ASSESSING ARAB AID:
TRENDS, EXPLANATIONS, AND UNREPORTED TRANSFERS

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Abstract: Among non-DAC donors, wealthy Arab states are some of the most prolific contributors of foreign aid. Despite this, relatively little is known about Arab foreign aid. One limitation is that the OECD development database presents aid for two groups, “Arab countries” and “Arab agencies,” whose respective members they do not identify. A second problem is that Arab donors are not uniformly transparent about their aid efforts, publicizing some of them while keeping other donations secret. In this paper, we advance the state of knowledge of Arab foreign aid in a number of ways. We use AidData to document the trends in reported donations from specific bilateral donors (Kuwait, Saudi Arabia, and the United Arab Emirates) and multilateral agencies (Arab Fund for Economic and Social Development, Arab Bank for Economic Development in Africa, OPEC’s Fund for International Development, and the Islamic Development Bank). Notably, Arab bilateral donors have given less generously over time. We explore reasons for this decline in Arab aid, including that Arab states have given less as DAC donors have given more, and that increased domestic spending in donor states has led to lower aid levels. In addition, we look at the sectoral allocations of Arab bilateral and multilateral organizations, and compare the aid practices of Arab donors to their DAC counterparts. Finally, we suggest why an exclusive focus on aid commitments is problematic where Arab aid is concerned.

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1. Introduction

Aside from the Development Assistance Committee (DAC), Arab states are some of the most prolific donors of foreign aid. Of the non-DAC donors in AidData, Kuwait, Saudi Arabia, and UAE give the most bilateral development assistance (Nielsen, Powers, and Tierney 2010). Despite this, analysts of development economics have devoted relatively little attention to Arab giving. A few recent studies have begun to reverse this neglect (Neumayer 2003; Neumayer 2004; Villanger 2007). Thanks to these works, we know that some practices of Arab donors differ significantly from those of DAC members, on whom development specialists have focused most attention. For example, Arab aid is: more geographically concentrated, with a majority donated to other Arab states; less targeted toward the poorest countries, since most goes to states in the lower middle income bracket; given without conditionality, in terms of economic or political reforms imposed upon recipients; and notably, less transparent than that of other major donors (Neumayer 2004).

In this paper, we use AidData to advance the state of knowledge of Arab aid, while noting relevant data limitations and making recommendations for improving data on Arab aid moving forward. We begin in Section 2 with an overview of the key Arab donors, including the Coordination Secretariat, which has brought together the most significant bilateral and multilateral Arab aid organizations. Regarding Arab bilateral donors, we discuss problems including limited data reported by national aid organizations, as well as unreported transfers made by Arab states, which do not go through these organizations. In Section 3, we address the fact that Arab bilateral donors have become less generous when considering aid as a percentage of gross national income (GNI), particularly as their national economies have ballooned during the last decade as a result of high oil prices. We consider possible reasons for declining generosity, including: compensation for the shortfall in bilateral aid by increasing multilateral contributions, displacement of Arab aid by rising aid from non-Arab donors, and allocation of funds that could have been used for foreign assistance by Arab donors to their own rising government expenditures. Section 4 examines the sectoral allocation of Arab aid, finding a consistent preference for infrastructure projects, which is shared among Arab bilateral and multilateral donors. When compared with DAC donors, we find that Arab donors differ substantially in the sectoral profile of their aid. In Section 5, we look ahead and offer recommendations for improving data that will benefit future studies of Arab aid. Noting that the reliance on commitment amounts is more problematic for Arab donors than for DAC members, we advocate, if possible, inclusion of disbursement data in future iterations of AidData. We also recommend the expansion of the database to bilateral aid information from other significant Arab donors, including Qatar, Libya, and Iraq. Section 6 offers a brief conclusion about what we know about Arab aid.
2. Official Arab Aid: Donors & Transparency

2.1 The Major Players in Arab Foreign Aid

The Coordination Secretariat

Based in Kuwait City, the Secretariat of the Coordination Group is an overarching structure which facilitates dialogue and cooperation among the major Arab aid organizations. Existing aid groups broached the need for such an umbrella organization in 1974, and the Secretariat was established the following year in order to improve aid efficiency and maximize the overall impact of Arab aid. The Secretariat’s member organizations include the most significant multilateral donors, as well as bilateral donors, the latter of which are sovereign aid institutions established by some of the major Arab contributing countries. Below, we provide information on each of the members of the Secretariat.

Multilateral Aid Organizations

The Arab Fund for Economic and Social Development (AFESD), established in 1974 and located in Kuwait City, played a key role in the establishment of the Coordination Group. As the major multilateral Arab aid organization in existence at that time, AFESD assumed the organizational duties of the Secretariat, and continues to house the Coordination Group and organize its meetings (Coordination Secretariat n.d.). The AFESD solely gives aid to Arab countries with the stated purpose of facilitating economic and social development, as well as facilitating regional integration among Arab states (Arab Fund for Economic and Social Development 2008). With the exception of Comoros, the other 21 members of the Arab League are all members of the AFESD, donating varying amounts to the organization’s overall budget. Kuwait and Saudi Arabia are the two largest donors, with the former contributing slightly more than the latter (Osman 2009). The projects funded by the AFESD have all been requested by the governments of the countries in which they are implemented. Ministers of Finance of all member states sit on the AFESD’s Board of Governors, and it is they who present proposals for support for projects in their own countries. Aid from the AFESD takes the form of concessional loans and small technical assistance grants (Osman 2009).

The Islamic Development Bank (IDB) is another of the key multilateral donors through which Arab countries contribute foreign aid. Established in 1975, the organization is headquartered in Jeddah, Saudi Arabia, and currently consists of 56 member states. In order to be a member of the IDB, a country must be a member of the Organization of the Islamic Conference and make at least a minimum contribution to the IDB’s capital stock. The aims of the IDB are to finance “economic development and social progress” within its member countries, as well as to aid Muslim communities within non-member states (Islamic Development Bank 2009, 2). The IDB emphasizes that all of its activities must be conducted in accord with the stipulations of Shari’ah (Islamic law), which prohibits the collection of interest on all financial

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1 The Coordination Secretariat indicates that it has five multilateral members. However, there are two organizations alternatively listed as the fifth member: the Arab Monetary Fund (AMF) and the Arab Gulf Programme for United Nations Development Organizations (AGFUND). Since both of these organizations appear to be more minor players, and neither is included in AidData, we touch on these two multilateral groups rather briefly.
transactions. Thus, the IDB extends aid in the form of interest-free loans, and charges a service fee in order to recoup its administrative costs (Islamic Development Bank 2010). Although Arab states constitute a minority of the member-shareholders of the IDB (they number 22 out of 56), the bulk of funds donated to the coffers of the organization come from Arab members. In 2008, the top 8 shareholders in the IDB funded 81 percent of the organization’s total shares; of these 6 were Arab countries who provided 64.7 percent of the total. The single largest shareholder in the IDB, by far, was Saudi Arabia (24.4 percent), followed by these other Arab states: Libya (9.8 percent), Qatar (8.6 percent), Egypt (8.5 percent), UAE (6.9 percent), and Kuwait (6.5 percent). The 2 largest non-Arab contributors, Iran (8.6 percent) and Turkey (7.7 percent), round out the top 8 share holders (Islamic Development Bank 2009, 2-3).

In 1976, the Organization for Petroleum Exporting Countries established a temporary Special Fund as a clearinghouse for aid that oil-producing states were well-placed to give, as a result of the skyrocketing of oil prices that began in 1973. In particular, oil-rich countries were concerned over increasing bad will toward them by states in the “Third World” which had been negatively impacted by oil price increases, and wished to improve their image among these low-income countries (Hunter 1984, 56). Four years later, the OPEC Fund for International Development (OFID), based in Vienna, became a permanent fixture among multilateral aid organizations (van den Boogaerde 1991, 25). Reflecting its origins, OFID continues today to stress “South-South solidarity,” and particularly the goal of enhancing cooperation between members of OPEC and other developing countries. It also indicates a focus on social and economic development in particularly low-income states. Most of OFID’s work takes the form of concessional loans for development projects, balance of payment support, and trade financing; it also provides a modest amount of grants for technical assistance, food aid, research, and emergency humanitarian relief (OPEC Fund for International Development 2008, 2). While OFID is not an Arab-only organization (6 of its 12 current members are Arab states), contributions from Arab countries account for approximately 65 percent of OFID’s direct operations account. Saudi Arabia is the largest donor (34.7 percent), and other Arab contributors include Kuwait (12.5 percent), Libya (6.9 percent), UAE (5.7 percent), Qatar (3.1 percent), and Iraq (1.7 percent); these figures reflect paid-in contributions as of the end of 2008 (OPEC Fund for International Development 2008, 127; based on authors’ calculations).

The Arab Bank for Economic Development in Africa (BADEA) is unique among the Arab multilateral organizations in that it has an exclusive focus on channeling aid to non-Arab African states. Based in Khartoum, BADEA began its operations in 1975, with a mandate to provide financial capital and technical assistance necessary for the economic development of Africa (Arab Bank for Economic Development in Africa 2008, 5). BADEA also promotes Arab-African trade by financing Arab exports to Africa. In the most recent period (2005-09), BADEA has offered concessional loans for periods of 18 to 30 years, at interest rates ranging from 1 to 4 percent per year (Arab Bank for Economic Development in Africa 2010). The organization has 18 Arab members, and the six highest subscribers control over 90 percent of the shares. They are: Saudi Arabia (24.5 percent), Libya (16.3 percent), Kuwait (15 percent), Iraq (14.3 percent), UAE (12.2 percent), and Qatar (8.2 percent) (Arab Bank for Economic Development in Africa 2008, 111; based on authors’ calculations).
There are two other Arab multilateral donors which have been grouped into the Coordination Secretariat; however, neither is included in AidData. The Arab Monetary Fund (AMF) was founded in 1976, is headquartered in Abu Dhabi, and its membership includes all 22 countries in the Arab League. The purpose of the Fund is to help in financing balance of payments deficits and promote concomitant economic reforms, while fostering closer monetary cooperation among Arab states with the long-term aim of increasing Arab economic integration (van den Boogaerde 1991, 19). The Arab Gulf Programme for United Nations Development Organizations (AGFUND) was founded in 1980 at the initiative of Saudi Prince Talal Bin Abdul Aziz, who continues to be its Director-General. The members of the organization, based in Riyadh, are the states of the Gulf Cooperation Council: Saudi Arabia, Kuwait, UAE, Qatar, Bahrain, and Oman (Arab Gulf Programme for United Nations Development Organizations 2002, 19). While the initial purpose of AGFUND was to coordinate Arab assistance to the United Nations, with all projects implemented in tandem with one of 15 UN bodies (van den Boogaerde 1991, 19), AGFUND more recently has diversified and works with other “international and regional organizations, government institutions and NGO’s,” as well (Arab Gulf Programme for United Nations Development Organizations 2002, 4).

**Bilateral Aid Organizations**

Three of the largest Arab donors (Kuwait, Saudi Arabia, and the United Arab Emirates) have established their own sovereign funds for disbursing bilateral foreign aid.\(^2\) Kuwait was the trailblazer in this regard, establishing the Kuwait Fund for Arab Economic Development (KFAED) in 1961. In its early years, the Kuwait Fund provided aid exclusively to other Arab states, but began to diversify its recipients in the mid-1970s by adding aid to non-Arab countries. KFAED offers aid to recipients in the form of loans at concessional terms, generally from 1.5 to 4 percent interest, but occasionally as low as 0.5 percent for highly indebted poor countries. Providing aid through concessional loans rather than outright grants has yielded an important benefit for KFAED: the fund no longer depends on the Kuwaiti government for its budget, which comes from repayments of loans plus interest, supplemented by investments (Hashim 2009).

The Abu Dhabi Fund for Development (ADFD), founded in 1971, is owned by the government of Abu Dhabi, the largest of the emirates composing the UAE. Its stated goals are the promotion of sustainable economic development, alleviation of poverty, and provision of support for regional and international development initiatives. ADFD provides most of its assistance in the form of loans, complemented by small grants. The Fund also administers additional development funds allocated by the Abu Dhabi government (Abu Dhabi Fund for Development 2008, 4).

In 1974, Saudi Arabia established the Saudi Fund for Development (SFD), based in Riyadh. The Fund has two objectives. In the realm of development, the Fund provides loans to governments of developing countries to finance projects. SFD’s efforts are multi-regional, and it claims to prioritize least developed countries. A second objective is the promotion of Saudi non-

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\(^2\) Iraq had a national aid agency, the Iraqi Fund for External Development, from 1974 to 1982, at which point the organization halted its assistance during the Iran-Iraq War. While Libya does not have an aid agency, it often has directed project loans through the Libyan Arab Foreign Investment Company, which bears some similarity to a national aid agency (van den Boogaerde 1991, 5).
crude-oil exports, which SFD facilitates through the provision of export credit and insurance. This latter mission of the SFD is a newer component of its activities, ratified by the Saudi Council of Ministers in 1999 (Saudi Fund for Development 2008, 6).

Overview of Aid from Coordination Group Members

According to its records, the organizations of the Coordination Group (including the AMF but not the AGFUND) engaged in 184 aid projects during 2008, for a total of roughly $5.5 billion in aid activity. Since inception of these eight member organizations, they report contributions of $90.5 billion worth of aid. Table 1 illustrates the distribution of development activity by members of the Coordination Group. In the four rows to the right, the numbers at the top of each cell have been provided by the Coordination Group; we generated the bottom figures using AidData (which does not include data for AMF). Comparing the two sets of figures, some differences are worth noting. Even without the AMF data, AidData reports more operations and aid donated by the members of the Coordination Group than the Secretariat itself does. AidData reports that the IDB contributed significantly less in aid than the Secretariat calculates, but in all other cases AidData reports higher aid numbers for the various Arab multilateral and bilateral organizations.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Location</th>
<th>Founded</th>
<th>Aid from/to</th>
<th>Countries Aided (#)</th>
<th>Operations (#)</th>
<th>Amount (US$ mil.)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Islamic Dev. Bank (IDB)</td>
<td>Jeddah, Saudi Arabia</td>
<td>1975</td>
<td>OIC/ Muslims</td>
<td>56</td>
<td>2,111</td>
<td>26,298.64</td>
<td>29.1</td>
</tr>
<tr>
<td>Arab Fund (AFESD)</td>
<td>Kuwait City, Kuwait</td>
<td>1974</td>
<td>Arab/ Arab</td>
<td>17</td>
<td>525</td>
<td>20,814.32</td>
<td>23.0</td>
</tr>
<tr>
<td>Kuwait Fund (KFAED)</td>
<td>Kuwait City, Kuwait</td>
<td>1961</td>
<td>Kuwait/ world</td>
<td>103</td>
<td>769</td>
<td>15,655.27</td>
<td>17.3</td>
</tr>
<tr>
<td>OPEC Fund (OFID)</td>
<td>Vienna, Austria</td>
<td>1976</td>
<td>OPEC/ world</td>
<td>107</td>
<td>1,187</td>
<td>7,230.19</td>
<td>8.0</td>
</tr>
<tr>
<td>Arab Monetary (AMF)</td>
<td>Abu Dhabi, UAE</td>
<td>1976</td>
<td>Arab/ Arab</td>
<td>22</td>
<td>141</td>
<td>5,151.36</td>
<td>5.7</td>
</tr>
<tr>
<td>Abu Dhabi Fund (ADFD)</td>
<td>Abu Dhabi, UAE</td>
<td>1971</td>
<td>Abu Dhabi/ world</td>
<td>49</td>
<td>160</td>
<td>3,651.24</td>
<td>4.0</td>
</tr>
<tr>
<td>Arab Bank for Africa (BADEA)</td>
<td>Khartoum, Sudan</td>
<td>1975</td>
<td>Arab/ Africa</td>
<td>42</td>
<td>451</td>
<td>2,983.52</td>
<td>3.3</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5,814</td>
<td>90,506.62</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 1. Financing distribution of Coordination Group members (cumulative through 2008)
Sources: (Nielson, Powers, and Tierney 2010; Secretariat of the Coordination Group 2009)
2.2 Transparency of Arab Aid

While Arab multilateral aid organizations generally do an admirable job of documenting their aid activities, bilateral donors have been less transparent. Barriers to transparency come in two forms: 1) insufficient data supplied by national aid organizations and 2) additional unreported transfers by Arab governments which bypass the bilateral organizations. We discuss each of these in turn.

Problems with Data Supplied by National Aid Organizations

Data from national aid organizations reflects two deficiencies. First, some Arab bilaterals do not report reliably on an annual basis. Of the three major Arab bilateral aid organizations, UAE’s ADFD displays the least consistency. It does not report aid for a full decade from 1988 to 1997, and has a gap again from 2005 to 2007. During a visit to the Abu Dhabi headquarters of ADFD in August 2009, a representative provided copies of all of the annual reports she had available. As for the missing years, for which she searched unsuccessfully in the ADFD’s library repository, she was uncertain as to whether the ADFD had not produced any annual reports for those years, or simply had not retained copies of reports. To its credit, the UAE is displaying determination to improve its data collection and publicize information about Emirati aid. In a step toward achieving these aims, the UAE in 2009 established the Foreign Aid Coordination Office (Al Qahtani 2009). FACO’s charge is to collect data on Emirati governmental and non-governmental aid, and governmental organizations to be included in its reporting include both ADFD and the Ministry of Presidential Affairs. Hazza Al Qahtani, the Director General of FACO, indicates that the purpose of the new organization is to “enhance the profile of the UAE as an international donor and activate the role of the UAE in humanitarian work in a more systematic and coordinated way.” He adds, “For the first time, UAE will know how much it gave out on [sic] donations” (quoted in Olarte 2009). Regarding Saudi Arabia, over the period since 1975 for which SFD has reported aid, data is missing for 1981, 2000-2001, and is unavailable after 2005. Kuwait’s national aid organization has been the most reliable in reporting donations. Over the KFAED’s period of coverage from 1962 through 2007, the only missing year is 1970.

Second, Arab bilaterals do not report certain types of development aid which DAC donors routinely report. Debt forgiveness is an example. None of the three Arab national aid organizations includes numbers for debt forgiveness. Despite this, there are instances in which wealthy Arab states have waived debt obligations. Perhaps most notably, the Gulf states used debt forgiveness as an inducement to help persuade fellow Arab states to join the US-led coalition against Iraq in the first Gulf war. As a leader in the Arab world, the beleaguered Gulf states were particularly keen to assure that Egypt would join the coalition to reverse the Iraqi invasion of Kuwait. At the time, Egypt was under a heavy debt burden, and in 1990-91, the Gulf states forgave approximately $7 to 9 billion of Egyptian debt (Pripstein 1991, 20). Since Arab bilateral donors do not report debt forgiveness and Arab multilaterals rarely do, AidData does

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3 Among the Arab multilaterals, AidData indicates one record in which AFESD forgave debt, and four instances in which BADEA did so. OFID displayed no records of debt forgiveness, and AidData does not currently include sectoral codes for IDB.
not show any Arab debt forgiveness for Egypt by any Arab donor, in any year. Data for the Saudi Fund for Development actually indicates that in 1990-91 it gave an average annual total of only $156 million, compared with the SFD average annual total over the 1975 to 2005 time period of $472 million (both figures in USD2000). Not only do the small figures for 1990-91 leave out debt forgiveness to Egypt, they also neglect the $2 billion grant for Syria that President George H. W. Bush reportedly helped secure from the Saudis to encourage Syria’s participation in the US-led coalition against Iraq. This brings us to the second major obstacle in Arab aid transparency, that of undisclosed donations.

Unreported Transfers

A major challenge (or perhaps, hazard) in analyzing Arab aid is the fact that beyond what they disclose through established institutional channels, Arab governments make additional, unreported aid transfers. This is a known phenomenon among scholars (Neumayer 2004, 282; Villanger 2007, 1), confirmed by those who work in or close to the field of Arab aid (Hashim 2009; Osman 2009; Shaalan 2010).

Much as unreported transfers seem to be a norm across Arab donors, some governments appear to utilize them with greater frequency and weight than others. Saudi Arabia stands out in this regard. According to Ahmed Osman, director of the technical department of AFESD, the Saudis conduct a major share of their aid activity off the books, through the Ministry of Finance rather than the Saudi Fund. As a result, despite the figures in Table 1, which show aid from KFAED outstripping that of SFD, Saudi Arabia is reportedly the largest single donor of aid in the Arab world (Osman 2009). Kuwait, by contrast, tends to channel a higher proportion of its total aid through KFAED, rendering it a more “regular” and predictable donor. In part, this is due to the presence in Kuwait of a National Assembly with some real (if limited) ability to subject the executive branch of the Kuwaiti government to accountability. Nonetheless, like the al-Saud family which holds power in Saudi Arabia, there is no doubt that the al-Sabah family in Kuwait makes unreported aid transfers. As a result, Abdul Rahman Al-Sayed Hashim, a regional manager of the Kuwait Fund (KFAED), was unable to answer a query regarding the total annual aid allocated by the Kuwaiti government. Though a senior official at KFAED who has worked there for over 20 years, Hashim indicated that he was not privy to that information, which was held solely by the Kuwaiti Ministry of Finance (Hashim 2009). As for the UAE, the ADFD is unusual in that its 2007-08 annual report records both its own loans and grants, as well as those undertaken separately by the Abu Dhabi government (Abu Dhabi Fund for Development 2008, 38). The aid specified in the report included ADFD loans (52.9 percent of the annual total), ADFD grants (3.2 percent), Abu Dhabi government loans (18.4 percent), and Abu Dhabi government grants (25.5 percent). Beyond what the ADFD reports, it certainly is possible that the governments of Abu Dhabi and the UAE make additional transfers. Nonetheless, the ADFD report provides us with a rare and helpful glimpse at bilateral aid allocated apart from national aid organizations. In particular, it is worth noting that while the vast majority of aid provided by the ADFD is in the form of loans, the Abu Dhabi government displays a tendency toward grants.

In an aid environment that increasingly has emphasized the importance of transparency, why do Arab governments continue to make undisclosed bilateral aid transfers? One possible reason pertains to an Arab cultural norm against publicizing certain charitable contributions. A.
Shakour Shaalan, an Executive Director of the International Monetary Fund who is responsible for casting votes on the IMF Executive Board for the majority of Arab states, makes the case that Arab culture plays an important role in unreported transfers. He indicates that when the leader of a Gulf country gives money to a counterpart of a country that has been stricken by a humanitarian disaster, announcing that charitable gesture would violate a cultural norm (Shaalan 2010). Clearly, this cultural taboo does not prevent Arab countries from announcing many of their aid activities, but it may prompt circumspection in certain instances of giving. Second, there is an institutional explanation. Most Arab leaders enjoy a level of executive discretion that enables them to provide aid in an immediate and personal way. With the ability to issue a check without many constraints, they simply may not be used to, or see a need to, broadcast these donations to the international community. Indeed, since such checks have not been processed through the mechanisms of their national aid organizations, it is not clear through what institution they would render the donations transparent. This logic may well apply for leaders of donor countries which have not established national aid organizations. A third possibility is that states do not report certain aid transactions because there is something they wish to hide. For instance, a leader may wish to make a donation which he knows will be unpopular with his people, due to the identity of the recipient and/or the amount of the gift. Potentially, the recipient state may not want its people to know of the aid, so the leader of the donor state agrees not to disclose the aid. In addition, the donor may not want a particular third party, or the international community as a whole, to know about a particular instance of aid. Indeed, as Abdul Rahman Al-Sayed Hashim of KFAED indicates, national aid agencies such as his have a greater charge to transparency when compared to governments, which preserve their prerogative to keep sensitive matters secret (2009).

With undisclosed transfers a significant issue, finding a way to document or estimate them would constitute a major step forward in our understanding of Arab aid. As an effort in this direction, we examined balance of payments information for Arab donors and their recipients, checking whether the residual category of “net errors and omissions” (NEO) would reflect regular and substantial debits on the part of donors and credits for recipients. This effort, which we undertook for the period of 1994 to 2008 using IMF data (International Monetary Fund March 2001-March 2010) did not yield a “smoking gun.” NEO figures for recipients had mixed signs over the years, as did NEO data for donor state Kuwait. Our other two donors were interesting on grounds of transparency, but mostly because UAE simply does not report NEO data to the IMF, and Saudi Arabia only began doing so in 2005. Over the 2005 to 2008 period in which the Saudis have reported NEO numbers, they have been consistently large and negative, ranging from debits of over $15 billion to almost $35 billion. Solely on the basis of this four-year period, however, we are unable to draw any conclusions. While we have more evidence of lack of financial transparency for major Arab donors (specifically, UAE and Saudi Arabia), we cannot report any progress in quantifying unreported Arab aid. The undisclosed nature of a substantial portion of Arab aid remains a major challenge to those who wish to study this important topic.

4 T. J. Cheng deserves credit for contributing this innovative suggestion.
3. Generosity of Arab Donors

3.1 Generosity Relative to DAC Donors and Trends

One salient question raised in existing work on Arab aid is how generous Arab donors are, and whether and how their generosity has changed over time (Neumayer 2004; Villanger 2007). We follow the convention of measuring “generosity” as aid divided by gross national income (GNI), calibrating the extent of giving by a particular state relative to its income. For aid figures, we use bilateral donations recorded in AidData, and we calculate GNI with World Development Indicators (World Bank 2010). Our data, reported in Table 2, indicates that Kuwait reports the most bilateral aid relative to its GNI of the three major bilateral donors. The Kuwaitis have been generous by international standards. In 1970, the United Nations called on countries to give a minimum of 0.7 percent of their GNI as official development assistance in UN General Assembly Resolution 2626 of 24 October 1970 (“International Development Strategy for the Second United Nations Development Decade”). Members of the OECD’s Development Assistance Committee (DAC), which does not include Arab states, have not come close to hitting this mark. Between 1975 and 1999, DAC countries reported five-year averages of between 0.24 and 0.36 percent for ODA/GNI (Neumayer 2004, 291). By these standards, Kuwait has been quite generous, while donations by Saudi Arabia and the UAE have been more similar to those of average DAC countries.

<table>
<thead>
<tr>
<th>Year Range</th>
<th>Kuwait</th>
<th>Saudi Arabia</th>
<th>UAE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975-79</td>
<td>1.80%</td>
<td>0.50%</td>
<td>0.27%</td>
</tr>
<tr>
<td>1980-84</td>
<td>1.66%</td>
<td>0.20%</td>
<td>0.59%</td>
</tr>
<tr>
<td>1985-89</td>
<td>1.02%</td>
<td>0.21%</td>
<td>0.12%</td>
</tr>
<tr>
<td>1990-94</td>
<td>1.84%</td>
<td>0.12%</td>
<td>n/a</td>
</tr>
<tr>
<td>1995-99</td>
<td>1.61%</td>
<td>0.28%</td>
<td>0.24%</td>
</tr>
<tr>
<td>2000-04</td>
<td>1.09%</td>
<td>0.12%</td>
<td>0.26%</td>
</tr>
<tr>
<td>2005-07</td>
<td>0.56%</td>
<td>0.07%</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Table 2. Generosity of Arab aid as percentage of GNI, 1975-2007
Source: (Nielson, Powers, and Tierney 2010) and authors’ calculations

Regarding trends in Arab aid generosity, one important finding is that generosity has declined for two of the bilateral donors – Kuwait and Saudi Arabia – since 2000. (A trend is more difficult to discern for UAE, which is plagued by missing data and displays less predictability in the years for which we do have information.) In the Kuwaiti case, the most transparent bilateral donor for which we have complete data for the full time period, the decline in generosity is due almost entirely due to the tremendous jump in Kuwait’s GNI. Expressed in current US dollars, Kuwait’s GNI increased approximately fourfold from 1998 to 2007 (as indicated in Figure 1). During the same period, Kuwait’s bilateral aid increased by 40 percent; once we account for inflation, these figures indicate that aid levels have remained relatively flat. While Kuwait has experienced a substantial increase in prosperity, it has not increased its aid commitments. One reason that reported Kuwaiti aid has remained flat is that, as indicated above, KFAED no longer receives money from the state, instead deriving its budget from loan repayments, (low) interest on concessional loans, and investments. Given Kuwait’s surge in GNI, we might expect the state to spend some of its increased wealth on aid, contributing additional funds to KFAED. This begs the question: As high oil prices have bolstered the national wealth of the principal donors of Arab aid in the last decade, why haven’t these states
increased aid in order to maintain their previous levels of generosity? In the following sections, we offer some potential explanations.

**Kuwait GNI & Aid Commitments (1975=1)**

![Graph showing Kuwait GNI & Aid Commitments](image)

*Figure 1. Ratio of Kuwaiti bilateral aid commitments and GNI expressed in nominal USD Source: (Nielson, Powers, and Tierney 2010) and authors’ calculations*

### 3.2 Bilateral vs. Multilateral Arab Aid

One possibility is that Arab states have maintained their previous level of generosity, making up for flat levels of bilateral aid-giving by donating more money through multilateral channels. This would be particularly worthy of note, since van den Boogaerde (1991, 4) reports that one of the main characteristics of Arab aid historically is that it has been predominantly bilateral. In Figure 2, we consider whether a shift has taken place by plotting the combined aid of our three bilateral donors (Kuwait, Saudi Arabia, and UAE), as well as the total aid of four multilateral donors (AFESD, IDB, OFID, and BADEA). Indeed, Figure 2 shows that while bilateral Arab aid has been fairly consistent since the late 1980s, commitments from multilateral Arab institutions has risen rather gradually and consistently over the same period. However, the increase in multilateral commitments is not sufficient to compensate for the decline in generosity of aid giving. In addition, the trend toward increasing aid through multilateral institutions began in the late 1980s and thus precedes the dip in Arab generosity in the last decade. If Arab donors were shifting their bilateral giving to multilateral venues, we should expect to see an acceleration

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5 One exception, the spike in bilateral aid in 1998 is attributable to unusually high aid commitments by the Saudi Fund for Development, which accounts for approximately $2 billion of the $2.5 billion total for that year. In the ten years prior to 1998, SFD’s average annual commitment was $153 million. The Saudis contributed about half of the $2 billion in 1998 to two recipients: Syria, for a power station in Aleppo; and Egypt, for “a number of projects.” They divided the remainder of the aid committed that year among 16 other recipients.

6 The two considerable dips in multilateral aid since 1988 are the results of missing data. There are no reported commitments from the Arab Fund for Economic and Social Development in 1995, and none for the OPEC Fund for International Development in 2001. Assuming that those organizations committed the average amount over the preceding 10 years for the two years in question, the dip in 1995 would disappear, and the 2001 decrease would be cut in half.
in this trend in the 2000s, during the period that GNI has increased so substantially. From Figure 2, it is clear that there has been no such acceleration. Further, we should bear in mind that other countries donate to these multilateral aid organizations besides Kuwait, Saudi Arabia, and UAE, which are not solely responsible for the increase in multilateral commitments.

![Aid Commitments by Arab Donors (2000USD)](image)

*Figure 2. Arab Aid commitments by multilateral and bilateral institutions, 1976-2006
Source: (Nielson, Powers, and Tierney 2010) and authors’ calculations*

**3.3 Displacement Effect of Non-Arab Aid**

A second possible reason that Arab donors have not contributed more of their vast national incomes to foreign aid is that non-Arab donors have increased their commitments to traditional recipients of Arab aid. We find support for this notion that Arab aid has been displaced by non-Arab aid, particularly where Arab recipients are concerned. Van den Boogaerde (1991, 4) observed that wealthy Arab states have tended to give a majority of their aid to fellow Arab countries, and this is still true. Over the full period from 1973 to 2007, 53.9 percent of Arab aid was allocated to Arab recipients; from 1998 to 2007, that figure was 59.5 percent (authors' calculations based on Nielson, Powers, and Tierney 2010). As Figure 3 indicates, aid to Arab recipients from non-Arab sources has always been significant, and indeed, has outstripped reported bilateral aid contributions from Arab donors. During the same period of substantial GNI growth by the Arab donors (since 2002), non-Arab donors have sharply increased their commitments to Arab recipients. In particular, the United States has compensated friendly regimes like those in Egypt and Jordan since 2003 for their quiet assistance during the war in Iraq (Shulman 2008). Given the surge in donations to Arab recipients from non-Arab sources, it is possible that Arab donors have not perceived a need to increase their aid to fellow Arabs. Aid to Arab recipients from Arab donors has been displaced, and Arab donors have found other uses for their recently increased wealth: namely, they have spent it at home.

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7 Of the three major Arab bilateral donors, UAE has given the highest percentage of its aid to fellow Arab states, at 62 percent. Over the same period (1973-2007), the figures for Kuwait and Saudi Arabia are 53.1 and 52.8 percent, respectively.
3.4 Increasing Government Expenditures by Arab Donors

A third factor that explains the decline in generosity of Arab donors is that wealthy Arab states have substantially increased their government expenditures. If political leaders in these states face increasing opposition, we might expect to see increasing domestic expenditures aimed at ensuring their political survival (Bueno de Mesquita et al. 2003). Certainly, Saudi Arabia faces internal unrest, particularly from homegrown Sunni extremists (including al-Qaeda on the Arabian Peninsula, which claimed responsibility for the May 2003 attacks on a number of housing compounds in Riyadh) and discontented Saudi Shi’a, coupled with opposition from increasing numbers of Saudi citizens angered by official corruption and demanding transparency (Cordesman and Obaid 2005, 264-284; Hegghammer 2006). As a first cut at the question of whether Arab donors have been prioritizing domestic spending for regime survival, we examine growth in general government final consumption expenditure and compare it to growth in development assistance. Focusing on the case of Kuwait (for which we have the best data), we find domestic expenditures have grown more rapidly – and began their increase earlier – than GNI. By 1981, each of these measures had doubled from its 1975 level. During the 1980s, while GNI remained flat and aid commitments decreased, domestic expenditure doubled again, to four times the 1975 level. When GNI began to accelerate rapidly in the 2000s, domestic expenditures also accelerated. Based on their stability over the last three decades, development

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8 This indicator, obtained from World Development Indicators Online, includes “expenditure . . . incurred by general government on both individual consumption goods and services and collective consumption services” (OECD 2010). Specifically, individual consumption goods and services include health, housing, recreation, and related expenditures. Collective consumption services include items such as defense, public safety, environmental protection.
assistance commitments do not appear to be sensitive to changes in the size of domestic budgets. Growth in government expenditures are quite likely a salient part of this picture.

**Figure 4. Ratio of Kuwaiti government expenditure, bilateral aid, and GNI (nominal USD)**

Sources: (Nielson, Powers, and Tierney 2010; World Bank 2010) and authors’ calculations

3.5 Decreasing Arab Generosity? Provisional Conclusions

This study supports previous research findings that bilateral Arab aid efforts are decreasing. Particularly in the last 10 years, bilateral aid commitments have not kept up with rapidly increasing GNI in the major Arab donors. An increasing emphasis on multilateral aid can account for some of this decline in Arab generosity. It also appears that Arab aid has been displaced both by non-Arab development assistance and by increasing domestic expenditure.

4. Sectoral Trends in Arab Aid

In this section, we leverage AidData’s inclusion of sectoral and project codes for non-DAC donors to provide information on the priorities of Arab aid organizations. Further, we look at whether Arab bilateral and multilateral donors focus their aid in different sectors, and compare the sectoral breakdown of aid by Arab and DAC donors.

4.1 What Types of Projects Does Arab Aid Support?

Beginning with the major Arab bilateral donors (Kuwait, Saudi Arabia, and UAE), we look at the sectoral breakdown of aid commitments in three 10-year periods: 1978-87, 1988-97, and 1998-2007. Figure 5 shows that the aid priorities of the Arab bilateral donors has been remarkably stable over time. In each ten-year period, infrastructure projects have dominated the agenda, with the top three sectors emerging as: 1) transport and storage, 2) energy generation and supply, and 3) water supply and sanitation. Not only have sectoral priorities remained constant,

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9 The pie chart for 1988-97 includes commitments for Kuwait and Saudi Arabia only, since we lack data for UAE during that period.
the overall share of total aid devoted to the top three sectors has increased over time. The three largest sectors accounted for similar amounts in 1978-87 and 1988-97 (approximately 60 percent), but that level has risen to 67.2 percent in the most recent period, 1998-2007. It is worth noting that the three major Arab bilateral donors are quite similar to each other in terms of their sectoral preferences. The only difference that stands out is that in the earliest period, UAE’s top funding priority was government and civil society (specifically, government administration) to which it devoted 38.1 percent of its bilateral aid. As a result, that sector receives the sixth-largest amount of Arab bilateral aid from 1978-87, the only period in which government and civil society is among the top ten sectors in terms of Arab bilateral commitments.
Figure 5. Sectoral Distribution of Arab Bilateral Aid Commitments
Source: (Nielson, Powers, and Tierney 2010) and authors’ calculations
4.2 Arab Multilateral Aid by Sectors

Having explored sectoral allocation by Arab bilateral donors, we turn to the question of whether Arab multilateral organizations display a different pattern in their aid commitments. This question is especially important since multilateral commitments have outstripped bilateral ones since the late 1980s, and the gap appears to be widening (see Figure 2). This upsets the conventional wisdom that Arab states give most of their aid bilaterally, which would enable them to maximize the foreign policy leverage they can derive from development assistance efforts. Delegation theory (Hawkins et al. 2006, 12) offers one reason why donors might increasingly use multilateral channels. If the aid priorities of Arab donors have shifted away from large-scale infrastructure projects toward more specific social welfare projects (e.g., health and education), then the turn toward multilateral channels might reflect the increasing benefit of project-related institutional expertise.

Our findings indicate, however, that the sectoral priorities of Arab bilateral and multilateral aid agencies are largely the same. Arab multilateral development institutions allocate the majority of their funds to transport, energy, and water, just as Arab national aid organizations do. Arab multilateral institutions have further mirrored Arab bilateral agencies by growing more focused over time. As Figure 6 shows, the top three sectors accounted for about 51.8 percent of multilateral commitments from 1978-1987. That figure grew to 54.2 percent from 1988-97 and 67.4 percent from 1998-2007. Since sectoral allocation, which is quite similar among all Arab aid organizations, cannot explain what appears to be an increasing tendency toward aid provision through multilateral channels, the reason for the apparent move to multilateral giving remains an open question. It is possible that the trend reflects an increase in Arab solidarity, though this explanation flies in the face of the conventional wisdom among regional specialists who have pointed to increasing Arab fragmentation as Arab national identities and states have strengthened (Ajami 1978; Barnett 1998; Gause 2003).
Arab Multilaterals by Sector, 1978-87

- Transport & Storage: 19.2%
- Agriculture: 16.3%
- Energy Generation & Supply: 16.3%
- Industry: 8.3%
- Water Supply & Sanitation: 7.4%
- General Budget Support: 6.7%
- Food Aid: 6.1%
- Other Multisector: 5.3%
- Communication: 5.1%
- Mineral Resources & Mining: 2.2%

(remaining 16): 7.2%

Arab Multilateral Aid by Sector, 1988-97

- Energy Generation & Supply: 26.1%
- Water Supply & Sanitation: 15.6%
- Agriculture: 12.5%
- Industry: 9.7%
- Transport & Storage: 10.8%
- Education: 5.5%
- Other Multisector: 5.4%
- Health: 4.3%
- Communication: 2.5%
- Humanitarian Aid: 2.0%

(remaining 14): 5.5%
4.3 Comparing Sectoral Allocation among Arab and DAC Donors

Having established the priorities of Arab aid organizations, how does the sectoral allocation of these important non-DAC donors compare with those of DAC member countries? There are certainly salient differences. While Arab donors have focused their aid on infrastructure, and especially transport, energy, and water (Figures 5 and 6), DAC members have spent far less on those items and have decreased their emphasis in these areas over time. In both 1978-87 and 1988-97, DAC allocated roughly 20 percent of their aid budgets to transport, energy, and water, and this proportion decreased to 15.1 percent from 1998-2007 (see Figure 7). While aid allocation for Arab donors is highly concentrated in a few areas and consistent over time, DAC donors support a much broader portfolio of projects, which has shifted over the years. In the earliest of the three decades covered, the top three sectors were general budget support, food aid, and agriculture. In the most recent period, the top sectors were action relating to debt, government and civil society, and humanitarian aid. One major contribution of AidData

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10 By percentage, the single largest portion of DAC aid in all three decades is classified as “unspecified/missing.” AidData utilizes the OECD-CRS purpose codes for DAC donors, and we have combined into a single category those projects classified as “unspecified” by OECD-CRS and those which simply had missing purpose codes. By contrast, “unspecified/missing” sector codes are not an issue for Arab donors because AidData staff coded these directly.
is to shed light on giving by states outside the DAC. In the case of Arab states, it is clear that they allocate their aid according to different priorities than DAC members do.
5. Looking Ahead: Moving Forward with Arab Aid

5.1 Issues with an Exclusive Focus on Commitment Data

One lesson that we have learned from using AidData is that an exclusive reliance on commitments creates difficulties for the study of Arab donors. The main reason is that Arab donors have been resolutely immune to norms favoring more numerous, but smaller, development projects (see Figures 8 and 9, below). As a result, even when Arab aid data are complete, they remain extremely noisy. Large, expensive projects that take a long time to complete may entail disbursements over a number of years. Assigning the full value of these projects to one year is ultimately arbitrary, if our aim is to measure aid effort over time. Another difficulty that results from an exclusive focus on commitments is the inability to measure gaps between committed aid and disbursed aid. If donors tend to make numerous small commitments, it may be reasonable to assume that this gap is not large. If a donor wishes to use aid strategically, it may “punish” recipients by making fewer commitments in the future. This option makes less sense for donors (including Arab states) that favor large, multi-year projects. These countries are more likely to reduce their disbursements of existing commitments. Countries that make larger, multi-year commitments are also more likely to run into difficulties.
following through on those commitments, even when they have the political will to do so. For example, Saudi Arabia’s disbursements fell sharply in the 1980s, following declining oil prices.\textsuperscript{11}

This is a potentially serious problem because the major Arab donors are united in their preference for large aid projects. In 1977, Kuwait made 25 bilateral aid commitments, with a mean value of more than $45 million (USD2000). In the same year, DAC member Norway made 103 bilateral commitments with a mean value of just over $2 million. In recent years, this gap between Arab donors’ and DAC members’ commitment practices has become a chasm. In 2007, Kuwait made 30 bilateral commitments with a mean value of $30 million; Norway made more than four thousand commitments, with a mean value just over $0.5 million.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{Number_of_Project_Commitments_Arab_Donors.png}
\caption{Number of Project Commitments, Arab Donors}
\end{figure}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{Number_of_Project_Commitments_DAC_Donors.png}
\caption{Number of Project Commitments, DAC Donors}
\end{figure}

\textit{Figure 8. Number of Annual Commitments, Arab Donors and DAC Members}
\textit{Source: (Nielson, Powers, and Tierney 2010) and authors’ calculations}

\textsuperscript{11} From 1980-1989, Saudi Arabia’s disbursements were only 55 percent of its commitments (van den Boogaerde 1991, 52).
5.2 Broadening Coverage of Arab Donor States

By collecting systematic, project-level information on Arab bilateral commitments, AidData has made a major contribution to the study of development assistance in the Arab world. We are also encouraged to see that AidData has begun to incorporate data from other Arab donors outside the “big three” (e.g. Qatar’s 2007 bilateral aid is included). As we noted in Section Two, many Arab states make significant contributions to Arab multilateral institutions, and they may also make noteworthy bilateral contributions despite not having national aid organizations. In addition to Qatar, Libya fits into this category, as does Iraq, which has been an important donor in the past, and may well become one again as its oil revenues increase and its economy stabilizes. If AidData were able to build on these early successes and expand its coverage beyond Kuwait, Saudi Arabia, and the United Arab Emirates, it certainly would contribute to our knowledge of Arab aid.
6. Conclusion

Nearly two decades have passed since the last major country-level survey of Arab aid practices (van den Boogaerde 1991). Our goal in this paper has been to leverage the new information in AidData to determine what, if anything, has changed during that time. Though our work here is primarily exploratory, we feel confident in drawing the following conclusions. First, there has indeed been a decline in the “generosity” of Arab giving. This is less a case of declining aid effort in an absolute sense, and more a case of aid failing to keep pace with rapid income growth over the past decade. Further work will be necessary to establish convincingly the causes of this phenomenon. However, our work has identified three plausible candidates: movement toward aid through multilateral organizations, which may be a partial explanation; the tremendous increase in aid commitments to Arab recipients from non-Arab donors following the 2003 Iraq war; and the acceleration of government expenditures by Arab donors in recent years. Second, we are confident that the increase in Arab multilateral aid cannot be explained by changing sectoral preferences. Arab multilateral institutions fund the same types of projects that bilateral aid agencies fund – and they have done so consistently over the entire time period covered by AidData. If there is variation between projects funded by bilateral and multilateral organizations, this variation occurs at a finer grain than current data captures. Even if bilateral and multilateral aid activity occurs in the same sectors, it may still be the case that Arab donors use bilateral aid strategically to reward specific people or regions within recipient countries. Third, it is clear that Arab donors differ from more widely studied DAC donors in their continuing preference for high-profile, expensive infrastructure projects. One of the key contributions of AidData is the systematic attention given to non-DAC donors, including Arab aid organizations, and we hope to see this coverage expand.

Bibliography


World Bank. 2010. "World Development Indicators Online."