

DAC GLOBAL RELATIONS

Trends in Arab concessional financing for development

These statistics draw on the latest reporting by several Arab countries and institutions to the OECD. Summary statistics for these and other providers of development co-operation and, when available, project-by-project data, can be found at www.oecd.org/dac/dac-global-relations/non-dac-reporting.htm

Arab countries and institutions' annual net ODA disbursements averaged USD 6.3 billion between 2011 and 2015

- Arab countries and institutions' Official Development Assistance (ODA) and other concessional development finance flows totalled, on average, **USD 6.3 billion** per year between 2011 and 2015 (net disbursements). There was an increase over the period, consistent with overall trends in ODA flows.
- For reference, other providers of development co-operation beyond the DAC that report to the OECD disbursed USD 13.3 billion over that time period. Arab ODA represented **47% of what non-DAC providers reported disbursing between 2011 and 2015**.
- **Saudi Arabia, the United Arab Emirates and Qatar are among the largest bilateral providers of development co-operation**. All three surpassed in 2015 the United Nations target of 0.7% for the ratio of ODA to gross national income.

Arab countries and institutions concentrate their development activities in the Middle East and North Africa

- An estimated **81% of Arab countries and institutions' ODA disbursed between 2011 and 2015 was directed towards the Middle East and North African (MENA) region**, primarily to Egypt.
- Arab providers are active **in fragile states, which received 29% of Arab ODA between 2011 and 2015**. Egypt, Yemen, Sudan and Pakistan were the main fragile partners of Arab countries and institutions.
- About 76% of Arab countries and institutions' ODA went to **Middle Income Countries (MICs)**: this reflects their focus on the MENA region. For reference, 54% of DAC members' ODA that went to MICs.

Arab countries and institutions mainly provide grants

- **Arab development co-operation activities are concentrated in the economic infrastructure sectors**, such as transport and storage, energy, industry, mining and construction, which accounted for 43% of their ODA between 2011 and 2015. This is complementary to DAC members, which place greater emphasis on social infrastructure and services (57% of their ODA).
- **ODA grants are the most important instrument that Arab countries and institutions use (58%)**. This is also the case with DAC members (85%) and other providers beyond the DAC that report to the OECD (78%).

Arab providers also make use of triangular co-operation arrangements

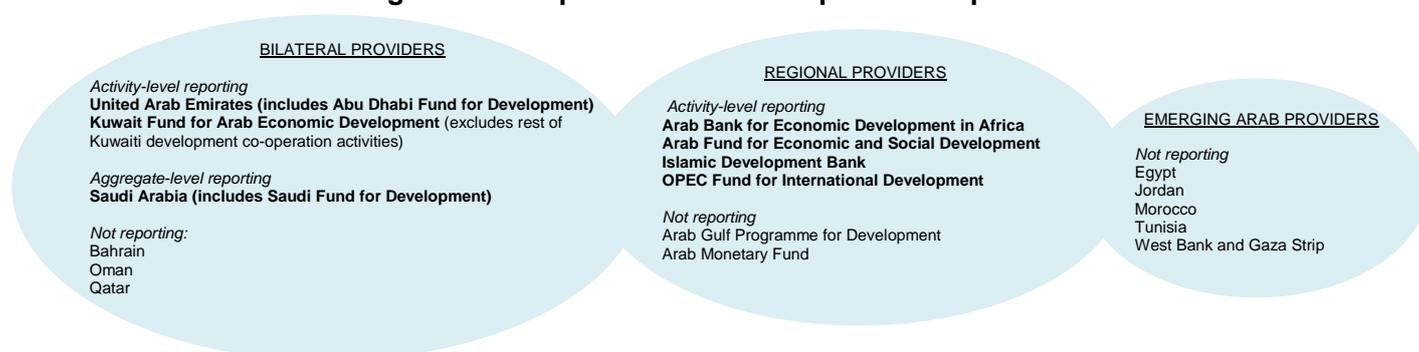
- **Arab countries and institutions have been engaging in triangular co-operation for a long time**, be it as pivotal, facilitating or beneficiary partners.
- Arab triangular activities, approaches and solutions to tackle development challenges still **need to be better researched and captured**.

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WHO ARE THE ARAB PROVIDERS OF DEVELOPMENT CO-OPERATION?

Figure 1 lists the bilateral and regional Arab providers of development co-operation, including some providers that are currently emerging in the MENA region but that continue to be eligible for receiving ODA. The OECD receives activity-level data from four regional providers and two bilateral providers, as well as aggregate data from one bilateral provider (see bolded countries and institutions in Figure 1). The present analysis draws on the development finance flows reported by these seven Arab countries and institutions, as well as estimates made by the OECD for Qatar, a country which publishes detailed information on its activities. This means that the present analysis only provides a partial picture of Arab development co-operation flows, a situation that will improve as and when more Arab providers report to the OECD. Notwithstanding this, the OECD development finance database contains detailed information on over 1 600 Arab ODA activities between 2011 and 2015.¹

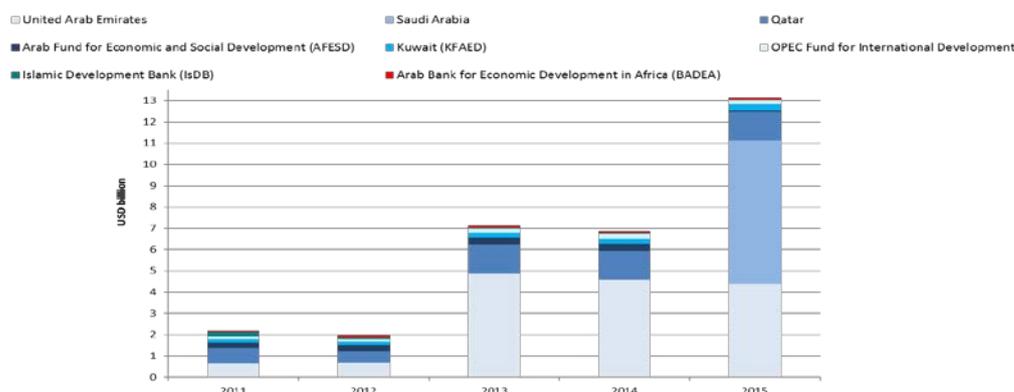
Figure 1. Arab providers of development co-operation



HOW MUCH DO ARAB PROVIDERS DISBURSE?²

The net ODA flows by the eight Arab countries and institutions covered by this analysis averaged, between 2011 and 2015, USD 6.3 billion per year. In 2015, their net disbursements amounted to a total of USD 13.1 billion. Arab ODA levels increased six fold between 2011 and 2015 (see Chart 1). Their average annual ODA volume represented 47% of all non-DAC providers' reported net flows over that period (USD 13.3 billion) and, for reference, 5% of what DAC members provided (USD 122.5 billion).

Chart 1. Trends in Arab Official Development Assistance
2011-15, net disbursements, USD billion, constant 2015 prices



Note: The latest available estimate for Qatar, i.e. 2013, was used for 2014 and 2015.

¹ The OPEC Fund and the Islamic Development Bank are global institutions but are considered here as Arab providers because of their membership in the Arab Coordination Group and because their main shareholders are Arab providers, such as Saudi Arabia.

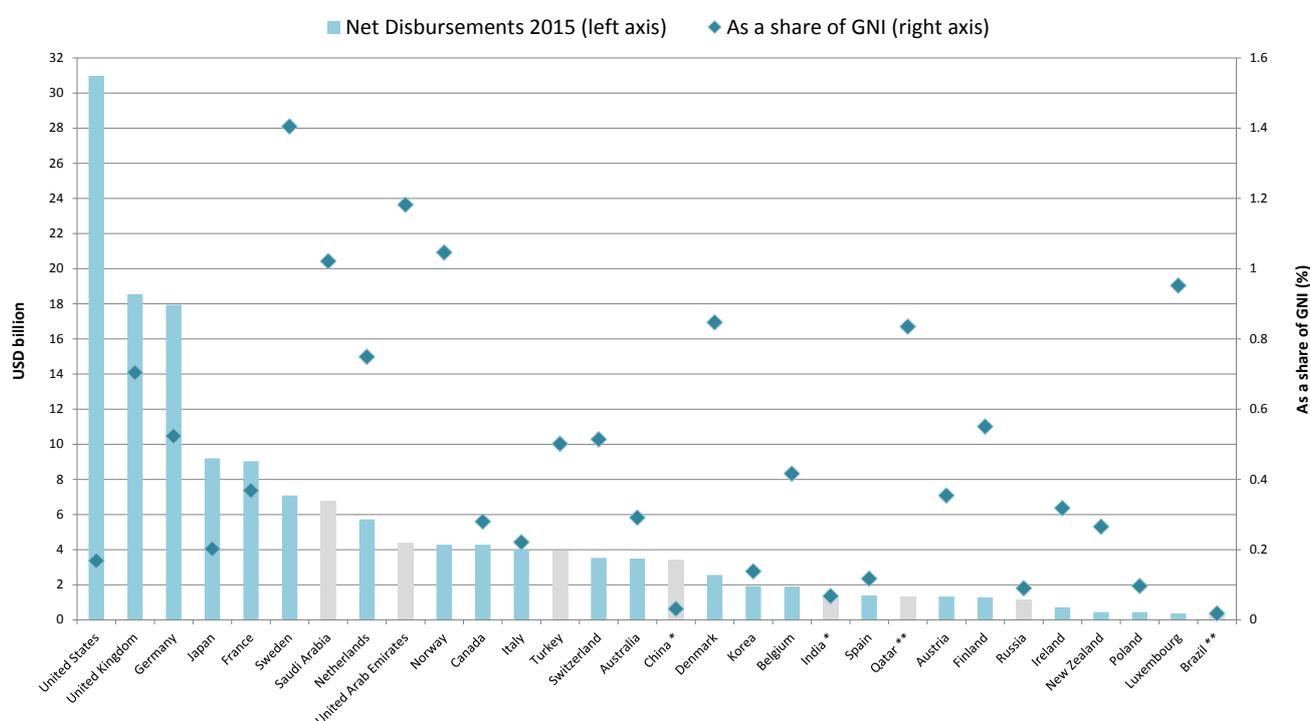
² Information on commitments is limited. For the Arab institutions that report to the OECD and the UAE, commitments stood at USD 9.5 billion in 2015 and USD 5.3 billion over 2011-15 (constant prices). ODA commitments translate into ODA disbursements in coming years (spending on multi-annual commitments spread over several years). This explains why ODA disbursements and commitments can differ from year to year.

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HOW MUCH DO INDIVIDUAL ARAB PROVIDERS DISBURSE?

Saudi Arabia, the United Arab Emirates and Qatar ranked among the largest bilateral providers of development co-operation in the world in 2015 (7th, 9th and 22nd respectively, see Chart 2). These Arab providers are not only ahead of many DAC members in absolute terms, they also belong to the most generous group of countries in terms of their ODA/GNI ratio – with all three providing over 0.7% in 2015 (ranking 4th, 2nd and 7th respectively). The UAE, in particular, had a ratio of ODA to GNI close to 1.2% in 2015 and has been above 1% since 2013. Kuwait (through the Kuwait Fund, which channels most of its ODA) was the next largest bilateral Arab provider. With disbursements of USD 216 million on average between 2011 and 2015, its ODA volume was larger than that of 5 DAC members.

Chart 2. Thirty largest bilateral providers of net concessional financing for development in 2015



Notes: Countries that are not members of the DAC are represented by grey bars. *Estimates based on available 2015 data. **Estimated based on latest available data.

In addition to these bilateral providers, Arab regional and multilateral institutions are also significant development co-operation providers, such as the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Islamic Development Bank or the OPEC Fund for International Development. **In total, these four institutions disbursed an average of USD 1.4 billion per year between 2011 and 2015. In 2015, they disbursed USD 1.2 billion, with the Arab Fund for Economic and Social Development accounting for the largest share of this amount (54%).** Since 2011, these four institutions have increased their concessional finance allocations by 23%.

WHICH COUNTRIES RECEIVE ARAB ODA?

Arab countries and institutions concentrate their activities in Middle East and North Africa (MENA): 81% of total net ODA from the seven Arab providers covered by this analysis was allocated to this region between 2011 and 2015 – see Chart 3 (compared to 9% of DAC members’ net ODA). **These Arab providers focused predominantly on Egypt but also on Morocco, Jordan and Yemen, which collectively received almost 50% of Arab total ODA flows** (see Table 1). Sharing the same regional background and language helps Arab providers to tailor their activities to the local, social, economic, political, climatic and geographic conditions.

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Chart 3. Regional distribution of Arab ODA

2011-15 annual average, gross disbursements

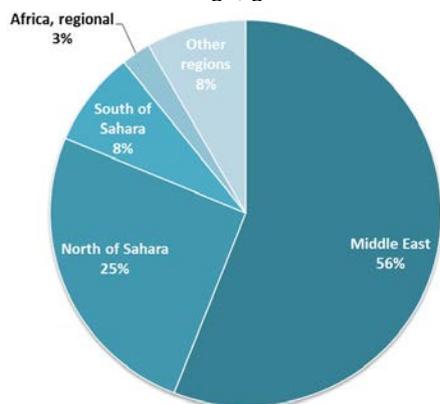


Table 1. Top 10 partners of Arab providers

2011-15 annual average, bilateral gross disbursements, USD million, constant 2015 prices

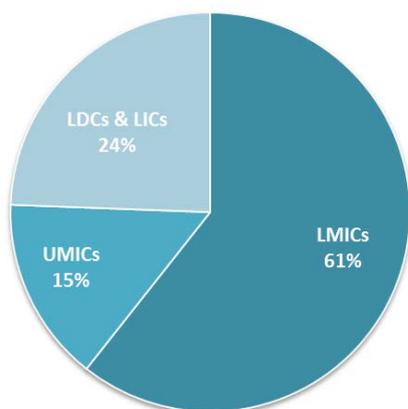
Partners	Amount	Share
Egypt	2,624	33.5%
Morocco	373	5.8%
Jordan	337	5.3%
Yemen	322	5.0%
Sudan	181	2.8%
Pakistan	123	1.9%
Mauritania	103	1.6%
Lebanon	87	1.4%
Tunisia	83	1.3%
West Bank and Gaza Strip	72	1.1%
Total	4 305	59.7%

Notes: For Table 1, percentages next to country labels represent shares of total net ODA relative to total country-specific ODA net flows. Other regions include Europe, Oceania, America, the rest of Asia.

Importantly, the focus on the MENA region also gears Arab providers towards fragile contexts (e.g. Egypt, Iraq, Libya, Syrian Arab Republic and Yemen). The share of ODA going to the MENA region has been stable over 2011 and 2015, reaching 77% in 2015, while the share of ODA flowing towards fragile states has grown from 15% in 2011 to 34% in 2015.

Chart 4. Income group breakdown of Arab ODA

2011-15 annual average, gross disbursements



Given the importance of the MENA region for the Arab providers covered by this analysis, it follows that most of their activities focus on Middle-Income Countries (MICs), which received 76% of total Arab ODA flows (USD 3.6 billion), with the largest share flowing to lower MICs (61% or USD 2.9 billion) between 2011 and 2015.

Low Income and Least Developed Countries (LICs and LDCs) received 24% of Arab ODA on average between 2011 and 2015, with Yemen and Sudan receiving 5% and 2.8% of total Arab ODA.

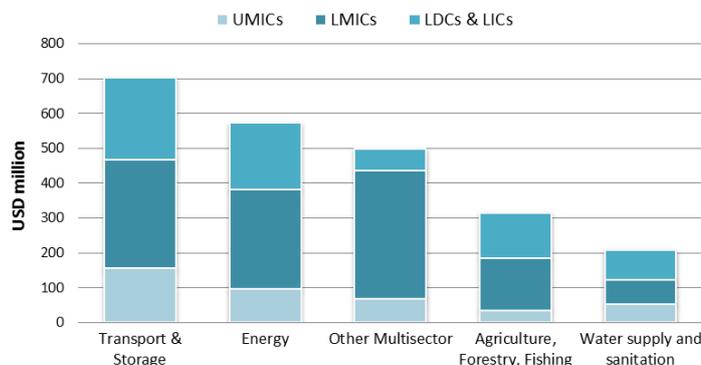
WHICH SECTORS DO ARAB PROVIDERS TARGET?

Five sectors account for 78% of the ODA of the eight Arab providers covered by this analysis. The transport and storage sector accounts for the largest share (24%), which is followed by energy (19%), agriculture, forestry, fishing (11%), mining and construction (7%). The multisector category represents 17% of Arab sector allocations, a category that mainly captures urban development activities in the Arab case. Most of these sectors fall under the economic infrastructure category, where MICs in the MENA region are mainly targeted. For LDCs and LICs, Arab providers mainly invest in transport and storage sector. For LDCs, this is followed by energy and agriculture, forestry and fishing; while for LICs, it is followed by water supply and sanitation and health sectors.

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Chart 5. Five main sectors for total Arab ODA

2011-15 annual average, gross disbursements, USD million, constant 2015 prices



Note: The "other multisector" category includes activities straddling several sectors that are not included under general environmental protection.

Box 1: The United Arab Emirates Technical Assistance Programme

For the UAE, technical assistance is one of the most effective elements of its foreign assistance policy, as it is based on the UAE's own development experience. The Programme aims to share the key learnings from the UAE's private sector through technical assistance to partner countries, and with the private sector as pivotal partner. Technical assistance is limited to sectors where the UAE has a demonstrated comparative advantage, namely: (a) mobility and infrastructure development; (b) energy and sustainability; (c) governance; and (d) services within the finance, trade, telecommunications and tourism sectors.

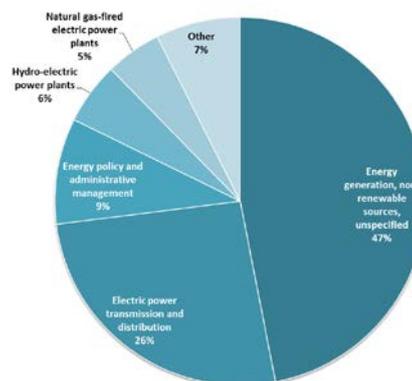
Example 1: Arab ODA to the energy sector

Arab ODA flows to the energy sector have almost doubled, reaching over USD 737 million in 2015.

This ODA is heavily concentrated in energy generation using non-renewable sources (47%), electric power transmission and distribution (26%), and in energy policy and administrative management (9%).

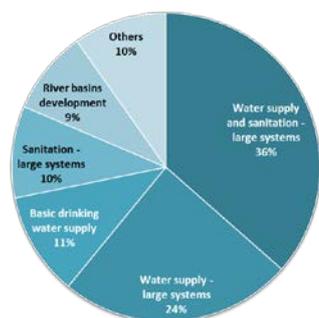
Most of the ODA flowing to the energy sector between 2011 and 2015 was delivered through concessional loans (84%) in the MENA region and mainly targeted lower middle-income countries (LMICs, especially Egypt, which accounts for 36% of total disbursements to the energy sector), followed by LDCs (Yemen, Sudan).

Chart 6. Arab ODA to the energy sector
2011-15 annual average, gross disbursements



Example 2: Arab ODA to the water supply and sanitation sector

Chart 7. Arab ODA to the water and sanitation sector
2011-15 annual average, gross disbursements



Arab ODA flows to the water supply and sanitation sector averaged USD 211 million a year between 2011 and 2015.

This ODA was concentrated in large systems for water supply and sanitation (36%) and basic drinking water supply (16%).

Most of the ODA flowing to the water sector between 2011 and 2015 was delivered through loans (84%), to Sub-Saharan Africa (38%) and mainly targeted LDCs (39%).

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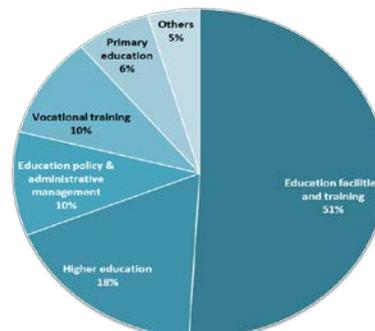
Example 3: Arab ODA to the education sector

Arab ODA flows to education doubled between 2011 and 2015, reaching over USD 174 million in 2015.

This ODA was heavily concentrated in providing education facilities and training (51%), higher education (18%) and vocational training (10%).

Most of the education ODA was delivered through grants (62%), mainly targeted to MICs and the MENA region (especially Egypt, Pakistan and West Bank and Gaza Strip, which accounted for 16%, 12% and 11% of total disbursements respectively).

Chart 8. Arab ODA to the education sector
2011-15 annual average, gross disbursements



WHAT FINANCIAL INSTRUMENTS DO ARAB PROVIDERS USE?

The Arab providers covered by this analysis mainly use grants (58%) in their development co-operation. Grants are mainly allocated to countries in the Middle East and target lower middle-income countries, while loans are used in the North of Sahara region.

Arab financial commitments for development are broader than ODA and also include other types of flows such as non-concessional developmental flows. These flows could potentially be part of Total Official Support for Sustainable Development (TOSSD), an international statistical standard for measuring officially-supported resources for sustainable development, which is currently being developed by the OECD and the United Nations. Some Arab institutions are involved in the process of defining TOSSD since the Statistical, Economic and Social Research and Training Centre for Islamic Countries is part of the “TOSSD Task Force” that is carrying out the technical work required to ensure that TOSSD conforms to international statistical standards.

DO ARAB PROVIDERS ENGAGE IN TRIANGULAR CO-OPERATION?

Another modality used by Arab providers is triangular co-operation. The OECD introduced a code for tracking triangular co-operation in its Creditor Reporting System in 2015. However, the code has not yet been used by the countries' and institutions' reporting to the OECD, which hinders the amount of quantitative information available. A recent OECD survey and working paper captured information on Arab triangular arrangements. The survey and working paper provide a starting point to understand Arab triangular co-operation trends and features. These are some of the preliminary findings on Arab triangular co-operation:

- Average project budgets between USD 1 and 5 million, which is larger than for other projects in the survey, but with many small-scale activities (under USD 500 000) and a few large projects.
- Activities lasting 36 months or more, which is longer than the average seen for the survey.
- Concentration in the MENA region and Sub-Saharan Africa, although many projects are multi-regional and can involve Central Asia, Southeast Asia and Latin America as well.
- Projects provide solutions to pressing global development challenges, such as forced migration or climate change. They focus on training and sharing knowledge on governance-related issues, as well as projects in a range of sectors, including energy, food security or water and sanitation.
- Experts involved are from neighbouring countries or countries with similar experiences, which should provide more adapted solutions to the development challenges addressed.

The facilitating actors in these triangular co-operation projects are the IsDB, DAC members (e.g. United States, Germany, Japan) and international organisations (e.g. World Food Programme). Qatar and Saudi Arabia are pivotal or facilitating partners, while countries such as Tunisia, Egypt or Morocco, which have technical co-operation agencies and a tradition of sharing knowledge with other countries, are either pivotal or beneficiary partners.