

TRADE UNION AND WORKERS' GROUP RESPONSE TO THE HABITAT III ZERO DRAFT OF THE NEW URBAN AGENDA

Introduction

Public Services International (PSI) is the global trade union federation representing more than 20 million workers, in 660 unions in 150 countries and territories. We are dedicated to promoting quality public services in every part and city of the world. Our members, two-thirds of whom are women, work in social services, health care, municipal and community services, central government, and public utilities such as water, electricity and solid waste. Building and Wood Workers' International (BWI) is the global trade union federation composed of 326 trade unions representing 12 million members in 130 countries. Our members are found in the building, building materials, wood, forestry and allied sectors industries.

PSI and BWI hold the Vice-Chair and the Chair roles of the Trade Union and Workers Group in the GAP on behalf of the Council of Global Unions, and bring to Habitat III the voice of all city workers worldwide: besides public sector and construction workers, these include transport, services, manufacturing, education, food and agriculture workers. Altogether we represent 125 million workers in over 160 countries, and workers are the majority of city dwellers: it is we who build, manage, operate and bring cities to life on a daily basis.

PART I - Overall comments

We welcome the release of the Zero Draft of the New Urban Agenda (NUA) and appreciate some of its contents. However, we believe there is substantial scope to improve this document in its ambition, leadership, vision, commitments and practicable recommendations for implementation. *The Zero Draft is particularly weak in terms of concrete commitments and implementation mechanisms to promote decent work, worker empowerment and viable paths towards substantive urban economic equity and social inclusion.*

We notice an overall disconnection between the socially- and the economically-oriented commitments of the draft, especially when it comes to business matters. This especially stands out when the draft discusses the "business environment" section, where it remains focused on attracting investment, rather than spelling out the mechanisms and operational proposals to translate it into decent employment generation, social inclusion, sustainable local economic development and just, inclusive cities.

References to terms rooted into specific UN or other international frameworks (e.g. Decent Work¹) must also be made consistent all along. Some terms and expressions remain too generic (e.g. 'leave no one behind', 'people-

¹ According to the International Labour Organization, decent work involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.' The concept of decent work has its roots in the fundamental ILO conventions and rests four pillars that are: (1) standards and rights, (2) employment creation and enterprise development, (3) social protection and (4) social dialogue. As per the definition of the International Labour Organization (ILO) decent work is such as long as it fulfils the 8 fundamental ILO core Conventions that are: Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87); Right to Organise and Collective Bargaining

centered' or 'putting people at the center') and have to be defined in terms of policy guidance and instruments for implementation. The draft will also benefit from the inclusion of the reference frameworks it aspires to underpin, to secure policy coherence with other UN-based frameworks and their related ongoing programs, such as the Decent Work Agenda, the Sendai Protocol on Disaster Preparedness, the Paris Agreement on Climate Change, the Sustainable Development Goals (SDGs) to name a few.

The text of the document is still lengthy and conceptually fragmented, and would benefit in our view from enhanced language and coherence. We recommend that the three main sections of the document (transformative commitments, effective implementation, follow-up and review) are as much as possible consolidated and grouped under clearer issue-based thematic headings (e.g. social inclusion) that are repeated under each section so that they are easily identifiable and are linked by a consistency thread across those sections. For a sake of clarity, references to the 'major groups' should spell out the list of who those groups are.

We urge the Drafting Committee of the NUA to refer to our position on Habitat III 'Ten key points for fair cities and for an inclusive New Urban Agenda', to the General Assembly of Partners (GAP) document 'Partnerships for a New Urban Agenda' and to 'The City We Need 2.0: Towards a New Urban Paradigm', which all contain lots of the pieces currently missing or needing enhancement in the Zero Draft.

The specific comments and language recommendations that follow are organized in 4 sections: (1) To be kept in; (2) To be improved or strengthened; (3) Major omissions - to be addressed; and (4) Damaging – to be deleted or substantially changed. We urge that the NUA addresses these points effectively.

II - Specific comments and language recommendations

1. To be kept in

- We appreciate and fully support that the final text of the NUA consistently keeps the following critical language from the Zero Draft that lays down the building blocks for the cities we need:
 - 'Full respect of human rights for all' p.1
 - 'Decent work' par. 45, par.47, point 5 (c) but to be used in a consistent manner whenever 'jobs',
 'work' and 'employment' are mentioned
 - o 'Just cities' par. 105 and 'sustainable cities' point 4, par.68 but to be used in a consistent manner
 - 'Prioritizing the collectively defined public interest' point 5 (c)
 - We share the acknowledgement on the strategic role of local government, the commitment to a 'renewed local-national partnership' point 7 (a) as well as the reference to 'decentralization based on the principles of subsidiarity and the recognition of local self-government' par. 88
 - 'within a transparent and accountable framework' point 7 (a)
 - The 'central role of universally accessible, safe and quality public space', and the recommendation that 'accessibility (...) needs to be guaranteed and its privatization avoided' par.35 and that it must be 'free-of-charge' par.35.
 - 'We commit to promote the inclusion of labor standards in procurement and other forms of subcontracting, enforce labor standards in the implementation of public works via direct contracting, use municipal extension workers to train Small and Medium Enterprises and workers, and promote linkages between building inspection and labor inspection' par 62 this

Convention, 1949 (No. 98); Forced Labour Convention, 1930 (No. 29); Abolition of Forced Labour Convention, 1957 (No. 105); Minimum Age Convention, 1973 (No. 138); Worst Forms of Child Labour Convention, 1999 (No. 182); Equal Remuneration Convention, 1951 (No. 100); Discrimination (Employment and Occupation) Convention, 1958 (No. 111).

- is an absolute requirement for us and should be complemented with adequate capacity building measures e.g. under par. 154.
- o 'Invest adequate budget shares at both local and national levels to safeguard and promote cultural and natural heritage, cultural infrastructures and sites, museums, etc.' par. 38
- 'Safe and secure environment in cities (...)' par. 39 and 'cities must be safe for everyone, particularly women and girls' par. 40
- 'Measures must be taken to counter prevailing negative anti-migrant sentiments, such as information campaigns, capacity building, promotion of diversity' par. 41
- 'Resources to ensure all residents have the opportunities and skills to meaningfully participate in the economy'
- 'Generation and use of sustainable energy and effective transport infrastructure, achieving the benefits of connectivity and avoiding the financial, environmental (...) and public health costs of congestion and air pollution' par. 53
- 'Availability and universal access to adequate and quality social infrastructure and facilities such as health and education (...)' par 55
- 'We commit to create an enabling and fair business environment (...) while protecting labour rights, environmental and health standards' par. 58
- o 'We recognize the value of anti-corruption programmes' par. 60
- o 'Decentralization of basic resources', par.73
- o 'Sustainable consumption and production' par. 78
- 'Integrated water planning systems (...)' par. 75, 'sustainable waste management', par. 76, 'renewable energy' par. 78, and 'energy efficiency', par. 122 'conservation of urban water and environmental resources and critical areas' p. 82
- o 'Participatory planning and budgeting, citizen-based monitoring' par. 102
- o 'Promote just cities' par. 105 (...) 'counter/avoid segregation' par. 28/par. 105
- o 'Equip water utilities to realize the human right to water and sanitation' par. 120
- 'Extended producer responsibility schemes (...) in the financing of urban waste management systems and reducing the hazards' par.123
- 'Public health cannot be guaranteed without strong local leadership and adequate investment' par. 121
- 'We commit to strengthen local administration capacities in planning, budgeting, accounting, procurement, reporting, auditing' par. 134
- 'Strengthen the cooperation between local governments and civil society to deliver on capacity development programmes by means of peer-to-peer learning (...) and collaborative action such as inter-municipal cooperation' par.154
- 'Strengthening the skills and abilities of the persons in vulnerable situations to enable them to overcome the causes of their vulnerability and exclusion' par. 157
- 'Establish initiatives to mobilize civil society, citizens and stakeholders around the NUA, such as a UN Decade on Sustainable Urbanization'. par. 170
- o 'Generate evidence-based and practical guidance for the implementation to the NUA (...) through the mobilization of experts, including the General Assembly of Partners for Habitat III' par. 171

2. To be improved or strengthened

Decent Work and employment generation.

Mentions of 'employment', 'job creation' and 'decent work' are positive but the former two expressions need to be consistently enhanced into 'decent employment' and 'decent job creation' so that they are in line with 'decent work' in other parts of the document. The NUA must coherently underpin the ILO's Decent Work framework and Agenda. It is not just 'employment creation' and any 'jobs' that are going to reduce the deep urban inequality gap and promote social inclusion. Precarious work, bogus self-

employment, sub-contracted jobs, zero-hour contracts, work performed in dangerous, unsafe conditions, jobs in Export Processing Zones (EPZs) where fundamental labour rights are waved, jobs without social protection and jobs that do not pay a living wage cannot be seen as a cornerstone of the NUA. This is a reality not only in the informal economy, but very much and increasingly so in the formal economy. The decent work deficit is the critical factor behind the failure of many urban policies and real estate developments, as people cannot afford to live in cities where they cannot make a living and are therefore pushed into low-income segregated suburbs and slums. Only **Decent Work for all** – not only for some – can truly empower cities as the largest share of city dwellers are workers and it is through decent work that they can lift themselves and their families out of poverty, contributing to local economic development, social protection and social security systems, and to the financing of essential urban public services such as water, sanitation, health care, education, waste management, transportation, etc. A reference to Decent Work as SDG Goal n. 8 is also needed.

Public financing options.

When it comes to 'innovative and effective financing frameworks and other means of implementation' and 'municipal finance' point 7 (c), reference must be duly made to the direct public sector service provision option, including public ownership, investment and management, remunicipalization, public-public partnerships, public investment and inter-municipal cooperation.

Taxation.

References to 'the standardization of taxation processes (...) along with labour and environmental standards' par. 60, 'increase local government autonomy over taxes' par. 131 and 'introducing fair taxation and city-wide redistribution of gains' par. 133 as well as 'improving technical and human resources (...) to maintain effective local tax systems' par. 152 are all positive, but by no means enough. **The NUA should also fully unfold the potential of fair and progressive taxation systems for sustainable public financing** by addressing the following tax-related issues:

- Progressive taxation systems and tax justice for local communities must be prominently featured not only in the context of facilitating an enabling business environment, but especially to ensure sustainable municipal financing of essential public services and infrastructures, to address urban inequality and to foster social inclusion.
- O The Zero Draft makes no reference to the fact that sustainable public financing encompasses the payment of a fair share of taxes by the private sector including multinational corporations (MNCs) operating or sourcing within the jurisdiction of local and regional governments which must pay taxes to the communities where they operate and generate profits. We all know that corporate tax avoidance is a daily occurrence that deprives central and local governments of the resources they need to provide essential services. Tax justice is essential if we want to secure sustainable financing for the NUA. Within this context, the Zero Draft also leaves out how local fiscal systems fit within a broader national and international harmonization of norms and with a much needed reform of the global taxation system, currently facilitating systematic corporate tax avoidance (e.g. Declaration of the Independent Commission for the Reform of the International Corporate Taxation²).
- The deleterious impacts of inter-local tax competition, the excessive and often redundant granting of fiscal incentives (both inside and outside of special economic zones), and the drain on the revenues to several countries caused by urban-based tax havens are also left dangerously unaddressed.
- The following fiscal-related policy instruments must be also explicitly mentioned in the text: standardizing country-by-country tax reporting, automatic information exchange among countries/municipalities on taxpayers, tax inspectors without borders (e.g. UNDP and OECD initiatives) for strengthening local tax auditing capacity, inter-municipality and inter-country agreements on minimum corporate tax rates and tax incentives harmonization, developing a good local business tax system and strengthening the role of municipalities in international tax cooperation arenas.

² ICRICT Declaration http://www.icrict.org/wp-content/uploads/2015/06/ICRICT Com-Rec-Report ENG v1.4.pdf

The role of central governments.

The acknowledgement of the role played by central governments in empowering local governments and in creating an enabling environment for thriving cities is a positive step. However, it must be completed with the recommendation that national governments are responsible for policy coherence between the national and local levels, notably when it comes to trade agreements negotiations such as the Transatlantic Trade and Investment Partnership (TTIP), the Trans-Pacific Partnership (TPP), and the Trade in Services Agreement (TiSA) that constrain national and local government sovereignty and regulatory powers in favour of business and corporations; allow foreign corporations to challenge local government regulations and actions by providing the rights to sue for damages in areas such as zoning and waste disposal; and limit local government ability to invest in public services. As they stand, these trade agreements negotiated by the same governments that are involved in HIII would jeopardize local sustainable development efforts and would undermine the NUA vision and commitments as, through their built-in investment-state dispute settlement mechanisms, they will limit the ability of national and local policy-makers to adopt or revise decisions aimed at pursuing non-profit objectives such as social and environmental goals in the interest of their communities. Also, the NUA should explicitly mention that national government have a critical role in setting a normative framework that levels the playing field minimizing destructive competition among local governments, particularly in areas like local taxation, labor and environmental regulation. Decentralization must occur within a framework of fairness and shall not foster an inter-municipal "race to the bottom" dynamics due to competition for investment and economic opportunities.

Informal workers.

We encourage replacement of the expression 'informal sector' and with 'informal economy', and to consistently mention the need to promote and facilitate the transition from informal to formal, decent employment, which is the pathway to social mobility and social inclusion for informal workers. In addition, it is not so much that the urban poor, including in the informal economy, are outright excluded as they are incorporated in adverse terms. In most developing countries, a majority of slum dwellers are casual workers and not informal entrepreneurs, who are forced to live in substandard conditions due to its proximity to employment³. This makes the absence of any sustained discussion on how to balance the needs of businesses with those of workers (including in the informal economy) under the "Sustainable and inclusive urban prosperity" commitment particularly worrying. Including labor standards in subcontracting and formalizing the informal economy are good, but seem to be the only major commitments on this end (par. 62, 63). Yet such transition by itself will not solve the urban problem, and will only move it from the informal to the formal economy unless clear mechanisms to generate and realize decent employment and to tackle poor working conditions and practices in the formal economy are spelled out.

Public social housing and the right to decent housing.

'Avoiding land speculation' point 6 (b) is critical for urban social inclusion, equity, and for food security; and that needs to be ensured through the *effective enforcement of adequate estate market regulation* and the upholding of the right to housing, in a view to put a halt to gentrification and forced evictions. Also, to 'promote a wide range of housing options, considering shifting from predominantly private ownership to other rental and tenure options, including cooperative solutions' par. 110 is positive, at the same time the public social housing option must be included among the solutions. We also recommend emphasis on the use of local, sustainable, renewable materials for housing and infrastructure building, especially in re-building and in disaster-prone areas.

Capacity building and the labour rights of local government workers.

³ A 2006 World Bank study documented in Nairobi, Kenya, that 49% of adult slum dwellers were casual workers, while only 19% were engaged in microenterprises http://documents.worldbank.org/curated/en/2006/05/7066075/kenya-inside-informality-poverty-jobs-housing-services-nairobis-slums

We appreciate the thought given to building and developing the capacity of institutions at all levels of governance, stakeholders and city dwellers in a view to secure an effective, inclusive and sustainable implementation of the NUA (par. 134 and 150-152). This correctly spells out the specific role of city workers and local government workers in particular. Only skilled, well-trained local government and municipal staff, with decent working and living conditions and with access to adequate resources, can sustainably deliver quality public services to the communities they serve and successfully confront the many challenges posed by rapid urbanization. While elected local government representatives change with political cycles, professional local public servants often stay on and their work is critical to secure continuity, coherence and long-term sustainability of urban policy implementation. In order to achieve such level of capacity, it is essential that the NUA also protects and promotes the right of local government workers to organize and bargain collectively⁴, to be free from the threat of unfair dismissal, and supports measures to build their capacity and promote the professionalization, so that local government workers can develop and implement innovative, constructive solutions to make cities socially inclusive, sustainable and safe. Municipal workers must be also accompanied and their capacity strengthened in a fair transition towards digitalization and towards a green, zero-carbon economy.

• Effective and participatory monitoring and follow-up mechanisms.

The monitoring and follow-up system outlined in the Zero Draft do not seem to match the ambition and the challenges of the NUA and should be enhanced. 'Establish initiatives to mobilize civil society, citizens and stakeholders around the NUA, such as a UN Decade on Sustainable Urbanization'. par. 170 and 'generate evidence-based and practical guidance for the implementation to the NUA (...) through the mobilization of experts, including the General Assembly of Partners for Habitat III' par. 171 are a good start, but additional mechanisms at all levels should be established, for which the GAP proposals under section 4 of the 'Partnerships for the New Urban Agenda' should be considered.

3. Major omissions - to be addressed

Workers are the big absents of the Zero Draft.

This is a very serious omission that needs to be urgently and fully corrected. Working people must be acknowledged as the largest sector of society and the engines of urban social integration and inclusive growth: they are the actors who build the cities and keep them running, and to do so they need empowerment, rights, protection and capacity-building through decent working conditions. As it stands the Zero Draft only refers to workers when they are informal or migrant. All working people face unprecedented challenges today in cities, not only informal and migrant workers. We refer to our earlier comments on Decent Work, the informal economy and urban poor to fully address this point.

• Trade unions are barely mentioned; social dialogue and collective bargaining are missing from the Zero

The term "trade unions" only appears once (par. 65), in discussing general forms of "collaboration" among stakeholders. Again, this is a major, serious omission that must be redressed. Free trade unions are the voice of all working people, and are critical in securing social inclusion, promoting decent work, pushing for progressive and fair taxation systems, for democracy and transparency. Through social dialogue and collective bargaining — eminent levers of social inclusion and sustainable development, trade unions make societies, communities and cities more socially resilient to economic and financial crises and other shocks, as largely acknowledged and documented. Trade unions also play an irreplaceable role also in the implementation and monitoring of an inclusive NUA, as they have direct access to urban workplaces across sectors and can identify, report and help remedy labour and social inclusion issues. Nonetheless, they are not even mentioned among the stakeholders UN Habitat will consult to prepare the periodic progress report on the implementation of the NUA (par. 168). The NUA must include and spell out trade unions among the key city stakeholders, especially among those who are critical to the creation of inclusive,

⁴ As per the ILO <u>C. 151 on Employment Relations in the Public Service</u>

sustainable urban economies, and encourage tripartite dialogue and collective bargaining between trade unions, business and local government.

No mention of labour market institutions and active labour market policies.

When it comes to implementation, the Zero Draft does not mention even once the terms 'labor market institutions' and 'active labour market policies' – whereas these are the critical levers of social inclusion and inclusive growth - and only discusses the question of "labor market" in relation to identity-based differentials (par. 66). Also, it is through active labour market policies that new decent jobs can be promoted and created, including decent 'green jobs' – also sadly forgotten in the draft - in line with the objective of transforming cities towards ecological excellence and local green energy efficiency and generation. A laissez-faire labour market approach is not an option for the NUA and local governments have a central role to play here.

Essential urban services must be public and accessible to all.

We insist that the NUA must specify that *essential services* and *infrastructures must be public and universally accessible for all.* This has a major equalizing impact on urban populations and is paramount for building the inclusive cities. When the provision of essential public services becomes a commercial operation, answers to market dynamics and profit maximization, governments can no longer meet their social and environmental sustainability objectives.

• The role and challenges of small and medium enterprises (SMEs) which are critical actors in local economic development are largely missing from the Zero Draft.

Par. 58 proposes to "create an enabling and fair business environment" and commits to address "the challenges faced by local business communities", which supposedly include SMEs, which are only mentioned once in the document (par. 62). Yet these challenges are not laid out and specific actions to increasing the dynamism of the SME sector is largely left to the imagination. This is again problematic since it is actually the SME sector that generates the most formal sector employment especially in low and middle-income countries, and props up consumption that keeps local economies dynamic. Most of the Zero Draft implies that private investors are still the main drivers of "productivity, inclusive economic growth, and job creation" (par. 144) in cities. This needs to be contested in light of the emerging evidence that SMEs generate more formal employment⁵, local economic dynamism and are likely to be more committed partners in inclusive economic development than large-scale investors. The NUA should reflect this distinction and its implications, make a specific acknowledgement of SMEs role and commit to appropriate policies to support and enhance SMEs (e.g. better SME access to municipal finance, less burdensome SME regulations in exchange for better worker conditions, breaking big monopolies, affordable utilities).

• An integrated approach to fight corruption.

The recognition of 'the value of anti-corruption programmes' par. 60 is extremely important but by no means sufficient. Coherent, effective, enforceable transparency and accountability regulations and measures must be put into place, addressing all actors and stakeholders, to prevent and halt corruption and unethical practices in the implementation of the NUA, both at national and at local level, in the public and the private realms, including in lobbying activities and in public procurement procedures, whose details and contracts should be public and accessible to all to enable transparency, accountability and proper evaluation. This must include adequate measures for proportional and dissuasive sanctions, public seizure of profits and gains attained through corruption and unethical practices and the protection of whistle-blowers, their families and communities from harm and retaliation. A failure to prioritize the fight against corruption and prompt a cultural shift where needed will severely undermine the efforts of the NUA, will subtract resources from those who most need them and will increase transaction costs.

⁵ The ILO has written a study about this: http://www.ilo.org/wcmsp5/groups/public/---ed emp/---emp ent/---ifp seed/documents/publication/wcms 216909.pdf

4. <u>Damaging: to be deleted or substantially changed</u>

• The endorsement and promotion of public private-partnerships as the solution to the urban financing and infrastructure gap and for the provision of essential services.

We are particularly concerned about par. 91 that says 'we will support local governments in partnering with the private sector and communities to develop and manage basic services and infrastructure'; about par. 140 that talks about the 'establishment of (joint public-private) financial intermediaries for urban financing such as national municipal development funds or financial intermediaries for urban financing'; and about par. 143 that 'considers the establishment of public-private partnership units (...) to advise municipalities on all aspects of partnerships' . Twenty years ago Habitat II recommended the mobilization of private funding to bridge the infrastructure and financing gap for urban development. This recommendation resulted in an overreliance on 'public-private partnerships' (PPPs). Twenty years on and many dramatic failures afterwards in water, sanitation, electricity, health care, waste management and education a wave of remunicipalizations is occurring. There is no evidence that PPP's are more efficient than public sector service providers, and we advise extreme caution when advocating PPPs⁶ as a solution to the financing gap for urban infrastructure building. We insist that the NUA includes references to the public option including remunicipalization, public-public partnerships, public investment and intermunicipal cooperation, which are more socially inclusive, allow direct control and are economically sustainable in the long run. These are increasingly the preferred choices of cities and communities that have been ravaged by the woes of privatization. Habitat III must not repeat the same false hopes that corporate finance and management will solve the problems of public finance and governance.

• Encouraging city efficiency-based rating and benchmarking for access to financing.

An 'urban economy built on (...) competitive advantages', 'cost-effectiveness', 'reducing the cost of quality public services' par. 104, 'reduce infrastructure spending' and 'performance-based intergovernmental fiscal transfer systems', 'performance-based grants' par. 152 can be positive as long as these do not become a purpose in itself and lead to city benchmarking on market-based performance indicators that also rates whether a city can have access to financing or not. Zero-public deficit approaches and austerity-embracing dogmatism are having disastrous social, economic and environmental consequences on cities and their people. Cities are not corporations. The NUA must acknowledge that each city is a unique human, social, cultural and environmental biotope that must not be played against its peers based on financial and business efficiency-based criteria. Cities are for the people and must first and foremost answer to the public interest criteria of their people. The public sector and cities must not be rated and viewed with the same lenses of corporate performance, this is misleading and dangerous, will create further social tension and exclusion and undermine the NUA.

User charges and fees are not the right approach to promote equity and social inclusion.

We already expressed the concern that the Zero Draft falls far short of promoting revenue arrangements that will foster equitable, progressive, effective fiscal systems. Worse, *proposed 'user charges and fees to cover expenditure costs'* par. 137 are deeply problematic, especially in developing country contexts since fragmented coverage of lower-income populations and underuse of public services tend to result, as a

⁶ PSIRU (2014) *Public and private sector efficiency. A briefing for the EPSU Congress*, May 2014 www.epsu.org/IMG/pdf/PSIRU_efficiency.pdf;

Hall, D. Why Public-Private Partnerships don't Work. The many advantages of the public alternative. PSIRU 2015 http://www.world-psi.org/sites/default/files/rapport_eng_56pages_a4_lr.pdf; Jomo KS, Chowdhury A., Sharma K., Platz D. Public-Private Partnerships and the 2030 Agenda for Sustainable Development:

Fit for purpose? UN DESA Working Paper No. 148 ST/ESA/2016/DWP/148, February 2016

result of stronger commercial incentives brought into public service provision. Even if exemption mechanisms for the poor are brought into play, that brings in the problem of beneficiary targeting, which often results in tremendous transaction costs for government and opportunities for corruption and politicized malpractice.