

Trends and Issues in Qatari Foreign Aid

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EXECUTIVE SUMMARY

Qatar has recently become a mid-sized foreign aid donor, comparable in size to New Zealand and Portugal, thanks to its expanding Gross National Income based on gas exports. It is exploring how to institutionalize its assistance to improve effectiveness.

While there have been many studies of the effectiveness of aid from member countries of the OECD, aid from other donors, and specifically Arab aid, has been less well studied. Most commentaries on Arab aid are based on qualitative information because there is insufficient data for empirical analysis. Qatar has, however, started to publish aggregate information on its aid. This, along with more disaggregated data provided for the study by the international cooperation directorate in the Ministry of Foreign Affairs, permits for the first time a quantitative exploration of the allocation of Qatari aid between 2010 and 2012.

Compared to other donors, Qatar provides a high share of its aid as humanitarian assistance but very little aid through multilateral global or regional multilateral channels. At a time when other Arab countries have also stepped up aid, it would be useful to assess whether strengthened collaboration, along the lines of the Development Assistance Committee of the OECD, would be helpful.

This paper finds evidence that Qatar responds to U.N. humanitarian appeals in Arab countries, and has been effective in ensuring that it is a significant donor in partner countries, avoiding the trap of becoming spread too thinly. Qatar also concentrates its aid in neighboring countries. There is no evidence Qatar uses aid to reward allies as proxied by voting similarity at the United Nations.

In terms of implementation, Qatar is facing three significant issues:

1. **The nature of the institutional structure for its aid administration:** Qatar will need to determine the division of labor between the QDF and the departments for international cooperation in the Ministry of Foreign Affairs on strategy and policy, and execution. Currently, the most common approach among other donors involves the relevant ministry determining policies and strategies, with a separate aid agency, responsible to the minister, undertaking the actual execution of aid programs. As the QDF becomes operational, Qatar will need to define an appropriate division of labor with the Ministry of Foreign Affairs.
2. **Managing Volatility:** Qatar's current approach to international development aid faces two major volatility risks. The first has to do with the high correlation between gas prices and Qatari foreign aid. If price shocks are allowed to dictate the amount of aid

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committed or disbursed to aid projects, country programs and relationships will be affected. Qatar could develop budget management options to mitigate the impact of price shocks. The second consideration for volatility is the heavy emphasis that Qatar places on humanitarian aid. Because humanitarian aid is by definition volatile, it can generate volatility in development aid when the two compete for the same budgetary resources.

3. **Promoting Transparency:** While Qatar has begun to release more aid information, it still has a long way to go to meet international standards. Publishing and releasing project-level data and descriptions would improve transparency significantly and allow for more shared learning. Some simple steps like defining sectors according to the same standards that the DAC (and non-DAC economies like Kuwait and UAE) countries use would allow for international comparison and a standardization of data for recipients.

INTRODUCTION

Foreign aid in the form of official development assistance (ODA) that transfers money from government-to-government is a relatively new concept, with its foundations in the 1948 European Recovery Plan, or Marshall Plan, for rebuilding Europe after World War II. The Marshall Plan and its contemporaries were followed more formally with the establishment of the OECD's Development Assistance Committee (DAC) in 1960 to expand and improve the flow of long-term funds from wealthy donor governments for development. Since then, the members of the DAC meet regularly to discuss volumes, standards, and best practices for effective development assistance.

There is a significant body of empirical work on the determinants and effectiveness of ODA (for example, see Arndt, Jones, and Tarp 2009, Birdsall and Kharas 2014, Birdsall and Savedoff 2010, Cohen and Easterly 2009, Roodman 2006). Although a number of non-DAC donors have become important providers of aid, there is substantially less empirical work on them, although there is now a growing body of work on the politics of Arab aid (for example, a special issue of *Mediterranean Politics* from November 2014 focuses on aid in the Middle East). Partly this is because key data are unavailable and partly it is because non-DAC countries have not systematically articulated the objectives, preferred mechanisms, and principles that are to govern their flows of aid. Without such standards, there is no benchmark against which to measure aid effectiveness. It cannot be readily assumed that DAC standards are applicable. Non-DAC countries differ from the original DAC members in that they tend to be smaller in absolute size, have pronounced regional priorities, and have different foreign policy and other motivations for their assistance.

Arab donors are prominent among non-DAC donors. They became significant after the rise in oil and gas revenues in the 1970s, and the tradition of generous development assistance continues, with Qatar, United Arab Emirates, Saudi Arabia, and Kuwait all providing significant amounts of aid, both through official aid agencies and through non-profit organizations that are often connected with members of the ruling families.

Despite its size, Arab aid has been less systematized or institutionalized than DAC-donor ODA. There is no Arab equivalent of the DAC, although there is a coordination group hosted by the Arab Fund for Economic and Social Development (AFESD). Arab aid has been driven by two competing models. On the one hand, there is clear evidence of a political motive in the

allocation of aid (as is true of all donors, see Dreher, Sturm, and Vreeland 2009), especially with regard to the desire of Arab donors to maintain stability in a geopolitically important region; on the other hand, there is a desire to promote technocratic, rules-based allocations to bring real improvements into the lives of individuals around the world.

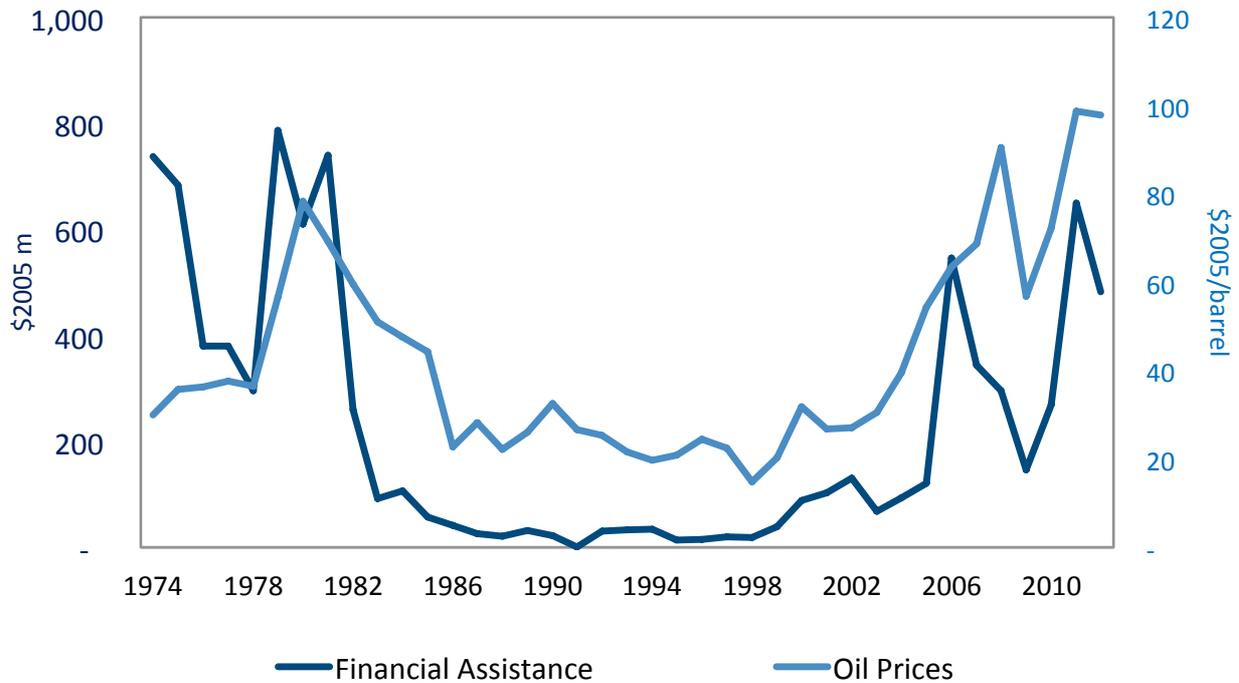
This paper reviews how one non-DAC donor, Qatar, is seeking to modernize its development assistance. The following section provides a brief overview of Qatari aid volumes, drawing from the recently released Foreign Aid Reports published by the government. The third section moves to an empirical estimation of the determinants of Qatari aid. In general, such estimations, which are common for DAC countries, have not been undertaken for non-DAC countries because of a lack of appropriate data. We are grateful to the government of Qatar for providing access to aggregate data of their aid by recipient country, broken out by humanitarian and development purposes, for both government and charitable Qatari foundations. The fourth section presents the regression results. The fifth section compares Qatari aid to that of DAC countries on a series of indicators of aid effectiveness that are designed to reflect the Paris and Accra principles. The sixth section looks at alternative institutional models for delivering aid and situates the Qatari decision to establish a Qatar Development Fund (QDF) to channel its assistance in this context. The paper concludes with some observations on the opportunities and challenges facing Qatar in modernizing its aid.

QATARI AID VOLUMES AND AID RATIOS

Information on the volume of Qatar's foreign development assistance from 1974 to 2007 was compiled by the World Bank (2010). More recent data is available from the Qatar Foreign Aid Report (2012). These data may reflect different definitions of government aid, and so should be used with caution both as time series and in comparison with DAC country numbers. They present, however, good orders of magnitude on aid. A picture emerges of a significant increase in recent years to levels of over half a billion dollars per year for Qatari aid. This is broadly the same in real terms as the level of aid after the first and then second oil price increases in 1973 and 1979 respectively.

Figure 1 shows, first, that the level of Qatari foreign assistance is highly correlated with oil and gas prices¹ and, second, that the levels of foreign aid reach substantial amounts during periods of high oil prices. The link with oil and gas prices means that aid levels have been quite volatile, a feature that needs careful management if aid is to be effective and properly programmed.

Figure 1. Real financial assistance and oil prices



Note: Government Financial Assistance (2005\$ m) and Oil Prices Crude Oil (petroleum), (1974-1980 Domestic Crude Oil Prices; 1980-2012 Dated Brent, light blend 38 API, fob U.K., \$2005/barrel)
 Source: Financial Assistance from Arab Development Assistance, World Bank (2010) for 1980-2007 and Qatar Foreign Aid Report (2012) for 2008-2012; Oil Prices from inflationdata.com (McMahon 2014) for 1974-1980 and IMF Primary Commodity Prices (2014) for 1980-2012

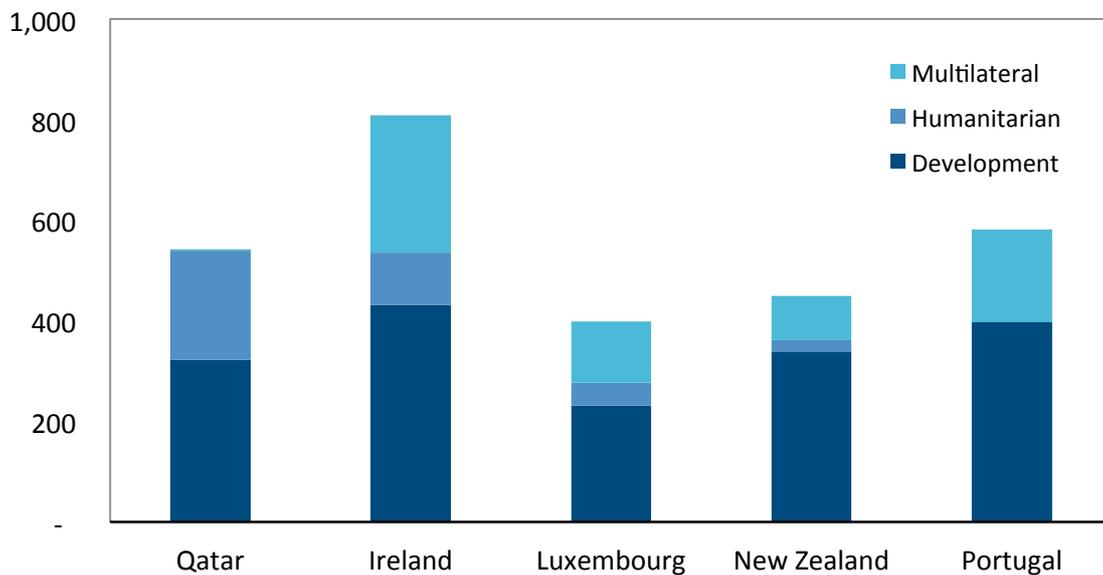
Qatar is a small to mid-sized donor. Its aid in 2012 was about half as large as that of Saudi Arabia or the United Arab Emirates (UAE), but three times larger than that provided by the Kuwait Fund (OECD 2014b). Qatar’s aid is about the same as New Zealand’s or Portugal’s, and somewhat smaller than Ireland’s, despite that country’s significant financial troubles. When Qatar is compared to DAC donors, it ranks 21st in absolute amounts of aid and 15th in aid as a share of GNI. In 2010 to 2012, Qatar has been giving about 0.30 percent of GNI in foreign assistance, a number which is slightly higher than the weighted average for all DAC donors (0.29 percent in 2012).²

¹ Qatar of course is a major producer and exporter of gas rather than oil, but oil prices are used for the sake of convenience. The two have been highly correlated during this time period.

² The figures of Qatari aid and DAC country aid are not strictly comparable, as definitions vary. We have adjusted Qatari foreign assistance to exclude aid to developed countries in response to disasters (Hurricane Sandy in the United States, the Fukushima nuclear reactor disaster in Japan), using the same list of aid eligible

The volatility of Qatari aid stems from the availability of funds as well as from the variability in demand. Recently, Qatar provided substantial aid to Egypt in 2011 (including a low interest loan of \$3 billion), but did not continue with its support after the military coup deposed President Morsi. Compared to other donors, Qatar provides a very substantial share of its aid (about 40 percent) in response to humanitarian crises that by definition are volatile. Conversely, Qatar provides very little aid to multilateral organizations that have steady, predictable demands (Figure 2).

Figure 2. Development, humanitarian, and multilateral aid, 2012 (millions of dollars)



Note: Qatari Foreign Assistance excludes approximately \$13 million to “Other” category
 Source: Qatar Foreign Assistance Report (2012); OECD DAC International Development Statistics (2014b)

Table 1 presents the top 10 developing country aid recipients, excluding Egypt, during the 3-year period from 2010 to 2012.

countries as the DAC. We believe the remaining data definition differences are not so large as to make comparisons uninformative.

Table 1. Top 10 recipients of Qatari foreign development assistance, 2010-2012

	Total Aid, \$2012 m	Share of Total Qatari Aid	Development aid, \$2012m	Share of Development Aid
Syria	194.08	0.22	0.00	0.00
Sudan	147.32	0.16	140.55	0.20
Tunisia	145.28	0.16	125.23	0.18
Palestine	136.31	0.15	134.86	0.19
Libya	109.04	0.12	4.01	0.01
Lebanon	38.78	0.04	38.78	0.05
Comoros	37.98	0.04	37.98	0.05
Eritrea	20.79	0.02	20.79	0.03
Haiti	20.05	0.02	20.05	0.03
Djibouti	13.24	0.01	13.24	0.02

Note: Ranking and shares exclude Egypt (aid of \$511.4) and high-income countries.
Source: MOFA internal data, received July 16, 2014.

AN EMPIRICAL ESTIMATION OF QATARI AID ALLOCATION

Most donors apply explicit or implicit models to allocate their development aid by country. Such models typically consider political and cultural affinity, regional and neighborhood factors, need (such as degree of poverty or income per capita), policies and governance of recipient countries, and other variables that are pertinent to the donor's expressed purposes and motivations.

Models for allocating aid across countries

The best known formula for aid allocations is the Performance Based Aid allocation system of the World Bank's International Development Association (IDA). The formula uses values for each country's policy and institutional assessment score (CPIA), generated by the expert opinion of staff, and combines this with population, GNI per capita, and country implementation performance. Application of the model is intended to reward countries that have better policies, especially on governance, those that have greater needs (proxied by GNI per capita), and those that have a demonstrated capacity to implement projects successfully (IDA 2010).

Bilateral donors also have implicit models of aid allocations. Bandyopadhyay and Vermann (2013) find that, in aggregate, former colonial status as well as strategic and security concerns are strong predictors of aid and that on the margin, more open and democratic countries receive more aid. Looking more closely at specific donors, France focuses aid on former colonies and Japan seems to allocate aid more closely based upon political priorities. Nordic countries seem

the most responsive to “good” motivators such as per-capita income and governance, and try to use aid to promote social development (Babaci-Wilhite 2015).

Macdonald and Hoddinott (2004) compare a time series of Canadian aid allocation with a time series of state priorities for aid put forth by the Canadian government between 1984 and 2000. They find that while allocations are “moderately altruistic” (poorer countries receive higher aid), over time they become increasingly associated with commercial interests. In another indication of this, in 2013, the Canadian International Development Agency was absorbed into the Department of Foreign Affairs, Trade, and Development with the goal of using development to advance Canada’s trade interests (Brown, Heyer, and Black 2015).

Demirel-Pegg and Moskowitz (2009) study the United States’ aid allocation to test whether it is in line with its proclaimed human rights policies, but find that U.S. aid is actually more likely to go to countries with poor human rights records. They point out that while this finding could suggest that the United States is not holding countries accountable to the standards it proclaims, it could also mean that the U.S. is willing to spend more aid in those countries to improve human rights records.

For Arab aid specifically, analysis has been more of a challenge due to the lack of available data. Neumayer (2003), however, provides an impressive analysis of the major Arab donors from 1974 to 1977. He finds that poorer, Arab, Islamic, and sub-Saharan African countries receive the most aid, and that features such as U.N. voting patterns and anti-Israel policies also play a role in aid allocation.

Qatar government priorities for its aid are to support its foreign policy, to provide humanitarian aid following natural disasters, and to boost development in conflict zones. This is seen in the Qatar National Vision, 2030, where emphasis is given to:³

- Enhancing the regional role of Qatar on the economic, political, and cultural levels, especially within the framework of the Gulf Cooperation Council, the Arab League, and the Islamic Cooperation Organization.
- Intensifying and enhancing cultural exchange with the Arab nations in particular and other nations in general.

³ General Secretariat For Development Planning 2008, 23.

- Sponsoring and supporting the civilization dialogue, interfaith, and co-existence between various cultures.
- Contributing to international peace and security through political initiatives and developmental and humanitarian assistance

Specifying a model for Qatar's cross-country aid allocations

Using the reports by the Ministry of Foreign Affairs on Qatari foreign aid, it is possible to apply variables similar to Neumayer (2003)'s (2003) to Qatar's aid allocation in 2010 and 2011. The explanatory variables considered follow the literature and priorities outlined above. In what follows, we test the empirical significance of these variables to Qatar's actual aid disbursements and compare the results with equivalent models for DAC countries as a whole. Three models are tested.

The first model, Model A, uses only publicly available aid data from the Ministry of Foreign Affairs Qatar Aid reports from 2010-2011 and 2012. Due to restrictions on the information available, government aid amounts disbursed to individual countries are available only for the consolidated two-year period and include both humanitarian and development aid.

Model B runs the same test, but uses internal, project-level data provided to the authors by the Qatari Ministry of Foreign Affairs. The advantage of this dataset is that each project is listed separately by sector, year, and country, which makes it possible to remove humanitarian aid and test just development aid allocation.

The third model, Model C, extends the analysis to non-governmental aid in 2010 and 2011, using the same internal database as Model B. A unique feature of Qatari aid data is that it also collects and records aid from charitable organizations. Model C permits us to test whether there are complementarities between Qatari government and non-governmental aid, or whether they act as substitutes, and, more generally, whether the priorities of Qatar's non-governmental organizations are the same as those of the state.

In each of the three cases, the models are run as country cross-sections, with variables averaged for 2010/2011. Because the dependent variable, the aid share for each recipient country, ranges from 0 to 1, a tobit regression is used, with lower bound 0 and upper bound 1.⁴

⁴ The results remain similar using OLS as well.

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The dependent variable in Model A, *AidShareGov*, is government aid to each recipient country divided by total aid disbursed by Qatar to developing countries during the period. In Models B and C, the dependent variable *Aidshare* is the same concept, but uses the disaggregated data base and the shares refer to government development or non-government aid disbursed to each country in the relevant year.

As per McKinlay and Little (1977) the tradition in the literature is to distinguish independent variables between donor motives and recipient needs. With respect to recipient needs, the models include variables for population, income per capita, and humanitarian appeals. *Population* is the average of 2010 and 2011 total populations, taken from the World Bank's World Development Indicators (World Bank 2014). A squared term, *PopulationSQ*, is also included. Income is GNI per capita in purchasing power parity prices. Again, a squared term is included (*GNIpc and GNIpcSQ*), also from the World Development Indicators. Humanitarian need is measured with two different variables, *HumAid*, which sums total humanitarian aid received by that country from all donors during the period, and *HumAppeals*, the amount requested through the United Nations Humanitarian Appeals System during the period.

We include several variables reflecting possible Qatari motives for providing aid. *S2UN* is a measure constructed by Voeten, Strezhnev, and Bailey (2013) which measures the similarity between the recipient country's U.N. votes and Qatar's votes. Lower numbers are countries that vote more similarly, using 2 category vote data (i.e., excluding abstaining votes). *Agree2UN*, used in some alternate specifications (not shown), is another measure for U.N. voting patterns, but focuses on the percent of overlapping votes between the recipient and Qatar. *Palestine* is the country's voting record on Palestine (percent of votes regarding the Middle East made in favor of Palestine). Three binary variables designate the three major coalitions to which Qatar belongs: the Arab League, the Organization of Islamic Cooperation, and the Gulf Cooperation Council. Using the CEPII index, we also include *distcap* to measure the difference between the recipient country's capital city and Doha, to test for the impact of physical distance from Qatar (larger numbers refer to countries which are further away). The models also include a number of versions of governance variables in order to test whether donors are concerned with the quality of institutions in recipient states. Ideally, the variable would be the Country Policy and Institutional Assessment governance cluster scores, but these scores are only published for IDA recipients. Instead, the models use the Worldwide Governance Indicators (Kaufmann, Kraay,

and Mastruzzi 2013), specifically *ContrCorr* (control of corruption: higher scored countries are less corrupt).⁵

Finally, prompted by the argument that countries prefer giving aid where they can be the principal donor or can have a major dialogue with the recipient government because they are a highly significant donor, we tried to develop metrics to reflect the significance of the aid relationship between Qatar and recipient countries as compared to the significance of the aid relationship the recipient may have with other donors. *Top_ten* is a binary variable which takes a 1 only if the Qatar is one of the top ten donors (in terms of the dollar value of aid disbursed) and a zero otherwise. In order to address problems of endogeneity, *Top_ten* uses the rank in 2012, something that is by construction independent of the error term for a regression based on 2010/11 data.

RESULTS

Model A

In order to identify a baseline model for comparison, the regressions are first run for the DAC donors in aggregate. In both the DAC and Qatar models, the only recipient countries included are those that fall into one of the DAC recipient categories (Least Developed Countries (LDC), Low Income Countries, Lower Middle Income Countries, or Upper Middle Income Countries). Qatar has provided aid to advanced countries experiencing disasters (such as Japan after the Fukushima tsunami), but this is excluded from our analysis. Egypt is also dropped, because of its outlier nature for Qatar in 2011. We then expand the regression for Qatar, adding in the variables that require donor-specific information (*S2UN*, *distcap* and the rank variables), which cannot be calculated for an aggregate group of donors like the DAC countries.

The first two columns of Table 2 show the results for DAC donors and for Qatar. They suggest very different drivers of aid. DAC countries tend to provide more aid to: poor countries with low GNI per capita; to countries with larger populations; to faster growing countries; and to countries for which humanitarian appeals are launched. But when humanitarian crises affect Arab countries, DAC donors do not respond.

⁵ Other governance indicators like *ROL* (rule of law), *GovEff* (Government Efficiency) and *RegQual* (regulatory quality) did not add explanatory power to the regressions.

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Qatari government aid does not respond to these economic drivers. It does give money to countries that are in the Arab League, and even more when these countries suffer a humanitarian disaster for which the U.N. issues an appeal. Unlike other Arab donors, Qatar does not appear to reward countries for their voting record at the U.N., either more generally or specifically with respect to votes on Palestine. In exploring further, column 3 suggests that Qatar does provide more aid to countries that are geographically closer and also rewards those that have lower corruption. The coefficient on *Top_Ten* is positive and significant at the 10 percent level, suggesting some tendency for Qatar to concentrate its aid in countries where it can be a significant donor.

Table 2. Using publicly available data
Model A

	(1) DAC Aid Share	(2) Qatari Aid Share	(3) Qatari Aid Share
GNIpc	-1.52e-06* (-2.31)	-4.76e-06 (-1.20)	-2.38e-06 (-0.66)
GNIpcSQ	9.61e-11 (1.67)	3.22e-10 (0.98)	1.62e-10 (0.53)
Population	1.17e-10*** (6.72)	8.81e-11 (0.99)	1.16e-10 (1.43)
PopSQ	-7.58e-20*** (-5.56)	-5.33e-20 (-0.76)	-7.84e-20 (-1.20)
Palestine	3.44e-03 (1.20)	2.64e-02 (1.26)	
FivYrGr	1.64e-02*** (3.65)	-3.80e-02 (-1.32)	-5.32e-02 (-1.87)
ArabLeague	4.48e-03 (1.89)	4.86e-02*** (4.49)	3.25e-02** (3.19)
ArabAppeals	-2.13e-05*** (-4.93)	6.09e-05*** (3.49)	6.48e-05*** (5.04)
HumAppeals	2.14e-05*** (7.82)	1.14e-05 (0.92)	
ContrCorr	-1.61e-05 (-0.02)	9.40e-03 (1.35)	1.40e-02* (2.05)
S2UN	-3.37e-03 (-1.13)	-1.19e-02 (-0.60)	4.07e-03 (0.23)
distcap			-3.39e-06** (-2.71)
Top_Ten			2.33e-02 (1.80)
_cons	3.93e-03 (1.37)	-2.20e-02 (-1.13)	7.81e-03 (0.38)
N	121	121	122
chi2	129.13	60.96	70.89
p	0.00	0.00	0.00

t statistics in parentheses

*p<0.05, ** p< 0.01, *** p<0.001

Table 3. Using internal project-level data

Model B	Model C
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Model B

In Model B, the focus is on the allocation of development aid, excluding humanitarian assistance. Development aid is computed from project-level data. As in Model A, Egypt is dropped, and only DAC-eligible recipients are kept.

Columns 1 through 3 of Table 3 present the results. They are largely similar to those from Model A, except that the variable *Top Ten* becomes far more significant, and *Arab League* drops out of significance. *Arab Appeals* (the cross-product of Arab League and Humanitarian Appeals) however remains significant, suggesting that those Arab countries that suffer from disaster are the focus of attention. Again, voting distance and voting record on Palestine were not significant in any specification of the model. Finally, the share of non-government aid allocated to the recipient country is insignificant, suggesting that development aid is not coordinated with charitable donations despite close links between the Qatari government and leaders of charitable foundations.

Model C

Model C explores the way Qatari non-governmental actors are allocating their funds. Even though in principle these organizations provide a combination of humanitarian and development services, in practice the main driver of aid appears to be humanitarian. Qatari foundations respond to appeals throughout the world, but tend to provide more aid to countries that are close by and those that are members of the Arab League. They also provide more aid to larger countries.

	(1) Qatari Aid Share	(2) Qatari Aid Share	(3) Qatari Aid Share	(4) Qatari Aid Share - Non Gov't
GNlpc	2.91e-06 (0.78)	2.91e-06 (0.78)	1.77e-06 (0.56)	-1.31e-06 (-0.87)
GNlpcSQ	-2.61e-10 (-0.99)	-2.62e-10 (-0.98)	-1.58e-10 (-0.75)	-3.05e-11 (-0.25)
Population	1.27e-10 (1.08)	1.28e-10 (1.07)	1.39e-10 (1.08)	1.56e-10*** (3.69)
PopSQ	-7.35e-20 (-0.80)	-7.40e-20 (-0.79)	-8.45e-20 (-0.84)	-1.14e-19*** (-3.46)
Palestine	-4.11e-03 (-0.18)	-4.14e-03 (-0.18)	-1.45e-03 (-0.06)	3.82e-03 (0.47)
FivYrGr	-9.66e-02* (-2.22)	-9.67e-02* (-2.21)	-9.25e-02* (-2.14)	-1.21e-02 (-0.95)
ArabLeague	7.80e-03 (0.50)	7.68e-03 (0.48)	8.55e-03 (0.51)	1.80e-02** (3.18)
ArabAppeals	9.33e-05*** (5.97)	9.51e-05 (1.73)	9.39e-05*** (5.25)	1.20e-05 (1.27)
HumAppeals				1.57e-05* (2.46)
ContrCorr	2.61e-03 (0.28)	2.66e-03 (0.28)	2.18e-03 (0.23)	-1.94e-03 (-0.57)
S2UN	1.80e-02 (0.63)	1.81e-02 (0.63)	2.08e-02 (0.68)	1.42e-03 (0.14)
distcap	-4.60e-06* (-2.36)	-4.60e-06* (-2.36)	-4.79e-06* (-2.39)	-1.63e-06** (-3.18)
Top_Ten	3.76e-02** (2.78)	3.77e-02** (2.73)	3.60e-02* (2.52)	
AidShareHUM		-6.75e-02 (-0.03)		
AidShareNONGo v			-5.14e-02 (-0.16)	
Constant	-1.71e-02 (-0.53)	-1.72e-02 (-0.53)	-1.89e-02 (-0.55)	2.82e-03 (0.29)
N	148	148	134	143
chi2	70.16	70.16	67.36	116.17
p	0.00	0.00	0.00	0.00

t statistics in parentheses

*p<0.05, ** p< 0.01, *** p<0.001

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The Paris Declaration on Aid Effectiveness (OECD 2005) established five core principles for aid agencies. They should: (1) focus on results; (2) respect country ownership; (3) align with country priorities and systems; (4) provide for mutual accountability; and (5) harmonize practices with others. The DAC members agreed on a set of indicators and targets for its members to measure their performance in these areas and put in place a Paris Survey to monitor progress.

The Paris Survey has since been discontinued and replaced with a new Global Monitoring Framework with 10 indicators (Global Partnership for Effective Development Co-operation 2013). Against these criteria, Qatar is some distance from best practices.

1. Focus on results: Qatar has programming discussions with each government to whom it provides assistance.
2. Civil society operates effectively: Qatar does not address issues related to civil society in recipient countries in its aid relationships.
3. Engagement with the private sector: Qatar tries to engage its business community in development activities.
4. Transparency of information: Qatar has started to make information on aid available to the public, but falls short of the common standard for electronic publication of timely, comprehensive, and forward-looking information on development cooperation.
5. Predictability of development cooperation: Qatar aid is highly volatile.
6. Aid is on budgets subjected to Parliamentary scrutiny: no information available.
7. Mutual accountability through inclusive reviews: Qatar is starting to evaluate and discuss its aid programs.
8. Gender equality and women's empowerment: Qatari projects are not explicitly gender oriented.
9. Strengthening and use of recipient country systems: Qatar does not provide technical support for country systems. No information on use of country systems.
10. Aid is untied: Qatari aid is untied.

Another approach is to use project-level data to construct indicators of Qatari aid that can be directly compared with DAC donors. The Quality of Official Development Assistance (or QuODA) measures are a set of evaluation standards developed by the Brookings Institution and the Center for Global Development in order to compare donor aid effectiveness. Qatar can be

scored on five of the QuODA measures and ranked in comparison with DAC donors. The results are presented in Table 4.⁶

Table 4. 2012 Quality of Official Development Assistance (QuODA) rankings with Qatar included among DAC donors

Allocation to poor countries		Allocation to well-governed countries		Significance of aid relationships*		Focus/Specialization by country		Median project size	
Ireland	1	Portugal	1	United States	1	Portugal	1	Netherlands	1
Belgium	2	New Zealand	2	Japan	2	Netherlands	2	Qatar	2
United Kingdom	3	France	3	France	3	Sweden	3	Denmark	3
Denmark	4	Austria	4	United Kingdom	4	Qatar	4	Sweden	4
Canada	5	Greece	5	Australia	5	New Zealand	5	United States	5
Netherlands	6	Luxembourg	6	Germany	6	Ireland	6	Japan	6
Sweden	7	Germany	7	Portugal	7	Greece	7	Austria	7
Finland	8	Ireland	8	Qatar	8	United Kingdom	8	Canada	8
United States	9	Japan	9	Norway	9	Luxembourg	9	Germany	9
Norway	10	Spain	10	Canada	10	Spain	10	Norway	10
Luxembourg	11	Norway	11	Sweden	11	Korea, Rep.	11	United Kingdom	11
Switzerland	12	Australia	12	New Zealand	12	Austria	12	Belgium	12
Italy	13	Korea, Rep.	13	Korea, Rep.	13	Australia	13	France	13
Korea, Rep.	14	Denmark	14	Denmark	14	Belgium	14	Switzerland	14
Germany	15	Switzerland	15	Belgium	15	Denmark	15	Spain	15
Australia	16	Finland	16	Greece	16	France	16	Greece	16
Spain	17	Canada	17	Switzerland	17	Switzerland	17	Finland	17
Portugal	18	Qatar	18	Netherlands	18	Canada	18	Australia	18
Japan	19	Netherlands	19	Spain	19	Finland	19	New Zealand	19
Austria	20	Belgium	20	Luxembourg	20	Norway	20	Luxembourg	20
France	21	Sweden	21	Austria	21	United States	21	Ireland	21
New Zealand	22	United States	22	Ireland	22	Italy	22	Portugal	22
Qatar	23	Italy	23	Italy	23	Japan	23	Italy	23
Greece	24	United Kingdom	24	Finland	24	Germany	24	Korea, Rep.	24

Note: Qatari aid includes government, humanitarian, and development aid. *Significance of Aid Relationships is calculated by taking the donor's rank in each recipient country and averaging them, rather than the traditional QuODA methodology. Because we examine each indicator separately, we rank donors based on the raw score, instead of the standardized score as in the QuODA report.

Source: MOFA internal data, received July 16, 2014.

- ❖ **Allocation to poor countries:** DAC countries have agreed to focus their aid on poor countries (OECD 2014a, para 6). Qatar is in a relatively rich neighborhood and region and so allocates less money to poor countries than DAC donors, except for Greece.
- ❖ **Allocation to well-governed countries:** Qatar is less likely to allocate its aid to well-governed countries. Once again, neighborhood preferences likely account for much of this. A case can be

⁶ The measures use 2012 data for Qatari government development aid only.

made for allocation to less well-governed countries when aid is used to improve infrastructure and build capacity; however, Qatar has not built a strong portfolio of governance programs.

- ❖ **Significance of aid relationships:** Qatar tends to concentrate its aid in a few countries where others are absent, such as Comoros. The measure used above compares the average rank of each donor in each recipient country where it is active, weighted by the aid it gives to the recipient. Qatar's average rank is 3.5. This score would place it eighth among DAC donors.
- ❖ **Focus/Specialization by country:** Qatar only provided development assistance to 19 countries in 2012. It avoided fragmenting its aid. It ranks fourth, slightly above the DAC average for focus and specialization by country.
- ❖ **Median project size:** The median development project size for Qatar is larger than for any DAC country except the Netherlands. By keeping projects large, Qatar is able to reduce the administrative burden on recipients.

The measures above need to be interpreted with caution. One of the primary goals of the Qatari foreign aid program as outlined by the RAND report is “to alleviate suffering in conflict zones and to contribute to the development of those zones, once security improves” (Haims 2013). It is therefore unsurprising that Qatar scores poorly on indicators measuring the share of aid going to well-governed countries; conflict zones are by definition in poorly-governed areas. However, boosting development in conflict areas needs a strong focus on fostering sustainable, independent institutions. The 2011 World Development Report, *Conflict, Security, and Development*, describes the important role for building and supporting institutions focused on citizen security, justice, and jobs, and making sure these programs combine national top-down programs with bottom-up, community-based approaches (World Bank 2011).

INSTITUTIONAL STRUCTURES

While aid efficiency depends in large part on its sector and country allocation, just as critical is the institutional structure that makes the planning and disbursement of aid possible. While institutional structures are necessarily context-specific, the 2009 OECD report *Managing Aid* offers a number of observations (OECD 2009).

Legislative foundation

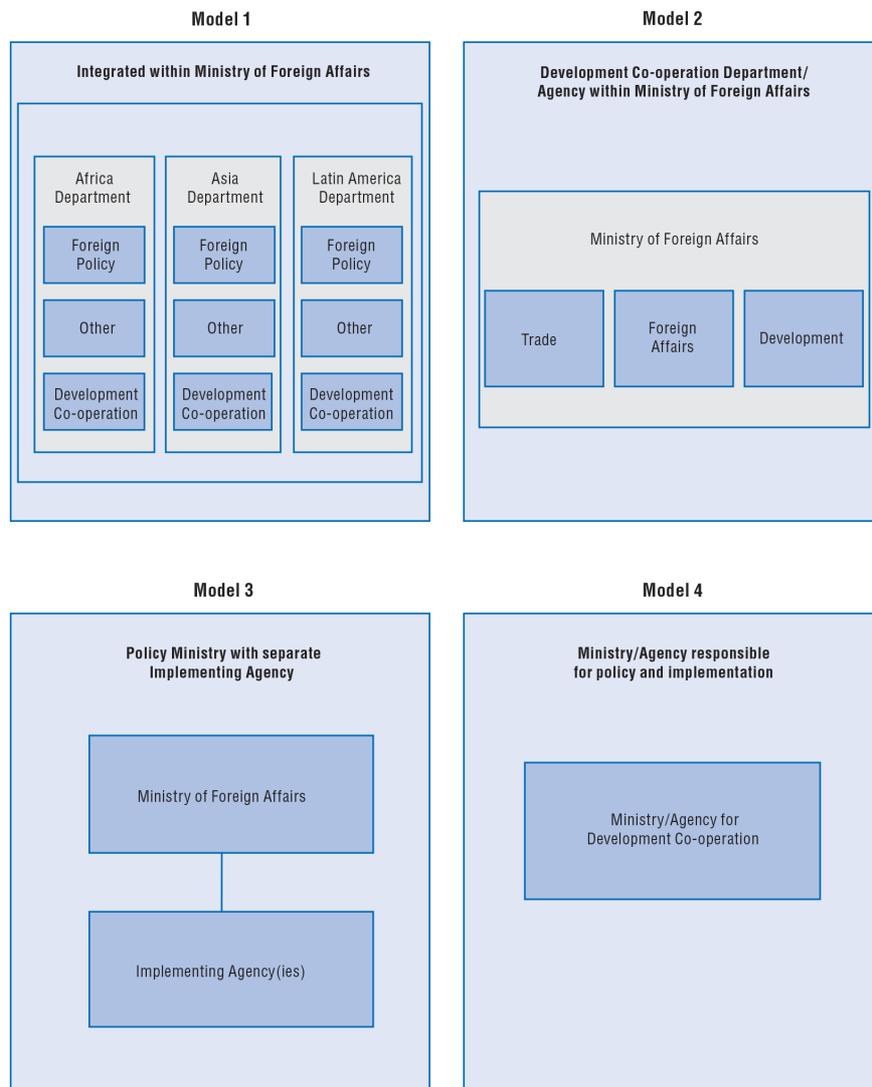
The OECD (2009) recommends that countries “have a clear, top-level statement of purpose of development co-operation, whether in legislation or another form that has wide ownership and

can remain relevant for a sufficient period” (16). Legislative foundations allow countries to clearly articulate their development priorities and protect development funding from competing interests; however they should remain relatively simple, so as to keep aid processes as efficient as possible.

Qatar’s Law 19 of 2002 established the Qatar Development Fund (QDF), an independent, public corporation reporting to the Council of Ministers. This remains the most important law dictating Qatari priorities for international development, but as the QDF remains under establishment, it is unclear what impact it will have in practice (Haims 2013).

Organizational structure

There are four common approaches to the organizational structure of managing foreign assistance and national priorities. Figure 3 details the four approaches, as outlined by the OECD.

Figure 3. Organizational approaches for managing aid

Source: A Comparison of Management Systems for Development Co-operation in OECD/DAC Members (Chang, Fell, and Laird 1999).

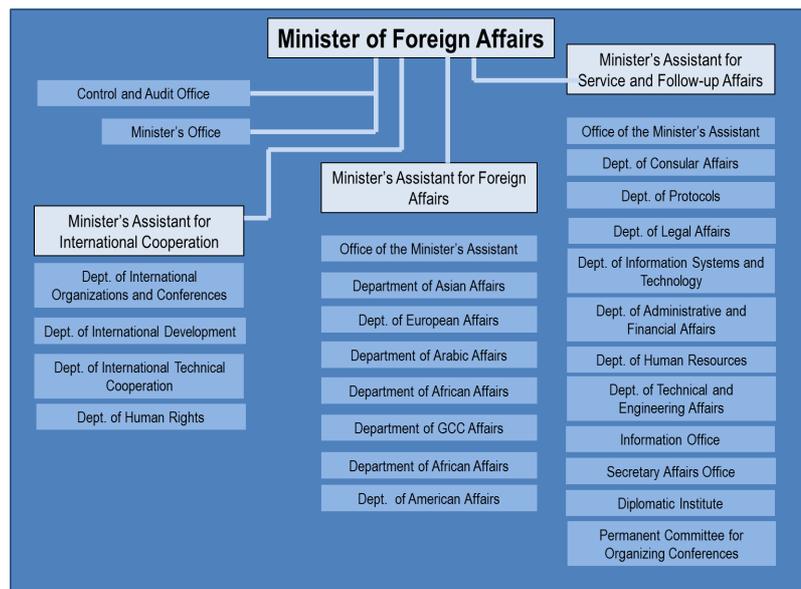
In Model 1, international development is integrated completely with the Ministry of Foreign Affairs, usually operating as a division within each regional department. An alternative, shown in Model 2, has development as a self-contained department within the foreign affairs ministry. In Model 3, development is managed by a separate agency that implements projects and programs, associated with the Ministry of Foreign Affairs and accountable to the minister. In Model 4 development cooperation is an entirely separate ministry within government with a seat in the Cabinet. Generally, Model 3 tends to be the most common approach, with examples including USAID in the United States, Japan's JICA, and Sweden's Sida. The United Kingdom's Department for International Development (DFID) is an example of Model 4, reporting directly to Parliament. However, the trend in development tends to be headed toward more integration

or at least coordination with the Ministry of Foreign Affairs; Australia and Canada have recently moved to consolidate development activities within foreign affairs (Birdsall and Kharas 2014).

Even within these different institutional models there is significant variation. In some countries, leadership of the international development agency overlaps with other foreign affairs positions, while in others it remains quite separate.

In 2011, Qatar formed the Department of International Development within the Ministry of Foreign Affairs (Figure 4). This sort of “agency within Foreign Affairs” approach is similar to Model 2. There is no explicit reference to the QDF; however, based on the assumptions from Law 19, it is likely that the QDF would function as a separate implementing agency for the ministry; an approach that would move Qatar toward Model 3.

Figure 4. Qatar’s Ministry of Foreign Affairs



Source: Qatar Ministry of Foreign Affairs 2014 (Chart author creation)

KEY ISSUES

Budget volatility

Recipient countries place a high value on multi-year budgeting discussions with development partners. When budgets are made on a cash as opposed to accrual basis, multi-year budgeting is even more important to ensure smooth project implementation.

A structure such as the QDF could help Qatar deal with the challenges posed by the volatility of fiscal resources available for development aid. It could budget based on a rolling three-year average of amounts received from the government, for example, or even explore an endowment approach. It could also encourage the creation of separate budget line items for humanitarian and development assistance to reduce the cannibalization of development projects that happens in some agencies when funding is drawn away for immediate humanitarian purposes.

Coordination between development and humanitarian assistance

Because Qatar is a small country, with close links between the leadership of the nine large non-governmental humanitarian organizations and the government, it has an opportunity to coordinate closely between the two. Increasingly, the trend in development assistance is for growing partnerships between government, civil society, and business, and Qatar has the potential to develop such partnerships. In practice, however, the coordination is uneven; the correlation between the cross-country allocations of Qatari government humanitarian assistance and non-government humanitarian assistance is slightly negative. These differences in approach continued in 2013, when government humanitarian assistance from Qatar declined, while non-government humanitarian assistance rose, markedly in the case of some organizations like the Qatar Red Crescent and Qatar Charity.

Transparency and learning

Over 40 developing countries now have Aid Information Management Systems in order to help them manage development cooperation from different donors. Countries use detailed information at the project level to monitor implementation, they link aid project data with their own budgets, and they choose to make public policy documents, conditions, results, and project evaluation reports. This kind of data also serves an important function in mutual accountability discussions.

If Qatar maintains its development assistance at current levels, it would be useful to continue to improve transparency. Creditable steps in the right direction have been taken with the publication of the Qatar Foreign Aid reports, but this is just a beginning. A next step could be the release of project-level data to the public, preferably organized along the same frameworks and definitions as DAC aid. The basic data already exists in the ministry, but perhaps needs validation. It would also be useful to provide project descriptions, as DAC donors do in their reports to the Creditor Reporting System.

Because Qatar does not appear to have in place data transparency systems and policies, it can more easily innovate and leapfrog others. For example, there is a clear trend toward geocoding to map projects at a subnational level that could be incorporated into new data systems. Given its determination to help in conflict zones, geocoding would be a valuable addition for Qatar to consider.

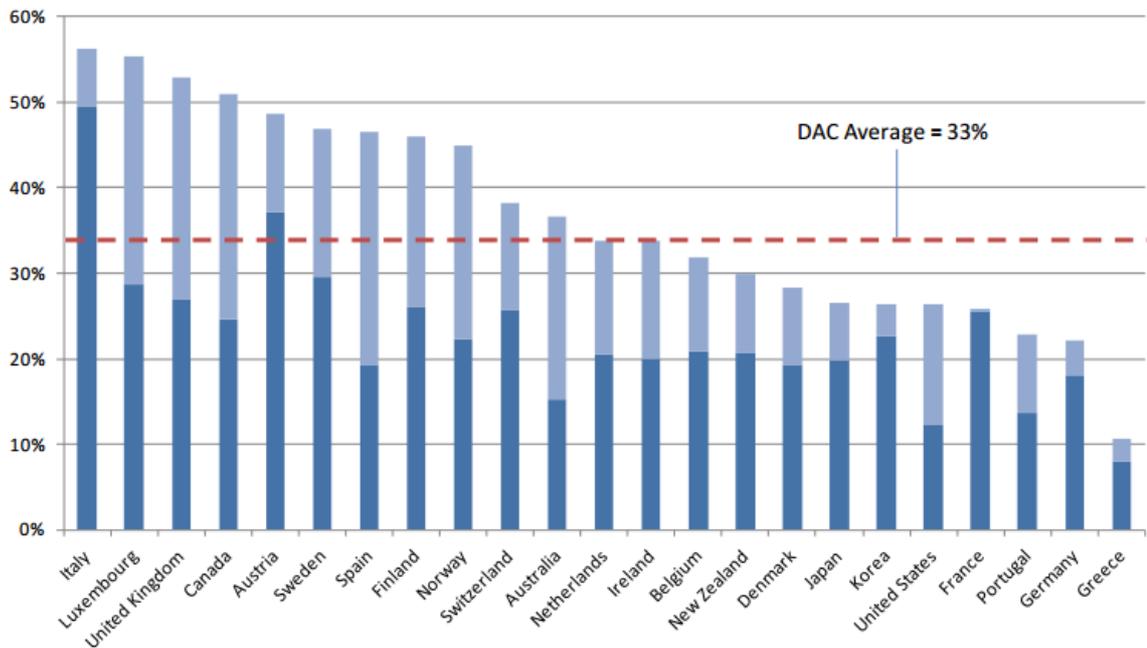
Qatar also has a significant advantage over other countries in its collection of data on the aid activities of non-governmental organizations. In most countries, non-governmental data is disparate and difficult to track down but it is growing in importance and size.

Multilateral channels

In 2012, Qatar gave 0.55 percent of government aid and assistance to international organizations and bodies (Ministry of Foreign Affairs 2012). This is tiny when compared to both DAC and non-DAC donors. Figure 5 shows the DAC donors' percent of ODA given to multilateral aid in 2010 (OECD 2012).

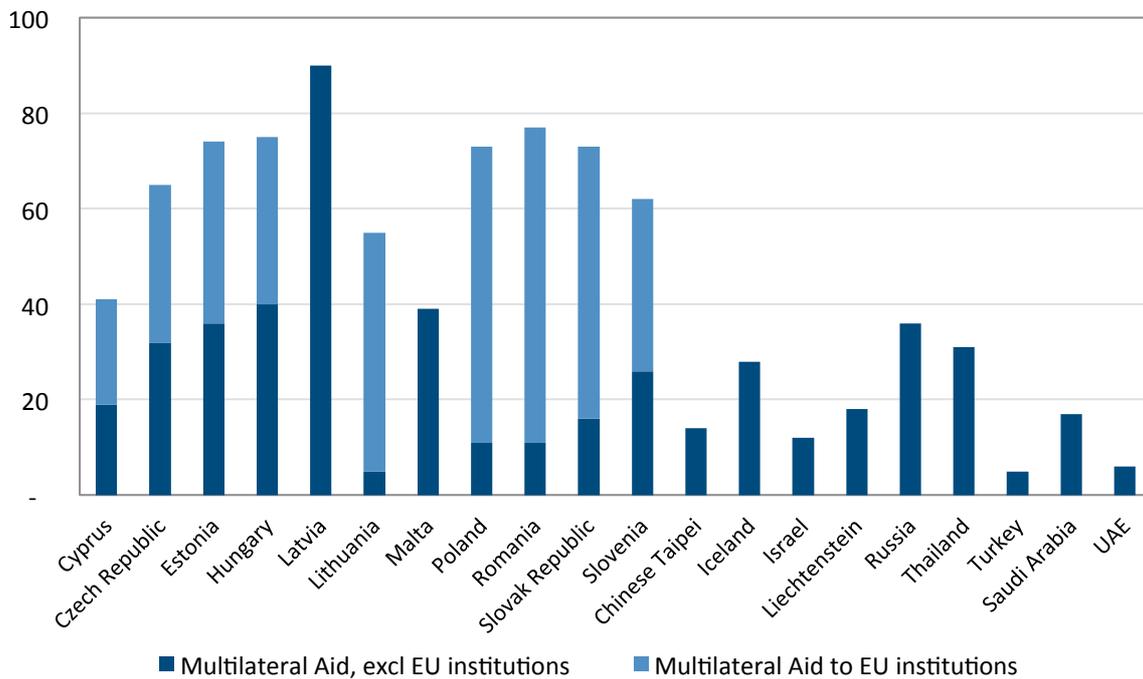
Almost all countries provide significant shares of aid through multilaterals although the importance varies substantially: several European countries provide upwards of two-thirds of their aid through multilateral organizations, while countries like Turkey (5 percent) and UAE (6 percent) provide very little of their aid this way (Figure 6). Qatar is, in this sense, exceptional.

Figure 5. Multilateral aid of DAC donors, 2010 (percent of ODA)



Source: 2012 DAC Report on Multilateral Aid (OECD 2012)

Figure 6. Multilateral aid of Non-DAC donors, 2010 (percent of ODA)



Source: 2012 DAC Report on Multilateral Aid (OECD 2012). Chart author creation

Qatar’s situation is not a total anomaly, however. Japan, too, gave very little to multilateral organizations (\$6 million to IDA and \$2 million to various U.N. agencies) when it began giving in the 1960s (Manning 2015 (forthcoming)).

There is no universal consensus on whether multilaterals are the key to efficient allocation of aid. In 2013 multilateral aid represented about 41 percent of aid globally (OECD 2015 (forthcoming)), a level that has been stable for the last few years. Multilateral aid agencies, particularly development banks, are effective at pooling resources from a number of countries; bilateral donors find them valuable to extend aid to geographic regions, or sectors, where they do not have significant experience. For most bilateral donors, multilateral channels are important for extending their delivery of humanitarian and social services. There is little relationship between the size of donor and the use of multilaterals. Large donors, such as the U.K., channel significant shares of their aid through multilaterals (60 percent), while the share is only one-quarter for other large donors like Japan. Similarly, some small donors like Poland provide upwards of 70 percent through multilaterals while a similar sized donor, New Zealand, provides less than 30 percent.

All DAC members have affirmed their commitment to multilateralism, and 11 have explicit multilateral strategies to complement their overall development strategies. Most consider the role of multilaterals when developing sectoral strategies. Some countries even have legislative rules governing the share of aid to be channeled through multilaterals.

Compared with these examples, Qatar is lacking a multilateral strategy or approach. Much depends on whether it chooses to remain focused on its own neighborhood (in which case Arab multilateral organizations could be options) or wishes to expand its reach and sway (for example into Africa or South Asia), in which case using regional multilateral development banks like the African Development Bank or the Asian Development Bank could be options.

CONCLUDING REMARKS

In the past three years, Qatar has become a mid-sized aid donor, with sufficient resources to make it important to institutionalize its aid program and improve its effectiveness. In moving forward, it needs to consider its aid strategy and implementation.

On strategy, despite its stated aims to support friends and link foreign policy considerations with its aid, the empirical practice is quite different. Leaving aside the specific case of Egypt, there is little evidence that Qatar allocates more aid to its political friends or supporters of Palestine. It

does pay more attention to Arab League countries, but not to those in the larger Organization of Islamic States. Qatari aid is also oriented to its immediate neighborhood, limiting its ability to strengthen alliances further afield.

In its strategy, Qatar has two strengths: a strong relationship with countries in the Arab League; and a program that results in the country being a relatively important donor. However, it does not follow many of the economic variables that drive other donors, like GDP per capita, growth, corruption or population size. Qatar also lags behind other donors in developing a strategy toward multilateral organizations.

In terms of implementation, Qatar is facing three significant issues:

4. **The nature of the institutional structure for its aid administration:** Qatar will need to determine the division of labor between the QDF and the departments for international cooperation in the Ministry of Foreign Affairs on strategy and policy, and execution. Currently, the most common approach among other donors involves the relevant ministry determining policies and strategies, with a separate aid agency, responsible to the minister, undertaking the actual execution of aid programs. As the QDF becomes operational, Qatar will need to define an appropriate division of labor with the Ministry of Foreign Affairs.
5. **Managing Volatility:** Qatar's current approach to international development aid faces two major volatility risks. The first has to do with the high correlation between gas prices and Qatari foreign aid. If price shocks are allowed to dictate the amount of aid committed or disbursed to aid projects, country programs and relationships will be affected. Qatar could develop budget management options to mitigate the impact of price shocks. The second consideration for volatility is the heavy emphasis that Qatar places on humanitarian aid. Because humanitarian aid is by definition volatile, it can generate volatility in development aid when the two compete for the same budgetary resources.
6. **Promoting Transparency:** While Qatar has begun to release more aid information, it still has a long way to go to meet international standards. Publishing and releasing project-level data and descriptions would improve transparency significantly and allow

for more shared learning. Some simple steps like defining sectors according to the same standards that the DAC (and non-DAC economies like Kuwait and UAE) countries use would allow for international comparison and a standardization of data for recipients.

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