ARAB DONORS’ EARLY RESPONSE TO THE ARAB SPRING

Mustapha Rouis

Introduction: The World Bank’s 2010 study, Arab Development Assistance: Four Decades of Cooperation, and the subsequent note, Arab Donors Respond Favorably to the Global Financial Crisis (Rouis 2011), showed that the three Gulf countries—Kuwait, Saudi Arabia, and the United Arab Emirates (UAE)—have provided generous aid financing over the years. This paper, which extends the analysis to 2010 for Arab overseas development assistance (ODA) and to 2011 for the assistance provided by the Arab regional financial institutions, confirms that this generosity continues in the wake of the global economic crisis and the events of the Arab Spring movement. The paper shows that Arab assistance has been responsive in addressing critical development and humanitarian needs in developing countries. There are preliminary indications that Arab donors and financial institutions have made some adjustments in response to the needs of the Arab countries going through the unprecedented political transition sparked by the Arab Spring.

Gulf Countries Increased Financial Support during the Global Crisis: At the height of the global financial crisis and afterwards (2008–2010), ODA from Kuwait and Saudi Arabia increased significantly in both relative and absolute terms. Aid from the UAE fell, largely as a result of the exceptional increase in 2007 (see below). The combined share of aid from these three countries in total ODA, as reported by the Organization for Economic Development and Co-operation (OECD) Development Assistance Committee (DAC), increased from 2.8 percent in the three years before the crisis to 4.0 percent during the three-year crisis period, an increase of 44 percent. Total ODA from the three Gulf Countries, which accounts for the lion’s share of assistance from non-DAC countries, also increased during the crisis period to 64 percent from about 59 percent. Combined net ODA disbursement from these three countries peaked in 2008, when the global financial crisis was at its worst, at US$ 6.5 billion and remained high thereafter at around US$ 4.2 billion (Figure 1). In real terms (2010 prices), total ODA from the three countries increased by 55 percent during the crisis period (2008–2010), as compared to the three-year period preceding the crisis. Saudi Arabia registered the highest increase and continued to be the most significant contributor, averaging 78 percent of total disbursement during the crisis period, followed by the UAE (17 percent), and Kuwait (5 percent).

Total ODA from the three countries also increased significantly as a share of gross national income during 2008–2010, averaging (weighted) 0.56 percent compared to 0.47 percent during the previous three years. This level is higher than the OECD-DAC average of 0.31 percent, and in the case of Saudi Arabia (0.87 percent) much 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 (94 percent), channeled largely through their respective governments and provided in the form of grants (85 percent). The grant element increased slightly during the crisis period, while bilateral assistance declined somewhat in favor of multilateral support.

1 Mustapha Rouis, Consultant, Office of the Chief Economist, Middle East and North Africa Region, The World Bank. This MENA K&L Quick Note was cleared by Caroline Freund, Chief Economist, Middle East and North Africa Region, The World Bank.

2 There are 21 non-DAC countries reporting to OECD-DAC on a voluntary basis. Apart from Russia, the other BRIC countries do not report to DAC.
These significant increases in aid took place against the backdrop of a global financial crisis to which the three Gulf countries themselves were not immune. The full impact of the crisis was felt in 2009, with a one-year lag. Economic growth in all three countries decelerated in 2008–2010 as compared to 2005–2007. Their fiscal and current account balances shrank. Crude oil prices dropped by over one-third in real terms in 2009. World commodity (including cereals) 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. In 2010 and more clearly in 2011, the macroeconomic situation of all three countries improved significantly due in large part to favorable oil prices.

It is possible to examine the allocation of UAE development assistance in more detail, as the UAE became in 2010 the first country outside the OECD-DAC to provide detailed aid flow information. In 2009–2010, the UAE contributed over US$ 1.0 billion in gross ODA on average per year. Of this assistance, 86 percent was in the form of grants or in-kind aid (such as food aid) and 14 percent in concessional loans. This aid was sourced from the government (61 percent), the ADFD (21 percent), and foundations and charities (18 percent). Over thirty agencies in the UAE are involved in providing overseas assistance, and the list is growing. The OCFA is currently working, in close collaboration with DAC, to expand the database by: (a) expanding it beyond grants and loans to include investment and equity; and (b) disaggregating multilateral and bilateral data into meaningful activities such as budget support, investment projects, and training.

From a regional perspective, 70 percent of the UAE’s gross ODA disbursements in 2009–2010 were directed to Asia and 14 percent to Africa. The Middle East and North Africa region received 48 percent of the UAE’s total aid flows. Around 64 percent of UAE’s aid was provided to poor countries (defined as International Development Association (IDA) recipients). Some 10 percent of the UAE’s aid was provided to countries in Sub-Saharan Africa and 20 percent to Highly Indebted Poor Countries (HIPC). Five recipient countries (Yemen, Pakistan, Afghanistan, West Bank and Gaza, and Sudan, in descending order of volume of assistance) accounted for 68 percent of the UAE’s assistance during 2009–2010.

In terms of sector allocations, economic sectors accounted for 22 percent of the UAE’s aid, followed by commodity aid and general programs (20 percent), humanitarian assistance (17 percent), education and health (14 percent), government and civil society (12 percent), water (5 percent), and others (10 percent).
In establishing the OCFA in 2008, the UAE took an important first step toward more effective development assistance. The OCFA envisions helping the UAE’s donor organizations to build stronger capacity for monitoring and evaluating the results of their assistance. Two reporting agencies—Dubai Care and the Khalifa Foundation—have already put monitoring and evaluation systems in place. The OCFA also plans to play a growing role in international aid effectiveness forums. The UAE participated in the Fourth High Level Forum on Aid Effectiveness held in Busan, in the Republic of South Korea, in November 2011. At that forum a decision was made to shift the emphasis from aid effectiveness to development effectiveness. The success of the OCFA could be emulated by other countries in the region. Qatar and Saudi Arabia seem to be moving in this direction by strengthening their own aid agencies.

**Qatar Strengthens its Institutional Framework for Financial Assistance:** Qatar’s financial assistance comes under the responsibility of the Ministry of Foreign Affairs (International Development Department), in close collaboration with the Ministry of Economy and Finance (International Economic and Financial Cooperation Department). The assistance, amounting to about US$ 480 million in disbursements per year on average over the most recent years (2006–2008), is provided largely for investment projects in the form of either grants or highly concessional loans. The government share of this assistance was about 83 percent, with the rest provided by nongovernmental organizations, largely for humanitarian assistance. The government will soon publish a more comprehensive report on its financial assistance, similar to the annual report published by the UAE’s OCFA. This report will provide detailed information and analysis of Qatar’s foreign aid up to 2011. There are indications that the government of Qatar may be moving toward the establishment of a full-fledged aid coordination agency, though this is at an early stage of consideration.

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**Aid from Arab Regional Financial Institutions Continues to Expand:** As part of the overall increase in total bilateral assistance from the Gulf Countries, regional development finance institutions also increased their assistance during and after the global financial crisis (Figures 2 and 3).

**Figure 2.** Commitments of Regional Arab Financial Institutions (US$ millions, constant 2010 prices)

**Figure 3.** Commitments of Regional Arab Financial Institutions (US$ billions)

According to data provided by the Coordination Secretariat of the Arab National and Regional Developmental Institutions, the total commitments of the eight Arab financial institutions increased

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3 It is not clear from the information available whether this amount refers to gross or net disbursements. It is also not clear whether the full amount can be classified as ODA per DAC’s definition. Qatar stopped reporting on a voluntary basis to OECD-DAC in 1990.

4 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.

5 These include the ADFD, 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
substantially over the period 2008–2011 compared to the pre-crisis period (2005–2007). This increase amounted to over one-third in real terms. Total commitments rose from (in nominal terms) US$ 4.6 billion in 2007 to reach an all-time high of US$ 7.5 billion in 2010, followed by US$ 6.3 billion in 2011. The bulk of assistance provided during 2008–2011 came from three international and regional institutions: the Islamic Development Bank (IsDB, 36 percent), the Arab Fund for Economic and Social Development (20 percent), and the OPEC Fund for International Development (11 percent). Among national funds, the Kuwait Fund for Arab Economic Development contributed the most (11 percent).

Arab financial institutions expanded their support to poorer developing countries. IDA recipient countries saw their share of Arab financial institution aid flows increase by 9 percentage points between 2005–2007 and 2008–2011, reaching 47 percent of total commitments. Similarly, HIPC countries’ share increased by 3 percentage points and reached 25 percent of total commitments. This increase in aid to poor countries came largely as a result of a drop in the share of aid provided to Arab countries. During the global crisis (2008–2010), support from Arab financial institutions continued to primarily target infrastructure sectors such as transport and energy. In 2011, relatively more resources went to water and social sectors, a trend that began in the early years of the last decade.

**Arab Donors’ Response to the Arab Spring Continues to Evolve:** It is too early to assess the aid response of Arab donor countries and financial institutions to the countries affected by the Arab Spring (Egypt, Jordan, Libya, Morocco, Tunisia, and Yemen). Because the Arab bilateral donors do not provide detailed information about their assistance, it is difficult to estimate whether their aid relationships with these countries have changed. However, there are indications of increased support to Egypt (primarily by Saudi Arabia), Jordan (by GCC), Tunisia (by Qatar), and Yemen (by Saudi Arabia). In addition, some GCC countries provided humanitarian assistance to Tunisia and Yemen to help address the situation of refugees and internally displaced people. A total of over US$13 billion has been pledged so far by Arab Gulf donors to these countries since their uprising. Most GCC members (namely Kuwait, Qatar, Saudi Arabia, and the UAE) have committed themselves as part of the Deauville partnership to support Arab partner countries. Furthermore, Jordan and Morocco were invited to join the GCC.

The overall volume of assistance provided to Arab Spring countries by Arab financial institutions in 2011 was 18 percent below the average of the previous two years. With the exception of Tunisia, where commitment levels increased by 1.5 times (albeit from a low level), and Libya, where there has been no history of support given its wealth, the level of commitment either remained about the same (as in Egypt and Yemen) or dropped sharply (as in Jordan and Morocco). This should not be interpreted as a lack of support to these countries but rather as a reflection of the unusually high commitments made in the previous year (2010). In most cases, the bulk of support was provided by regional institutions, notably the IsDB and the Arab Fund for Economic and Social Development.

**Conclusion:** Arab donor countries and financial institutions have responded favorably and promptly during the global economic and financial crisis. Their increased assistance to countries affected by the Arab Spring has yet to materialize beyond the stage of pledges and commitments.

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6 This consists of pledges/commitments for Egypt made by UAE (US$3.0 b) and Saudi Arabia (US$1.5 b); for Jordan by 4 GCC countries in equal contribution (US$85.0 b); for Libya by UAE (US$58 m); for Tunisia by Qatar (US$500 m); and for Yemen by Saudi Arabia (US$3.25 b) and UAE (AED 500 m).

Contact MNA K&L:
Laura Tuck, Director, Strategy and Operations. MENA Region, The World Bank.

Regional Quick Notes Team:
Omer Karasapan, and Roby Fields
Tel #: (202) 473 8177

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