"PFI and the Global South:
financial extraction and the growing wealth gap"

talk by
Nicholas Hildyard, The Corner House
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These days, I can't get on a bus – I can't even look at a bus – without thinking of a recent report by Oxfam on the growing wealth gap between rich and poor.

Many of you will be familiar with the report – and its iconic image of the extent to which wealth is now concentrated in fewer and fewer hands. Just 85 people – the number of people you could get into just one double-decker bus – now control as much wealth as the poorest 3.5 billion people in the world.

Eighty-five people. With some $1 trillion between them.

To give some idea of how much money that is, if you were to spend two million dollars a day for the next 1,000 years, you would still be left with a mountainous pile of 300 million dollars in spare change.

Meanwhile, the average savings of an African-American woman are just $100. And the poorest in the world are unlikely to have any savings at all.

Such inequality doesn't come about by accident.

The growing gap between rich and poor is best seen as what journalist Will Hutton describes as

> "a *proxy for how effectively an elite has constructed institutions that extract value from the rest of society"*.

Most obviously, wealth is extracted upwards because the rich pay workers for only a fraction of the value they create through their labour – and snaffle the rest. This form of looting – aka "capitalism" – is now the institutionalised social order in most countries around the world.

But the process of theft and accumulation doesn't stop there.

Other institutionalized forms of looting abound. And public-private partnerships are one of these.

The rich will tell you that PPPs are needed because there is not enough money in the public cupboard to pay for all the infrastructure that needs to be built if the poor are to have clean water, heating and lighting, hospitals and schools.

This is a constant refrain of the UK government, of the World Bank, the Asian Development Bank, the African Development Bank, the G20, private banks and other would-be Masters of the Universe.

And just in case the rest of us don't get the message, the World Bank has been roving the world cajoling governments, mobilising business interests and, where necessary, imposing changes to national legislation to enable PPPs.

The private sector has been doing its own arm-twisting, too. Credit agencies now rate a country's worth by the extent to which it has adopted pro-PPP legislation.

The same message is repeated over and over again.

PPPs bring competition and improved efficiency.

PPPs are good for the poor because they spur economic growth – and a rising tide lifts all boats

PPPs are the solution to the so-called infrastructure gap.

And it's all bullshit.

The cupboard isn't bare. Or if it is, it needn't be. The tax authorities know where the 85 people on that double-decker bus live. The wealthiest 1 per cent in the world have enough wealth to fund all the infrastructure that is said to be needed ten times over.

The private sector isn't more efficient than the public sector. The World Bank and others know this. Their own studies show it time and time again.

And talk of rising tides lifting all boats is just cruel cynicism when one considers that most people don't have a boat or if they had one it has either been destroyed or stolen by the already rich.

The reality is that PPPs are not about financing development but about developing finance. And in particular finance as an extractive industry.

At a time when investors face a crisis of overaccumulation – too much money sloshing around the system in search of profitable investments – PPPs are just one way in which capital is seeking to stem declining rates of profit.

Their key feature is not that they create hidden debt – though they certainly do that.

Nor just that they are means of privatising by stealth – though they are also certainly that.

No, PPPs are primarily a means through which private companies establish legally-binding guarantees from the public to make double-digit profits.

And because they provide such guaranteed profits, they are the means through which private companies are able to transform even the poorest of us into income streams.

When a PPP operator builds a hospital, they are not providing health care. This is incidental to them. They are providing their shareholders with a steady income flow guaranteed by the state that comes from transforming the sick into cash cows.

When they build a school, they are not providing education. They are transforming children into ATMs.

When they build a dam or a power plant, they are not producing electricity for the poor. They are milking a captive pool of electricity consumers – who generally don't include poorer people – of regular payments that can then be bundled up and transformed through derivatives and other financial instruments into highly lucrative securities.

And the contracts they put in place are such that, in some instances, they even guarantee that the public ATM will continue to spill out private profits even if the school does not operate or the hospital is not used or the dam does not produce a single electron of electricity.

And that profit doesn't trickle down, as claimed. It is extracted up – to the 1 per cent.

To give an example.

In 2011 Lesotho, one of the poorest countries in Africa, replaced its main public hospital with a new PPP-financed facility designed, built, and operated by a private consortium whose main shareholder is Netcare, a for-profit company that also operates in the UK.

The World Bank touts the project as a success story. But a seminal report by Oxfam and the Consumers' Protection Association of Lesotho tells a very different story.

Not only does the hospital cost more than three times what the old hospital cost to run; it is also consuming more than half of the government's total health budget, to the detriment of rural health provision.

In fact, it is proving so expensive that a government source is quoted as saying that it would be cheaper to build another public hospital than pay the consortium to treat patients.

Netcare says it will make a return of 13 to 18% on the project. On my calculations, that would be a profit of $12.3 million.

Not bad when the amount of money that the consortium put in up front was just half a million dollars.

The rest of the investment was borrowed. And who guaranteed the loans? You've guessed. The Lesotho Government.

And where did the debt come from? Intrepid risk-taking private sector firms? No way José. It came from publicly-financed banks.

In fact, 99% of the finance for this supposedly public-private "partnership" is from sources that could be said to be "public" money.

But the profits – guaranteed profits – go to the private investors.

And the bulk of those profits will be extracted ***out*** of Lesotho to Netcare's shareholders, predominantly South African banks, insurance companies, pension funds and mutual funds.

And it isn't the poor in South Africa, those at the bottom of the wealth pyramid, who invest in all these funds and companies. It is, by and large, the 1 per cent.

So the PPP will, it would seem, extract wealth not only ***out*** of one of the poorest countries in Africa but and ***up*** to the richest of the already rich.

It is a pattern that is repeated in PPP after PPP.

It amounts to a theft of public wealth. And, by turning the public into income streams, it also amounts to a theft of ordinary peoples wages.

One response to the growing wealth gap that PPPs and other instutionalised forms of looting perpetuates is a call for the rich to pay higher taxes.

I agree. Of course the rich should be taxed at a massively higher rate than they are today.

But higher taxes in the UK and other Northern countries would only redistribute wealth that has already been extracted over centuries from the global south.

It wouldn't return the wealth to those from whom it had been stolen. And it wouldn't stem the unequal exchange that has enabled this theft.

Deeper structural change is required.

Another response is to call for public services to remain in public control – or to be taken back into public hands.

I agree. Of course public services should be in public hands.

But what constitutes the public today? Does the state represent the public interest? Many privatised utilities in the UK are now majority owned by state enterprises – they just happen to be state companies from other countries. And they are state companies that operate for a profit. Commons, they ain't.

Again, deeper change is needed if the state is to serve the public interest.

Renegotiated contracts and contractually-binding safeguards for protecting the public are another response.

I agree. Safeguard policies to protect workers, the public and the environment and to ensure human rights are essential in any infrastructure development.

But safeguard policies can't – and don't – address the financial extraction that PPPs enable.

That too requires deeper structural change.

Bringing together those who confront PFI in its various forms is a significant step towards building such change.

Linking struggles has always been critical to mobilising for change. And it is perhaps more necessary now than at many times in the recent past.

For many of the cross-cutting, community-embedded vehicles through which radical activists have organised in the past have been hollowed out. And they need to be rebuilt.

The trade unions are a shadow of their former selves; faith groups are less influential within society; and the established political parties no longer have a mass following.

Instead, advocacy is increasingly channeled through consultancies or single-issue non-governmental organisations, many of which have become quasi corporate franchises whose relationship to their political base is primarily driven by fund-raising.

As a result, it is more and more difficult to move beyond "reformist reforms" (which tend to undermine long-term movement-building) so as to push instead for "non-reformist reforms" (which open up strategic space for genuine change).

If we are really to challenge the wealth gap and reclaim the public in public services, then we cannot – and should not – sidestep this problem.

We need to find new ways of organising. In the workplace. In communities. And between communities.

It is a challenge that I hope we can discuss today. And think about every time we see a double-decker bus.