

**KUWAIT'S GLOBAL CONTRIBUTION IN ELEVATING  
POVERTY REDUCTION STRATEGIES**

**A paper contributed by the  
Kuwait National Strategy Team**

## **BRIEF ON KUWAIT**

Kuwait is one of the leading petroleum producers of the world and holds almost 10% of the world hydrocarbon reserves, it is a tiny country located in the Middle East. Prior to 1961 it was under the political sovereignty of Britain. Before the discovery of oil, i.e. in early 50'S it was counted among the poor countries of the world, trading was the main activity. Discovery of oil changed the fortunes of Kuwait and started bringing in the wealth; the farsightedness of the then rulers of Kuwait laid the foundation for this wealthy society, by wisely investing the oil income in the profitable ventures globally.

Part of the oil income and the earning from these investments were invested back in developing the country and to address the issue of poverty, by implementing various programs and schemes for uplifting the standards of its society. Kuwait has come a long way since then and today it has eliminated poverty from its soil and is classified by the World Bank into the wealthy and developed countries in the world. With an average per capita income in the vicinity of US\$ 20,000, Kuwait's today enjoy all the modern comforts with high standards of living comparable to any of the developed nations in the world.

## **KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT**

Since gaining its political independence from the British in the year 1961, Kuwait became a full-fledged responsible member of the international community, adhering to the fundamental principle of human history – The rich and the powerful have a moral obligation to assist the poor and the weak and having gone through this phase itself, Kuwait established this fund with a capital of KD 50 Million on the principles of political non alignment, quick response and long term commitment.

Dawning of the fact that economic problems cannot be sorted out without addressing its root cause – human aspect and the circumstance that impoverish them, the fund in 1973, opened itself to the entire developing world, joining forces with them along with the other international funds/ aid agencies to fight the poverty and to eliminate human sufferings prevailing in these countries.

By the end of 2005, the fund has grown to become KD 2,000 Million in capital, financing 664 various projects in more than 80 countries worth KD 3,645 Million, eliminating the sufferings, changing / improving the lives of millions of people globally.

## **CRITERIA**

### **Eligibility**

- Central/Provincial government, public utilities /other public corporations / International, regional, National development institutions, Corporate and private entities with corporate structure, under the control of one or more developing countries, are eligible to apply for this loan.

### **Forms of Assistance**

- Direct Loans or provisions of guarantees.
- Joint/ Parallel financing with International, Regional, Local development financial institutions.
- Financing project feasibility reports, project preparation reports, pre investment studies, investment proposals.
- Advisory services – technical, financial, legal.
- Capital subscription or contribution to the resources of Development Finance Institutions.
- Capital subscription for eligible development.

### **Monitoring Disbursement of Funds**

- KFAED funds are directly disbursed to the contractors, eliminating the middle agencies, after verifying their work completion claims.
- Proceeds can only be disbursed to meet expenditure on goods, services or other purposes as specified in the agreement.

- Procurement of goods and services should be made on transparent international competitive bidding to ensure economy in cost and best possible quality of goods or works to be procured.

### **Checks and Balances**

Copies of all documents pertaining to the following are to be forwarded to KFAED in advance:

- Complete project study
- Terms and conditions for the tenders
- Contractor's qualification
- Tenders
- Approvals given
- Claim Forms

### **EXAMPLES – PROJECT FINANCED**

#### **Mahawelo Project, Sri Lanka - 1981**

KFAED in partnership with other international aid agencies like OECF – Japan, World Bank and others was involved in this multiphase, multi-activity project.

KFAED in association with OECF and WB was exclusively involved in Zones 3 – 6 of System C in this project, which by 1994, had helped 122,000 landless, homeless, families or 500,000 individuals change their fortunes, by financing the development of 18,500 hectares of new irrigation land, by building dams with a power generating capacity of 1,442 MW of electricity, besides acting as a reservoir to irrigate 100,000 hectares of land within the project area in addition to another 68,000 hectares in the near by areas. This land was then allocated to these families, to conduct agricultural activities, helping them to earn a steady income to improve their lives

In addition infrastructure likes 29,000 wells to provide drinking water, 300 plus schools to provide education, 327 post offices, 215 co-operatives and 52 banks were built for their benefits.

In the words of SUMISH JAYANAYAKE, one of the re-settled families, benefiting from this project – BEFORE COMING HERE I HAD 2,000 RUPIYAH, NOW I HAVE A HOUSE, A MOTORBIKE, A TV APART FROM OWNING SOME LAND.

All these 122,000 families own a piece of land, on which they carry out farming activity supported by the co-operatives and banks who provide them with the required expertise, funds, technology, seeds/sampling and the marketing support to sell their products. Their children go to schools, health centers help provide health care, in short the people who till 1984 were fighting for their survival, through this project in 1994, i.e. in 14 years, are now well off and able to lead dignified lives.

#### **Maldives Tuna Fisheries - 1980**

Another such example is this project financed in Maldives, in 1980.

Maldives is a small archipelago located in the Indian Ocean off the cost of Sri Lanka, with a total population of 223,000 people; Tourism is the major source of income followed by fishing, with almost 12,000 people being directly involved in this trade.

The fishing industry prior to 1980 was un-organized, subjected to severe market fluctuations, due to demand and supply situation, as consumption was limited to the local population and the visiting tourists only, exports were limited and small. Due to glut in the international market, Japan the only major buyer of Maldivian Tuna pulled out completely from this market, liquidating its assets to Maldivian Industrial Fishing Co. – MIFCo, including some freezer ships which were almost 20 years old and were expensive to be maintained, resulting in a higher cost of the product, which made Maldivian Tuna un-competitive in the international market.

Besides above, Tuna the major fish was not properly conserved, methods and technology employed for fishing was of third generation proving to be un-economical i.e. bringing in small catch and little income compared to the time spend in fishing, resulting in debt ridden community, plagued with all kinds of social evils. The situation was much worse in the interiors where only 30% of the country population resides with little tourism; the fishermen were forced to sell their stocks to middlemen during the market slump at very low prices, which was much below their cost.

KFAED, from 1980 onwards changed the situation of the fishing community; improved their lives by financing the modernization process, creating several additional jobs – boat building, administration, and marketing to name the few. The entire fishing fleet in the interiors was modernized with faster mechanical crafts which helped the local fishermen net more catch in a short time, increasing their income and brought down the cost considerably. MIFCo was also helped to bring down the cost, by financing the procurement of new freezer ships to store the fish, to obtain latest technology for conserving the Tuna stocks, aggressive marketing techniques were employed to explore new markets, as a result today there are 30 plus brands of Maldivian Tuna being marketed globally, which has stabilized the market and help bring a steady income for the fishing community, helping them to pay off their debts, get rid of the social evils and improve their living conditions.

There are numerical such examples around the globe where Kuwait directly or indirectly through its various aid agencies has touched the lives of ordinary people and transformed them completely without any motives of gain except for the purpose of humanity.

“Kuwait fund is in fact showing the world that how small nations can play a constructive role in the universal efforts for sustainable development.”<sup>1</sup>

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<sup>1</sup> Sources: Kuwait Fund for Arab Economic Development, Kuwait. Along with extracts from the book: "FRIENDS IN NEED" by Michael McKinnon, President World Bank, 1968-81