



AFRODAD 2021

REGIONAL AID PROFILE
SOUTHERN AFRICA

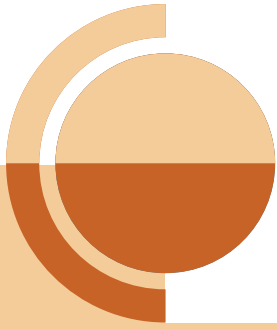


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AFRICA DEVELOPMENT BANK AND THE AFRICAN UNION COMMISSION SHOWS THAT THERE ARE FIFTEEN COUNTRIES IN SOUTHERN AFRICA. FOR PURPOSES OF THIS PROFILE, HOWEVER, TWELVE COUNTRIES WILL BE REVIEWED SO AS NOT TO DISTORT THE ECONOMIC INDICATOR ANALYSIS AT REGIONAL LEVEL IN TANDEM WITH THE AFDB AND UNECA.

THESE INCLUDE





INTRODUCTION



This profile gives an assessment of trends in Official Development Assistance (ODA)¹ for the Southern Africa region. It begins by cataloguing the trends in ODA to the region and in the same light, analyses the average Net ODA Received Per Capita as well as the average ODA as a percentage (%) of Gross National Income (GNI) in the region. The profile also looks at disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare of the people of the Southern Africa region. The trends in ODA reviewed cover the period 2012 to 2019 and for some countries 2020. The profile concludes by proffering policy recommendations for key policy actors. The classification of regional groupings by the United Nations Economic Commission for Africa, the Africa Development Bank and the African Union Commission shows that there are fifteen countries in Southern Africa. For purposes of this profile, however, twelve countries will be reviewed so as not to distort the economic indicator analysis at regional level in tandem with the AfDB and UNECA.

These include, Angola, Botswana, Malawi, Mozambique, Namibia, Lesotho, Swaziland, South Africa, Madagascar, Mauritius, Zambia and Zimbabwe. The economic intergovernmental organisations in this region are the Southern Africa Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). In terms of economic growth, the region's Gross Domestic Product (GDP) stood at 2.2 percent in 2015². This growth figure fell to 0.9% in 2016 but rebounded to 1.6% in 2017; a recovery aided largely by improved weather conditions which boosted agricultural output, availability of hydroelectric power as well as increase in commodity prices as from 2015. The region's GDP growth (Figure 1) stabilized at about 2 percent between 2018 and 2019 and decreased to 0.3% in 2019³. The region experienced a low growth compared to the estimated 2.8 %, owing to the continuous dependence on mineral commodities or agricultural products, both of which make output volatile. The slow growth also reflects the region's structural impediments to growth, including inadequate energy, macroeconomic instability, economic fragility and harsh business environments. The estimated GDP for 2020 was at -7.0% owing to the advent of the COVID-19 which has been ravaging Southern African region's economy. The corona virus which was declared a global pandemic in December 2019 after devastating economies in Asia and Europe. As a result, developed nations have been looking inwards in efforts to contain the pandemic whilst developing regions with limited resources and struggling health systems have faced reduced aid financing. Southern Africa is the hardest hit by the pandemic because of its connectivity with South Africa which is a business hub of Africa and highly connected

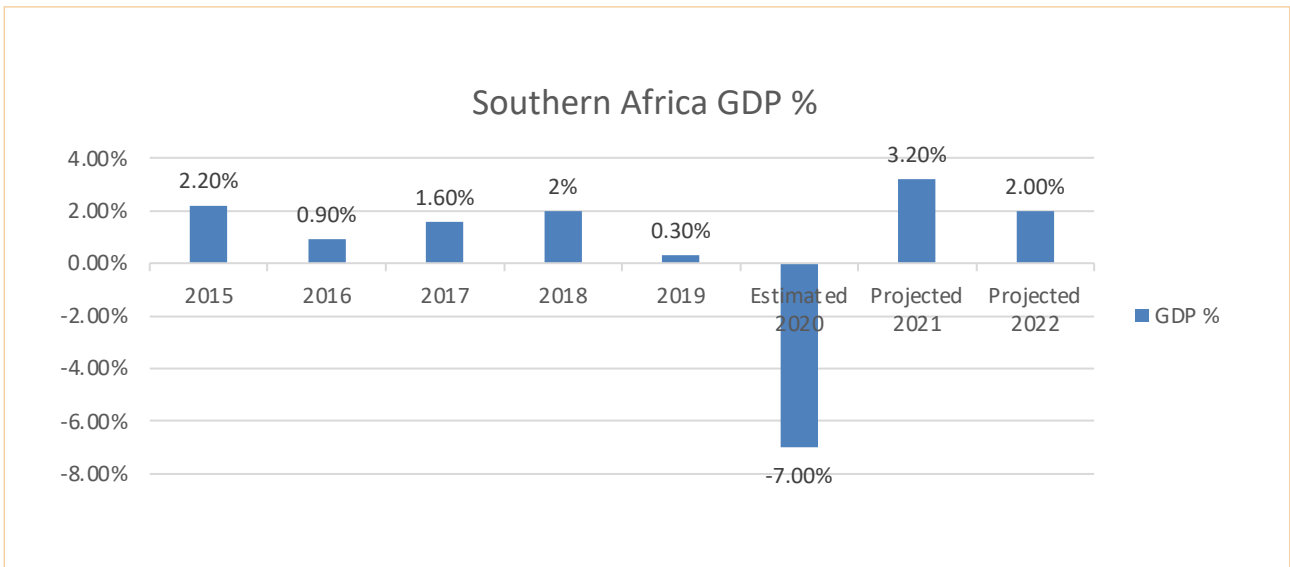
1 ODA is classified by the OECD/DAC as "flows to countries and territories on the DAC List of ODA Recipients and to multilateral institutions which are provided by official agencies, including state and local governments, or by their executive agencies; and each transaction of which is administered with the promotion of the economic development and welfare of developing countries as its main objective; and is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent).

2 African Economic Outlook, 2016

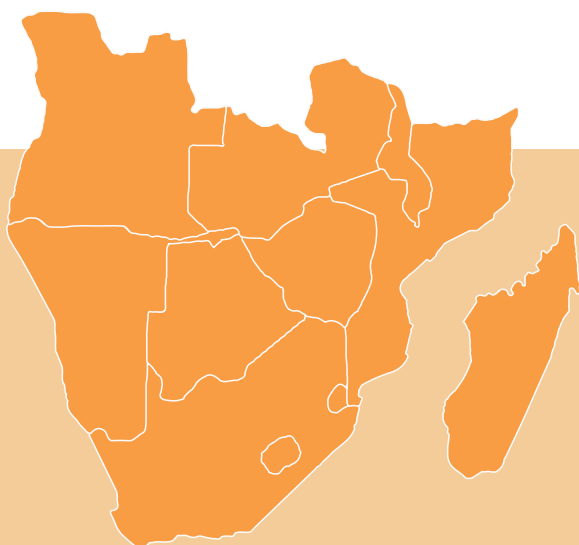
3 AfDB, Southern Africa Economic Outlook, 2020

to the global economy. Most countries in the region depend on exporting raw materials and semi-processed minerals and agricultural products and this was limited by the COVID-19 regulations especially the lockdown. Over the years the region has been affected by persistent droughts as well as low commodity prices on the international market. Against this background ODA and official aid have been and are still crucial to maintaining the lifeline of region’s economy. In 2021 the region’s GDP is projected to grow by 3.2% in 2021 and 2.4% in 2022 with the hope that the pandemic will have been contained so that the world embarks on a new post COVID economic journey.

Figure 1: Southern Africa Region GDP %



Source: AfDB Statistics, 2021



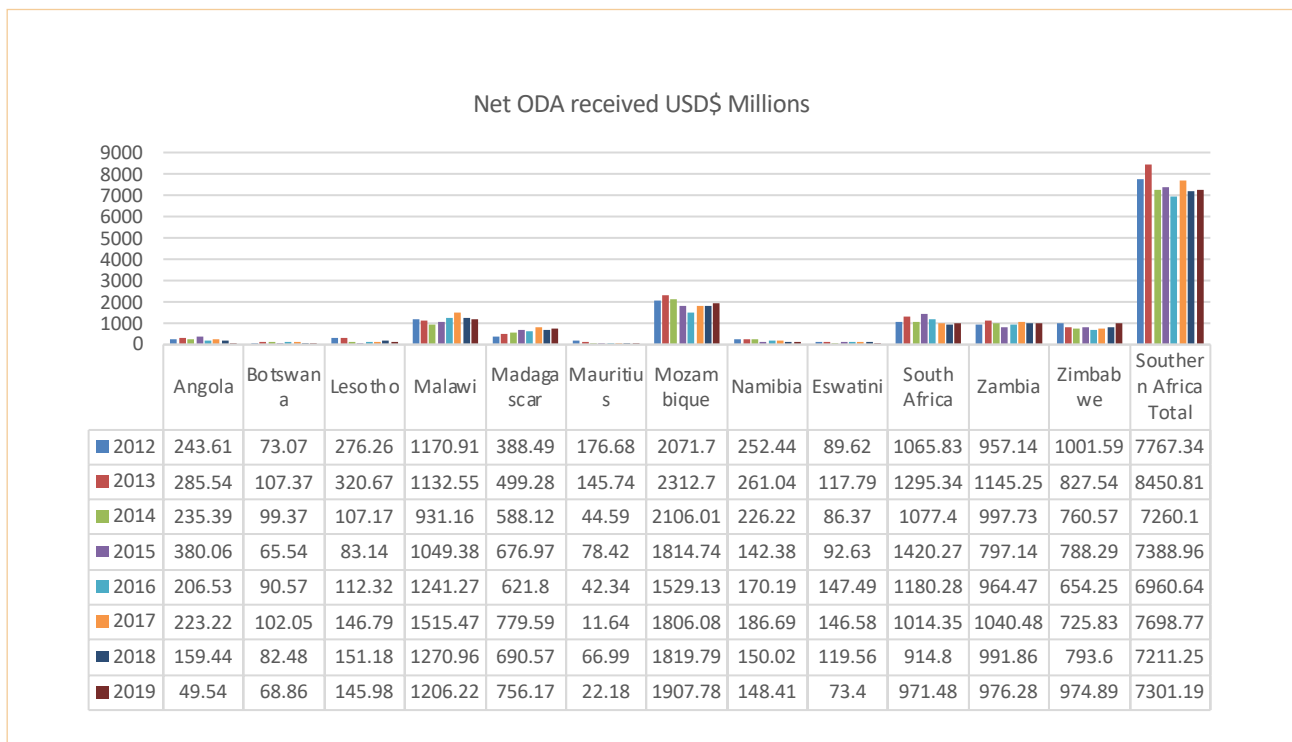
Southern Africa is the hardest hit by the pandemic because of its connectivity with South Africa which is a business hub of Africa and highly connected to the global economy. Most countries in the region depend on exporting raw materials and semi-processed minerals and agricultural products and this was limited by the COVID-19 regulations especially the lockdown.



TRENDS IN ODA TO THE SOUTHERN AFRICA REGION

From 2012 to 2019, Southern Africa received a combined net ODA and official aid of US\$60.03 billion. As highlighted in Figure 2, the highest amount received during that period was in 2013 - nearly US\$8,4 billion, as opposed to the lowest - US\$6.9 billion, recorded in 2016. At the country level, Mozambique received the most net ODA in the region - US\$15.4 billion during the 2012 to 2019 period constituting a quarter of ODA disbursements to the region. In 2019, Mozambique and Malawi were still regarded as the most aid-dependent countries in the world receiving 41.47 percent of the net ODA recorded in the region from 2012 to 2019, owing to cyclone Idai which left the countries in dire need of aid. As will be highlighted later, ODA is central to the GNIs and GDP per capita of these countries. South Africa is the third largest recipient of net ODA followed by Zambia. Botswana and Mauritius were the least ODA recipient countries accounting for 2.17 percent of the net ODA received in Southern Africa during the period under review. Eswatini is also part of the bottom three having received US\$873 million over this period.

Figure 2: Net ODA received in the Southern Africa Region (current US\$ millions)



Source: AFRODAD's computations based on World Bank Aid Data 2021



SOUTHERN AFRICA'S NET ODA RECEIVED PER CAPITA



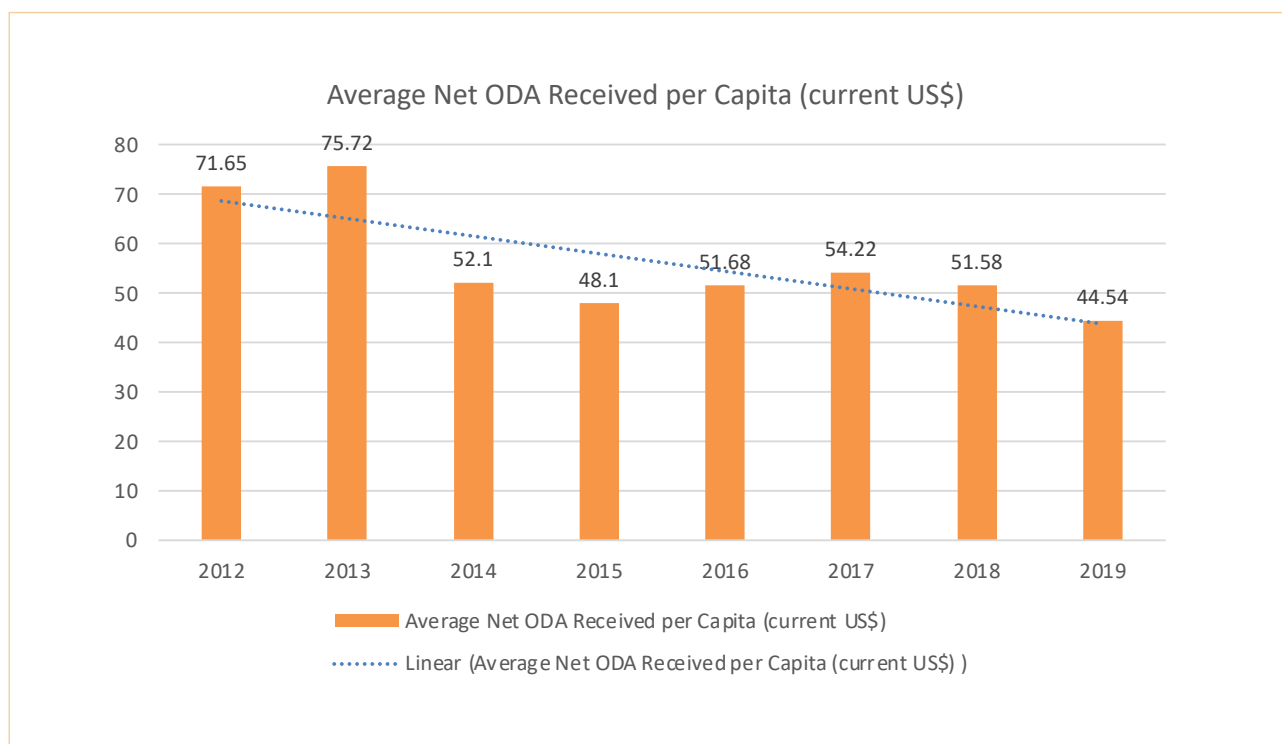
Net ODA per capita highlights the sufficiency of ODA provided to the countries in Southern Africa. During the period 2012 to 2019, the average ODA per capita for the Southern Africa region was US\$56.28. The trends in the region indicates that ODA per capita has been on a downward trajectory from 2012 to 2014 but has steadily increased since 2015 as shown in Figure 3. In 2012 the average net ODA per capita stood at US\$71.65 and it went down to US\$48.1 in 2015 only to begin a steady rise to US\$51.58 accounted for in 2018. In 2019 the average net ODA per capita decreased to the lowest amount (US\$44.54) that has ever been recorded during 2012-2019. As depicted in Figure 4, Angola the oil rich country continues to lessen its dependence on ODA as compared to the other countries in the Southern African region. In fact, the average ODA per capita in Angola for the period 2012 to 2019 stood at US\$8.05 - that is about 85.69 percent below the regional average of US\$56.2. An analysis of country trends in Figure 4, nevertheless, indicates that, in Angola, there was a US\$4.9 increase in ODA per capita to US\$13.65 in 2015 – up from US\$8.74 in 2014. This 36% rise is owed to the commodity price slump of 2014 which resulted in Angola turning to ODA to finance the fiscal gap.

Even with the fall in oil prices, Angola's dependence on ODA slumped, thereby decreasing Angola's ODA per capita between 2016 and 2017 however in 2018 it rose again as the commodity shock effects hit up to 2017 and Angola was experiencing fiscal constraints in financing its national development priorities as oil revenues reduced from 35.3% of GDP in 2014 to 17.5% in 2017 leaving a fiscal deficit of 0.1% for years 2018 and 2019 respectively⁴. South Africa and Madagascar are two countries in the region that may be classified as less dependent on ODA for development as can be noted in Figure 4. This is due to the fact that for South Africa, its advanced and diversified economy plays a critical role in domestic resource mobilisation for national development priorities whilst for Madagascar, the services sector largely ameliorates the country's dependency on aid. However, South Africa experienced an increased share of Net ODA received per capita 2019.



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Figure 3: Average Net ODA Received per Capita (current US\$) for the Southern Africa Sub-region



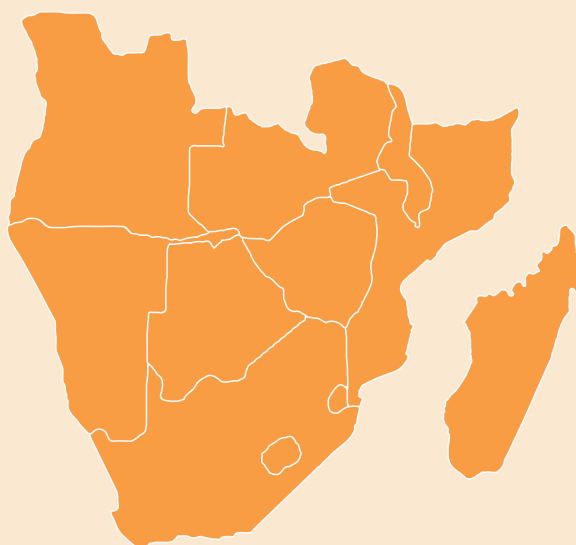
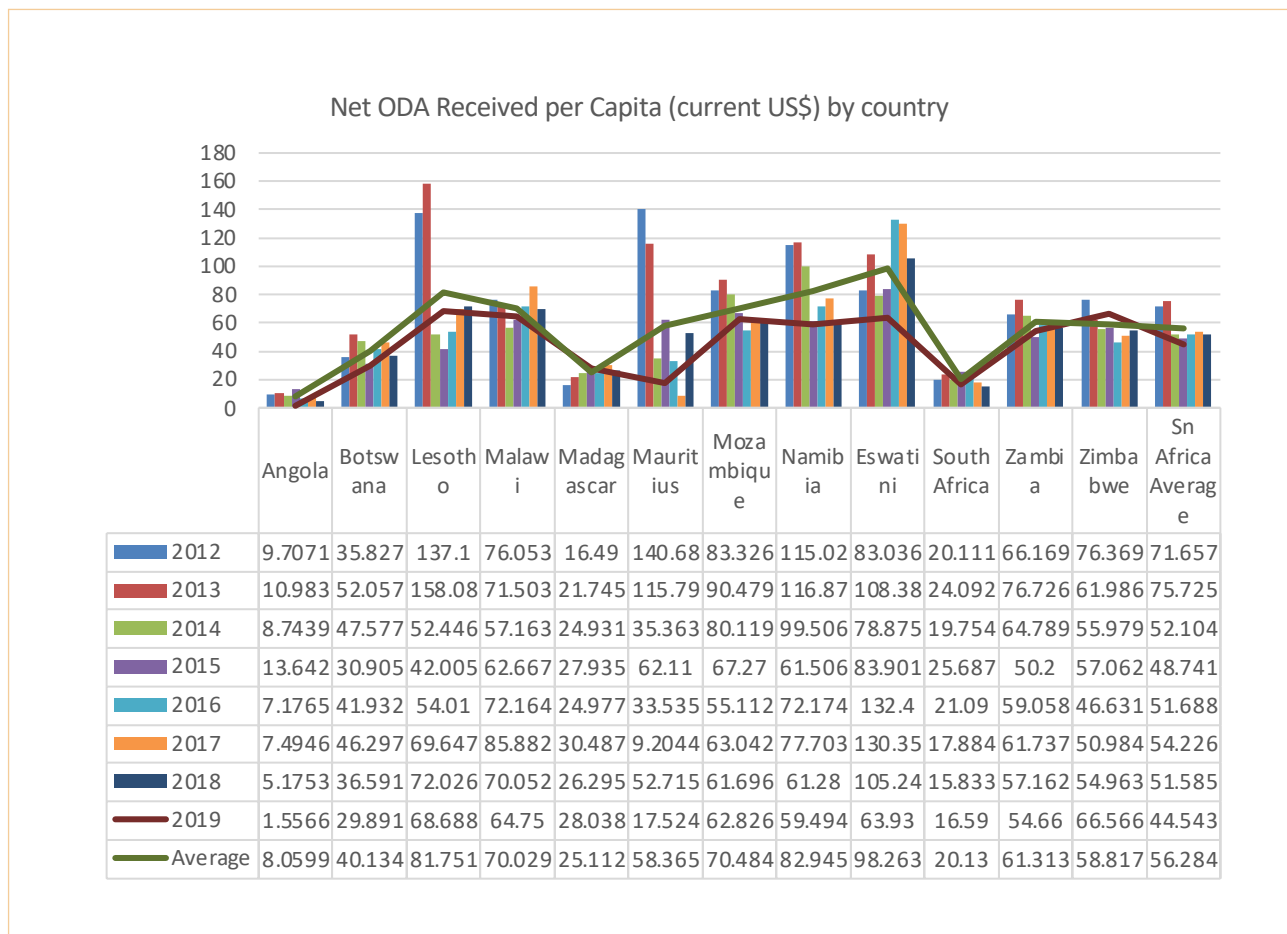
Source: Compiled by AFRODAD based on World Bank Statistics 2021

In the case of Zimbabwe, Figure 4 indicates that ODA per capita was at its highest in 2012 - at US\$76.36. This is US\$20.08 above the national average recorded for the period 2012 to 2018. This signifies that aid receipts during the country's government of national unity were partly higher as a result of donor countries' confidence in aid use than after the end of the GNU in 2013 going forward. A relative drop was experienced in all the Southern African countries from 2013 with regional averages falling from US\$75.72 to US\$44.54 in 2019 as Figure 4 presents. A significant drop of \$7.04 was experienced between 2018-2019-thus marking the lowest amount of the regional average ODA received during the period under review. The phenomenon was reflective of the decline in the net ODA and official aid disbursed to the region. The trend was not desirable for the Southern African region due to the fact that the region was experiencing slow economic growth between 2018 with Malawi, Zimbabwe and Mozambique hard hit by drought and natural disasters.



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Figure 4: Net ODA Received per Capita (current US\$) for the Southern African Countries



2013

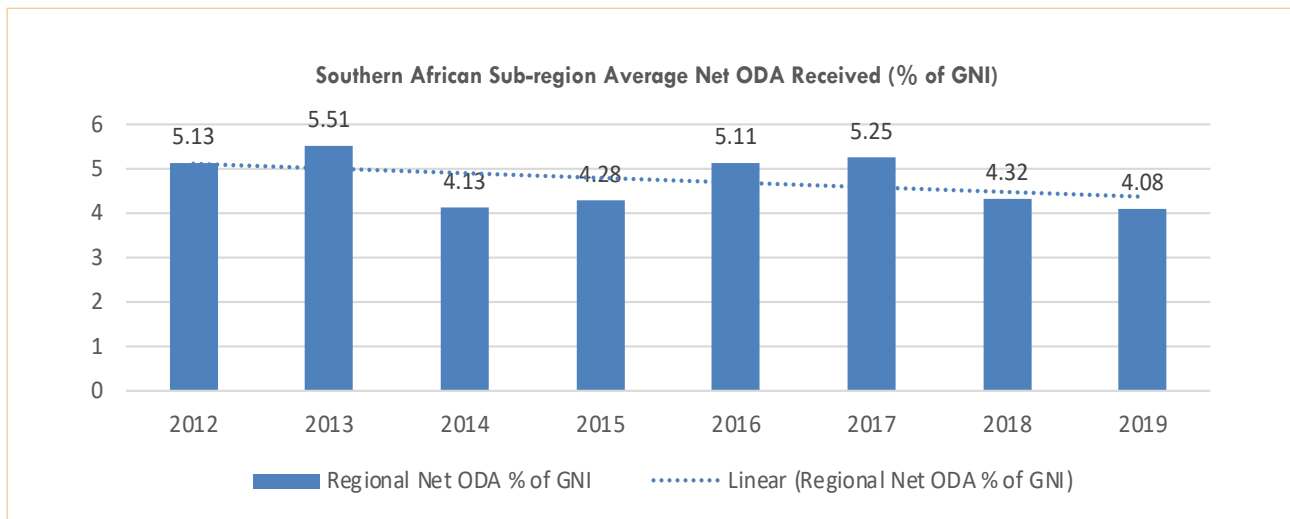
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NET ODA RECEIVED (% OF GNI) 2010–2015 IN THE SOUTHERN AFRICA SUB-REGION

In Southern Africa, the average ODA given as a share of GNI from 2012 to 2019 is 4.08% of GNI. As shown in Figure 5 below the Southern Africa region recorded the highest figure of 5.51% GNI in 2013 and the lowest was 4.08% GNI in 2019. The overall picture as presented in Figure 5 is that contribution of ODA (% of GNI) is on a downward trajectory for the period 2012 to 2019.

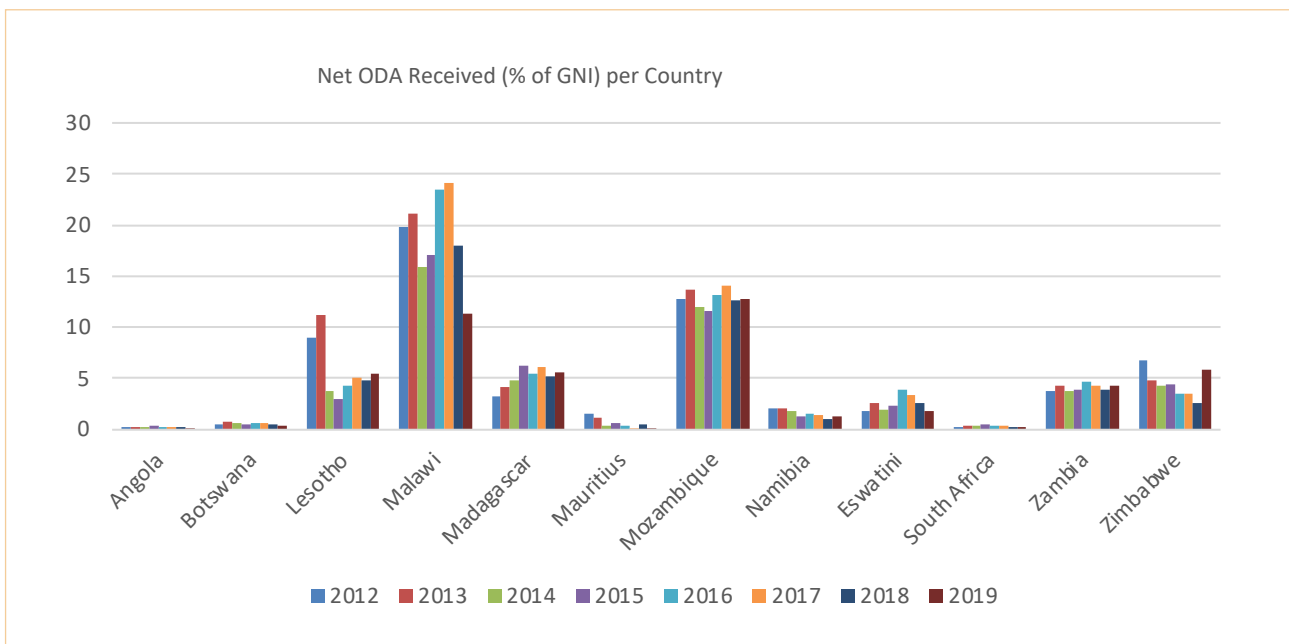
Figure 5: Southern African Sub-region Average Net ODA Received (% of GNI) 2012 to 2019



Source: AFRODAD computations based on World Bank Statistics 2021

The trends in Figure 6 show that Malawi and Mozambique are highly dependent on ODA for their development. The two countries' ODA receipts averaged 19.92% GNI in Malawi and an estimated 12.84% GNI in Mozambique. In comparison to other countries in the region such as Botswana, South Africa and Angola; ODA is minimally significant in the development of these three countries as it represents average figures of less than 1% i.e. 0.54%, 0.33% GNI and 0.19% GNI respectively during the period under analysis. The trend is attributed to relatively benevolent governance of resources such as in diamond-rich Botswana, oil revenues in Angola and a largely diversified economy in South Africa. Generally, in half of the countries in the region ODA contributes less than 5% of GNI. For example, it averaged 4.07% GNI in Zambia, 2.51% GNI in Eswatini and 1.53 % GNI in Namibia.

Figure 6: Net ODA Received (% of GNI) 2012 to 2019 per Country



Source: AFRODAD Compilation based on World Bank Statistics 2021

POLICY RECOMMENDATIONS

i.

development policy frameworks in the best interests of their countries and citizens which will in turn churn out investment opportunities that promote employment, human capital development and improved standards of living.

ii.

Leverage ODA for Value Addition of Natural Resources - Countries in the Southern African region need to use ODA as a catalytic financing tool to improve value addition and beneficiation from their vast rich mineral resources.

iii.

Utilise ODA for infrastructure development in health sector - The Southern African Countries must improve service delivery in health institutions through improved infrastructure and enhanced capacities to develop medicines for local use, including vaccines for the COVID-19 response.

iv.

Regional Disaster preparedness strategies - The Southern African countries must at country level budget excessively for disaster management and reduce dependency on ODA.

v.

Utilise ODA for climate smart agriculture -Southern African Countries that solely depend on agriculture as the mainstay of their economy must ensure adaptation to climate smart agricultural practices.

vi.

Adhere to Aid and Development Effectiveness Principles - For ODA to work sustainably for developing economies in the region, countries need to ensure transparency, accountability, ownership and results of development priorities are critical thus fiscal responsibility of ODA remains key and governments should desist from corrupt use of aid.



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