

Public services: rebuilding public delivery and financing of public services

Summary

In government Labour will establish a new unit for public services within DFID. It will initially bring together the department's existing funding and work on education, health and water, sanitation and hygiene (WASH) to ensure that it is coordinated and focused on strengthening the public sector in the countries where DFID works.

We will work in partnership with recipient country governments, like-minded ODA donors, civil society groups and other stakeholders to stop UK aid supporting the privatisation of basic services in the global south. In line with our domestic policy, our international strategy will put an end the export of the PFI and PPP model.

Our new unit for public services will cut across the existing DFID departments and will have three core functions: formulate DFID's policies in relation to public services and the public sector, ensuring our work is based on robust evidence and best practice on public services delivery; provide demand-driven advice and support on best practice for developing universal public services to governments and stakeholders in the countries where DFID works; coordinate all bilateral and multilateral ODA spend on public services.

Background

Public services are a powerful force for equality, social justice and economic development. Based on the principles of universality, accessibility and democratically accountability; financed through progressive taxation and delivered by a skilled public workforce, public services have played a central role in the development of countries across the world. Just as the NHS and universal free education transformed the UK since WWII, ensuring its competitiveness in the decades to follow, so too have other countries grown stronger by building and strengthening their public services at local and national levels.

Public services are not only instrumental to countries' development, but they are also integral to enabling people to realise their right to a dignified life and have played an important role in ensuring more equal societies, because, when provided universally they do not discriminate in who can access services. This plays a particularly vital role in achieving greater gender equality as it is often women and girls who take on a disproportionate share of unpaid care and domestic work meaning they are the ones who bear the burden when these services are absent.

Building strong public services is the only way that we will achieve the UN's Sustainable Development Goals (SDGs) as it is only through putting people, rather than profit, at the heart of the agenda that we will ensure a global generation are equipped with the necessary capabilities and skills needed to meet the developmental challenges of our time.

But for several decades, donor states and international financial institutions such as the IMF and the World Bank, have pursued policies aimed at reducing the role of the public sector. For example, the conditions attached to IMF loans invariably call for the reduction in public sector wage bills¹, while non-state organisations are promoted as a substitute for public provision. The commercialisation of

¹ [Eurodad \(2018\) Unhealthy conditions: IMF loan conditionality and its impact on health financing](#)

public services through privatisation and liberalisation has become widespread, and they are increasingly under threat from the latest generation of free trade deals.²

The same agencies are now promoting various forms of Public-Private-Partnerships (PPPs) as the way to finance the SDGs. Yet PPPs have proved an expensive way to invest, placing excessive level of risk on the public sector and - because they are ultimately accountable to shareholders not citizens - provision tends to be focused on those who are easily accessible or able to pay rather than the most marginalised. This can worsen divides between rich and poor and have a negative impact on decent work through cost cutting. Private providers are not designed to meet social goals such as the SDGs the way public provision is, and do not necessarily have any obligation to do so.

The UN Special Rapporteur on Poverty and Human Rights has recently published a report into the impacts of widespread privatisation of public goods, which he found was “further marginalising those living in poverty”.³

But DFID has not only accepted and supported these developments, it has founded and co-funded international institutions whose core function is to channel aid to support PPPs, such as the Public Private Infrastructure Advisory Facility (PPIAF), which depended on DFID for over half its funding in 2017⁴; the Private Infrastructure Development Group (PIDG), which had received over £1.5billion from DFID.⁵ It owns the CDC Group, which has ongoing investments in private health and education companies, and in 2017, the then secretary of state for DFID increased the amount of capital investment going in to CDC from the ODA budget up to a maximum of £12 billion.

At the same time, donor states and International Financial Institutions have paid insufficient attention to tax evasion by companies and wealthy individuals, even as this undermines both recipient and donor country tax revenues. Tax avoidance by multinational corporations alone has been estimated to cost developing countries between \$100b and \$200b a year.⁶

Under a Labour government, DFID will make a break from these damaging policies. It will instead restore public finance and public delivery as playing a central role in development in ways that correspond to the demands of a modern global economy. In Labour’s international development green paper, we have committed to increasing the proportion of aid spent on public health and education services and to support the global movement for universal, free, high quality and gender-sensitive public services. This briefing paper sets out the details of how we plan to do that.

² FTAs are increasingly adopting a ‘negative list’ system whereby all public services will be opened up to global competition unless they have been specifically excluded via a negotiated list of exceptions

³ [Report by UN special rapporteur Philip Alston October 2018](#)

⁴ [PPIAF 2018 Annual Report](#)

⁵ [PIDG Annual Review 2017](#) and [DFID press release 28 August 2018](#)

⁶ [UNCTAD \(2015\) World Investment Report](#) (p.14) and IMF (2015) [Base Erosion and Profit Shifting and developing countries working paper](#) (p.21)

DFID's Unit for Public Services

Labour DFID will establish a new unit for universal public services within DFID itself. It will be the first dedicated unit focused on this crucial area of international development, allowing the existing work of DFID to be better coordinated and focusing on expanding and improving this work.

It will enable development policy to connect the wealth of UK experience and expertise with those existing in the countries where DFID works. It will mark a major change in policy direction towards capacity-building of transparent public services which are democratically responsive to the people of each country.

The work of the unit will cut across the existing Policy, Research, and Economic Development departments. It will have oversight for all spending that is directly or indirectly concerned with public services and thus be responsible for formulating and implementing DFID's policies in relation to public services and the public sector. The unit will have three core functions:

1. Policy and knowledge-building

The unit will pool existing global knowledge on public services, as well as conduct and commission new research to ensure that all DFID's work is based on robust evidence and best practice on public services delivery. It will engage a range of experience and expertise from across the world, including from: academia, grassroots organisation, civil society including women's rights organisations, trade unions and practitioners. It will work alongside governments from the global south, development agencies from across the world and international institutions, such as UNCTAD.

The scope of policy and research will include exploring the root causes of lack of access to such services; best practice on ensuring public services are inclusive and gender-responsive; the role of public sector employment in delivering the highest standards of employment rights and decent work; the positive role of public services in social and economic development; the impact of different funding mechanisms on public services; and how public services can work within environmental sustainability goals.

The unit will organise global and regional conferences, starting with an initial conference on the role of public services in tackling inequality, bringing together stakeholders and allies in order to develop a detailed plan of action and identify priority countries.

2. Advice and capacity-building

The unit will work with governments in the countries where DFID is present to provide demand-driven advice and support on best practice for developing universal public services, going beyond traditional consultancy by seeking to engage in the political economy of social sector reforms. Rather than adopting a one size fits all policy, it will involve understanding context specific needs and ensure a strong gender lens is applied.

The first step will involve extensive consultation with governments, civil society and other stakeholders to ensure all work is led by people in the recipient countries, and built on principles of partnership rather than charity. In doing so, particular attention will be paid to developing a skilled and committed public sector workforce. Countries themselves thus gain the capacity to deliver services, therefore establishing national ownership of the services.

It will support this capacity building in a number of ways, including establishing regional training centres (lessons can be learnt from the regional training centres in tropical diseases created by the

WHO)⁷ and developing locally delivered courses (lessons can be learnt UNCTAD's train-for-trade courses).⁸ It will also support with gender budgeting (learning from UN Women) and, where relevant, encourage, facilitate and finance the use of public-public partnerships (PUPs), using the knowledge from countries with established public service systems to build the capacity in other countries (lessons can be learnt from successful PUPs in the water sector).⁹

It will also provide demand-driven technical and policy assistance to countries on public finance. This will involve strengthening government capacity for developing progressive taxation policies and collecting tax revenues, and supporting countries to clamp down on tax avoidance and illicit financial flows. In addition, the unit will provide legal support to ensure countries do not fall foul of trade and investment laws in restoring public services and choosing the right funding mechanism to achieve social goals.

3. Funding

The unit will be responsible for coordinating all ODA spend on public services. Financial support from DFID for public services will be provided to countries at a sector-wide level, both bilaterally and multilaterally, to supplement the spending on universal public services which governments finance from their own tax revenues. Financial support will be based on actual spending rather than budgets, to ensure that such aid provides additional funds for education and encourages increased domestic resource mobilisation rather than allowing governments to reduce their own spending.

The support will be fully transparent and public, to avoid the risk of corrupt misuse of funds, and will involve civil society and unions as well as governments (lessons can be learnt from the Country Co-ordinating Mechanism of the Global Fund). This will both help build national public capacity to deliver services, and support countries' own democratic processes, by enabling civil society to act as auditors.

In the short-term, the unit will ensure DFID funding transitions away from PFIs, and its long-term function will be to actively support public finance for public services. To this end, the unit will initially carry out a comprehensive review of existing PPPs that have been set up with UK ODA. This will include a review of agencies in receipt of ODA who also support PPPs, including IFC and CDC. The nature of future funding of such bodies will depend on the outcome of the review.

Labour DFID will play an active role in international institutions, supporting progressive international reforms for a fairer global economy, including the Independent Commission for the Reform of International Corporate Taxation, a global financial transactions tax, the tightening of rules governing corporate accountability for abuses in global supply chains, supporting the creation of a legally binding treaty to regulate transnational corporations under international human rights law¹⁰ and debt cancellation mechanisms for unpayable debts. The unit will also work with others in exploring the scope for expanding the lending of the multilateral development banks' in support of public sector investments towards meeting the SDGs.

⁷ [WHO TDR Regional Training Centres](#)

⁸ [UNCTAD Train for Trade](#)

⁹ [Hall D. et al \(2011\) Trends in Water Privatisation PSIRU](#)

¹⁰ [Jeremy Corbyn, Geneva speech](#)

Focus areas

The unit for public services will have a clear sectoral focus on health, education and WASH, with the potential of expanding beyond these at a later date. These sectoral focuses will carry out the same broad functions at sector level as outlined above - promoting publicly financed and provided universal gender-responsive services, providing advisory and capacity-building services, and financial aid through sector-wide budget support.

1. Health

Labour DFID is clear that universal health systems that provide health care that people need, funded through progressive taxation, provided free at the point of delivery are crucial to achieving more equal societies and meeting the Sustainable Development Goals.

The NHS, created by a Labour Government in 1948, is an example of such a system. The experience and expertise gained from the NHS, therefore, will be central to the advisory work of the department. It will not seek to export the NHS model, but will work collaboratively with networks of partner organisations at both global and country level (such as the International Association of Public Health Institutions). It will also encourage and support south-south partnerships involving countries with successful established public health services.

Ensuring health provisions are gender-responsive is a crucial part of achieving greater equality between men and women, which is a central part of DFID's agenda. Not only through providing specialist services for women who often have an increased need because of their reproductive role and greater exposure to violence. But also because women bear a higher burden of unpaid care work, it means when a fully functioning health system is in place women are freed up to engage in paid work opportunities, political decision making, education and other aspects of life.

As part of the unit's work, a Labour DFID will invest in new public health-driven research and development to find effective and affordable ways to prevent and treat TB, malaria, HIV/AIDS and neglected tropical diseases; and promote fairer international patent regimes that do not prevent developing countries from accessing essential public health medicines.

2. Education

Labour DFID will champion education as a human right and a public good by committing to free, quality public education for all which is inclusive and democratically accountable.

It will continue to work with the Global Partnership for Education (GPE) to channel resources to support universal public education delivered through sector-wide budget support. A comprehensive approach to increasing financing education will be promoted, looking at increasing the size of overall revenue, the share of budgets for education, the sensitivity of allocations - including in relation to gender – to ensure money arrives in the most disadvantaged schools.

It will support work cross- governmentally to address the serious shortage of qualified teachers, and will ensure that all teachers are recognised as part of a global sector workforce guided by principles of decent work.

No additional investments will be made in for-profit private schools and voucher schemes will be reassessed. We will review DFID's arrangements with education funds including the International Financing Facility for Education and the Education Outcomes Fund to ensure that loans are not given irresponsibly.

3. Water, Sanitation and Hygiene (WASH)

Labour DFID is clear that WASH services are crucial for public health, education and wellbeing. They are also vital to achieving gender equality, given women's unequal share of unpaid care and domestic work, menstrual hygiene requirements and the increased risk of physical violence they face while going to the toilet in the open.

A focus on WASH services is also an integral part of supporting a holistic approach to public health, as it is a crucial element of preventing the spread of infection and disease, which is crucial to maternal and neo-natal care.

WASH, especially sanitation and hygiene, have historically suffered from low priority, and success stories have the common denominators of strong political leadership and a public good/service approach.¹¹ But water services have been targeted for privatisation and PPPs since the 1990s, particularly in urban areas, leading to rising prices, casualisation of workers, and poor services.¹²

In line with Labour's domestic policy to bring water services in to public ownership, DFID will support public systems overseas. The unit will provide technical assistance and support to sector-wide public planning, investment and operation of WASH services, including water and wastewater treatment – not funding selected 'bankable' projects. This requires recognising, and working with, the variety of public bodies below the level of national states, including municipal governments in particular.

DFID current spending on health, education and water & sanitation

DFID's most recent accounts show that in 2017 DFID's bilateral spending included £1,293m (14.7%) on health, £785m (8.9%) on education and £177m (2%) on water supply and sanitation.

Additional funding for each of these sectors will come via DFID's multilateral spend which is harder to track, particularly as they are often multi-year funds. But a snap shot from DFID's top 20 multilateral spends in 2017 shows £200m (3.8%) went to GAVI, £317m (6%) went to the Global Fund and £101m (1.9%) went to the International Financing Facility for Vaccinations.

¹¹ https://washmatters.wateraid.org/sites/g/files/jkxoof256/files/Achieving_total_sanitation_and_hygiene_coverage_within_a_generation_lessons_from_East_Asia_0.pdf

¹² [Hall D. et al \(2011\) Trends in Water Privatisation PSIRU](#)