Helpdesk Research Report: Political Economy of Saudi Arabia’s Overseas Aid Assistance

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**Query:** Provide information on the political economy of Saudi Arabia's overseas aid assistance – both through formal and informal routes to the MENA region and also to fragile contexts such as Sudan, Somalia, Afghanistan and Pakistan. It would be useful to understand more about the motivations and systems for delivery of this aid and what the varied objectives are (political, religious, altruistic, etc.)

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1. **Overview**

The Saudi Arabian aid system is fragmented and complex, and much of it is privately and secretly channelled through the Saudi ruling families. As such, data on Saudi Arabia's aid contributions is incomplete, and there is limited information and analysis available in the public domain. Much of the available literature is regional in scope and explores the aid systems, modalities and motives for ‘Gulf’ or ‘Arab’ donors in general rather than Saudi Arabia specifically. Consequently, whilst an attempt has been made to identify information specific to Saudi Arabia, relevant arguments and analysis pertaining to Arab donors in general are also included in this report. There is also a paucity of information and analysis on Saudi Arabian aid to fragile and conflict-affected states, even to those states with which Saudi Arabia has long-standing and close relationships, such as Pakistan.

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1 The terms ‘Arab’ and ‘Gulf’ are used interchangeably in the literature. For the purposes of this report, they refer to the member states of the Gulf Cooperation Council: the United Arab Emirates, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the Sultanate of Oman, Qatar and Kuwait.
Despite the lack of available information, the literature suggests that Saudi Arabia is an extremely generous donor, both in terms of humanitarian assistance and longer-term development aid. It has been the largest donor of overseas development assistance (ODA) in the world since 1973, as measured by ODA per gross national income (ODA/GNI). It has also become the largest donor of humanitarian assistance outside the member states of the Organisation for Economic Cooperation and Development’s Development Assistance Committee (OECD DAC).

Saudi Arabia differs from OECD DAC donors in that:

- It is less interested in promoting good governance and transparency in the recipient countries and does not participate in international debates on these issues.
- Saudi Arabian aid is mainly channelled bilaterally, with the main beneficiaries of multilateral aid being Arab regional aid institutions, such as the Arab Fund, the Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development, the Arab Monetary Fund, the Islamic Development Bank, and the Arab Bank for Economic Development in Africa.
- Activities supported by Saudi Arabian aid are limited to those that are non-political, such as infrastructure, economic development, basic education and humanitarian assistance.

The Royal Family is at the centre of decision-making with regards to aid and humanitarian assistance. Key ministries and departments, such as the Royal Court, the Ministry of Foreign Affairs, the Ministry of Interior and the Ministry of Finance, are headed by members of the Royal Family. The decisions made through these channels are implemented by:

- **The Saudi Fund for Development (SFD)**, which is the national aid agency and focuses on longer-term development activities.
- **The Saudi Red Crescent Society**, which has very close links to the government.
- **Individual public campaigns and relief committees**, which are national funding instruments set up by royal decree to raise money for popular humanitarian causes.
- **Royal foundations**, which are headed by members of the Royal Family.

The issue of whether Saudi Arabian aid is used to promote Arabic and Islamic solidarity is debatable, and the Saudi Arabian government denies that this is the case. The SFD’s charter, for example, does not exclude any countries of the basis of geography or religion and Saudi Arabia has donated large sums in response to humanitarian emergencies such as the 2010 Haiti earthquake, where it was the largest contributor. Statistical analysis shows that the range countries receiving Saudi Arabian aid has increased over time and that a country is more likely to receive such aid if it is poor, Arab, sub-Saharan African or if it votes in tandem with Saudi Arabia in the United Nations (UN) General Assembly. There may be an element of religious, political and cultural bias in how aid is dispersed, much in the same way as the OECD DAC donors have their own biases, but the overall picture is more complex.

The motives that influence the dispersal of Saudi Arabian aid include the following.

- **Humanitarian principles**: donating out of moral obligation regardless of who the recipients are.
- **Religious imperatives**: Saudi Arabia is a leader of the Sunni Islamic world and the principle of charitable giving is enshrined within Islam, through activities such as zakat and sadaqa.
- **Foreign policy and diplomacy**: Saudi Arabia provides aid to reward allies and build strategic alliances. Aid has been used as a diplomatic tool both to assert its links with the US (e.g. supporting states that allied with the US-led Gulf War in 1990) and also to stave off criticisms of
its overly close ties with the West (e.g. by donating to show solidarity with Palestinian statehood). The influence of Iran is also a major foreign policy consideration in the provision of aid.

- **External security**: the provision of aid to ensure the security of its borders with Yemen and in response to other regional crises.
- **Internal security and cohesion**: donating to countries from which the many expatriates living in Saudi Arabia originate.
- **Commercial interests**: to promote non-oil based exports.

Saudi Arabia has also emerged as a significant donor of aid and humanitarian assistance to fragile and conflict-affected states, including Afghanistan, Lebanon, the Occupied Palestinian Territories, Pakistan, the Republic of Sudan, Somalia and Yemen.

### 2. The nature of Saudi Arabian aid

Saudi aid and humanitarian assistance are delivered through a range of governmental, semi-governmental and non-governmental institutions. In line with other Arab states, much of Saudi Arabia’s ODA is privately channelled through Saudi Arabia’s ruling families. Data such as that provided by the United Nations Office for the Coordination for Humanitarian Affairs’ (OCHA) Financial Tracking Service (FTS) is incomplete because not all contributions are reported (Villanger 2007; Al-Yahya & Fustier, 2011).

Despite this ‘[Saudi Arabia] remains the largest Arab donor in absolute figures…[and] has been the largest aid donor in the world since 1973 as measured by ODA/GNI’ (Villanger 2007, 3). At a regional level, Arab donors – predominantly Saudi Arabia, Kuwait and United Arab Emirates – have been among the most generous in the world, with ODA averaging 1.5 per cent of their combined GNI during the period 1973 to 2008. This is more than twice the UN target of 0.7 per cent and five times the average of the OECD DAC countries (World Bank, 2010). Furthermore, Saudi Arabia has become the world’s largest donor of humanitarian assistance outside the member states of the OECD DAC. For example, its contributions in response to recent natural disasters – such as the 2007 Cyclone Sidr in Bangladesh and the 2010 Haiti earthquake – have far exceeded those of OECD DAC donors (Al-Yahya & Fustier 2011).

### 3. Aid systems and modalities

Saudi Arabia differs from Western donors in that it seems less interested in promoting good governance and transparency in the recipient countries and does not participate in the international debate on these issues. In keeping with that of other Arab states, Saudi Arabian aid is mainly channelled bilaterally, with the main beneficiaries of multilateral aid being Arab regional aid institutions such as the Arab Fund, the OPEC Fund for International Development, the Arab Monetary Fund, the Islamic Development Bank and the Arab Bank for Economic Development in Africa (Villanger, 2007). This preference for bilateral channels suggests an approach that favours recipient state sovereignty and non-interference in recipient country economic policies. As such, activities supported by Saudi Arabia are limited to those that are non-political, such as infrastructure, economic development, basic education and humanitarian assistance (Barakat and Zyck, 2010).

It is useful to consider the Saudi Arabian aid system in terms of ‘decision-makers’ and ‘implementers’ (Al-Yahya & Fustier 2011).
Decision-makers

The Saudi Royal Family
The Saudi Royal Family plays a major role in overseeing aid and humanitarian assistance: the Office of King Abdullah is at the centre of decision-making and initiates major donations by the government or public relief campaigns; Prince Faisal bin Abdullah heads the Saudi Red Crescent; public relief campaigns are under the supervision of Prince Nayef, who also serves as the Minister of Interior and the Deputy Premier; and Prince Saud Al Faisal heads the Ministry of Foreign Affairs (Al-Yahya & Fustier, 2011).

The Royal Court
The Royal Court is the equivalent of a presidential office and contains several foreign affairs advisers that are specifically assigned to humanitarian assistance issues (Al-Yahya & Fustier, 2011).

The Ministry of Foreign Affairs
This ministry actions proposals for humanitarian assistance and is a conduit through which Saudi ambassadors raise matters for the attention of the Office of King Abdullah (Al-Yahya & Fustier, 2011).

The Ministry of Interior
This ministry effectively acts as a gatekeeper for humanitarian assistance, organising and supervising aid (Al-Yahya & Fustier, 2011).

The Ministry of Finance
This is responsible for implementing humanitarian assistance decisions made by the royal leadership. Little is known about how it operates (Villanger, 2007).

Implementers

The Saudi Fund for Development (SFD)
The SFD is the national aid agency and focuses mainly on longer-term development activities (as opposed to humanitarian assistance). Whilst Saudi Arabia is the largest donor in the Arab region, the SFD channels a small percentage of the country’s official aid, making it only the fourth largest fund in the region (Cotterrell & Harmer, 2005). Its main objectives are to finance projects in developing countries through soft loans and to promote national non-oil exports by providing finance and insurance products. It deals directly with the governments of developing countries to finance development projects, giving priority to those countries that are least developed and have the lowest income. In 2011, the SFD financed 22 development projects and programmes in 19 countries, including 11 African countries and 7 Asian countries (SFD, 2011).

The Saudi Red Crescent Society (SRC)
The SRC is the key Saudi delivery mechanism for humanitarian assistance. It has very close links to the Saudi government and is even considered a governmental agency – unlike the corresponding Red Cross Societies in the West (Al-Yahya & Fustier, 2011).

Public campaigns and relief committees
A Saudi public campaign is a national funding instrument that raises funds around popular causes from private sources – making it a semi-public, semi-private mechanism. The king generally authorises public campaigns and orders the establishment of a committee to run it (Al-Yahya & Fustier, 2011).
Royal foundations
Members of the Royal Family have their own charitable foundations, including the Alwaleed Bin Talal Foundation and the Prince Sultan Bin Abdelaziz Foundation, which are both active abroad (Al-Yahya & Fustier, 2011).

4. Motivations for providing aid

There is much debate in the literature as to whether Saudi Arabian aid, and Arab aid in general, favours other Arab and Islamic states due to cultural and religious reasons. Of 149 donations from Saudi Arabia recorded in the FTS from 2000 to 2005, 92 per cent went to countries with at least a 75 per cent Muslim population (Cotterrell & Harmer, 2005). Villanger (2007) argues that Arab donors have used aid to promote Islam and build Arab solidarity, stating that ‘as of 31 December 2005, almost 60 per cent went to Arab countries’ (p.9). Whilst the eligibility and range of recipient countries widened substantially after the very early periods of Arab aid allocation, statistical analysis shows that a country is more likely to receive support from Arab states, through both bilateral and multilateral channels, if they are poor, Arab, or sub-Saharan African or if they vote similarly to Saudi Arabia in the UN General Assembly (Neumayer, 2003; 2004). However, to some extent the bias towards Arab countries (and to a lesser extent sub-Saharan Africa) is natural given cultural and historical ties, in the same manner in which DAC donors demonstrate their own geographical and political biases (Cotterrell & Harmer, 2005).

Al-Yahya & Fustier (2011) make a distinction between humanitarian assistance and the longer-term development aid provided by the SFD. They argue that most development aid provided by the SFD goes to poor countries that are not necessarily part of the Arab world. Saudis themselves also increasingly reject claims that Saudi Arabian aid is dispersed according to cultural and religious considerations. Examples such as their status as the single largest contributor to the 2010 Haiti Emergency Response Fund are cited as evidence of their intention to provide humanitarian assistance regardless of nationality, race or religion.

At a regional level, Arab aid to conflict-affected or fragile environments is overwhelmingly driven by political and humanitarian considerations, including: diplomacy and stability; solidarity with the Palestinian cause; and humanitarian concern (Barakat and Zyck, 2010).

The motives for Saudi Arabian aid are further explored below.

Humanitarian principles

The Saudi government and citizens believe that the provision of aid is a moral obligation based on humanitarian principles, regardless of who the recipients are. Indeed, most Saudi development aid provided by the SFD (not including humanitarian assistance) goes to poor countries not necessarily part of the Arab or Islamic world, including Cameroon, Gambia, Malawi, Niger, Nepal, Jamaica, Burkina Faso, Sri Lanka and Kenya (Al-Yahya & Fustier, 2011). Indeed, Barakat and Zyck (2004, p.31) state that despite other motives, ‘it is critical to recognise the genuine humanitarian concern that also underlines Gulf state contributions in particular circumstances.’
Religious imperative

The principle of charitable giving is enshrined within Islam and manifests in various forms such as zakat, an obligatory activity that requires Muslims to contribute 2.5 per cent of their wealth annually to charity, and sadaqa, which is a voluntary non-fixed amount of charitable giving. As such, the religious imperative is a powerful force for charitable giving in Saudi Arabia. Religious guidance states that zakat should be based on solidarity with the poor and needy in Muslim countries, which explains why most non-governmental and semi-governmental public campaigns are channeled to Muslim countries (Al-Yahya & Fustier, 2011).

As a foreign policy or diplomatic instrument

The maintenance of Saudi Arabia as a leader of the Islamic world forms a key foreign policy consideration. This means that Saudi Arabia receives requests from other Islamic countries, both in times of humanitarian emergencies and for longer-term development needs (Al-Yahya & Fustier, 2011). The Saudi ruling family, for example, rely to some extent on the support of the religious establishment and so are constantly reminded of their religious duty to provide aid for those in need in other Muslim countries (Cotterrell & Harmer, 2005).

Saudi Arabia provides aid to reward allies or build strategic alliances and increases aid flows to these countries during times of conflict. Saudi Arabia has used aid as a diplomatic tool, both to reassert its links with the US and also to stave off criticisms about its overly close ties with the West. For example, after the Gulf War in 1991, Turkey, Egypt and Morocco became major recipients of aid due to their support of the US-led intervention (Villanger, 2007). Conversely, countries not maintaining diplomatic relations with Israel or those who vote in tandem with Saudi Arabia in the UN General Assembly are also more likely to receive aid (Neumayer, 2004). Indeed, Palestinian solidarity seems to form a key determinant of Saudi aid: in 2009, Saudi Arabia pledged USD 1 billion for the reconstruction of the Gaza Strip, an underlying motive of which may have been to counteract criticism from other Gulf states about the lack of Saudi support for Palestinian statehood (Barakat and Zyck, 2010).

However, Cotterrell and Harmer (2005, 23) argue that ‘there are limits to the extent to which official foreign policy dictates international assistance and solidarity...Whilst Saudi Arabia has responded to public pressures to support humanitarian assistance to the [Occupied Palestinian Territories], the Crown Prince has played a leading role in reversing Saudi Arabia’s previous policy, which had denied the possibility of normalising relations with Israel...Clearly, there is a space in which public opinion and solidarity influences official aid irrespective of foreign policy concerns. At another level, however, it may suggest that maintaining good international relations may be as important a driver for international aid as solidarity in some contexts, and perhaps the more so in highly politicised environments.’

External security

External security considerations have influenced Saudi donations to the United Nations High Commissioner for Refugees (UNHCR). Such donations have coincided with regional crises that risked creating influxes of refugees, including the 1990 Iraq invasion of Kuwait and conflict between the Yemeni government and rebel groups close to the Saudi border in 2006 (Al-Yahya & Fustier, 2011).
Internal security and cohesion

A large expatriate population exists in Saudi Arabia and humanitarian assistance in their countries of origin is seen by the authorities to be a means of easing tensions (Al-Yahya & Fustier, 2011).

Commercial interests

The SDF’s charter includes a provision for export promotion, to allow for the financing and guarantee of non-oil exports, and is, therefore, mandated to promote home country trade (Neumayer, 2004; World Bank, 2010).

5. Assistance to fragile and conflict-affected states

Donors from Arab states, including Saudi Arabia, have emerged as significant donors of mid-conflict and post-conflict humanitarian interventions (Barakat and Zyck, 2010).

Afghanistan

Whilst Saudi Arabia had supported the Mujahedeen and the Taliban, it was only until after the US-led invasion that Arab humanitarian involvement became institutionalised. At the 2002 donor conference on the reconstruction of Afghanistan, Saudi Arabia pledged USD 220 million over three years, however, these funds largely failed to materialise. The amounts that did materialise were mainly directed towards infrastructure, such as an SFD loan of USD 82 million for road repair and reconstruction. The motives underlying these contributions are unclear, but it seems likely that Saudi Arabia, having been one of the few countries to recognise the Taliban-led government, wanted to signal their support for the US-led intervention (Barakat and Zyck, 2010).

Occupied Palestinian Territories

Given the high levels of assistance consistently provided by the Gulf states to the Occupied Palestinian Territories, it is evident that aid is intended to demonstrate support for and solidarity with the Palestinian people (Barakat and Zyck, 2010). Although Saudi Arabia delivers most of its aid through bilateral channels, it also makes substantial multilateral contributions (and is one of the largest donors) to the UN Relief and Works Agency for Palestine Refugees (UNRWA) (Al-Yahya & Fustier, 2011).

Pakistan

Pakistan and Saudi Arabia have longstanding cultural, economic, military, intelligence and security relations. Both are Sunni states, and their ties are driven to some extent by a mutual suspicion of Shi’a Iran. Pakistan has received more aid from Saudi Arabia than any country outside the Arab world since the 1960s. For example, in May 1998, the Saudis promised 50,000 barrels of free oil per day to help Pakistan cope with the economic sanctions that might be triggered by Pakistan’s testing of nuclear weapons (a response to India’s nuclear testing). Official aid is matched by large investments from Saudi princes and from religious institutions; the madrassa educational system, for example, is funded by private donors connected to Saudi Arabia’s powerful Wahhabi clerical establishment (Riedel, 2011).
In 2006, five key MoUs were signed between the two countries in the areas of political, economic, educational, scientific and technical cooperation. Saudi Arabia’s assistance to Pakistan had already exceeded USD 1 billion when it pledged another USD 673 million for the relief and rehabilitation of Pakistani areas devastated by the 2005 earthquake (Shahab Ahmed & Bhatnagar, 2010).

Republic of Sudan

After 1971, Sudan received increasing aid and investment from Arab countries, which saw Sudan as an important future supplier of food. The third Sudanese military coup in 1989 was followed by a high degree of international isolation, but Arab investment and aid remained – except for a period after Iraq’s invasion of Kuwait 1991, when Sudan aligned itself with Saddam Hussein (Hansohm, 2007). Arab aid seems to have been cut off during times of war, which is why Sudan is only the eighth largest recipient of Arab aid, behind Jordan and Yemen.

In 1976, the largest multilateral Arab donor in Sudan, the Arab Fund, proposed a programme to establish Sudan as a breadbasket for the Arab world, leading to the establishment of the Arab Authority for Agricultural Investment and Development (AAAID) in Khartoum. After the mid-1970s the Saudi Development Fund became the largest source of investment capital, aiming to develop Sudan’s agriculture in order to make up its large food deficits. After the signing of the peace agreement between Khartoum and the Sudan People’s Liberation Army in 2005, inflows of Arab funding returned (Villanger, 2007). For example, Saudi Arabia contributed USD 66 million in 2008 as part of a total of USD 81.8 million provided by Arab country governments (GHA, 2011).

Somalia

During the 1970s and 1980s, Somalia developed closer political ties with Gulf States and became increasingly dependent on them for economic aid. It was partly due to this alignment with the Gulf Cooperation Council (GCC), that the then-Somali President Siad Barre chose to side with the US-led coalition to liberate Kuwait. This brought significant economic dividends to Somalia, including a USD 70 million grant from Saudi Arabia and the provision of cheap oil (Karasik, 2012).

In 2011, in response to the Horn of Africa food crisis, non OECD-DAC donors, including Saudi Arabia, Turkey, Brazil, China, Kuwait and the United Arab Emirates, contributed roughly a third of new funding for Somalia in the first 100 days after famine was formally declared on 20 July. After the US and the UK, Saudi Arabia is the third largest single-country donor to Somalia (Provost, 2011).

Yemen

From the 1970s until the 1990s, Saudi Arabia provided significant infrastructural and financial aid to Yemen. Official aid ceased in the 1990s, partly due to Yemen’s refusal to support the Gulf War. However, Riyadh continued its longstanding policy of providing ‘unofficial’ cash subsidies to prominent personalities and leaders of tribes in the border regions of Yemen and Saudi Arabia. A major objective in providing such payments was to ensure peace and stability. However, many claim that the underlying motivation is not altruism but opportunism; the recipients of such aid have been among the principal forces of opposition to the Yemeni regime (Anthony, 2000).

After the border settlement in 2000, Saudi Arabia’s Interior Ministry under Prince Nayef has taken an increasingly prominent role in shaping the management of Yemen policy. The Saudi-Yemeni High Coordinating Council includes middle- and lower-ranking politicians and civil servants, including
foreign ministers. It has oversight of development projects but does not shape overall policy (Hill and Nonneman, 2011). Saudi assistance has dwarfed that of other donors and its assistance via unofficial channels has increased over the past decade. For example, in February 2010, the Saudi-Yemeni Coordinating Council began the implementation of wide-ranging projects, including the construction of new roads, hospitals and educational facilities. Furthermore, the Yemeni government has occasionally been forced to request assistance from Saudi Arabia to pay government salaries and maintain existing services. The complex relations between the Yemeni government and major Saudi merchant families of Yemeni origin, who have the resources and the political weight within Saudi Arabia, influence both investment and aid dispersal (Burke, 2012).

6. References


7. Additional information

The GSDRC has also published a report on Arab donorship in Yemen that may be of interest:


Experts who responded to requests for assistance:

- Dr. Khalid Al-Yahya (Associate Professor, Dubai School of Government)
- Eric Neumayer (London School of Economics)
- Nathalie Fustier (CIES, Paris)

About Helpdesk research reports: This helpdesk report is based on 3 days of desk-based research. Helpdesk reports are designed to provide a brief overview of the key issues, and a summary of some of the best literature available. Experts are contacted during the course of the research, and those able to provide input within the short time-frame are acknowledged.