Response of the Arab Donors
To the Global Financial Crisis and the Arab Spring

Mustapha Rouis

Development assistance from Gulf Cooperation Council (GCC) countries and Arab financial institutions has been responsive in addressing development and humanitarian needs in many developing countries. It has also been responsive to the needs of Arab countries undergoing political transitions, namely Egypt, Jordan, Morocco, Tunisia, and Yemen.

Gulf countries expand their financial assistance: Since the global financial crisis (2008–2011), the combined net official development assistance (ODA) from Kuwait, Saudi Arabia and the UAE peaked at US$ 6.5 billion in 2008 at the height of the global financial crisis. It has since remained relatively high at US$ 4.8 billion annually on average (Figure 1).

In real terms (2011 prices), ODA from the three countries increased by two-thirds during the crisis (2008–2011), compared to the four-years preceding the crisis. Saudi Arabia increased aid the most, continuing to lead among the three and accounting for 80% of total aid during the crisis, followed by the UAE (16%), and Kuwait (4%).

Total ODA from the three also increased significantly as a share of gross national income, yielding a weighted average of 0.55% during 2008–2011, compared to 0.49% in the previous four years. This is higher than the DAC average of 0.31%, and for Saudi Arabia higher than the United Nations target of 0.7%. The combined share of aid from the three Gulf countries increased from 2.8% of total DAC aid in the four years before the crisis to 4.1% in the four years of the crisis. Total ODA from the three Gulf countries continues to account for the lion’s share of assistance from non-DAC countries (nearly 70% during the crisis). Most aid from the three countries is bilateral (94%), channeled through their governments and as grants (92%). The share of grants increased slightly during the crisis as did the role of multilateral assistance.

Figure 1: Total Net ODA Disbursements of Kuwait, Saudi Arabia, and the UAE

Detailed information on UAE and Qatari Aid: The above three GCC countries report data to OECD-DAC in aggregate terms, which does not allow for analysis of recipients or sectors. However, the UAE and Qatar started to publish detailed information on their financial aid.

In 2010, the UAE became the first non-DAC country with detailed aid flow information. UAE’s Office for Coordination of Foreign Aid (OCFA), established in 2008 and its recent successor, the Ministry of International Cooperation and Development (MICAD), track financial aid contributions. To date, Qatar has published four annual reports (2009-2012).
Among national funds, the UAE gave an average of US$ 1.4 billion in financial aid (ODA and non-ODA) annually. Most (90%) was in grants and in-kind aid and the rest in concessional loans. This aid was from the government (60%), the Abu Dhabi Fund for Development (16.5%), and foundations and charities (23.5%). Over forty UAE government and non-government agencies provide overseas aid and the list is growing.

During these four years nearly one-third of disbursements were to IDA recipients, 12% to countries in Sub-Saharan Africa, and 15% to Highly Indebted Poor Countries (HIPC). The UAE’s top five recipient countries accounted for over 50% of its aid in 2009–2012. Pakistan and Yemen were among the top five recipients each year, followed by West Bank and Gaza. In 2011, Oman (a high-income economy) received the highest amount - US$ 1 billion dollars, nearly half of all UAE aid. The politically transitioning countries accounted for one-fourth of UAE aid - Jordan and Yemen receiving the lion’s share. Sectorally, UAE assistance went to commodity aid and general programs (over 28%), social sectors (23%), infrastructure (14%), and humanitarian assistance (over 9%).

The Qatar Foreign Aid Report 2010-2011 has new details on its financial aid which averaged US$ 540 million annually over 2007–2011. Qatari aid is largely for investment projects and almost all of it in grants. The government provided around 69% of this assistance, the remainder was by NGOs, largely for humanitarian assistance. Over two-thirds (69%) of Qatar’s aid was directed to North Africa, with Egypt accounting for nearly half. IDA recipients, mostly non-African, account for 44% of its aid with Sub-Saharan Africa receiving 8%. Development projects and programs comprise 88% of Qatar’s government aid. Humanitarian assistance, mostly humanitarian relief, makes up the remaining 12%. The country’s NGOs direct 56% of their assistance for development purposes and the rest on humanitarian assistance.

Expanding Aid from Arab and Regional Financial institutions: Arab and regional development institutions expanded their assistance during the global financial crisis and the Arab Spring (Figure 2). Data provided by the Secretariat of the Coordination Group of Arab Developmental Institutions shows flows from the eight Arab financial institutions\(^2\) increasing substantially—50 percent in real terms—over 2008–2012, as compared to the pre-crisis period (2005–2007). Total commitments rose from US$ 4.6 billion in 2007 to reach an all-time high of US$ 8.5 billion in 2012. The bulk of assistance during 2008–2012 was provided by three international and regional institutions: the Islamic Development Bank ((37%), the Arab Fund for Economic and Social Development (19%), and the OPEC Fund for International Development (11%). Among national funds, the Kuwait Fund for Arab Economic Development gave the most (11%).

The share of Arab financial institutions’ aid to IDA recipients grew by 9 percentage points between 2005–2007 and 2008–2012, reaching 47% of total commitments. Aid to HIPC increased by 2 percentage points, reaching 25% of all commitments. This was mostly due to a drop in aid to Arab countries. The level and pattern of aid during the global economic crisis (2008–2010) and the Arab Spring (2011–2012) has changed little but the level and share of aid to Africa went up, due to a surge in aid to Egypt and Tunisia.

Figure 2: Commitments of Regional Arab Financial Institutions (US$ billions)

During the global crisis, support from Arab financial institutions continued to be directed primarily at infrastructure sectors such as

\(^2\)These include the Abu Dhabi Fund for Development (ADFD), Arab Fund for Economic and Social Development (AFESD), Arab Monetary Fund (AMF), Arab Bank for Economic Development in Africa (BADEA), Islamic Development Bank (IslDB), Kuwait Fund for Arab Economic Development (KFAED), OPEC Fund for International Development (OFID), and Saudi Fund for Development (SFD).
transportation and energy. In 2011-2012, relatively more resources went to water and social sectors, a trend that began in the early years of the last decade. The share of assistance to agriculture and industry continued to drop.

**Arab Donors’ Support to the Arab Spring Countries:** The GCC countries and Arab regional financial institutions have provided significant financial assistance to countries going through political transition, specifically Egypt, Jordan, Morocco, Tunisia, and Yemen. Kuwait, Qatar, Saudi Arabia, and the UAE are also committed to support Arab transition countries as part of the Deauville partnership.

Jordan and Morocco have been invited to join the GCC, receiving an aid envelope of US$5 billion each delivered over 5 years in the form of projects. The financing will be shared equally among the four GCC donor countries (i.e. US$2.5 billion from each of the four countries). These funds were announced in 2011 but have proceeded on a somewhat uneven track since then. Jordan has worked with the donors to identify suitable projects, while the support to Morocco has shifted to having GCC sovereign wealth funds become equity partners in Wessal Capital, an investment vehicle set up by the government of Morocco to mobilize investments in tourism and infrastructure.

From the beginning of 2011 to September 2012, GCC countries provided US$ 7.1 billion to transitioning countries, representing 40% of total official disbursements and nearly 30% of total pledges made by GCC countries during this period. Some GCC assistance was humanitarian aid to Tunisia and Yemen to deal with increasing refugees and the internally displaced.

Though GCC financial support to the transitioning countries was significantly higher in the last two years than in the past, it still fell short of financing needs as illustrated by the widening of the budget balance, the heavy reliance on domestic financing, the drop in reserves, and the currency depreciation. The fiscal deficit for 2013 is estimated at nearly 14% of GDP in Egypt and over 7% in Tunisia. Foreign exchange reserves dropped sharply in both, equivalent of barely 3 months of imports.

Detailed information from the UAE and Qatar for the period 2009-2012 and 2010-2011, respectively sheds some light on the level of assistance received by the transition countries. With the exception of Jordan, UAE’s assistance (measured as gross disbursements) to these countries was minimal in 2011 and 2012. In this period, the UAE disbursed on average US$ 430 million, of which over half was directed to Jordan. In 2009-2010, the corresponding average disbursement was US$ 230 million, nearly half going to Yemen. Data for Qatar are available only for 2010-2011. Arab countries going through political transitions took in nearly two-thirds of government assistance, with Egypt taking the lion’s share (77%), followed by Libya (16%), Jordan (6%), and Yemen (2%).

There are indications of expanding support from GCC countries to Egypt, Jordan, Morocco, Tunisia, and Yemen. As of July 2013, nearly US$ 40 billion had been pledged by GCC donors to the five countries since their uprisings (Figure 3). Egypt gets the lion’s share (55%) of total GCC donor pledges, with over half the amount pledged in July 2013 alone—that is, during the post-Morsi era.

The bulk of the pledges are in the form of loans, followed by commodity aid (oil, LPG and food) and grants. These pledges were made for a variety of purposes, notably investment project financing (Egypt, Jordan and Morocco), accounting for nearly half of all the pledges; balance of payments and budget support (case of Egypt, Jordan and Tunisia), accounting for over one-third; and commodity aid (Egypt and Yemen) accounting for the rest.

The overall annual average of financial assistance provided to Arab Spring countries by Arab financial institutions in 2011 and 2012 was slightly higher than the average during the global economic and financial crisis, which in turn was nearly 70% higher than the average prior to the crisis (Figure 4).

---

3This amount should be interpreted with caution as it is based on media reports and may not reflect the official views of donor countries.
There are wide country variations. Egypt and Tunisia have received significantly higher commitments (though in the case of Tunisia from a historically low level), whereas Jordan and Morocco are experiencing a significant drop in commitments. Support for Yemen remained at about the same level as during the crisis, quite high by historical standards. The drop in financial support to Jordan and Morocco was not a lack of support to these countries, but rather a reflection of the unusually high commitments made in the previous two years.

In most cases, the bulk of assistance was provided by regional institutions, notably the IsDB, the Arab Fund for Economic and Social Development, and the Arab Monetary Fund. The Saudi Fund for Development and the Kuwait Fund for Arab Economic Development provided assistance mainly to Egypt and Morocco.

**Conclusion:** In spite of the global financial and economic crisis, the Arab Gulf countries and Arab regional financial institutions scaled up their financial assistance during the crisis and the Arab Spring. Saudi Arabia provided the bulk of assistance among donor countries, while the IsDB, the Arab Fund for Economic and Social Development, and the OPEC Fund for Development dominated aid by regional financial institutions.

The Gulf countries pledged substantial financial support to the countries undergoing political transitions in the wake of the Arab Spring, but disbursements lagged behind those countries’ acute needs. Saudi Arabia has pledged the most funding in this regard (over two-fifths of total pledges), while Egypt has received the most (two-thirds of total pledges).

---

**Contact MNA K&L:**
Gerard A. Byam, Director, Strategy and Operations, MENA Region, The World Bank
Preeti S. Ahuja, Manager, MNADE Regional Quick Notes Team:
Omer Karasapan and Roby Fields
Tel #: (202) 473 8177

The MNA Quick Notes are to summarize lessons learned from MNA and other Bank Knowledge and Learning activities. The Notes do not necessarily reflect the views of the World Bank, its board or its member countries.