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AID EFFECTIVENESS: A TALE OF TWO COUNTRIES, BENIN AND TOGO

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The idea of this paper is to use a switch of aid from Togo to Benin to assess the impact of this change on economic and social indicators. We use macro indicators as well as regional indicators to shed some light on the consequences of the sharp drop in aid in Togo in 1997, using Benin as a benchmark. As data are scarce, no econometric approach seems feasible, so we rely extensively on descriptive statistics, using mainly the Demographic and Health Surveys' data. The impact of the sharp decrease of aid to Togo seems to impact the formal economy much more than the living standards of people in the regions.

INTRODUCTION

There is a vast literature on the international aid's efficiency, as well at the global level as at the level of the projects. Up to here, these works did not succeed in showing significant impacts of aid, except in particular cases as the aid to post-conflict countries.

The literature uses generally econometric approaches, which put in relation the performances in terms of growth with the received aid.

The research described in this paper is different. It amounts to comparing two countries, Benin and Togo from the point of view of the efficiency of the international aid. These two countries are indeed rather comparable, but they had different relation with the technical and financial partners' community.

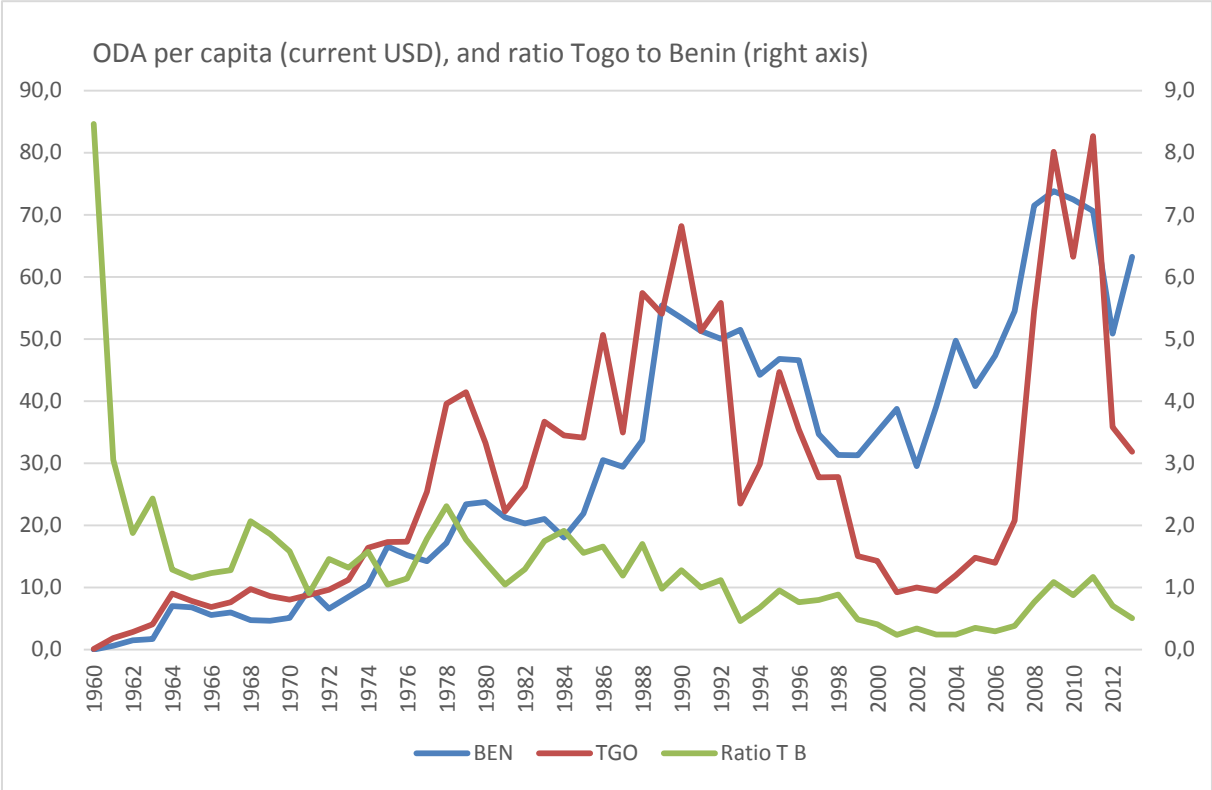
At first, the main partners favored Togo of Eyadéma, which had a pro-western position, while "Marxist Leninist" Benin of Mathieu Kérékou turned to the Eastern block from which he received a limited support. After the 1989 speech at La Baule, during which President Mitterrand declared that

France would only support democratic countries, things changed. Togo became considered as a pariah while Benin turned to multiparty democracy (the first *conférence nationale* was held in Benin in 1990) with several switches in power (the last one in 2016), becoming an “aid darling”. The EU significantly named the first ACP-EU partnership agreement the “Lomé convention” in 1975, and then switched to “Cotonou agreement” after 2000. Eventually, after the death of President Eyadéma (5/2/2005), ODA to Togo resumed.

The hypothesis is that these changes could be seen as a kind of natural experience, allowing an evaluation of the efficiency of the aid. Graph 1 shows that ODA allocation has been clearly in favor of Togo from independence to 1992. From 1992 to 2008, ODA switched to favor Benin, and then from 2009 on favored Togo again, but aid to both countries seems broadly in line.

As shown on Graph 1, ODA per capita was always higher in Togo from Independence to 1992. Then ODA to Benin was higher. After 2008, Togo reached parity with Benin in terms of ODA, but the remaining of Eyadema’s son in power by debatable elections did not allow the Donors to do much more.

Graph 1: ODA to Benin and Togo



Source: World data bank, accessed on 6/4/2016.

Two countries, a natural experiment?

Of course, two countries cannot be seen as randomly selected individuals. But the comparison between those two countries is troubling. Both are very small countries created by colonizers (the French in the case of Benin, the German in the case of Togo) after a period of remote slave trade mainly based on European trade with interior kingdoms turned into slave providers.

After WWI, France was given a “mandate” on the eastern part of Togo (the other part being now a part of Ghana)

Independence was granted on the same year: 1960. A few years before independence, France tried to introduce some limited democratic institutions, and presidents were elected and in charge when independence. This setting did not survive for long. After some years, two military low ranking

officers seized power by violence. Both officers (Eyadéma in the case of Togo and Kérékou in the case of Benin) served in the French Army, namely during the colonial wars.

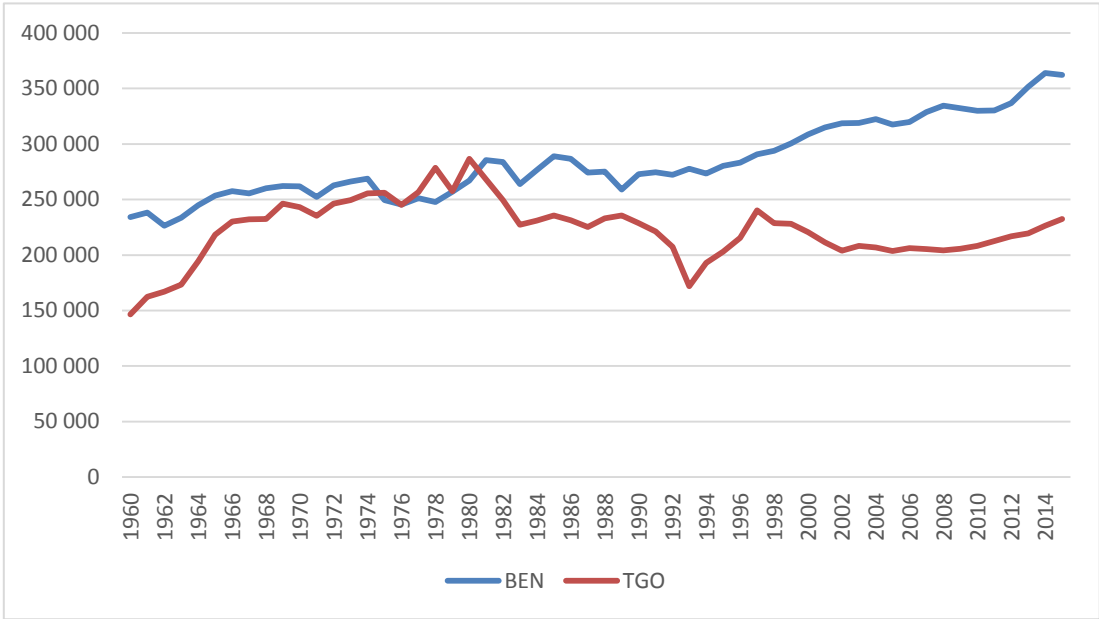
Both countries are members of the WAEMU, so they share the same currency and the same monetary policy.

EVIDENCE AND ANALYSIS

Macro Approach

At the global level, we can first consider the GDP per capita. The catching up of Togo stopped suddenly in 1980, which is not linked with aid. However, after 1989, the decrease of GDP per capita in Togo contrasts with the slow increase in Benin. Moreover, the further drop of aid in Togo resulted in a decrease of GDP per capita. This suggests that ODA as an impact on the average income of the receiving countries.

Graph 2: Benin, Togo: GDP per capital CFAF constant 2007

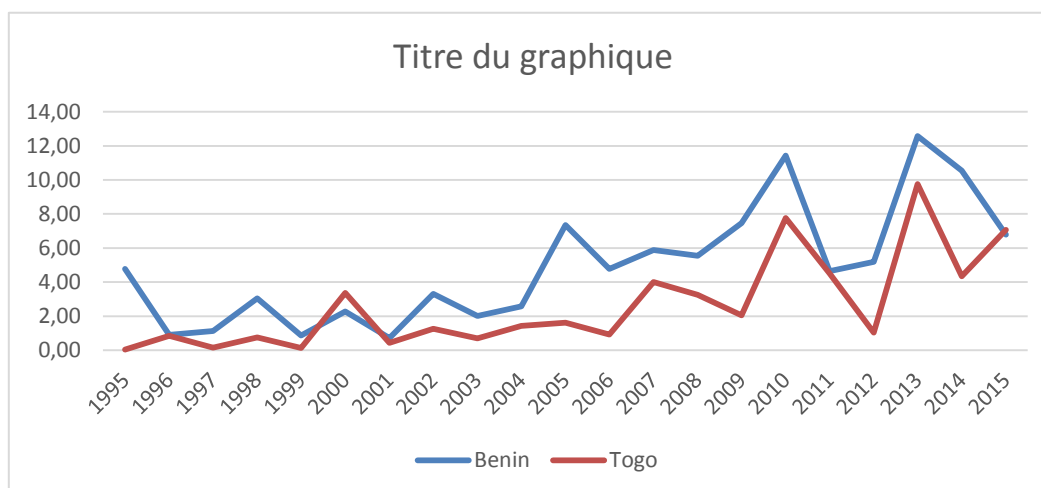


Source: World data bank, accessed on 6/4/2016.

This can be checked using a Granger causality tests between aid and GDP. In both cases, aid has an impact on GDP per capita growth rate, with a lag of 6 years in the case of Benin, 5 in the case of Togo. However, causality runs two ways, meaning that GDP growth has also an impact on aid.

However, this global result is challenged when we consider more specific indicators, like health indicators. Using the DAC methodology, we will first concentrate on the relationship between aid and an indicator of activity in the sector, namely the immunization rate, and then (step 2) assess the impact of immunization rates on infant mortality. Unfortunately, data about aid to the health sector are only available from 1995 on. They experienced a pattern from which is very different from aid in general.

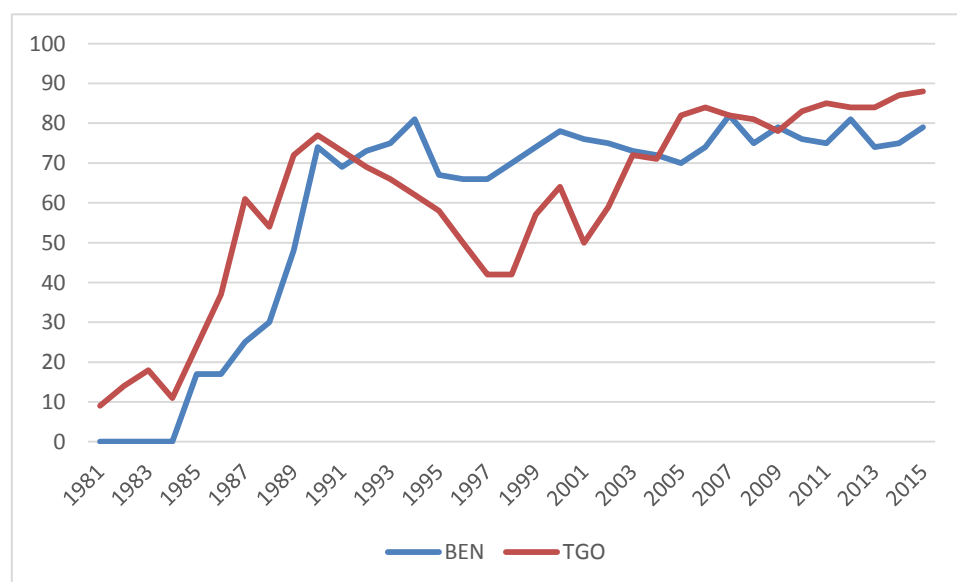
Graph 3: ODA to the health sector (USD per capita)



Source: OECD DAC, creditor reporting system, accessed on sept 9, 2017.

Graph 3 shows that ODA to the health sector (provided by all donors, bilateral and multilateral) is always higher in Benin, with the only exception of year 2000. Note that the change for this specific kind of aid is different from the general picture (see Graph 1). The amounts provided to Togo were quite low from the beginning, no dramatic drop occurred in 1997. The first step of the evaluation tackles the issue: “is there a relationship between this input and the activities of the public health sector?”. As good indicators of such activity are scarce, we will use the immunization rate of the children as a proxy.

Graph 4: Immunization against DPT (Diphtheria, Polio, Tetanus) (% of children ages 12-23 months)



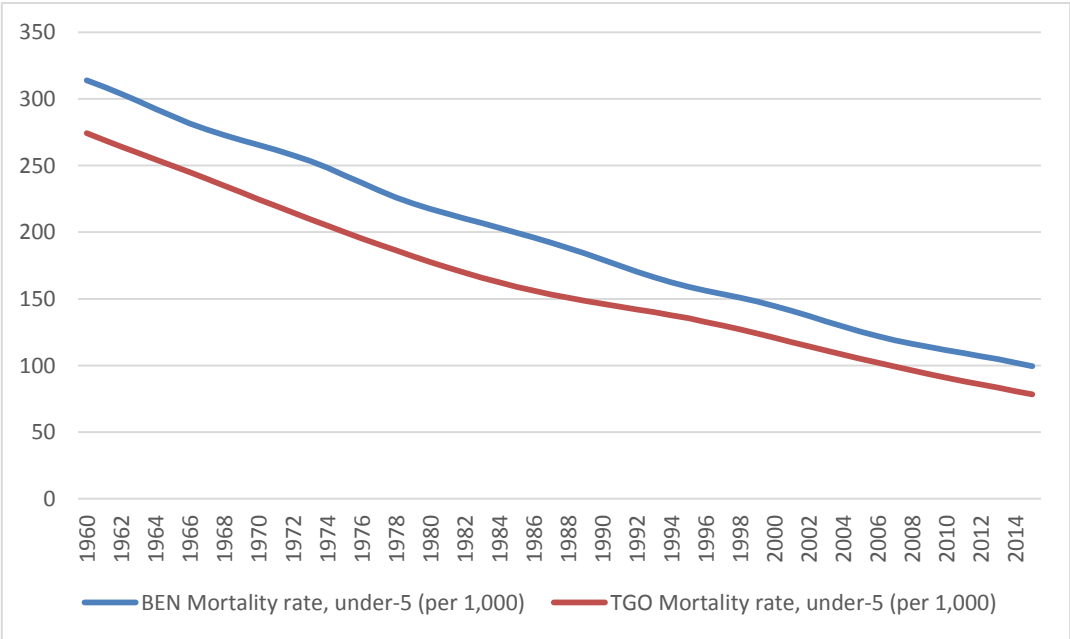
Source: World Bank, World databank, accessed on sept 3, 2017.

Graph 4 shows that immunization rates in Togo were historically higher in Togo, but they decreased sharply after 1989 or 1990. They remained lower than in Benin until 2003. However, this negative trend in Togo reverted in 1997-98, which cannot be related to aid (aid to the health sector remains at very low levels).

Turning now to step 2 amounts to assess the relationship between the health policy and the impacts on the health of the population. As we have been dealing with immunization rates, it is only natural to consider infant mortality rates.

As shown on graph 5, both countries experienced a steady decline in their Under 5 mortality rates. No relationship with immunization rates is to be seen (note that child mortality is lower in Togo). One may have expected some relationship between aid and under 5 mortality, but this is not the case for Togo and Benin. However, this weak or inexistent relationship does not come as a complete surprise. It has been observed namely by Brunet-Jailly (1995, and 2000) who states that the crumbling down of the public health system during structural adjustment has had no negative impact on the health situation, because most of healthcare is provided at the margin or outside the formal public health system.

Graph 5: Under 5 Mortality rates (Benin and Togo)



Source: World data bank, accessed on 6/4/2016

However, using a different indicator provides different results. For instance, life expectancy at birth in Togo increased steadily, but decreased from 1990 to 2000. Benin’s life expectancy became higher than Togo’s from 1995 on.

Micro Approach: regional level

For comparing the impact of aid and public policies on the nutritional status of children (which is also a good indicator of poverty), we will focus on two very similar regions in Benin and Togo : Plateaux in Togo and Zou in Benin.

Before the drop of aid to Togo, the nutritional status of children was better in Togo. Considering the percentage of children under 2SD, a sharp increase in Togo is to be seen in 1998 (but even so it is more or less in line with Benin in 2001).

Table 1: Weight-for-age, percentage of children under 3 or 2 standard deviations

	1988	1996	1998	2001	2006	2013-14
Togo Plateaux WfA 3SD	2,2		5,4			3,3
Benin Zou WfA 3SD		5,7		5,3	3,4	
Togo Plateau WfA 2SD	15,4		24,2			17,4
Benin Zou WfA 2SD		28,1		23,7	14,4	

Table 2: Height-for-age, percentage of children under 3 or 2 standard deviations

	1988	1996	1998	2001	2006	2013-14
Togo Plateau H-f-A 3 SD	7,4		6,8			11,5
Benin Zou H-f-A 3 SD		5,2		12,0	27,3	
Togo Plateau H-f-A 2 SD	18,8		21,5			31,2
Benin Zou H-f-A 2 SD		21,5		30,6	48,6	

The increase in the percentages in Togo in 1998 suggests that the drop of aid has had an impact on the Weight-for-age indicator. The decrease of those indicators after 2000 also suggests a positive impact of aid. Table shows that the change in the Health for Age indicator is more complicated. The striking pattern is Benin's, which experienced a steady increase of the percentages of children under 2 and 3 SD. In Togo, after the drop of aid, the percentage of children under 3 SD decreased, but the percentage of children under 2 SD increased, suggesting a deterioration of the situation of the less well-off.

However, these results are only valid if one can show that the indicators are linked with the provision of public goods. We will consider for that purpose the determinants of child survival in two regions Atacora in the case of Benin and Kara in the case of Togo, two regions close to the border, using the DHS data and a Logit regression on the 1998 data.

The results (not reported here) for Kara differ from Atacora's. In both regions, education, electricity and access to a health center increase the probability of survival. However, in Benin variables linked to water and sanitation have no significant effect on the probability to survive. At the opposite, like in Togo, education, electricity and access to a health center increase the probability of survival. This suggests that the channels of transmission of a public policy supported by aid differ across regions.

POLICY IMPLICATIONS

The results support the idea that ODA is likely to have an impact on average growth but hardly on well-being indicators like child mortality (even if aid has an impact on the health public service).

The results challenge the idea that denying aid to dictators is effective in improving the situation of the poorest.

The results suggest that the impact of ODA on development indicators is likely to be country specific, and even specific at the regional level. The channels by which ODA impacts the well-being of the population may differ at the regional level and have to be checked before turning to general conclusions, or to designing development projects.

RESEARCH PARAMETERS

Data used in this research are i) data on aid, mainly ODA (official development assistance) provided by OECD-DAC ii) data on aid provided by Aiddata (<http://aiddata.org/>). Unfortunately, data on aid by sectors are not available from the beginning of the period. This did not allow us to look for a correlation between aid at a sectoral level and the outcomes at the sectoral level. Such data are available only for the end of the period. The main drawbacks of the ODA data are well-known, but it is here important to emphasize that ODA is seen in this approach as the budget burden of OECD countries, and not as the amount that is really flowing to the country.

Data on economic and social outcomes are mainly provided by World Bank's World data bank (<http://databank.worldbank.org/data/>). Surveys like Demographic and Health Surveys (DHS) provide very useful information at household level for both countries.

If there is no rigorous method which can be implemented, the method chosen by OECD's DAC to assess the budget aid seems to be a promising approach. Briefly, it consists at first in estimating the results obtained by the implementation of the inputs supplied by the outside aid. Secondly, it is a question of estimating the impact of the public policies supported by the technical and financial partners. Finally, the third stage, always very delicate, consists in trying to make a link between the supplied inputs and the impacts of the public policies.

A more demanding approach would be to consider two regions, one in Benin and one in Togo, close to the border, in order to find out i) if differences in economic and social indicators are to be observed and ii) if they can be related to aid.

FURTHER READINGS

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