastructure. The multiplier effect of a good road network, constant electricity supply, good water supply etc. on sustainable growth and development and meeting the MDGs cannot therefore, be overemphasized. The role of infrastructure in economic growth and poverty reduction was documented in a recent study[9] of the Poverty Reduction Strategy Papers (PRSPs) of 33 countries that completed their reports by December 2003. All the reviewed PRSPs emphasized the role of infrastructure in economic growth though the focus was mainly on infrastructure interventions that promote pro-poor growth, and as such it mainly addressed issues such as access to water and sanitation based on the premise that economic growth is a necessary but not sufficient condition for poverty reduction.

4.0 CHALLENGES OF FINANCING INFRASTRUCTURE

The underlying problem with financing infrastructure can be traced to a specific market failure - for finance it is information asymmetries and for infrastructure market power associated with economies of scale. But too often government interventions have made matters worse. Financial markets have been repressed and distorted by state ownership, monopolies, directed or subsidized credit, and other policies appealing to the short term interest of politicians and favoured groups. These undermined financial sector development, firm-labour productivity, and economic growth. Infrastructure provision has been undermined by governments using state ownership or regulation to pursue objectives unrelated to efficient service delivery typically favouring some groups over broader interests and introducing new sources of inefficiency. The problems in both areas usually hit smaller firms hardest.

Governments are however, confronting these issues, but progress is slow and uneven. They are pursuing new approaches that recognize that finance and infrastructure are not only part of the investment climate for other firms but are also profoundly shaped by the investment climate for providers of financial and infrastructural services.

That is why many governments including that of Nigeria are taking steps to increase competition among providers of finance and infrastructure, secure their property rights and regulate them in ways that recognize the trade-off between market failures and government failures. Governments are also working to improve management of public resources - to get more for their money when they finance or subsidize infrastructural services.

5.0 INFRASTRUCTURE REFORM IN NIGERIA

As the agency charged with the implementation of the present administration's privatisation programme, the

[9]Murooka, Naomichi. May 2004. University of Michigan. Http://www.tcaup.umich.edu/urp/murookareport.pdf.

Bureau of Public Enterprises (BPE) has been at the forefront of efforts at reforming the Nigerian economy through infrastructure reform. This has largely been through sectoral reform and other legal/regulatory framework measures as well as policy initiatives aimed at creating a conducive environment for the enterprises privatised to be viable into the future. It is also aimed at creating a conducive atmosphere for the private sector to assume its role as the engine of growth for the economy by actively participating in hitherto government controlled sectors, thereby allowing government to concentrate on its traditional role of providing good governance, security, social welfare, etc. The debate on the need for and sufficiency of private sector investment in infrastructure is still raging, though not as vigorously in the developed countries where private sector investment in both economic and social infrastructure is quite huge - as in the developing world, where provision of infrastructure especially social - is still considered to be part of government's primary responsibilities, more so because even the basic economic infrastructure are woefully lacking.

Worldwide, most future infrastructure demand is likely to come from the developing world - home to 85% of the world's population - where access to infrastructure services falls well behind the levels in the developed world. Estimates by several international organizations and researchers point to the substantial investment required in developing countries. These include an annual amount of $120b in the electricity sector from 2001 to 2010 (International Energy Agency, 2003)[10] and $49b for water and sanitation from 2001 to 2015[11]. With the exception of China, whose infrastructure investment needs remain massive, estimated at about $2 trillion during the 2001 to 2010 period (Asian Development Bank, 2002).[12]

From 1992 to 2003, total international investment in developing countries infrastructure is estimated to have been $622b an average of $52b a year and 3.8% of total gross domestic investment in the developing world. The investment was unevenly distributed. Countries in East Asia and Latin America accounted for almost two-thirds of the total. Complementing the volume of cross-boarder flow have been resources that countries have mobilized domestically, predominantly from public sources. The growing need for infrastructure and technological development have brought about shifts in the way infrastructure are financed e.g. the liberalization of telecommunications sector and Public-Private Partnerships (PPP) in power generation (i.e. shift to private sector involvement). Between 1990 and 2003, Nigeria had new projects with private participation in three main infrastructure sectors; energy, telecom and transport. In these sectors, twelve projects involving investment commitments for US$ 3080[13] million reached financial closure. The telecom sector received the largest share of investment. Greenfield projects where the most frequent form of private participation in the country, representing 83% of the projects and 99% of total investment on infrastructure projects with private participation in the country. While most of these projects recorded remarkable success, some of them, unfortunately, turned sour as they where either cancelled or under distress by 2003. The shift to private sector involvement has taken different forms in various sectors:

[10]Global Development Finance 2004
[11]Camdessus, M. 2003
[12]Global Development Finance 2004
[13]http://ppi.worldbank.org/PPI2/Reports/Data/33country.html

a) Telecommunication

Considerable progress has been made in privatising, restructuring, and introducing competition into segments of the telecommunications industry. Privatizations have occurred through the sale of assets to strategic investors (often major international companies) and through equity offerings in local and international markets. In most countries, the private sector is now dominant. In Nigeria, since 1999, through the restructuring activities of BPE, the telecoms sector has been completely liberalized resulting in what has been dubbed the "Telecoms Revolution" in Nigeria. It is very clear that the Federal Government's privatisation programme has driven the liberalization of the telecoms sector with the following benefits already recorded in the short run:

- One of the fastest growths in the world
- Fastest growing teledensity in the world
- GSM revolution:
  - Four GSM operators (MTN, V-Mobile, Globacom, M-Tel)
  - 10 million lines from only 400,000 few years ago
  - N4billion new investment by MTN alone
  - Thousands of new jobs- directly/indirectly
- No job losses recorded Tariff/rates expected to keep falling as investments mature and competition increases.

The reform of the telecoms sector will be completed with the privatisation of NITEL/MTEL before the end of 2005 through 51% majority stock sale to a strategic/core investor group. Thereafter, it will be followed by the sale of the remaining 49% through Initial Public Offering to the Nigerian public to share in the success of the telecoms sector reform.

b) Power

Worldwide reform in the electric power sector has been more uneven and contentious than in the telecommunications industry. In developing countries, progress has been made in privatizing and diversifying generating capacity, where international capital has contributed to the development of a private power market around competitive bidding on long term power-purchase contracts. The thrust of restructuring has been on unbundling the ownership of vertically integrated utilities, separating the structurally competitive segment of generation and supply from the monopoly segment of transmission and distribution. In Nigeria, appreciable progress has been made in the reform of the power sector. The Electric Power Implementation Committee (EPIC) which is a steering committee of the National Council on Privatisation (NCP), with the advice of reputable power sector consultants NERA[14] Economic Consulting - put together a Power Policy, which was approved by the Federal Executive Council in March 2001. The Policy envisages a three stage legal and regulatory reform of the power sector as follows:

- **Transition Stage** - Characterised by private power generation through Independent Power Producers (IPPs) and Emergency Power Producers (EPPs); corporate restructuring, unbundling and privatisation of the Power Holding Company of Nigeria (PHCN) formerly NEPA - through sale or license of all thermal plants to private operators or concessionaires and transfer of management, ownership and control of selected distribution companies (Discos).

- **Medium Term** (after the unbundling and privatisation of PHCN is completed) -

[14]**Founded in 1961 as National Economic Research Associates, Inc.**

Characteristics that are contemplated will include competition among generating companies (Gencos); energy trading between generation and distribution companies primarily on the basis of bilateral contracts through contact exchanges and sales; payment of full price by generators for natural gas and other fuels; and, sale of energy by companies generating power in excess of their needs to distribution companies.

- **Long-run Competition Structure** - It is envisaged that during this phase, the power generation (Gencos), transmission (Transisco) and distribution companies (Discos) will be operating optimally. Additionally, there would be economic pricing of electricity to cover the full costs of supply, including expectation of a reasonable, risk-adjusted rate of return on capital; opportunity for large industrial consumers to choose their suppliers; a well developed wholesale market with formal membership rules, procedures, etc.; and, full retail sales competition.

c) Transport

In the transport sector, a movement to private ownership has been complicated by the economics of the industry, with private finance feasible only to the extent that users can be appropriately charged. Because infrastructure operators typically are able to charge only direct users, most private projects must be selfcontained and have no close alternatives. Most privately financed schemes worldwide - but especially in developed countries - have been for bridges, tunnels, toll roads, and railways, as well as some major ports and airports. As part of reforms in the transport sector and with a view to taking full advantage of the benefits of private sector participation, BPE and the Transport Sector Reform Implementation Committee (TSRC) have proposed a programme for the reform and privatisation of the nation's ports, which comprises the following steps:

- Formulation and implementation of a new Transport Policy for Nigeria
- The review of the existing Nigeria Ports Authority (NPA) Act 1999 and the establishment of an appropriate legal and regulatory framework
- The creation of a regulator for the sector
- Restructuring NPA, including the corporatisation of port services and terminals; and
- The issuance of concessions for port services and operations to private sector operators.

The primary objectives of the port reform programme are:

- To create a new legal and regulatory environment for the sector that establishes a fair and open business environment for all operators
- Provide a framework for improved services provision
- Restructure NPA and facilitate the creation of a sector regulator
- Encourage competition wherever possible in the sector
- Facilitate infrastructure development; and
- Provide the framework for private sector led growth through expanded domestic and foreign investment.

In accordance with the above, BPE has made considerable progress (with the help of its advisers) in managing and executing the Federal Government's ports sector reform policy and the concessioning of eighteen port terminals to private operators (including sitting tenants). Some of the port terminals concessioned to world-class operators include:

- Apapa Container Terminal and Lilypond Terminal to A. P. Moller;
- Apapa Terminal E to Dangote Group;
- Apapa Terminals C and D to ENL Consortium;
- Tin Can Island Port Terminal A to Josepdam and Sons Limited;
- Tin Can Island Port Terminal B to Tin Can Island Container Terminal Limited
- Port Harcourt Terminal A to Ports and Terminal Operators Nigeria Limited; and
- Port Harcourt Terminal B to BUA International Limited.

Almost all the transactions have been concluded, with only a few of the concessions awaiting financial closure.

6.0 CONCLUSION

Considering the Millennium Development Goals and the current situation of their indicators in Nigeria, the state of infrastructure in the nation and the nature and financing requirement of different infrastructure, the complexity of financing infrastructure becomes quite obvious. It is a very strategic issue that needs to be well thought out because of the important role it plays in the development of any nation. It involves creating the conducive environment for doing business in Nigeria. It also involves encouraging public-private partnerships that will bring a lot of investment in infrastructure, while breaking monopolies in some areas by encouraging private sector participation. In this regard, the pioneering work BPE has done in the area of public enterprise and infrastructure reforms especially in the telecom, energy/power and transport sectors will go down in history as the watershed that triggered the much anticipated development of the Nigerian economy and the upliftment of the standard of living of its people.

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Nkenchor N. Igue

ACHIEVING THE MILLENNIUM DEVELOPMENT GOAL OF ERADICATING EXTREME POVERTY AND HUNGER IN NIGERIA: ACHIEVEMENTS, CONSTRAINTS AND PROGNOSIS

By

Nkenchor N. Igue[1]

1.0 INTRODUCTION

The year 2005 marks a pivotal moment in international efforts to combat extreme poverty. It is increasingly being recognized by the United Nations, governments and concerned citizens alike, as the year when the world has an unprecedented opportunity to put in place the policies and resources needed to fight global poverty and achieve the Millennium Development Goals (MDGs). Following the UN Millennium Summit in 2000, 189 UN Member States agreed to "spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected" – a commitment set out in the Millennium Declaration and later crystallized in the eight time-bound, measurable targets, the MDGs (Sachs 2005; Brown 2005). The MDGs were adopted to address extreme poverty in its many dimensions, while promoting education, gender equality and environmental sustainability, with quantitative targets set for the year 2015. The goals are undoubtedly ambitious, but they are nevertheless achievable, if actions and policies are rightly sequenced and taken at the appropriate time.

Eradicating poverty is regarded as the most important goal of human development. Indeed, it is now widely believed that at its core, development must be about improvement of human well-being, removal of hunger, disease and promotion of productive employment for all. A nation's first goal must be to end poverty and satisfy the priority needs for all its citizenry in a way that will not jeopardize the opportunity for the future generations to attain the same objective (National MDGs Report, 2004).

The MDG goals, targets and indicators relating to poverty reduction and hunger, are quite relevant in the case of Nigeria. While poverty is accelerating at a terrific speed, progress towards minimizing the menace is at a slow pace. Until poverty reduction efforts are scaled-up with serious commitment, transparency and determination both at the national and international arena, it is unlikely that this MDG target will be met. Poverty can be made history in Nigeria, but we have to take decisive action on poverty to achieve this goal by the set target of 2015.

Five years on, and with ten years to go until 2015, it is apparent on current trends that the MDGs may not be achieved in many developing countries, especially in Africa. Decisive actions and sustained strategies are consequently required, by developing countries and development agencies, and can legitimately be expected. Substantial progress is being recorded, unlike in the past, at least for the first time in human history, we have the knowledge and the track record to halve poverty again, as extreme global poverty was actually halved between 1980 and 2000 (Brown, 2005). If

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that be the case, we can actually halve poverty again before the set period of 2015.

The paper examines the possibility of achieving the millennium development goal of eradicating extreme poverty and hunger, the achievements Nigeria has made in this regard, the constraints we are faced with, and a prognosis of specific measures to be taken to achieve this goal. Following this introduction is section 2, which discusses some concepts of poverty and hunger and their causes, as well as the MDGs. Section 3 explains the state of poverty and hunger in Nigeria, while section 4 highlights the progress made so far in poverty reduction in Nigeria. Section 5 deals with constraints inhibiting the attainment of this goal, while the prospects and priority areas of meeting this goal are examined in section 6. Section 7 concludes the paper.

2.0 Understanding Poverty, Hunger And The Millennium Development Goals

2.1 What is Poverty?

As normally defined, poverty means the inability to afford certain pre-determined consumption needs. This is commonly assessed using a comprehensive measure of real consumption or income - including imputed values for consumption or income in-kind, including from own production (Ravallion, 2004). Poverty is not only a state of existence but also a process with many dimensions and complexities. It can be persistent (chronic) or transient, but transient poverty, if acute, can trap succeeding generations. The poor adopt all kinds of strategies to mitigate and cope with their poverty (Khan, 2001; Hulme, Moore and Shepherd, 2001).

Attributes of poverty may be classified into structural, economic, social, cultural and political deprivations. The structural dimension appears more permanent and manifests a vicious cycle, reflecting limited productive resources, lack of skills for gainful employment, locational disadvantage and inadequate income to obtain the basic necessities of life. The social dimension of poverty is largely a gender issue since the greatest weight of poverty is borne by women household heads and children from poor homes. However, the conventional notion depicts poverty as a condition in which people earn below a specified minimum income level and are unable to provide or satisfy the basic necessities of life needed for an acceptable standard of living. A compromise definition depicts poverty as a state where an individual is not able to cater adequately for his/her basic needs of food, clothing and shelter; is unable to meet social and economic obligations, lacks gainful employment, skills, assets and self-esteem; and has limited access to social and economic infrastructure such as education, health, potable water, and sanitation; and consequently, has limited chance of advancing his/her welfare to the limit of his/her capabilities (CBN, 1999).

To understand poverty, it is essential to examine the economic and social context, including institutions of the state, markets, communities, and households. Poverty differences cut across gender, ethnicity, age, location (rural and urban), and income source. In households, children and women often suffer more than the men. In the community, minority ethnic or religious groups suffer more than majority groups and the rural poor more than the urban poor; among the rural poor, landless wage workers suffer more than small landowners or tenants. These differences among the poor reflect highly complex interactions of cultures, markets and public policies.

According to Khan (2001), rural poverty accounts for nearly 63 per cent of poverty worldwide, reaching 90 per cent in some countries like Bangladesh and between 65 and 90 per cent in sub-Saharan Africa. In almost all countries, the conditions - in terms of personal

consumption and access to education, health care, potable water, and sanitation, housing, transport, and communications – faced by the rural poor are far worse than those faced by the urban poor. Persistently high levels of rural poverty, with or without overall economic growth, have contributed to rapid population growth and migration to urban areas. In fact, much urban poverty is created by the rural poor's efforts to get out of poverty by moving to cities. Distorted government policies, such as neglecting the agricultural sector as well as rural (social and physical) infrastructure, have been major contributors to both rural and urban poverty.
The causes of poverty in developing countries have been identified in development literature as hinging on adverse international developments, world recession, series of economic reforms undertaken by these countries and the crushing burden of foreign debt. However, the fundamental causes of poverty domestically include inadequate production and income, difficult access to employment opportunities, poor quality of labour force, low level of technology, inefficient use of resources, and lack of access to credit facilities and other productive resources.

2.2 What is Hunger?

Hunger can be defined as uneasy or painful sensation caused by a lack of food, which if persistent can lead to malnutrition (DFID, 2002). Hunger is central to poor peoples experience and definitions of poverty and ill being. Hunger is a symptom of extreme poverty. Insecure access to food emerges as a powerful physical and psychological influence on poor people's lives. Poor people spend a considerable amount of time and effort on finding sufficient food every day. The causes of hunger are poverty, ill health, social exclusion, conflict and natural disasters. That is why actions aimed at reducing poverty should be based on a clear understanding of who and where are the hungry, why are they food insecure and what are the realistic opportunities for improving their access to food.
There are many dimensions to hunger, as well as regional, national and household level variations; there are differences in the incidence of hunger between seasons, within countries and within households. Many people go hungry during certain seasons of the year, or during shocks such as drought – they suffer from transitory food insecurity. Others struggle to find enough to eat on a daily basis – they are chronically food insecure. Hunger compromises people's ability to improve their lives. Inadequate access to food is a major contributor to malnutrition (DFID, 2002).

An individual's nutritional status is determined by the quantity and quality of food consumed in relation to individual physiological requirements for nutrients and ability to utilize them. Malnutrition is an abnormal physiological condition caused by deficiencies, excesses or imbalances in energy, protein and/or other nutrients. Manifestations include wasting, stunting or underweight, reduced cognitive ability, poor health status and low productivity. Malnutrition reduces people's abilities, options and opportunities to secure a decent livelihood. It is a major factor in deaths of children under the age of 5 in developing countries. Children who are malnourished are prone to illness, as well as to absenteeism, poor performance and early drop out from education. Adult who are hungry and malnourished may not be able to work effectively. Hunger undermines the dignity of the poor (DFID, 2002).

Given the multidimensional nature of food security, there can be no single measure of hunger. Measuring food security at different levels from international to the household and even intra-household levels requires different approaches and methodologies. However, for the purpose of this paper we shall measure hunger based on the indicators of tracking hunger in the first goal of the MDGs, as the prevalence of underweight children under five years of age, and proportion of population below the minimum level of dietary energy consumption. Child malnutrition has long been accepted as one of the principal evaluative indicators of poverty activities (Shrimpton, 2003). Indeed nutrition has many manifestations and linkages amongst the MDGs and its targets and indicators.

2.3 What are the Millennium Development Goals?

The Millennium Development Goals (MDGs) put the world community on a time table, when 189 member states of the United Nations adopted the Millennium Declaration in September 2000; they looked backwards to 1990 and ahead to 2015 and gave themselves 25 years to produce substantial improvements in the lives of people. At the time, it was clear that in many places development progress had slowed and would have to be accelerated if ambitious targets of MDGs were to be achieved. All the member states of the UN reaffirmed their commitment to working towards a world in which sustaining development and elimination of poverty would have the highest priority and the MDGs accepted as a framework for measuring development progress.

There are eight MDGs, of which seven are mutually reinforcing and directed at reducing poverty in all of its ramifications. The MDGs aim by the year 2015 to: (1) Eradicate extreme poverty, malnutrition and hunger; (2) Achieve universal primary education; (3) Promote gender equality and empower women; (4) Reduce child mortality; (5) Improve maternal health; (6) Combat HIV/AIDS and malaria; (7) Ensure environmental sustainability; (8) Develop a global partnership for development. The first and over-arching development goal of poverty eradication has three indicators, each with targets. Between 1990 and 2015, the percentage of the population on less than a dollar a day, the percentage of the population consuming less than their energy requirements and the percentage of children with malnutrition are to be reduced by a half.

3.0 Poverty and Hunger in Nigeria

To understand the nature of poverty and hunger in Nigeria, we shall analyze the indicators for measuring the targets in goal one of the MDGs. The analysis will bring to the fore the possibilities of achieving this millennium development goal.

Available evidence from table 1 reveals that the incidence of poverty increased during the period 1980-1996; however, there was a decrease in poverty level during the period 1985-1992. The proportion of people living in poverty in 1980 was 28.1 per cent, which later rose to 46.3 per cent in 1985, but plummeted to 42.7 per cent in 1992 before rising to 65.6 per cent in 1996. However, the proportion of people living in poverty declined to 54.4 per cent in 2004. This translated to 17.7 and 34.7 million poor people in 1980 and 1985, respectively. The number of poor people in Nigeria also increased from 39.2 million poor people in 1992 to 67.1 million poor people in 1996, and 68.7 million poor people in 2004. Despite the drop in poverty in 1992 and 2004, the population in poverty was 4.5 million higher than the 1985 figure and 1.6 million higher than that of the 1996 figure, respectively. The reduction in poverty level to 54.4 per cent is traceable to reforms introduced to alleviate poverty, since the enthronement of democratic governance since 1999.

Poverty is more pronounced in rural areas when compared with urban areas (see table 1), it exhibited an undulating pattern. Poverty in the rural areas showed that the proportion of people living below the national rural poverty line was 28.3 per cent in 1980; it further rose to 51.4 per cent in 1985. It fell to 46.0 per cent in 1992, but rose again to 69.8 per cent in 1996, and declined to 63.3 per cent in 2004. Poverty in urban areas showed similar trend during the period under review. The proportion of poor people living below the national urban poverty line was 17.2 per cent in 1980; it rose to 37.8 per cent in 1985 and remained at the level of 37.5 per cent in 1992. The proportion of poor people living in urban areas further rose to 58.2 per cent in 1996, and fell to 43.2 per cent in 2004. A critical look at the above analysis showed that the proportion of poor people is growing faster in the urban areas than in the rural areas.

On the basis of the sex of the household head, the data indicated that there was a rising trend of poverty in both male-headed and female-headed households, but the male-headed households were more impoverished than the female-headed households as can be found in table 1. The proportion of poor people rose from 26.9 per cent in 1980 to 38.6, 39.9 and 58.5 per cent in 1985, 1992 and 1996, respectively among the female-headed households. However, the proportion of poor people fell to 43.5 per cent in 2004 among the female-headed household. Also, there was a corresponding increase in the male-headed households from 29.2 per cent in 1980 to 47.3, 43.1 and 66.5 per cent in 1985, 1992 and 1996, respectively. On the other hand, the proportion of poor people fell to 58.2 per cent in 2004 among the male-headed households.

Poverty in Nigeria is as well denoted to be deep and severe. Depth of poverty can be interpreted to mean the number of people below the poverty line. Severity, on the other hand can be seen as the spread of the poor around that level of the average poor. Poverty gap measures the depth of poverty as well as its incidence. Information from the World Development Indicators showed that the poverty gap for Nigeria was 34.9 per cent in 1997.
Another dimension of the poverty situation is the worsening income inequality in the country. The data reveals that the Gini Coefficient Index was 45 and 50 during the periods 1992-1993 and 1996-1997, respectively. However, the Gini coefficient index in 2004 fell to 48.82. During the period 1992-1993, the expenditure share of the poorest quintile of 20% of the population was 4% when compared to 49.3% of the richest quintile of 20%. In the period 1996-1997, the expenditure share of the poorest quintile of 20% of the population was 4.4%, while that of the richest quintile of 20% rose to 55.7% (see table 2). In the year 2004, the expenditure of the poorest quintile of 20% of the population was 7.8%, when compared with 69.03% of the richest quintile of 20%. These high figures of Gini coefficient at all levels are manifestations of poverty and inequality of distribution of income.

Poverty in Nigeria is caused by social, economic, political, cultural and environmental factors including the following: poor access to employment opportunities; inadequate physical assets, such as land and human capital, and minimal access by the poor (especially rural women) to credit even on a small scale; poor access to the means of supporting rural development; poor access to markets where the poor can sell goods and services; low endowment of human capital; destruction of natural resources leading to environmental degradation and reduced productivity; and poor access to assistance for those living at their margin and those victimized by disasters.

The poverty situation is precarious not only with regard to income poverty, but also with regard to food poverty nutrition. Available data showed that the proportion of underweight children (under five years of age) was 35.7 per cent in 1990, but declined to 28.3 per cent in 1993, however, it rose to 30.7 per cent in 1999. The situation appears to be more serious in the rural areas. Information from table 3 showed that the proportion of underweight children in the rural areas was 38.5 per cent in 1990 and 1993, respectively which later declined to 34.1 per cent in 1999. For the urban residents, it was 26.3 per cent for 1990 and 1993, respectively before declining to 21.7 per cent in 1999. The figures for the national, as well as the urban and rural areas are quite far from the 2015 target figures which are estimated at 17.8, 13.2 and 19.3 per cent, respectively.

With regard to the proportion of population below the minimum level of dietary energy consumption, available data reveal that about 13 per of the population were undernourished during the period 1990-1992. The percentage also dropped from 8 to 7 per cent during the periods 1996-1998 and 1999-2001, respectively (see table 4). The result indicates that the country has progressed extensively in reducing the number of people that are undernourished.

From the analysis above, there is a divergent trend in malnutrition and poverty rates, while malnutrition rates are on the decline, poverty rates are on the high side. According to the National MDGs Report (2004), the reasons for the improved performance in malnutrition could be explained by two reasons. Firstly, the majority of the poor are rural dwellers engaged largely in farming. If the majority are subsistence farmers, they may be able to generate low income and at the same time meet their direct food consumption requirements at the household level. They may therefore, continue to remain income poor while the gap in their dietary energy needs is being gradually bridged. Secondly, the nutritional improvement could be derived from improved nutritional education rather than enhanced household income.

Various initiatives of improved nutrition education have been carried out by the United Nations Children Education Fund (UNICEF), the Ministries of Health – federal and state level as well as Non Governmental Organizations (NGOs) involved in health and nutrition related activities. For example, the campaign by UNICEF for exclusive breast feeding for children between 0 – 6 months old and breast milk and other food for children up to two years. Also, the use of cheap local foods as supplements to breast milk for children especially the processing of Soya-beans to various soy-related products is being intensively promoted in the country. Adoption of these techniques may result in improved nutritional status of children even if their parents cannot be considered as richer on the basis of cash income. The National Agency for Food and Drug Administration and Control (NAFDAC) is making concerted efforts in improving the nutrition content of foods produced by ensuring fortification of these foods with the essential vitamins, as well as iodization of salt imported and produced locally. The importers of salt were given a deadline of July 1, 2005 to import only salt that had been iodized into the country, while local manufacturers had been given a deadline of January 1, 2006 to comply with iodizing all salt produced locally.

4.0 Achievements in Combating Poverty and Hunger in Nigeria

There have been programmes designed by government to address poverty reduction in Nigeria in the past; each one of them has a particular objective in contributing to poverty reduction and improving human well-being. Past poverty alleviation programmes in Nigeria are of two categories, namely, multisectoral programmes and specific sector-oriented programmes. Multisectoral programmes comprise a multitude of programmes that include agricultural and extension services, educational and vocational training, cottage industries and food processing, primary health care delivery, enlightenment/awareness programmes and cooperative societies. Such programmes include: National Directorate of Employment (NDE); Directorate of Food, Roads and Rural Infrastructure (DFRRI); Better Life Programme (BLP); Family Support Programme (FSP); and Family Economic Advancement Programme (FEAP). Specific sector-driven programmes include: health sector programmes; education sector programmes; transport sector programmes, housing sector programmes, financial sector programmes; community banks and Agricultural Credit Guarantee Scheme Fund (ACGSF); industrial sector programmes; community-based programmes; and nutrition-related programmes.

However, the past efforts and programmes were inadequate, and as a result were unable to achieve the objectives, instead poverty increased persistently. There are certain fundamental reasons for the inadequacy of the anti-poverty measures over the years. These include the absence of a sound policy framework, poor implementation arrangements, inadequate participation by the stakeholders and lack of co-ordination. These gaps led to the conceptualization and establishment of the National Poverty Eradication Programme (NAPEP).

The federal government addresses poverty through the NAPEP. A number of skill acquisition programmes and employment generating activities have been carried out under this initiative. The various schemes under NAPEP, including the Youth Empowerment Scheme (YES), are aimed at empowering the youths economically. This is done through the Capacity Acquisition Programme (CAP). The Rural Infrastructures Development Scheme (RIDS) carries out rural electrification, rural water development and supply, rural transportation development programmes and rural development. The Social Welfare Services Scheme (SOWESS) includes programmes on qualitative education, primary healthcare, farmers' empowerment and provision of social services. Finally, the Natural resources Development and Conservation Scheme (NRDCS) contains programmes for environmental protection as well as development of agricultural, solid mineral and water resources.

With regard to institutions, the Nigerian Agricultural Cooperative and Rural Development bank (NACRDB) provides both micro and macro credit facilities for all agricultural activities and micro credit for non-agricultural projects such as artisanship, trading, small and medium-scale businesses, etc, in the ratio of 70 to 30 per cent. Also, there is a substantial number of NGOs working to alleviate poverty in the country. However, most of the activities of these NGOs are tailored towards the provision of micro-credit. It is hoped that the financial capacities of the NACRDB and those of the NGOs should to a reasonable extent, enhance the access of the rural dwellers including women to financial resources, which will assist them in expending their productive enterprises.

In the industrial sector programme, the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) was initiated to provide finance for small and medium enterprises that face dearth of long-term finance for enterprise development. To do this, banks are required to identify, develop and package viable industries with Nigerian entrepreneurs. Through this scheme, banks are expected to aid the jump starting of the real sector of the economy, by providing venture capital and management that would spearhead the restructuring and financing of the Small and Medium Industries (SMI), many of which have become moribund, owing partly to poor funding and weak management.

The specific objectives of the scheme are: to facilitate the flow of funds for the establishment of new SMI projects, and reactivation, expansion and modernization or restructuring of on going projects; and to stimulate economic growth, develop local technology and generate employment. The range of activities where the funds are applied are those in the real sector of the economy and related services, with the exclusion of trading. They are: agro-allied, information technology and telecommunication, manufacturing, educational establishments, services, tourism and leisure, solid minerals and construction. Banks investing under the scheme are ensuring that not less than 60 per cent of the fund set aside go to the real sector; and not more than 30 per cent to services, while 10 per cent goes to micro enterprises.

There have been various policy measures geared towards poverty alleviation which include the National Policy on Education aimed at making education meet the requirements for economic growth and development within the reach of Nigerians. Besides, the main objective of Nigeria's Health Policy is the provision of affordable health services to all Nigerians. The National Policy on Population as well, aims to improve the quality of life, encourage the sustained decline in mortality of mothers and children, reduce fertility and slow down the rapid rate of migration into the urban areas. Also, the National Directorate of Employment (NDE) which was established for the purpose of creating employment and promoting self-reliance has geared its activities towards poverty alleviation. In recognizing the veritable role finance plays in poverty reduction, as well as to ensure widespread and adequate delivery of financial services especially to the rural areas, the Community Banking Scheme was introduced and has been operating to strengthen the financial capacity of the people. If the various policy measures are effectively implemented, it should be possible to have a meaningful reduction in poverty in the nearest future.

The government's new development strategy, the National Economic Empowerment and Development Strategy (NEEDS), has poverty reduction at its core. The four key strategies under the NEEDS include reorienting values, reducing poverty, creating wealth and generating employment. This would be achieved through creating an environment where businesses can thrive, government is redirected to providing basic services, and people are empowered to take advantage of the created opportunities. Also, interventions and policies directed at poverty reduction will benefit all segments of the Nigerian society, especially women and other vulnerable groups. In the NEEDS document, the promotion of rural development was given utmost priority, with greater emphasis on agricultural and agro-industrial development. The main strategies include technology generation and natural resources management, infrastructure development (physical and social), rural non-farm activities development and human capital development. Notably, the NEEDS look ambitious enough to meet the MDGs, if all the binding constraints that impede growth are adequately addressed.

5.0 Constraints

There are quite a number of constraints to achieving the goal of eradicating poverty. Identifying these problems would enable one articulate specific measures to be taken to eradicate poverty in Nigeria. These constraints are as follows:

- Poor economic growth. The macroeconomic downturn since the early '80s led to poor economic growth, thereby contributing to the high incidence and severity of poverty in Nigeria. In the Monterrey Consensus, it is estimated that to achieve the MDGs, African countries need to achieve a minimum growth rate of 7 per cent annually. However, the annual GDP growth rate in Nigeria during the period 1993-2003 has been relatively low, averaging about 3 per cent. This indicates that we have not been able to achieve the desired economic growth that is pro-poor.

- Inadequate investment in human capital. Low investment in human capital constraints efforts to sustainable economic growth. Despite the heavy investment in human capital, assisted by the private sector and official development agencies, good health and basic education remain elusive to many.

- Inadequate public investment in physical infrastructure has affected the income and employment generating opportunities of the poor.

- Most policies and reforms undertaken in the past were not aligned to achieving the MDGs.

- Another major factor constraining poverty reduction efforts and improving human well-being is the heavy burden of external debt on the finances of the government and the economy as a whole. This reduces the resources that are available for financing poverty reduction programmes and improving other human well-being indicators, as well as achieving the MDGs. Anecdotal evidence reveals that the total public debt outstanding as a proportion of GDP rose from 71.1 per cent in 1994 to 93.3 and 79.2 per cent in 2002 and 2003, respectively. Therefore, the debt overhang in Nigeria is a heavy tax on investment and growth.

- Lack of political will and determination, as well as resources to achieve the MDGs. The MDGs are not backed by the requisite political will and determination, which has led to non-prioritization of poverty reduction. Eradicating extreme poverty and hunger requires taking drastic steps, and largely depends on a lot of factors, most importantly political consensus and resolve to end poverty. Poor resource utilization has worsened the poverty situation in the country.

- Poor enabling environment characterized by bad governance, lack of transparency and administrative inefficiency, weak accountability, corruption, weak rule of law, high transaction costs. All these have generally discouraged business activities that would have helped in alleviating poverty.

- Lack of participation of the poor in the design, implementation and monitoring of development programmes. The poor are not directly involved in the identification, design, and implementation of programmes. This resulted in ineffective use of resources, and benefits are not distributed equitably to the targeted group.

- Lastly, weaknesses in project implementation procedures, and the system of information gathering and management in Nigeria. Of special note in this regard is that there is lack of sustained gathering of relevant information to aid policy decision-making. This is clearly manifested in the perceived gap between the producers and users of information that has led to paucity of data on some critical indicators. Lack of recent and up-to-date information to tracking the indicators of poverty and hunger, of the MDGs. Therefore, with regard to eradicating extreme poverty and hunger, it has been relatively difficult to have an up-to-date assessment of the progress made. The implication for this is that if this trend persists, it would be difficult for the country to achieve this MDG target by 2015.

6.0 Prognosis

To achieve these targets to eradicate extreme poverty and hunger - requires scaling-up at the country and international levels. We shall examine what has been done and specific measures needed to be put in place the way forward - at the two fronts.

6.1 International Community's Role

This year, 2005 has been labeled the year to make poverty history. The nexus of events of the development partners points to an unprecedented window of opportunity for the international community to tackle issues that are critical to eradicating poverty aid, trade and debt. According to Brown (2005), the MDGs have provided a clear focus and targets for the policy reforms developing countries are undertaking to meet their side of the Monterrey bargain. For developing countries, this connotes putting in place the domestic reforms to focus resources on poverty reduction, tackle corruption and promote good governance and the rule of law.

Equally, developed countries need to keep the commitments they made in the Millennium Declaration, and subsequently at the international Conference on Financing for Development at Monterrey 2002, and the World Summit on Sustainable Development in Johannesburg; to increase levels of development assistance, reform world trade so that poor countries can earn their way out of poverty, and also take the necessary action to lift the debt burden on developing countries.

To achieve the MDGs, international development assistance must be more than doubled over the next few years. This does not however, require new pledges from donor countries, but meeting the pledges that have already been made. Each developed country is to set a timetable for achieving the 0.7 per cent target of gross national income for official development assistance by no later than 2006, and reach at least 0.5 per cent by 2009. This increase should be “front-loaded” through an international finance facility, with other innovative sources of financing to supplement this considered in the longer term.

On debt relief, it is agreed upon to secure a deal on wider, deeper, faster debt relief which would also quickly increase resources available to invest in MDG-focused areas, such as health and education. It is also imperative that debt sustainability be redefined as the level of debt that allows a country to achieve the MDGs without an increase in debt ratios. On trade, the Doha round of trade negotiations needs to fulfill its development promise and be completed by no later than 2006. As a first step, developed countries are being asked to provide duty-free and quota-free market access for all exports from Least Developed Countries.

6.2 Nigeria's Role

In order to achieve the MDGs targets of halving the population living in hunger and poverty by the year 2015, policies and efforts should be scaled-up in the following areas:

- Generating a respectable pro-poor economic growth. Economic growth must occur on a sustained basis, and must be neutral with respect to income distribution or reduce income inequality. Also, government's intent on poverty reduction must create an environment that is conducive for growth. This means microeconomic policy aimed at creating well-functioning markets, macroeconomic policy aimed at stability must be realistically pursued.

- Investment in human capital for sustainable economic growth. Economic growth alone cannot guarantee poverty reduction; it should be accompanied with complementary investment in human capital, health and education. As experience has shown that countries that put in place incentive structures and complementary investments to ensure that better health and education lead to higher incomes, as the poor will benefit doubly through increased current consumption and higher future incomes. Government has to take responsibility for building human capital via education, and for the creation of growth enhancing social infrastructure.

- Provision of basic infrastructures to enhance the access and productivity of the poor. This is because increasing investment in infrastructure is important for achieving the MDGs, since it will create job opportunities for the poor.

- There should be improved information gathering, especially with regard to monitoring indicators that would help track developments on the MDGs. In this regard, the agencies responsible for producing the relevant data should be streamlined, strengthened financially and technically, and provided with the requisite infrastructure to perform their functions effectively. Also, the relevant agencies should be mobilized to embark on the analysis of the poverty situation in the country and come up with up-to-date indicators for tracking poverty.

- The poor should be directly involved in the identification, design, and implementation of programmes to ensure effective use of resources and equitable distribution of benefits. The involvement of the local population will ensure programme acceptability and continuity.

- Aligning policies to achieve the MDG goal, by putting in place the domestic reforms to focus resources on poverty reduction. In this regard, the thrust of government policies should be targeted to induce economic growth that is pro-poor. To achieve this goal requires that it be backed with the desired political will and determination, as well as to take decisive action to end poverty and hunger in the country.

- The key to achieving this MDG is scaling-up of investments in targeted sectors and locations that would benefit the poor. A good example is targeted investment in the agricultural production and distribution system, because majority of the poor in Nigeria are involved in agricultural production, and live in the rural areas. It has been proven that in developing countries, especially sub-Saharan Africa, investments in agriculture have been more effective in reducing poverty among the poor.

- It is hoped that the recent debt forgiveness by the Paris Club of about 60 per cent of the total external debt stock - would free-up resources that would be ploughed into achieving the MDGs, especially reducing poverty and improving human well-being. The spirit behind debt relief should be the freeing of resources to accelerate economic development and ensure poverty reduction. With more resources, the country would have increased capacity to meet her economic challenges, especially as regards the national economic reform programmes and the MDGs in Nigeria.

- For all these efforts to be effective, the government must develop good institutions and create the enabling environment, promote good governance, establishment of the rule of law, improved transparency and accountability, as well as tackle the menace of corruption.

7.0 Summary and Conclusion

In this paper, a critical look was taken on the indicators of poverty and hunger in Nigeria. The paper revealed that more people were poor in the last decade than the '80s. Poverty is more pronounced in the rural areas than the urban areas, however, the proportion of poor people is growing faster in the urban areas than in the rural areas. Both male and female headed households experienced rising poverty between 1980 and 2004. However, female headed households fared relatively better than male headed households. In terms of food poverty, the proportion of underweight children fell, but was more serious in the rural areas than the urban areas. Also, the proportion of the population below the minimum level of dietary energy consumption fell over the years. This indicates that the country has progressed extensively in reducing the number of people that are undernourished.

To achieve this goal and targets requires scaling-up efforts at the country and international arena. At the international front, the developed countries are committed to increase the level of development assistance, reform world trade to enable poor countries earn their way out of poverty, as well as taking appropriate action to lift the debt burden on developing countries. At the country level, there is need to scale-up efforts on the following: generating a respectable pro-poor growth; investment in human capital; provision of basic infrastructures; improved information gathering, especially with regard to monitoring indicators that would help track developments and the MDGs; local involvement of the poor in development programmes; scaling-up investments in targeted sectors and locations in the economy that would benefit the poor; and providing the enabling environment necessary to alleviate poverty.

In a nutshell, eradicating extreme poverty and hunger is within our grasp, therefore, we need to take decisive action to make poverty history in Nigeria. This goal is achievable if we end the business-as-usual approach and accelerate action to achieve the goals. The current policy reform being pursued by government looks ambitious enough to meet this goal, since the binding constraints impeding growth are adequately addressed in the NEEDS document.

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APPENDIX

Table 1. Poverty Profile for Nigeria

Year	Poverty Level (%)					Estimated Population (million)	Population in Poverty (million)
	National	Urban	Rural	Male Headed Households	Female Headed Households		
1980	28.1	17.2	28.3	29.2	26.9	65	17.7
1985	46.3	37.8	51.4	47.3	38.6	75	34.7
1992	42.7	37.5	46	43.1	39.9	91.5	39.2
1996	65.6	58.2	69.8	66.4	58.5	102.3	67.1
2004	54.4	43.2	63.3	58.2	43.5	126.3	68.7

Source: Adapted from the National MDGs Report - 2004, Nigeria; Federal office of Statistics 1999, 2005.

Table 2. Percentage Share of Consumption of Different Quintiles (1992 -1997)

Survey Year	Gini Index	Lowest 10%	Lowest 20%	Second Quintile	Third Quintile	Fourth Quintile	Highest 20%	Highest 10%
1992-1993	45	1.3	4	8.9	14.4	23.4	49.3	31.3
1996-1997	50	1.6	4.4	8.2	12.5	19.3	55.7	40.8
2004	48.82	1.6	7.8	13.43	19.4	28.3	69.03	40

Note: This measure of consumption refers to expenditure shares by population and ranked by per capita expenditure.

Source: World Development Indicators (2004), Federal Office of Statistics (2005).

Table 3. Prevalence of Child Malnutrition

% of Underweight Children under five years of age in Nigeria

	1990	1993	1999
National	35.7	28.3	30.7
Urban	26.3	26.3	21.7
Rural	38.5	38.5	34.1

Source: World Development Indicators (2004), and National MDGs Report - 2004, Nigeria

Table 4. Prevalence of Undernourishment

Year	% of Population
1990-1992	13
1996-1998	8
1999-2001	7

Source: World Development Indicators (2004)

E.U Ukeje

BUILDING MOMENTUM TOWARDS ACHIEVING THE MILLENNIUM DEVELOPMENT GOALS IN NIGERIA: THE ROLE OF THE FINANCIAL SERVICES INDUSTRY IN 2005 AND BEYOND

B.A.G Amoo

By

E.U Ukeje and **B.A.G Amoo**

Abstract

The paper discussed the imperatives of success for the Millennium Development Goals by Nigeria and the contribution of the financial sector reform towards it. It reiterated that more is needed to be done in meeting the sectoral targets of MDGs. It outlines the challenges of the MDGs and the role of the Nigerian financial services industry in meeting them. As a way forward it recommended that accelerated economic growth by Government and private sector should be stepped up to generate: pro-poor growth, investment in human capital, support of income and employment generating opportunities; provision of basic infrastructures, support of nutrition and family planning; sex-disaggregated data and gender sensitive economic and trade indicators for macro- economic planning; promotion of good governance, improved transparency and accountability in public sector management. Other interventions recommended include: development of critical growth based industries; efficient access to financial resources and products to drive these initiatives; economic and social infrastructure; and sustainable supervision of the emerging mega-banks .

1.0 INTRODUCTION

With just ten years to go before reaching the international community's self-imposed deadline for achieving the Millennium Development Goals (MDGs) a set of eight objectives incorporating targets for reducing poverty and other sources of human deprivation and promoting sustainable development state of compliance in different nations remain uneven. As fallout of these challenges, modern economies today seek rapid growth and development with the ultimate objective of enhancing the welfare of its citizens. In order to achieve these lofty objectives, these economies try to harness the resources of all the economic units and direct them to productive uses. In spite of Nigeria's great potentials for economic growth and development, given her vast natural resources and abundant manpower, the poverty level has been very high, with the incidence of poverty rising from 42.7 per cent in 1992 to 65.6 per cent in 1996, and falling to 54.4 per cent in 2004. To worsen this situation the flow of resources has not been steady over a long period of time. For instance, with the oil glut of the early 1980s, Nigeria found herself in a dilemma as most of the programmes in the Fourth National Development Plan (1981 – 1985) could not be completed as the flow of financial resources into the economy was hampered. With these developments, it became obvious that without alternative source of sustainable investment funds, particularly private investment, a meaningful output growth and sustainable development would remain elusive.

The poverty situation was brought to the fore as Nigeria became committed to the United Nation's Millennium Development Goals (MDGs) declarations. The MDGs mandates countries to half the incidence of poverty in 2015. The National Economic Empowerment Development Strategy (NEEDS) that was introduced in 2004, therefore seeks to tackle poverty head on and provide a robust and efficient framework for addressing the lingering problems of the economy. The financing requirement for the success of the reform is huge.

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The NEEDS document clearly recognised the role of the financial services industry in the success of the programme. This informed the current reform of the financial sector which is anchored on a 13 - point reform agenda with a view to strengthening and consolidating the Nigerian banking system.

In September 2000, all member states of the United Nations unanimously adopted the Millennium Declaration agreeing to achieve the Millennium Development Goals (MDGs) by 2015. The centrality of the Declaration to the work of the United Nations system lent further weight to the need to encourage a favourable environment within which citizens could play their full role in contributing to the various goals. These goals were targets for making measurable improvements in the lives of the World's poorest citizens. Participating countries were expected to articulate policies, strategies and plans which will facilitate the achievement of the eight Millennium Development Goals, while the UN Development System was to work closely with countries to facilitate the nation's efforts. It should be reiterated that MDGs are linked with the on-going initiatives and processes under the New Partnership for African Development (NEPAD) and the National Economic Empowerment and Development Strategy (NEEDS). The success of the programmes and projects for the achievement of the MDGs are linked with the successful funding of the various activities by the financial services industries both locally and internationally as the programme involve huge financial outlay. To this end, the Financial services industry in Nigeria has a critical role to play in the implementation of the MDGs.

The objective of this paper therefore is to review the major objectives of the Millennium Development Goals and examine the contribution of the Nigerian financial services industry in achieving those goals over time. The paper is structured into five sections. Following this introduction, section two gives an overview of the Nigerian economy, while section three enumerates the Millennium Development Goals (MDGs) and the performance of the economy. Section four focuses on the emerging issues from the implementation of the MDGs while section five highlights the role of the financial services industry in achieving the MDGs. Section six concludes the paper.

2. AN OVERVIEW OF THE NIGERIAN ECONOMY 1995 – 2004

The Gross Domestic Product (GDP), which is a measure of the aggregate activities in the economy, grew at an annual average of 3.0 and 4.74 per cent between 1995/2000 and 2001/2004 periods respectively. However, the rate of growth of the human population at 2.8 per cent rendered the rate of growth of the economy very inadequate. Moreover, although there were conflicting figures on unemployment, anecdotal evidence suggests that the rate was high. The rate of inflation which peaked at 72.8 per cent in 1995 fluctuated downwards to 6.6 per cent in 1999 and 6.9 per cent in 2000, and was generally high during the period 2001-2004 as it averaged 11 per cent.

The fall out of these was that the gross national income per capita was low and stood at US$350 compared to US$500 for Sub-saharan countries and US$1,490 for lower-middle income countries in 2004 (IMF Mission Report, 2005). Consequently, the incidence of poverty was 65.6 per cent in 1996 (FOS, 1999), and by 1999 when the civilian administration came to power, independent estimates had it that more than 70 per cent of the populace were poor. The incidence of poverty was more pronounced in the rural areas where more than half of the population reside. For example, by 1996 rural poverty was 72 per cent while urban poverty was 59 per cent. Against the background of low rate of economic growth and decay of social infrastructure, such as poor access to safe water, inadequate power supply, low school enrolment ratio, high maternal and infant mortality rates, Nigeria was classified as one of the poorest nations in the world. A sorer picture was painted by concentration of wealth and growth inequality. For example, a United Nations Development Report (2001) revealed that the highest income earning status was enjoyed by 10 per cent of the population that had 31.4 per cent share of the total national income. The poorest 10 per cent received just 1.3 per cent. Also, nearly 50 per cent of the total national income was owned by 20 per cent of the highest income earning group.

3.0 REVIEW OF THE MILLENNIUM DEVELOPMENT GOALS (MDGs) AND THE PERFORMANCE OF THE ECONOMY

The declaration of the millennium development goals lent weight to the need to encourage a favourable environment within which citizens could play their full role in contributing to the various goals set out in the declaration. The MDGs are geared towards the achievement of substantial improvements in the lives of people by the year 2015. The goals and targets of the MDG include the following:

Goal 1: **Eradicate extreme poverty and hunger**

Eradicating poverty is regarded as the most important goal of human development. The target is to half the proportion of people whose income is less than US$1 a day , between 1990 and 2015 . The proportion of people who suffer from hunger is also expected to be halved.

GOAL 2: **Achieve Universal Primary Education**

Education has been identified as the cornerstone of development. The target is to ensure that by 2015, all children everywhere, boys and girls alike will be able to complete full course of primary schooling.

GOAL 3: **Promote Gender Equality and Empower Women**

The target is to eliminate gender disparity in primary and secondary education, and at all levels of education not later than 2015. There is growing awareness that females constitutes more than half of the world's population (UNICEF,1998) and as such meaningful education advancement cannot take place in its entirety, if women are grossly under represented in this arena.

GOAL 4: **Reduce Child Mortality**

The target is to reduce by two thirds the under five mortality rate, between 1990 and 2015. This corresponds to a rate of under-five mortality of 49 per 1,000 or less by the year 2015.

GOAL 5: **Improve Maternal Health**

The target is to reduce by three quarters the maternal mortality ratio between 1990 – 2015.

GOAL 6: **Combat HIV/AIDS, Malaria and other Diseases**

The target is to halt the spread of HIV/AIDS by 2015 and begin to reverse the spread of HIV/AIDS. It also targets to halt and reverse the incidence of malaria and other major diseases during the same period.

GOAL 7: **Ensure Environmental Sustainability**

This is aimed at integrating the principles of sustainable development into country policies and programmes and reverses the loss of environmental resources. It also aims at halving by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation, and by 2020 to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

GOAL 8: **Develop a Global Partnership for Development**

This has the target to develop further an open, rule-based, predictable, nondiscriminatory trading and financial system, including commitment to good governance, development and poverty reductionboth nationally and internationally.

3.1 Growing the economy towards the MDGs

Growth has a direct effect on poverty and also helps expand the resources available for human development. There has been an encouraging pickup in economic growth efforts in developing countries in recent years due to continuing progress on policies and governance. On a more positive note, analysis of growth accelerations suggests that their onset and duration are correlated with important policy and institutional change. Longer accelerations tend to be accompanied by an up-front reduction in inflation and parallel market exchange rate premiums. They are often led by the private sector, with lower government consumption and higher private investment which are often accompanied by a perceived reduction in corruption. For countries that have achieved broad macroeconomic stability, better public expenditure management is key to sustaining it and creating fiscal space for critical investments.

Attempts to achieve the MDGs have led to the introduction of various policy actions by the government in Nigeria. These include massive rehabilitation of essential infrastructure, initiation of pro-poor programmes under the National Poverty Eradication Programme (NAPEP), and the launching of the National Economic Empowerment and Development Strategy (NEEDS), among others. The outcome of the policy actions showed that the GDP grew by 4.2, 3.5, 10.2 and 6.1 per cent in 2001, 2002, 2003 and 2004, respectively (Table 1). This averaged 6.0 per cent and was significantly higher than the performance in 1995-2000. The achievement was however lower than the 7 per cent per annum required for attaining the MDGs. The non-oil GDP grew by an average of 6.2 per cent compared with 3.2 per cent achieved before the declaration of the MDGs. Manufacturing capacity utilization rate which averaged 34.1 per cent pre-MDG declaration increased to 43.6 per cent between 2001 and 2004. Similarly, the unemployment rate which soared to 17.2 per cent in 1999 fluctuated downwards to 10.8 per cent in 2003. Also, the incidence of poverty reduced to 54.4 per cent in 2004 from 70 per cent in 2000 (Table 1).

In terms of malnutrition and under nourishment, Nigeria had only 7 per cent of the children undernourished (ADB, 2002/2003). In terms of the achievement of universal primary education, pupils' enrolment increased since the introduction of the Universal Basic Education in 2002. 60 per cent of primary school age children in Nigeria are attending primary school (NDHS, 2003). In terms of promotion of gender equality and women empowerment, more girls are being enrolled in primary and secondary schools. The Gender Parity Index (GPI) which measures the extent to which there are gender differences in attendance rates (a GPI of less than 1 indicates that a smaller proportion of females than males attends school) is 0.86 for primary school and 0.77 for secondary school (NDHS, 2003).

In terms of the reduction of child mortality, the key factor which could contribute to the success is the proportion of one year old children that are fully immunised against measles. Available data shows that this indicator has maintained a rising trend from 45 per cent in 1990 to 90.4 per cent in 2002 and infant mortality dropped from 114 per 1,000 life births between 1995 and 1998 to 75.1 per

1,000 in 2002. In an effort to improve maternal health, the proportion of births attended to by skilled medical personnel rose from 31 per cent in 1998 to 42 per cent in 2000 (MDGs Report, 2004).

This also resulted in the drop of maternal death rate to 1000 per 100,000 live births in 2001 from about 1,500 per 100,000 in the early 1990s. As part of the effort to develop global partnership for development, Nigeria actively participates in regional initiatives such as the African Union, New Partnership for Africa's Development, and the Economic Community of West African States as well as collaborates with multilateral financial institutions. The outcome of this partnership is the recent debt relief granted to Nigeria by the Paris Club of creditors.

4.0 THE CHALLENGES/EMERGING ISSUES FROM THE IMPLEMENTATION OF THE MDGS

Implementation of the provisions of Millennium Development Goals is expected to assist countries to achieve internationally time bound goals, especially with regard to building national capacity to benchmark and assess progress, highlight achievements and gaps within the country's development context. The challenges emerging from the implementation of the MDGs are discussed below:

4.1 The factors militating against poverty reduction in Nigeria are numerous because of the multi-dimensional causes of poverty. Poverty in Nigeria is caused by social, economic, political, cultural and environmental factors including: poor access to employment opportunities; inadequate physical assets, such as land and capital, and minimal access by the poor (especially women) to credit even on a small scale; poor access to the means of supporting rural development; poor access to markets where the poor can sell goods and services; low endowment of human capital.

4.2 On education, the major constraining factors include the high cost of financing education investment at all levels, high level of poverty in some areas which makes it impossible for poor families to afford the cost of education.

4.3 The major challenge to reducing the under-five mortality is the dearth of health care facilities; insufficient health personnel to attend to both mothers and the children in the available hospitals; inadequate numbers of doctors and hospital beds. Teenage pregnancy poses a major problem as it reduces the likelihood of the mother achieving education goals, reduces prospects for subsequent employment and earnings, compromises the financial position of the household and negatively impacts on the child, who is born into relatively greater poverty.

4.4 The fight against malaria, tuberculosis and HIV/AIDS has been constrained by funding. The slow rate of change of harmful cultural practices and bad attitudes has combined to slow down the fight against the diseases.

4.5 Environmental sustainability is threatened by the level of poverty which has made the outcome of some economic policy counter productive to the environment. For instance, the deregulation of the petroleum sub-sector and the subsequent high cost of kerosene which is mostly used by the poor as cooking fuel have resulted in the attack on forest resources.

4.6 Investment in human capital for sustainable economic growth as well as provision of basic infrastructures to enhance the access and productivity of the poor to social capital. Also necessary for attention are support of nutrition and family planning programmes and population control.

4.7 Generation of sex-disaggregated data and gender sensitive macro-economic and trade indicators for macro-economic planning.

4.8 Promoting good governance, improved transparency and accountability.

5.0 THE ROLE OF THE FINANCIAL SERVICES INDUSTRY IN ACHIEVING THE MDGS

5.1 Review of the activities of the financial system

The Nigerian financial system in 2004 comprised the CBN, the Nigeria Deposit Insurance Corporation (NDIC), 89 deposit money bank, 753 community banks, 109 finance companies, 126 bureaux -de-change, 1 stock exchange, 1 commodity exchange, 5 discount houses, 83 primary mortgage institutions, 6 development finance institutions and 118 insurance companies.

Financial Institutions are those institutions that are licensed to deal in financial assets and liabilities of various maturities. Usually their behaviour is influenced by the financial markets in which they operate, the instruments in which they trade and the behaviour of the sectors of the economy from which they borrow and lend. Financial institutions, due to their role in creating and facilitating the transfer of money between economic units, are at the core of the economic system. They provide payments mechanism for current goods and services, thereby affecting the level of national output, employment, income and prices.

The roles of the financial system are in the areas of policy formulation and implementation, facilitation of efficient payments system, acting as engine of growth, financing investment and economic risks and promoting capital formation. Some of the medium in which these functions are performed impact directly on the actualization of the MDGs some of which are discussed below in some perspectives:

5.1.1 Banks as Agents of Policy Formulation and Implementation

The Central Bank of Nigeria remained the apex institution in the financial system. The Bank is saddled with the responsibility of formulating monetary policy on behalf of the Federal Government. Monetary Policy influences the availability and cost of money in the system. Basically, the aim of monetary policy is to create an environment for the achievement of national economic objectives of price stability, sustainable economic growth, full employment and balance of payments equilibrium.

In ensuring monetary stability, the CBN, through the deposit money banks (DMBs) implements policies that guarantee orderly growth and development of the economy through appropriate level of money supply. Also, the CBN discount window activities influence the movement of banks reserves. All these affect the banks in their credit operations and thus, influence the cost and availability of loanable funds to all sectors.

5.1.2 Facilitating Efficient Payments System

The Central Bank as the apex bank facilitates efficient payment mechanisms within the economy. The currency is the legal tender and a means of payment. It also constitutes a major component of money supply. Currency issue thus, is the prerogative of the monetary authority. Money could, however, be created by the other deposit money banks through their credit granting functions from the deposits already mobilized. The banks facilitate the payments system through the use of the demand deposit accounts which are payable on demand. Payment instruments could also extend beyond currency and demand deposits to include the use of credit cards and other financial products which thrive on trust, confidence in the ability to fulfill payment obligations on such instruments and integrity of the financial system. These include the use of Automated Teller Machines (ATMs), smart cards, debit notes and money transfer services.

5.1.3 Financial Institutions as Engine of Growth

While the Central Bank designs policies that would allow for the orderly growth and development of the economy, the banks not only implement these policies but also ensure that resources are channeled to areas that would enhance economic development. Loans and advances to the productive sectors of agriculture, industry and infrastructural facilities have the potential of enhancing the productivity of the economy. The Central Bank of Nigeria has over the years, in line with its developmental role made resources available to sectors of the economy that have contributed to growth. The CBN continued to promote the development of agriculture through the Agricultural Credit Guarantee Scheme (ACGS). The deposit money banks and the specialized banks have also been involved in mobilization of loanable funds for the growth and development of the various sectors of the economy.

5.1.4 Promotion of Capital Formation

The banking system has encouraged capital formation through savings mobilization and the channeling of such savings into productive investments. The financial institutions in Nigeria are varied and operated in both short, medium and long ends of the market providing investible funds for development. For example, the deposit money banks are dominant in mobilizing resources for short and medium-term developmental projects, while the Development Finance Institutions (DFIs) have mandates to influence developments in various designated sectors of the economy in the long-term. They also hold equity investments in the projects they promote.

5.1.5 Other leading roles of the financial system operators are reviewed below:

(a) Central Bank of Nigeria (CBN)

The Central Bank of Nigeria plays a lead role in the management of the economy through its traditional and developmental functions, thereby influencing the pace and direction of economic growth. As an apex institution in the financial system, it continued to be relevant in enhancing the payments system within the economy. Apart from acting as the banker and financial adviser to the government, it remained a lender of last resort and a facilitator in economic growth and development. In the conduct of monetary and credit policy, the major objective of the Bank is to ensure orderly growth of the economy. This is done in an environment characterized by moderate growth of monetary aggregates to ensure price stability.

The Bank in its developmental functions had encouraged the development and growth of other financial institutions and markets. Specifically, the bank played a major role in the promotion and development of money and capital markets in Nigeria. Apart from its pioneering role in facilitating the development of money and capital markets in Nigeria, it continued to be a major source of support for the expansion and deepening of the markets by providing enabling environment for the emergence of different institutions and instruments. The Central Bank of Nigeria had particularly been visible in the areas of agricultural development; establishment of rural banking scheme; and the promotion of Small and Medium Enterprises (SMEs).

(b) Agricultural Sector Finance

In order to encourage banks to participate in agricultural development, the CBN introduced the Agricultural Credit Guarantee Scheme

(ACGS) in 1977. Under the scheme, the CBN guarantees loan to farmers to the tune of 75 per cent of the amount in default. Following the increase in the paid-up capital of the scheme to N3.0 billion in 2001, the guarantee limits for loans under the ACGS were raised that year. The limit for collateralized loans to individuals was raised from N500,000 in 2000 to N1.0 million, while that for cooperative societies and corporate bodies was increased from N5.0 million to N10.0 million. The ACGS has encouraged agricultural groupings such as farmers' cooperatives to benefit collectively from agricultural loans. As at the end of 2002, the cumulative number and value of loans guaranteed under the scheme stood at 338,084 and N4.35 billion, respectively. To encourage repayments culture , the Interest Drawback scheme which was approved in 2002 refunds 50 percent of interest paid on agricultural loans back to farmers.

(c) Promotion of Small and Medium Scale Enterprises (SMEs)

The Central Bank has contributed to the growth of indigenous enterprises in Nigeria, especially the small and medium enterprises, through a credit window operated by the Bank. Apart from the policy of direct credit allocation to indigenous borrowers, specific allocation were made to small and medium enterprises operating in Nigeria since 1979/80 fiscal year up till October 1996 when credit allocation was abolished. The SME apex unit of the Bank had been a source of funding to small and medium enterprises, especially the foreign currency counterpart of their requirements. The scheme was a project tied window through which small and medium enterprises source funds for take-off and or expansion of their businesses. A total of US$132.8 million was committed and disbursed during the operation of the scheme. A recent initiative by the Bankers Committee that would guarantee adequate funding of small and medium enterprises is the Small and Medium Industries Equity Investment Scheme (SMIEIS) which was launched in August 2001. Under the scheme the banks were to set aside 10 per cent of their profit before tax for equity investment in small and medium scale industries. As at end-May 2005, a cumulative sum of N 31.0 billion had been set aside under the scheme, while the sum of N 9.38 billion or 30.26 per cent of the total sum set aside had been invested by 58 participating banks in 187 projects.

(d) Deposit Money Banks (DMBs)

The DMBs continue to be dominant in financing the growth and development of the economy. They remain major depository institutions in the mobilization of small to large volume of savings in both the rural and urban centres of the economy. Savings mobilisation function of banks had encouraged household savings and had influenced investment in the economy. In the era of credit allocation, the direction of banks loans and advances had been influenced by the need to promote growth in the priority sectors of the economy. The sectoral preference was in favour of agriculture, manufacturing, solid minerals and exports.

However, with deregulation, banks have been more flexible in their credit operations. While the productive sectors still dominate in their credit consideration, profit motive had tended to influence credit to activities that are less productive especially, foreign exchange transactions and trade finance activities. The operating environment for banks has been further liberalized with the take off of the universal banking practice from January 2001. With universal banking, banking business was extended to include activities in the capital market and insurance business apart from the traditional deposit taking and clearing activities of the conventional commercial banks.

(E) Development Banks

The Development Banks also known as Development Finance Institutions (DFIs) are banks established for the promotion of sectoral development in the areas of agriculture, manufacturing, small and medium enterprises, exports and urban infrastructural development. They are mandated to function as wholesale banks with on-lending facilities to banks or other borrowers, but with occasional retail lending in certain circumstances. For instance, the erstwhile Nigerian Industrial Development Bank (NIDB) had contributed greatly to the development and growth of many industrial projects in the country through direct equity participation and provision of loanable funds. Also, the erstwhile Nigerian Bank for Commerce and Industry (NBCI) had acted as catalyst of economic growth through its direct equity investments in new and existing projects and provision of loanable funds to small and medium enterprises over the years. In recent years, the bank had been confronted with some problems which had affected its fortunes and constrained its activities. However, the bank was restructured in 2001 in order to make it more responsive to the developmental needs of the economy.

The provision of agricultural credit through the conventional banking institutions was supported with the establishment of the Nigerian Agricultural and Co-operative Bank (NACB) in 1973. Its mandate was not only to provide agricultural finance for on-lending to farmers and cooperative societies but also to provide funds for agricultural development projects and allied industries. The NACB has also been restructured to cope with the current challenges of resource mobilization for the agricultural sector and poverty alleviation for the teeming population of farmers, who are the beneficiaries of its loans. The bank had thus been merged with the Peoples Bank of Nigeria and the Family Economic Advancement Programme (FEAP) to form an enlarged Nigerian Agricultural, Cooperative and Rural Development Bank (NACRDB) with share capital of N50 billion. The restructured bank has since commenced full operation.
The Federal Mortgage Bank of Nigeria (FMBN) at inception, operated like other DFIs in the promotion of mortgage financing through disbursement of funds for housing construction and allied industries. It also provided mortgage loans and advances to individuals and corporate organizations. Also, with the promulgation of Decree 53 of 1989, FMBN became the apex institution in the mortgage finance industry. It registered Primary Mortgage Institutions (PMIs) and provided broad policy guidelines for the development of the mortgage finance industry in Nigeria. Currently the FMBN manages the National Housing Fund while its regulatory powers over the PMIs have been transferred to the CBN.

(f) Insurance Companies and Discount Houses

These categories of financial institutions provide support to the financial intermediation role of banks in provision of ancillary services which aid the viability and profitability of economic investments in the economy. Their services are critical to risks management and liquidity which are normal in any investment function.

5.2 Recent reforms in the Nigerian financial sector

The recent reform of banking sector is anchored on 13 point reform agenda with a view to strengthening and consolidating the Nigerian banking system. The reform is designed to ensure a diversified, strong, and reliable sector which will ensure the safety of depositors' funds, play active developmental roles in the Nigerian economy, and promote competent and competitive players in the African regional and global financial system. The reform was premised on ineffective contribution of banks to the national development agenda due to the constraints of weak corporate governance, evidenced by high turnover in the Board and management staff, inaccurate reporting and non-compliance with regulatory requirements, falling ethics and de-marketing of other banks in the industry; late or non-publication of annual accounts that obviates the impact of market discipline ensuring banking soundness; gross insider abuses, resulting in huge non-performing insider related credits; insolvency, as evidenced by negative capital adequacy ratios and shareholders' funds that had been completely eroded by operating losses; weak capital base; over dependence on public sector deposits and neglect of small and medium class savers.

It is against this background that the vision of a sound and reliable banking network which will facilitate MDGs was being fashioned through the reform agenda. The key elements of the reform targets are as follows:

(a) Requirement that the minimum capitalization for banks shall be N25 billion with full compliance on or before end of December 2005.

(b) Phased withdrawal of public sector funds from banks.

(c) Consolidation of banking institutions through mergers and acquisitions.

(d) Adoption of a risk focused and rule based regulatory framework.

(e) Adoption of a zero tolerance in the regulatory framework, especially in the area of data/information rendition/reporting.

(f) The completion of the automated process of rendition of returns by banks and other financial institutions through electronic Financial Analysis Surveillance System (e-FASS).

(g) Establishment of a hotline, confidential internet address for all Nigerians wishing to share any confidential information with the Governor of the CBN on the operations of any bank or the financial system.

(h) Strict enforcement of the contingency planning framework for systemic banking distress.

(i) The establishment of an Asset Management Company as an important element of distress resolution.

(j) Promotion of the enforcement of dormant law relating to the issuance of dud cheques, and the law relating to the vicarious liabilities of the Board members of the bank.

(K) Revision and updating of relevant laws, and drafting of new ones relating to the effective operations of the banking system.

(l) Closer collaboration with the Economic and Financial Crimes Commission (EFCC) in the establishment of Financial Intelligence Unit (FIU) and the enforcement of the anti-money laundering and other economic crime measures.

(m) Rehabilitation and effective management of the Security Printing and Minting (NSPMC) Plc to meet the security printing needs of Nigeria, including the banking system which constitutes over 90% of the Mint's business.

The Nigerian banking system undoubtedly faces various challenges in performing the expected role in harmony with vision of the current reform. Specifically, the CBN faces the challenge of curtailing the persistent excess liquidity in the banking system as well as ensuring the soundness and the viability of the operators in the system, thereby enabling them to play their catalytic role in the economic development process. Similarly, other institutions within the banking system, particularly the DMBs, are confronted with imbibing effective corporate governance practice which incorporates transparency, openness, accurate reporting and compliance with regulations, among others.

In view of the growing sophistication of banking activities, the deregulatory stance of monetary policy and the responsiveness of the banking system to various economic policies and reforms, there is the confidence that the Nigerian banking system can cope with the challenges of the management of the economy, particularly capital formation to encourage more investment and induce economic growth.

5.3 Challenges of the financial services industry in the attainment of the MDGs

The successful implementation of the on-going economic reform will encourage the Monetary Authorities to implement a credible monetary policy framework aimed at achieving price stability, finance real sector, promote stable exchange rate and rebuild Nigeria's international reserves. In addition, the Central Bank is urged to develop an effective strategy for public communication of the objectives and stance of monetary policy, so as to establish the credibility of the monetary framework. The implementation of the Financial Sector Reform is aimed at strengthening the financial sector and the payments system. The benefits of the programmes are to enhance financial intermediation process so that all the sectors of the economy would benefit (table 2).

Also the competition that will be engendered would promote healthy competitive practices in the financial sector that will help in the creation of wealth and promote local entrepreneurial abilities of Nigerians. With improved financial access provided by the operation of bigger banks and other financial operators, productive sectors will benefit from competition that will come through improved products and processes. When this happens, output and employment will be greatly enhanced in the Nigerian economy. When output is enhanced in all sectors, the impact of an efficient, robust and reliable financial sector would positively influence the growth across all sectors including the domains of health, education, poverty alleviation, gender equality and empowerment, maternal health, environmental sustainability and global partnership for development.

Evidences have shown in the past that there is dearth of long-term finance for development projects within the country. The benefits of the bigger, stronger and more resilient financial institutions that will emerge from the current consolidation will provide the requisite finance to develop the critical sectors such as iron and steel, aluminiun, cement and other high-tech industries that will enable Nigeria join the league of industrialized nations.

5.4 The Way Forward

As noted in the preceding sections, the challenges confronting the pursuit of poverty in the country are manifold in view of the multi-dimensional causes of poverty. Poverty in Nigeria is caused by social, economic, political, cultural and environmental factors. In order to meet the MDG targets of halving the population living in hunger and poverty by the year 2015, the following main challenges needs to be addressed. They include: generating respectable pro-poor growth (it is estimated that to achieve the MDG Goals, African countries need to achieve a growth rate of at least 7% per annum); investment in human capital for sustainable economic growth; support of income and employment generating opportunities for the poor; provision of basic infrastructures to enhance the access and productivity of the poor; support of nutrition and family planning programmes and population control; generation of sex-disaggregated data and gender sensitive macroeconomic and trade indicators for macro- economic planning; promoting good governance, improved transparency and accountability, development of critical growth based industries; efficient access to financial resources and products to drive these initiatives.

The 2005 Global Monitoring Report, produced jointly by the World Bank and the IMF to assess annual progress toward the MDGs, sets out some priorities that can help accelerate compliance momentum. Scaling of development efforts at the country level must be guided by country-owned Poverty Reduction Strategies (PRSs).

Consequently, the National Economic Empowerment and Development Strategy (NEEDS) that includes interventions and policies directed at poverty reduction to benefit segments of the Nigerian society is consistent with global expectations. The strategy is directed at creating an environment in which business can thrive, redirecting government to provide basic services and empowering people to take advantage of new livelihood opportunities. Empowering people will include attention to health, education, environment, integrated rural development, housing development, employment and youth development, safety nets, gender and geopolitical balance and pension reforms. The promotion of rural development should be given utmost priority with the emphasis being agricultural and agro-industrial development. The main strategies include technology transfer and dissemination, natural resources management, infrastructure (physical and social) development especially provision of clean, affordable and reliable energy; rural non-farm activities development and human capital development. In addition, on the issue of agro- industrial development to reduce rural poverty, partnership between the public and private sectors will be an important approach.

Economic growth must be at the centre of any strategy to achieve the MDGs. When the economy is structurally strong and invulnerable, it would be in a position to increase the productive capacity by taking full advantage of the new opportunities offered by improved financial sector. When the investment environment is good, and there is enabling macro-economic situation where inflation is low, interest rates are moderate, savings are growing, real sector investment is enhanced and profitable, government deficit is moderate and transparently conducted, money supply process is consistent with potential of national output, corruption is low, then the level of aggregate investment will grow. Private and government investment in the sectors of health, education, high-tech industrial sectors and other areas which will positively impact on the economy in terms of consistently generating employment, income and output over time will also grow in magnitude.

A strong financial sector which emerges from the banking sector reform will give adequate support to investment demands that will lead to high productivity by investment engendered by current improvement in the business sector. This facilitates structural linkages which positively impact on the indicators of MDGs. Also, excessive regulatory and institutional constraints must be removed to invigorate the private sector. This should include a push to simplify regulations for starting a business, secure property rights, strengthen contract enforcement and rule of law, and improve weak infrastructure.

Improving market access for Nigerian goods and services would provide a major boost to economic growth and help spur progress towards achieving the MDGs. Multilateral, and nondiscriminatory trade liberalization offers the best means for realizing the development promise of trade. Nigeria must seize the opportunity provided by the Doha Round to further their own trade liberalization particularly in merchandise tradeable among the African and European trade partners. This could be realizable by addressing the behind-the-border constraints to national trade capacity through upgrade of trade logistics and trade-related infrastructure.

Achieving the human development MDGs will require a major expansion of education and health services. Primary education, basic health care, control of major diseases such as HIV/AIDS, and women access to education and health care will all need to be stepped up. Access to productive resources, especially land and credit will increase the productivity of about 68.5per cent of Nigerian women engaged in agriculture. All these require increased resource allocation to education and social services which the private sector could be encouraged to join the public sector in providing.

To reduce infant mortality, the policy emphasis should include a programme to educate women on improved home-based care and encouraged the use of available health care facilities. This is important because 80 percent of infant mortality is said to occur at home (NDHS, 2003). Awareness campaign should be intensified at both rural and urban areas on the dangers of patronizing traditional practices. To achieve the required reduction in underfive and infant mortality, there should be a dramatic increase in access to health care facilities and improvement in basic social services including water and sanitation. Co-ordination of assistance from development partners should be given a priority.

With regard to improving maternal health, the emphasis should be on the education of girls since there is a positive association between mother's education and antenatal care. In addition, intervention should be directed at cultural change on issues such as early marriage and teenage pregnancy. Women should be encouraged to make use of available antenatal facilities and there should be increased emphasis on training of health personnel. In order to combat HIV/AIDS, malaria and other diseases the surveillance system for major communicable diseases needs to be strengthened and resources mobilised both internally and externally to improve health services and finance the intervention necessary for HIV and AIDS. In particular, surveillance should take into account high risk groups. With regard to malaria, the population should be encouraged to improve drainage to discourage the vectors of malaria.

6. CONCLUSION

The Millennium Development Goals (MDGs) were designed to achieve higher economic growth and halve the poverty rate which has been a universal menace by 2015. The National Economic Empowerment and Development Strategy (NEEDS) was initiated in response to the problems to be solved by the MDGs. It is very comprehensive as it entrenches wealth creation, employment generation, poverty reduction and value re-orientation as its main goals. It is currently being rigorously implemented and has so far enjoyed considerable support locally and from the international finance institutions, donor agencies and the G-8 countries. Although there is appreciable movement towards the achievement of the MDGs, much still needs to be done. The programmes designed to address the MDGs under the NEEDS will require huge resources to execute them. Debt forgiveness for Nigeria by the international community as currently announced by the Paris Club of Creditors is necessary, to reduce the debt service burden and free up resources that are needed for the attainment of the MDGs. Programmes such as malaria, HIV/AIDS, human capacity building and other technical assistance schemes also require adequate support from international development partners.

The domestic money banks need to do more in terms of social responsibility for a society from where they make their profits by improving access of the poor to credit through operation of efficient micro-finance window. It is also important that all members of African Union (AU) should endeavour to pursue the attainment of the MDGs as linked to the on-going initiatives and processes under the New Partnership for African Development (NEPAD), since non-compliance in one country may affect the success in another given the current efforts at globalisation.

The plan for financing of the programmes and projects for the achievements of the MDGs should be linked with the annual budgetary allocation to relevant sectors both at the Federal and State levels. Other tiers of government should be encouraged to adopt similar approach.

Generally, attention should be given by the authorities for success imperatives for achieving MDGs and financial sector stability. Such issues include: ownership matters, growing the economy, expanding health and education, improve financial sector stability, strength and outreach, dismantling barriers to trade, better governance and leadership.

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Table 1
Nigeria's Key Performance Indicators for MDGs

Indicators	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Growth of Real GDP	8.2	4.8	3.0	2.7	1.3	2.2	3.4	3.2	2.3	2.8	3.9	4.2	3.3	10.4	6.4
GNP per capita (US Dollar)	220.0	220.0	220.0	220.0	220.0	210.0	240.0	280.0	300.0	310.0	310.0	310.0	300.0	300.0	310
Savings/GDP ratio (%)	11.0	12.0	10.0	12.0	12.0	12.1	13.2	14.7	12.8	10.5	22.0	25.5	25.1	13.6	15.3
Investment/GDP ratio (%)	6.3	5.8	5.6	6.1	5.7	4.7	5.2	5.3	5.3	5.3	5.6	6.2	7.0	12.1	16.2
Savings-Investment Gap (Nbillion)	4.7	6.2	4.4	5.9	6.5	7.4	9.6	10.3	8.5	6.1	19.9	19.3	18.1	18.3	18.2
Inflation Rate (%)	7.5	13.0	44.6	57.2	57.1	73.0	29.3	8.3	10.3	6.6	6.9	18.9	12.9	23.8	10.0
Domestic Debt Stock/GDP(%)	32.3	35.9	31.5	31.9	37.3	17.2	12.2	12.2	18.9	24.9	18.6	18.5	19.7	18.5	18.6
External Debt Stock/GDP (%)	114.6	101.4	98.9	79.0	69.2	74.7	80.5	70.7	87.2	80.7	64.0	57.9	74.1	62.4	55.8
Exchange Rates (N/$)	8.0	9.9	17.3	22.3	21.9	81.2	82.0	83.2	85.6	96.1	101.7	111.9	120.5	129.5	133.3
Broad Money Growth (%)	40.4	32.7	49.2	49.8	35.9	19.4	16.8	16.9	23.3	31.4	48.1	27.0	21.6	24.0	14.0
Maximum Lending Rates (%)	27.3	20.7	29.8	39.1	21.0	20.8	20.9	20.9	21.8	27.2	26.4	23.9	29.7	26.0	25.0
Savings Deposit Rates (%)	18.0	13.8	16.1	16.7	12.3	12.6	10.1	6.1	5.2	5.3	4.9	5.2	5.7	11.0	10.0
Spread Between Savings & Lending Rates (%)	9.3	6.9	13.7	22.4	8.7	8.2	10.8	14.8	16.6	21.9	21.5	18.7	24.0	16.0	15.0

Source: Central Bank of Nigeria Publications
Millennium Development Goals Report 2004, Nigeria.

Table 2
Matrix of impact of Banking Sector Reform on MDGs

Table 2: Matrix of Likely Impact of Banking Reform Targets on the Millenium Development Goals

	MDG Goal 1	MDG Goal 2	Goal 3	Goal 4	Goal 5	Goal 6	Goal 7	Goal 8
Reform Target 1	x							X
Reform Target 2		x		x	x	x		
Reform Target 3	x						x	X
Reform Target 4	x						x	X
Reform Target 5	x							X
Reform Target 6	x							X
Reform Target 7	x							X
Reform Target 8	x							X
Reform Target 9	x						x	
Reform Target 10	x		x				x	X
Reform Target 11	x							X
Reform Target 12	x						x	X
Reform Target 13	x						x	X
Source: Computed by authors								

FINANCING MODALITIES IN COMBATING MATERNAL AND CHILD MORTALITY IN NIGERIA

By

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1.0 INTRODUCTION

There is a common saying that "health is wealth". Underlying this age long adage is the belief that good health brings about socio-economic and technological developments in a country. The state of maternal and child health is an indicator of a society's level of development as well as the performance of the health care delivery system. Every year more than 500,000 women in developing countries lose their lives to preventable complications of pregnancy and childbirth. High fertility, poor nutritional status, and lack of basic health services compound the problem. Of the 7.1 million infants who die each year, about half die within the first month of their birth (WHO, 2004). Nearly 75 per cent of the neonatal deaths occur in the first week after birth. These deaths, which occur mainly in developing countries, underscore the critical importance of maternal health care, during pregnancy and delivery, to the survival of the child and the mother. The care and assistance that women receive during pregnancy and at the time of delivery are key underlying factors affecting maternal/child morbidity and mortality. Poor ante-natal care thwarts the early detection of high risk mothers and as a result delays appropriate care.

The international community's concern for health in the developing world resulted in various United Nations global conferences to draw up a number of important global development goals and targets. In 1995, the Heads of State and Government of the world gathered in Copenhagen at the world summit for social development to renew its global social agenda. In September 2000, 147 Heads of State and Government and 191 nations adopted a set of eight ambitious goals for improving human well being tagged the Millennium Development Goals (MDGs).

These development goals elicited great interest and attracted a lot of support from the international community. Specific targets were set for each goal which is to be achieved by 2015. Three of the eight goals of the MDGs are directly devoted to health, with the targets for improving child and maternal health care as the fourth and fifth goals, respectively. Appropriate indicators have been selected to monitor progress on each of these targets.

The Global Monitoring Report 2004 makes it clear that the MDGs present a challenge that requires accelerated progress on a difficult agenda. Based on current trends and growth forecasts, the world can achieve the goal of reducing the maternal and child mortality by two thirds. Progress has stalled, however,

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in some countries and others are at the severe risk of falling short of the goal. Middle-income countries are in general better positioned than low-income countries in terms of their prospects for achieving the fourth and fifth MDGs, with many of them having met the goals or well on their way. However, a number of them (especially in Sub-Saharan Africa) still lag behind. In many countries, the quality of policies, institutions and governance is such that large and immediate infusions of external financing can accelerate progress towards the MDGs. In others, a combination of policy improvements and the provision of more and better quality aid will accelerate faster progress towards the MDGs.

In Nigeria, as reported by the CBN annual report 2004, maternal mortality rate stands at 1,000 per 100,000 live births while infant mortality rate is 100 per 1,000 live births. Infant mortality is the number of deaths occurring to infants under one year of age per 1000 live births (2005 Rhode Island Kids Count Factor book/health). Maternal mortality can be defined as the death of a woman while pregnant or within 42 days of termination of the pregnancy, irrespective of the duration of the pregnancy, from any cause related or aggravated by the pregnancy but not from accidental and incidental causes (WHO, 2004).

The 2003 Nigerian Demographic Health Survey (NDHS) reported that about 60 per cent of the live births delivery was attended by a trained medical professional, while one third of the mothers did not receive any antenatal care. The objective of the paper, therefore, is to outline the various causes of maternal and child health care in Nigeria and the key health financing sources to meet the MDG targets for improved child and maternal health care.

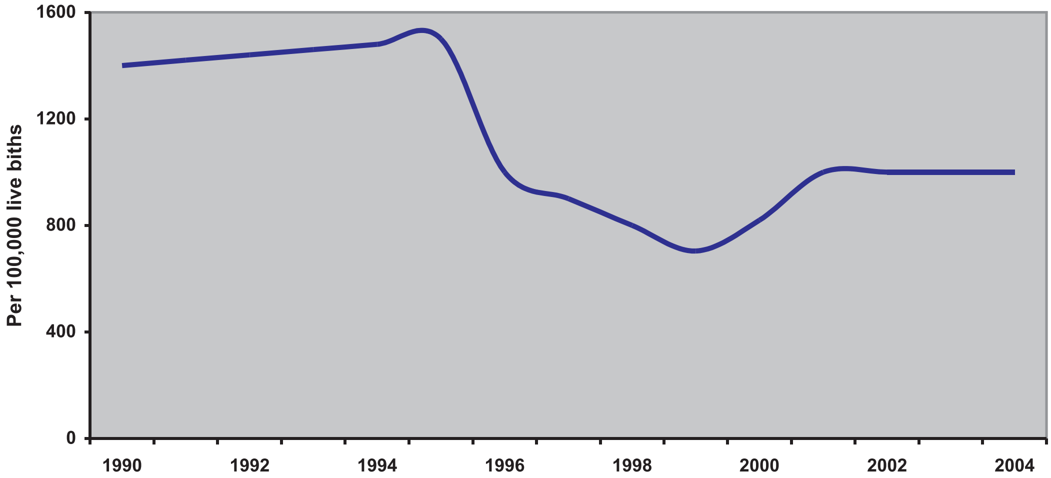
2.0 OVERVIEW OF MATERNAL-CHILD MORTALITY IN NIGERIA

Nigeria, the largest populated country in Sub-Saharan Africa has an estimated population of about 134 million people (as at 2004) and a land area of about 924 square kilometres. Whereas Nigeria's population constitutes only 2 per cent of the world's population, it accounts for 10 per cent of the world's maternal death (National Reproductive Health Strategic Framework and Plan, 2002). Studies have shown that with this percentage, maternal mortality ratio (MMR) in Nigeria is one of the highest in the world. Generally, maternal mortality occurs as a result of haemorrhage, obstructed labour, unsafe abortions, amongst others.

One of the identified contributing factors to high maternal and child mortality rate in Nigeria is the limited access to quality health services. For example, in the Nigeria Reproductive Health Services and Manpower Survey (2001) only 41.9 per cent of primary health facilities provide antenatal and delivery services and 57.7 per cent of such health facilities work without any midwife. Other factors of maternal and child mortality includes: poor availability and quality of maternal and child health services, uneven (especially urban/rural) and inadequate access to emergency obstetric care, weak community support, poverty and low literacy (FMOH, 2002). The afore-mentioned factors also lead to child mortality because the survival of a child depends, largely, on events that are associated with pregnancy and childbirth.

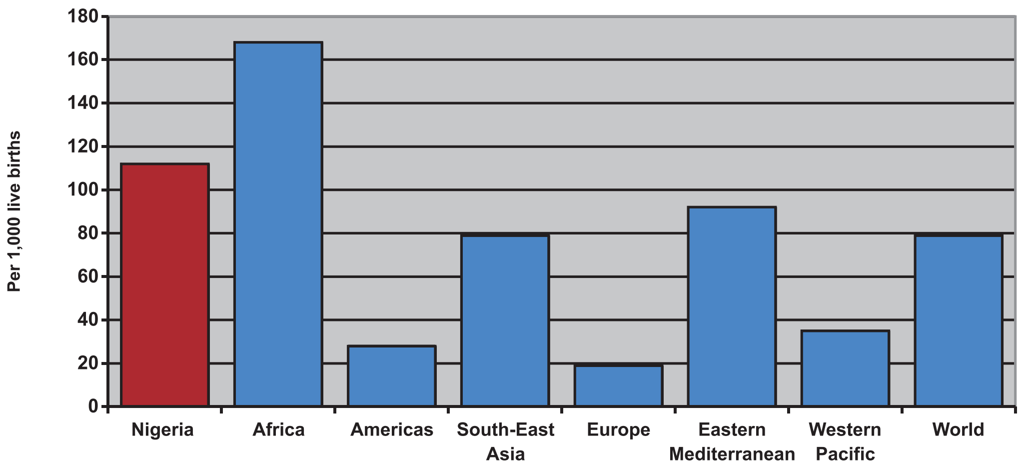
Worldwide, there are 430 maternal deaths for every 100,000 live births. In developing countries there are about 480 maternal deaths for every 100,000 live births while in developed countries, there are 24 maternal deaths for every 100,000 live births (World Health Day, 1998). Available data shows that while the maternal mortality rate in Nigeria in the early 1990s was 1,400 to 1,500, it dropped to 1,000 per 100,000 live births by 1996. It further trended down to 704 per 100,000 live births by 1999, though there was considerable regional variation. While the South West and South East recorded 166 and 286 per 100,000 live births, respectively. The rates in the North West and North East are 1,025 and 1,549 per 100,000, respectively. However, urban areas had much lower maternal mortality of 351 per 100,000 live births compared to rural areas who recorded rates of 828 per 100,000 (FOS/UNICEF, 2000).

Fig. 1: Maternal Mortality Rate in Nigeria



Available data on childhood mortality indicated that little progress had been achieved in reducing infant and under-five mortality rates. The under-five mortality rate which averaged 234 per 1,000 live births between 1989 and 1993 increased to 236 per 1,000 in 1998 before falling to 201 per 1000 in 2003. A World Health Organisation Report on Nigeria reported that about 52 per cent of under- five deaths are associated with malnutrition.

Fig. 2: Child Mortality Rate in the Six WHO Regions, 2002



Africa has the highest infant mortality rate in the world with 168 babies out of every 1,000 birth dying before their first birthday. The 2003 Nigeria Demographic and Health Survey (NDHS) showed that the infant mortality rate (IMR), in Nigeria, averaged 113 per 1,000 live births between 1989 and 1993. The rate increased to 120 per 1,000 live births in 1998, and dropped eventually to 100 per 1000 live-births between 1999 and 2003. According to the CBN annual report for 2004, infant mortality rate remained at 100 per 1,000 in 2004. In order to achieve the target for the MDG, the country would need to reduce the IMR to less than 28 per 1000.

According to the MDG Report 2004 for Nigeria, an important factor that could contribute to the reduction of under-five mortality is the increment in the proportion of one-year-old children being immunised. Available data shows that 90.4 per cent of these children were immunised in 2002 as against 45.0 per cent in 1990. Thus, there is the possibility of achieving 100 per cent measles immunisation for day-old babies by 2015.

Table 1: CHILDHOOD MORTALITY RATES IN NIGERIA

	Neonatal Mortality[1]	Infant Mortality (0-1 year)	Child Mortality (1-4 years)	Under five Mortality (0-5 years)
1989-1993	**55**	**113**	**136**	**234**
1994-1998	**59**	**120**	**132**	**236**
1999-2004	**48**	**100**	**112**	**201**

Source: Nigeria Demographic and Health Survey (2003)

3.0 CAUSES OF MATERNAL - CHILD MORTALITY

Many factors contribute to the problem of high maternal and/or childhood morbidity and mortality. While a lot of these factors are adequately controlled in industrialised countries, developing countries are yet to keep these factors under full control. Salient among the causes of child and maternal deaths, in developing countries, is poverty and inadequate health care facilities. Though these factors are important they are usually classified as socio-economic factors. Health workers prefer to enumerate the causes of these deaths medically. The medical classifications of the causes of maternal and child mortalities are numerous and are discussed below.

3.1 Causes of Child Mortality

Death in children less than 1 year old could be caused mainly by pre-term delivery, low birth weight, Sudden Infant Death Syndrome (SIDS) and respiratory distress syndrome. Other factors include malnutrition, diarrhoeal disease, malaria, pneumonia, measles, whooping cough, tetanus and tuberculosis.

[1]**Neonatal mortality is the probability of dying within the first month of life.**

3.2 Causes of Maternal Mortality

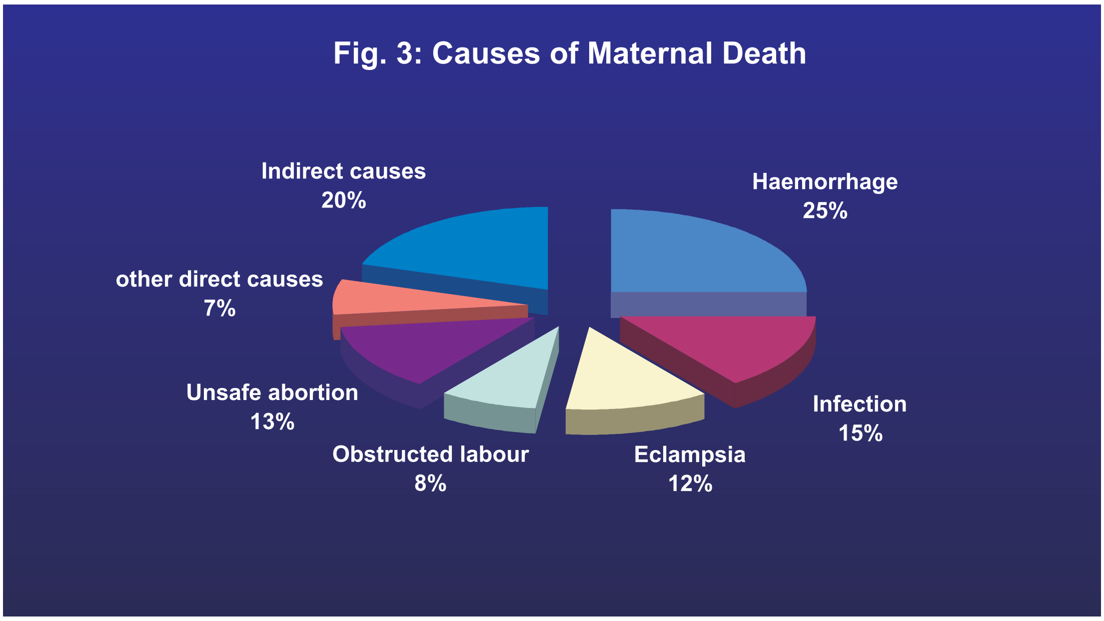
The causes of maternal mortality vary widely, depending on a woman's country or region of origin, her social and religious influences, the availability of health care services and overall state of health of particular community. According to the International Statistical Classification of Diseases and Related Health Problems (10th edition), the general causes of maternal mortality can be divided into 2 groups: - direct and indirect obstetric deaths (Eastern Mediterranean Health Journal, 1998).

3.2.1 Direct Causes of Maternal Mortality

Direct obstetric deaths are those resulting from obstetric complication of the pregnant state (pregnancy, labour and puerperium). The most common causes of this group include: postpartum haemorrhage, infection, unsafe abortions, hypertensive disorders such as pre-eclampsia and eclampsia, obstructed labour and rupture of uterus.

Haemorrhage, especially postpartum haemorrhage, is normally unpredictable. This is the largest cause of maternal mortality, accounting for 25 per cent of all maternal deaths (WHO, 1997). Haemorrhage is characterized by too much bleeding by a woman after childbirth. Women at high risk of experiencing haemorrhage include women who are anaemic, older mothers because of their age and the number of births they have given in their lifetime and women with a history of problems during pregnancy and childbirth. Blood loss can rapidly lead to death in the absence of prompt and appropriate life-saving care which includes the administration of drugs to control bleeding, massage of the uterus to stimulate contractions, and blood transfusion if necessary.

Infections account for 18 per cent of all maternal deaths worldwide each year (WHO, 2004). Most infections occur as a result of poor hygiene during delivery such as unclean hands of the birth attendant or an unclean object placed inside of the womb, untreated sexually transmitted disease (STDs), pieces of placenta left inside the womb, bad practices of traditional birth attendants including unsanitary birthing conditions and the use of herbal preparations, caesarean section and uterine rupture (Biller, et al). Signs of infection after childbirth include fever, chills, pains and tenderness in the belly and putrid fluid from the vagina. Most of these infections could be avoided with proper hygiene conditions during birth and can also be treated with appropriate antibiotics.



Complications from **unsafe abortion** account for about 13 per cent of maternal death and are caused by incomplete abortion, haemorrhage, shock, infection and injury to internal organs. In order to reduce maternal mortality caused by unsafe abortion, there is need for women to have access to family planning services, safe abortion services and education about reproductive health and safe abortion practices.

Hypertensive disorders, pre-eclampsia and eclampsia are major causes of maternal death. These diseases, particularly eclampsia (convulsions) are responsible for approximately 12 per cent of maternal deaths annually. Pre-eclampsia is characterized by high blood pressure, oedema and protein in the urine. If left untreated, pre-eclampsia may lead to eclampsia, which is characterised by high blood pressure, convulsions and possible cerebral haemorrhage. Careful monitoring during pregnancy can help prevent these causes of death, while simple anticonvulsant drugs can be administered in cases of eclampsia.

Prolonged or obstructed labour is responsible for 8 per cent of maternal deaths. It is usually resultant from cephalopelvic disproportion, weak uterine contractions, abdominal lie, or abnormalities of the cervix or vagina. Cephalopelvic disproportion is more common where malnutrition is endemic and occurs when the infant's head cannot pass through the maternal pelvis. Primary prevention for prolonged labour includes nutritional interventions to prevent stunted growth in children and young women, family planning and allowing the woman to reach her full growth potential before pregnancy. Prenatal care is also useful to help detect the size and presentation of the foetus.

3.2.2 Indirect Causes of Maternal Mortality

Indirect obstetric deaths are as a result of pre-existing health conditions developed before or during pregnancy which are aggravated by physiological effects of pregnancy. About 20 per cent of all recorded cases of maternal deaths are attributable to **indirect factors**. Key among these factors are **anaemia, tuberculosis, malaria, viral hepatitis and malnutrition.** Other underlying causes of maternal mortality are: **Socio-economic factors** which include poverty, illiteracy, malnutrition, race, and ethnic or tribal affiliation.

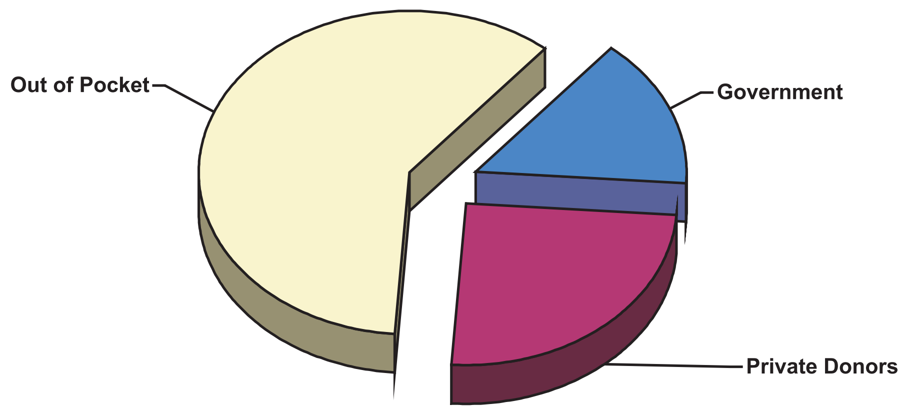
Reproductive factors such as teenage and menopausal pregnancies which lead to complications during gestation and delivery.

Health Service factors include lack of facilities for emergency, poor referral services with essential obstetric function, unavailability of blood transfusion, deficient medical treatment of complications, lack of essential supplies and trained personnel, lack of access to maternity services and lack of prenatal and postnatal care are all part of indirect factors responsible for maternal mortality.

4.0 SOURCES OF FINANCING

Health financing comes from a variety of sources, including budgetary allocations from government at all levels (federal, state and local), loans and grants, development assistance and out-of-pocket expenses. The Federal Government, in its annual budget, allocates about 4 per cent of the total budget to the health sector. Anecdotal evidence shows that the government and donors provide about 15 per cent and 25 per cent of total health financing, respectively, while individuals provide the largest portion of out-of-pocket funding. Overall, 5 per cent of the total annual health expenditure is directed towards maternal care and 12 per cent towards child care.

Fig. 4: Contribution to Health Financing by Sectors



Government is aware of the challenge posed by these millennium targets as well as the centrality of health to our overall socio-economic development. The government also accepts that increasing financial resources and political statements alone do not translate into efficient systems and effective delivery of services. Hence, the federal government budget allocation for health, in the last three years, was N40.7 billion. In the same vein, the Federal Executive Council (FEC) approved the sum N60 billion for the MDG health scheme, designed to reduce childhood and maternal death rates in the country. Reports indicate that health financing comes from government revenues and assistance from external agencies.

Development assistance tends to account for a large share of government health spending in Nigeria. The federal government and various external agencies agree on the key health problems, which form the basis for collaboration. There are about six UN agencies in Nigeria which provide support to the health sector *viz*: World Bank, United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA), United Nations Children's Fund (UNICEF), United Nations Office of Drug and Crime Control Programme (UNODCCP) and World Health Organisation (WHO). Of these six, UNICEF, focus on the issues related to child health.

In 2002, the UNICEF budgeted about $50 million for the fight against polio in Nigeria. In 2000, UNICEF in partnership with the federal government and non-governmental organisations, committed about $62 million to immunisation. In 2001 and 2002, however, the amount stood at $65 million and $50 million, respectively. Nigeria received the sum of N924 million, in 2001, through the National Programme on Immunisation (NPI) in support of its immunisation expenses from the Global Alliance for Vaccine Immunisation (GAVI). Another source of financing the maternal health care is through Pro-Health International, a Non-Governmental Organisation (NGO) providing voluntary effort, quantitative and qualitative health care, especially to pregnant mothers at little or no cost.

In Nigeria, private health spending (i.e. out-of-pocket) accounts for a large percentage of the total health spending. Available statistics shows that out of 63 per cent of mothers that attended ante-natal care, more than 30 per cent paid for the ante natal care out of their pockets. Also many patients pay for part or all of the cost of health services provided to them with their salary.

5.0 CHALLENGES

While most industrialised and wealthy countries are on course in meeting the targets for the MDG by 2015, most poor developing countries seem off-course and generally may not meet the goals as targeted. Poverty and low income are a major challenge in meeting the goals for maternal as well as child mortality. These challenges can be seen both at the national and household levels. Poor nations may find it very difficult to adequately fund health care services. This is because the amount required for this funding could translate to huge proportions of available resources. Even when funds are allocated for health care by these poor countries, the amount usually devoted to combating maternal and child mortality is inadequate. In the same vein, poor households may not have the resources to adequately finance the health care needs of mother and child and usually look up to an unforthcoming government for assistance.

In Nigeria, however, the above situation does not necessarily hold. Though international indices and reports place Nigeria among the poorest countries in the world, the country generates income which is enough to adequately finance the basic health care needs of the populace. This income is, however, not judiciously distributed to service the basic needs of the country among which is primary health care services with maternal health as its subset. The problem with Nigeria includes lack of good governance and corruption which is exposed by the absence of a published National Health Account. The non-publication of this account greatly impedes donations from private sectors and the NGOs who wish to see how the donations are applied. The availability of published national health accounts and a transparent monitoring of the use of donated funds would encourage the private sector and the NGOs to offer more assistance.

In addition, the system is ridden with inadequate and inequitable allocation and financing of the health sector by the government. There is also the non-consultative process for budgeting and budgetary indiscipline. Lack of financial transparency and non-adherence to financial regulations as well as lack of financial integration strategy to fund health care services are other pointers to the problem of good governance earlier mentioned. This problem is coupled with the acute incidence of household poverty in Nigeria, which makes it extremely difficult for Nigerians, especially the rural poor, to finance maternal and child health care needs adequately.

In order to meet the MDG targets for health especially for combating maternal and child mortality, there is the need to ensure that the targets for poverty are speedily achieved. This may require, according to the National Millennium Development Goals Report 2004 for Nigeria, generating respectable pro-poor growth, investing in human capital for sustainable economic growth, supporting income and employment generating opportunities for the poor, provision of basic infrastructure to enhance the access and productivity of the poor, support of nutrition and family planning programmes and population control and promoting good governance, improved transparency and accountability.

Geographical analysis indicate that occurrence of maternal and child mortality is higher in the rural areas compared with the urban centres. Aside the prevalence of poverty in these regions illiteracy, ethnic divides and religious bigotry are among the major challenges of meeting the targets for maternal and child mortality in the MDG. Reports have shown that in some parts of the country, husbands still insist that only female health personnel should attend to their wives. Given the dearth of female medical personnel, this attitude hinders improvement in maternal health. The above scenario is sometimes reinforced by certain traditional beliefs which are inimical to improvement in maternal and child health care. In order to effectively overcome the above problems which are basically a fallout of illiteracy, there is the need to make sure that the MDG targets for mass literacy is urgently achieved. In addition, there is the need to embark on aggressive health education campaigns to the public, especially the women population who are grossly under-educated.

The high rate of teenage motherhood is another challenge worthy of note. The occurrence of teenage pregnancy, to a large extent, means that such mothers quit schooling early in life making them unemployable and impoverished. Though reports show a decline in the rate of teenage pregnancy from 28 per cent in 1990 to 22 per cent in 1999, the enlightenment campaign advocated earlier would go a long way to further reduce its occurrence.

Table 2: Available Health Care Facilities in Nigeria					
	2000	2001	2002	2003	2004
Population per Physician (No)	24,020	22,223	20,560	19,170	19,745
Population per Nurse (No)	3,048	2,959	2,873	2,890	2,872
Population per Hospital Bed (No)	3,104	3,014	2,926	2,841	2,925
Primary Health Care Facilities	10,149	10,393	15,266	17,012	17,752
Secondary Health Care Facilities	936	982	1,976	2,418	2,509
Tertiary Health Care Facilities	51	51	219	221	221

Source: CBN Annual Report 2004

Poor availability of health care facilities is another challenge militating against the achievement of the targets for maternal and child health care in the MDG. There is a lack of adequate provision of health care services, especially in the rural areas, coupled with the dearth of qualified health personnel to attend to both mothers and children. Even when the facilities are available they do not open for long hours. As a consequence, a large number of women are catered for by traditional birth attendants (TBAs). Some of these quack medical attendants and TBAs employ crude and harmful traditional practices which greatly endangers the survival of both mother and children. Thus, there is the need for the integration of the TBAs and health practitioners into modern health care. A proper orientation of the traditional health practitioners on the principles of modern health care would help to reduce the harmful incidence of health practices.

Another important challenge is associated with sanitation and environmental sustainability. About 18 per cent of maternal mortality is caused by infection. These infections could result from a number of environmental problems including air and water pollution, flood and erosion and inefficient use of energy among others. Key causes are lack of safe drinking water and dirty environments, especially in the rural areas. These do not only affect the mothers but also the children. In order to meet the targets of the MDG as regards to improvement in maternal and child mortality, there is the need for governments to ensure that the environmental challenges are tackled. It is however, noteworthy that improving maternal health care could reduce infant and child mortality either directly or indirectly.

6.0 CONCLUSION

In recent years, Nigeria has responded positively to some global initiatives to combat some health problems such as Roll Back Malaria (RBM), HIV/AIDS control, Polio Eradication Initiatives (PEI) and global funds to fight AIDS, tuberculosis and Malaria. However, the attention so far given to combating maternal and child mortality seem to be inadequate. Though in national level strategies have to some extent been developed in the areas of free immunisation to children, there is need to extend this goodwill to the mothers and also to develop state level strategies. There is a need to sustain the focus of disease prevention and eradication programmes and also scale up various planned interventions in order to serve a greater proportion of the population. Given that the incidence of child and maternal mortality is higher in the northern region compared to the southern region and also in rural areas when compared with the urban areas, efforts to combat this malaise should be directed more to the disadvantaged regions. More enlightenment should be given in the North West and North East region, while more facilities, health personnel as well as enlightenment campaigns, should be made available in the rural areas. Generally, there is need for increased funding of the health sector by the government with emphasis on the reduction of maternal and child mortality. The National Health Insurance Scheme initiated by the Federal Government is a step in the right direction but will require the institution of machinery to ensure the funds generated via this scheme would not be embezzled.

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