

# Gulf Assistance Funds Post-2011: Allocation, Motivation and Influence

## Sally Khalifa Isaac

Associate Professor of Political Science  
Cairo University

The high volumes of Arab Gulf assistance funds post-2011 to several Arab MENA countries have intensified scholarly interest in understanding the Gulf States' motives and in detecting continuities and changes in their allocation trends. Gulf assistance funds have also attracted much attention following the outbreak of several public uprisings in the region, as the promptness in offering them in massive amounts and through a variety of instruments (i.e. grants, hard-currency deposits, fuel products, loans and investments) worked to dwarf economic aid from other external actors. Accordingly, the comparative ability of the Arab Gulf States to influence transformation processes in transitional countries has been, and remains, significantly boosted.

### General Trends in Gulf Aid before and after 2011

Key characteristics of Gulf aid prior to 2011 include, first, its comparative generosity, as Gulf aid worldwide ranged from 4.7% of collective gross national income during the 1970s to approximately 1% during the first years of the 2000s. Second, Gulf aid was mostly (around 60%) allocated to Arab and Muslim countries. Third, Gulf aid was mostly granted bilaterally rather than multilaterally channelled through Gulf institutions, as the share of bilateral aid stood at 86%

from 1995 to 2004. Fourth, motives for granting aid or loans varied over time, ranging from investing in regional stability or enhancing Gulf commercial interests to promoting Islam through large flows of unofficial aid to state and non-state actors. Finally, fifth, eight Arab countries in specific topped, and largely continue to top, the list of Gulf aid recipients. These are, in order of their aid share since the mid-1970s, Morocco, Egypt, Syria, Algeria, Tunisia, Jordan, Yemen and Sudan.<sup>1</sup>

Following the outbreak of Arab uprisings in late 2010 and early 2011, the Arab Gulf States were generally rapid and generous in using their petrodollar investments to confront the various security and stability ramifications of these mass events. In this respect, the trends in post-2011 Gulf assistance funds indicate a general continuity in terms of generosity, motivations, and destination. Nonetheless, the post-2011 trends also indicate a notably increased Gulf tendency, especially by Saudi Arabia, the UAE and Kuwait, to finance economic projects instead of the previously prevailing tendency of transferring cash. In addition, a notable sign of change has appeared in the form of an interest in growing Gulf companies, especially Emirati and Saudi ones, to achieve high profits on investments in infrastructure projects. The most recent increase in Gulf companies' contracts to invest in sub-Saharan Africa, especially in profitable energy and infrastructure projects in some West African countries, such as Guinea and Ghana, is a case in point.<sup>2</sup> As announced in August 2014 by the Director General of the Dubai Chamber, Hamad Buamim, the Gulf States intend to increase their investments in Africa by \$61 billion annually.

<sup>1</sup> Cf.: VILLANGER, Espen. *Arab Foreign Aid: Disbursement Patterns, Aid Policies and Motives*. Bergen: Chr. Michelsen Institute (CMI Report), 2007, p. 2.

<sup>2</sup> DU VENAGE, Gavin. "Gulf states investing in series of projects to power Africa growth." *The National*, 15 March 2015, [www.thenational.ae/business/economy/gulf-states-investing-in-series-of-projects-to-power-africa-growth](http://www.thenational.ae/business/economy/gulf-states-investing-in-series-of-projects-to-power-africa-growth) (accessed: 1 April 2015).

## Continuity in Gulf Aid Generosity and Destinations

Showing remarkable consistency with previous decades, and regardless of the huge economic needs of Arab countries in transition, Gulf assistance funds continued to flow generously into the economies of politically and strategically important countries. As an example, it is quite intriguing to contrast the modest Gulf assistance funds for Tunisia with those allocated to Jordan, Morocco or Oman. These three countries, which are not traditionally included in the category of “Arab Spring countries,” were promised \$20 billion early in 2011 by the GCC alone, to be delivered over 10 years for Oman and over 5 years (from 2012 to 2017) for Jordan and Morocco. Another example is the case of Egypt, especially when comparing Gulf assistance funds to this country before and after the fall of President Mohamed Morsi, of the Muslim Brotherhood, in June/July 2013. From just July 2013 to February 2015, Egyptian officials declared they had received over \$23 billion in assistance funds from friendly Gulf States. An additional aid package, estimated at approximately \$12.5 billion, followed during Egypt’s Economic Development Conference in March 2015, provided by Saudi Arabia, the UAE, Kuwait and Oman. This sum does not include the numerous investment contracts, likewise signed during the conference, between the Egyptian government and Saudi, Emirati and Kuwaiti companies for the implementation of huge energy and infrastructure projects. These two examples indicate that the process of Gulf investments and aid allocation post-2011 is not determined merely by the economic conditions of countries in transition or the need to seek profits. Rather, Gulf investments and aid allocation are more politically driven and are meant to invest in the political stability of key Arab actors and friendly regimes.

### Motivation: Gulf Assistance Funds Broadly Address Stabilisation

Gulf States’ resistance to radical change and their eagerness to seek stabilisation appear to be prominent motivations that determine the destination of their assistance funds post-2011. This was the case in all three sub-regions of the Arab area: the Arab Gulf, the Levant and North Africa.

## *Maintaining the Political Stability of Bahrain, Yemen, and the Gulf Monarchical Systems*

In the Gulf region itself, leading GCC monarchies rapidly employed their assistance funds with the core objectives of maintaining the political stability of the Gulf monarchical regimes and fending off the perceived Iranian and Shiite influence in the predominantly Sunni area. Repressing public revolts in Bahrain and then allocating \$10 billion in assistance funds to invest in the political stability of this tiny country is one example. But also, a key relevant example can be seen in the immediate response of the late King Abdullah of Saudi Arabia, who released massive financial packages, estimated at around \$130 billion, as a royal gift in the form of social, unemployment and housing benefits to fend off possible political demands by the Saudi people. Related to the objective of maintaining the political stability of the Gulf monarchies is the objective of maintaining the stability of neighbouring Yemen. Early in 2011, the GCC took the lead as the most credible mediator to end the violent confrontations between the Yemeni regime and the opposition. Key GCC States, led by Saudi Arabia, were alarmed at how southern Yemen emerged over the course of 2011 as a hub for al-Qaeda terrorists, and of how the violent confrontations between the Yemeni regime and the protestors signalled a potential civil war. By introducing and monitoring the implementation of the “Gulf Initiative” for a smooth transfer of power, the GCC States coordinated the deposition of Ali Abdullah Saleh and the advent of Abdrabbuh Mansour Hadi. Following political mediation efforts, in 2012, the GCC promised Yemen a package of \$7.9 billion, to be delivered gradually, for the implementation of developmental projects and delivery of fuel products. The current Saudi-led military operation in Yemen is accordingly explained by the mounting Gulf fear of the alarming ramifications of turmoil, both inside Yemen and on the Saudi-Yemeni border, caused by the takeover of power by the Iranian-supported Houthi rebels.

**Gulf investments and aid allocation are more politically driven and are meant to invest in the political stability of key Arab actors and friendly regimes**

### *Addressing Stabilisation in the Levant: Syria, Jordan and Lebanon*

In the nearby Levant, key Gulf States were notably active in supporting the Syrian opposition, particularly during the early stages of the conflict, and in regularly extending humanitarian assistance funds to the displaced Syrian people. This aid was also generously extended to Jordan and Lebanon, especially in the aftermath of the establishment of the Islamic State (IS) organisation in Syria and Iraq, again underscoring the core objective of stabilisation.

In Syria, the Gulf States were eager to put an end to the Alawite al-Assad regime, which had long been condemned in the Gulf for facilitating Iranian penetration in the region. In the early stages of the Syrian crisis, many Gulf States had voted to expel the country from the League of Arab States and had demonstrated a strong willingness to aid various factions of the Syrian opposition. Frustrated by the lack of international or regional intervention to topple al-Assad, Saudi Arabia and Qatar were repeatedly reported to be generously arming and funding the increasingly fragmented opposition factions in Syria.

As for Lebanon, in December 2013, Saudi Arabia alone pledged \$3 billion for the purchase of French weapons, which were delivered in November 2014, to enhance the Lebanese military's capabilities to confront the IS threat. In August 2014, following the Aarsal battles, Saudi Arabia pledged a further \$1 billion to strengthen the Lebanese army, which brought total Saudi military aid to Lebanon in just 2014 to \$4 billion. Indeed, it is striking to compare this Saudi military aid with Lebanon's total defence budget, which stood at only \$1.7 billion in 2012. In a further effort to address stabilisation in Lebanon, the Saudi National Campaign to Support Brothers in Syria promised an \$11 million package of humanitarian, educational, vocational and health aid for the year 2015 to meet the needs of Syrian refugees in Lebanon.

In Jordan, Saudi Arabia took the lead in May 2011, in a further step to prop up the legitimacy of Arab monarchical systems, with a proposal to enlarge the GCC in order to include the two monarchies of Jordan and Morocco. However, given the delay in admitting Jordan and Morocco to the GCC, the organisation decided in December 2011 to create a \$5 billion fund, later increased to \$10 billion, for the

two countries in support of development projects. In addition, in January 2013, Saudi Arabia promised to allocate another \$10 billion to Jordan in order to help the country deal with the increasing influx of Syrian refugees. It is worth mentioning in this respect that the largely marginalised and poorly managed refugee camps in both Lebanon and Jordan have increasingly come to be viewed as fertile soil for the proliferation and recruitment of jihadists in the region.

### *Addressing Stabilisation in Egypt, Libya and Morocco: Different Means for Different Contexts*

Gulf assistance funds first addressed stabilisation in North Africa in the case of Morocco, as a fellow monarchical regime, through a \$5 billion allocation in 2011 to developmental projects and the consideration, notwithstanding the vast geographical distance, of the country's inclusion in the GCC. The Gulf stance towards Morocco, which witnessed public protests even if these protests did not develop into mass uprisings as they did in Tunisia, Egypt and Libya, emphasises the GCC's determination and outreach efforts to take on the potentially destabilising effects of uprisings in the Arab region at large.

## **The Gulf stance towards Morocco, emphasises the GCC's determination and outreach efforts to take on the potentially destabilising effects of uprisings in the Arab region at large**

In the more controversial case of Egypt, key Gulf States perceived investment in Egypt's political stability and security as crucial for the Gulf's own security. Indeed, Egypt's internal political developments and leadership orientation have long had repercussions on Arab and regional politics. However, comparing the trends of Gulf aid before and after the fall of Morsi highlights a divergence in the type of political stability that different Gulf States were eager to promote in this pivotal Arab country. While immediately after the fall of Mubarak in February 2011, Saudi Arabia, Qatar and the UAE all promised assistance funds to the interim military regime (esti-

mated altogether at around \$17 billion). It was mainly Qatar that effectively delivered extensive financial support to the Muslim Brotherhood government, which assumed power in mid-2012 amid wide Gulf apprehension. Generally, this reinvigorated role of Qatar is stimulated by the structural opportunities offered by the new context of Arab transformations, in which the more ambitious Qatari rulers sought to achieve not only political stability, but also an outsized regional outreach and prestige. In sharp contrast with this trend, Saudi Arabia, the UAE and Kuwait emerged as the main supporters of the new political order in Egypt arising after the June 2013 uprising and the fall of Morsi the following July. Specifically, these three Gulf monarchies had previously perceived the rise of the Muslim Brotherhood in Egypt, as well as elsewhere in the Arab region, as a threat to regional political stability and to the political stability of the Gulf's own monarchies. It is important to highlight that a relative change in Gulf aid allocation to Arab MENA post-2011 was quite evident by mid-2013, following the regime change in Egypt. This can be seen in an increasing tendency, especially by Saudi Arabia, the UAE and Kuwait, to finance economic projects and increase investments.<sup>3</sup> The continuous economic downturn that Egypt has been experiencing since 2011 and the objectives of political order and stability, which the new Egyptian leadership under al-

Sisi has prioritised, necessitated a bold push for big economic projects and a steady inflow of foreign investments. These objectives were largely possible because of Gulf political support and economic assistance over the past two years.

Even in Libya, where animosity towards the former Gaddafi regime mainly stimulated broad Gulf support for regime change and participation in the NATO operation in 2011, today key Gulf States are eagerly extending various forms of political and military support for the country's stabilisation. This is most evident in the continuing Saudi, Emirati and Egyptian support for the Libyan army under the leadership of General Khalifa Haftar in fighting irregular militias and stabilising the country. The current close coordination between Libya, Egypt, Saudi Arabia and the UAE on the stabilisation of Libya, like the close coordination between Egypt, Saudi Arabia and the UAE on fighting the Houthi rebels in Yemen, is ongoing, indicating a practical reinvigoration of Arab solidarity in facing some of the security ramifications of the Arab uprisings. Apart from the fact that there is indeed a growing perception of common security threats among most Arab countries, it remains true that the far-reaching and influential role that key Gulf States were able to advance post-2011 thanks to their petrodollar investments is one of the crucial factors in ensuring favourable conditions for the current state of pan-Arab revival.

<sup>3</sup> Cf.: ISAAC, Sally Khalifa. "Explaining the Patterns of the Gulf Monarchies' Assistance after the Arab Uprisings." *Mediterranean Politics*, Vol. 19, No. 3, p. 427-428, 2014.