

SPAIN

Development Assistance Committee (DAC)
PEER REVIEW



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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The Peer Review Process

The DAC conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every four or five years. Five members are examined annually. The OECD's Development Co-operation Directorate provides analytical support and is responsible for developing and maintaining the conceptual framework within which the Peer Reviews are undertaken.

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, as well as civil society 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. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination.

The Secretariat then prepares a draft report on the member's development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Secretariat in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Austria and France for the Peer Review on 15 November 2007.

*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.

Acronyms

AACI*	Andalucian Agency for International Co-operation (<i>Agencia Andaluza de Cooperación Internacional</i>)
AECI*	Spanish Agency for International Development (<i>Agencia Española de Cooperación Internacional</i>)
DAC	Development Assistance Committee (OECD)
DG POLDE*	Directorate General for Development Planning and Evaluation (<i>Dirección General de Planificación y Evaluación de Políticas de Desarrollo</i>)
EU	European Union
FAD*	Development Assistance Fund (<i>Fondo de Ayuda al Desarrollo</i>)
FAMSI*	Andalucian Fund of Municipalities for International Solidarity (<i>Fondo Andaluz de Municipios por la Solidaridad Internacional</i>)
GAVI	Global Alliance for Vaccines and Immunizations
GBS	General Budget Support
GDP	Gross domestic product
GFATM	Global Fund to Fight AIDS, Malaria and Tuberculosis
GNI	Gross national income
IFI	International financial institutions
IHP	Initiative against Hunger and Poverty
LDCs	Least development countries
MAEC*	Ministry of Foreign Affairs and Co-operation (<i>Ministerio de Asuntos Exteriores y de Cooperación</i>)
MDGs	Millennium Development Goals
MEH*	Ministry of Economy and Finance (<i>Ministerio de Economía y Hacienda</i>)
MITC*	Ministry of Industry, Tourism and Trade (<i>Ministerio de Industria, Turismo y Comercio</i>)
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organisation
ODA	Official development assistance
PACI*	Annual International Co-operation Plan (<i>Plan Anual de Cooperación Internacional</i>)
SECI*	Secretariat of State for International Co-operation (<i>Secretaría de Estado de Cooperación Internacional</i>)
SWAPs	Sector wide approaches
TCO	Technical Co-operation Office
TEC	Tsunami Evaluation Coalition
UN	United Nations
UNDP	United Nations Development Programme

* Acronym in original language.

Signs used:

EUR Euro
 USD United States dollars

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

Slight discrepancies in totals are due to rounding.

Annual average exchange rate (EUR per USD)

2001	2002	2003	2004	2005	2006
185.7918	1.0611	0.8851	0.8049	0.8046	0.7967

Spain's Aid at a Glance

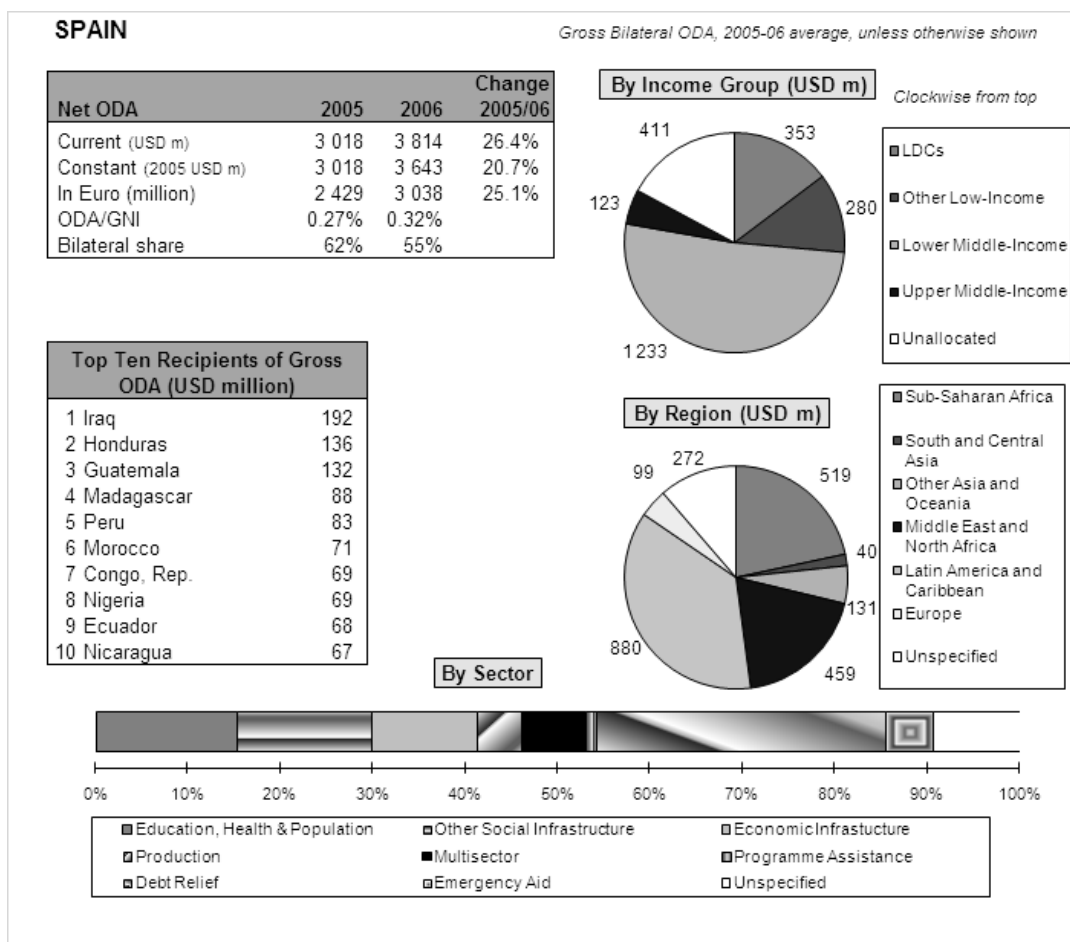


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THE DAC'S MAIN FINDINGS AND RECOMMENDATIONS

Spain has set itself ambitious goals for its development co-operation through to 2012. The Master Plan 2005-2008 sets out major improvements on past policy and practice, and Spain now faces the challenge of putting the overall vision into practice. Political support and the framework for policy coherence are strong, yet further progress depends on their more strategic and systematic use. Spain is rapidly scaling up its aid volume and needs to enhance its capacity for delivering bilateral aid while avoiding dispersion of effort. A new commitment to sub-Saharan Africa reflects a sharpened poverty focus, and offers new opportunities for division of labour among donors. Spain's increasing multilateral aid is becoming more strategic. The political leadership is driving major reforms in organisation and management for improved aid effectiveness, which are generating a comprehensive change process in the aid system. Aid effectiveness is gathering momentum, as Spain applies the principles of the Paris Declaration well in the field. But successful implementation of the aid effectiveness agenda will depend on completing the reform process. Spain's humanitarian action strategy reflects international good practice and the country should now ensure greater co-ordination among its humanitarian actors.

Strategic orientations

Spain has set itself ambitious goals for its development co-operation

Spain is in the midst of a comprehensive upgrade of its aid programme. Aid volume is increasing rapidly as Spain aspires to reach an ODA/GNI ratio of 0.7% by 2012. As a firm supporter of the Paris Declaration, Spain is also committed to enhancing the quality and impact of its assistance. The country has embarked on this comprehensive and challenging undertaking, which has addressed many of the recommendations of the 2002 Peer Review, with strong public and cross-party political support. The government is working to make development policy a state policy that commits all official actors to a common approach and is able to withstand political change. This is particularly important given the substantial share of aid provided by autonomous regions and local administrations (decentralised co-operation). Spain will continue its strong development engagement in Latin America, where historical, cultural and language ties give it a comparative advantage. This also helped Spain attain a leadership role among donors in the region in promoting aid effectiveness. Sub-Saharan Africa has become a new priority for Spanish development co-operation, and aid to the region is set to increase significantly. The country's own experience of development within the EU is an important factor in this regard, and the government is stepping up its engagement on aid questions in the EU, where initiatives such as the EU Consensus on Development and the Code of Conduct on Complementarity and the Division of Labour in Development Policy set a framework that will increasingly influence Spanish aid.

The Master Plan sets out major improvements on past policy and practice

The Master Plan 2005-2008 provides a comprehensive framework for Spanish development co-operation. The plan is based on a nationwide consultation exercise, thus ensuring a high degree of support from all Spanish development stakeholders. It defines overall strategic objectives and priorities for Spanish aid, clarifies sector and geographic priorities, and provides guidance for the instruments and different players in the Spanish system. It also sets out the areas and objectives for improving aid quality. The Master Plan contains clear improvements on past practice, updating the existing legal basis

for development co-operation from 1998 in line with Spain's international commitments, especially the MDGs, while also sharpening the original focus on poverty reduction. Spain's multidimensional concept of poverty finds good expression in a thorough approach to addressing cross-cutting issues as priorities both at the horizontal and sector levels. Finally, to maintain public support, Spain recognizes the importance of development education and plans, very appropriately, to integrate development education into formal and informal education systems, from infant schools to university education.

Spain now faces the challenge of putting the overall vision into practice

Spain recognises that implementing its strategic vision will be a major challenge, especially given the country's international commitments for improving aid effectiveness. One essential task is to complete rapidly the full set of sector strategies; these are a key element of Spain's policy framework, the basis for implementing its ambitious goals. The diversity of actors in the Spanish development co-operation system is a valuable asset, but also implies important challenges. While the various Spanish development co-operation stakeholders are generally well informed about the Master Plan and Spain's vision for development, not all of them, including decentralised actors, feel bound by the policy framework. This has adverse impacts on co-ordination, coherence and overall effectiveness. In working towards its strategic objectives, learning from experience in the field will play an important role. Spain is currently not yet systematically incorporating its impressive experience into policy.

Recommendations

- For Spain to be able to implement its strategic vision for aid, it needs to enhance overall co-ordination and coherence, as all development co-operation actors should operate within the strategic policy framework created by the Master Plan, country strategies and sector strategies.
- Spain should quickly complete its sector strategies to ensure that implementation of country programmes is fully consistent with the strategic framework.
- Spain should make more systematic use of its field experience and expertise to improve policy and as an important contribution to debate and good practice within the international development community.

Policy coherence

Political support and the framework for policy coherence are strong

Spain is among the few DAC members to include policy coherence for development in its legal and planning framework. In 2004, Spain's Development Co-operation Council took up the task of reporting annually to parliament on the issue. Policy makers have the advantage of strong political support for policy coherence for development, and the Master Plan sets out areas of action and the roles of different ministries. In the case of migration, the Secretary of State for International Co-operation has embarked on joint activities with other ministries and has used the enhanced status of development co-operation to bring policy coherence questions to political attention and debate at the highest level. Spain is also committed to promoting policy coherence for development in international forums. Spain is particularly well placed to do so in the area of migration, an area where some are concerned about the risk of an instrumentalisation of aid, given its own recent experiences of large-scale emigration.

Further progress depends on their more strategic and systematic use

The analytical capacity for policy coherence for development has improved in the Secretariat of State for International Co-operation (SECI). It is, therefore, important that the Secretariat is increasingly recognised as a fundamental partner in inter-ministerial deliberations on issues with clear and important policy coherence dimensions. The Master Plan does not define the role or requirements for autonomous regions or local administrations in policy coherence, nor are these decentralised actors represented in the Development Co-operation Council's consultations on policy coherence. Moreover, attention could be paid at field level to policy coherence for development. Co-ordination among development actors remains a challenge, including the role of the military in humanitarian assistance. In its report on policy coherence, the Development Co-operation Council focused to a large extent on the international arena, paying limited attention to bilateral policies. But it made one key recommendation which, if followed through, will help improve policy coherence significantly: Spain should be transparent about, and communicate publicly, its official position on controversial policy coherence areas in international forums, such as the EU, where Spain's national policies may conflict with development goals.

Recommendations

- In the context of policy coherence for development, Spain should follow through on the recommendation of the Development Co-operation Council on transparency of its position in international policy debates.
- The State Secretariat should make better use of mechanisms for policy co-ordination, ensuring that policy coherence is considered in all relevant discussions; decentralised actors should be involved in the consultations.
- Spain should take steps to include actors in the field in its efforts to enhance policy coherence for development, raising their awareness and drawing on their observations for assessing the coherence of Spanish policies.

ODA volume, channels and allocations***Spain is scaling up its aid volume***

Spain is committed to reaching an ODA share of 0.7% of GNI by 2012 — three years before the EU commitment date. With budget provisions to reach 0.5% of GNI in 2008, Spain appears to be well placed to reach its targets. It is, however, not clear how Spain will use its different instruments to achieve this. Therefore, overall budget planning for increasing aid now needs to be complemented by a more specific operational strategy for the use of different channels and allocations involved. This is especially important since debt relief and development lending, which accounted for significant shares of ODA in the past, are set to decrease in the years ahead. A more operational strategy for increasing aid should also aim to allow Spain's partner countries to better predict, and make plans based on, this aid for the near- to medium-term future.

Spain needs to enhance capacity for delivering bilateral aid and avoid dispersion of effort

While Spanish bilateral aid will continue to increase in absolute terms, its share of total aid is projected to decline from 62% in 2005 to 48% in 2007. Spain is aware that its capacity for implementing bilateral assistance has not kept pace with its soaring aid budget. Spain needs to swiftly complete the reform of the Spanish Agency for International Development (AECI), the main implementer of bilateral aid, to equip the system with an operational basis that can implement rapidly increasing amounts of bilateral assistance effectively in line with its objectives.

Dispersion of aid is another concern. With 56 partner countries in three categories (priority countries, special attention countries, and preferential countries), accounting for 71% of bilateral aid, Spain spreads its resources fairly thinly. Spain's share of bilateral aid to its 23 priority countries stood at only 36% in 2006 – against a target share of 70%. As Spain increases its aid, achieving this target and avoiding further dispersion will require a conscious effort throughout the Spanish aid system. The active participation of decentralised actors will play an important part in increasing the concentration of aid in line with Spanish policy objectives.

A new commitment to sub-Saharan Africa reflects a sharpened poverty focus

The new focus on sub-Saharan Africa reflects a reinforced focus on poverty reduction, as recommended in the last peer review, as well as a “re-discovery” by Spain that it has direct neighbours in the region. In the challenging undertaking of building up a stronger profile in sub-Saharan Africa, Spain's approach has so far been pragmatic yet prudent. Spanish development co-operation offers substantial potential for added value beyond increased financial resources, and the DAC looks forward to Spain's growing contribution in this region. Spain also sees a direct link between the new focus on sub-Saharan Africa and its commitment to allocate a minimum of 20% of bilateral aid to least developed countries. Whereas Spain achieved this in 2005, largely through debt relief, it fell well short of the target in 2006. To meet the target consistently, Spain still needs to plan carefully its increase of programmable aid in its mix of channels and allocations of aid to least developed countries.

Spain's approach offers new opportunities for division of labour among donors

Spain's traditional regional focus on Latin America and its commitment to increase aid to sub-Saharan Africa offer a good opportunity to divide labour between donors more efficiently. Other donors may wish to make use of Spain's leadership role in Latin America, and Spain should consider how to prepare for this possibility. On the other hand, to increase its aid in sub-Saharan Africa, Spain is entering a relatively unfamiliar context characterised in many cases by a high degree of aid dependency, a multitude of donor representation, and long-standing co-ordination mechanisms. Spain should, therefore, consider making use of existing mechanisms and other donors' capacities for harmonised and aligned assistance.

Spain's increasing multilateral aid is becoming more strategic

Spain is becoming a more active and strategic contributor to the multilateral system. Spain's multilateral aid is rising sharply, consistent with the country's overall vision as a donor. While contributions to the European Union account for much of Spain's multilateral aid, the most distinctive aspect is the increase of funds to non-financial institutions, targeted at achieving the MDGs and at enhancing the quality of multilateral aid. These actions are in line with the Master Plan's general priorities for the evolution of Spain's multilateral engagement. But Spain also needs to urgently finalise a strategy which defines the rationale, objectives and actions for this multilateral engagement, including in the EU, in more detail so as to avoid allocations being driven by funding opportunities, rather than strategic considerations.

Recommendations

- Spain should back up its targets for increasing aid with an operational strategy, which also reflects its own target of aid for least developed countries. The strategy should cover assistance from all Spanish development actors and should also provide greater predictability for its development partners.

- All Spanish development actors should contribute to enhancing the concentration of Spanish assistance, and to work towards its target of 70% of bilateral aid to priority countries.
- In a spirit of complementarity, Spain should consider opportunities for donor partnerships — either as a silent or active partner — in sub-Saharan Africa and Latin America.
- Given its rapid increases in multilateral aid, Spain should finalise its multilateral strategy urgently and ensure sufficient capacity to manage it.

Organisation, management and aid effectiveness

The political leadership is driving major reforms

Planning for growth and improving quality are the greatest challenges to Spain's ambitions, and will require facilitating the effective use of capacity within the Spanish system. Spain's political leadership has embarked on reform and has the political vision to drive the process forward. The Master Plan sets out reform objectives for the main actors in the system to improve the quality and impact of Spanish aid. The main task is to reform AECI into an agency able to deliver on Spain's commitments — an aid share of 0.7% of GNI, and the Paris Declaration on Aid Effectiveness — in an effective way. Spain is also acting to resolve long-standing inconsistencies in its development assistance loans, which resulted from an ambiguous dual mandate for export promotion and development co-operation.

The reforms are generating a comprehensive change process in the aid system

The profile and resources of the Secretariat of State for International Co-operation (SECI), which has the main responsibility for aid management, have increased. But although reform of the human resource system is addressing long-standing problems — especially uncompetitive conditions for field staff — the pace and magnitude of change are putting capacity under strain, both in Madrid and in the field. SECI is encouraged to keep a close eye on system capacity. At the same time, Spain's partners appreciate the improved quality of Spanish aid in the field, and SECI now seeks to improve the functioning of the system as a whole. In this effort, a key role will fall to more effective mechanisms to link the policy-making and monitoring in Madrid with operational capacities in the field. SECI is also aware of the need for a system that focuses on results and builds on a strengthened evaluation culture. These urgent needs remain to be addressed, both conceptually and in concrete terms.

Aid effectiveness is gathering momentum

The commitment to aid effectiveness is the key motivation for the reform process, and Spain has made a concerted effort to disseminate and promote the Paris Declaration across the Spanish system and to its partners. The DAC commends Spain for its efforts to untie its aid by 2012, in line with its commitment to partner country ownership. Spain also intends to increase the use of general budget support and sector-wide approaches, although from a very low base and without quantitative targets. OECD's *2006 Survey on Monitoring the Paris Declaration* indicated that Spain still needs to make tangible progress for many indicators. This situation should improve as the reforms take hold.

Spain applies the principles of the Paris Declaration well in the field

Spain has shown skill in adapting the aid effectiveness principles to its co-operation in Latin America, where most partners are middle income countries with low levels of aid dependency. In Colombia and El Salvador — both politically polarised countries — Spain appreciates the central governments' prerogative to define national policy, as well as the need for ownership to be citizen-based. As aid is only a small fraction of partner government spending, Spain's focus is on

aligning in areas which are essential for development results, and where donor support can trigger the implementation of partner sector strategies or initiatives. Technical co-operation often plays a key role in this process. Whereas Spanish co-operation still lacks the capacity and resources to put in place a system of management for development results, its engagement often promotes an implicit results focus by its partners. Moreover, Spain fosters accountability through a strong focus on national, citizen-based accountability mechanisms. Finally, its deliberately low profile engagement allows it to maintain constructive relations with all relevant stakeholders. This effective approach has enabled Spain to play a leadership role among donors in countries such as Colombia and El Salvador.

Successful implementation of the aid effectiveness agenda will depend on completing reform

Spain needs to retain a clear focus on aid effectiveness throughout the reform process. To achieve greater co-ordination and harmonisation beyond policy consultations, Spain needs to ensure the different actors – including decentralised co-operation – take a common approach to implementing assistance at the country level.

AECI's country offices are in the best position to facilitate and lead the co-ordination process in the field. However, the protraction in completing the reform at headquarters is increasingly constraining effective operation in the field. The agency's reform should lead to strong delegation of authority to the field for better harmonisation and alignment. To back this up further, AECI needs to develop substantive capacity for sector policies at headquarters, and in-country programming should be at the strategic level, rather than at the level of instruments. A key element for success lies in a revamped human resource system which provides a professional cadre and career paths, competitive employment conditions and incentive structures for staff rotation. Spain risks losing critical skills and expertise, in particular among high-quality staff in the field, if it fails to address this issue comprehensively. This would seriously undermine its ability to meet its strategic objectives of more and better aid.

Recommendations

- Spain should retain its clear orientation towards the principles of the Paris Declaration.
- In completing its development co-operation system reforms, Spain should pay close attention to the need for a human resource system with a professional cadre and career path offering incentives for field experience.
- To improve co-ordination and the division of labour in its aid system, Spain needs arrangements to co-ordinate different Spanish actors and instruments at the field level during the planning, implementation and evaluation of their work.
- Spain should prioritise urgently introducing management for development results, supported by a further enhanced evaluation system and culture.
- The reformed AECI should establish clear lines of decision-making and consider increasing delegation of authority to country offices, backed up by enhanced policy capacity in headquarters, while paying attention to the balance between cost efficiency of operations and the necessary capacity for implementing aid effectively.
- In further efforts to focus its aid on its comparative advantage, Spain should aim to capitalise on its proven capacity and experience of engaging with various stakeholders, and the specific value added by decentralised actors working with government at the regional or local level.

Humanitarian action

The humanitarian action strategy reflects international good practice

Spain endorsed the good humanitarian donorship (GHD) principles in 2004 and aligned its legal framework for humanitarian action with these principles. The country is finalising a humanitarian action strategy that reflects GHD principles and which will increase its capacity to undertake an expanding programme of humanitarian action. The strategy addresses shortcomings in the present humanitarian aid system and sets out a series of priority actions and intentions, including incorporating humanitarian aid aspects into all development planning documents, and commissioning evaluations. Spain also wants to increase humanitarian aid to the DAC average of 7% of bilateral ODA by 2008.

Spain should now ensure greater co-ordination among humanitarian actors

The government recognises that its ambitious plans for humanitarian aid will require greater policy coherence and co-ordination among development actors. At present, the Ministry of Foreign Affairs and Cooperation (MAEC), through AECI, manages about half of the central government humanitarian assistance funding. Humanitarian aid also comes from the Ministries of Defence, Industry, Labour and Finance. MAEC has reached an understanding with the Ministry of Defence confirming civilian leadership in the humanitarian response. The autonomous communities and local administrations, which have their own legal frameworks for humanitarian action, have been the second largest contributors after MAEC. But it would be helpful if they considered pooling resources when relatively small amounts of funding are involved. Some NGOs prefer decentralised funding because the procedures are often better adapted to the humanitarian response than those of the central government. The humanitarian action strategy intends to enhance the capacity of the humanitarian aid system by increasing staff numbers in AECI and by strengthening the capacities of field offices and embassies. The strategy also aims to enable AECI to fund local NGOs directly, though it will be necessary to find mechanisms that comply with Spanish financial regulations. At the same time, a review of Spanish humanitarian aid considered that direct interventions could lead to a multiplication of decentralised actors on the ground, contrary to GHD principles, making it important to agree on a division of tasks and common quality criteria.

Recommendations

- Spain should draw up an implementation plan for its humanitarian action strategy containing clear objectives, priorities, progress indicators, responsibilities and timelines.
- In line with its on-going reform, Spain should compare the effectiveness of direct interventions by Spanish humanitarian aid teams with the use of multilateral and local actors for individual interventions.
- Autonomous regions and local administrations should co-ordinate needs assessments and humanitarian responses with the general state administration.

SECRETARIAT REPORT

Chapter 1

Strategic Orientations

Spain has set itself ambitious goals to support the international development agenda and it recognises the major challenges it will face in realising these goals. The government is developing a state development policy that will be binding on all public actors and able to withstand short-term political changes. The diversity of actors in the Spanish system is both a source of strength and a challenge, as the country now faces the task of implementing its strategic vision.

Ambitious goals for Spain's development co-operation

Spain has set its goals for development co-operation within the international framework of the 2000 Millennium Declaration. The ultimate objective of Spanish co-operation is poverty reduction, recognised as a multidimensional concept. The general goal is to increase capabilities and create the necessary conditions in partner countries for achieving a dignified standard of life for current and future generations (MAEC/SECI, 2005). This overall objective influences Spain's strategic goal of sustainable human development.

Spain has set challenging official development assistance (ODA) targets for itself, helped by continuing strong economic growth, cross-party support and public opinion. In 2006 the country became the 8th largest donor in volume terms.¹ To meet its European development commitments (Box 1), Spain has also set itself a target to make ODA 0.33% of gross national income (GNI) by 2006 and to reach 0.7% by 2012, three years before the EU target date of 2015. Spain considers itself to be on track to meet its target, having reached 0.32% in 2006.

Spain also aims to improve aid quality, in which aid effectiveness and policy coherence are important elements. Spain signed the Paris Declaration on Aid Effectiveness in 2005 and has been an enthusiastic supporter of this declaration. Many of Spain's planned policy, organisational and management actions aim to improve aid effectiveness, though Spain recognises that its ambitious vision will stretch its capacity. The inclusion of policy coherence goals in its approach to development cooperation challenges Spain to go beyond aid policy to promoting a development policy that binds all state actors. Spain also aims to report on progress towards achieving this ambitious vision. Other elements of aid quality are the complementarity of Spanish aid with its partners, co-ordination and management reforms.

Spain aims to have a much greater influence on the international agenda. Beyond increasing funding to multilateral partners, this requires active engagement in international meetings and also relates to increasing the capacity of these international organisations. To achieve this, Spain recognises that it will have to build its own capacity to engage with the multilateral system.

¹ This is in line with Spain's informal benchmark to be the 8th largest donor, by ODA volume, reflecting its position as currently the 8th largest economy in the world.

Strategic orientations and legal framework

International and historical context of Spanish aid

Over the last few years, Spanish development co-operation has been clearly oriented to meeting its international development commitments. Reducing poverty is a major criterion in selecting partner countries, and was also one motivation for a new focus on sub-Saharan Africa for its aid programme. For some politicians, the strategic need to address poverty issues has become more pressing because of migration concerns, though the government is clear that development and migration are separate issues. Spain also takes account of the need to address fragile states and security issues. Spanish development co-operation is also assuming an increasingly European dimension (Box 1). Moreover, Spain's historic commercial and political relations with Latin America, along with a shared language and some common features of institutions and culture, have given the country a specific interest, and a comparative advantage over other donors, in the region. Spain's understanding of Latin America finds expression in the series of Ibero-American Summits in which Spain takes a leading role.

Box 1. The European dimension of Spain's co-operation policy

Spain has relatively recent experience of being a comparatively underdeveloped country within Europe. The transformation of Spain into a strong democratic market economy was given impetus by its entry into the European Community. Spain has been a strong promoter and supporter of EU-led processes in development co-operation. For example, during its European Union (EU) Presidency in 2002, taking up the donor community's commitments made at Monterrey, Spain promoted the interim targets for EU member states to increase their official development assistance to an average of 0.39% of gross national income by 2006, 0.51% by 2010 and 0.7% by 2015. This EU-wide agreement was signed in Barcelona in 2002.¹ More recently Spain has given active support to the European Consensus on Development (2005) and continues to support European initiatives for policy coherence.

Spain also build on its experience of joining Europe and its ongoing European commitments in developing its own bilateral policies. Spain's experience of using Community funds to build sustainable human development capacity for promoting economic growth has informed the main thrust of its development policy. The EU's engagement with the Europe-Mediterranean basin started in 1985. As Spain began its process of accession, the European Community encouraged a reflection on Spain's links with developing countries, particularly the Maghreb and Latin America. Spain has been a strong supporter of development co-operation in neighbouring countries. Currently, the search by migrants for a gateway into Europe has put the spotlight on two of Spain's territories. Spain's cities of Ceuta and Melilla, enclaves surrounded by Moroccan territory, have attracted migrants from the Maghreb. More recently, migrants from West Africa have attempted to reach the Canary Islands in small boats, often with tragic consequences. Spain's actions to protect Europe's borders have influenced its relations with Morocco and West African countries. Spain has also been a promoter of strong EU relations with Latin America and countries in that region regard Spain as a supporter for gaining access to EU markets.

Source: http://www.europarl.europa.eu/bulletins/pdf/01s2002_eu.pdf accessed 15 Aug. 2007.

Legal framework for development co-operation

The 1998 Law on International Development Co-operation sets the main legal framework for Spanish co-operation. The law reflects principles in the Spanish Constitution to "co-operate in the strengthening of peaceful relations and effective co-operation between all peoples of the world." It establishes the basic principles, instruments, governing bodies, resources and personnel and remains the legal basis for Spanish co-operation. Central to the law is a multidimensional view of poverty reduction. As virtually all ministries within the central government administration can become involved in development (although mostly with very modest ODA amounts), the law assigned the main responsibility for formulating and implementing co-operation policy to the Ministry of Foreign Affairs

and the Spanish Agency for International Development (AECI).² At the same time, Spain was one of the first DAC members to establish in law the principle that successful development depends on the coherence of policies of other ministries. The law also recognised that there were other development actors beyond the central government.

The current government, which took office in 2004, has updated the 1998 law to bring it into line with the contemporary international agenda. The current Master Plan (MAEC/SECI, 2005), discussed below, recognises that international co-operation is no longer a subordinate facet of foreign affairs but a key part of Spain's foreign policy. This enhanced profile is reflected in the ministry's name, which has become the Ministry of Foreign Affairs *and Co-operation* (MAEC).³ The Law of External Debt 2006 has implications for the arrangements for loans by the Development Assistance Fund (*Fondo de Ayuda al Desarrollo*) (FAD), which will affect the relations of MAEC with the Ministry of Industry, Tourism and Trade as well as the Ministry of Economy and Finance, though the details are still subject of negotiation.

The strengths and challenges of Spain's complex development system

The 1998 law recognises that Spain's international development system involves a diversity of development actors. Figure 1 groups these into four distinct categories.

- i. Parliament, composed of the Congress of Deputies and the Senate,⁴ debates policies and holds the government to account. The Congress houses a permanent International Co-operation for Development Commission, the major oversight body for international co-operation.
- ii. The General State Administration (central government) has three ministries mainly responsible for managing ODA:
 - a. The Ministry of Foreign Affairs and Co-operation (MAEC), through the State Secretary for International Co-operation (SECI), is responsible for development policy and oversees AECI. SECI also has the main responsibility for contributions to non-financial international organisations.
 - b. The Ministry of Economy and Finance (MEH)⁵ is responsible for Spain's participation and co-ordination with international financial institutions and for Spain's external debt.
 - c. The Ministry of Industry, Tourism and Trade (MITC)⁶ is responsible for managing Spain's development assistance loans through the FAD.
- iii. Spain's Autonomous Communities and Local Administrations, often known as *decentralised actors* although still within the state system, also provide significant aid from

² *Agencia Española de Cooperación Internacional.*

³ *Ministerio de Asuntos Exteriores y de Cooperación (MAEC).*

⁴ The members of the Senate represent the voice of different Spanish autonomous communities.

⁵ *Ministerio de Economía y Hacienda.*

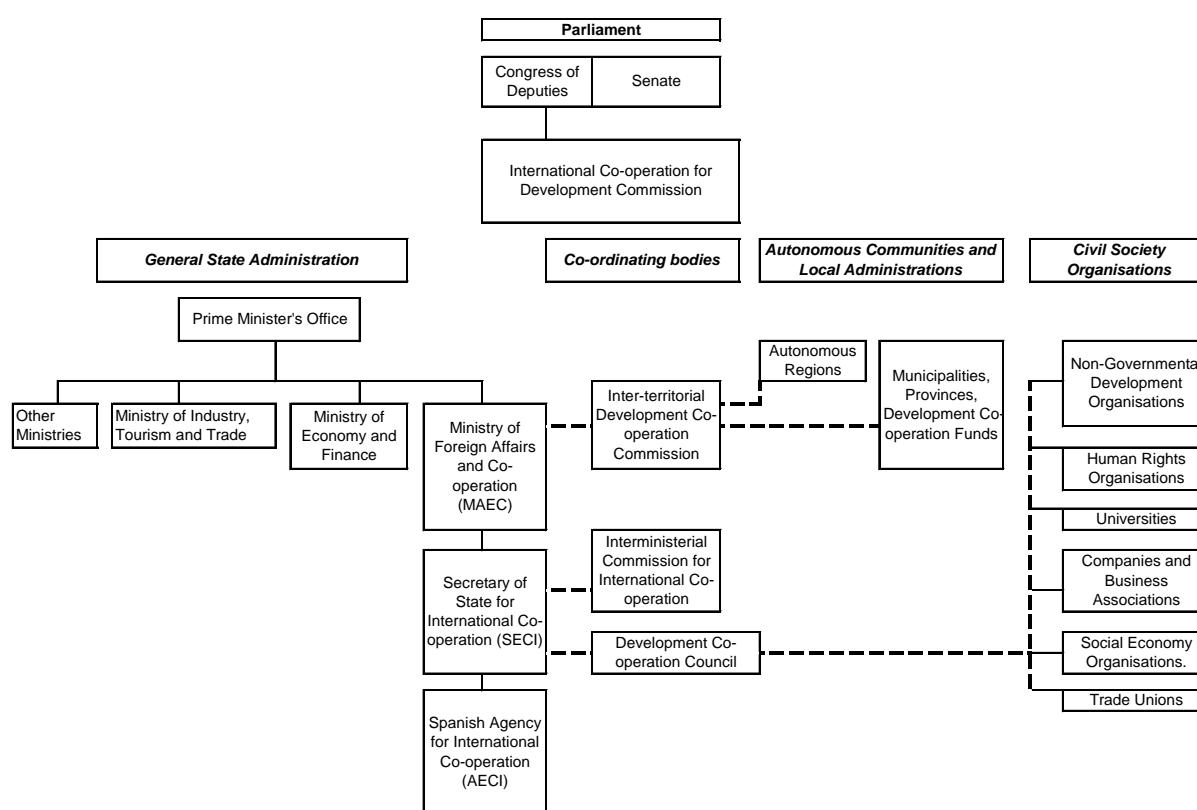
⁶ *Ministerio de Industria, Turismo y Comercio.*

their own resources. While some regions establish their own offices in partner countries, many other regions delegate management to civil society organisations.

- iv. Like other DAC donors, Spain has many civil society organisations, including developmental non-governmental organisations (NGOs), universities, private companies and business associations, and trade unions.

The system requires formal co-ordination mechanisms and Spain has set up three important bodies. The Inter-Territorial Development Co-operation Commission, managed by MAEC, co-ordinates central government, the Autonomous Communities and Local Administrations. The Inter-Ministerial Commission for International Co-operation co-ordinates ministries. The Development Co-operation Council brings together central government, civil society and experts to consult on and co-ordinate development policy. The Secretary of State for International Co-operation manages the latter two bodies.

Figure 1. Players in Spanish international co-operation



Source: DAC Secretariat using information in the Master Plan (MAEC/SECI, 2005) and interviews in Madrid.

Throughout the review process it became evident that the diversity of development actors is both a source of strength and a challenge. Spain's different actors bring different ideas, approaches and instruments to the development process. For example, in El Salvador (Annex D), heads of local administrations appreciated the contribution of Spain's decentralised actors, especially for their understanding of local development challenges and for their ability to work directly with the local administrations. However, despite the formal attention to co-ordination noted above, there is widespread

recognition — from the Secretary of State to NGOs in the field — that the system poses a co-ordination challenge and increases transactions costs.

The Master Plan 2005-2008 greatly improves on past policy and practice

Improvements on previous policy and practice

The Master Plan 2005-2008 (MAEC/SECI, 2005) improves on the earlier master plan and address many of the issues raised in the previous peer review.⁷ The Master Plan came about through consultation with a wide range of Spain's development actors. This has led both to its comprehensive nature and also to the political consensus that it enjoys. This consensus makes it possible for the government to contemplate a state policy for development, which is binding on all state actors and able to withstand political change. In dealing with issues such as policy coherence, the Master Plan aims to be a development policy — not just an aid policy. Following the recommendations of the previous peer review, the Master Plan sharpens the focus on reducing poverty as the overarching goal, gives greater clarity to the definition of geographical priorities and sets out clear targets for official development assistance. It also sets out actions for the use of instruments such as aid untying, development assistance loans and debt conversions (Box 2). Furthermore, it considers organisational and management matters (discussed in Chapter 4).

Box 2. Debt swap agreement between Spain and El Salvador

The debt swap agreement with El Salvador is an example of Spain's innovative use of debt related action for development. Upon learning of the existence of debt swaps as an instrument of Spain's development co-operation, El Salvador's Ministry of Education proposed a debt swap that would benefit the country's education programme.

After negotiations within the Spanish government, Spain and El Salvador signed an agreement in December 2005 for a programme of USD 10 million. The funds, which are managed by a joint committee, are used exclusively to support El Salvador's education strategy. Spain agreed to the debt swap even though El Salvador does not suffer from debt distress. The swap was based on a loan from Spain's Development Assistance Fund (FAD), which El Salvador had always fully serviced on time. As the debt originated from an ODA loan, it did not count towards Spanish aid figures, but it did provide new financial resources for El Salvador's development.

A comprehensive approach

The current Master Plan is a comprehensive statement of the Spanish approach to international co-operation for development, drawing on the strategic goals established in the 1998 law. It deals with policies, priorities, strategic criteria for aid allocations, aid instruments, quality of aid, the players in the ODA system and development education. The Master Plan reiterates the overall goal of poverty reduction within the framework established by the Millennium Declaration, as well as a focus on sustainable human development. The plan has the following strategic objectives:

- i. build political consensus on development co-operation policy through cross-party agreement about financial goals;
- ii. deepen attention to policy coherence for development, including a progress report in 2006.

⁷ See Annex A for an overview of Spain's response to the 2002 Peer Review.

- iii. Improve co-ordination, harmonisation and alignment, in line with the Paris Declaration on Aid Effectiveness 2005;
- iv. strengthen geographical and sectoral concentration for better effectiveness and impact of Spanish aid;
- v. increase official development assistance to 0.5% of GNI by the end of 2008, with an intermediary goal of 0.33% in 2006;
- vi. improve aid management, including through organisational reform of the AECI, with particular attention to the country strategy process;
- vii. enhance education for development and social awareness.

The Master Plan sets general priorities for aid allocations. The focus on poverty integrates the cross-cutting issues of governance, gender equality, human rights, environmental sustainability and cultural diversity (Box 3). Reflecting its focus on sustainable human development, its sectoral priorities comprise human capacities and social needs, including fighting hunger and improving health, education, protection of vulnerable groups, basic living conditions, water and sanitation. Spain has set a budget objective of assigning 20% of its official assistance to basic social needs. Other sectoral priorities include democratic governance, economic capacity, environmental capacity, cultural capacities and liberty, women's capacities and autonomy, conflict prevention and peacemaking.

Box 3. Spain's approach to cross cutting issues: the example of gender and environment

Spanish development co-operation defines poverty reduction, defense of human rights, gender equality, environmental sustainability, and respect for cultural diversity as cross-cutting issues. These reflect the core values and objectives of Spain's aid. All aid interventions should be designed to have a positive impact on all these dimensions. The Directorate-General for Development Planning and Evaluation has created a systematic methodology for including these cross-cutting priorities in all development interventions. They are linked to seven general strategic objectives, each with a corresponding priority sector. All policy documents (country strategies, sector strategies, annual implementation plans) contain guidance on integrating cross-cutting dimensions. As a result, issues such as gender and environment have a double policy priority, at both horizontal and sector level. The guidance addresses priority lines of action and instruments, and facilitates operations at the field level.

The policy approach has evolved since the last policy cycle. For example, the gender strategy has shifted from a traditional focus on women in development, which tended to perpetuate stereotypes and traditional roles, to one of gender in development, which looks at unequal gender relations in terms of power and asset distribution and control as factors for inequality. It takes into account differences between the specific needs, conditions and situations of men and women, and analyses gender relations in the context of a given society or development process. The environment focus has shifted from conservation to environment as a basic factor for and contributor to development framed by the Millennium Development Goals (MDGs). The link to poverty, for instance, highlights three key channels through which environmental conditions affect development: living resources, health and vulnerability, and loss of natural resources. All are limiting factors for development and all affect the poorest most severely.

The missions to El Salvador and Colombia (Annexes D and E) provided interesting examples of the implementation of these cross-cutting priorities. In El Salvador, gender issues were well integrated into co-operation in the areas of governance and local development. Spanish initiatives to foster "demand driven" governance, access to justice and rights, and citizen participation had a strong gender component. Moreover, support to grassroots efforts was linked to co-operation with local government. At the national level, support to the self-organisation of gender initiatives facilitated dialogue with the central government. At the same time, Spanish co-operation helped raise the awareness and profile, and encouraged the development, of gender policies within central government.

In Colombia, Spain adapted its engagement in cross-cutting areas to the special context of conflict. For example, support to national parks not only pursued conservation, but was also designed to help prevent the cultivation of drugs in the parks, a key problem fuelling and sustaining the conflict and violence. Moreover, park administrations were in some cases seen as the only legitimate, and accepted, representatives of government in remote regions. Therefore, maintaining their capacity has a direct bearing on the conflict situation.

One concern raised in the previous peer review was Spain's lack of clarity about its geographical priorities and its poverty focus. Spain has now more clearly defined these criteria. They are an orientation towards the poorest countries and populations; willingness of recipient countries to commit to development objectives; Spain's comparative advantage for engaging in individual countries, and maintaining Spain's co-operation agreements and treaties. While Spain continues to give high priority to engagement in middle-income countries, where the majority of the world's poor live, it is increasingly directing its aid programmes to the poorest and most underprivileged populations. Spain also aims to increase the use of new instruments in its bilateral programme, such as sector approaches, budget support and global funds. Spain also sees the need to change the use of some of its traditional project and technical assistance instruments, such as food aid, humanitarian action, microcredit, and development assistance loans. Finally, Spain will increase its attention and funding to development education.

The challenge of implementing the vision

Following the publication of the Master Plan, Spain is increasing its ODA and has started to revise its policies. However, some strategies, such as for sectors and aid modalities, are lagging behind. Aid volume is clearly on a strong upward trend (Chapter 3), which puts spending pressure on country programmes and multilateral action. Country strategy programmes cover nearly all Spain's 56 partner countries, but sectoral policies, which are intended to precede country strategies, are not keeping up with the action on the ground. Most sector strategies developed before 2005 have had to be revised to reflect the evolution of Spanish development co-operation under the new Master Plan. The strategies for economic development and multilateral policy remain to be completed, as do policies on cross-cutting issues such as human rights, which will have implications for Spain's goals for both bilateral and multilateral aid. Priorities for action are set out in the annual plans.

Work has also started on the planned organisational reforms. A reform of the Development Co-operation Council was completed in 2004, which brought new categories of members from civil society into the council and provided it with a new mandate, including a requirement for reporting on policy coherence. International co-operation increased in political influence in 2004 when the Ministry of Foreign Affairs became the Ministry of Foreign Affairs and Co-operation. While the Secretary of State for International Co-operation has political responsibility for development co-operation the Minister for Foreign Affairs and Co-operation is responsible for development co-operation in the cabinet. In 2006, the State Agencies Law to improve public services provided an opportunity to move ahead with the reform of the Spanish Agency for International Co-operation (AECI). In 2006-07, a process⁸ began to adapt AECI to the requirements of the Paris Declaration on Aid Effectiveness and the Master Plan. However, the bureaucratic process is protracted. Despite this, Spain is rapidly increasing the numbers of personnel overseas, responding to the twin needs to increase aid volume and improve aid quality. The External Debt Law in 2006 has changed the legal context for development assistance loans, and reforms on unttying aid are proceeding, with implications for inter-ministerial relations.

⁸ Internal working documents were drafted in October 2006 and in May 2007.

The government intends the preparations for the next Master Plan (for 2009-2012) to build on the successful consultative process used for the present plan. It aims to provide the basis for a state policy built on consensus, which would last for at least eight years (two legislative periods). However, even though the main aims of development co-operation will not change, the challenges in the process are already apparent from the consultations so far, especially plans to concentrate on fewer countries and sectors in order to improve aid effectiveness.

Improvements in development education and communications

The support of the Spanish public is important for allowing Spain to achieve its international goals. Spanish public opinion on development has influenced cross-party support for aid increases. Up until now, support has been generated by involving the public in the form of NGO activities and by the widespread official development assistance activities of autonomous communities and local administrations. Trade unions have taken an interest in labour conditions in multinational companies. But public support has also come at the cost of fragmenting Spanish co-operation efforts and, possibly, reducing its impact. Furthermore, continuing support cannot be taken for granted. Spain sees a need for development education to build critical awareness of development issues and a society committed to international solidarity.

Given the need for an engaged and supportive public, Spain has designated development education as a priority for Spanish co-operation. The strategy goes beyond awareness of co-operation activities or influencing public opinion in the short term. Spain wants to build on the real interests of the Spanish public and the current concerns of civil society organisations. NGOs, trade unions, and universities all have a role in development education. Beyond this, Spain aims to integrate development education into the formal and informal state education systems, from infant schools to universities, where Spain's regional administrations play a pivotal role. The Master Plan sets out the requirement for strategy formulation. Work began on drafting a strategy on development education in 2006 and it is scheduled to reach the co-ordinating bodies by the first half of 2007. The Annual Plan 2007 has set out priorities for action after approval of the strategy, though these remain rather general (*e.g.* improve the planning of activities).

Opinion polls show that awareness of development issues leads to general support for development co-operation even if detailed knowledge of official development activities is patchy. According to polls from the Spanish Centro de Investigaciones Sociológicas⁹, 70% of the public are aware of the UN goal of allocating 0.7% of GNI to ODA, but 76% did not know how Spain performed in this regard. A Eurobarometer poll (EC, 2007) revealed that 88% did not know of the MDGs and 80% were not aware of the European Consensus on Development. Nonetheless, 69% of respondents to the Eurobarometer poll and 75% to the Spanish poll felt that it is important to reduce extreme poverty and hunger. In this context, a clear majority (73%) of the Spanish public in the Eurobarometer poll believes that sub-Saharan Africa is the region most in need of assistance, while the Spanish polls put North Africa in first place. The second most important region in both polls is Latin America (29% in Eurobarometer). This is the highest support among Europeans for that region. The Eurobarometer poll further found that 68% agree that Spain should provide aid in general, though there is little awareness about its allocation among the Spanish public.

The experience of Spain's entry into the EU (Box 1) is generally considered a factor in the public's favourable view of ODA, though there are other motives. According to the Eurobarometer, "Helping poor countries to trade with rich countries" is the most important rationale (28%), while a close second

⁹ *Centro de Investigaciones Sociológicas* (2006) Estudio CIS No. 2,653, and *Centro de Investigaciones Sociológicas* (2005) Estudio CIS No. 2,617; quoted in the Spanish memorandum.

(21%) is “helping people in need”. Among Europeans, the Spanish are least convinced (13%) that aid helps with global stability and very sceptical (8%) of aid’s role in preventing terrorism. Only 16% of people in Spain think aid can prevent migration from poor to rich countries (only the populations of seven out of 27 EU countries are more sceptical).

Future considerations

- In striving to implement its strategic development vision Spain should aim to ensure that all Spanish development co-operation actors, including decentralised co-operation, operate within the strategic policy framework provided by the Master Plan and the country and sector strategies.
- Spain needs to complete the strategic framework for implementing its objectives, notably by finalising sector strategies, as soon as possible to inform operational work in partner countries.
- Spain will need to develop further capacity to take leadership roles in selected international fora, making use of its learning from the field in sectors where Spain has comparative advantage.
- Spain is commended for recognising the importance of development education for its development co-operation vision, and should aim to spell out specific actions for implementing its strategic approach to development education.

Chapter 2

Policy Coherence for Development

With strong political support for policy coherence for development, Spain has taken action to address this challenging issue and to resolve institutional requirements. Spain is committed to promoting policy coherence for development in international fora, but it could be more transparent about its own stance in controversial areas. Spain has successfully addressed many of the issues raised in the 2002 peer review. Nonetheless, co-ordination is still a challenge in the Spanish system, and Spain could do more to address analytical capacity constraints and to track potential policy coherence issues at the field level.

Strong political support for policy coherence

Politicians at national and regional levels are knowledgeable about a diversity of policy coherence for development issues, with specific political debate around migration and development. The Secretary of State for International Co-operation (SECI) regularly engages in inter-ministerial discussions on economics and trade, and more recently on diplomacy, defence and development (3Ds). The Development Commission incorporates a wide range of national and regional parties that discuss the links between development and numerous issues such as climate change, arms trade and migration. Many of these issues have both an EU dimension (Box 4) and regional dimension within Spain. For example, the head of the Andalusian Agency for International Co-operation confirmed the relevance of migration and development in his region.

The legal, planning and reporting framework for policy coherence for development

Spain is one of only a few DAC members that have established a legal framework encompassing policy coherence for development, incorporated the issue into its planning, and established a system of reporting. The peer review in 2002 noted that policy coherence for development is a fundamental principle of the 1998 law, which sets out the roles of various Spanish institutional actors and assigns responsibility for promoting policy coherence to the Secretary of State for International Co-operation. The Master Plan 2005-2008 notes that Spain's international commitments¹⁰ require policy coherence and sets out areas of action and the roles of different ministries. The plan also recognises the role of non-governmental and decentralised Spanish actors. It addresses specific issues raised in the previous peer review by setting out a strategy to promote coherence among the policies of multilateral agencies, especially the European Community, and by joint development action on migration with other Spanish ministries.¹¹ The methodology for the country strategy process foresees analysis and integration of policy coherence issues in the drafting of these strategies. In 2004, a Royal Decree required the Development Co-operation Council to report annually on policy coherence to parliament. In 2005, a

¹⁰ Maastricht Treaty for the EU, OECD DAC and the 8th MDG.

¹¹ The issues in the previous peer review were export credit guarantees, the development aid fund, aid untying and debt relief.

permanent working group was established in the Council, which included most of the relevant actors.¹² However, as autonomous communities and local administrations are not represented on the Council, it has limited scope for dealing with issues that concern the entire aid system.

While Spain has made clear progress on policy coherence for development¹³, and its legal and planning framework is stronger than in 2002, it still needs to clarify the roles and responsibilities of the different Spanish development actors. The 1998 law and the 2004 Royal Decree establish responsibilities at the top in a general way. The Master Plan does not give the autonomous communities and local administrations a specific requirement to promote policy coherence for development and it is vague about the roles of civil society actors. In 2002, the peer review recommended that the Ministry of Foreign Affairs “be accorded a clearer lead role in providing directions to all actors.” This ministry should now provide a clear lead.

Promoting policy coherence in international fora

Spain has actively promoted policy coherence for development among its multilateral partners, especially the European Community, through promoting MDG 8 and work with the DAC, for example. Spain is a member of the EU’s informal network on coherence and gave active support to the process that led to the European Consensus on Development in 2005 (Box 4). Spain is currently collecting information from different government departments so that it can report back to the EU on its own policy coherence for development. Given Spain’s sophisticated understanding of the Latin American region, where it has a comparative advantage over most EU members, it could take the lead in assessing the progress of the EU Consensus in Latin America.

Box 4. The EU context for Spain’s policy coherence

The EU Council states that development objectives should be taken into account in all policy-making processes, and has made commitments in 12 priority areas for policy coherence, including fisheries and migration:

- The EU Council made it clear in the European Consensus on Development that the community “will continue to pay particular attention to the development objectives of the countries with which the Community has or will agree fisheries agreements.” This is relevant to the European Fishery Fund, set up to support the European fisheries sector from 2007 to 2013, and also to fisheries agreements with developing countries.
- For migration, the European Consensus on Development sets migration and development in a global context and seeks to promote the positive impact of migration on development. In 2005, the EU sets out its action plan on migration in West Africa, followed by a joint statement for Africa as a whole. Conferences in 2006 led to a programme of action for 2007-2013 to combat brain drain and facilitate temporary migration in the health sector. The EU Strategy for Africa is another opportunity to increase policy coherence.

The previous peer review scrutinised Spain’s involvement in EC fisheries agreements with developing countries. This sector remains an area of potential policy incoherence and it is not clear what role Spain plays in the EC internal negotiations. All relevant ministries were represented in the negotiations but international co-operation interests were represented by the Secretary of State for

¹² Members of the group include various ministries, AECI, NGO co-ordinators, trade unions, the University Co-ordination Council, Federation of Human Rights Organisations, and individual experts.

¹³ Spain’s Memorandum 2007 states that the Center for Global Development’s 2006 Commitment to Development Index showed Spain had made the greatest improvement of all donors.

Foreign Affairs, which could give the impression that Spain was promoting its domestic interests without regard to development. For instance, Spain's autonomous regions will be major beneficiaries of the Fisheries Fund (Box 4) and also expect to benefit from the fisheries agreements. The working group on policy coherence of the Development Co-operation Council recommended that Spain should make transparent its stance in internal multilateral negotiations, such as EU fisheries.

An active role in migration and development

The Spanish public has traditionally been relaxed about immigration,¹⁴ but this has recently become more sensitive, causing the International Co-operation for Development Commission of the Congress of Deputies to take up the issue. While there is no consensus yet on passing legislation, the Development Commission has focused on defining the context and questions for further debate, including agreement that development co-operation cannot directly stem the flow of migrants. While development will invariably have an impact on migration, the eventual effect is not known, and development co-operation should concentrate on its development mandate. Overall, policy coherence questions have been clearly taken into account whilst working towards a broader government policy on migration, and Spain's commitment to developing a position on migration and development takes note of factors which may lead to policy inconsistencies. Pending progress towards a national policy, the process has allowed the understanding that Spanish development co-operation should pursue its development mandate completely independently of migration policies. This should avoid any ambiguities in the implementation of the aid programme.

Spain has also developed strategies on "co-development"¹⁵ and "remittances". A Working Group on Co-development of the Development Co-operation Council involving ministries, NGOs, experts, trade unions, business associations, emigrant associations as well as autonomous communities and local administrations, produced a "Consensus on Co-development" in 2006. Regarding remittances, Spain developed its approach in 2004 in the context of its Initiative against Hunger and Poverty (IHP), which operates in immigrants' countries of origin. IHP tries to incorporate alternative or complementary finances beyond official sources to enhance coherence between official and private actors; several financial institutions have since entered into agreements to lower the cost of remittances for their immigrant clients.

Improving policy coherence in practice

Improved policy leadership

The case of migration and development shows the importance of policy leadership. Following migration problems in the Canary Islands, the Secretary of State for International Co-operation persuaded the Prime Minister and the Minister of the Interior to take a development approach. Senegal is a priority country and further work in West Africa will be in the context of the EU approach. This is testimony to the need of using the enhance profile and political leverage of development co-operation to bring policy coherence issues to political attention and debate at the highest level, as they often require decisions at that level. Strategic use of this approach will be essential to improve policy coherence for development.

¹⁴ The Spanish public is generally relaxed about Muslim immigration, distinguishing between immigrants and terrorists. See Legrain, P (2006), *Immigrants: Your Country Needs Them*, Little, Brown, London.

¹⁵ Spain defines "co-development" as the involvement of migrant associations in development activities in regions of origin and transit.

The continuing co-ordination challenge

Co-ordination has improved since the 2002 peer review. The three co-ordinating bodies (Chapter 1) have important roles for facilitating policy coherence for development. The Secretary of State for International Co-operation is now a member of an inter-ministerial council, which specifically facilitates co-ordination policies with development impacts. In the case of migration, co-ordination has improved between the Ministries of Foreign Affairs and Co-operation, Labour and Social Affairs and Home Affairs. The draft Strategic Plan on Citizenship and Integration, approved in February 2007, includes co-development programmes.

However, some of the challenges identified in 2002 still remain. The Ministry of Industry, Tourism and Trade only commits itself to making its “best efforts” regarding the policy coherence of loans by the Development Assistance Fund (FAD). As noted above, the development voice was missing from the EC fisheries negotiations. Efforts at co-ordination also involve autonomous communities, which could better co-ordinate their policies with state policies and within the overall EU context. The PACI (annual plan) for 2007 (MAEC/SECI, 2007) sets out Spain’s approach to migration in some detail, and this includes ways to increase harmonisation between state and non-state actors.

Analysis and information

The Development Co-operation Council Working Group has prioritised analysing international trade, foreign debt, peace and security, and the multilateral system. The council submitted its first report in July 2006. Its recommendations are mainly for the international arena, an easy option for the report’s authors, with only a few recommendations aimed at coherence of Spain’s bilateral policies. Nonetheless, Spain could build on this report through more self-critical analysis of the coherence of bilateral policies and of bilateral positions in international negotiations. To inform such an analysis, Spain could integrate policy coherence issues into a strong results-based evaluation system and culture (discussed further in Chapter 4).

In the case of migration, Spain has been very active in the analysis of migration and development¹⁶ and in developing strategies for its bilateral and multilateral action, including communicating its ideas internationally. Spain’s approach is based on broad-ranging development strategies to reduce poverty and generate opportunities in countries of origin and of transit. The approach recognises that the impact of development is not clear and emphasises keeping development co-operation independent from migration policies.¹⁷ Spain has communicated its perspectives on migration and development in many recent international meetings, including a UN High Level Dialogue in 2006 and the DAC High Level Meeting in 2007. Spain is also advocating the issues of remittances and co-development in the DAC. Spain set itself a specific task to promote ideas about migration and development within the EU framework and has actively participated in formulating the EU Action Plan (Box 4), although some observers express concern that Spain does not have the capacity to become fully engaged in implementation.

¹⁶ Issues addressed by Spain include circular and return migration, facilitating remittances and their impact on development, and the role of diasporas in development. Other current discussions concern brain drain and brain gain, especially regarding skilled scientists and health personnel; and whether development reduces or stimulates emigration.

¹⁷ The approach was set out in 2007 in the Memorandum of Spain and also in the Spanish statement on Migration and Development to the DAC High Level Meeting.

Spain has taken account of the 2002 peer review recommendation to improve analytical capacity, notably with the creation and staffing of the Directorate General, and accepts that more intellectual effort is required, involving all the development actors in the decision-making process. The effort to improve analytical work has become evident, for example, as the Secretary of State for International Co-operation signed an accord with the Secretary of State for Immigration and Emigration to undertake studies, making use of the Permanent Observatory on Immigration. Furthermore, the Working Group on Co-development has made an impressive contribution to Spain's innovative approach, bringing analytical insights to bear on policy-making. Academics feel there is still a large gap between analysis and policy-making. The working group helps to overcome this gap by bringing together experts in a particular field (whose interests are long-term) with policy-makers (who frequently change their roles) though there is a need to be more systematic in making use of academic expertise.

A need to track coherence in the field

DG POLDE has developed a policy tool for integrating policy coherence for development into country strategies. Spanish development actors, however, do not monitor policy coherence in the field. In El Salvador, none of the Spanish development actors in the technical co-operation office, NGOs or the agencies of the autonomous communities considered that they might have a role in reporting to their headquarters potential policy coherence issues involving other Spanish actors.

Future considerations

- Spain is encouraged to continue to be a strong advocate for policy coherence for development in the EU. In particular, Spain could lead members in monitoring the EU's policy coherence in Latin America.
- Spain would be able to promote further policy coherence significantly by following through on the recommendation of the Development Co-operation Council to communicate openly and transparently its positions in international negotiations.
- Consistent with its objective of increasing its analytical capacity further, Spain should bring decentralised and non-governmental actors into the debates and draw from experience in partner countries.
- Spain should use existing policy guidelines and tools to identify potential incoherence of Spanish policies in the field; the results should be used to inform Spain's further efforts to advance policy coherence for development.

Chapter 3

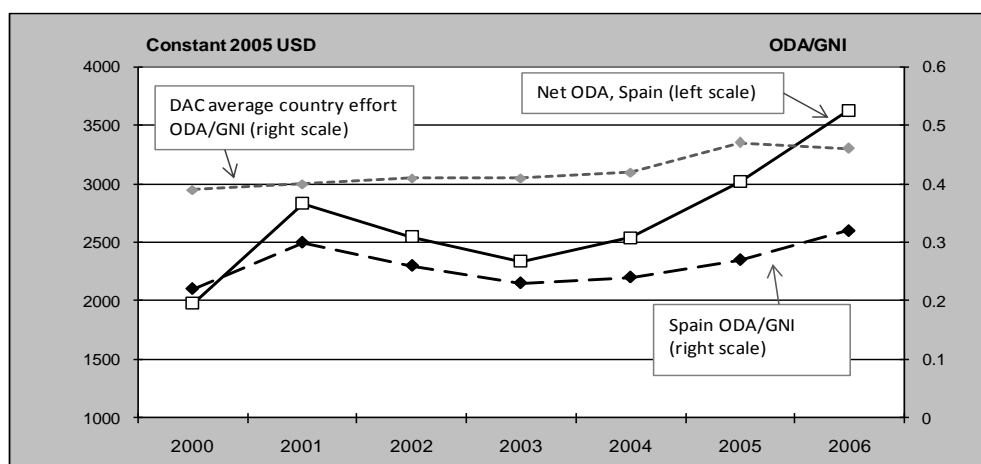
ODA Volume, Channels and Allocations

Spain is strongly committed to reaching an ODA/GNI ratio of 0.7 by 2012, three years before the EU commitment date. This is evidenced by strong aid increases in 2005 and 2006, and in budget provisions through to 2008. At the same time, Spain needs a more strategic approach for scaling up operationally, through individual channels and instruments. Key challenges include ensuring the capacity to deliver increasing bilateral aid, greater predictability of aid for recipients, and an appropriate degree of concentration to optimise the impact of aid.

Overall official development assistance

In 2006, net Spanish official development assistance (ODA) was USD 3 814 million (EUR 3 038 million). This was an increase of 20.7% over the previous year (in constant terms), making Spain the 8th largest bilateral donor in volume terms. While Spanish ODA¹⁸ had hovered between 0.20% and 0.28% of GNI since the beginning of the 1990s (with a brief spike to 0.30% in 2001 related to debt forgiveness), Spanish ODA has been on a strong upward trajectory since 2004 (Figure 2). In 2006, Spanish ODA reached 0.32% of GNI, an all time high, ranking the country 14th among DAC donors in relative terms.

Figure 2. Evolution of Spanish ODA since 2000



Scaling up

The recent increases in aid reflect Spain's commitment to scale up its ODA to 0.7% of GNI by 2012, three years before the agreed EU target date for reaching this level. The increases follow a multi-annual plan, which spans the duration of the current Master Plan for Spanish Co-operation from

¹⁸ Refers to net ODA, unless stated otherwise.

2005-2008 and which contains clear annual targets for increasing the ODA/GNI ratio. Although Spain just missed its 2006 target of 0.33%, current budget provisions are on track to meet the country's target of 0.42% for 2007, corresponding to EUR 4 289 million. The intermediary target for 2008 is to reach 0.5% ODA/GNI, with a current budget projection of EUR 5 390 million.

Spain started the recent scaling-up process from a comparatively low base, but strong political support puts Spain in a good position to reach the targets set by DAC EU members of 0.51% ODA/GNI by 2010, and the UN target of 0.7% ODA/GNI by 2015. This reflects not only government policy, but a broad consensus across Spanish society, the political spectrum, and regional and local governments. With a firm commitment and clear budget provisions for the evolution of the overall ODA budget through the end of the current electoral term, Spain now is strategically poised to sustain its ambitious aid increases.

However, this commitment to scaling up the budget now needs to be complemented by a more specific operational strategy for the use of different channels and allocations to ensure its feasibility. After an aid increase of almost USD 800 million from 2005 to 2006, the Spanish budget provisions imply increases of EUR 1 251 million in 2007 and EUR 1 101 million in 2008. These increases are envisaged despite a policy to reduce new development lending (which accounted for 14% in 2005 and 17% in 2006 of gross bilateral ODA), essentially in the form of soft loans from the Development Assistance Fund (FAD), and the limited scope for debt related action (38.2% in 2005 and 23.5% in 2006), given the decreasing debt stock. The increases will therefore have to a very large extent from the budgetary origin, which will be a real challenge.

Overall, Spain has made good progress in forward planning the overall budget for its official assistance. While this will allow more strategic planning within the Spanish system, ensuring predictability for partner countries has remained virtually impossible. This is partly due to Spain's extensive use of technical co-operation and the fact that a high share of aid is channelled through NGOs, which are not linked to partners' budgeting processes. However, even country strategies for priority countries do not include allocation plans, and country budgets are decided by annual programming. Spain plans to include budget frameworks in the next generation of country strategies, and should strive to improve its partner countries' ability to predict, and include into their planning, Spanish aid for the short to medium-term.

The bilateral channel: policies and allocations

After hovering between 58% and 62% between 2002 and 2005, the bilateral share of Spanish aid dropped to 54.9% in 2006 and is liable to fall to 48% in 2007, according to budget provisions currently under implementation. With overall aid set to increase sharply, two factors combine to create a bottleneck for increasing the bilateral share:

- i. Decreases in debt-related ODA, which accounted for USD 903 million in 2005, and for USD 547 million in 2006 (in constant 2005 USD; Annex B, Table B.2.); debt action valued at EUR 350 million, or 8% of total ODA is planned for 2007..
- ii. Time lags in efforts to increase capacity for the implementation of bilateral assistance.

As a consequence, budget planning for 2007 foresees a bilateral share of only 48%. The swift completion of the reform process in the Spanish development co-operation system, specifically of AECI as the main implementer for scaled up bilateral aid, will be essential for giving the Spanish co-operation system an operational basis for implementing plans for rapidly increasing amounts of bilateral assistance effectively.

Another key feature of the Spanish co-operation system is the high share of aid provided by autonomous communities and local administrations, which so far has been channelled almost exclusively through bilateral channels (Box 5).

Box 5. Development assistance by autonomous communities and local administrations

A distinctive feature of the Spanish system is the strong role of sub-national governments as development co-operation actors. Between 2001 and 2006, the 17 autonomous communities and over 8 000 local administrations accounted for 14.7% of net Spanish ODA. The autonomous communities in particular have shown a strong increase in their ODA budgets, which jumped from EUR 266 million in 2005 to EUR 324 million in 2006. For 2007, their aid is budgeted to increase to EUR 468 million. For local administrations, net ODA remained constant at EUR 119 million in current terms, an amount provided for again for 2007 according to the annual plan (PACI) 2007. As a whole, due to the very large increase of central government ODA, the share of the autonomous communities and local administrations in Spain's overall ODA is declining, despite the increases in absolute terms.

One emphasis of the autonomous communities and local administrations' development approach is on co-operation at sub-national level in partner countries. Spain stresses the strategic priority of working with administrations, building capacity and promoting good governance not only within central government, but also at the local level, which is generally closer to the citizens and offers better scope for participatory processes. The experience by sub-national administrations in Spain of working at this level is of clear relevance and gives them a comparative advantage in this field.

Autonomous communities typically channel between two-thirds and 90% of their ODA through NGOs, and this concentration tends to be even higher for local administrations (MAEC/SECI, 2006; OECD, 2007). At the same time, the fragmentation of aid delivery, especially in the case of local administrations, poses a challenge for co-ordination and overall consistency. Too disparate and thinly spread efforts may prevent sustainable impacts. The initiative by the Spanish Federation of Municipalities to pool assistance from municipalities at the regional level in so-called "Local Funds" is a welcome step with clear potential for further enhancing the collective impact of local capacity development, achieving critical mass, reducing transaction costs and improving scope for harmonization.

Another area where autonomous communities and local administrations play a strong role is development education, where they exceed by far central government spending (in 2006, they accounted for 91% of spending on education and sensibilisation for development, although this share will fall in 2007 as the AEI budget foresees a significant increase for this area). Beyond the actual funding, however, the active engagement by a vast number of actors from the autonomous communities and local administrations in a national effort has had a multiplier effect on development education and contributed to public awareness of, and support for, development issues.

Geographical allocation

The partner country selection process has evolved in the transition from the 2001-2004 to the 2005-2008 Master Plans. The criteria for 2005-2008 include poverty indicators, partners' commitment to development and human rights, Spanish comparative advantage, as well as the existence of co-operation agreements for incorporating strategic and sectoral priorities defined by the 1998 law and the Master Plan. Using these criteria, Spain has identified 23 priority countries (down from 29 in the previous master plan), in which it aims to concentrate 70% of bilateral aid. It has also identified two new categories (Table 1): (i) 18 "special attention" countries, which are characterised by different aspects of state fragility, risk of crisis or disempowered sectors of the population; and (ii) 15 "preferential" countries, which lie outside geographic priority areas or which are large and/or non-aid dependent countries with large pockets of poor economic and social development. Together, the three groups add up to 56 specifically defined partner countries. Spanish ODA receipts were recorded in a total of 119 countries in 2006, many of which received well below USD 1 million.

This dispersion of effort remains a major concern. Moreover, while the 10 top recipients¹⁹ accounted for 49% of country allocable gross bilateral ODA (Annex B, Table B.4.) in 2005-06 (compared to a DAC unweighted average of 64%), three of them were not priority countries; and two, Madagascar and Nigeria, where ODA was practically only debt relief, were not included in any category of partner countries. The many countries raise practical challenges for targeting Spanish aid around its comparative advantage. While Spain should be complimented for reducing the number of priority countries, it needs to concentrate its assistance further to enhance the impact of its growing aid. Spain is still a long way off its target share of 70% of bilateral ODA to the 23 priority countries (listed in Table 1) as in 2006, the combined official assistance to this group accounted for only 36% of bilateral ODA. Introducing a minimum allocation for individual countries in this group would ensure that efforts are not spread too thinly. The definition of special attention and preferential countries could be further explained or refined. Given the already high number of priority countries, clarity is needed that the new categories of partner countries will further disperse aid or divert it from priority countries. Again, a budget framework at the country level will be important in this respect. A key benefit of defining strategies for a broader range of countries may lie in offering clear guidance for development related interventions beyond the narrow group of priority countries.

Table 1. Partner countries for Spanish development co-operation, 2005-08

2005-08 MP	Priority Countries	Special Attention Countries	Preferential Countries
Mexico, Central America and the Caribbean	Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua	Cuba	Costa Rica, Mexico, Panama
South America	Bolivia, Ecuador, Paraguay, Peru	Argentina, Colombia	Brazil, Chile, Uruguay, Venezuela
Middle East and North Africa	Algeria, Morocco, Mauritania, Palestinian Territories, Tunisia, West Sahara Population	Iraq, Lebanon, Syria	Egypt, Jordan
Sub-Saharan Africa	Angola, Cape Verde, Mozambique, Namibia, Senegal	Democratic Republic of the Congo, Ethiopia, Equatorial Guinea, Guinea Bissau, Mali, Niger, Sudan	Sao Tome and Principe, South Africa
Asia and the Pacific	Philippines, Viet Nam	Afghanistan, Cambodia, East Timor, Indonesia, Sri Lanka	Bangladesh, China
Eastern and Central Europe			Albania, Bosnia and Herzegovina

Regional/country focus

Spanish assistance has traditionally had a strong focus on Latin America, reflecting the long-standing historical and cultural ties with the region. While committed to continuing this strong engagement, Spain has decided to reduce the share to the region to no more than 40% of ODA. Despite this relative adjustment, the rapid increases in Spain's aid budget since 2004 imply that Spanish assistance to the region is set to grow in absolute terms.

The major shift in Spain's geographic orientation is the ambition to increase aid to sub-Saharan Africa significantly. This decision follows Spain's reinforced poverty focus and a "re-discovery" that it has direct neighbours in the region. Given Spain's limited co-operation experience in Sub-Saharan countries, the country is exploring the best options for assistance and impact in a region characterised by

¹⁹ In descending order: Iraq, Honduras, Guatemala, Madagascar, Peru, Morocco, Congo Rep., Nigeria, Ecuador and Nicaragua.

high donor density and complex co-ordination mechanisms. This is borne out not least by relatively small disbursements by Spain in many sub-Saharan partner countries. While Spain's bilateral aid to the region, in constant 2005 USD, jumped from USD 223 million in 2004 to USD 658 million in 2005, it fell back to USD 380 million in 2006. Moreover, a large share of the 2005 figure was due to debt relief, mostly in non-priority countries.

Spain is looking to make strategic use of its contributions to multilateral and regional initiatives, particularly the African Union and NEPAD (New Partnership for Africa's Development), to complement its bilateral efforts and enhance its overall assistance to the region. Complementarity with other donors and integration into existing alignment and harmonisation mechanisms will be essential for Spain's successful entry as a major development actor in the region. There is significant potential for delegated partnerships with other donors. At the same time, the well-established structures mean that Spain can ensure that its operations are fully in line with existing aid effectiveness implementation efforts under the Paris Declaration.

Overall, it is obvious that Spain's comparative advantage, and its effective *modus operandi*, will differ markedly in sub-Saharan Africa compared to Latin America. Spain is taking a pragmatically prudent approach to building up a stronger profile in sub-Saharan Africa, while making use of its comparative advantage in Latin America and assuming a leadership role among donors in that region, notably in promoting the aid effectiveness agenda.

Spending by income group

Traditionally, a high share of Spanish bilateral aid has been allocated to middle income countries, mostly in the lower middle income group. Lower middle income countries have accounted for around 60% of gross bilateral official assistance since the 2002 peer review, rising to 68% in 2006, compared with a DAC average of 36-41% during this period. The high share is mostly due to Spain's traditional geographical focus on Latin America and Northern Africa, where almost all countries are in the middle income category. At the policy level, Spain is developing a framework for assistance to middle income countries, and a key rationale for continued strong engagement with this group is that the majority of the world's poor live in these countries. Spain has also refined policies and procedures to ensure that assistance to middle income countries targets poverty reduction effectively, responding to the recommendation of the 2002 peer review. A sharpened focus on poverty was visible in the field, particularly for AECI activities, although less so among existing projects conceived before the policy change.

The 2005-2008 Master Plan also sets out a target of a minimum of 20% of Spain's aid to the least developed countries (LDCs). This increased focus on LDCs is linked directly with Spain's plans for enhanced engagement in sub-Saharan Africa, the region with the greatest number of LDCs. However, the stronger LDC focus still needs to express itself in the aid figures. Between 2002 and 2004, only 14% to 15% of Spanish aid went to LDCs. In 2005, this figure jumped to 23%. This corresponded for the first time to the DAC average, which had fallen by 10 percentage points from 33% in 2004. However, of a total of USD 462 million of aid to least developed countries in 2005, 56.7% was debt relief. When debt forgiveness for this group dropped to USD 12 million in 2006, total bilateral aid also fell sharply, to only USD 245 million or 12% of gross bilateral ODA allocable by income. While non-debt aid increased from a low base of USD 200 million in 2005 to USD 232 million in 2006, Spain only managed to reach the 2005 Master Plan target for aid to LDCs through debt forgiveness. Spain still needs to plan carefully the increase of programmable aid to LDCs so as to meet its targets and reverse the 2006 declining share.

Sector allocation

Spain sees its aid as social in orientation. The idea is to pursue all objectives of development co-operation through support to the generation of public policies. Thus, even interventions in economic infrastructure or in the productive sector should be clearly oriented towards social development. The current breakdown of gross bilateral disbursements including (excluding in brackets) action related to debt in 2006 was 32.3% (41.8%) for social infrastructure and services, 14.4% (18.7%) for economic infrastructure and services, 5.2% (6.7%) for the production sector, and 7.4 (9.5%) for multisector aid.

Yet, whereas social infrastructure accounts for the highest share of Spain's allocable bilateral aid, it has remained below the DAC average in recent years. Both the 2005-2008 Master Plan and the annual implementation plan for 2007 emphasise the need to strengthen the contribution to basic social services. Spain has a target of directing 20% of aid to basic social services, and supports the 20/20 commitment agreed at the World Summit for Social Development in Copenhagen in 1995. After coming close to this target for its bilateral aid between 2001 and 2004, and matching it in 2005, it dropped to 17.3% in 2006. The combined share for bilateral and multilateral aid still showed a modest rise, from 14.2% in 2001 to 16.9% in 2006, due to a sharp increase of multilateral contributions for this area. Spain is commended for orienting its multilateral contributions strategically to its target for basic social services, and, at the same time, it should be careful not to let the objective slip in its bilateral efforts, having met the target in 2005.

In addition to social needs, the Master Plan defines six further sector priorities: i) democratic governance, citizen participation and institutional development; ii) promoting the economic and business fabric; iii) environment; iv) culture; v) gender, and vi) conflict prevention and peace building. These sectoral priorities are meant to achieve seven corresponding strategic goals, while reflecting five cross-cutting priorities. Whilst the share of these sector contributions can be relatively small, such as 3.6% for general environmental protection or 2.5% for women's equality organisations and institutions in 2006, the system of multiple cross-cutting priorities often implies that development interventions have inherently interlinking objectives in different sectors.

A special sector of Spanish co-operation is culture and development. Since the 2002 peer review, Spain has developed a new strategy for culture and development (Box 6). This is based on the appreciation of culture as a right, and a resource for equitable development, and makes a clear differentiation, including separate budget lines, between the promotion of Spanish culture abroad (non-ODA eligible), and cultural co-operation with a development dimension.

The clear differentiation by Spain between promoting Spanish culture and culture as a factor for the development in partner countries also corresponds to a general observation that Spain is committed to achieving its ambitious aid targets via "quality" aid. Allocation categories such as imputed student costs (1.5% of net bilateral ODA in 2006), in-country refugees (1.3%) and post-conflict peace-building operations (0.4%) have been modest. Spain considers this as important for the credibility of its development co-operation, including sustained public support. Spanish officials confirmed that they would prefer to miss ODA/GNI targets slightly rather than compromise this principle. Spain is commended for this attention to concerns about credibility in reporting its official development assistance.

Box 6. A new approach to culture and development

The current Master Plan includes increasing cultural freedom and capacity as a cross-cutting objective, and culture and development as a priority sector for Spanish co-operation. The strategic objective is to strengthen culture as a factor for development in its social, economic, and environmental dimensions, and as a form of social cohesion. As cultural diversity is one of Spain's cross-cutting issues, all planned interventions must reflect analysis, study and recognition of the cultural realities in which they are to take place.

The focus on culture finds expression in two areas:

- i). Co-operation through the cultural programme. This supports partner countries in establishing cultural policies linked to development targets. Interventions in this area must aim to enhance the imprint of partners' cultural identity, create jobs, and reaffirm cultural heritage.
- ii). Co-operation with indigenous peoples. The rationale here is that disrespect for cultural diversity and identity is a major source of discrimination suffered by several hundred million persons worldwide. Social exclusion, impaired human rights, and lack of development opportunities are the consequences. Spain has been a strong supporter of the rights of indigenous peoples and of the need to integrate this concern into development co-operation. The overall objective for co-operation with indigenous peoples is to "contribute to the recognition and the effective exercising of the right of Indigenous Peoples to co-ordinate their own processes of sectoral, economic, political and cultural development." The strategy also brings in concern for Spain's other horizontal priorities of poverty, human rights, gender equality, and environmental sustainability. Spain's multilateral activities include work to strengthen international declarations and actions, e.g. through co-sponsored the UN draft Declaration on Indigenous Peoples. In the bilateral field, the Spanish Agency for International Co-operation has developed a broad-based policy to address the poverty and vulnerability of these peoples, recognising that lack of participation and absence of recognition of their collective cultural and social rights are central considerations. Spain's strong relations with many countries where indigenous people live, especially in Latin America, provide a good opportunity for dialogue.

Aid modalities

Action related to debt was the largest portion of bilateral spending in 2006 (USD 553 million in current terms, or 22.0% of gross bilateral ODA). This was followed by project and programme aid (USD 521 million), technical co-operation (USD 437 million) and new loans (USD 415 million).

The most recent significant change is a sharp increase in project and programme aid, which rose by 117% in constant terms from 2005. Spain is transforming its aid from a project-based to a programme-based approach; however, the use of these "new" aid modalities is still very limited, and only USD 16 million were recorded through sector programme approaches in 2006.

Whereas technical co-operation fell from a high of USD 483 million in 2005, development lending increased by 20% in real terms. Still, the share of new development lending, comprised of soft loans by the Development Assistance Fund (FAD) (Box 7) and loans by AECI's microcredit fund, fell from 20% in 2002 to 10% in 2006. Its share in net ODA stood at just below 4% that year. For 2007, this share is set to reach 4.4% of net ODA, with new funding of EUR 100 million each for the FAD and the Microcredit Fund.

Box 7. Development lending by the Development Assistance Fund

The 2002 peer review of Spain recommended that Spain “increase transparency on FAD loans and conduct a comprehensive review of their poverty reduction impact, including the trade-offs of tied aid in terms of ownership and effectiveness.” Since then, Spain has reduced new financing for this instrument substantially. The government has concluded that in their current form these loans are limited as a development co-operation instrument. A basic flaw is the double mandate of FAD loans: As ODA funds, they need to have a clear development purpose, whereas at the same time they are to serve as a tool for export promotion. In both Colombia and El Salvador, FAD loans were still included among the instruments defined by the country strategy. However, the last time the instrument was used in El Salvador was 2001. From a FAD credit line of over USD 250 million opened in 1999 in Colombia, agreements were only made for loans from an extraordinary share of USD 50 million that was not tied. Until the end of the last policy cycle, FAD loans were not integrated with the rest of Spanish co-operation into a coherent approach and negotiated remotely, from Madrid, with little attention to country processes. There was no basis to verify whether this was still the case, however, as no new loan agreements had been signed since then in either Colombia or El Salvador. The new debt law includes a requirement to reform the FAD, which the government plans to use to resolve the well-accepted problems and to ensure consistence with criteria of financial stability, co-ordination and a clear link to development goals.

Spanish NGOs

A very high share of Spanish aid is channelled through NGOs. In 2006, NGOs implemented 29.5% of Spanish assistance and the share over the period 2001-06 was 26.5% (OECD, 2007). This share is similar to that of direct project aid, which accounted for 29.8% over the same period. The budget provisions earmark EUR 587 million for NGOs in 2007, a clear indication that Spain continues to see NGOs as key instruments in its development co-operation. This money does not only come from the central government. An important reason for the high share of NGO funding in Spain is the strong role of autonomous communities and local administrations in development co-operation (Box 5). In 2006, for instance, flows from autonomous communities and local administrations accounted for 69% of Spanish aid channelled through NGOs. Funds need to be channelled through a fiscal agent registered as an NGO in Spain, and, for decentralised aid, in the respective regions.

The 2005-2008 Master Plan (MAEC/SECI, 2005) introduced a new framework for financing and working with NGOs managed by AECE. It uses two instruments to fund NGOs: co-operation agreements and co-operation projects. In effect, the framework seeks to bring the NGOs into line with the overarching objectives of Spanish policy, framed by the MDGs. Projects are assigned in response to a centralised call for tender based on the parameters set by the Master Plan, further specified by country and sector strategies. The funds are managed and disbursed from headquarters, while field staff assess bids and have responsibilities for co-ordination and follow-up during implementation. A major novelty is AECE's NGO conventions, which are meant to give NGOs much broader scope in the definition and design of their development interventions. Only NGOs recognised as qualified entities by AECE may be considered, and a strong emphasis will be put on technical monitoring, intermediate evaluation and impact analysis. However, the conventions are limited to AECE, and decentralised co-operation has different procedures. The autonomous communities and local administrations retain their own, typically less rigorous, criteria for selecting and funding NGO partners, and in many cases have little scope to verify their capacity for, and quality of, their work in the field.

The stated objectives for working with NGOs are enhanced collaboration, complementarity, and aid quality through better planning and greater co-ordination. But these continue to be a challenge, not least given the complexity of the Spanish system, and the diversity of sources channelling through NGOs. The country and sector strategies are meant to provide the key parameters and a co-ordination framework for all Spanish aid. However, in their current form they do not offer sufficiently specific operational guidance to fulfil this function. Moreover, the high proportion of NGO channelled funds

implies challenges for harmonisation and alignment. One way to address this might be through systematic co-ordination and information sharing at the country level of NGO activities funded by different Spanish actors; the annual co-operation plan for 2006 called for the creation of co-ordination units in the field.

Multilateral aid

Spain intends to become a more active, strategic and selective contributor to the multilateral system, responding to recommendations made in the last peer review. The share of net ODA allocated through multilateral channels was 45% in 2006, compared to 38% to 42% between 2001 and 2005. The share is set to rise to 52% in 2007 respectively.

The greatest part of Spanish multilateral aid goes to the EU. Between 2002 and 2005, this accounted for 58% to 67% of gross multilateral aid, declining to 49% in 2006. This, and the fact that Spain is striving for a more strategic approach to multilateral aid, may urge Spain to actively help identify the different comparative advantages and the future division of labour between the Commission and member states, as well as between individual EU bilateral donors. Contributions to international financial institutions made up most of the remainder of Spain's multilateral aid. Spain is a more recent donor to these institutions than most other DAC members; consequently it has less representation in their voting and capital structures.

A new focus on non-financial institutions, and on one UN

Between 2005 and 2006, Spain's contributions to non-financial institutions jumped almost seven-fold, from a total of USD 44 million to USD 286 million. At the same time, the contributions to other international organisations, funds and initiatives jumped from USD 22 million to USD 190 million, including several first-time contributions.

Spain's rationale for this strong increase in funding to non-financial institutions is to make more strategic and co-ordinated contributions on the basis of the MDGs, and to enhance the quality of aid through large-scale actions with longer timeframes. To this end, DG POLDE has created a framework for inter-ministerial co-ordination of Spain's policy on multilateral organisations to ensure its efforts concentrate on the Master Plan's priority areas.

Spain has also established trust funds managed by UN bodies so as to target its contributions geographically and thematically. With an increased focus on sub-Saharan Africa, for instance, this enables Spain to start channelling funds to the region using existing capacities, while simultaneously building up its capacity and experience for effective bilateral engagement at an increasing scale. Spain also uses trust funds to encourage reform of the United Nations system. To support a more efficient, coherent and rationalised UN system, Spain created a Spain-UNDP fund in December 2006, endowed at the beginning of 2007 with EUR 528 million over four years and dedicated to initiatives for achieving the MDGs through the "one-UN" principle.

Defining a clear strategy for a strategic ambition

Having spelled out its ambition and broad directions for a strategic and enhanced multilateral engagement, Spain now needs to complete the strategy for achieving these objectives. Beyond strategic and policy questions, this has clear operational implications for Spain, as it implies effective allocation and use of a high and increasing share of its rapidly mounting multilateral assistance. Although Spain has defined priorities for its engagement through multilateral institutions and channels, the review team got the impression that allocations have been a function of funding opportunities. The strategy should

ensure that the specific objectives and mandates of multilateral agencies are taken into consideration, as there is a risk that extensive non-core funding might undermine these, turning the organisations into implementers for bilateral donors. Another risk is that non-core (“earmarked”) funding could get in the way of greater harmonisation and alignment of multilateral aid.

As stated in the Master Plan, the focus of increases in multilateral aid will focus on non-financial institutions, as the scope for contributions to financial institutions is clearly defined and limited. The review team did not see a clear strategic approach behind the substantive increases in allocations to over 30 international institutions and agencies. The strategy should urgently address this problem to counter the risk that the strong positive commitment to reaching overall quantitative targets could only be matched by compromising Spain’s strategic engagement, its policy priorities and the effectiveness of its contributions.

Future considerations

- To ensure that Spain achieves its ambitious planned aid increases with broad support from the range of Spanish stakeholders, it needs to develop its strategic approach in more detail. This should also provide greater predictability for recipient partners.
- The multilateral strategy should be finalised as soon as possible as the multilateral aid budget is increasing rapidly.
- Spain needs to strengthen its efforts to meet its target of allocating 70% of bilateral aid to priority countries; in the future, Spain should consider further increasing the concentration of its aid, both for priority countries, and other recipients.
- Spain needs to plan carefully the use of different aid modalities and possible increases of programmable aid to least developed countries in order to meet its target of 20% of bilateral aid to this group consistently.
- Spain should continue to pay attention to its ODA spending on basic social services in line with its targets, and reverse the recent fall in its bilateral share in this area.
- Decentralised actors should strive to make their aid more complementary within the Spanish aid system, for example by basing their assistance on their own comparative advantages, such as capacity building for local government.
- To improve alignment of NGO activities with local needs and strategies, and to promote learning, Spain should systematically co-ordinate and share information on NGOs’ activities at the country level.

Chapter 4

Organisation and Management

Planning for growth and improving quality will be Spain's greatest challenges in meeting its ambitious targets and fulfilling its international commitments. As a key step, political leaders are committed to reforming the organisation and management of its development co-operation system. The reform process addresses organisational constraints affecting various Spanish development actors and a series of management issues that affect the functioning of the whole system.

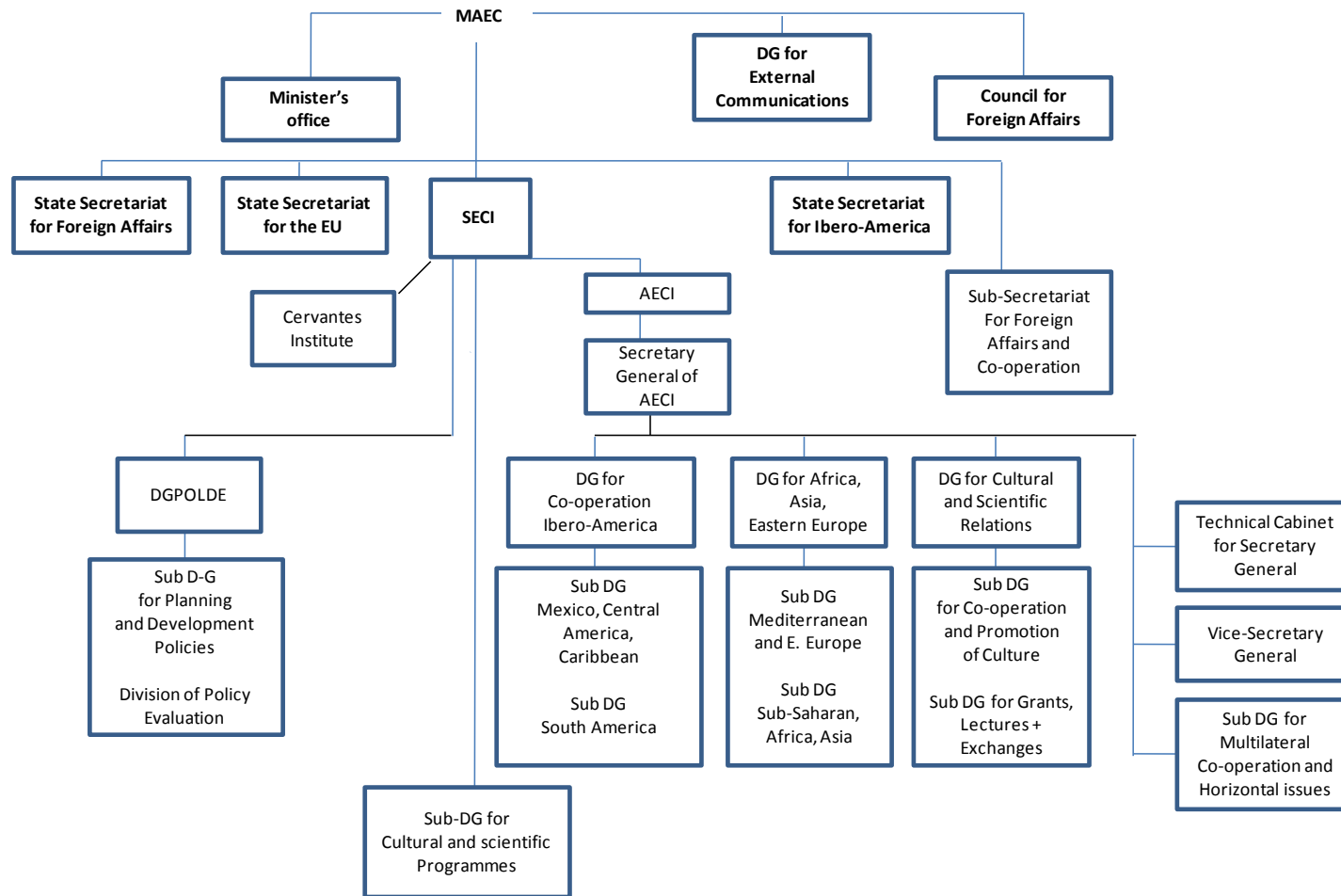
Organisational and management reform driven by political leaders

The political leadership in the Ministry of Foreign Affairs and Co-operation (MAEC) fully understands the organisational and management challenges raised by increasing aid quality and quantity. In discussions with the review team, the Secretary of State for International Co-operation stated that since the system had been lagging behind in all areas in the past, everything had to be done at once while maintaining a clear direction. Spain has already begun to create a professional aid administration, with a comprehensive planning system and improved capacity for monitoring. This process has engaged different actors at all levels in the system; the Secretary of State acknowledges the need for a more homogeneous and compact administration able to draw on external skills. Other ministries now co-ordinate more closely in delivering aid under their budget. Various working groups help to incorporate the competencies of field experts, civil society, diplomats, researchers and politicians. Challenges remain for co-ordination with decentralised co-operation to prevent every Spanish development actor pursuing separate interests in partner countries. A key challenge will be to reinforce the policy framework, creating mechanisms for co-ordination in the field to increase the development impact of all Spanish efforts. The Secretary of State is forcefully driving this process of organisational and management reform.

Organisation of management responsibilities for ODA

Within the Spanish co-operation system, described in Chapter 1, the General State Administration, especially the Ministry of Foreign Affairs and Co-operation (MAEC), exercises the main management responsibilities for Spain's aid. Figure 3 shows the organisation chart of this ministry. The Secretariat of State for International Co-operation (SECI) is responsible for co-operation policies and for managing the main development co-operation programme in partner countries. The political responsibility for SECI resides with the Secretary of State for International Co-operation, who has ministerial rank though is not a cabinet member. Within SECI, the Directorate-General for Development Policy and Evaluation (DG POLDE) and the Spanish Agency for International Co-operation (AECI) have the main responsibilities for ODA. The Directorate-General's responsibilities include formulating (or setting) policy, strategic planning, budget allocations and evaluation. In its policy role, it takes part in international fora and co-ordinates with ministries and national co-ordinating bodies. The agency is responsible for programme implementation and budget management and also manages its own human resources. Through its country offices (technical co-operation offices, cultural centres and training centres), AECI also manages relations with local partners, including Spain's decentralised actors and NGOs. The full assistance planning, implementation and evaluation cycle involves both the Directorate-General and the agency.

Figure 3. Organisation Chart: State Secretariat for International Co-operation within MAEC



Source: DAC Secretariat on the basis of information in the Master Plan (MAEC/SECI, 2005) and interviews in Madrid.

The Ministry of Economy and Finance (MEH) is responsible for debt operations in the Paris Club and for managing the large-scale funds allocated to the European Commission as well as the international financial institutions (IFIs), which together constituted 32% of net ODA in 2006. For the Ministry of Industry, Tourism and Trade (MITC), the essential ODA-related responsibility is to manage the soft loans from the Development Assistance Fund. Outside the General State Administration, the autonomous communities and local administrations have their own aid programmes, which they manage according to their own systems. Often these decentralised actors contract out programme management to Spanish NGOs operating in partner countries. They usually take account of reforms within the General State Administration even if they do not always feel bound by them.

Spain is addressing important organisational challenges

The Master Plan (MAEC/SECI, 2005)²⁰ sets out reform objectives for the main organisations in the system to secure “greater quality, dynamism and flexibility in the design and management of public policy on international co-operation for development.” The primary reforms concern the Ministry of Foreign Affairs and Co-operation, the Ministry of Industry, Tourism and Trade, the decentralised actors and civil society organisations.

Reforms within the Ministry of Foreign Affairs and Co-operation

Directorate-General for Development Policy and Evaluation (DG POLDE)

Reform of the organisational units within DG POLDE is one of the primary objectives of the Master Plan. Responding to one of the recommendations of the previous peer review, the government has already established, within MAEC, the central role of the directorate-general for the whole system. Formerly a sub-directorate-general, the unit was upgraded to a directorate-general in 2005 and its staff increased, a reflection of its key role in Spain’s drive to enhance the quality of its aid whilst rapidly scaling up aid volumes. As Spain’s aid programme continues to grow, it will be important that DG POLDE is sufficiently resourced to fulfil its important role in the Spanish aid system.

Spanish Agency for International Co-operation (AECI)

The main task, however, is to complete the reform of the aid agency AECI, an autonomous administration responsible to the Secretary of State for International Co-operation. The reform is in progress and coincides with government changes to agencies across the public administration. The Law of Agencies distinguishes between governing bodies and executive bodies and provides general directions for their relationship, such as the need for management contracts. A working document in 2006 explains the reasons and sets out the plans for the reform, which was further developed in 2007.²¹ The plan recognises the need for a coherent organisation for international development and co-operation. While AECI implements Spanish aid programmes, it was created from several institutes whose diverse traditions have often persisted within AECI’s departments: the Institute of Spanish Culture, the Hispano-Arabic Cultural Institute, the Office of Co-operation with Equatorial Guinea, and International Technical Co-operation of the Ministry of Foreign Affairs. Overseas, the agency has

²⁰ The consultative process around the Master Plan preceded the signing of the Paris Declaration on Aid Effectiveness.

²¹ *La Reforma de la Agencia Española de la Cooperación Internacional* (October 2006) and *AECI Plan Inicial de Actuaciones de la Agencia Española de Cooperación Internacional para el Desarrollo* (May 2007).

38 technical co-operation offices (TCOs), 13 cultural centres and three training centres. The agency reforms follow the general directions of the Law of Agencies, such as proposing a contract with the foreign ministry and the finance ministry for managing ODA, establishing a governing council and setting out the management competencies. The reform is to be completed by the end of 2007; a draft management contract was to be approved by mid-2007 and staff training will take place throughout the year.

The overall aim of the reform is to establish AECI as an agency that can help Spain deliver on its international and policy commitments, including the MDGs, the Paris Declaration on Aid Effectiveness, the broad-based fight against poverty, the integration of cross-cutting issues and the dialogue with the various actors in Spanish co-operation. The reform is essential to strengthen Spain's engagement with other agencies and to improve the delivery of aid in the field. As well as reforming the internal structure of AECI, the reform provides directions for co-ordination with autonomous communities, civil society organisations and other external agencies. To address the need for co-ordination and joint working, the agency will have working groups from its different organisational units handling specific tasks. The documents recognise the need to strengthen several elements of the present structure, notably humanitarian action, sectoral and horizontal areas, geographic areas, especially in sub-Saharan Africa, and the number of field offices.

The agency's current institutional model is inherently headquarter-centred. Country offices can issue recommendations to headquarters but have hardly any significant decision-making authority. All decisions on disbursements are still formally taken in Madrid by the units of the agency that administer the different instruments. This is particularly striking for the micro-finance programme, which seemed to be disconnected from strategic approaches at the country or sector level. At the same time, country offices operate on the basis of "decentralisation by default". Capacity constraints at headquarters, in particular the absence of a dedicated policy department for substantive expertise, mean that field offices often need to take decisions without clarity about their decision-making competency.

Spain is to be commended for identifying many of the challenges and planning to resolve them, *e.g.* by creating a well-structured professional career system, a more unified staff structure offering the ability to rotate between Madrid and the field, and by building dedicated policy capacity in the agency headquarters. Throughout the process, the administration needs to retain a clear focus on aid effectiveness. The outcome should clearly reflect the demands of the Paris Declaration and take strong guidance from the aid effectiveness principles, integrating them into organisational structures and practices, including through a high degree of decentralisation of authority to the field along with appropriate resourcing.

Reforms involving other players in the system

Spain's Memorandum (OECD, 2007) recognises that the diversity of development actors and of instruments can be a source of strength but that there is a need for better co-ordination and organisational reform of some of the main players in the system. For example, the Development Co-operation Council, which co-ordinates between ministries and civil society, does not meet formally with the Inter-territorial Development Co-operation Commission, which co-ordinates with the autonomous communities and local administrations. The disconnect between the two bodies creates important co-ordination problems which should be resolved.

The reform objective in the Master Plan for the Ministry of Industry, Tourism and Trade is to bring the Development Assistance Fund (FAD) loans in line with international co-operation policy. This latter objective was a recommendation in the previous peer review. There have been three

changes to legislation in 2003, 2006 and 2007 that affect the ministry's management of the fund's loans. An important aspect of the 2007 legal change, which is currently being discussed between several ministries before going to parliament, is the proposal to separate commercial and developmental aims of the fund. The organisational implications of the reform are still being considered but may involve a different division of responsibility between ministries for trade and for foreign affairs and co-operation.

The aim of reforms to the Ministry of Economy and Finance (MEH) is to ensure that the ministry's instruments are incorporated effectively into Spanish co-operation policy. To this end, the Ministry of Foreign Affairs and International Co-operation will take a more proactive role by providing sectoral and institutional advice about international financial institutions to the Ministry of Economy and Finance. In the area of debt operations, the other main responsibility of the finance ministry, a new Debt Law passed in December 2006 establishes a framework to ensure that debt management is linked to development co-operation policy. The law stipulates, *inter alia*, that debt action be tailored to the needs of indebted countries, and be geared to Spanish priority countries with low income and high levels of indebtedness. Debt interventions will be coherent with international commitments and co-ordinated with international financial institutions.

The reform objective for the autonomous communities and local administrations is to create a state policy for development co-operation that will govern the activities of these decentralised public actors, several of which have developed considerable institutional capacity (Box 8). In 2004, a reform of the Development Co-operation Council brought in new members and gave it new functions, such as preparing a report on policy coherence (Chapter 2) and submitting issues to the International Co-operation for Development Commission in the Congress. The council could be the starting point for creating such a state policy.

Box 8. Attitudes to co-ordination in Andalucia

In 2003, the government of Andalucia passed a Law of International Co-operation for Development which clarified the policy objectives, planning, instruments, organisational competencies, resources and participation of Andalusian society in co-operation. The Andalusian Agency for International Co-operation (AACI) implements the co-operation policy of the Andalusian government, and it also collaborated in the formulation of the Master Plan.²² AACI recognises the need for permanent collaboration with AECI, though Andalucia maintains its separate offices in priority countries. To ensure that the full range of Spanish aid is consistent with aid effectiveness principles, these offices should be increasingly housed in AECI's country offices.

In 2000, the Andalusian Fund of Municipalities for International Solidarity (FAMSI)²³ was set up to improve co-ordination between local administrations and collaborating organisations in Andalucia. Recognising the drive towards aid effectiveness from the Paris Declaration, FAMSI would be willing to co-ordinate more with state actors, such as AECI. However, participating organisations in FAMSI are resisting such co-ordination to preserve the Spanish experience of decentralisation and the strong participation of citizens in development. From this perspective, demand for development activity emanates from networks of relations with developing countries.

The Master Plan sets out objectives for four types of "civil society organisations" but the organisational reform implications remain unclear. The objectives are: (i) to consolidate non-governmental development organisations; (ii) to strengthen the capacities of universities to engage in international co-operation, including by supporting co-ordination; (iii) to promote

²² Information on AACI comes from an interview with the Director General in Seville.

²³ Information on FAMSI comes from an interview with the Director General in Seville.

public-private partnerships with companies and business organisations; and (iv) to engage trade unions in different development activities. These ideas are not expressed in other strategy or planning documents and it is not clear (Figure 3) which unit is responsible for devising such a strategy for civil society organisations or for handling day-to-day relations with them.

The proposed organisational reforms emerged from an extensive consultation process around the formulation of the Master Plan and therefore the process has broad-based approval and ownership. While Spain has already completed several reforms, others remain proposals on paper rather than operational plans and it remains to be seen how Spain delivers against them.

The current management of official aid

Limited capacity constrains SECI's discharge of management responsibilities

Planning cycle and country programming

Spain's approach to country programming aims to strengthen the previous approach that relied on the identification of programmes through Joint Commissions (*Comisión Mixta*) with partner countries.²⁴ Now the planning cycle²⁵ and country programming take place over a four-year period, involving different levels of government. In principle, the whole cycle involves the Master Plan, followed by sector strategy papers, country strategy papers, operational planning, and evaluation. DG POLDE manages the strategic levels while AECI manages the operational levels. DG POLDE has developed the methodology and tools for the country strategy process and is responsible for its co-ordination and facilitation. The formulation of individual country strategies takes place to a large extent in partner countries, where the technical co-operation office consults with embassies, the agency, other ministries, civil society, decentralised actors and key development partners to produce a draft consensus document. At headquarters, the agency leads the consultation on the draft with other bodies. The directorate general is responsible for final quality control, after which it submits the draft to the three co-ordinating bodies. The final version is presented to parliament. Once this strategic planning process is completed, the agency begins the process of operational programming, involving both headquarters and the field. This operational planning process first requires pluri-annual plans, scheduling public funds by year, which are subject to consultation with national partners. At the end of the cycle, the agency prepares annual operational plans, detailing information requirements from the programmes. In El Salvador and Colombia it was not clear how the country strategy and programming system are linked to the Joint Commissions, although this question should be resolved in the future, when Joint Commissions are to be negotiated on the basis of the country strategies.

Spain has produced 55 country strategy papers using this new process, but lack of human resources at different levels of the Spanish system has disrupted the smooth functioning of the planning cycle. With only 45 staff, DG POLDE lacks the human resources to achieve everything required. In El Salvador, country strategy planning has taken place without the benefit of sector strategies since few exist. While DG POLDE had the capacity to prepare the Master Plan, there has been insufficient capacity to develop all the sector strategies. At the same time, AECI lacks sectoral expertise²⁶ in headquarters (apart from culture and science) but does have capacity to engage in Joint Commissions and operational planning through the technical co-operation offices. However, as with

²⁴ *DAC Peer Review of Spain* (OECD, 2002). Joint Commissions remain in place.

²⁵ Spain's Memorandum (OECD, 2007) (pp 54-58) sets out the planning cycle in detail.

²⁶ As noted in Figure 3, AECI does not have a unit responsible for sectoral advice.

other donors, Spain's field experts need back up from headquarter-based specialists in relevant international developments.

A weak approach to results-based management

Spain does not have a results-based management system that connects outcomes and results at different levels in the system. At the strategic and policy level, the Master Plan and other Spanish policy documents make specific references to the MDGs and other overall outcomes of development. In the field the agency's technical co-operation offices encourage local partners to specify the expected results of the proposed operations. But there is currently a void between these two levels. For example, country strategy papers do not specify expected results and the technical co-operation offices do not report on outcomes. The lack of attention to results appears to affect the official system, the decentralised actors and the NGOs. The Master Plan proposes strengthening the focus on results, but the Annual Plan 2007 provides indicators for monitoring activities rather than outcomes. The agency reform working document, from October 2006, specifies that its governing council is responsible for measuring results but the draft reform plan from spring 2007 only treats the reporting of results in terms of public accountability. The primary concern of this latter document is to strengthen the system of public information on aid activities and document specifies results and indicators for information activities. However, the review team did not find evidence that Spain had started including results specifications in operational planning documents. The lack of attention to development results is a major omission in the approach to international co-operation and affects the evaluation system discussed below. Senior management were aware of these shortcomings, explaining that they intend to address them in the next stage of the reform process. This is an urgent priority and should occur as quickly as possible.

The challenge of embedding an evaluation culture in the system

The management of evaluation and dissemination of results is the responsibility of DG POLDE through its newly created Evaluation Division. This division has increasingly moved from project evaluations to strategic evaluations.²⁷ A major responsibility of the division is to strengthen evaluation within the Spanish aid system, including AECI and the NGOs, and to co-ordinate information with the autonomous communities and local administrations. DG POLDE emphasised the need to embed a culture of evaluation within the whole system. At present, AECI does not have sufficient capacity for evaluation and, consequently, contracts evaluation studies out to consultants. However, budgets for this are very small, which makes it difficult to ensure consistency in obtaining contractors with substantial experience in development evaluation. Surprisingly, the agency reform proposal does not include any plans for a system of evaluation, which is a major omission. AECI's leadership confirmed, however, that there are plans for establishing a strong evaluation division reporting directly to the agency's Secretary General. Spain should urgently follow through on these plans.

In Seville, the review team found further evidence of the need to instill an evaluation culture among decentralised actors. An official document on development co-operation by local entities does not mention evaluation (*Federación Española de Municipios y Provincias*, 2005).²⁸ However, the Andalusian Fund of Municipalities for International Solidarity reported that the city of Cordoba does

²⁷ Spain's Memorandum (OECD, 2007: pp 111-117) sets out the principles and processes of evaluation and focuses on the work of DG POLDE.

²⁸ Nor did the Andalusian Co-ordinating Committee for Development NGOs (CAONGD) specifically mention evaluation in its presentation, though they did focus on internal capacity and co-ordination with other actors.

its own project evaluations. Some autonomous communities may be improving their arrangements for evaluation. For example, while documents for old projects from the government of Andalusia only dealt with monitoring and there was little evidence of evaluation of a completed project in El Salvador, the Andalusian government has charged the newly created Andalusian Agency for International Co-operation with responsibility for evaluating its aid projects.²⁹

Embedding a culture of evaluation within the system is an ambitious task and DG POLDE presently lacks sufficient human resource capacity to undertake it. DG POLDE's Evaluation Division is addressing this, partly by engaging in evaluation capacity development with other Spanish development actors, such as the University of Seville. However, building an evaluation culture goes beyond the need for staff training. Despite a conscious dissemination effort there is currently little demand for evaluation results. DG POLDE started strategic evaluations recently and is shifting the focus from accountability to learning lessons. But this change of focus has yet to reach other actors in the system (discussed below). At the same time, the Evaluation Division has very few staff, and it is not set up to clearly define for all the different actors in the system how to respond to the need for and enhanced focus on evaluation. As Spain invests further in evaluation, DG POLDE could enhance the independence of the Evaluation Unit within its organisational structure.

The need to concentrate efforts in knowledge management

Spain's leadership ambitions in international fora are currently constrained by its lack of capacity in knowledge management. Spain will need to be able to undertake sectoral analyses, to learn lessons from its own field experience,³⁰ to commission research and to manage knowledge. The State Secretariat for International Co-operation (SECI) has improved relations with academic bodies by setting up regular meetings,³¹ but the regular rotation of civil servants is not helpful. Academics remain sceptical about the capacity of SECI to contract research effectively in a wide range of areas and about the politicised framework for discussing research results. DG POLDE needs to define priority areas for research and clarify how research might inform policies. One such area was migration (as discussed in Chapter 2) where commissioned papers led to a real dialogue with ministers. This experience enabled Spain to take an active part in discussions of migration and development with other involved donors. This suggests that the State-Secretariat could achieve its ambitions by concentrating on a few priority areas.

Constraints to managing field operations

Human resource constraints to programme management

In El Salvador and Colombia, the peer review team noted that uncompetitive employment conditions and human resources constraints within AECI were affecting the operations of its overseas offices (Annexes D and E). The reform of AECI plans to resolve these constraints. In Colombia especially, Spain's unattractive conditions for employment have led to an unacceptable turnover of field staff and. Recruitment in the field in general is constrained by Spanish legal requirements. At the

²⁹ Law on the Creation of the Andalusian Agency for International Development Co-operation 2006. Article 5.

³⁰ Spain has capacity and experience in the TCOs but the challenge is to make effective use of this capacity to inform policy and to share lessons with other donors.

³¹ Peer review discussions in Madrid with representatives of Spanish universities comprising development studies, area studies and evaluation.

time of writing, AECI had 1100 posts (448 at headquarters and 663 overseas),³² but these are not interchangeable. The employment laws governing civil servants and staff recruited in Spain or overseas restrict the deployment of HQ based staff overseas. They also restrict the development of professional careers for staff recruited overseas. At present, there are few incentives for HQ staff to engage in field operations and there are disincentives in terms of poor promotion prospects. The AECI reform proposal recognises the need to make the organisation more agile and flexible, especially regarding human resources, and sets out the requirement for new posts. Recruitment and training are already taking place in different geographical regions. The reform document also sets out plans to move towards a human resources model that combines civil servants with contracted employees, both to create a professional career path and to facilitate movements into, and out of, the field offices. Although these plans are essential, the approval process for the reform of the human resource system involving the Spanish public service administration is protracted. Speeding up the approval process will be an important element of the reform, if Spain is to develop an aid system able to meet its ambitions.

Efficiency of budget management

AECI manages the development co-operation budget on a three-year cycle and prepares annual budgets within this framework.³³ Spanish planning documents contain only minimal budget information; country strategy papers, for example, do not provide any. The technical co-operation office has a specific role in preparing annual budgets but it only has limited financial authority. It participates in the Joint Commissions to determine the projects and programmes and estimate budgets. The TCOs forecast their operating needs for the following year and also take part in the implementation of the budget for development co-operation. Headquarters transfers state subsidies directly to the bank account of the counterparts and the TCOs monitor the programmes and expenditure.³⁴ The agency's reform document proposes changes to management processes in order to handle the increase in ODA. However, there are no plans to change the current role of the TCOs in budget management.

At a general level, as the ODA programme has been expanding rapidly, tightly controlled administration costs have been falling as a proportion of the overall programme (from 3.4% in 2004 and 2005 to 2.6% in 2006). While AECI is responsible for allocating administration funds to country offices, the TCO is responsible for managing its own administration budget. The increasing cost efficiency of the system, however, involves a trade-off with management capacity. This trend, if it continues, might begin to erode aid quality. Although the TCOs manage their assigned budget responsibilities smoothly in the countries visited by the review team, the planned larger flows of funds are likely to cause greater challenges for the budget management system, and the agency should monitor system capacity.

Building bridges between its partners in the field

In El Salvador and Colombia, Spain manages its partnerships with government and civil society in a manner that the partners greatly appreciated, especially in a highly polarised political environment.³⁵ Different departments of central government, local government and civil society

³² Spain's Memorandum (OECD, 2007: pp 78-80) sets out the personnel categories in detail.

³³ The overall framework is outlined in the Spanish Memorandum (OECD, 2007: pp 80-83).

³⁴ The TCO also monitors the ODA coming from Autonomous Communities and Local Administrations.

³⁵ This point was made by virtually everyone outside central government: bilateral and multilateral donors, civil society, Spanish NGOs and politicians in local government.

organisations all expressed their appreciation for Spanish co-operation, both by AECI and the decentralised co-operation actors, noting that Spain had encouraged dialogue between different actors and factions. In several instances, Spanish co-operation had created a bridge between two development actors and had helped to strengthen their interaction. Observers³⁶ in the field identified several factors behind this successful partnership role, particularly the openness of the TCOs to dialogue, and the respectful nature of the dialogue. Underlying this open dialogue lies mutual understanding arising from the similarity of Spanish institutional culture and language. Other factors were the strong field presence of office staff and closeness to different partners; the flexibility provided by the diversity of Spanish development actors bringing different strengths to the country; the political understanding and leadership of the embassy; and the alignment of Spanish aid with the needs of local institutions. On several occasions, government officials made it clear that Spanish aid was appreciated for the technical discussions³⁷ and the systematic thinking, not just for the consistency of aid and the increasing financial contribution in Spain's priority sectors.³⁸

As limited communication and co-ordination on the full range of NGO activities funded by Spain has led to concerns among some of its government partners, Spain tries to help create a bridge between government and NGOs, *e.g.* by supporting the process of legalisation and registration of Spanish NGOs in El Salvador so that they could operate with more certainty. Yet, in the countries visited for this review, some government officials remained concerned about the lack of information on Spanish-funded NGO activities, which can imply challenges for their operations. Spanish NGOs and their partner civil society organisations generally appreciated the new co-operation agreements created by the Master Plan for bringing stability to their operations. However, the application forms, especially those on-line, were considered a bureaucratic "disaster." Reporting arrangements were also considered burdensome. Other observers noted the challenges of co-ordination with the Spanish decentralised actors. Not all of the autonomous communities working in El Salvador and Colombia have a permanent representative in the country, which makes co-ordination with the TCO difficult. There may be need for a co-operation framework at the field level for all Spanish actors, which could be framed by the Paris Declaration on Aid Effectiveness.

Future considerations

Spain is well aware that its ambitions to increase aid and to take a more prominent role in international discussions pose serious challenges to its current management arrangements. Spain should be careful not to succumb to reform fatigue and should complete the reform of its development co-operation system in a comprehensive way, ensuring a clear orientation towards the Paris Declaration.

- Co-ordination in the system is an ongoing challenge:
 - a. At the strategic level, a state policy should aim to bind all Spanish actors.
 - b. At the field level, country strategy papers should aim to direct the efforts of all Spanish actors. They should include an indicative budget linked to different instruments and sectors and provide information about expected outcomes, monitoring and evaluation.

³⁶ Including bilateral and multilateral donors.

³⁷ In this respect, observers commented favourably on the ability of the TCO to articulate development concepts, the technical competence and overall understanding of the offices' staff, and the expertise of the autonomous communities and local administrations in the various sectors of local government.

³⁸ See Annexes D & E for further information on Spanish co-operation at the field level.

They should be complemented by arrangements for ongoing co-ordination in the planning, implementation and evaluation of interventions by different Spanish actors.

- To enhance performance feedback, Spain should introduce a results-based approach to aid management, and further build up its evaluation system and culture. The short-term focus should be on strengthening the mechanisms that link the centre and the field. In the longer term, Spain should consider linking performance with staff incentives.
- Spanish development co-operation would improve with stronger capacities for sector analysis and development research in the system, and a systematic approach to lesson learning.
- To resolve human resources constraints, especially in field operations, the reform of the human resource system should provide for a professional cadre and career paths with incentive structures for field experience.
- Spain should increase financial delegation to the field. In particular, it needs to follow through urgently with the reform of AECI and fill vacant posts in field offices, while paying attention to the balance between cost efficiency of operations and ensuring necessary field capacity, with implications for enhancing aid quality and effectiveness.

Chapter 5

Aid Effectiveness

A key motivation of the Spanish co-operation system reform is a strong commitment to enhancing the quality and effectiveness of Spain's aid. As important decisions on institutional and operational change are still being prepared, existing structures are constraining progress on the implementation of the Paris Declaration (endorsed by Spain in 2005). However, this has not prevented Spain from being a strong promoter of the aid effectiveness principles at the country level, taking a quiet, yet significant, leadership role in Latin America.

System reform is necessary for aid effectiveness

A key objective of Spain's 2005-2008 Master Plan (MAEC/SECI, 2005) is to improve the quality of aid. Spain's commitment to the aid effectiveness agenda — defined by the Paris Declaration — is driving the comprehensive reform of the Spanish development co-operation system. This is a formidable challenge for Spain. The aid effectiveness agenda provides timely guidance and a clear yardstick for the goals which Spain has committed to achieve.

Spain and aid effectiveness: the state of play

The *Survey on Monitoring the Paris Declaration* (OECD, 2006) assesses performance against the aid effectiveness indicators in 34 recipient countries. Table 2 shows Spain's performance in 11 countries (those for which information on Spanish co-operation was reported). The results indicate that despite substantial efforts, Spain still needs to make tangible progress in implementing the Paris Declaration. There are considerable gaps remaining in many areas.

At the same time, Spanish aid in Colombia and El Salvador (Annexes D and E) does have interesting lessons for promoting the aid effectiveness principles, although neither country has yet signed up to the Paris Declaration. More generally, the observations made during the peer review field visits suggest that the Paris Declaration indicators reflect an Africa-centric paradigm of aid dependency. This is different from the development context in Latin America, and Spain has shown skill in adapting the aid effectiveness principles to that region.

Ownership

Partners and development stakeholders consulted by the review team confirmed Spain's strong commitment to ownership in both Colombia and El Salvador. Both these middle-income countries have very capable central governments and institutions, although Colombia struggles with internal conflict and El Salvador faces a high degree of political polarisation.

Spanish co-operation has responded to these difficult situations by supporting the ownership principle at several levels. Spain respects the central governments' prerogative to define national policy, but also the need for ownership to be citizen-based. Through its development co-operation, Spain encourages partner governments to formulate national strategies and policies in key

development fields, while realising that these strategies may not correspond to the approach Spain would have advocated. Spain balances this through its direct work with civil society, which mainly focuses on promoting participative and demand-driven approaches to government and political processes. The objective is to make these two levels interact and come together to promote a domestic, “endogenous” political process that is capable of producing strong development policies based on inclusive ownership. The review team’s field observations suggest that Spanish co-operation is playing a facilitating role in this challenging undertaking, *e.g.* in the area of gender in El Salvador (Box 3 in Chapter 1). To achieve structural impact, it will be important to ensure that individual grassroots efforts continue to be well integrated into a regional or national approach, and that there is scope to link into broader political processes. Systematic monitoring and evaluation will have an important role in this regard.

A related feature of Spanish co-operation is its work with government at the sub-national level. The reach of even highly capable and committed central governments is limited, and ownership of development by regional or local government can be an important enabling factor for success, as was evident particularly in El Salvador. The fact that the Spanish autonomous communities and local administrations are strong development players gives Spain a comparative advantage in this area. Spain is widely seen by other donors, partner officials and civil society representatives in the El Salvador as a leader, and sometimes model, for working at the sub-national level of government.

Table 2. Spain's performance on aid effectiveness

Indicators		Definitions		2005 baseline ratio ^a	Average country ratio ^a
3	Aid flows are aligned with national priorities	Aid for government sector in budget (USD m)	91	87%	41%
		Aid disbursed for government sector (USD m)	104		
4	Strengthen capacity through co-ordinated support	Co-ordinated technical co-operation (USD m)	12	10%	38%
		Technical co-operation (USD m)	115		
5a	Use of country public financial management (PFM) systems	Use of PFM systems (USD m)	17	16%	21%
		Aid disbursed for government sector (USD m)	104		
5b	Use of country procurement systems	Use of procurement systems (USD m)	15	14%	23%
		Aid disbursed for government sector (USD m)	104		
6	Avoid parallel implementation structures	Number of parallel PIUs	66	66	6.0
		Number of countries	11		
7	Predictable aid	Aid recorded as disbursed (USD m)	70	76%	25%
		Aid scheduled for disbursement (USD m)	92		
9	Use of common arrangements or procedures	Programme-based approaches (USD m)	39	14%	14%
		Total aid disbursed (USD m)	287		
10a	Joint missions	Number of joint missions (number)	5	8%	8%
		Total number of missions (number)	66		
10b	Joint country analytic work	Number of joint analyses (number)	3	12%	12%
		Total number of country analyses (number)	25		

Note: Information in the table covers data reported in 11 out of 34 countries and reflects 25% of country programmed aid in 2005. It is based on answers given by Spanish co-operation staff. The table should be read with these caveats in mind.

(a) The baseline ratio measures performance against total ODA activities reported by the donor for the survey; the average country ratio is the unweighted average ratio across all countries where the donor has reported activities.

Source: OECD 2006 Survey on Monitoring the Paris Declaration.

In actively promoting ownership at different levels, Spain draws on its unique experience and comparative advantage in Latin America. Spain has shown considerable sophistication in maintaining very good relations with different actors in central, regional and local government, as well as civil society. Spain is widely accepted and appreciated as a respectful partner, who is not promoting its own agenda or being intrusive, patronising or imposing, while still able to set limits. Moreover, partner officials, as well as other donors and development stakeholders identified Spain's deliberately low profile — and with it the capacity to maintain constructive relations with all relevant bodies — as a key factor in Spain's successful leadership role among donors in countries such as Colombia and El Salvador.

Alignment

Country strategies are the key tool for Spain to align with partner countries' development strategies; each strategy requires an explicit discussion of how the planned co-operation is aligned with the partner country's own plans. The four-year strategies, which coincide with the duration of the Master Plan, are drafted at country level with the extensive involvement of counterparts in the partner country government.

However, Spain still faces challenges in aligning its assistance. The *2006 Survey on Monitoring the Paris Declaration* shows that Spain lags behind most DAC members on alignment indicators (Table 2, Indicators 5a and 5b). Of the Spanish aid disbursed to central governments reported in the survey, only 16% made use of partners' public financial management systems against an average of 38% for DAC countries. This figure increases to 21% in the unweighted average country ratio, but it still remains well below the DAC average. This is mirrored by the use of country procurement systems. Here, the share of total aid to the government sector which used partners' procurement systems was 14% (the cross-country average was 23%) again clearly below the average of 44% for DAC Members. Moreover, of all DAC donors, Spain's share of aid channelled to the partner government sector or activities was by far the smallest. Only 21% of combined Spanish aid was disbursed to the government, compared with 45% for the donor with the second smallest share. For almost all other donors, this share was well above 50%.

Two factors help to explain this situation. First, as a relatively new DAC donor, Spain acknowledges its limited experience in dealing with practices such as general budget support (GBS) or sector wide approaches (SWAPs), and recognises it needs to build capacity and experience in this area. Spain plans to increase significantly the use of these modalities in the future, and to enhance its human resource capacity for this through training and employing specialised personnel at headquarters and in the field. Spain can learn from other donors with more experience in this area, and could compensate for its current capacity limitations by increasingly joining existing budget support schemes supported by other donors. This is particularly relevant in sub-Saharan Africa, where Spain is in many cases a new donor in an unfamiliar context where strong donor co-ordination mechanisms and high aid dependency already exist. This would be a prudent, low-risk option for scaling up general budget support or sector-wide approaches. It would also be an opportunity to increase Spain's aid portfolio in the sub-Saharan region in a fully co-ordinated and harmonised manner. Moreover, it would be a good model for conforming to the EU Code of Conduct, which commits EU donors to a better division of labour.

The second factor relates to some general characteristics of Spanish aid: the high share of NGO funding, the strong role of decentralised co-operation and the strong focus on working at the

sub-national level in partner countries.³⁹ These features imply an inherent risk of lack of coherence and dispersion of efforts, which, if not appropriately addressed, undermine basic conditions for effective alignment. When applied in an aligned and harmonised way, however, these distinctive traits can clearly be used to enrich Spanish co-operation. The key tool to ensure complementarity and coherence is the Spanish country strategy paper. Yet, despite a high degree of specificity on the lines of action and instruments to be used, the country strategy alone is insufficient as a tool, primarily due to the lack of clearly defined co-ordination mechanisms and processes between the different Spanish co-operation actors on the ground during the planning, implementation and evaluation of interventions.

The observations of Spanish co-operation in Colombia and El Salvador (Annexes D and E) add to the picture of Spanish alignment. In both countries, development partners confirmed that Spain uses its leadership role to promote better alignment. Spain pursues this notwithstanding the fact that both governments have yet to sign up to the Paris Declaration. However, the low ODA/GNI share in both Colombia (0.4%) and El Salvador (1.2%), and the strong capacity of the national administrations, limits the impact of co-operation through aligning aid with general support of broad government policies, according to Spain (and other donors). Instead, alignment efforts focus on areas which will have more impact on development results. Where the partner has developed operational strategies, complementary financing by donors can play a key role in triggering their implementation. Moreover, in the Latin American context many partner country officials confirmed that technical co-operation which is fully integrated into and aligned with the programmes, is often equally or more important than financial assistance. Examples include Spain's assistance in El Salvador to the national environmental programme or to Red Solidaria, a programme that focuses on poverty reduction through income subsidies and basic social services, and in Colombia to the programme of the National Commission for Reparation and Reconciliation.

Progress on untying

Untying of aid is another dimension of alignment. Overall, the share of tied aid has decreased consistently. In 2005, 13.4% of gross bilateral commitments remained tied, down from 32.4% in 2004 and 44% in 2003. Moreover, as part of the broad-based consensus on the evolution of Spanish ODA, the review team noted support for the untying of all ODA among stakeholders, including the different ministries, political parties and civil society, including representatives from private business. Spain could capitalise on this support and move ahead swiftly to untie its aid further.

Harmonisation

Spain is making progress on harmonisation, which is one of the general directives for Spanish co-operation set by the annual implementation plan (PACI) in 2007. As for alignment, however, the picture is ambiguous, and Spain needs to develop capacities to make further progress on this issue. According to the *2006 Monitoring Survey* (Table 2), the use of common procedures is well below the DAC average, with only USD 39 million of USD 287 million, or 14%, disbursed in the sample partner countries going to programme-based approaches compared with an average for DAC donors of 36%. Joint missions are infrequent (8% in the survey countries), and joint programming has started in only three countries (Ethiopia, Haiti, Mali) within the EU framework. Spain has set itself objectives for harmonisation so as not to let the Paris Declaration targets slip, and has included indicators for progress in the PACI. These are, however, difficult to assess as they are almost entirely based on criteria that cannot be quantified. Assigning clear quantitative targets to at least some indicators,

³⁹ The indicators and figures reported in the monitoring survey (OECD, 2006) are understood to reflect only use of ODA from Spain's central government systems.

taking into account feasibility assessments of field offices, would allow more concerted and target-oriented effort.

Again, Spain will need to make significant headway in better harmonising procedures within its system, especially by its decentralised co-operation actors. Whereas Spain can be commended for its efforts to harmonise methodologies in the general state administration, a plethora of procedures, standards and formats are still applied by the numerous decentralised co-operation actors. Better harmonisation of their procedures and standards in dealing with partners should be a clear priority for the Spanish co-operation system. Pooled funding initiatives among Spanish decentralised co-operation actors may be a good entry-point for this and merit further encouragement. However, Spanish co-operation will need to clearly define the respective roles and co-ordination mechanisms at the field level, and AECI's country offices should take the lead on this.

In both Colombia and El Salvador, on the other hand, partner country interlocutors and other donors saw AECI as a key supporter and driver of harmonisation among donors. In El Salvador, for instance, the agency had been instrumental in leveraging assistance from other donors to the Red Solidaria programme, and in Colombia the country office was the main driving force behind the use of basket funds for human rights and justice, and peace and reconciliation, administered by UNDP.

Managing for results and mutual accountability

Spain has not yet developed a results-based management system that connects ultimate outcomes and results with different levels in the system. Given scarce resources for — and weak attention to — monitoring and evaluation mechanisms in the past, a results-based management culture has not yet developed in the Spanish co-operation system. Although improving, this situation is still the norm in Spanish aid operations, pending completion of the AECI reform and stronger action in this area for most parts of Spanish decentralised co-operation. Based on the policy framework and methodology developed by DG POLDE, Spain needs to strengthen its capacity for results-based management and create a stronger evaluation culture throughout the system. This will require, *inter alia*, increased training of staff and additional resources for specialised personnel at headquarters and in the field.

In various instances, however, the country offices are making a virtue of necessity. Without the necessary resources and capacity to apply results-based management practices, Spanish co-operation at the field level seems to instil results-based approaches in the co-operation counterpart, be it at the level of central government, local government, or civil society initiatives. By fostering, and contributing to, the definition of partner strategies and programmes that include clear results frameworks, Spanish assistance supports partners in developing results-based practices of their own. Where this occurs in a satisfactory way, key results parameters and indicators are also obtained for use by the Spanish co-operation office. However, this does not diminish the need for Spain to introduce management for development results throughout its co-operation system. Moreover, the scope for relying on results-based approaches of partners may currently be greater in countries like Colombia and El Salvador than in others, because the former have a high degree of local capacity and Spain can capitalise on its comparative advantage in Latin America.

These observations tie in, however, with the fact that results-based management is essentially a capacity and skill which partners primarily need to develop and apply. Spain also intends to incorporate a bottom-up dimension into the concept of managing for development results, to reflect the priorities of rights-based approaches and participatory processes.

The focus on supporting the evolution of national, citizen-based accountability mechanisms in Spain's approach to results-based management links closely to the principle of mutual accountability.

Where partners take the lead on results-based management in a well-aligned and harmonised co-operation context, a built-in framework and mechanism for mutual accountability is implied. In the future, Spain also plans to use its enhanced evaluation activities for mutual accountability, looking at it as a mutual learning process for donors and partners.

Latin America and sub-Saharan Africa: a tale of two regions

Spain has adapted the aid effectiveness principles well to the specific context of Latin American middle income countries like Colombia and El Salvador. In particular, Spain has shown considerable skill in supporting ownership of and aligning with partners at different levels — central government, regional and local government, as well as citizen-based processes. This holds interesting lessons, and Spain should ensure that these experiences can be used for institutional and system-wide learning processes, as well as for debate in the broader development community.

Spain's traditional regional focus on Latin America and its new ambition to scale up ODA in sub-Saharan Africa offer a good opportunity to divide labour between donors more efficiently, as endorsed in the EU Code of Conduct (EU, 2007). Spanish co-operation has a strong comparative advantage and clear leadership role in Latin America. Other donors may wish to make use of this role and Spain should consider how to prepare for this possibility. Conversely, for scaling up its bilateral ODA to sub-Saharan Africa, Spain is entering a relatively unfamiliar context characterised in many cases by a high degree of aid dependency, a multitude of donor representation, and long-standing co-ordination mechanisms. In such situations, Spain should consider making strong use of other donors' capacities and existing mechanisms for harmonised and aligned assistance.

Gathering momentum for implementing the Paris declaration

Spain looks at the implementation of the Paris Declaration principles from a holistic perspective. The administration appreciates this as a challenge that requires action in the short, medium, and long term, constituting an ongoing reform process. The Spanish government is working on an action plan to identify the changes implied by the aid effectiveness agenda at the strategic and operational level, and is also drawing on the experience of several other DAC donors. The plan will address in particular the issue of results-based management, and how to shift from conditionality and donor control to mutual accountability. It will also address strategic dissemination and broader communication of the Paris Declaration among the Spanish system and in partner countries. Moreover, the aid effectiveness principles will be integrated into the legal status of the reformed aid agency.

Within the Spanish system, DG POLDE's Evaluation Division is responsible for following up the monitoring and evaluation of the aid effectiveness agenda and its mainstreaming into Spanish development co-operation. This effort is set within an ongoing process to improve the framework and policy for aid management and delivery at headquarters and in the field. Through their use of specific directives, the annual plans are a key tool for promoting good practice and change among the diverse Spanish development actors. In 2006, the annual plan emphasised completing the inclusive planning and programming framework and improving co-ordination. The 2007 plan highlights harmonisation as a specific priority for Spanish co-operation, as well as establishing an integrated monitoring and evaluation system.

The Spanish authorities have disseminated the Paris Declaration to all TCOs, together with the monitoring survey (OECD, 2006) and an explanatory note. Instructions from agency headquarters to the directors of country offices have established aid effectiveness as a priority for all levels of Spanish development co-operation. A taskforce set up at headquarters is working on a manual for field managers to help establish criteria and guidance for applying new aid modalities. DG POLDE has

commissioned a study on the possibility of delegated co-operation, in order to identify good practice, donor partners and partner countries where Spanish aid could be delivered through delegation. Moreover, at the national level, the broad consultation process on Spanish development co-operation has generated a high degree of awareness of the Paris Declaration and the aid effectiveness agenda among politicians and the interested public.

A need to move decisively

While Spain is progressing very systematically in building a basis from which to launch into the full scale implementation of the Paris Declaration principles, it needs to clear two fundamental hurdles. The first concerns “harmonisation at home”. Although the Spanish government is aware of the need to further strengthen co-ordination of and coherence among the diverse Spanish development co-operation actors and instruments, there is as yet no operational mechanism to do this effectively. The second area requiring decisive action is the completion of the AECI reform process and several key documents to complete the strategic framework. These are discussed in turn below.

Co-ordination of Spanish development co-operation actors

Harmonisation at home refers notably to the assistance provided by autonomous communities and local administrations (decentralised co-operation), as well as Development Assistance Fund operations, which are not appropriately integrated into a clear and focused strategic approach at the country level. AECI has asked country offices to collect information on aid from decentralised co-operation, but so far they are only equipped to track aid from the different actors under the Ministry of Foreign Affairs and Co-operation. It was not possible to obtain a complete overview of Spanish co-operation in the field. If this situation continues, harmonisation will be largely impossible.

The country strategies cannot ensure ongoing co-ordination, the practical division of labour and complementarity of the broad range of interventions by Spanish development co-operation. Beyond the policy framework, a more coherent Spanish assistance will require a clear, basic definition of the roles of its respective actors. At the field level, Spain will need co-ordination mechanisms, notably between AECI and decentralised Spanish actors. Basic options include regular in-country meetings for the Spanish actors operating there, systematic exchange of information and co-ordination on their respective activities. AECI field offices are best-placed to facilitate and lead this process, for which they will need a clear mandate and additional resources dedicated specifically to the task.

AECI's reform: an opportunity that needs to be seized

The reform of AECI is an opportunity to design an agency against a clear framework of requirements for effective aid delivery. In the meantime, the structures and procedures of the “old” AECI continue to operate, revealing critical challenges for effective aid management and the implementation of the Paris Declaration within the current institutional model. The implementation plan for the Paris Declaration has been put on hold until the institutional reform process is completed. Thus the implementation plan depends entirely on the outcome of the reform process. However, the implementation plan could significantly influence the institutional reform — especially as the objective is to create an agency that will deliver assistance with increasing effectiveness and quality.

The reform also offers a clear chance to resolve any ambiguities over decision-making authority and competencies of headquarters and the field offices. Building capacity at headquarters is critical, but may lead to a renewed centralised management approach. Instead the reform process should lead to a high degree of decentralisation of decision-making authority to the field, to facilitate better

harmonisation and alignment of Spanish aid. Finally, the programming of aid at country level should allow flexibility to react to circumstances and opportunities as they arise.

Future considerations

- The engagement of development actors at several levels is a characteristic of Spanish co-operation. Spain will be able to capitalise on this strength more fully if all actors harmonise their co-operation under the umbrella of Spain's development policy, thereby improving the co-ordination, coherence and complementarity of their efforts.
- Spain's comparative advantage in Latin America, and its plans increase aid to sub-Saharan Africa, suggests ample scope for division of labour with other donors. In gearing up its field operations, Spain should carefully consider opportunities for entering into partnerships with other donors — either as the silent or the active partner — to enhance aid effectiveness.
- In pursuing the objective to increase assistance channelled through new aid instruments, Spain should consider including quantitative targets to allow a more strategic and concerted effort.
- Based on broad support across development stakeholders, Spain should be well placed to further untie its aid.
- Spain should share with the international development community its development co-operation lessons and experiences to support institutional and system-wide learning processes.

Chapter 6

Special Issues

For this biennium the DAC has decided that to promote shared learning on selected themes of particular importance to development, all peer reviews should include “capacity development” as a mandatory theme. The reviewed country can choose as a second topic between either “governance, accountability and anti-corruption” or “conflict, peace, security and fragile states”. Spain’s approach to capacity development is examined in the first part of this chapter, while the second part assesses Spain’s approach to governance, accountability and anti-corruption.

Capacity development: conceptually weak, but delivered well

Like many other donors, Spain does not have an explicit approach to capacity development, although the Master Plan 2005-2008 does contain sporadic references to the topic. For example, headings for sectoral strategies and priorities of Spanish development co-operation use capacity language (“increasing social and institutional capacities”; “increasing human capacities”; “increasing capacities to improve environmental sustainability” etc.). However, the Master Plan does not have a general definition of capacity development or a common understanding of how to support capacity development operationally.

In practice, much of Spanish development co-operation corresponds to current thinking on capacity development. This applies, above all, to the importance attached to an enabling environment. To be successful, capacity development needs strategies that support accountable leadership, strengthened public systems and voice mechanisms between citizens and the state. It also needs institutions that ensure responsive public and private sectors, managing and delivering services to those who need them most. In this regard, Spain’s strategic approach includes a strong focus on decentralisation, support to municipalities and regions, and empowerment of citizens and civil society at the local level.

Given that promoting change needs to work on functional and technical as well as political dimensions of capacity, Spain’s close political relations with Latin America are another capacity development asset. Spain’s policy dialogue, based on a comprehensive understanding of key development concerns (including important human rights and democratisation issues), complements the use of capacity development instruments available at the project level.

Spain’s support to capacity development is well linked to partner country priorities and plans, as well as to the demands of change agents in these countries. Rather than being supply-driven, Spain’s work in this area gives tangible form to the principle of national ownership. Permanent in-country presence of Spanish experts (some of them in the technical co-operation offices, others representing NGOs and the decentralised co-operation) allows for good understanding of country contexts, continuous dialogue with partner country stakeholders and trust-building.

Spanish technical assistance remains in great demand, as it is made to fit into local processes and priorities. Applied effectively, it complements other aid modalities. Spain mainly provides technical

assistance through Spanish universities, NGOs and twinning arrangements with Spain's autonomous communities and local administrations. Demand for this is particularly strong in Latin America because of historical and cultural ties and affinities, as well as similarities in administrative and legal systems. An additional driver for the use of Spanish expertise in development co-operation programmes could be maintaining high support for development co-operation amongst the Spanish public. At the same time, Spain increasingly seeks to provide technical assistance using locally or regionally available expertise, thereby strengthening South-South co-operation.

In Colombia, technical assistance is given, *inter alia*, to support institutions and processes that are essential for peace and justice. This is a particularly interesting example where the strong political dimension renders the very notion of "technical" assistance misleading (Box 9).

Box 9. Capacity development and technical assistance for peace and justice in Colombia

Strengthening the foundations of peace and overcoming Colombia's long-standing internal conflict are hampered, *inter alia*, by the deep distrust between civil society groups and public institutions. Therefore, it is all the more important that negotiated agreements are systematically implemented and the commitments honoured. The 2005 Justice and Peace Agreement offers such a chance. Its success depends, however, to a large extent on the victims' perception that justice is done and their rights are respected. Victims' interests and demands, in turn, meet with fierce resistance from perpetrators, their networks and allies in the political realm.

In this context, Spain is providing technical assistance to the National Prosecutor's Office and to other institutions in the search and identification work of victims of the violent conflict in Colombia, including forced disappearance. This includes strengthening Colombian investigative and criminal teams through state of the art methods and techniques and providing the most recent technical equipment. This Spanish support is vital for such a politically divisive issue, since the national government can not provide the appropriate financial resources.

Despite Spain's strong support to capacity development, there is still considerable room for improvement in several areas. Too much of Spain's work is still process-driven rather than results-driven. As in other areas, Spain does not yet have a systematic approach to defining, measuring and monitoring results for its capacity development activities – and Spanish development co-operation cannot benefit fully from the important field lessons it is generating, allowing to replicate or adapt successful examples elsewhere. Beyond using the lessons generated for good practice within the Spanish development co-operation system, they will also be of relevance for other the international development community. Moreover, in strengthening its analytical approach to capacity development, Spain may find it useful to decide whether its development co-operation would benefit from a dedicated capacity development strategy. Such a decision should take account of further work and relevant discussions in the DAC.

Governance, accountability and anti-corruption

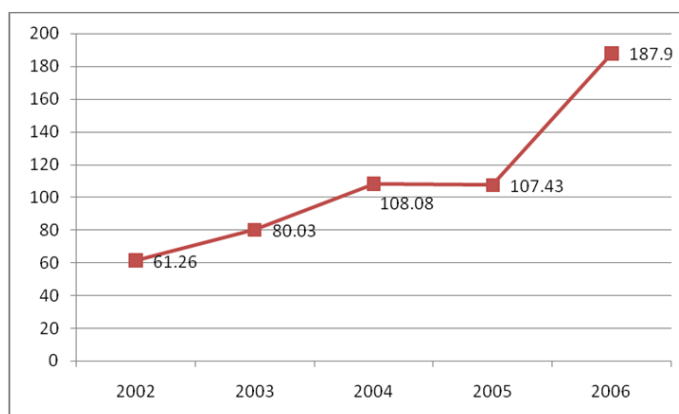
Firm commitment to strengthening democratic governance and accountability

Spain is firmly committed to strengthening democratic governance and accountability, and this is reflected both in the evolution of policies and strategies and in aid allocations. The Master Plan 2005-2008 outlines "democratic governance, public participation and institutional development" as a "priority strategic sector" for Spanish development co-operation, with particular emphasis on participative democracy and political pluralism, citizens' equal access to the services of public administration and the strengthening of local institutions and processes as "strategic lines of action".

Furthermore, a draft of a detailed strategy for this sector — revolving around human rights and the relationship between citizenry and the state — is currently being debated.

Spain's assistance to the governance sector tripled between 2002 and 2006 from USD 61 million to USD 187 million, much of this due to a sharp increase in the last year (Figure 4). Most of this increase was devoted to strengthening civil society, which in 2006 for the first time by far exceeded spending on strengthening developing countries' government administration.

Figure 4. Spain's ODA disbursements to the governance sector, 2002-06 (USD million)



A citizen-based concept of democratic governance

Spain's understanding of governance is citizen-centric, comprehensive and political. Realisation of citizens' human rights, their equal access to opportunities, resources and services and their effective participation in decision-making guide Spain's work in core governance areas such as promotion of democracy, rule of law and public administration reform. Spain's engagement in the political realm conveys a strong commitment to political pluralism as well as to dialogue and political consensus-building. Activities include, for instance, the strengthening of political parties and trade unions, strengthening of parliaments and legislative processes as well as electoral processes and bodies, support to civil society and enhancing processes for its empowerment.

Decentralising and strengthening administrations and processes at the local level is a priority for Spanish development co-operation as a whole, and of particular importance from a governance and accountability point of view. Municipalities and regions are key arenas for social development, for the improvement of social cohesion and for the strengthening of capacities needed for a more citizen-oriented management of public resources and services. In addition, most starting points for the empowerment and association of citizens, the strengthening of their demand for accountability and the development of more inclusive and democratic decision-making, are at the local level. Spain's experience with its own democratic transition, which included a considerable transfer of state competencies and power to local and regional bodies, the strengthening of capacities at decentralised levels and the emergence of a rich and engaged civil society, gives it considerable expertise and credibility in this area. This is reflected in particular in the strong role that Spain's autonomous communities and local administrations and Spanish NGOs play in local development.

Human rights (civil and political as well as economic, social and cultural) underpin Spain's concept of governance. The Master Plan 2005-2008 establishes human rights as one of five horizontal priorities that must be integrated into all Spanish development co-operation initiatives and actions, at both analytical and implementation levels. Accordingly, the plan's description of democratic

governance, public participation and institutional development as a priority strategic sector has a strong human rights grounding. The new governance sector strategy will further reinforce this connection.

Rather than treating corruption as an independent or isolated challenge, Spain sees it as a symptom of serious defects in the fabric of governance and accountability relationships, pertaining to both formal and informal institutions and fostered by a concentration of power in the hands of a few. Anti-corruption strategies focusing on the strengthening of control institutions at the central level are therefore seen as insufficient. Such strategies need to be accompanied by a decentralisation and deconcentration of power and responsibilities and enhanced citizen participation and civil society, implying qualitative changes in the relationship between the citizenry and public authorities. Consequently, Spain combines a focus on strengthening citizens' demand for accountability with selective support to public institutions and government initiatives.

Spain's support to governance and accountability in practice

At the field level, Spain's support for governance reforms and accountability is well adapted to country circumstances and demand. In El Salvador, a country with an extremely polarised political environment, Spain is a major player in the area of governance. It has created good relationships with all relevant political forces and actors, both at the level of political parties and with civil society. It strikes a delicate balance between working closely with several government agencies and helping to enlarge the democratic space for citizens and civil society organisations, including the political opposition. Close co-operation between the embassy and the technical co-operation office is a key to this success.

In its governance-related co-operation with El Salvador's central government, Spain is focusing on the justice sector, including technical assistance to strengthen the capacity of the country's General Attorney's Office and the National Election Court. Anti-corruption is an area where agreement with the government is difficult, and an open anti-corruption discourse is not established in the country. In view of this restrictive context, Spanish development co-operation combines a cautious dialogue with the judicial branch of the central government on issues of impunity — including some technical assistance — with considerable efforts to strengthen citizens' and civil society's demand for accountability.

Sixty per cent of Spanish aid to El Salvador — a much higher share than other donors — is geared to the local level. While some of this aid also targets other sectors (*e.g.* infrastructure or agriculture), the governance dimensions of this support are particularly salient (Box 10).

Box 10. Strengthening local governance in El Salvador

Spain's citizen-centric concept of governance finds particularly strong expression at the local level. With many programmes and projects, Spanish development co-operation helps (re-)build relationships between citizens and their local governments and develop new forms of participation, responsiveness and accountability. Support is given, for example, to the participatory development of municipal development agendas, strategies and policies, including gender equality plans, the creation of spaces and mechanisms for political and social dialogue and the enhancement of the transparency of public finances and accessibility of public services. Assisting and working through El Salvador's National Association of Municipalities (COMURES) — comprising mayors from the political right and left — is an important way of strengthening bipartisanship.

A large number of Spanish development co-operation actors are engaged in local development and local governance, with a particularly strong role for decentralised co-operation actors. While posing challenges of co-ordination, this more importantly translates into a healthy diversity of recipients and beneficiaries.

In Colombia, Spain's work on governance, accountability and anti-corruption is determined by an overarching focus on conflict prevention and peace building. Focusing on both public institutions and Colombian society, Spain orients its initiatives and activities towards developing lasting peace. Activities include promoting representative and participative democracy and strengthening the rule of law (especially human rights and international humanitarian law, access to justice and eradication of gender violence). In the public administration, Spain promotes inclusive policies to improve service delivery to citizens, especially at the local level. Spain's development co-operation and its important political role as a peace mediator reinforce each other.

In Latin America, historical and cultural ties, language and similarities in administrative and legal systems put Spain in a special position in relation to partner countries and often give Spain a leadership role within the donor community. Spain acts as a champion of specific themes (governance and gender are striking examples) and promotes more effective ways of working with other donors. This includes initiatives to improve donor co-ordination and harmonisation as well as the creation of new instruments, such as a Spanish-led basket fund in Colombia for peace and reconciliation.

Spain could make better use of its practical experience

Spain has impressive country-level experience in governance, including in highly challenging political environments. This experience could be of considerable value for the development and further refinement of Spanish and other donors' strategies and policy guidance. However, lessons are seldom documented or disseminated, and linkages between policy development on the one hand and existing practical expertise on the other are under-developed in the Spanish system, and it is not clear that insights gained from practice systematically are appropriately informing policies and strategies. Other donors are also likely to benefit from and appreciate more systematic sharing of Spanish experience, while at the same time offering insights that could help Spain further refine its policies.

Future considerations

- Better co-ordination among Spanish development co-operation actors' governance and capacity development work at the country level remains a challenge. A greater effort in field-based analytical work should accompany the development of policy frameworks. Spain should make systematic use of analyses shared by other donors, thereby supporting harmonisation.
- Building on its good experience with technical assistance, Spain should invest more to analyse where, why and how support to capacity development has been effective and how lessons may be replicated or adapted elsewhere. These lessons should be shared with other DAC members.
- Spain is encouraged to document and disseminate better its impressive field experience in the area of governance, accountability and anti-corruption and to use this experience more systematically to develop and improve strategies and policies, both within the Spanish development co-operation system and with other donors.
- In further efforts to make its governance approach more human rights-based, Spain could draw on the policies and practical experience of other donors.

*Annex A***Progress Against 2002 DAC Peer Review Recommendations**

Issue	Concern expressed in 2002	Progress achieved to date
Overarching policy framework	Establish poverty reduction as the overarching goal across the entire aid system, including in aid to middle-income countries.	The Master Plan (MAEC/SECI, 2005) and other policy documents sharpened the poverty focus formally established by the 1998 law as the fundamental objective for development co-operation. Poverty reduction is to be pursued in all development interventions, by all actors and all modalities, as an integrated and cross-cutting priority.
Policy coherence	Strengthen the analytical capacity of the MFA for inter-ministerial policy debate (<i>e.g.</i> on trade, agriculture and fisheries) to enhance policy coherence for development.	Spain has made progress on policy coherence for development. The department responsible for development co-operation policy was transformed from an under-directorate-general to a directorate general (DG POLDE). It reports directly to the State Secretary for International Development, and staff numbers were increased. However, little attention is paid to policy coherence at the field level, and better use could be made of existing co-ordination mechanisms.
Partner country selection	Pursue further concentration on a limited number of focus countries, on the basis of more elaborate selection criteria.	Spanish ODA remains dispersed. While Spain has reduced the number of priority countries from 29 to 23, it has also defined new categories, with 18 special attention countries, and 14 preferential countries. A further 64 countries not captured in the three categories recorded aid receipts from Spain, which totalled 10.5% of ODA in 2006. The recommendation still applies.
Loans versus grants; and review of FAD operations	Clarify policies on loans versus grants according to country income level; improve transparency and delivery framework for FAD loans (stronger focus on grants for poor countries; sector strategies, clarity on objectives and targeting,	The use of loan aid has declined, and is not applied in a range of partner countries. However, no general policy exists on the use of this instrument according to income level. The new debt law includes provisions for ensuring poverty focus and debt context, and requires reform of FAD loans. The

	monitoring and evaluation, tying status).	share of tied aid has declined significantly from 44% in 2003 to 13% in 2005.
Systemic/internal consistency and synergies	Clearer lead role should be assigned to MFA in providing directions to all actors in development co-operation to increase synergies.	The lead role of MAEC in co-ordination and policy formulation is well accepted. SECI leads the consultative process, which has led to a broad consensus on Spanish aid throughout official and non-official stakeholders in Spain. However, this still needs to translate more into operation and implementation.
Results orientation	Establish a more results-oriented approach to programming and implementation; consider linking framework for performance assessment to MDGs.	Spain still needs to define a system for management for development results. Lack of attention to results appears to affect the official system, the decentralised actors and the NGOs. Monitoring continues to focus on activities rather than outcomes. Spain recognises the need to address results-based management in the next phases of reform.
Ownership	Increase partner countries' responsibility in aid management and strengthen links of individual projects to country-led strategies; move toward sector approaches with other donors.	All Spanish country strategies need to spell out how they relate to partner country strategies and policies, a requirement that is replicated for individual projects. In Latin America, Spain plays a leading role among donors in developing joint approaches and advancing the aid effectiveness principles. The use of common instruments is still relatively limited and work remains to be done to link all actors to a framework promoting ownership.
Resource allocations	Consider rebalancing resource allocation towards greater emphasis on basic social services.	Having reached nearly 20% and exceeded this target in 2005, the share of basic social services in bilateral ODA dropped to 15.6% in 2006. Due to an increase in multilateral aid attributed to basic social services, the share increased modestly for overall ODA to 16.4%. However, the recommendation still applies.

Annex B

OECD/DAC Standard Suite of Tables

Table B.1. Total financial flows

USD million at current prices and exchange rates

Spain	Net disbursements						
	1990-91	1995-96	2002	2003	2004	2005	2006
Total official flows	1 113	1 110	1 767	2 034	2 462	3 085	3 814
Official development assistance	1 113	1 300	1 712	1 961	2 437	3 018	3 814
Bilateral	697	852	998	1 151	1 400	1 863	2 092
Multilateral	416	448	714	810	1 037	1 155	1 722
Other official flows	-	-190	54	73	25	67	0
Bilateral	-	-190	54	73	25	67	-
Multilateral	-	-	-	-	-	-	-
Net Private Grants	78	119	-	-	-	-	-
Private flows at market terms	-29	1 914	6 404	4 633	10 300	3 716	7 330
Bilateral: <i>of which</i>	-29	1 914	6 404	4 633	10 300	3 716	7 330
Direct investment	-	1 914	6 540	4 737	10 503	4 158	7 586
Export credits	-29	-	-136	-104	-203	-442	-256
Multilateral	-	-	-	-	-	-	-
Total flows	1 163	3 142	8 171	6 667	12 762	6 801	11 143
<i>for reference:</i>							
ODA (at constant 2005 USD million)	1 516	1 695	2 546	2 336	2 538	3 018	3 643
ODA (as a % of GNI)	0.22	0.23	0.26	0.23	0.24	0.27	0.32
Total flows (as a % of GNI) (a)	0.23	0.56	1.25	0.79	1.25	0.61	0.92

a. To countries eligible for ODA.

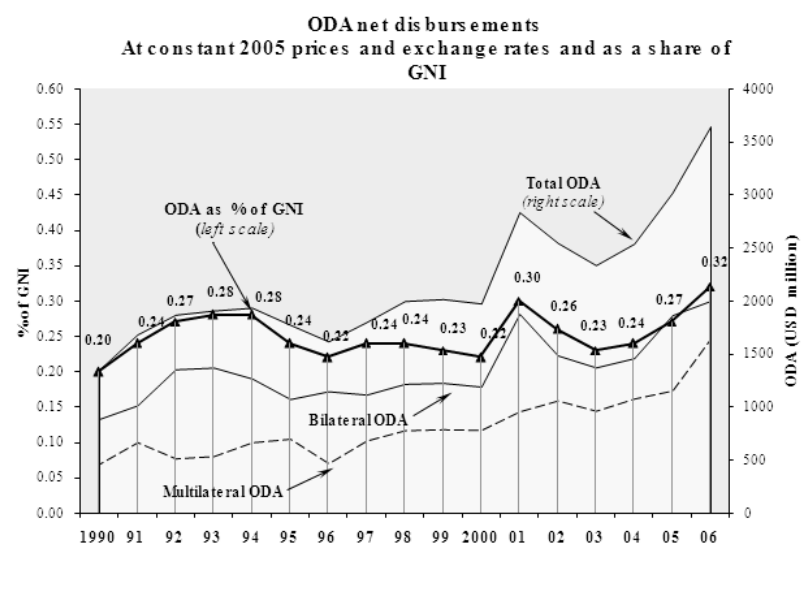
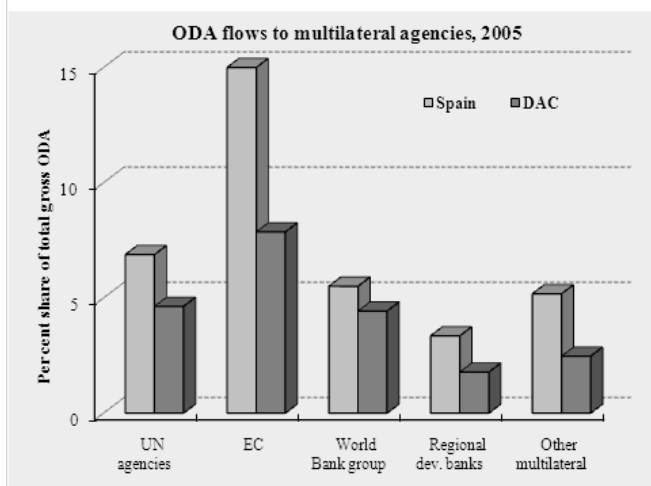


Table B.2. ODA by main categories

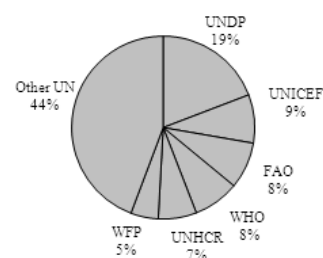
Spain	Constant 2005 USD million					Per cent share of gross disbursements					Total DAC 2005%
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006	
	<i>Disbursements</i>										
Gross Bilateral ODA	1 721	1 675	1 716	2 362	2 329	62	63	61	67	59	79
<i>Grants</i>	<i>1 144</i>	<i>1 117</i>	<i>1 278</i>	<i>2 020</i>	<i>1 922</i>	<i>41</i>	<i>42</i>	<i>46</i>	<i>57</i>	<i>48</i>	<i>71</i>
Project and programme aid	260	176	126	230	498	9	7	5	7	13	16
Technical co-operation	355	373	354	483	418	13	14	13	14	11	18
Developmental food aid	14	7	13	10	28	0	0	0	0	1	1
Humanitarian aid	27	81	80	114	131	1	3	3	3	3	6
Action relating to debt	176	171	289	903	547	6	6	10	26	14	21
Administrative costs	90	91	86	103	97	3	3	3	3	2	3
Other grants	223	218	329	176	202	8	8	12	5	5	6
<i>Non-grant bilateral ODA</i>	<i>578</i>	<i>558</i>	<i>438</i>	<i>342</i>	<i>407</i>	<i>21</i>	<i>21</i>	<i>16</i>	<i>10</i>	<i>10</i>	<i>8</i>
New development lending	570	540	430	331	397	20	20	15	9	10	6
Debt rescheduling	8	18	8	12	11	0	1	0	0	0	1
Acquisition of equity and other	-	-	-	-	-	-	-	-	-	-	0
Gross Multilateral ODA	1 061	964	1 080	1 155	1 645	38	37	39	33	41	21
UN agencies	90	77	50	48	273	3	3	2	1	7	5
EC	618	625	654	784	814	22	24	23	22	20	8
World Bank group	97	90	198	150	219	3	3	7	4	6	4
Regional development banks (a)	194	101	137	134	133	7	4	5	4	3	2
Other multilateral	63	71	42	39	206	2	3	1	1	5	2
Total gross ODA	2 782	2 640	2 795	3 518	3 974	100	100	100	100	100	100
Repayments and debt cancellation	- 237	- 304	- 257	- 500	- 331						
Total net ODA	2 546	2 336	2 538	3 018	3 643						
<i>For reference:</i>											
<i>Associated financing (b)</i>	-	-	-	-	-						
<i>ODA to and channelled through NGOs</i>											
- In USD million	419	483	478	437	620						
- In percentage of total net ODA	16	21	19	14	17						
- Median DAC percentage of total net ODA	7	8	8	8	9						

a. Excluding EBRD.

b. ODA grants and loans in associated financing packages.



Contributions to UN Agencies (2005-06 Average)



Contributions to Regional Development Banks (2005-06 Average)

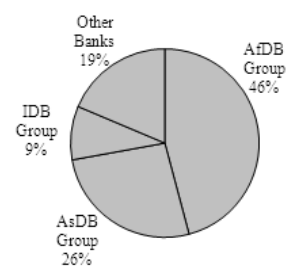
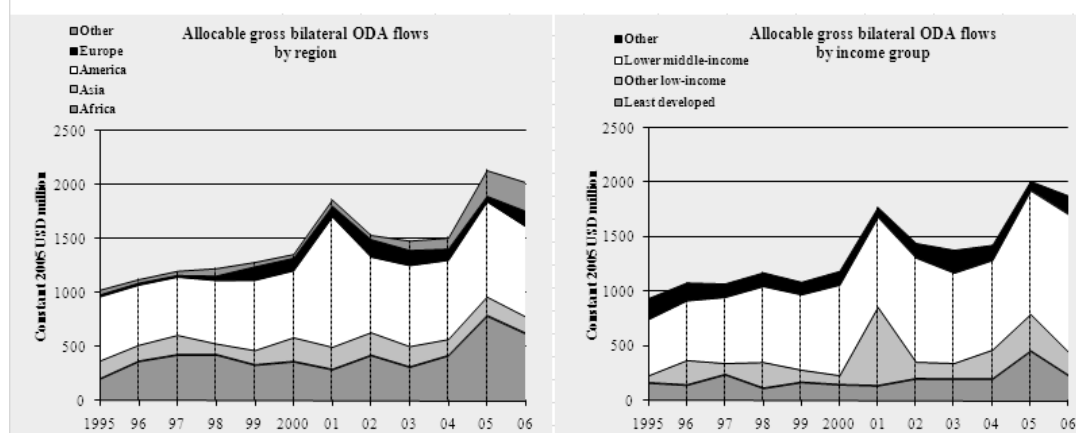


Table B.3. Bilateral ODA allocable by region and income group

Spain	Gross disbursements										
	Constant 2005 USD million					Per cent share					Total DAC 2005%
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006	
Africa	425	316	423	792	628	28	21	28	37	31	35
Sub-Saharan Africa	265	209	223	658	363	17	14	15	31	18	31
North Africa	160	108	199	131	258	10	7	13	6	13	3
Asia	214	194	153	177	157	14	13	10	8	8	24
South and Central Asia	70	47	36	41	38	5	3	2	2	2	11
Far East	140	147	114	134	118	9	10	8	6	6	12
America	702	751	734	883	837	46	51	49	41	41	8
North and Central America	352	313	429	484	451	23	21	28	23	22	4
South America	307	370	255	340	313	20	25	17	16	15	3
Middle East	38	87	101	239	267	2	6	7	11	13	29
Oceania	0	0	0	-	0	0	0	0	-	0	1
Europe	159	138	102	50	141	10	9	7	2	7	4
Total bilateral allocable by region	1 539	1 486	1 513	2 141	2 031	100	100	100	100	100	100
Least developed	207	203	204	462	234	14	15	14	23	12	23
Other low-income	152	144	266	337	213	11	10	19	17	11	20
Lower middle-income	959	831	826	1 138	1 269	66	60	58	57	68	53
Upper middle-income	127	204	132	76	162	9	15	9	4	9	3
More advanced developing countries	0	-	-	-	-	0	-	-	-	-	-
Total bilateral allocable by income	1 445	1 383	1 428	2 013	1 878	100	100	100	100	100	100
<i>For reference:</i>											
<i>Total bilateral</i>	1 721	1 675	1 716	2 362	2 329	100	100	100	100	100	100
<i>of which: Unallocated by region</i>	182	189	203	221	299	11	11	12	9	13	13
<i>of which: Unallocated by income</i>	276	292	288	350	451	16	17	17	15	19	18



1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.

Table B.4. Main recipients of bilateral ODA

Spain	1995-96				Memo: DAC countries' median	2000-01				Memo: DAC countries' median	2005-06				Memo: DAC countries' median (2005)
	Current USD million	Constant 2005 USD mn.	Per cent share			Current USD million	Constant 2005 USD mn.	Per cent share			Current USD million	Constant 2005 USD mn.	Per cent share		
Argentina	71	92	9		Nicaragua	210	342	23		Iraq	192	188	10		
Congo, Rep.	53	69	7		Indonesia	54	88	6		Honduras	136	135	7		
China	48	62	6		Morocco	49	80	5		Guatemala	132	127	7		
Ecuador	48	62	6		China	44	72	5		Madagascar	88	88	4		
Indonesia	44	57	6		Bolivia	35	58	4		Peru	83	81	4		
Top 5 recipients	263	342	34	35	Top 5 recipients	391	641	43	34	Top 5 recipients	630	617	32	53	
Nicaragua	33	43	4		El Salvador	34	56	4		Morocco	71	69	4		
Colombia	31	40	4		Honduras	34	56	4		Congo, Rep.	69	69	3		
Angola	29	38	4		Bosnia and Herzegovin	30	49	3		Nigeria	69	66	3		
Morocco	28	36	4		Ecuador	28	46	3		Ecuador	68	67	3		
Bolivia	28	36	4		Peru	27	44	3		Nicaragua	67	66	3		
Top 10 recipients	412	536	53	53	Top 10 recipients	544	892	60	54	Top 10 recipients	974	955	49	64	
Peru	25	32	3		Mozambique	26	44	3		Bolivia	60	59	3		
Palestinian Adm. Areas	23	30	3		Colombia	22	36	2		Colombia	60	58	3		
Haiti	22	29	3		Venezuela	21	34	2		Algeria	60	57	3		
Honduras	21	27	3		Dominican Republic	16	27	2		Senegal	57	56	3		
Mozambique	18	24	2		Guatemala	16	25	2		China	56	55	3		
Top 15 recipients	521	678	67	66	Top 15 recipients	645	1 058	71	68	Top 15 recipients	1 267	1 240	64	75	
Algeria	18	23	2		Algeria	14	24	2		Turkey	53	51	3		
Pakistan	16	21	2		Sts Ex-Yugoslavia unsp	14	22	2		El Salvador	49	47	2		
Cuba	14	19	2		Angola	13	22	1		Palestinian Adm. Areas	40	39	2		
Mexico	14	18	2		Serbia	13	20	1		Ghana	35	35	2		
Guatemala	13	17	2		Palestinian Adm. Areas	11	19	1		Mozambique	32	31	2		
Top 20 recipients	596	776	77	74	Top 20 recipients	711	1 165	79	76	Top 20 recipients	1 475	1 444	74	81	
Total (104 recipients)	777	1 012	100		Total (107 recipients)	904	1 482	100		Total (119 recipients)	1 989	1 945	100		
Unallocated	161	210			Unallocated	185	304			Unallocated	411	400			
Total bilateral gross	938	1 222			Total bilateral gross	1 089	1 786			Total bilateral gross	2 400	2 346			

Table B.5. Bilateral ODA by major purposes

at current prices and exchange rates

Spain	<i>Gross disbursements - Two-year averages</i>						
	1995-96		2000-01		2005-06		2005 Total DAC per cent
	USD million	Per cent	USD million	Per cent	USD million	Per cent	
Social infrastructure & services	343	41	389	42	716	31	31
Education	78	9	142	15	219	9	6
of which: basic education	7	1	13	1	51	2	2
Health	134	16	61	7	111	5	4
of which: basic health	32	4	48	5	84	4	2
Population & reproductive health	4	1	6	1	35	2	3
Water supply & sanitation	34	4	26	3	64	3	5
Government & civil society	39	5	65	7	163	7	10
Other social infrastructure & services	53	6	89	10	125	5	4
Economic infrastructure & services	133	16	79	9	272	12	11
Transport & storage	30	4	16	2	131	6	5
Communications	37	4	5	1	5	0	0
Energy	57	7	30	3	45	2	3
Banking & financial services	0	0	27	3	84	4	1
Business & other services	8	1	1	0	7	0	1
Production sectors	122	15	57	6	114	5	5
Agriculture, forestry & fishing	60	7	36	4	72	3	3
Industry, mining & construction	60	7	19	2	34	1	1
Trade & tourism	-	-	-	-	-	-	-
Other	2	0	2	0	8	0	1
Multisector	76	9	74	8	169	7	6
Commodity and programme aid	12	1	6	1	29	1	3
Action relating to debt	91	11	225	24	749	32	27
Humanitarian aid	16	2	29	3	126	5	8
Administrative costs of donors	37	5	52	6	102	4	4
Core support to NGOs	1	0	5	1	8	0	1
Refugees in donor countries	-	-	9	1	24	1	2
Total bilateral allocable	831	100	924	100	2 310	100	100
<i>For reference:</i>							
Total bilateral	891	67	1 089	67	2 400	63	79
of which: Unallocated	60	4	165	10	90	2	1
Total multilateral	448	33	531	33	1 439	37	21
Total ODA	1 340	100	1 620	100	3 839	100	100

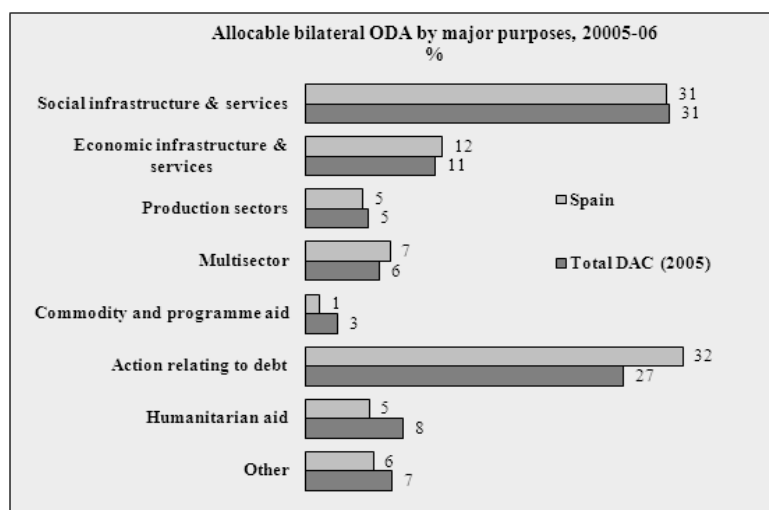
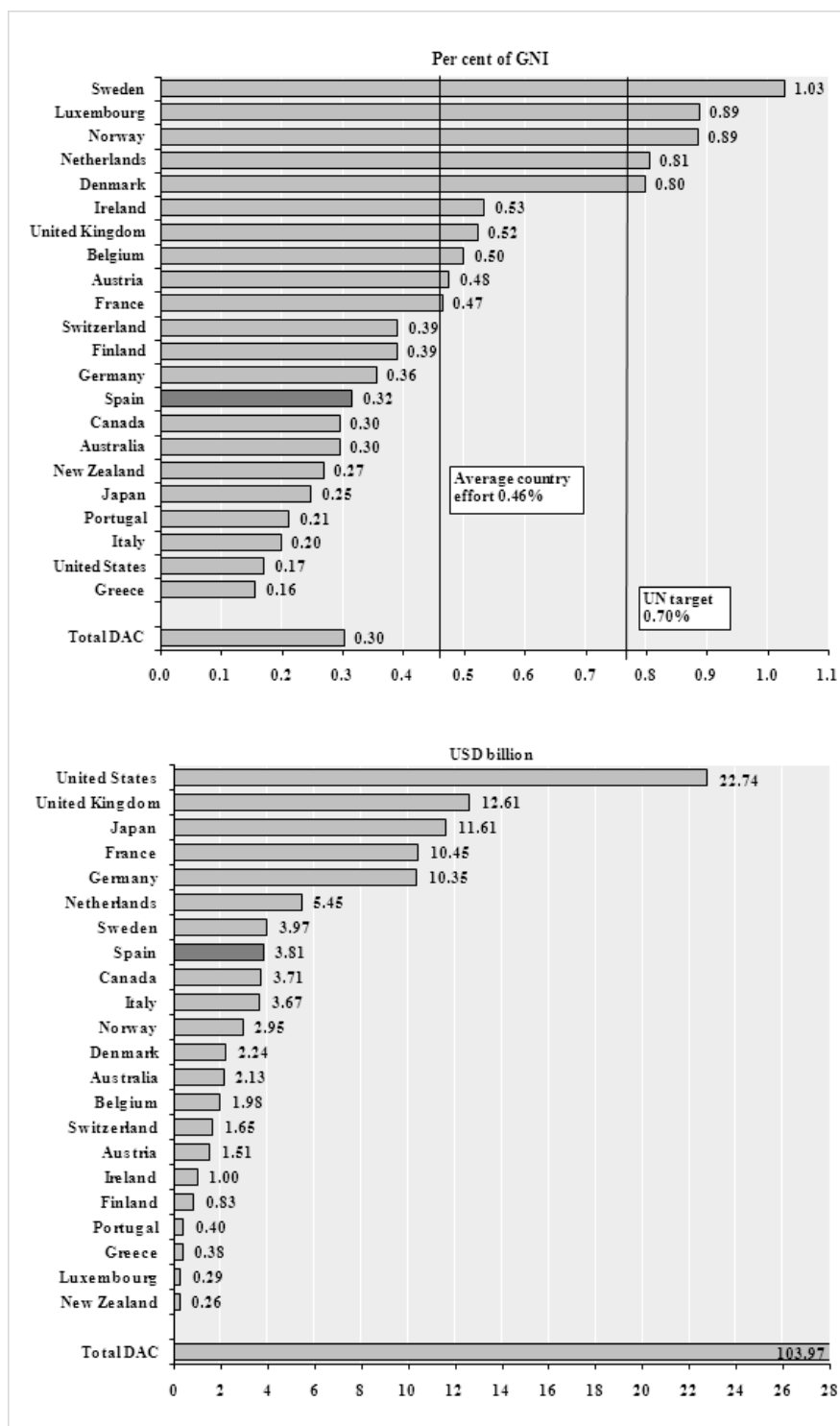


Table B.6. Comparative aid performance

	<i>Net disbursements</i>									
	Official development assistance			Grant element of ODA (commitments) 2005	Share of multilateral aid				ODA to LDCs Bilateral and through multilateral agencies 2005	
	2005		99-2000 to 04-05 Ave. annual % change in real terms		2005				% of ODA	% of GNI
	USD million	% of GNI		% of ODA (b)	% of GNI (c)	% of ODA (b)	% of GNI (c)			
Australia	1 680	0.25	1.8	100.0	13.8	0.03			24.9	0.06
Austria	1 573	0.52	12.0	100.0	21.7	7.7	0.11	0.04	15.5	0.08
Belgium	1 963	0.53	9.3	99.7	33.4	14.6	0.18	0.08	31.0	0.16
Canada	3 756	0.34	6.5	100.0	24.6		0.08		27.9	0.09
Denmark	2 109	0.81	-2.9	100.0	35.6	26.4	0.29	0.21	38.6	0.31
Finland	902	0.46	8.6	100.0	33.8	18.3	0.16	0.08	27.2	0.13
France	10 026	0.47	6.8	95.0	27.8	9.7	0.13	0.05	23.9	0.11
Germany	10 082	0.36	5.0	94.8	26.1	4.3	0.09	0.02	18.7	0.07
Greece	384	0.17	3.1	100.0	46.3	5.2	0.08	0.01	20.7	0.04
Ireland	719	0.42	12.8	100.0	32.9	17.4	0.14	0.07	50.7	0.21
Italy	5 091	0.29	10.5	95.5	55.4	30.6	0.16	0.09	27.6	0.08
Japan	13 147	0.28	-1.8	87.3	20.8		0.06		17.7	0.05
Luxembourg	256	0.86	7.4	100.0	27.1	17.4	0.23	0.15	41.2	0.35
Netherlands	5 115	0.82	0.5	100.0	28.0	19.6	0.23	0.16	32.4	0.27
New Zealand	274	0.27	4.4	100.0	18.2		0.05		25.5	0.07
Norway	2 786	0.94	4.3	100.0	27.0		0.25		36.9	0.35
Portugal	377	0.21	12.0	94.9	42.1	8.3	0.09	0.02	55.6	0.12
Spain	3 018	0.27	6.8	94.9	38.3	12.3	0.10	0.03	27.1	0.07
Sweden	3 362	0.94	6.8	100.0	32.9	27.0	0.31	0.25	32.7	0.31
Switzerland	1 767	0.44	5.8	100.0	20.8		0.09		22.9	0.10
United Kingdom	10 767	0.47	12.1	100.0	24.2	12.8	0.11	0.06	25.1	0.12
United States	27 622	0.22	17.1	100.0	8.5		0.02		20.6	0.05
Total DAC	106 777	0.33	7.2	96.9	23.1	14.4	0.08	0.05	24.0	0.08
Memo: Average country effort		0.47								

Notes:
a. Excluding debt reorganisation.
b. Including EC.
c. Excluding EC.
.. Data not available.

Figure B.1. Net ODA from DAC countries in 2006 (preliminary)



Annex C

Humanitarian Assistance

Spain's humanitarian aid is growing very rapidly; the state administration wants to raise humanitarian aid to the DAC average of 7% of bilateral ODA by 2008, while ODA is also growing to meet the UN target of 0.7% of GNI in 2012. This annex compares Spain's humanitarian aid programme with the *Assessment Framework for Coverage of Humanitarian Action in DAC Peer Reviews*. It covers the following areas: 1) humanitarian policy and principles; 2) organisation and management; 3) volume and distribution; 4) policy coherence; and 5) future considerations.

Humanitarian policies and principles

Article 12 of the International Development Co-operation Act of 1998 creates a legal framework for Spain's humanitarian aid and provides a definition that is limited to "the urgent consignment of first-aid or relief materials, including food". The 2005-2008 Master Plan expanded that definition by stating that Spanish humanitarian aid "will be directed at the victims of any form of disaster, with the aim of meeting their basic needs, re-establishing their rights and ensuring their protection." It is helpful that protection is included in the definition of humanitarian action since this reflects agreement at the UN World Summit in 2005 about the "Responsibility to Protect" (United Nations, 2005). However, as the UN has found, implementing this concept is a serious challenge.

The Master Plan also states that "Spanish humanitarian action will be based on a profound respect for internationally agreed humanitarian principles and values, according to International Law." Spain endorsed the good humanitarian donorship (GHD) principles in 2004 and is due to develop an action plan in 2007.

The 17 autonomous regional governments in Spain have their own definitions of humanitarian aid and legal documents governing humanitarian assistance. The level of detail of these documents and the extent to which they reflect international standards varies (and depends on the level of development of the regional development co-operation agencies). However, Catalonia, Aragón, Madrid, Basque Country, Valencia, Extremadura and Murcia have comprehensive definitions and frameworks guiding humanitarian aid.

As outlined in the Master Plan, the Spanish administration is in the process of finalising a humanitarian action strategy. This has been developed in a consensual way and taken full account of recommendations by Spanish NGOs. Some of the key elements of this strategy document are as follows:

- A commitment to the following cross-cutting priorities in humanitarian aid: the fight against poverty; human rights; gender equality; environmental sustainability and respect for cultural diversity.
- An outline of priority actions to improve Spain's capacity for humanitarian action. These include:

- establishing a budget line for humanitarian aid to ensure predictable funding;
 - developing more flexible funding mechanisms for NGOs (probably based on a system of accreditation in advance);
 - creating a special organisation to manage humanitarian assistance, either as a humanitarian aid office within AECI or another entity that complies with Spanish legislation;
 - developing an Emergency Action Protocol to cover the decision-making process, including resource allocation criteria, entry and exit strategies, quality control and accountability systems;
 - issuing guidelines on humanitarian work in conflict areas, incorporating the “do no harm” principle;
 - establishing and deploying humanitarian aid teams (either from Spain or locally);
 - strengthening human resource capacity and increasing the Spanish presence in humanitarian organisations in New York and Geneva.
- Incorporating humanitarian aid issues into all development planning and Country Strategy Papers and relevant Sector Strategy Papers.
 - Undertaking a range of humanitarian advocacy and awareness-raising activities such as highlighting humanitarian issues (as a donor) both in international fora and in Spain, and ensuring that all Spanish humanitarian actors adhere to GHD principles.
 - A statement of intentions that includes:
 - prioritising risk reduction and incorporating disaster preparedness, prevention and mitigation activities into all levels of Spanish development programmes;
 - using Spain’s diplomatic presence to prevent conflict where possible;
 - developing contingency plans in priority and special attention countries and strengthening information and early warning systems in these countries;
 - paying special attention to post-conflict rehabilitation and peace-building, using co-ordinated aid instruments for this and eliminating the use of tied aid;
 - employing peace and conflict assessments, conflict sensitive analysis and the “do no harm” approach to decide whether or not to intervene in failed states or armed conflicts.

This ambitious humanitarian aid strategy reflects Spain’s desire to address the shortcomings that it has identified in its humanitarian aid programme and to ensure that its humanitarian assistance incorporates GHD principles.

Organisation and management

Different sources of humanitarian aid funding

Spanish humanitarian aid is currently managed by a technical office located within AECI, the Spanish Development Cooperation Agency within the Ministry of Foreign Affairs and Co-operation (MAEC). It reports directly to the AECI Secretary-General but works in close co-operation with the geographical units and the Technical Co-operation Offices and embassies in the field. A number of other ministries also provide bilateral humanitarian aid funding, as indicated in the table below which

shows the percentage of bilateral humanitarian aid that each ministry has contributed from 2002-2006 (Table C.1.).

Table C.1. Percentage of bilateral humanitarian aid from state ministries

Ministry	2002	2003	2004	2005	2006
Foreign Affairs and Co-operation	10.93	12.00	46.96	46.09	58.36
Defence	42.16	13.75	2.24	32.84	6.30
Industry, Trade and Tourism	19.50	57.46	13.59		34.80
Environment				0.09	0.55
Health and Consumption				0.01	
Labour and Social Affairs	27.41	16.79	37.20	20.97	

Source: DG POLDE.

Table C.1 shows that since 2004, about half the funding has come from the Ministry of Foreign Affairs and Co-operation. The Defence Ministry provided a substantial amount of bilateral humanitarian aid in 2002 and 2005 while the Ministries of Industry and Labour have been significant contributors in most years. The Ministry of Industry has been responsible for FAD (Development Aid Fund) loans (*i.e.* tied aid) but the administration is phasing these out of humanitarian aid. In addition, some funding to multilateral organisations comes from the Ministry of Finance.

Spain's autonomous communities and local administrations also provide bilateral humanitarian assistance and some of the autonomous governments have agencies to manage this (Box 5). Figure C.2. compares humanitarian aid from the autonomous governments and municipalities with bilateral humanitarian aid from the state administration. This shows that the contribution from the state administration as a whole is substantially larger than that from the autonomous governments and municipalities. However, if contributions from individual ministries are separated out, since 2004 the autonomous governments and municipalities have been the second largest contributors after the MAEC.

Due to this plethora of sources of humanitarian aid funding, a review of Spanish humanitarian aid conducted for the Tsunami Evaluation Coalition (TEC) (Engelhardt. A., et al, 2006) concluded that the Spanish aid system is highly fragmented. The government has recognised the need for greater co-ordination to ensure a coherent response to humanitarian crises. It is therefore working to improve co-ordination between ministries and between the MAEC and autonomous governments and NGOs.

Decision-making and funding mechanisms

The technical office in AECI that manages humanitarian aid is fairly small, though it has just doubled its staff from five to ten and intends to increase this further to 13 by the end of 2007. The Technical Co-operation Offices (TCOs) in the field and embassies also contribute to funding decisions. The latter have made recommendations about funding channels (for example, using the Common Humanitarian Fund in Sudan) and also negotiated the content of project proposals from NGOs. The funding decisions are finalised in Madrid, in consultation with the geographical units. The TCOs and embassies should enable AECI to fund local NGOs, which many donors are unable to do.

Since the TCOs tend to be quite small and do not have specialised humanitarian expertise, the humanitarian aid strategy proposes strengthening their capacity (and those of embassies) so that they can engage in early warning initiatives, disaster prevention, post-disaster needs assessments and relationships with local governments. In risk-prone countries, the administration is considering setting up a "focal point" within TCOs.

AECI can use different funding mechanisms for humanitarian activities:

- **State grants:** These are used for non-Spanish international NGOs and for specific projects implemented by UN agencies or other international organisations.
- **Open and Permanent Tenders:** These are available to NGOs, universities and private institutions working on humanitarian issues.
- **NGO Framework Agreements:** These are multi-annual agreements (4-5 years) with NGOs like the Spanish Red Cross, Action Against Hunger and Medicos del Mundo. An organisation with such an agreement cannot apply for other forms of funding unless it is for emergency response.
- **Emergency funding procedures:** These include direct interventions and providing financing through TCOs as described in the next section.

The development co-operation units of the autonomous governments have their own funding procedures. NGOs usually need to have an office in the region to be eligible for this funding and the TEC review argues that this is inefficient because it increases overheads for NGOs and also favours small local NGOs that may not have the capacity to deliver aid effectively. Despite this, some NGOs prefer such decentralised funding because the procedures of the regional entities are often better adapted to humanitarian response than AECI's procedures. The humanitarian aid strategy's mention of a new funding mechanism for NGOs is clearly a response to such criticism. However, the strategy does not detail how this mechanism will operate while still complying with Spanish financial regulations.

AECI is also working with UN agencies to develop a funding mechanism that will enable it to respond more quickly to a crisis without losing control over funding decisions. The aim is to give the agencies a sum of money at the beginning of the year which they can use to respond to crises with AECI's permission. Since the funds will have been transferred to the UN agencies in advance, there will be no delays with disbursement. Also, if the funds are not completely spent in a given financial year, they can be carried over by the UN agency without AECI losing the money back to the Ministry of Finance. While this is an innovative solution, AECI may want to consider increasing the flexibility of the UN agencies to respond to crises by providing un-earmarked funds.

Direct interventions

Spain also undertakes direct interventions in humanitarian crises. AECI currently has a warehouse just outside Madrid and is opening a similar facility in Panama. It can then arrange for the transportation of food, medicines, medical teams, etc. in the event of a disaster (using military planes or commercial services). It has also worked with the autonomous governments to develop a database of specialist doctors who can be dispatched to crisis locations.

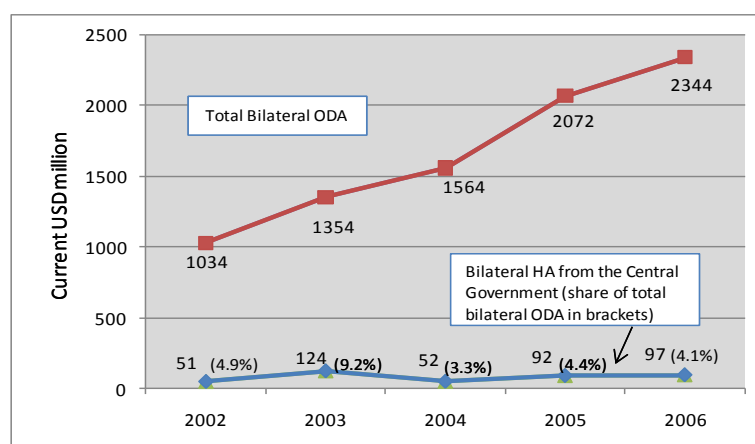
TCOs can play a role in direct interventions by AECI because, to speed up response, the office in Madrid can transfer funds to them within a day or two to purchase items for distribution. This circumvents the need for time-consuming grant agreements that could take one to two months. This mechanism was used during the floods in Uruguay and the administration is planning to replicate it (though, as noted above, TCOs have limited human resource capacity).

In addition, the autonomous governments often intervene directly themselves since this is an attractive way to project a regional identity in national and international arenas. However, the TEC review has questioned the use of direct interventions since visibility, rather than effective response, seems to be their main motivation. As the review points out, "...[o]ther principle minded donors following good practice seek to not increase the number of actors on the ground. A general finding of the study is that the Spanish system favours precisely the multiplication of actors" (Engelhardt. A., et al, 2006).

Volume and distribution

Since 2004, Spanish humanitarian aid has been increasing substantially in absolute terms, in keeping with the government's commitment to increase ODA and to increase bilateral humanitarian aid as a share of bilateral ODA to 7% by 2008. Figure C.1. below compares bilateral humanitarian aid from the state administration with bilateral ODA from 2002-06 (the figures in brackets give the percentage share of bilateral ODA). With the exception of 2003, when the Ministry of Industry, Trade and Tourism contributed USD 71 million, the percentage has stayed at around 4%.

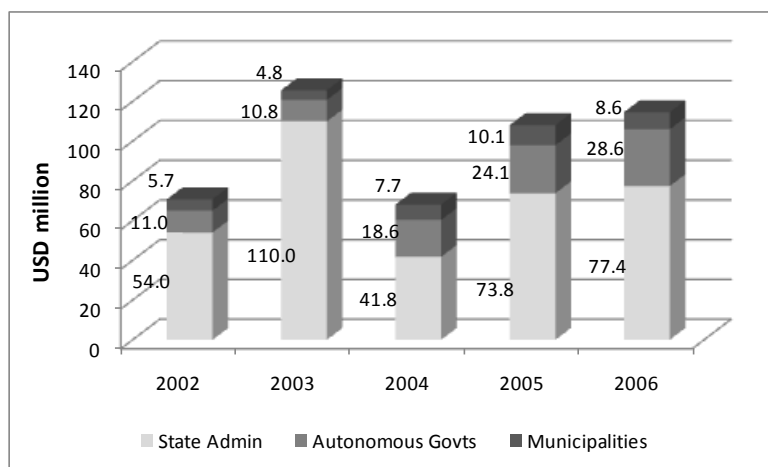
Figure C.1. State bilateral humanitarian aid as share of bilateral ODA



Source: DG POLDE.

Figure C.2 shows bilateral humanitarian aid from the state administration, autonomous regional governments and municipalities. Between 2004 and 2006, this aid almost doubled, from USD 76.9 million to USD 143.7 million. In 2007, AECI alone is managing a budget of over EUR 100 million, so total bilateral humanitarian aid is likely to increase substantially again.

Figure C.2. Spanish bilateral humanitarian aid, 2002-06



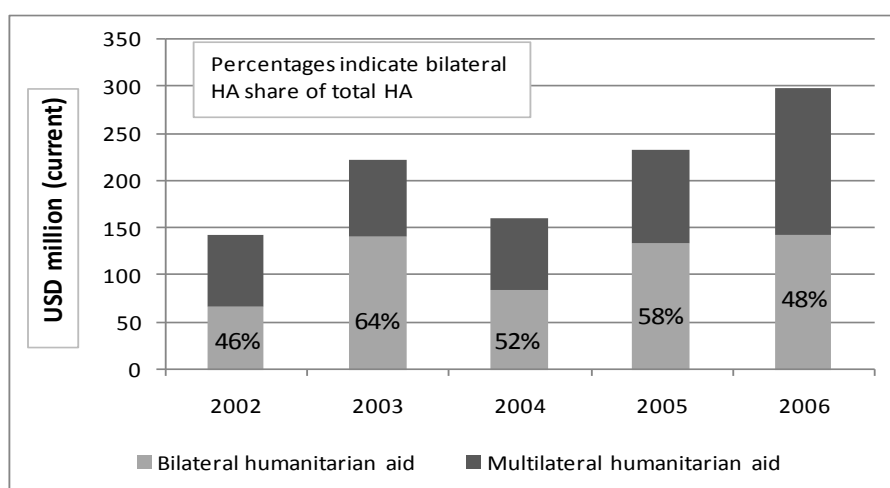
Source: DG POLDE.

Channels

While the autonomous regional governments and local administrations provide bilateral aid, multilateral funding has come from the state administration alone. There are indications, however, that decentralised Spanish actors are now also starting to consider multilateral funding. AECI reserves about 50% of its budget for the UN, 30% for the CAP and 20% for Flash Appeals during the year.

Figure C.3 shows that there has usually been a fairly equal division between bilateral and multilateral funding. However, the share of funding through multilateral channels is likely to continue to increase. This is because although the humanitarian aid budget is growing sharply, it will take some time to implement the reforms outlined in the humanitarian aid strategy so AECI will continue to have limited management capacity. In such circumstances, it is easier for donors to provide multilateral rather than bilateral funding.

Figure C.3. Bilateral and multilateral humanitarian aid: 2002-06



Source: DG POLDE.

Geographical distribution

In keeping with the commitments in the humanitarian strategy to focus on all stages of a crisis, from prevention to post-conflict rehabilitation, AECI now sets aside 5% of its budget for prevention/preparedness activities, 5% for rehabilitation and 5% for forgotten crises.

In 2002, Spain provided USD 66.71 million in humanitarian aid for 37 countries (plus a number of unspecified countries). By 2006, this had increased to USD 143.7 million to 62 countries (excluding several unspecified countries). Table C.2 below shows the top 10 recipients of Spanish bilateral humanitarian assistance in 2002 and 2006. This shows that aid to Western Sahara refugees has become significantly more important during this period. This is probably because Spain, as the former colonial power, feels responsible for assisting these long-term refugees who are largely ignored by other donors. The funding to Guatemala in 2006 reflects a continuation of the humanitarian response to hurricane damage towards the end of 2005 (the UN issued a Flash Appeal in October). The table highlights the fact that high-profile political crises attract substantial funding, for example Afghanistan, Bosnia-Herzegovina and Kosovo in 2002 and Lebanon and Afghanistan in 2006.

Table C.2. Top 10 recipients of bilateral humanitarian aid in 2002 and 2006

2002		2006	
Recipient	USD million (current)	Recipient	USD million (current)
Bosnia and Herzegovina	9.2	Saharawis (Western Sahara refugees)	13.4
Afghanistan	9.0	Iran	12.0
Colombia	8.0	Lebanon	10.7
Honduras	7.0	Afghanistan	9.9
Unspecified	4.5	Guatemala	9.8
Kosovo	4.0	Unspecified	8.8
Argentina	3.0	Sudan	8.2
Occupied Palestinian Territories	2.7	El Salvador	6.5
Saharawis (Western Sahara refugees)	2.5	Sri Lanka	5.8
Mozambique	2.1	Honduras	5.0
TOTAL	52.0	TOTAL	90.1

Source: DG POLDE.

Policy coherence and co-ordination

Given the numerous sources of humanitarian aid funding, policy coherence and co-ordination are clearly challenges for the Spanish administration. However, as in many other donor countries, the role of the Ministry of Defence and the military poses one of the greatest challenges to policy coherence in humanitarian assistance. The Spanish armed forces are struggling to find a niche for themselves since public opinion is against military interventions. Providing humanitarian assistance is clearly an attractive option — the Spanish military was involved in the tsunami response in Indonesia and, recently, the army's recruitment strategy has been based on portraying itself as a humanitarian actor. Although the MAEC believes that it has reached an understanding with the Ministry of Defence and established the principle of civilian leadership in crisis response (in keeping with the Oslo guidelines; UN OCHA, 2006), the issue clearly remains a concern. As a result, the humanitarian aid strategy has a section on co-ordination between the two ministries. This states that “the army should only intervene in peace-keeping operations, establishment of secure conditions and indirect support to neutral and impartial organisations”. While acknowledging the potential contribution of the military, the strategy

suggests that the primacy of civilians in humanitarian response should be encapsulated in a legal document such as a Royal Decree.

At present, the Council for International Co-operation has a working group to assess policy coherence related to humanitarian interventions. This pays special attention to the role of the military.

There are a number of other groups which co-ordinate humanitarian assistance from the different ministries and levels of government. The Inter-ministerial Commission for Development Co-operation co-ordinates the ministries, and the Inter-territorial Commission for Development Cooperation is mandated to ensure co-ordination and collaboration between the autonomous communities and state administration entities involved in ODA. Within the latter, there is a working group responsible for humanitarian aid.

However, the MAEC does not have the authority to prevent autonomous governments from undertaking unco-ordinated bilateral or direct interventions and the role of the autonomous entities is growing. They are now passing their own development co-operation laws and drawing up their own master plans that cover humanitarian aid interventions. Therefore, it is even more important for AECI to work with them to agree a division of tasks and develop a common set of best practices and quality criteria. This is reflected in the humanitarian aid strategy, which recommends that the Inter-territorial Commission should set up a working group to facilitate this and ensure a speedy response to crises. Currently, no government entity in Spain has the capacity to assess needs quickly in order to inform response. Thus, responses tend to be guided by the availability of assistance rather than needs on the ground. It would be useful if this group could be used to disseminate needs assessments from appropriate sources.

Finally, in order to make AECI's relations and co-ordination with humanitarian NGOs more effective, the humanitarian strategy states that AECI will establish a Co-ordination Committee for Humanitarian Aid. However, it does not detail the membership of the Committee or outline criteria for selecting members.

Promoting learning and evaluation

To date, DG POLDE has been responsible for commissioning evaluations since these cover the actions of AECI and other actors. However, as DG POLDE has moved to focusing on more strategic evaluations and AECI is establishing an evaluation unit as part of its reform process, responsibility for evaluation of AECI-funded activities is shifting to AECI itself. This means that the humanitarian unit needs to commission its own evaluations (at present, NGOs are responsible for conducting their own evaluations and budget for this in project proposals). However, this transfer of responsibility was not clear and the humanitarian unit currently lacks the skills and capacity to manage evaluations. It also needs to develop an understanding of the particular requirements of humanitarian evaluations, though it has translated some documents on this into Spanish. Hence, evaluation and lesson-learning remain a substantial gap in aid management.

The humanitarian aid strategy proposes that evaluations are commissioned for large-scale responses by the Spanish humanitarian system. It also states that Spain will participate in joint evaluations undertaken by donors, in accordance with GHD principle 22.

Future considerations

- In order to translate the humanitarian aid strategy into practice successfully, Spain should develop a prioritised implementation plan with clear objectives, indicators of progress, responsibilities and timelines. Given that the strategy is a very ambitious document outlining far-reaching changes, the administration should consider bringing in external expertise to help it manage the change process.
- The Spanish administration needs to pay urgent attention to introducing procedures for evaluation and lesson-learning.
- As Spain reforms its aid programmes, it should compare the effectiveness of direct interventions (particularly the deployment of humanitarian aid teams) with the use of multilateral and local actors for individual interventions.
- Given the plurality of the Spanish aid system, the MAEC should establish greater authority to co-ordinate responses and share needs assessments from TCOs or other sources, such as the UN.
- To maximise the impact of their humanitarian aid, it would be helpful if the autonomous communities and local administrations considered pooling resources when relatively small amounts of funding are involved.

Annex D

Field Visit to El Salvador

As part of the peer review of Spain's development co-operation, a DAC team⁴⁰ consisting of representatives from Austria, France and the OECD Secretariat visited El Salvador between 9 and 13 July 2007. The team met with Spanish officials in El Salvador from both the central government and autonomous communities in Spain, representatives of the Salvadorian national government as well as local government representatives, officials from bilateral and multilateral aid agencies, and representatives from Salvadorian and Spanish civil society organisations.

Context for development co-operation in El Salvador

El Salvador is a small middle-income country with a stable economy. The population of 5.9 million (according to a census in 2007) lives in an area of 21 041 square kilometres, making this the most densely-populated state on the mainland of the Americas. GNI per capita is USD 2 450. El Salvador is industrialised and the main exports are offshore assembly products (*maquila*), coffee, sugar, shrimp, textiles, chemicals and electricity. It has participated in the Central America Free Trade Agreement since 2003. The financial sector is also important and the economy depends heavily on the remittances of Salvadorans living in the United States (2.5 million according to conservative estimates). El Salvador is not aid dependent; in contrast to remittances, aid is only a very small proportion of the country's income.

Policies put in place after civil war and natural disasters have shaped El Salvador's political and social landscape. In the 1980s, El Salvador suffered civil war. In 1992, the peace agreement brought about important political reforms that re-established a democratic political process and decentralised the administration. When El Salvador started to recover it suffered a series of natural disasters, notably Hurricane Mitch in 1998, earthquakes in 2001, Hurricane Stan and the eruption of the Santa Ana volcano in 2005. The country remains politically polarised; a wealthy elite dominates the economy while large parts of the population live in poverty. Education and water supplies are below average for Central America (World Bank, 2006). Pockets of poverty are scattered throughout rural and urban areas. El Salvador's society is among the most crime-ridden in the Americas, with violent street gangs (*maras*) in cities.

After years of slow growth and high inflation the Salvadoran economy has strengthened in the last two years, though some concerns remain. Since 2004, the government of El Salvador has focused on developing new sources of growth and reducing poverty. Economic growth is on an upward trend and inflation is slowing. Economic reforms, which began with privatisations in 1998, have aimed to make El Salvador a business-friendly environment. El Salvador has signed and ratified bilateral agreements with several countries, including Spain. Loan aid has effectively ceased, as national laws require a broad parliamentary majority to approve sovereign loans, and the opposition has blocked this

⁴⁰ Hubert de Milly, Ministère des affaires étrangères, France; Maria Rotheiser-Scotti, Federal Ministry for European and International Affairs of Austria; Sebastian Bartsch, Administrator, OECD; Sean Conlin, Senior Consultant; Jens Sedemund, Policy Advisor, OECD.

for fear of misuse of funds by the ruling elites. However, the number of companies, especially banks, now in foreign hands is a matter of concern in some quarters.⁴¹ Recent studies indicate that remittances may lead to decreases in economic activity and increases in imports and consumer prices (Saca and Carceres, 2006).

Spain's Country Strategy is relevant to the situation in El Salvador

Spain's El Salvador Country Strategy (MAEC/SECI, 2006a)⁴² was devised according to the planning process set out in the Master Plan 2005-2008. As such, the strategy should take into account issues of policy coherence with other Spanish ministries. The strategy also notes the need to promote the international recommendations on aid effectiveness. In line with the planning process, the strategy document begins with an analysis of the country situation following consultations with all the different Spanish co-operation actors active in the field. This analysis leads to the identification of opportunities for Spanish action in different sectors and geographical zones, responsibilities of different actors, instruments and co-ordination.

The country analysis focused on the situation in 2003-04, which remains largely valid today. At that time, economic growth was still sluggish (2.5%) and inflation a concern (5%) but the political and social situations were similar to the present. The analysis noted the importance of political polarisation and concluded that governance was a major problem, with violent crime increasing to 11 murders a day in 2004. The El Salvador government has a security plan that sets out 16 areas of action for fulfilling the Millennium Development Goals. These were discussed with donor agencies in round tables and sector working groups.

Spain's strategic objectives are to "contribute to the reduction of poverty, enrichment of human capacities, and strengthening of public institutions at national and regional level by programmes of development that are sustainable and equitable between genders." The strategy identifies priority sectors and geographical areas, integrating the horizontal issues of environment and gender. In sectoral terms, the document establishes three levels of priority: i) democratic governance, which comprises decentralisation, education, and micro-enterprises and micro-finance; ii) the fight against hunger, and to improve health, living conditions, water supplies and sanitation; and iii) cultural development and liberty. In geographical terms, the strategy aims to concentrate efforts in the eastern and western zones though, given the small size of the country, the strategy does not exclude other areas if opportunities arise.

The strategy was formulated following a *Comisión Mixta* comprising government and Spanish officials. It is based on: i) an extensive reflection on the situation of the country; ii) the policies of the El Salvador government; iii) the extent to which these match Spain's objectives and priorities for co-operation; and iv) Spain's comparative advantages when aligning with government requirements. The strategy makes a commitment to concentrate efforts, in line with the Paris Declaration, though that commitment is mainly sectoral. As the country office devised the strategy before sector strategies were available, the programmes depend on the experience of the Spanish actors and the opportunities in the field. The strategy justifies programme activities, though there are no programme results framed by the MDGs and no budget allocations. Nonetheless, the analysis is relevant to the overall situation and the document makes an important point about the challenge of alignment arising from political discontinuity at national and local levels.

⁴¹ Views expressed quite frequently to the peer review team in El Salvador, which included different party political opinions.

⁴² After Hurricane Stan and the volcanic eruption in 2005, the programme was updated.

Co-ordination is required between the various Spanish actors, with other donors, the government and other national actors. Policy coherence is treated mainly in terms of co-ordination between the different Spanish actors, and the Ambassador has an important role to play in this. However, even though they were involved in developing the strategy, the other Spanish actors do not necessarily feel bound by its priorities, except when they have roles in implementing specific programmes.

Spain is an effective development partner

Spain's contribution to development in El Salvador is effective. This was a strong conclusion of discussions with Spain's development partners in central government ministries, local government and civil society. By splitting into two sub-groups, the team visited several projects which demonstrated the work of a range of Spanish actors in various sectors and using different instruments.

Seven key findings about the implementation of the country strategy are set out in Table D.1. below. On the positive side, the sectoral focus follows the priorities in the country strategy. Governance and gender are treated as sectors (supporting local government and women's organisations) as well as being integrated into other programmes. Spain has taken care to develop the culture and development sector to help rebuild El Salvador's heritage and to strengthen a cohesive cultural identity. Decentralised actors and NGOs were helping to strengthen the capacity of their local government and civil society partners. The Technical Co-operation Office (TCO) was also promoting a results-focus and evaluation culture among its partners.

More critically, and paradoxically in view of the previous positive finding, there was a lack of a results-focus and evaluation culture among the Spanish actors themselves, even within the TCO. Although the strategy discusses co-ordination among Spanish actors, this remains a challenge noted by virtually everyone. Despite the Master Plan's call for greater focus on poor areas in middle income countries, and the country strategy's focus on concentrating efforts geographically, there was only partial evidence of this happening. The TCO argued that as El Salvador is a small country with scattered pockets of poverty, the national programme *Red Solidaria*, supported by Spain and other donors, is a more appropriate vehicle for poverty reduction. In addition, Spain has found it difficult to make the case to government to shift geographical focus as other donors are already active in the poorest areas. Nonetheless, the continuing dispersion of official efforts and the tendency of Spain's local administrations and NGOs to take up opportunities as they arise have negative implications for the longer term impact of Spanish aid.

The overriding conclusion from these conversations and project visits was that Spain is a respected partner, maintaining good relations with, and helping facilitate constructive dialogue among, a broad range of partners of different political orientation in the central and local government as well as civil society. Spain's support is appreciated as much, if not more, for the respectful application of technical expertise as for the funding. In some programmes, Spain may only be the second or third donor by aid volume but its role is readily acknowledged and appreciated. Partners noted the consistency of Spain's aid. For example, local partners expressed surprise that even when the political affiliation of a local government changed, Spanish co-operation continued to support the new party.⁴³ A recurring theme among partners and other donors was Spain's ability to talk to all partners across the political spectrum and at different levels, which helped create an important platform for the continuing strengthening of democracy in a polarised country. The sustainability of development efforts depends crucially on this aspect of Spain's contribution.

⁴³ Some interlocutors noted, in contrast, that support for specific themes, such as human rights, had varied with changes in the Spanish government, which is also the case with other donors.

Table D.1. Seven key strengths and associated challenges of Spanish aid to El Salvador

Strengths	Associated challenges
1. Open and frank dialogue and respectful communications by the Spanish co-operation team in El Salvador. Full presence of TCO is helpful.	Co-ordination, especially with decentralised actors, is an ongoing challenge partly because of their lack of a presence. Government is concerned that NGO activities are not always transparent.
2. Flexibility provided by the combination of Spanish actors and instruments.	Spain's system is complex. The dispersion of its aid requires a better focus of efforts among all Spanish actors.
3. TCO politically informed about the country situation and Spain plays an essential bridging role between different factions.	Civil society representatives were concerned that attention to political issues, especially human rights, has been subject to change in the past.
4. Strong technical support promotes a results-focus and evaluation among partners.	Lack of attention to field monitoring and evaluation by all Spanish actors.
5. Major player, including leadership role, in promoting different issues including culture, justice, human rights, women's rights, local government, decentralisation, environment, education, and harmonisation.	The use of technical assistance in training should be more systematic and give more emphasis to analytical aspects of statistics. With increasing aid, AECI resources will be stretched to cover the wide field of action.
6. Budget is increasing from all Spanish actors. Framework agreements provide predictability of support.	Burdensome management requirements can slow the flow of funds; justification of projects and reporting requirements are heavy.
7. Alignment with the country's needs; not imposing its own agenda.	Harmonisation within the Central American region is also required.

Source: Key points derived from peer review team's notes on interviews with government ministries and agencies, civil society organisations, multilateral and bilateral donors.

Many Spanish actors play an important role in implementation. The team visited projects supported by AECI's Technical Co-operation Office, decentralised actors and NGOs. The Cultural Centre and Spain's private sector (Box D.1.) also play developmental roles. Finally, the Embassy plays a pivotal role alongside the TCO in talking to national and local political actors, irrespective of political affiliation.

Box D.1. Fisheries in El Salvador

In El Salvador, a Spanish fishing company started operations in the new fishing port of La Unión. At the same time, Salvador had not ratified ILO Conventions 87, 98, 135 and 151 on labour rights, especially the right to trade unions, which was strongly opposed by some key interest groups in politics and business. Compliance with these conventions is a condition for special tariffs in exporting to the EU. Without preferential access to the EU market, the company would have been forced to close its operations in El Salvador. This led to a political debate in El Salvador, ending after a year with the ratification of the ILO Convention by El Salvador. This ensured continuity of the operations, and it was also an important development for advancing social dialogue in the country.

Spain faces management challenges to maintain aid quality

The country strategy gives no indication of budget or human resources so it is not possible to consider the efficiency of Spanish aid. The effect of the organisation and management of Spanish co-operation in the field on performance has important lessons for Spain. Without budget information at country level, predictability of aid allocations could also be a concern.

In terms of the organisation of Spanish aid, the importance of the Embassy-TCO relationship and the rich diversity of Spanish actors have been noted above. The need for frequent communication between the TCO and AECI in Madrid and co-ordination between Spanish actors in the field are also features of Spanish organisation. While consultations between different partners are now integral to development co-operation in any country, Spain appears to bear heavy transactions costs from its complex organisation.

To manage its interactions with Spanish NGOs and civil society partners, and to provide predictability for partners, the AECI has introduced co-operation agreements. The TCO is now using these agreements in El Salvador, linked to an online application form. Partners generally understood the rationale for this reform and felt that framework agreements provide predictability. They appreciated the openness of the TCO officials in helping them to apply for funds, but there are some early implementation problems. For example, the online form was called “a disaster.” More important in the longer term are the partners’ concerns that the increased bureaucratic burden will slow their response.

The development budget is managed by AECI in Madrid, not by the TCO in San Salvador, which may imply problems for sustained effectiveness and scaled-up aid in the future. While the TCO designs and monitors the programme, the aid funds flow directly to development partners. Currently, this appears to work well, although this seemed to be due primarily to individual competence in the TCO and good relations with headquarters, not to the design of the system. Management of microfinance needs to be better integrated with the field. There were also instances when Spain’s response was considered to be slow. The system may face further challenges as ODA volume increases as planned. Moreover, given other donors’ recognition of Spain’s leadership role in certain sectors, it is not clear how Spain could manage other donors’ funds to promote aid effectiveness if this was not done at country level.

Human resources are adequate to manage the current AECI programme, but will be stretched as the programme expands. The TCO has 26 staff altogether, eight of whom are Salvadorans. There is a good gender balance. The head of the TCO and the two culture and development staff have Spanish contracts while all other staff in the TCO, whether Spanish or local, operate with local contracts. The management of human resources in the TCO is constrained by Spanish labour regulations that distinguish between categories of staff and provide disincentives for Spanish experts to leave Spain. Recruitment is currently constrained; this will not be resolved until the proposed reforms of AECI have been agreed in Madrid.

The TCO manages Spanish technical assistance, which is well integrated with local demands. The TCO recruits much technical assistance through local and regional channels. The comments by Salvadorans were largely positive, although there was some criticism of the choice of training methods, which could be selected more consciously.

In the wider Spanish system, human resources constraints are even more apparent. Only a few of the decentralised actors (Junta Andalucía, Diputación de Barcelona, and Comunidad de Madrid) maintain a presence in El Salvador and their representatives have responsibilities for the Central American region as a whole. Project implementation is often managed by NGOs with specific supervision missions from headquarters. Only Andalucía has the field presence to manage some key projects, though its focus is on progress monitoring and there is little capacity to evaluate the broader consequences of projects. Continuing co-ordination with the TCO is a challenge for all these decentralised actors.

Lessons

A highly polarised political environment is a difficult arena for donors to align their aid with the central government programme. Spain's country strategy is relevant though, and the TCO can align with government programmes. The use of decentralised actors and NGOs allows for a broader alignment with national society in El Salvador.

Spanish experience in this political environment also shows that diplomacy is just as important as technical expertise and funding in achieving a quality aid programme.

The country strategy was designed without the benefit of sector strategies, a results-based management system or an evaluation culture. Spanish actions in El Salvador suggest that much of the capacity for designing sector strategies is located in the field and that a results-based management system could be built from below. In dealing with these issues in Madrid, Spain could try to capture the lessons and experience gained in the field.

Capacity development is very important in El Salvador. Helping to improve the enabling environment for capacity development is as important a contribution as technical assistance, and Spain does this through its work in decentralisation, local government and civil society empowerment.

Conclusions

Spain's aid to El Salvador is highly appreciated and respected in all quarters. Spain has facilitated constructive dialogue and consensus-building in a challenging political environment and has led partners in certain areas to stimulate public policy formulation. Spanish understanding of the culture and institutions give Spain a comparative advantage in this region. Spain also has technical capacity and an ability to integrate cross-cutting themes. All development partners appreciate the flexibility of Spain's aid. Decentralised co-operation has given Spain a particular advantage in local government areas.

Spain has made real progress with aid quality and effectiveness. The relevance and effectiveness of Spanish aid demonstrate the efforts made in a challenging situation. Many respondents commended Spain for respecting the needs of partners at all levels and for being consistent in the support given, irrespective of political considerations.

There remain some specific challenges with the current portfolio of programmes and projects supported by Spain. Several programmes and projects would still benefit from a clearer poverty focus. In maintaining its flexibility, Spain may need to address the risk of sectoral dispersion. The multiplicity of instruments poses an administrative burden on the TCO. Financial instruments are complex and microfinance arrangements need to be integrated into the country context. There is scope to improve harmonisation within the Spanish system, building on the co-ordination mechanisms already in place. The project approach of decentralised co-operation would have greater impact if better integrated into the overall strategic framework. Spain's AECI organisation and management reforms have not yet addressed human resources issues that affect field operations, conditions of employment, circulation of staff and opportunities for career development.

There are two additional challenges for the future: i) As Spain scales up its aid to 0.7% of GNI by 2012, how will it increase its aid to a country like El Salvador? Middle-income countries like El Salvador do not necessarily need soft loans but do appreciate support in other areas, notably capacity development, which does not require so much funding. ii) As Spain takes on further leadership roles in specific sectors, other donors may ask for fund management facilities. Spain's capacity to manage such funds will be challenged.

Annex E

Field Visit to Colombia

As part of the peer review of Spain's development co-operation, a DAC team⁴⁴ consisting of representatives from Austria, France and the OECD Secretariat visited Colombia between 15 and 18 July 2007. The team met with Spanish officials in Colombia, from both the central government and autonomous communities in Spain, representatives of the Colombian government, officials from bilateral and multilateral aid agencies, and representatives from Colombian and Spanish civil society organisations. The discussions were held in Bogotá.

Context for development co-operation in Colombia

Colombia is a lower middle income country with a per capita GDP of USD 2 740 in 2006. Although its ODA receipts are substantial (a total net ODA of USD 511 million in 2005), the country is not aid dependent, as ODA accounts only for 0.4% of GNI. Colombia has a population of 46 million on a surface area of 1 140 million square kilometres, slightly more than twice the size of metropolitan France. Recent economic growth has been solid, over 5% in 2005 and 2006 in real terms, a trend that is expected to continue in 2007 and 2008, with current projections of 5.5% and 4.5% respectively. With moderate inflation, a relatively low level of external debt (32% of GDP in 2005) and a low current account deficit (1.6% of GDP in 2005, 2.8% in 2006), the macro-economic situation seems at least benign.

Yet Colombia's internal picture is very complex. Whereas some parts of the country thrive, accounting for much of the economic growth, this often does not extend to many of the areas with low development indicators. While poverty has fallen from 58% to 49% since 2002, income inequality is still among the highest in the world, with a Gini coefficient of 58.6 in 2003.⁴⁵ The capacity and skills resources of the administration are impressive, contributing to investor confidence. Yet again, however, in some areas of the country government authority is essentially absent.

The principal cause of this contrasting situation is the severe problem of violence, broadly viewed by the international community as an internal armed conflict.⁴⁶ This conflict between government forces and anti-government insurgent groups and illegal paramilitary groups has been going on for more than 40 years. After becoming increasingly related to, as well as funded and fomented by, the drug trade, the conflict escalated in the 1990s. The government of President Álvaro Uribe, who took office in 2002 and was re-elected in 2006, has taken a hard-line approach to achieve peace and public order. This has reduced the violence, and government control has advanced into areas formerly

⁴⁴ Hubert de Milly, Ministère des affaires étrangères, France; Maria Rotheiser-Scotti, Federal Ministry for European and International Affairs of Austria; Sebastian Bartsch, Administrator, OECD; Jens Sedemund, Policy Advisor, OECD.

⁴⁵ UNDP, Human Development Report 2006, Table 15 – only seven countries showed a higher value.

⁴⁶ The Colombian government does not accept the description of the situation as internal armed conflict.

controlled by the guerrillas or paramilitaries. The advances in reducing violence and reasserting government control are seen as a key factor in the country's good recent economic performance. However, the current situation is not a stable basis for continued and equitable development, as it remains threatened by further evolution of the conflict. All international actors confirmed that co-operation in Colombia was characterised by quick, successive and unpredictable shifts. Overall, effectively resolving the violence is a long-term objective of the Colombian authorities, and will require sustained efforts by several administrations.

The violence and armed conflict are the key motivators for the engagement of a broad range of donors and international agencies in Colombia. Poverty and inequality are both result and cause of the conflict, which is directly related to drug-trafficking. The conflict has led to a severe humanitarian crisis. Over the past 20 years 4 million people are estimated to have been internally displaced. This is approximately 8% of the Colombian population — the second largest internally-displaced population in the world after Sudan — and more than 200 000 people continue to be displaced internally every year.

The “London-Cartagena Process”, named after meetings in London in 2003 and Cartagena de los Indias in 2005, provides the general framework for donors and the Colombian government. The Colombian government, through Accion Social under the vice-presidency, has taken a strong and active role in discussions with the “G24”: the governments and agencies engaged in the process. Within this process, Accion Social has developed an international co-operation strategy for Colombia. *Vision Colombia 2019*, a long-term strategy for all areas of government and containing a comprehensive set of development targets, also sets the scene. Colombia has not committed to the Paris Declaration. However, after careful assessment of the mutual obligations for donors and recipients, the government seems poised to endorse the Paris Declaration in the near future.

The Spanish country strategy for Colombia: the context of conflict

The 2005-2008 Master Plan defines Colombia as a “special attention” country for Spanish development co-operation.⁴⁷ Unlike priority countries, engagement in special attention countries is motivated and defined by one particular problem specific to the country: conflict, in Colombia's case.

The country strategy (MAEC/SECI, 2006b) follows the methodology for Special Action Plans (*Plan de actuación especial*) devised by DG POLDE for special attention countries. It includes the strategic objectives of Spanish co-operation in Colombia; the engagement timeframe; strategic guidelines for the interventions, coherence and co-ordination among different Spanish co-ordination actors; and mechanisms for harmonisation and alignment.

The strategy document emerged from extensive consultations among AECI and other official Spanish development actors in Colombia, the Colombian government, international organisations and bilateral donors, Spanish and Colombian NGOs, as well as Spanish foundations, businesses and academic experts. Whereas the final strategy was approved in Madrid, the TCO considered it clearly to be a “local document” drafted at the field level, a view that was confirmed by NGOs interviewed in Colombia.

The integrated approach presented in the strategy focuses on conflict prevention and peace building by addressing factors that are perpetuating the conflict. The document establishes three

⁴⁷ This is a change from the 2001-2004 Master Plan, which classified Colombia as a priority country. However, at that time Spain did not differentiate between priority countries, special attention countries, and preferential countries.

principal priorities for Spain's co-operation: i) attention to victims of violence; ii) structural factors — social, environmental, institutional and economic — linked to the conflict; and iii) supporting a cultural transformation towards a climate that favours peaceful resolution and co-existence, dialogue between civil society and public institutions, good governance, and respect and reconciliation. Several lines of intervention are included under each principal priority. For each of those, the strategy establishes a justification, objectives, priority actions, objectives for cross-cutting issues, geographical focus, the range of possible instruments, alignment with partner strategies, strategic local interlocutors, and harmonisation and co-ordination with other international actors. However, the identified objectives are generic and do not provide, or refer to, clear programme results in terms of measurable development outcomes.

The strategy is also perceived as the main tool to enhance coherence, co-ordination and complementarity among the different Spanish co-operation actors. But although the consultation process generated a consensus document which specifies the range of actors and instruments for individual lines of intervention, the document cannot fulfil this role on its own. On the one hand, the specifications are relatively open and non-restrictive, which is natural given the need for flexibility and the nature of the strategy as a consensus document. On the other hand, it was clear that decentralised actors did not feel bound to act within the strategy's intervention framework.

Spain's development co-operation in Colombia is appreciated and respected

The peer review team in Colombia found that Spain is a much appreciated and respected development partner. Spain has succeeded in building and maintaining good relations and a high degree of legitimacy and acceptance as a dialogue partner by government and non-government actors alike. Moreover, Spain's linguistic, historical and cultural ties with Colombia, in both formal and informal institutions, give it a strong comparative advantage. Civil society groups commended Spain for its consultative approach, participatory co-operation and accessibility.

Respondents confirmed that Spain is taking the lead in promoting the aid effectiveness agenda in Colombia among the donor community and in relation to the government. All sides described this as a difficult and delicate task, not only because Colombia has not endorsed the Paris Declaration, but also because the government does not acknowledge the situation in Colombia as an internal armed conflict. Given Spain's clear focus in Colombia, it aligns its assistance with, and strengthens, government policies in a targeted manner in areas that are immediately related to the consequences and structural causes of the conflict. Thus, Spain believes that instruments like general budget support would not be effective in this context. This view is shared broadly, not only in the donor community and civil society. While Colombia is not aid dependent, aid is needed in areas that do not get a proper fiscal budget line due to limited domestic political support. These areas are often of key importance for conflict-related programmes, such as human rights and justice, reparation and reconciliation or reintegration. The concern is not over the state of the public financial management systems, which are very strong in Colombia, but rather that contributions through general budget support would be used for meeting targets for fiscal austerity, rather than funding any actual development programmes.

Thus, Spain is a key advocate of pooling resources in basket funds managed by UNDP. Spain was equally instrumental in advancing the idea that all EU aid be concentrated in two big funds, one for human rights and justice, the other for peace and reconciliation. Moreover, the TCO helped the Colombian government develop its capacity to co-ordinate donors, and to systematically track their aid through an online database, which included information on donors outside the DAC.⁴⁸ Beyond implicit

⁴⁸ Agencia Presidencial para la Acción Social y la Cooperación Internacional, Mapa de co-operación internacional, http://www.accionsocial.gov.co/acci/web_acci/nuevomapa/main.asp.

harmonisation aspects of the UNDP managed funds, Spain makes increasing use of “local” multilateral aid, channelled through country offices of multilateral agencies, and monitored by the TCO. This allows Spain to maintain its comparative advantage in engaging with different stakeholders, by reducing its direct implementation of politically difficult co-operation projects.

Two key challenges

The Spanish co-operation team has achieved an effective aid programme in a difficult and complex environment, despite two key challenges: (i) the need to complete the unfinished reform process in a comprehensive and ambitious manner; and (ii) the challenge of effectively co-ordinating the different actors and instruments of the Spanish co-operation system.

The extended delays to finalising AECI’s reform process and the broader policy framework have left the TCO in a difficult position. The country strategy process had to be completed without a budgetary framework or key sector strategies. The general expectation is that ODA levels will continue to rise, or at least remain stable, but budget provisions at country level continue to be annual without any concrete information on their future evolution. The lack of results objectives and indicators for different strategic intervention lines is also a consequence of the incomplete reform, and a specific protocol for monitoring and follow-up remains to be developed by DG POLDE.

The TCO has tried to advance the assistance programme in Colombia in line with the aid effectiveness agenda, but so far there has been no formal change to its decision authority and scope for action. The current situation is characterised by “decentralisation by default”: while all decision authority officially resides in headquarters, the very limited capacity in Madrid means that the field office is forced to assume a stronger role. However, without clear indications of the direction of reform, concerns are mounting that the top-down model may persist, yet with much increased capacity, thus threatening to erode autonomy at field level.

The TCO’s human resources situation is very tight. The recent loss of several key staff was blamed on overstretched resources and markedly uncompetitive, and potentially precarious, employment conditions for Spanish staff. While officials from other bilateral and multilateral agencies admire their Spanish peers for their commitment to and the quality of their work, they could not help noticing the inadequate capacity of the TCO. If not addressed quickly, this will undermine Spain’s ability to sustain effective operations and meet its ambitions for development co-operation in Colombia.

The peer review team learned that there was almost no harmonisation of procedures among the different Spanish actors. Some autonomous communities have established permanent representation, housed in the TCO office. This allows for better sharing of information, participation in co-ordination meetings, and access to sectoral expertise. However, AECI does not have a mandate to lead harmonisation efforts with decentralised co-operation through the TCO at the field level. Similarly, operational planning continues to be undertaken separately; 2006 was the first year that different AECI units planned jointly. However, it was still not clear whether, or how, the microfinance programme was integrated into AECI’s strategic approach. This was also true for FAD loans. While field-level efforts seemed to improve co-ordination with the broader Spanish aid programme, a key weakness of this approach was the technical process of managing the loans remotely from Madrid with little regard for the procedural and legal framework of partner countries. In recent years, Colombia (which enjoys very good credit ratings and does not have a debt problem or credit limits from international financial institutions) only made use of an extraordinary FAD credit line of EUR 50 million of untied loans, while a credit line of EUR 200 million of partially tied aid was never used.

Conclusions

Spain operates a sophisticated co-operation programme in Colombia. All respondents have observed strong improvements in the quality of its aid programme over recent years. These included a noticeable and important differentiation between development co-operation and foreign affairs.

Spanish co-operation supports ownership that reflects both a true commitment from the government and participation by civil society. Technical co-operation is well linked to country processes, strengthening capacities that are essential for conflict prevention and peace building. The diversity of Spain's engagement in Colombia, including decentralised co-operation, is an asset. At the same time, there is a clear need for internal Spanish co-ordination at the field level. This cannot be achieved through increasingly specific policy documents, but requires practical, ongoing co-ordination during the design, implementation and evaluation of development interventions.

The TCO makes strategic, intelligent use of the different channels. However, without progress on AECI reform, effective planning is difficult. Clear lines of responsibility and decision-making need to be established. These should reflect strong decentralisation of decision authority to the field. Similarly, it would be helpful if programmes were defined at a strategic level, rather than at the level of programming tools. The shift from controlling inputs to focusing on results for ensuring quality has yet to be made. Spain needs to provide policy and procedural guidance from the centre, and invest in training at the field level to be able to apply a systematic results approach. Sector strategies will also be important in this regard.

Finally, should the reform fail to address human resource issues comprehensively, the risks are obvious. Spain has highly qualified field staff, the backbone of the aid programme in the field. In Colombia, the TCO has suffered recurrent losses of key personnel. If conditions of employment and opportunities for career development are not competitive with other DAC donors, the critical loss of human resources is likely to undermine the viability of enhanced ODA volume and reverse improvements in the quality of Spain's aid.

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.⁴⁹

ASSOCIATED FINANCING: The combination of official development assistance, whether grants or loans, with other official or private funds to form finance packages.

AVERAGE COUNTRY EFFORT: The unweighted average ODA/GNI ratio of DAC members, *i.e.* the average of the ratios themselves, not the ratio of total ODA to total GNI (cf. ODA/GNI ratio).

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 ODA RECIPIENTS: The DAC uses a List of ODA Recipients which it revises every three years. From 1 January 2005, the List is presented in the following categories (the word "countries" includes territories):

LDCs: Least Developed Countries. Group established by the United Nations. To be classified as an LDC, 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 LDC group.

Other LICs: Other Low-Income Countries. Includes all non-LDC countries with per capita GNI USD 825 or less in 2004 (World Bank Atlas basis).

LMICs: Lower Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 826 and USD 3 255 in 2004. LDCs which are also LMICs are only shown as LDCs – not as LMICs.

UMICs: Upper Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 3 256 and USD 10 065 in 2004.

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

DIRECT INVESTMENT: Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of ODA 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.

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

49. For a full description of these terms, see the *Development Co-operation Report 2006*, Volume 8, No. 1.

EXPORT CREDITS: Loans for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

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 (interval to the first repayment of capital). It measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. This rate was selected as a proxy for the marginal efficiency of domestic investment, *i.e.* as an indication of the opportunity cost to the donor of making the funds available. Thus, 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 loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA): Grants or loans to countries and territories on the DAC List of ODA Recipients and multilateral agencies active that are undertaken by the official sector; with the promotion of economic development and welfare as the main objective; at concessional financial terms (if a loan, having a grant element of at least 25%).

ODA/GNI RATIO: To compare members' ODA efforts, it is useful to show them as a share of gross national income (GNI). "Total DAC" ODA/GNI is the sum of members' ODA divided by the sum of the GNI, *i.e.* the weighted ODA/GNI ratio of DAC members (*cf.* Average country effort).

OTHER OFFICIAL FLOWS (OOF): Developmentally relevant transactions by the official sector with countries on the DAC List of ODA Recipients which do not meet the conditions for eligibility as official development assistance.

TECHNICAL CO-OPERATION: Includes both a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and b) 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 aid recipient countries.

VOLUME (real terms): The flow data are expressed in United States dollars (USD). 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 in the donor's currency between the year in question and the reference year, and changes in the exchange rate between that currency and the United States dollar over the same period.

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