

1. Introduction

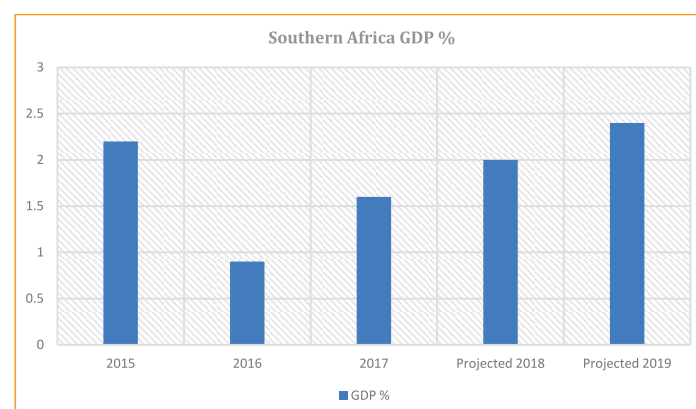
This profile gives an assessment of the trends in Official Development Assistance (ODA) for the Southern African region. It begins by cataloguing the trends in ODA to the Southern Region. In the same context the profile evaluates the average Net ODA Received Per Capita in the region. It also assesses the average ODA as a percentage (%) of Gross National Income (GNI). The profile also deliberates on the 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 Southern Africa. The trends in ODA reviewed fall under the period 2012 to 2016. The profile concludes by proffering policy recommendations.

As classified by the United Nations Economic Commission for Africa, the Africa Development Bank and the African Union Commission there are fifteen countries in Southern Africa but for purposes of this profile, twelve countries are reviewed and these are Angola, Botswana, Malawi, Mozambique, Namibia, Lesotho, Swaziland, South Africa, Madagascar, Mauritius, Zambia and Zimbabwe. The regional 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) growth was 2.2 percent in 2015 (African Economic Outlook, 2016), 0.9% in 2016 which increased to 1.6% in 2017, a recovery which was aided largely by improved weather conditions, this boosted agricultural output and hydroelectric power which were consolidated by the increase in commodity prices as from 2015.

The region's GDP is projected to increase to 2% and 2.4% for 2018 and 2019 respectively as shown in Figure 1 below (Southern Africa Economic Outlook 2018). Overall, Southern Africa is endowed with abundant mineral resources and some of the fertile soils suitable for agricultural production hence most countries in the region depend on exporting raw materials and semi-processed minerals and agricultural products. Over the years the region has been affected by persistent droughts as well as low commodity prices on the international market thus it is within this light that ODA and official aid are crucial in maintaining the lifeline of region's economy.

Figure 1: Southern Africa Region GDP %



Source: AFRODAD compilation of AfDB Data 2018

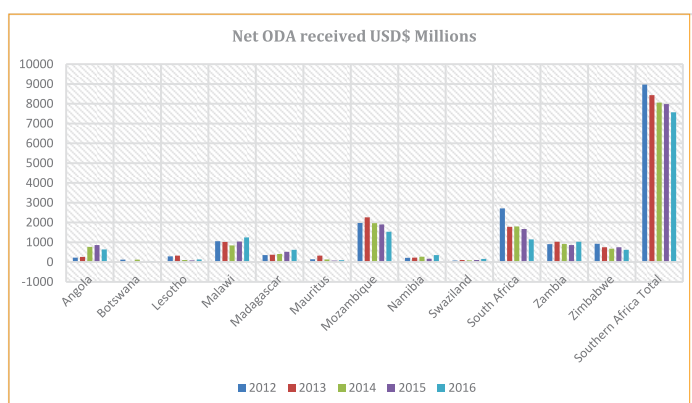
From 2012 to 2016, Southern Africa received a combined net ODA and official aid of more than US\$41.02 billion. As highlighted in Figure 2, the highest amount received during the period under review is nearly US\$9 billion recorded in 2012 and the lowest is US\$7.5 billion recorded in 2016. On a country level Mozambique received the highest net ODA in the region recording US\$9.6 billion during the 2012 to 2016 period constituting 23.4% of ODA disbursements to the region. In fact, Mozambique and Malawi which are regarded as aid dependent countries in the world received 43 percent of the net ODA recorded in the region from 2010 to 2015. As will be highlighted below ODA is significantly central to these countries' GNIs and GDP per capita. South Africa netted the second highest amount of net ODA at US\$9,09 billion followed by Malawi which recorded US\$5,1 billion.

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. Trends in ODA to the Southern Africa region

The three countries net ODA reception constitute 58% of Southern Africa's share of ODA. Botswana, Mauritius and Swaziland are the smallest recipients of ODA accounting for 3.75 percent of the net ODA received in Southern Africa during the period under study with US\$ 263.62, US\$759.41 and US\$516.30 million respectively.

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



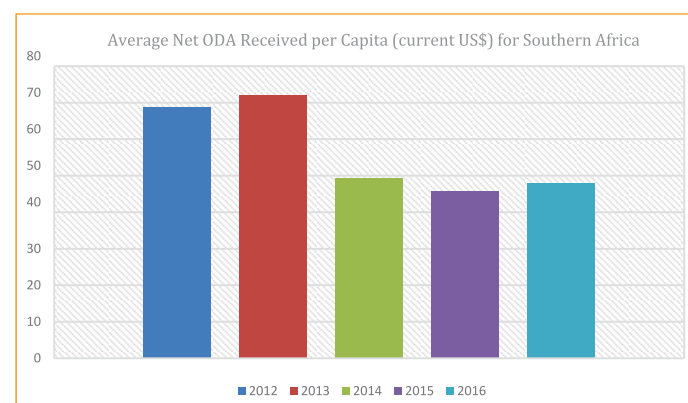
Source: AFRODAD's calculation based on World Bank Figures 2018

3. 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 2016 the average ODA per capita for the Southern Africa region was US\$56.82. The trends in the region indicate that ODA per capita has been on a descending trajectory since 2013 as can be noted in Figure 3. In 2012 the average net ODA per capita stood at US\$68.67 and it fell to US\$45.84 in 2015 and slightly increased in 2016 to US\$48.08. Angola's average ODA per capita share stood at a low of US\$10.02, the lowest in the region. Its share of net ODA per capita for the period 2012 to 2016 stood at about 83% below the regional average. One of the main reasons for the low net ODA share is premised on the reasons that Angola depends more on its mineral (mainly oil) revenues for its socio-economic development more than it relies on ODA.

An analysis of the country trends in Figure 4, nevertheless, indicates that, in Angola, there was a US\$4.9 increase in ODA per capita in 2015 from US\$8.74 in 2014 which then fell to US\$7.17 in 2016. The 36 percent rise witnessed in 2015 was linked to low oil prices on the global market which resulted in Angola turning to ODA to finance the fiscal gap however, the share price re-gained and rose in 2016 leading to Angola's lessened uptake of ODA. South Africa, the country with the second lowest share of net ODA per capita pegged at an average of US\$22.14 for the period 2012-2016 is one of the Southern African countries with minimal dependency on ODA for development. Although it posted a sluggish 0.9% GDP in 2016, it is the region's largest and most diverse economy accounting for an estimated 60% of Southern Africa gross domestic product.

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

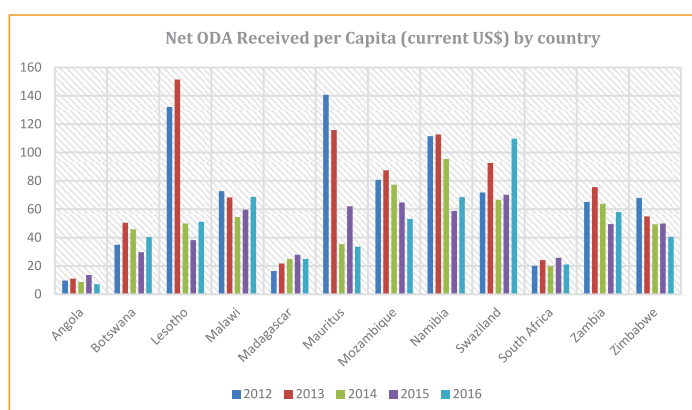


Source: Compiled by AFRODAD based on World Bank Statistics 2018

Figure 4 below indicates that Namibia had the highest ODA per capita for the period under review recording an average of US\$89.34, US\$32.52 above the regional average of US\$56.82. Lesotho and Swaziland accounted for the 2nd and 3rd highest ODA per capita amounts of US\$84.60 and US\$82.22 respectively. As can be deduced from Figure 4, ODA per capita figures dropped for the Southern Africa region in 2014 except for Madagascar. This was because of the reduction of net ODA and official aid disbursed to the region.

This decline for the 2014 period had possible negative effects in countries such as Mozambique, Lesotho and Malawi plagued poor development shown by food insecurity, high incidences of chronic diseases, high unemployment and poverty rates.

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



Source: AFRODAD calculation based on World Bank Statistics 2018

4. Net ODA received (% of GNI) 2012-2016 in the Southern Africa Sub-region

In Southern Africa the average ODA given as a share of GNI from 2012 to 2016 is 5.10%. As shown in Figure 5 below the Southern Africa recorded the highest figure of 5.76% of GNI in 2013 and the lowest was 4.34% GNI in 2014. The overall picture as presented in Figure 5 is that the contribution of ODA (% of GNI) has been fluctuating recording 5.45% of GNI in 2012 to a high of 5.76% in 2013, dropping to 4.34% in 2014 and peaking 4.54 and 5.4% of GNI respectively for 2015 and 2016.

Figure 5: Southern African Sub-Region Average Net ODA Received (% of GNI) 2012 to 2016

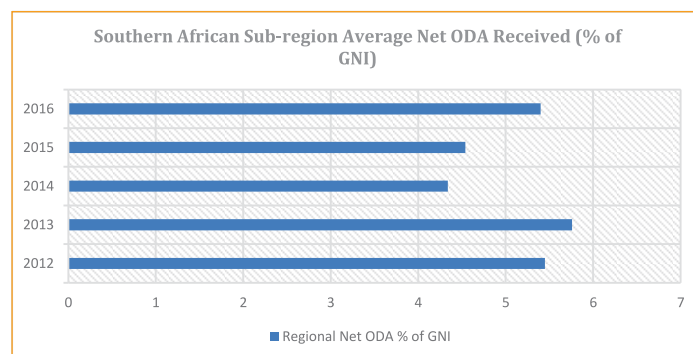
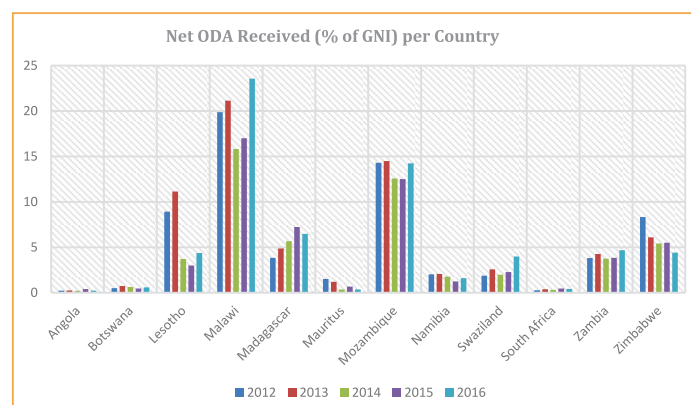


Figure 6 below shows the trends of net ODA received as a percentage of GNI for the Southern Africa Region. As from the 2017 update, Malawi and Mozambique remain characterised as highly over dependent on ODA for their development. The duo's ODA received averaged 19.47% GNI in Malawi and about 13.62 % GNI in Mozambique. In contrast to other countries in the region like Botswana, South Africa, Mauritius and Angola, ODA is not heavily relied upon for development as in Malawi and Mozambique as average figures of the four countries range around 0.54 % of GNI, 0.41% of GNI, 0.35% of GNI and 0.22% of GNI respectively for the 2012 to 2016 period. This is resultant of the diversification of the economies of these countries and dependence of mineral revenues for instance Botswana relies on diamond revenue, Mauritius depends on tourism and other service sectors for resource mobilisation for development.

Figure 6: Net ODA Received (% of GNI) 2012 to 2016 by Country



Source: AFRODAD Compilation based on World Bank Statistics 2018

5. Policy Recommendations

- Zimbabwe, Madagascar and Lesotho should use ODA to enhance domestic resource mobilisation and spearhead industrialisation.
- Malawi and Mozambique should seek alternative sources of development financing. This could be utilising ODA for trade purposes within the region to enhance economic progress. This goes for all Southern African countries as well
- Countries in the Southern African region must also use ODA to improve on beneficiation and value addition of its mineral resources.