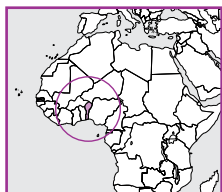


No development without aid



Benin's difficulties with development have been aggravated by the international financial crisis. This had a severe impact in the donor countries and brought about a reduction in official aid and direct investment, and led to massive withdrawals of capital by foreign investors. The country must take measures to control the movement of capital so as to promote beneficial foreign investment. In addition, respecting human rights, which is an essential condition for development, must become an objective in itself.

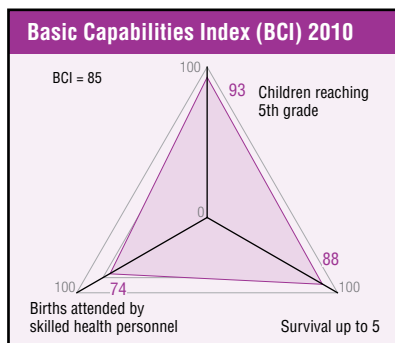
Social Watch Benin

The civil society organizations that make up Social Watch (SW) Benin are in agreement with the Government¹ in that they are radically opposed to a predator and unequal international economic and financial system. They believe that the recent upheaval in world financial markets points to the need for more effective global supervision and preventive measures to protect the world economy.

The International Monetary Fund (IMF), which monitors the stability of currency exchange, has functioned in an inequitable way and to the detriment of the poorest economies. Benin, along with other African countries, has suffered the negative consequences of this unfair stance on the part of these financial institutions. A redistribution of decision-making power in favour of the poorer countries would contribute to rectifying this asymmetry in how the Bretton Woods institutions operate, and would in the current situation make it possible to take action to sanction the countries that caused the imbalances and the crisis.

SW Benin has stressed the need for the UN to make a commitment to pursuing a more democratic way of working. The principle of "one dollar one vote", which is how decisions in the Bretton Woods institutions are taken, is undemocratic.² The citizens of Benin emphatically recommend that the international community change to the more democratic system of "one country one vote" and that it actively commits itself to the interests of civil society.

SW Benin is sceptical about the recommendations and (minimal) commitments undertaken at the G-20 summit in Pittsburgh in September 2009 to reform the world's financial architecture, because

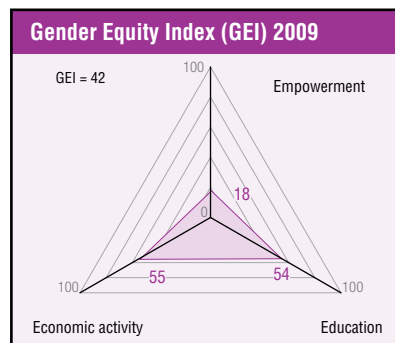


the leading countries did not have the courage to confront the underlying causes that led to the financial crisis. SW Benin has issued a call for the humanisation of the world's financial system and stricter citizen control over international financial institutions.

Financing for development

In 2009 and 2010, the world financial crisis caused a reduction in the flow of funds and foreign direct investment (FDI) to Benin. Today "...the weight of foreign direct investment is still very slight. FDI has been rather irregular in recent years and on average only some 30 billion CFA francs (USD 60 million) per year has come in, and this mainly benefited industry. In the short and middle term, the effects of the crisis on FDI will impact negatively on the population."³

In addition, even before the crisis FDI did not have a positive effect on the Benin economy because some foreign investors made massive and systematic withdrawals of capital and benefits and sent these funds to their head offices or their countries of origin. Some investors did not even deposit funds in the country's central bank or local banks. To make matters worse, these economic agents enjoy tax exemptions on their income that put them in an even more advantageous financial situation. This says a lot about the lopsided relation that Benin has with foreign investors, a relation in which the country itself receives no concrete benefits.



Benin should take measures to impose restrictions, for example to control the movement of capital, so as to promote foreign investment that actually has a positive impact in the country.

The impact of external debt

The country's foreign debt is much lower than the norm in the West African Economic and Monetary Union (WAEMU). However, according to a report by the Ministry of the Economy, "The level of debt is still a dead weight that impedes the development of the country's economy, in spite of debt cancellation initiatives undertaken by the international community through the MDRI and the HIPC."⁴

Benin's external debt is rising: in 2006 it stood at USD 539 million and in 2008 it reached USD 846 million. Added to this there is the internal debt, which in 2005 was around USD 7 million and by 2008 had risen to USD 608 million. In 2008, public debt service payments amounted to USD 91 million.⁵

In 2006 the country's debt decreased, and this was mainly because of cancellations that were granted as part of the Heavily Indebted Poor Countries (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI). The MDRI enabled Benin to obtain cancellations of multilateral debts to the tune of USD 1.16 billion, distributed over a period of fifty years starting in 2006.

1 "Disturbances in financial and banking markets have economic consequences that destroy poor countries' efforts to develop because they bring about a reduction in resources to finance small and medium size enterprises, a reduction in credits for the economy, a probable fall in the price of commodities and also a predictable reduction in official development aid and flows of foreign direct investment". (Extract from a letter from the President of Benin, Boni Yayi, to the President of France, Nicolas Sarkozy, 28 October 2008). Available in French from: <www.afrik.com/article15550.html>.

2 The United States has the equivalent of 17.35% of the votes, and this gives it the power of veto as any modification in the charter of the IMF or the World Bank requires 85% of the votes. In contrast to the United States share, 22 African countries taken together have 1.17% of the votes.

3 The National Commission to manage the impact of the international financial and economic crisis on economic and social development in Benin, "Impact of the world financial and economic crisis on economic and social development in Benin" (May 2009).

4 The Ministry of Economy, Social Security, Development and Evaluation of Public Action; *National strategy for attaining the Millennium Development Goals (2007)*, p. 35. Available in French from: <www.undp.org/bj/docs/omd/plaidoyer_omd.pdf>.

5 National Assembly, "Finance Law", 2010.

The HIPC resources went to four priority sectors, namely health, access to potable water, education and an initiative to end isolation. In the 2005 edition of a report on the country's social profile, called The HIPC and Poverty Reduction, the Social Change Monitoring Agency stressed that the contribution of relief resources is still low in relation to the financing needs of various social sectors. These resources amount to less than 20% of annual budget allocations for the four priority sectors under study, and only 2% of the national budget.

Foreign aid

The official foreign aid for development that Benin receives basically consists of support for the budget. In the years 2005 to 2008, the share of foreign resources used to cover the country's budget deficit amounted to 12%, 13%, 15% and 16% respectively of the country's income.⁶ In 2009 it was not possible to allocate the expected 27% for budget support.

The provision of foreign resources for Benin fell from USD 661 million in 2009 to USD 507 million in 2010. This decrease was mainly due to the international financial crisis that most of the donor countries are undergoing and to the financial organizations involved, or because there are relatively long periods before financing agreements come into force. Estimations of budget aid, which consists mainly of indirect IMF budget support transfers, plummeted by 57.50% in the 2010 budget.⁷

On 30 June 2009, the external resources mobilized amounted to USD 150 million as against a projection for the year of USD 645 million, which is to say that only 23.2% had actually been provided by the halfway point.⁸

Can Benin finance its own development?

The obstacles to Benin's development are so great that it would be simply impossible for the country to progress without assistance. "Pursuit of the MDGs would mean a big increase in public expenditure. The country's needs in the 2007 to 2015 period have been calculated at USD 11.5 billion. To reach the MDGs, the target of USD 758 million in 2007, expenditure would be around USD 1.92 billion in 2015 – which amounts to an annual average of USD 1.28 billion."⁹

To attain the MDGs it is essential that more and more resources, external as well as internal, be mobilized. The Government cannot make this commitment unless the private sector and civil society become closely associated with the effort to mobilise and manage the resources.

However, public finances are usually in deficit. In the 2010 general national budget there was a global deficit of 7.2% of GDP, with a deficit budgetary balance of 2% of GDP, which means that Benin did not respect the budgetary criteria of the Pact for Convergence, Stability, Growth and Solidarity that the member states of the WAEMU adhere to.

In this context in no way is Benin capable of financing its own development without external assistance.

Gender and the FfD

The Government formulated a Growth Strategy for Poverty Reduction (ECRP) in 2007-2009,¹⁰ and in this, for the first time, aspects of gender were incorporated into the various subject areas dealt with. This inclusion of the gender perspective is an attempt to correct the deficiencies identified in the first Poverty Reduction Strategy (ERP) 2003-2005¹¹ and also an attempt to ensure that the expected results of the current ECRP are sustainable. Thus the whole plan, including the formulation of sector programmes, is designed to cater to women as well as to men, in accordance with their specific needs.

The inclusion of gender equality in the ECRP is a new innovation for Benin, it is part of a Danish and Swiss cooperation agreement and it is backed by the United Nations Development Programme through the programme to strengthen the study of gender in growth policies and strategies for poverty reduction (PAFEGP/ECRPU). Thanks to this programme, the gender perspective is clearly expressed in the financing agreement for the country's development. The programme is being implemented by the Ministry of the Family and other actors in the country, and it has technical and financial support from alliances for development in a joint financing system that is geared to alignment, harmonisation and appropriation in line with the spirit of the Paris Declaration. All aspects of the proposed interventions involve a synergy among all the actors involved.

Some of the results were as follows:

- The inclusion of the gender section in the annual joint revisions of the ECRP, whose memorandum is based on a synthesis of the execution points of sector gender action and their scope.
- The process of formulating a national policy to promote the gender perspective, which is backed by the Technical and Financial Alliances (TFA) and the Government, and is based on the initiative embodied in the PAFEGP/ECRPU.
- To carry out a national study of violence against women, with joint financing from the TFA.
- Continuity in external support to establish a system of sufficient health protection for mothers and children. The Beninese Government has reinforced measures to implement free caesarean operations and health care for children up to five years old.¹²

The role of civil society

Civil society organizations have a role to play, and also responsibilities, in Benin's development process. Basically they should try to educate the population and keep them informed, strengthen management and organization capabilities, ensure the flow of information and guidance, participate in dialogue and work for the benefit of the people at large. In this way these organizations can contribute to development in all sectors of public life including education, health, potable water, sanitation, agriculture, environmental protection, financial services, the promotion and defence of economic, social and cultural rights, autonomy for women, the promotion of good governance, rendering accounts, studying and analysing budgets and providing follow-up on development policies.

The most important role of civil society organizations in the country is to monitor the human rights situation, in particular with regard to economic, social and cultural rights. It is essential to go beyond the MDGs and tackle the problem of violations of people's rights. It is imperative that the question of human rights be given priority in any development model, and every aspect of these rights must become an objective in itself. ■

6 General Assembly "Finance law", 2005, 2006, 2007, 2008; The National Commission to manage the impact of the international financial and economic crisis on economic and social development in Benin, *op. cit.*, p. 73.

7 SW Benin, *Analysis document and report on the finance law 2010*, p. 19.

8 *Ibid.*

9 The Ministry of Economy, Social Security, Development and Evaluation of Public Action, *op. cit.*, p. 13.

10 Available in French from: <www.planipolis.iiep.unesco.org/upload/Benin/PRSP/Benin%20SCR%20VersionFinaleAvril07.pdf>.

11 National Commission for Development and the Fight against Poverty, *Document of poverty reduction strategy in Benin 2003–2005*, (December 2002). Available in French from: <www.planipolis.iiep.unesco.org/upload/Benin/PRSP/Benin%20PRSP%20French.pdf>.

12 SW Benin, *2009 Alternative report of civil society organizations for the Millennium Development Goals in Benin*, p. 57.