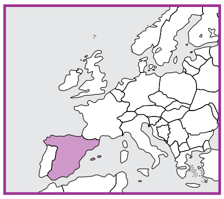
SPAIN

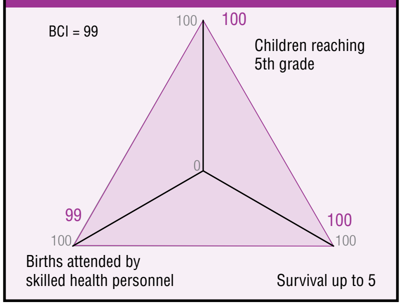
Changing (for worse)



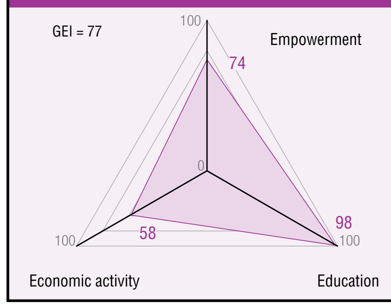
The Government's intentions to deal with the financial crisis without making cuts and adjustments in its social policy programs did not materialize, and in 2010, President José Luis Rodríguez Zapatero changed course and announced a package of forceful measures to reduce the public deficit and a labour reform scheme that was heavily criticized by the unions. Another serious consequence of these adjustments is that Official Development Aid (ODA), which Spain had strongly supported, is to be reduced. The Government has missed a glorious opportunity to regulate the role that Spanish enterprises play abroad as actors in international development.

Plataforma 2015 y más
Pablo José Martínez Osés

Basic Capabilities Index (BCI) 2010



Gender Equity Index (GEI) 2009



The *2009 Social Watch Report* noted that the Spanish Government planned to ride out the international financial crisis without giving way pressure to cut its increasing public deficit or make it cheaper for enterprises to lay off workers. The question was how long it would be able to maintain its social protection policies and systems for the people most affected by the crisis. But now, a year later, and as it is taking its turn in the Presidency of the European Union, this same Government has rushed to implement severe fiscal adjustments and cuts in public expenditure, and has tabled a labour reform scheme which raises the retirement age to 62 and eases restrictions on terminating full time workers while also reducing incentives to hire temporary workers. These reforms are bitterly criticized by the workers' unions that do not see how they can help solve the employment crisis.

In the first quarter of 2010 the unemployment rate in Spain reached 20.05% of the economically active population[1], an increase of 1.22 points over the previous quarter. Since then it has dropped slightly but it is uncertain whether this is due to the seasonal nature of the unemployment structure (there are more jobs in the summer months) or if it can be taken as a sign of overall recovery. The Government has been hurt politically by the persistently high unemployment level and by stagnation in credit access for small and medium enterprises, and the opposition have taken advantage of this. However, the Government's severe public spending cuts and labour reform initiative seem to have been a response to external pressures, ranging from European Union (EU) member states to global stock markets.

Liberal orthodoxy in the market

Since the beginning of 2010, Spain's economy has been buffeted by a series of heavy blows. In February the ups and downs of the euro had serious negative effects on the country's growing public debt positions. Then, the rating agencies – the same ones that did not foresee the 2008 crisis – reduced the rating of Spain's ability to meet its short-term debt obligations. All this, added to the jittery credit market climate caused by the Greek debt crisis and rescue plan, served to restrict the Government's freedom of movement, and eventually it had to agree to implement the orthodox response dictated by the European system —in line with the same austerity prescriptions the international financial institutions have been imposing on developing countries for 30 years.

After the meeting of the Economic and Financial Affairs Council (ECOFIN)[2] in May 2010, Spain's President, José Luis Rodríguez Zapatero, announced savings measures to reduce the public deficit. He also issued a decree to decrease public investment by 6,000 million euros, along with a 5% pay cut for all public employees, a freeze on pensions, the abolition of the birth incentive scheme, a delay in implementing aid for dependent people, and a cutback in Official Development Aid (ODA)[3]. This package represents virtually a 180 degree turn from his resolve to address the crisis through a combination of strong public investment by local government, anti-cyclical policies and maintaining social protection systems at same levels.

When Spain held the EU presidency during the first semester of 2010, the policies that it initially pursued in that context have been pushed aside and negated by the need to combat the crisis, and as in previous crises, such as Asia and Latin America this has meant implementing successive fiscal adjustments. The EU agreements, which do not include a common fiscal policy, prevent member countries from taking the traditional approach to such situations, namely devaluing their currencies.

However, this orthodox structural adjustment program aimed at stabilizing the markets yet again calls into question the sovereignty of democratic governments when it comes to designing and executing economic policy. Spain's own plans to cope with the crisis have been given a low priority, suspended or postponed, and now depend on the speculators.

Labour reform

In the early months of 2010, after negotiations with its social partners had broken down, the Government brought a labour reform bill before Parliament. This legislation, which is still in negotiation with the political parties, involves measures to reduce the duality in the labour market stemming from the prevalence of temporary employment. In the previous period of economic expansion this feature of the economy enabled Spain to generate more jobs than any other country in Europe, but in the current crisis it has meant the country has lost more jobs, and more quickly, than anywhere else in the EU.

The question is whether to handle this dual system by extending social security coverage to include seasonal and precarious workers or to reduce that protection for workers on fixed contracts. The new bill would reduce the cost of making people on fixed contracts redundant and make it more expensive to lay off seasonal and temporary workers. This move to make it cheaper to dismiss workers is a response to the most persistent demands of the employers, who justify the high rates of temporary employment

1 Instituto Nacional de Estadística. Available from: <www.ine.es/daco/daco42/daco4211/epa0110.pdf>.

2 ECOFIN is part of the Council of Europe. It is made up of the Economics Ministers from the 27 EU member countries. It has budgetary powers, and in this case the ministers in charge of the budget also attend.

3 "Las nuevas medidas con las que el Gobierno quiere ahorrar 15.000 millones," *El país.com*, 12 May 2010. Available from: <www.elpais.com/articulo/espana/nuevas/medidas/Gobierno/quiere/ahorrar/15000/millones/elpepuesp/20100512elpepunac_5/Tes>.

by pointing to the high costs involved in the fixed contract alternative.

The unions have been very critical of the proposed reform because extending the grounds for legitimate dismissal and making it less expensive in terms of compensation would erode and damage labour rights, and it would also give employers more room to manoeuvre and unilaterally modify some labour contract conditions. All in all, the reform is in line with the liberalization of labour market management and would most likely result in making all forms of employment more precarious.

ODA stagnation

The Zapatero Government's first legislative session saw a spectacular increase in funding for ODA, which jumped from 0.23% of Gross National Income (GNI) in 2004 to 0.45% in 2009,[4] and for the first time Spain's contribution was above the average for the EU member countries. In addition, the subject of cooperation was linked to basic agreements on the international development agenda including the pursuit of the Millennium Development Goals (MDGs), the promotion of a new active, democratic multilateralism, and the emphasis on sustainable development, gender equality and human rights.[5]

It was the first time that a Spanish President had made a public commitment to combat poverty on the international level, which gave cooperation policies a visibility and importance that was unheard of in Spanish democracy. There was an effort to link this commitment to the persistent demands of Civil Society Organizations (CSO), with the announcement that by the end of the Government's second term the country would be allocating 0.7% of its GNI to ODA. In December 2007, Non-Governmental Organizations (NGOs) saw a large part of their demands satisfied when all the political parties in Parliament signed the State Pact against Poverty.[6]

However, in 2008 the trajectory of budget increases began to encounter roadblocks, very probably due to a reluctance to improve the professional capabilities and structural problems of the State in sections responsible for managing policy for international development cooperation.

Inertia in cooperation for development

The initial surge to undertake reforms seemed to run out of steam very quickly. One of the initiatives that failed was a limited reform to the statutes of the Spanish Agency for International Cooperation for Development,[7] which should have established a new management model adapted to the requirements of an ambitious and coherent policy for cooperation for development. But important political forces and wide sectors in the administration itself still do not see cooperation policy from the perspective of an effort to construct global public goods, that is to say as an effort that is independent of the country's interests as represented by the foreign diplomatic service and by the State's commercial technicians.

Cooperation policy and the international human development agenda require a new direction in the State administration and new arguments for international development that leave behind the traditional thinking based on competition or strategic or diplomatic rivalry.

Spain's role in international development

In 2010, after several years of delay, the Government tabled a bill to reform the most controversial aspect of its international cooperation system, the Development Aid Fund (FAD), which uselessly tried to link subsidies to promote Spanish exports with the development objectives of the aid recipient countries. The FAD had been planning a series of projects that could hardly be considered part of local development strategies and that have been shown to be ineffective because they serve only the interests of a small group of Spanish exporting companies that lobbied for public subsidies to underpin their operations or sales abroad. And this is ultimately paid for by the receiving countries in the form of increased external debt, because the instrument was constituted as a credit fund that required a sovereign guarantee.

The Government was unable to impose its coherent vision of an international development agenda and, like the biblical King Solomon, decided to split the problem in half. It set up one repayable instrument for development cooperation activity (called FONPRODE) and another credit instrument exclusively to subsidize exports from Spanish enterprises (FIEM). This kind of aid for exports is prohibited under EU regulations because it is considered unfair competition for companies in other countries in the Union, but the Helsinki Agreement does allow exceptions so long as the receiving country has lower levels of development and that the loans granted include some kind of concessionary package.[8] But, in fact, this is a fallacy and an excuse to justify each donor using tools that help its exporting enterprises.

Spanish social organizations have joined forces and advanced proposals to impose development criteria to limit the new measures. Some of these measures are designed to stop these loans from swelling the foreign debt of highly indebted poor countries, which would contravene international agreements. Others are aimed at halting operations with these funds that do not comply with international conventions to foster labour rights and environmental protection, or that serve to subsidize exports of weapons or military or police equipment. The main resistance to the introduction of these controls has come from sectors of the administration apparatus and from within the Government itself.

In these times of economic crisis the Government has missed a wonderful opportunity to regulate the operations of Spanish enterprises abroad as contributors to international development. This route has been rejected in favour of a vision of improved competitiveness based on reducing counterbalances and regulations to a minimum.

The old vision has returned

The ODA panorama is bleak. In the country's two last budgets, allocations for international cooperation stagnated,[9] the Government has announced a reduction of 800 million euros in the next two years and has acknowledged that the 0.7% of GNI target will have to wait until 2015 at least, and even then will only be attained if economic conditions improve.

Quite apart from the direct effects of budget cuts, social organizations are claiming that this announcement amounts to a reversal of policy and a return to considering international cooperation as a means of subsidizing Spanish enterprises, which is to say as a luxury in times of economic bonanza and growth. Thus instead of considering anti-cyclical policies as ways to create alternatives in times of slowdown and seeing the possibilities that international cooperation offers in terms of brining change to productive systems and models, the Government has revived the old orthodox neo-liberal vision whereby the deficit and public spending must be cut to cater to the systems and needs of those who really rule. ■

4 Declarations by the Secretary of State for International Cooperation, Soraya Rodríguez, at the inauguration of the 5th International Forum on Democracy and Cooperation in Cáceres, Extremadura, in June 2010. Available from: <es.noticias.yahoo.com/9/20100628/tes-espana-incrementa-su-aportacion-del-3388ffc.html>.

5 There was a notable profusion of program and policy documents in that period. The overarching plans, sector strategies and specific programs had to be reformulated. At the start of that legislative period the old Planning and Evaluation Office was replaced by the General Direction of Planning, which has far greater scope and resources.

6 See: <www.coordinadoraongd.org/index.php/contenidos/index/id_contenido/4159>.

7 This was passed almost without dialogue with the social partners at the end of the legislative period. There was a minimal change to the organization's name, a "D" for Development was added, and in some way the new body consolidated the predominant role of foreign service management positions. The only changes in the organigram were the appearance of departments to deal with mainstreaming, political priorities and operational programming linked to the new quality agenda.

8 The degree of concessionality of a loan is directly proportional to the advantages it offers to those who receive it with respect to those that advance credits in the market.

9 See "La Reforma del Sistema de Cooperación español en tiempos de crisis" in the 2008 annual report of Plataforma 2015 y más. Available from: <www.2015ymas.org/spip.php?rubrique23&entidad=Textos&id=6506>.