

## KEY QUESTIONS

### the big six

# 6



## How is Spain's ODA spent?

### ODA funding sharply decreased from 2010 onwards due to a constrained budgetary environment

A large debt-relief package for Cuba in 2016 obscures what is otherwise a clear trend: Recent years of economic turmoil have resulted in Spain's channeling a large part of its remaining ODA through core, obligatory contributions to multilateral organizations. Discounting the US\$2.1 billion in bilateral debt relief to Cuba, core contributions to multilaterals accounted for 66% of Spain's total ODA in 2016. This well exceeds the OECD Development Assistance Committee (DAC) member average of 38%. From 2013 to 2015, core contributions to multilaterals accounted for 60% of total Spanish ODA on average.

Following the economic crisis, budget cuts significantly affected bilateral funding, whereas binding multilateral contributions to the European Union (EU) needed to be maintained. As a result, Spain's contributions to the EU accounted for 50% of total gross ODA in 2015. In 2016, when discounting the Cuban debt relief, it made up 45% of total ODA. Spain has sharply reduced its voluntary contributions to multilateral organizations over the past years. The Master Plan for Spanish Cooperation 2018-2021, finalized in March 2018, said a new strategy for Spanish engagement with multilaterals will be developed in the coming months. The former multilateral review from 2015 said funding was expected to increase for UN agencies, including for UNHCR, UNICEF, the International Fund for Agricultural Development (IFAD) and the World Food Program (WFP).

Over the past few years, Spain has not been able to disburse the entire ODA budget as approved by Parliament. In 2014, underspending amounted to 20%. This is mainly due to major issues in the disbursement of the Spanish Development Promotion Fund's (FONPRODE) budget since 2012. In 2015, FONPRODE only disbursed €18 million (8%) out of the €235 million budgeted for that year. This was because of administrative limitations and major bottlenecks in the issuing of loans. To deal with this issue, the Spanish government is working to improve capacity at AECID's Directorate for Multilateral and Financial Cooperation, which oversees FONPRODE.

Over the past three years, and even after discounting the Cuban debt relief, Spain's bilateral ODA spending has steadily increased, from US\$595 million in 2013 to US\$743 million in 2016. This was largely driven by increases in bilateral grants. However, bilateral ODA remains 19% under its pre-crisis 2010 levels (76% when discounting 2016's

### Spain's 21 priority countries:

- Bolivia
- Colombia
- Cuba
- Dominican Republic
- Ecuador
- El Salvador
- Ethiopia
- Guatemala
- Haiti
- Honduras
- Mali
- Mauritania
- Morocco
- Mozambique
- Nicaragua
- Niger
- Paraguay
- Peru
- the Philippines
- Senegal
- West Bank and the Gaza Strip

Cuban debt relief), when ODA stood at US\$3.7 billion. These low-levels are partly due to a constrained budget environment, and to the phasing out of many bilateral programs (reflecting the government's target to close or redesign 29 country offices by the end of 2016).

Nearly all of Spain's bilateral ODA consists of grants (97%). The small share of loans and equity investments is likely to increase, as it is a way for Spain to limit the budgetary impact of its ODA.

## Who are Spain's ODA recipients?

### Spain focuses on Latin America, sub-Saharan Africa, and the MENA region

Spain focuses its funding on Latin America, sub-Saharan Africa, and the Middle East and Northern Africa (MENA) region. Six out of the 10 largest ODA recipients from 2014 to 2016 are in Latin America, and three are part of the MENA region. Due to Spain's focus on those two regions, the largest proportion of bilateral ODA is allocated to middle-income countries (MICs). They received 73% of

bilateral funding between 2014 and 2016. Only 7% was allocated to low-income countries (LICs), well below the OECD DAC average of 25%.

The government plans to concentrate its ODA on fewer countries going forward, reducing the number of priority countries from 50 in 2013 to 21 as outlined in the ‘Master Plan for Spanish Cooperation 2018-2021’. From these priority countries, 7 are LICs and 14 are MICs.

### How is bilateral funding programmed?

#### MAEC and AECID regional divisions set strategy; country offices and embassies shape programs

Spain programs its bilateral funding based on the strategic, regional, and thematic priorities established in the four-year Master Plan. The Master Plan outlines different approaches to bilateral cooperation that depend on the income group of a country. Low-income countries receive funding according to their development needs, cooperation with middle-income countries focuses on fostering

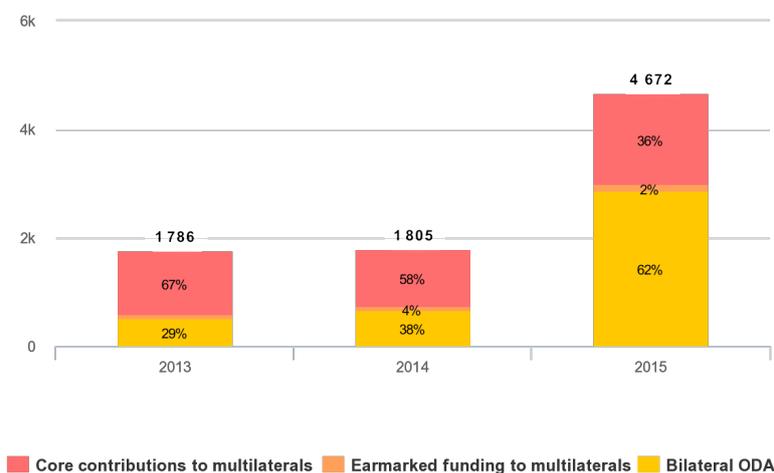
triangular partnerships, global health research and development, and global public goods. The governing council of the Spanish Agency of International Cooperation for Development (AECID), which includes representatives from the Ministry of Foreign Affairs and Cooperation (MAEC), decides on allocations by region and country.

To increase ODA predictability, Spain introduced multi-annual country partnership frameworks (MAPs) for its priority countries in 2010. The MAPs specify sector priorities and provide estimated annual budget allocations. They are developed jointly by the AECID, the partner countries, and local civil society organizations.

In tune with its differentiated approach for bilateral funding, in addition to the MAPs Spain plans to develop New Generation Partnerships (ANG) with some of its traditional ODA recipients that have progressed to developed or upper-middle-income countries, including Argentina, Brazil, Chile, Costa Rica, Mexico, Panama, Uruguay, Cape Verde, Egypt, Equatorial Guinea, Tunisia, and Jordan.

### SPAIN'S BILATERAL AND MULTILATERAL ODA

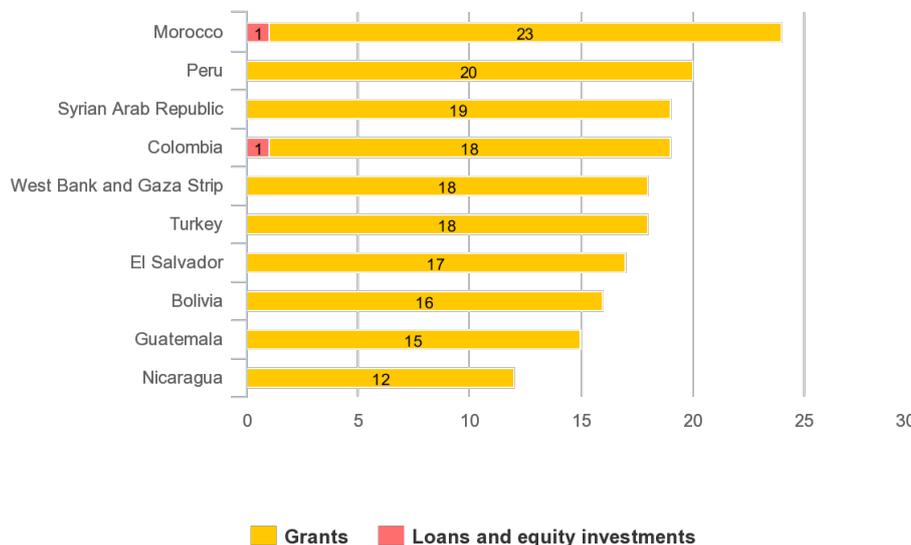
US\$ millions



OECD DAC 1 table. Gross disbursements, in 2016 prices.

### THE TOP 10 RECIPIENTS OF SPAIN'S ODA

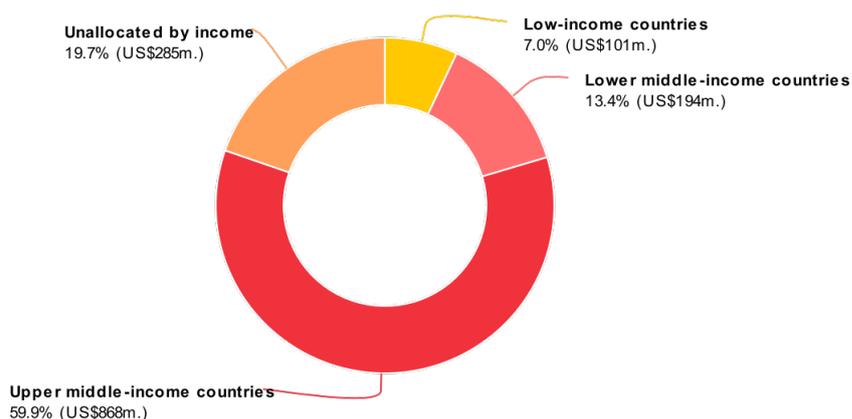
Average 2014-2016, excluding debt relief; US\$ millions.



OECD CRS. Gross disbursements; in 2016 prices.

### SPAIN'S BILATERAL ODA BY INCOME-GROUP, 2014-2016

Average 2014-2016: US\$1.4 billion



OECD CRS. Gross disbursements, in 2016 prices.