

ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA

**SURVEY OF AID EFFECTIVENESS
IN THE ARAB REGION**

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Introduction

Recent political developments in the Arab region have impacted official development assistance (ODA) and aid effectiveness even in countries that were not touched by unrest. The relationships between all levels of the Arab society are currently being redefined and the role of different stakeholders in the development process is being revised. Policymakers are reconsidering national development strategies and policies, institutions and legislative frameworks. Concurrently, the role and nature of ODA is being scrutinised by newly established authorities and societies.

This survey aims to offer a preliminary assessment of aid effectiveness in the region and to suggest areas for improvements. It is expected that further and deeper analysis will be conducted to assess aid effectiveness in individual member countries of the Economic and Social Commission for Western Asia (ESCWA), taking the recent political and social developments into consideration.

The paper reviews existing policies and mechanisms that ensure aid effectiveness in ESCWA member countries based on the principles and indicators of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action (AAA). However, there is a great need for a comprehensive macroeconomic policy and an institutional analysis of each member country to identify the trends, characteristics and impact of ODA on growth and social indicators. Such analysis would help to define the required policy and institutional support to ensure the effectiveness of ODA in meeting the development challenges in the region.

The survey also reviews good practice in aid effectiveness and success stories from the region and around the world, with special attention to examples of existing legislative, institutional and policy frameworks governing ODA. It finally considers ODA management and coordination in individual countries in the Arab region, in particular the distinctions between donor and recipient countries, developed and least developed countries (LDCs) and countries in transition.

I. OVERVIEW OF AID EFFECTIVENESS ACTIVITIES

A. AID EFFECTIVENESS, AID MANAGEMENT AND COORDINATION

1. *The Paris Declaration, the Accra Agenda for Action and other initiatives*

The purpose of aid effectiveness is to ensure that development assistance results in the maximum impact in terms of improving lives, reducing poverty and achieving the Millennium Development Goals. The beginning of the twenty-first century witnessed a significant increase in the annual volumes of ODA worldwide from 80 billion dollars (\$) in 2003 up to \$145 billion in 2008.¹ However, the increase was insufficient to meet global development needs. Thus, to ensure the desired impact, the focus has shifted from the amount of aid to the effectiveness of aid. The process of examining aid effectiveness was triggered by the recognition that the methods of different donors may be ineffective and the capacity of recipients to absorb aid may be limited.

Over the past decade there have been several major milestones in the process of developing standards and indicators to assess aid effectiveness. The first High-Level Forum on Harmonisation was held in Rome in 2003 and was followed by the Paris Declaration on Aid Effectiveness in 2005 and AAA in 2008. The fourth High-Level Forum on Aid Effectiveness took place in Busan, Republic of Korea, in 2011.

The Paris Declaration included five main principles to ensure aid effectiveness:

(a) Ownership, indicating that receiving countries must remain in control of their own priorities for development, strengthen their institutions and lead aid coordination;

(b) Alignment, indicating that donors must comply with the priorities of developing countries and make better use of the plans, policies and systems of the recipients;

(c) Harmonisation, indicating the need for donors to coordinate their activities to avoid duplication, simplify procedures and improve the division of labour with partner countries;

(d) Managing for results, indicating that the focus of developing countries and donors must remain on producing and measuring results;

(e) Mutual accountability, indicating that donors and developing countries are accountable to each other, to their parliaments and to the public for the results that they achieve.

The degree of compliance of both donor and recipient countries with those principles is measured by a set of 13 indicators and targets. Further concrete actions and initiatives were developed by different stakeholders to measure and ensure aid effectiveness. Such initiatives include the International Aid Transparency Initiative, the Working Party on Aid Effectiveness and various evaluations of the Paris Declaration.

Nearly all donor countries, institutions and a significant number of recipient countries responded positively to those initiatives. Egypt, Iraq, Jordan, Kuwait, Palestine, Saudi Arabia, the Sudan and the Syrian Arab Republic have signed the Paris Declaration and AAA.

¹ Data are available from <http://stats.oecd.org/Index.aspx?datasetcode=TABLE1>.

2. Good practice of aid effectiveness and coordination

The Cairo Agenda for Action on Aid Effectiveness

In response to aid effectiveness initiatives and in order to localize AAA, the Government of Egypt decided to develop the Cairo Agenda for Action on Aid Effectiveness. The Agenda attempted to improve the efficiency, impact and effectiveness of development assistance and to enhance the coordination of national and international partners. In addition, the Agenda aimed to demonstrate the positive impact on people's lives that can result from coordinated actions of committed national and international development partners.

Aid Management Programme

The Aid Management Programme was developed by a non-profit organisation, Development Gateway, as a comprehensive solution that can improve the availability of country-level aid information. Developed in collaboration with the Organisation for Economic Co-operation and Development (OECD), the World Bank, the United Nations Development Programme and the Governments of Ethiopia and India, the programme has been deployed in 21 countries to address the challenges outlined in the Paris Declaration and AAA. Through software applications and institution-strengthening activities, the programme helps countries monitor and report on development assistance.

The International Aid Transparency Initiative

The International Aid Transparency Initiative was launched at the Accra High-Level Forum on Aid Effectiveness as an independent multi-stakeholders initiative in response to the concrete commitments of AAA on aid transparency. The initiative developed a standardized approach for donors to publish aid information, and partner countries were requested to publish information as well. Making the information publically available would benefit private sector and civil society stakeholders, and thereafter would encourage them to also publish information on their activities and the aid that they receive.

The initiative does not provide a new statistical system nor does it replace existing Aid Management Information Systems. Instead, it sets an international standard for the publication of aid information and provides an online registry of specific aid information.

Platform for Aid Effectiveness

The platform system for Aid Effectiveness² was established with reference to the principles of the Paris Declaration, the Hanoi Core Statement on Aid Effectiveness and the objectives of the Vietnam Partnership Group on Aid Effectiveness. The institutional structure includes Governments and other partners such as the Interministerial Task Force on ODA; the Partnership Group for Aid Effectiveness which coordinates the efforts of the Government, donors and other stakeholders; partnership groups organized by sector; and non-governmental stakeholders.

B. AID MANAGEMENT AND COORDINATION MEASURES IN ESCWA MEMBER COUNTRIES

When it comes to aid, ESCWA member countries can be divided into two groups: recipients and donors. Aid recipients can be classified as developing countries and LDCs. The political developments in the region justify additional subcategories: emerging States that are recovering from crisis or conflict and States in crisis. Table 1 presents those categories.

² Available from www.ngocentre.org.vn/files/docs/platform.pdf.

TABLE 1. CLASSIFICATION OF ESCWA MEMBER COUNTRIES

Countries	Recipients				Donors
	Developing country	LDC	Emerging State	State in crisis	
Bahrain	X				
Egypt	X			X	
Iraq	X		X		
Jordan	X				
Kuwait					X
Lebanon	X				
Oman					X
Palestine	X		X		
Qatar					X
Saudi Arabia					X
Sudan		X	X		
Syrian Arab Republic	X			X	
United Arab Emirates					X
Yemen		X		X	

Note: Matrix prepared by the author prior to the accession of Libya, Morocco and Tunisia to ESCWA in 2012.

1. ESCWA member countries as recipients

The majority of ESCWA member countries are aid recipients. Tables 2 and 3 provide detailed information about the quantity and type of aid to the region.

TABLE 2. NET ODA ATTRACTED TO SELECTED COUNTRIES IN THE ARAB REGION

Country	GNI* per capita (\$)			Net ODA (Millions of dollars)			Net ODA/GNI		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Egypt	1 880	2 190	2 420	1 741	999	594	1.10	0.50	0.30
Iraq	2 100	2 230	2 340	9 884	2 791	2 192	11.90	4.60	2.80
Jordan	3 670	4 000	4 370	738	740	955	3.20	2.90	3.40
Lebanon	7 040	7 760	9 080	1 070	580	449	3.50	1.70	1.10
Palestine				2 470	2 817	2 519			
Sudan	1 140	1 230	1 270	2 566	2 351	2 055	4.80	4.70	3.70
Syrian Arab Republic	2 220	2 570	2 790	157	208	137	0.30	0.40	0.20
Yemen	970	1 070		430	558	666	1.70	2.20	

* Gross National Income.

Source: Available from <http://www.oecd.org/dac/stats/recipientcharts.htm>.

TABLE 3. TYPE OF AID DISTRIBUTED TO SELECTED COUNTRIES
(Millions of dollars at current prices)

Country	Loans			Grants		
	2008	2009	2010	2008	2009	2010
Egypt	841.42	424.87	1 638.4	1 051.26	829.52	888.09
Iraq	2 432.17	535.44	1 000.90	10 348.25	2 530.09	1 336.04
Jordan	252.29	263.87	355.27	857.56	934.55	799.55
Lebanon	597.19	43.16	51.23	589.83	481.42	440.24
Oman		69.59		21.16	124.73	21.13
Palestine	14.75	6.51		2 572.57	3 067.07	2 490.79
Sudan	447.69	32.48	200.17	2 429.86	2 544.54	2 028.09
Syrian Arab Republic	76.80	309.98	185.07	314.46	392.98	308.59
Yemen	388.98	142.99	242.64	459.70	1 472.31	694.85

Source: OECD statistics (DAC3a) available from <http://stats.oecd.org/>.

The destination of bilateral ODA in the Arab region is country-specific, and table 4 shows that in general, aid targeted education, economic infrastructure and services, social sectors and debt. Those countries also received significant humanitarian support. The European Union; the United States of America, Japan, countries of the Gulf Cooperation Council, the World Bank, the International Monetary Fund and the regional arab funds are the leading donors in the region.

TABLE 4. ODA COMMITMENTS BY SECTOR AND RECIPIENT, 2010
(Millions of dollars)

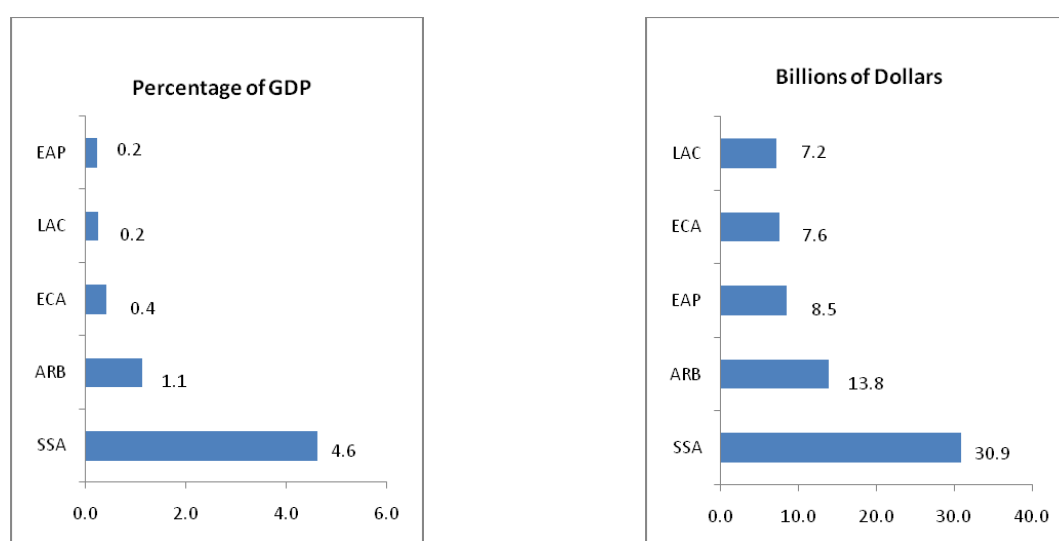
Sector	Egypt	Iraq	Jordan	Palestine	Sudan	Yemen	Total
Social	484	1 204	730	1 474	829	361	5 082
Economic	1 623	728	121	118	192	245	3 027
Production	240	69	25	82	178	66	660
Multisector	67	77	150	120	80	80	574
General Aid	1	2	17	176	69	60	325
Debt	94	26	-	-	-	-	120
Humanitarian	3	231	42	447	886	124	1 733
Other	18	2	30	78	4	3	135
Total	2 530	2 339	1 115	2 495	2 238	939	11 656

Source: Available from <http://www.oecd.org/dac/stats/recipientcharts.htm>.

The Arab region has attracted a considerable volume of ODA compared with other developing regions of the world (figure I). The variability of the quantity of aid received by countries reflects substantial differences in their economic, social and humanitarian needs, the presence or absence of legal frameworks regulating ODA, the levels of ownership and alignment of ODA to national development plans and priorities, and the institutional capacity to manage and absorb aid.

The present survey reviews the existing policies and mechanisms to ensure that aid to ESCWA member countries is effective and based on the principles and indicators of the Paris Declaration. It draws on case studies of a number of countries. However, a comprehensive analysis is needed of the macroeconomics, policies and institutions of each member country to identify the trends, characteristics and impact of ODA on growth and social indicators.

Figure I. Average ODA in developing regions, 2000-2010

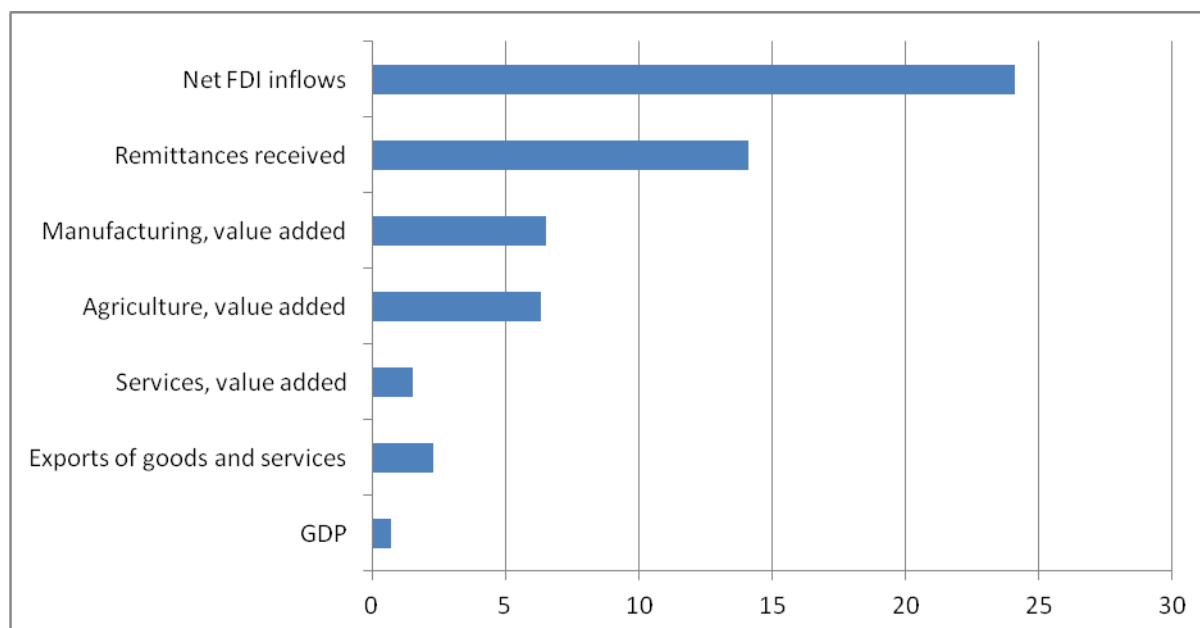


Source: World Bank, World Development Indicators.

Note: Sub-Saharan Africa (SSA), Arab (ARB), East and Central Africa (ECA), Latin America (LAC) and East Asia and the Pacific (EAP). Saudi Arabia, Kuwait, Qatar and the United Arab Emirates are excluded from the calculation.

A rough comparison between ODA figures and key economic indicators in ESCWA member countries was conducted to contribute to the analysis of the impact of ODA in the region. The results are presented in figure II.

Figure II. Net ODA received as a percentage of key economic indicators in selected ESCWA member countries, 2011



Source: World Bank, World Development Indicators.

Note: ESCWA member countries excluding Gulf Cooperation Council countries.

(a) *Developing countries*

The majority of developing countries have fully or partially set adequate aid effectiveness, management and coordination mechanisms. Egypt, Jordan and the Syrian Arab Republic are signatories of the Paris Declaration, while others countries have endorsed other aid effectiveness initiatives.

The situation of the institutional structure and existing mechanisms of aid effectiveness in Jordan serves as a case study on developing countries.

Jordan

According to the World Bank, Jordan is an upper middle-income country and in 2011, gross national income (GNI) was S\$4,380 per capita.³ Since 2000, Jordan has improved significantly on the Human Development Index. Progress has also been made in political reform at the municipal and national level, and in judicial reform. Additionally, significant economic reforms were undertaken, particularly in opening up the economy and improving the business environment and investment climate. However, a number of constraints remain, including a large budget deficit, public debt, widespread poverty, unemployment and challenges related to water and energy. Net ODA in 2010 totalled \$955 million (table 2). According to the Government, approximately two-thirds of ODA was allocated as grants, of which half provided direct budget support. Since 2008, net ODA has averaged 3.1 per cent of GNI (table 2), and 84 per cent of ODA to Jordan

³ Data are available from <http://data.worldbank.org/indicator/NY.GNP.PCAP.CD>.

was provided by five donors.⁴ The Jordan Ministry of Planning and International Cooperation is the unique focal point of ODA. The Government implemented various initiatives and imposed a set of measures to ensure aid effectiveness and adequate aid management and coordination mechanisms.

The national development strategy and the longer-term National Agenda (2006-2015) were designed to improve social and economic welfare in Jordan. The development strategy incorporates 24 sector strategies, policies and programmes developed around seven key pillars: (i) social welfare; (ii) employment and vocational support; (iii) education; (iv) enabling investment; (v) infrastructure; (vi) financial and administrative reform; and (vii) legislative and judicial reform. It is implemented in the context of a medium-term fiscal and expenditure framework. The Government of Jordan has claimed that the National Agenda for Development has been fully integrated into the budget process.⁵

In 2010, the Jordan Aid Information Management System was launched. The system provides comprehensive information on ODA-funded projects and programmes in Jordan, on both national and regional levels. The system reports on the type of ODA, sectors and regions of destination, beneficiaries and target groups, and on the status of implementation.

Jordan is one of the countries that participated in the OECD survey on the implementation of the Paris Declaration (2005-2010) and met four of nine indicators, specifically in the areas of ownership, alignment and mutual accountability. The strongest progress was made on indicators related to the use of country systems.

(b) *Least developed countries*

The Sudan

In 2010, the GNI of the Sudan was \$1,270 per capita and it has grown at an average rate of 5.5 per cent since 2008 (table 2). Despite its rich natural resources, the Sudan is classified as an LDC because half a century of civil conflict hindered the development of the country. In January 2011, South Sudan became an independent State. Net ODA to the Sudan in 2010 was \$2.055 billion representing 3.7 per cent of GNI (table 2).

The Sudanese Ministry of International Cooperation is the focal point for all ODA according to its mandate. However, two other ministries are also involved with ODA; the Ministry of Finance and National Economy and the Ministry of Humanitarian Affairs. Coordination and formal relations between institutions is poor, resulting in deficient trust between the Government and the donor community.

The Sudan signed the Paris Declaration and participated in the 2011 OECD survey on its implementation. Despite deficient aid coordination, the results of the survey indicate that the Sudan had made progress on other indicators, particularly in ownership.

In fact, the Sudan has drafted a long-term 25-year development vision, which is made up of five-year plans. The key results of each plan are linked to the development goals of the long-term vision. The Government has formulated sector-based development strategies. Priority targets were established and are to be monitored through regular reports that are cross-checked with independent evaluation. Work plans and projects with concrete budgets are linked to medium-term financial frameworks. Furthermore, the National Planning Council and the Ministry of Finance have introduced a results-based monitoring and evaluation system to track performance on the programme level.

⁴ Based on <http://www.oecd.org/dac/stats/JOR.gif>.

⁵ OECD, 2011, pp. 3-4.

The Ministry of International Cooperation has developed the web-based Sudan Aid Information Database to provide accurate and comprehensive information on ongoing and anticipated projects supported by ODA. The Ministry of Finance and Economic Affairs has another system to track ODA data.

(c) *Emerging countries*

Palestine

Palestine received \$2.5 billion of net ODA in 2010 (table 2), which accounted for 31 per cent of gross domestic product.⁶ Palestine is classified as an aid-dependent country with the United States, the European Union, the United Nations and Arab countries being the leading donors. Approximately 80 per cent of non-humanitarian aid to the Government is reported on budget, which constitutes a high percentage of budget support and partial budget support. Being heavily dependent on external assistance, the timely delivery and the balanced allocation of ODA is of vital importance for Palestine.

Palestine is an active participant in all aid effectiveness activities and is a signatory to the Paris Declaration. With the support of the donor community, the Government has developed an aid effectiveness, management and coordination tool and mechanism to ensure that ODA is aligned with national development priorities, as formalised in the national development strategy and subsequent sector-based development strategies.

The Ministry of Planning and Administrative Development is the focal point for all ODA. The Ministry is responsible for the planning process, the monitoring and evaluation of national plans, and for aid management and coordination. The Ministry brings together major donors with relevant Government agencies in annual consultations to align ODA to national priorities. A national aid information management system was also developed to assist in the management, planning, budgeting, monitoring and evaluation of foreign aid. In addition, the Government developed the following institutional set-up to ensure aid management and donor coordination:

- The Ad-Hoc Liaison Committee is a high level aid coordination body and includes ministers and senior officials;
- The Local Development Forum includes the Palestinian Authority representatives and all donors, United Nations and aid agencies, and representatives of the Association of International Development Agencies;
- The Strategy Groups focus on the four areas of governance, economy, social development and infrastructure, and work on formulating policies and coordinating donor programmes and projects;
- The Task Force on Project Implementation acts as a liaison between the Palestinian Authority and the Government of Israel with respect to project implementation and includes the following donors: the United States Agency for International Development, the Office of the United Nations Special Coordinator for the Middle East Peace Process, the European Union and the World Bank;
- The Joint Liaison Committee includes the Palestinian Authority, the Government of Israel, Local Development Forum co-chairs and major donors and promotes tripartite cooperation at the local level and the implementation of the priorities and decisions of the Ad-Hoc Liaison Committee;

⁶ GNI for Palestine was not available.

- The Local Aid Coordination Secretariat supports all the mechanisms mentioned above and is funded by donors such as Norway, the World Bank, the United States Agency for International Development, the Office of the United Nations Special Coordinator for the Middle East Peace Process and Germany;
- The Palestinian Economic Council for Development and Reconstruction is the governmental body that implements and executes projects;
- The Municipal Development and Lending Fund aims to promote the use of financial flows from the Palestinian Authority and donors at the municipal level in order to increase the efficiency of the local infrastructure and services.

2. ESCWA member countries as donors

From 1973-2008, three Arab countries, Kuwait, Saudi Arabia and the United Arab Emirates, were among the most generous in the world with ODA reaching \$272 billion (at 2007 prices) and averaging 1.5 per cent of combined GNI.⁷ That figure represents more than double the target of 0.7 per cent of GNI set by the United Nations and five times more than the average contribution of the OECD countries of the Development Assistance Committee.

Saudi Arabia ranks as the first Arab donor offering two-thirds of total Arab ODA, while Kuwait comes next with 16 per cent of total Arab ODA. The United Arab Emirates is the third largest source of Arab ODA with a share of 12 per cent (for the period 1973-2008).⁸

Arab ODA is managed by national and multilateral agencies and funds. On the national level, foreign aid is provided by government departments and establishments such as the ministries of finance and foreign affairs, and line ministries. On the other hand, project and programme financing are managed by national funds, whereas charities and emergency relief support are frequently managed directly by national non-governmental organizations.

While Arab and Muslim countries were the main beneficiaries of Arab ODA, Arab donors have increasingly focused their support on other geographic areas such as Africa, Asia and the Caribbean. Furthermore, Arab donors provide funding to international, regional and multilateral funds, and to development institutions which in turn extend foreign aid. Arab ODA is allocated as grants, concessional loans and debt relief and focuses on the infrastructure, agriculture, natural resources management and social sectors, and on emergency relief and capacity-building.⁹

With an increased volume of Arab ODA, Arab donors have started to consider a better organization and coordination of their aid strategies and policies. National institutions were created to record and report on aid flows, such as the United Arab Emirates Office for Coordination of Foreign Aid, established in 2008.

TABLE 5. TOTAL DISBURSEMENT OF NET ODA, SELECTED ARAB COUNTRIES
(Millions of dollars)

Country	2009	2010
Kuwait	300	270
Saudi Arabia	4 004	3 702
United Arab Emirates	1 270	762

Sources: Arab Monetary Fund, 2011, p. 156 (Kuwait and Saudi Arabia); and United Arab Emirates Office for the Coordination of Foreign Aid, 2011, p. 17.

⁷ World Bank, 2010, p. 5.

⁸ Ibid., pp. 8-9.

⁹ Ibid., pp. 10-12.

The United Arab Emirates

Since 1971, the United Arab Emirates provided much-needed aid to countries worldwide. For the year 2009, the country ranked fourteenth in the world and first among countries that are not members of the Donor Assistance Committee of OECD in terms of the level of ODA provided (0.33 per cent of GNI). In 2010, the United Arab Emirates underwent a revision of GNI and the level of ODA in 2010 reached 0.35 per cent of GNI. In 2011, the United Arab Emirates disbursed some \$2.11 billion (0.22 per cent of GNI) in grants and loans to development, humanitarian and charity programmes worldwide.

The country channels ODA through governmental agencies, private foundations, NGOs and regional and Arab funds. Bilateral assistance accounted for 60.1 per cent of total aid disbursed in 2011, whereas aid delivered through multilateral organizations reached 5.7 per cent of total aid in the same year. In 2011, the United Arab Emirates concentrated 61.39 of total aid on the commodity aid and general programme assistance (which includes general budget support and the food security programme), whereas social infrastructure and services took second place with 10.68 per cent, and production sectors and humanitarian aid received 8.10 per cent of total aid disbursed. In terms of geographic distribution, Asia received 79 per cent of total disbursements, and Africa received 12.4 per cent. Of the aid to Asia, the Middle East received some 84.6 per cent, whereas South and Central Asia received 13.4 per cent.

TABLE 6. SELECTED RECIPIENTS OF AID FROM THE UNITED ARAB EMIRATES, 2011

Country	Amount		Percentage of total foreign aid
	Millions of UAE dinars	Millions of dollars	
Oman	3 675.80	1 001.000	47.49
Jordan	757.54	206.246	9.79
Kazakhstan	315.86	85.995	4.08
Yemen	292.09	79.524	3.77
Pakistan	277.68	75.600	3.59
Libya	213.75	58.195	2.76
Afghanistan	149.79	40.781	1.94
Sudan	146.41	39.861	1.89
Bahrain	140.36	38.214	1.81
Palestine	124.86	33.994	1.61
Morocco	118.41	32.238	1.53
Syrian Arab Republic	106.04	28.870	1.37
Egypt	83.66	22.777	1.08
Somalia	83.14	22.635	1.07
Lebanon	47.88	13.036	0.62

Source: Author calculations based on United Arab Emirates Office for the Coordination of Foreign Aid, 2012, pp. 30-31.

In 2011, the United Arab Emirates provided support to a wide variety of projects in over 128 countries worldwide. With few exceptions, aid to individual countries did not exceed 3 per cent of the total aid disbursed (table 6) and the funds were distributed among a large number of sectors and projects. Those factors weaken the impact on receiving countries and the position of the United Arab Emirates as a global donor. United Arab Emirates aid is contributed by government donors (77.12 per cent of total disbursements) such as federal ministries, governmental and local departments, and by non-governmental and other organizations such as the Abu Dhabi Fund for Development (10.11 per cent of total disbursements), the United Arab Emirates Red Crescent Authority (3.95 per cent) and the Khalifa Foundation (2.83 per cent).¹⁰

In order to streamline ODA and ensure the right impact and effectiveness, the Government set up a specialized agency, the Office for Coordination of Foreign Aid, to document foreign aid flows, provide

¹⁰ United Arab Emirates Office for the Coordination of Foreign Aid, 2012, p. 23.

advice on effective ways to allocate ODA, monitor and evaluate the work of humanitarian and development agencies, and build capacity within the aid sector.

The Office for Coordination of Foreign Aid was set up by decree in 2008. The office has the following strategic objectives:

- Compile all the official documentation and information on public and private foreign aid flows and make all the needed information available to relevant stakeholders, thereby enabling an effective decision-making process;
- Assist the Government to improve its performance as a foreign donor;
- Provide high-quality support services that are efficient, transparent and timely.

The office provides the following services:

- Documentation: annual foreign aid reports and the foreign aid tracking service;
- Reporting to OECD and the United Nations Office for the Coordination of Humanitarian Affairs;
- Field support: the office provides donor organizations with information on humanitarian emergencies to enable them to respond more effectively and in a more coordinated manner;
- Training and capacity-building: the office provides regular training courses to foreign aid staff members on humanitarian and development issues in order to improve the skills of staff working in the sector;
- Advice and policy guidance: the office provides policy and strategic advice to relevant stakeholders, including the Ministry of Foreign Affairs, on a range of topics.

The United Arab Emirates recently launched a process to define its aid strategies and policies which would lead to a general reform of aid management and coordination tools and mechanisms.

3. Arab national and regional development institutions

In 1961, the Kuwait Fund for Arab Economic Development was established as the first development fund in the Arab region. Since then, the total number of operational funds has increased to nine, including three national and six regional funds. The Islamic Development Bank and the Fund for International Development of the Organization of the Petroleum Exporting Countries (OPEC), although not Arab, are considered in this context because Arab donors contribute most of their capital.

The assistance instruments of Arab and regional development funds are project and programme financing, debt relief, balance of payment and budget support (particularly the Arab Monetary Fund, the Fund for International Development of OPEC and the Arab Bank for Economic Development in Africa). The funds also provide limited technical assistance which is often embedded in loan agreements, private sector support and trade financing, such as lines of credit and direct support. Formal and informal coordination mechanisms exist to ensure the coordination of aid between financial agencies and the beneficiaries.

TABLE 7. ARAB NATIONAL AND REGIONAL DEVELOPMENT FINANCIAL INSTITUTIONS

Agency	Year and place of establishment	Mandate and instruments
Abu Dhabi Fund for Development	1971 Abu Dhabi	Provide concessional loans, grants and equity in investment projects to developing countries.
Kuwait Fund for Arab Economic Development	1961 Kuwait	Provide loans for development purposes to Arab and other developing countries in order to improve their economies. Provide technical assistance grants for feasibility studies and other advisory services. Contribute to regional and international institutions.
Saudi Fund for Development	1974 Riyadh	Provide financing for investment projects in developing countries. Provide finance and insurance in support of non-oil exports.
Arab Fund for Economic and Social Development	1971 Kuwait City	Provide concessional financing for projects to the public sector, and loans and capital participation to the private sector. Promote funding of regional projects. Provide secretariat services for the Coordination Secretariat of Arab National and Regional Development Institutions.
Arab Gulf Programme for United Nations Development Organizations	1980 Riyadh	Provide finance for sustainable human development efforts targeting the neediest in developing countries (with a focus on women and children), including efforts to improve educational and health standards, alleviate poverty and support institutional structures.
Arab Monetary Fund	1976 Abu Dhabi	Promote Arab monetary cooperation, capital market development and intra-Arab trade through the Arab Trade Financing Programme. Cooperate with Governments in the stabilisation of the balance of payments and the removal of payment restrictions.
Arab Bank for Economic Development in Africa	1974 Khartoum	Improve economic, financial and technical cooperation between Arab and African countries by financing economic development in non-Arab African countries, stimulating the contribution of Arab capital to African development and providing technical assistance.
Islamic Development Bank	1973 Jeddah	Provide financing to Islamic communities and member countries. Provide support to productive enterprises and projects by participating in equity capital and grant loans.
OPEC Fund for International Development	1976 Vienna	Advance South-South cooperation by promoting social and economic programmes in developing countries through the provision of concessional financing, public sector loans for investment projects, balance of payments support, debt relief, trade financing to private enterprises and grants for technical assistance.

Source: World Bank, 2010, pp. 57-58.

II. AID EFFECTIVENESS IN ESCWA MEMBER COUNTRIES

Among member countries of ESCWA, the substantial variability in human, social and economic development indicators leads to significant differences in the volume of the aid received by individual countries. Recipient countries also vary in their level of dependence on aid, and differences in the institutional and policy frameworks governing ODA may also impact aid inflows.

A. RECIPIENTS

Nearly all recipient countries in the Arab region have endorsed or expressed commitment to the Paris Declaration and have complied to various degrees with its principles and indicators. As middle-income countries, most Arab countries seek ODA for objectives that differ from the objectives of LDCs. For middle-income countries, aid effectiveness is essential to maximise the impact of ODA on development agendas. To ensure a favourable impact, some countries have already committed themselves to concrete actions to ensure aid effectiveness, such as articulating national development and sector-based strategies, introducing new policies to ensure adequate public financial management, adopting relatively transparent reporting systems on aid flows and setting up monitoring and evaluation systems.

Such commitment to ensuring aid effectiveness places countries under pressure to reform the existing legal frameworks that regulate the process of soliciting ODA and manage aid flows. Countries may also need to reform the policymaking processes that impact ODA.

Most ESCWA member countries lack adequate policies and legal frameworks to ensure a comprehensive participatory approach to the development process. The participation of parliaments, local authorities, civil society organizations and the private sector in the process of policy dialogue is limited or non-existent. Member countries should involve those entities in identifying national development priorities, monitoring the implementation of development programmes and evaluating the impact of those programmes on economic and social indicators.

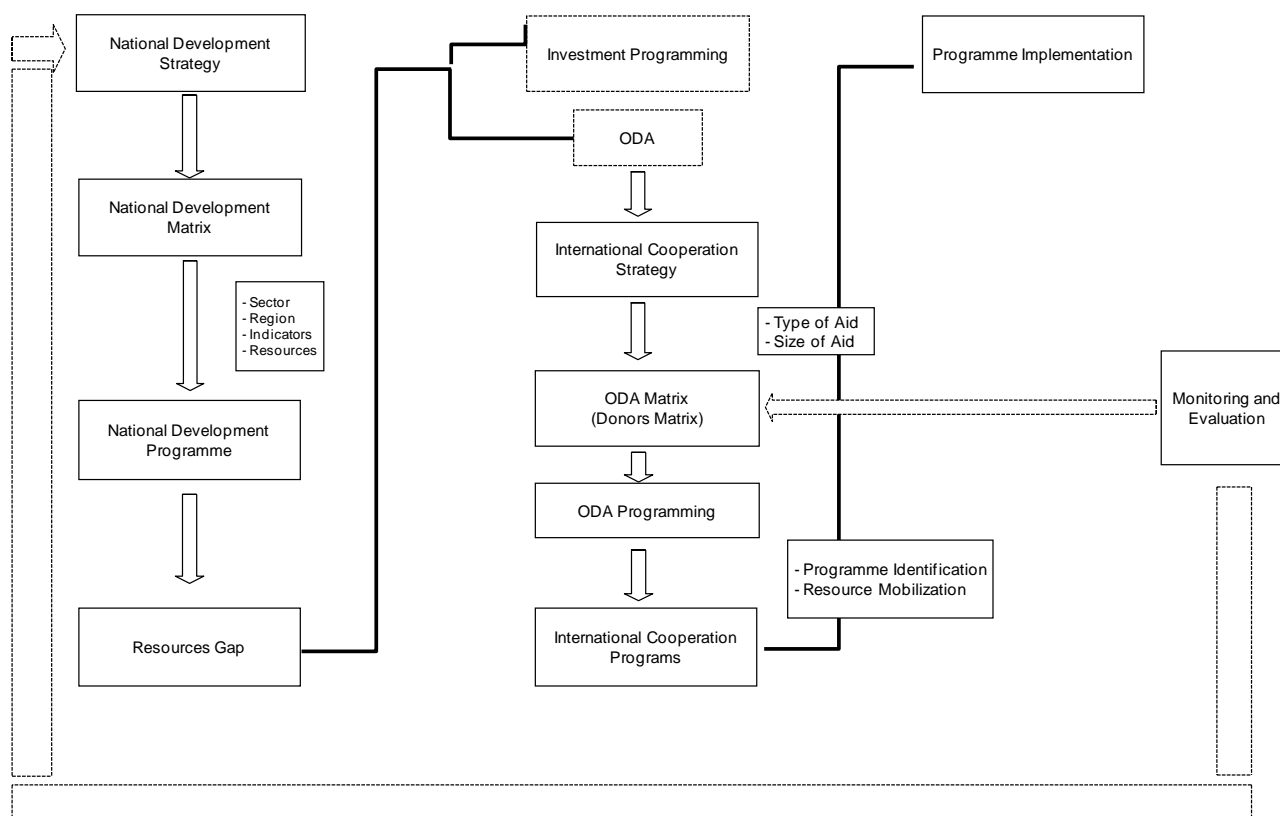
Nearly all recipient countries in the Arab region have national development programmes and some have sector-based strategies. Member countries should ensure that macroeconomic frameworks are in place to link those strategies and to identify social, human and economic indicators against which the effectiveness of programmes would be measured.

The recipients and donors of ODA must face the challenge of linking development strategies to national budgets. The establishment of country-owned development programmes with a single budgetary framework that captures all resources to finance their implementation is a key element in ensuring aid effectiveness. The following diagram illustrates the aid management and coordination process.

As shown in the diagram, recipient countries should develop donor coordination mechanisms to align and harmonize ODA with national development priorities, to ensure resource predictability and avoid aid fragmentation. Such coordination mechanisms are already in place in Egypt (Development Partners' Group) and in the Syrian Arab Republic (Coordination Forum). Both recipient and donor countries must ensure that ODA resources are reflected in national budgets. To improve aid predictability, countries should pursue multi-year framework agreements such as the United Nations Development Assistance Framework and the Country Indicative Development Programme of the European Union.

In addition to the existing efforts of recipient countries, credible and sustainable public financial management systems should be developed as part of a long-term strategy to increase reliance on country systems, implement ODA-funded programmes and ensure aid effectiveness.

Figure III. Aid management and coordination process



Source: Prepared by the author.

Although nearly all recipient countries have developed national information systems that report on the volume and status of the implementation of ODA-funded programmes, adequate institutions and frameworks are needed to improve and empower information-sharing mechanisms. Such systems must be aligned with international standards and definitions, while institutional frameworks must be in place to ensure that information systems are regularly updated and that stakeholders have access to the systems and can monitor and assess the impact of ODA on national development indicators.

The capacity of absorption is a key element of aid effectiveness. Programme outcomes must be integrated into the capacity development of national institutions and donors should avoid the use of specialized implementation units, as they hinder national institutional development and the long-term effectiveness of aid.

Countries that are highly dependent on ODA (such as Palestine and Jordan) or on donor programme implementation (such as Iraq and Lebanon) seem to perform better than other countries when it comes to aid effectiveness. Despite the positive impact of ODA on national development agendas, sustainability is the main concern. Capacity-building of institutional and human resources, and national ownership of the development process are essential to ensure sustainable human and economic development.

Recipient countries should consider the following measures:

- Develop unified national strategic frameworks that incorporate comprehensive national development strategies, prioritize development objectives and policy actions, and budget operational programmes to be measured against key performance indicators;
- Develop sector-based strategies, policies and action plans;

- Draft regional development strategies that capture national development and sector-based strategies;
- Integrate development strategies and programmes into the budget process;
- Improve public financial management systems: introduce modern methods of forecasting domestic revenues and public expenditures; enhance budget classification; introduce transparent methods for planning and monitoring debt management;
- Improve national procurement systems;
- Develop national aid information management systems that provide adequate and transparent reports on ODA disbursements and use;
- Develop results-oriented management systems: (i) planning, identification of indicators and development of monitoring and evaluation systems; and (ii) reliable data collection, statistics and analysis systems;
- Institutionalize monitoring and evaluation systems beyond the programme level;
- Introduce measures to ensure mutual accountability by doing the following in partnership with donors: (i) formulate and agree to an aid policy; (ii) set specific country-level aid effectiveness targets; and (iii) undertake an assessment of progress towards targets in the given period and establish forums for a broad-based dialogue.

B. DONORS

Although considered generous, Arab bilateral ODA in the ESCWA region (namely from Saudi Arabia, Kuwait and the United Arab Emirates), has been criticized for volatility, fragmentation and unpredictability mostly because of the following factors: (i) links between the volume of Arab aid and the fluctuation of global oil and gas prices; (ii) strong geopolitical considerations in the decisions of Arab donors; and (iii) the near-absence of pre-defined aid strategies. Furthermore, aid management in donor countries is divided between various governmental institutions. Whereas the national funds are usually responsible for project finance, Government-to-Government and bilateral aid are channelled through different entities (such as the Committee for External Assistance in Kuwait, with representatives from several ministries; the United Arab Emirates and Saudi Arabia channel aid through the ministries of Finance, Foreign Affairs and other line ministries). Those practices hamper the consolidation of external assistance estimates within the respective Governments.

Although data on Arab aid donations are regularly reported to the Development Assistance Committee of OECD, they are difficult to verify because those countries do not regularly publish accounts of aid. The reported data are usually aggregated with few details on the type of aid or its destination, which impedes impact assessment and hinders accurate reporting on the size of Arab ODA.

To face those challenges, some countries have recently established national agencies to coordinate and manage all national donor activities, develop agency-specific aid strategies and streamline ODA data reporting activities. Countries in the Arab region are advised to build the required capacity and introduce adequate policies and legislation to meet the international standards in ODA reporting and comply with initiatives such as the International Aid Transparency Initiative to ensure that the aid flow remains visible.

Donor countries in the Arab region do not have agency-specific aid strategies. Financial assistance is committed and disbursed according to priorities set by the beneficiaries and the relationship between donor and recipient is usually governed by a memorandum of understanding and an arrangement on project implementation. The absence of aid strategies in Arab donor countries increases the possibilities of aid

fragmentation, which renders the aid “invisible” and reduces the ability of recipient countries to predict and forecast financial assistance for multi-year national development strategies. It is highly recommended that donor countries draft multi-year ODA arrangements based on both the donor assistance strategy and the development strategy of the beneficiary to increase the impact of aid and to improve the positioning of ESCWA donor countries in the international ODA community.

III. CONCLUSION

The political and social unrest that has taken place in nearly all ESCWA recipient countries (on different scales and with a varying intensity) would imply substantial changes in approaching the questions of social and economic development on all levels. Social justice, unemployment, poverty, education and good governance, which catalysed the unrest, remain the major challenges for new decision makers who must endeavour to meet the expectations of the population.

The challenges described in this paper can be turned into opportunities to introduce new approaches into designing, implementing and monitoring the development process. Recipients and donors alike would ideally insist on high levels of participation in the design of the development process and ensure mutual accountability in the implementation of development projects to achieve social, human and economic objectives.

Nearly all recipient countries have endorsed or expressed their commitment to the Paris Declaration and have complied to varying degrees with the Declaration’s principles and indicators. To ensure the favourable impact of ODA on national development priorities, some recipient countries have already committed themselves to such concrete actions as the drafting of national development strategies and sector-based strategies, the introduction of new policies and relatively transparent reporting systems on aid flow and the set-up of monitoring and evaluation systems. The high level of commitment to aid effectiveness places recipient countries under pressure to meet those commitments, which often require serious reform efforts concerning the existing legal regulation of ODA solicitation, the institutional set-up to manage aid and the policy formulation process in planning, implementing and evaluating ODA.

Though generous, Arab bilateral ODA is somewhat volatile, fragmented and unpredictable because of the following factors: (i) fiscal capacity influences the volume of Arab aid, which is tied to fluctuations in global oil and gas prices; (ii) geopolitical considerations impact the decision-making process of Arab donors; and (iii) aid strategies are rarely pre-defined. Furthermore, aid management in donor countries is divided between various governmental institutions and they struggle to consolidate external assistance estimates.

Finally, there is a need for concrete measures to improve ODA effectiveness in the Arab region. Member countries of ESCWA must take advantage of the existing South-South dialogue to ensure regional integration and achieve solidarity in the region.

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