The rise of Spanish aid

When volume is not enough

Spain became the sixth largest donor in the world just 30 years after becoming a donor country. But the lack of management structure and severe budget cuts mean that it faces uncertain times.

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Spain became a donor a relatively short time ago. It was not until the 1980s that it created the institutions needed to define and carry out a development policy. This late start was largely due to the evolution of Spain's economy. The country's gross domestic product per capita qualified it as an aid recipient until 1981.

There were also two political factors behind the birth of this aid policy. The first factor was Spain's transition to democracy. If development policies reflect a government's democratic commitment, it is not surprising that until the mid-1980s, once the transition had been completed, Spain could not fully address this commitment.

The second driving factor behind the emergence of Spain's development policy was its entry into the European Community (EC). Spain needed to meet a number of requirements to secure full EC membership. It had to bring up to standard a whole host of policies and institutions, including the bodies in charge of development. In fact, the speed with which the Spanish aid system sprung to life would have been much slower had the country gone through a rapid learning process while participating in EC forums. There, Spanish delegates shared valuable experiences with some of the most respected donors.

Spain created its primary policy-making body for development aid within its ministry of foreign affairs in 1985 after signing the Treaty of Accession to the European Communities. Three years later, in 1988, the Spanish Agency for International Cooperation (AECI) was established as the main aid management body. And in 1991, Spain became a member of the Development Assistance Committee (DAC), the donor club within the Organisation for Economic Co-operation and Development, which reflected its desire to have an internationally recognized development policy.

The origins of Spain's aid policy are useful for explaining its rapid change. Spain's position in the international system completely altered in just three decades. Spain was still an aid recipient in 1980. Just 30 years later it had become the sixth largest donor in the world, contributing more than 5% of all official development assistance (ODA) resources channelled through the DAC.

Spain's rapid transformation explains some of its aid system's shortcomings, in particular the limited consolidation of its strategic framework and its low-level technical and management capacities. In fact, the Spanish case illustrates

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summary

- Spain became a donor country in the 1980s after becoming a democracy and entering the European Community. Today, it challenges the United States for first position among bilateral donors.
- Spain has become more visible in the donor community and expanded its geographic scope, but it needs to modify its management structure.
- Most of its official development assistance is channelled through small, isolated projects, which contributes to the fragmentation of Spanish aid.
- Spain did not take advantage of a period of economic growth to establish solid institutional foundations and improve its aid system's technical capacities. These reforms seem even more distant in the face of budget restrictions.


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Spain's King Juan Carlos talks to Venezuela's President Hugo Chavez at the Zarzuela Palace in Madrid, June 2009

the negative consequences of not seeking a balance between quantity and quality, and between transferring resources and the capacity to manage them.

Elements of Spanish aid

There are two particularly distinctive characteristics of Spain's development cooperation. The first is its strong geographic focus on Latin America. Until recently, an average of over 50% of Spain's ODA went to this region, reflecting historical and cultural links as well as key foreign policy interests. Nevertheless, this country was not such a relevant donor in terms of volume until very recently. In the early 1990s, Spanish aid to Latin America was less than that of the Netherlands. Today, Spain challenges the United States for first position among bilateral donors (although Spain's contribution to this region now represents around 40% of Spain's total aid package).

A second distinctive trait of Spanish aid is the importance of its regions and municipalities. In 2008, Spanish 'decentralized cooperation' channelled over €600 million in ODA, which represented almost 13% of Spain's net official aid. Three regions – Andalusia, Valencia and Catalonia – spent over €50 million each for ODA out of their own budget resources, while the cities of Madrid and Barcelona dedicated €19 million and €8 million, respectively, to development activities.

This regional and local solidarity is positive in that it reflects civic and political interest in development throughout the country. However, it also presents a major drawback. Most of this ODA is channelled through a large number of small, isolated projects – mainly managed by NGOs – which contributes to the significant fragmentation of Spanish aid.

It should be noted that NGOs play a major role in the country's aid system. They managed close to €650 million in funds for development, accounting for more than 19% of Spanish bilateral ODA in 2008. In addition, they are an influential voice in development policy, both through formal consultative mechanisms and various advocacy campaigns.

Other non-state actors playing an increasingly important role in Spain include the universities (through research and training), labour unions, companies and private foundations. Some of them provide substantial resources for development projects (for instance, Banco Santander has committed over €600 million to support higher education projects in Latin America over the next five years).

Aid policy changes since 2004

The socialist government of José Luis Rodríguez Zapatero, which came into office in 2004 and renewed its mandate in 2008, promoted a profound change in development policy. The most visible demonstration of this transformation is the intense increase in aid levels. In 2003, Spanish aid was less than US$2 billion, while in 2009, its ODA exceeded US$6.9 billion. In other words, in just six years aid resources more than tripled. The percentage of gross national product (GNP) earmarked for >

ODA increased similarly, going from a modest 0.23% to the current level of 0.44%. In 2010, Spain's percentage of GNP going to ODA not only exceeds the DAC average, but it is also higher than the European Union (EU) average.

This extraordinary increase deserves merit, but it should also be pointed out that the rate of expansion has been slower than policymakers had planned. In 2008, Spain's ODA was supposed to reach 0.5% of GNP, while the goal for 2012 is 0.7%. The first target was not met, and Spain is not likely to meet the second either, given the budget cuts announced by the government in May 2010 as a result of the current economic crisis.

The progress in aid volume was accompanied by a radical change in the government's attitude regarding international consensus in this area. The socialist government broke with the traditional isolation that characterized Spanish aid by expressing its desire to actively contribute to various collective efforts in the world. It supported the Millennium Development Goals (MDG) agenda, for example, integrating those goals into its Master Plan of Spanish Cooperation. Spain has promoted various international initiatives such as the International Alliance Against Hunger and the high-level event on 'Food Security for All' held in Madrid in January 2009.

During this period Spain also increased its presence in multilateral organizations. These organizations received a large part of the country's new aid resources (close to 60% since 2007). The fastest way to disburse aid funds was through the creation of special programmes within multilaterals, through the MDG Fund, for example (to which Spain contributed over €500 million) within the United Nations Development Programme.

This strong multilateral focus is a result of two main factors. First, the government's sincere commitment, based on its belief that problems of poverty and global inequality require supranational solutions. Second, this was also convenient from a management perspective because it met the need to quickly channel increasingly large amounts of aid (given the incapacity to spend more through bilateral channels).

Spanish research centres on development and foreign policy

- CIDOB/Centre d'Informació i Documentació Internacionals a Barcelona, Barcelona: www.cidob.org
- FRIDE/Fundación para las Relaciones Internacionales y el Diàlogo Exterio, Madrid: www.fride.org
- HEGOA/Instituto de Estudios sobre Desarrollo y Cooperación Internacional, Bilbao: www.hegoa.ehu.es
- ICEI/Instituto Complutense de Estudios Internacionales, Madrid: www.ucm.es/info/icei
- IUDC/Instituto Universitario de Desarrollo y Cooperación, Madrid: www.ucm.es/info/IUDC
- OPEX/Observatorio de política exterior española, Fundación Alternativas, Madrid: www.falternativas.org/opex
- Real Instituto Elcano de Estudios Internacionales y Estratégicos, Madrid: www.realinstitutoelcano.org

Finally, a key aspect of this phase has been the rebuilding of alliances between the government and social actors involved in the aid system. For this purpose the administration increased its dialogue with actors in the system, including NGOs, and it reactivated channels of participation in the aid policy process through formal and informal mechanisms. As a result, levels of social and parliamentary consensus regarding development policy have been relatively high.

Mixed results

Six years of the Zapatero government have yielded mixed results. On the positive side, one of its most important achievements has been to make Spain more visible in the donor community. This is mainly the result of increased ODA, but it is also the result of increased international activism (through the United Nations Alliance of Civilizations, for example, which was a co-initiative between Spain and Turkey).

Rising aid budgets also permitted Spain to expand its geographic scope. For example, it increased its activities in sub-Saharan Africa (particularly in West Africa, an important source of illegal migration to Spain). Another favourable aspect is the substantial reinforcement of Spanish aid's planning capacity. The way in which aid grew, however, and the lack of investments in management structures is certainly one of the main shortcomings of Spanish aid policy.

The main traditional challenge of Spanish aid has been an institutional one. The executive body formed for this purpose, the Spanish Agency for International Development Cooperation (in 2007 a new statute was approved adding a 'D' for development to AECI to form the AECID), was supposed to be a modern organization capable of employing new approaches and pursuing goals efficiently and effectively. The period of rapid growth in the aid budget between 2005 and 2008 seemed the logical moment to face this challenge by profoundly reforming this agency.

In reality, this reform did not go much beyond changing the legal status of the institution and implementing some minor structural modifications. This was not far-reaching enough to deal with Spanish aid's main structural problems. The latest DAC peer review on Spain, published in 2007, points out that these problems include a management team (dominated by diplomats) with insufficient understanding of international development and administrative abilities. Moreover, the new legal status was supposed to increase AECID's autonomy, but it did not enable the organization to overcome staffing limitations, among other problems.

There have been modest improvements in the agency at a mostly technical level. For instance, the creation of an aid programming system in 2009 was commendable, although it will require continuous support and investment by the management to achieve its true potential for promoting change.

An important problem which has not been dealt with yet is the creation of a monitoring and evaluation system – something significant for all leading DAC donors today. The Spanish cooperation system as a whole has not paid adequate attention to these problems, even though some

President Morales speaking to employees of the Spanish company REPSOL, after he changed the contracts of foreign oil companies in Bolivia (2007).

instruments include monitoring mechanisms and a small number of evaluations have been carried out. As a result, there is insufficient evidence on what works and what does not, and how to improve development impact. Indeed, in general, Spanish aid has little capacity to learn, and there are few incentives to invest in quality.

Spain's lack of a thematic or sector focus is evidence of this. Spain remains one of the least specialized donors in the DAC, even though support for social sectors has increased in recent years, and it has dedicated more resources to good governance in Latin America. In fact, the rapid growth in ODA has significantly decreased its sector focus.

By contrast, Spain has advanced in the area of aid policy planning. The government created the Directorate-General of Development Policy Planning and Evaluation to this end, and it has been actively implementing a relatively complex planning cycle. In only four years, Spain almost completed this cycle. However, this planning activity was carried out with little regard for the abilities and needs of aid managers. This resulted in a clear imbalance in the process between what the government plans and its ability to execute these plans.

The planning activity was clearly inspired by the international agenda. Spain adopted, often in a rigid and derivative manner, the priorities and visions of so-called 'like-minded' donors. It did not realize then that this agenda was not well suited to the type of cooperation Spain had been carrying out previously, for which it was prepared. A nearly schizophrenic policy was the consequence, with a discourse in tune with that of the 'Nordic plus' countries (Denmark, Finland, Ireland, the Netherlands, Norway, Sweden and the UK), but an aid practice which suffered from inertia and accumulated capacity limitations from the past.

The agenda for cooperation with middle-income countries (MICs) is an example of this imbalance. The large majority of Spain's aid partner countries stem from this group. In fact, more than half of Spain's ODA is channelled to this category of country. This type of aid spending does not correspond with the dominant discourse in the DAC, and much less so with the discourse in these like-minded donor countries.

Spain sought to share its own doctrinal and strategic ideas on the need to maintain aid flows to middle-income countries with other donors. Indeed, under Spanish leadership and with the support of the United Nations, an international conference on cooperation with MICs was held in Madrid in 2007. It would seem reasonable that Spain follows through on these efforts to ensure that the discourse it defends internationally is effectively carried out in its own aid practice. However, for all practical purposes, Spain abandoned this theme and the government returned to that anomalous combination of a discourse suited to the Nordics with a very different aid reality.

Uncertain perspectives

Today, Spain faces one of its deepest economic crises since the 1960s. This intense period of international instability appears to have affected Spain more than many other European countries, and it will probably be one of the last to recover. During this process, the Zapatero government has been obliged to impose a severe economic adjustment plan, including severe cuts in public expenditure.

This adjustment has already impacted foreign aid, even though the cuts were less than expected. In 2010, the aid budget is expected to be reduced by €300 million and by €500 million the following year. This implies a reduction in ODA of over 10%, which will obviously affect the percentage of GNP allocated to ODA. So it is improbable that Spain will meet the 0.7% target in 2012. It is even unrealistic to think it will reach this goal in 2015, in accordance with its commitment to the EU and despite its reiteration of this promise as the current president of the EU.

It is a shame that the government did not take advantage of a period of economic growth and serious political commitment to development to establish solid institutional foundations and gather the human resources and technical capacities needed to manage such a rapid expansion in aid. Those reforms seem far away now in the face of budget restrictions. Indeed, they are less likely to happen, given the shift in focus on domestic problems caused by the crisis.

The fact that opinion polls currently favour the conservative opposition party for the next elections (planned for 2012, but they may be held earlier) increases the uncertainty of aid policy in terms of its volume and political priorities. In contrast with Zapatero, the conservative leader Mariano Rajoy has never placed importance on development issues.

It is even conceivable that some of the advances achieved over the past six years gradually disappear as a result of the crisis, a change in government and a lack of diligence by current policy makers. Meanwhile, the traditional features of Spanish aid policy – a focus on Latin America, sector fragmentation and the participation of a broad variety of actors in the aid system – will remain largely unchanged. The fact that the government did not focus sufficiently on the need for institutional reforms to sustain their quantitative goals is at the heart of current problems in Spanish aid. ■