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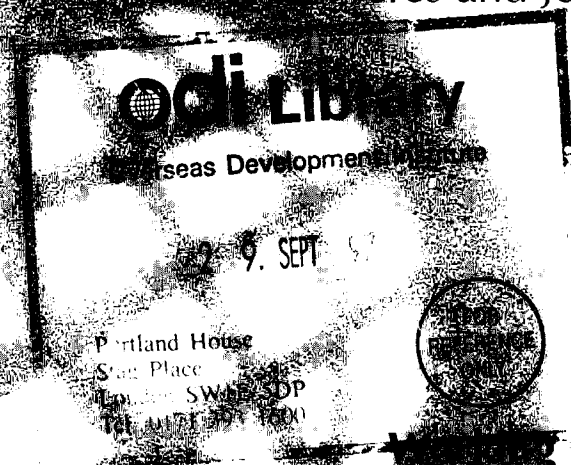


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Spanish Aid Policies for Poverty Reduction

by Roberto Freres and Jesús Corral



★ Working Paper 104

Results of OD research presented in preliminary
form for discussion and critical comment

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SPANISH AID POLICIES FOR POVERTY REDUCTION

Christian Freres and Jesús Corral

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Published in collaboration with
Asociación de Investigación y Especialización sobre Temas
Iberoamericanos (AIETI), Madrid

ISBN 0 85003 304 7

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Foreword

This paper is one of a series on the experiences of European donors with the use of aid for poverty reduction and is the product of a major research programme involving ten European development research institutes. This programme breaks new ground in its intention to compare and to draw from the collective experience of donors of the European Union and also perhaps in the degree of collaboration involved by European development research centres. Each Institute is funding its own participation, with ODI playing a co-ordinating role. The institutes involved are:

Asociación de Investigación y Especialización sobre Temas Iberoamericanos (AIETI), Madrid;

Centre for Development Research (CDR), Copenhagen;

Centro Studi di Politica Internazionale (CeSPI), Rome;

Deutsches Institut für Entwicklungspolitik/German Development Institute, Berlin;

Développement et insertion internationale (DIAL), Paris;

European Centre for Development Policy Management (ECDPM), Maastricht;

Institute of Development Studies (IDS), Helsinki;

Nordiska Afrikainstitutet/Nordic Africa Institute, Uppsala;

Overseas Development Institute, London;

Third World Centre, Catholic University of Nijmegen.

The objective of the first stage of this research programme is to describe and assess each donor's goals as they relate to bringing the benefits of aid to poor people, and to review each donor's organisation and management to implement this objective. The ten donor agencies are those of Denmark, the European Commission, Finland, France, Germany, Italy, the Netherlands, Spain, Sweden and the UK. A matrix summarising the comparative donor positions will appear later in this series and will include some observations from the donor studies on the differences and similarities of the various approaches.

The other papers in this series published to date are:

Danish Aid Policies for Poverty Reduction by Lars Udsholt (WP 100, May 1997);
German Aid Policies for Poverty Reduction by Eva Weidnitzer (WP 101, June 1997);
Italian Aid Policies for Poverty Reduction by José Luis Rhi-Sausi and Marco Zupi
(WP 102, September 1997); and
French Aid Policies for Poverty Reduction by Lionel de Boisdeffre (WP 103,
September 1997).

The second stage of the research consists of a series of seven in-country studies to examine the operations of the European donors in pursuit of poverty reduction in Bolivia, Burkina Faso, India, Nepal, Tanzania, Zambia and Zimbabwe. An important part of this work will be to evaluate the effectiveness of different types of poverty-related donor interventions. Special attention will be paid to the nature of the processes involved. Collective and comparative experience of poverty reduction effectiveness will be explored, including any 'best practices', and the main determinants of effectiveness will be examined. These studies will be undertaken during 1997/98 and will also be published as ODI *Working Papers*.

I am most grateful for the co-operation of each Institute in this endeavour and for the help of all those donor officials and advisers who have responded to enquiries and interviews by the collaborating researchers. I would like to acknowledge the financial support provided by the Department for International Development in the UK which has made possible ODI's contribution to the programme. However, neither they nor any others who have assisted in this programme necessarily agree with the facts presented and the inferences drawn.

John Healey
Overseas Development Institute

Summary

This study is the first comprehensive analysis of the way Spain's foreign aid may (or may not) contribute to reducing poverty in developing countries. As such, it provides some elements not found in other studies of Spanish aid, but, as a 'pioneering' study, it may also suffer from the defects typical of such studies, particularly in an area where information is very limited. Nonetheless, the authors believe it can be a useful contribution to the ongoing debate in Europe on how to improve the effectiveness of poverty reduction initiatives, particularly in Spain where this topic has received insufficient attention.

Before embarking on the central theme of this working paper, we present an overview of Spanish aid management and policy because these are in many ways different from those of the average European donor. These differences are relevant to any analysis of Spain's policies and activities in the field of poverty reduction.

The first feature to stand out is how relatively new the aid programme is. Even though the Franco regime provided funds and – mostly – technical assistance to developing countries, until the mid-1980s no unified structure existed in the administration to handle these activities. In 1987, on the basis of recommendations from the Senate, the government established its *Guidelines for Spanish Development Co-operation Policy*, the main policy document till the early 1990s. The lead organisation for planning and co-ordinating policy, the State Secretariat for International Co-operation and Ibero-America (Secretaría de Estado para la Cooperación Internacional y para Iberoamérica/SECIPI), was created in 1986 within the Foreign Ministry. Two years later, SECIPI set up the Spanish Agency for International Co-operation (Agencia Española de Cooperación Internacional/AECI) as the lead agency for carrying out aid activities.

Since the creation of AECI, there has been a dramatic increase in Spain's official development assistance (oda), from less than US\$80 m. in 1983 to over US\$1.3 billion in 1995 (0.24% of its GNP).¹ Between 1987/8 and 1992/3 Spain's oda grew at the fastest rate of all DAC members – 31.4% average annual growth in volume, compared with the DAC average of 1.6%. Most of this increase was due to two factors: first, the large increases in the loan programme – focused on export promotion – of the Development Assistance Fund (Fondo de Ayuda al

¹ The Spanish oda data used in this study come mainly from OECD Development Assistance Committee (DAC) publications, although we have also drawn on Spanish government sources for some information, particularly on oda loans and the NGO co-financing programme.

Desarrollo/FAD), and second, the beginning in 1986 of Spain's participation in the European Community's development budget and the European Development Fund (Alonso, 1995). However, these two budget items are controlled by other ministries. AECI therefore managed less than 15% of Spain's bilateral oda in the early 1990s, rising to some 30% in 1994 (as a result of a decline in FAD credits).

Because of its origins (it was based on the foundations of an earlier Franco-era institution), AECI is also heavily engaged in cultural (i.e. preservation of historical patrimony) and educational (i.e. scholarship programmes) co-operation, which is only indirectly concerned with development objectives, but is considered by Spain as oda (OECD/DAC, 1994).

Spain has three main motives for extending aid to developing countries: first, the need to assume its responsibility for North-South solidarity; second, to strengthen ties with regions with which Spain has strong historical links, such as Latin America and the Maghreb; third, aid is regarded as a general foreign policy instrument and important in its efforts to internationalise the economy, namely through increased trade and investments. Another objective which relates to the other three is to strengthen Spain's position in European Union development co-operation activities, in terms of both influencing policy changes and directly participating in operations (i.e. contracts for Spanish companies, subsidies for Spanish NGOs, etc.). Over the past decade, all three motives have influenced policy-making, although one or another is usually predominant at any given moment. In recent years, aid as an instrument for foreign policy and internationalisation of the economy has dominated.

The government has not produced a comprehensive statement on development co-operation policy since the early 1990s. There have been numerous public declarations or presentations to Parliament, but there is no single policy document. The new government which came into power in May 1996 has still to produce a comprehensive policy statement in this area, although it has announced that it will not increase aid in the near future because of budgetary restrictions (Congreso de los Diputados, 1996: 935).

Another outstanding feature of Spain's aid programme is the high priority given to Latin America (Freres, 1997: 51-60), which has received close on half of Spanish oda over the past decade, mostly because of the country's interest in having a significant diplomatic and economic presence in the region. This does not mean that development criteria are totally absent, although in many cases they appear secondary to other interests. Indeed, in 1994, Spain was at the bottom of the DAC ranking in terms of the proportion of oda going to the least developed countries (9.5%). Other geographical areas which are of increasing interest for bilateral technical assistance are North Africa, the Portuguese-speaking countries of sub-Saharan Africa and Palestine. When FAD credits are included in the analysis, Spain's priorities shift to

countries like China, Algeria and Indonesia; for the top 10 recipients in 1994, FAD credits accounted for an average of over 90% of Spain's oda.

This study is divided into six chapters. The first chapter reviews the policies, strategy and management of Spanish aid in relation to poverty reduction. It includes a summary of how aid objectives in this area have evolved and where poverty reduction appears in aid programmes. It also looks at the possible influence on aid policy of other actors, the relationship between emergency aid and development assistance, how aid is distributed geographically and sectorally, and the use of poverty reduction criteria. Chapter 2 focuses on the management of poverty reduction. It deals with the main priority areas of Spanish aid and how these relate to poverty reduction. The chapter goes on to look at the role of in-country offices, how the donor–recipient dialogue functions, co-ordination with other donors and the monitoring and evaluation processes.

Chapters 3, 4 and 5 analyse aid channels. The first concentrates on policy and public expenditure reform, the second on project aid, and the third deals with other aid channels (particularly through co-financing of NGO projects). The final chapter offers some provisional judgements on the effectiveness of Spain's aid programme in relation to poverty reduction.

We began our research by reviewing the available documents and published studies. The government provided very limited documentation, so part of the analysis does not go into much detail. Over 20 interviews were held with officials from the Spanish aid agency in February and March 1996 (at Madrid headquarters) and there were informal consultations with various independent experts.

Given the limited time and resources, we selected a series of developing countries from various regions according to two criteria: (a) they were priority recipients of Spanish technical assistance (grants), and (b) they had low per capita incomes. The countries chosen were: Bolivia, the Dominican Republic, Guatemala, Nicaragua and Peru (Latin America), Angola, Equatorial Guinea, Mozambique and Namibia (sub-Saharan Africa), Morocco and Palestine (North Africa/Middle East), and the Philippines (Asia). Nevertheless, given the uneven quality of the information, it was not possible to arrive at a comprehensive assessment of Spain's oda in all of these countries. Prime recipients of aid loans (e.g. China) were deliberately excluded from the study because poverty reduction has not been a criterion in these cases.

Finally, an epilogue has been added because the research carried out for this study was based on the policy and aid practice of Spanish governments from 1982 to early 1996. Since the new Popular Party government (centre-right on the political spectrum) intends to change the content, priorities and various aspects of aid management, a brief overview was considered useful to understanding the possible

future directions of Spain's aid programme. It is too early to draw any conclusions on implications for poverty reduction strategies, but there are sufficient elements for a preliminary analysis. Over time, we intend to return to this subject with some data on aid practice.

Acknowledgements

We wish to thank the following people for sharing their time with us and providing useful information and documents.

At the Secretariat of AECI: Miguel Angel Recio, Technical Adviser, Unit for Cooperation with the European Union; Susana Velásquez, Technical Adviser, Department for Food and Humanitarian Aid; Juan Ignacio de la Vega, Technical Adviser, Multilateral Organisations; Pilar Perona, Officer, Personnel for International Organisations and Rafael Cascante, Technical Specialist. At the Institute for Ibero-American Co-operation: Luis Cuesta, Head of Cabinet to Director General; José María Berzosa, Technical Adviser for South America; Borja Rengifo, Technical Adviser for Central America, Mexico and Caribbean; Lourdes López, Desk Officer, Nicaragua; José Manuel Puras, Desk Officer, Guatemala and Dominican Republic; Sonsoles Marchesi, Desk Officer, Bolivia and Peru; Maria Noguerol, Head of Project Services; and Blanca Fernández, Desk Officer, Costa Rica.

At the Institute for Co-operation with the Arab World and other Developing Countries: Antonio López, Director General; Juan José Rubio, Deputy Director General; Luis Criado, Desk Officer, Equatorial Guinea; Francisco Javier Jiménez, Deputy Director General for Southern Africa, Asia and Oceania; Mari Cruz del Saso, Desk Officer, Angola and Zimbabwe; Vega Boutelier, Desk Officer, South Africa, Mozambique, Namibia, and Tanzania; Jennifer Catrón, Desk Officer, Philippines; and Perdo Martínez Arial, Deputy Director General for North Africa and Palestine. At SECIPI, Ricardo Martínez, Desk Officer, NGO Co-financing Programme.

In addition, we are most grateful to the many other people whom we consulted informally. Nevertheless, the opinions and errors contained in this study are the exclusive responsibility of the authors.

Christian Freres
Jesús Corral

Acronyms

AECI	Agencia Española de Cooperación Internacional/Spanish Agency for International Co-operation
DAC	Development Assistance Committee (of the OECD)
FAD	Fondo de Ayuda al Desarrollo/Development Assistance Fund
FUNDEMUCA	Central American Municipal Development Foundation
HIC	High-Income Country
ICI	Instituto de Cooperación Iberoamericana/Institute for Ibero-American Co-operation
ICMA-PD	Instituto de Cooperación con el Mundo Árabe y Países en Desarrollo/ Institute for Cooperation with the Arab World and other Developing Countries
IFI	International Financial Institution
IRD	Integrated Rural Development
IRPF	Impuesto sobre la Renta de las Personas Físicas/Personal Income Tax
LIC	Low-Income Country
LLDC	Least Developed Country
LMIC	Lower-Middle-Income Country
MIC	Middle-Income Country
NGO	Non-Governmental Organisation
oda	official development assistance
OECD	Organisation for Economic Co-operation and Development
OTCs	Oficinas Técnicas de Cooperación/Technical Co-operation Offices
SECIPI	Secretaría de Estado para la Cooperación Internacional y para Iberoamérica/State Secretariat for International Co-operation and Ibero-America
UMIC	Upper-Middle-Income Country
UNDP	United Nations Development Programme

1. Spain's policies, strategy and management of aid for poverty reduction

1.1 Overall aid objectives: in search of a vision

Despite its ten years of operations, the Spanish aid administration has not yet developed a clear vision of its objectives. AECI documents are vague and all-encompassing. Today there are at least two main visions – each with its own particular background – within government structures.

- (i) A number of diplomats and civil servants see little reason to change fundamentally the present structure and processes of Spanish aid. They believe that if it works more or less well (this is vaguely defined), there is no need to try to fix it. For this group, more funds would be useful in order to be able to hire more staff and increase the size of programmes; in any case, their concern is with spending money, more than with how it is spent.
- (ii) Another – much smaller – group presses for improvements in the quality of this aid, particularly through more effective management systems, evaluations, the creation of technical departments, increased hiring of experts, etc.

Nevertheless, there is no active institutional debate about these competing visions. Individual officials may express their preferences, and develop a variety of approaches within AECI that do not add up to a single coherent policy.¹ In the current context of fiscal restraint, the first group clearly has the upper hand, although the new team at the agency has given greater importance to measures of effectiveness in various public declarations (Congreso de los Diputados, 1996). In any event, the stress on maintaining the status quo – with some limited changes – has important implications for the subject of this study, as we shall see throughout this text.

¹ For example, AECI is divided into two separate institutes, the Institute for Ibero-American Co-operation (ICI) for Latin America, and the Institute for Co-operation with the Arab World and other Developing Countries (ICMA-PD) for other developing countries. Because the ICI is involved with an area of considerable political and economic interest for Spain, development criteria often seem to be secondary in aid programmes. The ICMA-PD, set up later and employing more young officials who are more familiar with DAC principles, shows a greater concern for development criteria in most cases.

1.2 Poverty reduction: present at macro- but diluted at meso-level

Poverty reduction has become integrated into official documents, but it continues to be contained in long lists of broad objectives, with no specific attention to concrete definitions, or to establishing a hierarchy of objectives. The *Guidelines* of 1988 text in SECIFI, 1989) established the overall principles and objectives of Spanish aid. For the purposes of this study, the following points from that document can be highlighted:

- nowhere is poverty reduction explicitly mentioned, although general reference is made to the priorities of basic needs, income redistribution and social justice;
- the text affirms that aid should not serve as a tool for intervening in the internal affairs of another state; this principle is often used as a reason why poverty reduction is *not* a major priority in certain aid programmes.

Together these points demonstrate how poverty reduction is seen within the aid administration: it is certainly 'a noble end', but it is regarded as part of a long list of broad priorities and there is an implicit message that all aid in the end contributes to poverty reduction. Furthermore, if recipient countries themselves do not regard reducing poverty as important, Spain will not unilaterally impose it on the agenda. This apparently low-key approach to poverty reduction is reflected in a series of other official documents.

After Spain entered the DAC in late 1991, and particularly as a result of the first *Aid Review* (OECD/DAC, 1994) which was highly critical of its aid management,² the government put more effort into harmonising its policy statements with those of the DAC and UN agencies. This move was encouraged by a parliamentary report of 1992 which called for more attention to be given to poverty alleviation, within the broad area of human resource development. The 1995 Annual Report of AECI stated that Spanish aid should concentrate on human development, prioritising, among other goals, social expenditures which benefit broad sectors of the population and focusing on the poorer countries, and within these, the 'poorest and most vulnerable' sectors (AECI, 1996). The draft Development Co-operation law (which failed to be passed in 1995) placed 'social services and the eradication of poverty' at the top of its list of 11 priority sectors (SECIFI, 1995).

² One particularly strong criticism has to do with the 'fact that [FAD loans] do not take into account the relative poverty of the recipient country with the result that the hardest terms were frequently extended to the least developed countries and the softest to the upper-middle-income countries' (p.13).

The current Secretary of State in charge of the aid programme, Fernando Villalonga, in his first appearance before the Committee on Co-operation and Development Assistance of the Chamber of Deputies, recognised that 'the eradication of poverty in the world, or at least, the diminution of some of its most pernicious manifestations, is the ultimate goal of development assistance' (Congreso de los Diputados, 1996: 932). He also announced that his goal was to align Spanish aid with the objectives established in 1995 at the World Summit for Social Development, Copenhagen, by dedicating 20% of aid funds to the social sector and prioritising the 'most needy countries' (ibid.: 944).

Thus, at an overall level, the government has defined poverty reduction as an objective of its aid programme. At the meso-level of policy-making, however, there is little evidence that this objective receives much attention. For one thing, there are no known studies on poverty as a concept or on the relationship between aid and poverty alleviation. In fact, the Spanish aid administration barely carries out any studies on aid policy issues, and does not have a unit which systematically analyses projects for poverty reduction or other development-related criteria. This is because of a general lack of tradition in carrying out such studies in the foreign policy area (with the exception of European Union affairs) and of staff limitations (in terms of both numbers and qualifications).

A review of annual reports and other available documents reveals that only rarely are explicit poverty reduction objectives cited – usually at the project level. The result is either that 'poverty reduction is everything' or that it is seen as synonymous with activities in certain sectors. In the first case, poverty reduction is not perhaps the starting point, but is nevertheless arrived at through an inductive process whereby the combination of a series of activities in social and other sectors is said to contribute in the end to reducing poverty. Poverty alleviation objectives are then formulated in a wider framework. This is justified in a number of ways, mainly by arguing that any aid provided to a developing country, even if it has no direct effect on poverty reduction, will free up funds for the government to provide social services to the poor. Indeed, several officials interviewed affirmed that aid should not substitute for public welfare programmes in these countries, but should try to strengthen the state's institutional capacity to meet the basic needs of its citizens (i.e. through technical assistance for tax reform, training of public managers, etc.).

In the second case – of poverty reduction regarded as integral to several sectors – one document on programmes in Latin America includes a list of programmes which have as their primary or secondary objectives the promotion of social integration, reducing poverty and increasing productive employment. It begins by stating that 'in a broad sense, the vast majority of projects, programmes and activities ... include components which, directly or indirectly, affect one of the sectors included in this report' (ICI, 1993a). Another approach is to go through the list of projects *a posteriori* and identify

those which affect poverty reduction in some way, as was the case in another document (ICI, 1994). The purpose of such documents seems to be to demonstrate that a series of projects do have some effect on poverty reduction; it is hard to tell, however, whether reducing poverty was an explicit objective in the original identification of the projects.³

1.3 Influence of other groups on aid policy

Groups outside the government have little influence on the formulation of objectives, with the exception of business in the case of FAD loans, where the influence of the beneficiaries – Spanish companies and multinational corporations – is clearly evident. In the period 1992–5, the two most important sectors – industrial development (27%) and transport and communications (20%) – together represented almost half of the FAD loans extended. Close on a quarter of FAD loans approved can be classified as focusing on social or rural development, but with no prior analysis of their impact on poverty reduction (Intermón, 1996: 26–37).

The influence of NGOs on poverty reduction policy is very limited. A number of documents have been presented by individual NGOs (Intermón, 1996) and by the co-ordinating body of Spanish NGOs (Coordinadora, 1996) in which poverty reduction is highlighted as a desirable objective of Spanish aid. But these do not seem to carry much weight with the government (in the case of both the Socialist governments of 1982–96 and the current Popular Party government). Representatives of public institutions may accept the demands of NGOs at a political level, but they lack the political will to see them through in practice. However, there are also considerable bureaucratic obstacles to reforming the management of aid programmes.

NGOs and other social groups were able to force the Socialist Government in late 1994 to commit itself to increasing oda as a result of a series of campaigns (including vigils in front of various ministries, hunger strikes, etc.). But preliminary data for 1995 show an absolute and relative decline in oda (from 0.28% of GNP in 1994 to 0.23% in 1995) (Intermón, 1996: 13). On the positive side, bilateral grants increased proportionately, from 10% of bilateral oda in 1994 to over 25%, and co-financing of NGO projects was trebled.

³ In fact, lacking direct access to project documents (which was the case in this research), it is practically impossible to analyse this issue.

1.4 Development aid and emergency aid

The government does not appear to have reflected on the relationship between development aid and emergency assistance. Thus, the link is not seen as problematic. Furthermore, emergency aid has traditionally formed a very small part of Spain's total oda, only 1.5% of total net disbursements in 1995. However, a recent programme supported by AECI, which links emergency aid and development and focuses on poverty reduction, is the UNDP's Emergency Programme for Alleviating Poverty in Haiti. Spain decided in 1995 to contribute US\$2 m. for women and families, training, rehabilitation of schools, and civic and human rights education, and close on US\$1 m. for food aid.

Within the unit in charge of emergency assistance, there is concern that emergency aid should not be extended permanently and that some developmental components will be included early on. Moreover, food aid is seen more broadly as food security.

1.5 Country distribution of bilateral aid

Although the government's annual plans indicate that aid should concentrate on the poorest countries (SECIPI, 1996: 5), its distribution during the past few years has

Table 1 **Distribution of Spanish net oda by income group, 1990-5**

	<i>LLDCs</i>		<i>Other LICs</i>		<i>Total LICs</i>		<i>LMICs</i>		<i>UMICs</i>		<i>HICs</i>		<i>Total DCs</i>
	% ^a	TA ^b	% ^a	TA ^b	% ^a	TA ^b	% ^a	TA ^b	% ^a	TA ^b	%	US\$ m.	
1990	14.4	53.2	26.7	24.2	41.0	24.2	31.0	25.8	6.5	13.2	0.1	633.1	
1991	12.9	38.1	20.0	5.9	33.0	18.6	30.6	22.5	18.2	4.9	0.4	761.1	
1992	9.1	34.9	20.5	3.3	29.6	13.1	35.5	16.1	22.6	3.9	0.1	1099.6	
1993	7.1	41.7	25.6	4.5	32.7	12.6	28.8	24.9	30.9	3.4	0.1	931.7	
1994	4.5	64.3	28.2	2.6	32.7	11.1	32.5	45.2	24.3	5.0	0.0	854.4	
1995	14.4		21.1		35.5		32.3		10.1		0.0	815.7	
1990-5	10.4	46.4	23.7	5.0	34.1	15.9	32.3	21.8	19.7	6.1	0.6	5095.6	

Notes: ^a % indicates percentage of total net oda to developing countries (DCs).

^b TA indicates technical assistance grants as a percentage of total net oda.

^c % in TA columns are for 1990-4 period.

Source: Designed by authors using data from OECD/DAC, 1996.

favoured middle-income countries (MICs) (see Table 1). In fact in 1994 Spain was the DAC member which dedicated the lowest proportion of its total oda (4.5%) to the least developed countries (LLDCs). However, between 1990 and 1995 about one-third of its bilateral oda went to low-income countries as a whole, but under 11% to the LLDCs alone.

MICs have been the most favoured destinations for Spanish aid because most of Latin America and North Africa can be found in this group. Over half of Spain's total oda since 1990 has centred on MICs. Of the top 15 recipients of Spanish aid, 8 are middle-income countries and 7 low-income (3 of them LLDCs). However, the low-income countries (LICs) account for a little over a fifth of gross disbursements (5% for LLDCs), while the MICs represent close on two-fifths. Two LLDCs (Angola and Equatorial Guinea) and four other LICs (China, Honduras, Indonesia, and Nicaragua) were constant top recipients over the period 1990–4.

Between 1990 and 1995 the share of all LICs declined, though the least developed had recovered their earlier share. Moreover, between 1990 and 1994 an average of only 16% of aid for LICs was in the form of grants. For LLDCs, conditions were better, and improving after 1992: by 1995 93% of net oda for LLDCs was channelled in the form of grants. As a proportion of overall aid, grants have now risen to 50% of bilateral aid in 1994/95, largely as a result of the stricter OECD rules for aid loans.

Thus, Spain's distribution of total aid by country shows little concern for income level (see Table 2). The main reason for this lack of focus on poverty is the priority given to Latin America, which has received more than half of Spanish aid over the past decade. In the view of the government this does not signal a lack of concern for poverty, since it argues that the Ibero-American countries have serious poverty problems which make them needy aid recipients. Furthermore, as a small donor,

Table 2 **Distribution of Spanish grant aid by income group (%)**

<i>Income groups of DCs</i>	<i>1990</i>	<i>1992</i>	<i>1994</i>	<i>1995</i>
LLDCs	19	14	10	30
Other LICs	6	3	3	8
LMICs	20	25	49	52
UMICs	2	4	4	8
HICs	–	–	–	–
TOTAL DCs (US\$ m.)	255	250	257	363

Source: Designed by authors using data from OECD/DAC, 1996 and 1997.

Spain cannot hope to set up programmes with much impact in countries where it has a limited aid infrastructure⁴ and weak relations. In addition, since few other donors prioritise Latin America or North Africa, it is playing a role in maintaining international co-operation in these regions.

1.6 Sectoral allocation of aid

Overall, the sectoral allocation of Spanish aid improved between 1991 and 1993 (see Table 3) in terms of reducing the bias in favour of economic infrastructure (another result of the predominance of FAD loans). In 1991 this sector accounted for 51% of Spain's oda commitments, falling to 44.7% in 1993. Over the same period, there was a notable increase in oda dedicated to social and administrative infrastructure (from 12.1% to 28.8%), centred especially on health and education. However, very little of this aid went to basic education (20% in 1993) and none to basic health. Spain also put very little oda into agriculture.

FAD *loans* are concentrated on industrial development and transportation and communications, two sectors which together accounted for 46% of these loans in the period 1992–5 (Intermón, 1996: 31). In 1994 and 1995, more loans were extended for health-related activities (close on 20%), although most of them were spent on expensive hospital equipment unlikely to benefit poor people. Rural development received less than 2% of all FAD credits in 1992–5, and water supply projects a mere 3.6%. In sum, the majority of FAD loans have a high capital and technology content; their contribution to poverty reduction in most cases will therefore be marginal.

As far as *grant* aid goes, the situation with regard to poverty reduction is more favourable in general terms. For instance in 1995/96, 30% of this type of aid went to social and administrative infrastructure, focusing particularly on education (10%). Overall, less than 4% of Spain's bilateral oda went to basic social services in 1992–4, although in 1995 the figure rose to 12.9%. However, there is no way of telling if this jump is temporary or indicates a new trend. The sectoral distribution of government subsidies for NGO development projects shows greater concern for poverty reduction than is the case with overall bilateral oda (see section 5.2 below).

Data on intended beneficiaries of Spain's aid expenditure are not readily available. Some information is contained in the annual reports of AECI (which only administers grant aid, some 15% to 30% of the total), but they are incomplete on most projects and are not presented according to clear and consistent criteria.

⁴ There are co-operation offices – Oficinas Técnicas de Cooperación/OTCs – in 20 Latin American and 3 North African countries, compared with 5 in the rest of the world.

Table 3 **Sectoral distribution of Spanish oda, 1991-3**
 (**% of gross disbursements**)

<i>Sectors</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>	<i>1991-3 average</i>
Social and administrative infrastructure	12.1	21.8	28.8	20.9
Education	5.0	4.8	8.2	6.0
Health and population	1.5	7.4	10.8	6.6
Planning & public administration	4.4	1.1	1.2	2.2
Other	1.1	8.5	8.8	6.1
Economic infrastructure	51.3	44.2	44.7	46.7
Transport and communications	12.3	34.0	23.5	23.3
Energy	38.1	10.0	8.6	18.9
Production	8.2	24.5	11.1	14.6
Agriculture	0.6	1.3	1.2	1.0
Industry, mining	7.5	23.0	9.7	13.4
Trade, banking & tourism	0.2	0.2	0.3	0.2
Programme assistance	0.1	-	0.0	-
Unspecified	21.7	-	5.5	-

Note: No comparable OECD data exist before 1991 because Spain joined the DAC at the end of that year.

Source: Compiled by authors from OECD/DAC *Development Co-operation*, various years.

1.7 Non-existent poverty reduction accountability system

There seems to be no system whatsoever for monitoring the amount and quality of aid provided for poverty reduction. The closest approximation was irregular reports of projects in Latin America which listed and briefly described projects that had some effect on poverty reduction. However, these reports failed to explain how such a determination was made, or what concrete impact, if any, the projects had.

Spain's 'database' on aid projects is developed in the Annual Plan for International Co-operation (Plan Annual de Cooperación Internacional) which lists all committed projects for the following year, indicating sectors, costs, co-financing agencies, etc.

However, this gives no indication of the specific aid objectives, such as the reduction of poverty. Other reports produced by AECI on planned or current projects also fail to indicate any specific poverty coding.

2. Management of poverty reduction at the country programming level

2.1 AECI's four priority areas and poverty reduction

The first issue that needs to be addressed is the lack of any systematic country programming with regard to Spanish aid. The basic documents used by the government in its bilateral aid relations are the summary reports of donor/recipient Joint Commissions which meet every two or three years (see section 2.3). These establish the main sectors of activity, which in the last few years have coincided with the four broad areas which AECI uses to categorise its oda effort: (i) institutional development; (ii) education, training and human resource development; (iii) modernisation of the production sectors and infrastructure; and (iv) cultural co-operation. (Two of these are reviewed below in relation to poverty reduction.) The reports also include lists of projects and other co-operation activities that are due to be carried out during the period covered by the agreements with recipient countries.

It is difficult to relate this with a country programming exercise in that there seems to be no detailed discussion of the broad development challenges presented by the recipient country. Rather, the Joint Commission appears to focus on deciding which projects to include in the agreement based on a prior exchange of information between officials from both countries.

There are two known¹ attempts at country studies (Equatorial Guinea and Chile) and one regional study (the Andean countries), although they seem to have had little relevance to Spain's aid in practice. For some inexplicable reason, these studies were not extended to other countries, and were also kept separate from the aid management system. This may partly have to do with the fact that they were prepared by outside consultants who are not engaged in aid implementation. Yet the Spanish aid system provides ideal conditions for some country programming, at least in Latin America, where AECI has Technical Co-operation Offices (OTCs) in every country.

The Spanish aid agency has no in-house poverty reduction expertise. Indeed, when the European Commission set up an expert group from the Member States on poverty reduction, Spain did not send anyone to the meetings for lack of specialised staff.

¹ The main problem is finding out that certain studies exist but having no access to them. Unfortunately, the Spanish public administration is prone to secrecy, even on minor matters; the argument used – mostly a rationalisation – to defend this practice is that the information is part of a diplomatic agreement, requiring the consent of both sides.

Officials interviewed also commented that even if a member of staff showed interest, he or she would not receive the institutional support necessary to develop the expertise while at the same time maintaining good career prospects in the Administration.

In this section, we review two of the broad areas of activity in more detail in order to provide a more complete understanding of Spain's particular focus, and how it relates to poverty reduction.

Education, training and human resource development (ICI, 1993b)

AECI has many programmes in the field of education and training, the importance of which is due to the fact that it is one of the most traditional Spanish aid activities, dating back to the Franco regime. It has also been heavily focused on Latin America, because of Spain's comparative advantage in sharing the same language and similar political-cultural structures. Spanish co-operation is particularly focused on postgraduate and advanced level programmes. Since these mainly benefit the middle and upper classes of the population, they have no significant direct impact on poverty reduction.

Many of the education programmes are seen as ways of strengthening the public sector; there are therefore clear links between this goal and that of institutional capacity-building. Training programmes in this area focus on the management of government programmes, the strengthening of institutions, and advanced management techniques. They are seen as having a multiplier effect, helping to create professional networks, encouraging the development of common policies and providing a good opportunity for Spaniards to learn more about the recipient countries. However, there have not been any comprehensive evaluations of these programmes.

Modernisation of production sectors and infrastructure (ICI, 1993b)

A number of Spanish aid officials believe that the best way to reduce poverty in developing countries is to modernise their productive sectors and infrastructure. These programmes seek to contribute to economic self-sufficiency in the recipient country. In AECI's opinion one of the best ways of doing this is through business co-operation for development. This forms part of a policy of solidarity, but is at the same time a foreign policy instrument for improving Spanish trade with developing countries. The goal is to link business co-operation programmes, technical assistance and financial co-operation (mostly through FAD credits).

This type of co-operation is focused on countries with a generally higher level of economic development, such as Argentina, Chile, Colombia, Mexico or Brazil. These countries seek co-operation programmes that help develop their productive capacity and the international links of their business sector. This area does not focus on poverty reduction, but it may have an important sectoral impact on development in some recipient countries.

2.2 The role of in-country offices

Over the last few years, the role of the OTCs overseas has become more and more relevant. Nevertheless, important decisions are still taken at AECI headquarters in Madrid. One of the constant objectives of Spanish policy-makers has been to improve co-ordination between Madrid and the OTCs. In addition to routine exchanges of information, AECI has organised several meetings of OTC co-ordinators with headquarters staff, at which papers on different subjects relevant to Spanish co-operation are presented, and participants discuss their views openly.

The role of the OTC co-ordinators is to: propose new activities; follow up on agreements reached in Joint Commissions; serve as the channel through which local proposals are sent to AECI; and manage resources assigned to bilateral and multilateral projects. The main conclusions of one meeting held in Colombia in 1993 (ICI, 1993b) were that the OTCs should be the focal point for all Spanish aid institutions working in a given country, because of their proximity to the recipient government, their greater knowledge of the country, and their good relations with a variety of local actors. This objective is not easy to achieve, however, because of the wide variety of financial resources and the autonomous nature of many of the Spanish institutions which are involved in international aid activities.²

The meeting also concluded that AECI should not get directly involved in projects which can be managed perfectly well by NGOs or other private-sector institutions. AECI should concentrate its efforts on projects which can only be managed by the OTCs, and should leave the rest for other organisations with the requisite capacity.

For these reasons, official Spanish development aid is intended to focus on projects:

in which technical co-operation is linked to financial and commercial instruments as well as to the transfer of technology, higher education, management of public services

² In 1995, over 10% of Spain's bilateral aid came from decentralised public administrations (regions, provinces and cities), making them the third most important distributor of oda.

and other fields which cannot be managed by NGOs or other institutions (ICI, 1993b: 259).

AECI should therefore not support as many Integrated Rural Development (IRD) projects as before. No significant development impact was found to have been achieved through IRD projects in Latin America. Nevertheless, such projects continued to be funded, according to AECI's Annual Report for 1995 (AECI, 1996) and our interviews with aid officials.

In theory, OTC co-ordinators identify, monitor and manage projects and are responsible for relations with recipient governments and other donors. In practice, however, the situation is rather different. Projects are often not identified by co-ordinators. In addition, there are no general and clear evaluation strategies and policies for monitoring, so each co-ordinator develops his/her own system.

AECI is aware that a serious comprehensive evaluation of projects completed over the last decade would be useful in order to learn from mistakes, but this type of study has not yet been undertaken, mainly because of a lack of human resources and of commitment on the part of top policy-makers and aid administrators. The meetings of OTC co-ordinators and headquarters staff are certainly beneficial; however, they are not based on rigorous, systematic evaluations, but rather on analysis based on limited experience, anecdotes and impressions. Furthermore, there are no mechanisms for ensuring that the 'lessons' learned from these meetings become integrated in practice, as was illustrated in the case of the IRD projects mentioned above.

Changes in the co-ordinators' role

Most changes in the role of the OTCs have been due to budget constraints and rigid recruitment regulations which prevent the government from establishing a permanent corps of overseas aid co-ordinators and experts. In the last five years, the OTCs have lost a large number of technicians and experts. Most co-ordinators are hired on a three- or four-year contract; this is often not renewed, and only rarely is the co-ordinator moved to another destination. Moreover, few former OTC co-ordinators have been integrated into headquarters staff. For this reason, one of the solutions has been to use more consultancies for specific projects. Former Spanish experts and technicians in OTCs have also been replaced by local employees who are not directly attached to the OTC.

In sum, the main problems of AECI and the OTCs include the temporary nature of employment contracts which has led to a loss of institutional memory,³ and the limited incentives for investing in the structural reforms required. In addition, experience in development co-operation does not always seem to be the prime criterion used to select OTC co-ordinators.

The OTCs and poverty reduction

The OTC co-ordinators are responsible for the formulation and execution of bilateral projects, but always under headquarters supervision. This reduced autonomy can also be seen in the case of poverty reduction projects which are not a major priority of AECI.

Nevertheless, the co-ordinators may influence the agency's decisions towards poverty reduction, particularly where they are more aware of development needs and existing poverty reduction initiatives that could be assisted. The main problem is that there are no institutional mechanisms to promote this activity, and incentives are geared more towards day-to-day administrative issues such as managing costs, handling paperwork, etc. The precarious nature of their jobs also prevents many co-ordinators from taking a longer-term perspective which would include more attention to poverty reduction.

2.3 Dialogue with the recipient countries

Although official Spanish aid managers maintain normal relations with recipient governments, problems may arise, as with all donor-recipient relations. These problems are mainly due to different viewpoints on how a project should be carried out, or delays in disbursing funds (a particularly serious problem in 1995). In any event, the presence of a local OTC is useful in maintaining good relations with recipient governments.

In some cases, tensions arise from the excessive enthusiasm of the Spanish decentralised public institutions (Spain's Autonomous Regions and municipalities) and NGOs acting independently of the OTCs. Other problems with recipients come at the time of project evaluations, because of budget constraints or difficulties in the identification of the recipient country's needs.

³ One AECI official estimated that the agency had lost a total of 450 man-years of experience through its policy of hiring overseas staff on three-year non-renewable contracts.

Bilateral/Joint Commissions

A general agreement between AECI and OTC staff has established that Joint Commissions (made up of representatives of the Spanish and the recipient governments) should approve a Strategic Plan for each country and decide on projects involving more than 50 million pesetas. For other projects, with the exception of those below 1 million pesetas, the Monitoring and Evaluation Commission is responsible. This Commission is also in charge of monitoring and evaluating all projects and takes decisions on problems which may occur in their implementation. OTC co-ordinators take decisions on projects below 1 million pesetas (approximately US\$8,000); this amount was reduced by the Popular government (see Epilogue).

In all countries, AECI integrates the recipient's objectives into Spain's four broad areas (institutional capacity-building; education and training; modernisation of productive sectors and infrastructure; and cultural co-operation). Projects and programmes must be categorised into one of these four objectives. The final reports ('Actas') of the Joint Commissions end by referring to Spanish decentralised co-operation operating in the recipient country and with some final considerations. The general impression is that Joint Commissions are not a discussion forum, but a relatively formal process with limited discussion of broader issues in which no unofficial actors participate. Most decisions are taken on specific programmes and projects which in principle are put forward by the recipient country government.

2.4 Co-ordination with other EU donors and the IFIs

Since Spain is a relatively minor donor in the countries where Consultative Group (CG) meetings are most active, it has not been much involved in this donor co-ordination. Moreover, in the division of labour within the Spanish Government, it is the finance ministry which attends most World Bank-sponsored CG meetings, and communication with AECI counterparts is limited. Thus the link to the bilateral grant aid programme handled by AECI is also limited.

Spain does participate in general CG meetings related to Mozambique and Angola. The Angola CG has resulted in a territorial division under which Spain is mainly focused on one or two regions (in order to avoid excessive donor concentration in some areas). Exchange of information from these meetings has contributed to what seems to be a generally superior quality of aid in these countries. Beyond such limited experiences, the Spanish aid agency does not appear to participate actively in CG meetings related to poverty reduction in general.

A number of AECI documents mention Spain's interest in contributing to the social investment funds of the international financial institutions (IFIs), but there is nothing

to confirm that this has actually occurred. Spain's co-operation with the IFIs on poverty reduction can thus be described as relatively passive and indirect; in other words, it is not active in policy debates on poverty reduction and its financial contribution to the IFIs is not specifically directed towards poverty reduction initiatives. In addition, it should be noted that it is the Ministries of Finance and Commerce⁴ which are designated as the interlocutors with the IFIs. AECI and the Ministry of Foreign Affairs are only indirectly involved. In any event, the economic ministries seem to be mainly concerned with increasing Spanish participation in IFI contracts (FCD, 1996: ch.12).

As for European Commission-led co-ordination exercises, of those developing countries selected for study, Spain is a relatively important donor only in Mozambique, Peru and Nicaragua. Of these three, it seems to be most active in EU co-ordination in Peru, which has hosted several joint AECI–European Commission projects, although their focus is not specifically on poverty reduction. Another project involves the UNDP, German, Swiss and Dutch aid agencies in a scheme for temporary employment aimed at reducing poverty through participative management.

2.5 Methods for selecting poverty reduction instruments

AECI has two basic aid instruments in its bilateral programme – technical and financial assistance – which are channelled to recipients as specific projects. As far as we can tell, there are no specific mechanisms to choose between these instruments with respect to poverty reduction aims or any other aid objectives. Very little, if any, effort seems to be made to assess the effectiveness of different interventions in relation to poverty reduction. There are also no systematic mechanisms for learning and feedback at the Spanish aid agency.

2.6 Monitoring and evaluations

The main officially perceived problems of Spanish aid are: a lack of overall strategy; limited analysis of the social conditions in recipient countries; a proliferation of dispersed actions, with limited impact; a limited budget; a lack of linkages between scientific-technical and economic co-operation; and no effective system of aid management. Furthermore, interviews with AECI staff indicate that in many countries financial resources were considerably delayed because of bureaucratic obstacles in

⁴ The Popular Party Government which came into power in May 1996 merged these two ministries into one: the Ministry of Economics and Finance (Ministerio de Economía y Hacienda).

Spain's public administration.⁵ There seems to be no effective control of the project cycle, despite the fact that the logical framework is used in some departments.

On this, the conclusions of participants at the 1993 meeting in Colombia were very clear:

There is no adequate diagnosis for the identification of projects. There is no methodology for project formulation. In general, viability studies are not carried out, and *ex post* evaluations of completed projects are almost never undertaken. These are major handicaps for improving Spanish aid in the future (ICI, 1993b: 244).

No known lessons with regard to poverty reduction are explicitly expressed in this or other AECI documents. In sum, this is a weak aid administration, with no systematic evaluations and monitoring which varies from country to country, and with little possibility of learning from experience.

⁵ A relatively high number of projects which should have started in 1995 did not receive funding until November of that year, so that implementation could not start until 1996. We discovered this when we asked desk officers to explain the progress of several projects included in AECI's 1995 Annual Report.

3. Aid channels: policy and public expenditure reforms

As suggested earlier, Spain does not have a broad range of aid instruments partly because it is a small donor and therefore feels it has little potential to influence recipients to adopt certain policy changes, and also because it is reluctant to play this kind of interventionist role. In addition, strict budgetary regulations do not permit the use of AEI funds for general purposes. Thus, Spain does not use 'block grants' (except rarely and not in direct connection with policy reform); all aid is tied directly to specific objectives agreed with the recipient. Legally, only counterpart funds may be used for general purposes, but since these have tended to be small, they would not be effective instruments for policy reform. Spain does not get directly involved in structural adjustment loans as such; the only loans it uses for aid purposes are FAD loans which promote Spanish exports to developing countries.

While Spain does have an interest in promoting public expenditure reform, it prefers to use positive incentives: i.e. providing aid for specific projects or programmes in this area. In various Latin American countries, for instance, AEI provides technical assistance for fiscal reform. One of the ideas behind this is that developing country governments need to develop more equitable and sustainable tax systems which are better able to meet many of the social demands made by their people.

AEI has also focused aid on strengthening public administration at the central, regional and local levels, again in Latin America. This has been mainly through training programmes and has no specific link with poverty reduction. In fact, with regard to the results of these interventions, there is no direct evidence available that poor groups have benefited. Moreover, little is known about specific benefits gained by intended target groups.

Spanish aid administrators have therefore not accumulated sufficient experience to be able to develop broad lessons for future aid programming. Spain's main constraints to contributing to the reduction of poverty through policy or public expenditure reforms are: (i) that poverty reduction is not a clear operational priority of Spanish aid, and (ii) that there is a general reluctance to make aid conditional on the public policies in developing countries. Furthermore, the structural problems of Spain's aid programme – limited funds, staff limitations, no possibility of multi-year programming, fluctuating priorities – make it difficult to use aid effectively as an instrument to promote policy reform.

4. Poverty reduction through project aid

4.1 Poverty reduction objectives

Poverty reduction objectives are not, as a rule, explicitly indicated in project summaries (at least those to which we have had access) funded by the Spanish aid agency, even though they are present implicitly. As explained earlier, AECI's four main priorities are taken into account in the negotiations of the Joint Commissions in each recipient country. In Latin America, attention is focused particularly on institutional capacity-building, for example through support for tax and judicial reforms and for reform of the police force.

In interviews with AECI officials, it was observed that poverty reduction is not considered as an isolated concept, but is integrated with other aid objectives. Some officials believe that poverty reduction has to be related to social integration and productive employment. For them, poverty will be solved only after the solution of 'structural problems', so aid policy should not consider poverty reduction a direct objective that can be addressed in the short term.

With regard to Latin America, AECI officials admit that countries in the region are not as poor as those in Africa or Asia. Nonetheless, they argue that there are large pockets of poverty and a serious problem of social inequality which aid should try to address. However, Spain has not been very active in channelling aid to one of the most marginalised groups in the region, the indigenous populations. AECI has not carried out any serious study of the role of Spanish aid in helping these groups deal with the tremendous socio-economic and cultural changes which are occurring in Latin America. In fact, after several years of delay, AECI finally set up a unit in 1995 to manage the 'Indigenous Fund'¹ which combines resources from Spain and the Latin American governments. But over a year was spent carrying out project viability studies, and not a single project had been initiated by mid-1996. Overall, there is no mechanism in Spain's project cycle to take account of the needs of the poor. If it happens at all, it is not by design.

The *gender* dimension is taken into account in a number of AECI projects, some of which are specially focused on women. For example, in Guatemala there are various projects: legal assistance to women; technical assistance and financial support for the

¹ This fund was to be one of the first concrete results of the Ibero-American Community, but AECI did not set up a unit until an official within the agency became interested in putting it into practice. It has been an uphill battle since then, since there is no real commitment to the programme at the top levels of the agency.

creation of the National Institute of Women and strengthening of its regional offices; and assistance to groups of craftswomen. In Nicaragua there is a project called 'Women, Environment and Development'. In the Dominican Republic one project aims to train women for non-traditional employment. Nevertheless, there is no overall strategy on gender. The policy is more one of striving to have a certain number of relatively small 'women's projects', without seeking ways to integrate gender analysis into all aid activities.

In most cases, the logic of project selection begins with zonal or sectoral identification rather than with the identification of particular *target groups*, which may not be very clearly defined in every case. Moreover, the Spanish aid agency does not usually go into a detailed analysis of the cost-effectiveness of aid targeting. In fact, it has no explicit interest in developing informal social security schemes (although it does argue that this would go beyond its financial and technical capacity, which is probably correct).

4.2 Country programmes and projects

As noted earlier, there is a difference in the approaches used by the two main institutes which make up AECI: the Institute for Ibero-American Co-operation (ICI) and the Institute for Co-operation with the Arab World and other Developing Countries (ICMA-PD).² The latter's projects generally seem to be more devoted to reducing poverty, although few of them are exclusively focused on poverty reduction. Some of the different approaches of these institutes will be seen in the following review of their priorities and programmes.

Middle East and North Africa

The priority countries for ICMA-PD in this area are Palestine, Morocco, Algeria and Mauritania. The main sectors stressed are infrastructure, health, education and the restoration of historical monuments. The protection of human rights and the promotion of democracy are also seen as important objectives.

Because of historical links, Spain has generally had good relations with its neighbours in the South. However, in the past co-operation has been mainly in the cultural field, and it is only recently that it has focused more on development aid and economic ties. The recent increase in aid was reflected in Spain's hosting of the 1995 Euro-Mediterranean Conference in Barcelona.

² This observation held true until the new government of 1996. It is unclear how the present team operates.

After the peace process began at the Madrid Conference several years ago, Spanish aid to Palestine has grown very fast. Poverty reduction is not a major priority, however. The main Spanish initiatives include health projects, the construction of a new airport for Gaza, a garbage collection system and training the Palestinian police.

Morocco is also a priority country for Spain. Traditionally, relations between the two countries have been tense, due, in particular, to unresolved territorial disputes, drug trafficking and problems of illegal immigration. Even so, Spain has a great interest in increasing its influence in Morocco, especially in the northern part of the country which has the closest traditional links with Spain. It recently introduced an 'Action Plan for the Development of the Mediterranean Region of Morocco', a major effort involving many sectors, with projects to assist the public administration, the fisheries sector, training courses on desertification, and even military co-operation. Despite this varied co-operation, economic ties seem to be of much greater importance for the Spanish Government, and Morocco is one of the largest recipients of FAD credits.

Africa and Asia

Spanish co-operation in Africa and Asia is quite recent and, with a few exceptions, is not related to historical or strong economic interests. These are therefore areas where AEI officials make a special effort to follow DAC guidelines closely. The priority sectors are health, education and institutional capacity-building. Angola, Mozambique and the Philippines are the priority countries. The tendency of AEI in Africa is to manage projects directly from headquarters, since it does not have a strong infrastructure of OTCs in the field such as it has in Latin America.

AEI's projects in Mozambique are focused mainly on human resources. Health projects are also a priority. The majority of Spanish aid to Mozambique, which is mainly in the form of technical assistance, is carried out by Spanish NGOs. Projects to strengthen institutions are also relevant; technical assistance for setting up a national identity card system and training the national police are good examples. Assistance to the fisheries sector is relatively significant and seems to be growing.

The sectoral priorities of Spanish aid to Angola are quite similar to those for Mozambique. AEI's co-operation is concentrated in the region of Bengo because of an agreement among European donors to work in different regions of the country. Two projects would seem to have an important impact on poverty reduction: one for the rehabilitation of people affected by the war (displaced and ex-soldiers) and the experimental farm programme in Funda. The main goal of this programme – considered one of the country's 'star' projects – is the creation of farming co-operatives for 80 peasant families, including components for technical assistance, equipment and housing.

Equatorial Guinea is the only Spanish-speaking country in sub-Saharan Africa, as a result of Spain's colonial presence there. Unfortunately the decolonisation process was problematic and has led to tension in relations between the two countries. Spain has always maintained an interest in assisting its ex-colony's development, however, injecting many millions of pesetas over the past two decades. In 1991 it decided to cut its aid in view of the political situation in the country, apart from humanitarian aid, which is managed mainly through Spanish NGOs and religious organisations. In the case of bilateral aid channelled officially, few projects remain; training courses and scholarships have been maintained, as have food aid, primary health care and projects in tropical diseases. Although these projects have some effect on reducing poverty, their purpose is to show Spain's solidarity with the population, and there is little effort to evaluate results. Since 1991, no more Joint Commissions have met; aid volume has fallen drastically since 1993.

The main project in the Philippines is located in the area of Camiguin. This is a typical project which ICMA-PD claims has significant effects on poverty reduction in the region. Other important projects are in the fields of mother and child health, water control of lakes, and small credit programmes for poor populations.

Latin America

Although Latin America is obviously the region where most of its aid is concentrated, Spain is not the main donor for these countries (it represented less than 10% of DAC aid to the region in 1991–4), and its development aid programme has only recently become significant there. Traditionally, Spain has maintained much stronger cultural than economic links with its ex-colonies in the Americas.

In 1995 ICI added a new type of agreement to its Latin American aid programme: the so-called 'mixed funds', whereby Spain and each recipient country agree in future Joint Commissions to fund development projects jointly. In other words, both countries are to make a commitment to this fund which is also managed by both parties. Poorer countries like El Salvador provide only 15% of the total, while richer countries like Argentina could pay up to 50%. The reasoning behind this new instrument (which only began in 1995 on a pilot basis, covering a small group of countries) is that, if the projects are to work well, the recipient country must be converted into an active partner with a real financial interest in the viability of the activity. This should, over time, lead to there being fewer projects with dubious development impacts, although Spanish aid officials are not sure things will work out as planned. Since these mixed funds are so new and AECI needs time to develop all the appropriate mechanisms for their proper functioning, the following review is based on the traditional aid system still in force in Latin America.

Bolivia is one of Spain's priority countries in the region, and training human resources is the main focus of its development aid. The most important project is the 'Rural Electrification of the Bolivian Altiplano', which uses solar power to bring electricity to rural areas, and is said to have had an impact on the reduction of poverty there.³ In the region of Potosí, there appears to be a greater poverty focus than in other areas. There is also a children's supplementary feeding programme in the Frias area.

Most of ICI's projects in Peru are in the same sectors as in Bolivia. Two projects are most closely related to the reduction of poverty: PEPICOS - small community projects - and rural electrification projects in Huancavelica. Other important projects are in the fields of education and tourism. Spain was also instrumental in aiding some of the 'pueblos jóvenes' (shanty towns) arising on the outskirts of Lima to house the massive migration from rural areas in the past few decades. In rural areas, Spain's aid seems to focus on communities close to rivers and has also been involved in some 'alternative development' projects to encourage coca farmers to cultivate other products.

Spanish aid to Central America varies from country to country. One of the most interesting contributions to the zone's development is the Central American Municipal Development Foundation (FUNDEMUCA), which was started by Spain in 1991 to assist in strengthening the administration of small and medium-sized cities. Capacity-building focuses on sanitation systems, which contribute to improving urban living conditions, and therefore may have an indirect, but perhaps longer-term, impact on the poor.

Projects in Nicaragua are focused on strengthening institutions through FUNDEMUCA and other programmes. Many projects are centred on the city of León, and some may have an important impact on the reduction of poverty in this area. For instance, one is developing the urban areas close to the Chiquito river and another is strengthening the technical capacity of the municipality. In the rest of the country there are a number of health projects, one of which centres on aiding indigenous communities in Cajumolco.

ICI's priority in Guatemala is to contribute to the peace process through aid to human rights training and strengthening the rule of law. Other priorities are to assist indigenous groups, refugees and displaced people. A rural electrification project benefits indigenous communities and there are several micro-enterprise projects for women's groups.

³ This aid project in Bolivia is included in a study on EU donors and poverty reduction in Bolivia carried out by S. Donoso, C. Freres and J.L. Rhi-Sausi, that forms part of the second phase of this research programme. The results of the study should be published in 1998.

In the Dominican Republic, AECI's priorities are mainly focused on training human resources. Spanish aid is also contributing to the modernisation of the education system through technical assistance, and to an IRD programme which includes training, production (livestock and handicrafts) and social services elements.

4.3 Participation by beneficiaries and stakeholders

Throughout the project cycle, beneficiaries play a very limited role in decision-making. In the *identification and appraisal* phases, decisions are taken by the Joint Commission, and the participation of beneficiaries is negligible. The only way projects originating from beneficiaries or direct stakeholders can enter the process is through official sponsorship by the recipient government. While this may occur, the government does not usually provide a space for beneficiaries to participate actively in the decision-making process, and Spain's policy is not to interfere in such matters. In the *design phase*, participation by beneficiaries may be somewhat greater in some cases, but it is usually still quite limited, and when it occurs, is mostly on a general level. In the *implementation and monitoring* phases, the beneficiaries' participation varies considerably, and depends to a large extent on the commitment of the person(s) in charge of carrying out the project. As is the case throughout the project cycle, there are no explicit built-in requirements which oblige project managers to try to ensure certain levels of participation.

There seems to be no real *evaluation* phase in AECI activities and projects. Very few planned evaluations of projects are carried out by AECI, nor does it produce regular policy papers based on its experience. In general, an informal evaluation of projects is done at the Madrid headquarters. In practice, what pass for evaluations are the periodical reports prepared by OTC co-ordinators on all projects (which list activities and may cite some specific problems encountered), although clear criteria do not seem to have been elaborated for this purpose as the level and type of information included vary. Perhaps the only constant factor relates to expenses, so that evaluations seem to boil down to 'modified audits'.

4.4 An AECI perspective on poverty reduction interventions

Several AECI documents (ICI, 1993a, 1994) which refer to aid in Latin America claim that all projects have a direct or indirect effect on poverty reduction. One of these studies (ICI, 1993a) attempted to classify projects according to whether their primary or secondary objectives were to: (a) mitigate and reduce poverty; (b) promote social integration; or (c) generate productive employment. It found that activities clearly oriented to diminishing poverty included those in the following areas:

- *Integrated Rural Development* projects which focus on marginal rural areas in a comprehensive manner and act as development poles, with considerable multiplier effects for the population. Examples include programmes in Imbabura, Ecuador, Rio Chiquito, Nicaragua and rural El Salvador.
- *Social Investment Funds* aimed at the most economically depressed areas. There are two funds in this area, one for nutrition and the other to provide equipment.
- *Housing* for people in economically depressed areas, in many cases financed through revolving funds, such as has occurred in Bolivia. Another project is helping to improve housing in the poor community of Seis de Mayo, Honduras. In addition, ICI has provided funds to build 254 houses for the poor population in the city of Limpio, Paraguay, and 360 houses in the area of Nueva Guinea, Nicaragua.
- *Health*: the objective of many projects is to strengthen local health services in poor areas and train human resources in this sector. One of the most significant projects in this field involved the improvement of hospital services in poor areas of Bolivia.
- *Community development*: the FUNDEMUCA programme in Central America (see section 4.2) is an example of the improvement of management programmes as well as the 'good execution' of basic community services to improve community development.
- *Social services programmes* for poor populations with the goal of creating and strengthening social institutions.
- *Productive employment*: there are programmes for indigenous populations to promote handicraft production and programmes to help micro-enterprises through different types of funds.
- *Refugees and displaced people*: these programmes are located especially in Central America, and a number of Spanish NGOs are involved. In El Salvador, for example, ICI contributed to the California Integrated Rural Development Project III, which seeks to integrate populations displaced as a result of the civil war into rural productive activities.

While these brief descriptions all seem to indicate a poverty reduction focus, no attempt is made to determine how well these interventions have worked, how many people were affected, whether poverty was indeed reduced, etc. In fact, it appears that the report was an attempt to *label* many projects as poverty reduction projects, without establishing any clear criteria or providing indicators of their relative success.

5. Other aid channels for poverty reduction

5.1 Asset distribution and empowerment

Although Spain has generally been in favour of promoting a more equitable distribution of income in developing countries (especially in Latin America where this problem is one of the most serious obstacles to sustainable development), it has not so far been involved in influencing the redistribution of assets to the poor. Nevertheless, in a broad political sense, it may promote these ideas through international fora such as the San José Dialogue (between the EU Member States and Central American countries) or in its participation as one of the friends of the peace processes in El Salvador and Guatemala (where part of the negotiations deal with land redistribution).

The concept of empowerment is not directly present in Spanish policy discussions, although it is referred to indirectly in the context of efforts to promote democracy or good governance; the link with poverty reduction is not usually explicit in these cases, however. Also, as seen above, these efforts are often part of wider international efforts, such as programmes in Central America co-ordinated by the UN. Indeed, in Central America, Spain has taken some bilateral initiatives that directly relate to poverty reduction, with UN agencies responsible for administration (an example of multi/bilateral aid). The main one is the Fund for Strengthening Good Governance in Central America, financed by AECI and run by the UNDP: one of its key areas of activity is 'improving social equity', although empowerment is again not specifically mentioned (AECI, 1996).

Spain does not have a specific policy on *safety nets*. It has no programmes of its own and does not seem to focus much of its multilateral aid on this kind of programme. Spanish aid officials are sceptical about the value of such initiatives. Furthermore, given its scarce financial resources, AECI would much prefer to devote attention to smaller interventions which are clearly seen as 'Spanish aid efforts', rather than put money into broader multilateral programmes where it would receive little credit or 'visibility'.

5.2 Use of NGOs and community-based organisations as poverty reduction vehicles

The NGO movement in Spain and co-financing

Over the past decade, the NGO movement in Spain has grown rapidly in size and importance. This is due indirectly to Spain's rapid economic growth in the 1980s, and more directly to its accession to the European Union, with the consequent increase in access to EU financial resources and co-financing programmes. In addition, the Spanish public has maintained a relatively high level of concern for development issues and is sympathetic towards NGOs, particularly as a result of their well-publicised work in Rwanda and Bosnia. Finally, the increase in government funds for co-financing was largely a result of massive mobilisations from the 0.7% Platform's campaign in the autumn of 1994.

With the exception of a small group of NGOs which have developed consolidated structures and have many years of experience, most Spanish NGOs are small and were created in the last five years or so. Even so, Spanish NGOs, including the new ones, have proved adept at obtaining access to national and international resources; most, however, are highly dependent on funding from the central government.

Each year, the State Secretariat for International Co-operation and Ibero-America (SECIPI) provides subsidies to NGOs through two official competitions/calls for proposals:¹ the normal one in the spring which comes out of the regular budget, and the other – the IRPF (Personal Income Tax) – in the autumn, which is based on funds set aside by citizens in their tax forms 'for social purposes' (20% of which is allotted for the international co-operation activities of NGOs). The amount NGOs have obtained from the SECIPI co-financing programme has increased every year: it rose from a little over 3,000 million pesetas in 1993 and 1994 to over 10,000 million pesetas in 1995.

In the last few years, the number of other public competitions in which NGOs can apply for financial resources for their projects has increased considerably, due to the growth of the 'decentralised co-operation' provided by the governments of Autonomous Communities (regions), provinces and municipalities. Even small towns are providing some money for co-operation, and since they have no aid management capacity, most of this is channelled through NGOs.

¹ The term in Spanish is *convocatoria*, which literally means a summoning, and could be translated more or less as a call for proposals.

NGOs: an 'effective channel' for poverty reduction

A number of officials consulted are of the opinion that NGOs are the most important channel for poverty reduction. In other words, bilateral oda can focus on other aspects of development aid, since NGOs fulfil the role of helping alleviate poverty in developing countries. While not all officials share this view completely, there is widespread agreement that NGOs are able to reach the poor more effectively, although no studies have been carried out in Spain to confirm this.

In any event, in the procedures and rules established by SECIFI for the co-financing programme, importance is given to poverty reduction. For instance, under Article 4 of the Ministerial Order of 13 March 1996 (BOE, 1996a) which determines the main priorities, the first priority is to present projects in accordance with the 'real basic needs' of recipient countries. These priorities are divided into two categories: geographic and sectoral criteria.

On geographic criteria, Latin American countries are the first priority, although within this region the 1996 Order distinguishes the less developed countries as the most important. With respect to the more developed Latin American countries, the priority should be to reduce rural and urban poverty. The second priority is sub-Saharan Africa, with a focus on Equatorial Guinea. The third level focuses on the North African and Arab countries, especially Palestine, and the fourth is the Philippines. At the bottom of the list is Bosnia-Herzegovina.

The sectoral criteria favour projects in the areas of: (a) primary health care, basic education and professional training; (b) integral development; (c) support for peace processes, institutional strengthening and democracy, and the consolidation of the rule of law; and (d) projects aimed at the poorest and most marginalised groups in society, including children, young people, women, old people, indigenous groups, refugees and displaced people.

The current government (since May 1996) has a different position with respect to the role of NGOs in projects financed by public subsidies. In the new Ministerial Order of 18 July 1996 (BOE, 1996b) and public statements by officials (Congreso de los Diputados, 1996), it is clear that the government wants to establish stricter guidelines regarding minimum years of service to qualify for co-financing, requirements for regular external audits of NGO accounts, limits on the proportion of project budgets that may be publicly financed, cuts in administrative costs and the requirement that all projects display the AECI logo, among others. Nevertheless, it has maintained the human development goals highlighted in previous governments' criteria. This is contradicted, however, by a new requirement that obliges NGOs to make their projects 'synergetic' with Spain's economic interests (i.e. aid tying).

One of the goals of the new government is to decrease the number of NGOs receiving co-financing from more than 100 in 1995 to 50 in 1996, and eventually down to 10 or 12. One consequence of this new policy is that many NGOs will disappear, decline to a very small size, or amalgamate. But a more important consequence could be to force them to change their relationship with their counterparts in the South (very few Spanish NGOs carry out their own projects directly, except in humanitarian aid). Project implementation managed by NGOs falls into three categories (Espóz, 1994: 225): transfers of funds, equipment and human resources. More than 60% of projects are in the first category, reflecting the importance of the annual SECIFI co-financing. These funds allow NGOs enough resources to be able to assist their grass roots level counterparts in developing countries.

However, if from now on NGOs are obliged to increase the level of their own funding, they will have to reduce financial transfers to the South. Also, stricter guidelines will force many of them to seek Southern counterparts which are able to conform to the strict accounting and information requirements of the government. This will cause them to favour ties with intermediary NGOs and well-developed NGOs with strong international connections and superior institutional capacity, and will make it difficult to work with grass roots organisations which may have interesting projects but lack the institutional capacity to respond in a timely and highly professional manner to donor requirements. In an indirect way, these accountability requirements may cause some NGOs to fund projects that are less likely to benefit the poorest groups in developing countries.²

The character of NGO projects

Spanish NGOs have projects in a wide range of sectors. The three most important in 1991–3 were agriculture, health and training human resources, which are considered very important for poverty reduction (Espóz, 1994). In the same period, the beneficiary population served by NGO projects was made up as follows: 'general population' (about one-third of the total); young people (around 20%); women (over 17%); refugees (an average of some 15%); indigenous communities (rising from 13% to 15%), and old people (3%).

² The previous government decided a few years ago to contract a multinational auditing firm to carry out 'evaluations' of NGOs' co-financed projects, focusing almost exclusively on quantitative aspects.

Country distribution of SECIPI subsidies

SECIPI subsidies to NGOs rose rapidly during 1993–5 (see Table 4). Latin America is the major destination of NGO projects co-financed by SECIPI, although its share has declined since 1993, from close on 70% to under 60% in 1994 and 1995. The region which has benefited most is Africa, whose share rose from just over one-fifth to almost one-third of the total subsidies to NGOs. Sub-Saharan Africa's share rose by over 30% between 1993 and 1995, while North Africa's share has fluctuated from year to year. Co-financing for Asian countries (which includes the Middle East) has also fluctuated considerably, with a share of between 7% and 13% in the period 1993–5. Grants for NGO projects in Palestine take up a large proportion of this region's subsidies. Overall, however, only a quarter has been allocated to low-income countries (see Table 5).

The list of major beneficiary countries of SECIPI subsidies to Spanish NGOs is headed by Peru which was the chief beneficiary in 1994 and 1995, accounting for over 10% of the total. Other important countries during this period were Guatemala, Bolivia, Nicaragua and Colombia. In 1995 Cuba was the top recipient of NGO subsidised projects in the IRPF competition.

Table 4 **SECIPI co-financing of NGO projects by region, 1993–5**
(pesetas m. and %)

	1993		1994		1995		Total 1993–5	
	Amount	%	Amount	%	Amount	%	Amount	%
Latin America	2,125.4	69.4	1,797.2	56.4	5,811.0	57.6	9,733.6	59.6
Africa, total	653.8	21.4	950.7	29.8	3,067.3	30.4	4,671.8	28.6
Sub-Saharan Africa	505.0	16.5	540.0	16.9	2,256.0	22.4	3,301.0	20.2
North Africa	148.8	4.9	410.7	12.9	811.3	8.0	1,370.8	8.4
Asia	217.7	7.1	407.3	12.8	980.3	9.7	1,605.3	9.8
Europe, total	64.1	2.1	33.5	1.1	228.9	2.3	326.5	2.0
Spain ^a	28.8	0.9	33.5	1.1	228.9	2.3	291.2	1.8
TOTAL	3,061.0	100.0	3,188.7	100.0	10,087.5	100.0	16,337.2	100.0

Note: ^a This refers to funds for development education activities of NGOs in Spain.

Source: Designed by authors, based on information from CIDOB, 1993, 1994 and 1995.

Table 5 SECIPI co-financing of NGOs by income group, 1993-5 (%)

	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>Average</i>
LLDCs	16.2	16.2	17.0	16.5
Other LICs	7.0	10.3	6.6	8.0
Total LICs	23.2	26.5	23.6	24.4
LMICs	63.0	61.9	57.4	60.8
UMICs	2.2	2.8	6.4	3.8
TOTAL	100.0	100.0	100.0	100.0
Number of projects co-financed	112	126	318	185
Average project size (pesetas m.)	27.3	25.3	30.9	27.8

Source: Based on calculations by authors, from reports on SECIPI co-financing in CIDOB, 1993, 1994 and 1995.

6. Provisional judgements on Spain's aid effectiveness

The main impression that emerges from the review of Spain's aid for poverty reduction is that no clear lessons have been learned. Some reports (e.g. ICI, 1993b) suggest possible lessons, but they are not a result of serious comprehensive evaluations but of a process of more or less structured discussions. While such exercises fall far short of an evaluation, they at least highlight areas for improvement. However, the conclusions of these exercises are not, as far as we can tell, integrated into the practice of Spain's aid programme; there are, in fact, no mechanisms for this.

This is unfortunate because a number of the recommendations made would probably enhance Spain's aid for poverty reduction by simply improving the quality of Spanish oda. The latter is, after all, a much more important problem than the lack of poverty reduction objectives, because the low quality of its aid makes it difficult for Spain to contribute to any development objective, let alone alleviate poverty in developing countries.

On a general policy level, there has been definite progress towards integrating poverty reduction into Spain's aid objectives. This is most probably a result of it becoming a DAC member in 1991 and because SECIP has been functioning for ten years and has accumulated a certain experience in aid management. There has thus been a growing political commitment to poverty reduction at a macro level.

However, as we have also seen throughout this study, this commitment has not percolated down into the practice of the Spanish aid programme. This is at least partly due to Spain's lack of long experience as a donor; its main challenge is to improve the quality of its aid, using the DAC guidelines as its base. This has important implications for its effectiveness with regard to poverty reduction.

As noted earlier, Spanish aid decision-makers have not developed a clear concept of poverty or of how Spain could contribute to reducing it in developing countries. However, other goals of SECIP and its executing agency, AECI – for example, that aid should prioritise the poorest countries – may be instrumental in meeting the poverty objective. Nevertheless, returning to the general problems of Spanish aid management, there are no mechanisms to ensure that these goals are indeed followed in the practice of aid distribution. In fact, poverty reduction is not a focus of either the geographical or the sectoral distribution of Spain's oda. Furthermore, the lack of systematic evaluations prevents AECI from developing expertise based on its decade of experience.

The categorisation of projects into four catch-all areas means that Spanish aid has no clear overall priorities. Only at the country level do certain priorities emerge, but it seems that this occurs despite a weak country programming system, and not in all cases. Structural problems which are endemic to Spanish public administration are also to blame – such as a complex and rigid system of budgeting and oversight of expenditures which often leads to delays in disbursement of six months or more.

The capacity of AECI to make contributions to the social sectors has declined in the past few years as recruitment regulations have forced it to lay off most of the sectoral specialists working at the overseas OTCs. One of the most unfortunate aspects of Spanish aid is indeed the underutilisation of the OTCs which could potentially improve its quality, and contribute more clearly to poverty reduction.

The channel which is most clearly destined towards poverty reduction is the NGO co-financing programme. This programme, which was increased in volume in 1995, makes poverty reduction a direct priority. Also, its management structure is the only one to use the logical framework systematically and to undertake regular evaluations (even though human and financial resources are strained, so that the lessons from these evaluations have not yet been compiled). Some experts hope that with the integration of the co-financing programme into AECI (previously it was directly under SECIPi and separate from the agency) there will be a spillover of some of its better elements into the normal management of bilateral oda, but this remains to be seen.

In some countries – particularly in Africa – relations with other donors have had positive effects on aid programmes. However, there are no mechanisms for ensuring that these lessons are transmitted across the entire agency, with the possibility of filtering down into other country programmes.

In sum, although it cannot be said that Spanish oda does not contribute to poverty reduction in developing countries, it is very difficult, with the information now available, to make any general judgement about how much it does contribute. Up to now, the Spanish aid administration has not been concerned with attempting such a judgement for a number of reasons, including policy inertia, the structural problems of the Spanish bureaucracy, and competing interests (particularly commercial) which have ‘contaminated’ Spanish oda over the years. (In the latter case, the OECD rules on credits will help reduce this contamination.)

It is unfortunate that Spain has made little effort to remedy any of the major problems identified in various parliamentary and government documents (see section 2.6), and confirmed by the DAC in its latest review of Spanish aid (OECD/DAC, 1994: 9–10): the need for appropriate legislation; centralisation of the aid budget and longer-term planning; concentration of the aid programme in one ministry or transfer of a larger

share to SECIPI; improvement of co-ordination mechanisms; a change in FAD credits; and greater permanence of top level staff and field personnel. The only area where some real change has occurred is in the FAD credits, although this was mostly due to the stricter OECD guidelines for loans of this sort. There is no doubt that improvements in these areas would provide a good framework for Spain to make a stronger contribution to reducing poverty in developing countries. In this regard, if the new government goes forward with its plan of instituting the Country Plans (and really uses them in programming) and improving project management, this would be an important step in the right direction, although much more needs to be done.

Epilogue: The Popular Party government's aid policy and poverty reduction

Throughout this study we have made mention of the Popular Party government's initiatives in the foreign aid programme and their possible implications for poverty reduction. After more than a year in government, certain aspects stand out as different from past policy. These have a lot to do with emphasis and style, and less to do with the actual content of the aid programme, but the changes may have significant consequences for aid practice.

The first element which the new aid administration has stressed constantly since it began operations is improving aid effectiveness. Shortly after taking office in May 1996, the new team undertook what it considered to be a major institutional reform of AECl. It reduced the number of high-level officials and brought the Planning and Evaluation Office (which handled, among other things, the NGO/co-financing programme) under the direct control of the Secretary General of the Agency. This reform, as well as the introduction of certain regulations (for example, that *all* expenditures over 200,000 pesetas – about US\$1,500 – must be approved by the Secretary General), have had the result of increasing the centralised control of AECl activities and considerably limiting the autonomy of intermediate and lower-level officials and OTC co-ordinators; this counters the previous problem of poor co-ordination in the Agency. Inasmuch as this restructuring improves aid management and effectiveness, it could have positive implications in the medium term for poverty reduction. One result of the expenditure controls has been to increase direct funding to developing countries (instead of going first through the in-country OTC, as was the previous practice).

However, bureaucratic rigidities remain, forcing some OTCs to seek innovative mechanisms which permit greater autonomy and administrative manoeuvrability. This includes the capability to contract specialists and improve overall effectiveness through evaluations. While these seem to be positive initiatives insofar as they contribute to improving effectiveness, they are only a partial solution and not part of a broader reform that is clearly necessary.

Efforts to implement a system of country programming, loosely based on the Country Indicative Programmes of the European Commission, are to be commended. However, this innovation does not seem to be part of a broader and deeper reform of the basic functioning of AECl. Rather, it reflects a piecemeal approach to reform that fails to attack the root causes of the problems cited in this study. It also remains to be seen how these strategies will be used or what results they will have; despite the fact that most of them were prepared months ago, they have not yet been officially

approved. Moreover, it seems contradictory to speak of the need to control budgets while at the same time contracting out studies to consultancies on opening up new aid programmes in various sub-Saharan African countries.¹ As far as we can tell (because the documents are not in the public domain), recipient countries and civil society actors are not involved in the process of designing these strategies; the original draft is written by the co-ordinators of the in-country offices (where they exist), and reviewed for final approval at the agency headquarters. A sample seen by the authors focuses more on diagnosing problems with Spanish aid (in consonance with many cited in this study) than with proposing solutions; also poverty reduction was not seen as an explicit overriding preoccupation.

The second factor we would highlight is the increased effort to use aid for Spain's economic, commercial or strategic benefit. As one article in favour of the new policy noted, 'It seems logical to accept, without any shame, the idea that aid should contribute, as much as possible, to Spanish business and workers' (*Política Exterior*, 1996: 194). AECI's current Secretary General has long experience in the private sector, and has expressed an interest in increasing the participation of Spanish business in the aid programme, in addition to obliging NGOs receiving government subsidies to use Spanish goods and services in their projects. While the consequences of such policies – still not well-defined – are not certain, it seems clear that they are likely to strengthen pressures to tie aid to economic and political interests, in which case criteria related to poverty reduction will most probably decline in importance.

A third characteristic of the new Spanish government as a whole is an overriding preoccupation with controlling public expenditure. While, in many other areas, interest groups have managed to force the government to negotiate over cuts, in the area of foreign aid the Spanish development community – mostly NGOs – has not been successful; it is therefore probable that there will be sustained reductions in the bilateral programme for the next year or two at least.

This relates to the fourth and last point, which has to do with the government's relations with the Spanish development community. While these relations have always been complicated and sometimes difficult, under the new government they are extremely tense. The current aid administration is not very willing to enter into dialogue, particularly with the national platform of development NGOs. Among other goals, this platform has been trying to integrate poverty criteria into the development programme, particularly in the debate over a Spanish Law for Development Co-operation (which will be considered by Parliament in the autumn of 1997).

¹ In September 1996, the Spanish aid agency announced at least two public auctions for a bilateral aid programme to elaborate strategic plans for countries in East and West Africa (*Boletín Oficial del Estado* No.235, 28 September 1996). Almost all the countries on the list had received no aid from Spain before 1996.

According to the draft versions we have seen, this law will improve the general situation of the aid programme in that it sets a clear legal framework and provides new possibilities for demanding greater accountability from the government (responding to one of the DAC recommendations: see section 6). In this regard, it may contribute to strengthening the poverty focus of the Spanish aid programme. However, there are elements of the law which contradict these positive forces: mainly, the continued inclusion of FAD-like credits without taking development – and poverty – criteria into serious consideration. Furthermore, the law does not make explicit provision for the necessary structural reform of the aid programme – for instance, by introducing mechanisms for systematic project management and evaluation. Nor are development assistance goals clearly prioritised. Given this situation, independent experts, opposition political parties and NGOs will need to maintain constant pressure on the government to ensure it works hard to improve the overall quality of aid, particularly by focusing more on poverty reduction.

In sum, it is too early to deduce any clear implications for poverty reduction efforts from the change of government in Spain. However, given that the current focuses are to cut aid, reform the bureaucracy (mostly by cutting jobs), and link aid more closely to Spanish economic and political interests, the chances are slim that the context for poverty reduction will improve in the near future. The new law provides some room for hope, but by itself will not lead to significant improvements in terms of a poverty focus. Nevertheless, despite the numerous doubts mentioned here, it would be prudent to wait some time before analysing the first series of concrete interventions initiated by this government.

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ISBN 0 85003 304 7 £6.00

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