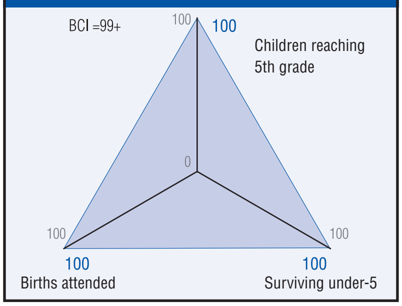
■ SPAIN

Weaknesses and new rights

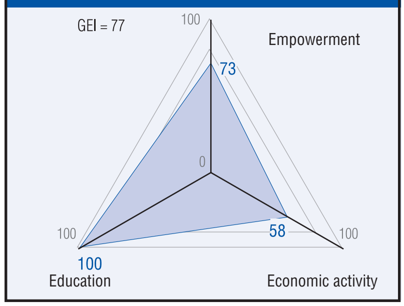
In Spain, per capita social expenditure is below the average for the 15 EU member countries before the 2004 expansion (EU-15), and the government has to face the challenge of closing this gap. Since 1998 the country has accumulated a social security surplus, which is a compelling argument against proposals to privatize social insurance and thus divert resources from the public treasury. In the social sphere, new rights such as those of people who are dependent on care have been recognized, but it will be difficult to implement measures to satisfy these new demands.

Plataforma 2015 y más[1]
Pablo José Martínez Osés

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



One of the basic pillars of Spanish social security is that it is universal, and provides access to contributory and non-contributory pensions for all. The system is based on compulsory contributions to a common fund, and benefits are paid in accordance with different categories based on labour and personal circumstances. In 1995 the government signed the Toledo Agreement (still in force), which established the separation of funding sources; this means that contributory pensions are financed from contributions and non-contributory pensions from the general state budget.

However, comparisons with the figures for the 15 members of the European Union before the 2004 enlargement of the bloc (EU-15) reveal certain weaknesses in this social protection system. Spain is still enjoying greater economic growth than the European mean, and average wealth as income per capita stands at 91% of the average for the EU-15.[2] But social spending per capita is only 62% of the average for these 15 countries. According to EUROSTAT (2006), in 2003 Spain allocated 19.7% of its GDP to social protection, while the figure for the EU-15 group was 28.3%. Expenditure for the most vulnerable sectors (the elderly, the disabled and the very poor) comes to only 9.8% of GDP, which means Spain is second to last in the EU-15 ranking. In contrast, Sweden allocates 17.6% to this sector, and Germany 14.7%.

The amounts that are actually paid in social security pensions follow the same pattern. The average contributory pension in Spain comes to only 68% of the EU-15 figure, and non-contributory pensions stand at only 46% of the average for the EU-15.[3]

The debate about the viability of the social security system

There is concern in Spain, as there is in the rest of Europe, about how financially viable the pension system will be in the decades to come, given that the population in general is ageing. The so-called demographic dependency ratio[4] could rise with the increase in life expectancy, and this would mean that contributions from the active population would be insufficient to cover the costs of the system. The European Commission has issued statements to this effect,[5] warning of the danger of the system collapsing, and it is coordinating an exchange of information among EU countries about reforms to European pension systems.

But what is involved here goes beyond just bringing the amounts paid and the coverage provided in the Spanish system up to the levels of the European average. Another related aspect of the situation is that private business sectors close to the spheres of power (Sáez and Taguas, 2007)[6] are promoting the idea that pension reform should involve the privatization of social insurance. The proposal is to replace the present payments system with an individual capitalization system in which each working person would subscribe on an individual basis to a private pension plan. In fact, private pension plans that are voluntary and complementary to the universal public system – and that involve tax incentives – are already in operation.

These proposals would mean gradually extending privatization, and the suggestion is that public protection should be reduced to a common minimum while two other systems (one compulsory and the other voluntary) involving individual capitalization with private organizations would be set up. Besides this, there is also a move to raise the retirement age from 65 to 70. These changes would open the door for banking organizations, savings funds and life insurance companies to get their hands on this enormous goldmine of resources that is currently administered by the public treasury, and the usual arguments about greater profitability and efficiency have been used to support this idea (Navarro, 2007).[7] However, these proposals run counter to the recommendations of the above-mentioned Toledo Agreement, and they are not accepted by the present government or stakeholders.

A bill was brought before parliament recently proposing that the reserve fund of the pension system (which is fed with surpluses from the social security fund) be quoted on the stock exchange and be administered by private financial organizations, in line with principles of security, profitability and social, economic and environmental responsibility.

These proposals threaten to undermine a mechanism that helps to guarantee social rights and foster the redistribution of income, and they ought to be duly examined and responded to. In spite of the frequent predictions that the pension system is headed for collapse, the fact is that since 1998, the Spanish social security system has actually accumulated a surplus. There are various reasons for this, including a massive influx of women and immigrants into the labour market, which has the capacity to absorb even more. If women's participation in the

1 *Plataforma 2015 y más* unites the efforts of 14 Spanish non-governmental development organizations (NGDOs) working to raise awareness and promote change in international policies. It is a member of the Spanish Social Watch coalition. <www.2015ymas.org>

2 From 79.4% in 1997.

3 Both comparisons take account of the amount of pension received by retired persons in comparable situations.

4 The ratio of the population under 15 years of age and 65 and older to those aged 15 to 64.

5 For example, COM (2001) 362 final, of 3 July 2001.

6 David Taguas is currently in charge of the Economic Office of the Presidency of the Spanish government. The same idea is dealt with in an editorial in *El País*, "Augurios de crisis", 12 February 2002.

7 Vicens Navarro holds the Chair of Public Policies at the Pompeu Fabra University, Barcelona, Spain.

Spanish economy was at the level of the European average, nearly three million more women would join the labour market as new contributors. It follows that if the government invested in programmes to promote the labour insertion of women and immigrants, this would serve to consolidate the present pension system.

The argument about increased profitability is clearly questionable, since numerous studies have shown that the costs of running private individual capitalization systems are much higher than those of public social security, and what is more, the cost of a changeover from one system to the other could amount to as much as 10% of GDP.

In response to this pressure for privatization, even if we accept the prediction that the pension system will eventually collapse, there are other alternative ways to ensure that it will remain viable in the future. The tax burden in Spain (the percentage of taxes over GDP) is still among the lowest in the EU-15 countries, so income from this source could be increased – preferably in the form of progressively incremented income taxes, since this contributes to the redistribution of wealth. Another measure could be to promote a lengthening of active labour life beyond the age of 65 with the option of flexible timetables for those who wish to continue working.

New rights, new challenges

New laws have been enacted in Spain recently to permit same-sex marriages and to effectively ensure equality between women and men; these broaden the recognition of rights and incorporate measures for 'positive discrimination'. Meanwhile, in November 2006, Congress passed the Law to Promote Personal Autonomy and Care for Persons in a Situation of Dependency (the Dependency Law) which covers care for the elderly and people living with serious disabilities who find it difficult to cope for themselves in everyday situations. This sets up a scale for evaluating the seriousness of cases of dependency so that support can be provided. Thus, with the Dependency Law, Spain is recognizing a new right that is universal, subjective and completely effective: the right of people who cannot look after themselves to be cared for by the state. In addition, remuneration will be paid for services that up to now have usually been 'invisible', tasks involving family care that fall mainly to women (and also immigrants) and which are not given a valuation in the sphere of work. This law has been called the fourth pillar of the welfare state, but in fact it only amounts to a part of that pillar, which also consists of other social services.

The Dependency Law is important because it recognizes a right for 1,125,000 people (IMSERSO, 2004), and this figure will undoubtedly rise in the years ahead. Implementing the law means a whole series of big challenges will have to be met, particularly since social and health care services are very decentralized. This will involve not only economic transfers, some of which have already been enacted, but also mechanisms for interregional coordination and support, which have been poorly developed up until now.

PROGRESS MADE AND CHALLENGES PENDING IN DEVELOPMENT COOPERATION IN 2006

Intermón Oxfam
Isabel Kreisler

According to data from the Development Assistance Committee (DAC) of the OECD, in 2006 Spain increased its official development assistance (ODA) by 20.3% over the 2005 figure. This is a significant rise, and it confirms the upward trend in Spanish foreign assistance and the country's commitment to reaching the Millennium Development Goals. Spain's contribution of EUR 3.03 billion (over USD 4.12 billion) put it in eighth place in the ranking of donor countries. In relative terms, this came to 0.32% of gross national income (GNI) in 2006. For the first time Spain contributed more than the mean for DAC donors (although total DAC assistance fell by 5.1% against the previous year, the first ODA decrease since 1997).

These data showing a quantitative increase in ODA are a good sign, but two serious reservations must be borne in mind. First, Spain has not complied with its own timetable for increasing ODA, in which a figure of 0.35% of GNI was set for 2006 as a prior step to reaching 0.5% in 2008. Nor has it complied with the commitment agreed by the European countries to allocate 0.33% of GNI to international cooperation in 2007 (having fallen short by 0.01%). Second, as is the case with the other donor countries and as has happened in previous years, the official figure for ODA has been inflated by debt forgiveness operations. If we considered these amounts separately (as the donors themselves recommended in 2002 in the Monterrey Consensus), Spanish ODA in 2006 would be only 0.28% of GNI.

For Spanish cooperation agencies, another significant development in 2006 has been the large sums contributed to international bodies, mainly to the United Nations system. Again, while this demonstration of a commitment to multilateralism on the part of the government is welcome, the question arises as to whether it can sustain these payments and whether it can obtain guarantees that this assistance is used in the most effective way. What the government has done amounts to handing over a blank cheque without any pre-established strategic framework to supervise how the funds are employed. All in all, the quality of Spanish ODA is still an area that needs serious attention.

Some progress has been made. Like the rest of the DAC donor countries, Spain has formally adopted the commitments stemming from the Paris Declaration, and it has developed sectoral strategies which should help to improve how assistance is managed in the near future. However, as regards the quality of assistance, it is still very worrying that new foreign debt is being generated through mechanisms that are long overdue for reform like Development Assistance Fund (FAD) concessionary credits that are linked to exports by Spanish companies and are counted as ODA, or the Spanish Export Credit Insurance Company (CESCE) credit insurance schemes.

If the government is to make good on its commitment to international cooperation, and if a coherent development policy is to be sustained, these instruments need urgent reform. Future increases in ODA will have to be met by consolidated expenditure from the national budget and not depend on volatile expedients like forgiving foreign debt or the ability of debtor countries to repay credits, which is how Spain's obligations to multilateral bodies are being discharged at the present time. ■

The law will be implemented progressively, beginning in 2007, until the entire dependent population is covered in 2015. This will call for budget allocations that will amount to more than EUR 12 billion (USD 16.34 billion) by the end of the eight-year cycle, which is slightly more than 1% of GDP. Successful implementation of this commitment will require far-reaching political and regional agreement.

The new law might expose the fact that, in Spain, there is a serious lack of infrastructure adapted to the needs of this population sector, and unfortunately there is no commitment in the offing to make this kind of investment.

Cooperation for development: pending consolidation

In 2006 Spanish official development assistance (ODA) continued to increase, and efforts to gear aid to the fight against poverty continued. In addition, at the end of the year the Foreign Debt Law was enacted, which linked some elements of debt management to the fight against poverty. This law ought to be applied promptly to consolidate its provisions, mainly those that have to do with modifying the mechanisms that generate foreign debt, namely the Development Assistance Fund and the Spanish Export Credit Insurance Company (CESCE).

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ROMANIA
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Giving back meaning to the right to social security

During Romania's transition from a socialist to a market economy and preparation for EU accession, Article 22 of the Universal Declaration of Human Rights has been lost along the way. Today, the phrase "Everyone, as a member of society, has the right to social security" seems emptied of any meaning for most of the population. Although social protection represents a critical need for most of the people, it is no longer perceived as a right. It has been taken off the public agenda, and is absent from the political agenda. It is in this context that civil society is called on to act and promote debate over social security as a right, and therefore an essential priority around which public policies must be created at the service of a healthy society. ■

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Nevertheless, despite the evident negative effects of the transition on the population, the government's efforts are still much more focused on attracting foreign investment, building the market economy and protecting the interests of the newly established capitalist class, than on protecting, fulfilling and safeguarding the attained level of economic and social rights as prescribed in the ICESCR and the new Constitution. ■

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The government has also put into operation and strengthened new instruments in line with the recommendations of the 2005 Paris Declaration of the Organization for Economic Cooperation and Development (OECD). The initiatives to convert debt into development projects and direct support for national budgets in countries that receive aid should be intensified and extended to more countries, and greater social control and participation in how these budgets are oriented and executed should be promoted. These kinds of measures can make a direct contribution to much-needed investment in basic social services, which is something governments in developing countries must do if they are to progress towards the Millennium Development Goals set in 2000.

It is less than a year since important legislation for Spanish development assistance was concluded, and action must be taken to promote some basic measures so that the trends that were initiated should not be merely transitory. It has become urgently necessary to impose regulations (which people have been demanding for some time) to sever the links between economic and commercial interests and Spanish foreign assistance, and to thoroughly overhaul the system through which Spanish cooperation is managed (the Spanish International Cooperation Agency). Almost the only step taken in this reform so far has been to announce it, and there will have to be a commitment from various ministerial departments to inaugurate structures for political and strategic guidance that is well prepared and coherently coordinated, so as to achieve solid cooperation. The challenge is to consolidate a new dimension of cooperation and executive action on the political stage. In this reform Spain is seeking to permanently consolidate what have been isolated innovations up to now. ■

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