



The Effects of Public Assistance To The Development on The Reduction of Poverty in Benin

KEYWORDS

Public assistance to development, indication to human development (IHD), Cointegration, Paradigm with correction error (PCE), Poverty.

Tanguy Ahodègnon GBAGUIDI

Centre d'Etudes, de Formation et de Recherches en Développement, Faculté des Sciences Economiques et de Gestion, Université d'Abomey-Calavi (UAC) Enseignant chercheur à l'université de parakou, BP 1854 Abomey Calavi_Bénin

ABSTRACT *Since some decades, poverty has become a phenomenon from which the majority of the developing countries suffer. This fight or at least this reduction is in the first plan in all initiatives of development. It is the case of millennium objective program for the development which among these eight essential points puts the poverty reduction at the top of the list. As a matter of fact, this paper aims at analyzing the effects of the public assistance to the development (PAD) in terms of contribution to the reduction of poverty in Benin. To this effect, a paradigm with correction of error and the secondary data covering the period from 1982 to 2012 are used. The econometrical paradigm used in this paper is the one used by kpodar (2004). The results of the estimation lead me to the conclusion that APD improves the welfare of Benin population and an optimal allowance of the latter permits the reduction of poverty.*

1-Introduction

In the course of the last decades, the evolution of the social inequalities in the world has intensified the level of impoverishment of the populations mainly in the developing countries. The economic growth is no more sufficient to contain the flood of weak persons which increase each year. The daily problems, to which these persons are confronted nowadays, are often articulated around food insecurity, difficult access to health care, potable water, education, instruction and energy. Otherwise, the satisfaction of the fundamental needs has become the daily difficulty and the permanent worry of the populations, victim of extreme poverty. Therefore, a great interrogation is raised and is imposed to the governments of the developing countries and the cooperation agencies. It is about how to fight this phenomenon which dangerously threatens the social stability in the developing countries. Face to this situation, the United nations General Assembly proclaimed in 2000 the Millennium Declaration initiating a global program to eradicate poverty in the world. This program, termed as "Millennium Objectives for Development" comprises eight points of which the first is to half reduce the extreme poverty and hunger horizon 2015. " It will be about half reducing the proportion of the population whose revenue is inferior to one dollar a day, as well as the one suffering from hunger after fifty years (50) fight against poverty with the mitigated efforts for a sounding failure." (Jules Dufour, 2011).

To measure the human development of a country, UNPD uses the index of human development (IHD), based on the life expectancy to birth, the schooling rates, the grown-ups literacy rates and the gross domestic product (GDP) per inhabitant. It then establishes a classification according to the results. According to the one of 2001, Iceland is the country with the best human development. On the contrary, Sierra Leone is the country positioned the last in the rank. As for Benin, it is positioned at one hundred and sixty-seventh out of 177 countries.

Considering the insufficiency of the resources in the African countries in the south of Sahara, the public assistance to development appears as one of the fighting tools

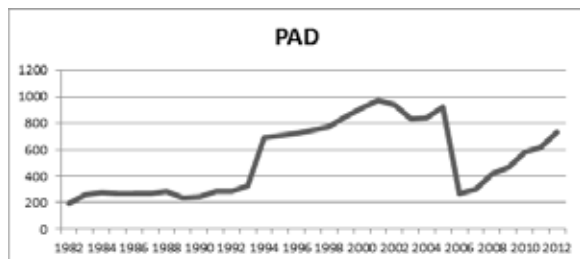
against poverty and the social exclusion. It is the reason why the current study intends to analyze the contribution to public assistance to development about the reduction of poverty in Benin.

2-Analysis of public assistance to development.(PAD)

Here it about to analyze the different assistances which Benin has profited from. This recapitulation of PAD is related to the budget supports that Benin has referred to during the last twenty years on the behalf of its different financial and technical partners. This procedure will permit to see not only the components of PAD, but also appreciate the evolution of the latter. Furthermore, it will be about apprehending PAD in terms support to the reduction of poverty in Benin.

2-1 Evolution of PAD on the period 1982-2012.

In the year 1990 the world volume of assistance suffers from a reduction because of the worry of the partners at development to see the State disengage more and more from the productive sectors. As previously stated, this has been followed by a string of privatizations of states enterprises. In Benin, one can conclude that during the period, the assistance has evolved uneven, but with some salient points that are the proofs of the events that Benin has known. First of all, the fall of the assistance in 1990 has continued till to 1993. It is at the morrow of devaluation of CFA in 1994 that one has registered a substantial rise of the assistance that has reached 475, 5 billion francs CFA. After this date the volume of assistance has continuously fallen until 1997. Between 1997 and 2003, the assistance has truly evolved uneven alternating fall and rise from a year to another. Between 2003 and 2008, the volume of the assistance remained very low comparatively to the whole period. This situation could be explained by the effects of the crisis that Benin goes through. This crisis has provoked the suspension of the cooperation of certain financial and technical partners with Benin. The year 2010, was marked a retake of the volume of the assistance that is also linked again to the retake of the cooperation between and its financial and technical partners. Nevertheless, one can note that globally the volume of PAD has recorded an average increase of 0, 73% during the period.

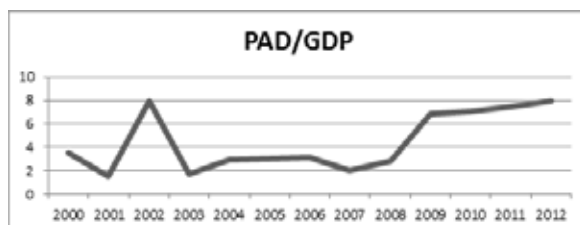
Graph1 :GLOBAL EVOLUTION OF PAD BILLIONS OF FRANCS BETWEEN 1982 to 2012

Source Treasury.

2-2 Analysis of the Ratio PAD on GDP

The ratio of the true GDP on PAD remained very low on the period of 2000 and 2012. On an average on the period, the ratio is 4%. The year 2002 was remarkable, because one has recorded the peak of 7,61%. From 2003 till to 2008, the ratio has never exceeded 3%. In 2012 the ratio has recorded a neat rise comparatively to the previous years with a rate of 8%.

From the hypothesis according to which to accelerate the growth in the less developed countries, a minimum percentage of 30% of PAD with regards to GDP allocated to the formation of capital is necessary (SEVERNO, 2002), one remarks that Ivory Coast is far from the referential ratio. What shows that the financial and technical partners still have efforts to make in favour of Benin?

Graph2: Contribution of PAD to GDP per year

Source : Ministry of Finance

2-3 The contribution of PAD to the basic social sectors.

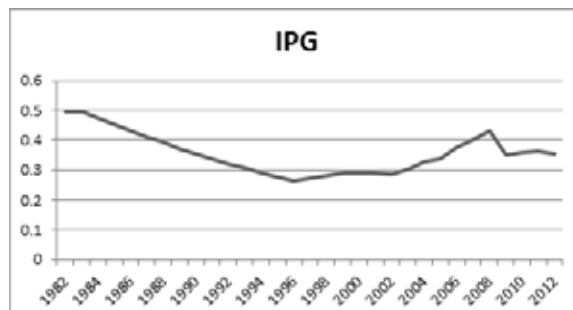
The analysis of the support of PAD to some sectors permit to appreciate the weight of the contribution of PAD to the blossoming of the latter. The level of the assistance (donation and borrowing) in support of the coming domains appears then less strong today than 10 or 15 years before. Education taken in its entirety (High Education, technical Education and Primary Education), has only profited 14% from PAD in 2011. Health, a very determining in the fight against poverty, has profited only 7% from PAD.

The level of the part of PAD at the profit of the basic social sectors (essentially health and education) is weak. One has recorded only during the period 2000-2010, the sectors of health and education (High Education, technical Education and Primary Education) have received 18% of PAD. Moreover, agriculture the pillar of the economy of Benin has equally backed up.

2-4 -Poverty and its evolution in Benin.

The graph 3 retraces the situation of poverty of Benin from 1982 to 1996. One notes a reduction of the indication of poverty during the period 1982 to 1996. A retake has been recorded from 1996 to 2008, due to the failures of the dif-

ferent programs and strategies of growth and reduction of poverty which have alternated during the last years. A reduction has been remarkable in 2009, linked to miscellaneous actions and multitude reforms undertaken by the government, reducing poverty till to 35.2% to 43% a year sooner. But this reduction has been of short term with the arrival of the world financial crisis whose effects have been manifest up to now bringing the bar to 35.7% in 2012.

Graph 3 : Evolution of the indication of global poverty from 1982 to 2012.

Source : Author, from the INSAE data. .

3-Literature synthesis.

The international assistance is the entire public or private resources, transferred to the international scale, in order to favour the economic and social progress of the beneficiary countries. The concept "Public Assistance to Development" can be perceived as every contribution of resources which are provided by the developed countries or the international institutions to the development countries. These assistances come from public organizations, including the States and local collectivities, or organizations operating for the public organizations..

The Institute for Sustainable Development, defines PAD as the allocated budget to cooperation to development by the twenty-two (22) countries of the Assistance Committee to Development (ACD) following three channel of distribution: the direct bilateral cooperation, the indirect bilateral cooperation and multilateral cooperation. It must be noted that on the behalf of the under state control stakeholders, there are, more and more, local authorities as « decentralized cooperation » and private stakeholders (non-governmental organizations, foundations). The latter directly get into contact with the populations through organizations of the civil society or local authorities. The public assistance to development (PAD) includes according to definition of the development assistance committee (DAC) of (OCDE), donations and the preferential loans foreseen in the budget and transferred to the developed countries towards the developing countries. The public assistance to development must not promote the industries, but must also manage so as the whole economy profit the outsiders. However, Nurse (1953) nuances by underlying the risk of diverting the assistance from production to consumption. Later on, Hirschman (1964) express doubts about the possibility to develop an economy owing to foreign simultaneous and massive investments in every sector, without improving the qualifications of the populations. He raises at this level the weak impact of the foreign capitals on the economic growth if the number of qualified persons of the assisted country is insufficient. He emphasizes the unbalanced growth, for according to him, the foreign assistance increases the investments, and the capacity of production. If the economy develops to have sufficiently employed this

capacity, the additional revenue created the increase of this capacity will cause the rise of the savings, and consequently, new investments. Furthermore, another theoretical approach is that of Harrod (1939, 1942) and Domar (1946). For these theoreticians, PAD increases the investment and after the economic growth. Furthermore, another theoretical contribution has been that of Harrod (1939, 1942) and Domar (1946). Through their analysis, when the external savings is insufficient, one can deduce, the amount of the necessary foreign savings to attain an investment rate compatible with the expected rising rate. The delay of a country can be explained by an insufficiency of capital and the catch-up is indeed possible. These former works consider the possibility of catch-up and accepted the neo-classical analysis hypothesis, mainly the hypothesis of decreasing outputs of the capital and an exogenous technical progress.

When all is said and done, the objective assigned to PAD is to accompany the developing countries in the financing of the public investments in particular the infrastructures. In this point of view, PAD completes a local savings which is insufficient to back up the effort of equipment, basis of the promotion of development.

Criticisms of some authors on PAD

Many contributions will accept hypothesis of the decreasing output of the capital and the endogenous technical progress. They condition the efficiency of the assistance to the good governance and to the healthy institutions. The beneficiary countries must then have good intentions so as to improve the welfare of their populations. In general, the new approaches, (World Bank, 1998 ; Svensson, 1999 ; Burnside and Dollar, 1997, 2000 ; Kaufmann et al, 2003 ; Jacquet, 2006) insist on the appropriation problems, selectivity, good governance and sustainability of the assistance, as well at the local scale as at the level of governance and national policies.

To understand the effect of the assistance on reduction of poverty, some authors have evoked its impact on the economic growth. According to them, if the assistance contributes to growth and that growth contribute to the reduction of poverty, then the assistance permits to fight poverty. However, this logic lies on the hypothesis that the assistance does not have direct effect on poverty and that its effect essentially passes through growth.

This approach is questioned by the results of a certain number of studies, which underline a direct effect of the assistance on the indicators of human development, of still an indirect effect that passes through other channels than that of the growth. So, for example, Burnside and Dollar (1998) analyze the effect of the assistance on the reduction of infant mortality, an indicator of welfare of the populations very strongly correlated to the levels of poverty and whose data are available for many countries. Their economic study suggests that in an environment of economic policies, the assistance permits to reduce the infant mortality.⁷Gomaneeet al. (2003) put into relief a positive influence of the assistance on the indication of human development and on the reduction of infant mortality, effect that passes through the financing of public expenses favorable to more poor. It is important however, to recall that the results approximately different have been put into evidence by Mosley et al. (1987) and Boone.

However, the analysis by Hudson and Mosley (2001) suggests in the contrary that the marginal contribution of the

assistance to the reduction of the infant mortality is more important in a bad environment of economic policies. Finally, Kosack (2003) underlines that the assistance only has effect on the indicator of the human development in the democratic regimes.

Definitively, one must conclude above all that the authors agree to some extent on the positive impact of the assistance on the reduction of poverty, even if this is not direct and needs that there must have good governance.

Taking into account the literature on the assistance, the points of view of ones and others leads to the affirmation that the efficiency of the assistance depends on the environment in which it is applied. Otherwise, the assistance will attain its deducted objectives if some conditions are fulfilled. So, some will arouse the question of governance and the management of the institutions as previous to the efficiency of PAD.

Other authors stick to the volume of the assistance which must be consistent in order to perceive its substantial effect on poverty. A third group of economists have to observe the contribution of the assistance in the areas of extreme poverty. So, Ravallion and Chen, (1997) ; Dollar and Kraay (2000) summarize in these terms : " In order to examine the reduction of poverty, the assistance should be allocated to the countries having serious problems of poverty and good economic policies."

4- Specification of the paradigm.

The different elements previously enumerated permit to foresee the use of economic paradigm employed by kpodar (2004).

So the verification of the hypotheses will be done from the following equation: (3)

: Indication human development

: Public Assistance to Development.

: Gross Domestic Product per capita.

: Life Experience.

: Human Resource.

Represent the Constance;

The respective coefficients of the different variables and the term of error.

4-1 Data Source and procedure of estimation.

The series of indication of human development (IHD) comes from the different reports of UNDP, the other variables are calculated or obtained directly from the data basis of the World Bank (World Development Indicators, 2012). The period of the study covers 30 years, from 1982 to 2012. The processing of the data is done by the software

5- Analysis of the results

As we have to deal with macroeconomic series, it is important to proceed with tests of diagnostic before passing to the tests of validation of paradigms and so as to come to the interpretation of the results. So, the diagnostic tests on the variables of the studies show that they are all stationary in the first difference to the limit of 5% except the IHD variable which is stationary in level. One concludes then the existence of two relations of co-integration be-

tween the variables. Consequently, it is important to assess the relation between through a paradigm of long term and with correction of error (PCE).

5-1 The results of the economic assessment.

$$\text{LIDH} = 0,52 + 0,054(\text{APD}) + 0,012(\text{EVI}) + 0,43(\text{LKH}) + 0,093(\text{PIB})$$

(7,57) (1,98) (-1,62) (-2,41) (0,66)

Paradigm with long term

$$R^2 = 0,917 \quad \text{DW} = 1,70 \quad F(\text{stat}) = 22,53 \quad \text{Prob}(F) = 0,00$$

(...) : t Student

$$\text{LIDH} = 0,106 + 0,021\text{D}(\text{APD}) + 0,03\text{D}(\text{EVI}) + 0,098\text{D}(\text{LKH}) + 3,13\text{D}(\text{PIB})$$

(0,31) (1,52) (-0,97) (-3,48) (0,206)

Paradigm with short term

$$R^2 = 0,89 \quad \text{DW} = 1,69 \quad F(\text{stat}) = 14,83 \quad \text{Prob}(F) = 0,00$$

(...) : t Student

The value of R2 in the two cases of paradigm shows that they have a good explicative power. In effect, the explicative variables explain respectively at 91,20% and 89% the endogenous variable in each paradigm. The probabilities of Fisher are inferior to 5% then significative. So, the paradigms are globally significative. The analysis of the results has revealed that the PAD has an important effect not only on IHD, but also on the ensemble of the variables. This proves the determining role of the public assistance to development in the manifestation of these different variables. The effect of PAD on IHD is inscribed in the duration showing then that it does not play only punctually on IHD.

Moreover, the impact of the PAD on the IHD is confronted by the results of the decomposition of the variance that shows an influence of the PAD on the IHD.

This relation could be explained by the fact that the public assistance to development in Benin has served to back up the elements that permit the improvement of the indication of development. This assistance has certainly contributed to the construction of educative and health infrastructures permitting then the improvement of the indicators of health and education. So, this assistance has been solicited in other investments which are sources of improvement of level of the revenues of the populations.

This positive relations between IHD and PAD which the results of the paradigm shows confirm the position taken by some authors towards PAD as for its capacity of fighting poverty in general in the developing countries.

The empirical studies have shown as a whole that PAD participates in the reduction of poverty, being cautious in case of absence of good governance in the beneficiary countries. Indeed, taking into account this aspect could give again a better visibility of its contribution to the fight against poverty through the rising of IHD. For according to KOSACK (2003), it is to this condition that assistance can fight poverty.

Even if the study has shown that the assistance contributes to the improvement of the IHD in Benin, it must be recognized that this contribution is not strong (coefficient is weak) and that could be explained by the quality of the governance.

The confrontation of the results obtained to the hypotheses of research present the following conclusions:

The hypothesis according to which the public assistance to development improves the welfare of the Beninese population is confirmed for the coefficients of variables EVI, KH and PAD are positive and significant (exception of the variable EVI) to the limit of 5%

The hypothesis according to which an optimal allocation of PAD has a positive effect on the process of the reduction of poverty is confirmed for PAD has a positive and significant to the limit of 5% on the IHD at long term.

6- Conclusion

Owing to the support of the partners to development, mainly UNDP, many actions have been conducted whose first actions are the investigations and the studies conducted by the Ministry of Agriculture, Breeding and Fishing (MABF) and the National Institute of Statistics and Economic Analysis (INSAE) and equally by the foreign and national. Experts.

Since independences, Benin has benefited from huge financial supports from abroad in form of public assistance to development, in order to start an economic growth and so guarantee the welfare of its population.

Despite these important financial supports, poverty continues to worsen from year to year. For this reason, this study is about the correlation that exists between PAD and the fight against poverty. For this reason one has to appreciate the situation of poverty taking into account the report or the action of PAD on the indication of human development (IHD) which is an indicator which permits to appreciate the situation of poverty taking into account as well the monetary aspects as the non-economic aspects of poverty..

Through the econometrical paradigm (here the MCO method) we have come to establish a relation between public assistance to development and IHD. In effect, the different approaches taken in this work have permitted to assert that the public assistance to development affects positively and significantly the indication of human development. So, PAD contributes to the improvement of IHD in Benin. For that reason, PAD contributes to the fight against poverty in Benin.

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