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Aid to Arab LDCs

under the IPoA:

trends and

challenges



COMPLEX ISSUES OF COMPETING INTERESTS

The principles of aid effectiveness highlight the complex issues of competing interests between funders, receiving state administrations and the intended beneficiary populations.



LOW LEVEL OF DEVELOPMENT

The difficulties in implementing them have resulted in a low level of development and a worsening of the absorptive capacity in the four countries.



REPLACE BY A HUMANITARIAN- DEVELOPMENT-PEACE STRATEGY

The shift from development to humanitarian assistance presents long-term challenges and risks for the future and should be reversed and replaced by a humanitarian-development-peace strategy.

The present chapter demonstrates that in Arab LDCs aid flows and donor activities since 2011 had little alignment with the objectives and priorities set out within the IPoA. Conflicts, political instability, natural and human-made disasters, climate shocks, and weak institutional capacity of recipient economies have been the key factors shaping the trajectory of donor operations in these countries. In the context of Arab LDCs' fragile political and socioeconomic circumstances, the bulk of aid has concentrated in the humanitarian sector, with far less resources allocated to long-term development. This humanitarian focus has both undermined these countries' potential for structural transformation as envisioned in the IPoA, and weakened their resilience and ability to respond to further crises. As a result, shocks often turn into full blown disasters and catastrophes, with long-lasting implications for economic development and people's livelihoods.

A. Principles of aid effectiveness and their impact on the four Arab LDCs

In the first two decades of this century four international conferences on aid effectiveness demonstrated the ongoing efforts in improving aid quality and optimizing the development impact of aid (table 21). The First High Level Forum, held in Rome in 2002, resulted in the Rome Declaration, which prioritized recipient countries' priorities and timing, delegating cooperation, and monitoring good practices. The Second High Level Forum on Joint Progress toward Enhanced Aid Effectiveness was held in Paris in 2005 whereby the Paris Declaration on Aid Effectiveness was developed, which emphasised ownership, alignment, harmonization, results and mutual accountability as key principles. The Third High Level Forum held in Accra in 2008 outlined the Accra Agenda for Action, which modified the principles of ownership, partnerships and delivering results with an unprecedented level of participation from development partners. The Fourth High Level Forum on Aid Effectiveness was held in Busan, Korea in 2011 and resulted in an agreed framework for development cooperation, the Busan Partnership for Effective Development Cooperation.⁶³

These principles are linked. Recipient country ownership seeks to promote accountability for development at the national level. Moreover, ownership in prioritizing development targets and results is in line with SDG 17 which has "respect for each country's policy space and leadership" as one of its targets.⁶⁴ In order to take ownership, prepare development strategies and promote national accountability, the mobilization of resources is a prerequisite.⁶⁵ However, aid volatility and unpredictability are persistent among LDCs and other extremely fragile contexts. The five principles are attempts to reconcile the interests of funding and receiving states, thus implicitly recognising that these may differ.

The role of recipient country public institutions is vital in order to ensure ownership. In Arab LDCs, such institutions include the Ministry of Economic Affairs and Development in Mauritania, the Ministry of Planning, Investment and Economic Development in Somalia, the Ministry of International Cooperation in the Sudan, and the Ministry of Planning and International Cooperation

Table 21. The Principles of Aid Effectiveness

	Paris Declaration on Aid Effectiveness	Accra Agenda for Action
Ownership	"Developing countries set their own development strategies, improve their institutions and tackle corruption"	"Countries determine their own development strategies by playing a more active role in designing development policies, and take a stronger leadership role in coordinating aid. Donors more consequently use existing fiduciary and procurement systems to deliver aid"
Alignment	"Donor countries and organisations bring their support in line with these strategies and use local systems"	-
Harmonization	"Donor countries and organisations co-ordinate their actions, simplify procedures and share information to avoid duplication"	-
Managing for results	"Developing countries and donors focus on producing – and measuring – results"	"Delivering results that will have real and measurable impact on development"
Mutual accountability	"Donors and developing countries are accountable for development results"	-
Inclusive partnerships	-	"Whereby all partners – not only DAC donors and developing countries but also new donors, foundations and civil society – participate fully"
Sources: Organisation for Economic Co-operation and Development. NA. 'The Paris Declaration on Aid Effectiveness: Five Principles for Smart Aid.'; Organisation for Economic Co-operation and Development. NA. 'The Accra Agenda for Action (AAA).'		

of Yemen. The government of Mauritania is the only one of the four which has shown an improvement in aid-related practices. Some Arab LDCs have integrated the Sustainable Development Goals (SDGs) into national development strategies, such as the Strategy for Accelerated Growth and Shared Prosperity in Mauritania,⁶⁶ and the National Development Plan of Somalia.⁶⁷ The Twenty-Five-Year National and Federal Strategy⁶⁸ of the Sudan predates the SDGs however the country has affirmed its commitment to the SDGs.⁶⁹ Furthermore, Yemen's need for an economic and development strategy predates the conflict, and the conflict's implications on development have been dire.

The other major assumption behind this dilemma is that government and state institutions operate in the interests of the populations, something which is rarely the case, as the various studies on governance demonstrate clearly and as is confirmed by development indicators. While local administration and civil servants may prioritize efficiency and good performance, at the

decision-making levels, narrow personal and political interests tend to dominate.

The presence and quality of national development strategies do not ensure alignment by donor countries, which has been decreasing.⁷⁰ In order to improve the quality of ODA, it should be aligned with the national strategies of developing countries. Alignment also refers to using national public financial management and procurement systems.⁷¹ Donor alignment to national development strategies has the potential of reducing fragmentation and duplication among donors, thus promoting harmonization.⁷² In Mauritania, aid, particularly multilateral assistance, is better aligned with national plans such as the Strategy for Accelerated Growth and Shared Prosperity.⁷³

Untying aid, by eliminating legal and regulatory barriers, also promotes ownership and alignment. ODA from 2015 to 2017 has been increasingly untied. Progress was made in Mauritania and the Sudan between 2015 and

2017 with increases in untied aid of 34 per cent and 27 per cent respectively, amounting to 88 per cent and 77 per cent of untied aid in 2017. Moreover, Yemen and Somalia also experienced slight improvements (1 per cent and 5 per cent) in 2015, amounting to 75 per cent and 81 per cent in 2017, respectively.⁷⁴

‘Measuring for results’ refers to development results. The Declaration on the Right to Development stipulates “the right freely to determine their political status and to pursue their economic, social and cultural development” and “full sovereignty over all their natural wealth and resources.”⁷⁵ When it comes to meeting the SDGs, Arab countries are not on track, with Arab LDCs in particular falling behind on several targets.⁷⁶ Box 1 presents some findings relating to SDG targets and Arab LDCs. In order for Arab LDCs to progress towards the SDGs, structural transformation is a prerequisite.⁷⁷ Moreover, LDCs’ progress towards the SDGs is threatened by the COVID-19 pandemic.⁷⁸ Donors and recipient countries should work together to monitor and strive to achieve results.⁷⁹

In order to optimize results, transparency and accountability are fundamental. The availability of information on aid flows promotes mutual accountability and donor cooperation. Transparency levels between 2016 and 2018 are the same, and there has been improvement

in the availability of information as more information on development cooperation is reported and publicized. However, efforts to ensure timeliness in reporting and forward-looking insights are required. In addition, mutual accountability mechanisms, namely adopting accountability mechanisms among recipient countries, development partners and relevant stakeholders, also improve transparency. The effectiveness of mutual accountability is acknowledged by development partners, and three quarters of development partners report having such mechanisms either between the recipient government and other development partners, or between the recipient government, other development partners and non-state actors.⁸⁰ In order to implement the 2017-2019 National Development Plan of Somalia, the New Partnership for Peace, Stability and Prosperity was adopted as a mutual accountability framework between Somalia and the international partners, which also measures progress in implementing the country’s development plan.⁸¹ However, Somalia lacks accountability at the national level and its formal and informal judicial systems are fragile.⁸² The absence of accountability in Arab LDCs is also demonstrated in their Worldwide Governance Indicators scores.

Whether to implement development assistance through budget support or through projects is

Box 1. Arab LDCs performance in relation to SDG targets

- 16 per cent of the population is below the international poverty line.
- 11 per cent of the population benefits from social assistance coverage.
- 28 per cent of the population is undernourished.
- 38 per cent of children are moderately or severely stunted.
- 77 per cent of children under the age of 5 die.
- 23 per cent of the population have basic handwashing facilities on premises.
- 36 per cent of the population use safely managed sanitation services.
- 48 per cent of the population have access to electricity.
- 96 per cent of disaster-related deaths occur in LDCs.

Source: ESCWA, *Arab Sustainable Development Report*, 2020.

one feature of the international debate on the effectiveness of development assistance. In practical terms, this debate is manifested in the choice between budget support and project financing, the former going automatically to state institutions and the latter most frequently being handed over to 'temporary' management entities which successfully compete for staff with line ministries. While the second option provides speedy disbursement and efficiency, its main drawbacks are the interruption of services upon project completion and the weakening of state administrative capacity. There is a clear discrepancy between the type of internationally financed development support on offer and what is required to strengthen state governance in the receiving countries. There is a dire need for strengthening state capacity to enforce security, peace and the rule of law, but with over two-thirds of aid to LDCs being in the form of projects, as opposed to budget support (which accounts for about 10 per cent of aid), with a few exceptions, this reinforces the 'donor-centric' nature of aid as donors use their own strategy and implementation systems rather than that of the recipient state. On the other hand, some donors, like SDRPY, have adopted a recipient-centric approach which helps integrate the needs, expectations and special considerations of recipient communities wherever it operates in Yemen. This aims to avoid the gap between needs assessment, community considerations and expectations and donor programming.

In places such as Yemen and Somalia the national systems and capacities have been consistently weakened as a result of prolonged conflict and political instability, plunging the conflict-affected LDCs more deeply into a vicious cycle of aid dependency. The Social Fund for Development and the Public Works Programme in Yemen are prime examples of the impact of the choice between implementing the principle of ownership in ODA and that of allowing funder priorities and policies to take the lead. Rather than supporting state institutions which would have improved state ownership and capacity, the World Bank chose

to establish these parastatal organisations, which are designed to operate along private sector principles. According to Washington consensus principles, the private sector is, by definition, more efficient regardless of any detailed analysis. Both were initially set up in 1997 to compensate for the expected short-term deterioration of living standards resulting from the implementation of the IFI-imposed structural adjustment plans. Both are now firmly entrenched permanent institutions and, indeed, with the war, among the main recipients of international support. Since their creation, they have systematically competed with line ministries in the construction and operation of social sector and other facilities, while at the same time depriving the state from qualified staff who were drawn by the higher salaries on offer. Structural adjustment policies have contributed to increased frustration for the population, who are faced with increased prices, reduced services and an absence of income-generating possibilities. Reduction and removal of subsidies on basic commodities such as food and fuel have thrown thousands into hunger and poverty.

The increased complexity in aid architecture and the diversity among relevant actors is a challenge to upholding inclusive partnerships in LDCs.⁸³ Inclusive partnerships are those that include civil society and private sector engagement. However, in Arab LDCs, there is little or no participation of different types of actors in policy-related discussions.⁸⁴ The role of civil society, public and private sector representatives, trade unions and individuals is important for planning, implementing, and monitoring national development plans. Development partners (donors included United Nations agencies, donor countries and multilateral agencies) reported consulting with civil society institutions in the Sudan, Yemen, Somalia and Mauritania.⁸⁵ The Somali NGO Consortium, a voluntary coordination structure among NGOs, is an example of a joint effort to improve aid coordination.⁸⁶

Box 2. Aid-related challenges in Yemen

Yemen is facing severe funding gaps; by October 2020, only \$1.44 billion of the \$3.38 billion United Nations coordinated inter-agency response humanitarian appeal had been received.^a Yemen's political and geographic fragmentation entails that development and humanitarian actors deal with various national, regional or local level actors across the country when delivering aid. These actors include the internationally recognized government's Ministry of Planning and International Cooperation, the Ministry of Labour and Social Affairs, and the Ministry of Public Health and Population,^b in addition to the Houthi authorities' Supreme Council for Management and Coordination of Humanitarian Affairs and International Cooperation,^c the ministries of interior and health, and the Executive Unit for IDPs.^d The lack of national level cooperation among actors within the scope of development aid predates the Yemeni conflict, when other ministries also participated in the aid negotiation process, weakening the Ministry of Planning and International Cooperation's role.^e

Aid-related challenges include volatile access to people in need, limitations in the extent of reliable and transparent information on the types of actors involved, limitations stemming from the need to negotiate the details of operations, and the obstruction of aid by both government and non-government actors.^f Authorities in Yemen are interfering in the work of humanitarian agencies. They have also failed to approve NGO projects. In 2019, the internationally recognized government rejected 30 per cent of NGO projects, while Houthi authorities rejected 40 per cent.^g Aid obstruction is occurring in government and Houthi-held areas and has affected Yemenis' access to humanitarian assistance by limiting and delaying the distribution of aid.^h

Moreover, aid is allocated to population-dense areas which include the north, which is not controlled by the internationally recognized government. This means that in order to secure humanitarian assistance, aid allocated to Houthi-controlled areas, for instance, is subject to the imposition of conditions, restrictions, and interference pertaining to how the aid is transported and distributed or how activities are implemented by Houthi authorities.ⁱ The need to acquire the consent of Houthi authorities prior to implementing programmes and the restrictions imposed on aid workers in Yemen have affected access to vulnerable populations, as well as delayed or disrupted the delivery of aid.^j There is evidence that Houthi authorities have increasingly disrupted aid, attempted to influence aid-related decisions, and interfered in programs, as well as attempted to impose a 2 per cent tax on aid. Moreover, the Supreme Council for Management and Coordination of Humanitarian Affairs and International Cooperation imposed over 200 aid-related directives and demands, including access to beneficiaries' information, and involvement in needs assessments, employment and procurement procedures.^k

Between January and March 2020, 1,810 aid-related disruptions were reported, namely 757 restrictions on the movement of organizations or personnel or goods, 486 interferences in the implementation of humanitarian activities, 43 instances of violence against humanitarian personnel assets and facilities and 524 other disruptions. Moreover, humanitarian programs were temporarily suspended due to the absence of safety guarantees. Furthermore, violence against humanitarian assets and personnel includes the confiscation and theft of goods and assets as well as threats and physical assault against, and the detention of, humanitarian workers.^l

In light of the risks and challenges tied to aid delivery in Yemen, accountability deficits in relation to donors as well as affected populations exist. Consequently, "many partners are deciding to pro-actively calibrate the type and level of assistance they are providing to match the level of risk they are facing."^m United Nations agencies and humanitarian actors in Yemen have sought to disburse aid in line with humanitarian principles.ⁿ

The volatile conflict in Yemen has led donors to work directly with local partners rather than setting up their own offices in the country. This has highlighted the importance of partnerships, flexibility in a changing environment, strengthening the capacities of local institutions, engaging with the private sector and harnessing political neutrality. Some donors, SDRPY for instance, have decided to be present at the local level, despite the political, social and operational challenges, in order to develop a deeper understanding of the challenges and existing capacities to help refine future programming in such specific contexts.

a United Nations Office for the Coordination of Humanitarian Affairs (OCHA), "Yemen 2020", Financial Tracking Service.

b Coppi, G. "The Humanitarian Crisis in Yemen: Beyond the Man-Made Disaster." International Peace Institute, 2018.

c Michael, M., "Yemen's Houthi Rebels Impeding UN Aid Flow, Demand a Cut" Associated Press, 2020.

- d Coppi, “The Humanitarian Crisis in Yemen”.
- e Abo al-Asrar, F, *Myopic Solutions to Chronic Problems: The Need for Aid Effectiveness in Yemen*, Center on Democracy, Development and the Rule of Law – Freeman Spogli Institute for International Studies, 2013.
- f Coppi, “The Humanitarian Crisis in Yemen”; The Sanaa Center for Strategic Studies, “The War Over Aid”, *The Yemen Review*, January/February 2020.
- g United Nations, Office for the Coordination of Humanitarian Affairs, “Under Secretary-General for Humanitarian Affairs and Emergency Relief Coordination, Mark Lowcock”, 2020. <https://reliefweb.int/report/yemen/under-secretary-general-humanitarian-affairs-and-emergency-relief-coordinator-mark-26>.
- h Human Rights Watch, *Deadly Consequences: Obstruction of Aid in Yemen During COVID-19*, 2020.
- i The Sanaa Center for Strategic Studies, “The War Over Aid”.
- j Michael, M., “Yemen’s Houthi Rebels Impeding UN Aid Flow”.
- k The Sanaa Center for Strategic Studies, “The War Over Aid”.
- l United Nations, Office for the Coordination of Humanitarian Affairs, *Yemen Humanitarian Response Plan Extension, June – December 2020*, 2020.
- m Ibid.
- n Human Rights Watch., *Deadly Consequences: Obstruction of Aid in Yemen During COVID-19*.

B. Aid architecture under the IPoA

This section is informed by a 2019 UNCTAD report, which observed ‘scant progress in structural transformation’ in LDCs and their slow progress towards the objectives set out under the IPoA,⁸⁷ which can be traced back to the socioeconomic and political realities of the LDCs as well as the international political economy environment of the last decade. With the IPoA coming into effect a few years after the 2008 global financial crisis, the overall levels of ODA have increased only marginally at 3 per cent per year under the IPoA, compared to the 7 per cent annual growth under the Brussels Program of Action. This, together with the above-mentioned disproportionate allocation of aid towards social sectors and humanitarian activities, which together accounted for 60 per cent of total disbursements, has left little aid being allocated to economic infrastructure and productive sectors.⁸⁸ To finance the latter, LDCs have had to rely on limited domestic resources and borrowing – with concessional and non-concessional loans constituting an ever-increasing segment of the international development finance.

During the IPoA decade, there has been an increase in the role of non-traditional donors especially from the Global South, including China and the Gulf states. While

this diversification of the donor landscape may entail some beneficial outcomes, it also increases the burden of aid coordination for the already stretched institutional capacities of the LDCs. This growing complexity within the donor landscape highlights the need for even closer attention to the recipients’ needs, development priorities, and voice in how aid is allocated, and how development policies are formulated. Furthermore, parallel and multiple donor-managed aid delivery mechanisms can bypass (and overwhelm) the role of recipient institutions in implementing the aid programmes and projects, further undermining the legitimacy of the state especially in fragile contexts.

The increase in aid since 2016 has been mainly due to the increased humanitarian needs of countries such as Yemen and Somalia. Since 2017, bilateral ODA to LDCs has fallen by 3 per cent in real terms. Therefore, where ODA flows have accelerated, this has mainly reflected intensification of conflicts or humanitarian emergencies. Social infrastructures (mainly primary health and basic education) have absorbed a staggering 45 per cent of ODA disbursements to LDCs, with humanitarian aid accounting for another 15 per cent. The major issue is the lack of synergy with long-term

development and structural transformation objectives that are intended under the 2030 Agenda and which would make such aid more sustainable. Therefore, expenditure on the provision of energy and utilities, modernisation of the agricultural sector, strengthening of the manufacturing and industrial sectors, and long-term initiatives for the creation of viable and decent employment remain largely underfunded. Investment in infrastructure and productive sectors is also important for increasing resilience in the face of shocks.

By 2019 disbursements for economic infrastructure and productive sectors barely reached 15 and 8 per cent of the total ODA, respectively. This shift from developmental aid towards 'soft assistance' had already started to take place prior to the IPoA, caused by aid fatigue, donors' desire to show quick returns (more challenging with long-term infrastructural and economic projects), and the less pressure on donors to develop tailor-made long-term development aid packages – enabling donors to more easily apply a one-size-fits-all approach to their programmes. This has, over time, undermined the broad momentum to tie aid more

closely with recipient's national and medium- to long-term priorities. The 'donor centric' nature of aid highlights the importance of paying closer attention to the Paris Agenda on aid effectiveness and the 2030 Agenda's Goal 17 which emphasises partnerships in shaping conversation and practice on the means of implementation, with recognition of the need for better cooperation among actors, including governments, the private sector, and civil society.

The lack of systematic involvement of recipient countries in aid programming, the limited alignment between donors' aid allocation criteria and LDCs' needs and constraints, and donors' political and economic interests have been demonstrated in a number of studies.⁸⁹ Lack of recipient involvement in aid programming and implementation, together with high levels of aid dependency, the institutional burden of aid coordination, exposure to risks of conflict and protracted crises, and the lack of sufficient investment in infrastructure and productive sectors are among factors that reduce the effectiveness and sustainability of aid in LDCs.

C. Donor operations in Arab LDCs under the IPoA

ODA disbursed to LDCs from 2011 to 2018 gradually increased from \$46.6 billion to \$58.5 billion.⁹⁰ For LDCs to meet their development targets, ODA commitments should be higher.⁹¹ As presented in figure 18, there is a spike in ODA disbursed to Yemen post-2014 from \$1.2 billion to \$8.1 billion in light of the conflict. ODA disbursed to Somalia has increased from \$913 million to \$1.6 billion, while ODA disbursed to the Sudan has decreased from \$1.7 billion in 2011 to \$980 million in 2018. ODA disbursed to Mauritania remained relatively low and slightly increased from \$368 million in 2011 to \$554 million in 2018.

In light of the slight increase of ODA to LDCs since 2011, ODA loans to LDCs gradually

increased from 12 per cent in 2011 to 27 per cent of total ODA in 2018, while ODA grants gradually decreased from 88 per cent in 2011 to 72 per cent in 2018. Contrary to other LDCs, ODA loans to Arab LDCs decreased while ODA grants increased throughout the same period, with some fluctuations (figure 19).

When looking at ODA by recipient country, it is evident that this observation is not applicable to all Arab LDCs (annex). ODA flows to the Sudan and Yemen consistently increased for grants and decreased for loans. However, 100 per cent of ODA received by Somalia since 2011 has been in the form of grants and more than half of ODA flows to Mauritania in 2017 and 2018 were loans.

Figure 18. ODA disbursements to Arab LDCs (Millions of dollars, constant prices)

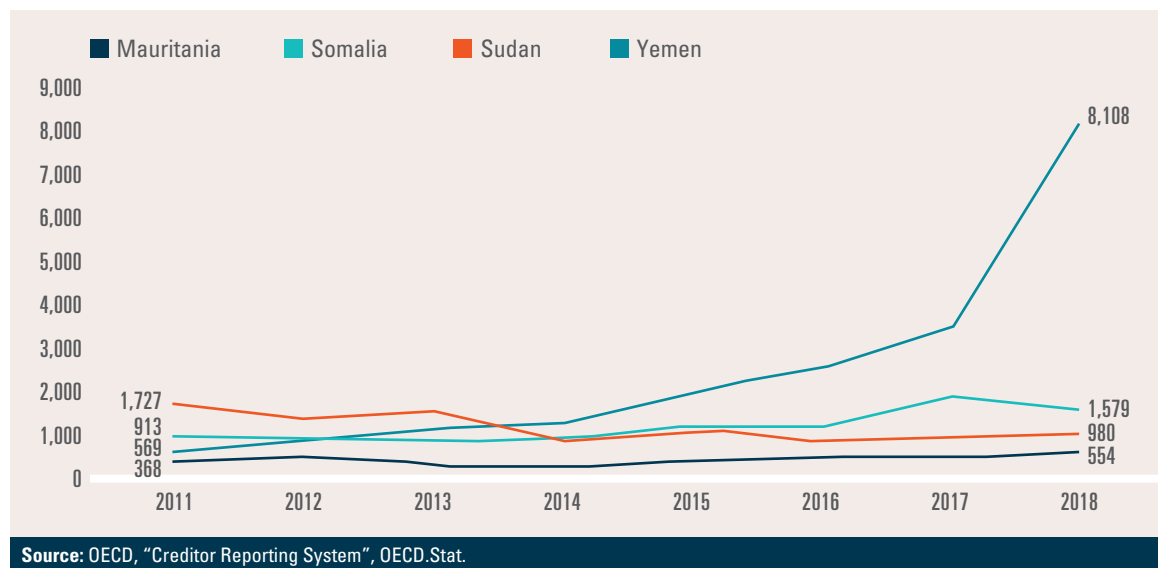
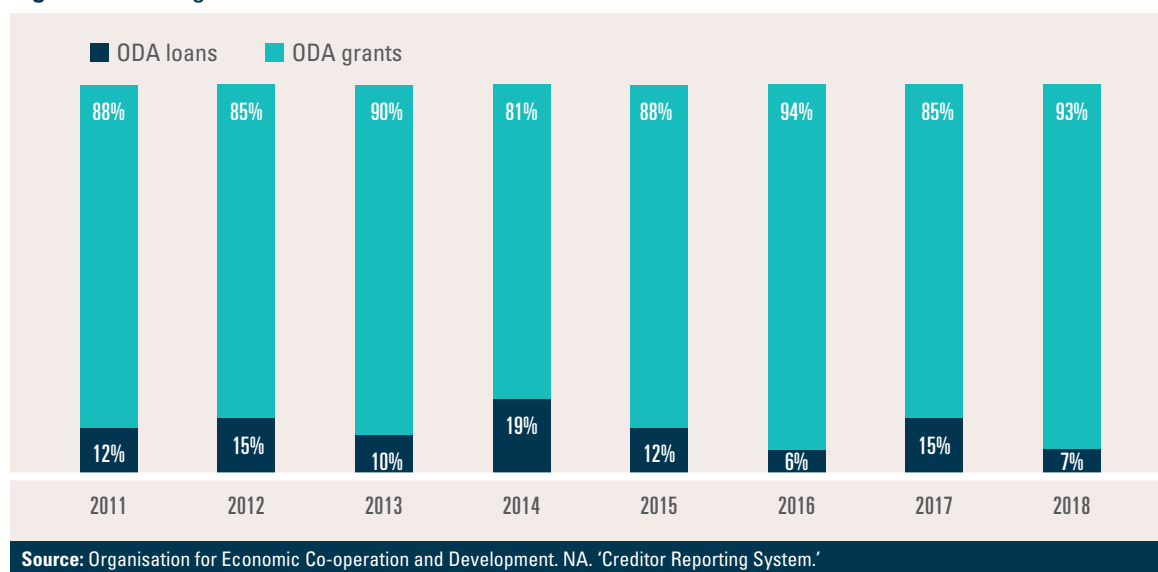


Figure 19. ODA grants and loans to Arab LDCs



Somalia, the Sudan and Yemen remain countries with prominent humanitarian needs. Figure 20 shows that the majority of ODA allocated to these countries is humanitarian aid, while aid to social sectors such as education, health and social infrastructure remain low. ODA to Mauritania is more diverse. As economic and productive sectors remain underfunded, shifting away from aid

dependence and meeting development targets remains unattainable.⁹²

With the highest humanitarian needs, Yemen faces a severe humanitarian crisis, while humanitarian needs are high in Somalia and the Sudan.⁹³ Furthermore, humanitarian actors in Arab LDCs report to have adjusted their programs in order to respond to emergent

Figure 20. Bilateral ODA disbursed to Arab LDCs by sector (2017-2018 average)

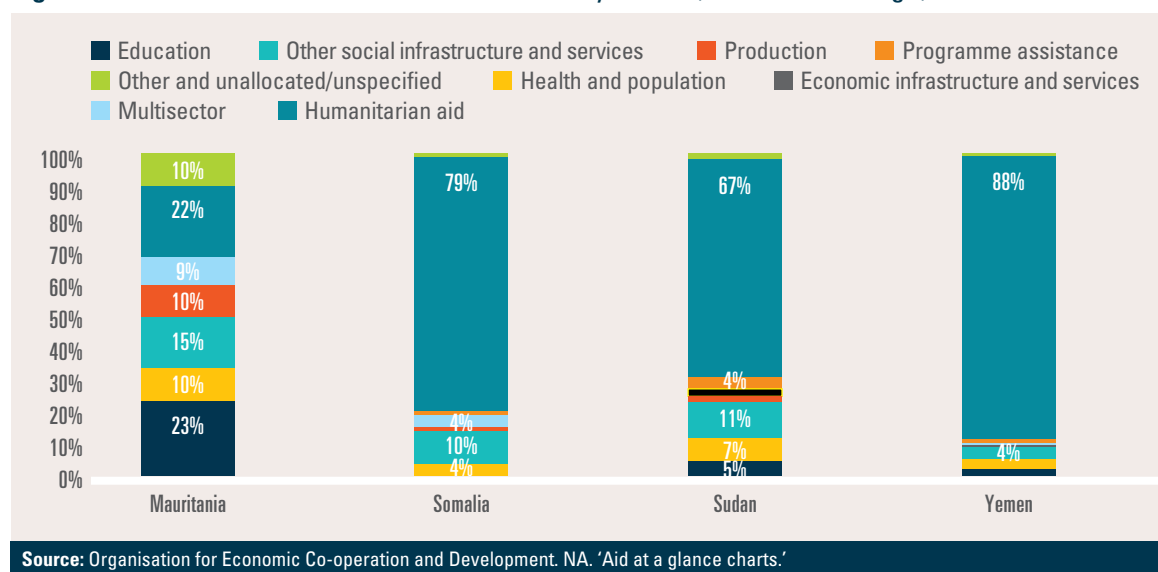
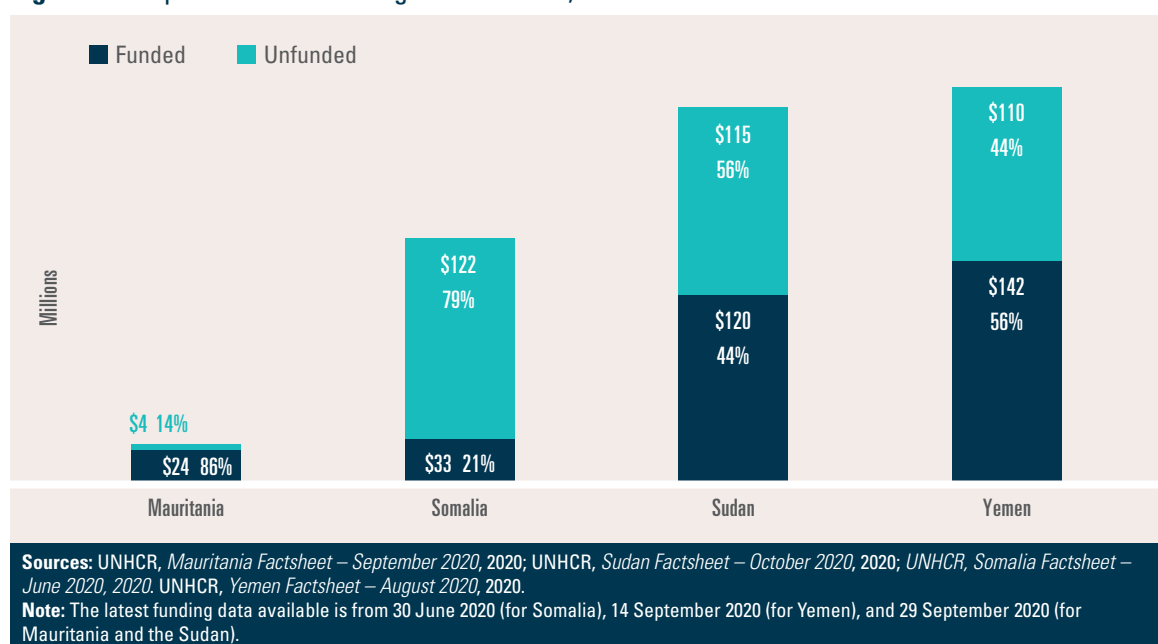


Figure 21. Gaps in UNHCR funding to Arab LDCs, 2020



transnational shocks, specifically COVID-19.⁹⁴ With donor support, humanitarian agencies including UNHCR and its partners continue to respond to the needs of the populations of concern in Arab LDCs by providing protection, education, health, food security and nutrition, water and sanitation, shelter and core relief

items, livelihoods, basic needs and essential services, and cash based programmes.⁹⁵

Taking the UNHCR funding as an example demonstrates that funding gaps persist and funding cuts risk causing deterioration in conditions in Arab LDCs (figure 21). For instance, in addition

to the aforementioned amplifying effects of political instability and transnational shocks on

humanitarian needs and increasing displacement, Arab LDCs face food insecurity and malnutrition.⁹⁶

D. Aid dependency and absorptive capacity

The architecture of aid is changing due to greater fragmentation, an increasing number of partners, the decreasing role of non-governmental organizations, increasing private sector engagement, and the emergence of new sources of development finance. These changes make it harder to ensure transparency, cooperation and accountability.⁹⁷

LDCs' massive investment needs and poor national resource mobilization contribute to their dependency on foreign financing. LDCs are among the most aid dependent countries, and the amount, type, and sectoral allocation of aid determine the results of aid on the recipient country. Aid allocation is driven by recipient country needs as well as donor motivations. With limited domestic resource mobilization, LDCs are especially dependent on foreign financing. Table 22 presents measures of LDCs' dependency on aid.⁹⁸ Data availability limitations make it difficult to measure aid dependency. Somalia is also aid dependent, with ODA and remittances constituting around a third of the country's GDP.⁹⁹

ODA to fragile states, which include Arab LDCs, is crucial.¹⁰⁰ Aid results are determined

by the sectoral allocation of aid, the quality of national institutions and recipient country's absorptive capacity.¹⁰¹ Institutional quality and absorptive capacities in Arab LDCs are limited, which has implications for the effectiveness and sustainability of development assistance. In conflict contexts, institutional capacities are weak and aid focuses on direct support to the most vulnerable populations rather than strengthening institutional capacity.

Absorptive capacity needs to be considered with respect to capital and governance constraints as well as donor practices. Public sector capital constraints, including human and physical capital, limit the extent to which aid is effective for the recipient. Human capital constraints include management issues, availability of necessary skills and expertise for planning, allocation and evaluation of aid programmes, and sectoral expertise. For instance, physical capital constraints include infrastructure problems such as telecommunications, irrigation structures, and physical, energy and transport facilities. Governance constraints, such as the quality of policies and institutions, also affect the impact

Table 22. Aid dependency among LDCs and Arab LDCs (various years, 2006 to 2018)

	LDCs	Mauritania	Somalia	Sudan	Yemen
Net ODA received (percentage of imports of goods, services and primary income)	14.4 (2018)	13.1 (2018)	..	9.5 (2016)	26.6 (2018)
Net ODA received (percentage of central government expense)	14.9 (2016)	..
Net ODA received (percentage of gross capital formation)	17.3 (2018)	14.1 (2018)	..	19.2 (2018)	..
Net ODA received (percentage of GNI)	5.1 (2018)	6.4 (2018)	..	4.0 (2018)	29.0 (2018)
Net ODA received per capita (dollar)	53 (2018)	102 (2018)	105 (2018)	20 (2017)	280 (2018)

Sources: World Bank, "Net ODA received", Data.

Note: Net ODA received (% of central government expense) refers to payments for the government's operating activities in providing goods and services. 'Net ODA received (% of gross capital formation)' covers "additions to the economy's fixed assets plus net changes in the level of inventories" (World Bank, "Net ODA received (% of gross capital formation)", Data). "Net ODA received (% of GNI)" includes the total earnings of a country's people and businesses.

potential of aid. These include the weakness of institutions, financial management, accountability and transparency, as well as law and order or justice. Furthermore, donor practices in aid delivery create an administrative burden on recipient countries,

exacerbated by donor fragmentation, the lack of coordination, the use of divergent monitoring and evaluation mechanisms, duplication, and aid volatility and unpredictability. Although weak states are in need of aid, all these factors limit the effectiveness of the aid they receive.

Box 3. Development assistance to Arab LDCs

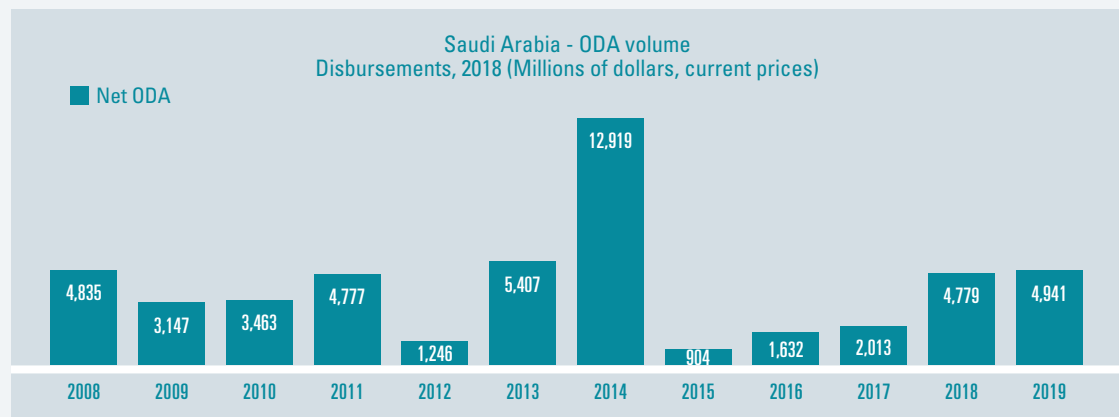
The top ten donors of Official development assistance (ODA) to Arab LDCs are the United States, Saudi Arabia, Japan, the United Kingdom, the United Arab Emirates, Germany, France, Sweden, Canada, Norway (ranked in descending order). Saudi Arabia and the United Arab Emirates are ranked in the second and fifth position among the highest donors supporting Yemen, the Sudan, Mauritania, and Somalia. Kuwait, Qatar, Bahrain and Oman have funded Arab LDCs through bilateral system as well as through their national funds such as Kuwait Fund for Arab Economic Development, Saudi Fund for Development (SFD), King Salman Humanitarian Aid and Relief Center (KSRelief), and Saudi Development and Reconstruction Program for Yemen (SDRPY).

In addition to the direct governmental funding, regional institutions in Arab Countries are contributing to development assistance in the four Arab LDCs. These regional institutions are: Islamic Development Bank (based in Saudi Arabia), Arab Fund for Economic and Social Development (Kuwait-based), Arab Gulf Programme for Development (based in Saudi Arabia), Arab Monetary Fund (headquartered in the United Arab Emirates).

Saudi Arabia aid to LDCs

Saudi Arabia primary foreign policy tool is providing development aid. Over the last ten years the primary recipients of this aid are the MENA countries. Saudi aid goes through bilateral, or multilateral channels such as the Islamic Development Bank, the World Health Organization and the World Food Programme. Humanitarian assistance is an important part of the overall aid provided by the Kingdom. The Saudi Fund for Development provides loans based on geographical conditions and is directed to developing countries.

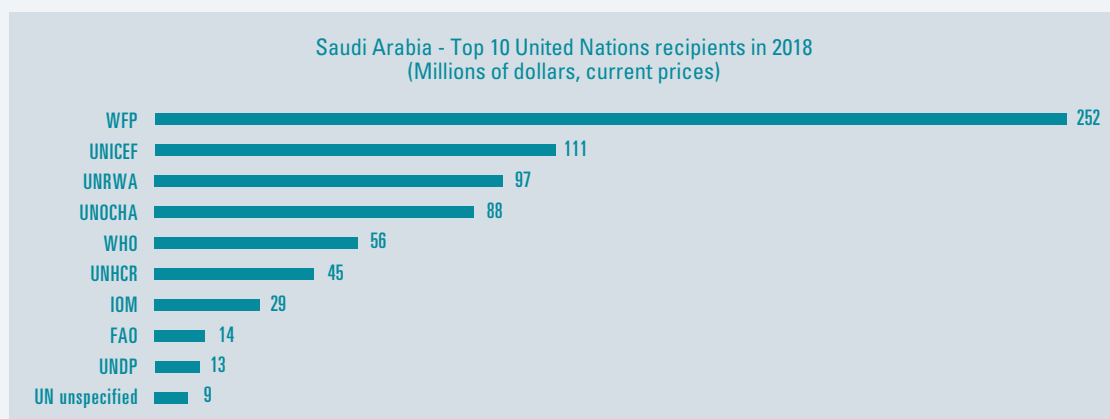
In 2018, Saudi Arabia became a DAC Participant at OECD. The Kingdom is the one of the largest aid providers in the Gulf region.



Source: OECD.

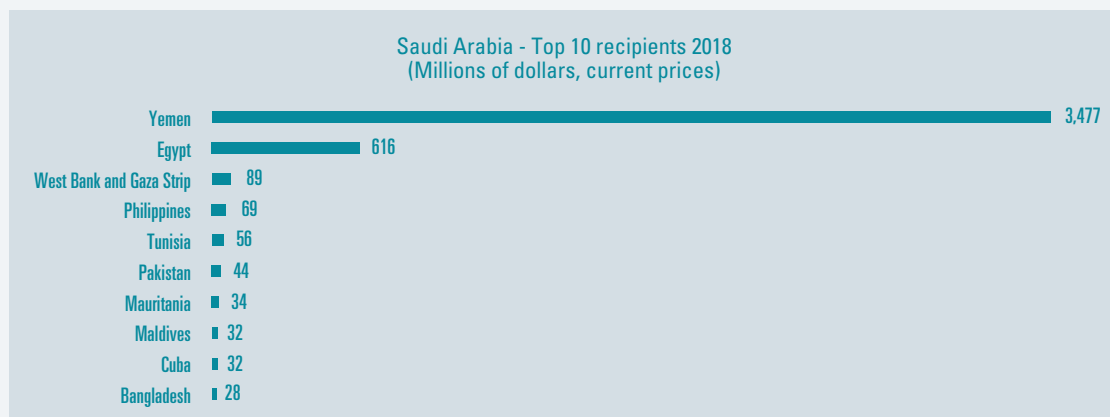
In 2014, Saudi aid rose to a peak and placed Saudi Arabia among the top five donor countries in the world with ODA/GNI of 1.9%, the highest rate achieved by any country.

The graph above shows a 3% increase in ODA between 2018 and 2019, this is due to the increased contribution of Saudi Arabia to the United Nations. The data in this graph is based on data of total development aid of Saudi Arabia, excluding loans and grants from other Saudi entities.



Source: OECD.

The graph on top ten United Nations recipients of Saudi ODA through multilateral system in 2018. The World Food Program is the highest recipient with an amount hitting \$252 million. This is especially important nowadays and the near future given the alarming famine situation in Yemen where 20 million people of the total 30 million population are food insecure. The most recent IPC report indicates that from October to December 2020, 13.5 million people (45 per cent of the analysed population) are facing high levels of acute food insecurity (IPC Phase 3 or above), despite ongoing humanitarian food assistance (HFA). This includes 9.8 million people (33 per cent) in IPC Phase 3 (Crisis), 3.6 million (12 per cent) in IPC Phase 4 (Emergency) and of greatest concern, approximately 16,500 people in IPC Phase 5 (Catastrophe). Between January and June 2021, the number increases by nearly 3 million to 16.2 million people (54 per cent of the total population analysed) likely to experience high levels of acute food insecurity (IPC phase 3 or above). Out of these, an estimated 11 million people will likely be in Crisis (IPC Phase 3), 5 million in Emergency (IPC Phase 4) and the number of those in Catastrophe (IPC Phase 5), will likely increase to 47,000.^a



Source: OECD.

In 2018, the least developed countries received 75% of bilateral ODA, which was \$3.7 billion. The above graph show the top 10 recipients of bilateral ODA. In addition, Saudi Arabia contributed over the last 15 years to Humanitarian Assistance in Arab Countries as well as in other regions. The beneficiaries were Lebanon, Iraq, Yemen, the Syrian Arab Republic, Pakistan, Bangladesh, Palestine, China, Somalia, the Sudan, Myanmar, Turkey, Haiti, Egypt, and others. The amount of humanitarian assistance between 2005 and 2014 reached more than \$2.8 billion.

In 2015, Saudi Arabia established the King Salman Humanitarian Aid and Relief Centre [KSRelief] which by end November 2020 had committed \$4.8 billion in 55 countries. Yemen received the overwhelming majority of these funds with \$3.4 billion in 539 projects, Somalia: 55 projects worth \$200 million; the Sudan: 19 projects worth \$15 million. This Center has become the main channel for Saudi financing. In 2018, Saudi Arabia established a dedicated programme for reconstruction and development in Yemen called SDRPY. This programme is aligned with the

Yemeni government's developmental priorities and represents a continuation of the Saudi's developmental contribution to Yemen, i.e. mega projects in the energy, transportation, basic services and social services sectors over the past decades. The economic aid and oil by-products from Saudi Arabia are also channelled through SDRPY, which plays a major role in the monitoring, governance and building the Yemeni institutional capacities while providing aid to those most in need.

During the virtual G20 summit in March 2020, Saudi Arabia renewed its pledge to provide humanitarian and development assistance and declared that over the last 30 years the kingdom had provided \$86 billion in humanitarian support to 81 countries.

In 2020, it was expected that the decline in oil prices that coincided with the COVID-19 pandemic might lead to a restructuring of the aid strategy of funding States. As a result, aid might be prioritized and offered to those regions that have acquired strategic importance recently, such as South Asia and Sub-Saharan Africa.

Sources: OECD, Saudi Arabia, Development co-operation profiles 2020. https://www.oecd-ilibrary.org/sites/b2156c99-en/index.html?itemId=/content/component/5e331623-en&_csp_=b14d4f60505d057b456dd1730d8fcea3&itemIGO=oecd&itemContentType=chapter.

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E. Development assistance to Arab LDCs

The top ten donors of ODA to Arab LDCs are the United States, Saudi Arabia, Japan, the United Kingdom, the United Arab Emirates, Germany, France, Sweden, Canada and Norway (ranked in descending order). Saudi Arabia and the United Arab Emirates are ranked in the second and fifth position among the highest donors supporting Yemen, the Sudan, Mauritania, and Somalia. Kuwait, Qatar, Bahrain and Oman have funded Arab LDCs through bilateral systems as well as through their national funds such as the Kuwait Fund for Arab Economic Development, the Saudi Fund for Development (SFD), the King Salman Humanitarian Aid and Relief Center (KSRelief) and the Saudi

Development and Reconstruction Program for Yemen (SDRPY).

In addition to the direct governmental funding, regional institutions in Arab countries are contributing to development assistance in the four Arab LDCs under study. These regional institutions are funded by and/or located in Arab countries. Examples of these funding institutions are the Islamic Development Bank (based in Saudi Arabia), the Arab Fund for Economic and Social Development (Kuwait-based), the Arab Gulf Programme for Development (based in Saudi Arabia) and the Arab Monetary Fund (headquarter is in the United Arab Emirates).

Saudi Arabia aid to LDCs

The primary foreign policy tool of Saudi Arabia is providing development aid. Over the last ten years the primary recipients of this aid are countries within the Middle

East and North Africa (MENA) region. Saudi aid is provided via many channels: bilateral or multilateral systems, or others such as the Islamic Development Bank, the World

Health Organization (WHO) and the World Food Programme. Humanitarian assistance is an important part of the overall aid provided by the Kingdom. The Saudi Fund for Development provides loans based on geographical conditions and is directed towards developing countries.¹⁰²

In 2018, Saudi Arabia became a Development Assistance Committee Participant at OECD.

The Kingdom is the one of the largest aid providers in the Gulf region. Figure 22 displays the volume of ODA disbursements by Saudi Arabia over recent years.

In 2014, Saudi aid rose to a peak and placed Saudi Arabia among the top five donor countries in the world with ODA/GNI of 1.9 per cent, the highest rate achieved by any country.¹⁰³

Figure 22. Saudi Arabia – Volume of ODA disbursements, 2008-2019 (Millions of dollars)

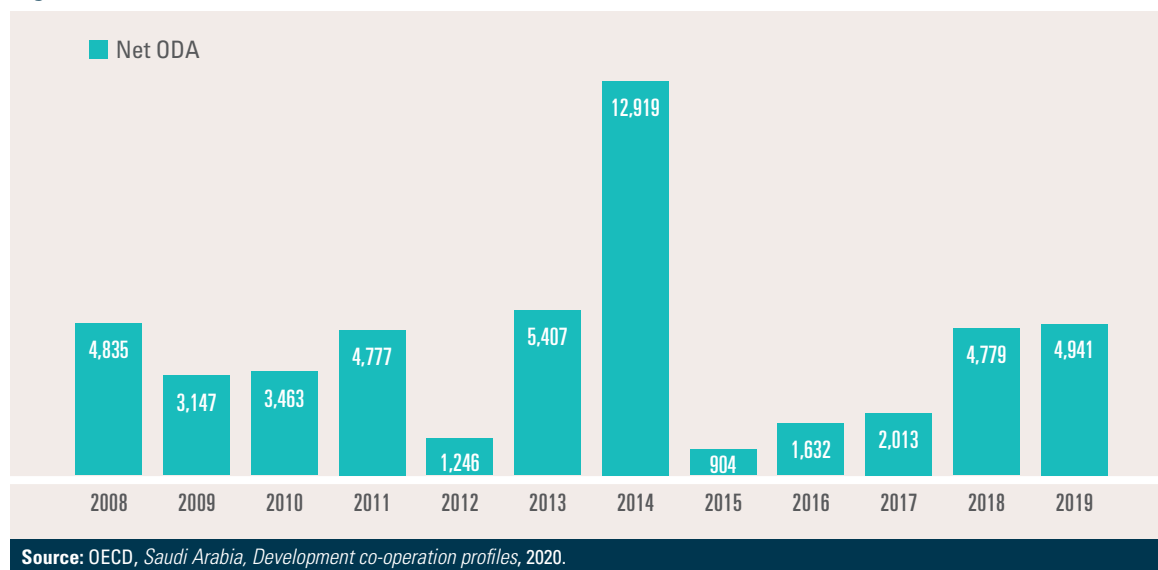


Figure 23. Top 10 United Nations recipients of Saudi Arabia ODA contribution, 2018 (Millions of dollars, current prices)

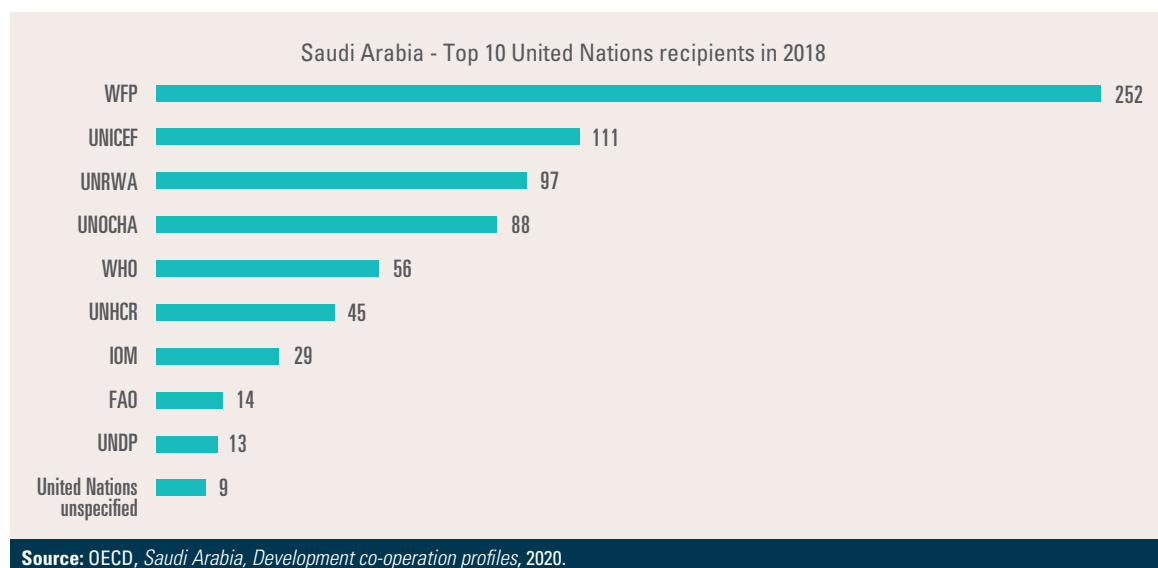


Figure 24. Top ten country recipients of Saudi Arabia ODA, 2018 (Millions of dollars, current prices)



The graph above shows a 3 per cent increase in ODA between 2018 and 2019. This is due to the increased contribution of Saudi Arabia to the United Nations. The data in this graph is based on data of total development aid of Saudi Arabia, while the loans and grants from other Saudi entities are not considered here.

The graph above shows the top ten United Nations recipients of Saudi ODA through the multilateral system in 2018. The World Food Program is the highest recipient, receiving \$252 million. This is especially important now and in the near future, given the alarming famine situation in Yemen where 20 million people out of the total population of 30 million face food insecurity.¹⁰⁴

In 2018, LDCs received 75 per cent of bilateral ODA from Saudi Arabia, which was \$3.7 billion. The above graph shows the top ten recipients of bilateral ODA. Over the last 15 years, Saudi Arabia has contributed to humanitarian assistance in Arab countries as well as in other regions. Beneficiaries have included Lebanon, Iraq, Yemen, the Syrian Arab Republic, Pakistan, Bangladesh, Palestine, China, Somalia, the Sudan, Myanmar, Turkey, Haiti and Egypt. The amount of humanitarian assistance between 2005 and 2014 reached more than \$2.8 billion.

In 2015, Saudi Arabia established the King Salman Humanitarian Aid and Relief Centre, which by end November 2020 had committed \$4.8 billion in 55 countries, but Yemen took the overwhelming majority of these funds with \$3.4 billion in 539 projects. Somalia had 55 projects worth \$200 million while the Sudan had 19 with \$15 million. It has become the main route for Saudi financing.

During the virtual G20 summit in March 2020, King Salman bin Abdulaziz Al-Saud declared that the kingdom continues to support humanitarian and development for all people irrespective of their political beliefs or personal affiliations. He declared that over the last 30 years the kingdom has provided \$86 billion in humanitarian support to 81 countries.¹⁰⁵

In 2020, some speculate that the decline in oil prices that coincided with COVID-19 pandemic might lead to a restructure of the aid strategy of Saudi Arabia. The Kingdom might opt for giving loans as an alternative over grants. Saudi Arabia may have interests in offering aid to new regions (other than the MENA region) that have acquired strategic importance recently, such as South Asia and Sub-Saharan Africa.