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ANALYSIS OF OFFICIAL DEVELOPMENT ASSISTANCE (ODA)

To Countries Experiencing Conflict or Political Stalemates



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Nassim Abi Ghanem

Summary

This report provides evidence and detailed analysis of official development assistance (ODA) to countries experiencing conflict or political stalemates. The timing of this report also coincides with the immense necessity of developmental support after the COVID-19 pandemic came as an extra hit to countries entrenched with political, violence and economic crisis. Moreover, the timing of the report also coincides with a five-year assessment of the redefined ODA definition that expanded the mandate to include accounting the support to the security sector and the cancellation of debt as aid money.

By focusing on three cases, Lebanon, Iraq, and Yemen, we were able to indicate a similar pattern of aid distribution that is more concerned with issues of security, refugee placement in host countries and humanitarian relief. Meanwhile, productive and growing development that requires strong political pressure for peacebuilding, infrastructural reconstruction and coordinating private-public partnerships, are disregarded. The review is divided into six sections. The first section outlines the current state of affairs in terms of crunching the numbers. Section two goes in depth on the role of the private sector that remains unregulated and poorly evaluated on measures of transparency and accountability. The second and third sections tie together the militarization of aid and conditionality procedures that have been significantly on the rise in the past couple of years, mostly evidently in the case of Sudan through the Abraham Accords. Section four discusses in depth, with support from the case studies, how humanitarian relief has been aiding in the continuation of armed violence in the region due to the absence of fair and just mechanisms of distribution. Militias and warring factions are able to use this aid to sustain themselves and regroup. Lastly, in light of the bleak picture, we

offer recommendations that can improve the aid distribution process that ensures the channeling of the funds to effective and efficient actual development as well as the political approaches that need to be taken in line with the 2011 Busan High Level meeting principles of effective aid.

Key findings include:

- The fixed ratios of gross national income vary in times of crisis, and with the expansion of the ODA definition to include support to the military, the threshold is met at face value but ineffective to actual development.
- The region, and particularly the selected countries, are stuck in a vicious circle where the citizens are paying the price of the deep political and governmental crisis in their respective states. The conditionality of reform to provide the needed assistance is leaving the ever-day sustenance of the people more difficult rather than pushing political elites into implementing necessary reforms.
- To compensate for that, large humanitarian relief is counterfactually assisting in the continuation of the armed conflict especially when parts of the distribution are controlled by non-state actors.

Empowering national institutions and allowing local watchdogs to monitor transparency and accountability remains key to ensure the most effective distribution of aid on the short run and the necessary long-term steps for institutional reforms that do not cause further despair to the population.

The state of play

What has ODA achieved thus far in conflict ridden and fragile states of the MENA region? Are the current policies and directives helpful in addressing development, eradicating poverty, and tackling the root causes of the conflict? This report answers the above posited questions on the region, and in particular provides in-depth case studies contributed by civil society activists and researchers for each of Yemen, Iraq, and Lebanon. The evidence collected alludes to the fact that the aid resources are insufficient and often misdirected. They are deployed in a manner that at instances, increases poverty, and on several occasions, injects lifeline into the conflict itself and the race for arms for the governments and non-state paramilitaries.

The report advocates for a paradigm shift in addressing aid for development in a form that addresses more broad challenges pertaining to development in conflict contexts as well as states with weak institutions. Moreover, the level of ODA provided - with the new inclusion post-2016 redefinitions – appears to have decreased in essence over the years and remains insufficient. This is mainly due to a failed commitment by the DAC to allocate 0.7% of their Gross National Income (GNI) to aid and layering up political conditionality on many nations. To date, only some Scandinavian countries have met this ratio, while the UK and Germany provide ambiguous results.

ODA, with the most recent COVID-19 pandemic, is now more than ever significantly needed. Its effectiveness needs to be improved quickly in order to ensure that its malfunctions do not exacerbate the crisis in states with protracted social conflicts. The governments of developing countries meanwhile must ensure the inclusion of citizens, civil society organizations and

the private sector in determining their development priorities. Effective aid must be guided by the 2011 Busan High Level Meeting¹ that adopted four key principles to guide cooperation on aid development practices that have been largely ignored in the past 5 years. These principles were in line with human rights, gender equality, environmental sustainability, and inclusion:

- Democratic ownership of development priorities by developing countries
- Focus on results, aligned with the priorities and policies set out by developing countries themselves
- Inclusive development partnerships
- Transparency and accountability to each other

Civil Society Organizations (CSOs) in the region have fiercely advocated for a human rights-based approach as a framework for implementing the Busan principles. However, there is no evidence to support the transformation of the development paradigm. In fact, when the concept of ODA was redefined in 2016, it came to include the contested principle of aid to the military and security institutions as well as humanitarian and migration.² This report deals with the meanings of these conceptions and pushes for more thorough policies, inclusive of the interests and needs of people living in poverty and as marginalized populations.

Where ODA has increased, it is usually due to Country Programmable Aid (CPAs) with the inclusion of a militarist agenda of major donors rather than the targeting of the poorest regions where development aid is most needed. For example, the substantial expansion in DAC-ODA disbursements to the Middle East since the 2010s as opposed to the contraction in other Asian sub-regions is the result of the increased engagement of the international community in Syria,

where it has been involved in a military campaign since 2013 against both Pres. Assad and the terror group ISIS. The US is the world’s undisputed top aid donor, accounting for 29% of total DAC-ODA bilateral disbursements from 2015 to 2020. At the same time, Syria was the recipient of US\$ 10.2 billion in DAC-ODA disbursements in 2019, an important increase from the US\$4.88 billion in 2015. The country is topping on par now with the top 4 recipients globally and eclipsing Afghanistan in 2019, which received US\$ 4.28 billion.

Iraq received an average of US\$ 2.3 billion over the past 3 years (2018-2020). From the specified aid, humanitarian aid for Iraq ranks the highest sector within ODA with 35% of aid going for humanitarian purposes. While 22 % goes to the production sector, a number not seen in the neighboring countries in figure 2 (Lebanon, 1.53%; Yemen, 0.6%; Jordan, 0.79%; and Syria 3.8%). This could suggest an influx of aid for reconstructions after the war with ISIS.

Figure 1: Source
OECD-DAC datasets

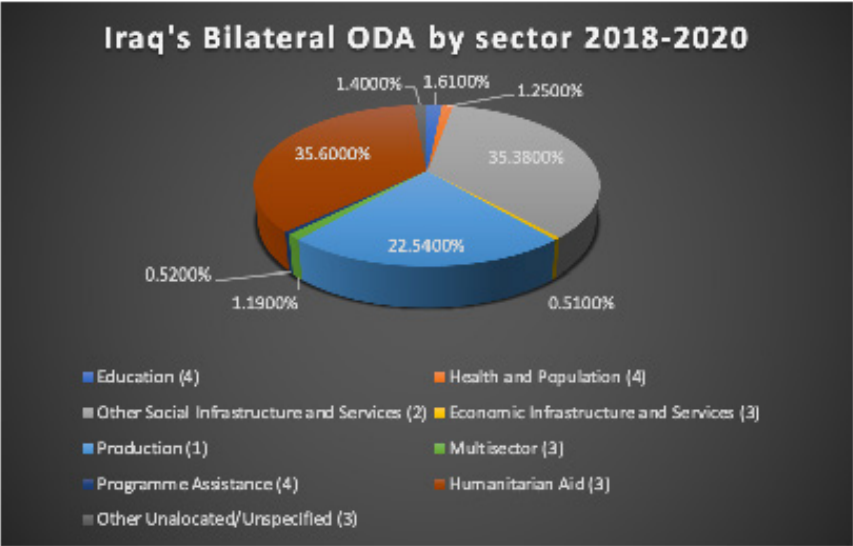
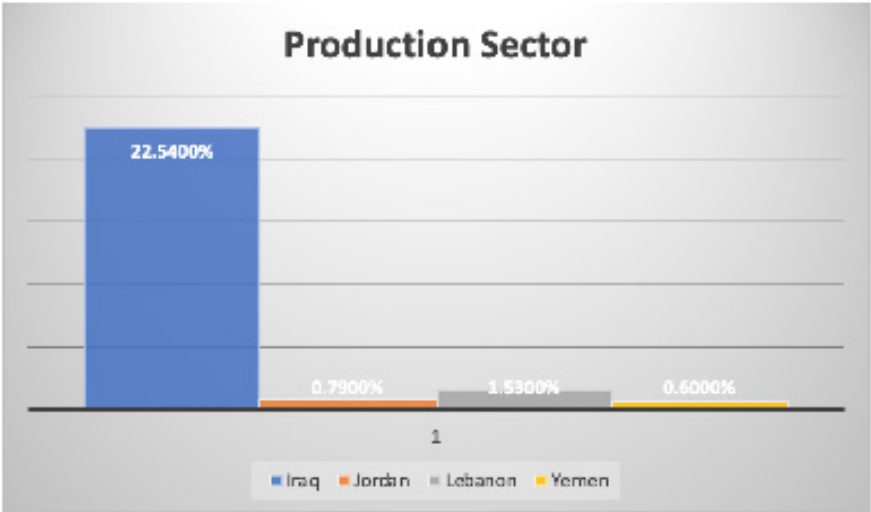


Figure 2 Source:
OECD-DAC datasets



Humanitarian aid reflects the same trend in all neighboring countries of Yemen, Syria, and Lebanon. Figure 3 demonstrates the distribution of Humanitarian aid across the cases selected in this study. While Syria is not included in the figure, the net ODA to the humanitarian sector in Syria also scores a staggering 79% equal to that of Yemen – obviously, the logic intersects in countries of severe armed conflict.

Lebanon, despite not witnessing a nation-wide armed conflict between 2018-2020, humanitarian aid received (more than Iraq) demonstrates the increasing impacts of the political crisis and distrust in the ruling elites to reform and combat corruption. Most of the aid going for productions and infrastructural projects (such as CEDRE) are on hold until the government and the political elites agree on reforms. Humanitarian aid was further needed with the devaluation of the local currency in the black market and topped up by the Port explosion in August 2020. Figure 4 shows similar patterns to Sudan and Iraq towards humanitarian support. The more detailed case on Lebanon attached to this report clearly highlights that in 2020-2021 a

very small percentage of ODA went to traditional developmental sectors in Lebanon and instead efforts were focused on short-term relief with no sustainable plans. Development projects were put on hold and instead the Reform, Recovery and Reconstruction Framework (3RF) was introduced to rebuild and address the structural corruption (see case on Lebanon for more details).

Humanitarian aid thus became a priority. Evidently, in the case of Jordan, despite the lack of reforms and the continuous government reshuffles as a result of a weak delivery of comprehensive social safety nets, the absence of security and economic crises - such as the case from Lebanon to Iraq - allowed the percentage for humanitarian aid to be limited to less than 20%. Beyond humanitarian aid, Lebanon receives aid for social infrastructural projects and education services as the second highest and third highest respectively, while economic infrastructure and services at third with 3%. A large chunk of these is also halted at the moment while the political crisis continues and no commitment from the government to initiate effective reforms.

Figure 3: Source
OECD-DAC datasets

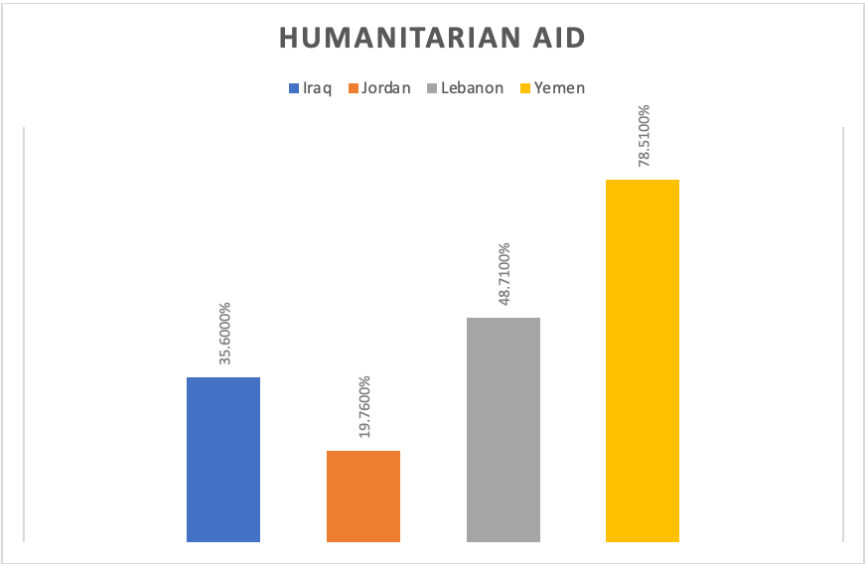
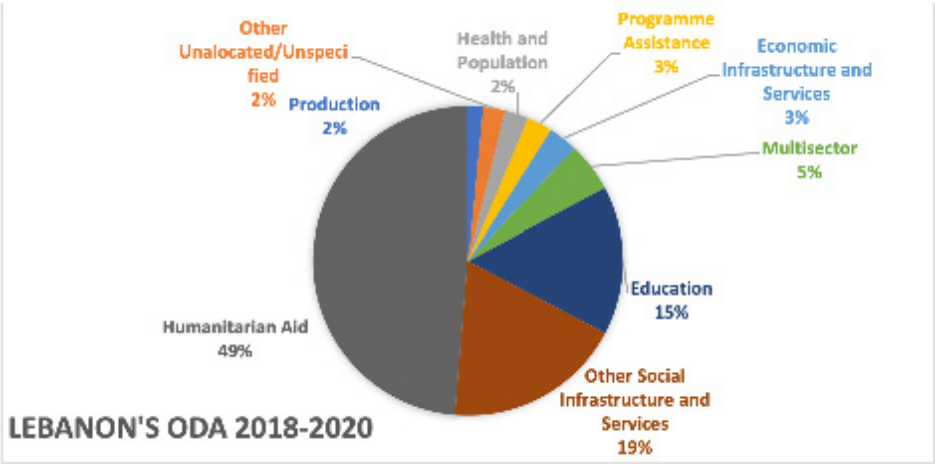


Figure 4: Source
OECD-DAC datasets



Aid for social infrastructure and services has also undergone shifts and seemingly getting a big share from ODA contributions. Social infrastructure and services cover basic education, primary health care, nutrition, safe water, and sanitation. While humanitarian aid includes allocations towards "saving lives, alleviating suffering and maintaining and protecting human dignity during and aftermath of emergencies" (OECD, 2008). Thus, there is a double count here particularly with education and health sectors receiving their own focus, however, in the education and health sector more advanced and precise aid is channeled while the basic needs are met in social infrastructure services. Can we then suppose that as humanitarian aid increases, social infrastructure and services must also increase? Figure below does not allude to that conclusion. In fact, Jordan receives the highest social infrastructure

aid followed by Iraq. While Yemen is limited to less than 10%. Insightfully, this suggests that social infrastructure is used to offset lack of social safety nets.

The MENA Region faces tremendous challenges for the upcoming decade, below we highlight three major concerns that need to be addressed as political and economic issues progress. The inclusion of the private sector in ODA, the militarization of ODA and lastly, the paradoxes of humanitarian aid in conflict zones. Seemingly with a possible effort to halt violent conflict. For the near future and with prospects of reconstruction projects, these three avenues become crucial and require serious revamps.

ODA and the Private Sector

In 2016, the OECD Development Assistance Committee (DAC) agreed to introduce a new category of ODA known as the Private Sector Instruments (PSIs). This meant that official support to private sector companies operating in developing countries would count as development aid, regardless of how it is utilized. However, "in practice this largely meant finding a way to measure the ODA value of the loans, guarantees and equity investments channeled through development finance institutions (DFIs) based in donor countries" (Griffiths, 2018). In essence, there were no planned measurement mechanisms to account for the official part of the aid given to the private sector as the support resembled loans that are paid back with interests, which ultimately means making profit for DFIs.

Additionally, the World Bank recently adopted a new approach to include the private sector in development aid. The memorandum titled "Maximizing Finance for Development" directs the World Bank to prioritize solutions that include private funding and only resort to public funding as a last resort. This approach provides the façade of results that may show increased job opportunities or a national average of decreased poverty but does not address the pockets of extreme poverty and inequalities nor does it give ownership of the state for the development projects. The overall evaluation of the process is that there is (1) lack of transparency and accountability for the use of private finance as a development tool and its impact, (2) weak evidence on whether the private finance is truly reaching out to sectors that may not seem very financially profitable for the investors, and (3) there is tendency towards blended finance that is not in concession with the local actors that in turn, leads to growing debt for many developing countries. Perhaps the most problematic is that the

DAC has expanded its rules towards PSI, and now private investments from members of the DAC are accounted for as ODA. Lacking specific country-based frameworks for public-private partnerships (PPP) raises concerns of the real benefits of the private sector in maximizing their profits at the expense of development goals and human rights. In Lebanon for example, the public and private sectors share a strong link due to a history of tendering to 'friends' and building business empires as a sectarian political elite and owner of large segments in the economy. The above poses further problems on development, first, the lack of measurement of the aid to PSIs risks that the development aid benefits DFI and large commercial companies in the private sector. Second, this approach incentivizes aid to flow to the best commercial opportunities rather than where the greatest need is and takes away opportunities from the local small and medium enterprises that generate production and growth. Third, this approach without a doubt increases tied aid and debt risks. Fourth, the recipient countries lose any say in defining aid rules, which clearly goes against the agreed Busan principles. There remains a lack of efforts in making human rights a binding concern. Human rights standards proposed by the OECD remain non-binding and lacking accurate tools to assess the social and environmental impacts of mega-developmental projects.

Instead, aid can be appropriate if it reinforces local procurement and is not used to tying aid. This way, aid to the private sector is not used as a leveraging financial means that would kick out domestic companies and, in some cases, even public sector. Thus, aid to the private sector should adhere to evidence that it is supporting economic growth and production that would have developmental impact. Moreover, it should not be used as a way to influence policies of the public-private partnerships of developing countries. Lastly, DACs need to be

aware that allocating aid to the private sector may sometimes mean reducing aid to health and education which are public goods that need to be provided to everyone following the rights-based approach to development. A cross-cutting element would be that aid to the private sector undergoes specific and more meticulous transparency and accountability measurements.

The Militarization of ODA

History of securitization of aid

The story of securitizing aid is not new. Since the post-Second World War era, the priority and share of a country's ODA was measured based on the need for reconstruction. After 9/11 the priority became set based on those states willing to join the War on Terror (WOT). This introduced a paradigm by which the significance of a recipient in the WOT has become essential for receiving ODA. Ever since the security-first paradigm was established, the principal guidance on security became a determining factor to who gets what, why, how much and what it should be used for.

In 2016, the DAC members and OECD reached an agreement to expand the definitions of ODA activities related to police and military training, counterterrorism, and prevention of extreme violence. However, this expansion in definition did not include any clear assessment and evaluation mechanisms to how ODA is being used for these purposes and when it does exceed the intended reasons. Additionally, what is ODA eligible remains vague in militarization. For example, the supply of military equipment and services is not reportable as ODA, but any military costs for the donor's military forces to deliver humanitarian aid is. To make things more complicated, expenditure on police training is

reportable as ODA, but not police service to control civil disobedience. This of course obscures the essence of training. In other words, what mechanisms of assessment, monitoring and evaluation exist that ensure that the training of the police, as well as the equipment, is not utilized by local generals and officers to suppress demonstrations or protests. Around 4 % of the allocated ODA goes to military institutions. The United Kingdom reached their 0.7% contribution of GNI through the support of the police and army projects (see Final UK Aid Spend report in 2020, issued by the Foreign Commonwealth and Development Office)³. Current trends in the allocation of ODA shows a significant militarization of aid to the region. The most recent conflicts in Syria and Yemen and the military operations to dismantle ISIS between 2014-2017 has shown an increase in aid to military institutions constituting on average 20-25% of total aid. Consequently, these wars have also increased the requirements for humanitarian assistance. The inclusion of military aid does beg the question on whether the deployment of aid is directed by geo-political and security interests. The DAC casebook on ODA eligible activities in conflict, peace and security is ambiguous and vague. Statements such as "routine police functions" and "non-lethal equipment and training" leave a lot of interpretation.

Under the new DAC guidelines, donors will be able to report an expanded array of military expenditures in the name of development assistance and humanitarian efforts. While previous guidelines allowed for the additional costs entailed in the use of military personnel to deliver humanitarian or development services to be counted as ODA, the updated guidelines also permit the use of military equipment to deliver these services. In situations of intense conflict, military personnel and equipment are primarily deployed for combat purposes, not for the delivery of development or humanitarian

assistance. Because of this, it is inappropriate for the costs of using these military assets to be allocated as ODA, even when it is to deliver aid. This is a worrisome situation where the drive for DAC for the inclusion of military related spending risks diverting an already insufficient ODA away from poverty reduction, combating inequality and promoting real growth through production.

This is visible in the case of Lebanon where the US and the UK have long been supporting security institutions. The rationale to include aid to military organizations is that, in contexts of instability and conflict, empowering the security institutions is necessary in order to ensure that other insurgencies and paramilitaries are not stronger than the state forces. This in turn, would allow the state to focus on developmental projects that contribute to growth and poverty reduction. However, as mentioned above, no clear transparent principles and regulations govern this support. Furthermore, considering the political context of the region, continuing to account for the support to security institutions as part of the allocated ODA is slowly but surely eating up from the financial support to concrete developmental projects. Moreover, the emphasis on peace and security by DAC will only undermine the effectiveness of ODA at the expense of responding to the needs of the poor. In our research, we found further evidence in Iraq that, strategically, the initiatives focused mostly on short-term relief and major schemes for militarization like the CTEF and Foreign Military Financing (FMF). In 2017 and 2019, the military aid for peace was almost equal to that for economic development (average 25% and 33% respectively), while the humanitarian aid constituted more than 40% in each of the years. This trend continues also causing a more worrisome drawback, namely that the defense sector is using and increasing military spending at the expense of social and developmental programs. This takes away from the public budget on ending poverty and

promoting development to redirecting it towards military advancements and spending. As the data in Iraq demonstrates, as the military and security spending increase the humanitarian aid is also on the rise. This is mostly due to the ongoing conflicts and military support; the volume of development aid gives the impression that it has been significantly increased. Nevertheless, it is a disguise to the fact that the budget allocated for the developmental projects which would benefit economic sectors will bring growth and reduce poverty have decreased. The biggest chunk of this money goes to military and humanitarian support that enjoy a continuous symbiotic relationship.

Migration control

There has been expansion of European aid as providers include the first year of refugee support in the provider country as part of their ODA. This is concealing the target of 0.7% allocations and also the funds are directly taken away from ODA budgets to developing countries. The alarm here should be raised to the fact that the additional funds allocated to ODA, specially by EU countries, is basically being allocated to address irregular migration.

Ownership and Conditionality

In light of the principles adopted in Busan in 2011, the demand for ownership over development plans seemed to have taken a downturn with the most recent redefinition of ODA and the process in which the United States used ODA in pressuring countries in the region for normalization. Moreover, in cases where the collapse of the state has become evident, such as in Lebanon, support to the citizens remained conditional to governmental reforms that the wider population had no responsibility in, but ultimately pays the price for. Thus, the donors wield their traditional power, they show no evidence

to give up conditions they set, based on their own interests, for the allocation of funds. Below, we outline why conditional aid for institutional reform is essential but problematic. A dilemma arises when institutional corruption is very blatant whereby the aid is no longer effective towards any development or growth. For example, public institutions in Lebanon are highly corrupt, and since 2018 the CEDRE framework requested insufficient reforms. The 3RF scheme that came into effect after the Port blast re-emphasized the same. The Lebanese case further elaborated in this report showcases that quick essential reforms should be addressed first, those that truly address the needs and demands of the people and not donors' interests exclusively. Meanwhile releasing some funds so that assistance is not withheld for a very long time consequently causes more deterioration in the socio-economic status of households. Conditionality tied to larger foreign policy interests does not adhere to basic principles of sovereignty and human rights. In so doing, the condition of normalization put forth for Sudan takes the Sudanese women and men hostage to regional and international interests that are not tied to development metrics.

As much as the calls, demands and needs for reforms are essential for cases such as Lebanon and Iraq, a lack of in-depth understanding of the cost of halting aid to the people of both countries is worrisome. The recipient countries must be the chief architects of their development programs just as the Busan agreement highlights. Political advocacy should not come at the expense of the people. Sanctions on the political elites are in some cases even welcomed, but sanctioning countries as a whole only exacerbates poverty and inequalities. Instead, political pressure should be exerted while citizens' socio-economic situation is protected. Similar to situations of conflict such as in Yemen. On the other hand, the decision to circumvent the government and allocate

humanitarian response (in the case of Lebanon reconstruction support) only goes to isolate the government further, discouraging any reform and diminishing the role of the state further. For Lebanon, the World Bank's approved a US\$ 246 million loan for a poverty-targeting programme (ESSN), which was jubilantly approved by the political elites in the parliament because of the possibility to channel this fund to recover the support of vulnerable families in the constituencies that they may have lost due to the economic crisis. Furthermore, in Yemen, due to the Houthi control of Hdaydiya port, the consolidation of aid was delivered to fighters and their families as well as the families for the deceased fighters.

Humanitarian Aid vs Development aid in Conflict ridden countries

Conflicts have a tremendous effect on civilians and create humanitarian emergencies that threaten security and basic food and nutrition. As a result, the primary aim becomes to prevent further casualties and ensure access to the basic needs of water, food, shelter, and healthcare while additionally assisting the displaced and conducting relief work. In the longer run, the aim would ultimately be to prevent the spread of conflict. On the other hand, development assistance is aimed at reconstructing/enhancing a country's infrastructure, institutions and economy for it to develop as a nation that provides equally to all its people and to avoid relapsing in conflict. Efforts to reduce inequalities between groups are essential, and so is reducing economic incentives to fight through controlling illicit trade in arms and drugs. As much as humanitarian aid is important, it is ideally meant to serve for a short period of time until a larger political solution for conflict is found. When humanitarian aid expands over several

years, it risks appearing to assist vulnerable groups in conflict zones without providing real efforts to end the conflict. Humanitarian aid is a short-term backstop that must turn into development aid in a post-conflict setting. In the case of Yemen, despite large sums of humanitarian aid approximating 80% annually over the past two years, there was a large influx of arms from the US, KSA and UAE. This meant that humanitarian aid and arms aid only supported the spiral continuation of conflict and prolonged the duration of war. Instead of pressuring the actors to implement UN Res 2216 that disbands the Houthis and lets the government take control of public ports, the international community allowed the Houthis to remain in control of the Hdaydiya Port, enabling them to manage the entrants of support and distributing them according to their own plans.

For the fighting parties, humanitarian aid becomes an additional element to fight over. In conflict zones where security and due diligence processes are weak, aid leakage becomes widespread as portions of aid are directly taken by fighting parties. Historically in Sudan, humanitarian aid was a resource that helped troops continue fighting because the commanders no longer needed to worry about providing and thus focused on encouraging fighting for a "cause." This is also the case in Yemen, with the Houthi controlling major ports (see the case study on Yemen for more details).

Accountability remains key when dealing with humanitarian aid. There is an absence of mechanisms that ensure that humanitarian aid is going to civilians, and not fighters who are lacking food and security. There are no existing enforceable standards to abide with.

Conclusion and Recommendations

Each country presents different contexts for ODA, and we are avid rejectors of the one size fits all approach. However, this report alongside the separate case studies demonstrates that the DAC and supporting countries continue with a 'one size fits all' approach as well as similar performative patterns. First, the support going to the security sector is not achieving efficient institutional building but rather patch work outcomes in response to local security crises that the donor community wishes to contain. Second, in conflict ridden countries, humanitarian aid is assisting in prolonging the war because of supplying fighters and para-militias with enough sustenance to regroup. Despite the fact that humanitarian relief is very essential, it should also be paralleled with political efforts for ceasefire and peacebuilding processes so that the humanitarian aid can be swiftly turned into aid for infrastructure and more sustainable development projects. Thirdly, a similar balanced approach should be taken with reform conditionalities, where the citizens are still paying the price for the stubborn, reckless, and highly corrupt politicians. Monitoring reforms can take form through short periodic evaluations and reviews. This will also give the people the ability to mobilize themselves in holding the government accountable rather than dealing with their everyday struggles to make ends meet.

Lessons from previous performances of ODA disbursement indicates that the share of humanitarian assistance has risen sharply. Albeit that an uncustomary and inappropriate addition to that came from (1) the inclusion of military support and (2) the incorporation of first-year sustenance expenses for persons arriving from countries experiencing civil war. This is partly due

to the current trend, it also reflects the interests of the DAC countries who envision humanitarian relief support while the wheels for sustainable efforts for peacebuilding remain in the gravel.

Ideally, a more holistic view should be considered for the allocation and distributions of ODA where the needs of each country are evaluated in terms of root causes of social conflict, or governmental collapse. Decisions also ought to be made based on the most effective ways to distribute grants, concessionary loans, non-concessionary loans, private investments, public investments, and debt relief. Even with special programs designed for Iraq, Yemen, and Lebanon; little may be achieved if these countries continue to face systemic failures in governance, external loan defaults, and the COVID-19 pandemic. Non-conditional development aid needs to be brought back to the table to mitigate the impact of climate change and COVID-19 pandemic on developing countries.

To assist fragile states into assuming peace and developing functions again, ODA has to focus on meeting the objective it is intended to. This objective includes: providing consistent and sufficient aid over a long period of time, managing this aid effectively with high levels of transparency and making sure that the conditions attached and policies pursued to meet them are appropriate to the country's needs, contexts, and priorities. If these are taken into consideration, then the "primary function of all aid is to give government time [...] to tackle serious structural problems without excessive social and economic costs on the population" (UNCTAD, 2006, p.37) would be met.

Doing the opposite, reducing aid to fragile or post-conflict states, will only further burden the costs on the population. This is highly evident in Lebanon and Iraq. The duty of the international community

is to take special attention to such contexts before withholding aid, and question the reasons for the inability of the governments to effectively reform. Is it due to the institutions, policies or larger geo-political or even leadership trains? Are we withholding aid for largely political interests?

As we find ourselves moved into the world of security-development nexus, we start to unpack the repercussions of such policies on broader developmental goals. The risks of extending the gaps of inequalities between the North-South are now more serious than ever. Analytically, we see three major rationales guiding development aid, in particular to states entrenched with conflicts. The first is, the global hegemon still sets the playing field for donor countries. Once the United States incorporated military aid as a tenet in supporting development, many countries followed through, particularly the UK and some Scandinavian countries. For example, as the United States focused on supporting the military forces in Iraq and Lebanon, the UK and Denmark embarked on a decade long Security Sector Reform (SSR) to provide training and restructuring of the police. As mentioned, earlier training capacities that directly involve the police are accounted for as ODA. This is on top of Trade and Investment and TRIPS agreements that are showcasing evidence of social, environmental, and economic problems towards developing countries while clearly becoming protectionist towards developed countries. In addition, the absence of fulfillment of the principles of human rights towards the concluding of trade and investment agreements make it impossible to protect from the infringements of human rights.

Second, institutions of donor countries matter. Legal adjustments within donor states' political architecture determine shifts and changes in policies of allocations towards ODA. This is evident in the

case of the United Kingdom, where despite shifts in power between Labor and Conservatives, the focus and prioritization of SSR through conflict and security fund remained largely the same. On the other hand, in countries less contributing within the EU, like Hungary and Poland, the shifts were major and reprioritized sectors based on their internal and external political strategies. The internal political shifts at donor countries determine, to a large extent, the trajectory of aid.

Third, leadership matters. The change of leadership in the DACs affects institutions as well as the perceptions about the role of ODA. A case in point would be the set of new policies brought in by the United States when Trump came to office in 2016. The United States, under the Trump administration, stopped various aid packages, particularly to the occupied lands of Palestine and Iraq for more geostrategic and political blackmailing.

Recommendations

1. *Providing the amounting billions of the 0.7% of GNI \$325 billion (0.7% of providers' GNI) by all DACs* - With only US\$ 121 billion in Real ODA in 2020 compared to \$125 billion in Real ODA in 2017, the amount is inadequate specially that not all of it goes to poverty reduction programs. In recent years, the increase in aid devoted to long-term development efforts (i.e., Real Aid less humanitarian assistance) has been growing at a slower rate.
2. *This ODA target should be separate from in-donor support for refugees and students, and debt cancellation* - Increased allocations for ODA do not preclude the necessity for additional development finance beyond ODA, concessional or otherwise, whose main purpose lies outside the scope of directly tackling poverty and inequalities.
3. *Pursuing serious political efforts to put an end to conflicts* - Aid allocation without serious consideration for the treacherous conflicts in the region results in a downward spiral where humanitarian aid increases but the need for it increases exponentially.
4. *Establishing a rights-based framework* – ODA and other concessional sources, must be designed and measured against four development effectiveness principles, human rights standards. The four development effectiveness principles adopted in 2011 at the Busan high level meeting of 1) Ownership of development priorities by developing countries and their people; 2) A focus on results, aligned measures to reduce poverty and inequalities, and with the priorities and policies set out by developing countries themselves; 3) Inclusive

development partnerships; and 4) Transparency and accountability to each other. The above principles will ensure the accountability of governments, IFI/DFIs, and the private sector.

5. *Rejecting the militarization and securitization of aid* – In responding to humanitarian situations in countries with high levels of conflict and fragility, OECD needs to reconsider the inclusion of militarization of aid. Issues of foreign policy, geopolitics and security interests must be put aside. Other foreign policy and defense resources are available for these purposes. Peacebuilding process should follow a more bottom-up approach with a heavy involvement of local communities and civil society actors to address the root causes of conflict and poverty that are often intertwined. The DAC should develop clear guidelines for programs that counter radicalization or include military and police training. Precise monitoring and evaluation safeguards are imperative to ensure that the lines are not stretched and that human rights principles are held on to.
6. *Untying conditionality* – Providers of aid should not use the promise of aid to create conditions for their own political and hegemonic interests such as the case in Sudan and attempts of the Trump administration with Palestine. From the paradigm of a human-rights based approach, development aid must strictly ensure the reduction of poverty and inequalities and not be instrumentalized for political purposes. These only risk increasing conflict, radicalization, migration, and poverty.
7. *Empowering national systems and institutions* – Decentralizing aid distribution is one way in which non-corrupt national institutions can provide developmental projects to their regions. Aid providers could also offer technical support throughout the aid process in order to ensure transparency, accountability, and the ability for the national institutions to appropriately carry-

on implementing the developmental projects.

8. *Encouraging independent local watchdogs to monitor ODA* - In order to ensure that the reforms are being implemented, and in order to ensure that the aid distribution is not going towards paramilitaries and suspicious businesses in the private sector; coordinating and allowing local watchdogs to monitor ODA with utmost transparency is an essential step to be taken by ODA operating institutions.
9. *Elaborating on the measurement tools that assess the social and environmental impact of the private sector projects* – the current measurement tools remain superficial towards evaluating the social and environmental impacts of mega- development projects. These are either implemented by local governments or often include the private sector. The current measurements are too loose allowing the projects to carry on despite the significant social impacts (such as geographic relocations) and environmental and ecological problems.

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Role of ODA and Donors in Conflict Situations in the Arab Region

CASE STUDY ON IRAQ

DR. HASSAN LATIF KAZEM



Introduction

Official development assistance (ODA) includes concessional loans and grants from official agencies, in addition to cash, in-kind grants, which should not be less than 25%, and official soft loans, which entail a transfer of resources between countries on concessional terms. It also includes military and security assistance to serve stability that benefits the development process in general, as well as humanitarian aid and assistance to refugees and migrants after the asylum crisis worsened with the exacerbation of armed crises.

Financial pressures in Iraq have increased due to decades of wars, economic mismanagement, corruption, and the accumulation of imbalances in the economy and state finances. The federal budget has continued to suffer since 2014, affected by the double crisis (ISIS and the collapse in oil prices). New crises have recently emerged, the first revolving around political tensions resulting from the frustration of the young generation, the health crisis caused by the COVID-19 pandemic, and the sharp collapse in global oil prices. This has left an agenda burdened with humanitarian, economic, and political priorities, all of which require more spending to meet the needs of the people affected by these crises, including the displaced, the poor, the unemployed, and victims of terrorism, as well as the massive reconstruction requirements of cities liberated from ISIS.

Development of ODA in Iraq

Since the political transformation in 2003, Iraq has witnessed an unprecedented flow of foreign aid and development assistance from more than one side and an increase in US aid in particular. It reached \$819.3 per capita in 2005, then decreased to \$56.7 in 2019.

Table 1 shows that between 2003 and 2019, Iraq received \$86,571 billion, of which 96% came from DAC countries, about 3% of which came from multiple parties, and about 1% from other countries outside the DAC. It obtained 64% of this aid between 2005 and 2008, the years of security turmoil due to the fierce confrontation with Al-Qaeda.

Table 1: Value and Percentage of ODA* received by Iraq between 2003 and 2019 (million dollars)

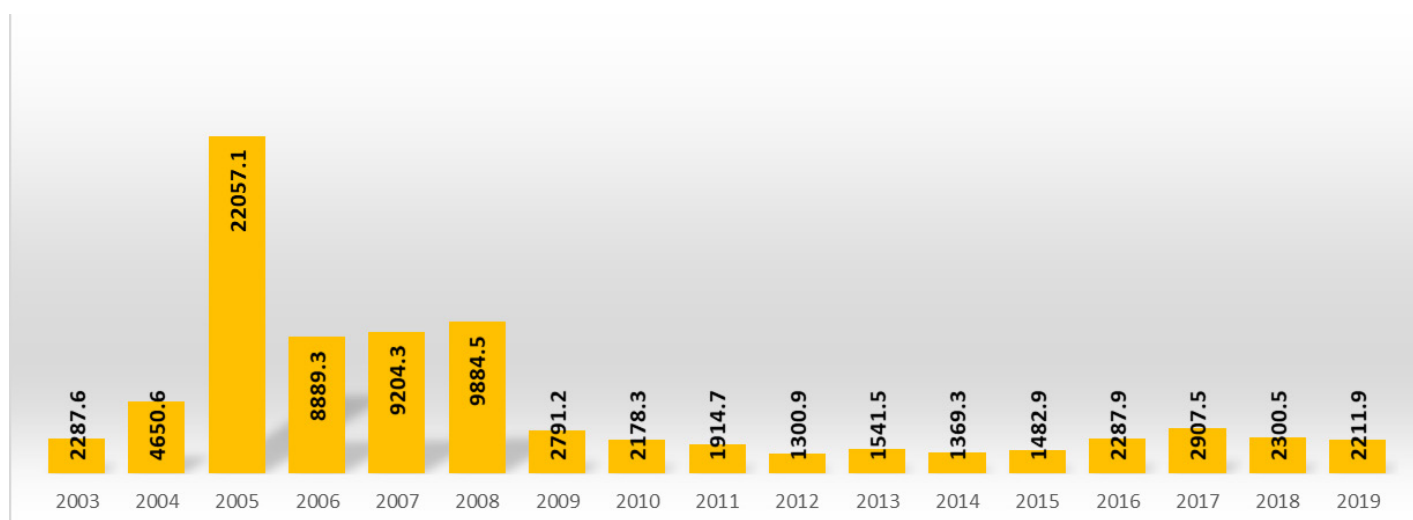
	ODA Countries		Multiple Parties		Non-ODA Countries		Total
	\$1000	%	\$1000	%	\$1000	%	\$1000
2003	2793.0	99.7	7.2	0.3	0.0	0.0	2800.2
2004	5393.3	99.9	5.8	0.1	0.0	0.0	5399.0
2005	25327.5	99.8	53.5	0.2	0.0	0.0	25381.0
2006	9887.2	97.7	236.2	2.3	0.0	0.0	10123.4
2007	9791.2	99.0	96.8	1.0	0.0	0.0	9888.0
2008	9836.7	99.4	57.0	0.6	0.0	0.0	9893.7
2009	3043.5	97.0	92.4	2.9	2.7	0.1	3138.6
2010	2231.9	94.5	126.8	5.4	2.1	0.1	2360.8
2011	1887.7	96.6	62.4	3.2	3.6	0.2	1953.7
2012	1090.0	87.3	153.7	12.3	4.3	0.3	1248.0
2013	1336.9	89.5	152.8	10.2	3.5	0.2	1493.2
2014	1120.3	86.0	161.4	12.4	21.3	1.6	1303.0
2015	1290.9	81.5	180.1	11.4	111.9	7.1	1582.9
2016	1970.4	82.4	243.1	10.2	178.8	7.5	2392.3
2017	2357.4	78.3	227.5	7.6	427.0	14.2	3011.9
2018	2037.9	85.5	289.8	12.2	57.2	2.4	2384.9
2019	1815.9	81.9	337.3	15.2	63.6	2.9	2216.8

** Total and Percentages calculated by author.*

Source: OECD, States of Fragility 2020: Iraq, <http://www3.compareyourcountry.org/states-of-fragility/countries/IRQ>

This increase is due to the rise in net official development assistance received during the US occupation years (2003-2011), in which the total aid amounted to \$63.8 billion or 80.6% of the total aid received between 2003 and 2019, according to World Bank data. The aid was thus linked to US occupation.

Figure 1: Net ODA Received (in current US Dollars) between 2003-2009 (in millions of Dollars)



Source: World Bank Database, <https://api.worldbank.org/v2/ar/indicator/DT.ODA.ODAT.CD?downloadformat=excel>

Military Aid: Impact and Effectiveness

The US-led coalition failed in rebuilding Iraq's security sector. The experience of a decade of intense international security cooperation has yielded both positive and negative results, with many lessons to be learned about how the Internal Security Forces (ISF) work with international partners. During the years of occupation, Iraq had limited options with regard to its security partners. The coalition was the foremost occupying force and then the main financier for the ISF's development. After the U.S. withdrawal, Iraq became tied to a set of large equipment purchases from the U.S. defense sector and had to maintain huge fleets of donated U.S. equipment. However, funding and Iraq's ability to manage arms purchases was limited. Between 2011 and 2014, interaction with international security partners was very limited, with the exception of controversial arms purchases from Russia that were later linked to high-profile corruption cases.⁴

In the wake of the ISIS occupation of several provinces in 2014, Iraq acquired new security partners. It became a major recipient of Russian, Iranian, and Chinese military aid, which moved much faster than the US-led coalition to provide various types of combat equipment and training. By July 1, 2014, Iran had delivered seven (formerly Iraqi) Su-25 ground attack aircraft directly to Baghdad, equipped with ammunition and materiel. It has also loaned Mohajer 4 drones and pilots to serve as forward air controllers for the Su-25 fleet, as well as munitions, advisors, electronic intelligence, anti-tank guided missiles, and artillery systems. Russia augmented its Iraqi firepower with the rapid delivery of five Su-25 ground attack aircraft, sixteen Mi-35M attack helicopters, thirteen Mi-28NE attack helicopters, as well as four TOS-1A short-range thermal bombers.⁵

On the other hand, the US provided equipment and training to the Iraqi [armed] forces. Two exploratory operations centers were established to provide advice and assistance in Baghdad and Erbil. The US has committed a corps-level headquarters to help Iraq run operations and a brigade combat team of

more than 1,000 troops to oversee training along with large groups of Australian, New Zealand, Italian, Spanish, and Portuguese forces.⁶ But it should not be overlooked that Iraq has been a large recipient of continuous military aid since 2005. This is partly due to the need to confront the increasing violence it has witnessed since then. That aid, however, came at a cost, as continued military spending prolonged conflicts. Between 2004 and 2020, US military aid amounted to \$30.9 billion, constituting 46.6% of the total US aid amounting to \$66.3 billion.⁷

There is inconsistency in information regarding the volume of weapons and equipment seized by ISIS when occupying Mosul. Some claimed the existence of huge supplies, while informed sources were quoted saying there were only 500 soldiers who lost weapons and ammunition due to the transfer of infantry, armored vehicles, and tanks of the 1st Brigade of the 3rd Division to Anbar.⁸

The United States funds military, economic, and stability and security programs in Iraq, with the majority of assistance funding provided through the Department of Defense's Counter-ISIS Training and Equip Fund (CTEF). From fiscal years 2015 to 2020, Congress appropriated more than \$6.5 billion in US Department of Defense funding for training and equipping assistance in Iraq. The latter procured US-origin weapons systems using federal budget funds in 2005. The US began providing Foreign Military Financing (FMF) in 2012 to maintain US-origin weapons systems. Between 2014 and 2015, while Iraq and the United States were fighting ISIS throughout northern and western Iraq, FMF funds were redirected to urgent counterterrorism requirements including the procurement of ammunition and equipment. An amount of \$250 million was allocated for fiscal year 2016 to cover the costs of a \$2.7 billion Microfinance Fund loan to support the training and ongoing sustainability of US-origin defense systems.⁹

The Trump administration canceled military aid in the amount of \$250 million that was scheduled to be granted to Iraq due to the increasing attacks against US forces and the Iraqi parliament's decision to remove those forces in the wake of the assassination of Abu Mahdi al-Muhannad and Quds Force commander Qassem Soleimani on January 3, 2020.

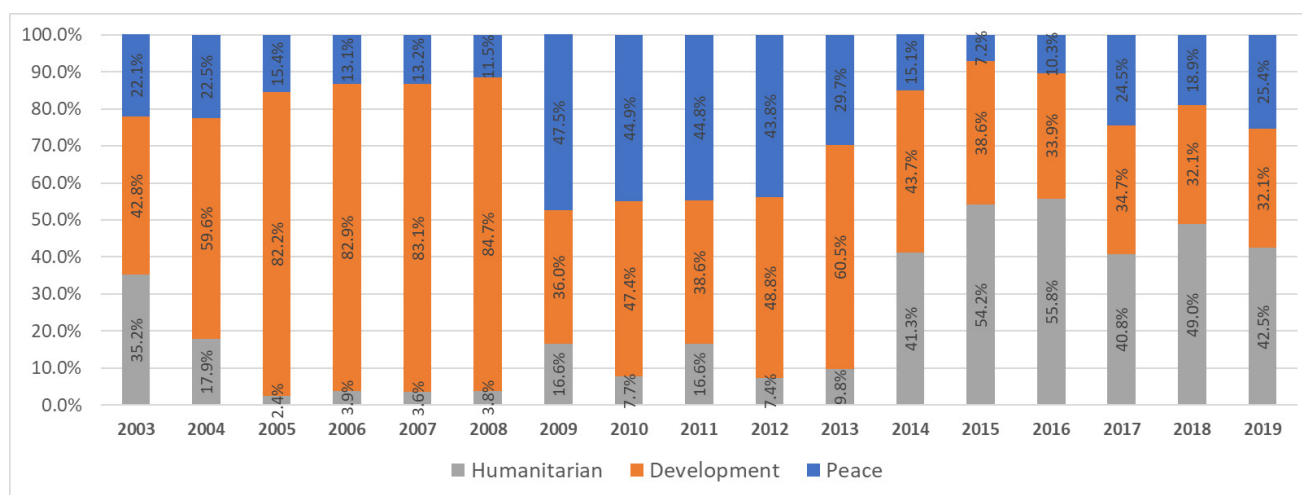
In late 2018, NATO established a new training and capacity building mission. Iraqi forces appear to have improved their ability to conduct complex operations. There was, however, a reliance on US air support and coalition intelligence assistance, indicating continuing capabilities limitations in this area. The US and other international forces withdrew their presence in 2020 claiming increased confidence in the capabilities of Iraqi forces. But significant logistical deficiencies remain, including logistical support and intelligence integration. Domestic political problems, renewed US-Iranian tensions, and efforts to curb corruption add to concerns about the cohesion and reliability of the armed forces and associated Popular Mobilization Units.¹⁰

Humanitarian Aid: Volume and Beneficiaries

Since the early 1980s, Iraq has been at the center of conflict and displacement. The international and internal wars it fought have led to the displacement of millions of civilians, who suffered adverse effects on their lives and livelihoods. An active humanitarian response has been in place since 2003, particularly after the formation of the United Nations Assistance Mission for Iraq (UNAMI) to help the government deal with the massive humanitarian needs created by conflict and displacement. The UN Office for Humanitarian Affairs (OCHA) is leading the humanitarian response, which has been able to meet many of the urgent needs of the displaced.

The following figure indicates that between 2003 and 2019, the proportion of humanitarian aid received by Iraq amounted to 22%, compared to 23% for peace (military) aid, and 49% for development purposes. It is worth noting that humanitarian aid has outperformed other forms since 2014 under the weight of the humanitarian crisis left by ISIS. In 2019, the proportion of humanitarian aid amounted to 42.5%, or about \$941 million. Nevertheless, the International Organization for Migration (IOM) sent an urgent appeal to respond to the humanitarian crisis, estimating that it needs \$41.426 million.¹¹

Figure 2: Percentage of Aid Distribution by Purpose (2003-2009)



Source: OECD, *States of Fragility 2020: Iraq*, <http://www3.compareyourcountry.org/states-of-fragility/countries/IRQ>

At the end of 2010, OCHA and many other humanitarian actors left Iraq following a period of relative stability after years of sectarian violence. When military operations against ISIS began in 2014 - accompanied by a wave of internal displacement - there was a need to expand humanitarian operations and funding, as financial requirements again approached \$1 billion in 2017. The humanitarian community was called upon to support Iraqi civilians trapped in the battle for Mosul and address the massive wave of displacement. Although the figures for the people targeted have steadily fallen from the high levels seen in 2017 (Table 2), the corresponding financial requirements have fluctuated over the past three years and the consequences of protracted displacement have become more and more apparent. Moreover, approximately 1.5 million people are still displaced. They are among the most vulnerable groups and need the most support so that they can return to some semblance of normalcy.¹²

Table 2: Number People in Need of Humanitarian Response, Target Population, Financial Requirements, and Gap (2014-2020)

Year	People with Disabilities	Target Population	Financial Requirements (million US Dollars)	Received Funding (million US Dollars)	Percentage of Funding by Requirement
2014	5.2	5.0	1,113.28	788.87	71
2015	8.2	5.6	704.29	517.98	74
2016	10.0	7.3	860.54	758.27	88
2017	11.0	6.2	984.65	942.82	96
2018	8.7	3.4	568.75	549.02	97
2019	6.7	1.75	701.15	647.47	92
2020	4.1	1.77	662.0	609.00	92
2021	4.1	1.5	607.20	--	--

The outbreak of protests against the political elite in October 2019 coincided with a military offensive by Turkey against Kurdish forces in northeastern Syria that increased the influx of Syrian refugees. In 2020, the cost of meeting the urgent needs of 1.77 million IDPs, inside and outside camps, and returnees in high-risk areas was estimated at \$520 million.¹³ However, 2021 is the first year since the end of military operations that there is no reduction in humanitarian needs. The impact of the COVID-19 pandemic and the simultaneous decline in public revenues due to lower oil prices, means that the severity of needs has increased even though the number of people has remained constant. As a result, the financial requirements for the humanitarian response in 2021 remain similar to those of 2020, with a slight increase to account for the more severe humanitarian impact of the pandemic.¹⁴

During the US occupation, the US military was responsible for spending aid before entrusting the task to USAID. During the occupation years (2004-2011), military leaders spent on major development

programs that focused on supporting production, energy, sanitation, and rebuilding infrastructure.

Several challenges are related to the humanitarian response. They are:

- Limited funding, compared to the large and growing needs, mainly as a result of donors being slow. For example, in 2020 there were 1.77 million Syrian refugees across the country and the response needs are estimated at about \$520 million.
- Limited access by responders to areas of need as a result of government restrictions and security concerns.
- Limited activities by CSOs and their weak institutional capacity: The NGO Law No. 12 of 2010 did not lead to an expansion in NGO activities or the activation of their role. The number of NGOs remains small compared to social needs and the population. According to 2021 data, 4,605 NGOs are active in the country. However, most of them

face funding and sustainability problems and so there have been calls to provide them with sustainable subsidies from the federal budget. On the other hand, an important shift occurred in imposing oversight on NGO work, as a result of expanding the scope of the NGO Department of the Council of Ministers and expanding the mandate of the Integrity Commission to include NGO work in cases of corruption crimes, including breach of trust committed by NGOs.¹⁵

- Institutional obstacles related to the weak capacities of the concerned government institutions.
- Effects of the turbulent international environment that shifted focus away from humanitarian aspects to focus more on security and military approaches.
- Limited evidence on the existence of returns on humanitarian aid and the extent of its success on the ground in building new systems in Iraq.¹⁶
- Lack of information required to understand the size of the response, the classification of required contributions from donors, and the details of the programs implemented on the ground to ensure the efficiency of targeting those who need aid and how it could be achieved.

The Private Sector and Aid

It remains unclear how partnerships are achieved and roles are divided between government, donors, and non-governmental agencies, especially the private sector and CSOs. Nevertheless, some NGOs active in the humanitarian and development fields cooperate with partners from international organizations and the federal government. Mostly, local NGOs carry out fieldwork under the supervision of representatives of international agencies and organizations. The private sector is expected to play a role in carrying out works and preparing materials.

On the other hand, aid during the US occupation was managed by its Department of Defense instead of the more experienced USAID. Thus, the efficiency of that aid was reduced and it could not achieve its expected goals. According to one US assessment, the Department of Defense scored below average in all dimensions of aid quality. It was due to the fact that funds were allocated not to maximize development efficiency but to maximize national security. Aid did not go through state institutions but through US contractors. The practice generated much debate because the stated goal of "state building" requires strengthening sustainable national systems.¹⁷ CSOs must also be given a dynamic role in communicating people's needs and engaging them in the process of meeting humanitarian and development requirements, as stipulated in the Accra Consensus (The Accra Agenda For Action) on aid effectiveness.

The IMF was one source of external financing for Iraq. However, the government did not achieve the reform goals stipulated in the last round of agreements. Between 2016 and 2019, the IMF provided more than \$5 billion in loans to Iraq to help deal with low oil prices and ensure debt sustainability. Iraq is likely to face higher borrowing costs for new sovereign debt offerings. Obtaining commitments from the

government as a precondition for more US support may be complicated by the domestically charged atmosphere over the relationship with the US, the presence of US military personnel, and the targeting of the US embassy in the Green Zone.

However, positive trends appear in some aid. On February 16, 2014, the Japan International Cooperation Agency (JICA) and the Iraqi government signed a new loan agreement to restore the basic capabilities of the port sector through the rehabilitation of Khor Al-Zubair port after the rehabilitation of Umm Qasr port. Thus, 20 projects under Japanese ODA loans with a total value of \$4.4 billion are being implemented by Iraqi ministries. Most of the 19 projects currently underway are in the actual implementation phase.¹⁸

US economic assistance to Iraq has supported public financial management reform, UN-coordinated stabilization programs, and loan guarantees. In 2017, the US Congress and the Barack Obama administration provided a loan guarantee to encourage other lenders to buy bonds issued by Iraq to cover its federal budget deficit.¹⁹

IOM, on the other hand, implements 247 projects in 10 Iraqi governorates aimed at revitalizing the private sector and generating long-term job opportunities, by providing them with a grant through the Enterprise Development Fund to start or expand their businesses. The total support provided to 267 small and medium-sized projects amounted to \$4,346,887, for about 8,000 beneficiaries.²⁰

On the other hand, the non-governmental sector provides job opportunities for many Iraqis. Working in local and foreign NGOs constitutes income-earning and appropriate opportunities, but it is unclear to what extent these organizations are committed to the labor and social security laws for their employees.

Individual concerns have been raised by workers in these organizations, especially foreign ones, since 2015 about rights violations. In June 2019,

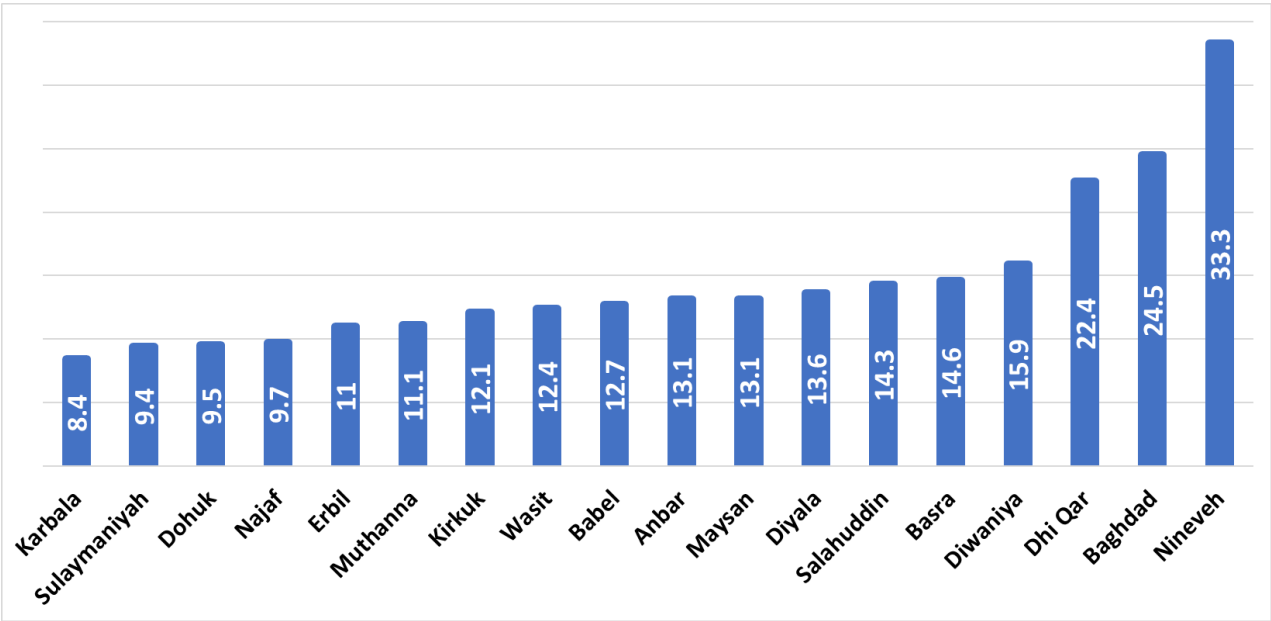
an independent commission warned that an international organization should investigate serious allegations against its senior staff in Iraq. The union's joint complaint included allegations of repeated bullying, verbal abuse, threats of dismissal, or bad references against employees if they complained. It is also alleged that workers faced dismissal if they raised fears of going to the field.²¹

The Developmental Role of Aid: The Social Fund for Development as a model

Through Cabinet Resolution No. 270 in 2016, the Iraqi government requested support from the World Bank to design and finance the "Social Fund for Development" aiming to support community-led initiatives and improve living conditions and opportunities for the poor and most vulnerable groups. In late 2016, the World Bank worked closely with government specialists and provided support. The Fund's Project Loan Agreement was signed in April 2018, based on successful international practices. The World Bank provided support to the government to run the fund with a loan of \$300 million over five years. The fund adopts a phased approach to governorates.

The World Bank and the Iraqi government are implementing the Iraq Emergency Social Stability and Resilience Project, which aims to improve livelihood opportunities, increase access to psychosocial services, and strengthen institutions. The Social Fund for Development was established within the framework of the project. It was launched by the Ministry of Planning, in cooperation with the World Bank, and seeks to improve the living conditions and opportunities available to the poor and marginalized, by improving their ability to access basic services and creating short-term job opportunities at the local level.

Figure 3: Project Amount Distribution by Governorate (in million US Dollars)



Source: Ministry of Planning, Social Fund for Development

Role of ODA and Donors in Conflict Situations in the Arab Region

CASE STUDY ON LEBANON

RESEARCHER: MARIE JOSÉ SAADE



Introduction

Socio-economic and Political Context

Clientelism in Lebanon has paved the way for institutionalized corruption as well as weak and fragmented public institutions that lack the ability to provide quality services to the population. In order to have access to basic services, people are often bound to turn to sectarian leaders who are able to guarantee resources in exchange for political allegiance. As a result, state resources are often spent on short-term needs instead of sustainable development projects, infrastructure or state capacity building.

The Lebanese government has long been dependent on foreign aid to sustain its economy and provide basic services such as water, electricity and public transports to its population. An unproductive economic system accompanied by an excess of imports gradually increased the already-large national debt with no real sustainable long-term strategy introduced by the government. In 2019, the value of the Lebanese pound crashed as a result of the ineffective economic system and the decrease in foreign currency flows to the country, causing a hyperinflation that is still on the rise.

In October 2019, people took to the streets following the government's culminating incompetence. Notably, the government failed to control wildfires that spread over large areas of the country's forests. It was also incapable of managing the soaring inflation and later attempted new flat taxes in an attempt to fix its mistakes. These protests were the result of years of corruption, wasting of public funds, negligence and deteriorating living conditions. People demanded an end to corruption, political change, accountability, and socio-economic rights.

The COVID-19 crisis further aggravated the economic situation in Lebanon, forcing an important number

of businesses to close down while at the same time preventing protests and demand movements in the country. On August 4th, 2020, a huge explosion occurred at the port of Beirut due to the government's recklessness in storing highly explosive ammonium nitrate in an unfit manner. The explosion caused significant damage in the capital and neighboring areas while destroying a large part of the port or the entry level to over 70% of Lebanon's imports.²² An assessment conducted by the World Bank estimates material damages between 3.4 to 4.6 billion US dollars and economic damages between 2.9 billion and 3.5 billion US dollars.²³

In the context of the various crises affecting the country, the Lebanese ruling class has not implemented any relevant reform or rescue plan to curb the tough impact of the economic crisis on the people or regain its legitimacy and people's trust.

Overall Assessment, Sources of ODA, Main Donors and Sectors

Lebanon has been the recipient of US\$ 1.525 billion in Official Development Assistance (ODA) in 2019, a peak value in the history of the country that has certainly increased in 2020 and 2021 following the different crises in the country.²⁴ Due to the several wars and political instability witnessed by the country in the last 40 years, the Lebanese economy showed an increased dependency on foreign aid for the pressing purposes of reconstruction and development in the postwar context. In the last relatively stable years, the various Lebanese governments have also failed to shift the country's economic model into a more productive and sustainable one. Instead, macro-economic policies were reoriented to prioritize and focus on financial stability.²⁵ This in turn did not help to alleviate the country's dependence on aid and further amplified its already huge debt in the context of an economic and financial crisis, making it the fifth most indebted country in the world with a 160 percent debt that is expected to reach 185 percent

by the end of 2021.²⁶

From the 1970s to the early 2000s, most of the financial assistance to Lebanon came from Arab states and Iran.²⁷ During the 2006 War, the two principal international donors were the USA and Saudi Arabia as well as other non-DAC countries who contributed around one quarter of the emergency relief response at the time.²⁸ After the war in 2006, external actors became more present during reconstruction, main actors included UN agencies, international NGOs, local NGOs as well as major Western donors including the US, the UK and non DAC donors.²⁹ States such as Iran, Kuwait, Qatar and Saudi Arabia played a key part and dominated aid distribution to Lebanon in the aftermath of the war.³⁰ In 2011, the major donors were EU institutions, followed by the USA, UNRWA and France, who have shown consistent support since then, representing the 5 major donors to the country overall.³¹

Between 2006 and 2011, social infrastructure and services constantly received the highest funding, with humanitarian aid significantly dropping in this same period.³² When comparing this data to 2018-2019, we can see that humanitarian aid recently represents the main sector of ODA spending in Lebanon, with 49% of the aid allocated to urgent humanitarian relief.³³ This trend is undoubtedly more pronounced in 2020-2021 considering that the recent hyperinflation and economic crisis have pushed more than half of the Lebanese population below the poverty line.³⁴ We can notice that very little ODA disbursements have gone to typical development sectors in Lebanon such as production sectors or economic infrastructure when looking at the last decade. Instead, the efforts were mainly spent on short-term relief with no sustainable structure in place for actually decreasing dependency on foreign aid.

Today, Lebanon is more than ever in need of a comprehensive plan for the rehabilitation of the country's economy, institutions and infrastructure

including relief for vulnerable groups who experienced a shocking deterioration of their living conditions. At the same time, the international community is facing a dilemma in how to best respond to the different crises as many methods had been used in the past without fruitful results.

In this context it is relevant to reiterate the set of development cooperation principles as defined and approved in the Busan Partnership agreement for Effective Development Co-operation.

According to the Busan Partnership agreement:³⁵

- Economic and Social Reforms should come from inclusive and democratic national policy processes and not be dictated by IFIs.
- The international community should push for transparency, accountability and governance reforms and integrate people into the policy making.
- Partnerships for development should strengthen the national systems and use them in the implementation rather than searching for other channels.
- Civil society components should increase their coordination and networking in order to gain political weight and advocate for alternative models.
- The private sector should be held accountable based on human rights and development priorities when engaging in development cooperation

Recent Development Projects and Initiatives: Overview and Assessment

CEDRE Overview

The Conference for Economic Development and Reform through Enterprises (CEDRE) held in Paris in April 2018 was part of a cycle of three conferences (in addition to Rome II and Brussels) scheduled in the aftermath of Prime Minister Saad Hariri's surprise resignation from Riyadh. The objective of CEDRE was to gather financial support for the development and strengthening of the Lebanese economy through partnerships with the private sector. Lebanon's Capital Investment Plan (CIP) for infrastructure development presented during the conference estimates private financing for the proposed projects at around 40 percent.³⁶ In preparation of CEDRE, the Lebanese government passed a legislation regulating PPPs in August 2017 (PPP Law No. 48).³⁷ The law offers several advantages such as a comprehensive legal framework, ensuring transparency and competitiveness, or preserving the rights of the public sector to monitor and benefit from private expertise. The international community pledged over \$11 billion in total to Lebanon, \$10.2 billion of which in loans and \$860 million in grants.³⁸

What differentiated the CEDRE process from previous conferences held for Lebanon such as Paris I, II and III was that the funding was conditional upon the implementation of structural and sectoral reforms. These reforms were never implemented by the last Lebanese government, elected one month after the conference took place. The structural reforms were focused on anti-corruption, fiscal governance, public sector restructuring, and customs modernization and capital markets, while sectoral reforms included the government's commitment to review legislation and institutional governance of the electricity, solid

waste, water, and telecommunications sectors.³⁹ With no apparent horizon for a reform plan, the much needed funds never materialized as donor countries and IFIs such as the World Bank and the International Monetary Fund imposed similar conditions for the grant.

3RF Overview

The Lebanon Reform, Recovery and Reconstruction Framework (3RF) was introduced as an integral part of the comprehensive response to the explosion on the Port of Beirut on August 4, 2020. The 2-year framework would first focus on an 18-months period that will link the immediate humanitarian response as well as the medium-term recovery and reconstruction effort in order to direct Lebanon towards the path of sustainable development. The 3RF comprises three main goals in response to the crises in Lebanon. First, a people-centered recovery that returns sustainable livelihoods to the affected population; advances social justice for all, including women, the poor, and other vulnerable groups. Second, the reconstruction of important assets, services, and infrastructures that provides equal access for all and enables sustainable economic recovery. Finally, the implementation of reform to support reconstruction and restore people's trust in public institutions. In addition, the program is supposed to be a collaborative one based on the participation of the government, civil society, the private sector and development partners, guided by the principles of transparency, accountability, and inclusion.⁴⁰

In terms of budget, the immediate people-centered recovery track amounts to \$584 million in total, \$426 million of which will be needed during the first year. As for the cost of the reform and reconstruction track, an estimate of \$2 billion will be required to address governance and recovery challenges in Lebanon.⁴¹

In order to enable the program, the Lebanese

government committed itself to deliver on macroeconomic reforms, including progress with the IMF on macroeconomic stabilization and restructuring of debt as put forward by the international community at the CEDRE. The government is also bound to conduct the forensic audit of the central bank, in addition to adopting banking sector reforms, capital control, exchange rate unification, the removal of subsidies, and lead the way to a credible path to fiscal sustainability. Moreover, the 2021 budget is to be prepared incorporating a strong program for social protection and inclusion.⁴²

On the other hand, the International Monetary Fund (IMF) reiterated its commitment to assisting Lebanon but highlighted the need for a coherent fiscal framework and a credible strategy to rehabilitate its banking sector. The IMF has also promised to help implement changes needed to restore solvency in public finances, repair the banking system, and strengthen governance, transparency, and accountability.⁴³

1. Advantages related to ODA in Lebanon

Cooperation programs such as CEDRE and the 3RF could have advantages at the national level, notably making possible structural reforms pertaining to different sectors and institutions in Lebanon. The beneficial reforms include the aforementioned changes to the Lebanese economic model, first by compelling the government to conduct a forensic audit in Lebanon's central bank and subsequently through the implementation of banking sector reforms, the removal of subsidies, exchange rate unification and the preparation of an inclusive and comprehensive program for social protection. These reforms could consequently provide transparency and accountability within public financial institutions, which is a long-awaited step in Lebanese public life, especially in the context of the deep social, political, and economic crises ravaging the country.

The 3RF could also contribute to better governance in general and increased dialogue between government, civil society and international partners and encourage an inclusive decision making process if the proposed conditions are met. Other reforms concerning services and infrastructure are to be applied, these new reforms should provide equal access for all to basic services and eventually advance the country towards a sustainable economic recovery. A priority area of the recovery is also the creation of jobs and opportunities to restore the economy and citizens' livelihoods.⁴⁴ Simultaneously, the project will also provide direct relief responses to the most vulnerable segments of society who are in serious need of assistance and access to basic services.

A new advantage introduced by the 3RF would be the innovative institutional model of governance and oversight proposed within the plan. Effectively, the new model strengthens the role of civil society organizations, who are to play the role of watchdog and ensure the complete implementation of the program.

Nevertheless, the reforms are to be carried out by the Lebanese government as soon as possible should the IMF unlock aid and officially launch the program. Yet, after 13 months of political stalemate following the blast, it is Najib Mikati, former Prime Minister and member of the mainstream ruling class, who was chosen to form a government in September 2021. Under these circumstances, there is very little to no possibility for reforms and consequently for financial aid.

2. Challenges related to ODA to Lebanon

A. Conditionality

If approved and implemented, programs such as CEDRE and the 3RF could raise serious concerns at various levels.

There is an evident history of failed conditionality between the international community and Lebanese officials. The Lebanese government does not hold a record of credibility in relation to its commitments: it never implemented any of the reforms promised in 2018 in order to unlock the \$11 billion pledged by donors at the CEDRE (or Paris IV) conference. In consequence, the money has not been disbursed by the donors who are still waiting on the implementation of real reforms. It's interesting to note that this phenomenon is relatively different from past experiences in Paris I (2001), Paris II (2002) and Paris III (2007) where funding had been disbursed to Lebanon despite the lack of compliance to its promises. Following the Paris III conference, despite the fact that less than a quarter of the pledges made were carried out, more than half of the pledged aid was disbursed.⁴⁵

The concept of donor conditionality for indebted countries to obtain access to the donor's financial support has become part of the regular practice of IFIs as well as bilateral donors.⁴⁶ The main issue in this is that the conditions in question are not necessarily comprehensive or applicable in the short term and may have severe repercussions on residents in the country. For instance, one of the principle reforms required by the IMF and World Bank is the gradual removal of energy subsidies, which is already being implemented and causing a significant increase in fuel prices of more than 35% as of July 2021.⁴⁷ In turn, inflated fuel prices are making it extremely difficult for Lebanese people to access basic services and goods such as medicine, food, transportation and electricity among other necessities. This poses

the question of what should come first: can there be a lift of subsidies before the launching a new public transport project or social safety net program that would compensate for the increase in fuel prices and other basic needs?

Moreover, as the political elite are unable to conduct the necessary reforms, the people are held hostage and are thus the real group that is suffering. Political parties bet on that to force the international community to aid Lebanon while they ignore the reforms.

B. Private Sector Role

The 3RF estimates the priority needs of the people-centered recovery track in the amount of US\$584 million, of which US\$426 million are needed for the first year. The costs for the reform and reconstruction track are estimated at US\$2 billion. Thus, there is a need to mobilize a mix of public and private resources through public-private partnerships (PPPs). This financing through blended finance and PPPs raises the concern of the primacy of profits and benefits of the private sector over development goals and human rights. This is particularly applicable to the Lebanese context where the public and private sectors are extremely intertwined and governed by utilitarian motivations and interests as sectarian rulers are either owners or beneficiaries in most segments of these sectors. Likewise, evidence from several countries show that PPPs do more harm than good when effectuated without a proper system of monitoring and impact assessment.⁴⁸ For civil society to be able to hold the public and private sectors accountable, PPPs should be founded on principles of transparency and make available all relevant information.

Imposed and top-down structural reforms are not consistent with the right to national sovereignty or principles of development effectiveness and do not necessarily produce the expected outcomes and

gains. There is an imminent need for a more tailored approach encompassing ownership when it comes to aid and particularly intersectional development projects in developing countries. In addition to a flawed conditionality system, these programs also add to the debt burden in countries like Lebanon, characterized by huge public sector deficits due to an over-reliance on imports and the absence of a productive economic model.

C. Weak Governance

The presence of weak national systems and institutions in Lebanon is another persisting issue hindering the effectiveness and fair implementation of projects such as CEDRE and the 3RF. Lebanon's confessional and sectarian system of governance has led the way to deep-rooted and institutionalized clientelism accompanied by extensive corruption at all levels. State resources are often distributed by the ruling class to their communities through official institutions, strengthening sectarian rhetoric, inequality, and the established clientelistic system. The public sector as a whole is extremely fragmented and weakened by years of inefficiency, waste and exploitation. Employees in the public sector are often appointed according to sectarian and political allegiances. In this sense, it is difficult to believe that the funds allocated to the 3RF would not be used in the same way, particularly in the context of the economic crisis with informal channels as the new model for clientelistic distribution.⁴⁹ In addition, the severe deterioration of living conditions in Lebanon represents a perfect opportunity for the elite and their affiliates to reinforce their hegemony on resources and power, buy back constituencies, and bargain for more time.

Reform programs are not really helping in developing the capacity of public institutions. Instead, projects usually carry the underlying assumption of operating in a normal public environment when the opposite is true. The lack of transparency and accountability

within the Lebanese system blocks the possibility for a proper implementation of the 3RF, internal control and audit functions are nearly absent in the public sector, which sustains a cycle of misuse and mismanagement of public funds. Moreover, there is no guarantee of civil society inclusion in the process of decision-making and monitoring despite its mention in the Reform, Recovery and Reconstruction Framework (3RF) as was seen in the past considering the Lebanese government's lack of commitment.

The World Bank's approved \$246 million loan for a poverty-targeting program (ESSN), will most probably be a way for the various traditional parties to recover the support of vulnerable families in the constituencies. Similarly, the disconnection between this program and a long term social protection strategy is a real concern as it is diverting the funding from long term universal social protection strategy. Lebanon is the only country in the region and one of the 16 countries worldwide that doesn't have a pension scheme that would provide benefits for workers in the private sector in case of old-age, disability and death.⁵⁰

Furthermore, the adoption of the bill and allocation of the funds were given at no political costs to the Lebanese government who did not implement a single reform in exchange for it. This usual trend within the international community towards the Lebanese ruling class perpetuates and gives further legitimacy to the system of embezzlement and political laissez-faire that has exhausted the country's resources and amounted to a paralyzed failed state.

Conclusion and Recommendations

In light of the current situation in Lebanon, significant efforts are needed in order to curb the severe effects of the economic, financial, social and health crises that have come through during the last year. Effectively, the first step towards recovery would be the formation of a government willing to implement the required reforms and to work hand in hand with civil society actors. These policies and reforms should address the needs and demands of the people and not donors' interests exclusively. Efforts from the international community are also necessary in order to apply pressure on the Lebanese ruling class to undertake necessary reforms, combat corruption and improve accountability mechanisms. This is especially relevant since Lebanese public institutions have been directly dependent on foreign assistance for the provision of basic services. In addition, donor countries and international financial institutions should adopt a stricter approach towards the ruling class that has been pampered and sustained by international actors for far too long. Accordingly, it is possible to extract the following set of recommendations:

- Economic and social reforms should come from inclusive and democratic national policy processes and not be dictated by IFIs.
- The international community should use its financial leverage to apply pressure on Lebanese authorities to protect judicial independence and introduce basic necessary reforms
- The international community should further push for transparency, accountability and governance reforms and integrate people into the policy making in an effective manner.
- The 3RF should strengthen the national systems and partially use them in the implementation rather than exclusively searching for other channels.
- Civil society components should increase their coordination and networking in order to gain political weight and advocate for alternative models.
- The private sector should be held accountable based on human rights and development priorities when engaging in development cooperation. The Lebanese government should also proceed in accordance with the newly adopted procurement and PPP laws that provide the basic framework for accountability even if those laws still need improvement.

Role of ODA and Donors in Conflict Situations in the Arab Region

CASE STUDY ON YEMEN

WALID AL-ABBARA, YEMEN



Introduction

Yemen suffers from an acute and complex crisis, in which natural and medical emergencies overlap.⁵¹ In addition to the internal war, in its seventh year, Yemen has a long legacy of conflicts, lack of political stability, and water scarcity,⁵² making it one of the poorest countries in the region even before the outbreak of the current conflict.

As military confrontations intensify, the multiplicity of military actors on the ground, the division of economic institutions, and the absence of possibilities for a political solution, Yemenis are waging a bitter struggle for survival. The war claimed many lives, undermined the economy and development, disrupted services, and led to a humanitarian crisis that is the most dangerous in the world. As purchasing power decreased, the national currency fell against the dollar by 400%,⁵³ 40% of Yemeni families lost their income⁵⁴, the national capital migrated in search of safe investments, oil and gas production stopped, and the prices of food commodities rose.

Statistics indicate that 24 million of the total population of 30 million people (equivalent to 80%) need humanitarian and development aid,⁵⁵ 20 million people live without clean water, and 19.9 million people are without health care.⁵⁶ The total cumulative loss in GDP between 2014 and 2019 was \$88.8 billion, and is expected to reach about \$181 billion by 2022.⁵⁷

A decade since the United Nations' first humanitarian response plans for Yemen, the living and economic conditions are still at their direst. Yemenis remain vulnerable to death, starvation, and epidemics.

This paper explores official development aid (ODA) provided to Yemen and its impact on the humanitarian and living situation. It will answer in detail the drivers of aid, donors, funding trends, access constraints, and how part of the aid sustains needs and the war.

Overview of Humanitarian and Development Aid and Donor Trends

The humanitarian response to the situation in Yemen goes back to 2009. In September of that year, the UN initiated its first request to collect quick donations to face the consequences of armed conflict between the central government in Sanaa and the Houthis, during what is known as the Sixth War. It asked for \$23.75 million.⁵⁸

In 2010, the UN launched its first humanitarian response plan in Yemen (YHRP), at a cost of \$187 million, targeting 2,538,000 people, including 342,000 IDPs, 117,000 refugees, and 319,000 malnourished children and pregnant women.⁵⁹ The situation in northern Yemen at the time was categorized by John Lams, the UN Deputy Secretary-General for Humanitarian Affairs and Relief Coordination, as an "underfunded emergency." Throughout the hellish years that Yemen went through, starting with the youth protests on February 11, 2011, and ending with the regionally supported civil war (2014-2021), the humanitarian response proceeded under UN supervision through regular annual plans, with a total funding of \$14.48 billion.⁶⁰ Beneficiaries in 2021 reached 22 million people, an increase of 1000% compared to the total targets in 2010.

Additionally, Yemen has received much aid from outside HRPs. The total aid provided through countries, bodies, and organizations between 2010 and 2021 amounted to nearly \$15 billion.⁶¹

The assistance provided through HRPs is described as short-term, and is often directed to meet the needs of the most affected groups. It mainly focuses on providing shelter, food, and medical aid to the displaced, estimated at 4 million.⁶² The other part of the aid is directed to meet the needs

of food shortages, clean drinking water, sanitation, education, protection for the neediest groups, and Programs related to refugees and immigrants. Saudi Arabia, the US, the UAE, Kuwait, the UK, and the EU are the main donors of humanitarian response plans. Saudi Arabia, the UAE, the World Bank, Germany, and the Netherlands are the most prominent donors from outside the plans.⁶³ Saudi Arabia provided \$3.2 billion in cash deposits to the Central Bank to support currency stability and purchase essential supplies.⁶⁴ It provided \$4.15 billion for the purchase of fuel for electricity⁶⁵ and \$66 million to counter the cholera outbreak.⁶⁶ Aid provided through the Saudi Program for the Reconstruction of Yemen amounted to \$280 million, which included 198 projects to serve 7 basic sectors: health, energy, transportation, water, education, agriculture, fisheries, and capacity-building of government institutions.⁶⁷

Since 2016, the World Bank has provided \$2.116 billion to finance its emergency operations in Yemen. It implemented nine major projects, most notably supporting livelihoods through the cash-for-work program at a cost of \$840 million, targeting 422,000 people. Other programs targeted maintaining essential services, such as sanitation and waste management, addressing the threat of famine, providing sustainable energy solutions, rehabilitating small farmers, and addressing the COVID-19 pandemic.⁶⁸

Between 2015 and 2020, the UAE provided 22 billion dirhams, or approximately \$5.94 billion. The aid included rehabilitating schools and hospitals, securing energy, rebuilding airports and ports, extending roads, and construction of housing.⁶⁹

Humanitarian grants allocated to YHRPs are administered by the UN individually through its affiliated bodies and international organizations. Grants of oil derivatives allocated for electricity and cash deposits provided by Saudi Arabia to the Central Bank of the internationally recognized government in

Aden. On the other hand, aid provided by the World Bank was implemented through UNICEF and the Social Fund for Development (a quasi-governmental body).⁷⁰ Donors argue that the government does not have the ability to absorb grants, so the bulk of the aid goes directly to international bodies and organizations. The government is completely absent. However, the Ministry of Planning and International Cooperation is maintaining its efforts to be accepted as a partner.

Despite its size, the provided aid was unable to replace the economy. The data shows that the gap between the size of needs and funding is widening. The shortfall in funds for YHRPs is around \$7.86 billion.⁷¹ Funding for 2020 and 2021 YHMPs has also decreased compared to 2019, when it amounted to \$3.53 billion, compared with \$1.35 billion in 2020 and \$1.7 billion in 2021, although total needs amounted to \$3.85 billion. The gap between the needs and grants provided in 2021 amounted to more than one half.⁷²

The Impact of Aid Provided to Yemen

Aid provided to Yemen plays a dual role, one positive and one negative. Positively, aid plays a critical role in saving millions of lives and alleviating their suffering. Negatively, it motivates the continuation of the war, covering part of its exorbitant costs.

First: Positive Impact of Aid

To a large extent, aid contributed to addressing complex emergencies, but failed to provide radical solutions. Families in need of assistance begin to suffer after they finish the food basket provided by the World Food Program or one of the local or international organizations. Currency rates tumble once the cash deposits from the Central Bank run out. As for electricity, it deserves to be called a black hole, because once the amount of fuel grants runs out, it gets extinguished and the journey of suffering in hot cities and hospitals begins. By resorting to short-term solutions, mainly concerned with alleviating and not ending suffering or investing in long-term development projects, the government, the Houthis, and international organizations urgently need to sustain grants. Accordingly, the humanitarian crisis in Yemen has turned into a closed circle around which everyone revolves (UN bodies, donors, employers, beneficiaries, government authorities/de facto authorities) as if there is no way out. Very briefly, the paper reviews the most prominent roles played by aid during the war years:

Humanitarian

- Aid covers urgent services (shelter, food, medicine) for nearly 4 million IDPs.
- It provides food through cash or food

baskets to nearly 16 million people - considering that such a measure is temporary, it can be said that it delays rather than treats famine.

- Part of the aid was allocated to efforts to contain cholera, diphtheria, and, most recently, Covid-19.
- Aid contributes to providing clean drinking water and medical services.
- It contributed to rebuilding of many schools and health centers, but this remains limited given the extent of the damage to the infrastructure.

Economic

In addition to expatriate remittances, aid contributed to maintaining currency stability. However, the Yemeni riyal collapsed in value against the dollar from 212 to 900 Riyals within 9 years. If there were no aid and cash deposits, the collapse would have been much greater.

The cash-for-work program helps 422,000 people.

Second: Negative Impact of Aid

Despite the positive impact of aid in addressing the humanitarian crisis and the repercussions of war, a large chunk ended up as assets of warlords and their cronies. The politicization of aid also dramatically allowed the war to continue.

Aid Theft and Exploitation

Humanitarian aid enters the country through the ports of Hodeidah and Saleef, which are controlled by the Houthis. It is stored in Houthi-controlled areas and distributed centrally from the capital, Sanaa, which is also under Houthi control. The situation gave the Houthis ideal opportunities to intervene

in humanitarian work and exploit it to serve their personal and political goals. The internationally recognized government, on the other hand, sees its role limited to granting entry and customs exemption permits, in addition to the margin of coordination with operating agencies and donors.

Much of the cash and material relief and humanitarian aid is bought by traders and sold on the black market at prices lower than current prices. The aid economy in Yemen makes up a large part of the overall economy, managing more than \$4 billion annually.⁷³ Moreover, the funds allocated for humanitarian aid do not go through the banks until they are exchanged in the black market, with a loss of 54% of their actual value.⁷⁴

Warring parties impose several restrictions to prevent organizations from reaching areas under their control. Organizations are thus required to resort to local groups or local communities to distribute aid. If not possible, organizations may resort to bribery, adapt to the policies imposed by de facto authorities, or leave.⁷⁵ The Houthis had decided to impose a 2% tax on aid funds and a 5% tax on each project implemented by a local organization. Although the first law was revoked and has not been implemented,⁷⁶ the second is still enforced on local organizations.⁷⁷

However, the most prominent aspect of the tragedy of humanitarian work in Yemen is the Houthis' intervention to prepare beneficiary lists. Most of the presented names are families of the dead and wounded and those involved in fighting and their supporters. The rest of the families are excluded. It was noted that aid is used as a tool for mobilization to the fronts. Families who do not have men involved in the fighting do not receive help and thus many are pushed to join the fighting to receive aid. As the situation exacerbated and was widely discussed in the media, several donors threatened to reduce or stop the aid, as in the cases of the US, Kuwait, and

the UAE.⁷⁸ Many organizations were forced to speak up against the Houthis and threaten to suspend their work. In May 2020, WFP's Program Director David Beasley, in a briefing to the UNSC, threatened "to start suspending food aid gradually in Yemen, due to the diversion of aid for other purposes and the absence of independence of action in areas under Houthi control." Houthi behavior prompted the WFP to use biometric (fingerprint) verification to identify beneficiaries, but it was faced by rejection from the Houthis.⁷⁹

In addition to the restrictions imposed on humanitarian work, the division of monetary institutions between the internationally recognized government and the Houthis cast a shadow over the economic and humanitarian reality in Yemen. In September 2014, the Houthis took control of the Central Bank and the cash reserves of \$4.8 billion. The recognized government was able to recover \$700 million dollars after correspondence with banks abroad and persuading them not to deal with the Houthis in Sanaa.⁸⁰

In 2016, the internationally recognized government decided to transfer the Central Bank to the capital, Aden, and appoint a governor.⁸¹ It meant there were two central banks, one for the Houthis and one for the official government. To cover the financial deficit, the government printed nearly one trillion Yemeni riyals without cover through the Russian Goznak company.⁸² The Houthis responded by issuing a circular prohibiting dealing with the new currency in areas under their control.⁸³ The Central Bank in Sanaa gave residents of Houthi-controlled areas one month to replace the new "illegal" edition, either with old editions, i.e. issued before September 2016, or with the new electronic currency, which Houthi authorities are trying to enforce. The decision was followed by a state of turmoil.⁸⁴

The currency conflict between the government and the Houthis reduced the volume of business, caused

commercial disputes between companies and banks, increased prices, lowered exchange rates, and led to trading in hard currencies instead of the local currency. For example, salaries paid by companies located in government areas to branch employees in Houthi areas lose 40% of their value. Sales of companies in legitimate areas lose about 40% of their value also when they are sent through banks to Sanaa. In addition, food commodity traders and citizens residing in Houthi areas pay double customs, one to the government and one to the Houthis. The Houthis also impose taxes and royalties on household gas and oil derivatives that the government sells to traders who transport it to the areas under their control. Household gas, with a capacity of 20 liters, is sold by the government at an official price of 2,300 Yemeni riyals. In Houthi areas, it is officially sold at 6,640 Yemeni riyals, an increase of 180%, which goes to Houthi coffers.⁸⁵

In general, the aid economy has succeeded in creating a predatory class, consisting mostly of warlords involved in committing massive violations, merchant thieves, and corrupt banking and CSO officials. This class has developed over the years to turn into pressure groups within the Houthi decision-making circles. Thus, it clings to the option of war and rejects calls for peace to maintain its financial rewards.

Aid Politicization and Use to Influence the Course of the Conflict

The provision of aid in Yemen seems to be closely linked to the internal conflict. The next section will look into motives for providing aid and whether it is charitable or political.

With the exception of Kuwait and Japan, the biggest donor countries are either directly or indirectly involved in the Yemeni conflict, be it through their support for one of the local parties or by investing in the crisis to achieve political, economic, or military objectives. It is also clear through analyzing the

discourse of international, regional, and local actors in the Yemeni crisis that the terms "humanitarian aid" and "humanitarian situation" have been two recurring themes throughout the years of conflict. Thus, it could be concluded that aid was and still depends on the foreign policy objectives of the donor countries and is not of a purely charitable nature.

On several occasions, major countries within the international system have used aid to influence the course of the military confrontations between the recognized government and the Houthis. The most prominent of which is perhaps the confrontations on the western coast overlooking the Red Sea. In July 2018, the Joint Forces of the government, backed by the Arab coalition countries, achieved successive victories along the western coast. Its vanguards actually managed to penetrate the southern neighborhoods of the coastal city of Hodeidah and control the city's airport.⁸⁶ They were about 5 kilometers away from reaching the port of Hodeidah.

Meanwhile, the international community intensified its efforts, led by Britain, to stop the war "for humanitarian considerations" and "for the continued flow of aid through the port." They culminated in the signing of the Stockholm Agreement on September 13, 2018, which led to a ceasefire between the government and the Houthis in the city of Hodeidah. The agreement - which falls under humanitarian intervention - led to a dramatic shift in the course of military confrontations. It gave the Houthis the opportunity to regroup their fighters and mobilize towards the governorates of Al-Dhalea and Marib, which are the most important strongholds of the government and the Southern Transitional Council.⁸⁷

In general, humanitarian intervention in Hodeidah produced an anomaly. It embodied the opposite of Security Council Resolution 2216 issued unanimously on April 14, 2015, which calls on the Houthis to hand over weapons, withdraw from the cities, and allow the government to return to its duties.⁸⁸ Instead of

applying pressure to implement the international resolution, pressure was applied to keep the city of Hodeidah and its three main ports under Houthi control. Ethnic, sectarian, and political considerations between the city's estimated population of four million and Houthi fighters were neglected, as well as constitutional legitimacy, sovereignty, and human rights that have always been associated with the purpose of humanitarian interventions in countries that experienced internal conflicts.

In addition, the [current] US President canceled his predecessor Trump's decision to classify the Houthis as a terrorist group, which he justified as due to "humanitarian motives." Before that, many international organizations had called on the US administration to cancel the decision because it harmed aid.⁸⁹ Meanwhile, the Houthis were attacking the city Marib, which is the largest city hosting IDPs in the country. The bloodiest confrontations continue to rage at the time of this paper's writing.

Drawing lessons from those two incidents, if the Houthis had lost Hodeidah, it would have weakened their ability to finance the war and thus very possibly sit at a dialogue table and consider a peace process. The efforts of the new US administration to stop the war in Yemen were expressed by President Biden during his election campaign and later confirmed by stopping arms sales to Saudi Arabia⁹⁰ and appointing a special envoy to Yemen.⁹¹, clashed with the Houthi rejection and their insistence on continuing the fight. Thus, it confirms that the Stockholm Agreement gave the war an additional life and allowed arms manufacturers to sell more of their weapons to countries involved in the war.

Recommendations

International Community

- It is necessary to separate between humanitarian aid and political aid in Yemen.
- Alternative measures should be used to prevent aid from being exploited rather than reduced.
- The gap between the low level of funding and the growing needs should be reduced.
- To overcome the humanitarian tragedy, the unification of monetary institutions and currency must be emphasized.
- The government needs assistance in resuming oil exports in return for its commitment to pay the salaries of all civil government sector employees on a regular basis.
- A portion of the aid should be allocated to urgent emergencies for development, restoration, and improvement of the quality of services, particularly electricity, health, and education.
- Pressure must be alleviated by easing bureaucratic restrictions on exports and imports (revitalizing trade through the ports).
- A real partnership with the Yemeni government and CSOs must be established.

The Government

- Involve the private sector and civil society in development and reconstruction projects.
- Assume its responsibilities towards the consequences of the war by forming an emergency unit and providing it with necessary resources.

International Organizations

- Yemen is a maritime country, and it has long maritime borders on the Red Sea and the Arabian Sea. It has several major ports, the most famous of which is the port of Aden. To avoid restrictions imposed on distribution by the Houthis, aid must enter into areas controlled by the recognized government and the Southern Transitional Council through Aden or Mukalla ports. Aid to Houthi-controlled will continue to go through the port of Hodeidah, i.e. from the centralization of relief work in Yemen to decentralization.
- Switch to the biometric system (fingerprint) in the distribution of aid.
- Tighten controls and transparency on local organizations entrusted with distributing aid.
- Establish a real partnership with local organizations.



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Endnotes

- 1 The Fourth High Level Forum on Aid Effectiveness (HLF-4) which took place in Busan, Korea, from 29 November to 1 December 2011 was the culmination of a process initiated with the High-Level Forum in Paris in 2005 (with a prelude in Rome in 2003) and followed by the Accra Forum in 2008. The proceedings of the meeting culminated in The Busan Partnership for Effective Development Co-operation.
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