

## The challenge of consistency



In the last year Rodríguez Zapatero's government has taken measures that amount to progress in international cooperation, but although it is half way through its first term it is still faced with the challenge of progressing from a policy of cooperation in development to a policy of support whereby the needs of poor countries are no longer subordinated to Spanish commercial interests.

Intermón Oxfam  
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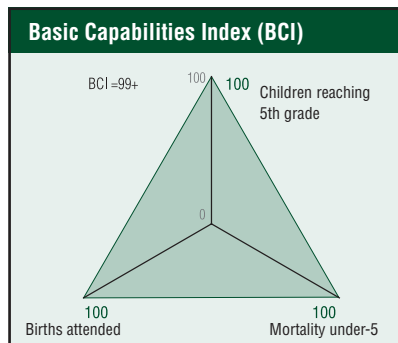
The Government has demonstrated its support for international cooperation by making commitments to increase funding for official development aid (ODA) and to forgive foreign debt and exchange debt for education.

However, there is still a lack of direction and the necessary coordination to make this progress in the ambit of international cooperation consistent with other essential aspects of development like investment policy, agricultural policy or international trade.

### ODA: Progress and conditioning factors

The present government has made a commitment to raise ODA to 0.5% of GDP by the end of its mandate in 2008. The Spanish Socialist Workers' Party (PSOE) has promised that, if re-elected, it will increase aid to developing countries to 0.7% of GDP by 2012. If it does so it will have honoured the commitment it reiterated before the international community in 2002 at the Monterrey Conference on Financing for Development.

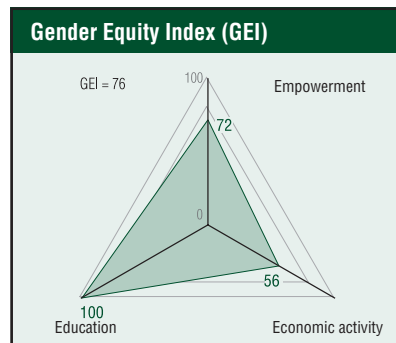
- According to data from the Development Aid Committee (COD in Spanish) of the Organization for Economic Cooperation and Development, in 2005 Spain allocated USD 3,123 million to ODA, equivalent to 0.29% of its GDP.
- According to the Annual International Cooperation Plan, in 2006 ODA will be increased to some 3,234.96 million euros, or 0.35% of Spain's GDP.
- In the light of these commitments and figures, civil society organizations have recognized that the budget for international cooperation is considerable. Significant progress has been made, especially when compared to previous years (in 2004 the figure was 1,985.01 million euros or 0.24% of GDP).



However, Spanish aid to developing countries is still subject to conditions, so it is still a battleground for civil society organizations. On several occasions the Development Aid Committee has urged Spain to sever the links between official credits granted by the Development Aid Fund (FAD in Spanish) and the acquisition of Spanish goods and services. These links mean that Spanish aid operates as an instrument to internationalise Spanish business, so it should not be considered ODA.

According to the Spanish Cooperation Directing Plan this instrument will be re-structured before 2008, but so far, as of the middle of 2006, no visible progress has been made to do so. It would seem that yet again the good intentions of the State Cooperation Secretariat have been blocked by the barrier of Spanish economic and trade interests, which are stoutly defended by the Ministries of Economy and Trade. Studies of the FAD show that, when it comes to granting these credits, Spanish business interests are still given priority over development objectives (see Intermón Oxfam, 2006 *Créditos FAD: el debate que nunca llega y Renovarse o morir. Por qué la reforma de los créditos FAD no puede esperar*).

This mechanism of granting credit subject to conditions operates even when Spain sends help to countries in emergency situations. After the tsunami disaster in Southern Asia in December 2004, Spain announced on the international stage that it was making nearly 71 million euros available to help alleviate the effects of the catastrophe. Of this sum, 50 million euros (more than 70%) was made up of FAD credits, which would have been tantamount to creating foreign debt. It is no surprise that most of the countries in question declined this offer of what was purported to be emergency aid.



### Commitments to forgiving and exchanging debt

The way that foreign debt is managed is at an interesting stage, and a new law about this is going through Parliament. In July 2005 the Council of Ministers announced new commitments to forgive debts of heavily indebted poor countries, and the Government has begun to explore ways of exchanging debt for education as a mechanism to finance development.

According to the new bill that is currently before Parliament, Spain will try to deal with the situation of the most impoverished and indebted countries by unilaterally forgiving the maximum amount of debt permitted under prevailing legislation in this area. At the time of writing, an announcement was expected of additional commitments to effectively forgive the maximum possible amount of debt and to take concrete measures to put into practice the political will reflected in the bill.

The bill is an attempt to lay the foundations for handling the foreign debts that other countries have with Spain in a more transparent way, and make public the information that the Government will have to submit to Congress every year. It will also give various social and economic actors in the debtor countries a wider role in the design of programmes to exchange debt, and try to give support to the economic and productive fabric in those countries. The provisions of this law constitute a definite step in the right direction since, up to now, agreements between Spain and her debtors to exchange debt for development have made such exchanges conditional upon the purchase, whenever possible, of Spanish goods and services to carry out the projects in question.

Another point that civil society organizations have raised, and that the Spanish bill is designed

<sup>1</sup> In cooperation with Alberto Casado (Ayuda en Acción) and Marina Navarro (Global Campaign for Education).

to cater to, is that debt relief strategies should be accompanied by measures to safeguard the developing countries from falling back into debt. The new law contains a commitment to reform the FAD instrument within a year. This should make it possible to put an end to the paradoxical situation of Spain forgiving or exchanging debt and at the same time contributing to the creation of new debts by continuing to channel a large part of its foreign aid credits through the FAD (as has happened in its dealings with Honduras and Nicaragua for example).

Managing foreign debt in this way should serve to resolve the contradictions between development policies and the commercial and economic practices that the government is also promoting.

At the 15th Ibero-American summit of Heads of State in November 2005, Rodríguez Zapatero announced that the General Ibero-American Secretariat would be implementing programmes to exchange debt for education. In July of that year the Government made a public commitment worth 356 million euros to finance the exchange of debt for public investment in highly indebted poor countries.

In this year commitments have been announced, or exchange treaties signed, with Bolivia for USD 62 million, Ecuador (USD 50 million), El Salvador (USD 10 million), Guatemala (USD 10 million), Honduras (USD 138 million), Nicaragua (USD 39 million), Peru (USD 22 million) and Uruguay (USD 10 million).

### **New multilateral funding instruments**

When it comes to new commitments using funding instruments managed in the multinational sphere, Spain's performance is a mixture of good and bad.

#### *The Fast Track Initiative*

In 2005 for the first time the Government made a firm commitment to the Education for All - Fast Track Initiative (FTI). Up to 2008 Spain is to make an annual contribution of EUR 5 million to the FTI Catalytic Fund, and in 2006 the Government announced that it was supplementing this with extra disbursements to Honduras (EUR 10 million), Vietnam (EUR 2 million) and Mozambique (EUR 1 million). In the 2005-2008 period Spain will make good on her most urgent commitments to education to the tune of EUR 33 million. This is good news, but the figure involved still falls a long short of the EUR 50 million that the coalition World Campaign for Education claims the country should pay.

#### *The Fund against AIDS*

Spain is committed to contributing USD 100 million in the 2003-2006 period to the Global Fund for the Fight against AIDS, Tuberculosis and Malaria, which amounts to about 50% of the Spanish aid to fight AIDS that goes through multilateral organizations. The average donation to the Fund is USD 25 million per year during the four years. Besides this, in September 2005, when making its payments to the Fund, Spain publicly made a new commitment to donate USD 100 million between 2007 and 2009.

Although these contributions are an improvement on previous years, the amounts involved fall short of what is considered equitable in function of Spain's per capita income. It is estimated that, to arrive at a "fair figure", Spain should pay USD 75 million for 2006 and USD 90 million for 2007 (Ayuda en Acción, 2006).

#### *Immunization*

The International Finance Facility for Immunization (IFFI), which was launched in 2006, is a new funding instrument whose aim is to provide sufficient funds for vaccination programmes against measles, polio, tetanus, hepatitis B and diphtheria in developing countries over the next ten years. The IFFI will double the resources of the Global Alliance for Vaccines and Immunization, which in the last five years has vaccinated more than 78 million children all over the world.

This year Spain, along with France, Italy, the United Kingdom and Sweden, announced they were implementing a plan that would make USD 4,000 million available for investment aimed at saving the lives of 10 million children before 2015.

In the hope that this sum will in fact be paid and a timetable for the Spanish contributions set, the development NGO has expressed satisfaction at this announcement.

#### *The new air tax*

Another new instrument for financing development that was unveiled in 2006 is a tax on aeroplane tickets. The French government led the way with its decision to levy a tax of between 1 and 40 euros on every air ticket. The aim is to generate some 210 million euros per year for the purchase of medicines for people in southern countries. This measure was approved by the United Nations, but not many countries have joined the scheme.

The Spanish government's reaction was that it felt the air tax would distort markets. The tourist and hotels sector (the country's largest economic sector in terms of contribution to GDP) put pressure on the Government not to adopt this measure as it was considered to be prejudicial to business interests in the country. The tourist sector even went so far as to demand that Spain's representatives in Brussels should resist the introduction of this measure in the European Union, arguing that "any fiscal measure could have a "weakening" effect on the number of passengers and flights, and ultimately on reaching tourist income targets." (Europa Press, 31 May, 2005). Spain eventually opted to oppose the new air tax at the meeting of European Union finance and economy ministers in Manchester in June 2006.

#### **Unfair international trade**

The 6th Ministerial Conference of the World Trade Organization (WTO) was held in Hong Kong between 14 and 18 December 2005, and, for the first time, the Spanish government allowed representatives from employers' and workers' organizations and from NGOs to join Spain's official delegation. This was a

step towards greater transparency, wider participation, and openness to dialogue with social agents.

However, civil organizations are in agreement that Spain's stance at the Hong Kong Conference was not consistent with the Government's commitments in the fight against poverty. This position might have been at least to some extent softened if the Secretary of State for International Cooperation had been represented in the official delegation.

In the debate about eliminating agricultural subsidies for exports, which was one of the most important points on the Conference agenda, Spain lined up with the European Union countries that were most resistant to change. She took a similar stance in the debate about opening markets to the countries of the South, a step which is essential if those countries are to develop. Although a commitment to eliminating export subsidies was finally made, this measure will be delayed for eight more years, which means that many small producers from the South will be forced out of the market. Therefore there is no way that Spain's position in the negotiations about agriculture can be seen as consistent with the Government's repeated assertions that the country is committed to the fight against poverty.

There has been one exception to the country's hard line stance. In the 2005 negotiations about reform in the sugar sector Spanish interests happened to coincide with those of sub-Saharan Africa; both were in favour of retaining a system of quotas and guaranteed high prices. Although Spain's position on this question was based on catering to the interests of the Spanish sugar beet producers, for once she supported a policy that was not damaging to countries in the South.

In Hong Kong neither Spain nor the European Union as a whole supported the developing countries' interests in the negotiations about services. This question involves the liberalization and privatization of basic social services like education, health, energy and the provision of potable water, which are all vitally important for reaching the Millennium Development Goals, which Spain has made repeated public commitments to support.

In spite of systematic and explicit opposition from the G90 group (the poorest countries in the WTO), the Services Negotiations Committee is still trying to push through a resolution that would result in multilateral negotiations in which the Southern countries would have less chance to defend their own interests.

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## PERU

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But the road ahead is still long and difficult. There has been some progress and there is a climate of rejection for the economic and political system, but the movements for concerted action that have sprung up are lightweight compared to the whole framework of economic, coercive and symbolic power that perpetuates a system that is unjust and intolerable for the majority of Peruvians. ■

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## PHILIPPINES

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### Additional sources of financing

Social Watch Philippines does not limit itself to exposing problems in financing for social development. It has analyzed the budget rigorously and has identified specific expenditure items which can be utilized for social development, such as the special purpose funds of the President, the unprogrammed funds in the budget, and the pork barrel allocations to legislators. It has also proposed revenue sources other than regressive taxes, as well as measures to improve revenue administration. At present, it is working closely with selected legislators towards a more people-oriented budget. It continues to monitor the country's debt and works with the UNDP on feasible solutions.

The Philippines' financial problems are formidable. Social Watch Philippines continues to campaign for the interests of poor Filipinos through mass actions, information campaigns, rigorous research and the formulation of viable alternatives. ■

## ROMANIA

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Since 2005, NGOs have been involved in the process of developing a Romanian platform of non-governmental development organizations (NGDOs), within the framework of TRIALOG, a project of the European NGDO platform CONCORD (the European NGO Confederation for Relief and Development). Throughout 2005 and 2006, NGOs were involved in the elaboration of the National Strategy for Development Cooperation drafted by the Ministry of Foreign Affairs (MFA).

The priorities for NGOs in this respect are to ensure that the Government meets its commitments with regard to ODA expenditure levels, and that ODA spending is based on genuine partnership with communities in the beneficiary countries, addressing their specific needs and respecting their concerns. Another focus is on building capacity for civil society to become more aware and to engage more actively in the field of international development and humanitarian aid. Due to the lack of previous interest in this area, a considerable amount of effort has to be dedicated to increasing public awareness through development education campaigns. ■

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## SPAIN

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It is clear that Spanish trade policy is still operating exclusively to promote the interests of Spanish enterprises and strategic sectors, and this leaves little room for manoeuvre when it comes to adopting policies to support the Southern countries in line with agreed plans for international cooperation. Probably the biggest challenge facing the Spanish government in this sphere is how to change this trade policy, but it has to be changed because this is the only way Spain can progress from cooperating in development to actively fostering development.

### Conclusions

The Spanish government has made an economic contribution to international cooperation for development, and it is increasingly showing signs that it will back up its declared political intention to help the countries of the South. This is certainly an improvement on the policies of previous governments and it is a good sign, but not enough is being done.

What is needed is a courageous and far-reaching reform in foreign policy so that the extremely urgent needs of developing countries will no longer be subordinated to Spanish economic interests, and this involves a lot more than mere political posturing or a percentage increase in the development cooperation budget.

The present government has raised high hopes not only among civil organizations in Spain but also on the international stage. Now it is time to move on from gestures and take real effective action. If development is to be fostered, there is still a lot to be done in spheres like agricultural, investment, trade and development policies. And this applies not only inside the country but also in the international ambit, where Spain has the opportunity to follow through on her commitments and pull her European partners in the same direction. This is the least we might expect from one of the members of the Quintet Against Hunger and Poverty.<sup>2</sup> ■

2 A joint initiative on the part of Brazil, Chile, Spain, France and the United Nations aimed at cutting poverty indicators by half before 2015.

## THAILAND

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### Civil society's proposals

There should be public participation in the budget process at all levels. People must be provided with more information and increasingly take part in national financial management. At the same time, horizontal networks of financial management for public welfare must be expanded in earnest.

Every effort should be made to promote a widespread and effective social welfare system, as well as the passage of the National Health Security Act to ensure that all Thai people will be equally entitled to health services. ■