

1. Introduction

This profile provides an analysis of the trends in official development assistance (ODA) for the Central African region. It begins by highlighting the amounts of ODA flowing into the central region. The profile also deliberates on 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 in Central Africa. It discusses average net ODA received per capita of countries in Central Africa and also interrogates average ODA as a percentage (%) of gross national income (GNI). The focus of the analysis is for the period 2012 to 2016. The profile concludes by giving policy recommendations on the regions utilisation of ODA and other financial resource avenues.

Central Africa consists of eight countries which are: Cameroon, Chad, Central African Republic, Congo Republic, the Democratic Republic of Congo (DRC), Equatorial Guinea, Gabon and Sao Tome and Principe as according to the Africa Development Bank's Central Africa Economic Outlook for 2018 and the African Union Commission. The regional economic intergovernmental communities in this region are Economic Community of Central African States (ECCAS) and the Customs and Economic Union of Central African States (UDEAC). The region is composed of oil rich countries which are non-dependent on ODA and non-oil producing countries that highly depend on ODA.

2. Regional Economic Outlook

The Central Africa region has continued to underperform, even with the recovery in oil prices. Output contracted sharply in the Republic of Congo (-4.0 percent) and Equatorial Guinea (-7.3 percent), weighing down the region's overall growth to 0.9 percent in 2017 as shown in Figure 1 below. Moderate recovery in the Republic of Congo will bolster growth in the region, which is expected to pick up to 2.6 percent in 2018 and 3.4 percent in 2019, respectively. Macroeconomic conditions have deteriorated sharply, stoked largely by the fall in oil revenues. The sub-region's deep-seated dependence on oil, together with the fixed exchange rate and lack of independent monetary policy levers to adjust to changing economic conditions (because of all five countries' membership in the Central African Economic and Monetary Community [CEMAC]), have slowed growth. In 2017, Cameroon was the largest economy in the region, contributing nearly 29 percent of regional GDP, followed by DRC (24 percent), Gabon (13 percent), Equatorial Guinea (11 percent), Congo (11 percent), and Chad (11 percent). The smallest economies were Central African Republic, which contributed 1.2 percent to regional growth, and the small island country of São Tomé and Príncipe, which contributed 0.3 percent. The economic growth pattern for the region however points in the positive direction as from the 2017 0,9% growth estimated upward trends are projected at 2,6% for 2018 and 3,4% for 2019.

1. ODA is classified as 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).

Figure 1: Economic Growth Patterns in the Central Africa Region

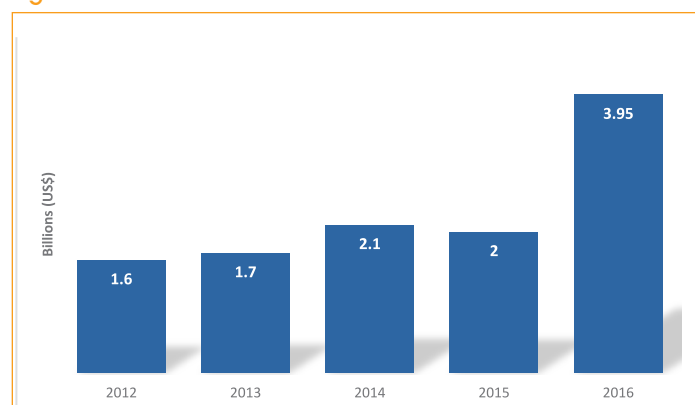


Source: AFRODAD's calculation based on AfDB Data 2018

3. Net official development assistance and official aid received (current US\$) in Central Africa

In terms of ODA as shown in Figure 2 there has been a gradual increase in the net official development assistance and official aid received (current US\$) in Central Africa from US\$1.6 billion in 2012 to US\$1.6 billion in 2012 to US\$2.1 billion in 2014 with a slight slump to US\$2 billion in 2015 and a sharp increase to US\$3.95 billion in 2016 with adjustments of the inclusion of DRC as shown in Figure 2 below.

Figure 2: Net ODA received in Central Africa

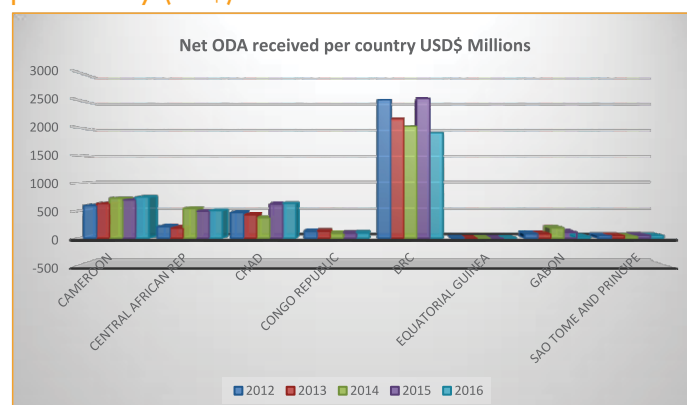


Source: AFRODAD's calculation based on World Bank data 2018

Notably as presented in Figure 3, in Central Africa for the period 2012 to 2016 DRC received the largest amount of ODA having received an estimated US\$11,146.8 billion followed by Cameroon with US\$3,373 billion.

Equatorial Guinea and Sao Tome and Principe were the least recipients at US\$-15.44 million and USD\$ 225.73 million respectively. However, the trends show that since 2012 the countries share of net ODA and aid received were on a downward trend owing to the fact that the amounts of ODA received are reflective of the populations of the countries such as Gabon, Equatorial Guinea and Sao Tome and Principe which are particularly geographically small and have small populations as compared to DRC and Cameroon.

Figure 3: Net ODA received in Central Africa per country (US\$)

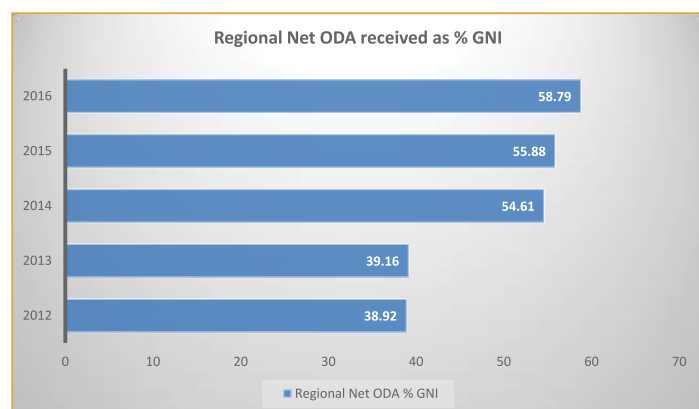


Source: AFRODAD's calculation based on World Bank and OECD data 2018

4. Central Africa's Net ODA received (% of GNI)

Figure 4 shows that in the Central Africa region the estimated average net ODA received between 2012 and 2016 is 7.34% of GNI. Also, it can be noted as Figure 4 below depicts that the region experienced an increase of 19,87 % from a low of 38.92% GNI in 2012 to high of over 58,79% GNI in 2016. This statistic is however cognisant of DRC's inclusion, otherwise with its exclusion as in the 2017 update the region would have experienced a 3.33% GNI decrease in ODA received which amounts to 52.71% of GNI for the 7 countries in the 2017 Central African Region Aid update.

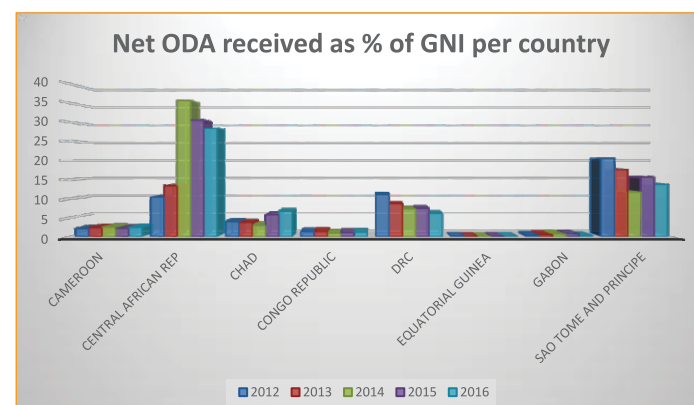
Figure 4: Central Africa Regional Net ODA received (% of GNI)



Source: Calculation by AFRODAD based on OECD data 2018

The data in Figure 5 show that the Central African Republic recorded the highest amount of net ODA received (% of GNI) summing 118 % of GNI with an average of 23.48% GNI between 2012 and 2016. This was followed by Sao Tome and Principe which had an average of 15.78% GNI recorded between the same period with the DRC ranking third for the same period as well recording an average of 8.08% of GNI. This indicator reflects how key ODA is to these three countries which are predominantly non- oil rich countries. In oil rich countries such as Gabon and Equatorial Guinea net ODA received averages of 0.54 % and 0.06 % of GNI respectively for the period 2012 to 2016 showing a slump from the 0.62% GNI and 0.22% GNI respectively over the period 2010 to 2015 recorded in the 2017 update. This therefore, it can clearly be seen that these two countries have minimum reliance on ODA for economic development as they rely more on oil revenues for the socio-economic development.

Figure 5: Central Africa Net ODA received (% of GNI) per Country



Source: AFRODAD's calculation based on World Bank data 2018

5. Net ODA Received Per Capita

Net official development assistance (ODA) per capita brings to the fore the adequacy of the sum of ODA provided to the countries under review and the region. During the period under review the average ODA per capita was US\$65.07. The average figure for 2016 as Figure 6 depicts is US\$61.25 down from US\$72.15 in 2015 (which excludes DRC). Denoting from Figure 6, it can be deduced that for the period 2012-2015, net ODA received was on an increasing trajectory however, a slump was witnessed for the year 2016 citing lack of commitment in disbursements by ODA providers.

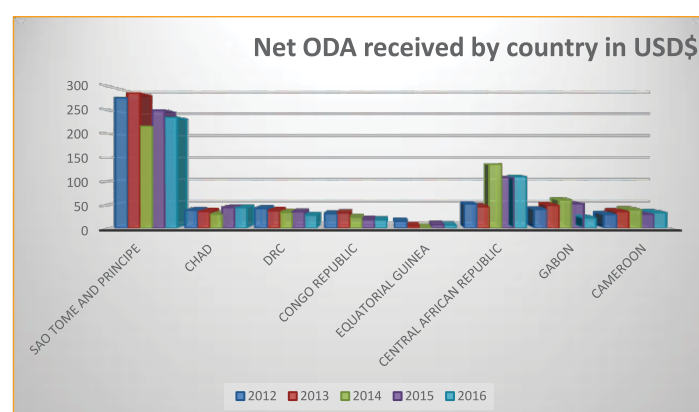
Figure 6: Net ODA Received per capita (US\$) in the Central Africa region



Source: AFRODAD's compilation based on World Bank data 2018

Figure 7 presents the net ODA received per capita for the Central African region. It presents Sao Tome and Principe as the country receiving the highest amount of ODA per capita for the period 2012 and 2016 whose average is US\$253.02 with a 2013 high reception of net ODA per capita of USD\$287.36. The Central African Republic and Gabon record the second and third highest amounts of net ODA per capita received averaging USD\$ 89.39 and USD\$ 43.72 respectively for the period under review. The statistics point to the notion that Sao Tome and Principe is heavily dependent of ODA. However, trends in the Central African region highlight a gradual decline in net ODA per capita received by all countries as of 2013 partly because of the shift from ODA dependency to utilisation of oil revenues for development initiatives by countries such as the Republic of Congo and Equatorial Guinea.

Figure 7: Net ODA Received per capita (US\$) in the Central Africa region per country



Source: AFRODAD's compilation based on World Bank Data 2018

6. Policy recommendations to governments

- The region must improve other sectors of their economies such as agriculture and manufacturing to be protected from both the decreases in either ODA or commodity prices
- Countries such as Central African Republic and Sao Tome and Principe must proactively diversify their financial resources bases find alternatives to ODA since overreliance is not sustainable. This can be through using ODA to foster beneficiation and value addition initiatives.
- ODA still plays a significant part in oil producing countries in the Central Africa region. However, with the fluctuating share price of oil, Equatorial Guinea should use ODA especially technical assistance to diversify its economy through strategic use of oil revenues and ODA.
- Diversification in Central Africa could be strengthened by promoting regional economic integration, particularly by accelerating the establishment of the Economic Community of Central African States (ECCAS) free trade area, which was initiated in 2004. This should also be consolidated by promoting political stability in the region as instability in the region drives out FDI and limits domestic investment expansion.
- Central African Countries must use ODA to boost trade. Since ODA is on the decrease, the region must also accelerate regional integration especially economic integration with hindsight of the Africa Continental Free Trade Agreement that was adopted by the African heads of State in March 2018.
- The Central Africa region must utilise ODA to improve infrastructure such as the road and rail network as well as border facilities among member states. Lack of these in countries such as DRC are a barrier to regional trade and economic cooperation.