The Politics and Policy of Aid in Spain

Manuel de la Iglesia-Caruncho

March 2011
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March 2011
Summary

Spanish aid policy is changing: official development assistance (ODA) doubled between 2004 and 2008 reaching almost €5 billion annually (ODA/GDP 0.45 per cent). At the same time ODA disbursements to United Nations organisations increased 23 times and the Spanish–UNDP Fund was set up to move Millennium Goals forward with €528 million. The Spanish Agency for International Cooperation (AECID) is now a state agency with more autonomy and a Managerial Contract with measurable objectives, some of them related to aid effectiveness. Moreover, despite the economic crisis, spending on ODA increased slightly in 2009–10, although the Spanish government has announced aid cuts for 2011. What factors explain these changes? Was it just a new foreign policy when the Socialist party won the election in 2004? Was there an agreement within the government to develop a new aid policy? Are factors of change still impacting on aid improvements or have they diminished or even vanished?

This paper tries to answer these and other relevant questions, such as how Spanish aid policy is likely to evolve over the coming years, what changes must Spain carry out to approach or even draw level with the more advanced donors and which lessons might be relevant to other aid donors, especially to the bilateral newcomers and emerging donors.

After a brief reflection on aid effectiveness, the paper analyses the politics of aid in Spain, the changes that have improved Spanish aid effectiveness in recent years and the main dilemmas and challenges which are still waiting to be resolved. It focuses on traditionally selected areas of assessment in development policy and goes beyond, taking into account the political economy of aid, analysing its actors and their different interests.

Keywords: aid; aid effectiveness; aid actors; the politics of Spanish aid; Spanish aid policy; assessment of the Spanish aid policy; Spanish aid actors; Spanish aid system (SAS); development.

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Dedication

To Juana Bengoa, Ignacio Soleto and Carmen Coll, three of the founder members of ‘Platform 2015 and more’. For their commitment to development and for our friendship.
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Acknowledgements

This Research Report is based on work carried out during my Visiting Fellowship at the Institute of Development Studies (IDS) during the academic year 2009–10. At that time I had the pleasure to become part of the Governance Team, whose members I would like to thank very much for allowing me to integrate within the team and to benefit from their lectures, seminars and knowledge. I feel particularly grateful to Fiona Wilson, the IDS Governance Team Leader and my supervisor. She guided my steps and let me make the most of my stay at the IDS. I would also like to thank Andres Mejia Acosta, my other supervisor, for his sensible comments on my work and Caroline Martin for her continued support during the course. I am also very grateful to Mick Moore (IDS) and Koldo Unceta (Basque Country University), from whom I received key comments on my earlier draft. Finally, I would like to thank Karen Tate for her invaluable support in correcting previous drafts. However, the responsibility for the content of this work is mine alone.
Abbreviations

AAA  Agenda de Acción de Accra (Accra Action Agenda)
AECI  Agencia Española de Cooperación Internacional (Spanish Agency for International Cooperation)
AECID  Agencia Española de Cooperación Internacional para el Desarrollo (Spanish Agency for International Cooperation for Development) from the AECI, reformed in 2008 (from the reformed AECI).
AfDB  African Development Bank
BRIC  Brazil, Russian India, China
CESCE  Compania Española de Seguro de Credito a la Exportación (Export Credit Insurance Spanish Company)
CONGDE  Coordinadora de ONG de Desarrollo de España (Spanish NGO Coordinating Committee)
DAC  Development Assistance Committee
DFI  Direct Foreign Investment
DGPOLE  Dirección General de Políticas de Planificación y Evaluación para el Desarrollo (Direction General for Policy Planning and Assessment for Development)
EC  European Commission
EU  European Union
FAD  Fondo de Ayuda al Desarrollo (Fund to Support Development)
FAO  Food and Agriculture Organisation
FONPRODE  Fondo para la Promoción del Desarrollo (Fund to Promote Development)
FIEM  Fondo para la Internacionalización de la Empresa (Fund for the Companies’ Globalisation)
GBS  General Budget Support
GFATM  Global Fund to Fight AIDS, TB and Malaria
HMICs  High Middle Income Countries
IDA  International Development Association
IDB  Inter-American Development Bank
IFIs  Instituciones Financieras Internacionales (International Financial Institutions)
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<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<td>LDCs</td>
<td>Least Developed Countries</td>
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<tr>
<td>LICs</td>
<td>Low Income Countries</td>
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<tr>
<td>LMICs</td>
<td>Low Middle Income Countries</td>
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<tr>
<td>MAEC</td>
<td>Ministerio de Asuntos Exteriores y de Cooperación Internacional (Ministry of Foreign Affairs and International Cooperation)</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>MDRI</td>
<td>Multilateral Debt Relief Initiative</td>
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<tr>
<td>MEH</td>
<td>Ministerio de Economía y Hacienda (Ministry of Economy and Finance)</td>
</tr>
<tr>
<td>MICs</td>
<td>Middle Income Countries</td>
</tr>
<tr>
<td>PACI</td>
<td>Plan Anual para la Cooperación Internacional (International Cooperation Annual Plan)</td>
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<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<tr>
<td>OPE</td>
<td>Oficina de Planificación y Evaluación (Planning and Assessment Office)</td>
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<tr>
<td>SAS</td>
<td>Spanish Aid System</td>
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<tr>
<td>SECI</td>
<td>Secretaría de Estado de Cooperación Internacional (Secretariat of State for International Cooperation)</td>
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<tr>
<td>UNDG</td>
<td>United Nations Development Group</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
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<td>UNIFEM</td>
<td>United Nations Development Fund for Women</td>
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<tr>
<td>UNRWA</td>
<td>United Nations Relief and Works Agency for Palestine Refugees</td>
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<td>UNWFP</td>
<td>United Nations World Food Programme</td>
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Executive summary

1. In the last decade the classic debate on aid effectiveness has continued to focus on the relationship between aid, policy and growth – among other issues – but differences in findings still remain. Some factors seem to undermine the effectiveness of Official Development Assistance (ODA), from both the donor’s side and recipient’s side: (a) ODA is not as effective as expected due to questionable donor practice, such as a lack of interest in compromising over long-term plans and predictable behaviour on aid disbursements, or being driven by their own commercial or political interest rather than the fight against poverty; (b) ODA’s effectiveness is also undermined by some features on the partner’s side, including weaknesses in economic policy and institutional capabilities or, more widely, in governance; (c) High levels of ODA can also reduce its effectiveness if there is a non-linear relation between aid and growth, as many scholars have found. This would be the case where the so called ‘Dutch Disease’ problem appears, undermining the partner’s international competitiveness. And (d) high ODA levels could also have a negative effect on governance generating dysfunctional rent-seeking behaviour. This would apply if aid discouraged recipient governments from taxing, weakening their bargaining position with citizens and hence gradually degrading the quality of governance.

2. There are good reasons for addressing aid effectiveness including: (a) its quantity, a sum that is comparable with other important external sources for developing countries; (b) its importance to those Least Developed Countries and Low Income Countries which lack other external resources; (c) the fact that ODA is the only public mechanism providing resources from the international community that actually exists to reduce poverty and inequality; (d) recent changes which suggest that ODA has improved its performance, such as new donors’ commitment against poverty; some improvements registered in partner’s policies; and the fact that more attention has been paid to the ODA impact on governance. However, some challenges still remain, including ‘aid dependence’ which may undermine not only aid effectiveness but also the recipient’s ability to lead its own development process.

3. For these reasons, it is worth analysing the achievements and challenges the Spanish aid system has faced in moving forward on aid effectiveness, which is the main purpose of this paper. The paper also examines the politics of Spanish aid to understand the underlying factors which either facilitate or undermine change.

4. The Spanish development system has experienced a ‘big push’ in recent years, specifically between 2004 and 2008. Spanish ODA doubled from €2 billion in 2004 (equivalent to 0.24 per cent of GDP) to €4.8 billion (0.45 per cent of GDP) in 2008. During this period, Spain’s ODA increased the most amongst DAC (Development Assistance Committee) countries: nearly 25 per cent annually on average, which saw Spain climb to seventh position in 2008 according to net ODA amounts (rising from sixteenth position in 2004).

5. The Spanish development system is midway on the path to improving its ODA and it is also at a crossroads. Two future scenarios are possible: (a) the Spanish development system moves forward, registering advances in ODA quantity and quality and strengthening its institutional and human resources; or (b) it becomes
stagnant – or even retreats – leading to a lack of aid effectiveness, aid policy being subordinated to foreign and business policy and ‘aid fatigue’.

6. It is still too soon to judge or analyse whether the recent reformist boost experienced by the Spanish aid system has been strong enough to maintain a similar course in the near future, even when factors which allowed the already mentioned impetus are running out. However, some reasons suggest that the future scenario will be closer to the negative one mentioned above. Depending on these factors and their expected evolution, Spanish development policy may turn into a marginal issue in the political agenda rather than achieving the key role that it has recently.

7. The key factors to explain the recent expansion in Spanish ODA are the following: (a) there was an opportunity to develop a cosmopolitan foreign policy and to promote multilateralism to fill the gap between the Conservative government (2000–04) and public opinion after the Iraq war. The Socialist Party took this opportunity once in power in 2004, and also made changes to aid policy. (b) Accordingly, leadership within the government (Prime Minister Zapatero) clearly supported aid policy reforms. (c) The head of the Spanish aid system (the former Secretary of State for International Cooperation) had previously worked in the development sector and had links to social movements. (d) Prime ministerial support strengthened the Ministry of Foreign Affairs and International Cooperation – and the Secretary of State for International Cooperation within it – rather than other ministries with traditional strong powers in the Spanish aid system and interests related to the business sector. (e) The Socialist government had no majority in Parliament and needed support for its Bills from the centre (nationalist parties) and leftwing parties that were sensitive to development. (f) In recent years there was a wide consensus to improve aid effectiveness within the international community with a shared agenda (Millennium Development Goals, MDGs), a shared way to move forward (the Paris Declaration), new aid modalities (General Budget Support), and the DAC’s assessment of good practice on different issues, which influenced Spanish development policy. (g) There has been an active civil society demanding a mature development policy, participating in institutions and raising awareness amongst the citizenship. (h) Regional governments also responded to the call for increased ODA from civil society. And (i) Spanish GDP grew substantially in 2004–07, which allowed for a large increase in ODA.

8. However, the above mentioned factors are losing strength and putting reforms at risk. Thus: (a) The leadership within the government is at present focused on the financial crisis and domestic matters, supporting Ministry of Finance proposals which will cut ODA severely in 2011. Consequently, strengthening aid institutions and human resources will be a challenging task in the near future. (b) The role of the leadership in charge of the international cooperation system has been weakened within the government not only because of cuts in the aid budget but also because the former Secretary of State for International Cooperation has been moved to another position. (c) Leftwing parties have ended their support for the government after measures were taken to deal with public deficit, changing parliamentary coalitions. (d) Foreign and consular policy will be more pragmatic in supporting transnational Spanish firms and will pay less attention to the objective of strengthening multilateralism because of cuts in the budget. (e) Effects from the financial crisis still continue and it will take several years to overcome them.
9. Regarding Spanish aid institutions, there are too many players with different interests: the central government, regional and local governments, NGOs, universities, trade unions, business organisations and foundations. Within the government, the Spanish aid system itself is split. One part is under the Ministry for Foreign Affairs and International Cooperation which is in charge of more than 50 per cent of the total Spanish ODA. In addition, it is responsible for aid coordination and aid policy. The other part comes under the remit of the Ministry for Economy and Finance which is in charge of almost 30 per cent of the total ODA, including debt relief and contributions to IFIs (International Financial Institutions). Moreover, it is in charge of two essential matters: (i) the annual budget proposal, including the proposal on ODA distribution among different modalities; and (ii) taking decisions, jointly with the Ministry of Public Administration, on the number of staff and senior officers working within the Spanish aid system, as well as the type of contracts allowed. In addition, there is a further potential tension within the Ministry for Foreign Affairs and International Cooperation where the Secretary of State for International Cooperation and the Secretary of State for Foreign Affairs both have relevant responsibilities and interests. The latter office has often had an ambiguous interest in Spanish ODA and the international agenda on aid effectiveness.

10. Ideally, the budget and responsibilities of aid policy should be concentrated in a single ministry, a Development ministry, as happens in other advanced donor countries such as the UK. However, creating a new ministry in Spain would be difficult in a time of crisis. Thus, as an intermediate step, the next best option in Spain would be strengthening the role of the Secretary of State for International Cooperation, whenever (a) it develops a strong development policy and dialogue and influence on other ministries; (b) it is allowed to strengthen human and institutional resources; and (c) it concentrates aid budget which is scattered in different ministries and units at present, including debt relief and contributions to IFIs. In addition, a huge effort is still needed to coordinate regional and local governments and also to reform NGOs’ concentration and coordination.

11. Another important issue of concern is related to difficulties that the Spanish aid system will face in recruiting high quality people into their headquarters in the near future. There will be severe restrictions on new employment in the public sector due to government measures to deal with the deficit. Additionally, the AECID’s (Spanish Agency for International Development Cooperation) Management Contract is formally approved by three ministers: Economy and Finance, Public Administration and Foreign Affairs and International Cooperation. This means that new positions must be agreed in negotiation with the ministries in charge of controlling public expenditure, (the Ministry for Economy and Finance), interested in promoting civil servants careers – instead of flexible contracts (the Ministry for Public Administration) and inclined towards controlling aid policy from the diplomatic corps (the Ministry for Foreign Affairs and International Cooperation).

12. Focusing on Spanish aid policy, the Spanish government has been very clear about its objectives, as former and current Master Plans (2005–08 and 2009–10) illustrate: they are poverty reduction, peace building and promoting human and sustainable development. However, a deeper debate on how to support poverty reduction related to the ideal equilibrium in sector allocation is still required as the
Spanish aid system has strengthened its support to social sectors related to the MDGs in recent years (reaching 65 per cent of the total ODA on average in 2007–08), whereas investments in economic infrastructure and productive sectors have declined (representing 21 per cent of the total ODA in the same period). Although supporting MDGs is out of the question, it is necessary to consider MDGs’ sustainability over time, which calls for supporting productive sectors and growth. Spanish aid policy plans to allocate 28 per cent of the total aid sector allocable in 2010 to productive sectors and economic infrastructure. However a review of aid sector allocation is still needed to focus on how the Spanish aid system could improve its specialisation and add value to the international development system. Spanish aid policy should also review the lack of support for environmental protection in a world increasingly threatened by climate change.

13. With respect to the geographical allocation of Spanish ODA, the main fact is that Latin America and the Mediterranean countries, the traditional priority regions for the Spanish aid system, are losing relative share in the Spanish ODA allocations (although the absolute amounts rose: Spanish bilateral aid to Latin America increased from €0.5 billion on average in 2003–04 to €1.5 billion in 2008, whereas Spanish bilateral aid to the Mediterranean countries rose from €0.2 billion to €0.6 billion in the same period). In contrast, the ODA devoted to sub-Saharan Africa by Spain has increased both in absolute and relative terms. The new stress on sub-Saharan Africa follows the Master Plans for International Cooperation approved by the Socialist government: the former Master Plan (2005–08) stated that at least 20 per cent of Spanish ODA had to be allocated to the Least Developed Countries, especially in sub-Saharan Africa. The share was only 14 per cent in 2004 and reached 24 per cent in 2008.

14. However, there are some dilemmas related to geographic allocation and concentration that the Spanish aid system has to face: (a) The first dilemma is a strategic decision on where to allocate Spanish ODA within different groups of recipients, mindful of the fact that there are important reasons which suggest maintaining a significant percentage of the Spanish ODA to Low-Middle Income Countries in Latin America and the Mediterranean, such as Spanish experience and knowledge of these areas. (b) The second dilemma is related to an assessment of the number of recipients it is reasonable for Spain to allocate support to, given its position as an intermediate aid system. Taking account of the Paris Declaration on aid effectiveness and the EU Code of Conduct on Division of Labour, it is difficult to justify that only 54 per cent of the total Spanish ODA was allocated in the 23 priority countries in 2008, whereas 46 per cent was scattered across almost a hundred countries. And (c) the third dilemma is to rethink the list of the top priority countries, which is obviously influenced by foreign and trade policies.

15. Regarding Spanish ODA composition it is worth, first of all, focusing on multilateral ODA as there are good reasons to allocate a significant share of ODA to multilateral development organisations. In Spain, multilateral ODA has been the most relevant aid modality in recent years. It reached €2.8 billion in 2008 – an amount three times larger than in 2004 (€0.9 billion) – and it represented 59 per cent of total Spanish ODA on average in 2007–08. This evolution has dramatically changed the Spanish role within the international community: whereas Spain was one of the last countries to contribute to development organisations before 2004,
it has become an active member and supporter in recent years. Specifically, Spanish contributions and grants to the UN and multi-donor funds rocketed from €63 million on average in 2003–04 to €1.470 million on average in 2007–08 (an increase by 23 times in a single legislature). Contributions and grants to UNDP emerge above all others, reaching an annual €461 million on average in 2007–08.

16. Although the importance given by the Spanish government to multilateral aid also illustrates a lack of the institutional capacity in the Spanish aid system to pursue a well-designed bilateral cooperation, the judgment of this growth in Spanish multilateral ODA has to be positive, as it comes too from the importance given by the government to multilateralism. Within the challenges, (a) it is necessary to move forward in improving human and institutional capacities in the Spanish aid system in order to select the multilateral organisations and funds where Spanish aid should be allocated and to enhance assessment, transparency and accountability related to outputs and outcomes; and (b) it is important that the Spanish multilateral ODA supports UN system reform actively.

17. With respect to tied loans, another traditional modality within Spanish aid, the common practice of increasing costs undermining aid effectiveness is one reason behind Spain, along with other DAC countries, reducing its use of this ODA modality over time. In Spain tied loans have been reduced from more than 10 per cent of the total ODA at the beginning of the decade to 3.2 per cent on average in 2007–08. Moreover, in the near future, tied loans will no longer count as ODA in Spain, following recent legislation.

18. Regarding General Budget Support, it has scarcely been used by the Spanish aid system: only €70 million of the total Spanish ODA €4.8 billion (1.5 per cent) in 2008, which bears poor comparison with other aid systems. Thus, there is enough scope to increase its use and there are no excuses for not doing so, taking into account: the positive assessments that budget support has shown, the commitments made when the Spanish Government signed the Paris Declaration and Accra Action Agenda and the example put into practice by other development agencies.

19. The Spanish aid system has decided to deliver €555 million, more than 10 per cent of the total Spanish ODA, as untied loans in 2010. Creating this new aid modality pursues a reduction in the fiscal deficit without reducing the total ODA in times of financial crisis. The Bill put before Parliament manages to avoid the main criticism that former tied loans raised within the development sector, although it is necessary to wait for the concrete content of the law before making a full assessment. However, there are some caveats related to aid effectiveness associated with concessional loans: (a) it will be necessary to consider different concessional conditions – grant element – depending on both the sector allocation (private sector, infrastructure, global public goods, etc.) and the income level of the recipient country. (b) Concessional loans – as grants – must be delivered in line with recipient priorities and to strengthen their ownership, avoiding the ‘lending culture’ as a purpose in itself. And (c) Spanish loans should be delivered through local institutions in developing countries – development banks, investment funds – or international institutions – the World Bank, regional development banks, multi-donor investment funds – avoiding direct allocation to beneficiaries, unless meanwhile the Spanish aid system reinforces its institutional capacities.
20. The Spanish aid system showed an active role in debt relief during the period 2004–08, (a) approving debt relief of more than €1.3 billion in 2005–08; (b) passing a law related to external debt management which links external debt policy to development policy, and (c) moving beyond the Paris Club agreements through cancelling more HIPC’s debts than was compulsory and cutting some Middle Income Countries debts through the ‘debt for development swaps’ modality. On the other hand, it would be advisable for Spain, together with other likeminded creditors and IFIs, to promote some initiatives to reduce the debt overhang of the most heavily indebted Middle Income Countries.

21. Focusing on the institutional reform and planning process, the creation of the ‘General Directorate for Policy Planning and Assessment for Development’ within the Secretary of State for International Cooperation in 2005 allowed an improvement of the planning process and the approval in recent years of Master Plans II and III and correlative annual plans, strategy documents for all priority countries and strategy documents for 13 priority sectors. Regarding the challenges, three are key in this field: (a) to update the priority countries strategy documents through a new methodology: the so-called ‘Country Framework Agreement’, more linked to ownership than the former strategy documents; (b) a better synchronisation between execution and planning processes, as it is a challenge for the Spanish aid system to absorb such a huge amount of strategy documents effectively; and (c) to strengthen the assessment system to take the opportunity to learn lessons on aid effectiveness.

22. The Spanish Agency for International Development Cooperation (AECID) is the Spanish aid system’s main organisation: (a) it is responsible for almost €2 billion in 2010, as AECID manages its own budget (more than €0.9 billion) and some key items from the Ministry of Foreign Affairs and International Cooperation budget, including micro-fines (€100 million), the Water and Clean up Fund (€300 million) and untied loans (€555 million); (b) it had 1,340 jobs (but not all positions were filled) in 2009, 54 per cent abroad and 46 per cent in the headquarters; and (c) it had 62 offices abroad in 2008, including 42 technical offices, 16 cultural centres and 4 training centres. Thus, a big issue related to the Spanish aid system reform is changing the AECID. The AECID’s reform is necessary for significant reasons, such as: (a) to manage its increasing budget and the above mentioned funds from the Ministry of Foreign Affairs and International Cooperation; (b) to improve its aid effectiveness according to the principles of the Paris Declaration; and (c) to adapt to the new Spanish aid allocations to sub-Saharan Africa.

23. The Spanish government approved the new Statute for the AECID in 2007 and the First Contract Management in 2009. As a whole, between 2005 and 2009: (a) new units have been devised, among them units devoted to sub-Saharan Africa cooperation and sector cooperation; (b) more than 400 staff positions have been created, including 269 abroad and 150 at the headquarters, although almost half of them – most of them abroad – were approved to regularise the precarious conditions aid workers had faced; (c) the Directorate has increased its powers to promote efficiency; (d) the AECID has carried out a self-assessment process to improve the quality of the organisation which also will be useful to qualify for European Commission certification; (f) the management contract has clarified AECID’s objectives, activities and indicators on efficiency and effectiveness.
24. However, it is just the beginning for AECID reform. Among others, three significant challenges emerge at the present time. (a) Specialisation: the AECID works in too many sectors supporting too many programmes in too many countries through a wide variety of international bodies, organisations, charities and NGOs. One can hardly recognise AECID as a major international actor in some sectors or countries, perhaps with the exception of governance in Latin America. (b) Adaptation of the Paris Declaration: it includes strengthening AECID’s budget programmed at country level, standardising and certifying AECID’s procedures within the European Commission, enhancing the coordination with other development agencies in a systematic way and delegating some powers to the offices abroad. (c) Human resources: the AECID needs specialist staff to develop its tasks effectively.

25. In recent years the Spanish government has taken difficult decisions related to Spanish aid, including approving a significant increase in ODA, giving more attention to sub-Saharan Africa, extending debt relief beyond the Paris Club agreements and not counting tied loans as ODA. The following are other feasible decisions related to aid effectiveness which could be taken in the near future: (a) Ensure that the ODA budget is not cut any more than budgets for other social expenditure. (b) Stick more closely to the Paris Declaration, i.e. increase the share of the general budget support in total aid; strengthen the power of offices abroad and intensify coordination with other agencies. (c) Strengthen the powers of the Secretary of State for International Cooperation related to ODA. (d) Find a new equilibrium between ODA devoted to production and to social sectors, so that the latter are sustainable in the future. (e) Maintain significant ODA to sub-Saharan Africa but also to Latin America and Mediterranean countries in the framework of the labour division among EU members; at the same time, cut severely or abolish aid devoted to upper-middle income countries. (f) Concentrate Spanish ODA in no more than 20–25 partners. (g) Establish negotiation groups within the Secretary of State for International Cooperation and different ministries to improve coherence between other policies which also impact on development. (h) Strengthen the Council for Cooperation for Development where civil society participates.

26. Finally, some lessons from the Spanish case could be useful for new bilateral donors: (a) the first one is to check whether or not several prerequisites are fulfilled to initiate changes, such as: government will; prime ministerial support; some civil society organisations and demands for improving aid effectiveness; a relationship between civil society and the development sector within government pursuing changes and economic growth. Otherwise, it will not be worth the huge effort necessary to make the changes. (b) Leadership with a motivated team, clear objectives and support from the prime minister, is needed within the aid system. (c) Objectives should be related to international agreements both to improve aid effectiveness and to gain credibility, sticking to the MDGs, the Paris Declaration and OECD’s good practices. (d) Related to aid institutional organisation, rather than following the Spanish example, emerging donors could follow the advanced donors’ practices, as they tend to concentrate all or most of the ODA budget and aid powers in one strong ministry with a small number of coordinated agencies and a clear legal mandate on development – which includes promoting coherence between other public policies and development. (e) Negotiations within government (and in Parliament): a mature development policy needs institutional arrangements between several ministries, including one to strengthen human and institutional resources within the aid system.
1 Introduction

After many years of inertia, the Spanish development aid system started moving forward during the 2004–08 legislature. Improving aid quantity and quality were at the core of Spain’s new government agenda during that period. In those years, (a) the government clarified Spanish official development assistance (ODA) objectives; (b) ODA doubled from €2 billion to €4.8 billion; (c) ODA disbursements to United Nations organisations increased by 23 times, from €38 million in 2004 to €909 million in 2008; (d) a huge effort in planning was made; and (e) institutional reform was started.

It would have been difficult to do more in so little time. But the task – improving aid effectiveness and the aid system – is at its halfway stage. The achievements are not consolidated and there is a risk that the processes of change may stall.

Two future scenarios are possible. In the positive one, the Spanish aid system moves forward: (a) an ODA equivalent to 0.7 per cent of gross domestic product (GDP) is achieved; (b) a new advance in aid quality is registered; (c) development policy and ODA receive huge support from citizens; and (d) reformed institutions are able to evolve and adapt to new challenges that will arise in the future in a dynamic way. In the negative scenario, the Spanish development system becomes stagnant: (a) ODA remains stable at 0.5 per cent of GDP or even shrinks; (b) lack of aid effectiveness continues; (c) aid policy is subordinated to foreign and business policy; and (d) ‘aid fatigue’ and decreasing citizen support are observed.

I have personally been involved in the reform of the Spanish aid system (SAS), first as Director of the Cabinet of the Secretary of State for International Cooperation and then as Commissioner for the reform of the Spanish Agency for International Cooperation (AECI). I am very proud to have been part of a large, active working team focused on improving aid effectiveness through an ambitious reform of the SAS. And it would be more than a shame to lose the opportunity of completing that ‘noble’ task linked to the rights of poor people in developing countries. In my experience opportunities to change agenda and practice in a reformist and progressive way come only once every 10 or 15 years, as they need a conjunction of several factors, as will be explained, including political will, leadership, adequate policy, enthusiasm, management, civil society participation and citizen support.

The aim of this paper is to be useful in several ways: it will inform people about the politics of Spanish aid and Spanish aid policy, as well as its recent development and trends; it also may allow researchers to make comparisons between the Spanish case and other bilateral development systems; and it may assist policymakers in Spain on the path ahead to improve aid effectiveness. At least, these are my main hopes.

The main question this research tries to answer is: which changes have improved Spanish aid effectiveness in recent years and which challenges still lie ahead?

1 Although most of this work is based on evidence, sometimes, as will be noted, there will be assertions based on my personal experience.
The paper will also examine the politics of Spanish aid to understand the factors which either facilitate or undermine change.

Regarding the methodology, on the one hand this paper focuses on the traditionally selected areas of assessment of development policy, such as the clarity of the objectives, aid volume, sector distribution, least-developed countries (LDCs) allocation, geographical concentration, multilateral ODA, predictability of disbursements, the Paris Declaration implementation – including the use of general budget support and sector-wide approaches (SWAPs) and agencies coordination – and organisational capabilities and accountability.² On the other hand, the paper tries to go beyond these, taking into account the political economy of aid, analysing its actors and their different interests and how they can allow or undermine changes in aid effectiveness.³

The paper analyses changes in foreign and aid policy since the Socialist Party won the general election in 2004 and other political factors related to reforms, such as leadership, the role of the Ministry for Foreign Affairs and its State Secretariat for International Cooperation, parliamentary agreements, the international community role and regional governments’ interests as aid players. It also refers to future scenarios, tackling questions such as how Spanish aid policy is likely to evolve over the coming years.

The paper shows the following findings related to the SAS’s achievements: (a) Spanish ODA doubled between 2004 and 2008, as was noted previously; (b) Master Plans clarified aid policy objectives and ended ambiguities; (c) ODA allocation to the poorest countries in sub-Saharan Africa has increased dramatically; (d) Spanish multilateral ODA increased threefold, reaching an annual €2.5 billion in 2007–08; (e) contributions to UN and international funds increased by 23 times, reaching an annual €1.5 billion in 2007–08; (f) tied loans will no longer count as ODA; (g) debt relief of more than €1.3 billion was approved in 2005–08; (h) Spain cancelled some debts of middle-income countries (MICs), moving beyond the Paris Club agreements; (i) a big effort in planning has been made; (j) coordination among domestic aid actors has been improved; (k) there have been advances related to communication and education for development and to raising awareness in public opinion on development; (l) Master Plan III has established measures to improve development studies; and (m) the Spanish Agency for International Cooperation for Development (Agencia Española de Cooperación Internacional para el Desarrollo – AECID) is now a state agency with more autonomy and a managerial contract with measurable objectives, some of them related to aid effectiveness.

On the other hand, the SAS still faces several challenges and dilemmas. This paper highlights the following: (a) Regarding Spanish aid sector distribution, should the SAS promote growth by supporting productive sectors with a similar intensity to its support of social sectors, mindful of the sustainability of social changes? And, broadly, how could SAS add more value to the international aid system? (b) Regarding the geographical allocation, should the SAS carry on

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² See, for example, DAC Peer Reviews (2007 and 2010); UNDP (2005; Ch. 3).
increasing ODA allocations to sub-Saharan Africa or should it also maintain a significant share to Latin America and the Mediterranean, its traditional areas? (c) Regarding the geographical concentration, how should the list of the top-priority countries be reviewed to leave out recipients for reasons related to foreign and trade policies? (d) Regarding the aid effectiveness agenda, should the SAS strengthen aid modalities such as budget support to promote ownership more strongly while reducing subsidies to different public entities in Spain? Would it be possible to avoid the temptations of a ‘lending culture’ related to concessional loans and, instead, support recipients’ priorities and strengthen their ownership? Should the AECID close some offices abroad in high middle income countries (HMICs) when opening new offices in LDCs? (e) And lastly, related to all of the above, should a deeper institutional reform be considered, including the creation of a new Ministry for Development?

The paper proceeds as follows: after the introduction, Section 2 offers a brief reflection on the aid effectiveness debate and ODA importance. Section 3 analyses the politics of Spanish aid and describes the Spanish aid system, its main actors and their different interests in order to understand the factors which made changes possible and those which undermine them. Section 4 explains the main changes SAS experienced in the former legislature (2004–08) and the challenges it still has to face in the context of the aid effectiveness debate. Finally, it draws some conclusions, including some lessons that might be relevant to other aid donors, and identifies an agenda for new research.

2 A brief reflection on ODA’s importance for development

This section does not intend to review the literature on aid effectiveness but it points out where the debate on the relationship between ODA and some aspects of economic development is today, marks its main limitations and emphasises the importance of aid.

The issue of aid effectiveness has been debated for a long time. Three different positions on this topic have arisen from the beginning of the debate four decades ago. The first position concludes that aid does little or nothing for growth and development, and in some rare cases a negative relationship was found. The second finds a positive relationship between aid and growth but only in some countries and in certain circumstances related to a partner’s policies and institutions. The third position finds that aid supports growth and therefore development, with a positive impact in almost all cases (except, obviously, in

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4 There are other important aspects related to development not discussed here, such as human security, empowerment and participation, gender equality and environment sustainability (I have to thank Koldo Unceta for this comment).

5 My doctoral thesis (Iglesia-Caruncho 2002) offers a review of aid literature from the 1960s to 2000, in addition to the discussion on the difficulties and limitations which face the quantitative work on aid effectiveness. See also Iglesia-Caruncho (2005).
extreme cases such as where there is generalised corruption) although more powerfully where there are good policies and strong institutions.

In the last decade the debate has continued focusing on the relationship between aid, policy and growth. Although the present studies are now more sophisticated and robust,6 differences in findings still remain. As examples, on one hand, Rajan and Subramanian (2005, 2007) found evidence consistent with aid undermining the aid recipient’s competitiveness in labour-intensive and export sectors. These sectors would grow more slowly than capital-intensive and non-tradable sectors respectively due to the ‘Dutch disease’.7 They also found that aid might have affected growth adversely by constraining the growth of the manufacturing sector, which requires good governance to develop.

The second group includes the classic Burnside and Dollar (1997) study, based on data from 56 countries covering the period 1970–93, which concludes that aid has a positive impact on growth only in a good policy environment – that is, effectiveness of aid depends on economic policy and governance in the recipient country.8

Three studies illustrate the third group: Durbarr, Gemmell and Greenaway (1998); Hadjimichael Ghura, Muheisen, Nord and Ucer (1995); Hansen and Tarp (2001). They find a significant impact of aid on growth independently of governance, even in countries with a poor policy environment. It is important to point out that even though the positive impact on growth is not conditional on good policies, the benefits are stronger when there are good policies. It is worth highlighting too that all of them find significant non-linear effects of aid on growth.9

Clemens, Radelet and Bhavnani (2004) reached the same conclusions, dividing aid into three categories: (a) emergency and humanitarian aid; (b) aid that affects growth only in the long term (education, environment, democracy, etc.); and (c) aid that plausibly promotes growth in the medium term, including budget support, infrastructure and the productive sectors (agriculture, industry, etc.). They found a positive and strong causal relationship between this short-to-medium-

6 Hansen and Tarp (2000) call them the ‘third-generation studies’ as they: (a) use a larger number of countries and data bases, (b) are inspired by new growth theory, hence, they include measures of economic policy and institutional environment, (c) in the regressions, endogeneity of aid is addressed in econometric models and (d) the aid relationship is explicitly seen as non-linear.

7 As the trade goods sector is an important source of productivity improvements, the adverse impact of aid on it – because of weak governance and/or overvaluation – could retard growth.

8 The Burnside and Dollar (1997) study had an important influence on the economic world and on the very influential report from the World Bank: Assessing Aid – What Works, What Doesn’t, and Why (Dollar and Pritchett 1998). Furthermore, Collier and Dollar (1999) calculated that if all the aid money were allocated on the basis of good policies, aid could nearly double the number of people being supported to overcome poverty (from 10 million to 19 million).

9 Durbarr et al. (1998: 17, 18) found that ‘the inclusion of policy variables provides a more fully specified model but aid growth effects are not dependent on it’, although, ‘greater foreign aid inflows have a beneficial effect on LDCs growth conditional on a stable macroeconomic policy environment’. Hadjimichael et al. (1995: 51) found that ‘the only statistically significant results suggest that for the poor performers – countries with protracted imbalances and/or negative per capita growth – foreign aid enhanced economic growth’. 
impact aid and economic growth not dependent on the recipient’s quality of institutions and policy, although they also found that the impact on growth is greater in countries with stronger institutions or better governance.\textsuperscript{10}

In conclusion, although a positive relationship between aid and growth has been a recurrent result in different generations of work, including recent ones, there are still doubts, as a quarter of the studies, do not find any relationship between aid and growth and in some cases they find a negative relationship.\textsuperscript{11}

Different issues could explain the absence of unanimities in the aid effectiveness debate. The limitations of ODA in achieving its objectives – development and poverty reduction – are known; the ODA literature has illustrated them extensively. It is possible to summarise them as follows:

- ODA’s effectiveness is not as strong as expected due to questionable donor practice, such as the historical lack of long-term compromises and the unpredictable behaviour on disbursements aid flows, donors looking out for their own commercial or political interests or inefficiencies in donor coordination.\textsuperscript{12}

- ODA’s effectiveness is also undermined because of some features that may affect the partner’s framework, including deficiencies in economic policy and institutions’ capabilities or, more broadly, in governance. These can also limit the capability to absorb external resources.\textsuperscript{13}

- High levels of ODA can also reduce its effectiveness if there is a non-linear relation between aid and growth as recent studies have found, as noted already. An example would be where the ‘Dutch disease’ problem appears, which means ODA – or any huge amount of external resources – after trespassing across some critical line, would undermine the partner’s international competitiveness due, both to a bias from domestic production in favour of domestic markets (non-tradable items) and to a local currency appreciation (an appreciation of the real exchange rate).

\textsuperscript{10} They found strong evidence for diminishing returns, but not necessarily negative returns. They estimate that total aid hits the point at which it ceases to contribute to growth when is around 15–18 per cent of GDP.

\textsuperscript{11} Hansen and Tarp (2000), after reviewing 131 first- and second-generation studies and comparing them with third-generation work, concluded that aid increases aggregate savings and investment, and that the positive relation between aid and growth is a robust result from all three generations of work. Nevertheless, there are still doubts about aid effectiveness as a quarter of the studies mentioned do not find any relationship between aid and growth.

\textsuperscript{12} Carlsson, Schubert and Robinson (2009: vii), focusing on European aid, found that ‘if improvements were made in terms of increased predictability, reduced donor proliferation and a further untying of aid, the potential benefits from a European approach towards Aid Effectiveness could, with a full caveat for the paucity and uncertainty of actual data, be estimated to be in the magnitude of 3 to 6 billion Euro per year over the period 2010–2015’.

\textsuperscript{13} At this point it is worth mentioning the military spending which diverts funds that could be better invested in development. Military expenditure in Latin America rose to $38. 6 billion in 2008 – at constant 2005 prices – (Stockholm International Peace Research Institute 2009) while ODA received in the region came to $6.9 billion.
High ODA levels could affect governance behaviour negatively, as is the case with other non-tax revenues – resource rents, such as oil or minerals – generating dysfunctional rent-seeking behaviour.\textsuperscript{14} This would be the case if receiving aid discourages a government from taxing, which weakens its bargain with citizens and degrades the quality of governance institutions over time.\textsuperscript{15}

On the other hand, it is worth noting that ODA is just one element in international economic relations among many others strongly related to development, such as international trade, direct foreign investment or agricultural subsidies in developed countries; matters which call repeatedly for a Policy Coherence for Development approach.\textsuperscript{16}

However, in spite of those limitations, ODA still remains important for several reasons which suggest not giving up on it but rather exploring how to address its effectiveness and improve its performance:

- The first reason is its quantity: more than $120 billion annually in recent years (2005–08) accounting for all donor disbursements.\textsuperscript{17} It is a sum that bears comparison with other important external sources for developing countries, such as direct foreign investment (DFI), which amounted to $142 billion annually on average between 2005 and 2007, and remittances, $203 billion in 2007.\textsuperscript{18} ODA is, therefore, an important and stable sum of money – in contrast to the pro-cyclical behaviour of DFI – that could be very usefully spent in the right circumstances and conditions.

\textsuperscript{14} In relation to the impact on growth of an increase in resource rents, Collier and Hoffler (2005) found that, with a lag of around four years, rents have a significant negative effect. They suggest that resource rents reverse the normally beneficial economic effects of democracy. They found the critical level of resource rents affecting democracies’ performance is around 8 per cent of GDP. (See also Collier 2007: Ch. 3.)

\textsuperscript{15} Moore (2009) indicates the main problem: ‘Governments that are dependent on broad, general taxation will be more motivated to promote the welfare and prosperity of their citizens and enterprises than governments that depend on natural resources or aid – because that increases the governments’ own potential wealth and power.’ (See also Moore 2007; 2008.)

\textsuperscript{16} In 2005 the European Union agreed to apply the Policy Coherence for Development approach in 12 policy areas that could accelerate progress towards the Millennium Development Goals (MDGs): trade, environment, climate change, security, agriculture and fishing, social policies (employment), migration, research/innovation, information technologies, transport and energy (see http://ec.europa.eu/development/policies/policy_coherence_en.cfm, accessed 16 December 2010). But the list could be longer, e.g. intellectual right properties, arms trade.

\textsuperscript{17} ODA from all donors, on average between 2005 and 2008, reached $127 billion annually (at constant prices 2007). ODA from OECD Development Assistance Committee (DAC) countries reached annual $111 billion in the same period (DAC Development Cooperation Report 2009). In addition, as Severino and Ray (2009) argue, there are nowadays a whole range of NGOs, private foundations, businesses, etc. becoming major actors on the solidarity field with incremental budgets. Kharas (2009) has estimated contributions from private corporations, religious groups and educational institutions: ‘private development assistance amounts to some $60 billion annually’.

\textsuperscript{18} Data on DFI comes from OECD Development Cooperation Report (2009); data on remittances come from UNDP (2009).
• ODA is especially important to LDCs and low income countries (LICs) which lack other external resources and foreign currencies (from external investment, international loans, remittances, etc.) they need for development. It is well known that most of DFI is addressed to emerging countries such as the so-called BRICs – Brazil, Russia, India and China – and Asian Tigers (Hong Kong, Singapore, South Korea and Taiwan), whereas, according to the UN Conference on Trade and Development (UNCTAD), sub-Saharan Africa received only 1.6 per cent of total DFI in 2006, the same as Singapore with 5 million people, in the same year. Something similar, or even worse, occurs in relation to the difficulties those countries face from international market loans. Regarding remittances, as Annex 1 shows, the poorest countries are not major recipients, neither in absolute nor in relative terms.19 Finally, the price of natural resources has multiplied and produced an important amount of foreign currency for Latin America and Africa in the last decade. However, this has also been selective, with, as Collier (2006) notes, ‘only around a third of Africa’s population living in countries that are substantial beneficiaries of higher resource prizes’.

• Thirdly, ODA is important because there is no alternative at the moment; it is the only public mechanism from the international community that actually exists to reduce poverty and inequality. Of course one can imagine different choices to generate resources for development in a more rational way than aid – which comes from national voluntary bases – such as the so-called Tobin Tax or a system which could allow some percentage from national income tax to fund international organisations related to development. In fact, the EU has a mandatory mechanism to collect resources which fund its bureaucracy and policies.20 But it seems that donors are not willing to move forward in that way. One can hardly imagine developed countries – including the UK – giving up their taxation sovereignty or even part of it in favour of some international institutions which possibly need huge reforms or do not even exist yet.

• Finally, there are some elements and recent changes which suggest that ODA is improving its performance. It is likely that concerns about its effectiveness and usefulness have provoked – and still are provoking – its better use. For example:

  – Donors have defined their willingness to reduce poverty in a clearer way than they did before the end of the Cold War.21 Accordingly, the international development system is improving its practices, as the approval of the Paris Declaration and its principles endorsed in 2005 by OECD illustrated (OECD 2005).

19 It is not surprising: as Ocampo (2007) pointed out, the poorest do not have enough resources to cover the costs and risks that international migration involves. Unceta, Gutiérrez and Amiano (2010) have also found that ‘whereas remittances and DFI are, in this order, clearly more significant than ODA in middle human development countries, ODA is clearly the dominant source of resources in low human development countries, where remittances and DFI importance are less’.

20 Structural and cohesion policies, for example, have been very successful in supporting the convergence of Spain, Portugal, Ireland and Greece.

21 Although until the 1990s geostrategic and political reasons predominated when donors delivered aid, their focus since the end of the Cold War has gradually changed towards reducing poverty, as the approval of the MDGs illustrates.
– Partners’ economic policies and governance are improving in many countries in Latin America and Africa, both in policies and outcomes (see OECD reports, *Latin American Economic Outlook* and *Perspectives on Global Development 2010*, both 2010). As an example, it is interesting to note that many countries in Latin America have avoided the present international economic crises due to their solvency and high currency reserves.22

– Threats to ODA effectiveness such as ‘Dutch disease’ need large amounts of aid to become a reality. It would be the case for 38 developing countries out of 134 for which the DAC registers data, where ODA exceeds 10 per cent of gross national income (GNI) (Annex 2).23 However, it is possible to avoid the pernicious effect of high amounts of ODA on international competitiveness in several ways.24

– Regarding possible negative impacts of aid on the quality of governance or making good governance more difficult (as sovereign resources may do), Brautigam and Knack (2004) hypothesise ‘that the negative impact of aid on the quality of governance might have weakened after the 1990s when donors began to emphasise the importance of the quality of governance for development’.25 Moreover, Alonso, Garcimartin and Martin (2010) have found a positive effect of aid on taxes, although ‘in an environment with low quality institutions the effect of aid on taxation can be zero or negative’. On the other hand, as Collier (2006) points out, ‘there may be scope for redesigning conditionality so as to change the incentives in the weakest governance environments towards greater accountability to citizens’. With that sort of ‘governance conditionality’ aid would be used to increase accountability to citizens and it would divert resources from patronage to public goods, improving governance.26

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22 As OECD (2010) has said, ‘responsible and credible policy making in Latin America since the 1990s has created substantially more headroom for effective and sustainable fiscal and monetary stimulus than was the case in the 1980s’. See also Kacf (2010).

23 They total 393 million people, 365 million from south of the Sahara. It means that almost 50 per cent of the sub-Saharan population live in countries which receive more than 10 per cent of ODA/GNI. Excluding some small territories in Oceania, ‘Dutch disease’ could particularly threaten ten countries where ODA/GNI exceeds 20 per cent: Burundi, Guinea Bissau, Liberia, Malawi, Mozambique, Rwanda, São Tomé and Principe, Sierra Leona, Palestinian Adm. Areas and Afghanistan (Annex 2). It is worth noting that in many cases the huge ODA/GNI share does not necessarily mean large amounts of aid, but reflects a low level of income.

24 Including targeting incremental aid to expenditures that reduce some of the costs faced by important parts of the tradable sector (transport, power, etc.); increasing the import content of aid; increasing the demand for imports in favour of other developing regions through trade liberalisation; and reducing developed countries’ current trade barriers to developing countries (Collier 2006).

25 In fact they found evidence – suggestive but not conclusive – that aid was less damaging to governance in recipient nations in the 1990s than in the 1980s (Brautigam and Knack 2004).

26 Collier’s proposals are as follows: ODA would go as a budget support but money could only be spent upon a specified set of social priorities and must be incremental from government spending. It should be required that the government allocate some proportion of its revenue in these priority sectors as it had done prior to the new aid arrangements. Finally, to verify the expenditures, the money could be released on the authority of a college which could include representatives from civil society.
In summary, the issue of aid effectiveness has been debated for a long time and differences still remain. There are key factors which may undermine ODA effectiveness, from both the donor’s and the recipient’s side. However, there are good reasons for addressing aid effectiveness, including: its quantity; its importance to those LDCs and LICs which lack other external resources; the fact that ODA is the only international public mechanism for transferring resources to reduce poverty and inequality; and recent changes which suggest that ODA has improved its performance. Undoubtedly it is necessary to continue the debate on aid effectiveness, as its outcomes could still be enhanced, and to ask how aid can best be done, it being worthless to question the existence of aid itself as some authors have recently.27

It is therefore worth analysing the achievements and challenges the Spanish aid system faced in moving forward on aid effectiveness. First, we look at the Spanish aid system in some detail.

3 The politics of Spanish aid

3.1 Background and overall vision

The Spanish aid system has had two reformist periods, both under socialist governments. The first ‘big push’ was experienced between 1988 and 1992, when Spanish ODA increased from $300 million to $1.3 billion. Two of the main reasons for this were: the incorporation of Spain into the European Union (1986) and the Fifth Centenary Commemoration of the discovery of America, which increased the amount of ODA allocated for Latin America (1992). Duties as a new member included contributing to the European Fund for Development (Fondo Europeo de Desarrollo) and to the EU budget for developing countries not including the Asian, Caribbean and Pacific countries.28 In addition, 1989 saw the creation of the Spanish Agency for International Cooperation (Agencia Española de Cooperación Internacional – AECI).

Then, from 1994 to 2004, there was a ‘lost decade’ for the SAS and for its commitment to development. Conservatives (Popular Party, PP) were in government for most of that period. Thus, while ODA accounted for 0.23 per cent of GDP in 1997, when the Conservatives won the elections, it accounted for exactly the same percentage in 2003 (Figure 3.1), when the second conservative legislature ended. However, as a positive advance, the ‘Spanish International Cooperation for Development Law’ was approved by consensus in Parliament in 1998 under a Conservative government. However, it is worth noting that the Conservative government of 1996–99 did not have a majority in Parliament and therefore had to negotiate different issues with minority parties, including this law.

27 For example, Moyo (2009) who, without conclusive findings but counting on some media support, has suggested withdrawing aid as soon as possible.

28 The Spanish contributions for those EU items came to more than ECU 100 million in 1989.
The second ‘big push’ to the SAS was made under the former legislature of 2004 to 2008. Spanish ODA doubled from €2 billion in 2004, equivalent to 0.24 per cent of GDP, to €4.8 billion, 0.45 per cent of GDP, in 2008 (Figure 3.1). During that period, Spain was the DAC country where ODA increased most: nearly 25 per cent annually on average, which let Spain climb to eighth position among DAC countries in 2008 according to ODA/GNI figures (or seventh position according to net ODA amounts, rising from 16th position in 2004 – see Annex 3).

It is worth highlighting some reasons for these changes in Spanish ODA. First, some background. The 2000–04 Conservative government, having a parliamentary majority, not only did not carry out any improvements related to ODA – the ‘lost decade’ – but drove through major changes to foreign policy. It moved away from positions close to nearby EU countries and became biased towards relationships across the Atlantic, specifically with the USA. The Spanish government’s active support of the Iraq invasion at that time well illustrates the new direction of Spanish foreign policy.

Within Spain, there were massive demonstrations against government support for the Iraq war. In addition, the government faced widespread criticism for decisions judged anti-democratic for the development sector, such as handpicking the NGO representatives in the Council for Cooperation for Development instead of allowing the NGOs’ Spanish Coordinating Committee to elect them. The development sector also accused the government to freeze (or to block) improvements both on quantitative and qualitative aid.

The Socialist Party, at that time in opposition, found an important gap between the government and public opinion regarding foreign and aid policies which it was able to exploit. Thus, it promised changes backed up by public opinion, especially by young people. Hence, the first pages of the 2004 Socialist Party Electoral Programme declared: its support for international law represented by UN decisions; a return to the former foreign policy regarding the EU; the Iraq war

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29 At constant prices Spanish ODA multiplied 1.8 times between 2004 and 2008.

30 It is worth remembering that Mr Aznar, the former Prime Minister, flew to Chile and Mexico (then members of the UN Security Council) to ask for their support for US positions.
illegal and unjust; its support for multilateralism to face global challenges; and a significant change in aid policy, including quantitative and qualitative aid commitments, institutional reform and tied loans reform. As the Electoral Programme promised, ‘we are committed to making development policy a priority and to making it independent, coherent and inclusive, with sufficient resources and appropriate management structure’ (PSOE 2004).

Most of the measures and achievements to be examined in Section 4, as will be seen, come from these antecedents. But first, in order to understand the large increase in the budget and other changes, it is necessary to review Spanish aid players and their objectives and interests, distinguishing between different ministries within the government, as well as considering external factors related to the SAS.

At this point, the main internal reasons for these changes in the SAS in recent years are the following:

- The opportunity, mentioned above, which the Socialist Party took advantage of in order to carry out a cosmopolitan foreign policy and to promote multilateralism.\(^{31}\)

- **Leadership within the government favourable to changes.** If there was an important gap in foreign and aid policy between the government and citizens when Conservatives were in power before 2004, closing the gap by the Socialist Party would be to its benefit, especially attracting young voters. Accordingly, Prime Minister Zapatero expressed his commitment to the development cause on many occasions. In fact, before the 2004 elections, speaking as Socialist Party General Secretary, he pointed out that Spain would be involved in the ‘quartet against hunger’\(^{32}\) if the Socialist Party won the election. In addition, Mr Zapatero frequently referred to poverty, aid and Spain’s commitment to development in his speeches. He also had three meetings, almost one a year, with NGO representatives under the 2004–08 legislature. The Prime Minister’s role and decision to increase ODA quantity and his support to the State Secretariat for International Cooperation (Secretaría de Estado de Cooperación Internacional – SECI) was essential to overcome major resistance within the government.

- **Leadership within the SAS.** The former Secretary of State for International Cooperation, Leire Pajín, had the Prime Minister’s support, came from the development sector (she had been in charge of an NGO related to the Socialist Party) and had links to social movements, as she had been in charge of those responsibilities in the Socialist Party. She was able to bring together and coordinate different teams, encourage enthusiasm in workers, promote credibility and convince teams that changes were possible and that it was worth working for them. Thus, she fulfilled the conditions of the SAS reform leadership: proximity to the Prime Minister, knowledge of development and the development sector and an electoral programme to move on.

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31 There is a lack of studies on politics of Spanish aid. One exception is Sanahuja (2009).

32 At that time formed by presidents Lula from Brazil, Chirac from France and Lagos from Chile and the UN Secretary General.
Strengthening the role of the Ministry of Foreign Affairs and International Cooperation within the government and the SECI’s role within it. Because the SECI was part of the Ministry of Foreign Affairs, the Prime Minister’s support strengthened this ministry rather than other ministries that traditionally had strong powers over the SAS, such as Economy and Finance or Industry and Trade, which have interests related to the business sector and to international financial institutions (IFIs). Thus, as will be seen in subsection 3.3, whereas the Ministry of Foreign Affairs accounted for 19 per cent of the total Spanish ODA in 2004, it reached 51 per cent in 2008 (Table 3.1). Furthermore, and no less important, the Prime Minister’s support for the SECI also strengthened a modern developmental view within the Ministry of Foreign Affairs rather than the traditional view of diplomats on Spanish foreign and aid policy. As the former Secretary of State for International Cooperation pointed out:

Without a doubt, whenever a project or a programme suits our foreign policy, it will be an important factor to take a favourable decision on supporting it, but it will not be enough. That action has to be useful to development. That is the very necessary condition for supporting it. (Pajín 2007)

This does not mean that incoherencies in Spanish aid policy have disappeared. There are many examples which prevent thinking in that way, among them, the larger number of developing countries receiving Spanish ODA (see subsection 4.3), which clearly responds to foreign policy objectives, such as ‘visibility’ and ‘presence’, rather than to the requirements of aid effectiveness. However, as will be seen, there are many other examples, including large contributions to UN or debt relief policy, which show progress towards the necessary changes.

Another way to consider the weight carried by the development sector within the government at that time is to focus on conflicts involving business interests abroad. As a mirror reflecting those interests, conservative and financial media criticised changes related to debt relief and tied loans as they considered them against the interest of Spanish firms. Interestingly, they also called for aid to be cut when some developing countries tried to review contracts involving Spanish companies – such as Bolivia, when Mr Morales became President. However, the government did not link trade and foreign investment policy with aid policy on these occasions, although conservative media proposals weakened aid policy, especially among business sectors.

Parliamentary agreement. The Socialist government had no majority in Parliament but gained support for passing its bills from the centre (nationalist) and left-wing parties (such as Izquierda Unida) that were sensitive to development. Thus, political parties represented in Parliament, reflecting agreements with government and also civil society demands, approved most of the government initiatives on aid, including Master Plans and annual plans, in the 2004–08 legislature. Furthermore, on different occasions, Parliament, during discussions on General Budget Law, increased the budget devoted to ODA beyond the proposals made by the government in its bills. It happened because of votes from the parties already mentioned, including the Socialist Party, a fact which reflected deep differences between the Ministry of Economy and Finance (Ministerio de Economía y Hacienda – MEH) and the
development sector within the government. It is worth noting the fact that, before the 2008 elections, all political parties in Parliament signed an ‘Agreement against Poverty’ proposed by civil society.

- **External aid players: the international framework and the agenda on development.** The international community has developed a wide consensus to try to improve aid effectiveness in recent years. There is a shared agenda approved by the UN (the MDGs), a shared way approved by OECD to move forward (the Paris Declaration and the Accra Action Agenda – Agenda de Acción de Accra – AAA), new aid modalities which are more compatible with the Paris Declaration (such as general budget support), the DAC’s examples of good practice for almost every activity, and useful UNDP reports on human development. It means not only that the SAS knew how to disburse aid better than ever before, but also that external players have had an important role in influencing changes through these processes, creating objectives, norms, consensus and good practice in development.

- **Civil society.** Another factor allowing SAS changes has been the existence of an active civil society which demanded aid quantity and quality and, broadly, a solvent development policy. In addition, it has been able to make mature proposals and participate in institutions. The Spanish NGO Coordinating Committee (Coordinadora de ONG de Desarrollo de España – CONGDE) plays this role in Spain – among others, including universities and trade unions – and it has had a frank dialogue with the government through several channels, including its participation in the Council for Cooperation for Development. At the same time, civil society has played a leading role in promoting important campaigns such as ‘0.7 per cent’ or ‘Zero Poverty’, raising awareness amongst the citizenship and demanding the government move forward.

- **Regional governments.** Regional governments, as it will be seen in the next subsection, have had an important role in the SAS, controlling about 10 per cent of the total ODA – about 12 per cent when local governments are added. From the point of view of aid efficiency it is not the best situation, but it is

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33 And the EU members’ ‘European Consensus on Development’ on the same matter (www.fp7.org.tr/tubitak_content_files//268/dokumanlar/eu-consensus-development.pdf, accessed 18 December 2010).

34 In addition, valuable work has been made by some domestic academic centres including: Instituto Complutense de Estudios Internacionales (ICEI) and Instituto Universitario de Cooperación y Desarrollo (IUDC) at the Complutense University in Madrid; Instituto de Estudios sobre el Desarrollo y Cooperación Internacional (HEGOA) at the Basque University; Centre d’Informació i Documentació Internacional (CIDOB) in Barcelona; Fundación para las Relaciones Internacionales y el Diálogo Exterior (FRIDE), Real Instituto Elcano and Fundación Alternativas OPEX in Madrid. They have also pushed for changes in the SAS.

35 Moreover, NGOs have collaborated with AECID offices abroad on the preparation of strategies for developing countries.

36 It is worth noting that in 2009, according to the Fundación Carolina (2009), 71 per cent of Spanish people supported international cooperation (76 per cent in 2008) and 45 per cent agreed it should be maintained even in times of crisis. Furthermore, 63 per cent agreed with the 0.7 per cent ODA/GDP objective although almost three-quarters did not know the current amount of Spanish ODA. For surveys on aid in Spain see Martínez-Gómez (2008).
ODA cuts were announced by Mr Zapatero, the Prime Minister, in Parliament on 12 May 2010. As Figure 3.1 shows, the ODA/GDP percentage will still increase in 2010, although only slightly: the ODA/GDP percentage evolved from 0.45 per cent in 2008 (€4.7 billion) to 0.46 per cent in 2009 (€4.7 billion again, but GDP dropped) and is planned to reach 0.48 per cent in 2010 (€4.9 billion). However, ODA will suffer an additional cut in 2011, according to the SECI's appearance in Parliament on 7 May 2010, which may reduce the ODA/GDP percentage to 0.40 per cent, undermining the effort made in the previous period.

3.2 Scenarios for the future

3.2.1 How is aid policy likely to evolve over the coming years?

The Spanish aid system is midway along the path to improving aid effectiveness. Two future scenarios can be seen. In the positive one, Spain catches up with, or almost catches up with, the advanced donors. In the negative one, the Spanish development system becomes stagnant, or regresses, aid policy subordinates to foreign and business policy and there is a continued lack of aid effectiveness. Of course, between these extreme scenarios there are some intermediate possibilities. But even so, is the future scenario more likely to be the former or the latter?

My forecast is that, unless there is a big reaction and a big push from both civil society and the development sector within the government, which is unlikely, the future will be closer to the negative scenario. If a review of some of the above-mentioned factors of change is made, it shows they are losing strength.

- **Leadership within the government is focused on financial crisis and domestic matters, such as unemployment.** Faced with the public deficit, the government has recently cut planned ODA by €300 million in 2010 and €500 million in 2011. Moreover, following MEH proposals, some €550 million of the total ODA will be delivered as loans (although not tied), instead of grants (see subsection 4.5.4). Even worse, with the cuts, the principal reason for allowing the Spanish development sector to request resources to strengthen human and institutional resources, which was the increase in ODA, has vanished.

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37 ODA cuts were announced by Mr Zapatero, the Prime Minister, in Parliament on 12 May 2010. As Figure 3.1 shows, the ODA/GDP percentage will still increase in 2010, although only slightly: the ODA/GDP percentage evolved from 0.45 per cent in 2008 (€4.7 billion) to 0.46 per cent in 2009 (€4.7 billion again, but GDP dropped) and is planned to reach 0.48 per cent in 2010 (€4.9 billion). However, ODA will suffer an additional cut in 2011, according to the SECI's appearance in Parliament on 7 May 2010, which may reduce the ODA/GDP percentage to 0.40 per cent, undermining the effort made in the previous period.
• **Within the government, the role of the Ministry of Foreign Affairs has weakened as much as the SECI’s role within it.** It has been undermined not only because of cuts in the aid budget but also because, in the middle of the Spanish aid system SAS reform, the former Secretary of State for International Cooperation and the former AECID’s Director have been removed to other positions.38

• **Changes in parliamentary coalitions.** Left-wing parties have ended their support for the government after measures were taken to deal with public deficit, such as a 5 per cent reduction in public servants’ salary and the freezing of retirement pensions.39 Furthermore, according to these parties, the government avoided introducing new taxes on higher incomes, apart from small rate increases in income taxation.40 Thus, the government will no longer pay attention to any demands for improving aid quantity and quality made by left-wing parties. On the other hand, once the financial crisis broke, the Conservative Party (PP), which did not show itself against changes in aid policy during the former legislature (2004–08), urged severe cuts in aid beyond those decided by the government. It constitutes a bad omen should the Conservatives win the next general election.

• **Foreign and consular policy will be more pragmatic.** Some reasons which confirm this are: (a) currently the major countries in the European Union are ruled by conservatives (UK, Germany, France and Italy), influencing other EU members’ foreign and consular policy in a pragmatic way;41 (b) transnational Spanish companies are very active in Latin America, working in several countries ruled by left-wing parties, for example, Venezuela, Bolivia and Ecuador, which are demanding more participation in profits and outcomes. The Spanish government may be faced with their demands and the need to support Spanish firms; and (c) among other measures of dealing with the deficit, the government has already announced cuts in Spanish contributions to the UN in 2010–11, so far indeterminate,42 thus affecting the objective of strengthening multilateralism.

It is still too soon to know whether or not the dynamics of change undertaken in the SAS during 2004–08 will be enough to overcome the obstacles which reforms will face over the coming years. It is unlikely that they can succeed while the financial crisis continues. However, there are some examples which demonstrate that it is

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38 In addition, in the middle of the AECID’s reform, the Minister for Public Administration, who promoted the state agencies law, was replaced by someone less concerned with the implications of the law.


41 For example, regarding immigration policy, when President Sarkozy expelled Romanian gypsies from France, Spain did not criticise that decision, whereas in the former legislature (2004–08) Spain recognised more than half a million immigrants.

42 According to PACI Seguimiento (2008 and 2009), funds devoted to multilateral cooperation reached €2.7 b on average in 2008–09 (54 per cent of the net Spanish ODA 54 per cent), whereas, according to PACI 2011 sent by the Government to the Council for Cooperation for Development to be discussed, funds devoted to multilateral cooperation will drop to €1.7 b (40 per cent of the net Spanish ODA).
worth maintaining pressure and demands for improving ODA effectiveness. A significant one is related to aid used to subsidise Spanish companies abroad through tied loans. As will be seen in subsection 4.5.2, the reduction experienced by tied loans in recent years has been clear: their proportion within the total ODA fell from 10 per cent on average in 2003–04 to 3 per cent in 2007–08. Furthermore, the alliance between civil society and the development sector within the government, lobbying at the Senate, succeeded in removing tied loans from the overall ODA budget. This will take effect in the near future and was decided during the senatorial debate on the bill ‘Fund to Support Development’. The dynamics of change put in place performed well on that occasion.

3.2 Will it be sensible to maintain the division of the aid programme between two main ministries?

Regarding the institutional organisation of the Spanish Aid System, it is worth challenging the present model and designing a more appropriate one for the future.

As will be seen in subsection 3.3, there are too many players with different interests in the Spanish system. In addition to domestic aid stakeholders within the government, including the Ministry of Foreign Affairs and International Cooperation, the Ministry of Economy and Finance and the State Secretariat for Trade, there are many other players: regional and local governments, NGOs, universities, trade unions, business organisations and foundations. Although one of the challenges is to coordinate different actors, the fact that Spanish ODA is scattered between so many players with differing interests and some ‘acquired rights’ undermines the scope of the reforms.

However, our assessment has to focus specially on the Ministry of Foreign Affairs and International Cooperation and the Ministry of Economy and Finance as, together, they represent more than 80 per cent of the total Spanish ODA – although it is also worth analysing some aspects which can improve other players’ aid effectiveness, including regional governments, as subsection 3.3 does below.

Regarding both ministries’ power and relationships, there are three key matters to improve aid effectiveness: (a) the Prime Minister’s support of the development sector within the Ministry of Foreign Affairs, as has been already mentioned; (b) the coordination and work culture to be developed in the relationship between both ministries – and others, such as Trade, Defence, Agriculture or Environment – to improve not only aid effectiveness but also the so-called ‘coherence of policies with the development objective’; (c) concentrating aid responsibilities in just one ministry, following the examples of some advanced donor countries such as the UK (Department for International Development – DFID), Sweden (Ministry for Foreign Affairs and the Swedish International Development Cooperation Agency – Sida) or the Netherlands (Ministry of Foreign Affairs). At this point, it seems to be more sensible from the point of view of coherence within the aid policy to concentrate the aid budget and decision-making under the Secretary of State for International Cooperation, including debt relief and contributions to IFIs at present located in the

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43 Sometimes it seems to be a kind of right to be funded by public institutions.

44 Coordination which should be undertaken with a negotiating will. It should also combine both formal working groups and informal contacts between senior officials.
Ministry of Economy and Finance. The Secretary of State for International Cooperation should also be in charge of some units related to development which are at present under the responsibility of the Secretary of State for Foreign Affairs within the Ministry of Foreign Affairs and International Cooperation – specifically, the corresponding units at the General Directorate for International Economic Relations which counts with human resources with analytical capabilities.

Ideally, aid policy should be led by a cabinet minister, as happens in the UK or Germany, instead of by a secretary of state. It would be worthwhile not only because of the large ODA resources to be managed but also because it would improve coherence within aid policy and coherence between other policies that also impact on development. However, creating a new ministry would be difficult in a time of crisis. Thus, as an intermediate step, the next best option would be to maintain the same level that the State Secretariat for International Cooperation has, providing: (a) it has clear support from the Prime Minister and the Minister for Foreign Affairs and International Cooperation; (b) it develops a strong development policy and, hence, dialogue and influence on other ministries; (c) it is allowed to strengthen human and institutional resources; and (d) it concentrates aid budget at present scattered in different ministries and units. In this case, Spain would be closer to the Swedish model, one of the most advanced donors, where there is no ministry of development but a state secretariat with a strong development commitment.

3.2 Will Spain recruit high-quality people into the aid bureaucracy?

Every four years the AECID signs a Management Contract with the government (as it will be seen in subsection 4.7.2) which includes its objectives and the human and economic resources needed to achieve them. The next AECID Management Contract could reflect any number of new staff positions, including senior officials, such as civil servants from the Public Administration and specialist staff from the development sector (NGOs, universities, international organisations, private sector), both in the AECID’s headquarters and abroad. Employees who are not civil servants can have a permanent or temporary contract according to the AECID’s Statute. However, there are some limitations: the AECID’s Statute establishes precisely which positions have to be filled by civil servants at headquarters for the management team: 16 out of a total of 22 (excluding the AECID’s director). Any change in these regulations needs a Cabinet Decree.

45 It will be necessary to move the units in charge of these matters from the MEH to the SECI, specifically the ones at the General Directorate for International Finance.

46 In fact, the Spanish Prime Minister has restructured the state, abolishing two ministries in 2010 and incorporating their functions in other ministries.

47 The Netherlands case is mixed: the Minister of International Cooperation is a cabinet minister, yet at the same time is under the Minister for Foreign Affairs’ responsibility.

AECID’s Statute: www.aecid.org.ar/info_documentacion/Estatuto2.pdf

49 Establishing a civil servant majority in the management team is a requirement of the law which regulates state agencies. See: http://noticias.juridicas.com/base_datos/Admin/l28-2006.html (accessed 18 December 2010).
Having said that, there are reasons to suggest it will be unlikely that the SAS will recruit high-quality people into the aid bureaucracy at headquarters in the near future beyond some isolated cases and although there are some valuable people working there at present, unless there was political pressure from the development sector within the government and the support of the Prime Minister, which also is unlikely. The reasons are the following: (a) government measures to deal with the deficit include severe restrictions on new employment in the public sector until 2013;\(^{50}\) (b) the AECID’s Management contract is formally approved by three ministers: Economy and Finance, Public Administration, and Foreign Affairs and International Cooperation. It means that new positions at AECID headquarters and the level of their wages must be agreed in previous negotiations with the ministries (i) in charge of controlling public expenditure, (ii) interested in promoting civil servants careers – instead of flexible contracts in state agencies, and (iii) inclined towards controlling aid policy and institutions from the diplomatic corps.

Fortunately, the situation is different at AECID’s offices abroad, where most of the employees are not civil servants and where it is possible to hire local professionals, although the number of positions and their salary level has also to be negotiated and agreed in the Management Contract. However, the ministries already mentioned in charge of the Management Contract are less worried about AECID’s positions abroad, as approving these positions has not set a precedent for other state agencies and ministries in Madrid.

The next subsection reviews Spanish aid players.

### 3.3 Main actors in the Spanish development system

Figure 3.2 shows the main actors in the Spanish public development system. The following pages focus on their functions and interests, their formal relations to each other and their importance in total ODA.

#### 3.3.1 Parliament

Parliament passes laws following debates on the bills sent by the government, including the Law for International Cooperation for Development.\(^{51}\)

It is important to note that, in Spain, governments usually need votes and support from more than one political party in Parliament, as no single party has a majority. It does not matter which party is in government – Conservatives (PP) or Socialists

\(^{50}\) See: www.la-moncloa.es/ConsejoDeMinistros/Referencias/_2010/refc20100520.htm - PlanMedidas (accessed 18 December 2010).

\(^{51}\) There are five main laws related to international cooperation in Spain: (i) the Law for International Cooperation for Development (1998); (ii) the Law for the States Agencies (2006), which applies to the AECID; (iii) the law which regulates the Fund to Support Development (Fondo de Ayuda al Desarrollo – FAD); (iv) the law which regulates the management of the external debt (2006); and (v) the Budget Law, on an annual basis, which each year includes the ODA level for the next year. In addition, Parliament is considering (in 2010) two new bills which the government has sent to substitute for the law which regulates the FAD: the Fund to Promote Development (Fondo para la Promoción del Desarrollo – FONPRODE) and the Fund for the Internationalisation of Companies (Fondo para la Internacionalización de la Empresa – FIEM) (Congreso de los Diputados 2009).
(PSOE) – minorities, such as the left-wing Izquierda Unida and the nationalist groups from the Basque Country and Catalonia, will demand more agreements. This applies both to rules in legislation calling on the government to send information to Parliament and, also, in putting questions to ministers and secretaries of state (junior ministers) who are involved in international cooperation when they have to appear in Parliament to account for their responsibilities.

The former implies more transparency. Two examples: (a) according to the External Debt Law, government has to send to Parliament and also to the Cooperation for Development Council (where civil society participates) not only the external debt management strategy and policy but also exhaustive data including its composition, individual countries' debt to Spain and the Spanish position within the Paris Club; and (b) there is an active Commission for International Cooperation in Parliament formed by MPs, which has a legislative character, and there is a consensus among political groups on inviting NGO representatives to assist when the members of government have to appear.
3.3.2 Government

In addition to the approval of the bills which are sent to Parliament to be debated, the Cabinet approves: (a) the Master Plan for International Cooperation (every four years) and the corresponding annual plans – Plan Anual para la Cooperación Internacional (PACI); (b) debt relief; (c) the disbursements related to the Fund to Support Development (Fondo de Ayuda al Desarrollo – FAD); and (d) other important rules for the aid system, such as the Statute for the AECID, the Management Contract for the AECID every four years,\(^\text{52}\) and the Statute for expatriates.

3.3.3 Ministry of Foreign Affairs and International Cooperation (MAEC)

Within the Ministry for Foreign Affairs and International Cooperation (Ministerio de Asuntos Exteriores y de Cooperación Internacional – MAEC) it is necessary to distinguish between the Secretariat of State for International Cooperation and the two Secretariats of State for Foreign Affairs and for Latin America.

3.3.4 State Secretariat for International Cooperation (SECI)

From its authority the SECI is the unit in the Spanish public administration which, has to speak on behalf of development to the government. Moreover, the SECI has to worry about Spanish interests in the long term, linked to a more sustainable and stable world, where poverty and underdevelopment will have been substantially reduced.

Among SECI responsibilities are aid policy coordination and drawing up the Master Plan for Spanish International Cooperation, the annual plans (PACIs), and the geographical and sector strategies that Cabinet will approve. The SECI is also charged with dealing with the assessment of aid policy and the effectiveness of international cooperation programmes and projects. The SECI also deals with the Spanish participation in international organisations related to development (the DAC, EU committees, etc.) and events, such as the UN summits on the MDGs and development. The junior minister in charge of the SECI is also the President of the AECID’s Board of Directors.

In addition, the SECI is in charge of most ODA assigned to the MAEC, which came to €2.4 billion in 2008 (including the AECID budget) – more than 50 per cent of total Spanish ODA – and which is expected to reach €2.7 billion in 2010 (Table 3.1).

It is worth noting that MAEC ODA was multiplied 4.8 times in real terms – at constant prices – during the former legislature,\(^\text{53}\) which increased the MAEC share in total Spanish ODA from 19.2 per cent in 2004 to more than 50 per cent in 2008 (Table 3.1). It is, without doubt, one of the major changes in the SAS in recent years and it has a clear implication: from now, the MAEC has not only essential powers related to aid, as Spanish law states, but also an important percentage of ODA budget, compared to a few years ago. The MAEC can make no excuses if there is a lack of improvement in aid effectiveness.

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\(^{52}\) The Management Contract for the AECID is approved by a Combined Order of Finance, Public Administration, and Foreign Affairs and International Cooperation ministries. Although its duration has been stipulated for four years, the first one will be in force for just one year (July 2009 – June 2010).

\(^{53}\) MAEC ODA reached €2.245 million in 2008, up from €471 million in 2004 at 2007 prices.
Both Secretariats were merged into one office in September 2010, called State Secretariat for Foreign Affairs.

See Annex 5.2.

ODA delivered by the SAS between 2005 and 2007 to a total of 125 countries shows that, in 75 of them, it was less than one per cent of the total ODA received by them from DAC countries (Larru 2009).

### Table 3.1 Spanish aid system main actors and their share of total ODA

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2008</th>
<th>2010 (planned)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount (€ mn)</td>
<td>%</td>
<td>Amount (€ mn)</td>
</tr>
<tr>
<td>Central government</td>
<td>1672.6</td>
<td>84.2%</td>
<td>4139.0</td>
</tr>
<tr>
<td>MAEC</td>
<td>381.9</td>
<td>19.2%</td>
<td>2446.0</td>
</tr>
<tr>
<td>(of which AECID)</td>
<td>275.1</td>
<td>13.9%</td>
<td>922</td>
</tr>
<tr>
<td>MEH</td>
<td>1004.4</td>
<td>50.6%</td>
<td>1402.1</td>
</tr>
<tr>
<td>Trade</td>
<td>190.3</td>
<td>9.6%</td>
<td>198.1</td>
</tr>
<tr>
<td>Others</td>
<td>96.0</td>
<td>4.8%</td>
<td>92.8</td>
</tr>
<tr>
<td>Regional governments</td>
<td>221.2</td>
<td>11.1%</td>
<td>464.7</td>
</tr>
<tr>
<td>Local governments</td>
<td>91.1</td>
<td>4.6%</td>
<td>148.8</td>
</tr>
<tr>
<td>Universities</td>
<td>9.5</td>
<td>0.2%</td>
<td>9.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1985.0</td>
<td>100.0%</td>
<td>4761.8</td>
</tr>
</tbody>
</table>

Note: ODA through NGOs 346.8 17.5% 635.9 13.3% 693.9 13.1%

Source: Data from MAEC PACI (2010) and MAEC PACI-Seguimiento (2004 and 2008).

### 3.3.5 State Secretariat for Foreign Affairs and State Secretariat for Latin America

Within the MAEC the State Secretariats for Foreign Affairs and for Latin America have had an ambiguous interest in the SAS. On the one hand, they have been very proud of the new aid policy, as it is recognised that the MAEC has increased its budget, carried more weight within the government and, probably, has more prestige from the public in general. In addition, Spain has also achieved more international prestige as the new aid policy has improved its position among donors and international organisations.

Having said that, two reasons make it difficult for the ‘other side’ within the MAEC (that is, the foreign affairs or non-development side) to move forward on the ODA effectiveness improvement process:

- First, they face difficulties in accepting that aid policy should be a factor, among others, in defining foreign policy instead of an instrument or a tool they can use to benefit foreign policy. This important issue has key implications: the first one is the huge number of developing countries where the SAS is involved. Thus, although the Master Plan 2009–12 has selected 50 Spanish ODA countries the SAS allocated ODA to more than a hundred countries each year since 2001, including those where aid receipts from SAS were very small in comparison with other donors. That situation, which comes from foreign policy desires for ‘visibility’ and
Acharya, Fuzzo de Lima and Moore (2006) described the scope and the adverse effects of proliferation and fragmentation – different types of transaction costs – and discussed the motivations and initiatives to solve the problems around them. Knack and Rahman (2007) tested the hypothesis that aid undermines the quality of governance bureaucracy more severely in recipient countries where aid is fragmented among more donors and provided empirical evidence suggesting that competitive donor practices erode administrative capacity in recipients as they act to maximise performance of their own projects, ignoring the fact that the human and organisational provision of the public sector is essential for development.

Table 3.2 Net Spanish ODA by modalities

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount $ mn</td>
<td>%</td>
<td>Amount $ mn</td>
</tr>
<tr>
<td>Multilateral ODA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions to EU</td>
<td>1432</td>
<td>30.1%</td>
<td>1347</td>
</tr>
<tr>
<td>Contributions to IFIs</td>
<td>719</td>
<td>15.1%</td>
<td>721</td>
</tr>
<tr>
<td>Contributions to international organisations no IFI</td>
<td>373</td>
<td>7.8%</td>
<td>320</td>
</tr>
<tr>
<td>Bilateral ODA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions to EU</td>
<td>3330</td>
<td>69.9%</td>
<td>3932</td>
</tr>
<tr>
<td>Loans and microfinance</td>
<td>258</td>
<td>5.4%</td>
<td>317</td>
</tr>
<tr>
<td>Net loans – Trade tranche</td>
<td>191</td>
<td>4.0%</td>
<td>214</td>
</tr>
<tr>
<td>Microfinance</td>
<td>66</td>
<td>1.4%</td>
<td>103</td>
</tr>
<tr>
<td>Net loans – MAEC tranche</td>
<td>555</td>
<td>10.5%</td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants to international organisations</td>
<td>1353</td>
<td>28.4%</td>
<td>1341</td>
</tr>
<tr>
<td>Debt relief</td>
<td>237</td>
<td>5.0%</td>
<td>186</td>
</tr>
<tr>
<td>ODA through NGOs</td>
<td>636</td>
<td>13.3%</td>
<td>948</td>
</tr>
<tr>
<td>Programmes and projects</td>
<td>847</td>
<td>17.8%</td>
<td>1139</td>
</tr>
<tr>
<td>TOTAL NET ODA</td>
<td>4762</td>
<td>100.0%</td>
<td>5280</td>
</tr>
</tbody>
</table>

Source: Data from MAEC PACIs (2009 and 2010) and MAEC PACI Seguimiento (2008). Data for 2008 is real expenditure; data for 2009 and 2010 is planned.

‘presence’, is not in line with what is suggested in aid effectiveness literature and in the Declaration of Paris. The second implication is expenditures have been barely linked to development objectives sometimes. For example, in 2008, the MAEC was questioned by civil society and opposition MPs about €0.5 million from the FAD which funded the decoration of a ceiling, designed and created by a famous Spanish artist, in the UN’s Geneva headquarters. It was an interesting and ‘visible’ project: the ceiling was in the Human Rights Committee Headquarters; it was not a large amount of money or an ‘illegal’ activity, as FAD law allows this type of disbursement; and it was not counted as ODA. However, this foreign-affairs-oriented decision reduced the FAD amount available for other issues more closely related to development and for that reason it was fairly questioned.

Second, diplomats from the foreign affairs side are often appointed as senior officials at the headquarters of the SAS in Madrid, bypassing or leapfrogging

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57 Acharya, Fuzzo de Lima and Moore (2006) described the scope and the adverse effects of proliferation and fragmentation – different types of transaction costs – and discussed the motivations and initiatives to solve the problems around them. Knack and Rahman (2007) tested the hypothesis that aid undermines the quality of governance bureaucracy more severely in recipient countries where aid is fragmented among more donors and provided empirical evidence suggesting that competitive donor practices erode administrative capacity in recipients as they act to maximise performance of their own projects, ignoring the fact that the human and organisational provision of the public sector is essential for development.
other qualified civil servants and experts. This has three negative consequences: (a) lack of expertise in the SAS, as Spanish diplomats are too often ‘general practitioners’; (b) frustration for the rest of the SAS staff, as their professional careers often hit a glass ceiling; and (c) too high a turnover of team leaders, as diplomats have huge incentives – in wages and status – to return to work abroad at embassies as soon as possible.

In summary, the MAEC will have to deal with and correct this situation. Otherwise, claims for a new development ministry separate from the MAEC will be successful in the near future.

### 3.3.6 Ministry of Economy and Finance (MEH)

The government includes in the bill of the Budget Law the amount of ODA for the next year, which is a big issue for debate within the government, as increasing aid is always evaluated as inappropriate by the MEH.

It is important to take account of the reasons because this has become a serious issue. First, senior officials from the MEH will be opposed to any proposal related to new ODA expenditure because these increase the budget deficit, whereas there is a commitment within the Euro countries in the European Union to balance the budget – the so-called ‘Stability Agreement’. The second reason is that, in contrast to the rest of the budget expenditure, which is allocated within the country and, therefore, increases the internal aggregate demand and investment, aid disbursements are mainly spent abroad, increasing opportunities for local and foreign players but not necessarily for Spanish companies.58

There are, however, three increases in ODA which are welcomed by the MEH: (a) loans, including microfinance, as they are considered assets and, hence, do not count as budget deficits;59 (b) quotas and contributions to international finance institutions (IFIs), as they are also considered assets; and (c) as the lesser of two evils, debt relief, as it does not imply new disbursements and so it does not increase deficit – except in accounting terms.

The MEH is a critical player in the SAS not only for the decisive impact its budget proposals have on it, but also for another three reasons:

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58 From my experience I have to say that the senior officials at the State Secretariat for Finance consider themselves responsible for the Treasury and will undermine even the Cabinet or the Prime Minister’s decisions related to aid increases whenever possible. More than once my colleagues and I have heard senior officials from the State Secretariat for Finance saying something along the lines of: ‘we understand that the President has to make promises in many fields such as aid, education, research and development or infrastructure, but we are the ones who know what it is actually possible to spend. That is our mission’.

59 The MEH especially welcomes the Trade tranche of the FAD, which ties aid to Spanish sales of goods and services. It is useful to clarify that the FAD has three different sections or tranches: (a) Trade, linked to the sale of Spanish goods and services (headed by the State Secretariat for Trade); (b) International Cooperation , which is not tied, funding contributions on a voluntary basis to international organisations (UN) and global funds (headed by the State Secretariat for International Cooperation ); and (c) the State Secretariat for Economy, mainly used to fund mandatory contributions and also voluntary-based contributions to IFIs. There is a Commission at inter-ministerial level (Figure 3.2) in charge of approving the proposals before these go to the Cabinet for formal approval.
1. The MEH is in charge of external debt management, in total €8.5 billion, the official debt that developing countries have borrowed from Spain. Thus, the MEH is also in charge of debt relief.60

2. The MEH is responsible for quotas and contributions to IFIs, both mandatory and voluntary, which reached €373 million in 2008,61 and for funding the European Union Development System (both through the European budget and the European Fund for Development), which accounted for €719 million in 2008 and are expected to reach €821 million in 2010 (Table 3.2).

In total the MEH was responsible for ODA disbursements of €1.4 billion in 2008, which represented 29 per cent of total Spanish ODA, and it is expected to be in charge of €1.5 billion, 28.5 per cent of total Spanish ODA, in 2010 (Table 3.1).

3. The MEH has an essential role, combined with the Ministry of Public Administration, in deciding the number of staff and senior officials – public servants – allocated to each public institution and the contractual modalities allowed which, as will be pointed out in Section 4.7, become a crucial question at the time of the development system reform.

The reasons for encouraging ODA, such as development, poverty reduction, the interdependence between developed and developing countries and the need to increase the provision of public global goods, do not easily impress the MEH. It does not disagree with the ODA aims but argues that: (a) it has another essential mission which is contrary to ODA increases: to balance the budget; (b) it distrusts on aid effectiveness, trusting only in good policies in developing countries, international trade and private investment to achieve development purposes; and (c) it does not think overseas development is the duty of Spain, as an intermediate power, at least not with the huge financial effort and commitment required.

### 3.3.7 State Secretariat for Trade

The Ministry of Tourism, Trade and Industry, through the State Secretariat (SE) for Trade, occupies the third position within the government in the SAS according to ODA amount. SE for Trade is in charge of the FAD Trade tranche which amounted to €192 million in 2008 and which is expected to exceed €200m in 2009–10 (see Table 3.1 and Table 3.3).

ODA from the SE for Trade is not a huge amount and represents a declining percentage in total ODA: from 7.8 per cent in 2004 to 4 per cent in 2008; a similar percentage is expected in 2009–10 (Table 3.3). However, the for Trade’s role within the SAS should not be underestimated, as (a) it is in charge of larger amounts of concessional loans, as it also allocates reimbursements from past loans, which implies that gross disbursements from the SE for Trade exceeded

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60 The official debt that developing countries owe to Spain has two main components: (i) the FAD, which counts as ODA, as its lending conditions are better than those from the financial markets; and (ii) the failed insurance from the Spanish Export Credit Insurance Company (CESCE).

61 Quotas and contributions to IFIs are expected to reach €415 mn in 2010 including €344 mn on a mandatory basis (see row ‘contributions to IFIs’ in Table 3.2) and €86 mn on a voluntary basis (included in the item ‘Grants to international organisations’).
Spanish ODA/GDP would be almost 0.03 per cent less without the FAD Trade tranche, jeopardising Spanish international commitment as donor.


'OECD consensus' states that: 'Tied aid policies should... contribute to developmentally effective use of these resources' (OECD 1978).

€340m in 2008 and will rise to above an annual €400 million in 2009–10 (Table 3.3); and (b) projects funded from the SE for Trade count as ODA and therefore are important to achieve the Spanish ODA/GDP objectives.62

However, there is clearly a conflict of interest between the SE for Trade and the development sector. On the one hand, as Spain has a huge international commercial deficit –10 per cent GDP in 2007 – the SE for Trade pursues a policy of maximising the amount under its responsibility for promoting Spanish exports. This implies, from its point of view, tying loans to sales of Spanish goods and services. In addition, as has been said, this is an ODA modality which is welcomed in the MEH. On the other hand, the ‘OECD consensus’ – which has become law for EU countries in this respect63 – states that the main purpose of tied ODA has to be development.64 Furthermore, from the point of view of the development sector, tying aid to the employment of donor-country contractors has two inconveniences for recipient countries: (a) it reduces its real value by between 15 per cent and 30 per cent according to the OECD (in general, not for the Spanish case); and (b) it can undermine the recipient country’s efforts on productivity, as tied loan expenditures are allocated to donor countries’ companies and pursue the promotion of their own set of industries.

The Spanish Parliament is considering at present (2010) a new Bill regulating the FAD. If the new law declares – as the one currently in force does – that the main purpose of the FAD Trade tranche is the internationalisation of Spanish companies, it would be difficult to deliver tied concessional loans and count them as ODA as, according to OECD consensus, they should be used for development purposes. Another scenario is those concessional loans being disbursed for development purposes and counting as ODA. But in that case, the MAEC and the SECI should participate in the decisions related to loans allocation, which is not the scenario preferred by the SE for Trade. The best solution is simply to not consider the FAD Trade tranche as ODA.

Table 3.3 Concessional loans (FAD State Secretariat for Trade tranche), selected years.

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2008</th>
<th>2009*</th>
<th>2010*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross disbursements</td>
<td>318</td>
<td>348</td>
<td>405</td>
<td>417</td>
</tr>
<tr>
<td>Reimbursements</td>
<td>-139</td>
<td>-156</td>
<td>-191</td>
<td>-186</td>
</tr>
<tr>
<td>Net loans (ODA)</td>
<td>179</td>
<td>192</td>
<td>214</td>
<td>231</td>
</tr>
<tr>
<td>% net loans/total ODA</td>
<td>7.8%</td>
<td>4.0%</td>
<td>4.1%</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

* = planned

Source: Data from MAEC PACI (2009 and 2010) and MAEC PACI-Seguimiento (2004 and 2008).

62 Spanish ODA/GDP would be almost 0.03 per cent less without the FAD Trade tranche, jeopardising Spanish international commitment as donor.

63 Decision of the Council 4 April 1978.

64 ‘OECD consensus’ states that: ‘Tied aid policies should... contribute to developmentally effective use of these resources’ (OECD 1978).
3.3.8 Regional governments

Regional governments have had an important role in the Spanish aid system. They disbursed 9.8 per cent of the ODA in 2008, as Table 3.1 shows. In addition, ODA from regional governments doubled from €221 million in 2004 to €464 million in 2008 (Figure 3.3).65

ODA from regional governments offers some advantages but also some challenges. On the one hand, it means (a) more resources to be allocated in developing countries; and (b) the possibility of achieving a stronger commitment from citizens to development and poverty challenges and, hence, an improvement in their knowledge and solidarity, as regional governments are closer to the people than the national government. On the other hand, the biggest challenge is avoiding poor donor coordination, multiplicity of donors and the aid fragmentation which 17 regional governments in Spain could provoke. It is a real risk, as several of them have established their own development agencies and some of them have expressed an interest in opening their own offices abroad, which means, once again, visibility and presence taking precedence over aid effectiveness.

There are some institutions for coordinating the national government and regional governments, such as (a) the Inter-Territorial Commission for Cooperation for Development (see Figure 3.2), which includes all the regional governments as members and which participates in the approval of the Master Plan for International Cooperation for Development and annual plans; (b) the Sector Conference on Cooperation for Development, established at the highest level (ministries in charge of aid from central government and regional governments) in 2009; and (c) a ‘stable mechanism of coordination’ which was approved in the Master Plan 2009–12, in force at present, encouraging different SAS players to coordinate in the field in all priority countries. However, they will not be enough to avoid the risks already mentioned unless additional measures, such as an aid effectiveness agenda agreed between regional governments, are put in place.

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65 ODA from regional governments multiplied 1.6 times between 2004 and 2008 at constant prices.
3.3.9 Non-governmental organisations

Data from 2007 from 87 NGOs and 16 coordinating committees from regional ‘autonomies’, all of them members of the Spanish NGO Coordinating Committee (CONGDE), show the weight NGOs have in the SAS. The figures (from CONGDE Report 2008) show: (a) supporters totalling 750,000 people (regularly, not occasionally); (b) a staff of 5,000; (c) 25,000 volunteers; and (d) a budget of €670 million revenues, of which 55 per cent came from public funds and 45 per cent from private funds, and €645 million expenditures.

The sector as a whole – not all NGOs are involved in the CONGDE – channelled a total of 14 per cent of ODA in 2007–08 (annual €600 million) and expect to reach 13 per cent in 2010 (Table 3.1). If private funds were added to the former, Spanish NGOs will probably be able to mobilise a similar amount of the AECID’s budget for development.

As with the regional governments, ODA channelled through NGOs shows some advantages and some challenges.

Looking at the advantages, it is worth emphasising NGOs’ (a) capacities to connect with citizens to raise public awareness about development in different ways, such as through campaigns such as ‘Zero Poverty’; (b) abilities involving citizens to put pressure on the government to increase aid quantity and quality, as it occurred with the ‘0.7 per cent’ campaign; and (c) major flexibility and agility – greater than bureaucracies – in reaching certain groups of poor people in developing countries through their activities.

However, NGOs face important challenges related to aid effectiveness. The first is donor multiplication, as there are a huge number of NGOs in Spain devoted to development: 89 of them are CONGDE members, but coordinating committees from regional ‘autonomies’ are made up of a further 500 NGOs. This is still a large number, even allowing for the fact that several of them are counted more than once, as they have local offices around Spain. Second, there are also a huge

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66 Including funds from local, regional and national government.

67 According to Fundación Carolina (2009) Barómetro, a survey carried out in Spain, 71 per cent of citizens agreed with a policy of international cooperation (76 per cent in 2008).
number of small projects promoted by NGOs: 5,800 projects were active in 2007, according to the 2008 CONGDE Report, taking place in more than 120 countries. As NGOs spent €487 million that year, this means an average of €83,000 was spent on each project. Transaction costs associated with these small projects must be high. Finally, assuming that one of the essential missions of NGOs is education for development and the raising of public awareness about development, the lack of money devoted to it is surprising: just 6 per cent of expenditure in this area in 2007 (Figure 3.4).

Without a doubt the Spanish NGOs have made a praiseworthy effort at solidarity. However, the former figures suggest that a huge amount of energy was invested in too many NGOs conducting too many projects in too many countries. Many NGOs risk spending more time and resources on their own maintenance and survival than on development activities. Thus, it is useful to consider if it is possible to reduce the presumably high transaction costs and improve aid effectiveness. For these reasons, promoting reforms related to concentration within the sector and strengthening coordination abroad are major challenges for Spanish NGOs.

It is necessary to point out that public institutions have significant responsibility in this situation. For example, the AECID allocated €236 million (25 per cent of its budget) to 226 NGOs in 2009, a huge number of organisations, of which 59 were funded by over €1 million and 166 were funded below that amount, meaning again small projects and fragmentation. Furthermore, the regional and local governments’ way of funding NGOs is probably more worrying from the point of view of discouraging donor multiplication, aid fragmentation and aid ineffectiveness.

Summarising this section, it can be seen that the Spanish Aid System has two sides. One side is the Ministry for Foreign Affairs and International Development (MAEC), which is in charge of more than 50 per cent of total Spanish ODA. In addition, MAEC is responsible for aid coordination and aid policy. However, there is another side in the Ministry for Economy and Finance (MEH), which is in charge of almost 30 per cent of total ODA, including debt relief and contributions to IFIs. Moreover, MEH is in charge of two essential matters for the SAS: (i) the annual budget proposal, which includes not only the total ODA amount but also the proposal on ODA distribution through different modalities (biased towards those which do not increase budget deficit); and (ii) taking decisions, jointly with the Ministry of Public Administration, on the number of staff – and senior officers – working in the SAS, as well as the types of contract allowed. The former suggests that the support from the MEH to the SAS is essential to improve aid effectiveness in Spain, which implies serious negotiation on these matters between the MAEC and the MEH, with the Prime Minister’s support, press and commitment behind them. Within the MAEC there are also two sides: the SECI and the State Secretariat for Foreign Affairs, of which the latter has had an ambiguous interest in the SAS and the international agenda on aid effectiveness.

68 The AECID launched a new instrument to fund qualified NGOs to correct this situation. The initial idea was to build associations between the AECID and the bigger and more recognised NGOs – the qualified ones – and decide jointly on the more useful activities. However, according to the statement of the Secretary of State for International Cooperation in Parliament on 13 April 2010, 42 NGOs have been recognised as qualified until April 2010, again a huge number.
Clarification of this situation is required or claims for a new development ministry, separate from MAEC, will be put in place in the near future. On the other hand, a huge effort to coordinate national and regional governments and also to reform NGO concentration and coordination is strongly needed.

4 Spanish aid policy: an assessment

This section analyses changes that the Spanish aid system has experienced in improving its effectiveness and the challenges that still remain. It focuses on six issues which are closely related to aid effectiveness: (i) aid objectives, a prerequisite for aid effectiveness; (ii) sector distribution; (iii) geographical allocation, including geographical concentration; (iv) aid composition; (v) other issues related to aid effectiveness, including planning process, SAS domestic coordination, communication and education for development and research on development; and (vi) institutional reforms.

4.1 Clarifying aid objectives

The Spanish government has been very clear about aid policy objectives, as former and current Master Plans (2005–08 and 2009–10) illustrate: they are poverty reduction, peace building and promoting human and sustainable development. These Master Plans end with ambiguities from other legislatures when development objectives were mixed with other objectives, such as cultural promotion, or when it was stated that ‘aid policy responds to the same guidelines as foreign policy’. The new Socialist government clearly delimited the border between foreign and aid policies, at least theoretically.

The former and current Master Plans are also clear in placing the MDGs at the core of the SAS objectives and, on the other hand, referring to the Association for Development Strategy encouraged by the DAC, as the better way to move the coordination between donors and partners forward. It was the strategy which resulted in the Paris Declaration in 2002 and in the Accra Action Agenda in 2008. Thus, the SAS has now defined clearer objectives closely linked to developing countries’ interests and the way to move closer to them.

69 Although this paper will not deal with Policy Coherence for Development (PCD), which is a very important issue related to development, it is worth mentioning that according to the 2009 Commitment to Development Index (CDI), worked out at the Center for Global Development (2009) (www.cgdev.org/cdi), Spain ranks 7 out of 22 of the world’s richest countries on their dedication to policies related to development. In addition, Spain’s Commitment to Development Index improved more than any other country’s between 2003 and 2009: 1.4 points in total. (The CDI ranks countries on seven themes: aid quantity and quality, openness to developing country exports, policies that influence investment, migration policies, stewardship of the global environment, security policies and support for the creation and dissemination of new technologies.) On the other hand, the 2010 Spanish Council for Cooperation for Development Report on Policy Coherence for Development and Measures against Financial and Economic Crises has pointed out the fields where PCD can be improved, including the Spanish international trade position within the EU and immigration policy (Consejo de Cooperación para el Desarrollo 2010).

However, these important decisions do not end some of the dilemmas that the SAS, like many other donors, has to face in order to clarify objectives. An important one is related to the differences between ‘poverty reduction’ and ‘development promotion’. Although they are linked they are not entirely the same. It is not possible to go more deeply into this in this paper, but it is worth stopping to look at one of its implications. Should the SAS emphasise supporting social sectors which are related to the MDGs – education, health, etc. – or should it promote growth with the same or similar intensity? It is an important question because growth – ‘inclusive growth’ – is necessary to achieve sustainable poverty reduction, and to avoid a turning back on progressing (or on achieving) the MDGs in the future.71

The SAS has moved quickly towards poverty reduction: whereas its support of social infrastructures and services represented 54 per cent of the total aid sector allocable on average in 2003–04, it rocketed to 65 per cent on average in 2007–08 (Table 4.1). It is worth noting that the item ‘social infrastructures and services’ includes governance, a crucial issue in development, in which the SAS has been very active.72 In contrast, investments in economic infrastructure and productive sectors, altogether, decreased sharply from 34 per cent of total aid sector allocable to 21 per cent in the same period (Table 4.1). This was not the case for DAC countries on average, which maintained the same support to productive sector and economic infrastructure at around 31 per cent during that period (Table 4.1).

In summary, after the SAS clarified its aid objectives, which meant a significant advancement, a deeper debate on the ideal equilibrium in sector allocation is still required. So, it seems useful to go more deeply into the Spanish ODA sector allocation. That will be discussed in the following subsection.

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71 It is a question which has emerged within other development systems, including The Netherlands’ (WRR 2010). See also Whitfield (2009).

72 The SAS devoted on average 17 per cent of total Spanish ODA to governance in 2007–08 (Annex 4).
The 20 per cent share comes from a commitment adopted at the Copenhagen Social Development Summit in 1995. Donors and partners agreed to allocate, on average, both 20 per cent of ODA and 20 per cent of domestic budget to basic social programmes – for this reason it is called the ‘20:20 Commitment’. The indicator used to assess achievements in this area is the share of ODA devoted to basic social services out of gross bilateral ODA in the sector specified.

PACI 2010 does not offer estimations of traditional percentage basic social services/gross bilateral sector-specified ODA, but offers estimate of percentage basic social services/gross sector-specified ODA.

### 4.2 Sector distribution

Beginning with the basic social services’ share of Spanish ODA – referring to primary health and education, and water and sewage treatment – former and current Master Plans (2005–08 and 2009–12) have stated that 20 per cent of Spanish gross bilateral ODA must be allocated to basic social services.\(^{73}\)

As Table 4.2 shows, the SAS achieved that objective in 2008, when the basic social services share reached 24.7 per cent of gross bilateral ODA specified by sector. It would not be difficult after the huge effort made in social sectors in general, as was seen in subsection 4.1. If there is a concern here it is that the 20:20 Commitment will be surpassed by too much by the SAS, rather than the SAS being unable to fulfil the commitment. In fact, the share of ‘basic social services/total gross sector-specified ODA’ is expected to reach 40 per cent in 2010.\(^{74}\) Again, it seems necessary for the Spanish government to review the SAS specialisation.

Turning back to disaggregated data on sector distribution, there are several issues which should be reviewed:

- The first issue is the low weight given to communications in economic infrastructure, as Annex 4 shows: only 0.3 per cent of total sector-specified ODA is planned in 2010, whereas communications are essential to the contemporary world and Spain is well positioned within it.

- The second issue is related to production sectors: Spain is well prepared to offer developmental support in matters such as fishing or trading, whereas these sectors are planned to account for less than 1 per cent of total Spanish sector-specified ODA in 2010 (Annex 4). Perhaps the case of tourism is the most illustrative: its share is expected to be 0.2 per cent of total sector-specified ODA in 2010 in spite of the fact that Spain is a superpower in tourism. Nevertheless, renewed support for agriculture, which will increase from some 4 per cent of total aid sector allocable in recent years to 9 per cent in 2010, must be applauded (Annex 4).

\(^{73}\) The 20 per cent share comes from a commitment adopted at the Copenhagen Social Development Summit in 1995. Donors and partners agreed to allocate, on average, both 20 per cent of ODA and 20 per cent of domestic budget to basic social programmes – for this reason it is called the ‘20:20 Commitment’. The indicator used to assess achievements in this area is the share of ODA devoted to basic social services out of gross bilateral ODA in the sector specified.

\(^{74}\) PACI 2010 does not offer estimations of traditional percentage basic social services/gross bilateral sector-specified ODA, but offers estimate of percentage basic social services/gross sector-specified ODA.

<table>
<thead>
<tr>
<th>Year</th>
<th>Basic social services/gross bilateral ODA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>19.10%</td>
</tr>
<tr>
<td>2004</td>
<td>17.40%</td>
</tr>
<tr>
<td>2007</td>
<td>18.70%</td>
</tr>
<tr>
<td>2008</td>
<td>24.70%</td>
</tr>
</tbody>
</table>

Source: Elaborated from each year’s MAEC PACI data.
The third issue is environment. Environment protection will drop from 5 per cent of total sector-specified ODA on average in 2007–08 to 3.2 per cent (Annex 4), which is difficult to explain in a world increasingly threatened by climate change.

The SAS seems to be getting involved in a change, planning to allocate to production sectors and economic infrastructure 28 per cent of total aid sector allocable in 2010 (Annex 4) up from 24 per cent on average in 2007–08. Particularly interesting is the mentioned increase planned for agriculture. However, a review of aid sector allocation is still needed. This review should allow rational decisions to be taken on how the SAS could improve its specialisation and add value to the international development system rather than increasing sectors where Spain would get involved. The review will have to take into account at least three elements: first, the added value which Spain can contribute to development. Second, the sector and country specialisation that should come into force among donors, according to the Paris Declaration, the AAA and the EU ‘Behaviour Code’ (EU Code of Conduct on Division of Labour in Development Policy). Finally, it is necessary to research further the equilibrium required between social and production sectors. In the 1960s and 1970s there was a bias towards investment in production, forgetting social and equality matters. It is necessary to avoid the aid pendulum going to the other extreme nowadays. A new and reasonable equilibrium will have to be found.

### 4.3 Geographical allocation

The SAS distributed €1.5 billion to Latin America in 2008, which accounted for 31 per cent of total gross ODA that year. Sub-Saharan Africa occupied the second place for the SAS: €1 billion and 22 per cent of total gross ODA. The SAS devoted €0.6 billion to Mediterranean countries, including North Africa and the Middle East, 11 per cent of total gross ODA. Asia-Pacific represented 11 per cent and Europe (particularly ex-Yugoslavian countries and Turkey) 5 per cent. The remaining 20 per cent was unspecified.

It is interesting to analyse the evolution of these figures over the last few years. Unfortunately, comparisons are not trustworthy as there are major differences in the specified allocations each year out of the total (Tables 4.3 and 4.4). However, it is possible to identify some clear trends. The first is that Latin America and the

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**Table 4.3 Spanish gross bilateral ODA geographical allocation**

<table>
<thead>
<tr>
<th>Gross bilateral ODA</th>
<th>2003–04</th>
<th>2007–08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America and Caribbean</td>
<td>46%</td>
<td>38%</td>
</tr>
<tr>
<td>Mediterranean countries</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>12%</td>
<td>8%</td>
</tr>
<tr>
<td>Europe</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Unspecified</td>
<td>7%</td>
<td>23%</td>
</tr>
<tr>
<td>Gross bilateral ODA</td>
<td>100 = €1.2 bn</td>
<td>100 = €3.1 bn</td>
</tr>
</tbody>
</table>

Source: Author’s calculation from MAEC PACIs data.
Mediterranean countries, which have been the traditional priority regions for the SAS, are losing relative weight in the Spanish ODA allocations. As Table 4.3 shows, Spanish bilateral aid to Latin America decreased in relative terms from 46 per cent on average in 2003–04 to 38 per cent in 2007–08 and the share of Mediterranean countries also dropped from 15 per cent to 12 per cent in the same period – although the reductions for both regions must have been less than this when the rise in unspecified amount is taken into account (it was 23 per cent in 2007–08 and 7 per cent in 2003–04). At this point, it is useful to consider the evolution in financial amounts: Spanish bilateral aid to Latin America increased from €0.5 billion on average in 2003–04 to €1.5 billion in 2008, while Spanish bilateral aid to the Mediterranean countries rose from €0.2 billion to €0.6 billion in the same period.

The second clear trend is the unquestioned increase in ODA devoted to sub-Saharan Africa: it increased from 14 per cent of Spanish bilateral aid in 2003–04 to 15 per cent in 2007–08, although the rise must be much greater than that for the reason already mentioned.

Analysing the Spanish gross ODA planned for 2010, the same conclusions are obtained. Latin America will lose share, again relatively speaking, from 29 per cent on average in 2007–08 to 23 per cent planned for 2010, while Mediterranean countries will drop their share from 11 per cent to 8 per cent in the same period (Table 4.4) – again, both reductions will actually be less, as the unspecified allocation in 2007–08 (25 per cent) was smaller than the one estimated for 2010 (36 per cent). On the other hand, sub-Saharan Africa will increase its share from 21 per cent of Spanish total gross ODA on average in 2007–08 to 24 per cent in 2010, overtaking Latin America. In financial terms, Spanish ODA to sub-Saharan countries will reach at least €1.3 billion in 2010, an amount several times greater than it was when the Socialist government won the elections in 2004.75

The new stress on sub-Saharan Africa from the SAS is according to the Master Plans approved by the government, both the 2005–08 plan and the plan for 2009–12. The former stated that at least 20 per cent of Spanish ODA had to be allocated to the LDCs, especially in sub-Saharan Africa, while the current Master

### Table 4.4 Spanish total gross ODA geographical allocation

<table>
<thead>
<tr>
<th>Gross total ODA</th>
<th>2007–08</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America and Caribbean</td>
<td>29%</td>
<td>23%</td>
</tr>
<tr>
<td>Mediterranean countries</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>21%</td>
<td>24%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Europe</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Unspecified</td>
<td>25%</td>
<td>36%</td>
</tr>
<tr>
<td><strong>Total gross ODA</strong></td>
<td><strong>100 = €4.4 bn</strong></td>
<td><strong>100 = €5.5 bn</strong></td>
</tr>
</tbody>
</table>

Source: Author’s calculation from MAEC PACIs data; 2010 data is planned.

75 It is not possible to be more precise about the mentioned increase, as figures for Spanish multilateral ODA geographical allocation in 2004 are not available.
The bilateral ODA percentage from DAC countries to the Mediterranean and Middle East increased from 10 per cent to 20 per cent in the same period, although the reasons for this are related to political circumstances which may disappear in the middle term.

In spite of the fact that Easterly (2007: 649) did not find evidence that ‘the political opportunity created by the end of the Cold War led to a de-emphasis of strategic considerations and more emphasis on the need of the recipient (measured according to their level of income)’, there has been a change in the last decade in donors’ behaviour as Table 4.6 shows.

<table>
<thead>
<tr>
<th>ODA allocation</th>
<th>Spain 2004</th>
<th>Spain 2008</th>
<th>Spain 2006–07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Least Developed Countries income</td>
<td>14%</td>
<td>24%</td>
<td>39%</td>
</tr>
<tr>
<td>Low income countries</td>
<td>19%</td>
<td>10%</td>
<td>24%</td>
</tr>
<tr>
<td>Low middle income countries</td>
<td>60%</td>
<td>58%</td>
<td>32%</td>
</tr>
<tr>
<td>High middle income countries</td>
<td>7%</td>
<td>9%</td>
<td>5%</td>
</tr>
<tr>
<td>Total specified gross bilateral ODA</td>
<td>100 = €1.07 billion</td>
<td>100 = €3 billion</td>
<td>100%</td>
</tr>
<tr>
<td>ODA unspecified</td>
<td>€180 million</td>
<td>€0.5 billion</td>
<td></td>
</tr>
</tbody>
</table>

Plan has raised that share to 25 per cent. This percentage was only 14 per cent in 2004 and it reached 24 per cent in 2008 (Table 4.5). It is important to note that the mentioned increase has been made at the expense of LICs rather than MICs, which should be reconsidered in future.

Increasing sub-Saharan African share of the total Spanish ODA has proved that the Spanish government has favourable intentions towards the poorest geographical regions. However, another important challenge the government will have to face is whether Spanish ODA should carry on the trend already mentioned or whether it should maintain a significant share for MICs – particularly LMICs – in Latin America and the Mediterranean (whereas maintaining ODA disbursements to HMICs, 9 per cent in 2008, as Table 4.5 shows, is more difficult to justify).

On the one hand, reasonable voices, including the so-called ‘like-minded’ donors, call for ODA to focus almost exclusively on LDCs, the poorest within the poor countries. Thus, according to the DAC, bilateral ODA from DAC countries to sub-Saharan Africa rose from 30 per cent in 2001–02 to 39 per cent in 2006–07, whereas the same figures for Latin America dropped from 14 per cent to 9 per cent. In addition, an average of almost two-thirds (63 per cent) of DAC bilateral ODA was allocated to LDCs and LICs in 2006–07 as shown in Table 4.6, whereas the SAS devoted 34 per cent to those countries in 2008.

However, on the other hand, once the Spanish ODA allocation to LDCs has been strengthened as mentioned, there are important reasons for also maintaining Spanish ODA to MICs and especially to LMICs, including: (i) 41 per cent of world poverty is located in MICs; (ii) MICs need support to maintain their achievements.

The bilateral ODA percentage from DAC countries to the Mediterranean and Middle East increased from 10 per cent to 20 per cent in the same period, although the reasons for this are related to political circumstances which may disappear in the middle term.

In spite of the fact that Easterly (2007: 649) did not find evidence that ‘the political opportunity created by the end of the Cold War led to a de-emphasis of strategic considerations and more emphasis on the need of the recipient (measured according to their level of income)’, there has been a change in the last decade in donors’ behaviour as Table 4.6 shows.
It does not mean that modalities and objectives from donors should be the same for different types of countries (see Collier 2007). International cooperation to MICs may focus on governance, strengthening institutions, social cohesion, international insertion – trade, technology, finances, etc. – rather than giving aid (see Alonso 2007).

4.4 Geographical concentration

Having analysed the Spanish ODA geographical allocation, the other important issue in this subsection is geographical concentration. Many scholars have argued against aid fragmentation among too many donors, too many countries and too many sectors for each donor. Among them, Easterly and Pfutze (2008: 39) found that ‘the probability that two randomly selected dollars in the international aid effort will be from the same donor to the same country for the same sector is 1 in 2,658’. The UNDP (2005) also pointed out that there is weak donor coordination and many overlapping programmes. It implies each partner must deal with many different donors – bilateral and multilateral, international NGOs, regional and local governments – which means devoting too much time and energy to them, increasing transaction costs and a lack of specialisation and coordination.

According to Barder, Gavas, Maxwell and Johnson (2010), quoting a 2008 survey monitoring the Paris Declaration Indicators,

More than 14,000 donor missions were fielded to the 54 countries that took part in this survey. In Vietnam alone, this amounted to 752 donor missions in
According to Kharas (2009), there are 23 countries that form part of the DAC. As many of these countries have several agencies, there are over 126 bilateral agencies from DAC countries providing ODA. In addition, outside the DAC, there are at least 23 other countries that give aid, such as China, India, Brazil and Turkey. And there are at least 263 multilateral aid agencies.

The Master Plan II (2005–2008) distinguished between 23 ‘priority countries’, targeted to receive 70 per cent of bilateral ODA; 15 ‘countries for especial attention’ plus ‘South East Asian countries suffering the consequences of the 2004 tsunami’; and finally 13 ‘preferential countries’ plus ‘medium low income countries which are candidates for EU membership’. In total at least 51 countries are mentioned in some way (Annex 5.1). The Master Plan III (2009–2012) has distinguished three different categories of countries depending on their priority level for the SAS: Group A: wide association (the higher-priority countries); Group B: focalised association (countries where the SAS will focus on just one or two sectors); and Group C: middle income countries, just to support their efforts and achievements on development consolidation. In total 50 countries (Annex 5.2). According to Master Plan III, 85 per cent of Spanish bilateral ODA should be allocated to Groups A and B. Another way to illustrate the huge number of recipients from Spanish ODA is to note that AECID had 42 offices in different countries in 2008 (without including ‘cultural centres’ and ‘training centres’).

### Table 4.7 Main recipients from Spanish bilateral ODA, 2007 and 2008

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ODA received € mn</td>
<td>Average % per country € mn</td>
</tr>
<tr>
<td>23 priority countries in the top 50</td>
<td>1001</td>
<td>43.5</td>
</tr>
<tr>
<td>27 non-priority countries in the top 50</td>
<td>532</td>
<td>19.7</td>
</tr>
<tr>
<td>65 non-priority countries below the top 50</td>
<td>119</td>
<td>1.83</td>
</tr>
<tr>
<td>115 countries: total</td>
<td>1652</td>
<td>14.4</td>
</tr>
<tr>
<td>Unspecified</td>
<td>786</td>
<td>–</td>
</tr>
<tr>
<td>Total bilateral ODA</td>
<td>2438</td>
<td>–</td>
</tr>
</tbody>
</table>

Source: Author’s calculation from MAEC PACIs Seguimiento (2007 and 2008) data.

2007, more than three missions per working day! Of these missions, less than one in five was coordinated with another donor. (Barder et al. 2010: 12)

Thus, there have been different calls to strengthen donor coordination, including UNDP (2005), Commission for Africa (2005) and IMF and the World Bank (2006). Recognising that necessity, donors themselves signed both the Paris Declaration promoted by the DAC, which basically calls for strengthening coordination between donors and partner under the partner’s leadership (ownership), and the EU Code of Conduct on Division of Labour in Development Policy promoted by the EU Commission, which tries to improve labour division among EU members and geographical and sector specialisation for each member (Commission of the European Communities 2007).

In the case of Spanish ODA the number of priority recipients is too high. Moreover, the SAS itself finds it difficult to concentrate its aid in the geographical

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79 According to Kharas (2009), there are 23 countries that form part of the DAC. As many of these countries have several agencies, there are over 126 bilateral agencies from DAC countries providing ODA. In addition, outside the DAC, there are at least 23 other countries that give aid, such as China, India, Brazil and Turkey. And there are at least 263 multilateral aid agencies.

80 The Master Plan II (2005–2008) distinguished between 23 ‘priority countries’, targeted to receive 70 per cent of bilateral ODA; 15 ‘countries for especial attention’ plus ‘South East Asian countries suffering the consequences of the 2004 tsunami’; and finally 13 ‘preferential countries’ plus ‘medium low income countries which are candidates for EU membership’. In total at least 51 countries are mentioned in some way (Annex 5.1). The Master Plan III (2009–2012) has distinguished three different categories of countries depending on their priority level for the SAS: Group A: wide association (the higher-priority countries); Group B: focalised association (countries where the SAS will focus on just one or two sectors); and Group C: middle income countries, just to support their efforts and achievements on development consolidation. In total 50 countries (Annex 5.2). According to Master Plan III, 85 per cent of Spanish bilateral ODA should be allocated to Groups A and B. Another way to illustrate the huge number of recipients from Spanish ODA is to note that AECID had 42 offices in different countries in 2008 (without including ‘cultural centres’ and ‘training centres’).
priorities established by the government through Master Plans. In fact, 2008 PACI Seguimiento (MAEC PACI 2008: 59) recognised that it was not possible to move forward on the geographical concentration objective in 2008. Thus, although the Master Plan II (2005–08) stated as one of its objectives the allocation of 70 per cent of bilateral ODA to 23 designated recipients as a priority, only 54 per cent of bilateral ODA was delivered in 2008 (Table 4.7). The two relevant questions here are: why did it happen and how can something similar be avoided with the current Master Plan which is due to end in 2010?

Before answering these questions it is necessary to find out where the aid actually went. Table 4.7 shows the ODA allocation among three groups of countries: (i) the 23 priority countries according to Master Plan II; (ii) the 27 non- priority countries included in the top 50 (some of them occupying first places on the top 50 list); and (iii) 65 countries below the top 50. The relevant question is: why some of the non priority countries were treated as if they were priority countries? After carefully reviewing country by country those included among the main recipients of the Spanish ODA in 2007 and 2008 the answer is that they are in the top (without being priority countries) for foreign policy reasons, for example, Iraq, Afghanistan, Colombia, Lebanon and Bosnia, or because of trade policy reasons, such as for example, China and Turkey.

How can that be avoided? The answer to this question has to focus both on incentives and on a clearer delimitation of the responsibilities to carry out the government’s commitments – expressed in the Master Plans – by the team leader and senior officials in the SAS. Until now, if commitments – such as allocating a certain percentage of ODA to priority countries – are not kept, nobody is affected or rewarded when they are achieved. In addition, as seen in the former section, there are many players in the SAS (MAEC, MEH, SE for Trade, regional governments, councils, NGOs), which allows each to blame the others when there are failures. Thus, there are neither responsibilities nor incentives to meet commitments. Having said that, looking to the future, on the one hand, the AECID Management Contract approved in July 2009 stated that AECID will adopt the Master Plan objectives related to geographical concentration as its own – allocating 85 per cent of its budget to country groups A and B (see footnote 80 and Annex 5.2). This means that, for the first time, AECID’s director will be responsible for achieving that aim. On the other hand, as seen in the former section, the Spanish national government is in charge of 87 per cent of total ODA nowadays – and within it, the MAEC is in charge of 52 per cent of total ODA. If there are failures related to geographical concentration, the government can make no excuses.

Thus, although as yet there are neither incentives for success nor punishment for failure,\textsuperscript{81} there has been an enormous advancement as AECID’s performance is going to be assessed and published on its website when the Management Contract ends. In addition, a peer review of Spanish aid by the DAC is expected in 2011, which will have to focus, among other issues, on Master Plans and PACIs fulfilments.

\textsuperscript{81} AECID Management Contract II, which has to be multi-annual, is expected to include an incentives system addressed to team leaders and senior officials.
In summary, there are four different issues related to Spanish ODA geographical allocation and concentration: The first is a strategic decision on where in the future to allocate Spanish ODA within different groups of recipients, including LDCs, LICs and LMICs, mindful of the fact that there are important reasons for maintaining a significant percentage of the Spanish ODA for LMICs. The second is related to the number of recipients which is reasonable for an intermediate aid system, such as that of Spain. Taking account of the Paris Declaration on aid effectiveness and the EU Code of Conduct on Division of Labour, it will be difficult to justify less than 85 per cent of bilateral ODA going to more than 20–25 countries in total – including all groups and categories of country. The third issue is rethinking the list of the top-priority countries. There are two possibilities here: (a) to recognise the influence of foreign and trade policies on development policy, which is not the best course of action but is better than the current situation – the failure of the government’s commitment every year on this point; or (b) to take a tough negotiation line with both sides (foreign affairs and international cooperation) of the MAEC, and also with the Ministries of Finance and Trade, deciding the ODA percentage which has to go to priority countries and the remainder for other priorities. Again, the Prime Minister’s support, pressure and commitment would be required in such negotiations. (iv) Finally, once MAEC and AECID responsibilities are clarified, it would be desirable that if it becomes necessary to change priority countries for any reason the government or AECID’s Board of Directors should take the decision in advance and explain it through their website and in Parliament rather than these important changes occurring without any discussion and formal decision.

4.5 The composition of Spanish ODA (or different modalities in the Spanish ODA)

This section focuses on Spanish ODA distribution according to its different modalities. Specifically it focuses on: (i) multilateral ODA; (ii) tied aid; (iii) budget support; (iv) untied loans; and (v) debt relief. All of them are issues closely related to aid quality and effectiveness, as will be looked at in each case.82

4.5.1 Multilateral ODA

There are good reasons to allocate a significant share of ODA to multilateral development organisations. Globalisation raises global challenges which need to be addressed by international institutions with clear competences, rules, capacities and resources. Public global goods related to development, including peace, the environment, health, economic stability – and financial stability, when possible – are not achievable without a common effort from individual nations and from efficient and effective international institutions. The ‘Right to Development’ approved at the Human Rights Summit in Vienna in 1993 and at the Social Summit in Copenhagen in 1995 and, related to it, the achievement of the MDGs approved at the Millennium Summit in New York in 2000, also need a shared effort between nations and international organisations. Moreover, international organisations have some advantages over bilateral ODA, including unbiased

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82 Grants (programmes and projects) from AECID will be analysed in subsection 4.6.
allocations untied to a donor’s own interests or better positioned to support institutional capacity and policy improvements in developing countries. Thus, the allocation of significant resources to those organisations and multi-donor funds seems to be justified.

In the last five years Spain has dramatically changed its role within the international community and international institutions. Whereas it was one of the last countries to contribute to those organisations at the beginning of the former legislature (2004–08), it has become an active member and supporter of development organisations in recent years.

Overall, Spanish multilateral ODA reached €2.8 billion in 2008, an amount three times larger than the €0.9 billion spent in 2004, according to MAEC PACI Seguimiento for each year. Another way to illustrate this big jump is by noting that Spanish multilateral aid rocketed from 43 per cent of total Spanish ODA on average in 2003–04 to 59 per cent of total ODA on average in 2007–08, as Table 4.8 shows. Thus, multilateral ODA has been the most important modality of the SAS in recent years and Spain has occupied the seventh place among donors, taking into account the amount of resources devoted to multilateral ODA – after, in order, Germany, France, the UK, the USA, Italy and Japan.

A deeper look at the different parts of Spanish multilateral ODA shows that a higher increase of Spanish multilateral aid was allocated to the UN organisations (not IFIs) and the so-called multi-donor or international funds,83 whereas the rise in resources to the EU (both to its budget devoted to development and to the Development Fund) and IFIs has been more modest (Table 4.9). Thus, Spanish contributions and grants to the UN and multi-donor funds rocketed from €63 million on average in 2003–04 to €1.470 million on average in 2007–08 (row 5 in Table 4.9) which is an increase by 23 times in a single legislature. The contributions and grants to the UNDP emerge above all others, reaching an annual €461 million on average in 2007–08. This stems from the fact that the SAS set up the Spanish-UNDP Fund in 2007 with €528 million as a contribution that year, and an additional €200 million in 2008, to support UNDP and other UN organisations’ activities related to the achievement of the MDGs.

These figures mean that the share of Spanish multilateral aid of total ODA, 59 per cent on average in 2007–08, doubled the share it had on average in DAC countries in the same year: 29 per cent (Table 4.8).84 Spain is, as Figure 4.1 shows, the second highest donor, after Italy, in the ratio of multilateral aid to total ODA.

How can this significant increase in Spanish multilateral ODA be judged and what are the main challenges in moving forward?

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83 Multi-donor funds include the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), Fast-track Initiative (FTI) and the Global Alliance for Vaccines and Immunisation (GAVI).

84 The DAC countries’ share of multilateral ODA as a percentage of total net ODA remains constant at around 30 per cent on average in the last decades, although in the middle of the 1990s it dropped to 23 per cent before increasing again.
There are two answers to the first question. The judgement of this growth in Spanish multilateral ODA has to be positive, as it comes from the importance given by the government to multilateralism (see subsection 3.1), the role of international organisations in development and the provision of global public goods, as has been said. However, on the other hand, the importance given by the Spanish government to multilateral aid illustrates, as is also probably the case in Italy, a lack of institutional capacity in the SAS to pursue well-designed bilateral cooperation. Faced with the limitations of the SAS it has been easier and faster to mobilise those increased resources through the international aid system. The fact that the PACI 2010 shows a reduction in the multilateral ODA share in 2010 (Table 4.8), falling to 43 per cent of total ODA, suggests that the government has become aware of the excessive weight of this aid modality and has chosen to explore different bilateral modalities, as will be analysed later in this section.

Regarding the second question about the main challenges in moving forward, four main issues emerge at this point.

1. The first issue is defining an adequate Spanish multilateral ODA level. A share of 59 per cent of total ODA, as it was on average in 2007–08 (doubling DAC countries’ average), does not seem adequate. Nor are the ups and downs – from 43 per cent of total ODA in 2003–04 to 59 per cent in 2007–08 and then, again, to 43 per cent planned for 2010 – satisfactory, because predictability in fund allocation, including those devoted to international organisations, is strongly related to aid effectiveness. Neither does it seem unobjectionable that the DAC average remains constant at 29–30 per cent over the years, now that global challenges, including development, are greater than ever before. Fixing a certain

### Table 4.8 Spanish ODA distribution through selected modalities. Selected years

<table>
<thead>
<tr>
<th>Note: DAC countries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average 2003–04</strong></td>
</tr>
<tr>
<td><strong>€ mn</strong></td>
</tr>
<tr>
<td>---------------</td>
</tr>
<tr>
<td><strong>Multilateral</strong></td>
</tr>
<tr>
<td><strong>Tied loans (trade tranche)</strong></td>
</tr>
<tr>
<td><strong>Microfinance</strong></td>
</tr>
<tr>
<td><strong>Untied loans (MAEC tranche)</strong></td>
</tr>
<tr>
<td><strong>Debt relief</strong></td>
</tr>
<tr>
<td><strong>AECID programme and project</strong></td>
</tr>
<tr>
<td><em>of which budget and sector support</em></td>
</tr>
<tr>
<td><strong>Remainder modalities</strong></td>
</tr>
<tr>
<td><strong>Total net ODA</strong></td>
</tr>
<tr>
<td>(Note: AECID’s total ODA)</td>
</tr>
</tbody>
</table>

* Does not include AECID’s multi-bilateral projects, which are accounted for in the Multilateral row except in 2003–04 when that data was not available.
** Includes ODA from regional and local governments.
Source: Author’s elaboration from MAEC PACIs (several years) and DAC data.
level of the total ODA devoted to multilateral aid could be an international decision and it could be set between one-third and one-half of the total ODA. Meanwhile, the Spanish government should make a choice and maintain it over time.

2. The second issue, which is related to the first, is reform of the multilateral development system. The more efficient and effective international organisations are, the lower the resistance to funding them by bilateral donors. Some scholars (Easterly 2007; Easterly and Pfutze 2008) have found that international financial

Table 4.9 Spanish multilateral ODA. Selected years

<table>
<thead>
<tr>
<th></th>
<th>Average 2003–04</th>
<th>Average 2007–08</th>
<th>2010 planned</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€ mn</td>
<td>%</td>
<td>€ mn</td>
</tr>
<tr>
<td>1. Contributions to EU</td>
<td>501.1</td>
<td>63.3</td>
<td>699.9</td>
</tr>
<tr>
<td>2. Contributions to IFIs</td>
<td>227.2</td>
<td>28.7</td>
<td>339.2</td>
</tr>
<tr>
<td>3. Contributions to international organisations (excluding IFIs)</td>
<td>63.4</td>
<td>8.0</td>
<td>334.5</td>
</tr>
<tr>
<td>4. Grants to international organisations and international funds</td>
<td>1135</td>
<td>45.2</td>
<td>797</td>
</tr>
<tr>
<td>5 = 3+4.</td>
<td>63.4</td>
<td>8.0</td>
<td>1,469.5</td>
</tr>
<tr>
<td>Total Spanish multilateral ODA</td>
<td>791.8</td>
<td>100.0</td>
<td>2,509</td>
</tr>
</tbody>
</table>

Source: Author’s elaboration from MAEC PACIs Seguimiento (several years) and MAEC PACI (2010).

Figure 4.1 Percentage of multilateral ODA over total ODA in DAC countries 2007–08

Notes: Data corresponding to DAC countries in 2007–08 are planned whereas data corresponding to Spain 2007-08 are real disbursements. Data corresponding to Spain included multilateral ODA and grants to international organizations and funds (see footnote 82).

institutions, such as the World Bank International Development Association (IDA), the African Development Bank (AfDB) and the Asian Development Bank, show a good performance in terms of best practice in aid, whereas the UN agencies are near the bottom of the ranking (except for UNICEF and the United Nations Relief and Works Agency for Palestine Refugees – UNRWA). However, the UN agencies could improve their practice in different fields, including specialisation, using effective aid channels, strengthening coordination within the UN system and other agencies, avoiding aid fragmentation and, in general, moving the principles of the Paris Declaration forward. It is just a question of political will and bilateral donors’ and partners’ demands and support. Furthermore, it seems necessary to reform a system which was established after the Second World War, six decades ago, when a smaller group of countries was involved and there were different challenges, a much lower commitment to development and a globalisation process in a very different stage from today.85

3. The third issue is related to the selection of the international organisations to be funded by the SAS, beyond the mandatory contributions that Spain has to make as a UN member. On the one hand, it seems that an excessive number of international organisations have been receiving funds from the SAS in recent years: 121 organisations and multi-donor funds in 2008, according to Alonso and Olmo (2010). On the other hand, the SAS made an effort to avoid the dispersion of its multilateral aid allocation. Thus, excluding contributions to the EU, which depends on EU agreements, the top ten organisations and multi-donor funds receiving funds from the SAS represented 67 per cent of Spanish multilateral ODA on average in 2005–06, whereas they represented 72 per cent on average in 2007–08, as Annex 6 shows. Moreover, the Master Plan III (2009–10), in order to avoid dispersion and improve effectiveness, has established that the top ten international organisations and multi-donor funds receiving money from the SAS should represent 80 per cent of the total Spanish multilateral ODA. According to the most recent report from the Ministry of Foreign Affairs and International Cooperation (MAEC 2009) to Parliament, the MAEC allocated 75 per cent of its multilateral ODA to the top ten organisations receiving funds from the SAS in 2009. Unfortunately, the 2009 Report by the Ministry of Economy and Finance is not available yet to complete the overall data. Nevertheless, although there are advances in this field, it is still necessary to move forward. It implies, as the recently approved ‘Spanish Multilateral Cooperation Strategy’ (2009) suggests, analysing, case by case, different international organisations on issues such as the clarity of their mission, their effectiveness and efficiency, their transparency and accountability and, where applicable, their willingness to reform. Recently Spain has joined the Multilateral Organisation Performance Assessment Network (MOPAN) network, which will make that assessment task easier.86


86 MOPAN is a network of 16 like-minded donor countries with a common interest in assessing the organisational effectiveness of the major multilateral organisations they fund (www.mopanonline.org).
4. Finally, related to transparency and accountability, there have been two recent achievements but a challenge still remains. The achievements include (a) the abovementioned annual report on multilateral ODA that, according to the Master Plan III and the Spanish Multilateral Cooperation Strategy, the government has to send to the Spanish Parliament and to the Council for Cooperation for Development, where civil society is represented; and (b) the signature of at least ten strategic association agreements with international institutions, according to the Master Plan III and during its time in force. Two of those agreements were signed in 2009 with the UNDP and UNICEF, both including objectives and funds, and another two, with the United Nations Development Fund for Women (UNIFEM) and the United Nations Population Fund (UNFPA) are forthcoming. Regarding the challenge, it is necessary to strengthen human and institutional capacities to face the new SAS commitment and role in multilateral ODA in order to plan actions and funds, negotiate objectives and agreements and follow up assessments and accountability.

(Alonso and Olmo 2010; Fernández and Sánchez-Miranda 2010; Iglesia-Caruncho 2009)

In summary, the Spanish government and the SAS have emphasised multilateral ODA in recent years. It was not only a result of their will to strengthen multilateralism but also a way to avoid the weaknesses of the Spanish bilateral aid system. Still, the important fact is that Spanish multilateral ODA increased three times in the former legislature, reaching €2.5 billion on average in 2007–08. The increase of the SAS contributions to UN organisations was particularly significant: by 23 times in that period. Contributions and grants to the UNDP, which reached €461 million on average annually in 2007–08 after the Spanish-UNDP Fund was established, well illustrate this effort. The challenges include the following: (a) it is crucial to define an adequate level for the SAS multilateral ODA to allocate predictable resources to multilateral organisations, avoiding fluctuations; (b) it is necessary to move forward in improving human and institutional capacities in order to select the multilateral organisations and funds where Spanish aid should be allocated, and to enhance assessment, transparency and accountability related to funds, outputs and outcomes; and (c) it is important that Spanish multilateral ODA supports UN system reform. The recent approval of the Spanish Multilateral Cooperation Strategy, the strategic association agreements which the SAS is promoting, and the annual report on multilateral aid that the government has to send to the Spanish Parliament and civil society, are steps in the right direction.

4.5.2 Tied loans

There are different arguments for questioning tied aid. The UNDP (2005: 102) notes that 'price comparisons have found that tied aid reduces the value of assistance by 11–30 per cent'. The OECD has also pointed out that the untying of aid significantly increases its effectiveness (DAC 2008). In the case of Spain, the development sector has been deeply critical and concerned about tied or FAD loans. Six main reasons were presented against tied aid: (i) its finality, as tied loans rules – FAD law – established that its main objective is to support Spanish firms’ globalisation; (ii) its own ‘tied’ nature, not only because of the increased costs but also because of tied loans’ link to sales of Spanish goods and services,
which results in a small impact on the recipient's production and productivity; (iii) its geographical allocation, biased towards MICs against the official Spanish aid policy favourable to LICs;87 (iv) its historically enormous proportion of total Spanish ODA, some 40 per cent in the 1990s; (v) its sector allocations, biased on many occasions towards inappropriate priorities, for instance, advanced technology, instead of promoting intensive-employment sectors; and finally (vi) a lack of transparency and accountability, as almost none of the FAD loans have been assessed, neither in their outcomes nor in their effectiveness. It is worth noting that DAC countries decided to untie total ODA devoted to the LDCs in 2001 for some of these reasons.

For these reasons also, the Spanish Master Plan II (2005–08) stated that ODA would be increased through untied components, which would give tied loans a smaller share of total ODA. As Table 4.8 shows, the reduction experienced by tied loans in recent years in Spain is clear: from 9.7 per cent of total ODA on average in 2003–04 to 3.2 per cent in 2007–08.

Table 4.10 shows how tied loans dropped as a share of total Spanish ODA due to the dramatic increase in total ODA through other aid modalities. In fact, there was a reduction in their amount in 2004–07, although it recovered slightly again in 2008 (Table 4.10).

A comparison between the share of Spanish tied loans to total ODA and the equivalent data in DAC countries confirms that the Spanish case has been anomalous at this point. Thus, tied loans from DAC countries shared 13 per cent of total ODA in the 1990s whereas they accounted for 22 per cent in Spain on average at the end of the decade in 1997–2000. Nevertheless, as Tables 4.8 and 4.10 show, Spain has done it the right way in recent years, approaching the DAC average.88

How about the future? The answer is: on this point Spain will continue in the right direction. As was said in subsection 3.3.2 (footnote 51) the Spanish Parliament is

87 43 per cent of total tied loans – FAD loans – have been allocated to ten countries in the last 30 years: China, Morocco, Algeria, Mexico, Turkey, Argentina, Indonesia, Ecuador, Honduras and Egypt (Gómez Gil, Gómez Olivié and Tarafa 2008). Most of them are MICs.

88 It is worth noting that the negative amount of €1.9 billion shown in the last column of Table 4.8 is explained by the fact that DAC countries’ reimbursements have been greater than gross loans in those years.
at present considering the Fund for the Internationalisation of Companies (FIEM) bill. In future it will be the law which applies to tied loans. According to the bill sent by the government to Parliament, the SE for Trade will be in charge of tied loans and its objective will be the promotion of exports and direct investments abroad. However, an essential change has been made by the Spanish Senate during the debate about the bill: as their main objective is not development, tied loans will not be considered as ODA in the near future.89

In conclusion, tied loans have been questioned for different reasons, including the common practice of increasing costs undermining aid effectiveness. Not only scholars but also international organisations such as the World Bank and the UNDP have questioned their effectiveness. DAC countries have reduced the use of this ODA modality over time, seeking to increase aid effectiveness, and so has Spain, reducing tied loans to 3.2 per cent of total Spanish ODA on average in 2007–08. Tied loans will no longer count as ODA in Spain in the near future, according to the new legislation.

4.5.3 Budget support

According to the IDD and Associates (2006) report on the evaluation of general budget support, general budget support (GBS) is associated with positive effects on: (a) increases in pro-poor expenditure; (b) operational efficiency, including a better balance between recurrent and capital expenditure; (c) fiscal discipline; (d) strengthening public finance management, including planning and budgeting; (e) strengthening incentives within the government, improving coherence and coordination among donors and through complementary technical assistance; (f) capacity and, thus, effectiveness of technical assistance; (g) alignment of aid and donor harmonisation; (h) the harmonisation and alignment of other aid modalities; and (i) saving transaction costs for partner countries. As this report notes, 'The overall assessments by the country studies were clearly positive except in two cases'.90

The Paris Declaration and Accra Action Agenda called for a strengthening of GBS both for the expectations and achievements it had raised. In the Paris Declaration donors commit to using country systems and procedures to the maximum extent possible and, in addition, they commit to relying to the maximum extent possible on transparent partner government budgets. In fact, donors committed to provide 66 per cent of aid as programme-based approaches in 2010.91

89 The senatorial debate took place in Madrid on 26 May 2010.
91 Programme-based approaches are defined by OECD as a way of engaging in development cooperation based on the principles of coordinated support for a locally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organisation. Programme-based approaches share the following features: (a) leadership by the host country or organisation; (b) a single comprehensive programme and budget framework; (c) a formalised process for donor coordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement; (d) efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation.
However, according to Lawson, Booth, Harding, Hoole and Naschold, (2003), Ugandan experience suggests that, under GBS, there have been incremental improvements in the role of Parliament and that external and domestic accountability may be able to improve together.

In relation to the impact on growth of an increase in resource rents, Collier and Hoffler (2005) found that, with a lag of around four years, rents have a significant negative effect. They suggest that resource rents reverse the normally beneficial economic effects of democracy.

On the other hand, it is necessary to take into account some challenges related to GBS. First, GBS increases partner government discretion by expanding the total budget. Thus, aid outcomes will depend on the quality of the government strategies that donors will support. Second, and arising from the previous point, there can be some tension between the autonomy of the partner government and the donors’ preferences, including gender, human rights, taxation, the environment or other important policies which are not necessarily shared by donors and partners. Finally, budget support is not only support for the country but also for the government, which has the opportunity to show it is being supported by the international community. Democracy could be undermined as this may weaken the role of the political opposition.

This list of challenges does not mean that the Paris Declaration should be reviewed at this point. It just seeks to introduce some caveats on how to proceed through GBS.

To face those challenges, taking into account that there is some evidence about fungibility – aid seems to be partially fungible – there is no sense in imposing conditional policies as IFIs did years ago, nor in delivering money without any conditions because resources from aid would be like resources from non-tax revenues for the government, generating dysfunctional rent-seeking behaviours.

The suitable track seems to be a dialogue about policies. The recipient country has to design and decide its own way to develop and, at the same time, donors have to maintain the possibility of a frank discussion about the chosen way. Again, as has been said many times, it is necessary to move forward to agreements between donors and partners with the former providing their support – not only with aid, but also with other policies – and the latter improving policies and

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92 However, according to Lawson, Booth, Harding, Hoole and Naschold, (2003), Ugandan experience suggests that, under GBS, there have been incremental improvements in the role of Parliament and that external and domestic accountability may be able to improve together.

93 In relation to the impact on growth of an increase in resource rents, Collier and Hoffler (2005) found that, with a lag of around four years, rents have a significant negative effect. They suggest that resource rents reverse the normally beneficial economic effects of democracy.
governance. The best way is to work for a balance between ‘ownership’ and ‘policy dialogue’. Aid modalities which make ownership easier – such as budget support and a sector-wide approach – should be reinforced, within the framework of policy dialogue, transparency and accountability.

Table 4.11 shows, as a first approach, that the share of Spanish programme assistance in total bilateral ODA was 2.1 per cent on average in 2007–08, which is less than half that of the DAC countries on average in the same period: 4.7 per cent. The percentage allocated for this purpose by the so-called like-minded countries is higher, including 10.3 per cent in the UK, whereas the European Commission (EC) devoted 14 per cent of its bilateral ODA through this aid modality in those years.

Another way to illustrate the small amount devoted specifically to budget support by the SAS is to compare the absolute amounts actually allocated to this purpose with other aid systems. Thus, whereas the SAS devoted €70 million as budget support in 2008 out of the total Spanish ODA €4.8 billion, the EC allocated €3.8 billion as budget support from the total EC ODA €9.9 billion, and UK DFID allocated £635 million out of the total DFID ODA £5.2 billion.94

In conclusion, regarding this aid modality, Spain still has scope to improve its donor practice. There are no excuses for not increasing Spanish budget support taking into account (a) the positive assessments that budget support has shown, (b) the commitments made when the Spanish government signed the Paris Declaration and Accra Action Agenda, and (c) the practices taken by other advanced agencies.

### 4.5.4 Untied loans

In general terms, untied concessional loans can offer three advantages for developing countries: (a) in comparison to market failures, which make it difficult to obtain available loans for many developing countries, concessional loans are financial resources which can reduce the gap between investment needs and domestic savings; (b) in comparison to non-concessional loans, concessional loans let recipient countries pay a lower cost for those funds, including lower interest rates and longer reimbursement periods and grace periods;95 and (c) some scholars have found better fiscal behaviour associated with concessional loans in comparison with the behaviour associated with ODA grants in developing countries.

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94 See http://ec.europa.eu/europeaid/index_en.htm (accessed 21 December 2010) and www.dfid.gov.uk/. DFID ODA accounts for some 80 per cent of total UK ODA (www.dfid.gov.uk/About-DFID/Finance-and-performance/Aid-Statistics/ [accessed 21 December 2010]). For the purpose of this paper we have not differentiated between GBS, which is un-earmarked for a specific sector of government spending, and sector budget support, which is earmarked for use in a specific sector or budget line, such as health or education. The absolute amounts already mentioned cover both types of budget support. Lastly, figures from the EC and the DAC related to EC programme assistance do not coincide because DAC ones are planned.

95 Concessional loans conditions may offer annual interest rates of 1 per cent or below, 40 years for reimbursement and 10 years as grace period (see German conditions in www.kfw.de/ and Japanese conditions in www.jbic.go.jp/en/). To make a comparison, Spanish public debt nowadays costs 4 per cent interest rate and has to be repaid in 18 months.
Two reasons have been put forward for this last point: first, loans, including concessional loans, have to be repaid, which forces the government to maintain responsible fiscal behaviour, whereas grants may have a negative effect on taxation, as the government receives funds which do not have to be repaid. It can also weaken the commitment between the government and citizens and have an adverse effect on transparency and accountability. Second, from the budget side, loans would be more related to investment as their execution has to generate resources for repayments, whereas grants would be more linked to consumption (Gupta, Clements, Pivovarsky and Tiongson 2004; limi and Ojima 2008; Odedokun 2003, 2004). Thus, the impact on growth would be higher from loans than from grants.

There are reasons, therefore, albeit inconclusive, to suggest that there are reasons, although they are inconclusive, suggesting that loans would be more effective than grants in promoting growth. This does not mean that loans are better than grants in all circumstances, either in promoting basic social programmes or in funding the development of heavily indebted poor countries (HIPC). But they would have a specific role in funding the private sector or improving the production infrastructure – transport, electricity, communications – which generates returns.

As Table 4.8 shows, the Spanish government has decided to deliver €555 million, 10 per cent of total Spanish ODA, as untied loans in 2010. That decision was made as a way to reduce the fiscal deficit without reducing total ODA during times of financial crisis. However, once it has been taken, concessional loans will be retained in the future as an important aid modality.

Apart from explaining the decision taken, the question which arises is how to judge those loans from the perspective of aid effectiveness, taking into account that more advanced DAC countries avoid using them as an aid modality. As has been said, DAC countries show on average a negative amount of bilateral loans in recent years, meaning reimbursements have been greater than new loans.

The answer is not easy because PACI 2010 does not say a word about these loans, except to show the figure, and the Fund to Promote Development bill (Proyecto de Ley del Fondo para la Promoción del Desarrollo – FONPRODE), which will regulate these loans in the future is being discussed in the Spanish Parliament at present (see footnote 51). After these caveats, there are reasons to think that the Spanish government has decided to overcome the traditional limitations linked to tied loans in Spain (see subsection 4.5.2). Thus, according to the bill, (a) the Spanish concessional loans have been explicitly created to promote development (article 1) and not to support Spanish companies.
globalisation (article 2.1.f); (b) they will be untied loans (article 2.1); (c) their geographical and sector allocation will follow Master Plans orientation and other planning reports (article 3.1); (d) they will be assessed according to the SAS evaluation rules (article 11.1); (e) transparency will be mandatory, as the government will have to send a report to the Parliament and the Council for Cooperation for Development – where civil society participates – including detailed information about every single operation (article 12); and (f) concessional loans only could be delivered to HIPCs under exceptional circumstances.

Having said that, the aid-effectiveness literature has also found other limitations related to concessional loans. The first is that the greater their concessional level, the stronger incentives recipient countries will have to borrow more than necessary. Thus, it is important to avoid the temptation of turning loans into grants increasing the *grant element* when activities to be funded do not require those advantages. The second limitation, related to the first, is the ‘lending culture’ as a purpose in itself, just to fulfil pledges related to ODA/GDP percentages rather than considering loans as an instrument for development. Both of these limitations can press recipients unnecessarily by encouraging them to accept loans beyond their actual necessities.

In conclusion, the Spanish government has developed a new aid modality in 2010: untied loans. This decision pursues a reduction in the fiscal deficit without reducing total ODA in times of financial crisis. The bill put before Parliament manages to avoid the main criticism that former tied loans raised within the development sector. Nevertheless, it is necessary to wait for the concrete content of the law before making a full assessment. However, there are some caveats related to aid effectiveness associated with concessional loans: (a) it will be necessary to consider different concessional conditions – grant element – depending on both the sector allocation (private sector, infrastructure, global public goods, etc.) and the income level of the recipient country; (b) concessional loans – as grants – must be delivered in line with recipient priorities and to strengthen their ownership, avoiding the ‘lending culture’ as a purpose in itself; (c) Spanish loans should be delivered through local institutions in developing countries, such as development banks and investment funds, or through international institutions – the World Bank, regional development banks, multi-donor investment funds – avoiding direct allocation to beneficiaries, unless meanwhile the SAS reinforces its institutional capacities; and (d) according to the Paris Declaration and the EU Code of Conduct on Division of Labour in Development Policy, loans – as grants – should be delivered in coordination with other donors, both bilateral, such as the Kfw (German development bank), or multilateral, including the World Bank and regional development banks.

### 4.5.5 Debt relief

The negative effects of overhanging debt on development and economic activity are well known. Servicing large external debts reduces imports and negatively affects public finance balances, which results in increasing poverty by provoking cuts in social programmes. In addition, imbalance in public finances puts pressure on financial markets, increasing financial costs and inflation and jeopardising any stabilisation programme. Moreover, overhanging debt makes it difficult to take out
new loans, which adds more pressure on the public finances. In the end, large external debt servicing negatively affects imports, public and private investment, growth and poverty.99

For these reasons, the international community through the Paris Club and the IFIs has created different debt relief programmes ending in the HIPC initiative – although many years after the overhang problem appeared in 1982. The HIPC initiative, which involves bilateral creditors and IFIs, has been complemented by the Multilateral Debt Relief Initiative (MDRI), involving the IMF, the World Bank, the AfDB and the Inter-American Development Bank (IDB). With these organisations, the international community, including multilateral organisations and governments, has worked with some success to reduce the external debt burdens of the most heavily indebted poor countries to sustainable levels. However, much still needs to be done in order to reduce the debt overhang of the most heavily indebted middle income countries.

In parallel with these initiatives and programmes, a debate arose in recent years on whether debt relief should be counted as ODA or not. On one hand, debt relief resources are not new funds – fresh funds – for developing countries, as resources were delivered some time ago and, when they were concessional, counted as ODA. However, on the other hand, if the flows cut by these initiatives were not cancelled they would have to leave the recipient country as repayments. Thus, recipient countries would not dispose of them for development purposes. Furthermore, counting debt relief as ODA is a strong incentive for donors to support these programmes and initiatives which otherwise they would not back. Finally, in the case of concessional loans which have been counted as ODA, the principal cancelled will not be counted as ODA again, as it was counted when the loan was lent. Only the cancelled interest will be counted as ODA. Thus, the risk of these resources having been double-entered in books as ODA is not real.

In the case of Spain, the external debt it owns as a creditor is composed of two main categories: (a) the FAD debt (deuda FAD), which comes from the FAD loans, and (b) the trade debt (deuda comercial), which comes from the Spanish Export Credit Insurance Company (Compañía Española de Seguros de Crédito a la Exportación – CESCE) when debtors fail in repayments, as the Spanish government is the main shareholder of CESCE. Table 4.12 shows the external debt stock Spain held in 2008.

<table>
<thead>
<tr>
<th></th>
<th>€ mn</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAD debt</td>
<td>4420</td>
<td>52%</td>
</tr>
<tr>
<td>Trade debt</td>
<td>3426</td>
<td>40%</td>
</tr>
<tr>
<td>Other</td>
<td>639</td>
<td>7.5%</td>
</tr>
<tr>
<td>Total debt stock</td>
<td>8486</td>
<td>100%</td>
</tr>
</tbody>
</table>


Before analysing Spanish debt relief, it is necessary to mention that Spanish debt policy is determined not only by international commitments, including the HIPCs initiative, the MDRI and the Paris Club agreements, but also by the Spanish law related to external debt management.100 There are six key points in this law which deserve special attention: (i) it links external debt management to the international cooperation for development policy; (ii) it facilitates huge HIPCs debt relief as it requires the government to renegotiate the debt contracted by HIPCs before 31 December 2003 within the framework of the Paris Club agreements and, when possible, to cancel it; (iii) it allows debt relief also for non-HIPCs, although HIPCs are appointed as the priority beneficiaries; (iv) it establishes, among others, the debt-for-development swaps modality under which a fund is created in the recipient’s currency to be invested in development projects and which gives preference to the recipient’s players in contracts and projects implementation; (v) it promotes civil society participation in decisions and debt-for-development swaps management; and (vi) it requires transparency, as the government has to report on debt policy and debt relief operations to the Spanish Parliament and to the Council for Cooperation for Development.

Table 4.13 shows the Spanish debt relief figures from 2003 to 2010. As can be seen, debt relief operations counting as ODA totalled more than €1.3 billion (2005–08) in the former legislature, some 11 per cent of total Spanish ODA. It supports a comparison with DAC countries’ behaviour in this area, whose debt relief counted for 14 per cent of total ODA on average in 2005–08, according to the author’s calculation from DAC data. It is true that some debt relief operations have been questioned by the development sector,101 but it is also true that the real debt cancelled was higher than that €1.3 billion mentioned, as the cancellations of ‘principal’ in FAD debt relief operations do not count as ODA.102

However, according to figures planned at present, there will be a decrease in the Spanish debt relief effort to 4.2 per cent of total ODA on average in 2009–10, the minimum percentage since 2003 (Table 4.13) in spite of debt stock owed by HIPCs to Spain totalling €1.1 billion in 2008 (31 December 2008), according to the author’s calculation.103 Thus there seems to be scope to make a bigger effort on debt relief at present, as almost all those HIPCs have reached the completion point (see Annex 7), unless these loans were taken after 31 December 2003.104

100 _Ley reguladora de la gestión de la deuda externa_ (Congreso de los Diputados 2006).

101 Figures include €149 mn debt relief to Iraq in 2005, €147 mn in 2006 and €85 mn in 2008 – €381 mn in total. The development sector has also questioned debt relief to Guatemala counting as ODA: €142 mn in 2006, €131 mn in 2007 and €210 mn in 2008, €483 mn in total, as the original debt was borrowed by the Guatemalan government without the approval of the Guatemalan Parliament, breaking Guatemalan law.

102 For example, according to 2008 PACI Seguimiento, debt-for-development swaps cancelled €301 mn of the debt owed to Spain in 2007–08 whereas it counted as only €55 mn ODA. The former figures include the debt-for-development swap to Honduras which cut €105 mn of the Honduran debt in 2007–08 whereas it counted as only €8 mn ODA.

103 Annex 7 shows the list of HIPCs debtors to Spain.

104 It is not possible to find out rapidly when these loans have been made, as the website of the Spanish Ministry of Tourism, Trade and Industry shows online only FAD approvals for 2006 and 2007. This issue deserves further research in future.
Table 4.13  **Spanish debt relief 2003–10**

<table>
<thead>
<tr>
<th>Year</th>
<th>Real debt relief</th>
<th>Planned debt relief</th>
<th>Total net Spanish ODA</th>
<th>% (1)/(2)</th>
<th>% (1)/(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>€1736</td>
<td>Wd</td>
<td>€1736</td>
<td>Wd</td>
<td>Wd</td>
</tr>
<tr>
<td>2004</td>
<td>€1985</td>
<td>372</td>
<td>€2157</td>
<td>43.3%</td>
<td>5.4%</td>
</tr>
<tr>
<td>2005</td>
<td>€2428</td>
<td>364</td>
<td>€2792</td>
<td>137.9%</td>
<td>8.1%</td>
</tr>
<tr>
<td>2006</td>
<td>€3038</td>
<td>456</td>
<td>€3484</td>
<td>93.9%</td>
<td>20.7%</td>
</tr>
<tr>
<td>2007</td>
<td>€3786</td>
<td>Wd</td>
<td>€4162</td>
<td>Wd</td>
<td>14.1%</td>
</tr>
<tr>
<td>2008</td>
<td>€4762</td>
<td>445</td>
<td>€5207</td>
<td>53.3%</td>
<td>4.7%</td>
</tr>
<tr>
<td>2009</td>
<td>€5280</td>
<td>186</td>
<td>€6146</td>
<td>4.9%</td>
<td>5.0%</td>
</tr>
<tr>
<td>2010</td>
<td>€5265</td>
<td>Wd</td>
<td>€5790</td>
<td>Wd</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

Note: Contributions to multilateral debt relief

Wd: without data

Source: Author’s calculation from MAEC PACIs and MAEC PACIs Seguimiento.

In summary, the Spanish government played an active role in debt relief under the former legislature, (a) approving debt relief of more than €1.3 billion in 2005–08, (b) passing a law related to external debt management which links external debt policy to development policy, and (c) moving beyond the Paris Club agreements through cancelling more HIPCs debts than compulsory ones and cutting some middle income countries’ debts through debt-for-development swaps. On the other hand, there seems to be scope to make a greater effort on Spanish debt relief at present as Spain owned €1.1 billion from HIPCs, although further research is needed on this point. Spain could also promote, together with other like-minded creditors and IFIs, some initiatives to reduce the overhang of the most heavily indebted middle income countries. Finally, it would be advisable to plan better debt relief as there are big differences between plans and reality (see row 4 in Table 4.13). Predictability in delivering resources for development is always welcome.

4.6 Other issues related to aid effectiveness

4.6.1 Planning process

It is difficult, not to say impossible, to know whether or not aid achieves its objectives effectively and efficiently without previously defining and clarifying them, as well as the strategies required to move them forward. Planning is at the core of these processes and lack of planning was a significant limitation in the SAS until 2004. In fact, the 1998 Spanish International Cooperation for Development Law referred to this in its preamble and mentioned the way to address it by establishing the planning documents that the government had to create on aid policy. Specifically, the Law mentioned the Master Plan, annual plans and priority countries and sectors strategy documents.

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105 It is important to note that moving beyond international agreements in this issue means to follow a responsible and generous way, as this is a propitious field for ‘free riders’. A free rider country may take advantage of deciding not to relieve debts – beyond international agreements – whereas other countries do, as (a) it makes repayments from debtors to free riders more likely, and (b) the recipients’ economy will improve while the free rider’s exports is helped without making a contribution.
However, the lack of strategy documents on aid policy still persisted in 2004 as the former Planning and Assessment Office (Oficina de Planificación y Evaluación – OPE) lacked human and financial resources, reflecting the fact that there was no clear awareness in the former government of the importance of planning as a key element in aid effectiveness.

The creation of the Direction General for Policy Planning and Assessment for Development (Dirección General de Políticas de Planificación y Evaluación para el Desarrollo – DGPOLDE) within the SECI in 2005 allowed approval in recent years of (a) Master Plans II and III and correlative annual plans (PACIs), (b) strategy documents for all priority countries, and (c) strategy documents for 13 priority sectors.106

Regarding the challenges, three of them are key in this field: (a) to update the priority countries strategy documents through a new methodology: the so-called ‘Country Framework Agreement (Marcos de Asociación), more linked to ownership and, broadly, to the Paris Declaration and Accra Action Agenda than the former strategy documents; (b) to have better synchronisation between execution and planning processes, as it is a challenge for the SAS to absorb such a huge amount of strategy documents properly; and (c) to strengthen the assessment system, which is the only way to take advantage of lessons learnt on aid effectiveness and to reinforce transparency and accountability.107

4.6.2 Domestic coordination

The SAS, as has been said, is made up of many actors: the government, regional and local governments, NGOs, universities, trade unions, business organisations and foundations. This has arisen from the state framework and from decisions taken years ago, including political reasons which sought the support of regional parties in the Parliament. This situation could be seen as a strength, as it brings aid closer to citizens, but there is also a risk of fragmentation and incoherence. Thus, domestic coordination is a necessity rather than a choice in Spain.

When the former legislature started in 2004, there was a lack of coordination and also distrust between different actors, especially between civil society organisations and the government. NGOs felt distant from aid policy since the government decided to appoint NGO representatives for the Council for Cooperation for Development instead of allowing NGOs to elect their representatives. A lack of coordination was also observed within the government, specifically between the Foreign Affairs Ministry

106 Gender, education, health, peace building, culture, environment, humanitarian action, education for development, migration, democratic governance, fighting hunger, multilateral ODA, indigenous population, and economic growth (forthcoming). All strategies can be seen at www.maec.es/es/MenuPpal/CooperacionInternacional/Publicacionesydocumentacion/Paginas/publicaciones_cooperacion.aspx (accessed 21 December 2010).

107 Whereas assessment depends on DGPOLDE, the first two challenges mentioned depend on both DGPOLDE and AECID. It is interesting to mention that a cross working group (Aid Quality and Effectiveness Cross Group), including members from AECID and DGPOLDE, has been created to develop the Country Framework Agreements methodology whereas another cross group will develop the ‘operative programmes’ methodology, which will set AECID’s budget execution in all partner countries according to the respective Country Framework Agreement.
and the Ministry of Economy and Finance, and, in addition, a lack of coordination between the different levels of the government (central, regional and local).

In order to address the problem, the composition of the Council for Cooperation for Development was modified by a Government Order allowing the election of NGO representatives to the CONGDE in 2004. Furthermore, the Government Order increased the number of NGO representatives and different commissions were created within the Council for Cooperation for Development on significant issues, including policy coherence with development, gender, co-development and Master Plan and PACIs monitoring.

As a result, the new inclusive policy has had achievements, including the following: (a) Master Plans II and III (2004–08 and 2009–12) were approved by consensus in the Spanish Parliament and in the Council for Cooperation for Development (and then by the government); (b) Annual Plans (PACIs) have also been approved by consensus almost every year and the same occurred with the 13 sector strategies; (c) The ‘aid-worker statute’ was approved by unanimity in all bodies of participation; and (d) an 'Agreement Against Poverty' proposed by civil society was signed by all the political parties represented in the Parliament.108

Regarding the challenges in this area, it is worth highlighting two of them. (a) As in 2008 the Delegated Commission for International Cooperation was created at the highest level within the government (eight senior ministers and seven junior ministers), the question is: will it be able to deal with Policies Coherence with Development? (b) As in 2009 the Sector Conference on Cooperation for Development was created at the highest level (with the Ministry of Foreign Affairs and International Cooperation and all ministers from regional governments), the questions which arise are: will it be able to deal with different interests of each regional government avoiding aid fragmentation? and will it be able to agree a division of labour based on aid effectiveness between regional governments?

4.6.3 Communication and education for development

Strengthening communication and education for development is a key issue for increasing public awareness on global challenges and supporting global opinion, which demands responsible behaviour by governments and their commitment to a better world.

In Spain, citizens have expressed support for international cooperation (63 per cent agreed with the 0.7 per cent target for ODA/GDP in a survey carried out in 2009) but at the same time they lack knowledge on development. Generally speaking, international causes of poverty are unknown, including the international economic relations which hinder a reduction in poverty. The mass media have a responsibility for failing to analyse the international causes of poverty. On the other hand, the media frequently describe domestic causes of poverty (war, corruption) and its consequences.

108 The ‘aid-worker statute’ is available at: www.aecid.es/export/sites/default/web/galerias/ongds/descargas/A18492-18497.pdf And the ‘Agreement Against Poverty’ is available at: www.congde.org/uploads/descargas/libro_pacto.pdf. This agreement calls for ODA as 0.7 per cent of GDP, improving aid quality, more external debt relief and fairer international trade rules.
This is a challenge that the SAS has to attend to through different channels, such as assessing aid achievements and failures, improving transparency and accountability, training journalists, introducing development in formal education and making better use of the possibilities which mass media offers.

Regarding financial resources devoted to this issue, the SAS allocated €62 million in 2008 (1.3 per cent of total ODA) to education on development and raising public awareness and have allocated €67 million to the same objective in 2010.109

Some interesting achievements in these fields are the following: (a) there is a multi-annual agreement between the government and civil society (SECI and CONGDE) to raise public awareness, including support for the Zero Poverty Campaign; (b) the MAEC and the Ministry of Education have established the Vicente Ferrer National Award for schools on educational projects on development; (c) there is official support to NGOs for fair trade activities; (d) the SECI and Inter Press Service news agency (IPS) have signed an agreement to train journalists and media directors in communication and development and to research the treatment media gives to the news related to development; and (e) a strategy on education for development has been approved. On the other hand, strengthening human and institutional capabilities in these fields in the AECID remains an important challenge.

### 4.6.4 Research on development

The Master Plan III (2009–12) has established some measures to improve development studies including (a) its incorporation within the Spanish National Plan on Research and Development (R&D); (b) setting up a network on development studies among universities, public administration and public research institutions; and (c) the creation of a specific fund in the AECID to support projects related to development studies. In addition, the Master Plan III has affirmed the importance of supporting the research capabilities on development in partner countries including their R&D policies, universities and research centres. The Master Plan has established that the abovementioned Country Framework Agreement should incorporate the partner’s needs in these matters.

These seem to be adequate objectives in this field and the challenge here is to move them on as soon as possible.

### 4.7 Institutional reform

Between 2005 and 2008, when the Master Plan II was in force, the Planning and Assessment Office (OPE) was changed to the new General Directorate for Policy Planning and Assessment for Development – in short, General Directorate for Development Policy (DGPOLDE), while at the same time the AECID started its reform process. Both facts illustrate a first step in the required SAS institutional reform, which needs to continue in the near future.

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109 Of the resources devoted to education for development and raising public awareness on development, 75 per cent come from regional and local governments.
4.7.1 The creation of the General Directorate for Development Policy (DGPOLDE)

DGPOLDE’s creation in 2005 sought the fulfilment of the following tasks: (a) supporting the Foreign Affairs and International Cooperation Minister and the SECI on aid policy planning, monitoring and assessment; (b) developing the Master Plan and annual plan (PACI) proposals; (c) developing geographical and sector strategy proposals; (d) guaranteeing active Spanish participation in the DAC, EU units related to development, the UN and other international institutions related to development; (e) supporting the Minister and the SECI in the coordination of ODA actors; (f) carrying out the functions of the consultancy bodies’ secretariat; (g) preparing proposals to fund international institutions related to development – except IFIs – and their management and monitoring; and (h) promoting policy coherence with development within the government and through regional governments.

The creation of the DGPOLDE was itself an enormous advance in moving on the already mentioned tasks. However, after the extensive growth of the multilateral Spanish ODA, and taking into account that most of it has been managed by the DGPOLDE, it currently shows a lack of human and institutional resources. The main challenge here is to strengthen the DGPOLDE units in charge of (a) knowledge management of the Spanish development system, including assessment of its activities, (b) interlocution with international organisations related to development, including the monitoring of multilateral contributions, and (c) promoting policy coherence with development within the government where there is much to be done.

4.7.2 The reform of the Spanish Agency for International Cooperation (AECI, now AECID)

The AECID is the SAS’s main organisation: It was responsible for €1.9 billion in 2010, as the AECID manages its own budget (more than €0.9 billion) and some key items from the MAEC budget, including microfinances (€100 million), the Water and Clean up Fund (€300 million) and untied loans (€555 million); There were 1,340 jobs in 2009, 54 per cent abroad and 46 per cent in headquarters, including managers, public servants and contracts employers (although a significant percentage of jobs were not covered); and it had 62 offices abroad in 2008, including 42 technical offices, 16 cultural centres and four training centres. Thus when the former legislature started in 2004, there was great concern within the development sector about AECI’s effectiveness and it called for the reform of the AECI.

This subsection briefly answers the following questions related to the reform process: (i) Why was reform of the AECI needed? (Reasons) (ii) What was the position of the AECI at that time? (Its starting point) (iii) What was the government’s will – expressed in the legal framework of the reform? (iv) What were the objectives of the reform? (v) Was there any other model to take into

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110 The three bodies are: the Council for Cooperation for Development; the Inter-Ministerial Commission for Cooperation for Development and the Inter-territorial Commission for Cooperation for Development (see Figure 3.2).
account? (v) Who was involved? (The stakeholders) (vi) What was the strategy to bridge the starting point and the objectives? (vii) How long would a substantial part of the reform take? and (viii) What were the risks and threats at that time? The subsection also will examine achievements and the challenges that the reform process still faces.

The reasons for the reform

The AECI’s reform was necessary for significant reasons: (a) to manage its increasing budget, which grew three times from €290 million in 2004 to €940 million in 2008; (b) to improve its aid effectiveness according to the principles of the Paris Declaration; and (c) to adapt to the new Spanish aid allocations to sub-Saharan Africa.

The starting point

At the same time, the AECI faced old problems which needed to be addressed. This was its starting point: (i) problems related to its identity, as a lack of shared management culture within the organisation was easily observed – the AECI was developed by combining different public units with diverse objectives and traditions, including cultural promotion units; (ii) problems related to the staff, including the absence of a stable staff abroad, the fact that there was no mobility between the staff at headquarters (the majority made up by public servants) and the staff abroad (mostly contract workers), the existence of precarious and unstable contracts in many cases and high levels of dissatisfaction, and a lack of specialisation in development matters in headquarters staff as most of the workers were general practitioners without experience abroad; and (iii) the management model inadequacy, designed to monitor subsidies within Spain rather than expenditures in countries where AECI worked and under aid modalities promoted by the Paris Declaration.

The legal framework

The government established the AECI’s reform in the Master Plan 2005–08, and Parliament passed the States Agencies for the Improvement of the Public Services Law in 2006, which allowed the government to create 12 state agencies, among them the new Spanish Agency for International Cooperation for Development (AECID). The law follows the example of the Managerial Model of Administrative Reform, including Management Contracts, more autonomy for agencies and management decentralisation, flexibility and strengthened powers for directors.

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111 Ley 28/2006, de 18 de julio, de Agencias Estatales para la mejora de los servicios públicos.

112 The Management Contract is signed between each agency and the government. It contains objectives and resources (human and economic) to achieve the objectives. It also includes indicators and verification sources to measure fulfilment of the objectives. One example of the powers of the agencies’ directors is they are able to reallocate money in different budget items (except staff and salaries), which is unusual in Spanish public administration. For the new public management approach see Larbi (1999) and Schneider and Heredia (2004).
The objectives

There was a basic consensus on the objectives, according to the statute of the new AECID: to build a development agency which would be able to invest a huge budget in developing countries in an effective way, working together with other Spanish and international actors and bilateral agencies and with partner institutions in a permanent dialogue on adequate strategies for the development of each country. In addition, the new AECID would have new units and more resources, human and financial, in order to (a) expand its activities to sub-Saharan Africa, (b) manage new aid modalities, including budget support, (c) deal with humanitarian crises, and (d) strengthen transparency and accountability to citizens.

The models

Although the AECID has a singular background which makes it quite different in comparison with other development agencies, an international workshop on the Paris Declaration and its challenges for development agencies was held in Madrid in 2006. Some advanced agencies, including Department for International Development (DFID), Danish International Development Assistance (Danida), German Agency for Technical Cooperation (GTZ), Swedish International Development Cooperation Agency (SIDA), IrishAid, The Netherlands Ministry of Foreign Affairs, and the Canadian International Development Agency (CIDA), participated in the workshop and the team in charge of the AECI reform had the opportunity to take advantage of their experience.

The stakeholders

The stakeholders directly affected by the reform would be the government, represented by the Secretary of State for International Cooperation (SECI), the AECI’s director and the team leader and staff in headquarters and abroad. In addition, other ministries and bodies of the state, including the Ministry of Economy and Finance and the Ministry of Public Administration, and diplomats had a direct interest in the reform as it would bring more autonomy to the new AECID and, hence, less control by them over its decisions. Trade unions were also interested not only in the AECI’s reform itself but also because it would be one of the first state agencies created under the 2006 States Agencies for the Improvement of the Public Services Law mentioned above; negotiations between AECID, other ministries and trade unions would set a precedent for the forthcoming negotiations to create other state agencies.

The strategy

Several steps were undertaken in order to guarantee a participatory and well-communicated process and to achieve the AECI’s staff support during the reform process. In addition, a commissioner in charge of the reform was named by the government to work in the reform on an everyday basis and in permanent contact with both the SECI and the AECID’s director. Firstly, a diagnosis was made by an external consultancy, including analyses of AECI’s objectives, basic processes and organisation and then a document on AECI reform was produced as a guide for discussions. Secondly, there were meetings held between the team leader, including
The First Management Contract will be in force for a year. The next will be in force for four years.

Furthermore, there were a couple of meetings between the Secretary of State for International Cooperation, as President of the AECI, and the staff at the headquarters to communicate the main objectives and advantages of the reform. Thirdly, some four dozen staff, including senior officers and active and motivated workers got involved directly in writing or reviewing the new Statute and the Initial Action Plan drafts – preliminary to the First Management Contract – under the coordination of the Commissioner. It is worth noting that the drafts were discussed and reviewed not only through the participation of different senior officials but also within an ‘advisory group’ made up of eight civil servants nominated by the staff representatives who periodically held meetings with the team leader and the Commissioner. Fourthly, some small increases in wages to some groups – mainly abroad – were achieved as recognition of the new challenges AECI had to face. Finally, civil servant training was strengthened, including seminars for senior officers on organisational change and an ambitious training plan for the technical and administrative staff.

The risks

Two main risks at that time had not yet been taken sufficiently into account. The first was the possibility of changes in political support. The Public Administration Minister Jordi Sevilla promoted state modernisation, including the States Agencies Law, when the reform started. In addition, the former Secretary of State for International Cooperation Leire Pajín, who belonged to the development sector, was very active in promoting SAS reform, including AECI reform. However both of them were removed from their positions in the middle of the reform process, after the approval of the new AECID Statute but before the approval of the Management Contract. Furthermore, the AECID’s Director was also removed shortly after as a consequence of the change of the Secretary of State. The Ministry of Economy and Finance, which was unsatisfied with the State Agencies Law and the autonomy it gave to the agencies, took advantage of the new situation to undermine the scope of the reform. In addition, the financial crises arose (the second factor that had not been taken into account) bringing more reasons to put limits on the scope of the reform.

There were also other more predictable risks related to the fact that aid agencies are agents with multiple principals, some of which are in the donor country and hold more power than others in recipient countries. Furthermore, both in donors and recipients there are heterogeneous interests with different objectives (Drazen 2007). In the case of Spain, as has been said, the power of the foreign policy side within the MAEC, well represented by the Foreign Affairs and International Cooperation Minister, is significant and not necessarily linked to development.

Achievements

The government approved the new Statute for the AECID in 2007 and the First Management Contract in 2009. As a whole, between 2005 and 2009:

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113 The First Management Contract will be in force for a year. The next will be in force for four years.
i. New units have been created within the AECID, among them those devoted to sub-Saharan Africa cooperation; sector cooperation; water and drainage; and humanitarian action.\(^\text{114}\)

ii. More than 400 staff positions have been created, including 269 abroad and 150 at the headquarters, although almost half of them – precisely 183 positions abroad – were created to regularise the precarious conditions aid-workers had faced. Thus there are stable positions abroad at present.

iii. The Director can set up cross working groups with powers to improve the coordination between different units and a more horizontal organisational structure. In 2009 there were five groups running, including an Aid Quality and Effectiveness Cross Group and an Operative Programme Cross Group (see footnote 107).

iv. The AECID carried out a self-assessment process in 2008–09 to improve the quality of the organisation which also will be useful to qualify for EC certification – and then to get involved in ‘delegate cooperation’ experiences together with the EC and other European bilateral agencies.

v. The members of the AECID Board of Directors come from the public service except for two trade union representatives. It means not only that staff representatives have a voice and vote but also that transparency has increased in key decisions.

vi. The management contract has clarified the AECID’s objectives and activities and the corresponding indicators. Table 4.14 highlights some issues related to aid effectiveness which correspond to AECID’s management contract commitments.

Table 4.14 Aid effectiveness and AECID’s Management Contract

<table>
<thead>
<tr>
<th>Matters related to aid effectiveness</th>
<th>AECID First Management contract commitments</th>
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</thead>
<tbody>
<tr>
<td>Predictability of aid disbursements</td>
<td>AECID will guarantee an amount for four years to priority countries</td>
</tr>
<tr>
<td>Increasing commitment to poorest countries</td>
<td>AECID will allocate 20% of its budget to LDCs</td>
</tr>
<tr>
<td>Avoiding aid fragmentation among too many countries</td>
<td>AECID will allocate 85% of its budget to priority countries</td>
</tr>
<tr>
<td>The Paris Declaration. Donor’s coordination</td>
<td>AECID will strengthen its relationship with other agencies</td>
</tr>
<tr>
<td>The Paris Declaration. Alignment and harmonisation</td>
<td>AECID will standardise and certify its procedures within the EC</td>
</tr>
</tbody>
</table>

Source: Author’s elaboration.

\(^{114}\) See the AECID’s organisational chart in www.aecid.es/web/es/aecid/Estructura/ (accessed 6 January 2011).
Challenges

The AECID is at the very beginning of the reform process. It has to be an extended effort without an end, as the organisation will have to evolve over time adapting to new and unexpected situations. Having said that, three significant challenges emerge at present:

i. The first challenge is related to AECID specialisation. Neither by examining its budget (Annex 8) nor its website is it possible to discern the main tasks of the AECID, perhaps with the exception of governance (institutional strengthening). It seems to work in too many sectors, all of them included in the Master Plan II, and to support too many programmes in too many countries through a wide variety of international bodies, organisations, charities and NGOs. This could work if at the same time AECID was recognised as a main actor in some sectors and countries. As has been said, the SAS and the AECID could make a big effort by supporting some production sectors and economic infrastructure such as tourism, agriculture, fishing, communications or environment. In addition, now that AECID has an important fund to invest in water and sanitation, this could be another sector of excellence adding value to its activities. On the other hand, AECID should focus its activities in fewer countries. It does not make any sense to open new offices to add to the existing 42, instead of closing those in HMICs such as Uruguay, Argentina and Brazil. However, it means dealing with foreign and trade policy; a big challenge without a doubt.

ii. The second area is related to the AECID adaptation of the Declaration of Paris. There are several challenges: (a) revising the expenditures as, according to Table 4.15, only 36.5 per cent of the AECID’s budget can be considered closely related to ownership or, in other words, is programmed at country level, the main principle of the Paris Declaration; (b) standardising and certifying its procedures within the European Commission – as the First Management Contract has established – and strengthening the coordination and developing joint actions with other development agencies in a systematic way; and (c) decentralising some competences to the offices abroad and adapting them to their functions according to the agreement framework signed with each country.

It is worth looking at Table 4.15 and Annex 8 in depth. Once AECID’s internal expenditures (such as wages), humanitarian action and some minor expenditures are excluded, the available AECID budget for partner countries comes to €645 million, of which 53 per cent could be considered consistent with the Paris Declaration whereas the remaining 47 per cent is not. Thus a big effort should be made to change the composition of AECID expenditures. Specifically, the amount devoted to GBS and sector-wide approaches (SWAPs) should be dramatically increased (see subsection 4.5.3) whereas

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115 The AECID signed an agreement with the IDB transferring €300 million to the bank in 2008 due to a lack of human and institutional capabilities to manage the fund.

116 The relationship between Spain and HMICs would be administered only from embassies.

117 Some 63 per cent of UK bilateral aid was programmed at country level in 2008 (DAC 2010).
Table 4.15 **Summary of AECID’s budget 2008**

<table>
<thead>
<tr>
<th></th>
<th>€ mn</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total AECID budget 2008</td>
<td>942.8</td>
<td>100%</td>
</tr>
<tr>
<td>AECID budget not available for partners: wages and others internal expenditures</td>
<td>130.5</td>
<td>13.8</td>
</tr>
<tr>
<td>Items related to Paris Declaration – ownership</td>
<td>343.7</td>
<td>36.5</td>
</tr>
<tr>
<td>Humanitarian action, food security and food aid</td>
<td>122.0</td>
<td>12.9</td>
</tr>
<tr>
<td>Items not related to Paris Declaration – ownership (of which NGOs support)</td>
<td>301.6</td>
<td>32.0</td>
</tr>
<tr>
<td>Other minor expenditures</td>
<td>45.0</td>
<td>4.8</td>
</tr>
</tbody>
</table>

Source: Author’s calculation (see Annex 8).

three items of the AECID budget should be cut: (a) support for NGOs (€161 million in 2008) could be cut slightly, and some redistribution carried out; (b) subsidies to different public entities in Spain (€42 million) could be cut significantly more; and (c) case by case basis subsidies (€61.3 million), could be cut severely. However, it will not be easy, as these items respond to powerful interests, including foreign policy in the case of subsidies to several public entities and even favouritism in some cases of singular or single subsidies.

iii. The third challenge is related to human resources. The AECID needs to be provided with specialist staff in its headquarters and fulfil the staffing requirement both in headquarters and abroad. Otherwise, if the AECID’s large-scale spending exceeds its management capabilities, wasteful spending may result. The new staff in headquarters should be recruited not only from the public administration but also from international organisations, universities and NGOs. Their contracts should be homogeneous with those for staff abroad to let mobility between both kinds of employees, and flexible to avoid a situation where civil servants could retain a lifelong position. On the other hand, a system of incentives should be designed, rewarding aid effectiveness. Finally, the AECID should allow the participation of local technical employees in its offices abroad, unless that undermines the recipient countries’ institutional capabilities.

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118 Some examples are Casa de América, Casa Asia, Casa África, Casa Mediterráneo and Casa Serafád.

119 A system of mobility should be designed as the First Management Contract has established.
5 Conclusions

5.1 On aid effectiveness

The issue of aid effectiveness has been debated for a long time. The debate between ODA and some aspects of Economic Development has continued in the last decade focusing on the relationship between aid, policies and growth, but differences in findings still remain. After examining the key factors which may undermine ODA effectiveness, from both the donors’ side and the recipients’ side, this paper offers good reasons for addressing aid effectiveness including: (a) its quantity, a sum that bears comparison with other important external sources for developing countries; (b) its importance to those LDCs and LICs which lack other external resources; (c) the fact that there is no alternative at the moment, as ODA is the only public mechanism providing resources from the international community that actually exists to reduce poverty and inequality – a fact which calls for improving the generating of resources for development in a more rational way; and (d) recent changes which suggest that ODA has improved its performance.

However, some challenges still remain, including ‘aid dependence’ which may undermine not only aid effectiveness but also the recipient’s ability to lead its own development process. At this point, although there are some interesting proposals, as this paper cites, more research is needed on how to avoid threats to ODA effectiveness such as a negative impact on governance and the ‘Dutch disease’.

In any respect, it is worth analysing the achievements and challenges the Spanish aid system has shown in moving forward on aid effectiveness.

5.2 On the politics of Spanish aid

This paper maintains that a combination of factors is necessary to promote change, including (a) the government’s interest and will; (b) civil society demands and participation; (c) a favourable international framework and an agenda on development; (d) leadership within the development sector; (e) political coalitions; and (g) a favourable current economic situation. All of these were present in the former legislature (2004–08) in Spain although with varying intensity, and hence the aid ‘big push’ occurred. However, factors of change are diminishing: leadership within the government is focused on the financial crisis and domestic matters at present; the role of the Ministry of Foreign Affairs has weakened within the government, as has the role of the State Secretariat for International Cooperation (SECI); changes in parliamentary coalitions are weakening aid commitments; and foreign and consular policy will be more pragmatic. Unless a big reaction from civil society and the development sector within the government is put in place, the future scenario will be negative. On the other hand, the end of the financial crisis and the rebuilding of negotiations within the government would make things easier.
5.3 On Spanish aid players

The Spanish official development system has two sides. The Ministry for Foreign Affairs and International Cooperation (MAEC) is in charge of more than 50 per cent of the total Spanish ODA and is responsible for aid coordination and aid policy. The Ministry for Economy and Finance (MEH) is in charge of almost 30 per cent of the total ODA and responsible for the annual budget proposal, including ODA distribution among different modalities. The MEH is also in charge of taking decisions on the number of staff working for the SAS. It follows that any improvement in aid effectiveness requires tough negotiation between MAEC and MEH.

Within the MAEC, aid policy coordination is the responsibility of the SECI. However, also within the MAEC is the State Secretariat for Foreign Affairs, which has been interested in ODA although it is difficult for its staff to move forward on the aid-effectiveness agenda, as they have to realise and internalise that aid should not be used to benefit foreign policy. This situation has pernicious consequences, which are examined in this paper, including an excessive number of recipients where the SAS is concerned.

ODA from regional governments, which counts for some 10 per cent of the total Spanish ODA, is at risk of a lack of coordination, multiplicity of donors and aid fragmentation as it involves 17 regional governments. Although there are some institutions for coordination, the different interests of regional governments can undermine efforts towards aid effectiveness.

NGOs have an important role in public solidarity, consciousness and active participation, although there are too many NGOs with official support. Promoting concentration within the sector and strengthening coordination abroad are major challenges at this point.

5.4 On the achievements, dilemmas and challenges of the Spanish aid system

The SAS has had two reformist periods. During the first, between 1988 and 1992, Spanish ODA increased from $300 million to $1.3 billion. During the second, under the former legislature (2004–08), Spanish ODA doubled from €2 billion in 2004 (0.24 per cent of GDP) to €4.8 billion (0.45 per cent of GDP) in 2008. The opposition Socialist party in 2004 found an important gap in foreign and aid policies between the former Conservative government and citizens. Thus, it promised change backed up by public opinion and after it won elections, change started.

Much has been accomplished since 2004, as well as the increase in ODA. Among these achievements: (a) Master Plans clarified aid policy objectives ending ambiguities from other legislatures; (b) a favourable decision towards LDCs was made and, as a result, ODA allocation to sub-Saharan Africa has increased dramatically; (c) the Spanish multilateral ODA increased threefold, reaching an annual €2.5 billion in 2007–08; (d) contributions to UN and international funds increased by 23 times, to an annual €1.5 billion in 2007–08; (e) tied loans will no longer count as ODA; (f) debt relief of more than €1.3 billion was approved in
2005–08; (g) Spain reduced some MICs debts, moving beyond the Paris Club; (h) a really big effort in planning has been made; (i) domestic coordination has been improved; (j) there have been advances in communication and education for development; (k) Master Plan III has established measures to improve development studies; and (l) the AECID is a state agency with more autonomy and a Managerial Contract with measurable objectives, some of them related to aid effectiveness.

However, there are five main dilemmas that the SAS still has to face:

i. Regarding the distribution of Spanish aid, the SAS has strengthened its support to social sectors related to the MDGs in recent years (reaching 65 per cent of total ODA on average in 2007–08), whereas investments in economic infrastructure and production sectors, such as tourism, fishing, industry and communications, have declined (representing only 21 per cent of total ODA in the same period). The questions are: should the SAS promote growth by supporting productive sectors with a similar intensity to social sectors, considering the sustainability of social changes? And, broadly, how could SAS add more value to the international aid system? Accordingly, the lack of support for environmental protection in a world increasingly threatened by climate change should also be reviewed.

ii. Regarding geographical allocation, should the SAS carry on increasing ODA allocations to sub-Saharan Africa or should it also maintain a significant share of the ODA to MICs in Latin America and the Mediterranean – the traditional areas of Spanish ODA? This paper acknowledges important reasons for maintaining Spanish ODA to MICs, and especially to LMICs, including the SAS’s background and experience, which gives Spain a comparative advantage in delivering ODA to those areas.

iii. Regarding geographical concentration, as many as 115 developing countries received Spanish ODA in recent years, whereas the SAS allocated only 54 per cent of its total ODA to the 23 priority recipient countries (in spite of the fact that the Spanish government had approved giving 70 per cent of total ODA to them). Some measures have been taken, as this work shows, but they will probably not be enough to deal with this challenge. The question here is: how should the list of the top priority countries be reviewed and certain recipients avoided for reasons related to foreign and trade policies?

iv. Regarding the aid effectiveness international agenda and the Paris Declaration, the SAS faces four key challenges which depend on political will: (a) strengthening those aid modalities more suitable for promoting ownership, such as budget support, which accounts for only 2 per cent of total Spanish ODA; (b) increasing AECID expenditures programmed at country level, but reducing subsidies to different public entities in Spain and other subsidies not demanded from developing countries; (c) avoiding the ‘lending culture’ temptation related to concessional loans and, instead, supporting recipients’ priorities and strengthening their ownership; and (d) considering closing some AECID offices abroad in HMICs when opening new offices in LDCs.

v. Lastly, related to all of the above, considering a deeper institutional reform with the creation of a Ministry for Development whose legal mission is
development. It means a Ministry avoiding foreign or trade interests undermining aid policy and, as well as that, promoting coherent policies for development.120

Other challenges have been looked at in this paper: (a) Regarding multilateral ODA, how should fluctuations in resources allocated to multilateral organisations be avoided? Is strengthening the SAS’s capabilities which are devoted to multilateral aid a major challenge? (b) Is there scope to make a greater effort on HIPCs and MICs debt relief? (c) How can a stronger coordination between regional governments be achieved? (d) Is strengthening institutional capabilities for communication and education for development another challenge? (e) How can the AECID improve its sector and geographical specialisation and move the Paris Declaration forward, taking into account that there are powerful interests, including foreign policy, against changes?

5.5 On changes which are desirable and politically feasible at present

Difficult decisions were taken under the former legislature (2004–08) such as a significant increase in aid, much more attention given to sub-Saharan Africa – traditionally ignored by the Spanish Aid System – and debt relief beyond the Paris Club agreements. More recently another difficult decision was taken: tied loans will no longer count as ODA. Which other important decisions related to aid effectiveness could be taken in the near future? The following emerge from this paper:

- Even in times of crisis, avoiding ODA budget cuts or, as next best, avoiding more cuts than the ones imposed on other social expenditure (such as health or education);
- Sticking more closely to the Paris Declaration, increasing the weight of the general budget support in total aid; strengthening decentralisation and the power of offices abroad, and intensifying coordination and alliances with other bilateral agencies;
- Strengthening the powers of the Secretary of State for International Cooperation related to ODA which are scattered between other units in the Public Administration, especially in the Ministry of Economy and Finance and the Secretary of State for Foreign Affairs (instead of creating a new ministry for development in times of crisis);
- Finding a new equilibrium between aid devoted to production and to social sectors, so that the latter are sustainable in the future;
- Maintaining a significant ODA to Latin America and Mediterranean countries, especially to low middle income countries, in the framework of the labour

120 According to Barder (2005: 23), in the case of reform of the development system in the UK, ‘an important motivation for the establishment of a separate department was to increase the attention paid within Government to the UK’s long-term strategic interests, so that these might be properly balanced against short-term pressures… these long-term interests had not always been given weight alongside short-term commercial and strategic concerns’.
division among EU members; at the same time, cutting severely or abolishing aid devoted to upper middle income countries (AECID should consider closing some offices in these countries);

- Concentrating 80–85 per cent of total Spanish ODA in no more than 20–25 partners;
- Under the Delegate Commission for International Cooperation, establishing negotiation groups, formal and informal, within the Secretary of State for International Cooperation and different ministries not only to improve aid effectiveness (the coherence within aid policy) but also to improve coherence between other policies also impacting on development;¹²¹
- Strengthening the Council for Cooperation for Development where civil society participates with measures such as having a secretariat, some budget and a website.

### 5.6 On lessons that might be relevant to other aid donors, especially to bilateral newcomers

The following lessons could be useful for some new bilateral donors:

i. The first lesson is to check whether or not several prerequisites are fulfilled. Among them: (a) Has the government decided to increase aid quantity and quality? Was it in the election manifesto or in the political agenda? (b) Is that decision supported by the Prime Minister? (c) Is there a demand from civil society on this matter? (d) Is there an alliance between civil society and the development sector within the government pursuing changes to improve aid effectiveness? (e) Is the economy growing? If any of the answers to the questions on this checklist are negative, it will not be worth making the huge effort necessary to make the changes.

ii. Leadership is needed within the aid system, to be well supported by the Prime Minister. The leader has to set up a motivated team and have clear objectives.

iii. Objectives and, broadly, the aid programme, have to be related to international agreements to improve aid effectiveness and to gain credibility. The best method is to stick to MDGs, Paris Declaration, AAA, OECD’s good practices and the European Consensus on Development, where appropriate. International agreements must be adapted to the specific donor’s situation and it would be advisable to select key ones, such as geographical and sector concentration, aid disbursement predictability, promoting ownership and donor coordination.

¹²¹ In Spain there has been a lack of negotiation between the SECI and other ministries. As a result, substantial decisions affecting aid policy have been decided for reasons other than development, including the huge number of partners and ODA disbursements as loans, not to speak of issues related to human and institutional resources, which have undermined the scope of the reform. New improvements in aid quantity and quality will require not only the end of the financial crisis but also the rebuilding of negotiations within the government.
iv. When prerequisites are fulfilled and leadership, team and objectives are in place, sticking to international agreements is not enough. There are another two key tasks to become an efficient donor:

- The first one is related to the institutional aid organisation. The models here are the advanced donors that actually tend to focus on poverty and development. They tend to concentrate all or most of the ODA budget and aid powers in one strong ministry, such as the DFID in the UK or the Ministry of Foreign Affairs in Sweden and the Netherlands, with a small number of coordinated agencies and a clear legal mandate, which includes not only aid policy but also promoting the coherence between other policies and development. At the other end, there are donors pursuing geostrategic, business and trade objectives in the short term. The USA and Japan have been the clearest cases, but it is now possible to add emerging countries such as China and Brazil. They seem to have a more dispersed institutional structure with a number of ministries where aid budget and powers are scattered significantly – although this matter deserves further research. The latter has also been the case in Spain, where the Ministry for Foreign Affairs used to control less than 20 per cent of the total ODA a few years ago. Although Spain has started a reformist process of its aid system (the Ministry for Foreign Affairs is in charge of 50 per cent of total ODA at present, as stated), much has still to be done, including the strengthening of the State Secretariat for International Cooperation, both in powers and human resources.

- The second task is negotiations within the government and in Parliament – a parliamentary agreement between different parties, whenever relevant, will strengthen aid policy. Developing a new aid policy, not to mention improvements in coherence between other policies and development, needs extensive formal and informal negotiations and institutional arrangements between several ministries and secretaries of state such as Economy and Finance, Foreign Affairs, International Cooperation, Trade and Public Administration. Negotiations are needed not only to improve the quality of the reforms but also to increase the likelihood of their successful implementation. At this point, the distinction between short-term and long-term interests is crucial. The message and the most important reason other ministries should understand is this: the only way to move our own security and prosperity forward is by actively contributing to sustainable development. The contribution must be real: it is not fair to appear to be helping others if actually we are only attending to our own short-term interests. The task is to clarify whether or not the government chooses between being a responsible member of the international community or a free-rider.

5.7 On further research

There are many subjects in which more and deeper research is needed. Among the most important are the following: (i) How should donors act in cases of ‘aid dependence’ – high levels of ODA in relation to GDP – to avoid or to minimise the

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122 I am very grateful to Mick Moore for his comments on adequate organisational design of aid systems.
risks and problems it brings, including the Dutch disease and weak governance? (ii) Should the international community emphasise the support of social sectors related to the MDGs or should it promote growth through supporting economic infrastructure and the production sectors with a similar intensity to the social sectors? And (iii) Are there differences related to aid institutional organisation between the advanced donors focusing on poverty and the ones pursuing geostrategic, business and/or trade objectives?

Specifically in the case of Spain, several interesting fields of research have emerged in this paper. Among them: (i) Could the SAS add more value to the international aid system if it became involved in new sectors, such as communications, tourism, fishing or environmental protection? (ii) How should the SAS review and severely reduce the list of the top priority countries and avoid recipients for reasons related to foreign and trade policies? (iii) Should the SAS carry on increasing ODA allocations to sub-Saharan Africa or should it also maintain a significant share of the ODA to MICs in Latin America and the Mediterranean? (iv) Is there scope to make a greater effort on HIPCs and MICs debt relief? (v) How can the AECID’s budget be addressed in a way that is more compatible with the Paris Declaration? And (vi) Should a new ministry in charge of the SAS be created, that is separate from the Foreign Office, to move the aid effectiveness agenda forward avoiding the problems and limitations which the present situation provokes?
## Annexes

### Annex 1 2007 Remittances: inflows, outflows, net flows ($ billions) and per capita

<table>
<thead>
<tr>
<th>Remittances</th>
<th>Inflows ($ bn)</th>
<th>Outflows ($ bn)</th>
<th>Net flows ($ bn)</th>
<th>Per capita ($)</th>
<th>Note: ODA Per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high human development</td>
<td>86</td>
<td>172</td>
<td>-86</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High human development</td>
<td>92</td>
<td>59</td>
<td>33</td>
<td>101</td>
<td>9</td>
</tr>
<tr>
<td>Medium human development</td>
<td>189</td>
<td>15</td>
<td>174</td>
<td>44</td>
<td>12</td>
</tr>
<tr>
<td>Low human development</td>
<td>2.9</td>
<td>0.9</td>
<td>2</td>
<td>11</td>
<td>51</td>
</tr>
</tbody>
</table>


### Annex 2 ODA receipts where its ODA/GNI exceeded 10% and selected indicators

<table>
<thead>
<tr>
<th>Net ODA ($ mn)</th>
<th>Population (million)</th>
<th>Current GNI ($ mn)</th>
<th>ODA/GNI % 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing countries, total</td>
<td>105,056</td>
<td>(5 313.92)</td>
<td>(12 289 630)</td>
</tr>
<tr>
<td>North of Sahara, total</td>
<td>3 171</td>
<td>156.59</td>
<td>427 861</td>
</tr>
<tr>
<td>South of Sahara, total</td>
<td>34 267</td>
<td>801.19</td>
<td>(792 774)</td>
</tr>
<tr>
<td>North &amp; Central America, total</td>
<td>3 474</td>
<td>181.83</td>
<td>(1 068 058)</td>
</tr>
<tr>
<td>South America, total</td>
<td>2 862</td>
<td>382.68</td>
<td>2 274 098</td>
</tr>
<tr>
<td>Middle East, total</td>
<td>14 132</td>
<td>(153.78)</td>
<td>(752 117)</td>
</tr>
<tr>
<td>South and Central Asia, total</td>
<td>12 869</td>
<td>(1 617.34)</td>
<td>(1 622 319)</td>
</tr>
<tr>
<td>Far East Asia, total</td>
<td>7 126</td>
<td>1 856.79</td>
<td>(4 374 970)</td>
</tr>
<tr>
<td>Europe, total</td>
<td>4 168</td>
<td>155.18</td>
<td>966 169</td>
</tr>
<tr>
<td>Oceania, total</td>
<td>1 295</td>
<td>(8.54)</td>
<td>(11 264)</td>
</tr>
</tbody>
</table>
Countries where ODA/GNI exceeds 10%\textsuperscript{123}

<table>
<thead>
<tr>
<th>South of Sahara</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Burkina Faso</td>
<td>930</td>
<td>14.78</td>
<td>6 720</td>
<td>13.85</td>
</tr>
<tr>
<td>Burundi</td>
<td>466</td>
<td>8.50</td>
<td>942</td>
<td>49.50</td>
</tr>
<tr>
<td>Central African Rep.</td>
<td>176</td>
<td>4.34</td>
<td>1 764</td>
<td>10.01</td>
</tr>
<tr>
<td>Congo, Dem. Rep.</td>
<td>1 217</td>
<td>62.40</td>
<td>8 599</td>
<td>14.15</td>
</tr>
<tr>
<td>Eritrea</td>
<td>155</td>
<td>4.84</td>
<td>1 191</td>
<td>13.00</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>2 422</td>
<td>79.09</td>
<td>19 408</td>
<td>12.48</td>
</tr>
<tr>
<td>Gambia</td>
<td>72</td>
<td>1.71</td>
<td>597</td>
<td>12.13</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>123</td>
<td>1.69</td>
<td>348</td>
<td>35.37</td>
</tr>
<tr>
<td>Liberia</td>
<td>696</td>
<td>3.75</td>
<td>578</td>
<td>120.42</td>
</tr>
<tr>
<td>Madagascar</td>
<td>892</td>
<td>19.67</td>
<td>7 244</td>
<td>12.31</td>
</tr>
<tr>
<td>Malawi</td>
<td>735</td>
<td>13.92</td>
<td>3 528</td>
<td>20.82</td>
</tr>
<tr>
<td>Mali</td>
<td>1 017</td>
<td>12.33</td>
<td>6 591</td>
<td>15.43</td>
</tr>
<tr>
<td>Mauritania</td>
<td>364</td>
<td>3.12</td>
<td>2 750</td>
<td>13.23</td>
</tr>
<tr>
<td>Mozambique</td>
<td>1 777</td>
<td>21.37</td>
<td>6 749</td>
<td>26.33</td>
</tr>
<tr>
<td>Niger</td>
<td>542</td>
<td>14.20</td>
<td>4 219</td>
<td>12.84</td>
</tr>
<tr>
<td>Rwanda</td>
<td>713</td>
<td>9.74</td>
<td>3 306</td>
<td>21.55</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>535</td>
<td>5.85</td>
<td>1 639</td>
<td>32.67</td>
</tr>
<tr>
<td>Tanzania</td>
<td>2 811</td>
<td>40.43</td>
<td>16 129</td>
<td>17.43</td>
</tr>
<tr>
<td>Uganda</td>
<td>1 728</td>
<td>30.93</td>
<td>10 991</td>
<td>15.72</td>
</tr>
<tr>
<td>Zambia</td>
<td>1 045</td>
<td>11.92</td>
<td>10 240</td>
<td>10.20</td>
</tr>
<tr>
<td>Central America</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Haiti</td>
<td>701</td>
<td>9.61</td>
<td>6 126</td>
<td>11.45</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>834</td>
<td>5.60</td>
<td>5 538</td>
<td>15.05</td>
</tr>
<tr>
<td>Middle East</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Palestinian Adm. Areas</td>
<td>1 868</td>
<td>3.87</td>
<td>4 190</td>
<td>44.58</td>
</tr>
<tr>
<td>South and Central Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Afghanistan</td>
<td>3 951</td>
<td>..</td>
<td>11 669</td>
<td>33.86</td>
</tr>
<tr>
<td>Far East Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laos</td>
<td>396</td>
<td>5.86</td>
<td>3 637</td>
<td>10.90</td>
</tr>
<tr>
<td>East Timor</td>
<td>278</td>
<td>1.07</td>
<td>1 705</td>
<td>16.33</td>
</tr>
</tbody>
</table>

\textsuperscript{123} Countries and territories with a population of less than 1 million (Cape Verde, Djibouti, São Tomé and Principe, San Vincent and Grenadines, Guyana, Kiribati, Marshall Islands, Micronesia, Palau, Solomon Islands, Tonga and Vanuatu) are not included. Source: DAC Development Cooperation Report (2009).
Annex 3 DAC Members’ Net ODA in 2008 and 2004

### Annex 4 Aggregate sector allocations DAC countries and Spain, between 2004 and 2010

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Social infrastructure and services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>11%</td>
<td>11%</td>
<td>13%</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>Health</td>
<td>9%</td>
<td>7%</td>
<td>9%</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>Population and reproductive health</td>
<td>1%</td>
<td>4%</td>
<td>5%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>Water and sewage treatment</td>
<td>7%</td>
<td>6%</td>
<td>13%</td>
<td>6%</td>
<td>12%</td>
</tr>
<tr>
<td>Governance and civil society</td>
<td>11%</td>
<td>18%</td>
<td>16%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
<td>11%</td>
<td>8%</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>2 Economic infrastructure and services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport and warehousing</td>
<td>12%</td>
<td>10%</td>
<td>8%</td>
<td>9%</td>
<td>6%</td>
</tr>
<tr>
<td>Energy</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Communications</td>
<td>2%</td>
<td>0.4%</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Bank and financial services</td>
<td>6%</td>
<td>2%</td>
<td>3%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>0.6%</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>3 Production sectors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td>Fishing</td>
<td>1%</td>
<td>0.7%</td>
<td>0.9%</td>
<td>0.9%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Industry</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Trading</td>
<td>0.1%</td>
<td>1.5%</td>
<td>0.7%</td>
<td>1.1%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Tourism</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.3%</td>
<td>0.6%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Other</td>
<td>1.4%</td>
<td>0.2%</td>
<td>0.1%</td>
<td>0.4%</td>
<td>1.2%</td>
</tr>
<tr>
<td><strong>Multi-sector</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(of which environmental protection)</td>
<td>(2.2)</td>
<td>(5.7)</td>
<td>(4.2)</td>
<td>(5.4)</td>
<td>(3.2)</td>
</tr>
<tr>
<td>Total sectoral allocable 100 = (€ bn)</td>
<td>€0.9 bn</td>
<td>€2.9 bn</td>
<td>€3.4 bn</td>
<td>€4 bn</td>
<td>€3.3 bn</td>
</tr>
</tbody>
</table>

Source: Author’s elaboration from MAEC PACI Seguimiento and MAEC PACIs (2009 and 2010).
### Annex 5.1 Spanish aid system priority partners according to Master Plan II

<table>
<thead>
<tr>
<th>Priority countries</th>
<th>Special attention Countries</th>
<th>Special countries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Latin America</strong></td>
<td>Honduras, Nicaragua, El Salvador, Guatemala, Haiti, Dominican Republic, Paraguay, Bolivia, Peru, Ecuador</td>
<td>Cuba, Colombia</td>
</tr>
<tr>
<td><strong>Middle East and North Africa</strong></td>
<td>Algeria, Morocco, Mauritania, Tunisia, Saharawi population, Palestinian territories</td>
<td>Iraq, Lebanon, Syria</td>
</tr>
<tr>
<td><strong>Sub-Saharan Africa</strong></td>
<td>Mozambique, Angola, Namibia, Senegal, Cape Verde</td>
<td>DR Congo, Ethiopia, Equatorial Guinea, Sudan, Guinea Bissau</td>
</tr>
<tr>
<td><strong>Asia and Pacific</strong></td>
<td>Philippines, Vietnam</td>
<td>Timor, Afghanistan, Cambodia and countries affected by 2004 tsunami</td>
</tr>
<tr>
<td><strong>Central and East Europe</strong></td>
<td></td>
<td>Bosnia and Herzegovina, Albania</td>
</tr>
<tr>
<td><strong>Total countries</strong></td>
<td>23</td>
<td>15+</td>
</tr>
</tbody>
</table>

Source: Author’s elaboration from Master Plan II.

### Annex 5.2 Spanish aid system priority partners according Master Plan III

<table>
<thead>
<tr>
<th>Group A</th>
<th>Group B</th>
<th>Group C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Latin America</strong></td>
<td>Honduras, Nicaragua, El Salvador, Guatemala, Haiti, Dominican Republic, Paraguay, Bolivia, Peru, Ecuador</td>
<td>Colombia</td>
</tr>
<tr>
<td><strong>Middle East and North Africa</strong></td>
<td>Algeria, Morocco, Mauritania, Saharawi population, Palestinian territories</td>
<td>Iraq, Lebanon</td>
</tr>
<tr>
<td><strong>Sub-Saharan Africa</strong></td>
<td>Ethiopia, Mali, Mozambique, Senegal, Cape Verde, Niger</td>
<td>DR Congo, Equatorial Guinea, Sudan, Guinea Bissau, Gambia, Angola, Guinea Conakry</td>
</tr>
<tr>
<td><strong>Asia and Pacific</strong></td>
<td>Philippines, Vietnam</td>
<td>Timor, Afghanistan, Cambodia, Bangladesh</td>
</tr>
<tr>
<td><strong>Central and East Europe</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total countries</strong></td>
<td>23</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Author’s elaboration from Master Plan III.
### Annex 6 The top ten international organisations and funds receiving Spanish ODA

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDP</td>
<td>34.5</td>
<td>461.2</td>
<td>UNDP</td>
</tr>
<tr>
<td>UNICEF</td>
<td>26.4</td>
<td>69.9</td>
<td>UNICEF</td>
</tr>
<tr>
<td>FAO</td>
<td>22.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNHCR</td>
<td>16.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNDG</td>
<td>18.5</td>
<td>52.2</td>
<td>UNWFP</td>
</tr>
<tr>
<td></td>
<td></td>
<td>42.3</td>
<td>UNIFEM</td>
</tr>
<tr>
<td>World Bank IDA</td>
<td>140.1</td>
<td>206</td>
<td>World Bank IDA</td>
</tr>
<tr>
<td>World Bank others</td>
<td>30.8</td>
<td>100.8</td>
<td>World Bank others</td>
</tr>
<tr>
<td>African Develop. Bank</td>
<td>50.2</td>
<td>73.6</td>
<td>African Develop. Bank</td>
</tr>
<tr>
<td>Asian Development Bank</td>
<td>28.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Fund to Fight Aids,</td>
<td></td>
<td>163.3</td>
<td>InterAmerican Devel. Bank</td>
</tr>
<tr>
<td>Tuberculosis and Malaria</td>
<td></td>
<td>86.7</td>
<td>Global Fund to Fight Aids,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Tuberculosis and Malaria</td>
</tr>
<tr>
<td>(a) Sub-total top 2005–06</td>
<td>399.2</td>
<td>1309.2</td>
<td>Sub-total top 2007–08</td>
</tr>
<tr>
<td>(b) Spanish multilateral ODA</td>
<td>596.7</td>
<td>1815.6</td>
<td></td>
</tr>
<tr>
<td>excluding EU</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% (a)/(b)</td>
<td>66.9%</td>
<td>72.1%</td>
<td></td>
</tr>
</tbody>
</table>

Spanish ODA allocated through EU €656.2 mn €718.0 mn
Total Spanish multilateral ODA €1253.0 mn €2533.0 mn

Source: Author’s elaboration from MAEC PACIs Seguimiento.
### Annex 7 HIPC debtors to Spain in 2008 (31 December 2008)

<table>
<thead>
<tr>
<th>Interim countries</th>
<th>Post-completion point countries</th>
<th>Pre-decision</th>
<th>No data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guinea</td>
<td>Bolivia</td>
<td>Somalia</td>
<td>Kenya</td>
</tr>
<tr>
<td>Ivory Coast</td>
<td>Bolivia, Cameroon, Chad, Congo Republic, DR Congo, Ghana, Guinea-Bissau, Haiti, Honduras, Madagascar, Malawi, Mauritania, Mozambique, Nicaragua, Senegal, Tanzania, Togo</td>
<td>Somalia</td>
<td>Kenya, Yemen</td>
</tr>
</tbody>
</table>

Source: MEH (unpublished) and IMF (2010).
### Annex 8 Items from AECID’s budget 2008

<table>
<thead>
<tr>
<th>Item</th>
<th>€ mn</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 AECID’s Budget 2008</td>
<td>942.8</td>
<td>100%</td>
</tr>
<tr>
<td>2 Staff</td>
<td>52.2</td>
<td></td>
</tr>
<tr>
<td>3 Consultants in headquarters</td>
<td>12.8</td>
<td></td>
</tr>
<tr>
<td>4 Investments in AECID’s own buildings and equipment</td>
<td>15.9</td>
<td></td>
</tr>
<tr>
<td>5 Maintenance</td>
<td>3.6</td>
<td></td>
</tr>
<tr>
<td>6 Fungible expenditures (communications, supplies, etc.)</td>
<td>12.6</td>
<td></td>
</tr>
<tr>
<td>7 Other types of diverse expenditures</td>
<td>14.6</td>
<td></td>
</tr>
<tr>
<td>8 Rent</td>
<td>9.3</td>
<td></td>
</tr>
<tr>
<td>9 Spanish cultural promotion</td>
<td>9.5</td>
<td></td>
</tr>
<tr>
<td>10 AECID budget not available for partners as ODA = 2+3+4+5+6+7+8+9</td>
<td>130.5</td>
<td>13.8%</td>
</tr>
<tr>
<td>11 Multilateral disbursements</td>
<td>57.3</td>
<td></td>
</tr>
<tr>
<td>12 Grants for states</td>
<td>173.7</td>
<td></td>
</tr>
<tr>
<td>13 Institutional strengthening</td>
<td>70.0</td>
<td></td>
</tr>
<tr>
<td>14 Vocational centres and cultural heritage restoration</td>
<td>14.5</td>
<td></td>
</tr>
<tr>
<td>15 Academic and science cooperation</td>
<td>21.5</td>
<td></td>
</tr>
<tr>
<td>16 Technical assistance abroad</td>
<td>6.7</td>
<td></td>
</tr>
<tr>
<td>17 Items related to Paris Declaration (Ownership) = (11+12+13+14+15+16)</td>
<td>343.7</td>
<td>36.5%</td>
</tr>
<tr>
<td>18 Humanitarian action, food security and food aid</td>
<td>122.0</td>
<td>12.9%</td>
</tr>
<tr>
<td>19 Support to NGOs</td>
<td>161.0</td>
<td></td>
</tr>
<tr>
<td>20 Subsidies to different public entities in Spain</td>
<td>42.4</td>
<td></td>
</tr>
<tr>
<td>21 Grants to scholars to study in Spain and lecturers</td>
<td>31.5</td>
<td></td>
</tr>
<tr>
<td>22 Subsidies to different charities (non-NGOs) in Spain</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td>23 Singular subsidies</td>
<td>61.3</td>
<td></td>
</tr>
<tr>
<td>24 Subsidies to some bi-national cultural centres</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>25 Items not related to Paris Declaration = (19+20+21+22+23+24)</td>
<td>301.6</td>
<td>32.0%</td>
</tr>
<tr>
<td>26 Other minor expenditures</td>
<td>45</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

Source: Author’s calculation from AECID’s budget 2008.
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