

## **AIReF MAKES PROPOSALS TO IMPROVE PLANNING EFFICIENCY OF COOPERATION IN SPAIN AND STRENGTHEN ITS INSTITUTIONAL DESIGN**

- **The Independent Authority for Fiscal Responsibility (AIReF) makes 19 proposals to develop towards a system that contributes to achieving the commitments taken on in development cooperation more efficiently and effectively**
- **It proposes to strategically plan the role of EU instruments and develop a regulatory framework that leads to the efficient allocation of responsibilities**
- **It indicates the existence of excessively fragmented procedures, with a high number of agents involved, and proposes an extensive reshaping of FONPRODE**
- **It proposes to strengthen evaluation mechanisms and accountability in cooperation and develop towards a more efficient management model**

**The Independent Authority for Fiscal Responsibility (AIReF) published on its website today the study that analyses the situation of financial cooperation in Spain, with particular attention to the Fund for the Promotion of Development (FONPRODE). The evaluation made by AIReF observes the existence of a host of inefficiencies in the strategic planning mechanisms of financial cooperation and in the design and management of FONPRODE, resulting in the limited operating and execution capacity of this instrument in recent years. The institution makes 19 proposals to develop towards a system that contributes to achieving the commitments taken on in development cooperation more efficiently and effectively.**

FONPRODE is a tool that services the whole Spanish Cooperation system, which seeks to eradicate poverty, reduce inequalities and social inequities between people and communities and promote gender equality, the defence of human rights and sustainable human development in poorer countries. In force since 2011, it is one of the main channels for development aid.

FONPRODE is the main reimbursable financial cooperation tool of the Central State Administration (CSA). The cumulative volume of operations authorised by the Council of Ministers totals €1.475bn since its creation in 2011, a figure that contrasts with the authorised cumulative limit over this period, amounting to €4.375bn. This clearly shows the difficulties in executing this instrument since its creation.

The study by AIReF is structured in two blocks. The first concerns the strategic framework and analyses the strategic planning mechanisms and the coordination and coherence between the different instruments. The second block focuses on the design and activity of FONPRODE based on four pillars: the regulatory framework, the procedural framework and the resources allocated, transparency and evaluation, and the institutional design associated with its management. At an international level, the financial cooperation institutions are analysed that manage instruments with similar aims

## NOTA DE PRENSA 14/12/2022

to those of FONPRODE. Lastly, as regards these pillars and according to the findings, a series of proposals are generated geared to more strategic and effective management of financial cooperation.

Noteworthy among the limitations detected by AIReF is the existence of a complex management model, with multiple agents and fragmented processes, a lack of suitable coordination mechanisms with sufficient resources and a lack of legal personality. In fact, the institutions that operate with similar aims enjoy, in contrast, a legal personality, do not wholly depend on the National Budget and have specialist teams to manage their operations.

To overcome this situation, AIReF proposes a general reshaping of this instrument, which requires defining specific planning for financial cooperation aligned with the goals of development cooperation. It also proposes modifications to the regulatory and procedural framework of the fund that provide it with greater management autonomy and agility.

In addition, it proposes to develop towards a new institutional design that contributes to achieving the commitments taken on in development cooperation more efficiently and effectively and that integrates the strengths and capabilities developed to date by the different agents that participate in the management of FONPRODE. Under the management of the Ministry of Foreign Affairs, European Union and Cooperation, the institutional design must integrate the technical knowledge of the Spanish Agency for International Development Cooperation (AECID), the financial capacity of the Official Credit Institute (ICO) and the human capacity of the Spanish Company for Development Finance (COFIDES), with a view to achieving greater budgetary independence, a sufficient scale of operations and clear recognition at an international level.

One of the noteworthy findings is that, unlike its peer countries, financial cooperation in Spain does not involve sufficient strategic planning integrated effectively and coherently within master plans. Furthermore, indicators are not established that provide for the monitoring and evaluation of the actions implemented.

A lack of coordination was found between the different agents involved in financial cooperation, both between instruments and central offices and on the ground. Furthermore, a lack of coherence was detected in the regulation association with the different foreign action instruments that translates into the existence of different regulatory rules for FONPRODE and for other instruments on matters that should be cross-cutting for them all.

This lack of coherence also extends to the role played by COFIDES in financial cooperation – the only Spanish member institution of the European Development Finance Institutions (EDFI), but without a clear mandate for development cooperation and few resources, which frustrates the identification of a single agent to structure leadership at an international level.

The analysis of the regulations shows that it is excessively regulated and rigid when compared with similar instruments, which limits, to a great extent, the instrument's adaptation to a dynamic environment like reimbursable financial cooperation. The instruments and scope of action are excessively limited and subject to the emergence of

exceptional circumstances, which provides the management of FONPRODE with uncertainty and insecurity.

### **Lack of transparency and evaluation**

AIReF also observes that transparent and detailed procedures do not exist that apply for a systematic application of the different tasks assigned to FONPRODE. The procedures are excessively fragmented, with a high number of agents involved, which, due to the lack of technical and human resources, make comprehensive knowledge management very complicated. This lack of specialised human capital in reimbursable financial cooperation is particularly important in the countries where it operates, since this prevents the construction of a portfolio of own projects, unlike what occurs in the other countries analysed.

A significant lack of transparency also clearly exists, along with the need to strengthen evaluation activity to complement the monitoring activity currently undertaken. To improve the management of the instrument, AIReF proposes to perform systematic evaluations and provide greater transparency through the creation of a web repository that gathers all the information of the activity of FONPRODE.

The institution also detects a dysfunctional institutional design as a result of an inefficient vision that ties the management of the instrument in with its policy management. In order for this system to be operative, AIReF considers it important to design an organisational structure that combines centrality in the definition of strategic approaches with sufficient autonomy in managing resources. The shape of the structure must contribute to achieving the commitment taken on to considerably increase efforts engaged in development cooperation through a higher degree of leverage that enhances efficiency in the use of public resources.

In addition, AIReF considers that financial cooperation should be provided with a wide range of financial instruments, allowing for the harnessing of economies of scale stemming from the sharing of fixed costs and knowledge, and ensures its recognition and visibility at an international level. This new architecture must also integrate the capabilities of each of the agents currently involved in the process efficiently.