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Arab Aid on the Rise 2011-2016

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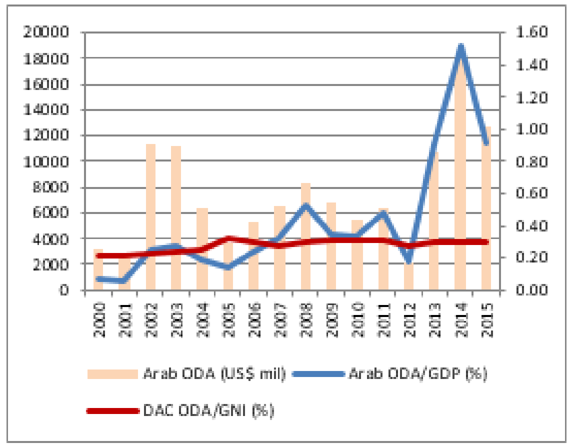
Arab donors continue to be responsive to the needs of developing countries. Gulf countries, notably Kuwait, Saudi Arabia, and the United Arab Emirates; and Arab financial institutions have increased their financial assistance overtime, during the global financial crisis and in the aftermath of the Arab Spring for Arab countries in transition[2].

Gulf countries are the biggest non-DAC aid contributors

Since the global financial crisis (2008–2010), official development assistance (ODA) from the main GCC countries has continued to grow in both absolute and relative terms (Figure 1.) The combined share of aid from Kuwait, Saudi Arabia, and the UAE increased from 2.8 percent of total aid from DAC countries in the four years before the global crisis to 4.0 percent during the crisis (2008-2010) and 7.5 percent following the Arab Spring (2011-15). Similarly, the share of total ODA from the three Gulf Countries in non-DAC countries, increased on average from 69 percent prior to the global crisis to 73 percent during the crisis, before dropping back to the pre-crisis level.

Figure 1. Total net ODA disbursements of Kuwait, Saudi Arabia, and the UAE



Combined net ODA from Kuwait, Saudi Arabia and UAE, almost doubled (on a yearly average) during the global financial crisis and doubled again during the aftermath of the Arab Spring. It reached a record high in 2014 at US$ 19 billion. Saudi Arabia increased aid by the greatest amount and continues to lead among the three countries. Its aid accounts for 65 percent of total aid of the three GCC countries combined during the period 2011-15, followed by the UAE (33 percent), and Kuwait (2 percent). Total ODA from the three countries also increased significantly as a share of gross national income, yielding a weighted average of 0.80 percent during 2011–2015, as compared to 0.55 percent during the previous three years. This proportion is higher than the DAC average of 0.30 percent, and the United Nations target of 0.7 percent. Most aid from the three Gulf countries is bilateral, channeled through their respective governments, and provided in the form of grants (around 90 percent).

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[2] Caution is needed in interpreting the data because of definitional and coverage problem, as well as overlap. GCC ODA data are underestimated for some countries. Kuwait reports only on its fund activities, while Qatar stopped reporting to DAC for a long time. Also, there is an overlap between ODA and Arab financial institutions data since national funds are covered in both. Further complication is due to the fact that ODA covers disbursement while fanatical institutions cover commitment of total financial assistance.

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Details on net ODA disbursements by recipient countries are available only for Saudi Arabia and the UAE. In both cases, over 80 percent of total aid during 2011-15 was given to five countries, all Arab countries but one (Pakistan). Egypt received the lion share, followed by Jordan.

The sharp increase in aid from the Gulf countries during 2011-2015 coincided with high level of oil prices which went from $79/barrel in 2010 to $106/barrel in 2014Q2. The dramatic fall in oil prices since the second half of 2014 does not seem to translate into less aid from GCC countries in 2016 as suggested by the available data for Kuwait and UAE.

Type of financial assistance and recipient countries

The three Gulf countries discussed above report data to OECD-DAC in aggregate terms, which does not allow for analysis of recipient countries and sectors. However, the UAE, Saudi Arabia and Qatar do publish, to a varying degree, detailed information on their financial assistance.

Saudi Arabia has published in May 2016 its first detailed report on its development and humanitarian assistance. According to this report, the bulk of assistance during 2005-14 was for development purpose (93.5 percent) and the rest for humanitarian. Nearly 80 percent of total assistance was in the form of grants, the rest largely in concessional loans. Financial assistance is generally delivered bilaterally, with no conditionality attached.

Saudi Arabia increased its financial assistance threefold in 2014, reaching $14.4 billion. Several factors account for the jump, namely humanitarian needs (including assistance to Arab countries in transition, notably Egypt, and Iraq.) Saudi Arabia had more than doubled its assistance (on annual basis) following the global economic crisis (2008-2010), and then increased it by 70 percent since the Arab unrest (2011-2014).

The United Arab Emirates became in 2010 the first non-DAC country to provide detailed aid flow information, and in 2014 it became a DAC participant. Since 2009, the UAE has published annually a comprehensive and detailed report about its foreign assistance. The UAE financial assistance picked up significantly in 2013, reaching a high level of nearly US$9 billion in 2015. Nearly three-fifths of this assistance in recent years was in the form of grants and in-kind aid, and the remainder in concessional loans. The Arab countries in transition (ACT) account for over three-fifths of total UAE's foreign assistance during the period 2013-2016. The dramatic increase since 2013 was due to the exceptional assistance to Egypt.

Qatar foreign assistance has increased substantially after the Arab Spring. It went from an average of US$267 million in annual disbursements over the period 2004-2010 to US$1.7 billion during 2011-2015. Qatar assistance was exceptionally large in 2013, largely in support of Egypt, and, to some extent, Tunisia.

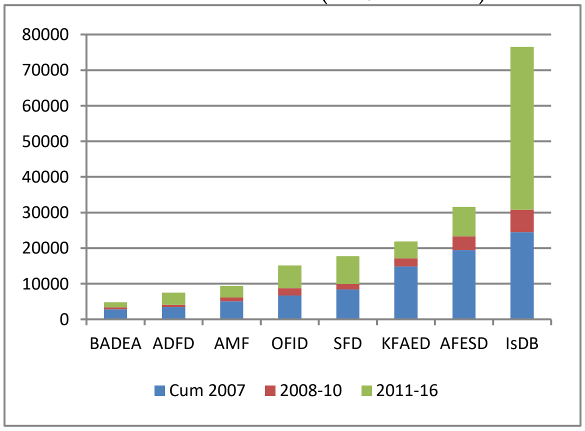
Strong support from Arab national and regional financial institutions[3]

National and regional development financial institutions expanded their assistance during the global financial crisis and the Arab transition (Figure 2), particularly since 2013. Total commitments of the eight Arab financial institutions more than doubled (on an annual basis) over the period 2011–2016, compared to the period 2008–2010. It rose from US$ 7.4

[3] Strictly speaking, IsDB and OFID are not exclusively Arab-financed institutions, but Arab countries provide the largest share of their funding.

billion in 2010 to reach an all-time high of US$ 20 billion in 2016.

Table 2. Commitments of national and regional Arab financial institutions (US$ millions)



The bulk of assistance during 2011–2016 was provided by the Islamic Development Bank (56.5 percent), followed by the Arab Fund for Economic and Social Development (10.2 percent), the Saudi Fund for Development (9.7 percent), and the OPEC Fund for International Development (7.9 percent.) The contribution of each of the remaining institutions ranges between 2 and 6 percent.

Overall, financial assistance remains concentrated in a few recipient countries. The top 5 recipient countries account for nearly 40 percent of total assistance over the past 20 years, and the top 10 accounts for 55-60 percent. In 2011-15 the top 10 consists of seven Arab countries plus Bangladesh, Pakistan and Turkey. In 2016, the opposite held, with 3 Arab countries (Egypt, Oman and Morocco) and seven non-Arab countries (including Serbia and Turkmenistan.)

A closer look at the level, source and beneficiaries of aid allocation during the past ten years shows a changing pattern. First, The IsDB has become the major player, with contribution accounting for 57 percent of the total. Second, there has been a steady shift in resource allocation from Asian and Arab countries to African and poor countries (IDA recipients) until 2015, then a reversal in 2016. Third, within the Arab group, countries in transition have witnessed an increase in their allocations, especially since 2013. Finally, while infrastructure (notably energy sector) continues to be the dominant sector, more resources went to agriculture and social sectors (education, health and housing)—a trend that began in the early years of the last decade.

Differentiated support to Arab countries in transition

The GCC countries and Arab national and regional financial institutions have provided significant financial assistance to five of the countries going through political transition as a result of the Arab Spring, specifically Egypt, Jordan, Morocco, Tunisia, and Yemen. GCC countries (namely Kuwait, Qatar, Saudi Arabia, and the UAE) and major regional financial institutions have committed themselves to support Arab partner countries as part of the Deauville partnership.

Total GCC financial aid to Egypt amounted to over US$30 billion during July 2013 to December 2016. In the case of Jordan and Morocco, four GCC donors (Kuwait, Qatar, Saudi Arabia and UAE) pledged in 2011 a special aid package totaling US$5 billion for each for investment projects to be disbursed over a 5-year period. In the case of Tunisia, GCC countries pledged around half of the total amount raised by Tunisia during its 2016 investment conference (US$8 billion). Prior to this, Tunisia got minimal support from Arab countries, with the exception of Qatar. Finally, Yemen had received prior to the 2015 political conflict a total of $7.1 billion in disbursements during 2012-14 from bilateral and international donors. The contribution of GCC countries amounted to $4.7 billion, of which $2.2

billion from Saudi Arabia in the form of oil products.

Arab national and regional financial institutions. During 2011-16, Arab Countries in transition accounted for nearly 30 percent of total assistance provided by Arab financial institutions, with Egypt accounting for over half of that amount. The annual average of financial assistance provided to these countries during 2011-16 was 68 percent higher than the average during the global economic and financial crisis, which in turn was nearly 70 percent higher than the average prior to the crisis.

There are wide country variations. The financial support for Egypt increased slightly in 2013, but tripled in 2014 and remained high thereafter, while the support for Tunisia increased mainly in 2012-13, and for Jordan increased by almost one-third. On the other hand, the financial assistance for Syria has stopped since 2012 and for Yemen dropped significantly over the past two years, both as a result of the ongoing conflict. In the case of Morocco, the financial support remains almost unchanged on average.

In most cases, the bulk of assistance was provided by regional institutions, notably the IsDB (39 percent), and the Arab Fund for Economic and Social Development (22 percent). While national funds provided assistance to all countries in transition with the exception of Libya and Syria, the bulk went to Egypt (case of the Saudi Fund and the Kuwait Fund) and Jordan (case of the Abu Dhabi Fund.)

Conclusion

Official development assistance (ODA) from Kuwait, Saudi Arabia and the UAE has grown over the years both in absolute and relative terms, with its share in DAC ODA more than doubling over the past ten years and its share in non-DAC ODA accounting for over 70 percent. Saudi Arabia and UAE account for the bulk, and their combined aid has sharply increased in support of Arab countries in transition, particularly Egypt.

The same pattern can be observed regarding the volume and allocation of financial assistance provided by national funds and regional financial institutions. Total commitments of Arab financial institutions more than doubled since the Arab Spring compared to the period before that. The bulk of assistance went to Egypt, particularly since 2013.

With the sharp decline in oil prices, it is not clear whether this level of support from GCC countries and regional financial institutions can continue. The good news is that regional financial intrusions have built the capacity (both equity and ability to access the capital market) to be less dependent on oil revenue transfers.

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