



**Gulf Research Centre Cambridge**  
Knowledge for All

Workshop 4  
GRM 2021

## **Foreign Aid and the Gulf States**

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### **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's (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. It is delivered to recipient countries bilaterally or through eight regional financial institutions (see their websites 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 States began to include countries from outside the Arab 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's country 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 their social and economic development. 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 the abovementioned gap in the literature. Its main goal is to document the GCC foreign aid and to empirically examines 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 States 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 person providing assistance to another person (McNeill, 2019). It takes one of three forms: ODA, aid provided by non-government organizations (NGOs), and local 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 Marshall 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 States.

**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 it does not explain the changing nature of aid objectives overtime, particularly in the past twenty years. In particular, this workshop seeks to explore 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?

**Lastly**, 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 aid provided by the Gulf States.

The workshop will focus solely on aid offered by the Gulf States to recipient countries whether for development and political reasons or for emergency and humanitarian purposes. While the questions surrounding research on this topic are limited to aid allocations, effectiveness and motivations, we encourage comparative case studies between aid provided by GCC and OECD 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 case studies.

### **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 contributes to filling this gap in the literature and it draws 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 topics as long as they lie within the scope of this workshop.

### **Workshop Director Profiles**

**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, economic diversification, foreign aid, and women empowerment. Dr. Yaghi received his PhD in comparative politics from the University of Guelph (Canada). 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*.

**Dr. Silvia Colombo** is Senior Fellow in the Mediterranean and Middle East and Italy's Foreign Policy programmes at the Rome-based Istituto Affari Internazionali (IAI). She is an expert on Middle Eastern politics and in this capacity, she is working on Euro-Mediterranean cooperation, EU-GCC relations, political and security developments in the MENA, conflict management and democratisation, and gender and youth inclusion. Dr. Colombo holds a Ph.D. in Comparative Politics from the Scuola Normale Superiore of Pisa (Florence Branch) and a Master's Degree in Near and Middle Eastern Studies from the School of Oriental and African Studies (SOAS) in London. She speaks Arabic fluently and has travelled extensively in the Middle Eastern region.

**Dr. Hanaa Almoaibed** is an expert in Saudi youth and school-to-work transitions. She researches the influence of social dynamics on youth attitudes toward work, the labour market and careers in the GCC, with an emphasis on vocational education in Saudi Arabia. She is an associate fellow with the Middle East and North Africa programme at Chatham House and a research fellow with the King Faisal Center for Research and Islamic Studies in Riyadh, and a visiting fellow at the LSE Middle East Centre. Dr. Almoaibed holds a PhD from UCL's Institute of Education and an MSc from the London School of Economics and Political Science.

### **Selected Readings**

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### **Regional Financial Institutions and their websites**

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- 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>