



The DAC's main findings and recommendations

Extract from: OECD Development Co-operation Peer Reviews

Spain 2016

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Towards a comprehensive Spanish development effort

Indicator: The member has a broad, strategic approach to development and financing for development beyond aid. This is reflected in overall policies, co-ordination within its government system, and operations

Main findings

Spain has been actively involved in work to define an inclusive, universal 2030 Agenda for sustainable development with a strong emphasis on inequalities and a rights-based approach. It developed national positions for the key international conferences held in 2015 – on development finance and global goals – and facilitated global consultations on important development issues such as food security, nutrition and how to engage the private sector.

Spain contributes to and manages global public goods in its external and domestic policies and through multilateral channels and co-ordinated interventions. In Latin America, it supports regional organisations to mediate between global and national levels, increase ownership and pool efforts. It has also developed a strategy for extending middle-income countries' efforts in regional and global public goods.

Spain's commitment to global public goods shows in its finance- and environment-related domestic policies. Its legal framework, for example, supports the mainstreaming of environmental issues into economic policy, transparent financial transactions, and the fight against money laundering and terrorist activities.

More broadly, Spain's IV Master Plan promotes policy coherence for development as one of four tools to increase the overall effectiveness and quality of development co-operation. The new policy coherence unit in the Ministry of Foreign Affairs and Co-operation (MAEC) and two co-ordination bodies – the inter-ministerial network of focal points and the Policy Coherence for Development Commission of the Development Co-operation Council – have improved the flow of information between government departments and helped institutionalise the concept of co-ordinated, external action for development.

However, their mandate is focused on external action only, which prevents them from addressing the effects of domestic policies on global development. In addition, because they do not include ministers, they do not have the capacity to arbitrate between any competing interests. As a result, there is no proper analysis of policy or screening to identify priority issues. Spain will need to give the policy coherence and co-ordination bodies a mandate to address domestic policies, finalise the prioritisation of coherence issues, and revise the methodology for reporting to parliament if it wants to

achieve policy coherence for sustainable development. To this end, the 2030 Agenda offers Spain an opportunity to mobilise political leadership.

As for development finance, Spain uses official development assistance (ODA) to leverage additional resources. Despite the lack of an explicit strategy, it makes use of some ODA to fight tax evasion, support tax systems and promote aid for trade. It draws on financial instruments, such as export co-financing and the provision of risk insurance, to leverage private Spanish involvement in developing countries. It has also developed new tools to engage the private sector in development co-operation. Tools include public private partnerships, an innovation fund and a development fund. Finally, to integrate the private sector more fully into the development co-operation system, Spain has recently set up a working group - which brings together representatives from ministries, the Spanish development co-operation agency (AECID) and civil society - as well as a business unit within AECID. The extent to which ODA is actually leveraged for development is however not monitored.

Spain will require a clear strategy and increased implementation capacity to engage the private sector effectively. As part of this strategy, Spain will need to invest further in co-ordinating its development-oriented financial instruments and to improve their reporting if they are to have a positive impact on partner countries.

Recommendations

- 1.1. To ensure development concerns are taken into account in both domestic and foreign policies, Spain should select priority issues, and analyse, monitor and report the effect of their related policies on developing countries.
- 1.2. In line with its commitment to mobilising additional resources for development, Spain should develop a strategy and design suitable instruments for engaging the private sector.
- 1.3. Spain should improve how it co-ordinates financial instruments and reports to the Development Assistance Committee (DAC) and the public on all official flows for development.

2

Spain's vision and policies for development co-operation

Indicator: Clear political directives, policies and strategies shape the member's development co-operation and are in line with international commitments and guidance

Main findings

The IV Master Plan maintains Spain's long-standing emphasis on the principles of fairness and solidarity in development co-operation, and on the objectives of poverty reduction and human development. In line with its international commitments, Spain's policy statements give importance to the quality of Spanish co-operation, which includes the more strategic use of new and existing instruments.

Spain is clear that its focus will remain middle-income countries. Such a stance, of course, curbs Spain's support to the least developed countries and fragile states. Where it does operate, however, Spain demonstrates a strong commitment to working with partners to reduce poverty and inequality and build social cohesion. Spain is also committed to the mainstreaming of gender equality, the empowerment of vulnerable groups, and culture-based interventions.

In other ways, however, the Master Plan ushers in significant changes in Spanish policy. Its eight strategic guidelines have prompted a potentially innovative shift from sector- to results-based orientations. Spain has also drastically reduced the number of partner countries and multilateral organisations it supports and transformed the nature of its relationships with them.

In certain middle-income Latin American countries, for example, Spain has entered into "new generation agreements", incorporating new approaches and instruments. It recognises the need to work differently in those contexts and works intensively on the institutional, knowledge-related and capacity bottlenecks that prevent further progress.

The policy directions in the IV Master Plan were full of good intentions. In practice, however, realising them – in both the bilateral and multilateral spheres – has been challenging, partly due to the deep cuts in the ODA budget over this period.

Spain has reduced the number of focus countries and territories from 50 to 23. Although it has been transparent with its wide-ranging criteria for selecting countries, it is not clear how it gathered evidence or used it in the final decision-making process.

It is also difficult to see how Spain has operationalised its strategic guidelines. Despite being outcome-oriented, they give neither Spain's partners nor the public a clear statement of how Spain adds value. Nor

do they offer staff clear guidance as to the priorities to advance.

There is room to improve mechanisms for effectively mainstreaming gender equality and the environment into field operations. The guidance currently being produced should support that effort, and will need to be matched with effective awareness-raising and capacity-building for all staff. Spain should also ensure that senior officials are accountable for making progress on cross-cutting issues.

Spain's support for the multilateral system is a prominent part of its ODA. Spain has remained a committed and engaged multilateral partner. Furthermore, it used the IV Master Plan to introduce the principles behind its multilateral engagement and to focus its support on fewer organisations.

However, it is unclear how it chose the organisations it continues to support – it developed assessment criteria only after making these decisions. In addition, although Spain has cut the number of organisations it supports, the number of government departments providing multilateral funding remains very high relative to other DAC member countries. Spain has neither the mechanisms nor resources to co-ordinate multilateral support across government. Finally, legal and administrative impediments are reported both in framework agreement negotiations with selected multilateral partners and in the timeliness of disbursements.

Recommendations

Spain's next strategic plan should:

- 2.1.** Re-assert Spain's political commitment to effective, poverty-focused development co-operation in line with international commitments and the 2030 Agenda.
- 2.2.** Clarify Spain's thematic focus through analysis of its comparative advantage, and provide relevant guidance to operationalise priorities.
- 2.3.** Improve the coherence and consistency of its support for the multilateral system, Spain should reduce the number of government departments providing multilateral assistance, within the Ministry of Foreign Affairs and Co-operation and beyond, and better co-ordinate support between them.

3

Allocating Spain's official development assistance

Indicator: The member's international and national commitments drive aid volume and allocations

Main findings

After almost three-fold growth in Spain's ODA between 2000 and 2009, the financial crisis induced a major reversal with a cut of 68% between 2010 and 2014.

The 2014 ODA spend was USD 1 879 million, or 0.13% of gross national income. That was well short of its 0.7% international commitment and the total DAC ratio of 0.29%. The ratio had not been that low since 1988, before Spain joined the DAC. At 0.03% of GNI in 2013, total ODA to the least developed countries was also well below the UN target of 0.15%.

Spain has publicly announced its commitment to reversing the decline in ODA as its economy recovers. That commitment has already translated into projected increases in the 2015 and 2016 ODA budgets, although the reliability of the estimates is affected when Spain fails to spend its full allocations, as was the case in 2014. When and how Spain is going to raise its ambition further to meet the more distant 0.7% target remains unclear.

With such deep cuts in the budget, Spain has had to make some difficult choices as to how to allocate its dwindling resources. In general terms, the bilateral programme, which includes non-core funding allocated through the multilateral system, has taken the hardest hit – down from 69% of total ODA in 2009 to 33% in 2014.

Latin America and sub-Saharan Africa have consistently received most of Spain's support. However, within those focus regions, it could concentrate its bilateral ODA further. While the 2014 share of resources allocated to its 23 priority countries and territories met the target set in the IV Master Plan, Spain also provides support to a high number of recipient countries, in addition to its 23 priority partners. They include many countries where Spain is amongst the smallest donor – contrary to its commitment to focus more for greater impact.

Spain's country programmable aid is also relatively lower than that of its peers, at 36% of bilateral ODA. Of this support, project-based interventions remain Spain's chief *modus operandi*, while technical assistance and contributions to pooled programmes and funds claim only a low share. These proportions would appear to run counter to the IV Master Plan's commitment to

increasing the use of programmatic aid. Finally, administrative costs form a high and rising share of the

bilateral budget. Spain should be able to control future growth in such costs by making further efficiencies in organisation and management.

When it comes to predictability, Spain's Country Partnership Frameworks contain expenditure plans for proposed interventions in a particular country over four years. However, Spain prepares its budget on an annual basis so in practice the expenditure plan is indicative not firm.

Core funding to multilateral organisations accounts for a substantial share of Spain's development co-operation – 67% of its gross ODA in 2014 compared to the total DAC share of 27%. Spain is the eighth-largest DAC multilateral provider in relative terms and the twelfth in volume with USD 1.4 billion in 2013. Core contributions now make up the lion's share of multilateral funding at 94%, of which 72% goes to the EU institutions. Encouragingly, non-core funding was previously very high but has come down significantly.

Spain reduced the number of organisations it supports from 85 in 2011 to 69 in 2014. However, some of the multilateral organisations that Spain has prioritised through its Strategic Partnership Agreements have seen a drastic reduction in funding, especially in core resources. Spain will need to continue to rationalise its multilateral portfolio, which will involve increasing allocations to its key partners of choice.

Recommendations

- 3.1.** As its economy continues to recover, Spain should set out a clear path towards meeting its commitment to increasing ODA to 0.7% of GNI, and its commitment to the least developed countries and countries most in need.
- 3.2.** To improve its focus, Spain should concentrate more of its ODA resources on its top recipients – i) its priority countries and territories, which includes increasing country programmable allocations in those countries and territories, and ii) its key strategic multilateral partners.

4

Managing Spain's development co-operation

Indicator: The member's approach to how it organises and manages its development co-operation is fit for purpose

Main findings

Spain has openly recognised, and tried to address, structural weaknesses in its development co-operation institutional system. Reforms have had the effect of improving, albeit slightly, whole-of-government co-ordination. Staff numbers in the ministry and agency have remained steady, despite cuts in ODA. Indeed, the cuts have been viewed as an opportunity to reform the system in potentially innovative ways. One example is the transformation of some country offices into regional and thematic hubs.

MAEC is the lead institution in the development co-operation system, even though its share of the budget is declining. The Secretary General for International Development Co-operation took leadership responsibility for AECID in 2013, with the expectation that this would bring benefits in terms of accountability and co-ordination between MAEC and AECID. In practice, though, it is not clear that these benefits were realised. In addition, the management contract for AECID was not updated, as committed, to reflect institutional developments.

Furthermore, subsequent to the review mission to Madrid, the repeal of the Law of State Agencies in October 2015 requires all State Agencies to cease to exist by October 2016. MAEC will then have three years to redesign the institutional framework for development co-operation. This is a clear opportunity for Spain to reform the system in line with the policy priorities of the Master Plan to be developed in 2016 and based on the findings of this and other reviews of Spanish co-operation.

Spanish development co-operation also involves several other ministries, and other regional and local government bodies, that manage ODA resources – resulting in co-ordination challenges.

A number of structures continue to serve the function of consultation and information exchange amongst government and non-government stakeholders. However, they have mostly been unable to exert sufficient or timely influence on MAEC policy and decision making. They should undergo review to ensure that they are mandated to work towards and drive whole-of-government approaches and policy coherence.

The intention of making Country Partnership Frameworks whole-of-country strategies, supported by in-country co-ordination mechanisms, is positive. The Ambassador of Spain in each country leads co-ordination efforts by, for example, chairing the permanent co-ordination groups that oversee Spanish development co-operation actors in partner countries and territories. However, there is evidence that, outside AECID, decentralised co-operation actors and NGOs that receive government grants make little use of the frameworks as planning instruments and are not systematically included in co-ordination groups.

As for human resources, recommendations from the 2011 peer review remain valid. A human resources strategy and medium-term plan that focus on staff skills and location, and systems for transparent performance management, would improve Spain's capacity to deliver a quality programme. Staff motivation, for the majority of staff, including locally employed staff, has been affected by the lack of mobility and career prospects.

Recommendations

- 4.1. In contemplating institutional arrangements as a result of the 2015 legal changes, Spain should define clear governing principles and mandates for all institutions involved in Spanish development co-operation.
- 4.2. Spain should review and refine the mandates of its whole-of-country co-ordinating bodies – at headquarters and in partner countries and territories – so that they contribute more effectively to policy and programming.
- 4.3. Spain should develop a medium-term human resources strategy in conjunction with its next master plan. The strategy should address:
 - i) the skills and specialisms required to meet policy and operational objectives at headquarters and country offices;
 - ii) the rotation and promotion of staff at all levels in the interests of organisational learning and staff motivation;
 - iii) the deployment of locally employed staff for programme tasks to make better use of their knowledge and skills.

5

Spain's development co-operation delivery and partnerships

Indicator: The member's approach to how it delivers its programme leads to quality assistance in partner countries, maximising the impact of its support, as defined in Busan

Main findings

Spain clearly applies the principles of aid effectiveness. The Country Partnership Frameworks (CPFs) are developed in-country, in close consultation with partners, and are aligned with the planning cycles of Spain's partner countries and territories. CPFs include a four-year indicative budget which, together with flexibility in budgeting and programming in countries and in headquarters, helps Spain to be more predictable and responsive to the needs of its partners. This capacity to adapt to the specific needs of a country also helps Spain develop and implement programmes in fragile contexts in a pragmatic manner – without requiring specific approaches or tools.

Spain is committed to using country systems, but still has some scope to improve: the low percentages of aid on budget and aid that uses public financial management and procurement systems – respectively 57% and 48% in 2013 – fall short of the 85% and 57% agreed targets for 2015. The 2013 guidance for designing CPFs encouraged more intensive use of country systems, though sometimes at the expense of timely disbursements. In such circumstances, Spain demonstrates its commitment to using country systems by going beyond project implementation and providing hands-on support to partners to help them overcome bottlenecks.

Spain's engagement in delegated co-operation and silent partnerships contributes to donor harmonisation and reduces the burden on partners. However, it has reduced its overall participation in pooled programmes and funds, including in fragile contexts.

To keep on delivering quality and relevant co-operation in an evolving context, Spain is changing the nature of its relationships with some developing countries. It is increasingly focusing on capacity building and uses instruments such as triangular co-operation, knowledge exchange and research.

Building on its strong commitment to effective aid, Spain can further improve how it delivers its programme and make sure that all its instruments, including loans provided through the development fund (FONPRODE), abide by the Busan principles.

Spain can improve programme management and budgeting for better results. Its low levels of execution – 69% of funds disbursed as scheduled in 2013 – do not

affect predictability alone, but results too. In addition, in the absence of standard procedures, risk analysis does not inform programme design or control mechanisms. The consequence is weaker capacity to achieve results in a timely manner and less transparency over how it takes and manages risks.

CPFs signed, monitored and evaluated jointly with partner countries and territories have improved mutual accountability. A stronger focus on results, and the monitoring of results indicators developed in CPFs, could help Spain take a step further towards applying all dimensions of accountability, including results.

Spain needs to make further efforts to use CPFs as a whole-of-government strategy in fragile contexts in order to leverage all its policy and programming tools and secure better results in such contexts.

Partnerships with other actors should be revisited to improve their impact. While it is positive that the government has revived dialogue with NGOs, agreement on the new strategy needs to be completed without delay to prevent the erosion of trust. With regard to the financing of NGOs, screening processes, funding mechanisms, and other accountability measures carry high transaction costs. Including the indicators developed in partner countries and territories in reporting requirements would increase NGOs' and AECID's capacity to learn from experience and, at the same time, remain accountable for financial transactions. Engagement with the private sector would benefit from an articulated strategy and well-tailored instruments.

Recommendations

- 5.1. Spain should develop guidance and procedures for risk analysis and risk management to improve programme delivery.
- 5.2. Spain should – while including results reporting – simplify its reporting requirements for NGOs to reduce transaction costs and strike a balance between accountability and learning.

6

Results and accountability of Spain's development co-operation

Indicator: The member plans and manages for results, learning, transparency and accountability

Main findings

Spain is developing a promising approach in planning for results. Each Country Partnership Framework includes the development results to which Spain aims to contribute. It also includes operational and results indicators, targets and baselines that draw on country results frameworks and national statistics. AECID is starting to build a results culture across the agency by creating a network on the effectiveness and quality of aid. It is also in the process of integrating its monitoring systems, with a focus on development results, at corporate, country and intervention levels.

At the moment, the absence of such an integrated results monitoring mechanism affects strategic oversight and transparency: results indicators are not monitored and therefore not used for decision making. Accelerating the move towards managing for results will require a mature results culture, the right tools and adequate monitoring.

The strengthened evaluation function is another example of Spain's attention to results. A new policy was approved in 2013. Under this policy, biennial evaluation plans covering all Spanish co-operation are published, a network of focal points and methodological tools have been set-up to facilitate operational evaluations, and key policy documents – such as the Master Plan and the Country Performance Frameworks – are being evaluated. In addition, findings are disseminated widely via the “Cooperación Española” website, through the publication of short summaries of each evaluation, seminars and public presentations.

There is a risk however that the independence of the evaluation function could be compromised. The unit in charge of evaluation depends on the Secretary General for International Development Co-operation to approve the biennial evaluation plans and the budget for each evaluation, as it has neither a dedicated budget nor external scrutiny of evaluation plans or findings. The use of evaluation findings could also be improved through systematic follow-up of the internal improvement plans included in the newly launched management responses.

Experiences with thematic, sectoral and regional networks, online collaborative platforms and training centres have been successful in sharing knowledge within the agency. The newly established regional and thematic hubs should also bring knowledge closer to the end user. However, AECID has taken little action to promote the creation of new knowledge, such as

applied research and development-oriented scholarships.

Efforts to increase transparency have paid off with a jump from the 47th spot in the Aid Transparency Index in 2013 to 21st in 2014. Two Web portals give the general public and experts access to information. Parliamentary scrutiny, too, has increased. For example, the Secretary General presents evaluation plans, annual communication and evaluation reports, and international positions to Congress. Spain has also improved communication by presenting Spanish development co-operation as a single brand, “Cooperación Española”, and adjusting its approach to its different audiences.

There is however scope for further progress in both transparency and communication by providing more up-to-date data, detailed information at project level and, once the relevant monitoring mechanisms are in place, by communicating results and risks.

Finally, partnerships with civil society organisations in education for development need to be revived, as the agenda has lost momentum and misunderstanding between partners is increasing. Indeed, civil society organisations fear that education for development is used to promote Spanish development co-operation instead of global citizenship.

Recommendations

- 6.1. To accelerate the shift towards results-based decision making, Spain should develop appropriate tools to monitor and analyse results.
- 6.2. Spain should guarantee the independence of the central unit for evaluation by giving it authority to plan and budget strategic evaluations.
- 6.3. To ensure learning, Spain should systematically follow up on management responses to evaluations and make sure their findings inform decision making.
- 6.4. To sustain strong public support for development, Spain should develop an actionable plan for development education.

7

Spain's humanitarian assistance

Indicator: The member contributes to minimising impact of shocks and crises; and saves lives, alleviates suffering and maintains human dignity in crisis and disaster settings

Main findings

Spain's humanitarian budget has suffered from sudden, significant cuts over the last four years. They have forced it to reduce the scope of its programme. As a result, it has had to think hard about where it can best add value with its limited humanitarian funds. It has settled on four key sectors and nine protracted crises (down from 44). Partners are also carefully screened for their ability to deliver. The result is a more strategic approach that is concentrated on a small number of crises, with clear funding criteria. Spain has ensured that its partners understand its new funding criteria. This is good practice.

Spain complements its humanitarian programmes with active efforts in international humanitarian diplomacy, e.g. through its role as pen-holder for the Syria crisis in the United Nations Security Council. Its efforts are highly appreciated by partners and other DAC members. Spain is also involved in active outreach with other donors – both in the field, and at EU and global levels – to co-ordinate both operational and advocacy interventions.

Spain has close working relationships across government on major new humanitarian emergencies (mostly sudden-onset disasters) and useful financial and structural incentives, such as joint funding. The aim is to foster more coherent work between AECID and the autonomous communities and across the various civil protection assets. The team in Madrid is seen as knowledgeable, which facilitates good relations with the political arm of the Ministry of Foreign Affairs.

Spain has a good range of mechanisms for rapid response to new and escalating crises. The 2011 peer review asked Spain to seek training and accreditation for all rapid-response actors in the government response system. As a result, two search and rescue teams now have international accreditation. Reducing Spain's bilateral footprint in active conflict situations has also reduced its exposure to risk – another 2011 peer review recommendation. Spain could now work on removing the disincentives that deter Spanish health personnel from responding to health emergencies.

AECID has a comprehensive proactive approach to communicating its humanitarian programme and humanitarian issues. Other donors could learn from its example.

A broad field presence also helps to support partners, manage risk and monitor day-to-day operations. However, there are no arrangements in place to enable a coherent “team Spain” approach to responding to ongoing humanitarian crises in the field. This shortcoming could

hinder coherent Spanish policy, advocacy and operations in difficult operating environments.

The funding model for protracted crises often involves tight earmarking, which reduces the flexibility of partners' responses to evolving situations. Funding can be multiannual, though, which increases predictability.

Limited resources due to budget cuts have hindered holistic programming, such as resilience building and recovery components. In response, Spain could make more efforts to focus its development programmes on crisis drivers, perhaps by systematically including them in their Country Partnership Frameworks.

In addition, the humanitarian budget – at only 4% of ODA – is unnecessarily low, especially given the strong public support for humanitarian responses. Spain could allocate greater resources to the key area of humanitarian aid.

One main challenge, also identified in the 2011 peer review, remains: the excessive administrative burden on Spain's NGO partners. It limits their ability to deliver quality assistance. Spain is aware of the issue. It plans to simplify its complicated grant procedures and to address such related issues as multiple audits for all NGO grants. Spain is encouraged to resolve those issues speedily.

Recommendation

7.1 To ensure that partners are able to respond in a timely way and focus on delivering quality results, Spain needs to simplify its grant procedures for humanitarian NGOs. As recommended for development NGOs, Spain should also adjust its reporting requirements.

Access the full report

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