1. Introduction

This profile gives an analysis of the trends in Official Development Assistance (ODA) for the East Africa region. It assesses 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 East Africa. The profile brings to the fore average Net ODA Received Per Capita of the region and also draws conclusions the region’s average ODA as a percentage (%) of gross national income (GNI). The trends in ODA reviewed cover the period 2012 till to 2016. The profile concludes by giving policy recommendations.

The East Africa sub region is made up of the following 13 countries and for the purposes of this update the following countries are reviewed; Burundi, Comoros, Djibouti, Ethiopia, Eritrea, Kenya, Rwanda, Sudan, South Sudan, Tanzania, Uganda, Somalia and Seychelles) as according to the Africa Development Bank, World Bank and OECD’s classification of ODA recipients by region. The regional economic intergovernmental organisations in this region are East African Community (EAC), the Common Market of Eastern and Southern Africa (COMESA) and the Intergovernmental Authority on Development (IGAD).

East Africa remains the fastest-growing sub-region in Africa, with estimated growth of 5.6 percent in 2017, up from 4.9 percent in 2016. Growth is expected to remain resilient, reaching 5.9 percent for 2018 and 6.1 percent in 2019 as shown in Figure 1 below. Strong growth is widespread in the sub-region, with many countries (Djibouti, Ethiopia, Kenya, Rwanda, Tanzania and Uganda) growing at 5 percent or more. The most important drivers of growth in the region are private consumption, construction and public investment in infrastructure and expansion of services including ICT’s.

Agriculture will rebound as a key economic driver after poor harvests in 2017. As a result of fluctuations within the economic standing of the region, ODA remains central in propelling the economic development of the region.

2. Trends in Net ODA Received

In Figure 2 below, data from 2012 to 2016 indicates that ODA to the East Africa region rose from US$ 14.7 billion in 2012 to US$17.08 Billion in 2013 then plummeted to US$15 and US$15.6 billion in 2014 and 2015 respectively then peaked to US$16.89 billion in 2016. These statistical fluctuations are reflective of the trends of ODA disbursements to the region from 2012 to 2016. The data show that the region received net ODA of about US$79.42 billion during the period under review.

Figure 1: East Africa Regional Average GDP %

Figure 2: Trends in ODA to the East Region (US$ billions)

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).
At a country level, in terms of net ODA received as shown in Figure 3 below, Ethiopia received the highest amount as compared to other Eastern countries. The country received US$17 billion worth of ODA during the period 2012 to 2016. It can be noted that Kenya is the second largest recipient of ODA reaching US$13.8 billion during the same period. However, ODA is substantive in the Rwanda context given its share as a percentage of Gross National Income. Djibouti, Seychelles and Comoros received the least ODA during the 2012 to 2016 period. Tanzania was the 3rd largest recipient of ODA in East Africa accounting for US$13.12 billion constituting 16.5% with Sudan, South Sudan and Uganda being part of the top 6 receivers of net ODA in the East Africa region. The huge inflows into the east African region can also be linked to economic growth in the region, evidently the Africa Development Bank’s East Africa Economic Outlook for 2018 notes that Djibouti, Ethiopia, Kenya, Rwanda, Tanzania and Uganda were growing at 5% and more.

Figure 3: Net official development assistance and official aid received (current US$) by countries from 2012 to 2016

For the East Africa region ODA per capita depicts overreliance on external assistance. Nearly half of the region’s population lives below the international poverty line of $1.25 a day and this call for the region to look inward for domestic financial resources mobilisation to satisfy the needs of its citizens. In 2012 ODA per capita stood at US$105.19 in 2012 and gradually fell to US$74.64 by 2015 then rose to US$79.36 in 2016.

Figure 6: Net ODA received per Capita (current US$) 2012 - 2016

3. Trends in Net ODA Received Per Capita
Net official development assistance (ODA) per capita brings to the fore the adequacy of the ODA provided to countries in East Africa and the region in total. During the period under review the average ODA per capita was a mere US$88.95. The average figure for 2012 as Figure 4 depicts was US$105.19.

Figure 4: East African Region Average Net ODA Received Per Capita US$
For the East Africa region ODA per capita depicts overreliance on external assistance. Nearly half of the region’s population lives below the international poverty line of $1.25 a day and this call for the region to look inward for domestic financial resources mobilisation to satisfy the needs of its citizens. In 2012 ODA per capita stood at US$105.19 in 2012 and gradually fell to US$74.64 by 2015 then rose to US$79.36 in 2016.

4. Trends in ODA % of GNI

ODA Percentage of GNI is defined as the total ODA given or received as a share of GNI of the source or recipient country, respectively, net of repayment of principal. Figure 6 below shows that 2013 witnessed a peak in ODA % of GNI to 10.51% from 9.61 in 2012. The statistics however slumped as of 2013 to 9.06% of GNI in 2016. This thereby denotes the fact that in as much ODA is vital to the economic development of countries in the East Africa Region, it is however not the sole source of development finance for the region.

As noted by Figure 5 above, over the period 2012 to 2016, South Sudan, Seychelles and Djibouti received the most ODA per capita in the East African region. For Seychelles the highest figures were recorded in 2012 when ODA per capita was at $393.53 before gradually tumbling to $60.31 in 2016. However, as figure 3 depict Seychelles is not among the top three recipients of net ODA in the Eastern region yet it has the highest per capita figures. Sudan received the least ODA per capita which averaged $30 during the period under review this is mainly due to the fact that Sudan’s public external debt is unsustainable and it is in arrears. Attempts to lower external borrowing has caused a sharp increase in monetizing financing needs and this has led to high inflation.
Comparison of ODA as a percentage of GNI in the East African region from 2012 to 2016, as depicted in Figure 7 above, shows that countries including Somalia, Burundi, South Sudan, Rwanda and Comoros have a higher dependence ODA than any other countries in the sub region. Figure 7 however, shows that for Kenya and Comoros, the value of ODA as a percentage of GNI has been depreciating highlighting a drop from 17.85% in 2012 to 8.78% in 2016 for Comoros and 6.06% in 2013 to 3.13% in 2016 for Kenya. South Sudan registered one of the highest increases in ODA % of GNI as it jumped up from 11.42% in 2013 to 21.07% in 2015. Sudan and Seychelles recorded the lowest figures of ODA % of GNI for the region. This could depict that ODA is not the most important source as a component of GNI and that also mean less dependence on ODA and for countries such as Sudan, the political instability and its standing with ODA providers also signifies its low figures.

5. Policy recommendations

- Governments in East Africa should focus more on enhancing their capacities for domestic resource mobilisation. The trend of ODA as a percentage of GNI depicts a diminishing value of ODA in all the countries hence suggesting that in East Africa ODA is becoming less significant in GNI terms.

- ODA should be used effectively and efficiently. The Nairobi Outcome Document of December 2016 reiterated the continued implementation of the Busan four principles of development effectiveness that is country ownership of development priorities by partner countries; focus on results; inclusive development partnerships; and transparency and mutual accountability. These should continue to inform policy on aid management in East African region member countries.

- Net ODA figures depict that the resources provided by official development assistance have been fluctuating during the period under review. Countries including Burundi and Tanzania need to broaden their development finance base through initiatives such as broadening the tax base, curbing IFF’s and other leakages from their tax regimes.

- Donor organisations should make sure that ODA supports the effective mobilisation and use of domestic resources in these countries. Considering that domestic resource mobilisation is now viewed as the most viable option for financing development projects, these should now focus more on ensuring that ODA is used to enhance domestic resource mobilisation.

- Uganda should minimise its overreliance on ODA for economic development and focus more on using its newly discovered oil and gas deposits.

- Donors should channel more ODA towards countries that are regarded as non-resource rich such as Comoros, Djibouti, Ethiopia and Seychelles.

- Finally, countries that include Kenya, Ethiopia, Tanzania should use ODA to bolster intra-regional trade through utilizing ODA to finance infrastructure projects that cut across national boundaries.

- Donor organizations and partners must facilitate cross country development initiatives and use ODA as the basis for the initiatives.