ARAB DEVELOPMENT AID AND THE NEW DYNAMICS OF MULTILATERALISM: TOWARDS BETTER GOVERNANCE?

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Abstract
This study attempts to explore the evolution of the Arab Development Aid and contextualizes the Arab model of development aid vis-à-vis the DAC Model and the Southern Model shedding light on its transforming characteristics. The Kingdom of Saudi Arabia (KSA), Kuwait and the United Arab Emirates (UAE) have been among the most active donors in the world, with official development assistance (ODA) averaging 1.5 percent of their combined gross national income (GNI) during the period 1973-2008, more than twice the United Nations target of 0.7 percent and five times the average of the OECD-DAC countries. This paper approaches this model of development aid by focusing on: the changing nature of multilateral development framework and the rising role of emerging economies in the aid system; the basic tenets of the Arab aid development model and its current composition and characteristics; the challenges and future prospects for the Arab development aid and its potential role in engendering better governance mechanisms in the Arab region and globally with a case study on the case of the Qatar Development Fund.

Keywords: Arab Development Aid, Multilateralism; OECD, Emerging Economies, Governance, Qatar Development Fund

Introduction
Since the 1970s, Arab states have asserted themselves as prolific and generous donors of foreign aid. Led by the Kingdom of Saudi Arabia (KSA), Kuwait and the United Arab Emirates (UAE), Arab donors have been among the most active international donors, with official development assistance (ODA) averaging 13 percent of global ODA during the period 1973-2008 (Walz and Ramachandran, 2011, p. 12). Indeed, Arab donors have some of the most well-established aid programs in the world, and have consistently provided recipients with an alternative to DAC donor financing. While, Arab donors have become central proponents of South-South Cooperation (SSC), providing almost 75 percent of non-DAC ODA from 1973-2008, clear differences between Arab donor modalities and both Southern

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339 ODA is defined by OECD as financial assistance meeting the following four criteria: (i) provided to a developing country or an ODA-eligible multilateral organization; (ii) on concessional terms with a grant element of at least 25 percent; (iii) for a development purpose and (iv) by official agencies. Data on ODA flows are reported to DAC annually by a focal agency within each of the Gulf countries. In 1970, the United Nations called on countries to give a minimum of 0.7% of their GNI as official development assistance in UN General Assembly Resolution 2626 of 24 October 1970. As Adelman and Spantchak (2013, forthcoming) indicated, total ODA flows have been steadily increasing since the 1960s. While there was a decline only in real terms during the 1990s recession, in 2010, ODA picked up again by exceeding $128 billion - hitting historical records.
and DAC models has characterized Arab aid as a unique branch of the international ODA flora and has raised questions surrounding the location of Arab aid in relation to alternate modalities (Waltz and Ramachandran, 2011, p. 12).

Prefaced against the background of a rapidly changing international system, this study attempts to explore the effectiveness of Arab development aid and contextualizes the Arab model of development aid vis-à-vis the DAC Model and the Southern Model. A critical task we aim to undertake in this study is to position the Arab development aid in relation to other existing models of aid and shed light on its changing and transforming peculiarities, and characteristics.

We approach the Arab model of development aid by taking into account the changing and transforming character of the global multilateral development framework. This study will focus exclusively on ODA flows and evaluate the Arab development aid by taking into consideration the changing patterns and dynamics in ODA globally. While we recognize that ODA is no longer the primary form of development financing, as private flows and investment have increasingly outweighed global volumes of ODA, (Adelman and Spantchak, 2013 [forthcoming]), the strategic and political considerations that accompany ODA and the centrality of ODA within the Arab model of development assistance, justifies the use of ODA as the central feature through which to discuss Arab aid. The use of ODA, however, should not be seen as the ultimate aim, as we argue that historicity of ODA is comprised of inefficiencies and ineffectiveness. This study attempts to link ODA and implementation of better governance mechanisms in national contexts. The discussion on the Paris Declaration and Accra Agenda will clearly indicate the possible avenues of articulation between ODA and governance, which is often seen as a missing link in the literature. As UNCTAD’s latest meeting in Doha (May 2012) presented the motto “more inclusive development”, we argue that ODA has more potential and capability to foster better governance mechanisms. In addition, we focus on the case of the Qatar Development Fund, as Qatar had allocated $10,862,361,353 in Governmental aid, and $4,278,126,789 in Non-Governmental aid during the period 2006-2012 (Qatar Foreign Aid Report 2012).

Section One - Changing Nature of Multilateral Development Framework and the Rise of Emerging Economies

The World Bank reports show that aid has been essential to helping low-income countries accelerate economic growth and lift people out of extreme poverty over the last few decades. For many developing countries, ODA—and the reforms it supports—needs to continue to be a stable source of development financing; especially for the poorest economies and fragile states with limited or no access to capital markets. It represents the biggest financial inflow to fragile states, after remittances and foreign direct investment (FDI). ODA is expected to remain a critical input to achieve the new development goals (World Bank Group Report, 2013).

Similar to the case of DAC donors, non-DAC states drivers of aid-giving, and humanitarian assistance in particular, have reflected wider political and ideological interests or concerns. These political origins can be traced back a long way; in particular, the formation of the Non-Aligned Movement (NAM) in the 1950s played a catalytic role in the formulation of a rationale for assistance between developing countries. The principles of the NAM – especially respect for sovereignty and territorial integrity and non-interference in other countries’ domestic affairs – have shaped the way for many non-DAC donors to conceive of their support. These principles remain important today – for instance, they inform the G-77’s criticism of Western governments’ adoption of ‘humanitarian intervention’ as a way of furthering broader political ambitions (Adele Harmer and Lin Cotterrell, 2005).
The multilateral space that provides the backdrop for donors to function has recently begun to change as the (re)emergence of new donors and the recent surge in South-South Cooperation has challenged the traditional norms that previously defined the multilateral development framework. Throughout the last decade, non-DAC donors have significantly increased aid spending. Major DAC donors are widely criticized for weak targeting of aid, selfish aid motives and insufficient coordination. The emergence of an increasing number of new donors may further complicate the coordination of international aid efforts. On the other hand, new donors (many of which were aid recipients until recently) may have competitive advantages in allocating aid according to need and merit (Dreher Axel; Nunnenkamp, Peter; Thiele, Rainer, 2010).

In 2008, South-South aid flows were valued at $15.3 billion, an amount composing approximately 9.5 percent of total global development cooperation (UNDP, 2011 p. 147). Other estimates place aid levels from non-DAC donors between 8 and 31 percent of global ODA, with four non-DAC donors (Saudi Arabia, United Arab Emirates, China and Venezuela) reaching the official UN aid target of 0.7 percent of GNI—a benchmark that 18 of 23 DAC donors consistently fail to reach (Walzand Ramachandran, 2011, p. 1). As aid from traditional donors begins to decline in the aftermath of the financial crisis, emerging donors are asserting themselves as alternate providers of development financing, widening their stake in development efforts while presenting an approach to development that clearly breaks from previous global norms (World Bank Group Report, 2013).

Ideologically, the multilateral development space is governed by the five principles that compose the current international agenda for aid effectiveness. Formalized in 2005 via the Paris Declaration for Aid Effectiveness, global efforts towards improving the efficiency of foreign aid have become associated with the adoption and inclusion of ownership, alignment, harmonization, managing for results, and mutual accountability within global aid practices (OECD, 2005). As a follow up to earlier High-Level Forums on Harmonization in Rome (2003) and on Development Results in Marrakech (2004), the Paris meeting on aid effectiveness became the sight of the development of the first practical and action-oriented roadmap to improve the quality of foreign aid (OECD, 2005).

In 2008, the international community reaffirmed its commitment to the Paris Declaration in the Accra Agenda for Action (AAA), a new aid effectiveness agreement that aimed to strengthen and deepen the implementation of the Paris targets (OECD, 2012). The AAA suggested that advancement towards the Paris targets could be improved through increasing recipient ownership over coordination and formation of aid policies, fostering partnerships that offer greater participation to all development actors including civil society as well as official development partners, and by ensuring that aid is clearly focused towards the achievement of real and measurable results. In addition, the AAA also emphasized the importance of ‘capacity development’ as a key feature of efforts towards aid effectiveness, advocating that donors and recipients should work together to improve the ability for recipients to manage their own futures.

Using the foundation established in past aid effectiveness forums, the 2011 High Level Forum on Aid Effectiveness held in Busan, broadened the previous effectiveness agenda by shifting the international focus away from ‘aid’ and towards ‘development cooperation’. In essence, the forum in Busan helped to realign the international development sphere to one that acknowledged the changing development landscape and that sought to become more widely applicable to development efforts pursued by non-state development partners, and through

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340 According to Kragelund (2008), the so-called ‘emerging’ donor countries are not necessarily new to the aid environment, with aid programs from several ‘emerging’ donors dating back to the 1960s. However, a recent surge in aid activity from strengthening Southern economic powers has increased the international presence of Southern aid spending and contributed to the so-called ‘rise’ of ‘emerging’ powers.

341 There are some countries who were recipients and they become recipient and donors, such as Brazil, India, Turkey, China and South Africa. There some other countries who were recipients and become donors, such as South Korea (see more in: http://www.globalhumanitarianassistance.org/country-profiles)
South-South and triangular forms of cooperation. In acknowledging that different modalities of development create different responsibilities from those that govern traditional North-South efforts, the conference in Busan forged a new global development partnership that sought to embrace the new diversity of the developmental space through recognizing and fostering the unique roles that different stakeholders can play to support global development (OECD, 2011). While the meeting in Busan marked a clear shift in the international development architecture, emphasizing broader calls for cooperation towards sustainable development and facilitating the inclusion of non-state development actors within the development paradigm, the foundational principles underlying the new development framework remain rooted in the principles that defined the aid effectiveness agenda according to the Paris Declaration.

The shift towards ‘development cooperation’ in Busan was partly driven by recent changes to the international development space. In conjunction with the ‘reemergence’ of non-DAC donors, the proliferation of new development actors – NGOs, private philanthropists, and multilateral agencies – has raised fears of the path the multilateral system is suffering from increasing fragmentation (Reisen, 2010). Given that many new development actors do not directly engage with the multilateral system, the rising number of agencies promises to increase the challenges associated with overlapping mandates, complex funding arrangements, and conflicting monitoring programs, creating a multilateral development space that is confused, incoherent, and directly at odds with efforts towards aid effectiveness.

While the number of actors within the multilateral sphere is on the rise, the amount of aid allocated to multilateral institutions appears to be stagnating. Indeed, from 2001 to 2009, core contributions to multilateral institutions declined from 33 percent to 28 percent (OECD-DAC, 2011, p. 5). At the same time, donors have increasingly substituted core contributions to multilateral agencies for earmarked spending allocated through multilateral institutions in a process termed the ‘bi-lateralization’ of multilateral aid (Sagasti, 2005). This trend towards earmarking, where donors channel funds through multilateral institutions for specific regional or sector programs, appears to have quickened with the international emphasis on result-based programming, as the need for bilateral donors to justify aid spending through claiming results has perpetuated a system of flag-planting within the multilateral sphere. While the ability for the multilateral system to channel bi-lateralized aid flows into a coherent and harmonized development agenda remains unclear, the rising amount of earmarked spending, which grew to 12 percent of total ODA in 2009, threatens to deepen fragmentation within the multilateral system by further entrenching bilateral priorities into multilateral development actions (OECD-DAC, 2011, p. 28).

In addition to the proliferation of new development actors, the number of multilateral agencies that define the international development space has also grown. Rising from 15 key multilateral agencies in 1940 to over 260 by 2008, the creation of new multilateral players has partly been aligned with the rise of emerging powers (Reisen, 2010). Indeed, recent debates suggest that the un-representativeness of the current multilateral system, which remains dominated by Bretton Woods institutions that afford little decision-making authority to emerging political and economic power, has led such powers to actively avoid the traditional multilateral sphere in search of new multilateral spaces that are free of Western influence and provide a space for South-South development cooperation.

In the absence of meaningful reform within the traditional multilateral system, emerging donors have pursued spaces free of western influence or avoided the multilateral system altogether. While China and India have tended to limit multilateral interactions, opting to provide aid bilaterally in efforts to maintain greater policy independence, South Africa and Brazil have been more open to collaboration with multilateral organizations and each other (Walz and Ramachandran, 2011). Indeed, recent estimates suggest that both Brazil and South Africa have allocated almost 75 percent of their aid spending through multilateral
agencies (Walz and Ramachandran, 2011, p. 19; Zimmerman and Smith, 2011, p. 727). However, such aid tends to be channeled towards Southern-led regional financial and developmental institutions over traditional western multilaterals, in efforts to enhance Southern ownership over regional development processes and to maintain relative control and decision-making process over multilaterally distributed funds (see Burrall, 2007; Griffith Jones et al. 2008; Corrasco et al. 2007). The establishment of Southern-based multilateral arrangements, such as the G77 plus China, the African Economic Community, and IBSA (India-Brazil-South Africa), has not only created a space for developing countries and emerging donors to assert control over development decision-making, but has also provided an outlet for developing countries to pursue development that is more transparent, participatory, accountable, and targeted towards the specific needs of developing countries (African Regional Meeting 2010).

Indeed, the rise of emerging donors as providers of development finance has begun to change the rules of the traditional aid game. Guided by the principles of mutual benefit and solidarity between developing countries, emerging donors aid practices tend to reject the use of political and economic conditionalities in favor of a non-interventionist approach to aid programming (Woods, 2008). While some contend that this ‘hands-off’ approach to aid financing may hinder prior efforts to increase international standards, particularly towards governance and environmental protections, and may encourage poor policies, unsustainable borrowing, and support for ‘rouge states’ (see Naim, 2007), others have suggested that the alternative approach provided by emerging donors has increased competitive pressure within the aid system and has served to weaken the bargaining power of traditional donors (Woods, 2008). Although the alternatives to traditional aid provided through the rise of new donors and South-South aid flows present challenges to the prevailing and outdated logic that tends to govern traditional aid practices in both the bilateral and multilateral spheres, there is little evidence to suggest that emerging donors are overtly trying to overturn the present multilateral system.

Section Two: Basic Tenets and Characteristics of Arab Development Aid

Amidst the changing multilateral system, where new development actors are playing an increasing role in the provision of development assistance, clear trends have formed around the aid modality preferences adopted by non-DAC bilateral donors. According to Zimmermann and Smith (2011), apart from the OECD DAC, these donors can be categorized into three different strands of development cooperation providers. Zimmerman and Smith’s first model of aid is provided by ‘emerging donors.’ This category tends to be composed of new member states of the European Union, Turkey, Israel and Russia, which adopt the institutional, regulatory and legal structures of these countries that resemble those of DAC donors. The second mode of aid giving is the ‘southern’ model, which primarily encompasses the developing countries which provide aid, both in the form of financial aid and expertise to the other developing countries, and are the country’s most commonly associated with SSC, notably Brazil, China, India and South Africa. These countries are generally both donors and recipients of ODA and participate in SSC through Southern dominated multilateral organizations such as IBSA, etc. According to Zimmermann and Smith, Arab donors constitute the third model. Countries such as Kuwait, Saudi Arabia and United Arab

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342 Those that are EU members are in tandem with EU principles and commitments. They have committed to increase their net ODA volumes to 0.17% of gross national income (GNI) by 2010 and 0.33% by 2015.
343 SSC providers cannot be categorized as “donors” and others “recipients” as they label themselves as peers in mutually-beneficial relationships with their partner countries. Exchange of technical skills (e.g. through technical assistance, training or scholarships) constitutes an integral element of SSC and also providers generally do not attach policy conditions to co-operation. It is often argued that technical co-operation from SSC providers respects the priorities of partner countries (OECD, 2010).
344 In 2009, Kuwait’s official development assistance (ODA) was equal to 0.2% of Kuwait’s gross national income (GNI). In 2011, Kuwait was the 38th largest donor of official humanitarian aid. 86.4% of Kuwait’s official humanitarian aid was spent in fragile states in 2011. 87.1% of Kuwait’s official humanitarian aid was spent on long term humanitarian recipients.
Emirates have been visible actors in development aid with donor status. Furthermore, Qatar, as an emerging donor is becoming more and more visible in the international aid architecture (Qatar Foreign Aid Report, 2012).

Perhaps, the most obvious characteristic of Arab development aid has been its generosity when compared to other mechanisms of international aid. A World Bank study entitled “Arab Development Assistance: Four Decades of Cooperation” clearly illustrated the generosity of Arab donors. Arab donors—most importantly the Kingdom of Saudi Arabia (KSA), Kuwait and the United Arab Emirates (UAE)—have been among the most generous even in the global standards, with official development assistance (ODA) reaching about 1.5 percent of the combined gross national income (GNI). During the period 1973-1990, Arab aid as a share of GDP was more than twice the United Nations target of 0.7 percent and five times the average of the OECD-DAC countries. (Rouis, 2010; Rouis, 2011; Shushan and Marcoux, 2011; AFESD, 2011). While flows of Arab aid as a share of GDP decreased from 1990-2008, Arab donors continued to meet the UN target of 0.7% throughout the 1990s, and were almost twice as generous as OECD-DAC donors from 2000-2008. According to Neumayer, Arab donors have never been proactive in advancing the debate on the proper objectives and design of development aid. Whereas the OECD-DAC has produced one document after the other on how aid should be designed in order to promote poverty alleviation, sustainable development, environmental protection, gender equality, violent conflict prevention, local ownership, effective partnership with recipient countries, good governance, etc., no similar engagement with such topics can be discerned from Arab donors. (Neumayer, Eric, 2002). However, according to McKinnon, the one, but rather limited exception is the Kuwait Fund, which has always assumed the role of a pioneer amongst Arab donors. It stresses that the promotion of sustainable development is one of its key aims and that it has insisted on the inclusion of an environmental study in each project report from as early as the mid-1980s onwards (McKinnon 1997).

While ODA from OECD-DAC donors has begun to stagnate in the aftermath of the 2008 financial crisis, Arab aid was not as harshly affected as initially expected (Rouis, 2011). In relation to the global financial crisis (2008–2009), official development assistance (ODA) from Kuwait, Saudi Arabia, and the UAE significantly increased in both relative and absolute terms (Rouis, 2011). The relative share of KSA, UAE and Kuwait almost doubled during the two-year crisis period, as opposed to the two years preceding the crisis, rising to 3.9 percent from 2.1 percent (Rouis, 2011). Furthermore, as the financial and economic crisis unfolded during the course of 2008-2010, Arab financial institutions increased their attention and activities especially to infrastructure sectors such as transportation, energy, and water (AFESD, 2011). As Rouis (2011) indicates, financial assistance dedicated to supporting infrastructure-related projects grew during 2008–2010. Lately, there have been efforts to devote more resources to agriculture and social sectors. The UAE’s Ministry of International Cooperation and Development (MICAD) Foreign Aid Report for 2012’ shows that the UAE disbursed AED 5.83 bn (USD 1.43 bn) through 43 donor entities, the private

346 In 2011, Saudi Arabia was the 22nd largest donor of official humanitarian aid. Saudi Arabia’s official development assistance (ODA) was equal to 0.9% of Saudi Arabia’s gross national income (GNI). Its GNI rank in 2011 was 19 of 214. 86.1% of Saudi Arabia’s official humanitarian aid was spent in fragile states. 78.4% of Saudi Arabia’s official humanitarian aid was spent in countries classified as long term recipients of humanitarian aid.

347 In 2011, The UAE was the 17th largest donor of official humanitarian aid. UAE’s official development assistance (ODA) was equal to 0.2% of UAE’s gross national income (GNI). 51.5% of UAE’s official humanitarian aid was spent on fragile states. 17.2% of UAE’s official humanitarian aid was spent in countries classified as long term recipients of humanitarian aid.

348 In 2011, Qatar was the 37th largest donor of official humanitarian aid. Its GNI rank in 2011 was 47 of 214, 3.46%. 4.48% of Qatar’s official humanitarian aid was spent in countries classified as long term recipients of humanitarian aid.

Coordination Secretariat of the Arab National and Regional Developmental Institutions informs that, total commitments of the eight Arab financial institutions raised significantly between the 2008-2010 period when compared to the pre-crisis period (2005-2007). Total commitments became approximately US$ 7 billion in 2010, as opposed to US$ 4.7 billion in 2007. The majority of the assistance made possible in the period of 2008–2010 came from three institutions: the Islamic Development Bank (36 percent), Arab Fund for Economic and Social Development (21 percent), and Kuwait Fund for Arab Economic Development (13 percent).
sector and individuals in support of development, and humanitarian and charitable projects in 137 countries and territories. 1.87 percent of these funds were used for development projects overseas with the remaining 6.9 percent and 6.1 percent going towards humanitarian and charitable activities respectively. In 2012, the country’s official development assistance (ODA) reached AED 4.56 bn (USD 1.24 bn) or 78.2 percent of UAE’s foreign aid. This figure is a 118.2 percent increase over 2010 and 52.2 percent over 2011 (UAE Foreign Aid Report 2012).

Institutions of Arab Aid

The Arab Fund for Economic and Social Development (AFESD) was established in 1974 and is situated in Kuwait City (World Bank, 2010; AFESD, 2011). AFESD is the major multilateral Arab aid organization, and undertakes the mobilization of the Coordination Group, which acts as an umbrella organization for coordinating Gulf aid to the key multilateral and bilateral aid institutions (Momani and Ennis, 2012). The AFESD solely gives aid to Arab countries with the stated purpose of facilitating economic and social development, as well as advancing regional integration among Arab states (AFESD, 2011; World Bank, 2010). As indicated in Figure 2, Kuwait and Saudi Arabia are the two major countries providing financial and technical resources. It has to be noted that aid provided by the AFESD often takes the form of concessional loans and small technical assistance grants (Shushan and Marcoux, 2011). A second major organization is the Islamic Development Bank (IDB). The IDB was established in 1975 and is located in Jeddah, Saudi Arabia. It has 56 member states. The IDB was established primarily to finance “economic development and social progress” among member countries, as well as to aid Muslim communities. The IDB emphasizes that all of its activities must be conducted in accord with the jurisdiction of the Shari’ah (Islamic law), which strictly bans the practice of interest on financial transactions.349

The OPEC Fund for International Development (OFID), based in Vienna, has been to pursuing developmental aid especially in the South–South solidarity (Shushan and Marcoux, 2011; Zimmermann and Smith, 2011). Most of OFID’s assistance mostly takes the form of concessional loans for development projects, balance of payment support, and trade financing. It also provides modest grants for technical assistance, food aid, research, and emergency humanitarian relief (World Bank, 2010; AFESD, 2011). 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% of OFID’s direct operations account. Saudi Arabia is the largest donor (34.7%), and other Arab contributors include Kuwait (12.5%), Libya (6.9%), UAE (5.7%), Qatar (3.1%), and Iraq (1.7%) (Zimmermann and Smith, 2011). Similar to OFID, the Arab Bank for Economic Development in Africa (BADEA) has special focus on channeling aid to non-Arab African states.350

Apart from multilateral agencies, bilateral forms of aid have been established especially via sovereign funds for KSA, Kuwait and UAE. These countries established their own national agencies in order to channel bilateral aid. For instance, the Kuwait Fund for Arab Economic Development (KFAED) offers aid to recipients in the form of loans at concessional terms (World Bank, 2010; Zimmermann and Smith, 2011). Similarly, the Abu Dhabi Fund for Development (ADFD) promotes sustainable economic development, alleviation of poverty, and provision of support for regional and international development initiatives (World Bank, 2010). The Saudi Fund for Development (SFD) provides loans to governments of developing countries to finance projects. When more systematically analyzed,

349 In 2008, the top 8 shareholders in the IDB funded 81% of the organization’s total shares; of these 6 were Arab countries which provided 64.7% of the total. The single largest shareholder in the IDB, by far, was Saudi Arabia (24.4%), followed by these other Arab states: Libya (9.8%), Qatar (8.6%), Egypt (8.5%), UAE (6.9%), and Kuwait (6.5%) (AFESD, 2011; Shushan and Marcoux, 2011).

350 In the most recent period (2005–09), BADEA has offered concessional loans for periods of 18–30 years, at interest rates ranging from 1% to 4% per year (Arab Bank for Economic Development in Africa, 2010). The organization has 18 Arab members, and the six highest subscribers control over 90% of the shares. They are: Saudi Arabia (24.5%), Libya (16.3%), Kuwait (15%), Iraq (14.3%), UAE (12.2%), and Qatar (8.2%).
most ODA from KSA, Kuwait, and UAE over the period 1995–2007 has been channeled through bilateral basis. While bilateral aid accounts for 89 percent of total ODA offered by these donors, for the same time period, multilateral sources constituted approximately four percent through Arab financial institutions, four percent through the World Bank, two percent through UN agencies, and just under one percent through the African Development Bank (AfDB) (World Bank, 2010; AFESD, 2011). These numbers suggest that the average ratio of multilateral to total ODA among Arab donors (13 percent) over the period 1973–2008 is less than half the DAC average (30 percent).351

In general, these characteristics illustrate that there has been significant changes in terms of the historically proven generosity of the Arab donors. The challenging task is to identify as figures 1 and 2 clearly illustrated, Arab development aid through various channels. (World Bank, 2010; Shushan and Marcoux, 2011).352 It is, however, important to note that changes in the trends of Arab aid take place as well. A critical finding is that since 2000, generosity has declined for two of the bilateral donors—Kuwait and Saudi Arabia (World Bank, 2010). From the literature and available data, one can diagnose three major reasons behind the relatively decreasing levels of Arab development aid. Firstly, while bilateral Arab aid spending has remained fairly consistent since the 1980s, Arab donors have steadily increased multilateral aid commitments from $1 billion in 1986 to $3 billion by 2006. This rise in multilateral spending in relation to the relative stagnation of bilateral aid flows suggests that Arab donors have begun to replace bilateral programming with multilateral spending. According to Shushan and Marcoux (2011), the increase in multilateral commitments is not sufficient to compensate for the decline in generosity of bilateral aid, causing an overall decline in the generosity of Arab donors. Secondly, as a recent World Bank Report (2011) indicated, there is a possibility of the displacement of the Arab aid in the sense that Arab aid has been displaced by non-Arab aid. A third dimension pertains to increasing government expenditures by Arab donors (Zimmermann and Smith, 2011). A fourth dimension is related to the relationship between oil prices and development aid. As Figure 4 clearly illustrates, the uncertainty in terms of the relationship between development aid and oil prices remains a problematic one. Historically, peaks in Arab aid coincided with periods of increasing oil prices, however, recent trends illustrate that this correlation no longer holds.

Section Three: Arab Development Aid and Governance; Challenges and Prospects

Throughout the decades, Arab donors have positioned themselves as clear proponents of the South-South model of aid giving. Heralded for their unwavering commitment to promoting partnership, participation, and solidarity with recipient countries, Arab donors have developed a strategy that embraces South-South priorities and adheres to international calls for stronger donor-recipient dialogue as a means to improve aid effectiveness. As Arab donors begin to widen the regional scope of their aid activities to include more countries beyond the Middle-East and North Africa, new prospects emerge for Arab donors to further assert themselves as major providers of South-South cooperation (World Bank, 2010).

Over the past decade, the regional preferences of Arab donors have shifted (Ulrichsen, 2012). As globalization deepened links between the Gulf States and the international system, high oil prices and increased demand for energy resources from emerging economies served to cast Arab states as leading global players within the international system. With new geopolitical and geo-economic alignments emerging with changing global dynamics, Arab donors began to broaden the scope of their funding to include thickening ties with new Southern allies.

At the bilateral level, funding from Arab donors is increasingly being directed towards poor and lower-middle income countries. While Middle Eastern and North African countries 

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351 Kuwait had the largest average multilateral share at 20 percent for the entire period, about twice the shares of KSA and UAE.
352 “Generosity” in terms of aid divided by gross national income (GNI).
still receive the bulk of Arab donor funding, Arab donors have increasingly allocated larger portions of aid towards Sub-Saharan Africa, and South and Central Asia, mirroring newly increased diplomatic interactions with these regions as a result of the changing global power dynamics (Ulrichsen, 2012). In terms of multilateral flows, aid allocated through Arab multilateral institutions has increasingly been allocated on the basis of development needs, with Arab multilaterals focusing nearly two-fifths of financial recourses to IDA-eligible recipients and one-fourth to sub-Saharan countries (World Bank, 2010, p. 38). Indeed, while bilateral aid spending has remained fairly consistent since the 1980s, Arab donors have steadily increased multilateral aid commitments from $1 billion in 1986 to $3 billion by 2006. Given the recent rise of the Gulf States within the international spectrum, the emphasis on needs based aid from Arab multilateral institutions may be representative of broader shifts towards increasing support for international goals and development targets (such as the Millennium Development Goals) by Arab donors seeking to solidify and assert their new global status. While Arab states still prioritize aid to regional counterparts, shifting trends in the allocation of Arab aid towards needs-based spending and regional diversification suggests that Arab donors may be increasingly prioritizing the development aspects of aid financing over geopolitical strategy and religious solidarity.

However, it remains unclear whether the expansion of recipients of Arab aid is rooted in a fundamental shift in the development mindset of Arab donors or whether this new trend is grounded in the perceived expansion of opportunities in new regions. At some level, similar shifts towards the redirection of aid away from traditional regional recipient countries appears to be emerging in the aid activities of other South-South donors. In 2006, China provided 44% of its aid expenditures to sub-Saharan Africa, while Brazil’s top three aid recipients consisted of the regionally diverse group of Haiti, Cape Verde, and East Timor (ECOSOC, 2008 p. 19). While the degree to which this shift in regional allocation preferences can be extended to include the broader range of Southern donors remains questionable, the redirection of Arab aid towards a more regionally diverse group of lower income countries is an exemplary trend that promises to contribute to the development of lowest income regions.

At the same time, the broadening scope of Arab aid recipients raises concerns that new development linkages may further exacerbate issues of fragmentation within an already poorly coordinated international aid system. In general, the Coordination Group developed by Arab donors has provided a space to facilitate communication and cooperation among Arab aid agencies, and has largely been praised for its ability to design a clear set of policies and procedures that define best practices in project managements and promote harmonization between Group members. Indeed, under the umbrella of the Coordination Group, Arab donors have pledged to continue to pursue the coordination and harmonization of aid spending and priorities both between Group members, and with the wider development community, through reaffirming commitment to the principles for aid effectiveness outlined in the Paris Declaration (OFID, 2011).

At the same time, international concerns over fragmentation could be addressed through improved cooperation between traditional DAC, emerging, and Arab donors. The sectorial priorities that drive Arab and emerging donors tend to differ from DAC donor priorities. Arab and emerging donors, focus aid more heavily towards infrastructural projects, specifically towards improving transportation, providing energy, and access to water, while DAC donors tend to provide aid for service provision (education and health care), governance improvement (via budget support), and for actions relating to debt and economic stability. Stronger commitments following inclusive international discourse on global aid challenges could help to improve the coordination of aid activities where such priorities and projects overlap (Shushan and Marcoux, 2011).

However, a large part of the ability of donors to counter the potential for fragmentation to hinder development efforts, stems from the degree to which the international
community can foster meaningful discussions and representative spaces that allow actors outside of the traditional DAC-donor community to participate and contribute to the creation of policies and agendas for further coordination. In acknowledging that issues of fragmentation cannot be addressed in the absence of donor involvement, the 2011, fourth High-Level Forum on Aid Effectiveness held in Busan was the first of the aid effectiveness meetings to actively include non-DAC and civil society donors. While the degree to which the Busan agenda has sparked any real improvements to international development coordination remains unclear, Arab donors, who were well represented at Busan, appear to have supported efforts towards strengthening donor coordination and have welcomed a dialogue with Northern and Southern donors to improve the effectiveness of development finance (Atwood, 2012).

Additionally, Arab donors have supported larger efforts towards aid effectiveness and ‘best practices’ in aid allocation through providing untied aid (Momani and Ennis, 2012). While many DAC donors have historically tied foreign aid to the liberalization of investment law for donor companies, or to the purchase of donor country goods and services, Gulf States have limited the extraction of material gain from aid spending. In terms of the degree to which Arab donors provided untied aid, which Momani and Ennis (2012) note has been a common practice accompanying Arab aid since 1979, Arab donors appear to be historic leaders in providing aid that supports recipient autonomy and interests.

However, an important challenge preventing further improvements in the international coordination of aid efforts is grounded in governance challenges, particularly the ability and willingness for Arab donors to improve the transparency of bilateral aid activities. According to Shushan and Marcoux (2011), barriers to the transparency of Arab aid appear in two main forms. Firstly, inconsistencies in annual aid data reporting have led to large gaps in aid statistics. While Arab multilateral institutions have tended to provide more comprehensive documentation of aid spending, bilateral donors have been less consistent. From 1988 to 1997, for example, the UAE’s Abu Dhabi Fund (ADFD) failed to report any aid statistics. Additionally, bilateral Arab donors generally do not report certain types of aid spending, such as debt forgiveness, further inhibiting the transparency of Arab aid spending.

At the most basic level, the lack of transparency surrounding Arab aid spending, as witnessed through missing aid data, makes it difficult to properly gauge the true extent of Arab aid spending and limits international understanding of Arab aid activities. To some degree, the poor reporting of Arab aid statistics prevents further cooperation between DAC and Arab aid systems by limiting the ability for the larger aid community to understand the differences and similarities between new and traditional donors. As a result, the poor reporting practices concerning Arab aid spending could prevent efforts to improve aid efficiency by obscuring trends in aid amounts and delivery that remain central to discussions of aid effectiveness. On this point, Arab donors could make large contributions to global aid effectiveness programs through improving aid data reporting and increasing the transparency of current and future aid spending.

Secondly, the transparency of bilateral Arab aid is also limited by the tendency for Arab donors to make additional aid contributions above and beyond regular aid spending (Shushan and Mercoux, 2011). Termed ‘political aid’, Villanger (2007) and Shushan and Mercoux (2011), contend that some Arab donors supplement development aid spending with aid contributions distributed through national Ministries of Finance. A distinction should be made between ‘political aid’ and politically motivated ‘development aid’, where development aid, while still susceptible to the geo-political interests of donor governments remains geared towards development-based initiatives, whereas political aid, by virtue of being allocated through finance ministries rather than national development funds, may not be explicitly targeted towards enhancing ‘development’ per se. While some countries use political aid transfers with greater frequency then others, Saudi Arabia for example has been said to
conduct a large portion of aid activities through its Ministry of Finance. The point remains that the distribution of aid through political channels further limits the transparency of Arab aid spending. Indeed, according to Villanger (2007), it is “extremely difficult to get information about the magnitudes, purposes, and usage” (p. 13) of political aid flows. In this sense, the distribution of political aid becomes a clear limit to the transparency of Arab aid spending, as the relative opaqueness of political aid further restricts international understanding of Arab aid spending.

Additionally, a series of charitable donations by Gulf rulers has also contributed to the relative ‘fuzziness’ of Arab aid by blurring the lines between public and private spending (Ennis and Momani, 2012). Sheik Mohamed, ruler of Dubai and Prime Minister of the UAE, for example, has ‘personally’ established aid campaigns and has provided several large donations to various initiatives. Essentially, the problem with such contributions is the difficulty associated with disentangling it from public state finances, where ‘private’ donations could be financed from public revenues. As a result, the ability to accurately report Arab aid expenditure is further confused, adding to reporting challenges and further hindering the transparency of Arab aid.

However, recent improvements towards increasing the transparency of Arab aid suggest that other norm-based explanations may also account for the historically low-transparency of Arab aid. Indeed, Shushan and Mercoux (2011) contend that part of the opaqueness of Arab aid may stem from the relatively limited exposure Arab donors, and non-DAC donors more broadly, have had to DAC developed aid norms. This rationale suggests that as Arab donors begin to increase interaction with DAC donors and the broader aid community, such exposure may prompt Arab donors to reform aid practices in efforts towards further integration and to position Arab donors within the broader aid community.

Indeed, in 2010, the United Arab Emirates, for the first time, released a whole-of-government report on its aid flows and associated activities (OECD-DAC, 2011). The formal reporting of aid statistics marked a significant point of progress towards the monitoring of non-DAC donors, as the UAE became the first country outside of the DAC to report aid activities in such detail. In the absence of significant changes to UAE governance, the willingness of the UAE to report aid data to the OECD may be linked to greater exposure to DAC practices and larger efforts by the UAE to engage with the international aid community through adopting DAC norms.

In addition to issues of transparency, the effectiveness of Arab aid could also be improved through efforts to decrease the volatility of Arab aid spending (Shushan and Mercoux, 2011). Indeed, the heavy reliance on oil revenues as a source of financing for bilateral aid spending has raised concerns about the volatility and sustainability of Arab financial assistance. While some have noted that Arab financial institutions tend to be well-capitalized and conservatively managed, making Arab financial institutions relatively reliable providers of financial resources, clear links between the volume of Arab aid flows and the cycle of oil production, remain somewhat worrisome, particularly given the recent increase in Arab flows associated with the rising prices of petroleum.

Indeed, issues of volatility are particularly pronounced when prefaced against Arab donor preferences towards longer-term aid arrangements over short-term development projects. Given that long-term projects tend to be funded via disbursements over the project timeline, program effectiveness could be severely disrupted by discrepancies between donor commitments and disbursements as affected by oil revenue cycles. According to Desai and Kharas (2010), the failure to meet aid commitments through shortfalls in disbursement amounts could force recipients to cut planned expenditure or raise domestic taxes, while the basic inability to fund planned tasks limits program effectiveness and threatens development progress. To improve the overall effectiveness of Arab aid, donors should consider striving to improve the stability and predictability of aid outflows in efforts to avoid large drops in aid
disbursement correlated to declining oil prices.

Section Four: Qatar Development Fund

According to the Global Humanitarian Assistance data, in 2010, Qatar had the fastest growing economy in the world, with a real GDP growth of 19.4%, and it is expected to continue growth at a double-digit rate for the next few years (Economy Watch). The country’s Gross national income (GNI) reached an all-time peak of US$169 billion in 2011 (World Bank Data). Qatar governmental revenue was US$ 44 billion, total assistance US$729 million, and humanitarian assistance US$12 million. In 2011, Qatar was the 37th largest donor of official humanitarian assistance with a GNI rank of 47 out of 214. 46.4% of Qatar’s official humanitarian assistance was spent on fragile states. 48% of Qatar’s official humanitarian assistance was spent in countries classified as long term recipients of humanitarian assistance. In 2012, Qatar gave US$36.4 million in humanitarian assistance. Qatar’s share of humanitarian contributions amongst the Gulf State donors increased from 4% to 20%, with the majority of this going towards the humanitarian crisis in Syria. (Global Humanitarian Assistance – Qatar)

According to the World Bank Index, in Qatar, the value for net official development assistance (ODA) and official aid received (current US$) was $3,630,000.00 as of 2004. Over the past 41 years, the value of this indicator has fluctuated between ($20,000.00) in 1963 and $6,340,000.00 in 1999. (World Bank, Index mundi-Qatar).

According to the Qatar Foreign Aid Report 2012, during the period 2006-2012, Qatar Development Fund was $10,862,361,353 in Governmental Aid, and $4,278,126,789 in Non-Governmental Aid (Qatar Foreign Aid Report 2012). It should be noted that Qatar’s increasing visibility and reputation unfolding with a unique state diplomacy, acting as a diplomatic mediator with an unconventional repertoire (Cooper and Momani, 2012) fuels more optimism pertaining to Qatar's potential contribution to international development. According to George Mavrotas and Espen Villanger, strategic donors’ effort to pressurize a recipient to support the foreign policy goals of the donor in the decision making process, in a multilateral organization, is endogenously determined. (Mavrotas and Villanger, 2006).

Habib Toumi explains that between 2005 and 2009, Qatar allocated $2 billion in aid to poor countries through various global organizations. The assistance played a key role in the country’s foreign policy and international cooperation (Habib Toumi, 2010). The Department of International Development at the country’s foreign ministry is quoted to have said that “the total developmental and humanitarian aid, provided by the State of Qatar (governmental and non-governmental) in the years 2010 -2011 amounted to QR 5,337,430,71, distributed to 108 countries worldwide.” The aid took many forms such as contributions, donations, materials, in-kind and technical grants as well as support of humanitarian or developmental projects. The reach of Qatar's humanitarian assistance has widened to include distant countries. It is not limited to the Arab countries in the region or the Muslim countries that are within geographical proximity to it. Qatar provided emergency aid during a number of major disasters such as the floods in Pakistan and the Haiti and Japan earthquakes. It assisted the drought-hit Horn of Africa, in addition to Palestine and Darfur, which suffer from humanitarian crises. Qatar’s launch of the "Hope For" Initiative to increase the effectiveness of using military resources in disaster relief also speaks to the reach of its development and humanitarian aid (Arab Humanitarian Portal). In addition, Qatar and Morocco have signed an aid deal worth $1.25 billion as part of a five-year package of financial assistance extended by wealthy Gulf States to the North African kingdom to help it weather 'Arab Spring' protests. Four Gulf States - Qatar, Saudi Arabia, Kuwait and the United Arab Emirates - agreed in 2012 to provide aid worth a total $5 billion to Morocco in the period 2012-2017 to build up its infrastructure, strengthen its economy and foster tourism. Each of the four countries has

353 ‘Humanitarian assistance’ is aid and action designed to save lives, alleviate suffering and maintain and protect human dignity during and in the aftermath of emergencies.
committed $1.25 billion to Morocco for the whole five year period (Reuters, 2013).

A recent analysis of Arab development aid has to take into account the recent developments, especially the establishment of the Qatar Development Fund (QDF) initiated by Sheikha Moza Bint Nasser. Qatar’s rising development related efforts have been addressing many of the problems and deficiencies of Arab development aid that have been presented above. Although KSA, Kuwait and UAE have been the primary instigators of Arab development aid historically, Qatar’s role has recently became more prominent especially by offering a multi-faceted institutional and strategic roadmap. This roadmap is instituted through a constellation of various Qatari institutions and initiatives and overall Qatar has been bringing a new wave of transformation and changing contours to Arab development aid.

QDF and its structure provide optimism especially in relation to the objective of directing 50% of QDF’s grants to be allocated for educational purposes. Although at early stages, we argue that the establishment of QDF provides a viable beast for the evolution of Arab development aid. More specifically, QDF will build on the already established practices of Qatari international initiatives, for example, Qatari NGOs foreign aid and assistance during the course of 2010-2011 accounts for approximately QR 1.6 billion and 24% of this amount is spent only for educational purposes while the development field followed with a share of 18.89% (Al Diplomacy, 2012). Inspired by Qatar National Vision 2030, Qatar’s overall development assistance reached QR 5.3 billion with 108 countries benefitting. Overall, QDF, Qatar Ministry of Foreign Affairs, Qatar Foundation and Qatar Investment Authority are reshaping the contours of the new dynamics of Arab development aid, which will have stronger and more effective implications on attaining better governance mechanisms not only in the Middle East, but also in all of the Arab aid recipient countries.

In 1992, Qatar Charitable Society (QCS) was established under the law governing private associations and institutions in the State of Qatar. QCS took on an international character throughout the world, particularly in Africa and Asia. In 2012, the total aid provided by QCS stood at QR 3887,951,006, offered to 41 countries. In 2011 and 2012, the total Qatari non-governmental external aid was QR 1,800,127,317 (Qatar Foreign Aid Report, 2012). These aid constitutes the funds from the Zakah of Qatari citizens and the country’s Awqaf.

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