

## **1. Introduction**

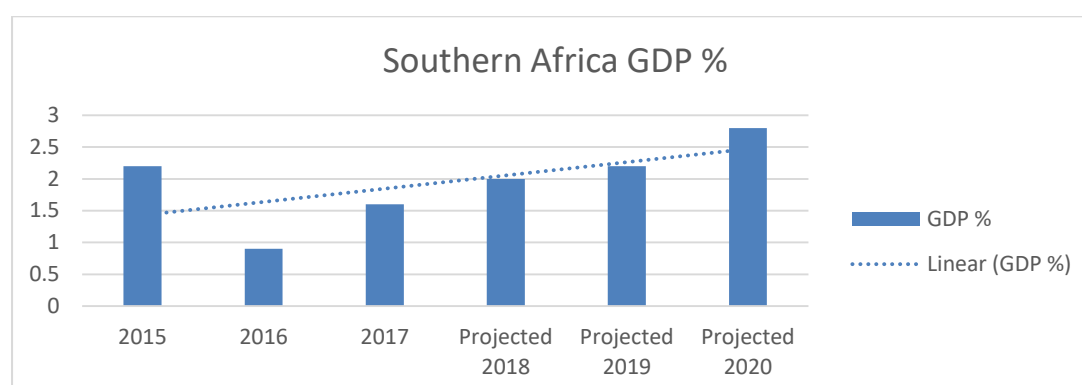
This profile gives an assessment of trends in Official Development Assistance (ODA<sup>1</sup>) for the Southern Africa region. It begins by cataloguing the trends in ODA to the region and in the same light, analyses the average Net ODA Received Per Capita as well as the average ODA as a percentage (%) 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 2017. 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 2015 (African Economic Outlook, 2016). 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 is projected to increase to 2.8% in 2019. (Southern Africa Economic Outlook 2019). This is irrespective of the devastating effects of Cyclone Idai which severely hit parts of Mozambique, Zimbabwe and Malawi in 2019. Generally, Southern Africa is relatively the most peaceful region of the continent. South Africa is the biggest economy in the region and the most advanced economy in Africa. Southern Africa is endowed with abundant mineral resources and some of the most fertile soils suitable for agricultural production. In that regard, 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. Against this background ODA and official aid have been and are still crucial to maintaining the lifeline of region's economy.

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<sup>1</sup> 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).

**Figure 1: Southern Africa Region GDP %**

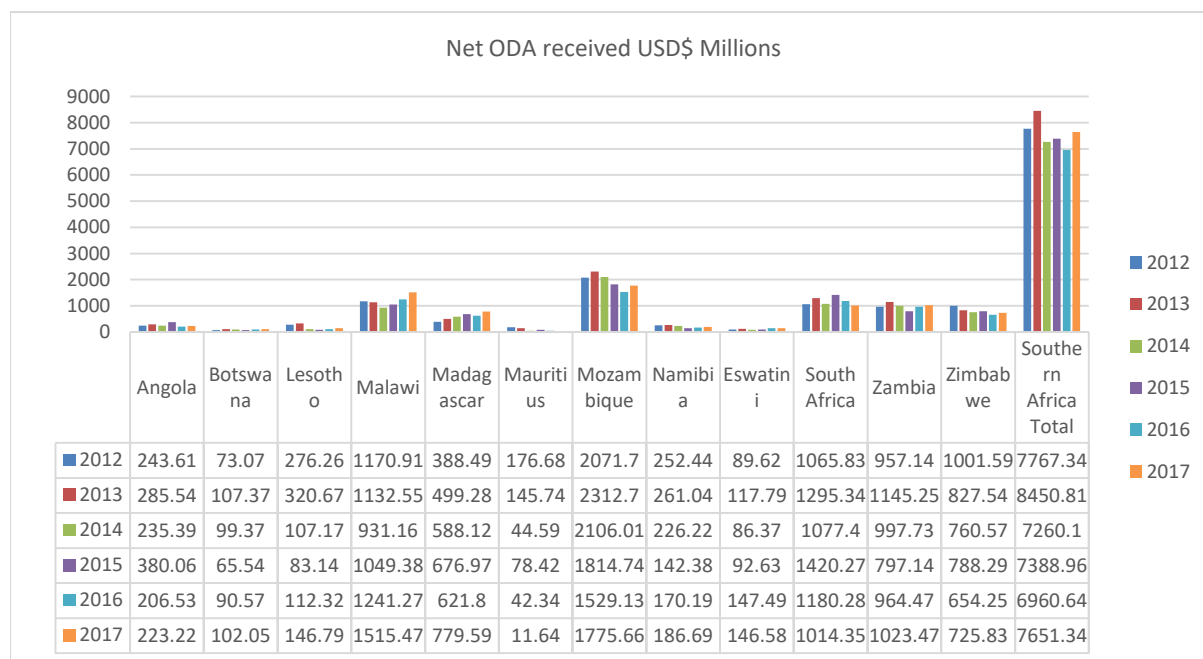


Source: AFRODAD compilation of AfDB Data, 2019

## **2. Trends in ODA to the Southern Africa region**

From 2012 to 2017, Southern Africa received a combined net ODA and official aid of more than US\$45.47 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\$11.6 billion during the 2012 to 2017 period constituting more than a quarter of ODA disbursements to the region. In fact, Mozambique and Malawi which are regarded as the most aid-dependent countries in the world received 41 percent of the net ODA recorded in the region from 2012 to 2017. As will be highlighted later, ODA is central to the GNIs and GDP per capita of these countries. South Africa is the second largest recipient of net ODA followed by Malawi. Both countries received a combined US\$14.09 billion with Malawi getting 49 percent of this amount. Botswana and Mauritius were the least ODA recipient countries accounting for 2.28 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\$680 million over this period.

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



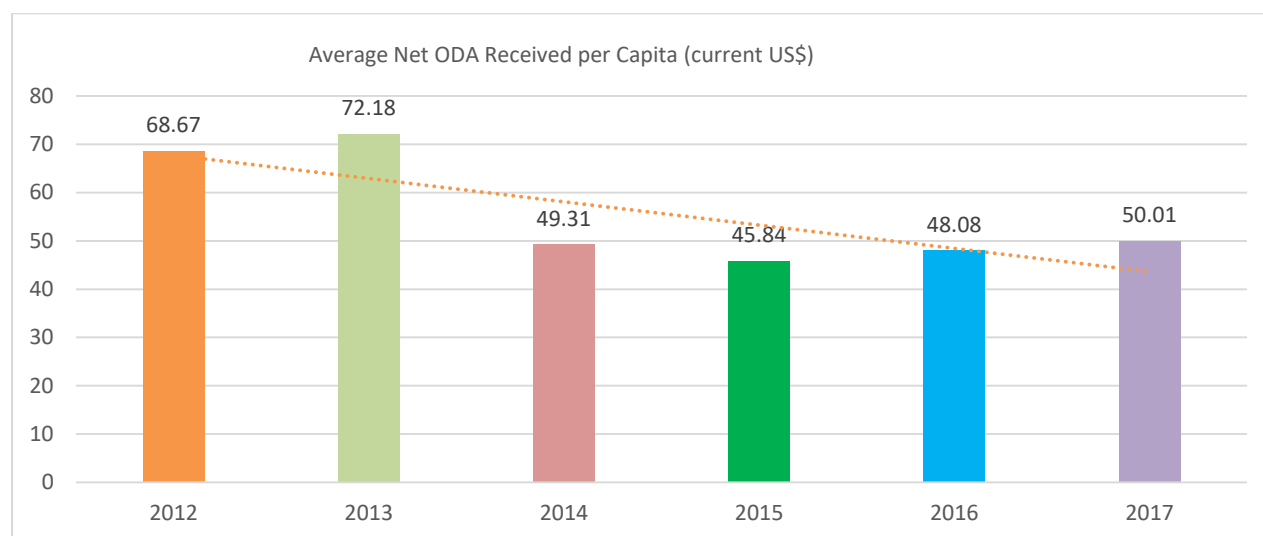
Source: AFRODAD's computations based on World Bank Aid Data 2019

### 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 2017, the average ODA per capita for the Southern Africa region was US\$61.99. The trends in the region indicate 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\$68.67 and it went down to US\$45.84 in 2015 only to begin a steady rise to US\$50.10 accounted for in 2017. As depicted in Figure 4, Angola - an oil-rich country in the region - is less dependent on ODA in the Southern Africa region. In fact, the average ODA per capita in Angola for the period 2012 to 2017 stood at US\$9.62 - that is about 84.49 percent below the regional average of US\$61.99. 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 percent rise could be linked to low oil prices on the global market 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. South Africa is another country in the region that is not heavily dependent on ODA for development as can be noted in Figure 4. This is due to the fact that South Africa has the most advanced and diversified economy in Africa and the biggest economy in the region, making about 60 percent of SADC's GDP<sup>2</sup>. This is the reason why the average ODA per capita is below US\$22 in the period under review.

<sup>2</sup> AU (2016) Africa Regional Integration Index Report

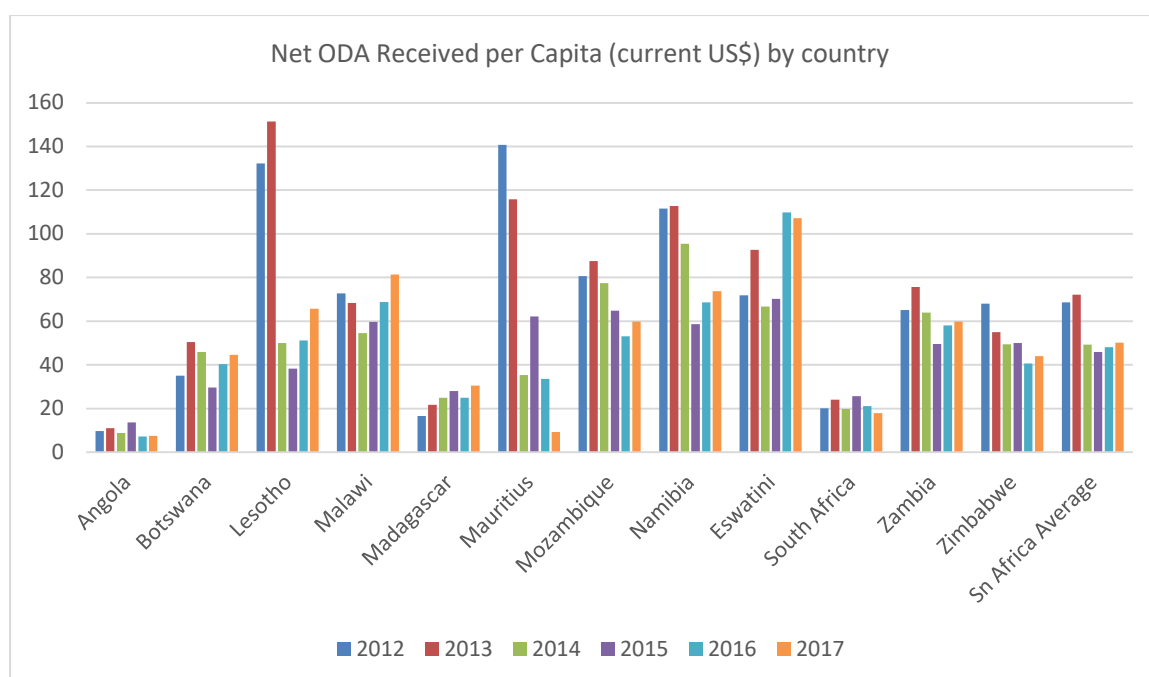
**Figure 3: Average Net ODA Received per Capita (current US\$) for the Southern Africa Sub-region**



*Source: Compiled by AFRODAD based on World Bank Statistics 2019*

In the case of Zimbabwe, Figure 4 indicates that ODA per capita was at its highest in 2012 - at US\$68.09. This is US\$16.90 above the national average recorded for the period 2012 to 2017. 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. In Mauritius and Lesotho ODA per capita dropped notably in 2014 by US\$80.48 and US\$101.51 from 2013 figures of US\$115.79 and US\$151.45 respectively. This drop was also experienced in all the Southern African countries as Figure 4 presents. The phenomenon was reflective of the decline in the net ODA and official aid disbursed to the region. The trend was not desirable for a country like Lesotho where more than half of the population live below the poverty datum line and a country suffering from the effects of HIV/AIDS. In the case of Mauritius, the situation is different because the fall in ODA per capita is linked to the country's shift from ODA dependence to an island prospering economically as a result of increased economic activities in sectors such as tourism and financial services.

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

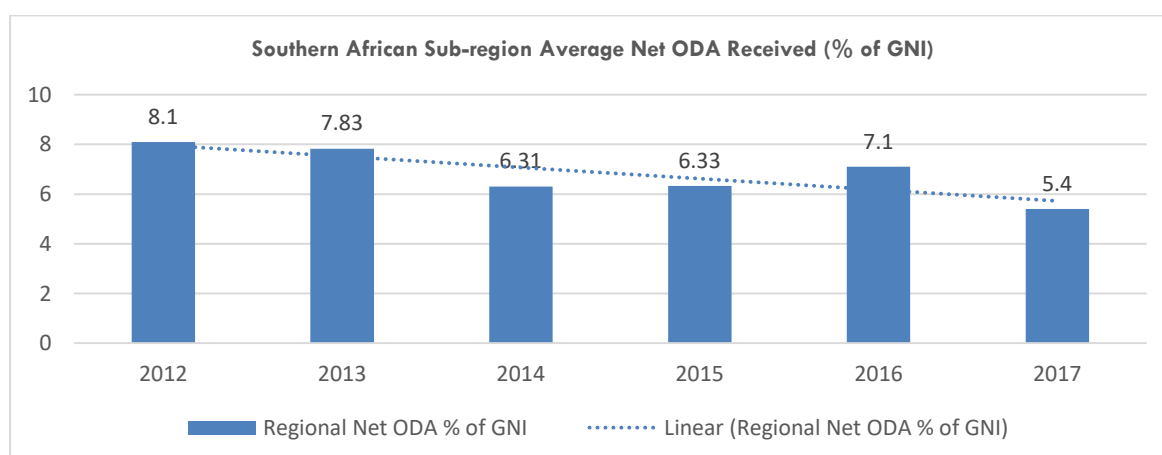


Source: AFRODAD calculation based on World Bank Statistics 2019

#### 4. 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 2017 is 5.85% of GNI. As shown in Figure 5 below the Southern Africa region recorded the highest figure of 8.1% GNI in 2012 and the lowest was 5.4% GNI in 2017. 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 2017.

**Figure 5: Southern African Sub-region Average Net ODA Received (% of GNI) 2012 to 2017**

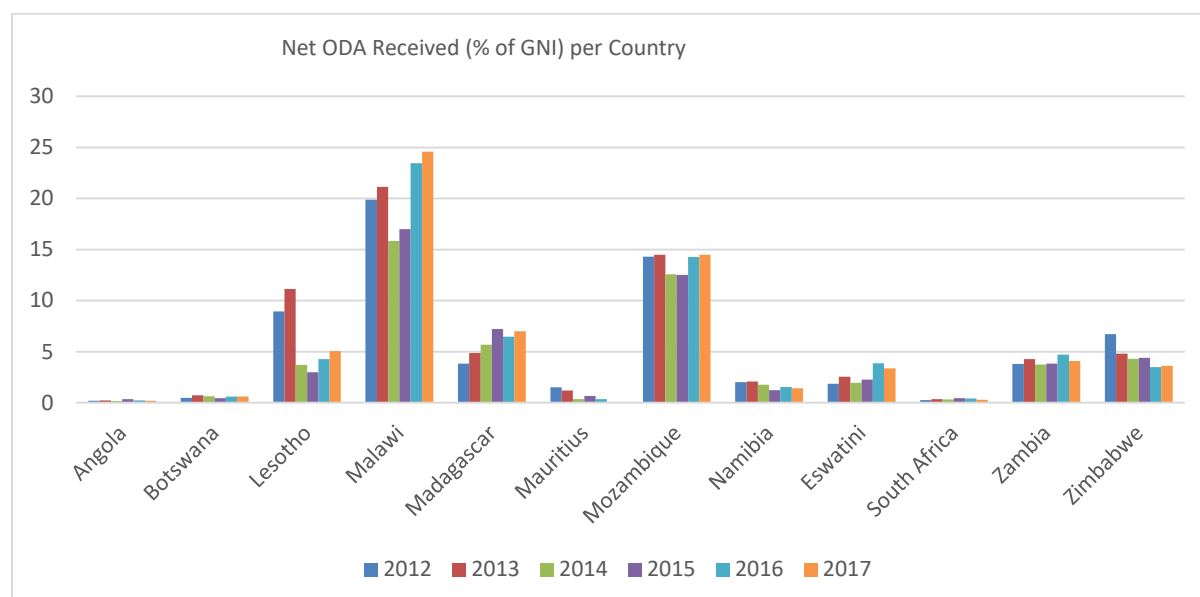


Source: AFRODAD computations based on World Bank Statistics 2019

The trends in Figure 6 show that Malawi and Mozambique are highly dependent on ODA for their development. The two countries' ODA receipts averaged 20.31% GNI in Malawi and an estimated 13% GNI in Mozambique. In comparison to other countries in the region like South Africa and Angola ODA is insignificant in the development of these two giants as it represents average figures of less than 1% i.e. 0.35% GNI and 0.23% GNI

respectively during the period under analysis. The trend is almost the same in diamond-rich Botswana which had an average of 0.58% GNI. Generally, in half of the countries in the region ODA makes less than 5%GNI. For example, it averaged 4.1% GNI in Zambia, 2.65% GNI in Eswatini and 1.67% GNI in Namibia. In the case of Mauritius, the positive strides made by the government in attracting foreign direct investments saw net ODA's share of GNI falling to an average of 0.69% of GNI for the period under review.

**Figure 6: Net ODA Received (% of GNI) 2010 to 2015 per Country**



Source: AFRODAD Compilation based on World Bank Statistics 2019

## 5. Policy Recommendations

- i. **Enhance DRM and Industrialisation through DRM** - Countries should use ODA to enhance domestic resource mobilisation and spearhead industrialisation as contrary to its use on non-productive consumptive activities
- ii. **Diversify and Attract FDI with ODA** - Southern African countries must take the example of Mauritius which harnessed ODA to transform its economy into a safe investment destination -, harnessing foreign direct investment in lieu of relying on ODA.
- iii. **Improve Regional Integration through ODA** - Southern African countries must use ODA to improve intra-regional trade. ODA should be utilised in such a way that it promotes regional infrastructure development, removal of non-tariff barriers and unnecessary protectionism.
- iv. **Explore Alternative Resources Mobilisation** - The reduction in the amount of net ODA received in Southern Africa means that countries such as Malawi and Mozambique must look for alternatives. One way is to use the ODA to improve trade with other states in the region. This will improve both the countries' and the region's GDP and foster economic growth.
- v. **Catalyse ODA for Value Addition of Natural Resources** - Countries in the Southern African region must also use ODA to improve on beneficiation and value addition of its mineral resources.