



PRESS RELEASE

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Contacts: Fidélité Nshimiyimana

fidelite@afrodad.org

Adrian Chikowore

adrian@afrodad.org

THE COVID-19 PANDEMIC, INDEBTEDNESS AND OFFICIAL DEVELOPMENT ASSISTANCE IN AFRICA

The African region is one of the poorest regions in the world based on several indicators inclusive of the UNDP's Human Development Index (HDI) and the World Bank's Gross National Income (GNI). Like most regions, countries in Africa are characterized by financial liability, indebtedness, less efficient tax systems and low revenues and fragile institutions. To this end, in Africa alone, [COVID-19 has taken the lives of eighty thousand people and infected 3.1 million people in 47 countries](#) thus exacerbating existing social and economic challenges making it almost impossible for the governments in the region to cope without external support such as official development assistance (ODA). Due to the pandemic, sub-Sahara's African economies contracted to a -1.9% growth per capita whilst having a debt threshold of at least 57.8% to the region's GDP.

The recently published OECD Preliminary ODA data highlighted that DAC donors allocated USD\$161.2 billion of official development assistance (ODA). This total included USD 158.0 billion in the form of grants, loans to sovereign entities, debt relief and contributions to multilateral institutions. At least USD \$1.3 billion was accounted to development-oriented private sector instrument (PSI) vehicles and USD \$1.9 billion in the form of net loans and equities to private companies operating in ODA-eligible countries. Despite committing to contribute 0.7% of gross national income (GNI) towards ODA, the 2020 figures show that only 0.32% of GNI was allocated globally rising from 0.30% in 2019.

This remains low as ODA has hovered around an average 0.31% of GNI over the past two decades thereby showing that DAC countries have failed to keep their promise thus prompting the need for effective and efficient domestic resources mobilisation and alternative sources for financing development needs including the current covid recovery.

Whilst total ODA in 2020 rose by 3.5% in real terms compared to the 2019 estimate of USD\$154 billion; the increase is partly due to a \$12 billion DAC members' support to the global recovery from the COVID-19 pandemic and also an increase in bilateral sovereign lending by some loan-giving DAC members. To this effect, total [ODA only accounts for 1% of stimulus packages of over \\$12 trillion raised by countries in response to the pandemic and falls way short in financing a sustainable and just recovery](#). It is also important to note that 22% of gross bilateral ODA by DAC members was provided in the form of non-grants (loans and equity investments), up from a 17% in the previous years. This increase in less concessional aid is concerning given the debt situation obtaining in Low- and Middle-Income Countries (MICs) in the Africa region where at least seventeen countries were either in debt distress or at high risk of distress in 2020, one more than before the crisis¹. It is in this light, that, in as much as debt relief grants increased to \$554 million in 2020, they remain low when compared to the fiscal needs of countries where [CSOs and governments from the South are calling for Special Drawing Rights reaching \\$2.5 trillion in addition to the \\$650 billion availed where Africa can only access \\$23 billion](#).

When aggregated by income group, net bilateral ODA flows from all DAC members to low-income countries were USD 25 billion, a decrease of 3.5% in real terms compared to 2019. Net ODA to upper-middle countries increased by 36.1% to USD 18 billion. [Net ODA flows to high-income countries more than tripled and stood at USD 372 million](#). These trends, along with the increase in the share of loans in ODA would imply that part of the increase in ODA in 2020 is largely due to loans to middle-income countries as well as low income countries most of which are in Africa. A further assessment of the data by region highlights that net bilateral ODA flows from DAC members to Africa were USD 39 billion, representing an increase of 4.1 % in real terms compared to 2019. By contrast, net ODA to sub-Saharan Africa amounts to USD 31 billion, falling by 1% in real terms. Such low ODA levels for the region pose a risk of undermining progress that has been recorded over the years especially during the covid crisis that remains compounded by poverty, conflict and the adverse effects of climate change that are affecting the environment and food security [in the Africa region where the pandemic is pushing an estimated 230 million people at the brink of food insufficiency](#).

AFRODAD expresses concern on the use of private sector instruments in the disbursement of ODA. At least USD 3.2 billion of net ODA flows were channeled through private sector instruments (PSIs). This is a continuing trend whereby donor countries leverage on ODA to catalyze private sector growth. This is being done in the absence of robust frameworks to ensure transparency and accountability and the safeguarding positive development impact from the profit-oriented motives of the private sector. The use of PSIs in development interventions risks undermining the critical role played by ODA in enhancing capacities in African countries' development practices and tackling development challenges. Sectors such as social protection with specific emphasis on education, health and services availability including vaccinations are critically important as [only 10 countries have administered 75% of all Covid-19 vaccines available](#). whilst the poorest countries, particularly those in Africa will be last in line when it comes to mass vaccination. Because of this anomaly, [we raise alarm against vaccine hoarding and nationalism by the global North](#).

The continued use of multilateral institutions such as the International Monetary Fund and the World Bank as conduits of disbursing ODA funds to developing countries remains problematic as they promote the expansion of private and equity finance resulting in the financialization of development including the covid-response by big corporations. This is evidenced in the [Financial Transparency Coalitions' report](#) that notes that in Kenya, 92 percent of Covid-related bailout funds went to big corporations, rather than to those facing poverty. This made Kenya's corporate tax rate the lowest in East Africa, fuelling tax competition whilst in Sierra Leone atleast 92 percent of announced and allocated funds were accounted to big trading corporations. This has a constraining effect on fiscal space in African LICs and we therefore call on the DAC and partner governments to establish appropriate accountability and transparency mechanisms to hold these International Finance Institutions accountable for their policy interventions.

Donors have always been off track to achieve their international aid commitments and as such during this COVID-19 crisis, we call for the increased accounting of debt relief as aid so as to free up fiscal space for response to the pandemic and associated development challenges. It is no doubt that ODA still plays a role in supporting African countries in need of assistance to counter the negative trends coming from the pandemic thus in 2021, ODA aimed at strengthening domestic resources mobilisation and tackling illicit financial flows which drain Africa off critically needed revenues is required so as to free African countries from the shackles of debt and dependency to ensure the achievement of the Sustainable Development Goals in 2030.

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About AFRODAD

The African Forum and Network on Debt and Development ([AFRODAD](#)) is committed to contributing to the long-term development of the African continent through its contribution to finding sustainable solutions to Africa's challenges in debt, resource management and financial development.