Development Co-operation Review

Spain

Development Assistance Committee

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Pursuant to Article 1 of the Convention signed in Paris on 14th December 1960, and which came into force on 30th September 1961, the Organisation for Economic Co-operation and Development (OECD) shall promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;

- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and

- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

The original Member countries of the OECD are Austria, Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The following countries became Members subsequently through accession at the dates indicated hereafter: Japan (28th April 1964), Finland (28th January 1969), Australia (7th June 1971), New Zealand (29th May 1973), Mexico (18th May 1994), the Czech Republic (21st December 1995), Hungary (7th May 1996), Poland (22nd November 1996), Korea (12th December 1996) and the Slovak Republic (14th December 2000). The Commission of the European Communities takes part in the work of the OECD (Article 13 of the OECD Convention).

In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the Development Assistance Committee, whose Members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, Members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.

The Members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities.

FOREWORD

The Development Assistance Committee (DAC) conducts periodic reviews to improve the individual and collective development co-operation efforts of DAC Members. The policies and efforts of individual Members are critically examined approximately once every three years. Some six programmes are examined annually.

The Peer Review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC Members who are designated as examiners. The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, and NGO representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the Member concerned. Brief field visits investigate how Members have absorbed the major DAC policies, principles and concerns, and examine operations in recipient countries, particularly with regard to sustainability, gender equality and other aspects of participatory development, and local aid co-ordination.

Putting all this information and analysis together, the Secretariat prepares a draft report on the Member's development co-operation which is the basis for the DAC review meeting. At this meeting senior officials from the Member under review discuss a series of questions posed in a brief document: "Main issues for the Review". These questions are formulated by the Secretariat in association with the examiners. The main discussion points and operational policy recommendations emerging from the review meeting are set out in the Summary and Conclusions section of the publication.

This publication contains the Summary and Conclusions as agreed by the Committee following its review on 9 April 2002 in Paris, and the Report prepared by the Secretariat in association with the examiners, representing Ireland and the United Kingdom, on the development co-operation policies and efforts of Spain. The report is published on the authority of the Secretary-General of the OECD.

Jean-Claude Faure
DAC Chair

LIST OF ACRONYMS

ADB	African Development Bank
AECI*	Spanish Agency for International Co-operation
BSS	Basic social services
CABEI	Central American Bank for Economic Integration
CAF*	Andean Development Corporation
CESCE*	Spanish export credit agency
DAC	Development Assistance Committee
EC	European Commission
EDF	European Development Fund
EU	European Union
FAD*	Development Aid Fund
FCM*	Micro-Credit Concession Fund
GDP	Gross domestic product
GNI	Gross national income
HIPCs	Heavily-indebted poor countries
IDB	Inter-American Development Bank
IFI	International financial institutions
IMF	International Monetary Fund
LICs	Low income countries
LLDCs	Least-developed countries
LMICs	Lower MICs
MDG	Millennium Development Goals
MFA	Ministry of Foreign Affairs
MIC	Middle income countries
NGO	Non-governmental organisation
ODA	Official development assistance
OLICs	Other LICs
OPE*	Planning and Evaluation Office
OTC*	Technical Co-operation Office

PACI*	Annual Plans for International Co-operation
PRSP	Poverty Reduction Strategy Papers
SECIPI*	State Secretariat for International Co-operation and Latin America
ULICs	Upper LICs
UNDP	United Nations Development Programme

* Denotes acronym in original language.

Signs used

()	Secretariat estimate, in whole or part
-	Nil
0.0	Negligible
..	Not available
...	Not available separately, but included in total
n.a.	Not applicable
p	Provisional

Slight discrepancies are due to rounding.

Exchange rates

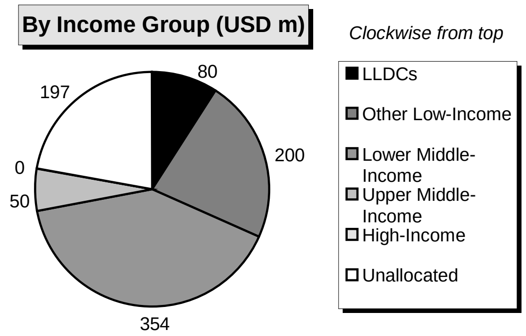
Spain's aid at a glance

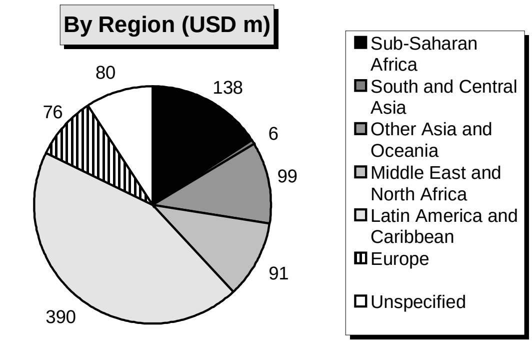
SPAIN

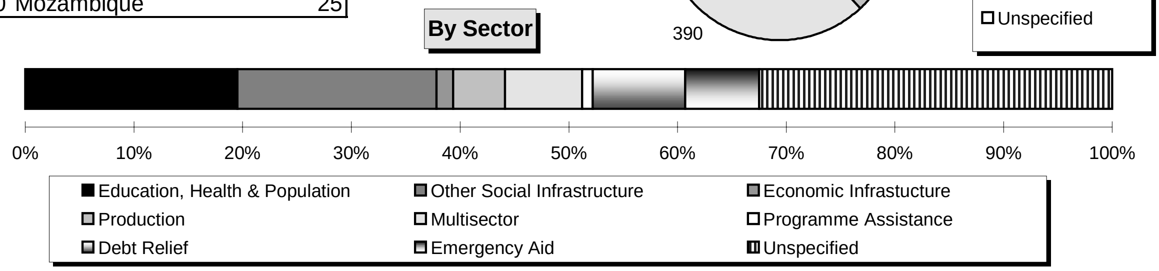
Gross Bilateral ODA, 1999-2000 average, unless otherwise shown

Net ODA	1999	2000	Change 1999/2000
Current (USD m)	1 363	1 195	-12.4%
Constant (1999 USD m)	1 363	1 335	-2.1%
In Euro (million)	1 279	1 296	1.3%
ODA/GNI	0.23%	0.22%	
Bilateral share	61%	60%	
Net Official Aid (OA)			
Current (USD m)	13	12	-5.4%

Top Ten Recipients of Gross ODA/OA (USD million)	
1 China	41
2 Honduras	41
3 Indonesia	40
4 Morocco	38
5 Bosnia and Herzegovina	33
6 Peru	30
7 Angola	26
8 Dominican Republic	26
9 Bolivia	25
10 Mozambique	25







Source: OECD

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MAIN FINDINGS AND RECOMMENDATIONS

Comprehensive framework and new orientations

Spain is to be commended for the notable progress made in development co-operation since the last Peer Review. Important achievements include the adoption of a comprehensive Law on International Development Co-operation and a four-year Master Plan (2001-2004), improved annual plans, and reinforced or new co-ordinating bodies. The purpose of the reform was to enhance consistency and co-ordination within the diverse Spanish aid system, which includes many ministries, autonomous regions, local authorities, and civil society organisations. A significant achievement of the new policy is that it establishes poverty reduction as the overarching goal in development co-operation. Gender equality and environment are also determined as mainstreaming priorities. Spain seeks to focus its poverty reduction efforts on basic social needs and a new micro-finance programme is an important addition.

Spain has a comparative advantage in its assistance to Latin America with strong linguistic, historical, and cultural ties. Spain has had recent experience of building a democratic state and can add value by sharing lessons-learned with partner countries in innovative and risk-taking areas of good governance. In this respect, it can conduct dialogue with developing countries in areas that are difficult for other donors. Major activities through institutional development include judicial reform, decentralisation, tax administration, and police force training. These are areas in which Spain could take on a lead role in pursuing a sector approach with other donors.

In assessing Spain's development programme, it is important to bear in mind that Spanish development co-operation is relatively young. Spain was an aid recipient until 1977 and joined the DAC in 1991. In a short time, Spain has established a comprehensive binding law on development co-operation and multi-annual planning for the entire aid system. In this respect, Spain has set an example for the DAC, particularly among Members that have diversified aid systems. At the same time, Spain should improve the focus of its activities by sharpening the Master Plan to include a clearer hierarchy of principles and objectives with poverty reduction as the overarching goal across the entire aid system. Spain should establish a more results-oriented approach to programming and implementation to inform lesson-learning and consider integrating the Millennium Development Goals (MDGs) and indicators as a framework for assessing performance. The link between poverty reduction and loans of the Development Aid Fund (FAD), debt conversions, and the Scholarship and Culture Programmes could also be strengthened. Given the strong links with the MDGs, Spain's commitment to fulfil the Copenhagen 20-20 Initiative is welcome. This should be reflected in increased spending on basic social services.

Aid volume and allocations

In 2000, with Official Development Assistance (ODA) of USD 1.2 billion, Spain's ODA/Gross national income (GNI) ratio was 0.22%, ranking 19th out of the 22 DAC countries, in line with its per capita income ranking. ODA quadrupled between 1988 and 1994, peaking at 0.28% ODA/GNI, but the ratio has subsequently decreased. Meanwhile, the Spanish economy has performed well in recent years with growth of over 4% since 1997. Furthermore, public support for development co-operation appears to be strong. In line with the commitments made at the European Council meeting in Barcelona in March 2002 and announced at the International Conference on Financing for Development in Monterey, Spain is expected to reach an ODA/GNI ration of 0.33% by 2006. Combined with the growing trend of Spanish GNI, this implies a rapid increase in ODA.

Given its clear advantage in Latin America, Spain has a high concentration of aid in the region, particularly the poorer countries of Central America and the Andean Community. In 2000, 40% of Spanish bilateral aid was directed towards low-income countries (LICs), which was less than the total DAC average of 59%. In fact, more than half of its disbursements went to lower middle-income countries (LMICs). This raises interesting questions for Spain and the DAC about the role of donors in MICs; a key question is how effectively such aid is targeted at poverty reduction and creating a pro-poor environment. Spain could review its mix of grants and loans to LICs and MICs to ensure that scarce resources are allocated to where they are most needed.

Although Spain has started to focus on 29 programme countries, it does not sufficiently elaborate on selection criteria, resource allocation or how priority status will be applied. Spain also needs to guard against spreading itself too thinly. Loan disbursements have considerably declined from 80% of bilateral aid in 1993, but the proportion remains high at 34%. It is noted, however, that grants have increased, due to active decentralised co-operation through autonomous regions and local authorities, accounting for 25% of bilateral ODA. Most of these funds are channelled through non-governmental organisations (NGOs), which play a substantial role here and with co-financing from the Spanish Agency for International Co-operation (AECI). For multilateral co-operation, Spain focuses on the European Commission (EC), but has reinforced its contribution to the international financial institutions (IFIs) in order to increase its influence and co-operation.

Policy coherence and internal consistency

Spain has integrated policy coherence for development into its legal framework. The Law states that the principles and objectives of Spanish development co-operation should be reflected in all other policies affecting developing countries. It emphasises consistency with the objectives of sustainable development and poverty reduction in the promotion of political, economic and cultural relations with developing countries. However, the debate in Spain on policy coherence appears less advanced than in some other DAC Members. The Ministry of Foreign Affairs (MFA) should be given a stronger role and the necessary analytical capacity to engage in policy debate with other ministries and actors, including civil society and regional governments in areas such as trade, technology transfers, agriculture and fisheries (e.g. EC international fisheries agreements), where development objectives may conflict with domestic interests.

The collaboration between the Ministries of Foreign Affairs and Economy has improved, including the preparation of joint country strategies. The MFA has been assigned the central responsibility in development policy. However, it is recommended that MFA should be accorded a clearer lead role in providing directions to all actors in development co-operation. MFA’s role in this regard would include ensuring consistency and synergies between the growing decentralised co-operation and overall aid policy.

Spain has reduced the importance of FAD loans and made improvements in their management, including the strengthening of project identification, monitoring and evaluation. However, Spain should continue its review of FAD loans in a comprehensive manner to reinforce their poverty reduction orientation. The policy of providing loans as opposed to grants to poor countries should be further reviewed in light of the Heavily-indebted poor countries (HIPC) Initiative. At the project level, sector strategies, clearer objectives, improved targeting of beneficiaries, and more detailed reporting for individual projects would be useful and could increase transparency. Moreover, since the FAD loans to non least-developed countries are tied to Spanish procurement, Spain may wish to review the limitations this places on partnership, ownership and aid effectiveness.

Ownership, aid management and implementation

Field offices benefit from a significant degree of autonomy in conducting dialogue with partner countries and in aid management. Spanish co-operation appears to be flexible and quick in responding to partner countries' needs, particularly in case of emergency assistance. Spain is committed to country-led poverty reduction strategies, but like other donors, needs to ensure that they are effectively integrated into its country strategies. Furthermore, country strategies for Spain's 29 programme countries could be more selective in sector focus and specific on the appropriate mix of channels and instruments. Spain is cautious in transferring management responsibilities to partner countries but might further strengthen ownership by delegating responsibility to local counterparts. In addition, Spain could consider the possibility of adopting sector approaches in collaboration with other donors as a way to further strengthen ownership and sustainability. The significant involvement of NGOs, while a strength of the Spanish system, equally requires attention be paid to transaction costs as well as to efficiency and co-ordination issues.

MFA's efforts to establish effective evaluation are welcome. However, evaluation systems need to be further developed and strengthened across the aid programme, particularly for FAD loans, decentralised co-operation and NGOs. MFA's management of human resources could also be more strategic, based on a long-term needs assessment, including skills development. In particular, MFA could explore opportunities for staff mobility between the field and headquarters in order to better integrate development expertise into its strategic policy work.

Recommendations

Based on the above findings, the DAC encourages Spain to:

- Pursue all possible means to reach 0.33% ODA/GNI ratio by 2006.
- Ensure that assistance to MICs is effectively targeted on poverty reduction in support of the MDGs.
- Clarify policies on loans vs. grants, taking into account debt sustainability of recipient countries and country income levels.
- Establish a more results-oriented approach to programming and implementation to inform lesson-learning and consider integrating the MDGs and indicators as a framework for assessing performance.
- Ensure that the Scholarship and Cultural Programmes reinforce the overarching goal of poverty reduction.
- Increase resource allocation to basic social services.
- Enhance policy coherence for development by encouraging a wider public debate and strengthening the MFA's analytical capacity in areas which have an impact on developing countries, e.g. trade, agriculture, and fisheries.

- Assign MFA a clearer leading role in providing directions to other ministries and actors to further increase synergies. Given the growing resources mobilised through decentralised co-operation, autonomous regions and local authorities are encouraged to enhance synergies with Spain's national policies, especially regarding country and sector strategies.

- Continue the comprehensive review of the poverty reduction impact of FAD loans to reinforce ownership and effectiveness.

- Increase partner countries' responsibility in aid management, improve the links between individual projects and country-led poverty reduction strategies and move towards working on sector approaches with other donors.

- Ensure that NGO activities co-financed by the national and regional governments are consistent with country and sector strategies of Spanish development co-operation.

- Continue to develop and strengthen monitoring and evaluation across the Spanish aid system, particularly for FAD loans and decentralised co-operation activities.

CHAPTER 1

OVERALL FRAMEWORK AND NEW DEVELOPMENTS

Comprehensive legal framework and programming

Spain is to be commended for the notable progress made in development co-operation since the last Peer Review of 1998. Important achievements include a comprehensive Law on International Development Co-operation (henceforth, referred to as "the Law") in 1998, a four-year Master Plan (2001-2004), improved Annual Plans for International Co-operation (PACIs) (see Box 1), and reinforced or new co-ordinating bodies. The objective of the reform was to enhance consistency and co-ordination within the diverse and broad-based Spanish aid system, which includes many ministries, autonomous regions, local authorities, non-governmental organisations (NGOs), and other civil society organisations.

Box 1. **The Law, Master Plan, and PACI**

The Law applies to activities conducted by the public sector and private entities aimed at assisting developing countries directly or via multilateral organisations. It defines the following principles, objectives and priorities:

- Principles include human rights, sustainable development, gender equality, and equitable economic growth.
- Basic objectives, which contribute to poverty eradication, are socio-economic development, security, peace, democracy, and human rights. They also include coherence between the principles of Spanish co-operation and political, economic, and cultural relations with developing countries.
- Geographic priorities include Latin America, the Arab countries of North Africa and the Middle East, and other less developed countries with special cultural and historical ties with Spain.
- Sector priorities include basic social needs, infrastructure and the productive sector, social participation, institutional strengthening, good governance, environmental protection, culture and research.

The Master Plan is an indicative plan that highlights areas to be mainstreamed such as the fight against poverty, gender equality and the environment. Geographic priorities are broken down with selected programme countries. Sector priorities are clarified; for example, basic social services would be allocated 20% of bilateral grants, and infrastructure and promotion of the economic fabric will integrate export credits and guarantees. The budgetary framework is constructed for each year, as well as for each ministry, region, sector (grants only), and multilateral distribution.

The PACI 2001 breaks down the budget of ministries by instruments, regions, and sectors (grants only), and includes those of the autonomous regions. It also elaborates the general objectives in assistance for each country. Furthermore, Spain's co-operation policies for the European Commission (EC) are discussed in detail, such as achieving more influence in its aid programme and promoting more official development assistance (ODA) to Latin America.

The process of establishing the Law, which lays out the principles for all actors in Spanish co-operation, was complex and laborious as it required many consultations. On the one hand, Spain had to respect the budgetary independence enjoyed by the autonomous regions and local authorities, guaranteed by the Spanish constitution. On the other hand, there was a need to establish consistency and complementarity in the aid programme. Few Development Assistance Committee (DAC) Member countries have established such an overall binding law on development co-operation, let alone multiyear or annual planning for the entire aid system. In this respect, Spain can be said to have set an example within the DAC, particularly among Members which have diversified aid systems.

A significant achievement of the new policy is that it establishes poverty reduction as the overarching goal in development co-operation. In addition, gender equality and environment are clearly determined as mainstreaming priorities. Spain states that it is targeting poverty reduction directly by focusing on basic social needs and through a new micro-finance programme. Although the geographical focus will remain in Latin America and other countries with strong historical and cultural ties, most of which are middle-income countries (MICs), Spain stresses that it is directing aid to the poor populations of these countries. The Law also calls for policy coherence with the objective of global poverty reduction, although its implementation remains a challenge (see Chapter 4).

Organisational and operational changes

The Law assigns the Ministry of Foreign Affairs (MFA) the central responsibility in development policy. The permanent bodies that were reinforced or established in order to ensure consistency and promote synergies include (more in Chapter 5):

- The Development Co-operation Council.
- The Inter-Ministerial Committee for International Co-operation.
- The Inter-Ministerial Committee for the Development Aid Fund (FAD).
- The Inter-Regional Committee for Development Co-operation.
- The Parliament’s International Development Co-operation Committee (see below).

Other organisational adjustments can be seen since the last Peer Review. The Spanish Agency for International Co-operation (AECI) and the Ministry of Economy (MOE) that deals with the FAD loans have been reorganised to improve aid management (see organisational charts in Chapter 5). Operational innovations include the development of regional, country, and thematic strategies, as well as an enhanced evaluation system.

Economic and political setting

The above efforts to consolidate Spain’s aid programme are welcome. Spain was an aid recipient until 1977 and joined the DAC in 1991; thus Spanish co-operation is relatively young. Spain’s economic performance is still in the process of catching up; its per capita income is 19th of the 22 DAC Member countries. At the same time, it is evident that Spain has a comparative advantage in its assistance to Latin America with strong linguistic, historical, and cultural ties. In addition, Spain has had recent experience of building a democratic state and can add value by sharing lessons-learned with partner countries in innovative and risk-taking areas of good governance. In this respect, it can conduct dialogue with developing countries in areas that are more difficult for other donors.

The Parliament recently established an International Development Co-operation Committee. After the approval by the Council of Ministers, the MFA forwards the Master Plan and the PACIs to this Committee for debate. The MFA also reports to the Committee on many aspects of the aid programme, including its evaluations**.** The Committee frequently carries out dialogue with NGOs and other civil society groups.

The Spanish public and development education

The Spanish public is actively engaged in development co-operation. This is partly due to the decentralised development co-operation system, which enables the public and NGOs to become involved in the aid programmes of autonomous regions and local authorities. For example, Spain's public raised funds generously and actively when natural disasters hit Latin America, such as after Hurricane Mitch in Honduras and the earthquakes in El Salvador. According to Spain, the public raised more funds in absolute terms than the United States of America or the rest of the European Union (EU) to help victims in El Salvador. NGOs play a strong role in raising public awareness and constitute an important channel for aid delivery. Programmes carried out by NGOs with financing from the AECI and decentralised co-operation represented about a third of Spanish bilateral ODA in 1997-2000.

Public support for development co-operation appears to be strong. According to a multi-country poll commissioned by the United Nations Population Fund in 2001, when the actual level of the aid budget was mentioned, 70% of the respondents in Spain mentioned that it was too low, 17% said it was just right, 1% said that it was somewhat too high, and 13% said they did not know. According to an opinion survey carried out in 2000 by the statistics authority on Spanish economy and politics, 84% responded that Spain should assist developing countries through aid even if it implied an economic cost. This was a large increase from 58% in 1990. As the poll did not include detailed questions on development co-operation, it would be useful for the MFA to carry out regular public opinion surveys specifically on the subject.

The Master Plan places considerable focus on development education and indicates the financing to reach EUR 8 million by 2004. The AECI carries out some public education activities and offers an internet web site, which is easy to use and provides diverse materials. It includes the Law, PACI, AECI's annual report, information for NGOs and useful links to other sites. Versions in other major languages would be useful for non-Spanish readers to understand Spain's aid programme. Since substantial development education is carried out in decentralised co-operation, the MFA could provide guidelines, establish division of roles, and ensure activities to be in line with the poverty reduction objective. The MFA could also analyse public comprehension of aid issues and carry out qualitative and quantitative evaluations of development education activities implemented by the various actors. Finally, the AECI and MOE issue annual reports on their respective activities; however, Spain might consider publishing a single annual report covering all of Spain's development activities to reflect compliance and performance against the Law, Master Plan and PACIs.

Challenges in operationalisation

Now that a comprehensive framework for development co-operation is firmly established, Spain would benefit from making further adjustments and refinements to operationalise the new direction. The Master Plan could be sharpened to include a clearer hierarchy of principles and objectives with poverty reduction as the overarching goal across the entire aid system. . The PACIs would also benefit from more explicit implementation modalities, a defined rationale for instruments chosen, a budgetary breakdown by country, and more information on and guidance for the FAD loans. Spain's intention of developing regional, country, and sector strategies based on extensive analysis of poverty situations and the needs of partner countries is welcomed. At the same time, Spain's focus on MICs instead of low-income countries (LICs) would be consistent with poverty reduction only if the poor populations of the former countries are effectively targeted (see Chapter 2). Spain could review how it provides aid to LICs and MICs to ensure that scarce ODA resources are most effectively used.

Although the Law assigns the MFA the central responsibility in development policy, it could be accorded a clearer lead role in providing directions to other ministries to further increase synergies - instead of carrying out only a co-ordination function. MFA could also start engaging in promoting policy coherence. Since Spain has embraced the Millennium Development Goals (MDGs), the challenge now is to become more results-oriented by integrating them and other measurable indicators. This applies to projects of all ministries, particularly to the FAD loans and Spain's Cultural and Scholarship Programmes, in the context of scarce ODA resources (see Chapter 3). In field operations, Spain could make more effort in increasing local ownership with a view to ensuring sustainability of projects.

The public and the NGOs show concern that Spain is far from reaching the United Nation's (UN) target of 0.7% ODA/GNI ratio. In line with its recent commitment to reach 0.33% ratio by 2006, Spain is strongly encouraged to explore all possible means to reverse the stagnating ODA volumes and ODA/GNI ratios. This is explained in more detail in Chapter 2.

Future considerations

- The Master Plan could be sharpened with poverty reduction as the overarching goal across the entire aid system. The PACIs could clarify implementation modalities, rationale for instruments chosen, a budgetary breakdown by country, and more information on and guidance for the FAD loans.

- Spain could establish a more results-oriented approach to programming, based on the integration of MDGs and measurable indicators across the entire aid system.

- To maintain high public support, MFA could strengthen development education by monitoring and analysing opinion trends and giving guidance and evaluating related activities of various actors.

- Spain could publish a single annual report covering all of Spain's development activities.

CHAPTER 2

AID VOLUME, CHANNELS AND DISTRIBUTIONS

Official development assistance volume

Spain's ODA/GNI ratio recorded 0.22% in 2000 and ranked 19th out of 22 DAC countries (see Figure I.1 in Annex I). Spain's ODA/GNI ratio continues to be below the DAC and European Union (EU) average country efforts. After a dramatic increase between 1988 and 1994, peaking at 0.28%, the ratio has subsequently decreased in recent years (see Table I.1). Concerning the volume, although Spain's net ODA more than quadrupled in real terms from 1988 to 1994, it has not grown substantially since then. Between 1999 and 2000, though there was nominal growth in EUR of 1.3%, net ODA in real United States dollars (USD) terms decreased by 2.1%. In 2000, Spain's net ODA was USD 1.2 billion[1] and ranked 12th among the DAC countries. According to the Master Plan, net ODA is expected to grow to about USD 1.6 billion in 2004, which implies ODA to increase by USD 100 million per year.

Spain had the fourth lowest per capita GNI amongst DAC Members at USD 14 000 in 2000. On the other hand, OECD's latest *Economic Outlook* states that Spain has enjoyed an economic growth of more than 4% from 1997 and estimates growth rates higher than the EU average for 2001-2003. As for unemployment, though still relatively high, rates have consistently fallen from a peak of 24% in 1994 to 14% in 2000 with a projection showing 13% in 2003. The main objective of Spain's economic policy is to maintain expansion and to converge with the other EU Member states. In this context, fiscal policy focuses on eliminating the government budget deficit, which diminished to 0.25% in 2000 with a balanced budget expected in 2001, a year earlier than the target date.

Despite continued economic growth, Spain does not have official benchmarks to reach the UN target of 0.7% ODA/GNI ratio. Spain argues that since its per capita GNI is lower than most DAC countries, its time frame to reach its international commitments could also be different. At the same time, during the Barcelona European Council meeting in March 2002, Spain - which held the Presidency - committed to endeavour in reaching at least 0.33% ODA/GNI ratio by 2006. Furthermore, as mentioned in Chapter 1, the Spanish public is concerned with the low level of aid funds. Spain is strongly encouraged to pursue all possible means to increase the volume of its ODA.

One of the major weaknesses in the Master Plan and the PACIs is that, according to MOE, the FAD loan allocations are stated in net terms instead of gross terms, although not specified in the documents. While this is useful concerning the total ODA volume and ODA/GNI ratio since net ODA is used here, net data are not practical in analysing distributions. For example, the distribution according to ministries (see Table 2 in Chapter 5) does not reflect budgetary allocation. In general, gross ODA is

1. In 2000 prices and exchange rate. Other DAC data are 1999 prices and exchange rate.

used by the DAC to examine distributions according to geographical regions, countries, sectors, instruments, and channels, as they reflect commitments and priorities of the Member countries[2]. Spain is strongly encouraged to indicate FAD allocations in gross terms to make the Master Plan and PACIs more useful as planning documents.

Multilateral aid: policies, channels, and distributions

Spain considers a ratio of 40% multilateral aid and 60% bilateral aid to be optimal. The former has therefore gradually increased from 27% in 1996 to 34% in 2000 (Table I.2). Increases were predominantly directed towards the EC, to which Spain contributes proportionally more than most other EU Member states. The Master Plan shows a general increase in amount of contributions to the UN system, international financial institutions (IFIs), and the EC, respectively. Consistent with its efforts to increase multilateral aid, Spain is encouraged to become more active in assessing the performance of various multilateral institutions in collaboration with other donors.

United Nation agencies

Spain's total contribution to the UN system has continued to increase since 1997, although it remains below the 1996 level of USD 60 million or 5% of total ODA. Spain does not explicitly state its priorities within the UN agencies, but has had relatively longer collaboration with several agencies[3] and recently broadened its involvement with others, including those outside the UN[4].

International financial institutions

Spain's contribution to the IFIs such as the Bretton Woods institutions and regional development banks has increased substantially since 1997. For the regional development banks, Spain has a clear preference for funding the Inter-American Development Bank (IDB), followed by the African Development Bank (ADB), and then the Asian Development Bank. It has recently decided to join the Central American Bank for Economic Integration (CABEI) and the Andean Development Corporation (CAF)[5].

In recent years, Spain has reinforced its contribution to the IFIs in order to increase its influence in the multilateral fora, for example, to promote more aid to Latin America and the Mediterranean countries. Spain started joining the IFIs around 1959 when its economy was still relatively weak, which kept its share of contribution proportionally small. Now that its economic position has improved, Spain has

2 . Net ODA deducts recipient country loan repayments from gross ODA.

3. The International Labour Organisation, UN Relief and Works Agency for Palestine Refugees in the Near East, Food and Agriculture Organisation, Joint UN Programme on HIV/AIDS, UN Development Programme (UNDP), World Food Programme, UN Volunteers, Office of the UN High Commissioner for Refugees, and UN Children's Fund.

4. The Organisation of American States, Organisation for Security and Co-operation in Europe, Organisation of African Unity, UN Industrial Development Organisation, and World Intellectual Property Organisation.

5. The CAF was established in 1970 with headquarters in Caracas, Venezuela, and is made up of 14 Latin American and Caribbean shareholders and 22 private banks in the Andean region.

increased the shares of its contribution to the IFIs[6] and has also created new trust funds. Spain wants to increase its share of capital holdings even further, but limitations are imposed by the IFIs. Spain also contributed USD 124 million to the heavily-indebted poor countries (HIPC) initiative fund (see Chapter 5).

European Commission

Spain's EC contribution represents a large and growing share of its ODA; it has consistently increased from 1996 to reach a quarter of total ODA or three-quarters of multilateral ODA in 2000. Compared to other EU Member states, only Greece and Italy contribute a higher proportion of total ODA and Greece is the only Member state contributing a higher proportion of multilateral ODA to the EC. Spain's contribution towards the 9th European Development Fund (2000-2005) was EUR 806 million, or 6% of the total Fund, making Spain the 5th largest contributor among the EC Members.

In the PACI 2001, Spain's objectives concerning the EC are clearly stated as the following: enhance visibility of Spain in EC co-operation, including increasing Spanish staff and involvement of Spanish NGOs, universities, firms and other organisations; promote delegation of authority to the field offices; increase complementarity between EC aid and that of Member states; take a more influential position in decision-making and in operations, especially by improving co-ordination in project identification/formulation and strategy development; and increase EC aid to Central and South America and encourage more dialogue between the two regions in preparing the biannual EU-Latin America summit. Since Spain does not refer to promoting policy coherence within the EC, this is an area that could be further considered in the future (see Chapter 4).

Bilateral aid: policies, instruments, channels, and distributions

From 1996 to 2000, Spain's bilateral ODA fluctuated between 61 to 73% of total gross ODA (Table I.2). With its relatively high proportion of loans, Spain's grant element of ODA in 2000 commitments was the second lowest among the DAC Members. However, the concessionality of Spanish aid has increased considerably over the past decade due to a major increase in the share of grants as well as the softening of loan terms.

Instruments

In bilateral aid, Spain had a relatively high proportion of loans, fluctuating between 22%-43% from 1996 to 2000. In 2000, Spain had the second largest level of loans disbursed as a proportion of bilateral ODA (34%) and total ODA (22%) among DAC Members. These loans are mainly from the FAD (see Chapter 4) and the new micro-finance schemes (see Chapter 3). There has been a declining trend of FAD loans from a peak of almost 80% of bilateral ODA in 1993. The Master Plan also shows declining volumes up to 2004, but since these are in net terms, it is not clear whether FAD allocations will decrease or whether repayments from recipient countries are expected to increase. According to

6. It has increased: holding in the 12th Replenishment of the International Development Agency from 1% to 1.39%; the World Bank holding from 1.52% to 1.78%; the capital holding of the ADB from 0.58% to 1.053%; holding in the 8th Replenishment of the African Development Fund from 1.4% to 2%; holding in the Latin American Development Corporation from 3.08% to 3.4%; and capital holding of the Asian Development Fund from 0.5% to 1%. It has also participated for the first time in the capital holding of 3.4% at the European Bank for Reconstruction and Development.

DAC data, repayments in 1996-2000 had a general tendency to increase, reaching USD 167 million in 2000.

The volume of grants has almost consistently increased from 1996 to reach 66% of bilateral ODA in 2000, although its proportion has fluctuated. Spain states that the increase is particularly due to the growing grant contributions from the decentralised co-operation. In the same period, technical co-operation accounted for 9-15% of bilateral ODA, which is low by DAC standards. However, some technical co-operation activities may be reported in the category of Project and Programme Aid. In addition, the proportion of Emergency Aid was generally lower than total DAC average and may not necessarily be increasing. Otherwise, there seems to be little diversion from total DAC average and no distinct trend in the distribution of disbursements according to instruments.

Channels

Decentralised co-operation has become one of the significant features of Spanish aid (see Chapter 5). It accounted for about 25% of bilateral ODA or 34% of grants in 2000. Since contributions by the autonomous regions and local authorities have been recognised in 1986, their funds have increased from EUR 120 million in 1997 to EUR 208 million in 2000. The Master Plan projects these funds to reach EUR 260 million in 2004.

Most of the decentralised co-operation funds are channelled through NGOs which play a substantial role in Spanish aid. Together with grants from the AECI, approximately 29% of bilateral ODA or 39% of grants were channelled through NGOs in 1997 to 2000. According to Spain, in 1998, 2 620 NGOs participated in development co-operation, with an estimated 3 million citizens taking part as either staff, volunteers, or providing funds. In some countries such as Mozambique, Honduras, and many others, more than half of the aid from Spain is channelled through NGOs.

Geographical and country distribution

Over 40% of Spain’s gross bilateral aid in 1996-2000 went to Latin America (Table I.3). A clear preference between Central and South America is not evident, as the higher proportion between the two regions varied from year to year. However, as the total population was smaller, Central America received more aid from Spain on a per capita basis. Furthermore, about two-thirds of the aid to the region went to the poorer countries of Central America and the Andean Community. Africa was the second highest destination, fluctuating between 26%-37% of bilateral ODA, generally lower than total DAC average; but the breakdown shows that aid to North Africa was higher than the average. In fact, aid to Sub-Saharan Africa has consistently decreased in terms of absolute volume and proportion of bilateral aid. Disbursements to Asia were also less than the total DAC average at 9%-18%, with South and Central Asia receiving 1%-3% and tending to decrease. The balance went to the Far East, notably China. Since 1999, ODA to Europe has increased to over 10% of bilateral ODA, mainly for Bosnia & Herzegovina and the Former Yugoslavia Republic. The Law provides preferential action in certain geographical areas; however, as mentioned earlier, the Master Plan furnishes geographical distributions in net ODA terms only (which takes recipient country repayments into account) and is therefore not useful in assessing Spain’s plan of geographical allocations for the near future.

The total number of recipient countries of Spanish ODA has increased from 85 to 107 in the last decade, although the top 20 recipients received 75% of the resources in 1999/2000 (see Table I.4). A notable difference is that Algeria, Argentina and Mexico, which were in the top five in 1994/95, were not even in the top 20 in 1999/2000[7]. Many top recipients were outside Latin America - China is the highest since 1990. Others in the top 10 included Indonesia, Morocco, Bosnia & Herzegovina, Angola and Mozambique in 1999/2000. A breakdown by instruments for top recipients shows that the average proportion of loans received are higher than that of grants, which indicates that Spain's top recipients are driven largely by whether or not they receive FAD loans.

Spain focuses on 29 programme countries[8], which are listed in Table 1 below. All the current top 20 recipients are included in the list except Indonesia, Venezuela, and Panama. In 1999/2000, 55% of Spain's gross bilateral disbursements went to these countries. The Master Plan indicates that these countries will receive more than approximately EUR 752 million in 2004, but it does not explain whether this is net or gross ODA, how this figure will be achieved, or where the balance of bilateral aid will go. It also does not mention whether and how the priority status of the programme countries applies to the FAD loans and the decentralised co-operation. NGO co-financing by the AECI, however, will be limited to activities in these programme countries. Neither the Master Plan nor the PACIs have allocation broken down by country. Spain should consider including these types of information in the documents to improve their utility in planning and to increase transparency and accountability.

Table 1. **Programme countries**

		Programme countries			
		Africa	**Asia**	**Cental and Eastern Europe**	**Latin America**
LICs	**LLDCs**	Angola Cape Verde Equatorial Guinea Guinea Bissau Mauritania Mozambique São Tomé and Príncipe Senegal	None	None	None
	OLICs	None	China Viet Nam	None	Honduras Nicaragua
MICs	**LMICs**	Algeria Morocco Namibia South Africa Tunisia	Philippines	Albania Bosnia Herzegovina Federal Republic of Yugoslavia	Bolivia Dominican Republic Ecuador El Salvador Guatemala Paraguay Peru
	UMICs	None	None	None	None

Source : MFA.

7. Under the Helsinki Agreement, Argentina and Mexico were excluded from the eligibility list of the tied FAD loans related to export credits due to their elevated income levels.

8. In addition, Colombia and Cuba have special status. Within Morocco, attention is also paid to Western Sahara.

Income distribution

With a high concentration of aid to Latin America, more than half of Spain's disbursements went to lower MICs (LMICs) in 2000 (Table I.3). For the rest, 12% went to least developed countries (LLDCs), 28% to other LICs (OLICs), and 9% to upper MICs (UMICs). Spain's Official Aid to Part II countries has been negligible. In 1996-2000, there was a tendency for the LMICs to increase and UMICs to decrease. Spain states that although its focus on LICs (40%) is less than Total DAC average (59%), most countries that are supported in Latin America have per capita GNI below USD 2 500. In addition, the vast majority of countries in Latin America have Gini coefficients of over 50, and the region has widespread poverty with 80 million people (16% of population) below the poverty line. The question is whether Spain is effectively targeting the poor in these countries with the appropriate forms of assistance. According to Spain, more than 80% of its aid to LMICs is directed towards sectors that have direct or indirect effects on poverty.

Breakdown of instruments according to country and income level shows that the grant share of total ODA was lowest for OLICs in 2000 - 82% for LLDCs, 23% for OLICs, 72% for LMICs, and 45% for UMICs. For example, Honduras, which is an OLIC and a HIPC, received substantial loans from Spain. This raises the question of whether Spain should be focusing its grant assistance to poorer countries where scarce ODA resources are most needed.

Sector distribution

Table I.5 shows the sector distribution of Spanish aid for 2000 which indicates that more than half of bilateral aid is disbursed towards social infrastructure and services. However, a high proportion goes to education and, like some other DAC Members, a large part of this is disbursed as scholarships and support to other tertiary education, with only a fraction (1%) going into basic education. The same applies to health, as most of it targets tertiary health facilities such as construction of specialised clinics and hospitals and provision of modern equipment, with a small portion (5%) going into basic health.

On the other hand, Spain has made a special effort to fulfil its commitment to the Copenhagen 20-20 Initiative. Spain argues that it has surpassed the commitment by disbursing 21% of bilateral grants in 2000 to basic social needs. Spain's definition of basic social needs is, however, broader than that of basic social services (BSS) agreed by the DAC, which is limited to basic health and education and poverty focused water and sanitation systems. Spain's definition includes, in addition, low-cost housing, reconstruction relief, food crop production, agricultural education/training, agricultural extension, food aid, and emergency relief, which are not in accordance with the general concept of the Initiative. Moreover, Spain's figure does not include loans. According to DAC data, only 10% of Spain's bilateral grants and only 7%[9] of loans could be classed as BSS, which make a total of 9% ODA commitment in 2000. Due to the strong links between the support to BSS and the MDGs, Spain's special effort to fulfil the Copenhagen 20-20 Initiative is welcomed. At the same time, more could be done to increase resources particularly to basic education and health. Spain could also rethink its approach in supporting these areas (see Chapter 3).

Other relatively high allocations are: economic infrastructure and services (13%), which are mostly financed by FAD loans for areas such as transport and energy; other social infrastructure and services (9%), which includes cultural co-operation; government and civil society (7%), which includes

9. Excluding large-scale water supply and sanitation systems and a USD 33 million small-scale system for Ecuador.

activities related to good governance and institution building; and action relating to debt (7%). The Master Plan and PACIs provide allocation targets by sector for its grants but not for loans, which is another weakness in the plan. According to the Master Plan, allocation for 2004 will be: 32% for infrastructure and economic promotion, 20% for basic social needs, 19% for human resources development, 14% for institutional development, 3% for environment, 3% for conflict prevention, and 10% for others.

Future considerations

- Spain should pursue all possible means to reach 0.33% ODA/GNI ratio by 2006.

- Spain could provide information on distribution of total gross ODA (instead of net ODA) by instrument, channel, geographical region, country, and sector. It could also clarify policies on resource allocation for programme and non-programme countries for all Spanish aid.

- Given its high focus on the MICs, Spain could ensure that its assistance is effectively targeted on poverty reduction in support of the MDGs. Policies on loans vs. grants depending on country income level could be clarified, particularly with more consideration for grant assistance to LICs where scarce ODA resources are most needed.

- In order to fulfil the Copenhagen 20-20 Initiative and to support the achievement of the MDGs, more bilateral ODA should be allocated to basic education and health.

CHAPTER 3

POLICIES AND ACTIVITIES IN KEY SECTORS

Spain's approach to poverty reduction in key areas

Poverty reduction

In reference to the *DAC Guidelines on Poverty Reduction*, Spain has made significant progress in establishing poverty reduction as the overarching objective in its aid policy. New developments show that there is a vision, political commitment, broad agreement, and a policy framework within the diverse Spanish aid system to focus on poverty reduction. Spain intends to support national ownership of poverty reduction strategies - such as Poverty Reduction Strategy Papers (PRSPs) where they exist - in developing its country strategies and bilateral programmes. Based on the field visit to Honduras, Spain appeared to be working in a close and collaborative way with a wide range of development partners. It maintained open dialogue with the partner country, other donors and civil society to communicate its framework and ensure co-ordination. This included continuous contact with relevant multilateral institutions in joint projects and programmes.

Spain believes that human development calls for adequate levels of health, education, water, sanitation and social protection. Therefore, it emphasises programmes that enable poor people to access basic social needs and micro-finance schemes. Furthermore, Spain promotes democratic, accountable and transparent governance, and helps partner countries to reinforce the rule of law and the impartial administration of justice.

Like most DAC Members, Spain is facing the challenge to operationalise poverty reduction across the entire aid system. Since Spain is not concentrating on the poorest countries, it particularly needs to show that the poor in other developing countries are effectively targeted. The goal of poverty reduction should be mainstreamed as the basis of planning and screening processes of all ministries and in decentralised co-operation. This includes the need to sharpen the link between poverty reduction and FAD loans, tertiary health and education, debt conversions (see Chapter 4), as well as the Scholarship and Culture Programmes described below. Relevant training should also be made available to all staff.

Spain could enhance the poverty analysis in country strategies, project design and evaluation. The AECI states that it places priorities on vulnerable groups and listens to the poor when it develops programmes; but a clear targeting of the poor could be sharpened elsewhere, particularly in the FAD loan programme. As part of the process, Spain could become more results-oriented by specifying goals and indicators against which impact assessments can be made. For example, its assistance in institution building should demonstrate the impact on the population, particularly on the poor. Spain could also integrate indicators related to the MDGs, possibly using them as a broader framework for performance assessment. Monitoring and evaluation systems would then need to be enhanced so that lessons-learned can be integrated into future policy.

In the field, Spain could ensure that projects become sustainable by confirming that recurrent costs will be realistically picked up in national or local budgets. Spain could give the partner country greater responsibility in financial decisions and management under technical co-operation and through untying aid. It could also start considering working with other donors in sector programmes, such as in health, education, and good governance. In particular, its Scholarship and Cultural Programmes and FAD loans need to be implemented within the context of poverty strategies and sector programmes. Transparency and accountability could also be enhanced by providing more information on the poverty orientation of the FAD loans (e.g. target beneficiaries, expected impact, evaluations, etc.) to other partners, including civil society.

Finally, although the Law mandates policy coherence for global poverty reduction, it needs to be further promoted in Spain's national agenda. Some important areas for Spain to consider nationally and in the EC context are: international trade; investment; agriculture; fisheries; natural resources; the environment; migration; anti-corruption; and human security. Spain has yet to systematically tackle the issue of policy coherence, which is described in Chapter 4.

Basic social needs

The Master Plan defines support for basic social needs as one of the sector priorities in Spanish co-operation. It is clear that in recent years, Spain has placed increased attention and effort into these areas. For example, Spain is supporting primary and preventive health care in the Philippines through Spanish NGOs. As mentioned in Chapter 2, Spain could nevertheless devote more resources to basic education and health. Currently, a large part of Spain's support is at the tertiary level, which includes the scholarship programme, construction of educational facilities and hospitals, and providing equipment to stand-alone projects. In 2000, Spain committed USD 14 million for the construction of educational facilities in Morocco, USD 11 million to support a technological institute in Venezuela, USD 33 million for a water supply system in Ecuador, and USD 5 million for the delivery of science and laboratory equipment in Côte d'Ivoire.

While many DAC Members are moving away from stand-alone projects and adopting a sector-wide concept, particularly in basic education and health, Spain has yet to articulate its position. Spain could therefore examine the benefits of a more comprehensive approach, with a view towards poverty targeting, the MDGs, and sustainability. Spain could help partner countries develop their sector strategies and assist them in working within the framework. This requires Spain to carry out more donor co-ordination and less implementation of stand-alone projects. Spain has a comparative advantage in Latin America, as mentioned in Chapter 1, and thus could even play a lead role by working with other donors towards a sector approach.

Micro-finance

In 1998, Spain introduced a micro-finance programme in Latin America by passing a law to create the Micro-Credit Concession Fund (FCM). The objective is to help improve the living conditions of the most vulnerable groups, for example, by providing them with the financial means to better access basic social needs. The micro-finance programme is basically carried out through financial co-operation to foreign intermediary institutions in the form of a concessional credit line with more than 25% grant element. Spain considers that the problem for the poor is not the cost of credit but access to it, and therefore provides credits to the beneficiaries at market rate. Other support includes personnel training for NGOs and subsidies for their equipment in carrying out their micro-finance programme.

Contracts were signed for FCM operations with a total value of EUR 27 million in 1999. This benefited 60 000 micro-entrepreneurs, mostly in Bolivia. In Central America, Spain provided a loan to CABEI, which then lent to NGOs or financial institutions to further provide credits to poor people in Honduras (EUR 4 million commitment), Nicaragua (EUR 3 million), El Salvador (EUR 1.5 million), and Guatemala (EUR 1.5 million). Spain expects to double the FCM to EUR 60 million by 2004. In the near future, Spain could make an impact assessment to examine how effective the programme has been in poverty reduction.

Good governance and institutional development

Good governance is also one of the top priorities in Spanish aid. Spain is concerned with corruption and human right abuses and considers good governance as a prerequisite for sustainable development. Spain is currently developing a specific strategy for the area since one in six AECI projects in Latin America are already related through institutional development. Spain has a special advantage in good governance; the nation itself underwent a transition in a short period, which resulted in major changes to its political, economic, social and judicial institutions, as well as in the establishment of decentralised and autonomous regions. Similar administrative and legal systems in Latin America due to its colonial history also provide an important basis. Major activities in institutional development, which are innovative and risk-taking, consist of the following: judicial and legislative reform; administrative reform, including decentralisation; tax administration and financial sector reform; and training of police forces (see Box 2).

Box 2. **Spain's support to institutional development**

Judicial and legal reform addresses the problem of corruption and limited legal protection of citizens' rights. Spain has provided technical co-operation to Uruguay, El Salvador and Honduras by sending experts on short-term missions to work in training and modernising the judicial systems. Support was targeted to ombudsmen, judges, public defenders, magistrates, lawyers' associations and university professors. Specific areas included improvement of investigation and notification procedures, forensic medicine, reform of the prison system, and regulatory development. Spain also gave a trust fund to UNDP for judicial reform in Central America, which provided 270 training courses in 24 cities of 7 countries.

Spain provides technical co-operation to modernise public administration, particularly at the regional and local levels. Promotion of decentralisation includes improvement in planning and management of local governments, technical training for local political authorities and municipal staff, and upgrading of small infrastructure. Spain also assists in the area of tax reform and financial administration through the following training to mostly Latin American civil servants: systems and methods of taxation, financing of territorial tax offices, international taxation, application of mapping systems, and insurance techniques and transactions. There are twinning programmes in this area with various Spanish organisations, including in assisting Eastern European countries.

Spain has carried out various activities to improve the police system by training the police forces and to upgrade co-ordination among different police administrations. Though not amounting to a reform of the entire security system, these are important areas that can lead to better protection of citizens. Spain has also co-financed with UNDP the training of 4 300 police officers in Mozambique and provided technical co-operation to transform the Guatemalan military to civilian police, which subsequently became an EC project.

Institutional development should not become an end in itself and fail to provide benefits to the citizens which the public sector is ultimately supposed to serve. The future challenge for Spain is to ensure that the objectives and targets in each project are results-oriented and not process-oriented - that success will be measured against the improvement in the lives of citizens, particularly the poor. In order to achieve results, projects have to be defined following a thorough analysis of the situation and needs in close partnership with the key stakeholders in the country, such as institutions, beneficiaries, and other donors. It would also be important for Spain to ensure sustainability by carrying out careful financial analysis of the partner government and provide the appropriate levels of funding based on realistic assumptions on its budget. In this respect, Spain is encouraged to engage in a sector approach in institution building, together with other donors. In fact, given the comparative advantage that it has in these areas, Spain should take on a lead role in pursuing a sector approach in some Latin American countries.

Scholarship Programme

The AECI considers its Scholarship Programme as a landmark of Spanish co-operation and an effective tool in bilateral relations. In the case of Latin America, this instrument dates back half a century, which subsequently spread to other regions. The programme is still growing, with university exchange becoming a co-operation priority in some Latin American countries. The budget for scholarships totalled EUR 22 million in 2000 (approximately 10% of the AECI's bilateral aid budget) benefiting 3 142 recipients[10], which was an increase from EUR 7 million in 1991, benefiting 1 896 recipients.

The scholarships are for post-graduate studies and other training courses in Spanish universities, research and training centres. It is targeted for young degree holders, professionals and researchers, both private students as well as civil servants, with a view to promote cultural relations and co-operation in education and science[11]. The AECI states that more than half the students are women. Other ministries such as the Ministry of Education also provide their own scholarships, for example, in training school teachers.

The AECI has recently introduced some measures to improve the Programme. Geographical and sector priorities stated in the Master Plan are heeded in providing the scholarships. Partner governments are also increasingly encouraged to select students from the public sector or hire them to work in the AECI's projects after the studies. The length of stay has been reduced from 3-4 years to 1-2 years to minimise the risk of brain drain. Furthermore, the AECI is also developing post-graduate programmes in Latin America as well as starting a new internet programme that would give more direct contact between the academic institutions and students in their own countries.

While the Scholarship Programme may be a useful tool for bilateral relations, there is little evidence to suggest that this type of assistance leads to poverty reduction. It was pointed out in the last Peer Review that very few students originate from poor countries. It was also recommended that Spain send students to other developing countries, but this has not occurred. Spain argues that candidates do not ask for scholarships to study in these countries. For private students, the AECI has not limited the

10. The geographical distribution of students was: Latin America (56%), North African countries and the Middle East (21%), Sub-Saharan Africa (11%), Asia (5%) and Europe (6%).

11. Examples of subjects include: oncology, cardiovascular, neuroscience, biochemistry, biotechnology, financial management, e-business, public network services, judicial institutional development, business law, bio-diversity management and conservation, and information society technologies.

scholarships to those from poor backgrounds, and therefore some who could have potentially financed themselves might have benefited. However, AECI agrees that measures will be taken to change this.

Against the background of limited ODA resources, Spain should reassess the opportunity cost of allocating resources to scholarships *vis-à-vis* the stated objective of promoting basic education and poverty reduction. In particular, the MDG to enrol all children in primary education by the year 2015 is in danger of being unattained in North Africa and the Middle East. At minimum, scholarships and training should be part of the partner country's poverty reduction strategy such as the PRSP or sector strategies and be complementary to other projects in Spain's bilateral programme. The MFA is planning an evaluation of the programme; the effectiveness of these scholarships should be assessed in terms of their development impact on the country or sector and on overall poverty reduction, which is beyond benefiting the trained individuals or Spanish institutions.

Cultural Programme

The AECI values cultural aspects in the development process and considers access to cultural services to be an important right for an individual in a poor country[12]. The Cultural Programme (sometimes termed as "Patrimony Programme" or "Preservation of Heritage") has been a landmark of Spain's development co-operation and is considered as another effective tool in bilateral relations. The AECI believes that it is a moral duty to conserve the historical and artistic legacy of Spanish ancestors in Latin America[13]; but the Programme objective also addresses the socio-economic problems associated with the cultural dimensions of development. At the same time, while a large part of the AECI staff is devoted to it , the Cultural Programme is not clearly articulated in the Master Plan nor PACI. The budget for this Programme is about EUR 12 million annually, which is spent on technical co-operation and financing to the following three components: the Revitalisation of Historic Centres, Restoration of Monuments, and Training Workshops.

Revitalisation of Historic Centres involves assistance in: establishing or strengthening local institutions to manage the centres; training professionals; planning and developing modern services; and drafting environmental policies, legal documents on site protection and other urban regulations. Social facilities such as markets, clinics, and schools are also built around the centres. Some projects are complemented by funds from decentralised co-operation and carried out by NGOs with participation of local communities. Aside from these historical sites, Spain has established 16 Hispanic Cultural Centres in Latin America, whose expenditures are reported to the DAC as ODA[14]. The component concerning the Restoration of Monuments rehabilitates historical buildings and monuments, directed by specialised technicians from Spain. The work is mostly carried out in the Training Workshops where young people are trained in professions connected with the conservation of the heritage, such as vanished traditional crafts, carpentry, masonry, and restoration of buildings. This concept is based on Spain's domestic experience in the 1980s. Currently, there are 27 workshops operating in Latin America.

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12. Page 5 of Spain's Memorandum [DCD/DAC/AR(2002)1/06] states "growth that should go hand-in-hand with measures that promote a redistribution of the wealth in order to favour an improvement in living conditions and access to health, educational and cultural services…".

13. Page 60, *ibid.* "Such action should not be considered merely from the laudable perspective of the moral duty to conserve the historical and artistic legacy of our ancestors."

14. Spain states that they are different from other cultural centres such as the British Council, Alliance Française, and the Goëthe Institute, in that those of Spain do not promote Spanish culture.

The AECI states that these activities are effective in increasing the tourist industry of the towns and having other spin-off effects, which ultimately help the economic development of communities. The project requests come from the partner country, decided by consensus with the local authorities, and are included in the bilateral programme. The AECI therefore believes that there is a high degree of sustainability as well as ownership over these activities. Through town development, poverty reduction is addressed by providing basic health services using NGOs and water supply in collaboration with health authorities. According to the evaluation carried out by the MFA on the Training Workshops, the inclusion of women was promoted successfully in the traditionally male trades and 93% of the graduates found employment. Although most of the activities were in Latin America, some support in North Africa, the Philippines and Equatorial Guinea was also provided.

Some parliamentarians and Spanish civil society have critical views on the Cultural Programme and consider that links with poverty reduction are an afterthought. The AECI admits that over 95% of the activities concern Spanish colonial culture but mentions that pre- or non-colonial activities are gradually increasing. At the same time, DAC data show that in 2000, the largest commitments in this area had the purpose of spreading Spanish culture and language and included USD 4.0 million to Egypt, USD 2.8 million to Morocco, and USD 1.2 million to Brazil. Other large commitments were for the purpose of preserving patrimonial culture in Latin America and included USD 1.5 million to Colombia and USD 1.1 million to Peru. The future challenge in this area is to ensure that cultural co-operation is clearly stated as a priority in the partner country's poverty reduction strategy. If it is to be carried out as part of an effort to enhance tourism, it should be well integrated in a sector-wide national tourism development strategy[15]. If it is part of a local capacity building effort, careful analysis of opportunity costs and financial sustainability should be carried out. Evaluations of this type of activities must be measured against cost effectiveness and sustainable poverty reduction, in the context of scarce ODA resources.

Economic infrastructure

As mentioned in Chapter 2, a large part of Spanish co-operation focuses on economic infrastructure. However, since the projects are mostly funded by the FAD loans and administered by MOE, very little information beyond basic data is available regarding the sector strategies, objectives, principles, and poverty focus of the projects. According to the DAC, some of the larger commitments in 2000 included: USD 49 million for urban trolley buses in Venezuela, USD 25 million for electrical transmission in the Dominican Republic, USD 19 million for a hydroelectric power plant in Honduras, and USD 17 million for airport equipment in China. Chapter 4 explains more in detail some of the questions regarding the FAD loans. In the future, Spain could move away from stand-alone projects in economic infrastructure and ensure that the projects are part of a poverty reduction strategy/priorities and a sector approach of the partner country. In addition, careful analysis with measurable indicators and targets are necessary to demonstrate how the support leads to concrete poverty reduction.

Performance with respect to other key DAC Guidelines

Gender equality

In accordance with the *Guidelines for Gender Equality and Women's Empowerment in Development Co-operation*, the Master Plan establishes the promotion of gender equality as an important cross-

15. Although many observers do not view tourism development as a satisfactory tool for poverty reduction.

cutting area. The MFA plans to mainstream gender equality into all procedures of policy formulation, planning, country strategies, evaluation, and decision-making procedures. The work of the AECI's gender section consists of: awareness raising; training of AECI and Technical Co-operation Office (OTC) staff; ensuring breakdown of all AECI data according to gender; and publishing of annual reports on gender equality activities. Gender experts are also posted in some OTCs. The AECI assesses that gender equality has been mainstreamed with about 50% success, especially in the NGO and micro-finance programmes. Work is also underway to draw up a gender strategy.

At the same time, Spain could do more to enhance gender analysis in its country strategy development papers, linking it to the issue of poverty, including attention to girls' education. Staff competence and specialist support would need to be upgraded in the AECI and other Spanish actors. Furthermore, as the co-ordinating ministry for all Spanish co-operation, the MFA could ensure that gender equality is addressed in all activities of Spanish aid, especially in the FAD loans, with goals, measurable targets and a check-and-balance reporting system.

Conflict prevention

In terms of the guidelines in *Helping Prevent Violent Conflict*, Spain demonstrates some positive aspects. It is generally transparent with partner countries at many levels by communicating intentions and conducting sufficient dialogue, particularly in Latin America. As described earlier, Spain also considers democracy, security, and good governance as key issues and assists in judicial reform to free people from pervasive threats to their lives, safety or rights. In addition, it works in areas to improve security systems through police training as part of enhancing good governance.

An innovation by Spain to promote intercultural dialogue and pluralism is its recent work on the protection of indigenous peoples of Latin America in bilateral and multilateral aid. Spain is completing a strategy which is intended to help indigenous people pursue development suited to their specific identity. Specifically, Spanish support includes: participation of indigenous people in national and international forums; promotion of indigenous culture; training and education for indigenous people; and provision of communication technologies. An extension of these activities is the Araucaria Programme (1998-2002) which aims to conserve the biological diversity of Latin America by focusing on the central role of indigenous and local communities. The activities through 11 projects in 10 countries include: strategy development for bio-diversity and management of protected areas; eco-tourism; alternatives for extensive cattle raising; traditional fishing and aquaculture; alternative energy sources; and monitoring the environment. The Araucaria Programme is a successful case of co-ordination among the Ministries of Environment, Economics, Treasury, Education & Culture, and Foreign Affairs, as well as decentralised co-operation, NGOs, private sector foundations, and local institutions.

There are some tasks that lie ahead for Spain in conflict prevention. Since it is in the process of drafting a Strategy for the Prevention of Conflicts, this could be used to improve Spain's political and socio-economic analysis in its regional and country strategies. With Spain's respected status in Latin America, it could help partner countries in getting military expenditure and other security-related spending planned and implemented appropriately. Finally, Spain could articulate and ensure corporate social responsibility and good environmental practices by raising awareness of conflict prevention issues and conflict impact assessment in its business communities.

Future considerations

- There is a need to tighten the link between poverty reduction and the FAD loans, tertiary health and education, debt conversions, as well as the Scholarship and Culture Programmes. Projects could be implemented within the context of poverty strategies and sector programmes with better donor co-ordination and fewer stand-alone projects.

- Spain could reassess the opportunity cost of allocating resources to the Scholarship and Cultural Programmes *vis-à-vis* basic education and other areas that directly support the MDGs.

- For good governance, Spain could ensure that the objectives and targets in each institution building project are results-oriented and measured against the improvement in the lives of citizens, particularly the poor.

- MFA could ensure that gender equality is addressed in activities of all Spanish aid, especially in the FAD loans.

CHAPTER 4

POLICY COHERENCE AND OTHER KEY AREAS

Policy coherence

Mechanisms for promoting policy coherence

Promoting overall coherence of national policies with regard to their impact on global poverty reduction is increasingly becoming important. DAC Members pledged in 2001, when endorsing the *DAC Guidelines on Poverty Reduction*, to elevate policy coherence for development as a general concern in policies and to develop the means necessary to promote it across their governments. Steps necessary to promote policy coherence include: political commitment to poverty reduction at the highest level; a mechanism for exchange and consultation within and across ministries; a systematic vetting of legislation for its coherence with poverty reduction; and adequate staff resources to undertake the necessary analysis.

Spain is one of the few DAC Members to have explicitly integrated policy coherence in its legal framework. The Law states that the principles and objectives of Spanish development co-operation should be reflected in all other policies affecting developing countries. The Law also states that while the promotion of political, economic and cultural relations with developing countries remains an important aspect of Spanish development co-operation, it must be consistent with the objectives of sustainable development and poverty reduction.

Spain has made significant progress in strengthening internal co-ordination but has yet to address policy coherence in a systematic way. The institutional co-ordination structures in place (see Chapter 5) have recently played a useful role in promoting greater synergies among the different instruments and diverse actors within Spanish development co-operation. Some of them could possibly be used to support a more systematic approach to addressing policy coherence issues beyond development co-operation. For example, the Inter-Ministerial Committee for International Co-operation could serve as a forum to review poverty reduction considerations of various policies and their impact on developing countries. The Development Co-operation Council could also be used to engage in the debate on policy coherence with civil society, as it has already proven to be useful in promoting poverty reduction during the consultation for the adoption of the Law. However, the fact that the Secretary of State for International Co-operation and Latin America is not a member of the Council of Ministers may impose some limitation on successfully influencing other policy communities in promoting the development agenda at the highest political level.

The debate on policy coherence appears still to be at an early stage. In order to pursue the debate both within and outside the public administration, Spain first needs to strengthen its analytical capacities to determine the impact of various policies on poverty reduction. This would require allocating adequate staff resources to the MFA to carry out the policy analysis and propose the necessary options to other policy communities.

Challenges in achieving greater policy coherence

EC policies

In trade and agricultural policies, which fall under the EU competency, it is important for Spain to ensure that poverty reduction considerations are incorporated in its positions in the policy debates of the EU. This would require greater linkages between Spain's development co-operation policy and its EU policy, including policy coherence as part of Spain's priority agenda towards the EC (see Chapter 2). Furthermore a more systematic assessment of global poverty reduction in Spain's positions on EC policies and more active involvement of the AECI and other development co-operation actors in the decision-making process would be necessary. It may also be beneficial to open the debate more widely on selected issues, in order to promote the interests of developing countries in policy areas with high domestic sensitivity such as trade, technology transfer, agricultural subsidies, fisheries and immigration. A key issue in enhancing policy coherence is to have effective mechanisms to solve possible conflicts of interests.

For instance, the Common Fisheries Policy, which involves Spain as one of the major actors in this area, provides an interesting example illustrating the importance of policy coherence. The EC has signed fisheries agreements with developing countries aiming to secure access to their stocks and waters for fleets of EU Member States. Spain, which has one of the largest fleets within the EU, is highly dependent on EC international fisheries agreements, since it obtains nearly half its catch in the waters of non-EU Member States. However, these agreements have long been under scrutiny by NGOs and even within the EC. Concerns include the management and exploitation of fisheries resources in developing countries and their impact on the livelihoods of local communities. Developing countries themselves have become more assertive in expressing their concerns over preserving their fish stocks and developing their national fisheries sectors. Recognising the failure of the current Common Fisheries Policy to promote sustainable management of fisheries resources, the EC has launched a reform process.[16] Spain should contribute to enhancing policy coherence in this process, in line with its capacity-building activities in fisheries of partner countries and, more generally, its stated objective of sustainable development. Spain, as an influential Member State in this area, is encouraged to consider how to prevent domestic interests from taking precedence over development co-operation objectives when debating the Common Fisheries Policy as well as fisheries agreements in the European Council.

Export credit and guarantees

Like other DAC members, Spain is facing difficulties in ensuring that official export credits and guarantees are consistent with the objective of sustainable development. In the past, Spain's export credit agency (CESCE) supported projects which have been under the scrutiny by international advocacy NGOs because of social and environmental concerns[17]. Spain has agreed to implement the

16. See the Green Paper on the Future of the Common Fisheries Policy, The European Commission, COM 52001 135 Final.

17. Examples include the Three Gorges Dam in China and the Indah Kiat Pulp Mill in Indonesia.

OECD Proposal on Common Approaches to Officially Supported Export Credits and the Environment adopted in December 2001. However, it is too early to judge the effectiveness of its new environmental review mechanisms. In addition, as its official export credits account for a significant part of developing countries' debt owed to Spain, it should also consider how to limit their contribution to unsustainable debt burden in poor countries. In this context, Spain has also adopted the OECD Statement of Principles of June 2001 designed to discourage the provision of officially supported export credits for unproductive expenditures in HIPCs. Moreover, the MFA is represented at CESCE's board of directors and has an opportunity to play a useful role in enhancing aspects of sustainable development by directly participating in the screening process of projects in countries eligible for ODA.

The Development Aid Fund

The FAD was for a long time the main instrument of Spanish co-operation and remains a significant instrument today (see Box 3). The proportion of FAD loans, which used to account for half of total gross ODA disbursements in the early 1990s, decreased to 22% of total gross ODA in 2000. The future trend in FAD loans cannot be determined, since FAD allocations in the Master Plan are expressed as net disbursements (see Chapter 2). However, the intention of Spanish authorities is to further decrease them.

Box 3. **The Development Aid Fund: objectives and conditions**

Created in 1976 for the purpose of export promotion, the FAD provides developing countries with soft loans tied to the purchase of Spanish goods and services. The FAD also aims to promote the economic development of recipient countries. The dual nature of this instrument remains strong since FAD loans are generally combined with export credits except for HIPCs and other low-income countries and emergency assistance. The MOE is responsible for the management of FAD loans, but there is no distinct organisational separation between the management of FAD loans and other activities related to trade and export financing (see Chapter 5).

The grant element of FAD loans increased from an average of 66% in 1992 to 70% in 2000[18]. The breakdown indicates that LLDCs were the main beneficiaries of this higher degree of concessionality as the grant element of their loans increased to 77%. In Honduras and for reconstruction projects in countries affected by natural disasters, the grant element of FAD loans is usually above 80%.

Over time, the conditions of FAD loans have been adjusted according to multilateral regulations, notably the OECD rules on tied aid credits referred to as the Helsinki Agreement. This resulted in restrictions on sector and country eligibility, affecting in particular the richer Latin American countries which used to be among the major FAD recipients. In 2000, 55 loans were approved in 19 different countries, for a total of EUR 255 million. The geographical distribution showed that Asia became the main beneficiary area (30% of total), followed by Latin America (22%), Europe (11%), Sub-Saharan Africa (10%), and North Africa and the Middle-East (6%).[19] The largest commitments were directed to Indonesia, Turkey, Nicaragua, China, Mozambique and Honduras, accounting altogether for more than 60% of total commitments. In terms of annual gross disbursements, China has topped the list over the past decade. Concerning sector distribution, health and education accounted respectively for 24% and

18. This increase is mainly due to a decrease in annual average interest rates (from 1.8% to 1.1% between 1992-2000) while grace periods have been rather constant (around 10 years).

19. Latin America used to account for a larger share (within a range of 50 to 68%) of loan commitments from 1991 to 1995.

14% of total resources disbursed through FAD in 2000. These proportions have been rather constant over the past five years, but are twice as high as in the early 1990s. In contrast, investment in economic infrastructure and services used to be more important, although it still accounts for 38% of total loan disbursements.

There has been increasing pressure from the Spanish development community to enhance the poverty reduction orientation of the FAD instrument. Sector distribution has changed significantly, reflecting Spain's intentions to have a greater focus on social sectors. However, the focus on basic social services remains weak (see Chapter 2) and focusing on health and education in general does not necessarily lead to poverty reduction. In fact, such investments, if not properly targeted and carefully designed according to overall sector needs and national priorities, may be counter-productive and can even create an unnecessary strain on the national health and education budgets.

Since 1998, the MOE has given more attention to the quality of loan management at different stages of the project cycle. The identification of projects is no longer done on an *ad hoc* basis. It is now based on a financial co-operation programme, which is prepared by the MOE and the embassy in consultation with partner countries. These programmes are meant as a reference framework to assess funding requests from partner countries against national priorities and taking account of existing loans of IFIs. A fund for feasibility studies was established in 1995 with an annual budget of EUR 5 million. In addition, a new annual budget line of EUR 3 million was made available in 1999 for project identification, monitoring and evaluation. This is a positive development in strengthening loan management, particularly regarding the independent evaluation previously non-existent. Previously, the projects, once completed, were only reviewed internally by commercial counsellors responsible for loan management in embassies. Finally, the MOE has started to release a report on FAD activities on a semi-annual basis.

Closer links between loans and grants were mandated by the Law. At the strategic level, the Master Plan does not contribute to greater synergies, as it is unspecific in many respects concerning loans, particularly regarding country and sector priorities. Spain states that co-ordination between the MOE and the MFA has been strengthened, for example, through the establishment of a joint committee to review loans for basic social development. The joint committee focuses on aspects of sustainability, transfer of know-how and lessons learned. In 2000, this committee reviewed health and education projects in China, Nicaragua, Mozambique, Honduras and Bolivia for an amount of EUR 20 million; but this represents only a small part of the annual portfolio of loans approved by the Council of Ministers. In addition, it is not clear whether and how the committee encourages joint programming of loans and grants. At the operational level, the preparation of country strategies covering both loans and grants is expected to contribute to a better integration of the two instruments.

While Spain has made significant improvements since the last Peer Review, a number of issues remain to be addressed. Firstly, Spain continues to provide ODA loans to poor countries, including HIPCs, taking account of IMF requirements on the financial conditions to be granted to these countries and the criteria of not providing loans for non-productive expenditures. However, the role of loans as opposed to grants to poor countries could be further reviewed. Secondly, despite an increased focus on social sectors and a closer integration between loans and grants, the poverty reduction impact of FAD loans needs to be better demonstrated. This requires a more explicit overall policy and, at the level of individual projects, the setting of clearer objectives, improved targeting of beneficiaries and enhanced monitoring and evaluation. Thirdly, it is of concern that a significant share of ODA remains unaccounted for in qualitative terms. Loans are disbursed without any supporting sector strategies and documentation remains limited to basic data. The MOE should consider enhancing its reporting on FAD to include information on projects underway in addition to those recently approved. Further information on the type of projects funded and details on their objectives would also be beneficial.

Finally, as proposed in the last Peer Review, Spain should carry out a comprehensive review of its FAD instrument from the perspective of contributing to poverty reduction.

Aid untying

According to DAC statistics, Spain has one of the highest rates of aid tying, although its rate has dropped from 74% in 1998 to 53% in 2000. Bilateral grants are in principle untied, although the MFA intends to review whether and how procurement of non-Spanish goods and services could be increased. In the past, funding requests from NGOs were also assessed in terms of their expected benefit for the Spanish economy, but this requirement has not been kept in the new co-financing arrangements.

FAD loans are tied by nature[20] given the export promotion nature of this instrument. However, the legal basis for FAD loans provides for exceptions, which allow Spain to comply with the 2001 DAC Agreement on Untying Aid to Least-Developed Countries without requiring a change in legislation. Furthermore, little adjustment is required for compliance with the DAC Agreement, since disbursements to LLDCs are rather small (12% of bilateral ODA). At the same time, Spain may find it useful to review its policy based on an overall assessment of the costs and benefits of tying aid, including the risk of undermining the principles of ownership and partnership. During the field visit to Honduras, the DAC review team expressed its concerns about the potentially higher costs of tied aid. Other issues included increased difficulties in maintenance and repairs and limitation in technological transfers and local private sector development. Since Spanish exports financed by the FAD represented less than 2% of total exports to non-OECD countries in 2000, the impact of this instrument on the Spanish economy is marginal and may not justify the need to keep it tied.

Debt relief

Spain's action relating to debt used to constitute a large share of ODA and reached a peak of 16% of total gross bilateral ODA in 1998. In 2000, it declined to about 7% of bilateral ODA, close to the DAC average. Spain is strongly supporting multilateral debt relief efforts; its contribution to the HIPC Trust Fund amounts to USD 124 million, including an imputed amount of USD 39 million through the EC. This represents a share of more than 4% of the HIPC Trust Fund, which is, according to Spain, higher than its "fair" burden sharing estimated to be around 2%. At the same time, Spain is an important creditor to some HIPCs through FAD loans and export credits.

Beyond the HIPC framework, Spain does not intend to provide as much bilateral debt relief as other members of the Paris Club who are committed to forgive 100% of bilateral official debt to the HIPCs. Spain gives 100 % debt relief to HIPCs for ODA debt before the cut-off date[21] while the rest is on a case-by-case basis only. Nevertheless, Spain has provided significant additional support to Central America, for example, in taking up Nicaragua's debt to Guatemala through debt conversion. Such a contribution was useful to enable a creditor developing country (Guatemala) to reduce the debt of a HIPC (Nicaragua). Spain also made a contribution of USD 30 million to the IDB's Central American Emergency Trust Fund, which was set up in the aftermath of Hurricane Mitch to provide debt relief to

20. Flexibility is allowed to finance local costs and foreign goods up to 30% of the contracts' total value.

21. The cut-off date is defined when a debtor country first meets with Paris Club creditors and credits granted after this date are not subject to future rescheduling.

Honduras and Nicaragua. Finally, it must be noted that when natural disasters hit the region, Spain's response in providing bilateral debt relief in addition to emergency assistance was quick and flexible.

Since 1998, Spain has supported operations involving conversions of debt into public investment in development programmes and projects, through the creation of counterpart funds. These were used for environmental projects in Costa Rica (USD 5 million), anti-drugs programme in Peru (USD 6 million), infrastructure programme in Bolivia (USD 8 million), infrastructure programme in the Dominican Republic (USD 3 million) and post-Mitch reconstruction in Honduras and Nicaragua (USD 17.5 million and USD 15 million respectively). Conversions of debt into Spanish private investments have also been implemented in Morocco, Bulgaria and Jordan. Debt conversions, particularly when private investors acquire assets in exchange for public debt, do not necessarily lead to investment in projects focusing on poverty reduction. Spain is encouraged to provide more detailed information on the content of these activities and assess their impact on poverty reduction by including appropriate monitoring and evaluation mechanisms.

Future considerations

- The MFA could strengthen its analytical capacity in promoting policy coherence beyond development co-operation in order to contribute to an informed debate with other policy communities, particularly on issues such as EC policies in trade, technology transfer, agriculture and fisheries. The Inter-Ministerial Committee for International Co-operation and the Development Co-operation Council could be used to open up the debate on policy coherence.

- Spain should continue its review of FAC loans in a comprehensive manner. A more explicit policy is required to reinforce their poverty reduction orientation. At the level of projects, there is a need for clearer objectives, improved targeting of beneficiaries and enhanced monitoring and evaluation. Transparency could be further increased with improved reporting on country selection, sector strategies and projects.

- Spanish aid could be further untied in order to increase ownership and capacity building in partner countries. Spain needs to open up the debate on the trade-off of tied aid in terms of effectiveness in poverty reduction. The degree of benefit for Spain's economy could also be assessed.

- Spain is encouraged to assess how its debt conversion operations can be better linked with poverty reduction strategies of recipient countries.

CHAPTER 5

ORGANISATION, STAFFING AND MANAGEMENT SYSTEMS

Overall organisational structure

Spanish development co-operation can be characterised as a system involving a wide range of diverse actors. The aid programme is spread among 14 ministries and an even greater number of regional governments and local authorities in the 17 autonomous regions of Spain, constituting what is referred to as decentralised co-operation.

Advisory and co-ordination bodies

Given the large number of various actors involved in Spanish development co-operation, legislators were particularly careful in embedding in the Law an institutional co-ordination framework that was comprehensive. The reinforcement and establishment of the advisory and co-ordination bodies in place seems to be appropriate, though their performance remains to be assessed.

The *Development Co-operation Council* is the consultative body established in 1995 to serve as a forum for dialogue with civil society, including NGOs, development experts and other private institutions concerned with development. One of its main tasks is to review evaluation reports and draft planning documents such as the Master Plan and PACIs. The Council meets four times a year, but can set up *ad hoc* or permanent working groups to research specific topics. It is composed of 16 civil society representatives and 10 government representatives and is chaired by the State Secretariat for International Co-operation and Latin America (SECIPI) from the MFA. On the one hand, the mixed composition of the Council is considered key to facilitate the dialogue between the government and civil society. On the other hand, as raised in the last Peer Review, the government should ensure that the consultative nature of the Council and its independent advice are preserved.

The *Inter-Ministerial Committee for International Co-operation* was established as early as 1986 to co-ordinate the various activities from different organisations of the central government. It is chaired by SECIPI and meets at least twice a year. Continuity in its activities is ensured by a sub-committee, which meets at least every three months and as often as necessary in different working groups. It reviews planning documents such as the Master Plan and PACIs, after consultation with the Development Co-operation Council, and submits them to the Council of Ministers. The State Secretariat for Trade and Tourism from the MOE chairs another co-ordinating body, the *Inter-ministerial Committee for the FAD***,** which meets generally every month to review FAD loan proposals before their submission to the Council of Ministers. An additional MFA-MOE joint committee was established to review FAD loans aiming at basic social development.

A new committee, the *Inter-Regional Committee for Development Co-operation*, was established in 2000 to provide a framework for consultation, co-ordination, and co-operation among the different public organisations involved in development co-operation, which includes officials from central government, autonomous regions and local authorities. The objective is to promote consistency, complementarity and efficiency of activities from the different levels of government. Continuity of work is also ensured by a sub-committee which meets at least every three months and as often as necessary in different working groups.

The Ministry of Foreign Affairs

The State Secretariat for International Co-operation and Latin America

In the MFA, the SECIPI is responsible for the management and co-ordination of international co-operation policy. The SECIPI is also responsible for development issues concerning all partner countries even those outside of Latin America. The other two main parts of the MFA are: the State Secretariat for European Affairs (responsible for external relations with European countries and the co-ordination of overall EU policy); and the State Secretariat for External Affairs (responsible for external relations with the rest of the world[22], as well as security and disarmament and international economic relations on a world-wide level).

Activities such as drafting of the Master Plan, preparation of PACIs and other strategic documents as well as evaluation fall under SECIPI's responsibility. It is also responsible for the participation of Spain in UN organisations and the definition of Spain's position on EU development policy. SECIPI is headed by the Secretary of State for International Co-operation and Latin America. SECIPI's Cabinet and the General Directorate of Foreign Policy for Latin America deal mainly with political matters and have limited capacity for development policy. Most of SECIPI's activities fall under the responsibility of the Planning and Evaluation Office (OPE), including planning, strategy development, evaluation, reporting on DAC statistics and secretariat support to the various advisory and co-ordination bodies. The OPE is organisationally attached to SECIPI but operationally to the AECI in order to ensure greater synergies between the two.

The Spanish Agency for International Co-operation

The AECI is the main executing agency in the Spanish aid system, responsible for the management of the major part of ODA grants and micro-finance loans. The AECI is attached to the MFA through SECIPI (see Chart 1). The Secretary of State for International Co-operation and Latin America acts as the Agency's President, while management authority has been delegated to the Agency's Secretary General. The AECI is well integrated in the MFA allowing for effective communication and synergies. As a separate entity, it has a degree of autonomy for the management of its budget and human resources and can adopt more flexible procedures.

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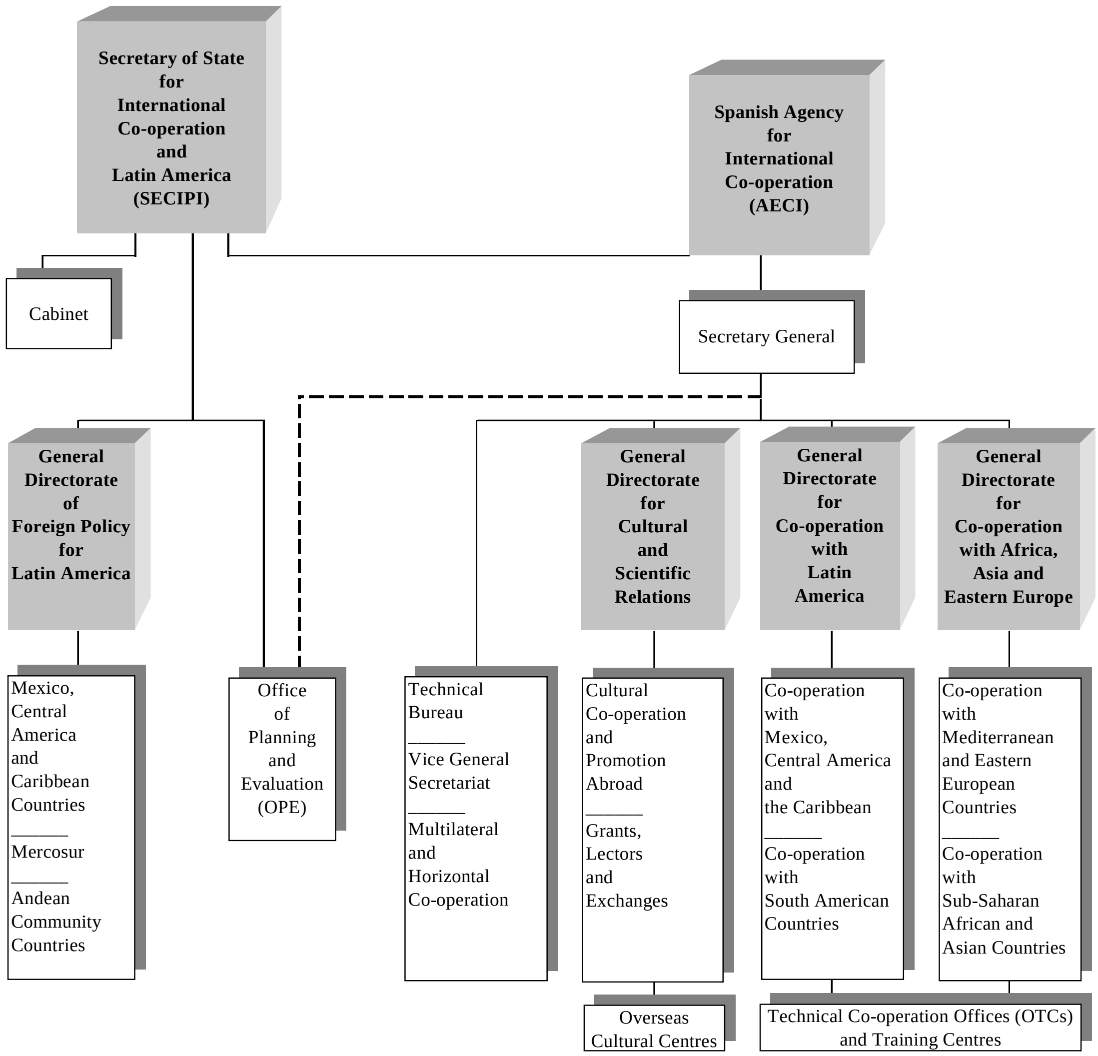
22. Including North America, Africa, the Middle-East, Asia and the Pacific.

Figure 1. **SECIPI and AECI**



Source: AECI.

A number of organisational modifications were introduced in 2000, in follow-up to the adoption of the Law. The Management Committee of the Agency, which is chaired by the President of the AECI, has been strengthened through a broader representation.[23] The previously rather independent institutes for co-operation[24] are now fully integrated in the Agency in the form of two geographic departments, the General Directorate of Co-operation with Latin America and the General Directorate of Co-operation with Africa, Asia and Eastern Europe. The responsibility for Scholarships and Cultural Programmes

23. It comprises the other two Secretaries of State of the MFA, the three Directors General of the AECI, four Directors General from the MFA, and representatives of various ministries (Finance, Economy, Employment and Social Affairs, Agriculture, Public Administration, Health, Education, Science and Technology, Environment, and Justice).

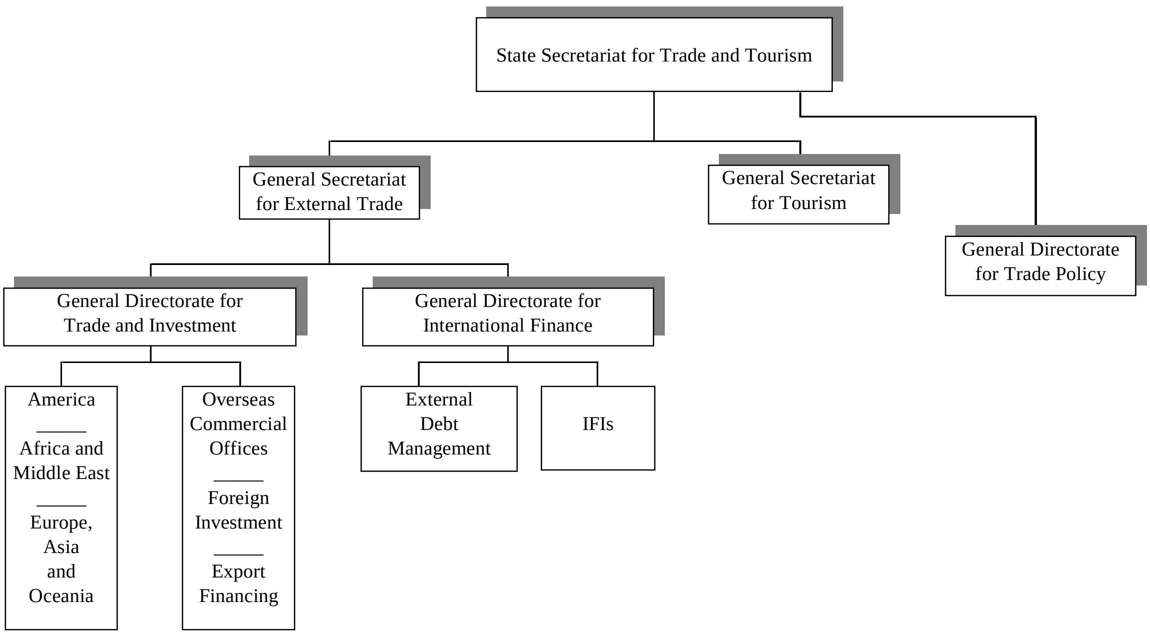
24. These were: the Institute for Ibero-American Co-operation and the Institute for Co-operation with the Arab World, Mediterranean and Developing countries.

(see Chapter 3) has been shifted from SECIPI to AECI with the creation of a General Directorate for Cultural and Scientific Relations. Finally, a separate division for multilateral and horizontal co-operation has been established, covering multilateral policy, cross-cutting issues such as gender, good governance and environment, and the administration of micro-finance programmes and grants to NGOs. The Technical Bureau provides support to the Secretary General and is responsible for institutional relations of the Agency, as well as the administration of food and emergency aid. The General Vice-Secretariat deals with personnel, budget and finance, and information. The Agency has an overseas representation, consisting of 29 technical co-operation offices (OTCs), 12 cultural centres and 3 training centers.

The Ministry of Economy

Within the MOE, the State Secretariat for Trade and Tourism is responsible for aid activities (see Chart 2). This part of the Ministry went through a reorganisation in 2000, aiming to increase its focus and management capacity. Aid related activities, which used to be scattered among six different divisions, are now located in the General Secretariat for External Trade, composed of the General Directorate for Trade and Investment (responsible for FAD loans), and a newly created General Directorate for International Finance (responsible for debt relief and multilateral policy with respect to IFIs). It should be noted that within the General Directorate for Trade and Investment, the export financing and the three geographical divisions are responsible for FAD loans as well as other trade related activities. The MOE also makes use of its economic and commercial counsellors based in Spanish Embassies in developing countries. One of their roles is to help partner countries in identifying and managing projects funded by FAD loans.

Figure 2. **State Secretariat for Trade and Tourism**



Source: Ministry of Economy.

Decentralised co-operation

Decentralised co-operation is a notable feature of Spanish development co-operation. It consists of the activities carried out by Spanish administrations other than the central state administration, namely autonomous regions and local authorities. This type of co-operation has been growing rapidly in recent years, from EUR 120 million in 1997 to EUR 208 million in 2000 (equivalent to about 16% of total ODA). The majority of these resources are channelled through NGOs. The growing support at the sub-national level seems to demonstrate strong public support for development co-operation in Spain.

Local authorities such as municipalities are increasingly developing their own aid programmes. An example includes the city of Madrid where international co-operation started in the form of twinning arrangements with cities of developing countries. In 1995, a development co-operation programme was formally established including a specific allocation of 0.7% of the city budget. The annual aid budget increased from EUR 9 million in 1995 to EUR 15 million in 2000 and is expected to reach EUR 16 million in 2002. The fight against poverty is the main objective, with priority focus on BSS, as a contribution to the achievement of the MDGs. Resources are allocated to development projects of NGOs (82% of the budget), emergency aid (10%) and public awareness raising activities (5%), with the remaining 3% being reserved for project monitoring. An interesting feature of the programme consists of "co-development", an approach attempting to link migration and development. For example, the city of Madrid, which is the destination of significant migration from Colombia and Ecuador, has increased its aid to these two countries.[25] A team of seven staff in the Department for Social Services deals specifically with aid activities. Other municipal departments (such as health, education, equal opportunity and employment) participate in the screening of funding requests from NGOs and can be mobilised for specific training activities, for example on gender. Madrid also relies on OTCs for the identification of projects, but plans to open delegations in the field. In view of its growing aid budget, the city of Madrid, as well as other municipalities, could consider strengthening management procedures, including the integration of performance assessment in its monitoring system, which is currently limited to project visits and financial control.

In general, the availability of growing funds for civil society through decentralised co-operation runs the risk of proliferation of additional actors. The Law, while respecting the autonomy of civil society and their freedom of action, states that they have to uphold the same objectives, principles, and priorities of Spanish development co-operation. In reality, the diversity of actors creates challenges in co-ordination, consistency and additional transaction costs for both Spain and partner countries. For example, the aid authorities in Valencia expressed a high concern for the need to ensure aid quality and effectiveness and have adopted a number of measures aimed at strengthening aid management (see Box 4).

25. Initiatives in this area also include support to immigrants in Madrid seeking employment in Spain or returning to their country of origin. They account for 15% of the total aid budget of Madrid but should not be reported as ODA.

Box 4. **Strengthening aid management in autonomous regions – the case of Valencia**

The regional government of Valencia had a budget for development co-operation of EUR 14 million in 2000, which has been increasing rapidly and is expected to reach EUR 21 million in 2002. The development co-operation programme was formally established in 1999 with the creation of a Department for International Co-operation, which is responsible for the management of the region's entire aid programme. It consists of a team of 14 staff in a division for administrative management and legal assistance and a division for planning and training. Like other decentralised entities, the autonomous government has adopted its own plan of action and is planning to pass a regional law on development co-operation in 2002. There is a financial control mechanism, but the authorities are aware of the need to have an evaluation system as well. An agreement has been signed with the AECI to provide young professionals of Valencia with on-the-job training in OTCs. Other training programmes on development co-operation have been set up in collaboration with universities of the region.

As in other autonomous regions, smaller local authorities are also devoting resources for development co-operation with their contributions being pooled in the Valencia Fund for Solidarity. Recognising the need for additional co-ordination, the regional government of Valencia has set up various co-ordination committees in areas such as inter-university co-operation, health, environment, municipal development and humanitarian and emergency assistance.

The *Valencia Committee for Humanitarian and Emergency Aid* plays a useful and innovative role. The Committee was created in 2000 on the initiative of a small group of dedicated development professionals who were keen on improving the co-ordination among various stakeholders in Valencia. With the growing amount of resources available in the region, especially in the case of natural disasters, the purpose was to create a one-stop shop to pool resources mobilised at different levels rather than having competing channels. The Committee is chaired by the Department for International Co-operation and comprises representatives from local authorities, two banks, the Valencia Federation of Municipalities, the Valencia Solidarity Fund and NGOs. Normally, the Committee meets within 48 hours after a crisis and takes a decision for immediate intervention in collaboration with the AECI. The Committee then sends a delegation to the country to identify the areas most affected by the disaster and to discuss with both local counterparts and Spanish organisations already present in the country. The first major initiative launched by this Committee was to organise post-emergency relief for El Salvador in early 2001. A socio-economic assessment was commissioned from the Central American University, which was used as a basis for Spanish NGOs and their local partners to propose projects for the local authorities and the Committee to fund. As a result, an action plan was adopted for the rehabilitation programme for the City of Santa Maria. The programme involved the pooling of EUR 5 million from 15 different sources. According to the aid authorities in Valencia, the reconstruction plan resulting from this project was so successful that some other donors have adopted it as a model in El Salvador.

Staffing and personnel management

Levels of core staff in the AECI have decreased at an annual rate of 3-4% between 1997 and 2000 due to overall government budget constraints. In 2001, there was an artificial increase with the integration of the General Directorate for Cultural and Scientific Relations. The latest figures show that the AECI has a total staff of 842; 361 based at the Agency's headquarters in Madrid and 481 serving in overseas offices. At headquarters, the AECI is bound by recruitment procedures of the public administration. The majority of its staff are career civil servants with senior management positions being held by MFA staff of the foreign service. In the field, there are 65 expatriate staff contracted to take up senior management or advisory positions in the 29 OTCs and 12 cultural centres while the remaining 416 staff are locally recruited to provide administrative and logistical support.In the MOE, staff dealing with development issues total 214; 87 based in the General Secretariat for External Trade in Madrid and 27 serving in embassies as economic and commercial counsellors. Within the General Secretariat for External Trade, the General Directorate for International Finance accounts for 32 staff and the General Directorate for Trade and Investment has its staff dealing with FAD loans.

As part of the organisational learning process, human resource management should become a strategic activity of the AECI, linked to the objectives and priorities of development co-operation. There are a number of issues that would need to be addressed in order to retain and develop high quality staff. Professional development opportunities in AECI appear to be limited with the existence of two distinct groups of personnel. On the one hand, overseas positions in OTCs are filled by contracted staff and AECI staff at headquarters very rarely apply for such positions, since they would have to give up their civil service benefits. On the other hand, contracted staff in OTCs, while playing a crucial role in the management of Spanish aid, have few opportunities to work at AECI's headquarters, as regulations do not allow management positions to be held by non-civil servants. They also lack guarantees and incentives to remain in the system, since they have fixed-term contracts[26]. The absence of a framework for systematic exchange of personnel between the field and headquarters may lead to a gap between operational learning and policy formulation. AECI has recently started to explore possibilities to develop opportunities for staff mobility between the field and headquarters.

In addition, the allocation of resources within SECIPI and across the AECI's organisational units deserves some attention. For example, the number of staff located in the General Directorate for Cultural and Scientific Relations seems to be disproportionate in comparison with this General Directorate's share of AECI total budget. At the same time, the OPE has only four core staff members despite the wide range of its responsibilities. The AECI should initiate an analysis of its human resources needs and encourage other Spanish public aid administrations to do so as well in order to improve aid management.

Co-ordination, monitoring and evaluation

Co-ordination and leadership

Table 2 illustrates the budget breakdown by individual ministries and administrations as well as aid channels. This table shows that at the central level, the Ministry of Finance received in 2000 the highest allocation with 29% of total ODA (contribution to the EC), followed by the MFA with 26% (contributions to the UN, AECI's grants and micro-finance loans) and the MOE with 20% (contribution to IFIs, FAD loans and debt relief). Activities reported as ODA by other ministries (10%) consist primarily of technical assistance in their respective domains. Resources mobilised through decentralised co-operation account for 16% of total ODA and are mainly channelled through NGOs. However, since this table includes net disbursements, the MOE's share of resources is smaller than the budget allocation. Therefore, this table does not reflect the real distribution of resources across the Spanish aid system.

According to the two ministries concerned, the co-operation between the MFA and the MOE, the two principal actors at the central government level, has greatly improved since the last Peer Review. The inter-ministerial co-ordination bodies have been strengthened, although they seem to serve mainly as a

26. The duration of contracts was limited to three years, but regulations have been relaxed allowing for more flexibility. In fact, the contracts of some heads of OTCs have been renewed successively over the last 10 years.

forum for exchange of information since they have to respect the institutional division of responsibilities. At the operational level, there are efforts towards greater co-operation, for example, through joint review of loan proposals aiming at basic social development and the preparation of common country strategies. At the same time, there is room for further improvement in enhancing policy discussions and synergies between multilateral and bilateral policies. This would be particularly necessary for the formulation of Spain's positions on country assistance by IFIs, which seems to remain in the domain of the MOE, making little use of the MFA's experience and knowledge gained in the field by AECI.

Table 2. **Distribution of total ODA by ministries, autonomous communities and local authorities (2000**

EUR million (net disbursements)

	Multilateral	**Bilateral**		**Total**	**%**
		Loans	Grants		
Central Government					
Finance	382		0.33	382	29
Foreign affairs	62	24	252	338	26
Economy	68	173	24	265	20
11 Other Ministries [27]	4		122	126	10
TOTAL	**516**	**197**	**398**	**1 111**	
Decentralised co-operation			208	208	16
GRAND TOTAL	**516**	**197**	**606**	**1 319**	

Source: Ministry of Foreign Affairs.

The Law has confirmed the lead role of the MFA in development policy. As part of its co-ordination functions, the MFA could play a stronger role in promoting poverty reduction across the Spanish aid system through the dissemination of policies and guidelines, good practices by Spain and other donors, and lessons-learned based on monitoring and evaluation. In order to further promote the integration of the system, the MFA will have to increasingly take the lead beyond its own area of responsibility by adopting a more inclusive approach that embraces the entire system. For example, the MFA could support other Spanish development actors in their human resource development needs, including skills upgrading required to plan and deliver poverty reduction programmes or to mainstream cross-cutting issues, as well as enhanced systems for reporting and evaluation.

Although the MFA actually controls 55%[28] of the total aid budget, its ability to effectively play its leading role remains an open question due to SECIPI's limited analytical and management capacity and AECI's mandate as an implementing agency. Increasing the MFA's analytical capacity, including in areas which relate to other ministries, might be a good way to firmly establish its authority on development issues. The ability of the SECIPI to provide directions in development policy to other parts of the MFA as well as other ministries would be particularly useful to strengthen the debate on policy coherence and promote the interests of developing countries beyond development co-operation policy (see Chapter 4 for concrete examples).

27. These include the following ministries: Agriculture, Fisheries and Food; Defence; Education and Culture; Employment and Social Affairs; Environment; Health and Consumer Affairs; Interior; Justice; Public Administration; Public Works; and Science and Technology.

28. The MFA is responsible for overall EC co-ordination and therefore effectively controls the 29% of ODA disbursed by the Ministry of Finance.

Non-governmental organisations

The AECI has introduced a series of reforms in its NGO co-financing system to ensure efficiency following the recommendations of the last Peer Review. Grants to NGO projects are now extended through a single annual competitive bidding in order to facilitate internal planning for both NGOs and the AECI. Simultaneously, a multi-annual funding framework has been introduced, which is a major improvement. In addition to individual projects, the system includes two additional categories eligible for co-financing – programmes and strategies. Programmes include development activities, with a maximum duration of three years, which focus on a particular priority sector (as stated in the Master Plan) in multiple developing countries. Programmes can also cover activities which focus on a programme country but in multiple sectors. Strategies are defined as wide-ranging activities, with a maximum duration of four years, focusing on different sectors and countries.

Monitoring and evaluation

The role and objectives of evaluation are embedded in the Law, under the list of responsibilities of the SECIPI. The OPE plays a useful role in strengthening the effectiveness of evaluation within Spain's aid system, although it has so far focused mainly on evaluations of AECI's activities. *Ex post* and independent evaluations, which used to be almost non-existent until 1998, have been introduced based on the *DAC Principles for Evaluation of Development Assistance*. Significant progress has been made in strengthening the evaluation system, which includes the preparation by the OPE of an Evaluation Manual widely used by Spanish development actors. This Manual was revised in 2000 with the aim of updating methodological tools based on the lessons-learned from initial evaluations and recent experience by other donors. The Manual also covers the needs of specific instruments (humanitarian assistance, micro-credits and FAD loans), and includes recommendations to incorporate gender issues in evaluations.

The OPE has its own evaluation budget of EUR 180 000 and draws on additional funds from SECIPI for specific studies. It determines its annual programme after consultation with AECI senior managers, and reports to the Secretary of State. Evaluations are carried out by independent consultants selected through competitive bidding. The OPE is concerned over the quality of evaluations because of the limited availability of qualified Spanish consultants in this field. There is therefore scope for broadening tendering beyond Spain's development community. The independence of evaluations seems to be guaranteed by the separation between the evaluation function and AECI managers. However, as the OPE is also responsible for planning and strategy development, there could be a conflict of interest in evaluation, depending on the degree of involvement by the OPE at the planning stage of AECI's activities.

About four evaluations are launched annually by the OPE according to a predetermined plan, which is now being developed into a multi-annual plan. So far, a total of 10 evaluations have been completed and three are in progress, covering eight programmes, three projects and two channels of funding (NGO co-financing and scholarships). There is an apparent trend of shifting from evaluations of specific projects to those of broader programmes. Some of the latter have been conducted jointly with the EC, the World Bank, and other international organisations.

The Evaluation Manual proposes a number of ways to ensure the dissemination of evaluation results, some of which are now being carried out, including an annual report on evaluation, different types of outreach publications, seminars and workshops. Summaries of evaluation reports are published and available for order on the MFA's website. However, the dissemination of results and lessons-learned could be organised on a more systematic basis and resources allocated to this activity need to be increased.

The challenge in the Spanish system is to ensure the harmonisation of standards and quality control across the system, as the capacity of individual actors for monitoring and evaluation varies considerably. AECI directorates may conduct internal evaluations using their own resources. The OPE oversees such evaluations and is encouraging the AECI to go beyond aspects of project outputs and to look at impact and sustainability. The MOE has only recently launched its first external evaluation of five projects financed through FAD loans. Autonomous regions, which have limited capacity in terms of policy and methodology, rely on the MFA for guidance and need to establish an adequate monitoring and evaluation system by combining financial audit and performance management. NGOs must be more accountable under the new NGO co-financing arrangement, which requires 1.5% of total project budgets to be devoted for evaluation.

Indicators of performance have yet to be put in place to assess the achievements of Spanish co-operation, including those referring to MDGs. This would require a more results-oriented approach to be incorporated in programming and implementation. It will also be important for the new country and sector strategies currently under preparation to integrate expected outcomes and monitoring indicators to inform the lesson learning and feedback process. Findings from the field visit to Honduras suggest that there is still a long way to go to develop an adequate results-oriented culture which assesses the impact of activities on ultimate beneficiaries beyond outputs (see Chapter 3 on good governance and institutional development). Despite scarce resources, the OPE is making efforts to fulfil its role of oversight, co-ordination and standard setting for the various actors. At the same time, the OPE needs to further promote a results-oriented culture across the entire system and additional human and financial resources would be beneficial for this purpose.

Future considerations

- The MFA's leadership needs to be established firmly beyond its immediate areas of responsibility by providing guidance and standards on policies, strategies and management systems to other actors of Spanish co-operation.

- The management of AECI's human resources could be more strategic, based on a long-term needs assessment, including skills development. In particular, the AECI could explore opportunities for staff mobility between the field and headquarters and review its internal allocation of resources.

- The MFA is encouraged to pursue its efforts in strengthening monitoring and evaluation across the Spanish aid system, particularly of FAD loans, decentralised co-operation and NGOs, and to allocate more resources to this purpose. Dissemination of lessons learned needs to be organised more systematically.

- Given the growing resources mobilised through decentralised co-operation, autonomous regions and local authorities are encouraged to enhance synergies with Spain's national development policy, especially regarding country and sector strategies.

CHAPTER 6

COUNTRY OPERATIONS AND OWNERSHIP

Country operation issues draw on a field visit by the DAC review team to Honduras in November 2001.

Country strategy and programming

Spain undertakes the programming of its co-operation activities with partner countries primarily through Joint Commissions. These commissions comprise Spanish representatives from the MFA and MOE as well as authorities of partner countries. They meet in general every four years to plan the co-operation programme for the coming period. This process is considered as a first step to ensure partner countries' ownership of activities that Spain proposes to finance. This procedure is currently being strengthened with the adoption of country strategy papers, which include country analysis and substantial involvement of various stakeholders, including local authorities and civil society. The main purpose of these four-year strategies is to better co-ordinate grants and loans and enhance sector selectivity in country programmes. Spain intends to link its country strategies to wider, partner-led processes, such as PRSPs.

The OPE has launched the preparation of country strategy papers for most of Spain's programme countries. This is the first time that Spain is preparing strategic documents covering activities of both the MFA and the MOE. The OTCs are fully involved in strategy formulation so as to ensure the integration of their direct field experience. In some countries (e.g. Peru and Bolivia), the process has been more thorough and has involved a country review with support from external consultants. Once the first draft of the strategy is prepared by OTC staff in collaboration with commercial counsellors, the document is finalised by the OPE in consultation with the MOE.

Spain gives importance to the on-going process underlying the preparation of the strategies. In this context, a few areas of improvement could be considered in the further development of these strategies. Against the background of a high number of projects and programmes currently implemented in Honduras and other programme countries, future country strategies should focus on fewer strategic areas, in accordance with the Master Plan and national poverty reduction strategies. In general, the high number of projects spreads resources too thinly and prevents financial resources and expertise from reaching a critical mass in any sector. It also unnecessarily increases the management burden, with higher transaction costs for both donors and recipients, and makes it more difficult to assess the overall consistency and relevance of the strategy and the possible impact on poverty reduction. In addition, the hierarchy between general and specific objectives and the links between objectives and horizontal priorities could be clarified.

The aim of country strategy papers is to provide guidance in identifying programmes and projects to be funded by Spain based on political, socio-economic and cultural conditions of recipient countries. Currently, the strategies remain general and therefore cannot provide a concrete basis for decision-making and programme review. They need to be more focused in operational terms and provide more specific guidance on the appropriate selection of channels and instruments. In line with the multi-annual time-frame for programming and funding proposed by the Master Plan, it would be advisable for country strategies to include indicative budget allocations. This would help recipient governments' fiscal planning and budgeting. Strategies should also be designed in the future to allow country programme reviews by including indicators against which progress can be assessed

Approach to relations with partners

Spain's presence in the field

The responsibility for managing AECI's programmes is delegated to the OTC. The OTC reports to the Spanish ambassador in the country who also supervises the commercial counsellor responsible for FAD loans. The ambassador therefore plays a key role in ensuring overall co-ordination and consistency at the field level. Although the overall leadership rests with the ambassador, the OTC is quite autonomous in terms of day-to-day management. While final decision-making remains in Madrid (particularly in terms of financial authority), the OTC benefits from quite a high degree of operational responsibility, including in the country strategy process of the Spanish programme. The OTC appears to operate smoothly and to respond quickly to requests from counterparts due to effective communication with Madrid and flexibility of the system. In general, only the head of the OTC is a development professional from Spain and the rest of the team provides primarily administrative and logistical support. However, the OTC can rely on expertise available in projects, most of which tend to have long term Spanish experts.

Spain's autonomous regions and local communities channel their resources through NGOs and in general do not have country representations. However, some autonomous regions have signed agreements with the AECI for the implementation of joint projects. For the time being, the activities of autonomous regions and local authorities are not incorporated in country strategies. However, the OPE has the intention to do so in the future. In Honduras, the OTC maintains informal contacts with the different Spanish NGOs active in the country, but does not have an overview of the full range of NGO activities sponsored through decentralised co-operation nor of the amount of resources involved. The proliferation of NGOs in the field is a challenge to partner countries which calls for strengthening the role of OTCs as a focal point to represent all Spanish co-operation.

Ownership, sustainability and sector support

With the exception of FAD loans, local counterparts are not fully responsible for project management. Spain is cautious in transferring financial responsibilities to its counterparts and therefore requires a double signature by the counterpart and the Spanish expert involved in the project to disburse funds. In Honduras, instability, weak capacity and corruption in public administration reinforce Spain's tendency to keep project management under its control. On the one hand this situation may increase the need for keeping long-term Spanish experts in projects. That being said, Spanish experts appear to be well integrated in counterpart institutions, with local project directors keeping their regular positions and responsibilities. On the other hand, such an approach has implications in terms of ownership, capacity-building, sustainability and cost-effectiveness. Findings from the field visit to

Honduras indicate that limited responsibility of national counterparts in financial decisions and management runs the risk of compromising the financial support necessary in the longer term to ensure sustainability.

The Spanish programme in Honduras can be characterised as a grouping of stand-alone projects although Spain is trying to consolidate its strategic focus in its new country strategy. The Honduran government and donors are in the process of adopting sector approaches. Spain, as a first step, should consider the reorientation of stand-alone projects to take on a more programmatic approach by addressing broader issues through complementary activities. Stand-alone projects should fit in sector plans, when they exist; if not, Spain should encourage partner countries and other donors to work jointly on the development of such plans. This could also lead to greater capacity building in key sector ministries and help improve government financial management and accountability mechanisms. Given the significant part of ODA channelled through Spanish NGOs, which tend to work directly with their local civil society partners, Spain should also, like other donors, consider how to better link NGO activities with national poverty reduction strategies.

Recent experience in some developing countries shows that carefully designed, well consulted and incremental sector approaches stand good chances of success. Given its comparative advantage in Latin America, Spain is well positioned to take donor leadership in supporting governments of selected programme countries to design and implement sector approaches.

Donor co-ordination

As a relatively new donor within the international development community, Spain has played so far quite a modest role. Spain has preferred to learn from the experience and good practices of other donors. Now that Spain has made progress in establishing more firmly its aid programme, it could certainly become more active and assertive within the donor community. In Honduras, Spain was quite effective in taking the lead of donor co-ordination in the context of post-Mitch reconstruction efforts and its efforts have been highly appreciated by the government and other donors. Spain was particularly successful in bringing together a wide range of development partners and in raising the awareness of the government on the need to involve civil society. From the field visit to Honduras, Spain appeared to be working closely with other donors, including in joint projects and programmes with multilateral organisations. Spain has also established operational synergies with the EC, in the form of joint programmes involving parallel funding.

Future considerations

- Country strategies could be more selective in sector focus and specific in the appropriate mix of channels and instruments. They could also include indicative budget allocation to increase transparency and predictability for partner countries.
- At the field level, there is a need to strengthen co-ordination among the various Spanish actors. In the future, Spain could include in its country strategies the activities of decentralised co-operation. The role of OTCs could also be strengthened as the focal point for Spanish co-operation.
- Spain could take measures to give partners more responsibility for managing projects in order to increase ownership and secure the counterpart funding necessary for sustainability.
- Spain should consider how to better link its individual projects, including NGO co-financed projects, with national strategies and working on sector approaches with other donors.

ANNEX I

STATISTICS OF AID AND OTHER FLOWS

Table I.1. **Total financial flows**

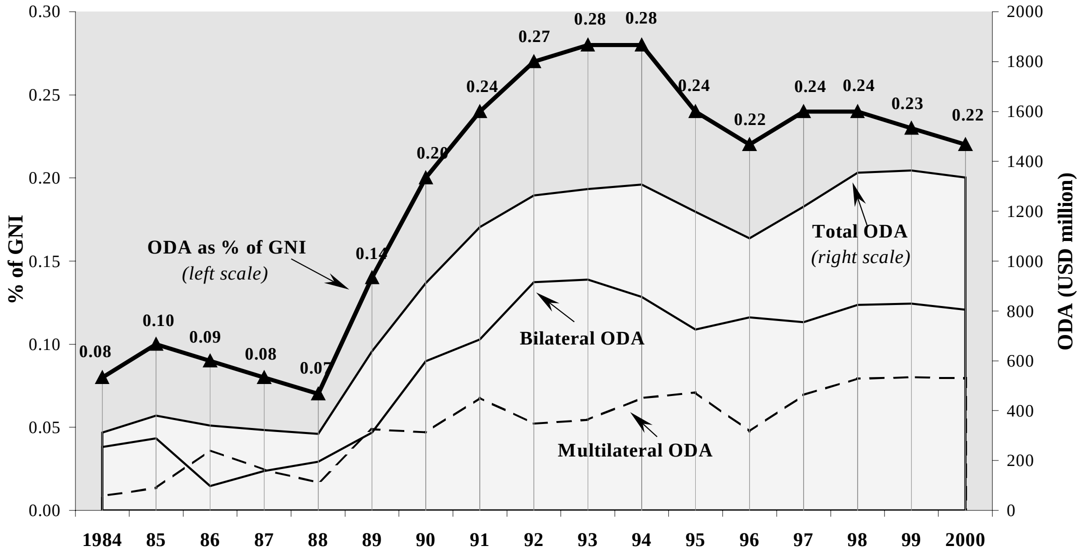
USD million at current prices and exchange rates

Net disbursements

Spain	**1984-85**	**1989-90**	**1996**	**1997**	**1998**	**1999**	**2000**
Total official flows	**173**	**765**	**1 350**	**1 237**	**1 416**	**1 379**	**1 210**
Official development assistance	152	753	1 251	1 234	1 376	1 363	1 195
Bilateral	119	449	888	765	838	829	720
Multilateral	33	304	364	469	538	534	475
Official aid	**n.a.**	**12**	**98**	**2**	**5**	**13**	**12**
Bilateral		-	2	2	5	13	12
Multilateral		12	96	-	-	-	-
Other official flows	**21**	**-**	**-**	**-**	**35**	**3**	**3**
Bilateral	21	-	-	-	35	3	3
Multilateral	-	-	-	-	-	-	-
Grants by NGOs	**-**	**51**	**122**	**123**	**133**	**-**	**-**
Private flows at market terms	**318**	**- 98**	**2 783**	**6 443**	**10 871**	**27 712**	**24 019**
Bilateral: *of which*	318	- 98	2 783	6 443	10 871	27 712	24 019
Direct investment	102	-	2 783	6 443	10 943	27 767	24 033
Export credits	- 5	- 98	-	-	- 72	-55	- 14
Multilateral	-	-	-	-	-	-	-
Total flows	**491**	**718**	**4 255**	**7 802**	**12 420**	**29 091**	**25 229**
for reference:							
ODA (at constant 1999 $ million)	*346*	*775*	*1 092*	*1 218*	*1 354*	*1 363*	*1 335*
ODA (as a % of GNI)	*0.09*	*0.17*	*0.22*	*0.24*	*0.24*	*0.23*	*0.22*
Total flows (as a % of GNI) (a)	*0.17*	*0.16*	*0.74*	*1.41*	*2.10*	*4.90*	*4.25*

a. To countries eligible for ODA.

ODA net disbursements
At constant 1999 prices and exchange rates and as a share of GNI



Source: OECD.

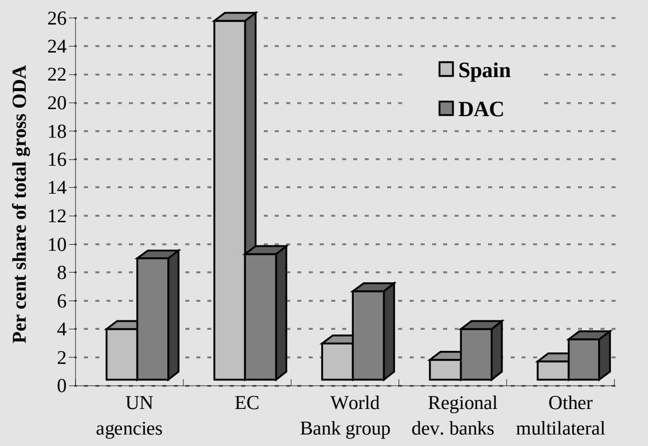
Table I.2. **ODA by main categories**

Disbursements

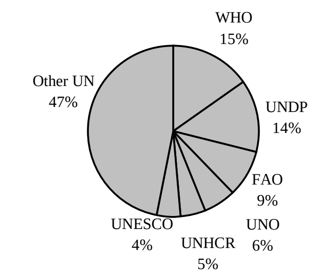
Spain	**Constant 1999 USD million**					**Per cent share of gross disbursements**					**Total DAC 2000%**
	1996	**1997**	**1998**	**1999**	**2000**	**1996**	**1997**	**1998**	**1999**	**2000**	
Gross Bilateral ODA	**855**	**885**	**976**	**942**	**1 020**	**73**	**66**	**65**	**64**	**66**	**70**
Grants	***491***	***532***	***656***	***653***	***674***	***42***	***39***	***44***	***44***	***43***	***55***
Project and programme aid	238	250	265	201	182	20	19	18	14	12	13
Technical co-operation	77	126	146	118	120	7	9	10	8	8	21
Developmental food aid	12	3	12	7	5	1	0	1	0	0	2
Emergency and distress relief	11	18	26	68	42	1	1	2	5	3	6
Action relating to debt	105	92	159	73	67	9	7	11	5	4	4
Administrative costs	33	35	38	30	54	3	3	3	2	4	5
Other grants	15	8	11	156	203	1	1	1	11	13	4
Non-grant bilateral ODA	***364***	***353***	***320***	***288***	***347***	***31***	***26***	***21***	***20***	***22***	***15***
New development lending	364	353	320	281	347	31	26	21	19	22	**14**
Debt rescheduling	-	-	0	7	0	-	-	0	0	0	**0**
Acquisition of equity and other	-	-	-	-	-	-	-	-	-	-	**1**
Gross Multilateral ODA	**317**	**463**	**529**	**534**	**530**	**27**	**34**	**35**	**36**	**34**	**30**
UN agencies	60	36	39	46	55	5	3	3	3	4	9
EC	235	316	364	367	394	20	23	24	25	25	9
World Bank group	3	64	56	66	39	0	5	4	4	3	6
Regional development banks (a)	16	25	32	32	22	1	2	2	2	1	4
Other multilateral	4	22	39	23	20	0	2	3	2	1	3
Total gross ODA	**1 173**	**1 348**	**1 506**	**1 476**	**1 551**	**100**	**100**	**100**	**100**	**100**	**100**
Repayments and debt cancellation	**- 81**	**- 130**	**- 152**	**- 113**	**- 216**						
Total net ODA	**1 092**	**1 218**	**1 354**	**1 363**	**1 335**						
For reference:											
ODA to and channelled through NGOs	*147*	*212*	*249*	*241*	*307*						
Associated financing (b)	-	-	-	-	-						

a Excluding EBRD.
b. ODA grants and loans in associated financing packages.

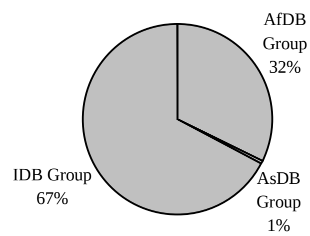
ODA flows to multilateral agencies, 2000



Contributions to UN Agencies (1999-2000 Average)



Contributions to Regional Development Banks (1999-2000 Average)

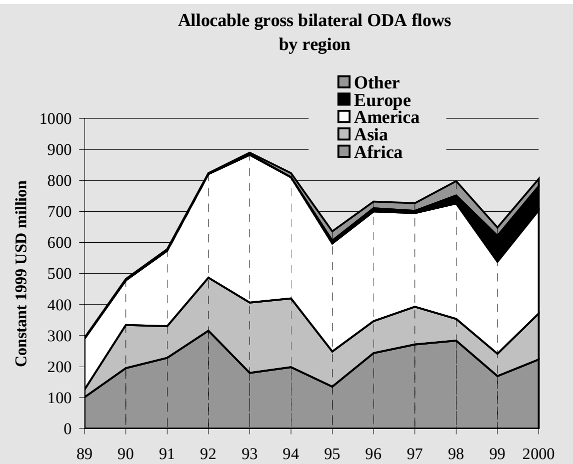


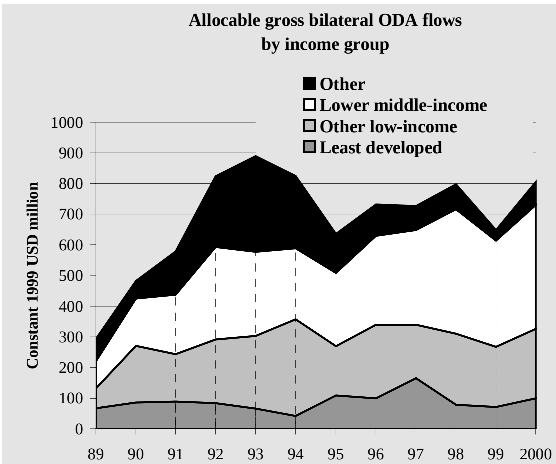
Source: OECD.

Table I.3. **Bilateral ODA allocable by region and income group**

Gross disbursements

Spain	Constant 1999 USD million					Per cent share					Total DAC
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000	2000%
Africa	244	271	284	170	223	33	37	36	26	28	**36**
Sub-Saharan Africa	199	198	176	144	127	27	27	22	22	16	**29**
North Africa	45	73	108	25	96	6	10	14	4	12	**7**
Asia	102	122	70	71	149	14	17	9	11	18	**39**
South and Central Asia	21	15	17	6	6	3	2	2	1	1	**13**
Far East	81	107	53	65	143	11	15	7	10	18	**25**
America	354	302	372	297	333	48	42	47	46	41	**12**
North and Central America	119	125	207	189	164	16	17	26	29	20	**6**
South America	235	177	165	108	168	32	24	21	17	21	**7**
Middle East	21	25	46	27	23	3	3	6	4	3	**4**
Oceania	0	-	-	-	-	0	-	-	-	-	**2**
Europe	11	7	26	83	78	2	1	3	13	10	**7**
Total bilateral allocable	**732**	**727**	**798**	**648**	**805**	**100**	**100**	**100**	**100**	**100**	**100**
Least developed	100	165	78	71	100	14	23	10	11	12	**26**
Other low-income	240	174	233	197	226	33	24	29	30	28	**33**
Lower middle-income	290	309	406	346	405	40	42	51	53	50	**35**
Upper middle-income	102	79	81	34	75	14	11	10	5	9	**6**
High-income	0	0	0	0	0	0	0	0	0	0	**0**
More advanced developing countries	0	0	0	0	-	0	0	0	0	-	-
For reference:											
Total bilateral	855	883	977	942	1 020	*100*	*100*	*100*	*100*	*100*	***100***
of which: Unallocated	*123*	*155*	*179*	*294*	*216*	*14*	*18*	*18*	*31*	*21*	***26***





Source: OECD.

Table I.4. **Main recipients of bilateral ODA**

Gross disbursements, two-year averages

Spain 1989-90	Current USD million	Constant 1999 USD mn.	Per cent share
China	49	47	13
Algeria	26	26	7
Cuba	26	28	7
Morocco	24	24	6
Venezuela	24	27	6
Top 5 recipients	**149**	**152**	**39**
India	21	22	6
Equatorial Guinea	20	21	5
Nicaragua	17	18	5
Mexico	16	17	4
Bolivia	13	13	3
Top 10 recipients	**236**	**243**	**62**
Indonesia	12	11	3
Angola	11	12	3
Mozambique	10	10	3
Cameroon	9	8	2
Honduras	9	9	2
Top 15 recipients	**287**	**294**	**76**
Argentina	7	7	2
Tanzania	6	6	1
Peru	6	6	1
Colombia	5	5	1
Somalia	5	5	1
Top 20 recipients	**315**	**322**	**83**
Total (85 recipients)	**380**	**388**	**100**
Unallocated	79	80	
Total bilateral gross	**459**	**468**	

1994-95	Current USD million	Constant 1999 USD mn.	Per cent share
China	106	103	14
Mexico	84	83	11
Argentina	56	52	7
Indonesia	45	42	6
Algeria	43	41	6
Top 5 recipients	**334**	**322**	**43**
Ecuador	43	41	6
Côte d'Ivoire	29	29	4
Honduras	28	26	4
Uruguay	26	25	3
Morocco	26	25	3
Top 10 recipients	**485**	**468**	**63**
Nicaragua	24	22	3
Haiti	21	19	3
Palestinian Adm. Areas	20	19	3
Colombia	20	18	3
Bolivia	18	18	2
Top 15 recipients	**588**	**563**	**77**
Philippines	16	18	2
Angola	12	15	2
Peru	12	11	2
Chile	12	11	2
Mozambique	12	11	1
Top 20 recipients	**651**	**628**	**85**
Total (98 recipients)	**769**	**730**	**100**
Unallocated	135	125	
Total bilateral gross	**904**	**855**	

1999-2000	Current USD million	Constant 1999 USD mn.	Per cent share
China	41	44	6
Honduras	41	43	6
Indonesia	40	44	6
Morocco	38	42	6
Bosnia and Herzegovina	33	35	5
Top 5 recipients	**193**	**207**	**28**
Peru	30	31	4
Angola	26	27	4
Dominican Republic	26	27	4
Bolivia	25	27	4
Mozambique	25	27	4
Top 10 recipients	**324**	**346**	**47**
Ecuador	23	25	3
Venezuela	22	24	3
El Salvador	21	22	3
Nicaragua	21	22	3
Yugoslavia (incl. Kosovo)	19	19	3
Top 15 recipients	**431**	**459**	**63**
Senegal	19	19	3
Guatemala	17	17	2
Colombia	16	17	2
Panama	16	17	2
Palestinian Adm. Areas	15	16	2
Top 20 recipients	**514**	**545**	**75**
Total (107 recipients)	**684**	**726**	**100**
Unallocated	197	208	
Total bilateral gross	**881**	**934**	

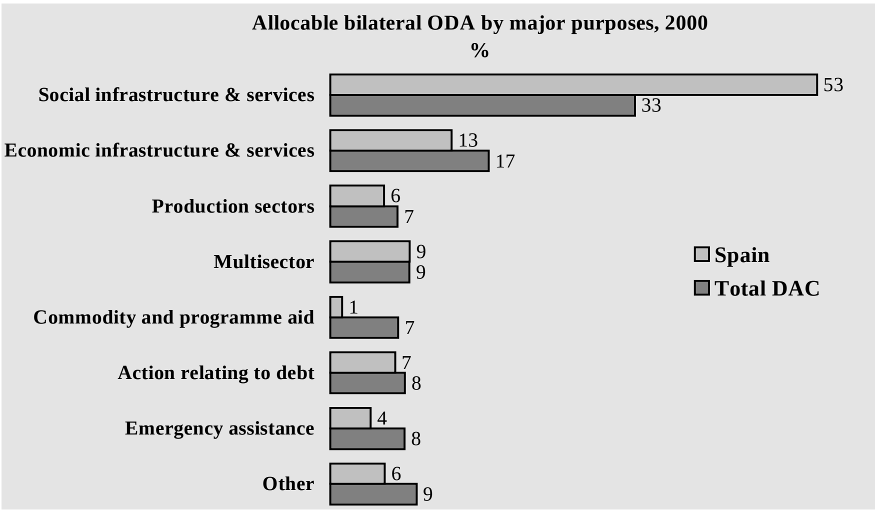
Source: OECD.

Table I.5. **Bilateral ODA by major purposes**

at current prices and exchange rates

Disbursements, two-year averages

Spain	**1989-90**		**1994-95**		**2000**		
	USD million	**Per cent**	**USD million**	**Per cent**	**USD million**	**Per cent**	**Total DAC per cent**
Social infrastructure & services	**..**	**..**	**231**	**35**	**454**	**53**	**33**
Education	..	..	61	9	180	21	8
of which: basic education	..	..	8	1	11	1	2
Health	..	..	64	10	101	12	4
of which: basic health	..	..	14	2	42	5	2
Population programmes	..	..	4	1	5	1	2
Water supply & sanitation	..	..	22	3	37	4	7
Government & civil society	..	..	25	4	58	7	5
Other social infrastructure & services	..	..	55	8	73	9	7
Economic infrastructure & services	**..**	**..**	**113**	**17**	**113**	**13**	**17**
Transport & storage	..	..	7	1	63	7	9
Communications	..	..	29	4	5	1	1
Energy	..	..	73	11	43	5	3
Banking & financial services	..	..	0	0	1	0	1
Business & other services	..	..	4	1	1	0	4
Production sectors	**..**	**..**	**137**	**21**	**50**	**6**	**7**
Agriculture, forestry & fishing	..	..	85	13	37	4	5
Industry, mining & construction	..	..	50	8	12	1	2
Trade & tourism	..	..	2	0	1	0	0
Other	..	..	-	-	-	-	0
Multisector	**..**	**..**	**63**	**10**	**74**	**9**	**9**
Commodity and programme aid	**..**	**..**	**5**	**1**	**11**	**1**	**7**
Action relating to debt	**..**	**..**	**64**	**10**	**60**	**7**	**8**
Emergency assistance	**..**	**..**	**12**	**2**	**38**	**4**	**8**
Administrative costs of donors	**..**	**..**	**36**	**5**	**49**	**6**	**7**
Core support to NGOs	**..**	**..**	**1**	**0**	**2**	**0**	**3**
Total bilateral allocable	**..**	**..**	**663**	**100**	**852**	**100**	**100**
For reference:							
Total bilateral	..	..	*709*	*59*	*913*	*66*	*73*
of which: Unallocated	..	..	*47*	*4*	*61*	*4*	*5*
Total multilateral	..	..	*491*	*41*	*475*	*34*	*27*
Total ODA	**..**	**..**	***1 201***	***100***	***1 388***	***100***	***100***



Source: OECD.

Table I.6. **Comparative aid performance**

Net disbursements

	Official development assistance			Grant element of ODA (commitments)	Share of multilateral aid				ODA to LLDCs Bilateral and through multilateral agencies		Official aid	
	2000		94-95 to 99-00 Ave. annual % change in real terms	2000	2000				2000		2000	
					% of ODA		% of GNI					
	USD million	% of GNI		% (a)	(b)	(c)	(b)	(c)	% of ODA	% of GNI	USD million	% of GNI
Australia	987	0.27	-0.7	100.0	23.2		0.06		21.1	0.06	8	0.00
Austria	423	0.23	-4.1	96.1	39.3	18.8	0.09	0.04	23.2	0.05	187	0.10
Belgium	820	0.36	2.0	99.4	41.8	18.5	0.15	0.07	25.0	0.09	74	0.03
Canada	1 744	0.25	-4.1	100.0	33.5		0.09		16.8	0.04	165	0.02
Denmark	1 664	1.06	4.3	100.0	38.5	32.9	0.41	0.35	32.1	0.34	189	0.12
Finland	371	0.31	6.1	100.0	41.5	27.8	0.13	0.09	29.0	0.09	58	0.05
France	4 105	0.32	-7.3	96.4	31.1	11.8	0.10	0.04	24.0	0.08	1 657	0.13
Germany	5 030	0.27	-1.9	97.9	46.6	21.9	0.13	0.06	23.3	0.06	647	0.03
Greece	226	0.20	..	..	56.2	13.0	0.11	0.03	7.8	0.02	12	0.01
Ireland	235	0.30	13.2	100.0	34.1	14.2	0.10	0.04	47.7	0.14	-	-
Italy	1 376	0.13	-5.5	98.5	72.6	26.3	0.09	0.03	26.7	0.03	406	0.04
Japan	13 508	0.28	3.9	87.6	27.7		0.08		15.2	0.04	- 54	0.00
Luxembourg	127	0.71	18.1	100.0	26.2	14.5	0.19	0.10	32.2	0.23	2	0.01
Netherlands	3 135	0.84	5.5	100.0	28.5	21.0	0.24	0.18	24.9	0.21	306	0.08
New Zealand	113	0.25	4.9	100.0	25.0		0.06		24.1	0.06	0	0.00
Norway	1 264	0.80	2.1	99.9	26.1		0.21		33.2	0.27	27	0.02
Portugal	271	0.26	0.9	99.1	34.0	12.0	0.09	0.03	43.2	0.11	27	0.03
Spain	1 195	0.22	1.5	92.2	39.7	10.2	0.09	0.02	11.5	0.02	12	0.00
Sweden	1 799	0.80	1.3	99.5	31.0	26.4	0.25	0.21	29.1	0.23	122	0.05
Switzerland	890	0.34	2.1	100.0	29.5		0.10		29.7	0.10	58	0.02
United Kingdom	4 501	0.32	1.5	100.0	39.8	18.1	0.13	0.06	30.9	0.10	439	0.03
United States	9 955	0.10	0.2	99.7	25.6		0.03		19.5	0.02	2 506	0.03
Total DAC	53 737	0.22	0.4	95.9	32.9	23.7	0.07	0.05	22.0	0.05	6 848	0.03
Memo: Average country effort		0.39										

Notes:

a. Excluding debt reorganisation.

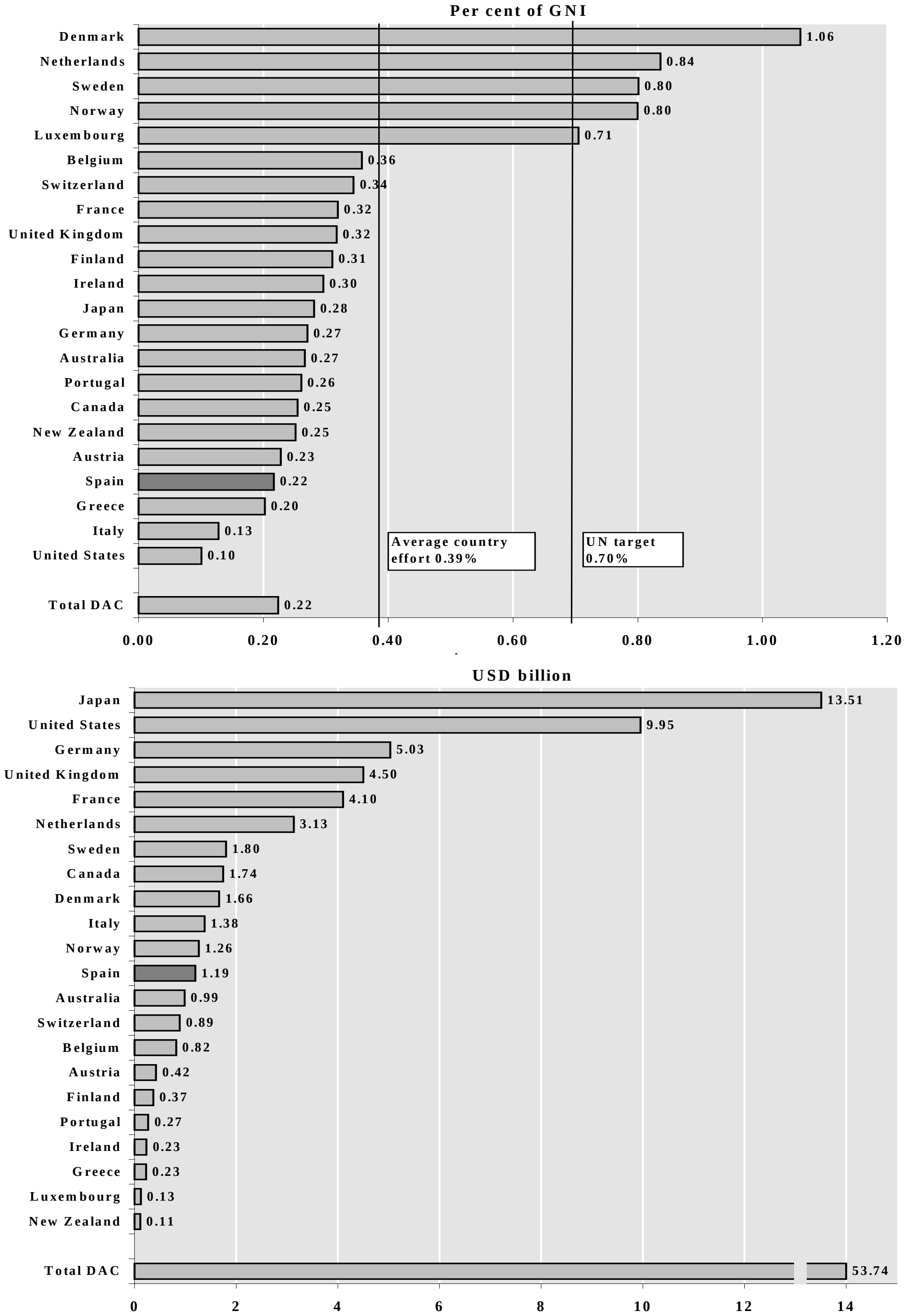
b. Including European Community.

c. Excluding European Community.

.. Data not available.

Source: OECD.

Figure I.1. **Net ODA from DAC countries in 2000**



Source: OECD.

PRESS RELEASE OF THE DAC PEER REVIEW OF SPAIN

Spain's Official Development Assistance (ODA) amounted to USD 1.2 billion in 2000. Spain's ODA in relation to its Gross National Income (GNI) peaked at 0.28% in the mid-nineties, but decreased to 0.22% in 2000, ranking it 19th out of the 22 DAC countries. The DAC welcomed Spain's commitment made at the European Council meeting in Barcelona to reach 0.33% ODA/GNI ratio by 2006. This may be helped by Spain's steady economic growth and strong public support for development co-operation.

The DAC commended Spain for the notable progress made in development co-operation since the last Peer Review. Its new comprehensive Law on International Development Co-operation and its four-year master plan have enhanced the consistency and co-ordination of the diversified Spanish aid system, which seeks to focus on poverty reduction, gender equality and the environment. To further align Spain's efforts with the Millennium Development Goals, the DAC welcomed the confirmation of poverty reduction as an overarching goal across the entire aid system and recommended increased spending on poverty reduction, including basic social services such as health and education.

In 2000, more than half of Spanish aid went to lower middle-income countries and 40% was directed towards low-income countries. The DAC recommended that Spain should strengthen its allocation of resources to enhance the targeting of aid to poor populations and poor countries as well as the creation of a pro-poor environment. At present, Spain gives loans to highly indebted poor countries; since loans are tied to Spanish procurement, they can have limitations on partnership, ownership and aid effectiveness. The DAC noted the decreasing share of Development Aid Fund (FAD) loans. In this context, Spain should continue its review of its FAD loans in a comprehensive manner. Spanish development co-operation would benefit from more emphasis on results achieved and effectiveness in aid programming and implementation to inform lesson-learning and reinforce public support.

A large proportion of Spanish aid goes to Latin America. Spain's strong linguistic, historical and cultural ties with Latin America and its recent experience of building a democratic state mean it is in a good position to share its experiences with that region. In view of these factors, Spain could take a lead role among donors in discussions on good governance, such as judicial reform, decentralisation, tax administration and police force training.

Spain's Ministry of Foreign Affairs (MFA) has been assigned the central responsibility in development policy. In 2000, decentralised co-operation through autonomous regions and local authorities accounted for 25% of bilateral ODA. The DAC suggested that Foreign Affairs be accorded a clearer lead role in providing directions to all actors in development co-operation, particularly in reinforcing consistency between the growing decentralised co-operation and overall aid policy. To promote coherent development policies, Spain's Law on International Development Co-operation states that the principles and objectives of development co-operation should be reflected in all other policies affecting developing countries. In order to enhance the discussion on policy coherence for development, the DAC recommended MFA to strengthen its analytical capacity in order to contribute to an informed debate with other policy communities on issues such as EC policies on trade, agriculture, fisheries and technology transfer.

This was the third DAC Review of Spain. The meeting, held on 9 April 2002, was chaired by Jean-Claude Faure. The examining countries were Ireland and the United Kingdom. Spain was represented by Rafael Rodriguez Ponga, Secretary General of the Spanish Agency for International Co-operation.

DESCRIPTION OF KEY TERMS

The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information. Full definitions of these and other related terms can be found in the "Glossary of Key Terms and Concepts" published in the DAC's annual Development Co-operation Report.

ASSOCIATED FINANCING: The combination of OFFICIAL DEVELOPMENT ASSISTANCE, whether GRANTS or LOANS, with any other funding to form finance packages.

DAC (DEVELOPMENT ASSISTANCE COMMITTEE): The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its Members are given at the front of this volume.

DAC LIST OF AID RECIPIENTS: A two-part List of Aid Recipients was introduced by the DAC with effect from 1 January 1994. Part I of the List is presented in the following categories (the word "countries" includes territories):

> **LLDCs**: Least Developed Countries. Group established by the United Nations. To be classified as an LLDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC list is updated immediately to reflect any change in the LLDC group.
>
> **Other LICs**: Other Low-Income Countries. Includes all non-LLDC countries with per capita GNI less than USD 760 in 1998 (World Bank Atlas basis).
>
> **LMICs**: Lower Middle-Income Countries, i.e. with GNI per capita (World Bank Atlas basis) between USD 761 and USD 3 030 in 1998. LLDCs which are also LMICs are only shown as LLDCs – not as LMICs.
>
> **UMICs**: Upper Middle-Income Countries, i.e. with GNI per capita (World Bank Atlas basis) between USD 3 031 and USD 9 360 in 1998.
>
> **HICs**: High-Income Countries, i.e. with GNI per capita (World Bank Atlas basis) more than USD 9 360 in 1998.

Part II of the List comprises "Countries in Transition". These comprise: i) more advanced Central and Eastern European Countries and New Independent States of the former Soviet Union; and ii) more advanced developing countries.

DEBT REORGANISATION: Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, rescheduling or refinancing.

DISBURSEMENT: The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. They may be recorded **gross** (the total amount disbursed over a given accounting period) or **net** (less any repayments of LOAN principal during the same period).

EXPORT CREDITS: LOANS for the purpose of trade and which are not represented by a negotiable financial instrument. Frequently these LOANS bear interest at a rate subsidised by the government of the creditor country as a means of promoting exports.

GRANTS: Transfers made in cash, goods or services for which no repayment is required.

GRANT ELEMENT: Reflects the **financial terms** of a commitment: interest rate, maturity and grace period (i.e. the interval to the first repayment of principal). The grant element is nil for a LOAN carrying an interest rate of 10%; it is 100% for a GRANT; and it lies between these two limits for a LOAN at less than 10% interest.

LOANS: Transfers for which repayment is required. Data on **net loans** include deductions for repayments of principal (but not payment of interest) on earlier loans.

OFFICIAL AID: Flows which meet the conditions of eligibility for inclusion in OFFICIAL DEVELOPMENT ASSISTANCE, except that the recipients are on Part II of the DAC LIST OF AID RECIPIENTS.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA): GRANTS or LOANS to countries and territories on Part I of the DAC LIST OF AID RECIPIENTS (developing countries) provided by the official sector with the promotion of economic development and welfare as the main objective and which are at concessional financial terms (if a LOAN, having a GRANT ELEMENT of at least 25%).

OTHER OFFICIAL FLOWS (OOF): Transactions by the official sector with countries on the DAC LIST OF AID RECIPIENTS which do not meet the conditions for eligibility as OFFICIAL DEVELOPMENT ASSISTANCE or OFFICIAL AID.

PARTIALLY UNTIED AID: OFFICIAL DEVELOPMENT ASSISTANCE (or OFFICIAL AID) for which the associated goods and services must be procured in the donor country or among a restricted group of other countries, which must however include substantially all recipient countries.

PRIVATE FLOWS: Consist of the following flows at market terms financed out of private sector resources:

> **Direct investment**: Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC LIST OF AID RECIPIENTS. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.
>
> **Bilateral portfolio investment:** Includes bank lending, and the purchase of shares, bonds and real estate.
>
> **Multilateral portfolio investment**: This covers the transactions of the private non-bank and bank sector in the securities issued by multilateral institutions.
>
> **Private export credits**: See EXPORT CREDITS.

TECHNICAL CO-OPERATION: Includes both i) GRANTS to nationals of recipient countries receiving education or training at home or abroad, and ii) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries.

TIED AID: Official GRANTS or LOANS where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all recipient countries.

UNTIED AID: OFFICIAL DEVELOPMENT ASSISTANCE (or OFFICIAL AID) for which the associated goods and services may be fully and freely procured in substantially all countries.

VOLUME: Unless otherwise stated, data are expressed in current United States dollars. Data in national currencies are converted into dollars using annual average exchange rates. To give a truer idea of the volume of flows over time, some data are presented in **constant prices and exchange rates**, with a reference year specified. This means that adjustment has been made to cover both inflation between the year in question and the reference year, and changes in the exchange rate between the currency concerned and the United States dollar over the same period.

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Development Co-operation Review Series

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