PRIVATISATION AND PUBLIC-PRIVATE PARTNERSHIPS

Overview

This briefing note outlines the human rights implications of privatisation policies, with a focus on their impact on the enjoyment of economic, social and cultural rights. It highlights public-private partnerships as a key instrument being promoted by international financial and political institutions, as part of a broader trend towards increased privatization of public assets and services. It focuses on the privatization of public services and natural or common resources, including land, and considers accountability gaps associated with such practices.

Also included is a selection of resources that are helpful for understanding the human rights impacts of privatisation policies and public-private partnerships, as well as the broader political and economic context.

This briefing note was originally developed in August 2016, following a mapping of ESCR-Net members focused on economic policy and human rights in 2015-2016 and reflects one of the key themes identified by members for further analysis and potential collective action.

1. Context and Key Terms

Privatisation, defined as the transfer of ownership of property or an enterprise from the public sector to a privately owned entity, has been an integral component of neoliberal economic policy. As stated by staff of the International Monetary Fund (IMF), privatisation is an important means to reduce the role of government, which is one of the 'main planks' of the neoliberal agenda.¹

A rapid and massive wave of privatisation began in the 1980s as a result of ‘structural adjustment programmes’ imposed by two of the major institutional proponents of neoliberalism, the World Bank and the IMF. These programmes required privatisation measures as a condition of loans received by developing countries. Since then, more than 100,000 previously state-owned enterprises have been partially or fully privatised, with the greatest value of assets transferred in Latin America, East Asia, and the former Communist countries.²

There has also been a revival of privatisation policies in line with a number of more recent trends. The first is the introduction—or imposition—of austerity measures in both developed and developing countries from about 2010 onwards as a response to shockwaves that continue to affect the global economy. As governments seek to cut public spending, more than 50 countries are considering, or currently engaged in, the privatisation of public assets and services.³ The second is the perceived shortfall in public finance that is required to support the newly-adopted 2030 Agenda for Sustainable Development, as well as the goals of development finance institutions and political institutions like the G20. The private sector has emerged as a key partner for bridging this gap in finance, particularly through the establishment of public-private partnerships or PPPs. The term PPP is broadly used to describe collaboration between the public and private sectors to achieve a public policy goal, including a private company financing, building or operating a public (or government) service or facility. The 2030 Agenda and the Addis Ababa Action Agenda, which sets out the financial roadmap for sustainable

¹ According to IMF staff.
² As per the World Development Report, 2017.
development, both specifically encourage governments to adopt PPPs. Finally, a number of new trade and investment agreements, including the Trade in Services Agreement, Trans-Pacific Partnership, and Trans-Atlantic Trade and Investment Partnership propose far-reaching liberalisation of key sectors, including services and government procurement, to enable further private sector involvement. This is discussed further in ESCR-Net’s Briefing Note on Trade and Investment.

2. Human Rights Impacts of Privatisation and Public-Private Partnerships

The renewed appetite for the privatised provision of a range of public goods and services has mobilised social movements, including trade unions, indigenous peoples and the women’s movement, who have a long history of critiquing and resisting privatisation programmes. These programmes are perceived to have exacerbated social and economic inequality; increased the price and/or decreased the accessibility of essential services; and fostered corruption. The human rights implications of these policies include violations of economic and social rights, ranging from equitable access to healthcare and education and the right to decent work, to the spectrum of human rights abuses that are associated with land-grabbing and forced eviction.

2.1. Privatisation of Key Social Services

The privatisation of public services has frequently been controversial, in part because of the perceived tension between the private sector’s imperative to maximise the profitability and efficiency of service markets, and a State’s existing human rights obligations to ensure availability and quality of, and equal access to, services such as healthcare, education, water and sanitation.

The potential human rights consequences of privatisation programmes—specifically in the context of austerity or ‘fiscal consolidation’ measures—was recently highlighted by the UN Committee on Economic, Social and Cultural Rights. It noted that such programmes may impact the rights to work and just and favourable conditions of work; the right to collective bargaining; the right to social security; the right to an adequate standard of living, including the rights to food and housing; and the rights to health and education. In addition to highlighting the obligation that States have to not unjustifiably retrogress from their fulfilment of human right duties, the Committee also noted that low-income families and women are disproportionately affected by measures including cutbacks in social assistance and increased user fees for care services, which is contrary to the obligation of non-discrimination.5

The dangers of privatising social security services are reflected in experiences in Latin America and Eastern Europe with the privatisation of pension systems. Pension privatisations resulted in low coverage; poor regulation and supervision; an increase in gender inequality given the pre-existing inequality in employment rates and earnings of men and women; and high risks for pensioners who, for example, bore the risk of financial market fluctuations during the global financial crisis.6 This resulted in a number of countries partly or fully re-nationalising pension services, including Argentina and Bolivia, and has led others to actively consider doing so.7

The full or partial privatisation of public water provision and management has also created a worldwide backlash, leading to more than 180 cities and communities in 35 countries ‘re-municipalising’ their water services in the last fifteen years,6 including the extraordinary demonstration of community resistance to the privatisation of water services in Bolivia.9 Re-municipalisation has been prompted by tariff increases that put
water beyond the reach of poorer communities; environmental hazards; a failure to invest in infrastructure; and a recognition that the public sector can provide equally or more efficient water services at lower prices.\textsuperscript{10} For example, an Indonesian court recently annulled water privatisation contracts on the basis of a four-fold increase in tariffs since the utility was privatised, extremely inconsistent coverage that was particularly bad in low-income areas, and high water leakage levels,\textsuperscript{11} which the court ultimately held was in violation of citizens’ right to water.\textsuperscript{12}

The human rights of women and girls are particularly vulnerable to interference when essential public services are privatised. This is because women tend to rely more than men on public services and social security guarantees. Further, women are expected to fill the gaps in provision that occur when social services are reduced. It is well-documented, for example, that women in developing countries are primarily responsible for the collection and management of water for family consumption, as well as for the disposal of household waste.\textsuperscript{13} As reported by a former UN Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, ‘while [women’s unpaid care work] enables communities to weather the debt crisis, it reinforces the exclusion and dependency of women.’\textsuperscript{14} As women’s burden of work in the household and community increases, they are further precluded from entering the formal workforce, thereby entrenching cycles of poverty.

The UN Special Rapporteur on the right to health has commented on the increased inequality in access to healthcare, including greater out-of-pocket expenditure, that results from privatisation of healthcare services,\textsuperscript{15} and the UN Special Rapporteur on the right to adequate housing has also noted that privatisation of housing services in the context of financial crises further marginalises poor women, who are left without access to adequate housing.\textsuperscript{16} With respect to education, the UN Special Rapporteur on the right to education recently echoed the concerns of civil society groups and social movements in his condemnation of the World Bank’s promotion of private sector engagement in education, stating that its guidance to create ‘very profitable and flourishing enterprises’ is ‘blatantly disrespectful of human rights obligations’.\textsuperscript{17} He also found that the privatisation of educational services had a discriminatory, negative impact on the school attendance of girls.\textsuperscript{18}

Finally, privatisation is often associated with job losses in the public sector.\textsuperscript{19} This has especially grave implications for women, for whom the public sector is an important source of decent work.\textsuperscript{20} Women are often the first to be made redundant as they are the most likely to occupy temporary or part-time positions, and because of the prevailing perception that women are not the breadwinners in their household. For example, redundancies in the public sector were a key condition of the IMF aid package to South Korea during the Asian financial crisis. This resulted in women losing jobs at twice the rate of men.\textsuperscript{21}

\subsection*{2.2. Public-Private Partnerships}

Despite a growing critique of the social and economic impacts of PPPs, there is a concerted push underway by development finance institutions\textsuperscript{22} and political groupings such as the G20 to promote PPPs as a way to ‘mobilise private sector capital’ for sustainable development.\textsuperscript{23} Aside from the potential human rights harms associated with privatisation outlined in section 3, there are at least two other significant risks of the PPP model that may undermine social and economic equality.
First, the evidence suggests that PPPs are unlikely to attract financing for many of the public goods and services that are necessary to advance the enjoyment of human rights. Private sector participation in PPPs tends to be concentrated in sectors and markets that are most profitable, such as energy and telecommunications, and not those that benefit the poorest and most marginalised. As the UN's Commission on Trade and Development recently noted, 'water and sanitation are among the most needed infrastructure services to relieve human suffering, and yet they are the least likely to be financed through this method'.

Second, one of the principal justifications used by governments for entering into PPPs is that it is an efficient way to share the costs and fiscal risks associated with building or operating expensive public facilities or services. However, the performance of PPPs is rarely, if ever, compared to traditional government procurement and delivery systems, and the evidence that does exist suggests that PPPs are not more cost-efficient for governments. In fact, PPPs can create significant financial liabilities for governments that 'are rarely fully quantified at the project level.' An example of the considerable financial risks involved is a large-scale road-building programme in Mexico in the 1990s that involved more than 50 PPPs. Unanticipated costs and macroeconomic shocks led to the government bailing out over half of the PPPs and assuming close to $8 billion in debt. This is one of the reasons that Jubilee Debt Campaign has identified PPPs as a major debt risk.

2.3. Privatisation of the Commons

The intensifying competition for land and communal resources in the last twenty years has been driven by a range of factors, ranging from population growth, the degradation of arable land, a surge in investments in agribusiness, biofuels and the energy and conservation sectors, urbanisation and the development of large-scale infrastructure. This has led to a growing wave of large-scale acquisitions of land, often referred to as 'land-grabbing', particularly in the global South. Millions of hectares of land are estimated to have been sold or leased between 2000 and 2010, principally in the regions of Africa, Asia and Latin America. Similar factors, including corporate control of global food production chains, have led to water and ocean-grabbing, in which the world’s oceans and fisheries resources are enclosed and controlled by powerful economic actors.

A pre-cursor to the sale of such resources is often privatisation. In many instances, these resources have historically been communally managed or used by communities who depend on the land not only for their livelihood, but also as an essential element of their social and cultural practices. In order to legitimise the ownership of the resources by private actors, the land is first privatised and then sold.

The human rights implications of privatisation of communal resources are potentially immense, facilitating the dispossession of communities. The UN High Commissioner on Human Rights estimates that 15 million people are forced to leave their homes and land each year to make way for large-scale development and business projects, including the construction of mines, dams, or luxury tourism resorts.

Among the human rights violations that are associated with this kind of displacement are violations of economic and social rights, including the rights to food, housing, water, health, work and an adequate standard of living, the right to take part in cultural life, freedom of expression and freedom of assembly. Indigenous people and women are disproportionately affected by land-management decisions, and indigenous communities are often dispossessed of land in contravention of their right to free, prior and informed
consent to decisions that affect their land. Human rights defenders working to defend natural resources are also particularly vulnerable to persecution, arbitrary detention, injury and even death because of their work.

The idea that governments should create an 'enabling environment' for private sector activity has been endorsed in the Addis Ababa Action Agenda as well as by development finance institutions such as the World Bank. For example, the World Bank's Enabling the Business of Agriculture (EBA) initiative (previously called Benchmarking the Business of Agriculture) heavily promotes the interests of foreign agribusiness while overlooking the interests and rights of smallholder farmers. Among the regulatory reforms promoted by the EBA Initiative and the World Bank's Ease of Doing Business Index is private land ownership, despite the fact that many local communities abide by customary or communal systems of land tenure, which are critical for rural enjoyment of the right to food, food security and food sovereignty. These reforms are effectively intended to facilitate grants or concessions of land to private investors which have been linked to land-grabbing.

PPPs are also used to reduce investment risk or encourage private investment in, or acquisition of, land. 'Agri-PPPs' are still a relatively new phenomenon, but there is an expectation that they will create additional pressure on governments in developing countries to create or strengthen regulatory frameworks that protect the interests of private sector partners, including in relation to 'land access, enforceability of contract farming agreements, protection of intellectual property and other essential issues such as natural resources management.' Privatisation of communal resources has also extended to seeds, the conservation and redistribution of which are necessary for the enjoyment of the right to food, as well as the food sovereignty more broadly of many rural communities. Trade and investment treaties increasingly provide for patent-like rights over crop varieties and limit the use of other varieties, which forces smallholder farmers to buy seeds for each crop cycle, undermining food sovereignty and agricultural biodiversity.

2.4. Private Sector Accountability

Among the many challenges associated with private sector involvement in development goals and projects is the lack of binding regulatory frameworks that ensure accountability for private sector actions that result in human rights violations. While the UN Guiding Principles on Business and Human Rights (Guiding Principles) state that business enterprises have a responsibility to respect internationally recognised human rights, and that they 'should' establish grievance mechanisms for the resolution of human rights impacts, a considerable 'accountability gap' continues to exist around violations caused by businesses.

The failure of the Guiding Principles to transform private sector behaviour is unsurprising when, aside from the fact that awareness of the Guiding Principles remains extremely low, many governments do not even enforce existing law that is intended to regulate corporate activity. Labour law, for example, is among the most widely violated bodies of law.

This is particularly troubling given the enforceable rights enjoyed by many private investors under agreements with governments. In fact, the World Bank recently provided model language for PPP contracts to the G20 in which they recommended that disputes under PPP contracts should finally be settled by recourse to investor-state dispute
settlement (ISDS) through international arbitration. The serious flaws of the ISDS system have been highlighted in the ESCR-Net Briefing Note on Trade and Investment Liberalisation, including the way in which they provide lopsided protection to private actors without an equivalent remedy for individuals or communities affected by private sector action.

In a recent statement urging the effective implementation of the Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests, signatory organisations highlighted the prevailing dynamic being fostered by governments and industry, in which all actors, including States, individuals and communities, companies and NGOs, are ‘stakeholders’ on an equal footing, ‘thereby ignoring existing power imbalances and conflicts of interest among these actors.’ Aside from the fact that powerful corporate actors have often worked to actively undermine the work of communities and NGOs, it also ignores that the private sector speaks from a private interest, whereas communities, social movements and NGOs often speak from the public interest and in defence of their entitlements as rights-holders.

One attempt to rectify this imbalance and the ‘accountability gap’ is the process currently unfolding in the UN Human Rights Council to elaborate a binding instrument ‘to regulate, in international human rights law, the activities of transnational corporations and other business enterprises’. While the scope and content of the proposed international instrument are still far from clear, negotiation of an instrument is a critically important opportunity to address, in an international forum, a number of the hurdles arising from the current state of corporate governance and accountability.

Another important measure that has been highlighted by UN Treaty Bodies and Human Rights Council mandate-holders is human rights impact assessments, which require governments to carry out a human rights impact assessment prior to the accepting or requiring privatisation programmes. As explained by the Committee on Economic, Social and Cultural Rights, such assessments should ensure there is not a disproportionate impact on economic, social and cultural rights, including discrimination. The Guiding Principles on Foreign Debt and Human Rights and the Guiding Principles on Extreme Poverty and Human Rights are both instructive in this regard.

3. Key Resources

Selected Resources from ESCR-Net Members

Asia Pacific Forum on Women, Law and Development ‘Submission to the Beijing +20 Regional Review: Progress in the Region’ (2014)
This submission highlights the way in which neoliberal economic policies including privatisation undermine the enjoyment of women’s human rights in Asia and the Pacific.

This paper evaluates the human rights implications of the key financing strategies proposed for the implementation of the 2030 Agenda for Sustainable Development.

This statement calls for a response to the financial crisis and economic recession that places human rights norms at the center, in particular those legally binding human
rights obligations enshrined in the Universal Declaration of Human Rights and core international human rights treaties

ESCR-Net, Fisherfolk protest to defend their lands and waters from luxury tourism development (2016)
This is a report outlining the protest against ongoing grabbing of land and coasts for the development of luxury tourism facilities affecting the rights of fisherfolk. The protest was led by the National Fisheries Solidarity Movement of Sri Lanka (NAFSO).

ESCR-Net, Women and ESCR Working Group Briefing Paper: the intersection between land and women's economic, social and cultural rights (2016); and
ESCR-Net, Women and ESCR Working Group Briefing Paper: the intersection between health and women's economic, social and cultural rights (2016)
These briefing papers present specific and systemic challenges to the realization of women's ESCR and explore progressive approaches to the application of a substantive equality perspective. The papers draw primarily upon ESCR-Net members’ work in different areas, and are further informed by dialogue with other experts in this field.

FIAN International, The Right to Land and other Natural Resources in the UN Declaration on the Rights of Peasants and other People Working in Rural Areas (2015)
This Briefing Note is part of a series of briefings that feed into negotiations on the draft declaration of the UN on the rights of peasants and other people working in rural areas. It focuses on the status of the right to land under international law and the concomitant obligations of States.

Global Initiative for Economic, Social and Cultural Rights, The dangerous work of defending rights to land, housing and productive resources (2014)
This issue brief outlines the context in which human rights defenders working on land and natural resources issues are increasingly under attack for their work, as well as the human rights implications.

This Guide is intended to support the use of the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Security.

A discussion of the history and consequences of Bolivia’s ‘water revolt’ in response to the privatisation of water, focused on Cochabamba. See also a collection of resources on the issue by the Democracy Center, available at: http://democracyctr.org/bolivia/investigations/bolivia-investigations-the-water-revolt/

Right to Education Project, Guide to Monitoring the Right to Education (2016):

Submission on behalf of thirteen civil society organisations to the UN Committee on the Rights of the Child, Privatisation and its Impact on the Right to Education of Women and Girls (2014)
This report highlights the negative consequences of privatisation in and out of education for women and girls. It was intended to inform the CEDAW Committee’s General Recommendation on the right to education for women and girls.
Other Resources

Ambiente y Sociedad, 'Asociaciones público-privadas desde la banca multilateral: implementación en América Latina Parte 1 y Parte 2
These reports highlight the impact of PPPs promoted by multilateral development banks in Latin America. The second part focuses on the situation in Colombia, Peru and Brazil.

This essay critiques the social and economic implications of the proposed PPP contractual provisions submitted by the World Bank to the G20.

This statement critiques the current state of implementation of the Guidelines, including the role played by the private sector.

E Lobina, S Kishimoto, O Petitjean 'Here to Stay: Water Remunicipalisation as a Global Trend' (PSIRU, TNI and Multinationals Observatory, 2014)
This paper looks at the growing remunicipalisation of water supply and sanitation services as an emerging global trend and presents the most complete overview of cases so far.

A Martin-Prevel (2014) 'Willful Blindness: How the World Bank's Country Rankings Impoverish Small Farmers' (Oakland Institute) (also in French and Spanish)
This report outlines the role of the World Bank in promoting large-scale private investments in agriculture that have resulted in land grabs.

MJ Romero 'What Lies Beneath?: A Critical Assessment of PPPs and their impact on sustainable development' (Eurodad, 2015)
This report looks at the empirical and theoretical evidence of the nature and impact of PPPs, with case studies in Tanzania and Peru. It critically assesses whether PPPs deliver on the promises of their proponents and provides recommendations for policy-makers.

This report offers a human rights analysis of land-related issues, in particular on land management, States’ obligations and other actors’ responsibilities. It also lays out the criteria that States should apply when considering land and human rights issues in relation to specific groups and existing human rights.

This paper discusses the threats of austerity to welfare and social progress and calls for urgent action by governments to adopt alternative and equitable policies for socio-economic recovery.

This statement outlines the obligations of States arising from the implementation of austerity measures and other conditional lending policies.
*Please note that this briefing note was originally developed in English, so the endnotes are only in English but available for further reference.*

1 J Ostry, P Loungani, D Furceri 'Neoliberalism: Oversold?' Finance and Development 53(2) 2016 (1MF).
7 Ibid.
9 See a collection of resources by the Democracy Center, available at: http://democracyctr.org/bolivia/investigations/bolivia-investigations-the-water-revolt/
14 UN General Assembly Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, A/67/304 (13 August 2012), para 31
15 UN General Assembly (2012) ‘Report of the Special Rapporteur on the right of everyone to the enjoyment of the highest attainable standard of physical and mental health’ A/HRC/20/15/Add.2, para. 8


25 Ibid.


31 See the Land Matrix Project at landmatrix.org


35 See, e.g., UN Declaration on the Rights of Indigenous Peoples (2007) art. 11(2).

36 Joint Statement by UN Special Rapporteur on human rights and the environment; UN Special Rapporteur on the rights of indigenous people; and UN Special Rapporteur on the situation of human rights defenders, “A deadly undertaking”—UN Experts urge all governments to protect environmental rights defenders’ (2016)

37 Addis Ababa Action Agenda, para. 36.

38 Joint Statement by UN Special Rapporteur on human rights and the environment; UN Special Rapporteur on the rights of indigenous people; and UN Special Rapporteur on the situation of human rights defenders, “A deadly undertaking”—UN Experts urge all governments to protect environmental rights defenders’ (2016)

39 Addis Ababa Action Agenda, para. 36.


47 See, generally, https://www.escr-net.org/corporateaccountability/treatyinitiative