



TOPIC 11 | PUBLIC FINANCING OF PUBLIC SERVICES

Main Takeaways

- *In line with their human rights commitments, governments must provide quality public services necessary for the realization of people's rights—including to health, education, housing, water and sanitation.*
- *The social and economic crises triggered by COVID-19 have exposed the inequalities caused by privatization and increased momentum around an agenda for rebuilding public services.*
- *Key elements of this agenda include reclaiming the public management of public services; investing sufficient resources in public services; building greater support for progressive tax measures that can expand resources; and ensuring international financing supports public services.*

Why is this topic important in the context of COVID-19?

The past few decades have seen sweeping privatization of services critical to the enjoyment of economic, social and cultural rights. This is shown in the explosion of private actors in areas such as health, education, housing, water and sanitation. In Kenya, for example, there are four times the number of private schools there was 20 years ago.

Privatization describes increased involvement of the private sector in public services, which can happen in many ways—including changes in:

- **Ownership:** e.g. the sale of public assets.
- **Financing:** private capital, rather than public funds, resources a public service—e.g. through public-private partnerships.
- **Management:** private actors are given responsibility for overseeing a public service.
- **Provision:** private actors produce the goods for or directly deliver a public service—e.g. through outsourcing or public procurement.

This trend has its roots in the neoliberal tenet that private actors — competing for profit — are more efficient. For decades, the International Monetary Fund and World Bank have sought to limit public spending and conditioned loans and promoted policies that encourage privatization as a means to achieve development. The result is reduced revenue and cuts in public expenditure that hollow out public services—affecting women disproportionately.

Increased privatization raises a number of human rights concerns. Most often, it creates financial barriers to accessing services. The privatization of water services, for example, frequently results in unaffordable prices, limiting access to poorer households. In Guayaquil, Ecuador, prices increased 180% after water was privatized in 2001,

putting huge strain on people living in poverty. Crucially, privatisation also gives away control of services that are essential to democracy and resilient societies, such as education, to unaccountable private hands, and creates a culture of competition that hinders solidarity mechanisms.

The social and economic crises triggered by COVID-19 have further exposed the inequalities caused by privatization. This has fundamentally challenged the idea of private sector and market competition efficiency. Around the world, scandals related to the procurement of medical supplies and protective equipment have shown the dwindling quality and increasing costs that accompany privatization. Similarly, the mass closing of private schools has shown their unsustainability in times of crisis.

What is being proposed?

COVID-19 has increased momentum around an agenda for rebuilding quality public services, as a necessity for the most marginalized and for societies as a whole to respond to and recover from the pandemic. Key elements of this agenda include:

Reclaiming the public management of public services. Public services should be managed in the public interest, uninfluenced by commercial or other private interests. The [2019 Abidjan Principles](#) on the right to education promote this norm. They require that public services be truly transparent and democratically run by users or community members, not at the service of profit.

“Remunicipalization” – the transfer of services back to local authorities – is one potential application of this approach. In recent years, towns and cities across the world have reclaimed goods and services from private operators. Innovative service delivery models facilitate public ownership, financing,

management and provision at the local level. For example, Selangor, Malaysia successfully remunicipalized its water services, after years of poor private provision.

Investing COVID-19 recovery funds in resilient public services. In their immediate economic response to the pandemic, some countries have mobilized huge sums of public funding to invest in public health. For example, France has invested €8 billion in its national health system to fund equipment and compensation for health care workers.

Investment in public services should not be limited to short-term emergency measures, followed by a return to austerity. Governments should prioritize strengthening public services in the long-term. This can stimulate the economy and build resilience for future crises—including climate change.

Building support for more progressive taxation to fund public services. A number of proposals have been made for progressive tax measures to respond to COVID-19 (see [Topic 3](#) in this series). Generally speaking, the importance of tax revenue as a sustainable source of funding for public services is greatly underrecognized. Building broader understanding that public services are essential in tackling inequalities can, in turn, increase support for more progressive tax measures to fund them.

Ensuring international assistance supports public services. It is crucial that IFIs, bilateral aid agencies and other development institutions support countries to build strong, sustainable public services. Alarming, the IMF has already begun to lock countries into new long-term austerity-conditioned loan programs. It has promoted fiscal consolidation in 84% of its loans since the pandemic was declared.

International financial institutions must stop austerity and privatization measures that undermine people's access to essential services. Instead, they should support countries to increase their "fiscal space", meaning their flexibility to decide how they'll raise and invest public funds without jeopardizing their position in the global economy. They could do this by freezing investments in for-profit service providers, as the World Bank's International Finance Corporation recently did for education, and pledging to support public services—through collective initiatives such as the Finance in Common Summit.

What are the human rights arguments in favor of these proposals?

Most of the world's governments have signed up to binding international treaties that commit them to taking concrete steps to respect, protect and fulfill

everyone's socioeconomic rights, without discrimination. The scope of this commitment has been clarified through the work of national courts and United Nations experts, tasked with interpreting these treaties. There may be different ways to fulfill these rights. But, there is growing consensus that governments must, at the minimum, directly provide at least some public services.

Human rights law also sets out criteria that public services should meet. Services must be accessible and affordable—especially to marginalized groups. They must also meet quality standards and be responsive to the needs of those they serve. The way services are designed and delivered must be transparent and accountable, with service users able to meaningfully participate in decisions. Compromising the accessibility, affordability, quality and acceptability of basic services through privatization, by failing to put in place adequate measures for corporate accountability, breaches human rights obligations (see [Topic 5](#)).

Importantly, governments must invest the *maximum of their available resources* in fulfilling rights (see [Topic 1](#)). This obligation has three dimensions to it: how governments raise money; what they earmark money for in their budgets; and how allocated money is actually spent (and who it is benefitting). In line with this obligation, sufficient funding for the provision of public services must be guaranteed.

States' obligations also extend beyond their borders (see [Topic 2](#)). As part of their *extraterritorial obligations*, governments must cooperate internationally to support others fulfill human rights, including by delivering quality public services. They must also avoid conditions in loans or trade agreements that constrain the fiscal space other countries have to invest in public services.

Critical Questions

- ▶ How involved is the private sector in public services in your country?
- ▶ What percentage of the government's budget is allocated to specific public services? How does this compare to other budget items, e.g. debt financing?
- ▶ Has your government introduced a COVID-19 relief package? If so, does the package boost funding to the healthcare system and other public services?
- ▶ What initiatives are there in your country to transfer the management of services back to the public?