AFRODAD

CENTRAL AFRICA

REGIONAL DEBT PROFILE 2019

1. INTRODUCTION

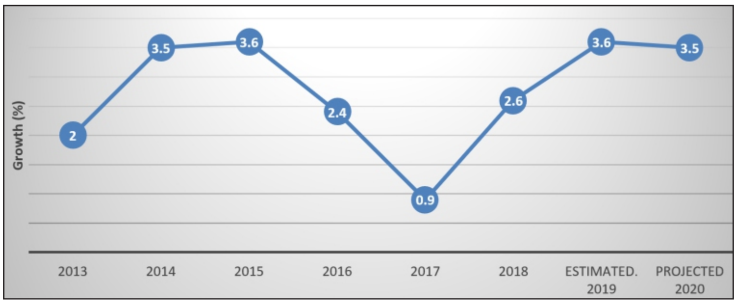
This profile provides an analysis of the trends in official development assistance (ODA)[1] for the Central African region. It begins by highlighting the amounts of ODA flowing into the central region. The profile also looks at disbursements of loans made on concessional terms (net of repayments of principal) 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 in countries in the Central Africa region. It discusses average net ODA received per capita of countries in the region and also interrogates average ODA as a percentage (%) of gross national income (GNI). The analysis covers the period 2012 to 2017.[2] The profile concludes by giving policy recommendations on the regions utilisation of ODA and other financial resource avenues.

The Central Africa region 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 2019 and the African Union Commission. The regional economic intergovernmental communities in this region are Economic Community of Central African States (ECCAS) and the Customs, Economic Union of Central African States (UDEAC) and the Community of Central African States which will be used for analysis of this profile. The region is composed of oil rich countries which are non-

2. REGIONAL ECONOMIC OUTLOOK

Growth in the Central Africa region has gradually recovered due to recovery in oil prices. In 2017 and 2018 output had 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 as shown in Figure 1 below. Moderate recovery in the Republic of Congo will bolster growth in the region, which picked up from 2.6 percent in 2018 to 3.4 percent in 2019 and is projected at 3.5% in 2020. Macroeconomic conditions had deteriorated sharply, stoked up largely by a fall in oil revenues in the years prior to 2018.However, the sub-region's deep-seated dependence on oil, the fixed exchange rate and lack of independent monetary policy levers to adjust to changing economic conditions will continue due to sluggish growth. In 2017 and 2018 Cameroon was the largest economy in the region, contributing nearly 29 percent of regional GDP, followed by DRC (24 percent), Gabon (13 percent), Congo (11 percent), and Chad (11 percent). During this period, Equatorial Guinea was struggling as a result of a recession estimated at -7.9 percent of GDP when compared to 2016. The smallest economies were Central African Republic, which contributed 1.2 percent to regional growth. The economic growth pattern for the region however points in the positive direction. As indicated on figure 1, it is projected to rise to 3.5 percent in 2020 - up from 2.6 percent in 2018

Figure 1: Economic Growth Patterns in the Central Africa Region



Source: AfDB Central Africa Economic Outlook Data 2019

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

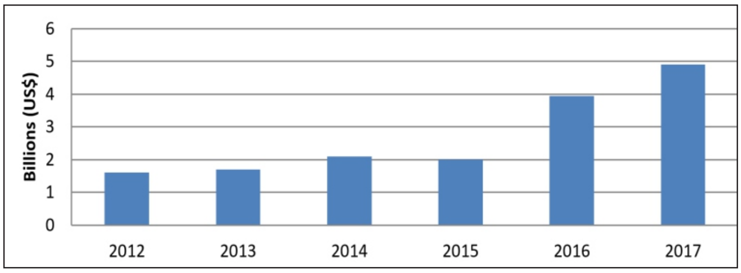
Net official development assistance are disbursement flows (net of repayment of principal) that meet the DAC definition of ODA and are made to countries and territories on the DAC list of aid recipients.[3] Net official aid refers to aid flows (net of repayments) from official donors to countries and territories in part II of the DAC

[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).

[2] The time frame is based upon data aggregation by OECD, World Bank and National Statistics Offices of countries under review

list of recipients. 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 $2.1 billion in 2014 but with a slight slump to USD$2 billion in 2015 and a sharp increase to USD$4.91 billion in 2017. A significant chunk of aid is accounted for by its high inflows into Cameroon and DRC. This is mainly attributed to factors including the high in-refugee costs and the commodity price plunge.

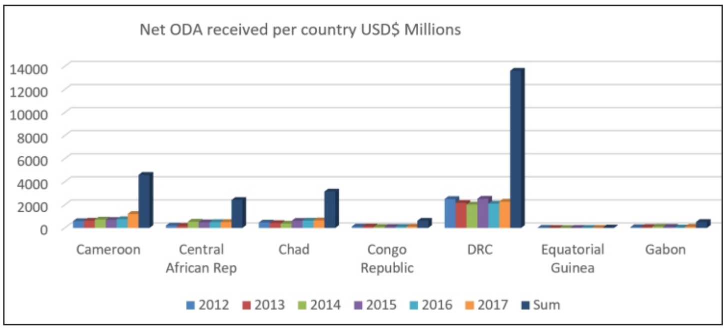
Figure 2: Net ODA received in Central Africa



Source: AFRODAD's calculation based on World Bank data 2019

As presented in Figure 3, DRC was the highest recipient of ODA in the Central Africa region for the period 2012 to 2017. It received an estimated US$13,617.3 billion, followed by Cameroon with USD$4,599 billion. Equatorial Guinea was the least aid recipient with receipts amounting to only US$40.9 million. However, the trends show that since 2016, the countries' share of net ODA and aid received have been on an upward trend with the exception of Equatorial Guinea whose share remained unchanged for 2016 and 2017 owing to the fact that the amounts of ODA received reflect the populations of the countries. That is why countries such as Gabon and Equatorial Guinea receive less because they have a relatively small populations compared to DRC and Cameroon.

Figure 3: Net ODA received per country in the Central Africa region from 2012 to 2017 (US$)

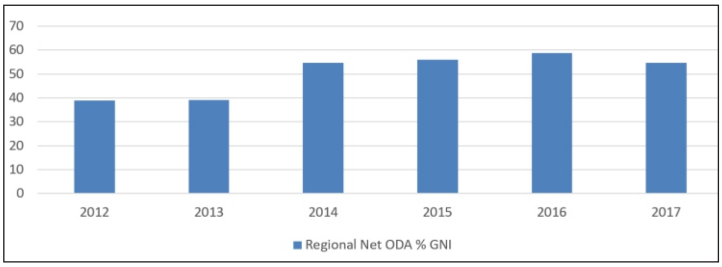


Source: AFRODAD's calculation based on World Bank Open Data, 2019 and OECD data, 2019

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 2017 is 7.19% of GNI. Also, it can be noted as Figure 4 below depicts that the region experienced a decrease of 4.04 % from a high of 58.79% GNI in 2016 to 54,75% GNI in 2017. 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)

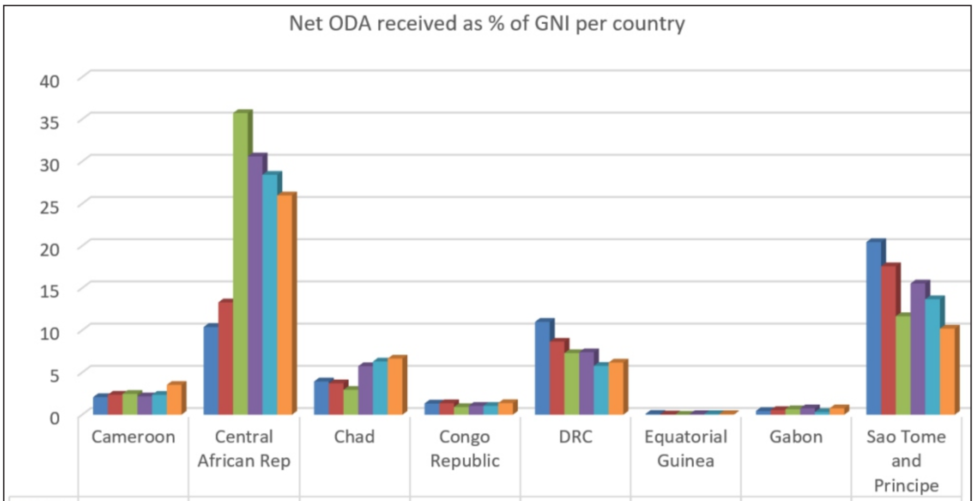


Source: *Calculation by AFRODAD based on OECD data, 2019*

The data in Figure 5 shows 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 the key role ODA plays in these three countries which are predominantly non- oil rich countries. In oil rich countries such as Gabon and Equatorial Guinea, net ODA received averaged 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.

[3] https://data.worldbank.org/indicator/DT.ODA.ALLD.CD

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



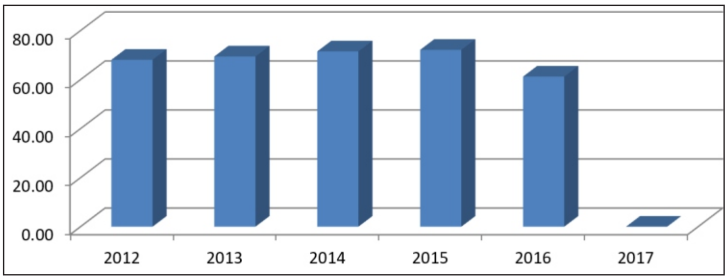
	Cameroon	Central African Rep	Chad	Congo Republic	DRC	Equatorial Guinea	Gabon	Sao Tome and Principe
2012	2.083706489	10.38623401	3.936982175	1.32927187	11.00307693	0.097338632	0.445404611	20.45455762
2013	2.369962887	13.3069856	3.71670118	1.366438605	8.653386005	0.03153945	0.548959142	17.5933027
2014	2.470517873	35.72943547	2.942669074	0.904511128	7.300007921	0.00359884	0.645670029	11.66959614
2015	2.175495371	30.59760313	5.746415128	1.048939084	7.399027943	0.075344388	0.755885093	15.54703621
2016	2.361105937	28.42308562	6.304512774	1.048429591	5.783983677	0.079251016	0.316183621	13.68204928
2017	3.53926222	25.98203533	6.650764457	1.373809619	6.180619877	0.070956289	0.755728011	10.1999359

Source: AFRODAD's calculation based on World Bank Open Data 2019

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 depicted in Figure 6 is US$61.25, down from US$72.15 in 2015 (which excludes DRC). 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. The slight increase in net ODA received per capita from US$61.25 in 2016 to $63.31 in 2017 is as a result of in-refugee costs that OECD countries committed to. However, this is contrary to the calls for additional aid by multilateral organisations such as the UN, to ensure that the Sustainable Development Goals can be achieved.

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



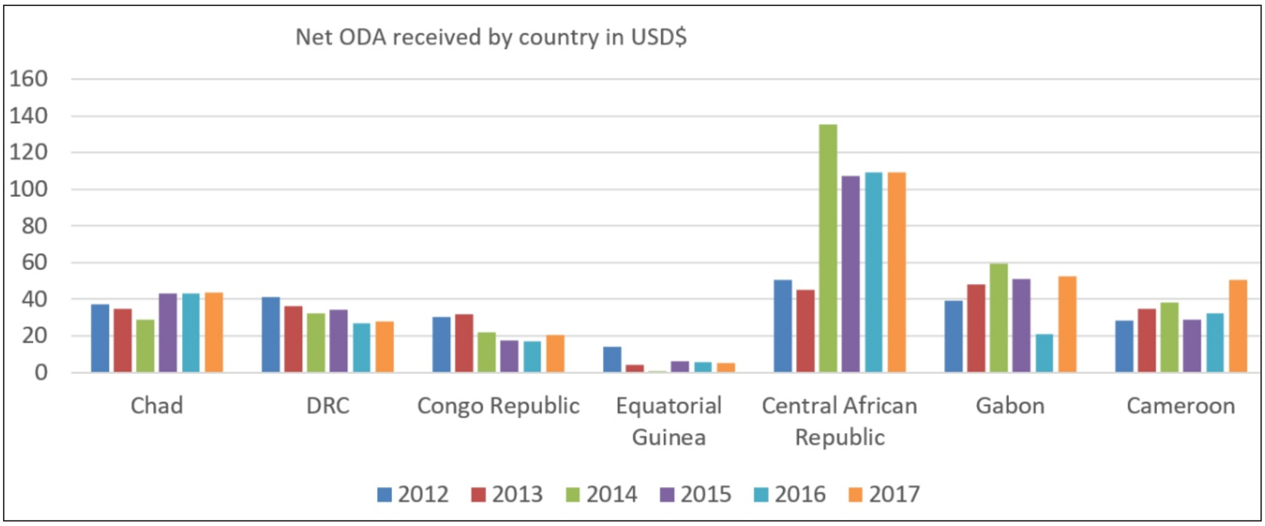
Source: AFRODAD's compilation based on World Bank Open Data 2019

Figure 7 presents the net ODA received per capita for the Central African region. It presents the Central African Republic (CAR) as the country receiving the highest amount of ODA per capita for the period 2012 and 2017. Gabon and Chad record the second and third highest amounts of net ODA per capita received averaging USD$ 45.19 and USD$38.54 respectively for the period under review. The statistics point to the notion that the CAR is heavily dependent of ODA as compared to other countries in the Central African

[2] *Data for Seychelles from SADC and South Sudan (data taken from* https://www.countryeconomy.com/national-debt/south-sudan)

region. However, trends in this 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 Open Data 2019

6. Policy recommendations to governments

- **Financial Diversification** - Countries such as Central African Republic and Sao Tome and Principe must proactively diversify their financial resources base; find alternatives to ODA is not a reliable and sustainable source of financing development needs. This can be realised through using ODA to foster beneficiation and value addition initiatives.

- **Strategic Utilisation of Official Development Assistance** - 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.

- **Wean from Aid Dependency** - Countries 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.

- **Promote Comprehensive Regional Economic Integration and Political Stability** - 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 through strengthening institutions in the region as instability in the region drives out FDI and limits domestic investment expansion. Central African countries must also use ODA to boost trade and accelerate economic integration.

- **Invest ODA in Infrastructure Development** – Central African States must use ODA to improve infrastructure such as road and rail networks as well as border facilities among member states. These barriers hinder regional trade and inhibit economic cooperation and entrench aid dependency.

Published by :
AFRICAN FORUM AND NETWORK
ON DEBT AND DEVELOPMENT
31 Artkinson Drive, Hillside, Harare
+263 242 778531/6
afrodad@afrodad.co.zw