OECD

Development Co-operation Review Series

Spain

Development Assistance Committee

DAC

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

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

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

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

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FOREWORD

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

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

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

This publication contains the Summary and Conclusions as agreed by the Committee following its review on 10 February 1998 in Paris, and the Report prepared by the Secretariat in association with the examiners, representing Australia and Belgium, on the development co-operation policies and efforts of Spain. The report is published on the responsibility of the Secretary-General of the OECD.

James Michel
DAC Chair

LIST OF ACRONYMS

AECI*	Spanish Agency for International Co-operation
CICI*	Interministerial Commission for International Co-operation
CRS	Creditor Reporting System
CYTED*	Science and Technology for Development Programme
DAC	Development Assistance Committee
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECU	European Currency Unit
EDF	European Development Fund
EIB	European Investment Bank
EU	European Union
FAD*	Development Aid Fund
FEV*	Fund for Feasibility Studies
GEF	Global Environment Facility
GNP	Gross national product
ICI*	Institute for Ibero-American Co-operation
ICMA.M.PD*	Institute for Co-operation for with the Arab World, Mediterranean and Developing Countries
ICO*	Institute for Official Credits
IDA	International Development Association
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IFAD	International Fund for Agricultural Development
IFIs	International finance institutions
IMF	International Monetary Fund
MEF	Ministry of Economy and Finance
MIGA	Multilateral Investment Guarantee Agency
NGOs	Non-governmental organisations
ODA	Official development assistance
OPE*	Planning and Evaluation Office
PACI*	Annual plans for international co-operation
PTA	Peseta, Spain's national currency
SDR	Special drawing rights
SECIPI*	State Secretariat for International Co-operation and for Latin America
SSTT	State Secretariat for Trade, Tourism and Small and Medium Enterprises
UN	United Nations
UNCED	United Nations Conference on Environment and Development
UNDP	United Nations Development Programme
UNFP	United Nations Fund for Population Activities
UNIFEM	United Nations Development Fund for Women
URNG*	National Revolutionary Union of Guatemala
WID	Women in development

Signs used

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

Slight discrepancies in totals are due to rounding.

* Denotes acronym in original language.

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SUMMARY AND CONCLUSIONS

NEW INITIATIVES TOWARDS A HIGH QUALITY AID PROGRAMME

Spain's aid programme is in a new phase of adjustment and reform, involving its legislative foundations, its composition and the management tools employed:

- A new draft law is currently under debate in Parliament.
- Tied aid loans have declined sharply and their sectoral orientation has shifted, while grant aid has increased.
- "Decentralised aid", provided by Spanish regions and municipalities, and mainly implemented through non-governmental organisations (NGOs) which is a particularly innovative part of the Spanish aid effort, has increased significantly. (This dimension of the Spanish aid effort could be a source of inspiration for other donors.)
- Major improvements in the planning and evaluation functions are being introduced.

Taken together, these steps respond in large part to the recommendations made by the Development Assistance Committee (DAC) in its first review of the Spanish aid programme in 1994 and hold the promise of a major improvement in the quality of Spain's development assistance effort.

The challenges now for the Spanish aid authorities are:

- to carry the reforms through in a way that reinforces the role of the development objectives and criteria that Spain has adopted (and which are reflected in the draft law), drawing *inter alia* on DAC work;
- in association with other DAC Members, to enter into partnerships with developing countries based on local ownership of strategies directed at attaining basic development goals.

A measure of the progress now being made in increasing the developmental orientation and quality of the Spanish aid programme is its composition. Tied aid loans to productive sectors in the faster growing developing countries, provided through a Development Aid Fund (the FAD) with an export promotion character, accounted a few years ago for over half of Spain's official development assistance (ODA). This share has now fallen to about 20 per cent, and influenced by the OECD disciplines on the association of aid and export financing (the "Helsinki Disciplines"), the FAD is now oriented towards the social sectors. Furthermore, a new evaluation function is being introduced to ensure development impact. These changes are in the right direction. The development of a new soft loan facility to be administered jointly with the Spanish Agency for International Co-operation (AECI) and the decision to begin financing microcredit schemes should also help to take the FAD in this new direction. At the same time, because of its tied aid character and association with commercial export credits, the FAD is not always an appropriate aid instrument and special efforts have to be made to adapt the terms when applied to poorer countries and social sectors.

The draft law is still under debate, but promises to provide a strong umbrella for what is very much a pluralistic aid effort, given the role of the regions and municipalities. Hopefully it will be agreed on a multiparty basis, reflecting the widespread public and political support in Spain for development co-operation. It will encompass development guidelines previously established by the Spanish authorities and endorsed by the Senate. It will establish a system of pluriannual and annual plans, with regular reviews by the Spanish Parliamentary Commission on Development Co-operation, an active all-party committee whose oversight role will thus be considerably strengthened. A further important provision is the establishment of an Interterritorial Commission which will promote dialogue and co-ordination between the development programmes of the

Spanish Government and the "decentralised" programmes of the authorities in the regions and municipalities.

Meanwhile, action is already being taken to remedy weaknesses in the planning and co-ordination and appraisal/evaluation of Spain's grant aid programme, the responsibility of the Ministry of Foreign Affairs. The annual plans were mainly a collation of ongoing and proposed activities and were often produced behind schedule. New multiannual planning instruments are being introduced currently which will support the parliamentary processes laid down in the draft law and enable a much more strategic approach based on a Logical Framework. This should enhance considerably the capacity of the Spanish authorities to align and monitor their programmes in terms of basic development objectives, such as those set out in the DAC report *Shaping the 21st Century: the Role of Development Co-operation*. At the country level too a more strategic approach to country programming is under development, requiring some adjustment to the functioning of the Joint Commissions which prepare the country programmes and a conscious effort to implement the partnership principles set out in the DAC report on *Shaping the 21st Century*. Alongside these improved planning mechanisms, new methodologies for project appraisal and evaluation have been established, through which the Spanish authorities are seeking to have a pervasive impact on the way in which Spanish aid is conceived and implemented on the ground. Previously dispersed efforts are being consolidated into more coherent projects and programmes.

This impressive list of reforms could be enhanced by some further refinement of administrative structures. For example, a more distinct administrative unit with a development identity within the Ministry of Finance and Economy would seem appropriate to complement the enhanced application of development criteria and evaluation processes. At present the FAD, along with other aid responsibilities of the Ministry, is administered by the Directorate-General for Commercial Policy and External Investment.

In the Foreign Ministry, the Planning and Evaluation Office is now to focus much more heavily on its central functions of co-ordination, planning and impact assessment. This has been facilitated by transferring the administration of the cofinancing scheme for NGOs (which absorbed much of its time and effort) to the aid implementing agency, the AECI, which is part of the Ministry of Foreign Affairs, and headed by a Secretary of State. As with other DAC Members whose aid is implemented from within its Foreign Ministry structure, it is important to ensure development experience and stability among the staff who serve in the agency, to provide for a core of professional expertise with satisfactory tenure and career prospects, and to ensure that financial and bureaucratic procedures designed for domestic functions are adapted to the needs of working with external partners. A more autonomous status for the AECI could help with some of these challenges. There also appears to be scope for further streamlining of the AECI, whose total staff, both in Madrid and in the field seems large in relation to the current size of the programme it administers (some $180 million). At the same time however, the AECI needs to prepare to manage a considerably increased programme in the light of the authorities' desire both to increase total aid and to expand the grant programme while reducing the loan programme (*i.e.* the FAD).

At the level of governing structures, there are two Commissions through which the decision making process passes to the Spanish Cabinet – the FAD Commission (supported by the Ministry of Economy and Finance), and the Interministerial Commission for International Co-operation (supported by the Ministry for Foreign Affairs). In principle the new law should help drive Spain's official aid system towards more integrated objectives and strategies, more uniform approaches to development and evaluation criteria, and more co-ordination of instruments and activities in partner countries. The proposed Interterritorial Commission, together with the strengthened role of the Parliamentary Commission and the work of the existing Council for Development Co-operation which promotes dialogue between the authorities, NGOs and civil society, make up a set of co-ordination and discussion bodies whose combined work should help to produce a more focused and collaborative (but still pluralistic) Spanish aid effort under the draft law.

VOLUME AND COMPOSITION

Spain's aid volume performance has been closely linked to the rise and decline of FAD credits, but with their share in ODA now much reduced, they should no longer determine overall ODA trends. ODA net disbursements had increased rapidly from very low levels in the 1980s to a peak of 0.28 per cent of gross national product (GNP) in 1993. At

$1.5 billion (of which $0.8 billion was FAD credits), Spain was the 10th largest donor country in 1992. With FAD credits falling to less than half their peak level in 1995 and 1996, and with Spain's calculated share of European Union (EU) aid down in 1996 with the advent of new members, Spain's ODA fell to $1.25 billion in 1996, ranking as the 12th largest donor country.

The Spanish administration estimates that aid increased again in 1997, and it expects aid volume to rise in the years ahead. Earlier in the 1990s, intermediate aid targets had been set for around 0.35 per cent of GNP. Progress in this direction would imply a very major expansion of bilateral aid, notably through the AECI, although there is also considerable scope for increasing multilateral aid given that non-EU multilateral aid is small by the standards of nearly all other DAC Members.

The **composition** of Spanish ODA in recent years is characterised by major changes. As mentioned already, the share of FAD credits declined sharply, while bilateral grants rose from 17 per cent in 1992 to 45 per cent in 1996 and became the largest component of Spanish aid (although they still represent a much lower share of ODA than in total DAC *aid)*. The increase of bilateral grants has been the result of larger budget resources for AECI projects and programmes, a rapidly growing amount of debt relief and the rise in aid provided by autonomous regions and municipalities. This so-called decentralised co-operation now represents over 10 per cent of ODA.

Debt relief, non-existent prior to 1993, became an increasingly important part of Spanish ODA in recent years. In 1996 it reached 10 per cent, twice the DAC average. Spain recently signed a debt/equity swap agreement with Morocco, but has yet to articulate a comprehensive approach to debt swaps based on development criteria.

The rising share of grants provided through NGOs by AECI and by the autonomous regions and municipalities is a welcome trend, generating more aid for poverty alleviation, environment protection and the promotion of women. It also facilitates a greater concentration on least developed and low income countries.

As regards the **untying** of aid, the Spanish authorities are of the opinion that the economic returns to the Spanish economy are essential to justify an aid programme. This position has been reinforced in recent years, since the NGOs have been requested to procure goods and services in Spain. There is broad support across the political spectrum for the tying of Spanish aid, essentially on the grounds that aid can and should be mutually beneficial in a direct sense to both the giver and the receiver. In these circumstances it would seem important for an effort to be made by the Spanish authorities to promote a more comprehensive understanding of the issues raised by the tying of aid and of the costs and benefits of using aid to facilitate Spanish exports and job creation. An objective study for public discussion on aid tying could be helpful, looking not only at the Spanish end of the equation but also examining the issues posed at the developing country end. Spain has indicated that it could agree, in principle, to support the initiative in the DAC to untie aid to the least developed countries, provided that satisfactory conditions for implementation of this initiative are agreed by all DAC Members.

POLICY ORIENTATIONS

As in all DAC Members' aid agencies, the basic development goals set out in the DAC report on *Shaping the 21st Century* are provoking some reconsideration of the orientation of the Spanish aid programme. The reform initiatives outlined above are all very relevant to increasing the impact of Spanish aid on poverty alleviation, on social performance, on environmental management and on governance. For the past few years, Spain has devoted particular time and attention to policy development in the areas of good governance and the rule of law (including conflict resolution – see Box on Guatemala); environmental sustainability and regeneration; gender equality and women's independence; social development for the underprivileged and indigenous peoples; and private sector development.

DECENTRALISED CO-OPERATION AND NGOs

One of the most interesting new trends in the Spanish aid programme in recent years has been the steep increase of the so-called **decentralised co-operation** through the autonomous regions, municipalities and other local bodies. The largest amount has been provided by the Basque Country. Andalusia, Navarra, Catalonia are among the regions which have developed significant programmes. Among the most active municipalities are: Madrid, Barcelona, Seville and Vitoria. Some city councils have decided to allocate 0.7 per cent of their

budgets to development aid. Although the official guidelines for Spanish aid also apply to the "decentralised" co-operation, each of the autonomous regions and municipalities appears to have established its own priorities and principles concerning relations with the developing countries. In certain regions, special funds have been established to help small municipalities participate in development co-operation. Emphasis is generally placed on poverty reduction, the promotion of social justice, participatory development and relief aid. Most of the "decentralised" co-operation is implemented through NGOs or other non-profit organisations. The proposed Interterritorial Commission will help to promote synergy between the various programmes and with the central government programmes, while reducing incoherencies and/or overlapping of the activities undertaken by the various actors involved in development co-operation activities.

Since 1995 **NGOs** have been receiving substantial amounts of cofinancing from the central government (over $80 million per year). They also participate in the implementation of the aid programmes of regional governments and local authorities. Government subsidies are allocated on a project-by-project basis through two annual competitive biddings and cover up to 80 per cent of the total project cost. The selection of the projects is carried out by the AECI through a process which attempts to ensure that NGO activities are soundly conceived and implemented by qualified professionals and with adequate financial controls. In line with best practice in many DAC Member countries, it would be useful to consider using multi-year framework agreements as a basis for block grants, programme assistance and other mechanisms which reduce administrative burdens.

To conclude, there has been a radical improvement in the quality of the Spanish aid programme, with the reorientation away from tied aid credits to commercially-viable sectors, that dominated the picture up until the early 1990s along with the current package of reform initiatives designed to strengthen the strategic management and monitoring, and the overall political discussion and co-ordination of what is a pluralistic aid effort. The DAC encourages the Spanish authorities in their pursuit of these reforms (see above) and to take them further in certain respects, notably by:

- enhancing the character of the FAD as a developmentally-oriented instrument;
- enhancing the autonomy and professionalism of the AECI as a basis for a considerable increase in its programme;
- promoting a debate on the issue of aid tying.

STRATEGIC FRAMEWORK: AID MANAGEMENT

HISTORY AND STRUCTURE

Spain is one of the most recent members of the Development Assistance Committee (DAC), having joined the DAC in December 1991; its development co-operation programme was reviewed by the Committee for the first time in April 1994. A specific aid programme has existed since 1985, when the State Secretariat for International Co-operation and for Latin America (SECIPI) was created and resources were allocated for this purpose in the budget. Apart from the quite recent creation of an aid programme, Spain's relatively lower degree of economic development – compared to other DAC countries – explains its late DAC Membership.

The basic features of Spain's development co-operation are an important component of its foreign policy and are also promoted in the framework of the European Union (EU). Spain is a major actor in Ibero-American Summit meetings and other Ibero-American relationships.

The first review of the Spanish programme by the DAC had a certain impact on Spanish aid policy and civil society. In particular, the non-governmental organisations (NGOs) have frequently drawn the attention of the aid administration to the conclusions of the DAC. Development NGOs are active and have mobilised a large part of civil society and parliamentarians for the cause of development. There is strong interest in development co-operation in both houses of Parliament. All political parties support the idea of a larger and improved aid programme. (Aid volume declined in 1995 and 1996, but the Spanish authorities forecast an increase in 1997 and 1998.)

There are four major components in Spain's (ODA):

- A soft loan scheme, the **Development Aid Fund (FAD)**, which is located in the Ministry of Economy and Finance, and managed by the **State Secretariat for Trade, Tourism, and Small and Medium Enterprises (SSTT)**. The FAD was set up in 1976 as an export promotion facility and still retains much of its original character and purpose.
- A grant scheme located in the Ministry of Foreign Affairs and overseen by the **State Secretariat for International Co-operation and for Latin America (SECIPI)**, created in 1985. Currently, around 50 per cent of the SECIPI budget is disbursed by an agency established in 1988, the **Spanish Agency for International Co-operation (AECI).**
- Multilateral contributions, three-quarters of which go to the EU through the Ministry of Economy and Finance, but are managed jointly with the Ministry of Foreign Affairs. A further 20 per cent of multilateral aid goes to "non-financial" international development agencies, mainly the UN, managed by the Ministry of Foreign Affairs. The remainder goes to international financial institutions, including IDA, and is managed by the Ministry of Economy and Finance.
- "Decentralised" aid, *i.e.* the aid programmes funded and administered by autonomous regions and municipalities, which now account for more than 10 per cent of ODA.
- The shares of individual ministries, of AECI and FAD are shown in the following table.

In the Ministry of Economy and Finance the SSTT is responsible for FAD credits, debt management, contributions to international financial institutions (IFIs) and the European Development Fund (EDF). Within the SSTT, aid matters are handled by six divisions of the Directorate-General for Commercial Policy and Foreign Investment. Four divisions take care of the FAD programme (one of these also encompasses export credit guarantees), the fifth handles debt relief and the recently created Fund for Feasibility Studies (FEV), and a sixth division manages contributions to IFIs. The division in the Ministry of Economy and Finance which is in charge of EU matters, also has an important aid function. In the SSTT 55 officials work on aid matters: 32 in direct

Table A. **Share of individual Ministries/Administrations in Spanish ODA**

	Pesetas billion					In per cent						
	1994	1995	1996	1997[a]	1998[a]	1992	1993	1994	1995	1996	1997[a]	1998[a]
Ministry of Economy and Finance	142.1	102.2	94.1	120.0	124.7	81	83	82	61	59	63	58
of which: FAD	80.0	35.3	41.2	40.0	32.7	56	57	46	21	26	21	15
Ministry of Foreign Affairs	20.3	46.4	42.0	44.6	57.1	14	12	12	28	27	23	27
of which: AECI	9.5	29.6	22.9	36.4	40.2	10	8	5	18	14	19	19
Other Ministries	8.0	4.8	4.6	6.2	6.1	3	2	5	3	3	3	3
Regions and local authorities (decentralised aid)	2.9	14.7	17.7	19.6	26.6	2	3	2	9	11	10	12
Total	**173.3**	**168.1**	**158.4**	**190.4**	**214.5**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

a) Forecasts.

Notes: 1. Table A shows ODA disbursements while Table B refers to budgetary figures.
2. The total ODA figure for each year is lower than the figure for the utilisation of the final budget because some of the activities are not considered as ODA.
3. 1995 is an exceptional year with respect to what is said in footnote 2 in so far as certain adjustments had to be made to report activities that had not been taken into account in 1994. For that reason the figure for 1995 in Table A is slightly higher than the corresponding figure in Table B (utilisation of the budget).

Source: OPE calculations based on "PACI Seguimientos", and "PACIs".

aid management, 6 in debt management and 17 in the multilateral institutions department. In addition, staff in the regional departments and in the economic and commercial offices in the developing countries devote part of their time to development affairs. The loans are administered by the Institute for Official Credits (ICO) where about 12 people deal with FAD loans (among other tasks).

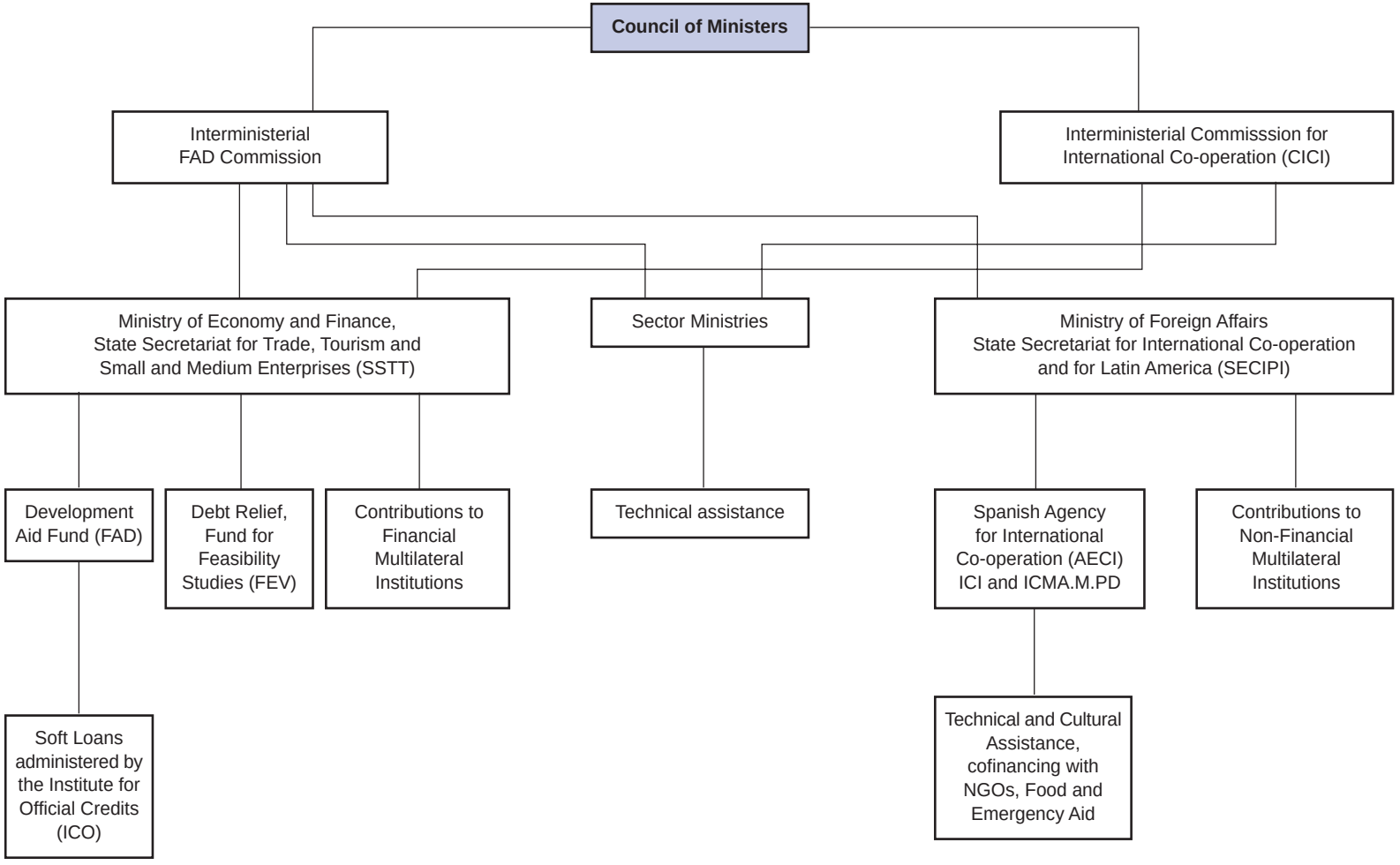
In the Ministry of Foreign Affairs, the SECIPI is responsible for a considerably smaller but increasing share of ODA, including notably disbursements by the AECI. SECIPI is also responsible for support to NGOs (now managed through AECI), contributions to United Nations (UN) and other non-financial multilateral institutions. SECIPI is also in charge of the co-ordination of the aid activities of some dozen other ministries. SECIPI has a staff of 102 officials, of whom 20 work full time on development co-operation. Including personnel in AECI, SSTT, ICO, regional and local administrations, about 1 000 people are employed to administer the Spanish aid programme.

With regard to the European Union, Spanish co-operation activities are co-ordinated by the Secretariat of State for Foreign Policy and for the European Union, of the Ministry of Foreign Affairs, working closely with the Ministry of Economy and Finance. The respective ministries and departments concerned take part in the working groups and committees covering the different programmes.

An integral part of the Ministry of Foreign Affairs, the Spanish Agency for International Development (AECI) is composed of two institutes: the Institute for IberoAmerican Co-operation (ICI) and the Institute for Co-operation with the Arab World, Mediterranean and the Developing Countries (ICMA.M.PD). Each institute is divided into three sub-directorates-general along geographic lines, which, in turn, are divided into country desks. Following a recent decision to develop an aid programme in central and eastern Europe (including the former Yugoslavia) and the New Independent States of the former Soviet Union, a new sub-directorate-general will be established in ICMA.M.PD. Apart from the two institutes, AECI has a technical office which deals with scholarships, humanitarian and food aid and some horizontal activities. Since 1995 it also takes care of certain multilateral aspects and since 1996 of cofinancing of NGO projects. A Vice Secretariat-General is in charge of personnel, finance and budget management as well as legal and information activities. Since 1996 the President of AECI is also the Secretary of State for International Co-operation and Latin America but has delegated his authority to the Secretary-General.

AECI employs 324 people in Madrid and 440 abroad. Of the headquarters staff, 125 are professionals. In the field, a higher proportion of the personnel are contract people and most of them

Chart 1. **Administration of the Spanish Development Co-operation Programme**



Notes: Aid provided by autonomous regions and local authorities shall in future be co-ordinated through an International Commission. For the time being some regions and municipalities have agreements with the Spanish Agency for International Co-operation. To advise the administration and to facilitate the dialogue between the government and NGOs a Council for Development Co-operation was set up in 1995.
Source: OECD and SECIPI.

(389) are local nationals. Equatorial Guinea accounts for half of the local personnel. There are 51 expatriate senior staff and experts in AECI field offices. Most senior positions at AECI headquarters are occupied by diplomats with significant experience in co-operation. AECI finances two-year training programmes for young Spaniards with the United Nations Development Programme (UNDP) and the EC, and employs a few of them afterwards. The AECI has an autonomous status and a separate budget, but has to follow the administrative procedures of ministries.

An unusual feature which does not facilitate implementation, is the large discrepancy between AECI's initial budget authorisation and its final budget in individual years. However, in spite of this situation and the administrative constraints, AECI was able to increase the degree of utilisation of its budget resources from 79 per cent in 1995 to 87 per in 1996. Unspent funds lapse at the end of the year.

Abroad, AECI has 29 technical co-operation offices, 12 cultural centres and three training centres. Co-operation offices exist in twenty Latin American countries, three North African Arab countries, four countries South of the Sahara, as well as the Philippines and the Palestinian territories. The three training centres are located in Bolivia, Colombia and Guatemala. The co-operation offices are responsible for identifying and monitoring the technical assistance activities and grant-financed projects, but project appraisal and evaluation criteria could be more systematically applied in certain of these offices. The aid offices are not responsible for projects financed through FAD credits, which are supervised by the commercial counsellors in the Spanish embassies.

The **Development Aid Fund** (FAD) has two objectives: to promote Spanish exports and to operate as a development aid instrument. FAD credits are tied (with provision for untying of up to 25 per cent of each credit), and most are associated with commercial export credits. In recent years, the standard financial package has been a concessional FAD credit of 50 per cent of the total associated with a commercial credit for the same amount. The concessionality level of the total package has been generally just above the minimum 35 per cent threshold. At these terms, FAD credits are not a suitable instrument for heavily indebted poor countries, and indeed they have been directed rather at rapidly growing developing country markets. FAD credits are selected and analysed by the SSTT which prepares the financing proposals, including the financial terms of the credit. Once the State Secretariat has taken a decision, it submits its proposal to the Interministerial FAD Commission which it chairs. The Commission, which meets once a month, is composed of senior officials of several Ministries, including two from Foreign Affairs/SECIPI, one of whom serves as the Vice-Chair. Decisions in the Commission are taken by consensus. It is rare that a proposal by the SSTT is not accepted, although it may be modified in the light of discussions. After its deliberations, the Commission forwards its recommendations to the Council of Ministers for approval. Thus, FAD credits are the responsibility of the whole government.

The FAD credits are financed through yearly allocations by the Ministry of Economy and Finance and administered by the Institute for Official Credits (ICO). Since 1987, funds allocated to the FAD have become loans from the State with a maturity of 25 years, a ten-year grace period and a rate of interest of 2 per cent. These allocations are contained in a separate, specific article in the general budget. They are paid into an account of the Bank of Spain and ICO draws down the money as the need arises. Unspent funds lapse at the end of each year. In earlier years, repayments could be used by ICO for

Table B. **AECI's budget**

	1992	1993	1994	1995	1996	1997
Initial budget (Ptas billion)	13.66	15.05	11.30	19.06	19.06	26.17
Final budget (Ptas billion)	16.91	16.26	12.62	36.42	30.20	28.66
Difference (in %)	24	8	12	91	58	10
Utilisation of final budget (%)	72	79	82	79	87	96[a]

a) Estimate.

Note: Subsidies to NGOs are excluded from the AECI budget for all the years shown in this table. They were part of the SECIPI budget until 1997 and will be included in the AECI budget as from 1998 onwards.

Source: SECIPI.

new disbursements, but now they go back to the Ministry of Economy and Finance. Following the large increase of disbursements in the early 1990s, ceilings were established in 1992 for total annual disbursements, including the utilisation of repayments.

FAD loans are extended for the export of goods and equipment, either for a precise project or in the form of credit lines. Credit lines concern small projects generally not exceeding special drawing rights (SDR) 2 million and are intended to encourage exports of small and medium-size enterprises. They accounted for 8 per cent of FAD finance in 1994 and 6 per cent in 1995 but rose sharply to 34 per cent in 1996.

Project proposals originate in principle with developing countries who draw up a list of priorities. The suitability of the proposed projects is then analysed from a technical and economic point of view by the SSTT, taking into account environmental and social considerations. The decision on whether to use FAD money is largely dependent on whether the project or equipment is interesting from the point of view of the Spanish economy, whether it is commercially non-viable and whether the recipient country has arrears on FAD or other credits. Assessments from a development point of view are based on information supplied by the recipient country administration supplemented by material obtained by the Commercial Counsellor of the Spanish Embassy. Feasibility studies are carried out by consultants. In the case of a credit line, the beneficiary country nominates what it wishes to import from Spain, subject to approval by the Directorate-General for Trade Policy which appraises and evaluates the application, and by the Interministerial FAD Commission.

In the past, these credits did not fully correspond to the Guiding Principles for Spanish development co-operation, or to the development objectives and partnerships set out in the DAC report on *Shaping the 21st Century: the Contribution of Development Co-operation*. More recently, however, efforts are being made to take into account these principles, with the objective of ensuring that the FAD operates more unmistakably as a development instrument. Transparency and accountability mechanisms are also being strengthened, with a programme for expert review of projects on a sample basis.

Only 4 per cent of Spanish exports are financed by the FAD. The impact on Spanish export performance and employment of the FAD should be seen in this perspective. As with other DAC Members who seek domestic economic objectives through a development aid instrument, the effectiveness of the FAD in terms of domestic benefits needs some clarification through an objective study (following the recent example of the United Kingdom).

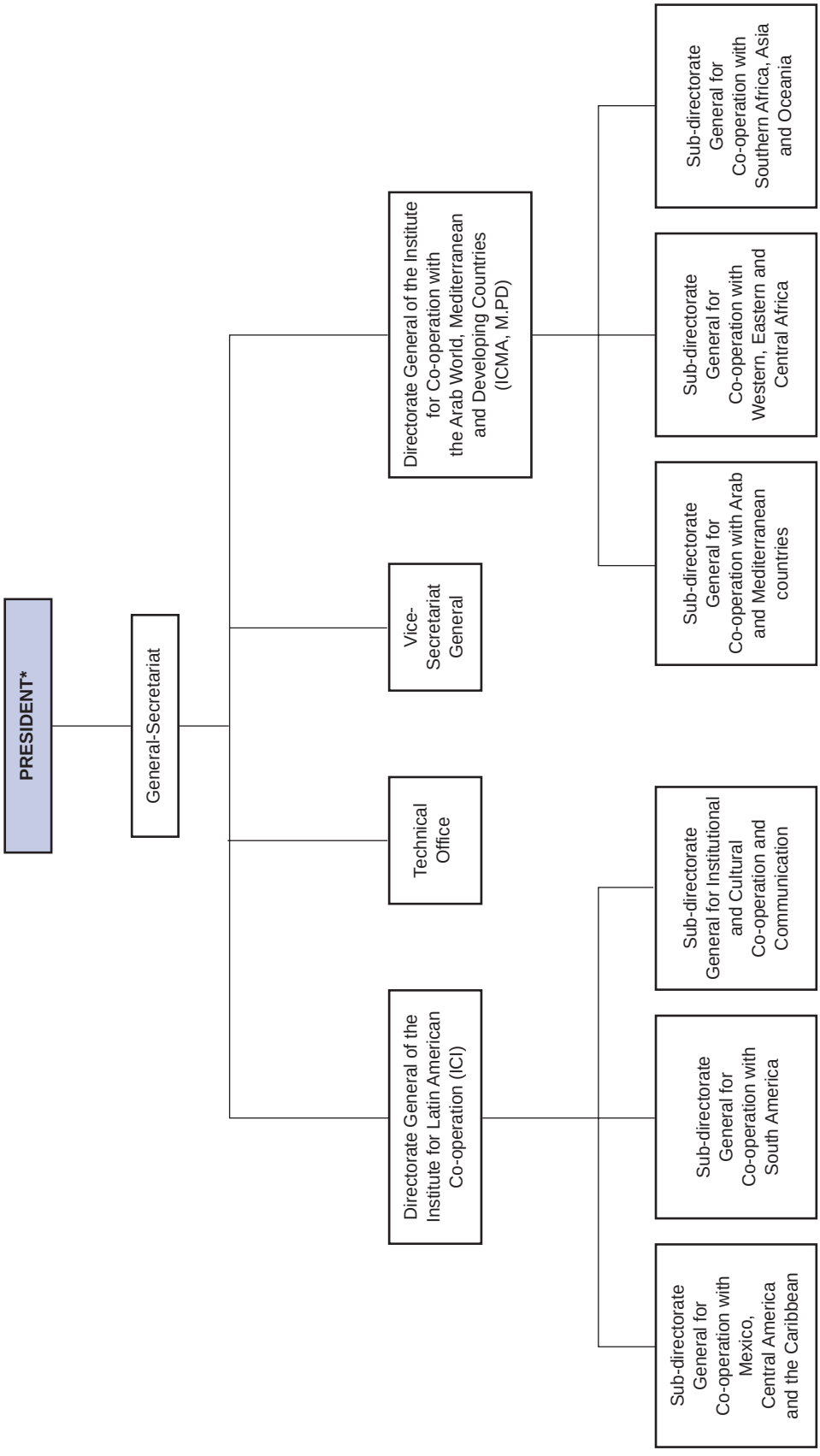
Since the last review of the Spanish aid programme by the DAC in 1994 and following the examination of several FAD credits by the OECD's Participants Group in the framework of the OECD Agreement on the use of tied aid credits for developing countries (the "Helsinki Agreement"), stricter project selection criteria have been applied to FAD credits and they are increasingly extended for social infrastructure projects, in particular hospital equipment. Such a re-orientation of Helsinki-type credits towards social infrastructure has been typical for most OECD countries.

The FAD administration intends to liaise more with SECIPI and to integrate FAD credits more closely with bilateral technical assistance activities, which should result in a re-orientation of these credits according to the Guiding Principles for Spanish aid. The Spanish administration also intends to enhance the development focus of FAD by including a specific provision or development priorities in all new pluriannual country programmes. A new soft loan facility, jointly managed by SECIPI and SSTT is being proposed. If approved by Parliament, this facility will be financed through a separate budget line, and will be directed towards poverty alleviation.

Some FAD finance has been used for setting up trust funds with IFIs and more recently for feasibility studies. Such trust funds which are partly untied, were set up with the World Bank ($3 million), the Inter-American Development Bank ($3 million), the European Bank for Reconstruction and Development ($2 million) and the African Development Bank ($1 million). The Spanish authorities would like to develop cofinancing with IFIs with a view to obtaining a larger involvement of Spanish companies and experts in projects financed by these institutions. Cofinancing took place with the European Development Fund, the three regional development banks and the World Bank. For the latter it was limited to consultancy projects. Contributions to IFIs reached 8.5 per cent of (gross) FAD disbursements in 1995 and 18 per cent in 1996 and the first three-quarters of 1997.

The new Fund for Feasibility Studies (Fondo de Estudios de Viabilidad-FEV) which was established

Chart 2. **Organisational Structure of AECI**



* = State Secretary for International Co-operation and for Latin America.
Source: AECI.

in December 1995, received 5 billion Ptas ($39 million) in 1996 and the same amount in 1997. Disbursements under this new facility reached $6 million until October 1997 for five studies. SSTT organises regular meetings concerning FEV activities, in which SECIPI participates.

CO-ORDINATION AND THE DRAFT LAW

To **co-ordinate** the various aid activities and harmonize Spanish aid policy, an Interministerial Commission for International Co-operation (CICI) was established in 1986. Twelve ministries are represented in the Commission which meets twice a year. Its main instrument is the annual plan (the PACI) which lists the aid activities to be carried out by each ministry or responsible institution and the required funding. These plans are prepared by SECIPI 's Planning and Evaluation Office (OPE) in co-operation with the CICI. They are submitted by the CICI, after consultation with the Council for Development Co-operation, for approval to the Council of Ministers through the Ministry of Foreign Affairs. They are subsequently compared with a follow-up document (*seguimiento*), which lists the projects and programmes carried out during the previous year.

The effective co-ordination of the various instruments of the Spanish aid programme nonetheless still poses problems. This is mainly due to shortcomings in the PACIs and the need for more coherence between the two interministerial commissions (the CICI and the FAD Commission). Although the Ministry of Foreign Affairs/SECIPI and the Ministry of Finance and Economy (SSTT) are represented on both commissions, there is room for a more coherent approach. The Spanish Government and Parliament are well aware of the need for better co-ordination and harmonization of the Spanish aid activities, and efforts are now being made to achieve better synergy.

As regards the PACI, the Spanish administration agrees that in its present form, it is of little value as a planning and evaluation instrument. At present, the PACI is not a plan of action, still less a strategy document, but a list of projects envisaged by different ministries, regional and local administrations. It functions simply to permit SECIPI to know what other ministries and administrations are doing. Certain activities included in the PACI are not implemented, while others which are not foreseen in the PACI are carried out. The limited value of the annual plans is further diminished by their late completion. Although remedial action has been requested, the plan for 1997 was only approved in late October of that year. However, the plan for 1998 was approved by the CICI in December 1997.

Improvements of the PACI are under way. As from 1998, the government will inform Parliament on the degree of implementation of the annual plans by means of follow-up documents and the results of evaluations. Starting in 1999, it is intended to move to multi-year planning, incorporating the results of joint commission meetings and evaluations, and to develop the PACI as a strategy document. A major improvement in the administration of aid would require:

- greater authority of SECIPI over the different components of the programme;
- effective planning and evaluation by the OPE, an improved PACI;
- a better utilisation and strengthening of CICI, which so far limits its activities mainly to take note of what the different ministries propose; and
- a closer relationship between the soft loan programme and the grant programme in an overall framework of development objectives and guidelines as provided in the draft law.

The OPE is working on the elaboration of a multi-year plan for Spanish co-operation – as envisaged in the draft law – which will include the major guidelines, the sectoral and geographical priorities as well as the budget for the next four years. The OPE has also completed the assessment and evaluation methodology and the list of the evaluations to be carried out in 1998. The summaries and conclusions of the evaluations will be published by the end of the year and submitted to the Parliament. The methodology incorporates the experiences of different development agencies as well as the guidelines of the Evaluation Group of the DAC and adapts them to Spanish conditions. It is supplemented by the approval and implementation of a new version of the methodology of the project cycle, based on the logical framework scheme and adapted to the specificities of AECI.

In response to the recommendation of the 1994 DAC peer review of Spanish aid to elaborate long-term plans for the Spanish aid programme, SECIPI drew up an outline for country strategies that would:

- analyse the general situation of the recipient countries;
- identify the latters' developmental priorities with special emphasis on poverty reduction,

democratisation and social sector programmes; and

- describe the Spanish development co-operation strategy.

A small number of such country programmes have been established on an experimental basis by outside consultants, but they have yet to be effectively put into practice. Meanwhile the programmes and projects to be carried out in individual recipient countries are approved during meetings of the joint commissions. These plans are usually drawn up by the local Spanish aid office in co-operation with the recipient country and then submitted to Madrid. The target groups of the projects are generally not involved in the preparation of the plans. The policy dialogue with its partner countries is, however, in the view of the Spanish aid administration, very satisfactory, in particular in Latin America, given Spain's long-standing relations with this continent. It is intended to strengthen the strategic focus of the dialogue and integrate the country strategies into the new multi-year planning

The government has submitted to Parliament a **draft law on development co-operation** which tackles these reform challenges. This law foresees, among others, the introduction of an indicative four-year plan containing the objectives and planned budgetary resources for this period, more meaningful annual plans and evaluation reports. It will regulate the status of volunteers and create an interterritorial commission for the co-ordination of the rapidly rising aid provided by the regional and local authorities. It will also give Parliament a greater role in development co-operation. The four-year plan, together with the annual plans, will be discussed in Parliament.

EVALUATION

Evaluations of the grant aid programme have so far been limited to financial audits and a few project evaluations based on the logical framework appraisals. *Ex post* evaluations have been rare, except for the projects cofinanced with NGOs. In accordance with the declarations of the new government which took office in May 1996, and the stipulations of the draft development co-operation law, the aid administration intends to give greater prominence to systematic project and programme evaluations and to aid effectiveness. SECIPI's Planning and Evaluation Office, has since 1997 received a special evaluation budget. Standard terms of reference, standard evaluation reports and guidelines have been defined. A few evaluations of technical assistance projects were carried out. In particular, in 1995 a Spanish/Peruvian team of independent experts made an evaluation of the aid programme in Peru. The evaluation report was taken into account in planning the activities for 1996 to 1998. Other evaluated projects include, among others, a railway in Angola, a hospital in Mozambique, the public health sector in Equatorial Guinea, a reforestation programme in the Philippines and a goitre prevention programme in China.

To date, *ex post* evaluations of FAD credits done by the Commercial Office in the Spanish embassies have concentrated on the financial and commercial aspects, including the fulfilment of commitments by the Spanish companies involved and the degree of local satisfaction with the project. More recently, *ex post* evaluations were undertaken through questionnaires sent to the Spanish enterprises/exporters. Between 35 and 40 evaluations have been carried out in this way. In 1997, for the first time, an outside expert was hired to make *ex post* evaluations in China and Central America. The Spanish aid administration, in particular the development co-operation office in the recipient country, is not involved in the assessment. As for *ex ante* appraisals, the FAD administration considers that it is up to the recipient country authority, in particular the Co-operation or Planning Ministry, to ensure that the proposed project corresponds to its priorities. While the involvement of the recipient country is certainly welcome, the partnership approach requires that the Spanish administration should also be involved in the *ex ante* appraisals. There is evidence that recipient country administrations are often not in a position to undertake a thorough evaluation.

THE COUNCIL FOR DEVELOPMENT CO-OPERATION, PARLIAMENT AND NGOs

A **Council for Development Co-operation** was set up in 1995 in order to facilitate the dialogue between the government and NGOs. It has 27 members, half of whom come from the public administration and the other half from NGOs, trade unions, universities and other bodies of the civil society. Parliamentarians are not represented in the Council. Two permanent commissions work within the Council. One deals with the follow-up to the Annual Plans for International Co-operation (PACI) as well as budgetary questions. The other deals with legal problems. In addition *ad hoc* commissions on specific issues have been set up, as for example on the HIPC

initiative. The Council, which meets four to five times a year, is chaired by the Minister for Foreign Affairs and, in his absence, by the Secretary of State for Development Co-operation who is the Vice President of the Council. The two permanent commissions, which meet once a month, are also chaired by government representatives, *i.e.* the Director General for Trade Policies and Foreign Investment and the Secretary General of AECI. The Council was created as a consultative body for the NGOs and an advisory body for the government, making sure that the opinion of NGOs is taken into account by the government when development co-operation policies are defined, and informing NGOs on the official guidelines laid down by the government for development co-operation policies and on future intentions in that area. The establishment of the Council was a positive step, permitting regular contact with NGOs and other parts of civil society. Whether it might function more effectively as an advisory body to the government if its composition and bureau were adjusted somewhat, with provisions for the President and Vice President to come from outside the Government is a question that could be asked. The draft law opens the way to some changes in the composition of the Council.

Parliamentarians have always been supportive of the principle of development assistance, reflecting the grass-roots support for aid in their constituences. The globally positive attitude was demonstrated in 1992 by the nearly unanimous adoption of the report on the objectives of Spanish development co-operation and by the large majority in the Senate approving the guidelines for Spanish development co-operation in 1994. Moreover, as a result of the campaigns staged by the "0.7 per cent Platform" in 1995, all political parties represented in Parliament signed the "National Agreement for Solidarity" which included an ODA target of 0.35 per cent of GDP for 1996, an improvement in the orientation of ODA and a commitment to raise Spanish development assistance to 0.7 per cent of GNP.

Under the comprehensive law on development co-operation now under debate, Parliament will play an even greater role, since it will then have to monitor Spanish development co-operation activities and participate in the definition of the main political objectives.

The Members of the Parliamentary Commission on Development Co-operation consider that the Spanish aid programme should concentrate on poverty eradication and pay attention to human rights. They would like to see more co-ordination among the different administrations in Spain, in particular between SECIPI's activities and FAD credits. Some members of Parliament believe that the new law might not solve this problem and consider that the utilisation of FAD money is not sufficiently transparent (although new credits are published weekly and an annual list of credits is also released) nor sufficiently in line with development objectives. At the same time, parliamentarians from across the political spectrum consider the FAD's export promotion role to be a legitimate one. The Members of the Commission are aware that the growing volume of "decentralised" aid requires some co-ordination, but consider that this should be obtained through dialogue, not imposed. Parliamentarians attach importance to evaluation. They fear that an increase in aid without an evaluation of the activities could well be counter-productive. The 1997 budget, for the first time, contains an amount for this purpose.

NGOs have launched several quite successful campaigns to raise public awareness on development co-operation and policy coherence issues. In particular the "0.7 per cent Platform" managed to mobilise public interest through the organisation of solidarity camps all over Spain in the autumn of 1994, followed by hunger strikes and various other campaigns. The movement obtained 500 000 signatures in favour of raising official development assistance to 0.7 per cent of GNP as well as the signature by the political parties of the Solidarity Agreement mentioned above. These actions led the Spanish government to significantly step up the grant aid budget and the subsidy programme for NGOs in 1995. Further increases are included in the 1997 budget. The autonomous regions and other local bodies also substantially increased their aid programmes to developing countries, a number of municipalities dedicating 0.7 per cent or more of their budgets to development co-operation. Private donations to development NGOs also rose significantly, more than doubling between 1991 and 1995, when they reached $137 million.

To judge from available opinion polls it would appear that the attitude of the Spanish public towards development co-operation is positive, testifying to the efforts undertaken by both the development NGOs and the aid administration to raise public awareness with respect to development co-operation issues. Between 1989 and 1996 the percentage of people approving the idea of Spain devoting part of its resources to development

co-operation was stable at 66 per cent, but the number of people who were opposed to development assistance declined somewhat from 19 per cent in 1989 to 14 per cent in 1996. One third of those questioned in a poll carried out in November 1996 felt that the Government should maintain aid funds even before guaranteeing the welfare of Spaniards. Given the high rate of unemployment in Spain, this support for development co-operation is remarkable. It is also noteworthy that the Spanish population ranked first with regard to money raised for the emergency assistance to Rwanda in 1994, and that public concern with the civil war in Bosnia has been notably high.

STRATEGIC FRAMEWORK: POLICY ORIENTATIONS

OVERALL GUIDELINES

The basic policy framework is determined by the Guidelines for Development Co-operation adopted by the Government in 1987, and additional Guidelines set out in reports by the Congress of Deputies (1992) and the Senate (1994). These Guidelines are still largely valid. The Annual Plans contain additional guidelines, often based on DAC Recommendations.

The 1987 Guidelines distinguish between sectors of "intensive actions" (agriculture, health, Spanish language teaching, vocational training, institutional development and basic infrastructures) and sectors of "selective action" (industry, energy and research). The 1994 report by the Senate stresses the desirability of greater sectoral and geographic concentration in order to achieve a greater impact. It proposes a concentration on human development, in particular:

- development opportunities for broad sectors of the population;
- concentration on the poorest strata of the population;
- elimination of social tensions and support for peace processes;
- strengthening of democracy and modernisation of state institutions; and
- emergency assistance.

As for the geographic distribution of Spanish aid, the 1987 and 1992 Guidelines state that the Latin American countries have priority. This preference is not only the result of the common language and history, but also intended to compensate for the relatively limited attention by the European Union for this region. Spain considers a European presence in Latin America important. Another priority area for Spanish aid, according to the Guidelines, is North Africa, a choice related to its geographic proximity.

DAC policy principles have resulted in greater attention being given to social development, partnership, environment and gender. In particular, Spain's activities in the field of conflict prevention, peace, democracy and good governance are in line with DAC Recommendations. The Spanish aid administration has discussed the new DAC strategy "*Shaping the 21st Century: The Contribution of Development*" with the Peruvian authorities. AECI has published an information leaflet based on the DAC's WID guidelines and principles, which was distributed to all actors in the field of development co-operation, including NGOs and the local technical co-operation offices. The Guidelines on Aid and Environment have received some attention, but specialised expertise in Spain's aid administration is still limited.

Since 1993, at the beginning of each year the Interministerial Commission for International Co-operation (CICI) approves the guidelines for Spanish development co-operation for the coming year, which – in principle – have to be followed by all ministries that participate in development co-operation activities. In 1994, the CICI approved new general guidelines for Spanish development co-operation to be pursued in 1995, which took into account the conclusions and recommendations of the two Reports issued by the Spanish Parliament in 1992 and 1994. The *DAC Principles for Effective Aid* had also been taken into account for the drafting of these guidelines. For the sake of greater continuity, the guidelines adopted in 1995 for 1996 were affirmed in 1996 for 1997. In accordance with the DAC objectives set out in the report *Shaping the 21st Century – The Contribution of Development Co-operation*, Spain aims at focusing its aid on the development of the human being. According to the Guidelines, priority is given to the social sectors, the poorest countries and the most vulnerable strata of the population, with particular emphasis on programmes promoting the peace process in certain regions and on the consolidation of democracy. Other areas of concern are economic development, encompassing self-sustaining economic growth in

the partner countries, and institution building. The guidelines also attach importance to:

- greater geographic and sectoral concentration and specialisation of Spanish aid;
- co-ordination with other bilateral and multilateral donors;
- measurement of the environmental impact of Spanish assistance;
- population and social development matters aiming at achieving sustainable development; and
- integration of a gender perspective into programmes and projects.

Although the guidelines, applicable to all administrative bodies, are approved each year, their implementation appears to be only beginning, in particular with respect to the poverty orientation and the concentration of assistance on the poorest developing countries. Relatively substantial amounts of aid are still directed to the better-off Latin American countries such as Venezuela, Argentina and Brazil as well as to Morocco. Once the law on development co-operation is adopted (see above), the Parliament could play a useful role in furthering and monitoring the effective implementation of the guidelines.

ENVIRONMENT

At the policy level, the protection of the environment was already mentioned as a priority area in the 1987 policy guidelines for Spain's development co-operation programme. The need to integrate environmental aspects into the aid programme was repeated in the 1992 Report of Parliamentarians on the objectives of Spanish development co-operation policy. The general guidelines on Spanish co-operation policy for 1995 state that consideration for environmental impacts, along with gender impacts, population issues and social development are required to foster sustainable development.

The priority attached to environmental considerations in the policy documents is not yet translated at the operational level in sectoral allocations for the environment. Part of the explanation for environment not being presented as a priority sector is that it is considered part of an integrated approach to project programming rather than specifically as a sector. NGOs have to indicate the environment and gender impact of their projects when they apply for public funds for their projects. This requirement will apply to all official projects in the future. Another area where environment could and should be given greater priority is in the discussions leading to the formulation of country programmes in joint commissions and framework agreements.

In 1996, the Ministry of Foreign Affairs began to design a plan of action, limited for the time being to the Americas to generate real impact on the preservation of biodiversity, ensuring that this is perceived by the local communities to be a genuine contribution to their human development. At the last Earth Summit in New York, the President of the Spanish Government announced the launch of the so-called "Araucaria" programme, which establishes a global framework for the integration of current actions of Spanish organisations engaging in environmental co-operation.

AECI has no separate unit for environment questions and only one person deals with this aspect in the Directorate-General for Latin America, but additional support in this area is being provided through external consultancies. The available information suggests a gradually increasing number of environment-related activities in recent years. Projects focus on environmental conservation, such as the fight against desertification, including soil conservation and control of soil erosion, reforestation, reintroduction of traditional fauna, biodiversity conservation, sustainable forest management, development and maintenance of national parks. Some projects concern energy conservation and alternative energies, the production and marketing of indigenous medical plants, fighting and the prevention of forest fires, waste management and some training programmes. Examples are the rehabilitation and conservation of the traditional fauna in Mauritania, the control and improvement of the biological conditions of lakes in the Philippines, an eco-sustainable agro-development project in Nicaragua, solar energy in Algeria and Bolivia and the conservation of sea turtles in Equatorial Guinea. Most projects involve only relatively small amounts.

Suffering itself from the problem of desertification, Spain possesses particular knowledge in fighting desertification. For this reason, Spain actively participated in the negotiations of the Convention on Desertification, translated it into Spanish and published the related information, although there is no strategy yet for the implementation of the Convention in the aid programme. It is to be hoped that Spain increases substantially its bilateral aid

activities in this field so that other countries can benefit from its long experience.

New project appraisal guidelines based on the logical framework methodology which provide for an analysis of environmental impacts for every project financed by the aid administration, should permit progress. An evaluation of how these guidelines are implemented and the detailed criteria for the conduct of the studies required to analyse those impacts could be warranted in the future. The new guidelines apply only to aid activities controlled by SECIPI.

GENDER

Gender considerations have been specifically treated in the Spanish aid programme since 1990. Additional impetus to this issue has come from Spain's joining the DAC in 1991 and its participation since then in the Women in Development (WID) Group and subsequently, the preparation for the UN Conference on Women in Beijing in 1995. Activities mainly focus on Latin America and more particularly on Central American countries, where they are carried out in the framework of a joint committee which was set up with the Latin American countries. The Maghreb, the Palestinian administered territories and Equatorial Guinea have also received some support. Disbursements for women-related projects remain still very small. Women-specific projects amounted to $6 million in 1996, down from $13 million in 1995, whereas women-integrated projects amounted to $8 million and $3 million respectively. Women-related projects in the large sense represented less than 2 per cent of total bilateral net disbursements in both years. Projects are mainly concerned with education and training, health and family planning programmes, income generation, prevention of violence against women and legal reforms in favour of women.

In 1990 the AECI concluded an agreement with the Women's Institute of the Ministry for Social Affairs to promote WID issues mainly in Latin America, but also in other developing countries. The agreement is implemented through yearly protocols or operational agreements describing the activities to be carried out, their financing and their implementation. The activities to be carried out are defined jointly and are mainly focusing on: *a)* training in development co-operation matters both in Spain and in Latin American or other developing countries; *b)* institutional support for organisations in the developing countries promoting gender equality; *c)* programmes destined to educate women and train them in areas such as health care, legal matters, the prevention of violence and employment creation. In connection with the Beijing Conference the Spanish Women's Institute, in co-operation with its local partners, carried out an in depth statistical survey on the status of women in Latin American countries and published a comparative analysis. This study could form a good basis for moving gender issues forward in the Spanish development co-operation effort.

The 1996 and 1997 guidelines for Spanish development co-operation approved by the CICI stress the importance of attaching priority to the integration of a gender perspective into all Spanish programmes and projects so as to secure active participation of women in the development process, a topic that had already been underlined in the 1992 Parliamentary Report on Spanish development co-operation. The guidelines also stress the need to offer women equal opportunities with respect to employment and active participation in the political, economic and social life and decision-making.

Since 1993, AECI has made some efforts to reorganise its administrative structure with a view to better mainstreaming gender aspects into its development co-operation programme. A special programme "women in development" was set up to promote and co-ordinate women's related activities within the agency. The person in charge of implementing the programme is located in the Technical Office. While progress appears to have been slow with respect to both the introduction of a gender plan in the agency and the systematic screening of the aid projects and programmes regarding their impact on women (only the NGOs have to carry out an impact assessment when proposing a project for cofinancing), in 1993 Spain did set up a working group on women in development, composed of representatives of SECIPI, AECI and the Spanish Women's Institute. This group meets regularly. It coordinates and distributes relevant information to all administrative and other bodies including local administrations, NGOs and universities. It furthermore supports training and awareness-raising activities related to WID issues, as well as projects that benefit mainly women. With respect to training, two courses for civil servants have so far been organised, one in 1992 (with the financial support from the EU) and the second in 1995. According to AECI the response of its staff was very positive and gender issues are taken seriously.

Regarding multilateral organisations Spain extends some regular funding to the United Nations Fund for Population Activities (UNFPA), *i.e.* $0.5 million in 1995 and $1.6 million in 1996, and is cofinancing specific projects, as for example a family-planning project in the Philippines, to which it contributes $1 million over two years. While no framework agreement has as yet been signed with the United Nations Development Fund for Women (UNIFEM), Spain has provided some funding for the establishment of a strategic programme for the implementation of the Beijing Conference action programme. Some other joint activities are under consideration.

CONFLICT RESOLUTION, PEACE AND DEMOCRACY

One of the most positive aspects of Spanish aid is the support for conflict resolution, the preservation of peace and democracy. The basic guidelines contained in the 1994 Report by the Senate stipulate that Spanish aid should concentrate on programmes designed to eliminate social tensions and to support peace processes, the strengthening of democracy and the modernisation of state institutions. The Spanish aid administration considers peace-building, the consolidation of democracy and the rule of law as priority areas for its work. Having fairly recently accomplished a successful move towards democracy, Spain has a comparative advantage in this field. It is in a position to pass on valuable experience, an opportunity which should be fully utilised.

Spanish diplomacy, backed by financial and technical assistance, has actively contributed to the peace process in several Central American countries (notably El Salvador, Guatemala, and Nicaragua) in the Middle East, Bosnia-Herzegovina and certain African countries. Spain has backed the transition towards peace, democracy and a market economy in the three Central American countries, both politically and through co-operation. It has contributed to the demobilisation and re-insertion of ex-combatants in African countries. In December 1996, SECIPI organised a Forum for Reflection on Re-Integration and Demobilisation.

In addition to its bilateral activities, Spain carries out jointly with UNDP, a "Programme to Support the Strengthening of Governability in Central America". Following the signing of a trust fund agreement with UNDP in 1995, Spain made an initial contribution of $11 million. The aim of the fund is to: *i)* contribute to the consolidation of democracy; *ii)* modernise education systems; and *iii)* finance sustainable human development. During the first year, projects centered on: *i)* reform of the judiciary and security bodies; *ii)* decentralisation; *iii)* social equity; and *iv)* professionalisation of public administration.

POVERTY ALLEVIATION

In its official declarations the Spanish Government attaches importance to poverty alleviation (and has accepted the 20/20 commitment for spending on basic social services). Primary education, basic health care and women-related projects appear to be gaining in importance in the sectoral distribution of Spanish grant aid in recent years. The projects cofinanced with NGOs also show greater concern for poverty issues and – given the rising volume of this aid ($87 million in 1996) – should have positive effects on the overall programme over the years to come. However, the Spanish aid administration, like that of many other DAC Member countries, will need to develop increased expertise in poverty analysis and its incorporation in project and programme design and evaluation, and in policy dialogue with partner countries.

Recently, Spain has begun to pay attention to the protection of **indigenous peoples** and has developed appropriate strategies, including for the protection of their manifold cultures, mainly in Latin America. These endeavours must be seen in the light of the efforts undertaken in recent years by many Latin American countries to change their policies *vis-à-vis* the indigenous populations, which frequently account for a high percentage of the total population. The Spanish strategy aims at the empowerment of the indigenous peoples and the support of all activities enabling them to participate in the making of decisions that have a bearing on their every-day lives. AECI has therefore adopted a participatory approach, promoting mainly those initiatives which originate from the indigenous peoples themselves and which are rooted in their culture and environment. Projects are centered around:

- The participation of indigenous people in international fora.
- Their integration into the development policies of their countries, in particular with respect to those policies that have a direct bearing on these populations.

Box 1. **Strengthening Democracy in Guatemala**

A good illustration of Spain's assistance for national reconciliation, the strengthening of democracy and good governance is the case of Guatemala. In that country, Spain has not only actively contributed to the agreement on the demobilisation and legalisation of the National Revolutionary Union of Guatemala (URNG) which was signed in Madrid in December 1996, but also committed technical and financial resources for the political transition process. In assisting this process, Spain intends to pay attention to securing the active participation of the under-privileged sectors of society. The Spanish authorities have decided to concentrate their aid on certain geographical sectors and areas. These are:

- modernisation of the state and strengthening of its institutions;
- support for the reintegration of veterans and compliance with the Peace Agreements;
- integrated human development, development of production and vocational training;
- cultural co-operation (in relation to empowerment of indigenous people) and management training.

The Guatemalan Government agreed with this approach at the fourth meeting of the Joint Co-operation Committee in July 1997. As regards the strengthening of institutions, the projects chosen concern:

- reform of the security forces, with a project for the provision of technical assistance by the Spanish Civil Guard (250 policemen from the National Academy are being trained in Guatemala);
- reform of the legal system, with different consultancy services to advise the Supreme Court, training programmes for judges, magistrates and public prosecutors and strengthening of public defence;
- support for the legislative power, with a co-operation agreement between both Parliaments;
- training of political parties, with over 200 former guerrillas attached as "interns" to Spanish political parties;
- programme for municipal enhancement and support for decentralisation;
- a food for arms restitution programme carried out with the help of the Catholic Church.

The financial contribution for these programmes more than doubled from $6 million in 1995 to over $12 million in 1996. It is estimated that $40 million will be disbursed between 1997 and the year 2000.

- Education and training, with particular emphasis on the training of leaders and of experts in new technologies and the media. With a view to reducing the high rates of illiteracy among indigenous populations importance is attached to the promotion of local languages (bilingual education).

The programmes in favour of indigenous people are closely related to the protection of the environment, the preservation of bio-diversity, the promotion of indigenous women and the reduction of poverty. Land titling, health programmes, eco-tourism and the promotion of small companies manufacturing local goods, including traditional medicinal herbs, are also considered important.

Spain's multilateral activities in this area include participation in various UN programmes in favour of the indigenous peoples, either in the framework of the Human Rights Commission or activities linked to the International Decade of Indigenous Peoples. It has contributed to the Indigenous Fund of Latin American Heads of State and Government, and set up a unit in AECI in 1995 for this purpose. Through its membership in the European Union Spain signed a convention with a few member countries which have developed specific policies in this area (Denmark and Germany) with a view to drawing up a European strategy for co-operation with the indigenous peoples, in particular in Latin America.

BASIC PROFILES: VOLUME, DISTRIBUTION AND TERMS

ODA VOLUME AND OUTLOOK

The volume of ODA net disbursements increased regularly in national currency and in constant dollars until 1994, but declined in 1995 and 1996. In current dollars, Spanish aid reached its peak in 1992 with $1 518 million. In 1996 ODA net disbursements declined to $1 251 million, ranking Spain 12th among the 21 DAC countries whereas from 1991 until 1993 Spain had occupied the 10th rank. During the period 1990/91 to 1995/96 the average annual growth rate in real terms dropped to 2.3 per cent as compared to 23.3 per cent during the preceding five-year period. It did remain positive, however, whereas for the DAC as a whole it was negative. The growth occurred primarily in the bilateral programme. Multilateral aid rose only moderately (0.7 per cent) (see Table 1).

As a ratio of GNP, Spanish net aid disbursements peaked at 0.28 per cent in 1993 and 1994 before they dropped to 0.24 per cent in 1995 and 0.22 per cent in 1996. The Government is working to reverse this decline, as described later in this chapter.

Spain's ODA/GNP ratio has always been below the DAC average and even more so below the EU average. Starting from low levels in the 1980s, Spain had set itself an ODA target of 0.36 per cent of GNP to be reached in 1992. When Spain missed this target, Parliament requested that the aid volume rise to 0.35 per cent of GNP by 1995, but once more the target was not reached. At 0.22 per cent of GNP, Spain's volume performance in 1996 was less than two-thirds of the target. However, Spain's ODA/GNP still ranked 16th among the 21 DAC Member countries, whereas its GNP per capita is the second lowest among the DAC Members, just over half of the DAC average.

The decline in 1995 is exclusively due to FAD loans. Disbursements of FAD credits had reached a peak in 1992 with $875 million. They declined in the following three years to less than half that amount, but recovered somewhat in 1996. This development was foreseeable since Spain had committed large amounts of FAD credits prior to the entry into force of the new OECD rules on tied aid credits to developing countries (Helsinki Agreement) in 1992. At the same time repayments have been rising continuously since 1990. The ensuing sharp decline of net loan disbursements outweighed increases in bilateral grant assistance and multilateral contributions in 1995. This situation had been forecast by the OECD Secretariat at the last review of the Spanish aid programme.

The further decline in 1996 was due to lower contributions to the aid programmes of the European Union – a consequence of the enlargement of the EU Membership – and to a fall in payments to IDA which had been exceptionally large in 1995.

Another factor which possibly contributed to the decreasing volume in recent years is the fact that – contrary to earlier years – the volume performance had been over-estimated in the annual

Table C. **Evolution of the volume of FAD credits**

$ million

	1991	1992	1993	1994	1995	1996	1997*
Commitments	1 036.9	885.0	435.1	266.7	400.6	460.3	195.7
Disbursements (gross)	535.4	875.1	780.0	655.8	362.5	417.6	232.3
Repayments	18.5	25.7	33.9	58.4	79.5	92.5	133.9
Net disbursements	516.9	849.4	654.9	597.4	283.0	325.1	98.4

* First half only, larger amounts are expected in the second half of the year.

Table D. **Planned and actual ODA as a share of GNP**

	1991	1992	1993	1994	1995	1996	1997
PACI forecast	0.20	0.24	0.24	0.26	0.28	0.28	0.24
Actual performance	0.24	0.27	0.28	0.28	0.24	0.22	..

plans (PACIs) for 1995 and 1996. With these optimistic forecasts the decline in the aid programme was perhaps only noticed when it was too late to take corrective action. Improving the PACIs should produce a more reliable forecasting and monitoring instrument. The PACI in its present form has only an informative and statistical role rather than a planning one.

The PACI forecasts an ODA volume of $1 380 million in 1997 corresponding to 0.24 per cent of GNP, and $1 530 million in 1998 corresponding to 0.26 per cent of GNP. The actual performance may be lower if the PACI has again produced an overestimate. Any lasting progress of the aid volume would depend primarily on the elaboration of firm medium-term planning, which had been requested by Parliament in order to reach the 0.7 per cent of GNP target by the year 2000, and the determination of the government and Parliament to adhere to the planned increases. Such a medium-term plan would have to be based primarily on budget appropriations for grants since the volume of FAD credits is more difficult to regulate. Given the support the aid programme enjoys in public opinion and Parliament, it should be possible to reverse the declining trend of recent years.

Official aid disbursements to the more advanced countries in transition in Eastern Europe and the former Soviet Union fluctuated between $87 million and $163 million per annum. As a ratio of GNP they amounted to only 0.02 or 0.03 per cent. These amounts consisted almost exclusively of Spain's share in the aid provided by the European Commission and to a lesser degree, of its EBRD capital subscription. Bilateral aid for the more advanced countries in Eastern Europe amounted to $0.2 million in 1993, $0.4 million in 1994 and $2 million in 1996. It was negative in 1995. The Spanish authorities have decided to provide, henceforth, more aid to central and eastern Europe and the New Independent States of the former Soviet Union. Most of this aid is likely to be directed to the developing countries in this region.

In 1998 for the first time a special programme for co-operation with central and eastern European countries will be implemented mainly in the sectors of good governance, rehabilitation of infrastructures and health. Concentration countries will be Russia, Poland, Ukraine, Romania, Bulgaria, Albania and Bosnia-Herzegovina. The total amount of the programmes will be $6.3 million of which less than 40 per cent for the more advanced countries.

COMPOSITION AND SECTORAL DISTRIBUTION OF AID

The composition of Spanish ODA in recent years is characterised by major changes. They resulted primarily from the changing volume of FAD credits and contributions to certain multilateral institutions. An important change in the composition of Spanish ODA is the shift towards more bilateral aid. The volume of bilateral aid rose four times faster than that of multilateral aid during the period 1990/91 to 1995/96, and represented between 60 and 72 per cent of total ODA during this period (see Table 2).

Except for a single year, 1993, **bilateral grants** have been increasing year after year in current dollars from $38 million in 1986 to $563 million in 1996. As a share of total ODA, they rose from 17 per cent in 1992 to 45 per cent in 1996, and became the largest component of Spanish aid in 1995 and 1996. However, they still represented a much lower share of total ODA than in total DAC aid. For the latter, the share of bilateral grants in ODA is 60 per cent and more.

Most bilateral grants concern project and programme assistance and technical assistance (prior to 1992 Spain's statistical submissions did not distinguish between the two). Data on technical assistance includes cultural activities. According to the 1996 PACI data, about $10 million of grants was allocated to programmes of cultural co-operation in Latin America of which over $7 million for the conservation of heritage. The cultural activities include: *i)* workshop schools on rehabilitation techniques;

ii) restoration of monuments and town centres; and *iii)* town planning activities in historical urban areas. These activities have an important social and developmental impact.

Food aid dropped to very low levels in recent years and emergency aid has never been a large part of the Spanish programme. Administrative costs rose to 3 per cent, but were still lower than the DAC average.

Debt relief has become an increasingly important part of Spanish ODA in recent years. It rose from $3 million in 1993 to $120 million in 1996, reaching 10 per cent of ODA in that year, twice the DAC average. The largest amounts of debt relief concerned the Congo, Côte d'Ivoire and Haiti. Spain has been a member of the Paris Club since its inception. Concessional debt relief operations began in 1993. Among the consolidation options established by the Paris Club, Spain has always applied the debt service reduction option. Most debt cancellation relates to officially guaranteed commercial debt but debt relief has been also applied to FAD credits.

In a bilateral context Spain's debt relief policy mostly focused on debt swap operations. Until recently these operations had been done on a case-by-case basis. In December 1996, Spain signed an agreement with Morocco which for the first time included a strategy concerning debt for equity swaps. This programme implies the conversion of Ptas 6.25 billion – $48 million at the time of signature – into private investments in Morocco. The amount was increased by $37 million in December 1997. Under this scheme the Spanish Government sells the debt to the Spanish investor in hard currency at a price which includes a substantial reduction of the face value, while Morocco pays the investor a price in local currency which is higher than the price the investor had paid the Spanish Government, but lower than the face value. Debt/equity swaps are also envisaged with a few other countries. Debt relief in exchange for local funds for environment and social sector projects is under consideration. The SSTT is developing a debt conversion policy which should be ready at the beginning of 1998.

As already mentioned, the volume of **loans** fluctuated widely. After major increases until 1992, loan disbursements declined sharply, but rose again in 1996. Consequently, the share of net loans in total ODA rose to 56 per cent in 1992, then declined to 21 per cent in 1995, but was back at 26 per cent in 1996. Nonetheless, in spite of the decline in net loan disbursements in recent years, the share of net loans in the Spanish programme is still a multiple of the DAC average which decreased from 13 per cent in 1992 to 3 per cent in 1996. The unusually large share of loans remains a matter of concern since development co-operation considerations are not the prime motive of these loans. Furthermore, in view of the rising commitments in 1995 and 1996, disbursements will increase again and thus could regain a more prominent position in Spanish ODA.

A special feature of Spanish aid is the so-called **decentralised co-operation**, *i.e.* development assistance provided by regional governments and municipalities. This aid is described in Chapter IV and in Annex 2.

Major changes can be noticed in the **sectoral distribution** of aid. In 1995/96 the share of health was four times higher than in 1991/92 and that of education almost twice as high, reaching respectively 15 per cent and almost 9 per cent of ODA commitments. Water supply and other social infrastructure and services also obtained increased resources. Simultaneously, the share of economic infrastructure declined sharply. Transport and energy were the sectors most affected, but communications and industry also obtained less than in previous years. The only production sector which was not affected, but on the contrary expanded vigorously, was agriculture. The share of agriculture is now close to the DAC average. These changes are to a large extent the result of the decline and reorientation of FAD credits. In particular, the high proportion of aid for health is related to medical equipment delivered under FAD credits. Commodity aid and general programme assistance remained very small, less than one-quarter of the DAC average. Also noteworthy is the fact that only a tiny share of assistance concerns the tourism sector although Spain is one of the leading tourist countries in the world.

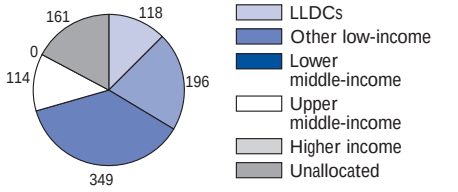
In its 1994 report on development co-operation, the Senate suggested concentrating Spanish aid on certain sectors and countries in order to enhance its efficiency and impact. The aid administration intends to adapt the orientation of its aid according to the level of development in the recipient country. In the low-income countries, it is intended to concentrate efforts on food, health, basic education and infrastructure; in the lower middle-income countries on administrative reforms; and in countries which have the necessary administrative structure on integrated development projects. In Latin

SPAIN

Gross bilateral ODA, 1995-96 average, unless otherwise shown

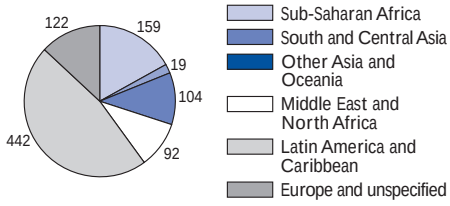
Net ODA	1995	1996	Change 1996/95
Current (US$ m)	1 348	1 251	-7.2%
Constant (1995 US$ m)	1 348	1 225	-9.1%
In Pesetas (million)	168 102	158 545	-5.7%
ODA/GNP	0.24%	0.22%	
Bilateral share	61%	71%	
Net Official Aid (OA)			
Current (US$ m)	..	2	..

By income group (US$ m)

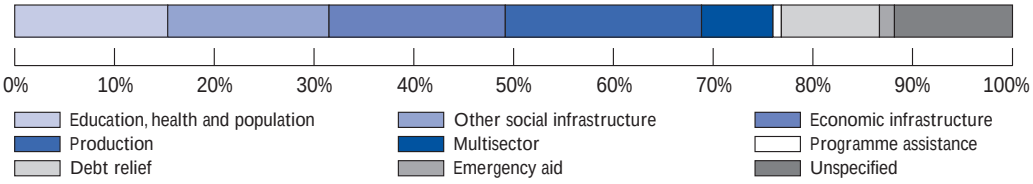


Top ten recipients	(US$m)
1 Argentina	71
2 Congo	53
3 China	48
4 Ecuador	48
5 Indonesia	44
6 Nicaragua	33
7 Colombia	31
8 Angola	29
9 Bolivia	28
10 Morocco	28

By region (US$ m)



By sector (94-95)



Source: OECD.

America, Spanish aid concentrates on: *i)* institutional modernisation; *ii)* education and training; *iii)* modernisation of production sectors and infrastructure; and *iv)* cultural co-operation.

Spain financed 3 019 students and 835 trainees in 1995 and 2 809 students and 3 021 trainees in 1996, mainly from Latin America and North Africa. In 1995, for the first time, a large amount was disbursed for students in the recipient countries. Prior to 1995, the bulk of expenditure for students and trainees had been spent in Spain. Most scholarships are for post graduate studies. By far the largest number of students in 1995 – more than one quarter – were from Colombia. Other large contingents were from Morocco, Mexico, Cuba, Argentina and Chile. By far the largest number of trainees were from Argentina. In 1996 the origin of students and trainees was more evenly distributed. The largest number of students, in order of magnitude, came from Argentina, Mexico and Cuba; those of trainees from Colombia, Bolivia, Guatemala and Argentina. Given the common language, it is understandable that most students and trainees came from Latin America, but increased attention should be given to the poorer countries in the region, and more aid should be provided in the recipient and third countries.

MULTILATERAL AID

The share of multilateral contributions, in spite of certain annual fluctuations, fell considerably in recent years and in 1996 was below 30 per cent. By far the largest amounts of multilateral aid concerned European Union aid which in recent years represented about one quarter of total ODA and two-thirds to three-quarters of Spanish multilateral aid. Until 1994 Spain's share in European Union aid was the second most important component of ODA after the Development Aid Fund (FAD) credits. Spain is the fifth largest contributor to the EDF. It contributed European currency unit (ECU) 750 million to the 8th EDF corresponding to 5.8 per cent of the latest replenishment, and accounts for 6.8 per cent of EC budget aid.

Excluding the EC budget and EDF, Spain's multilateral contributions declined still further. In 1996 they were less than 8 per cent of ODA corresponding to only 0.02 per cent of GNP, which is the lowest

ratio among DAC countries, except Portugal. Contributions to the World Bank have tended to fluctuate with the timing of capital subscriptions and replenishments of the International Development Association (IDA). On the whole, their share in Spanish ODA was much smaller than for DAC Members taken together, in particular for IDA. Contributions to regional development banks fluctuated, but on the whole declined in recent years mainly as a result of delays in Parliamentary approval. Spain participates in all major regional development banks. For obvious reasons, Spain places particular emphasis on relations with the Inter-American Development Bank. Spain increased its participation in the 8th capital increase of this Bank and its Fund for Special Operations. Contributions to the African and Asian Development Banks remained rather small. Taken together, regional development banks and funds in recent years represented a smaller share of Spanish aid than the average for all of DAC Members. The same is true of contributions to United Nations agencies and funds, which are low.

The Ministry of Foreign Affairs is responsible for the United Nations agencies and other non-financial multilateral institutions, the Ministry of Economy and Finance for the IFIs, in particular the World Bank group, the International Monetary Fund (IMF), the regional development banks, the Global Environment Facility, the EDF and the European Investment Bank. AECI's multilateral office deals with Spanish trust funds in UN organisations and keeps a roster of Spanish experts for employment by international organisations. Almost 20 per cent ($35 million) of AECI's budget for 1997 is earmarked for trust funds with multilateral institutions. Part of this amount concerns, as in previous years, the training of junior Spanish professionals in UNDP and EU offices. To co-ordinate the Spanish position in multilateral organisations and to disseminate information, periodic meetings of all ministries concerned are organised. In weighing its interest and objectives, priority is given to gaining returns to the Spanish economy, and to activities that affect countries or regions which are specially important for Spain's co-operation. In several institutions Spain has established partially untied trust funds or launched co-operation agreements for the financing of activities. Spain has been particularly active in drawing the EC's attention to Latin America and the Mediterranean area.

Multilateral contributions still pose a certain problem for Spain, as the economic returns from these contributions in terms of purchases of Spanish goods and services and employment of Spanish experts are relatively low. However, the tendency is towards greater involvement of Spanish companies. Thus, procurement in Spain rose from 1.5 per cent under EDF VI to 4.3 per cent under EDF VII, approaching Spain's contribution to EDF VIII. For the African and Inter-American Development Banks, procurement in Spain even exceeds Spain's contributions.

FINANCIAL TERMS AND AID TYING

The concessionality of Spanish aid softened considerably in recent years. The overall grant element of ODA commitments rose from 80 per cent in 1992-93 to 93 per cent in 1996. The improvement was primarily due to a major increase in the share of grants in ODA commitments from 42 per cent in 1992/93 to 71 per cent in 1994/95 and 74 per cent in 1996, a direct result of the sharp decline of loan commitments. According to the OECD Creditor Reporting System (CRS) the average grant element of FAD loans increased from 66 per cent in 1992 to 75 per cent in 1994 but declined again to 65 per cent in 1996. The softer terms in 1994 and 1995 were obtained through a reduction of the rate of interest while the maturity and the grace period remained largely unchanged.

The softening of terms of FAD loans is mainly the result of the 1992 OECD rules for tied aid credits to developing countries (Helsinki Agreement). FAD loans are often combined with commercial export credits and following the Helsinki Agreement, the concessional element of the combined financial package has to reach at least 35 per cent. Most packages reach just 35 per cent or are marginally above the threshold. The FAD portion of the package, which is reported as ODA, frequently has a grant element of between 70 and 75 per cent. The average concessional element of the combined FAD/commercial credits rose marginally from 35 per cent in 1993 to 37 per cent in 1995, but declined to 36 per cent in 1996. Spain was the second largest source of Helsinki-type credits in 1996 among the DAC countries and the largest in relation to the total volume of exports. Efforts have been made towards greater competition in domestic procurement. Information on commercial credits is published by the Ministry of Economy and Finance. Since 1995, an anti-bribery clause has been included in contracts linked to FAD credits. Such a clause is also included in NGO projects cofinanced by AECI.

Table E. **Financial terms of ODA commitments**

	1992	1993	1994	1995	1996
Grant share (per cent)	43.0	41.5	70.6	71.5	74.1
Maturity of loans (years)	29	27	31	29	27
Grace period of loans (years)	10	9	11	10	9
Interest rate (per cent)	1.8	1.7	1.0	1.1	1.7
Grant element of loans (per cent)	66.2	65.3	74.8	72.3	64.8
Overall grant element (per cent)	80.7	79.7	92.6	92.1	90.9

Tying is another problem of Spanish financial assistance. The tied nature of FAD loans is formally written into the decree-law which created the FAD. Up to 15 per cent can be untied for local procurement and up to 10 per cent for third-country procurement. Larger untying of these loans would require new legislation.

Bilateral grants are also tied to goods and services from Spain, and the expected benefit for the Spanish economy is even a criterion in extending government subsidies for NGO projects. In applying for a subsidy, NGOs have to indicate how the project will benefit the Spanish economy. Benefit to the Spanish economy is also a criterion in decisions on voluntary contributions to multilateral organisations.

GEOGRAPHIC DISTRIBUTION

The geographic distribution of Spanish aid differs significantly from that of other DAC donors. In particular, Latin America receives a far larger share. With about half of bilateral aid, Latin America's share is about four times larger than for the DAC as a whole. The large proportion of Spanish aid extended to this continent is explained by the demands of civil society and parliament which is based on historical, cultural/linguistic ties and commercial interests. The bulk of Spanish aid went to the middle-income countries in Latin America. The 1992 Report on Development Co-operation by Parliament fixed the share of Latin America at 45 per cent followed by North Africa with 30 per cent. In practice, the share of Latin America rose even more from 35 per cent in 1990/91 to 50 per cent in 1995/96, while that of North Africa and the Middle East declined sharply during this period from 20 to 11 per cent. Emphasis on North Africa is largely motivated by geographic proximity, migratory pressures and commercial interests. The Spanish authorities are seeking to concentrate their efforts in countries where they can have an important impact, drawing on their comparative advantage.

The share of Sub-Saharan Africa has been comparatively small. The rise in 1996 is related to large debt relief for the Republic of Congo. The share of Asia, which has been about one-fifth of Spanish aid and reflects the extension of FAD credits, was also considerably smaller than for DAC Members taken together. European developing countries account for only negligible amounts, but it is the intention of the Spanish administration to pay more attention in future to the central and east European countries and the New Independent States of the former Soviet Union (see Table 3).

Another major difference between Spain and the majority of DAC Members concerns the distribution of aid by income groups of recipients. The share of least developed countries which varied between 7 and 19 per cent has always been well below the DAC average. ODA to the least developed countries, including the imputed multilateral aid, amounted in 1995 to 0.04 per cent of GNP, which is one of the lowest ratios among DAC countries and far below the international target of 0.15 per of GNP. The share of the other low-income countries has been more in line with that of other donors. The share of the lower middle-income countries has been rising and in 1996 reached almost half of geographically allocated disbursements. A positive development is the decline of the share of aid going to the upper middle-income countries to below 10 per cent in 1996. The top recipients of Spanish aid have been those receiving FAD credits. The largest recipients over the years 1991 to 1996 were China with $663 million and Mexico with $622 million followed by Morocco ($381 million), Argentina ($263 million) and Algeria, Indonesia and Ecuador with over $200 million each. It should, however, be noted that Mexico and Argentina have not been eligible for FAD credits since 1993 and 1994 respectively.

A review of bilateral grants indicates a significantly different geographic distribution pattern. The

largest recipient of grants was – except for the $106 million of debt forgiveness for the Congo in 1996 – Equatorial Guinea, which over the period 1991 to 1996 obtained $89 million. Other main recipients of grants were Peru ($74 million), Bolivia ($68 million) and Côte d'Ivoire. Among the ten main recipients of grants half were least developed or low-income countries, but in several of these countries it was only the result of debt relief.

The geographic distribution of Spanish aid is characterised by large annual fluctuations in the amount of aid received by individual countries. Apart from China, and to a lesser extent Argentina, Indonesia and Ecuador, which in recent years were always among the largest recipients, there was no continuity over the years as regards the share of individual recipients in Spanish bilateral aid. This situation is largely related to FAD credits, but the amounts of grants received by individual countries also varied substantially from one year to another.

Recent years witnessed a certain dispersion of aid. The combined share of the five largest recipients in geographically allocated aid fell from half in 1990/91 to one-third in 1995/96, that of the ten largest from two-thirds to just over half and that of the 20 largest from 88 to 77 per cent. In 1995/96 Spain listed 107 countries as recipients of its aid. Since one quarter of Spanish aid is geographically unallocated, the actual number of recipients is probably larger still (see Table 4). This large number does not facilitate efficient planning and implementation of the aid programme. For 1997 and 1998 the Spanish administration has selected Central America, Colombia, Bolivia, Southern Africa, Equatorial Guinea and Mauritania as countries of geographical concentration.

Spain, not surprisingly, was by far the largest donor for Equatorial Guinea, contributing well over half of total aid receipts by this country. It also contributed on average over half of the aid received by Cuba in recent years. Furthermore, Spain is an important donor for Argentina, Colombia, Ecuador, Angola, Mozambique and Guatemala.

TOTAL RESOURCE FLOWS

A detailed analysis of total resource flows to developing countries is not possible since data on other official and private flows are incomplete. The missing data concern official export credits for the years 1987 to 1993 and 1996 and private export credits since 1991. Information on private investments is missing for the period 1989 to 1993 (see Table 6). It can be assumed that the missing net amounts of official and private export credits were negative in many years, but that the amounts of private direct investment more than outweighed these negative amounts.

Reported non-ODA flows fluctuated sharply from one year to another primarily reflecting changes in the volume of direct investment. The latter reached $2.3 billion in 1994 and $2.9 billion in 1996, but only $0.5 billion in 1995. Most private investments were made in Latin America. Private grants have on the whole been increasing and exceeded $100 million since 1994. As a share of GNP, reported non-ODA flows have been very small, close to zero, except in 1994 and 1996 when they reached 0.47 per cent and 0.51 per cent respectively.

Total flows have been around $1.5 billion annually in recent years, except in 1994 and 1996 when they reached $3.5 billion and $4.2 billion. In those two years, they exceeded 0.7 per cent of GNP, while in all other years they remained below 0.3 per cent.

DECENTRALISED CO-OPERATION AND NON-GOVERNMENTAL ORGANISATIONS

Aware of the importance of involving Spanish civil society in its development co-operation programme and of building a consensus on aid policy objectives, the Spanish Government attaches increasing importance to ''decentralised'' co-operation through the **autonomous regions and municipalities** and through non-governmental development organisations. The central government favours the participation of the regions and municipalities not only in development co-operation activities, but also in trade relations and intercultural exchange with the developing countries. Decentralised co-operation is founded on the model established by the Central Government, as regards sectoral and geographical priorities and the use of co-financing instruments with NGOs.

ODA disbursements from regional governments and municipalities trebled between 1993 and 1996 and consequently account for a rapidly rising share of Spanish ODA. In 1996 it totalled $140 million, equivalent to 11 per cent of ODA. Of this amount about 60 per cent came from the autonomous regions and the remainder from municipalities and other local bodies. The Basque Country has been among the most active autonomous regions and has consistently ranked first among them with respect to its ODA disbursements in recent years. Its development co-operation budget amounted to close to $20 million in 1996 and rose to about $30 million in 1997. It plans to spend 0.7 per cent of the projected operating budget on development co-operation activities. Other regions which have developed significant development co-operation programmes are Andalusia, Navarra, Catalonia, Community of Valencia and Castilla-La Mancha. Some city councils have decided to allocate 0.7 per cent of their budgets to development aid. At least one town devotes 1 per cent of its resources to this purpose.

Most decentralised co-operation is carried out by NGOs or other non-profit making entities, for whom it constitutes a significant source of funding. As far as the geographic distribution is concerned, the bulk of the geographically allocable assistance from the autonomous regions and other regional bodies was concentrated on Latin America (nearly 40 per cent on average) in 1993-96, followed by Sub-Saharan Africa (9 per cent), North Africa and the Middle East (5 per cent). The Basque Country also attaches importance to the fact that the promoters of the projects that it subsidises should participate in them financially. Cofinancing with international organisations and particularly the European Union are considered important.

Although the 1995 guidelines for Spanish co-operation policy also apply to decentralised co-operation, each of the seventeen autonomous regions appears to have established its own basic principles and objectives concerning its relations with the developing countries. The same applies to the municipalities and other provincial institutions that have embarked upon development co-operation activities. Main objectives include the eradication of the causes of poverty and the promotion of social justice, the development of human rights and of institutions that ensure good governance and democracy. Catalonia has also laid down sector priorities, such as primary health care and education and training activities. Strong emphasis is laid on the participatory approach. Gender considerations, the protection of the environment and development education are also mentioned as important points in the basic principles of the Basque Country.

In the absence of a strong co-ordinating body to reconcile national aid policies and objectives with the preoccupations of the regional bodies, the decentralisation of aid activities may well lead to a dispersion of efforts and certain incoherencies in the actions undertaken. Aware of this problem the government has taken several initiatives including the signing of framework agreements between AECI and eight autonomous regions and/or municipalities with

a view to jointly financing projects and exchanging information. The PACI, which since 1992 includes the activities carried out by the autonomous bodies, is also considered as a useful instrument of co-ordination. It is expected that the development co-operation law now being discussed by Parliament will contribute to streamline the various programmes and thus enhance their efficiency and transparency through the creation of an Interterritorial Commission.

Because of their complementarity to official aid the Spanish aid administration considers **non-governmental organisations** (NGOs) as important actors who are playing an increasing role in the Spanish aid programme. This has translated into a steep increase of government subsidies to NGOs which trebled in 1995 to over Ptas 10 billion ($81 million) and increased again in 1996 to some Ptas 11 billion ($87 million) and about Ptas 12 billion in 1997. NGOs also receive funds from regional governments and local authorities – over $110 million in 1996. These funds are distributed over a large number of NGOs, many of which are very small and little experienced. Some 90 NGOs are affiliated to the *Coordinadora*, a federation of NGOs established in 1986, which has as its main objective the qualitative and quantitative improvement of development co-operation. The *Coordinadora* maintains a permanent dialogue with the government and the Parliamentarians and promotes the exchange of ideas among NGOs and other civil society organisations. There are also co-ordinating bodies at a regional level, which work in close contact with the *Coordinadora*. All NGOs belonging to the *Coordinadora* signed a moral code of conduct in 1997, as have many NGOs on a regional basis, as for example in Catalonia.

The major NGOs believe that the present system, whereby each year new and little experienced NGOs obtain government subsidies, is not efficient. They suggest that government subsidies for projects should mainly go to those organisations that have the necessary qualifications for an efficient use of these funds, and that the smaller and less experienced organisations should rather concentrate on development education activities. Of the 76 NGOs which obtained financial support from the government in 1996, about a dozen were newcomers. Some 2 000 Spaniards work overseas on NGO projects. In Spain, NGOs employ 9 000 people, not counting 32 000 volunteers. The largest NGO in terms of fund-raising is Manos Unidas while the largest in terms of membership is Intermon. The former has a budget of Ptas 7.2 billion (about $55 million) of which almost three-quarters was raised through private donations by 75 000 individual donors. It has 75 paid staff. Intermon has 117 000 donors, 120 paid staff and 700 active volunteers. It has an annual budget of Ptas 4 billion (about $31 million) of which 45 per cent is its own funds and 55 per cent comes from the government. Intermon, which began activities in 1946, is present in many Latin American and African countries. It is also active in fair trade with nine shops in Spain.

A positive development is that the dialogue between NGOs and the government has been increasing. It is now carried out in the Council for Development Co-operation. The four NGOs which form the Executive Committee of the *Coordinadora* and the "0.7 per cent Platform" are represented in the Council. The latter is a coalition of grass-roots movements, which does not have projects in developing countries. Dialogue has also increased with parliamentarians.

Government subsidies continue to be extended on a project-by-project basis and are allocated through two annual competitive biddings. The "ordinary" invitation for bidding relates to funds from the ordinary budget of the Ministry for Foreign Affairs and takes place in spring of each year, whereas the "special" invitation for bidding relates to a special fund (IPRF) consisting of a portion of the income tax set aside for social purposes. The invitations for bidding contain the geographical and sectoral priorities established each year by the government. Geographical priority is usually given to Latin America, Equatorial Guinea, Angola, Mozambique, the Palestinian administered territories, Sahrahoui refugees and the Philippines. More recently Bosnia-Herzegovina, Kazakstan, Uzbekistan, Viet Nam, India and Bangladesh became recipients. The sectoral priorities are usually the social sectors and certain productive activities (agriculture, livestock, micro-credits). Projects addressing the most vulnerable and poorest target groups are given special preference. Furthermore, projects must be drawn up in close consultation with the target groups, must be sustainable and pay special attention to gender and the protection of the environment. The interests of the Spanish economy should also be taken into account when drawing up a project as well as the economic development plans of the recipient country. The evolution of the geographical and sectoral distribution of NGO projects is shown in the tables

Table F. **Main recipients of NGO projects**

$ million

	1993	1994	1995	1996	1993-96 in %
Latin America	16.7	13.6	44.6	49.6	57.8
of which:					
Peru	2.8	2.9	5.1	6.0	7.8
Guatemala	4.2	1.8	3.4	6.6	7.4
Bolivia	2.8	1.2	3.6	6.9	6.7
Nicaragua	1.4	1.2	4.5	4.0	5.1
Sub-Saharan Africa	3.8	3.6	18.2	18.4	20.3
of which:					
Mozambique	2.4	1.9	4.1	5.1	6.3
Equatorial Guinea	0.8	0.7	5.2	5.7	5.7
North Africa and Middle East	2.9	5.8	13.3	12.7	16.2
of which:					
Palestinian Admin. Areas	0.9	1.6	5.2	4.7	5.7
Western Sahara	0.1	1.4	3.7	2.4	3.5
Others	1.0	0.8	4.7	6.0	5.7
TOTAL	24.4	23.8	80.8	86.7	100.0

Table G. **Sectoral distribution of NGO projects**

$ million

	1993	1994	1995	1996	1993-96 in %
Social infrastructure and services	10.6	13.6	47.6	52.6	57.6
Economic infrastructure and services	1.0	0.5	1.1	0.6	1.5
Productive sectors	4.6	4.5	6.9	15.2	14.6
Multisector	4.6	4.7	19.2	15.2	20.3
Emergency assistance	3.5	0.2	4.5	0.3	4.0
Development education	0.1	0.2	1.5	3.0	2.1
TOTAL	24.4	23.8	80.8	86.7	100.0

below. In 1997 about 300 projects were cofinanced with NGOs.

The subsidy programme for NGOs, which was previously handled by SECIPI's Planning and Evaluation Office, was transferred to AECI in October 1996. In order not to disrupt the programme the personnel in charge of NGOs was also transferred to AECI's technical office. The selection of the projects – about 300 annually – is carried out by a special committee set up within the aid administration. It is done in close co-operation with the technical co-operation offices and the embassies in the recipient countries and has been described in the last OECD report on Spain's aid (*Development Co-operation Review Series 1994*, No. 3). With the increase in subsidies channelled through NGOs, the rules for granting cofinancing to NGOs were tightened in July 1996. The new provisions require participating NGOs to have existed for a minimum of five years and to have carried out at least six other projects similar to those for which it is requesting cofinancing. Moreover, NGOs requesting government money for the first time cannot submit more than two projects or receive more than Ptas 20 million ($0.15 million). Even the experienced NGOs, which have been co-operating with the aid administration for several years, have to provide extensive documentation on their financial viability and trustworthiness each time they apply for financial support, which represents a rather heavy administrative burden for these organisations. While it is understandable that the administration carefully checks the trustworthiness of a new applicant, the detailed scrutiny of projects of experienced NGOs appears excessive, in particular for tiny projects. A cost/benefit analysis of the present system should be seriously considered.

Given the complicated procedure, NGOs are unlikely to have the capacity to carry out more projects which in turn would limit Spain's ability to direct more funds towards poverty alleviation. The administration should, therefore, consider the possibility of framework agreements funded by block grants which exist in several DAC countries and which Spanish NGOs have been requesting for several years. This requires a certain degree of trust which should now be facilitated by the regular contacts in the Development Co-operation Council.

Cofinancing covers up to a maximum of 80 per cent of the total project cost. Allowances for administrative costs were raised in 1996 from 7 to 9 per cent. The aid administration still does not award programme contracts, but is at present considering the possibility of setting up a multi-year joint financing scheme through framework agreements with the more experienced NGOs. Regarding evaluations, all NGO projects have to provide annual progress reports and half-yearly ones in the case of larger projects cofinanced with the aid administration. The NGO unit of AECI monitors and assesses the ongoing projects through regular visits. In 1997 field visits were carried out in five countries, assessing a significant number of projects. The Auditing Service of the Ministry of Economy and Finance also carries out financial audits of a certain number of projects each year. Thus, in 1997, some thirty projects were audited in eight countries. Finally, two outside consultant firms have been hired to carry out independent financial and technical assessments. Against an annual fee of 40 million pesetas (about $70 000), they have to assess 25 projects under implementation and audit about 15 other projects that have already been completed. The whole monitoring and supervision procedure is published in the Official Gazette.

Box 2. **The Spanish Aid Programme in Peru**

Context

Spanish development co-operation with Peru is based on an agreement signed in 1971 and amended in 1987. Spain is presently running 30 aid projects and has 17 Spanish experts and 13 volunteers (*cooperantes*) in Peru. The programme is determined by a Spanish-Peruvian Joint Commission, which last met in 1996 to agree upon the activities to be carried out during 1996-98. The previous meeting took place in 1991, when the Committee adopted a four-year plan of action covering the years 1992-95. These plans, which contain the budget ressources both countries will make available over the period concerned, are the basis for the annual operational plans. Between the Joint Commission meetings there are two annual consultations, one at the beginning of each year to determine the resources needed for each project, and the other in the middle of the year to review the situation and adjust, if necessary, the budget. Nevertheless, delays in the transfer of committed funds have occurred, causing a significant slowdown in project implementation. This situation is attributed to the lack of multi-year budgets.

The Joint Commission is composed of representatives of the Spanish embassy and the local technical co-operation office on the one hand, and on the other of officials of the Peruvian Foreign Ministry (Directorate for International Co-operation) and the Secretariat for International Technical Co-operation (SECTI) in the Ministry of the Presidency. Both the Spanish and the Peruvian side declared themselves satisfied with their co-operation, which greatly benefits from three centuries of common history and a common language. According to the Peruvian authorities the objectives of Spanish aid coincided with Peru's priorities and were in line with the DAC Strategy, *Shaping the 21st Century: The Contribution of Development Co-operation*. They also stressed their appreciation for the continuation of Spanish assistance in difficult times

While, with the exception of 1991, Spanish net ODA disbursements were relatively modest over the period 1987-95 (*i.e.* $8 million on average), they rose significantly in 1996 to $30 million. From 1993 to 1995 they were exclusively in the form of grants, while in 1996 gross loan disbursements reached $10.5 million. A new loan agreement amounting to $12 million was signed in January 1997 for hospital equipment. As for previous loans, the loan is not associated with Spain's grant financed assistance. The overall grant element of the credit is 37 per cent, which, given Peru's indebtedness situation, may pose problems. It is 98 per cent tied to procurement in Spain.

Spain also provided significant amounts of private investment in 1995 and 1996 and was the largest foreign investor in Peru's privatisation programme initiated in 1990, with 38 per cent, well ahead of the United States (20 per cent) and the United Kingdom (18 per cent). A major investment was the purchase by the Spanish telecommunications company of Telefonica del Peru for $2 billion in 1994. Spanish investors also bought two banks and invested in the energy sector.

Main sectors

The Spanish grant aid programme is focusing on a relatively large number of sectors, including agriculture, industry, energy, education, institution building, social development, tourism and culture. Emphasis is laid on reaching the most vulnerable strata of the population and on the social aspects of development. Apart from the cultural activities most projects are situated either in poor rural areas or in marginalised urban settlements. The protection of the environment and gender equality have so far not been addressed explicitly, although a few small projects geared to the needs of women and two anti-erosion projects have been carried out. Gender and environment aspects are likely to be taken into account more systematically for the design of new projects.

The projects

During its stay in Peru, the OECD Secretariat visited two integrated rural development projects, an area where Spain has particular know-how and appropriate technology to offer. The first project is located in the Amazon region, where relatively few donors are active. It concerns a group of settlers who had lost their jobs after the oil company had left the region, and had been given a piece of land by the regional government of Loreto. The programme which has been under way since 1992 aims at improving the living conditions and the productive basis of the settlers, who have no particular skills in agriculture or animal husbandry. The programme was renewed in 1996 and new projects were added, in particular with respect to the planting, processing and marketing of a rapidly growing palm tree known as *pijuayo* which is used for the production of palm hearts. Over the years Spain has supported the construction and equipment of a small processing plant for the canning of *pijuayo* and other vegetables, the establishment of a co-operative, the construction of five primary schools and a secondary school which puts special emphasis on basic agricultural skills, a health station and an experimental

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farm, where settlers are offered advice and training. Up to now some 300 settlers have been trained through the programme, or have benefited from food-for-work programmes or micro-credits. Spain has contributed $1.3 million over the years 1992-95 and has planned another $1.1 million for the second phase (1996-98), mainly in the form of technical assistance and equipment. The local participation in the project represents about 30 per cent of the total cost of the programme, part of which has been or will shortly be handed over to the Peruvian authorities or to local NGOs.

The second integrated rural development project which the Secretariat visited is located in the semi-desertic coastal region of Tacna, close to the boarder with Chile. Its main objective is to help the development of the region by supporting small and medium-sized farmers, their entrepreneurial organisations and other professional organisations interested in the development of the area. Since the inception of the programme in 1993, AECI has been supporting the production, processing and marketing of a few agricultural products (olives, grapes, some other fruit and vegetables) which have a promising market in Peru and abroad and for which Spain has a good expertise and intermediate technology. More particularly AECI helped rehabilitate, irrigate and exploit four pilot farms, which work already on a profitable basis, and contributed to the setting up of an experimental research centre in co-operation with the local university. It has also contributed to the setting up and the management of small companies for the processing of olives/olive oil, wine, liquors and fruit, some of which show promising results. AECI has been working in close contact with the regional government and the free trade zones Tacna and Ilo, which provide 50-70 per cent of the total cost of the programme. Spain's contribution amounted to $0.5 million for the years 1992-96 and $0.8 million for the years 1996-98. It is mainly in the form of technical assistance, the transfer of intermediate technology and some equipment.

AECI has taken an innovative approach to help commercialise the output of the various projects and agro-industries assisted by Spain. In 1994 it supported the setting up of a local non-profit organisation, CURMI, which specialises in the marketing of agro-industrial products, the management of relevant enterprises and the administration of credit funds giving it the opportunity to purchase, store and sell the various products. At present CURMI is the main shareholder of eleven agro-industrial enterprises which it helped establish, the farmers holding the remaining shares (10-20 per cent). In exchange CURMI pays the farmers cash for their produce and helps them improve and sell their production. Once the production and marketing are well under way, CURMI will gradually sell its shares to the farmers and their organisations. CURMI only retains a small percentage of its profits for administrative costs and reinvests the remainder in the existing plants or in new projects. CURMI has two projects with the EC and has submitted projects to other donors.

In the framework of its cultural activities Spain participates in the restoration of historical buildings, paintings and furniture in Lima, Cuzco and other towns and villages. Connected with these activities AECI has established workshops in Lima and Cuzco to train students and local personnel in the various restoration techniques. Up to now Spain has spent $0.6 million on these activities over the years 1992-95 and has planned $0.8 million for the years 1996-98.

Spain also provides technical assistance and advice to various ministries, in particular in the area of education and training and the establishment of small and medium-sized enterprises (SMEs). Thus it advises the Ministry of Education in the design of a new system for technical education and vocational training. In order to eliminate administrative and other obstacles that hinder the establishment of SMEs Spain co-operates with the Ministry for Industry to develop a service market for SMEs offering information, training, technical assistance and management modules which have so far been lacking. In the framework of a training programme for bi-lingual teachers in the Amazon region, a programme which is also supported by the EC and several European NGOs, AECI is presently financing the construction of a new campus near Iquitos to accommodate teachers and students.

The local set-up

AECI has an office in Lima which is headed by a general co-ordinator. Seven out of nine staff are local personnel. The local office is independent of the Spanish embassy, but has close contacts with it, the aid programme being an important part of the latter's activities. The AECI office co-ordinates and supervises the implementation of Spanish technical assistance activities in Peru and informs headquarters in Madrid about the local situation. Funding for projects is channelled through the local office which controls the utilisation of the funds. The office can also authorise (jointly with the embassy) and finance small projects up to $10 000. Altogether $2.5 million can be spent annually for micro-projects. Up to 30 per cent of the finance for these projects come out of food aid counterpart funds and of the equipment support fund. The local office maintains

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excellent relations with the 26 Spanish NGOs active in Peru and looks after the Spanish personnel working there. The general co-ordinator represents Spain at EU aid co-ordination meetings, deals with the Peruvian ministries and participates in the Joint Commission meetings. The local office is, however, not involved in the handling of FAD credits, which are managed by the commercial section of the embassy. This situation impairs the integration of grant and loan financed aid and prevents mutually beneficial synergies. There is also a Spanish Cultural Institute in Lima, which is financed and administered by AECI.

Donor co-ordination

Peru is one of the six countries selected in 1994 by the European Union to enhance the co-ordination of the aid activities of its Members and the European Commission (EC). Since that date EU Members and the EC have met monthly and intensified the exchange of information. Switzerland and Canada also participate in EU co-ordination, but not the two largest bilateral donors (United States and Japan), nor the World Bank or the Inter-American Development Bank.

To improve EU co-ordination, individual donors accepted responsibility for specific sectors: Germany for education, France for health, Spain for small and medium-sized enterprises, EC for poverty alleviation. Sector meetings take place in addition to the monthly co-ordination meetings. Since 1996 two *ad hoc* groups were established, one for "alternative development" to replace coca by other crops, and the other for the protection of the environment. They are chaired by the United Kingdom and the Netherlands respectively. Canada co-ordinates gender equality aspects, the FAO rural development and UNDP food aid. The Unites States also convenes meetings on "alternative development", in which only a few European donors participate since the views of most European countries on this issue differ somewhat from those of the United States. At the initiative of the Netherlands the DAC Strategy was also discussed in EU co-ordination meetings.

SECTI and the Peruvian Foreign Ministry are invited occasionally to EU co-ordination meetings. More recently, the EC asked EU Members to jointly identify three projects, a request which was taken up by France, Germany, Spain and the United Kingdom. There is also an EC project cofinanced with Spain and Switzerland. Spain and Germany regularly exchange information on projects and several EU Members facilitate and promote contacts between their experts. All EU donors contacted during the mission considered the aid co-ordination to be successful and to a large extent attributed this succes to the personal commitment of the local officials. It would be desirable to use the functioning aid co-ordination to initiate more joint or parallel financing of projects, which so far have been rare, and to carry out joint evaluations both *ex ante* and *ex post*.

Aid co-ordination with the partner country

Aid co-ordination with the Peruvian authorities is hampered by the absence of a national development strategy. The degree of co-operation with the various ministries varies. The Finance Ministry enjoys a good reputation while the Ministry for Education is considered to be inefficient, though slowly improving. SECTI which was set up in 1992 to co-ordinate technical assistance and to provide advice to the Foreign Ministry, has still some way to go before it can fulfil this role. To improve SECTI'S performance Germany has made available an advisor and Spain has agreed to only consider aid requests transmitted through SECTI. The latter participates occasionally in project evaluations of different donors, notably Spain, at their invitation.

Policy dialogue

The policy dialogue is difficult, because of the unwillingness of the Peruvian authorities to discuss issues such as democratisation and human rights on the grounds that terrorism still constitutes a serious problem. A positive development is, however, the nomination of an ombudsman who is supported by his Spanish counterpart and by a German foundation. The offer of the Peruvian Government to serve as a pilot country for the implementation of the DAC Strategy is an encouraging development which should be pursued.

Annex 1

THE AID PROGRAMME OF THE AUTONOMOUS GOVERNMENT OF CATALONIA AND THE MUNICIPALITY OF BARCELONA

In view of the increasing importance of aid provided by regional and local authorities in Spanish aid, the examining countries' representatives and the Secretariat requested the opportunity to discuss this form of Spanish co-operation during their mission to Spain. The *Generalitat* (regional government) of Catalonia and the municipality of Barcelona were selected as examples for the so-called "decentralised co-operation".

THE *GENERALITAT* (AUTONOMOUS GOVERNMENT) OF CATALONIA

Catalonia, an autonomous region since 1979 but which had enjoyed large autonomy for centuries until 1714, has a long-standing tradition of relations with its Mediterranean neighbours and with Latin America. It has an active and dynamic civil society which has established a great variety of associations and organisations, many of which have been active for a number of years in the developing countries.

In 1986 the autonomous government decided to create a special credit line for development co-operation activities within the budget of the Presidency. Over the years the aid budget has grown steadily from $50 000 in 1986 to over $8 million in 1997, of which 60 per cent was included in the budget of the Department of the Presidency and 40 per cent in the budget of other Government departments. Eight of the thirteen departments have aid programmes, in particular the Departments of Industry and Energy, of Health and of Social Affairs. The 1997 budget is equivalent to 0.48 per cent of Catalonia's own resources. The regional government is strongly committed to "decentralised co-operation", which it sees as an expression of solidarity among peoples and a means of fostering solidarity between the North and the South. At the same time, "decentralised co-operation" is seen as a means to increase Catalonia's economic, social and cultural relations with the outside world and to offer possibilities to the Catalan population, in particular the young people, to work overseas.

The Catalan aid programme is the responsibility of the Directorate-General for External Relations which is attached to the Department of the Presidency. It fixes the objectives, geographical and sectoral priorities, co-ordinates the activities with the other departments through an interdepartmental commission, controls and evaluates contributions to NGOs and liaises with SECIPI. In line with the objectives approved by the DAC in *Shaping the 21st Century*, Catalonia aims at placing the human being at the centre of its aid activities and is putting special emphasis on helping the poorest and most underprivileged strata of the population. Participatory development, the promotion of human rights, institution building and sustainable economic growth figure prominently on the list of objectives for the Catalan aid programme. Other aims include fostering Catalonia's economic and cultural relations with developing countries and promoting exports of local goods and services through cofinancing arrangements. Day-to-day administration and monitoring of projects is done by a small team of three full-time and one part-time staff within the Directorate-General for External Relations. Although staff in other departments is also involved to some extent, the core team seems to be very small for the number of projects financed and other related activities.

Four-fifths of the programmes and projects are carried out by Catalan NGOs and 20 per cent directly by the Catalan administration. In 1996 more than 110 NGOs submitted some 160 aid projects and programmes for cofinancing. About half of these projects were selected and executed, involving 69 NGOs. In an effort to increase the impact of its aid programme, the number of projects and supported NGOs was reduced in 1997 to respectively 68 and 58. At present NGOs participate in the annual bidding procedure with a maximum of two

projects per organisation. Projects are then selected by the Directorate-General for External Relations. The cofinancing can cover up to 80 per cent of the total cost of a project, but cannot exceed Ptas 20 million ($0.15 million) per project, except when three NGOs jointly finance the project. Preference is given to the continuation of ongoing projects over selecting new projects each year, and to projects which are supported by third parties, notably the European Commission. The Catalan administration prefers to work with the larger experienced NGOs, such as Manos Unidas, Intermon and Medicos Mundi. In order to reduce the administrative burden placed on NGOs, it is envisaged to conclude programme agreements with NGOs for a period of three years and/or regroup several organisations into larger programmes. So far no concrete decision on this proposal has been taken. To maintain and increase public support, the NGOs adopted a code of conduct.

A Consultative Council for Development Co-operation was established in 1995 in order to improve the dialogue and exchange of ideas between the autonomous government, NGOs, universities and representatives of other organisations active in the field of development co-operation. The president of the Council is designated by the Directorate-General for External Relations; the vice-president is nominated by the president of the Council. The Council also includes eight members of the various departments of the government, five representatives of the Catalan federation of NGOs, one representative of the Catalan development fund and three experts designated by the president of the Council. The *Generalitat* attaches importance to the co-ordination of its aid activities with those of the central government and other organisations for the sake of efficiency and quality of Spanish aid. It therefore co-operates with SECIPI, other autonomous governments in Spain and international organisations such as the EU, the EIB and the Inter-american Development Bank.

Regarding the geographic distribution of the Catalan aid programme, about half of the projects approved in 1997 were in Latin America, mainly in Guatemala, El Salvador, Nicaragua, Cuba, Bolivia and Peru. Thirty per cent were located in Africa, both in the Maghreb and in Sub-Saharan Africa, and the remainder were in the Palestinian administered territories and Bosnia. Priority has been given to the social sectors (primary health care, basic education and training), rural development, handicrafts and small industry as well as institution building, mainly in the area of human rights and democracy. In addition to development co-operation and humanitarian assistance, development education is considered very important. It absorbed about 10 per cent of the total budget in 1997. It is mainly carried out by NGOs, but special television programmes are currently being prepared with the support of the *Generalitat*. Mention should also be made of a collection for Bosnia which yielded over $7.5 million.

BARCELONA

Until recently, the aid activities of the city of Barcelona were mainly carried out in the framework of twinning arrangements with towns in developing countries. In 1994, the city council decided to organise these activities in a more structured way and create the programme "Barcelona Solidària". This programme is supervised by the Municipal Commission for International Co-operation, which was also established in 1994 and comprises representatives of the various city districts and five sectoral administrators (social affairs and education, youths and town twinning, territorial questions and urban planning, civil rights and popular participation). The commission defines the types of projects it wants to support and determines the criteria for granting subsidies to specific projects and/or organisations; it is also responsible for the budget. The day-to-day work is carried out by a small team of five, who draw on the expertise of colleagues in the town hall as the need arises.

At present Barcelona devotes 0.7 per cent of its tax revenues to development co-operation activities. In 1996 aid disbursements amounted to Pta 521 million ($4.1 million), as compared with Pta 452 million ($3.6 million) in 1995 and Pta 388 million ($2.9 million) in 1994. Appropriations for 1997 are maintained at the 1996 level. About three-quarters of the projects are carried out by NGOs, the remaining quarter being initiated by the municipality and implemented by various municipal or other bodies. A distinction is made between development projects and humanitarian assistance, which absorb about three-quarters of the aid budget, and development education activities, which account for close to 20 per cent. Small amounts are also extended to NGOs for administrative support. A part of the aid budget is disbursed to immigrants and therefore does not count as ODA. On the other hand, additional amounts are disbursed for emergency aid from other budget lines.

Regarding the geographic distribution emphasis is placed on Central America, in particular Nicaragua, Cuba, Mexico, El Salvador and Guatemala, which accounted for about one-third of ODA disbursements in 1996. Twenty per cent went to former Yugoslavia, particularly to Sarajevo and other parts of Bosnia, which was the largest individual recipient country of Barcelona's assistance in 1996. Following many demonstrations of solidarity of the citizens of Barcelona with those of Sarajevo, the municipality decided to set up a special programme "District 11 – Sarajevo" in 1995. South America accounted for 18 per cent of Barcelona's aid disbursements in 1996, the remainder being spread over North Africa, the Palestinian administered territories and a few Sub-Saharan African countries. The town hall of Barcelona is strongly engaged in Gaza and is attempting to set up a triangular twinning arrangement between Gaza, Tel Aviv and Barcelona. It is noteworthy that, following strong popular demand, the municipality is making special efforts in favour of projects bringing about stability and peace in the African Great Lakes region in its 1997 programme. Given its long-standing relations with Latin America, the local partners of the city of Barcelona are frequently municipalities, but, exceptionally, in the case of Nicaragua it signed an agreement with the government for the computerisation of public hospitals. One of the main problems with which Barcelona-Solidària is confronted is the weak structures of its counterparts in recipient countries.

Social development, including projects in favour of women and ethnic minorities as well as mother and child care, accounted for nearly 30 per cent of total expenses in 1996, followed by basic education and primary health care projects, with about 20 per cent each. Economic development, human rights and environment are other sectors benefiting from "Barcelona-Solidària".

The Commission for International Co-operation has gradually become more selective and is concentrating its support on fewer, larger and better projects. Whereas in 1994 over 80 per cent of the projects presented by NGOs for municipal support were accepted, in 1997 only about half of the project proposals were accepted and only half of the NGOs were retained as compared to 90 per cent in 1994. As for the cofinancing programme of the central government, NGOs located in Barcelona can participate in a bidding procedure organised by the municipality, which then selects the projects that are best suited to its criteria and development objectives. Cofinancing usually covers up to 50 per cent of the total project cost, but there are exceptions. The maximum municipal contribution per project cannot exceed Pta 15 million ($115 000). Priority is given to NGO projects which obtain financing from another source – in most instances the regional Catalan government – and to the continuation of existing projects over new ones. Great importance is attached to the evaluation of the projects financed. Thus in 1996 one third of the projects implemented in Central America were evaluated by an outside expert. In 1997 the evaluation was extended to projects in Africa. For projects of more than Pta 2 million ($15 000) the evaluator is selected through public bidding, for smaller contracts the City Council can decide directly who will carry out the evaluation.

In 1990, the city of Barcelona signed a framework agreement with AECI determining the conditions under which the latter institution participates in the aid activities of Barcelona. The obligations of both sides are contained in an annual plan of operations. Up to now two operation plans have been signed with AECI for the Palestinian territories covering 1995 to 1997. The city of Barcelona also coordinates its programme with that of the autonomous region of Catalonia. Annual reports describing the activities have been published since 1994.

THE REGIONAL CO-OPERATION AND SOLIDARITY FUNDS

The regional co-operation and solidarity funds are another interesting and positive feature of Spanish aid. They permit smaller towns, which cannot afford to set up their own aid programme, to group themselves in regional "co-operation funds" organised in the form of a non-profit making organisation. To do this they benefit from the technical support of the Confederation of Co-operation and Solidarity Funds located in Barcelona. The implementation of the projects is usually carried out by NGOs. So far six regional funds have been created: Catalonia, Basque Country, Valencia, Majorca, Minorca and Galicia. In principle municipalities are requested to contribute 0.7 per cent of their budget to these funds.

Annex 2

TABLES AND GRAPH

Table 1. **Main ODA volume indicators**

	i) Disbursements and commitments					
	Two-year averages over ten-year period			1994	1995	1996
	1985/86	1990/91	1995/96			
ODA net disbursements						
Current prices and exchange rates ($ million)	186	1 113	1 300	1 305	1 348	1 251
Bilateral	94	697	852	854	816	888
Multilateral	92	416	448	450	532	364
1995 prices and exchange rates ($ million)	404	1 151	1 287	1 468	1 348	1 225
Bilateral	218	721	842	962	816	869
Multilateral	186	429	444	507	532	356
National currency (Ptas million)	28 573	114 753	163 324	174 751	168 107	158 541
Bilateral	15 036	71 821	107 087	114 456	101 710	112 464
Multilateral	13 538	42 937	56 238	60 296	66 385	46 090
GNP ratios (%)	0.10	0.22	0.23	0.28	0.24	0.22
Bilateral	0.05	0.14	0.15	0.18	0.15	0.15
Multilateral	0.04	0.08	0.08	0.10	0.10	0.06
ODA commitments						
Current prices and exchange rates ($ million)	. .	. .	1 390	974	1 466	1 314
Bilateral	. .	. .	942	524	933	951
Multilateral	. .	. .	448	450	532	364
GNP ratios (%)	. .	. .	0.25	0.21	0.26	0.23
Bilateral	. .	. .	0.17	0.11	0.17	0.17
Multilateral	. .	. .	0.08	0.10	0.10	0.06

	ii) Average annual growth rates of ODA disbursements in real terms					
				For reference: Total DAC		
	1985/86-1990/91	1990/91-1995/96	1985/86-1995/96	1985/86-1990/91	1990/91-1995/96	1985/86-1995/96
	Percentages					
Total ODA	23.3	2.3	12.3	3.1	–3.2	–0.1
Bilateral	27.1	3.2	14.5	3.7	–4.0	–0.2
Multilateral	18.2	0.7	9.1	1.7	–1.2	0.2
For reference:						
GNP growth in real terms	4.4	1.4	2.8	3.4	2.4	2.9

	iii) Share in total DAC					
	Two-year averages over ten-year period			1994	1995	1996
	1985/86	1990/91	1995/96			
	Percentages					
Total ODA	0.6	2.0	2.3	2.2	2.3	2.3
Bilateral	0.4	1.7	2.1	2.1	2.0	2.3
Multilateral	0.9	2.7	2.6	2.5	2.9	2.2
Gross national product	2.0	3.0	2.6	2.4	2.5	2.6

Source: OECD.

Table 2. **ODA net disbursements by main categories**

	At constant 1995 prices and exchange rates $ million				% of total net ODA				*For reference:* Total DAC: Share of total net ODA (%)			
	1990/91	1994	1995	1996	1990/91	1994	1995	1996	1990/91	1994	1995	1996
Bilateral	**721**	**962**	**816**	**869**	**62.7**	**65.5**	**60.5**	**70.9**	**72.4**	**69.8**	**68.9**	**70.5**
Grants	244	289	533	551	21.2	19.7	39.5	45.0	60.9	59.5	61.4	65.9
Project and programme aid	–	48	236	267	–	3.3	17.5	21.8	17.5	15.1	14.2	17.9
Technical co-operation	179	100	169	86	15.6	6.8	12.5	7.0	20.9	21.7	24.3	25.5
Food aid	21	5	4	13	1.8	0.3	0.3	1.1	2.8	3.0	2.3	1.5
Emergency aid (other than food aid)	7	6	20	13	0.6	0.4	1.4	1.0	3.1	5.9	5.2	4.9
Debt reorganisation	–	75	61	118	–	5.1	4.5	9.6	9.1	5.8	6.4	6.3
Core support to NGOs	20	2	1	1	1.8	0.1	0.1	0.1	2.0	1.9	2.1	2.5
Administrative costs	16	40	37	37	1.4	2.7	2.7	3.0	3.6	4.4	4.9	5.1
Other grants	0	13	6	15	0.0	0.9	0.5	1.2	1.7	1.7	1.5	1.6
Loans	477	672	283	318	41.5	45.8	21.0	26.0	11.5	10.3	7.5	4.7
For reference:												
ODA channelled through NGOs	. .	27	140	163	. .	1.8	10.4	13.3	. .	. .	. .	. .
Multilateral	**429**	**507**	**532**	**356**	**37.3**	**34.5**	**39.5**	**29.1**	**27.6**	**30.2**	**31.1**	**29.5**
UN agencies	32	59	53	68	2.8	4.0	4.0	5.5	7.4	7.3	7.2	7.9
of which:												
WFP	2	3	14	3	0.1	0.2	1.1	0.2	1.3	1.3	1.4	1.0
UNDP	9	8	10	10	0.8	0.6	0.8	0.8	1.9	1.6	1.5	1.6
UNICEF	3	2	3	2	0.2	0.2	0.3	0.2	0.7	0.6	0.6	0.7
UNFPA	0	0	1	2	0.0	0.0	0.0	0.1	0.4	0.5	0.5	0.6
World Bank group	59	23	125	3	5.1	1.5	9.3	0.2	8.7	8.4	9.5	7.8
of which: IDA	42	4	122	3	3.7	0.3	9.0	0.2	7.9	7.8	9.2	7.2
Regional development banks	51	40	12	18	4.4	2.7	0.9	1.4	2.6	4.4	2.2	2.8
EC	283	376	330	263	24.6	25.6	24.5	21.5	6.7	8.0	9.1	8.3
Other multilateral	5	10	12	4	0.5	0.7	0.9	0.3	2.1	2.1	3.0	2.6
Total ODA net disbursements	**1 151**	**1 468**	**1 348**	**1 225**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
of which: Food aid	21	58	103	16	1.8	3.9	7.6	1.3	6.0	5.0	4.5	3.1

Source: OECD.

Table 3. **Allocable ODA net disbursements by major groupings and regions**

	ODA disbursements at constant 1995 prices and exchange rates			Average annual change in real terms	Share of bilateral ODA			*For reference:* Total DAC: share of bilateral ODA		
	$ million			Per cent						
	1990/91	1995	1996	1990/91-1995/96	1990/91	1995	1996	1990/91	1995	1996
Sub-Saharan Africa	125	79	209	2.9	21.5	12.4	28.5	31.5	31.6	30.6
Low-income countries	124	77	207	2.7	21.4	12.1	28.3	29.9	29.0	28.0
Other	1	2	2	21.9	0.1	0.3	0.2	1.6	2.6	2.6
North Africa and Middle East	115	84	64	–8.4	19.8	13.2	8.7	22.5	12.8	20.5
Low-income countries	–	0	0	n.a.	–	0.0	0.0	0.6	0.3	0.4
Other	115	84	64	–8.4	19.8	13.2	8.7	21.9	12.4	20.1
Asia	136	126	111	–2.7	23.4	19.8	15.2	27.2	32.7	26.6
Low-income countries	109	69	65	–9.2	18.8	10.9	8.9	15.9	22.6	19.2
Other	27	56	46	14.0	4.6	8.9	6.3	11.3	10.1	7.4
America	203	337	335	10.6	35.1	53.0	45.8	12.3	13.6	13.3
Low-income countries	32	99	50	18.2	5.6	15.6	6.9	2.9	4.0	3.7
Other	171	238	285	8.8	29.5	37.4	38.9	9.4	9.6	9.6
Oceania	–	–	0	n.a.	–	–	0.0	3.4	5.2	5.3
Europe	1	10	12	71.1	0.1	1.6	1.7	3.1	4.1	3.6
Total bilateral allocable	**579**	**636**	**731**	**3.4**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Memo items:										
Least-developed countries	98	117	104	2.4	17.0	18.4	14.2	26.9	28.2	25.7
Other low-income countries	167	139	231	2.0	28.9	21.8	31.6	23.2	30.6	28.3
Lower middle-income countries	215	288	348	8.1	37.2	45.3	47.6	38.5	31.2	31.9
Upper middle-income countries	98	92	49	–6.5	16.9	14.4	6.6	4.4	5.4	3.9
High-income countries	0	0	0	–11.9	0.1	0.0	0.0	7.1	4.6	10.1
Unallocated (additional to total shown)	142	180	138	2.3	24.6	28.3	18.9	21.4	28.2	29.9

Source: OECD.

Table 4. **Major recipients of bilateral ODA net disbursements**

Rank	Recipient	1990/91 Constant 1995 $ million	1990/91 % of bilateral allocable	1990/91 Cumulative % of bilateral allocable	Recipient	1995/96 Constant 1995 $ million	1995/96 % of bilateral allocable	1995/96 Cumulative % of bilateral allocable
1	China	93	16.1	16.1	Congo (Rep.)	52	7.6	7.6
2	Morocco	67	11.6	27.7	China	46	6.7	14.4
3	Mexico	58	10.0	37.7	Ecuador	43	6.4	20.7
4	Algeria	41	7.1	44.8	Indonesia	43	6.3	27.0
5	Argentina	30	5.2	49.9	Argentina	36	5.2	32.2
6	Indonesia	23	4.0	53.9	Nicaragua	33	4.8	37.0
7	Equatorial Guinea	23	3.9	57.9	Colombia	27	3.9	41.0
8	Angola	19	3.3	61.2	Bolivia	26	3.8	44.8
9	Cameroon	18	3.1	64.3	Angola	24	3.5	48.4
10	Honduras	16	2.8	67.1	Palestinian Adm. Areas	23	3.3	51.6
11	Nicaragua	16	2.7	69.8	Haiti	22	3.2	54.9
12	Cuba	15	2.6	72.4	Peru	22	3.2	58.1
13	India	15	2.6	75.0	Honduras	20	2.9	61.0
14	Peru	15	2.6	77.7	Morocco	18	2.7	63.7
15	Bolivia	15	2.5	80.2	Algeria	17	2.6	66.3
16	Mozambique	14	2.4	82.6	Mozambique	16	2.4	68.7
17	Ecuador	13	2.3	84.8	Pakistan	16	2.4	71.0
18	Ethiopia	8	1.4	86.2	Cuba	14	2.1	73.1
19	Uganda	6	1.1	87.3	Guatemala	13	1.9	74.9
20	Chile	5	0.9	88.2	Uruguay	12	1.8	76.7
	Total bilateral allocable	**579**	**100.0**	**100.0**	**Total bilateral allocable**	**683**	**100.0**	**100.0**
	Unallocated (additional to total shown)	142	24.6		Unallocated (additional to total shown)	159	23.3	
	Memo item: Total number of recipients	82			*Memo item:* Total number of recipients	107		

Source: OECD.

Table 5. **Distribution of bilateral ODA commitments by major purposes**

	1991/92		1995/96		*For reference:* Total DAC 1994/95 % of total
	$ million	% of total	$ million	% of total	
Social infrastructure and services	**201**	**16.7**	**337**	**37.7**	**29.0**
Education	59	4.9	78	8.7	11.0
Health	52	4.3	134	15.1	3.8
Population programmes	–	–	4	0.5	1.4
Water supply and sanitation	19	1.6	34	3.9	5.4
Government and civil society	34	2.8	33	3.7	3.0
Other social infrastructure and services	37	3.1	53	5.9	4.4
Economic infrastructure and services	**577**	**47.9**	**133**	**14.9**	**22.7**
Transport and storage	174	14.4	30	3.4	9.6
Communications	97	8.1	37	4.1	1.6
Energy	300	24.9	57	6.4	9.0
Banking and financial services	–	–	0	0.0	0.6
Business and other services	7	0.6	9	1.0	1.8
Production sectors	**191**	**15.9**	**122**	**13.7**	**10.6**
Agriculture, forestry and fishing	11	0.9	60	6.7	7.4
Industry, mining and construction	178	14.8	60	6.7	1.6
Industry	129	10.7	60	6.7	1.1
Mining	–	–	–	–	0.2
Construction	2	0.2	0	0.0	0.1
Trade and tourism	2	0.2	2	0.2	1.3
Trade	–	–	1	0.1	0.6
Tourism	–	–	2	0.2	0.1
Other	–	–	0	0.0	0.2
Multisector	**18**	**1.5**	**83**	**9.3**	**4.5**
Total sector allocable	**987**	**82.0**	**674**	**75.6**	**66.8**
Commodity aid and general programme assistance	11	0.9	12	1.3	7.0
Action relating to debt	–	–	91	10.2	9.3
Emergency assistance	6	0.5	16	1.8	5.0
Administrative costs of donors	35	2.9	37	4.2	4.6
Support to NGOs	10	0.8	1	0.2	1.0
Unallocated	155	12.9	60	6.7	6.3
Total	**1 204**	**100.0**	**891**	**100.0**	**100.0**

Source: OECD.

Table 6. **Total net flows**

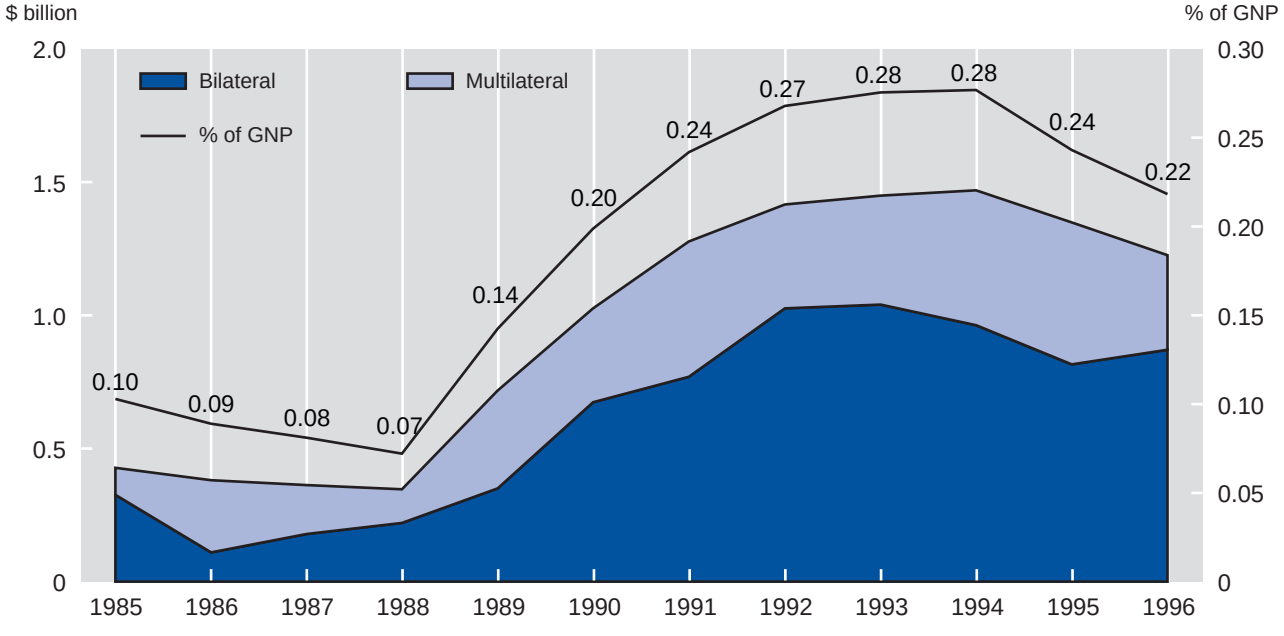
Current $ million

	1990	1991	1992	1993	1994	1995	1996
ODA	965.0	1 261.7	1 518.2	1 303.6	1 304.5	1 348.2	1 251.4
OOF	. .	. .	. .	. .	–213.8	–379.6	. .
Official export credits	. .	. .	. .	. .	–213.8	–379.6	. .
Equities and other bilateral assets	. .	. .	. .	. .	. .	. .	. .
Multilateral	. .	. .	. .	. .	. .	. .	. .
Private non-concessional flows	–57.4	. .	. .	. .	2 314.7	507.8	2 864.9
Direct Investment	. .	. .	. .	. .	2 314.7	507.8	2 864.9
Bilateral portfolio investment	. .	. .	. .	. .	. .	. .	. .
Multilateral portfolio investment	. .	. .	. .	. .	. .	. .	. .
Private export credits	–57.4	. .	. .	. .	. .	. .	. .
Private grants	70.0	86.6	70.3	70.7	126.5	114.7	122.4
Total non-ODA flows	12.6	86.6	70.3	70.7	2 227.4	242.9	2 987.3
As share of GNP (%)	0.00	0.02	0.01	0.01	0.47	0.04	0.51
Total flows	977.6	1 348.3	1 588.5	1 374.3	3 531.9	1 591.0	4 238.7
As share of GNP (%)	0.20	0.26	0.28	0.29	0.75	0.29	0.73

Source: SECIPI.

Graph 1. **ODA net disbursements**

At constant 1995 prices and as a share of GNP



Source: OECD.

PRESS RELEASE: DAC AID REVIEW OF SPAIN

The Spanish Government is making significant efforts to consolidate the political framework for development co-operation and improve the quality and transparency of its aid. In particular, it has prepared a draft law on development co-operation, which is currently under discussion in Parliament, and is introducing new planning and evaluation systems for managing its aid, including a multi-year indicative plan and country programmes. Despite severe budgetary constraints, an increase in the aid budget is also envisaged. Spain makes a special contribution to development co-operation with Latin America and plays an important role in the complex areas of peace building and good governance in both Central America and Africa.

At the review of Spain's aid policies and programmes held on 10 February 1998, the Development Assistance Committee (DAC) welcomed these very positive initiatives. The Spanish Delegation was led by Mr. Jesús Gracia, Director General of the Institute for Ibero-American Co-operation. The Chair of DAC, Mr. James Michel, summarised the following points emerging from the review.

The Committee took note of the major improvement in the balance of Spain's development co-operation, with a significant increase in the grant aid programme and decentralised aid provided by regions and municipalities. This was accompanied by a decline in the tied loan component (the Development Aid Fund or FAD credits). The Committee expressed the hope that this re-balancing of the Spanish aid effort would continue.

In this context, the Committee noted the improved management of the FAD. It encouraged the Spanish authorities to pursue further their efforts to ensure greater consistency of the concessional export credits, administered by the FAD, with the overall development objectives and policy directions for Spanish aid. The Committee also encouraged better co-ordination of these export credits with the grant aid programme administered by the Spanish Agency for International Co-operation (AECI).

With respect to the AECI, which is going through a process of modernisation and rationalisation, the DAC considered that a greater flexibility of financial and administrative rules would have a favourable impact on the effectiveness of the agency's work in implementing the grant aid programme. Greater autonomy for the agency, which is part of the Ministry of Foreign Affairs, would also permit an increase in the number of experts needed to work efficiently towards the implementation of the Partnership Strategy adopted by the DAC in May 1996: *Shaping the 21st Century: The Contribution of Development Co-operation*. The Committee emphasized the particular importance of pursuing the goals of partnership – poverty reduction, social development and the protection of the environment – through co-ordinated support for locally-owned efforts.

While acknowledging Spain's present economic and social constraints, the DAC invited the Spanish authorities to consider additional untying of their aid, especially to the least developed countries. Net disbursements of official development assistance (ODA) stood at $1.25 billion or 0.22 per cent of GNP in 1996, down from $1.35 billion or 0.24 per cent of GNP in 1995. The Committee noted favourably the strong motivation among Spanish public opinion and parliamentarians for more and better development aid. It hoped that this support could provide a foundation for an increasing aid budget. In this context the DAC welcomed the greater involvement of parliament in the definition, monitoring and assessment of the Spanish aid programme that will result from the pending development co-operation law.

The Committee was interested in the aid programmes of the autonomous regions, municipalities and other local bodies, some of which devote 0.7 per cent or more of their budgets to development assistance activities. Such decentralised co-operation has grown substantially in recent years

and now exceeds 10 per cent of Spanish net ODA disbursements.

The Committee considered that the decentralised dimension of the Spanish aid effort, founded on strong interest in development co-operation at the regional and local levels, could serve as a model for other DAC Members.

Government subsidies to Spanish NGOs have also increased over recent years, reaching some $87 million in 1996. The Committee acknowledged this growing financial support by the Spanish aid administration for NGOs. It suggested that Spain consider streamlining the administration of this support by using multi-year framework agreements, block grants and other similar techniques now in use in other DAC Member aid systems.

In relation to general good practice among donors, the Committee indicated its strong support for the current measures to enhance the effectiveness of the Spanish aid programme and its capacity to implement the new collaborative partnership approach. In welcoming the proposed development co-operation law, the new planning and evaluation systems, the Committee suggested that the Spanish authorities consider a number of further initiatives:

- an even more rigorous application of development criteria in the identification and selection of FAD-financed projects and a better co-ordination with the grant aid programme, with particular attention to highly indebted poor countries;
- continued progress towards greater autonomy for AECI with respect to financial rules and regulations and staffing, to foster a more flexible and professional organisation, geared to operating under the new multi-year planning and country strategies in the framework of the proposed law;
- a study on aid tying as a basis for fuller understanding and debate on this issue in Spain;
- continued efforts to improve methods for administering grants to NGOs.

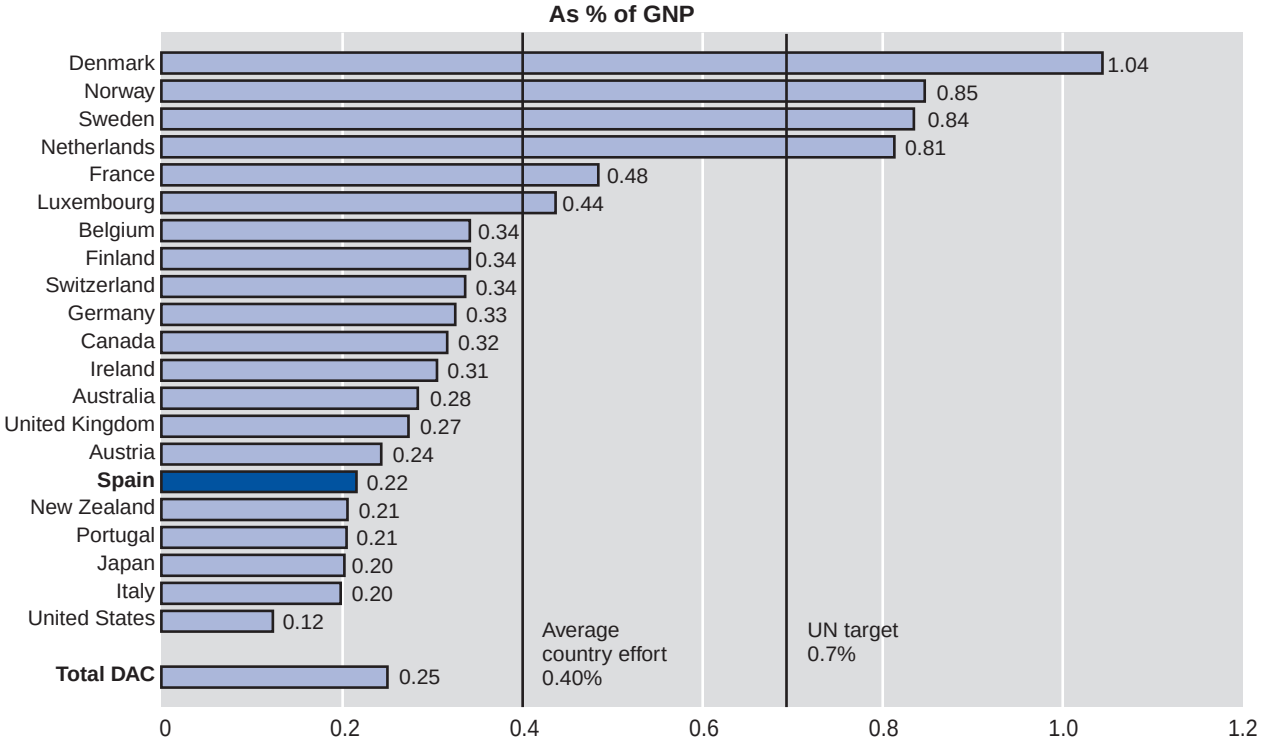
The examining countries for this Spanish Aid Review were Australia and Belgium.

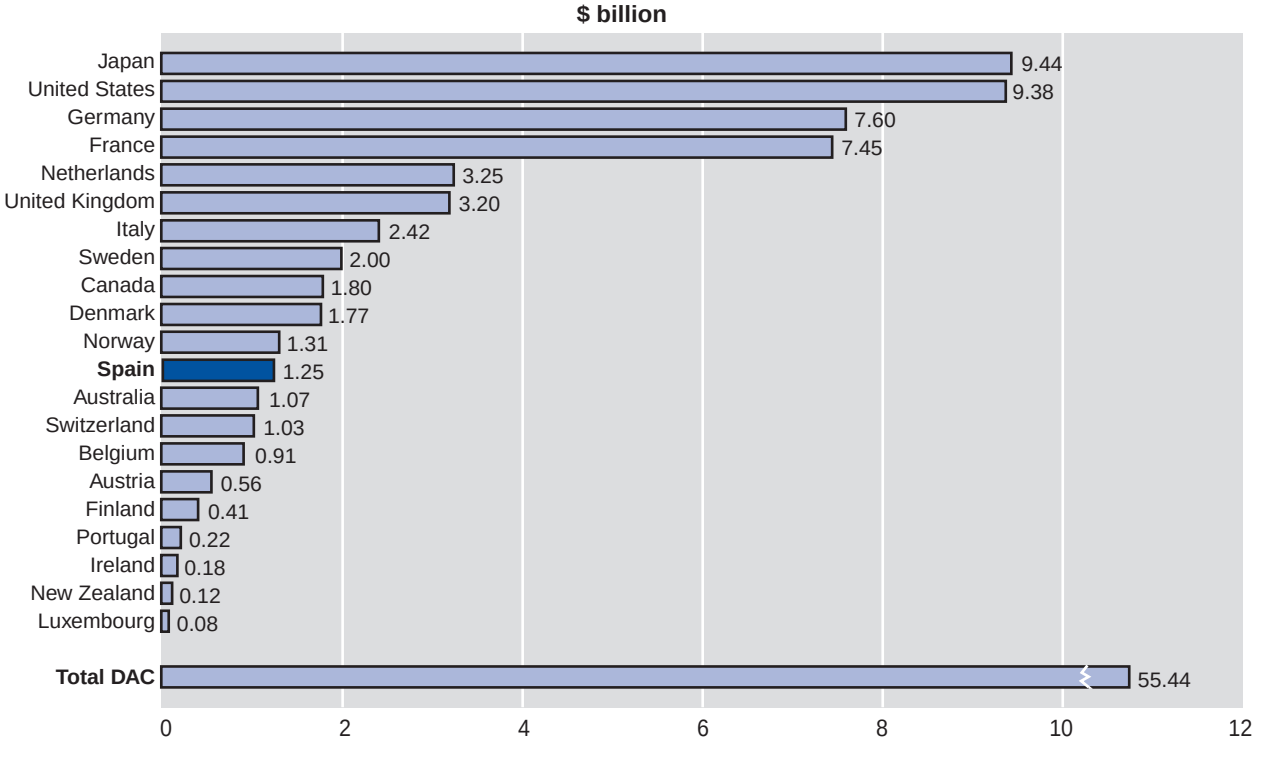
Spain: Comparative aid performance

	ODA net disbursements 1996		Average annual growth in real terms (%) 1985/86-1995/96	Grant element of ODA commitments (%) 1996[a]	Aid appropriations as a share of central government budget (%) 1996	Share of multilateral aid 1996				ODA to LLDCs Bilateral and imputed multilateral 1996	
						% of ODA		% of GNP			
	$ million	% of GNP				excluding EC	including EC	excluding EC	including EC	% of ODA	% of GNP
Australia	1 074	0.28	–0.6	100.0	1.2	20.7		0.06		20.4	0.06
Austria	557	0.24	2.1	97.5	. .	9.1	26.0	0.02	0.06	13.8	0.03
Belgium	913	0.34	–1.4	99.1	. .	21.5	42.0	0.07	0.14	24.1	0.08
Canada	1 795	0.32	–1.2	100.0	1.4	24.5		0.08		19.0	0.06
Denmark	1 772	1.04	3.7	94.1	2.7	35.6	40.3	0.37	0.42	31.5	0.33
Finland	408	0.34	–1.5	97.3	1.0	35.6	47.4	0.12	0.16	28.8	0.10
France	7 451	0.48	0.8	92.3	. .	11.4	22.8	0.06	0.11	19.0	0.09
Germany	7 601	0.33	0.1	91.7	. .	22.5	40.3	0.07	0.13	22.3	0.07
Ireland	179	0.31	7.0	100.0	. .	13.4	36.2	0.04	0.11	42.4	0.13
Italy	2 416	0.20	–4.3	99.5	. .	43.6	66.4	0.09	0.13	24.5	0.05
Japan	9 439	0.20	1.6	78.2	. .	13.1		0.03		15.0	0.03
Luxembourg	82	0.44	11.3	100.0	. .	14.1	31.2	0.06	0.14	26.8	0.12
Netherlands	3 246	0.81	1.2	100.0	3.6	22.4	29.9	0.18	0.24	27.7	0.23
New Zealand	122	0.21	–0.5	100.0	0.6	16.2		0.03		21.2	0.04
Norway	1 311	0.85	1.0	99.3	1.8	28.0		0.24		38.7	0.33
Portugal	218	0.21	18.7	100.0	. .	3.5	27.9	0.01	0.06	67.8	0.14
Spain	**1 251**	**0.22**	**12.3**	**89.6**	**1.0**	**7.6**	**29.1**	**0.02**	**0.06**	**11.3**	**0.02**
Sweden	1999	0.84	0.5	100.0	. .	24.9	30.2	0.21	0.25	28.7	0.24
Switzerland	1 026	0.34	2.4	100.0	2.8	29.6		0.10		29.6	0.10
United Kingdom	3 199	0.27	1.0	96.4	1.1	21.9	44.0	0.06	0.12	25.3	0.07
United States	9 377	0.12	–4.1	99.6	. .	26.2		0.03		13.4	0.02
Total DAC	55 438	0.25	–0.1	91.8	. .	21.2	29.5	0.05	0.07	20.6	0.05
Memo: Average country effort		0.40									

Notes:
. . Indicates that data are not available.
a) Excluding debt reorganisation.
Source: OECD.

Net ODA from DAC countries in 1996





Source: OECD.

DESCRIPTION OF KEY TERMS

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

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

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

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

> **LLDCs**: Least Developed Countries. Group established by the United Nations. To be classified as an LLDC, countries must fall below thresholds established for income, economic diversification and social development.
>
> **Other LICs**: Other Low-Income Countries. Includes all non-LLDC countries with per capita GNP less than $765 in 1995 (World Bank Atlas basis).
>
> **LMICs**: Lower Middle-Income Countries, *i.e.* with GNP per capita (World Bank Atlas basis) between $766 and $3 035 in 1995.
>
> **UMICs**: Upper Middle-Income Countries, *i.e.* with GNP per capita (World Bank Atlas basis) between $3 036 and $9 385 in 1995.
>
> **HICs**: High-Income Countries, *i.e.* with GNP per capita (World Bank Atlas basis) more than $9 385 in 1995.

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

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

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

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

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

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

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

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

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

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

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

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

Direct investment: Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC LIST OF AID RECIPIENTS.

Bilateral portfolio investment: Includes bank lending, and the purchase of shares, bonds and real estate.

Multilateral portfolio investment: This covers the transactions of the private non-bank and bank sector in the securities issued by multilateral institutions.

Private export credits: See EXPORT CREDITS.

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

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

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

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

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