

CIVIL SOCIETY MEETING
Financing for Development in the Era of COVID-19 and Beyond
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Dialogue 2 – Fiscal Consolidation/Austerity and Privatization of Public Services

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- The definition of insanity is doing the same thing over and over again and expecting a different result. At this is happening with austerity policies. They have been tried over and over despite the fact that they do not work and have devastating consequences for the most vulnerable and disadvantaged population.
- These measures were implemented in the the aftermath of the 2008 global financial crisis, governments in both the global north and south have been severely cutting public expenditure, implementing regressive tax policies, introducing labour flexibilization reforms, increasing the ability of enterprises to fire employees, reforming old age pensions, introducing cost -saving measures in public health centers and privatizing public assets and services essential to economic, social and cultural rights – such as health, water and sanitation, education and housing.
- These measures were implemented massively in the 80s and 90s, then in the aftermath of the financial crisis in 2008 and they are still considered now when the world is at the midst of a global pandemic and on the verge of the worst recession since Second World War.
- The International Monetary Fund and other international financial institutions have been key in driving this – through the policy advice issued to countries and through conditionalities on lending. They also have not learned the lessons from the past, even though some of their own researchers have warned about the failures of these policies.
- The systemic under-investment in, and the privatisation of, public services resulting from austerity has deepen poverty and exacerbate existing structural inequalities.
- The COVID-19 pandemic, and the economic and social crises it has generated, have laid bare the repercussions of systematically weak investments in public services including health care and social protection systems. Research has revealed that countries less equipped to deal with the pandemic have been those whose governments have invested less in public services and social protection measures.
- We are at a crossroads. The pandemic has revealed the crucial importance of strong, well-funded, sustainable public services. It has also made evident the need of solidarity measures as our lives, health and livelihood are interdependent.
- However, despite its own warnings regarding deepening inequalities and calls to seize the current moment to “reshape how we live and build a world that is greener, smarter and fairer,” the IMF alarmingly appears to be continuing on the same failed pathway. It has been found that 84% of the loans the IMF has negotiated since the

pandemic was declared encourage, and in some cases require, countries in the global south to adopt more austerity measures.

- Investment in public services must be central to the COVID-19 recovery. The IMF and other financial institutions must turn away from the mistakes of the past and adopt a policy plan that supports governments in ensuring the human rights of all and in tackling gender and economic inequalities.
- The event reflected the growing momentum for a drastic change in model.