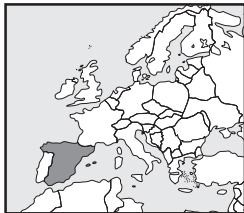


A priority debate postponed

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Since the mid-1980s, the successive governments have promoted privatisation as an instrument of either financial or public policy. So far, state bodies have shown little will to measure the social impact of this process – either in Spain or in Latin America, where Spanish capital has had an active role. It is urgent to increase public expenditure and redirect public resources to areas where they will be most likely to bring about redistribution of income and opportunity.

Little evaluation of social impact

Since the mid-1980s, the successive Spanish governments have promoted privatisation as an instrument of either financial or public policy.¹ More and more sectors have been privatised. The process is still at an early stage in the Basic Social Services (BSS), but the lack of assessments of the effects of privatisation on society – and particularly on its most underprivileged groups – shows the scant attention paid by public bodies to the social repercussions of their policies. We urge these bodies to carry out a study of the impact of the privatisation processes launched to date, and to make prior impact assessments that will facilitate democratic decision-making before implementing any future agreements. If there is a political will, the direction of future policies may be changed.

The present report refers to two dimensions of private sector participation in the provision of BSS.² In the national context, we analyse the progress the privatisation process has had in Spain over the past few years. In the international context, we describe the participation of Spanish companies in the privatisation of BSS in other countries, especially Latin America as the region receiving the greatest annual flow of Spanish investment.

The need to increase meagre social expenditure

The analysis of social service privatisation trends and their influence on poverty and exclusion needs to be framed in the context of guaranteeing basic social rights.

In Spain, expenditure on Social Protection in 1999³ was 20.0% of the GDP, 7.4% less than the average European Union expenditure. This difference has progressively increased since 1994, when the expenditure on Social Protection in Spain was 22.8% of the GDP, vis-à-vis the European Union average of 28.4%.

With a population of over seven million people, or 18% of the population in Spain, living under the poverty line (FOESSA Report on living conditions in Spain) and with progressive cuts in benefits in the public sector, many social organisations have called on the government to increase social public expenditure. Government spending on social programmes is one of the most important instruments available to the State to influence redistribution of income and to promote social equity. However, the government has chosen privatisation, starting with private management formulas, without any serious debate on the possible alternatives.

Privatisation, commitment, solidarity: an urgent debate

In September 2002, the new Minister of Labour and Social Affairs, Eduardo Zaplana, announced the decision to introduce joint management in some of the public services and social benefits. This formula had already been used to meet budget shortfalls in Public Health and Education, when they were transferred to the Autonomous Communities (the regions and nationalities) without the guarantee of sufficient resources to pay for them. The past record of public commitment to social services for the less privileged does not bode well for the future privatisation of other BSS. This is the case of services aimed at the homeless, a network with an overwhelming proportion of private service providers.⁴ Publicly owned centres amount to 21% of the total vis-à-vis 55% owned by religious institutions and 15% by other private sector groups. The weak presence of the public sector is even weaker if we consider the data regarding the management of each centre, as the publicly owned centres, especially the municipal ones, are often managed by non-governmental social bodies. According to this, the public sector is reduced to 14% with the private sector occupying nearly 80%.

In the field of public health, the Autonomous Communities had to resort to indirect taxes (petrol tax) to cover deficits. Also, private management of public health has increased considerably through arrangements with private companies to provide clinical services, including hospital management. In the field of education, arrangements with private schools have increased significantly. According to the analysis of the trade unions based on official data, the number of students enrolled in public schools drops 0.4% per year. Thus, between 1996 and 2002, public education has lost 2%, or some two million students.

The scarcity of public resources and the trend towards privatisation have a great impact on the ageing, who find themselves in «situations of dependency» because of age-related illnesses, and need more health services. Since 1996, the solution promoted by the present government has been to support private companies and initiatives, especially in the case of homes for dependent senior citizens, to better organise this «service market.» If we consider that nine out of ten «dependent» people are unable to afford a private insurance to cover such services – and that there is no public insurance available – the risk of their abandonment under such «privatising» solutions is imminent.

Therefore, we must discuss not only privatisation, but also commitment and solidarity. A state plan is urgently needed; not only to care for the homeless but to address poverty and exclusion in general, with defined budgets that allocate a higher percentage of the GDP to social expenditure. To defend human, economic and social rights of all citizens based on social interest, not economic profitability, the state needs to increase public expenditure and redirect public resources to areas such as education, health and nutrition, where those resources will be most likely to bring about redistribution of income and opportunity.

1 See: Germà Bel y Antón Costas, *La Privatización y sus Motivaciones en España: de Instrumento a Política*, Universitat Barcelona.

2 The concept of private sector participation in this article covers actions such as the sale of assets, sub-contracting of services, user rates and private-public associations.

3 According to Eurostat data, «Dépenses et Recettes», 1980-1999.

4 Pedro José Cabrera, *La Acción Social con Personas sin Hogar en España*. FOESSA-Cáritas. Madrid, 2000.

TABLE 1

Participation of Spanish companies in the privatisation of BSS in Argentina and Chile		
Investing company	Company receiving investment	Sector of activity
Adeslas Seguros de Salud	Hospitales Bazterrica	Health
Dragados y Construcciones	Aguas de Gran Buenos Aires	Water and waste management
Soc. Gral. Aguas Barcelona	Aguas Argentinas S.A.	Water and waste management
Soc. Gral. Aguas Barcelona	Aguas Provinciales de Sta. Fe	Water and waste management
Soc. Gral. Aguas Barcelona	Omaja	Water and waste management
Soc. Gral. Aguas Barcelona	Ormas ambiental	Water and waste management
Soc. Gral. Aguas Barcelona	Emos	Water
Iberdrola	Emp. Servicios sanitarios de los Lagos (Essal)	Sanitation services

Source: A. Arahuetes (2001) with data from Reuters, América Economía, Financial Times, The Wall Street Journal Americas, and the newspapers Expansión and Cinco Días.

Impact of Spanish companies in Latin American BSS

Seeking growth and expansion and better competition with leading companies in Europe, major Spanish companies in the 1970s started to enter Latin American markets, finding relatively low costs and good prospects for growth. Two decades later, with the increasing liberalisation of Latin American economies, the privatisation of state companies that provide basic services and public utilities,⁵ and projections on growth rates higher than those for Spain, Spanish companies developed their role in the provision of BSS in those countries.⁶ The focus was on water supply, sanitation, and health services and the majority of these investments were in Chile, Argentina and Bolivia. (See table 1).

The 30% participation of the Abengoa Company in the international consortium «Aguas de Tunari» to provide drinking water in Cochabamba, Bolivia, has been emblematic of Spanish investment abroad. Strong social movements denounced the shortcomings of earlier privatised concessions of drinking water services: the collapse of those concessions left the urban poor unconnected to the public network and generated risks to health, and the companies' lack of transparency. These protests, coupled with the deficiencies of the Drinking Water and Sanitary Sewage Law, caused both the abandonment of the water consortium and substantial changes in regulations.

This example shows that debate on the social repercussions of BSS privatisation assumes even greater importance in countries with high poverty and social inequality where, according to a recent assessment by UNDP, ECLAC and UNICEF, universal access to BSS had not yet been reached.⁷

The impact of the presence of Spanish companies in achieving social goals abroad will no doubt be determined by the role the State plays in the design, funding, provision and regulation of social services and by the way in which the State supports the capacity of consumers, workers and civil society organisations to express their views. The role of all these stakeholders, the attitude of private companies and the new forms of regulation and responsibility developed by the government and the country's political groups will be essential in guaranteeing universal access to these services and will determine the degree to which, at each stage, private interests back social equity policies.

Conclusion: the State should protect BSS from liberalisation

Therefore, we have underscored the role that the State can play, both in Latin America and in Spain, to ensure universal provision of social services. However, a broad analysis concludes that the General Agreement on Trade and Services (GATS) «could have devastating effects on the governments' capacity to alleviate the needs of their poorer and helpless citizens.»⁸ The social movements urge governments not to subjugate the people's social needs to political and economic interests, and demand that the former be the ones to dictate the rhythm and flexibility of service liberalisation agreements. Basic Social Services should not be part of any liberalising commitment and the governments should maintain the right to limit liberalisation in those key areas, for the sake of national development and the reduction of poverty.⁹ ■

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5 «Endesa launched internationalisation of its business in 1992, both for internal... and external... reasons, the need to seek markets in non-developed countries, the proliferation of deregulation and liberalisation initiatives...» Rafael Miranda, Endesa Councillor Delegate, «Estrategias de Internacionalización: la Experiencia de Endesa», ICE, No 799, 2002.

6 A. Arahuetes. *Las Inversiones Directas de las Empresas de Alemania, Francia, Italia, Reino Unido y España en América Latina en el Periodo 1990-2000*, 2001, and ECLAC, *La Inversión Europea en la Industria Energética de América Latina*, Series Seminarios y Conferencias.

7 A commitment taken on by the 20/20 Initiative, which aims at achieving basic social service coverage, as an essential goal to fight against the most extreme manifestations of poverty, ECLAC, *Equidad, Desarrollo y Ciudadanía*.

8 World Development Movement, «In Whose Service», London, 2001.

9 Oxfam Internacional, «Cambiar las Reglas: Comercio, Globalización y Lucha contra la Pobreza», 2002.