

Reinforcing the Role of Arab Development Funds: The Financing Gap

Globalization and Financing for Development (EDGD)

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Abstract

In the last two decades, economic growth and progress towards development indicators in the Arab region have been considerable. This paper reviews the literature about aid and growth, and then analyzes ODA with regards to Arab countries, considering them as both donors and recipients. Given that Arab assistance is channeled through Arab Development Funds (ADFs), the paper describes such Funds in detail, the resources they have available, how they work, and the sector allocation of their operations. While Arab ODA has been substantial contributing to the positive results achieved and the ADFs seem to ensure effectiveness of the aid they channel, the present levels of their resources is deemed insufficient to meet all the Millennium Development Goal (MDG) targets given the great economic challenges Arab countries still face. More resources should be made available for the ADFs to substantially support progress towards the region's developmental objectives. This call for more aid is imperative given that, from the point of view of Arab countries that receive aid, ODA has decreased. Overall, this reduction involves Arab donors and would have been stronger without the OECD/DAC support to Iraq after the 2003 war.

1. Introduction

Arab aid has played an important role in global development finance. The main Arab donors, namely Kuwait, the Kingdom of Saudi Arabia (KSA) and the United Arab Emirates (UAE) have been among the most generous in the world in terms of Official Development Assistance¹ (ODA). The three Arab countries ODA donated US\$ 267.6 billion between 1975 and 2010², which represents an average per year of 1.7 percent of their combined Gross National Income (GNI). Such effort is more than twice the United Nations target of 0.7 percent, and five times the average of the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC).³

Facilitated by the sharp increase in oil prices, the levels of Arab aid were exceptionally high by international standards in the 1970s and early 1980s and could not be sustained over time. The share of Arab ODA in GNI was very high in the 1970s, going over 12 percent for UAE and hovering around 8.5 percent for Kuwait and KSA in 1973. Arab aid accounted for one-third of total ODA during the 1970s. Over time, the fiscal space in Arab donor countries has declined as a result of reduction in oil revenues, increase in national spending on wages, transfers, and social services for a growing population. As can be seen in the Annex, levels of Arab ODA declined but remained well above OECD-DAC averages as a share of GNI (table 1).

Since the mid-1960s, Arab donors established a number of specialized financial institutions to provide development assistance to large number of developing countries across the world. Assistance through these institutions increased substantially by over 4 percent per year in real terms over the past twenty years. Over time, Arab Development Funds (ADFs) have extended their assistance beyond Arab and predominantly Muslim countries. Nowadays, ADFs support more than 100 countries, most of which are poor nations in sub-Saharan Africa and Asia.

¹ Official Development Assistance (ODA) is defined as “Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount). By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries (“bilateral ODA”) and to multilateral institutions. ODA receipts comprise disbursements by bilateral donors and multilateral institutions. Lending by export credit agencies—with the pure purpose of export promotion—is excluded.” (IMF, 2003, External Debt Statistics: Guide for Compilers and Users – Appendix III, Glossary, IMF, Washington DC). Such definition has also been adopted by the OECD in its glossary of statistical terms (<http://stats.oecd.org/glossary/detail.asp?ID=6043>).

² Net disbursements in 2010 constant USD. Source OECD: <http://stats.oecd.org/> (accessed on November 7th 2012).

³ ODA from OECD-DAC donors has increased only marginally since 1995, from 0.26 percent in 1995 to 0.32 percent in 2010. In 2011, only a handful of international donors reached the longstanding UN target of 0.7 percent ODA/GNI (Denmark, Belgium, Luxembourg, the Netherlands, Norway and Sweden in 2011 (see UNDP (2011), Towards Human Resilience: Sustaining MDG Progress in an Age of Economic Uncertainty).

This paper highlights the important role ADFs have played over the last four decades, and assesses qualitatively the financing gap for them to be able to better respond to the region's developmental challenges.⁴

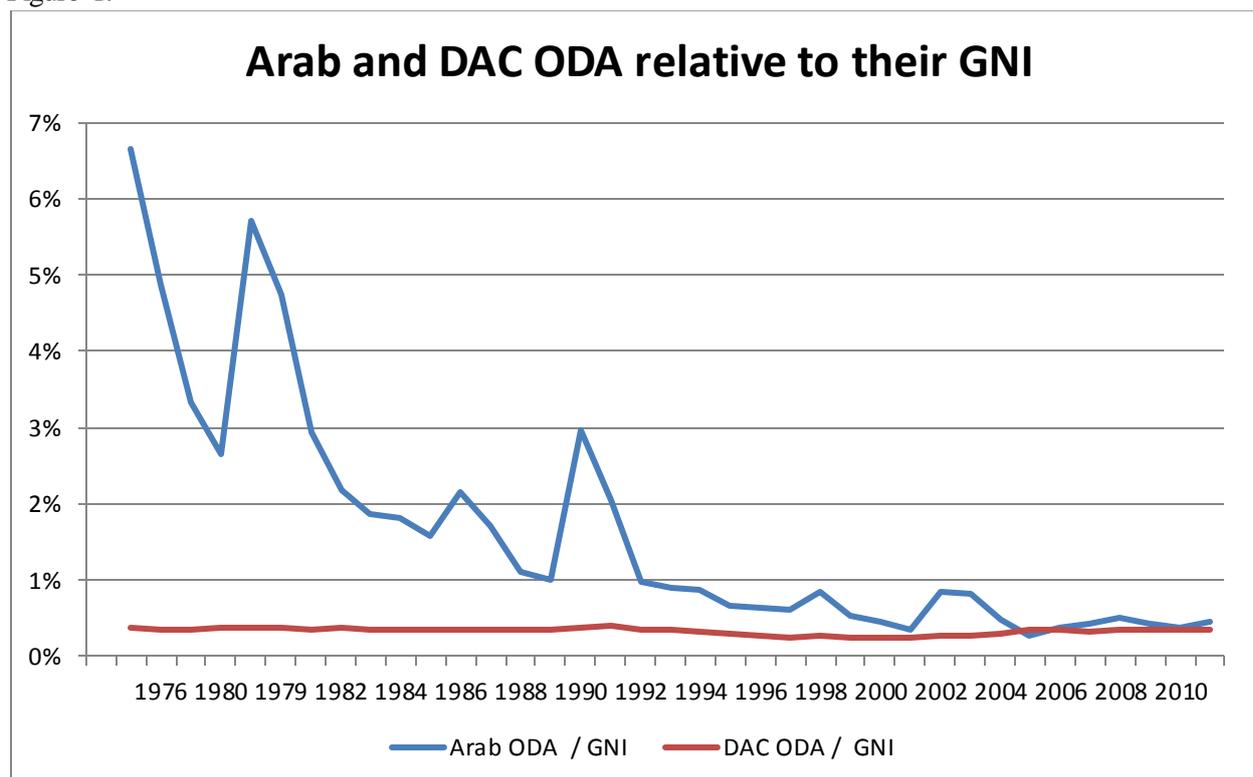
The paper is structured as follows. First, the importance of Arab donors' aid and the evolution of ODA received in the region are presented. Next, the paper describes the ADFs in detail, including the resources they have available, how they work, and the sector allocation of their operations. Finally, the funds available to ADFs are assessed against the Arab region challenges.

2. Arab ODA: Importance and Evolution

Several features can be highlighted to assess the importance of Arab ODA. First it can be said that overall, Arab donors are generous compared to their DAC counterparts. Columns (1) and (2) of table 1 in the Annex show that relative to the size of their economies, Arab ODA has systematically been higher than that of DAC donors (the only exception was 2005). The average from 1975 to 2011 indicates that Arab donors have been five times more generous than their DAC counterparts. However, figure 1 also shows that Arab aid has over the years followed a tendency to match DAC donors, a pattern visible from 2004 onwards. In terms of aid provided by donors relative to their economies' size, at present the differences between Arab and DAC aid are quite small, although they still persist.

⁴ While the importance of the funds' efficiency is acknowledged by the authors, such question goes beyond the scope of this paper. Hence, by assumption the analysis takes the elasticity between financing and development results as constant.

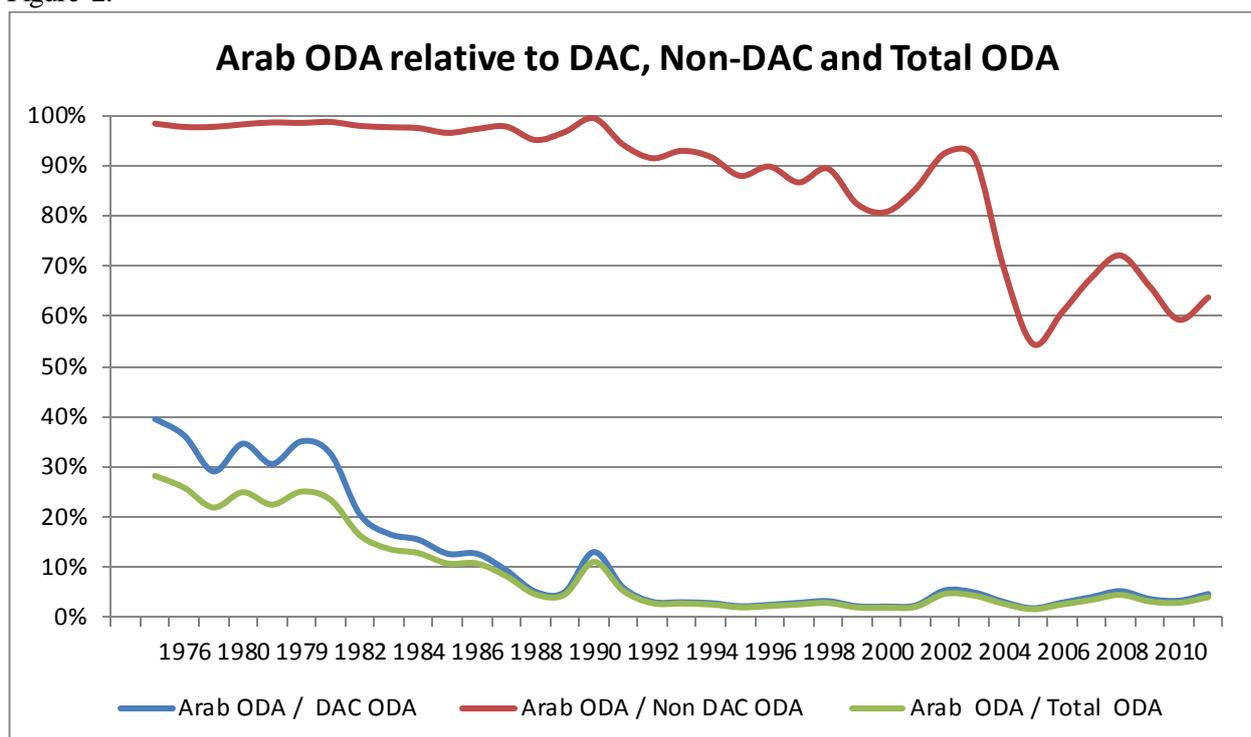
Figure 1.



Source: World Development Indicators 2012

Secondly, from columns (3) to (5) in Annex table 1 it is also visible that the importance of Arab ODA has decreased considerably over time. As figure 2 shows, during the 1970s Arab aid accounted for nearly all of the non-DAC ODA, reaching levels close to 40% of DAC ODA and above 25% of all ODA. However, in 2011 Arab ODA accounted for 63.7% of Non DAC ODA, 4.6% of DAC ODA and 4% of all ODA. Two periods of time can be identified. From 1975 to the early 1990s, Arab aid clearly decreased relative to DAC and total ODA, while it remained quite stable (and very high) compared to Non-DAC ODA, and it can be said that Arab aid was *the* main source of Non-DAC ODA. From the early 1990s onwards, however, Arab ODA has remained quite stable, around 3 to 5% of both DAC and total ODA, which shows that DAC ODA has become the main source of total aid. This phenomenon is consistent with the fact that since 1990 onwards, Arab aid relative to Non-DAC aid has become much more volatile. While Arab aid is still very important within the Non-DAC aid, other donors have become relevant as well. Indeed, Non-Arab Non-DAC aid accounted for about 36% in 2011 (Annex table 1).

Figure 2.



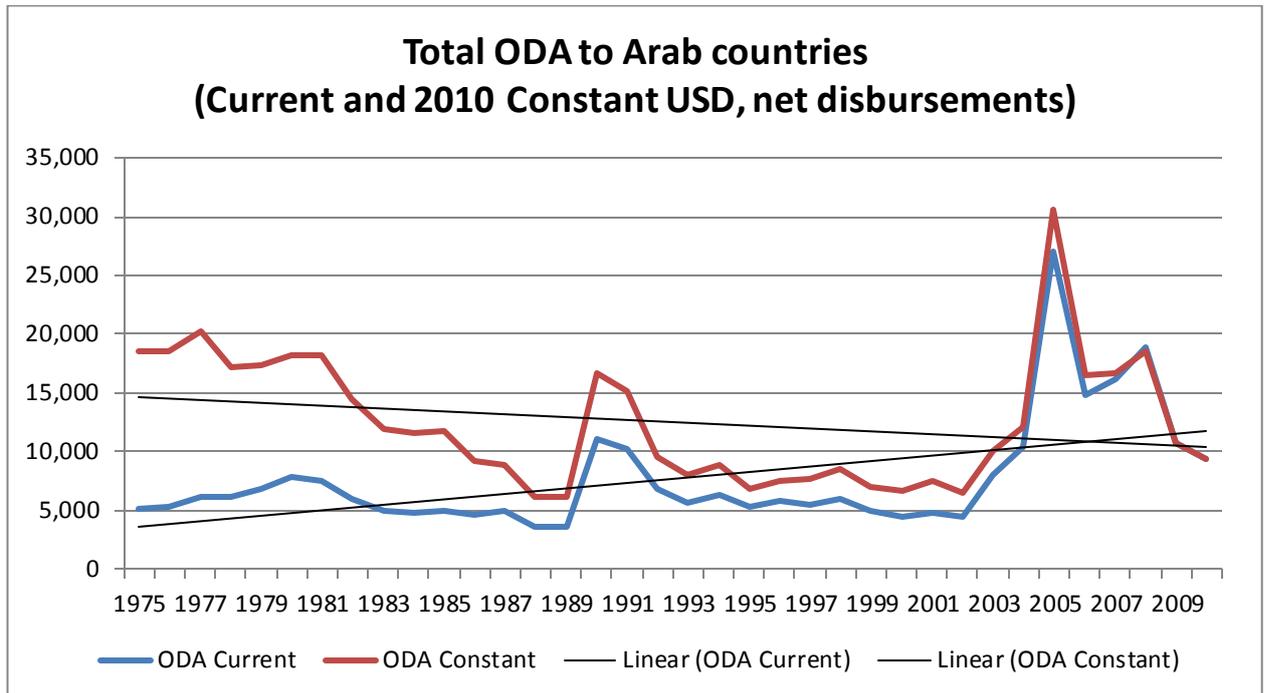
Source: World Development Indicators 2012

So far we have looked at Arab ODA from the point of view of Arab countries that donate aid, and without taking into account the geographical area where it was allocated. The main donors in the region are Kuwait, Saudi Arabia and the UAE, although OECD-DAC data also shows substantial aid flows from Algeria, Libya, Iraq and Qatar until 1994. However, many Arab countries are net recipients and rely heavily on ODA to progress towards their development targets.⁵ Therefore, it is also necessary to see how ODA has evolved in the Arab region from the recipients' point of view. Figure 3 shows the evolution of ODA received by Arab countries in the region⁶ in terms of current USD and constant 2010 USD, and includes fitted linear values to assess the slope of the overall tendency. While in terms of current USD the trend seems positive, looking at constant 2010 US dollars the overall trend is slightly negative.

⁵ Some countries may have benefited from aid to become donors later on, or vice versa.

⁶ The countries included are those of the Middle East and North Africa region, namely: Algeria, Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, West Bank and Gaza Strip, and Yemen.

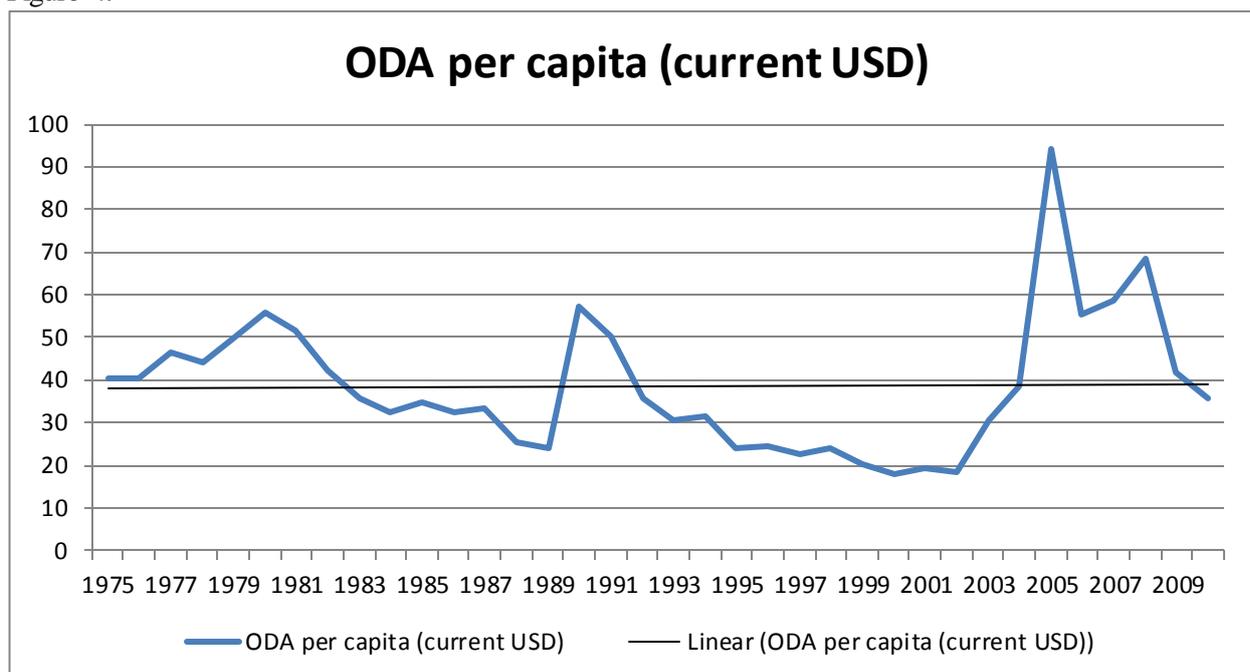
Figure 3.



Source: OECD/DAC Aid Statistics

An additional perspective is demographic: at a rate of 2.6% per annum, the Arab region has high population growth. How does the picture look when ODA is considered in per capita terms? In figure 4 we can see that the amount of aid per capita has remained fairly stationary. Since net ODA disbursed in constant USD declined in global terms (figure 3), such phenomenon should be even stronger when considering the region's high population growth.

Figure 4.



Source: World Development Indicators 2012

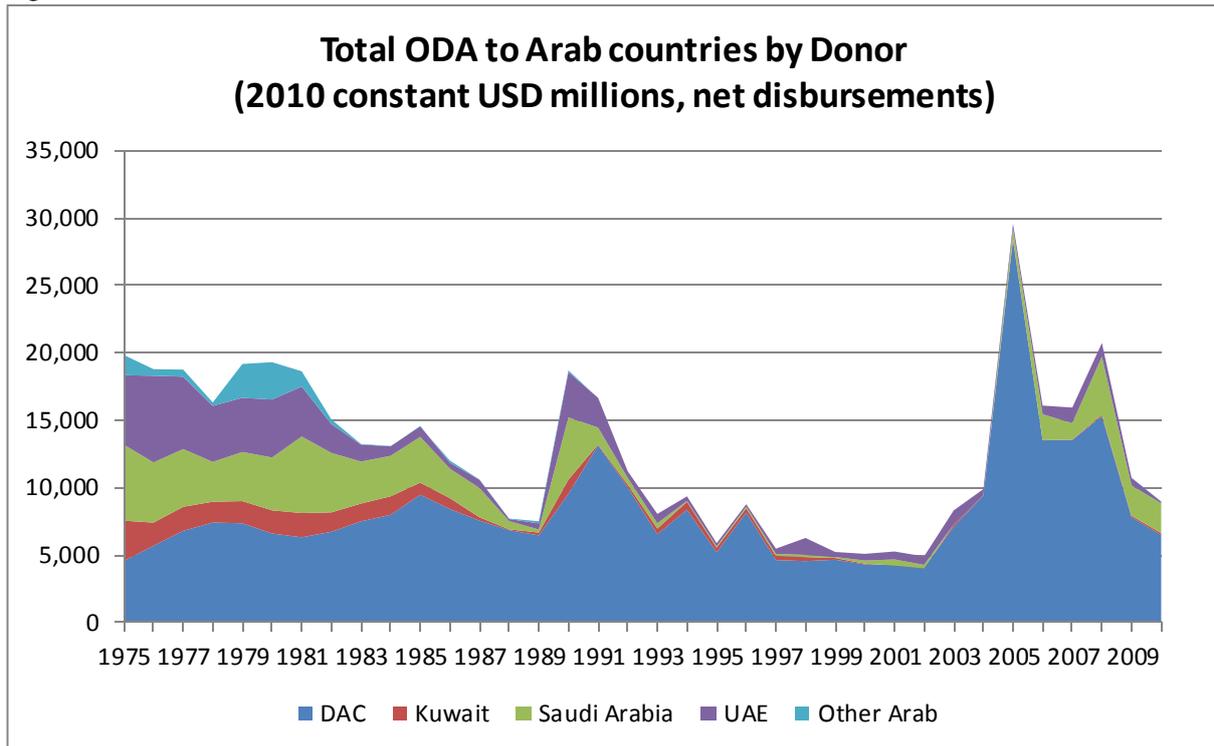
In light of figures 3 and 4, two additional questions can be asked. First, what explains the 2005 spike in ODA received in the Arab region? And second, why would ODA in constant terms have decreased? To shed some light on those issues, figures 5 and 6 show the decomposition of ODA received in the region disaggregating by donors, with and without the OECD/DAC. We can see that the OECD has been the most important donor in the region since the early 1980s. Furthermore, the 2005 spike of aid in the region was due to a significant increase in OECD/DAC aid in Iraq, after the country's 2003 war (figure 5). Indeed, a closer look at the actual data figures shows that the total net ODA disbursed in 2010 constant prices for Iraq was 24,758 million USD, while the entire region benefited from 28,076 million USD⁷. (However, aid started flowing in 2002, before the war).

Contrasting with the importance of the OECD/DAC, Arab ODA to countries in the region has clearly decreased in importance (figure 6), with the exception of Saudi Arabia since the Iraq war ended.

Such results imply that i) without Iraq as an outlier pushing up ODA, the tendency of ODA to decrease in the region would be even higher, and therefore, ii) in general Arab donors would need to devote further efforts to development in the region.

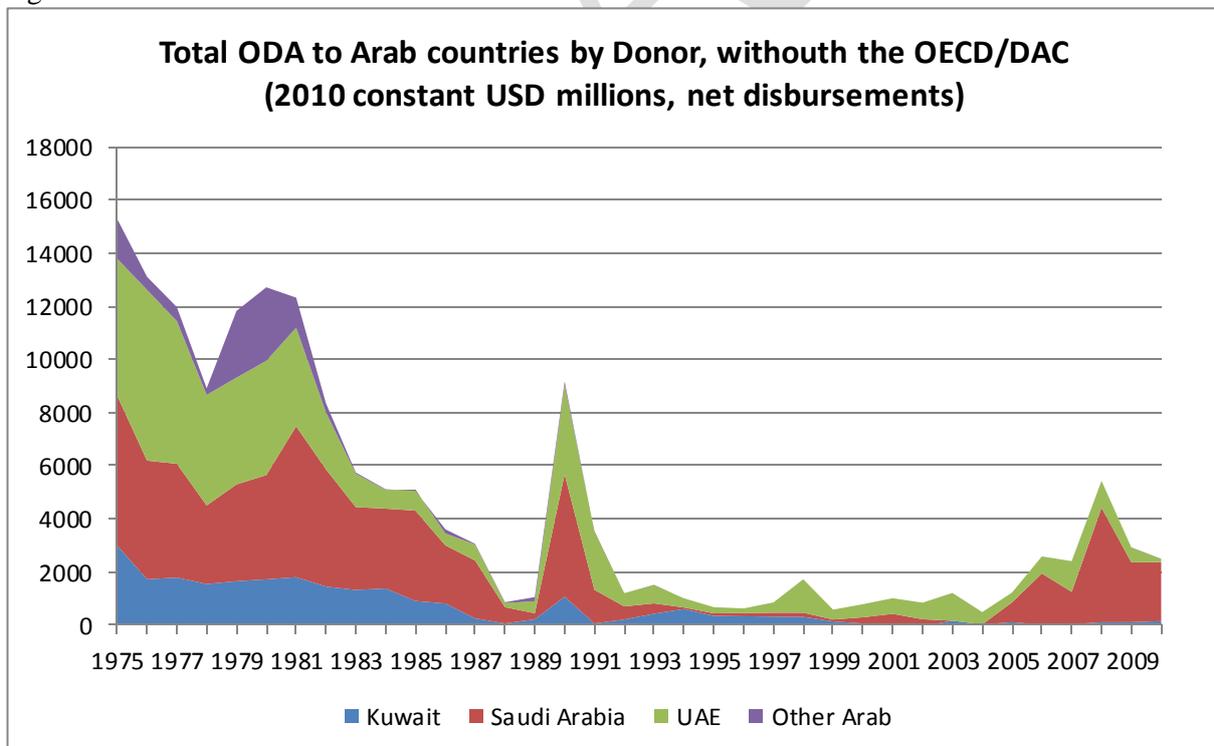
⁷ Data not shown.

Figure 5.



* Other Arab refers to Algeria, Libya, Iraq and Qatar.
Source: OECD/DAC Aid Statistics

Figure 6.



* Other Arab refers to Algeria, Libya, Iraq and Qatar.
Source: OECD/DAC Aid Statistics

3. Arab Financial Assistance Institutions

Arab nations were among the pioneers in establishing specialized institutions with the aim to help low income countries. Since the early 1960s, but predominantly since the 1970s, Arab donors committed to providing developmental assistance through bilateral/multilateral funds. Some countries established national funds, such as Kuwait's Fund for Arab Economic Development (KFAED), the Kingdom of Saudi Arabia's Saudi Fund for Development (SFD) and the United Arab Emirates' Abu Dhabi Fund for Development (ADFD). In addition, six major multilateral agencies were established: Arab Fund for Economic and Social Development (AFESD), Arab Gulf Program for United Nations Development Organizations (AGFUND), Arab Monetary Fund (AMF), Arab Bank for Economic Development in Africa (BADEA), Islamic Development Bank (IsDB) and OPEC Fund for International Development (OFID). Since their inception, these institutions have grown to become major providers of external financial assistance to developing countries, both in the region and beyond. The establishment and spreading of the ADFs can be attributed to several factors, namely:

- ✓ *Thanks to the spike in oil prices during the 1970s, leading Arab oil-exporting countries established their own development funds as a financial arm of their foreign policy.*
- ✓ *During the 1960s and 1970s, Arab economic integration received special attention. For this reason, many regional ADFs started to play a role in this respect.*
- ✓ *Trade liberalization doctrine started spreading since early 1980s and encouraged bilateral and multilateral development funds to finance activities related to trade facilitation and liberalization.*

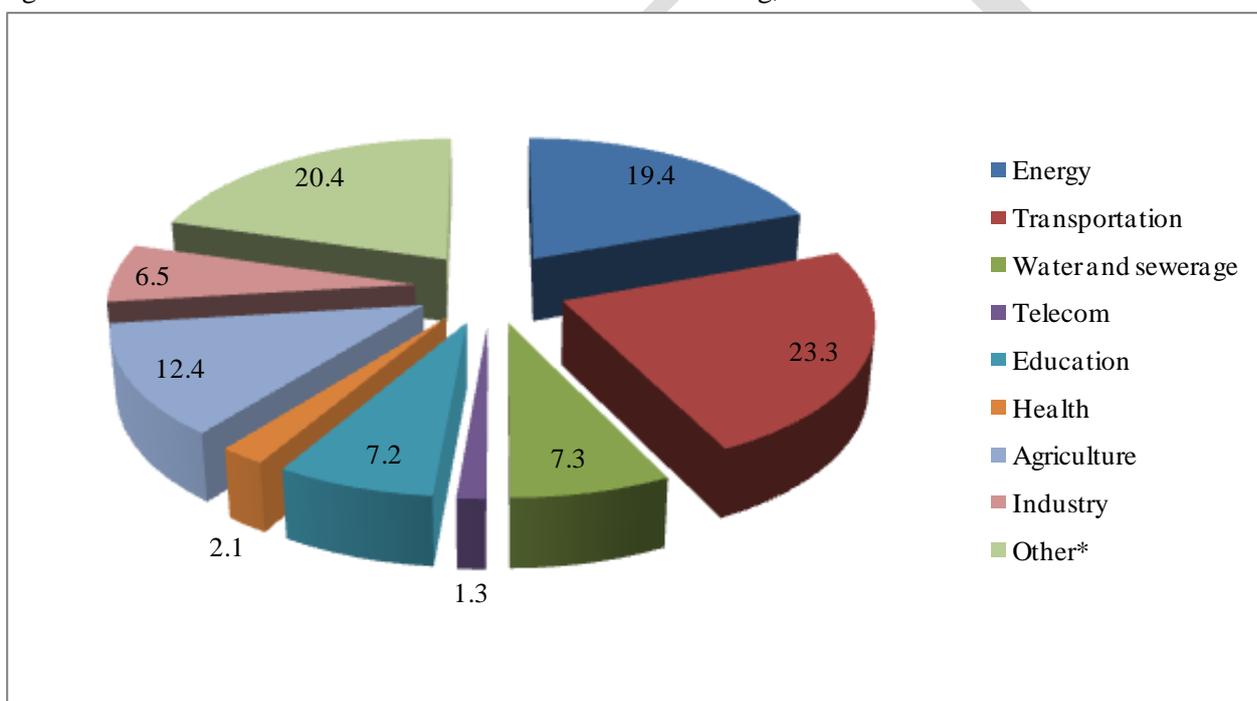
Besides purely economic factors, the idea of Arab and Islamic solidarity also played a very important role in establishing the development funds throughout the region.

With the exception of the AGFUND, all the ADFs finance their operations primarily from capital subscriptions and loan reflows. As for the instruments of assistance, all the development funds are involved in the provision of loans, whereas the majority of them also provide grants and technical assistance (Annex table 2). The composition of the bilateral

ODA has shifted in the last decade. Since 2000, the share of grants has dropped from around 65 percent to 40 percent in the recent years. Most aid is now taking the form of soft loans.

Over time Arab donors have expanded their reach in terms of recipients, going beyond Arab and predominantly Muslim countries to include poor countries in sub-Saharan Africa and Asia. Similarly, the sectoral concentration of Arab ODA has also evolved, shifting from predominantly infrastructure projects, towards more social sectors such as education. In figure 7 we can see that nowadays, while energy and transportation alone represent 42.7% of all the resources, education and water and sanitation account for 7.2% and 7.3%, respectively. At the other extreme and if social sectors were to be promoted, health would still have ample room for growth, as it accounts for only 2.1% of the allocated resources.

Figure 7. Sectoral allocation of Arab financial institutions lending, cumulative as of end 2007



Sources: Annual Reports of various agencies; Coordination Group Secretariat

4. Comparative Overview of the Arab Development Funds

As can be seen in Annex table 3, Arab financial assistance is delivered through a wide range of national and multilateral agencies. Nevertheless, the mandates of all the Arab development institutions are set at providing assistance to foster economic and social development in the beneficiary countries. While there are consultative approaches in identifying new assistance

operations between ADF and recipient, the mechanisms of directing the financial assistance are based on the priorities set by the authorities of recipient countries.

Besides its generosity and its focus on the Middle East, Africa and Asia, a key feature of Arab development aid is its untied nature, as it has no conditions imposed on spending aid on providers from the donor's country. Generally speaking, Arab financial institutions do not have local offices, they operate from their headquarters and usually do not prepare specific country assistance strategies. This describes to a large extent the nature of Arab financial assistance as being untied and offered without the explicit restrictions traditionally criticized of other donors, therefore allowing the recipient countries to express flexibly their requests for assistance. Arab donors follow the principle of non-interference in recipient country policies, limiting advice on policy matters and not explicitly linking external financing to policy reform targets.

Since there are several institutions that provide ODA and they often work in the same sectors and countries, the risk of overlapping exists and therefore aid coordination becomes a potential challenge. To address such issue, Arab Development Funds established the Coordination Group in 1975 to organize aid policies and common projects between national and regional development institutions. The Coordination Group has developed a set of common practices and procedures that are used by all its members, while occasionally meeting to discuss the harmonization of development assistance and to identify particular initiatives meriting the attention of all members. At present Arab aid is usually co-financed, and in most cases one institution prepares and supervises an operation on behalf of all the parties involved.

According to a comprehensive appraisal of the Arab Development Funds conducted by the Arab Monetary Fund on behalf of the League of Arab States in 2005, the volume of autonomous agencies within the Arab region providing development assistance has been sufficient to cover the needs of both Arab and developing countries. The most important conclusion of this study was that new Arab aid agencies are not needed, and that their establishment could lead to an inefficient overlap with the existing ones. Instead, the main challenge would be to improve the performance of the existing institutions. Most of the Arab Development Funds have experienced an increase in the paid-up capital during the last five years, and they have continued to do so in the wake of the Arab spring events. Evidence suggests that they have responded to the critical developmental and humanitarian challenges the region has faced so far.

5. Assessment of the financial resources available to Arab Development Funds vs. economic challenges

Although not all Arab aid is channeled through the ADFs, so far Arab funds have done a tremendous job to support the development process in the Arab region and beyond. Arab assistance has widened over time to include more than 100 countries and about 6,000 operations with a total amount of \$100 billion since inception, with an average project size ranging from \$40million in AFESD to \$6 million in OFID.

Over the last four decades, Arab aid agencies were funded through paid-up capital. As their lending reached the limits, more resources were injected in through two channels, namely subscriptions to the capital base and accumulated reserves. The financial resources available to Arab development funds reached \$79 bn in the form of authorized capital by the end of 2011. Those funds are smaller than resources available to other counterpart organization such as the Asian Development Bank (capital base of \$165bn) and the Inter-American Development Bank (authorized capital of \$105 bn to be increased to \$175bn by 2015).

Few years remain to achieve the Millennium Development Goals in 2015. The main question to be asked at this crucial time is whether the financial resources available to Arab aid agencies are sufficient to meet the current economic and social challenges the Arab region faces. While this is not an exhaustive examination of the many economic hurdles in the region, it is relevant to highlight here scarcity of water, food insecurity and insufficient infrastructure as evidence of the severity of the situation.

Scarcity of Water: Arab population accounts for more than 5 per cent of the world's population, with less than 1 per cent of global water resources. The World Bank estimated that currently half of the Arab population does not have adequate access to water and per capita water is less than a fifth of global rate access.⁸ Water resources in the Arab countries are under severe stress due to demographic growth of 2.6 per cent per annum, urbanization, industrialization and the expansion of irrigated agricultural lands that have all contributed to a dramatic and unsustainable increase in water consumption over the past few decades. Furthermore, frequent droughts have greatly reduced the availability of both renewable and

⁸ World Bank, World Bank and Partners Join Efforts to Tackle Arab World Infrastructure Challenge: <http://water.worldbank.org/node/83721>

non-renewable water resources.⁹ Arab countries may save about 100 billion cubic meters of water through the use of modern irrigation techniques which will cost billions of dollars to install. It is also argued that the wheat gap in the Arab region is estimated at 25 million tons and would require about 50 billion cubic meters of water for irrigation with traditional techniques, and only 25 billion cubic meters if modern irrigation techniques are applied.¹⁰

Food Insecurity: Food insecurity has long been a development challenge in Arab countries, a region with relatively high child under nutrition and poverty levels that has a huge food import bill of \$42bn per annum. Arab countries import at least 50 percent of the food calories they consume. As the largest net importers of cereal, Arab countries are more exposed than other countries to severe swings in agricultural commodity prices, and their vulnerability will probably be exacerbated in the coming years by strong population growth, low agricultural productivity, and their dependence on global commodities markets.¹¹

Arab countries need to act urgently to improve food security since projections of the region's food balance indicate that dependence on imports will increase by almost 64% over the next twenty years. The idea of buying land overseas to produce food, particularly outside the Arab region, is a sensitive solution that may lead to political unrests in some countries. Along other development institutions such as the World Bank, ADFs should enlarge their operations to enhance agriculture productivity and irrigation efficiency through investments in technology, research and development, and improved agricultural water management.

Government spending on agriculture in most Arab countries has been very low. To achieve long-term prosperity and stability, Arab countries urgently need to foster food security through formulating policies that can direct public and private investments towards the agricultural sector, particularly in countries with great potential for agricultural development. A comprehensive roadmap for development and poverty reduction requires a broad food security program for the region accompanied by country-specific strategies. Arab national and regional development funds will continue to strengthen their support to the agriculture and water sectors but the huge investments needed to carry out a comprehensive agricultural development strategy in the Arab region urged some economists to call for the

⁹ IFAD, Fighting water scarcity in the Arab countries:

http://www.ifad.org/operations/projects/regions/pn/factsheets/WWF_factsheet.pdf

¹⁰ Arab Fund for Economic and Social Development and Kuwait Fund for Arab Economic Development, (2010), "An overview of the agriculture and food security in the Arab countries", Presentation at the Joint Technical Meeting Arab Coordination Group Institutions and The OECD Development Assistance Committee, Vienna, Austria, 29-30 April 2010.

¹¹ World Bank (2009), "Improving food security in the Arab world".

creation of an Arab Food Security Fund.¹² The joint Arab fund could also finance intra-Arab trade in agriculture and food products.

Infrastructure: Arab countries could manage their import exposure more actively by investing in road, rail and electricity infrastructure to produce, store, and transport food. The Middle East and North Africa region needs to invest between \$75 and \$100 billion a year in infrastructure to sustain the growth rates achieved in recent years, and to boost economic competitiveness. As the population grows, electricity consumption is also set to increase significantly over the next few years and will require investments of \$30 billion a year to meet demand.¹³ The World Bank estimates that the infrastructure sector has a financing gap of \$40 billion per annum. Therefore, the World Bank together with the Islamic Development Bank established \$1bn infrastructure fund in 2011 to mainly finance regional project. But this fund leaves us with a wide financing gap that is extremely difficult to fill with private sector resource mobilization.

6. The Way Ahead

The challenges in the three sectors described portray some of the urgent needs in Arab countries. For instance, substantive investments in modern irrigation are required to boost efficiency of the region's fragile water sector. Arab countries have a considerable potential for contributing to their self-sufficiency in food. The proposal of establishing an Arab Food Security Fund is crucial to fill the financing gap in the agriculture sector, where food security at the country level is a complex target that requires collective efforts.

The region may need specialized agencies that acquire high skilled professionals to deal with each economic challenge. The Arab Infrastructure Fund launched last year is an important step towards filling the existing financing gap.

The ADFs' financing capacity must increase, especially as ODA in the region is decreasing. Furthermore, some economists argue that the fiscal space in the region is limited, with countries such as Yemen having no margin for resource mobilization in the short term (Iversen et al., 2012). In order for the Arab Development Funds to continue playing a

¹² UNDP, (2009) "Development challenges for the Arab region: Food security and agriculture", Volume 2, Regional Bureau for Arab States.

¹³ World Bank, World Bank and Partners Join Efforts to Tackle Arab World Infrastructure Challenge, <http://water.worldbank.org/node/83721>

significant role in this critical time characterized by major economic challenges, and assuming all the financial resources were to be allocated exclusively in the Arab region, the authorized capital of those funds should be tripled in the coming five years to reach the range of \$200 to \$240bn. Ceteris paribus, a big enough increase in authorized capital will enable the Arab funds to fill the financing gaps in several economic sectors, particularly infrastructure.

Furthermore, Arab funds can resort to global financial markets to raise financial resources. IsDB had a successful experience in issuing “sukuk” (bonds) in 2010. While it was initially planned to raise \$1.5 bn from the financial market and the ceiling was raised to \$3.5 billion. IsDB also came to the market in May 2011, when it priced a \$750 million five-year sukuk at a spread of 35 basis points over midswaps to yield 2.35 percent. To the best of our knowledge none of the other Arab funds has raised funds in this manner from the financial market.

7. Annex

Table 1. ODA flows from Arab countries (%)

Year	Arab ODA / GNI (1)	DAC ODA / GNI (2)	Arab ODA / DAC ODA (3)	Arab ODA / Non DAC ODA (4)	Arab ODA / Total ODA (5)
1975	6.64%	0.38%	39.51%	98.37%	28.19%
1976	4.88%	0.35%	36.20%	97.71%	25.81%
1978	3.32%	0.35%	29.08%	97.72%	21.88%
1980	2.66%	0.37%	34.60%	98.22%	24.92%
1977	5.72%	0.37%	30.55%	98.60%	22.45%
1979	4.73%	0.38%	35.07%	98.51%	25.05%
1981	2.94%	0.35%	32.58%	98.70%	23.41%
1982	2.18%	0.38%	20.52%	97.92%	16.34%
1983	1.86%	0.36%	16.61%	97.66%	13.63%
1984	1.80%	0.35%	15.47%	97.48%	12.80%
1985	1.58%	0.35%	12.67%	96.53%	10.73%
1986	2.14%	0.36%	12.67%	97.30%	10.74%
1987	1.72%	0.35%	9.39%	97.79%	8.22%
1988	1.11%	0.36%	5.10%	95.11%	4.59%
1989	1.01%	0.34%	5.02%	96.69%	4.53%
1990	2.96%	0.37%	13.01%	99.44%	11.04%
1991	2.05%	0.40%	5.93%	94.18%	5.30%
1992	0.97%	0.36%	3.09%	91.48%	2.81%
1993	0.90%	0.34%	3.00%	92.95%	2.74%
1994	0.88%	0.32%	2.83%	91.72%	2.55%
1995	0.65%	0.29%	2.20%	87.96%	1.99%
1996	0.63%	0.28%	2.49%	89.82%	2.23%
1997	0.61%	0.25%	2.88%	86.65%	2.55%
1998	0.84%	0.26%	3.22%	89.40%	2.85%
1999	0.54%	0.25%	2.20%	82.34%	1.97%
2000	0.45%	0.25%	2.14%	80.79%	1.92%
2001	0.36%	0.24%	2.37%	85.38%	2.09%
2002	0.85%	0.26%	5.37%	92.49%	4.68%
2003	0.83%	0.28%	4.96%	91.82%	4.32%
2004	0.48%	0.29%	3.08%	69.81%	2.70%
2005	0.28%	0.36%	1.81%	54.50%	1.62%
2006	0.37%	0.34%	2.92%	60.74%	2.56%
2007	0.42%	0.31%	4.02%	67.63%	3.46%
2008	0.50%	0.34%	5.21%	72.11%	4.46%
2009	0.42%	0.35%	3.66%	65.92%	3.16%
2010	0.38%	0.35%	3.31%	59.29%	2.89%
2011	0.46%	0.34%	4.65%	63.74%	4.00%
Average	1.65%	0.33%	11.33%	87.42%	8.84%

Notes: ODA data are from the OECD DAC Online (accessed on October 12th, 2012). GNI data are from the World Bank's World Development Indicators (2012). The main Arab donors are Kuwait, Saudi Arabia and United Arab Emirates, but available data for Algeria, Iraq, Libya and Qatar are also included. The OECD GNI data figures take into account the year in which member countries (Greece, Ireland, Korean Republic, Luxemburg, Portugal and Spain) joined the OECD. The results reflect own calculations based on current USD figures.

Table 2: Arab Development Funds, instruments of assistance

Fund	Types of Development Aid						
	Loan	Grant	Technical Assistance	Structural Adjustment	Financial Reform	Trade Facility	Others ⁽¹⁾
Abu Dhabi Fund for Development ADFD	x	x					
Kuwait Fund for Arab Economic Development KFAED	x	x	x				
Saudi Fund for Development SFD	x						x
Arab Fund for Economic and Social Development AFESD	x	x	x				
Arab Gulf Program for United Nations Development Organizations AGFUND	x	x	x				x
Arab Monetary Fund AMF	x		x	x	x	x	x
Arab Bank for Economic Development in Africa BADEA	x	x	x				x
Islamic Development Bank IsDB	x		x			x	x
OPEC Fund for International Development OFID	x	x				x	

⁽¹⁾ Others include: Training and research, export credited insurance, debt relief, emergency relief, and scholarships.

Source: Annual Reports of the respective Funds (2011)

Table 3. Main characteristics of Arab Development Funds

	Year of establishment	Mandate and Instruments	Membership and Recipients	Key indicators (as of end of 2011)			
				Capital	Lending	Other	
National Financial Funds	Abu Dhabi Fund for Development ADFD	1971	To provide economic assistance to developing countries in the form of concessional loans, grants, and equity in investment projects	M: Abu Dhabi R: Developing countries	US\$ 2.17 billion	US\$ 3.97 billion	#operations: 319 #beneficiary countries:58
	Kuwait Fund for Arab Economic Development KFAED	1961	To assist Arab and other developing countries in developing their economies, particularly by providing them with loans required for the implementation of their development programs. The Fund also provides technical assistance grants to finance feasibility studies and other advisory services Types of instruments: concessional loans, technical assistance, and grants, in addition to making contributions on behalf of the State of Kuwait to the resources of regional and international institutions.	M: Kuwait R: Developing countries	US\$ 7.12 billion	US\$ 16.15 billion	operations: 798 #beneficiary countries:102
	Saudi Fund for Development SFD	1974	To finance investment projects in developing countries and encourage national non-oil exports by providing finance and insurance in support of such exports.	M: Saudi Arabia R: Developing countries	US\$ 8.26 billion	US\$ 9.49 billion	operations: 494 #beneficiary countries:80
Regional Financial Institutions	Arab Fund for Economic and Social Development AFESD	1971	To extend project loans on concessional terms to the public sector and support private organizations through loans or capital participation; to promote closer cooperation among Arab countries through the funding of regional projects. Provides secretariat services for the Coordination Secretariat of Arab National and Regional Development Institutions	M: LAS members R: Member countries and private organizations	US\$ 7.12 billion	US\$ 25.62 billion	operations: 580 #beneficiary countries:17
	Arab Gulf Program for United Nations Development Organizations AGFUND	1980	To finance sustainable human development efforts targeting the neediest in developing countries, particularly women and children, including those aimed at improving educational and health standards, alleviating poverty, and supporting institutional structures	M: GCC countries R: UN agencies, Arab NGOs, international organizations			operations: 1,268 #beneficiary countries:133
	Arab Monetary Fund AMF	1976	To contribute to balance of payments stability, removal of payment restrictions, Arab monetary cooperation, economic reform, Arab capital market development, and intra-Arab trade through the Arab Trade Financing Program	M: LAS members R: Member countries	US\$ 7.12 billion	US\$ 25.62 billion	operations: 580 #beneficiary countries:17

Cont.	Year of establishment	Mandate and Instruments	Membership and Recipients	Key indicators (as of end of 2011)			
				Capital	Lending	Other	
Regional Financial Institutions	Arab Bank for Economic Development in Africa BADEA	1974	To strengthen economic, financial, and technical cooperation between Arab and African countries. BADEA's mandate is to assist in financing economic development in non-Arab African countries; stimulate the contribution of Arab capital to African development; and provide technical assistance.	M: LAS members R: Developing African countries, excluding LAS members	US\$ 3.5 billion	US\$ 3.18 billion	operations: 526 #beneficiary countries:43
	Islamic Development Bank IsDB	1973	To foster economic development and social progress of member countries and Muslim communities. IsDB participates in equity capital and grant loans for productive projects and enterprises and provides financial assistance to member countries. IsDB has evolved into a group consisting of five legally separate entities: IsDB, IRTI, ICIEC, ICD, and ITFC.	M: 56 countries R: Member countries and Muslim communities	US\$ 10.18 billion	US\$ 40.86 billion	operations: 2,690 #beneficiary countries:56
	OPEC Fund for International Development OFID	1976	To foster social and economic programs in developing countries through the provision of concessional financing; to advance South-South cooperation. Tools: public sector loans for investment projects, balance of payments support, debt relief, trade financing, private enterprises, and grants for TA.	M: OPEC 13 founding members R: Developing countries	US\$ 3.43 billion	US\$ 8.82 billion	#beneficiary countries:132

Source: Compiled from the Annual Reports of the respective Funds (2011)

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