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Knowledge for All

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Foreign Aid and the Gulf States

Workshop Directors:

Dr Karen Young

Resident Scholar, American Enterprise
Institute
Professional Lecturer, George
Washington University
United States of America
Email: Karen.young@aei.org

Dr Mohammad Yaghi

Research Fellow and Programme
Manger
Regional Gulf States Programme
Konrad-Adenauer-Stiftung
Email: mohammad.yaghi@kas.de

Abstract

In February 2018, the Kingdom of Saudi Arabia, Kuwait, United Arab Emirates (UAE) and Qatar pledged \$ 4 billion in the form of loans, grants, and investments to reconstruct Iraq (Chmaytelli & Hagagy, 14 Oct 2018). The same year, Saudi Arabia and UAE provided a grant of \$ 930 Million to the UN for its humanitarian operations in Yemen, and promised \$ 2.6 billion more for the year 2019. A study by the World Bank in 2010 shows that Kuwait, Saudi Arabia, and the UAE have provided generous aid financing over the years (Rouis, 2014). In fact the combined net of Official Development Assistance (ODA) from Kuwait, Saudi Arabia and UAE almost doubled on yearly average during the global financial crisis (2008-2010) and doubled again since the Arab unrest in 2011. It reached a record in 2014 at \$ 19 billion (Rouis & Shomakhmadova, 2018). The total ODA from those three countries also increased significantly as a share of Gross Domestic Income (GDI) reaching an average of 0.8 percent during 2011-2015. This is higher than the 0.3% of the Development Assistance Committee (DAC) for the same period and of the United Nation's target of 0.7% that had been set since five decades (Riddell, 2007). Unlike the foreign aid from OECD countries, most of the aid

from the Gulf States is provided in the form of grants (90%) and is not conditionality attached. Even when the oil prices dropped from \$ 106/barrel to \$ 53/barrel in 2014, foreign aid did not shrink from the UAE and Kuwait (Rouis, 2018).

Reports on foreign aid from KSA, UAE, Qatar and Kuwait have started to be published only recently. For example, the UAE was the first country in the GCC to publish its report on foreign aid in 2010 and it became a Development Assistance Committee (DAC) participant in 2014 (AlMezaini, 2012). The KSA has started to publish detailed reports on its foreign aid since 2016 (SAMA, 2016). Aid provided by these states is mainly for development and humanitarian purposes, and is delivered to recipient countries bilaterally or through eight regional financial institutions (see the website of them below). However, the orientation of aid from the Gulf donors is, to a great extent, dictated by political objectives that go in form of humanitarian and developmental aid.

Since the 1970s, Gulf donors have provided a significant amount of aid to Arab countries. In fact, most of the Gulf's aid goes to Arab countries. This has led to the politicization of aid. However, during the 1980s due to criticism, the distribution of aid from the Gulf began to include countries from outside the region. Nonetheless, looking at some of the existing statistics, Arab countries remain the main beneficiaries of financial support from the Gulf. This is also due to the influence of Arab nationalism, religion and political interests in the region. For example, Egypt received \$ 30 billion between July 2013 and December 2016, while Yemen has received \$ 4.7 billion during 2012-2014 (Rouis & Shomakhmadova, 2018). However, a close scrutiny at the sources, beneficiaries and sectors shows a changing pattern. Most of foreign aid is currently provided bilaterally. This leads each donor to determine their aid objectives.

However, because the data on foreign aid provided by GCC countries became available only recently, it has not been used to examine the impact of their aid on recipient countries in terms of poverty reduction, relief, and the contribution to the social and economic development of recipient countries. Similarly, the GCC's motivations of foreign aid and its effect on the recipient countries' stability are also under-researched.

Against this backdrop, this workshop is intended to contribute to filling this gap in the literature. Its main goal is to document the GCC foreign aid and to empirically examine its impact on the recipient countries and to compare it with the findings of literature on foreign aid provided by DAC countries. In addition, it seeks to examine how aid from the Gulf became a vital tool to exert power and influence since the Arab Uprisings in 2011 as aid has played a significant role in changing the regional dynamics.

Description and Rationale

Objectives and Scope

In its simplest definition, foreign aid consists of one people providing assistance to another people (McNeill, 2019). It takes one of three forms: ODA, aid provided by non-government organizations (NGOs), and located aid for humanitarian and emergency purposes (Riddell, 2007). Development aid or ODA is the part of aid whose purpose is to contribute to human welfare and development in poor countries; it can be financial grants, technical assistance or concessional loans. Beginning with the Marshal plan to reconstruct Europe in early 1950s, the ODA has changed since then in its nature and goals. In terms of its nature the costs of administering aid, debt forgiveness to poor

countries, and costs incurred within donor countries due to crisis within poor countries have all become part of foreign aid. The ODA's goals have also changed from moving developing countries to the industrial and technological age (1950s-1960s) to alleviating poverty in 1970s to be followed in the 1980s and 1990s by conditional aid aimed at forcing developing countries to adopt structural adjustment policies as a means for economic growth. The advent of the 21st century was marked by setting the Millennium Declaration Goals (MDGs), which among other goals aimed to reduce to half the number of poor people in the world whose income is less than \$ 1 a day by 2015 (MDGs, Sep 2000). Recently, the world leaders agreed on 17 Sustainable Development Goals (SDGs) to be achieved by 2030 (SDGs, 2016).

The literature on foreign aid is extensive but extremely limited on Gulf aid. However, it can be divided into research surrounding two questions: why aid is provided? And does aid work?

On the first question, scholars are divided into two camps: the rationalists and the constructionists (AlMezaini, 2012). The rationalists believe geopolitical and commercial interests are the driving force behind foreign aid. For them, aid is a foreign policy tool to sway countries in the direction of the donors' interests (Sogge, 2002; Browne, 2007; Alesina & Doller, 2000; Qiam, 2015). The Constructionists assume that material interests cannot alone explain foreign aid and that cultural reasons such as solidarity, identity, humanitarian and egalitarian convictions are also important reasons for providing aid (Lumsdaine, 1993; Lancaster, 2007; AlMezaini, 2012).

Questions surrounding the impact of foreign aid on recipient countries, i.e., Does aid work? And is it effective?, revolve around certain themes and questions such as the role of the recipient countries in setting the agenda of foreign aid (McNeill, 2019), how the type of recipient regimes impact the effectiveness of aid (Boone, 1996), whether foreign aid reaches the poor (Briggs, 2017), how aid is determined and allocated by donor countries (Zhang and Smith, 2017; Asongu & Nwachukwu, 2016; Bermeo & Leblang, 2015; Bermeo, 2017), who controls foreign aid when it is received (Findly et al, 2017), the relationship between good governance and foreign aid (Martin et al, 2015; Molenaers, et al, 2015; Dupuy et al, 2015; Jones & Tarp, 2016; Dutta & Claudia 2016), and the role of foreign aid in countering terrorism and building peace (Heinrich et al, 2017; Nielsen et al, 2011; Findley et al, 2011).

Defining aid and distinguishing between other methods of economic statecraft and financial intervention, such as oil and gas in-kind transfers, central bank deposits and commitments of foreign direct investment, must be part of an understanding of the instruments Gulf States use in their foreign economic policies.

In comparison to research on aid of ODC countries, the research on the GCC countries' foreign aid is fairly new and mostly descriptive. Consequently, this workshop has five goals:

First, to document foreign aid provided by GCC countries, mainly the KSA, UAE, Kuwait and Qatar whether this aid is provided for development or for humanitarian and emergency reasons; and whether it is provided by the Gulf governments, its regional financial institutions, or its charity organizations. In other words, the workshop seeks to highlight the bilateral and multilateral aid from the Gulf donors.

Second, to expand our knowledge on GCC countries' aid by examining its allocation, effectiveness and motivations. Most existing literature on Gulf aid, focuses, to a great extent, on the motives of aid, but does not explain the changing nature of aid objectives

over time, particularly in the past twenty years. In particular, this workshop explores why Gulf donors have not shifted towards achieving Millennium Development Goals in line with other international aid donors. The UAE, is the only Gulf donor to have changed its aid strategy to meet these objectives.

Third, to subject the Gulf States' aid to rigorous research using sound methodologies and by asking similar questions existed in the broad literature on foreign aid.

Fourth, to define and distinguish aid policies of the Gulf States, including an examination of other tools of foreign economic policymaking and intervention. Bilateral financial support, whether in-kind in energy supplies, or in central bank deposits can be more direct, more fungible and more expedient than longer-term development project support. How do Gulf States determine how and when to intervene with these other tools? And are there differences in outcomes in recipient states?

Last, to expand the pool of researchers interested in studying aid provided by GCC countries by giving them a platform to present and discuss their research. There is an extremely limited number of scholars interested in examining Gulf aid, and this has led to having limited literature.

The workshop will focus solely on aid offered by GCC states to recipient countries whether for development and political or for emergency and humanitarian purposes. While the questions surrounding research on this topic are limited to aid allocations, effectiveness and motivations, we encourage comparison case studies between aid provided by GCC countries and other countries and between regional and international financial institutions. We also expect scholars to engage with analysis regarding the Gulf States' aid in countering terrorism in the region and in peace building. Finally, since the ultimate goal of this workshop is the publication of a special issue on GCC foreign aid in one of the international leading journals of development, a particular attention will be given to the diversity of case studies covered.

Contribution to the Gulf Studies

While the literature on foreign aid provided by ODC countries is vast, the literature on aid given by GCC countries is scant and descriptive (with few exceptions). This is mainly because Gulf States have only recently started to publish data concerning its foreign aid. In this sense, the workshop has two important contributions: It will contribute to filling this gap in the literature and it will draw attention to an under-researched area in the Gulf Studies.

Anticipated Participants

We seek original contributions from various disciplines including international development, political science, political economy, sociology and economics. Further, we expect researchers working in international and regional development institutions and humanitarian agencies to participate. We also predict the contribution of researchers from regional and international financial institutions that provide aid.

We are looking for papers that deal with the following areas and questions:

- The allocations of aid in recipient countries

- The motivations and objectives of aid
- Impact of aid on alleviating poverty
- Aid and the refugees in MENA regions
- Impact of aid on institutional capacity in recipient countries
- The conditionality in foreign aid
- Aid and accountability in recipient countries
- Impact of foreign aid on countering terrorism
- Problems related to foreign aid in donors and recipient countries
- Does aid contribute to the stability in recipient countries?
- Does aid contribute to peace building?
- Does aid contribute to women and/or youth in recipient countries
- Case studies related humanitarian aid in developing countries
- Politics of foreign aid and role of foreign aid in foreign policy
- Effectiveness of Gulf foreign aid
- Comparison between Gulf aid and OECD donors

These are only suggested themes and the participants may choose to write on other themes as long as the topic lies within the scope of this workshop.

Workshop Director Profiles

Dr. Karen Young is a resident scholar at the American Enterprise Institute (AEI), where she studies the political economy of the Middle East, with a special focus on the states of the Gulf Cooperation Council. She is a professorial lecturer at George Washington University.

Before joining AEI, she served as senior resident scholar at the Arab Gulf States Institute, a research and visiting fellow at the Middle East Centre of the London School of Economics and Political Science, and an assistant professor of political science at the American University of Sharjah in the United Arab Emirates. She led a seminar on the emerging markets of the Middle East and North Africa at the Johns Hopkins School of Advanced International Studies from 2018-2020.

In addition to being published in a variety of policy journals, Dr. Young has written analysis and commentary for the popular press, including Al-Monitor, Bloomberg Opinion, the Financial Times, Lawfare, The New York Times, The Wall Street Journal, and The Washington Post. She has been interviewed by Al Jazeera, BBC News, CBC (the Canadian Broadcasting Corporation), CBS News, CNBC Arabia, and National Public Radio, among other networks. Dr. Young has also contributed numerous chapters to edited volumes and authored "The Political Economy of Energy, Finance and Security in the United Arab Emirates: Between the Majilis and the Market" (Palgrave Macmillan, 2014).

Dr. Young obtained a PhD in political science from the Graduate Center of the City University of New York. She has twice been awarded a Fulbright fellowship: once to Ecuador, where she received an MA in international economic relations from the Universidad Andina Simón Bolívar in Quito, and later to Bulgaria. Earlier she earned an MA in political science from Columbia University and a BA in anthropology from Wellesley College.

Dr. Mohammad Yaghi is a research fellow and programme manager at the Regional Gulf States Program of Konrad Adenauer Stiftung (KAS). Previously, he was an adjunct professor in the department of political studies at Queens University in Canada teaching comparative politics. Dr. Yaghi worked with several think tanks and international organizations including the Washington Institute for Near East Policy and the Global Integrity. His work at KAS combines the various internal and foreign relations issues of the GCC states. In particular, he focuses on the growing role of the GCC in MENA region, the sector of renewable energy, foreign aid and the GCC project of women empowerment.

Dr. Yaghi received his PhD in comparative politics from the University of Guelph (Canada) and he also studied courses at Delaware University (USA) during his Masters. He is the author of several book chapters and journal articles. His latest article "Frame Resonance, Tactical Innovation, and Poor People in the Tunisian Uprising" appeared in *Research in Social Movements, Conflicts and Change*.

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Regional Financial Institutions and their websites

- Islamic Development Bank (IsDB): <https://www.isdb.org>
- Arab Fund for Economic and Social Development (AFESD): <http://www.arabfund.org>
- Kuwait Fund for Arab Economic Development (KFAED): <https://www.kuwaifund.org/en/web/kfund>
- Saudi Fund for Development (SFD): <https://www.sfd.gov.sa>
- OPEC Fund for International Development (OFID): <https://www.ofid.org>
- Arab Monetary Fund (AMF): <https://www.amf.org.ae/en>
- Abu Dhabi Fund for Development (ADFD): <https://www.adfd.ae/english/Pages/Home.aspx>

Arab Bank for Economic Development in Africa (BADEA): <https://www.badea.org>