



ARAB DONORS RESPOND FAVORABLY TO THE GLOBAL FINANCIAL CRISIS

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The World Bank's 2010 study, *Arab Development Assistance: Four Decades of Cooperation*, showed that Arab countries have been generous donors over the years, particularly the three Gulf countries—Kuwait, Saudi Arabia, and the United Arab Emirates (UAE)—which represent over 90 percent of total Arab aid provided by those countries on which information is available. This paper confirms that the generosity extends to the period of the global financial and economic crisis. Arab Gulf countries and regional financial institutions were responsive to this new reality and collectively scaled up financial assistance to address critical development and humanitarian needs in developing countries.

Gulf Countries Substantially Increased Their Development Assistance in the Crisis Years

During the height of the global financial crisis (2008–2009), official development assistance (ODA) from Kuwait, Saudi Arabia, and the UAE² significantly increased in both relative and absolute terms. Their combined share of total aid as reported by the Development Assistance Committee (DAC) of the Organisation for Economic Development and

Co-operation (OECD) nearly doubled during the two-year crisis period, as compared to the two years before the crisis, rising to 3.9 percent from 2.1 percent. Their share in total ODA of non-DAC donors (some 20 countries reporting to DAC on a voluntary basis) also increased significantly from half to nearly two-thirds.³

The combined net ODA disbursement from these three countries peaked at US\$ 5.4 billion in 2008, a period when the global financial crisis was at its worst, and remained high at US\$ 4.2 billion in 2009 (Figure 1). In real terms (2009 prices), total ODA from the three countries combined nearly doubled over the crisis period (2008–2009) compared to the two-year period preceding the crisis. All three countries substantially increased their assistance, with Saudi Arabia showing the highest increase. Furthermore, Saudi Arabia continued to be the most significant contributor, averaging 85 percent of total disbursement during both years, followed by the UAE (10 percent), and Kuwait (5 percent).

Total ODA from the three countries also increased significantly as a share of gross national income during 2008–2009, averaging 0.59 percent compared to 0.32 percent during the previous two years. This level is higher than the OECD-DAC average of 0.31 percent, and in the case of Saudi Arabia (1.04 percent) much

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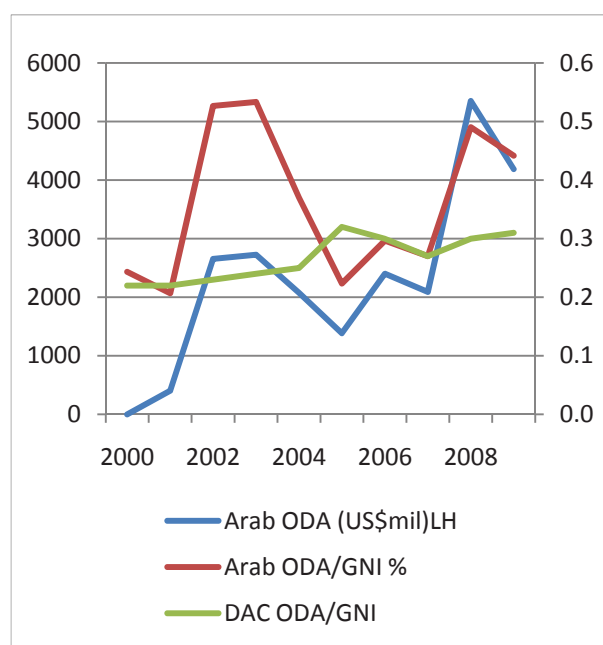
² In the case of the UAE, the increase in 2009 is partly due to the increase in the coverage of reporting. In 2010, as discussed below, the UAE began reporting its whole-of-government aid to the DAC. Previously, UAE reporting was limited to the Abu Dhabi Fund for Development.

³ Gross ODA disbursements of the 20 countries reporting to DAC total USD 7.3 billion in 2009. The BRICS (Brazil, Russia, India, China and South Africa) are among the countries which do not provide information to DAC. Their combined assistance is estimated at USD 3.7 billion in 2009. See Zimmermann and Smith (2011.) "Policy Arena: More Actors, More Money, More ideas for International Development Co-operation". Journal of Development 23, 722-738

higher than the United Nations target of 0.7 percent.

The bulk of assistance from these three Gulf countries is provided on a bilateral basis (97.6 percent), channeled largely through the respective governments, and provided in the form of grants (about 93 percent). Recently, Saudi Arabia and Kuwait have increased their contributions to the International Development Association (IDA) under the IDA-16 replenishment.

Figure 1. Total Net ODA Disbursements of



Kuwait, Saudi Arabia and UAE

The three Gulf countries stepped up their aid even though they themselves were not immune to the global financial crisis. Kuwait and the UAE experienced economic recessions in 2009, and economic growth in all three countries decelerated in 2008–2009 as compared to 2006–2007. Fiscal and current account balances in these countries also shrank. The impact of the global crisis was felt in 2009, with a one-year lag. In that year crude oil prices dropped by 40 percent in real terms. World commodity prices reached their peak in 2008. Cereal prices are of particular relevance to the Middle East and North Africa region, and to the Gulf countries in particular, as the region accounts for half of total world cereal imports.

The United Arab Emirates Is The First Non-DAC Country To Provide Detailed Aid Flow Information

It is possible to examine the allocation of UAE development assistance in more detail, as the UAE now provides detailed activity-level reporting on aid flows to the OECD/DAC. In 2008, the UAE established the Office for the Coordination of Foreign Aid (OCFA), which tracks and documents the financial assistance provided by the country.⁴ In 2010, the UAE became the first country outside the OECD-DAC to provide detailed aid flow information.

OECD data show that, in 2009, the UAE contributed US\$ 1.04 billion in gross ODA.⁵ Of this assistance, 91 percent was in the form of grants or in-kind aid (such as food aid) and 9 percent in concessional loans. This aid was sourced from the government (76 percent), the Abu Dhabi Fund for Development (16 percent), and foundations and charities (8 percent). Over twenty five agencies in the UAE are involved in providing overseas assistance, and the list is growing.

From a regional perspective, 56 percent of UAE's gross ODA disbursements in 2009 were directed to the Middle East and North Africa,

⁴ OCFA was established by decree and reports directly to the UAE Cabinet. It has about 20 staff.

⁵ This figure for gross ODA (US\$ 1,038 million) should not be confused with the net disbursement figure used in the above section (US\$ 834 million). Also, there is a difference in the total ODA reported by the OECD's Development Cooperation Directorate and the UAE's OCFA. OCFA's data show that total financial assistance for 2009 was US\$ 2.432 billion. The OECD's ODA report only included development and humanitarian assistance given to countries listed on the DAC's List of ODA Recipients. In addition, the OECD ODA figures exclude charitable assistance, aid from private sources, and assistance given to non ODA-eligible countries. The ODA-eligible portion amounts to US\$ 1.038 billion in total gross ODA disbursements. The main adjustment consisted of excluding amounts committed by the Abu Dhabi Fund but not yet disbursed to Yemen, Pakistan, Afghanistan, and the Seychelles. These amounts total about US\$ 1.18 billion. Other adjustments, totaling some US\$ 214 million, include contributions made by the private sector and some nongovernmental organizations, and those received by countries that are not on the OECD's List of ODA Recipients. For a discussion of the adjustments, see Kimberly Smith (2011). "United Arab Emirates Statistical Reporting to the DAC". OECD Development Co-operation Directorate. Paris

13 percent to Sub-Saharan Africa and the bulk of the remaining 30 to Asia (excluding Middle East). Over half (54 percent) of UAE's aid was provided to poor countries (defined as IDA recipient countries). Some 22 percent of UAE aid was provided to Highly Indebted Poor Countries (HIPC), all but Afghanistan in Sub-Saharan Africa.

Five recipient countries (West Bank and Gaza, Pakistan, Oman, Yemen, and Syria) accounted for over 70 percent of UAE assistance. In terms of sector allocations, economic sectors and commodity aid/general programs each accounted for 19 percent, followed by government and civil society at 18 percent, infrastructure (including water supply and sanitation) at 15 percent, humanitarian aid at 14 percent, and health and education at 12 percent.

The OCFA is also in the process of extending the coverage of reporting to the years prior to 2009 to arrive at a comprehensive account of the UAE's ODA during those years. Until 2009 data reported to OECD-DAC only reflect ODA reported by the Abu Dhabi Fund for Development and may not show the total ODA for the UAE.

The establishment of the OCFA points toward the potential for continued improvements in the effectiveness of UAE assistance. The OCFA envisions helping UAE donor organizations to build stronger capacity for monitoring and evaluation of their assistance. Two reporting agencies—Dubai Care and the Khalifa Foundation—have already put monitoring and evaluation systems in place. OCFA also plans to play a growing role in international aid effectiveness forums. The UAE plans to participate in the Fourth High Level Forum on Aid Effectiveness, which is to be held in Busan, in the Republic of South Korea, in November 2011. The success of the OCFA could be emulated by other countries in the region. Qatar and Saudi Arabia are moving in this direction by building and strengthening their own aid agencies.

Arab Regional Financial Institutions Scale Up Their Assistance

Arab generosity in response to the global financial and economic crisis was not limited to bilateral aid from Gulf donor countries. Regional development financial institutions also increased their assistance during and after the crisis⁶ (Figures 2 and 3).

Figure 2. Commitments of Regional Arab Financial Institutions

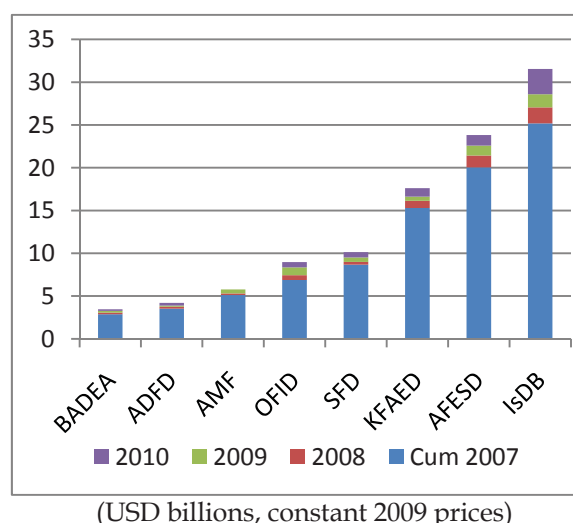
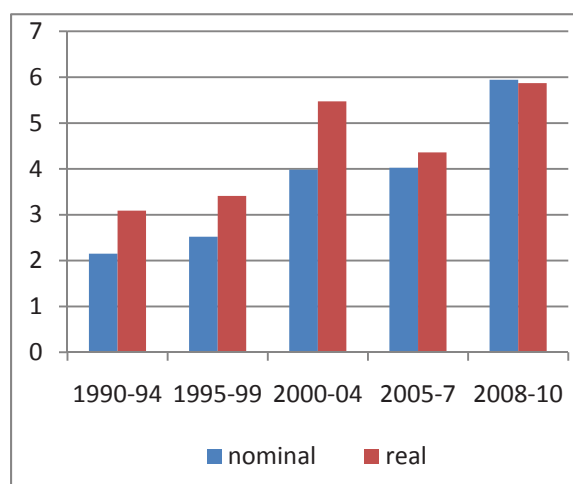


Figure 3. Commitments of Regional Arab Financial Institutions (USD billions)



⁶ It should be pointed out that there is a double count between this section and the first one as outflows from the three national funds (Abu Dhabi Fund, the Kuwait Fund and the Saudi Fund) are included in the figures that the UAE, Kuwait and Saudi Arabia respectively report to the DAC. These entities are the primary bilateral aid agencies of the countries in question.

According to data provided by the Coordination Secretariat of the Arab National and Regional Developmental Institutions, total commitments of the eight Arab financial institutions⁷ increased substantially over the period 2008–2010 compared to the pre-crisis period (2005–2007). This increase amounted to 35 percent in real terms. Total commitments reached nearly US\$ 7 billion in 2010, as compared to US\$ 4.7 billion in 2007. As in the past, the bulk of assistance provided during 2008–2010 came from three institutions: the Islamic Development Bank (36 percent), Arab Fund for Economic and Social Development (21 percent), and Kuwait Fund for Arab Economic Development (13 percent).

Arab financial institutions expanded their support to poorer countries. IDA recipient countries saw their share of Arab financial institution aid flows increase by 8 percentage points over the period 2008–2010 as compared to 2005–2007, reaching 46 percent of total commitments. Similarly, Sub-Saharan Africa's share increased by 15 percentage points, reaching 49 percent of total commitments. The increase in aid to poor countries came largely as a result of a drop in the share of aid provided to Arab countries (Figure 4).

During the financial and economic crisis, Arab financial institutions continued to support primarily infrastructure sectors such as transportation, energy, and water (Figure 5). Financial assistance dedicated to supporting infrastructure-related projects grew during 2008–2010. Lately, there have been efforts to devote more resources to agriculture and social sectors.

Figure 4. Allocation of Arab Financial Institutions by Recipient Countries (%)

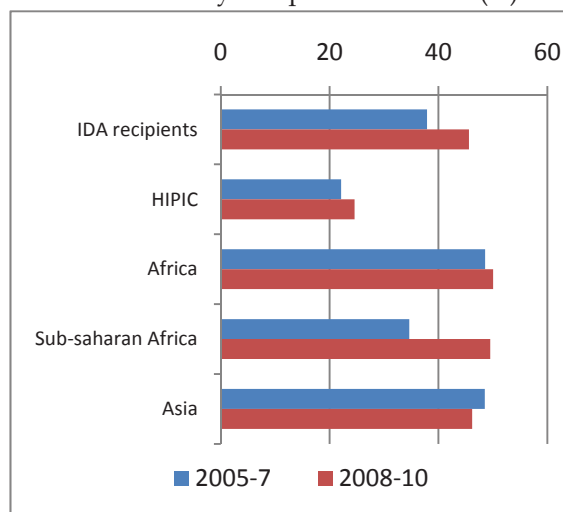
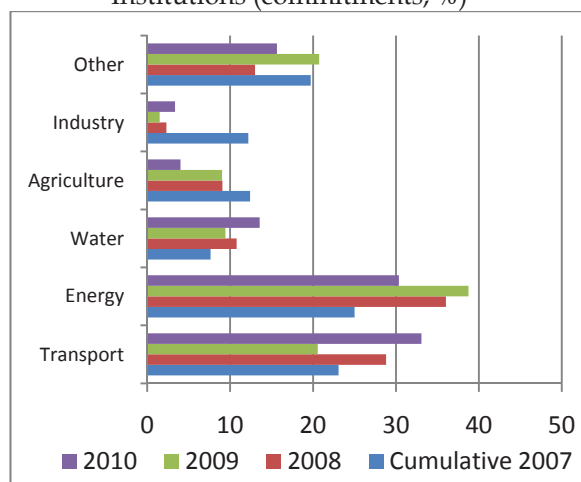


Figure 5. Sector Allocations of Arab Financial Institutions (commitments, %)



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⁷ These include the Abu Dhabi Fund for Development, Kuwait Fund for Arab Economic Development, Saudi Fund for Development, Arab Fund for Economic and Social Development, Arab Monetary Fund, Arab Bank for Economic Development in Africa, OPEC Fund for International Development (OFID), and Islamic Development Bank (IsDB). Strictly speaking, the IsDB and OFID are not exclusively Arab-financed institutions, but Arab countries provide the majority of their funding.