

Counter

Balance

Challenging
the European
Investment
Bank

The Great Middle East Beanfeast

how 'development' banks
are using public-private partnerships
to carve up the arab spring countries

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Counter Balance is a coalition of European environmental and development NGOs. Its member organisations include:

Both Ends (The Netherlands)

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The mission of “**Counter Balance: Challenging the EIB**” is to make the European Investment Bank an open and progressive institution delivering on EU development goals and promoting sustainable development to empower people affected by its work.

This paper was prepared by Anders Lustgarten (Bretton Woods Project) as a reflection of a fact finding mission to Egypt organised by Counter Balance and we believe it is an important contribution to the debate about the future of EIB operations in North Africa.

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Introduction: The development mafia and the Middle East beanfeast

Two years after the Arab Spring and the streets of Cairo are full again—of bankers and businessmen looking to make a deal. Using the same term by which Hosni Mubarak justified his autocratic rule, the EU's 'Egypt Task Force' emphasises the need for "economic stability". It also promises, "the more countries reform, the more they can hope to receive assistance and cooperation from the European Union."¹ But what do they mean by 'reform'? In September 2012 executives from a who's who of contentious American conglomerates (Bechtel, Cargill, Raytheon) arrived in the company of the US Chamber of Commerce to lobby for business.² The CoC had been lobbying for 18 months to weaken US anti-bribery legislation, making it easier (some might argue) for American companies to pay bribes.³ From the tone of the discussions ("Ministers giving their opening remarks focused on comforting investors as to the safety of the investment climate in Egypt"⁴), it seems the corporations have little to worry about.

And where corporations go, big money from public 'development' agencies soon follows. The head of the EU's European Neighbourhood Partnership Instrument announced the approval of 65 projects in Egypt worth €114 million. The European Investment Bank (EIB) signed over €200 million for a new Metro line and €45 million for 'community development'.⁵ But these are drops in the ocean compared to what's coming. The EIB announced a "pipeline of projects" and a doubling of its investment in Egypt to €1 billion annually; previously it pledged €3.5 billion for Egypt and Tunisia by 2013.⁶ The European Bank for Reconstruction and Development (EBRD) has suggested it wants to invest \$2.5 billion a year in the region by 2015, with the bulk going to Egypt.⁷ And the big one, an IMF loan to Egypt of \$4.8 billion, has just been signed in the teeth of prolonged and fulsome opposition from civil society.⁸

Proponents of the IMF loan suggested it "will signal to investors that government officials will commit to necessary fiscal reforms."⁹ What it signalled, in fact, was the green light for autocracy. One day after the IMF loan was agreed, President Morsi granted himself vast new Mubarak-like powers. They included immunity of presidential decrees from cancellation or appeal (until the election of a new parliament); protection of the Shura Council and the Islamist-dominated Constituent Assembly from judicial dissolution; and "the exclusive right to take any measures he sees fit to protect the country's national unity, national security and the revolution."¹⁰

Morsi's actions were described as, "An absolute presidential tyranny... a horrifying coup against legitimacy."¹¹ Hundreds of thousands of ordinary Egyptians took to the streets in protest, resulting in the (temporary) suspension of many of the new powers, but not before at least ten people died in clashes with state security and Muslim Brotherhood supporters. There were widespread reports of Muslim Brotherhood 'torture chambers' in which hundreds of protestors were detained, assaulted and coerced into making 'confessions' they had been paid to carry out violence¹²—'confessions' which Morsi apparently then cited on television. All this has disturbing echoes of the old regime; as the New York Times observed,

*The episode on Wednesday recalled the tactics of the ousted president, Hosni Mubarak, who often saw a conspiracy of "hidden hands" behind his domestic opposition and deployed plainclothes thugs acting outside the law to punish those who challenged him. The difference is that the current enforcers are driven by the self-righteousness of their religious ideology, rather than money.*¹³

1. Conor Molloy, 'EU talks politics, economics with Egyptians', Daily News Egypt, Nov 14 2012, [http://dailynewsegypt.com/2012/11/13/eu-talks-politics-economics-with-egyptians/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+DailyNewsEgypt+\(Daily+News+Egypt\)](http://dailynewsegypt.com/2012/11/13/eu-talks-politics-economics-with-egyptians/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+DailyNewsEgypt+(Daily+News+Egypt))
2. <http://www.uschamber.com/press/releases/2012/september/us-chamber-lead-largest-ever-business-delegation-egypt>
3. Marian Wang, 'As Mideast Lashes out against Corruption, Chamber of Commerce Lobbies to Weaken Anti-Corruption Law', ProPublica, March 25 2011, <http://www.propublica.org/blog/item/as-mideast-lashes-out-against-corruption-chamber-of-commerce-lobbies-to-wea>
4. Mohamed El-Bahrawi, 'EU, Egypt Pact Signed', Daily News Egypt, November 13 2012, [http://dailynewsegypt.com/2012/11/13/eu-egypt-pact-signed/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+DailyNewsEgypt+\(Daily+News+Egypt\)](http://dailynewsegypt.com/2012/11/13/eu-egypt-pact-signed/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+DailyNewsEgypt+(Daily+News+Egypt))
5. <http://www.eib.org/projects/press/2012/2012-161-egypt-eib-lends-eur-200m-for-the-cairo-metro-line-and-eur-45m-for-community-development.htm>
6. <http://www.eib.org/about/news/commission-and-eib-presidents-visit-egypt.htm>
7. <http://www.ebrd.com/english/pages/news/press/2012/121105b.shtml>
8. 'Egyptian political groups demand halt to IMF loan talks', Ahram Online, 12 Nov 2012, <http://english.ahram.org.eg/News/57873.aspx>
9. Maggie Hyde and Amira Saleh-Ahmed, 'Sealing the deal: Egypt closest it's been to securing IMF loan', Egypt Independent, November 20 2012, <http://www.egyptindependent.com/news/sealing-deal-egypt-closest-it-s-been-securing-imf-loan>
10. Heba Afify, Amira Ahmed and Lina Attalah, 'The president's new powers', Egypt Independent, 23/11/12, <http://www.egyptindependent.com/news/president-s-new-powers>
11. Amr Hamzawy, quoted in David Kirkpatrick and Mayy El Sheikh, 'Citing Deadlock, Egypt's Leader Seizes New Power and Plans Mubarak Retrial', New York Times, November 22 2012, http://www.nytimes.com/2012/11/23/world/middleeast/egypts-president-morsi-gives-himself-new-powers.html?nl=todaysheadlines&emc=edit_th_20121123
12. Mohamed El-Garhi, 'Al Masri Al Youm goes inside the Brotherhood's torture chambers', Egypt Independent, December 7 2012, <http://www.egyptindependent.com/news/al-masry-al-youm-goes-inside-brotherhood-s-torture-chambers>
13. David Kirkpatrick, 'Morsi's Opponents Describe Abuse by President's Allies', New York Times, December 10 2012, http://www.nytimes.com/2012/12/11/world/middleeast/allies-of-egypts-morsi-beat-protesters-outside-palace.html?nl=todaysheadlines&emc=edit_th_20121211&r=0

The timing of Morsi's mutation into Mubarak was not a coincidence. As Sabry Hefez observed, "The timing of Egypt's constitutional amendment is a smokescreen for passing the unpopular IMF loan—a loan which will tie Egypt to exactly the same system of corruption and pillaging as the old regime."¹⁴ Not least because it would go straight to creditors, "One can safely say that the IMF loan will barely contribute to Egypt's economic recovery," said Amr Adly of the Egyptian Initiative for Personal Rights. "Rather, it risks pushing Egypt into a spiral of public indebtedness that will deepen its fiscal and financial crises, undermining genuine chances of democratisation."¹⁵

Though postponed temporarily when massive protests made it impossible for Morsi to force through its full conditions, the IMF loan will achieve two things. One was to restart the cycle of creating new debts to pay for old ones, and deliberately close off a crucial debate about the legitimacy of the debt racked up under Mubarak and how much of it is 'odious'—debt accumulated by a regime rather than the nation, and therefore not the duty of the nation to repay. The second was to confer the stamp of approval from international markets for Morsi to push through that most fashionable of contemporary political agendas: a brutal program of austerity. As Hesham Sallam puts it, "the Egyptian government... is preparing to go down a path of economic liberalization that will likely result in social unrest and a great deal of dissent that demands an imperial presidency with minimal accountability."¹⁶ The very first law Morsi passed under his new powers gave him the right to appoint the board

of the Egyptian Trade Union Federation, a transparent attempt to restore pre-revolutionary state control of workers.¹⁷

The role of the IMF (whose response to Morsi's actions ignored the killings but did insist that economic conditionalities be maintained¹⁸) should come as no surprise, since international financial institutions are integral to the maintenance of elite domination in poor countries.¹⁹ They provide the elites of poor nations with financial support and ideological guidance in the needs of neo-liberal capitalism, a process they refer to with amusing dispassion as 'technical assistance'. But above all these banks enforce the perfect investment conditions for corporations, private equity firms and hedge funds: no capital controls, deregulation (and pro-corporate re-regulation), massive tax avoidance, subsidies and profit guarantees.²⁰ The influence this relatively tiny elite exerts in privatising development²¹ surely warrants them a new title, already suggested by some: the "Development Mafia".²²

In Egypt, the Development Mafia was in effect for decades. The EIB, IMF and the International Finance Corporation (IFC), the World Bank's private sector cheerleader, were all amenable to the Mubarak dictatorship. EIB and IFC invested in funds of which Gamal Mubarak, the president's son, was an indirect beneficiary. And now, having hastened to declare themselves 'friends of the revolution', the Development Mafia are at the forefront of a new wave of corporate profiteering. A key component of the new government's reform proposals, approved by the IMF,

14. <http://www.aljazeera.com/programmes/insidestory/2012/11/2012112482649205402.html> Debate on Al-Jazeera's 'Inside Story' show, 24 November 2012

15. Amr Adly, 'The IMF in Egypt: Revolution or Coming Full Circle?', Bretton Woods Project, November 26 2012, <http://brettonwoodsproject.org/art-571539>

16. Hesham Sallem, 'Morsi and the 'nationalisation' of the revolution', Egypt Independent, November 22, 2012, <http://www.egyptindependent.com/opinion/morsy-and-%E2%80%9Cnationalization%E2%80%9D-revolution>

17. 'Morsi issues law paving way for state control of trade federation, Egypt Independent, Nov 26 2012, <http://www.egyptindependent.com/news/morsy-issues-law-paving-way-brotherhood-control-trade-federation> Trade unions claim the Brotherhood's "attitude to workers, trade unions and economic and social rights is even more hostile," than Mubarak's, and the labour minister "actively incited employers and management against protesting workers." 'Egypt: Brotherhood Targets Trade Unions', Al-Akhbar English, October 28 2012, <http://english.al-akhbar.com/content/egypt-brotherhood-targets-trade-unions>

18. "Consideration of the agreement by the IMF Executive Board will require that there is no major change in the economic outlook and implementation plans," said a spokeswoman. <http://english.ahram.org.eg/NewsContent/3/12/59283/Business/Economy/IMF-Morsis-decree-will-have-no-effect-on-loan-appr.aspx>

19. See James Ferguson, *The Anti-Politics Machine*, 1994, about the World Bank's systematic misdiagnosis of Lesotho and the failed policies it enforced on its state and people; *Structural Adjustment: the SAPRI Report. the Policy Roots of Economic Crisis, Poverty and Inequality*, The Structural Adjustment Participatory Review International Network (SAPRIN), Zed Books, 2004; *World Bank-IMF support to dictatorships*, Eric Toussaint, CADTM, 2004, <http://cadtm.org/World-Bank-IMF-support-to>; *La banca dei ricchi. Perché la World Bank non ha sconfitto la povertà*, Luca Manes e Antonio Tricarico, *Altrecconomia*, 2008; *Unmasking the IMF. The post-financial crisis imperative for reform*, Jubilee USA, 2012

20. See Nicholas Shaxson, *Treasure Islands: Tax Havens and the Men Who Stole the World*, (London: Bodley Head), 2011; TASC, *Tax Injustice: Following the Tax Trail*, October 4 2012, <http://eurodad.org/1543701/>

21. Bretton Woods Project and Counter Balance, *The Private Sector Turn*, 22 November 2010, <http://www.brettonwoodsproject.org/art-567281>

22. Widely used in the Global South, the term "Development Mafia" refers not to explicit criminality (though there is a long list of scandals associated with IFIs down the years), but to the coercive collaboration between IFIs, Western governments and (at times) developing country elites to force pro-market policies on resistant populations. A process that enforces 'solutions' that primarily serve the interests of those promoting them, with subtle threats of reprisals if the proposals are not followed, bears a striking resemblance to the traditional coercive approach used by the Mafia. For those in Europe not familiar with development discourse, the language used to enforce austerity ('we have no choice', 'bills must be paid') and the threats implied ('we will be punished by the markets', 'bailout funds will be withheld and people will starve') is similar: development is coming home. Examples of the use of "Development Mafia" include: *Three Mistakes by the Development Mafia*, *Economic Times*, November 10 2010, http://articles.economicstimes.indiatimes.com/2010-11-11/news/27584034_1_gram-sabha-villagers-development; and Faisal Hashmi, *Exposing Global Development Racket*, <http://www.iosworld.org/exposing%20global%20development%20racket.htm>. Furthermore, several authors, including Southern inter-governmental think tanks, have repeatedly referred to Northern governments and their development financial institutions as "colonisers" perpetrating violations against the poor in the global South in the interests of advanced economies. Among different texts recently published: *Ending aid dependence*, Yash Tandon, South Centre, 2008; *Development and globalization: Daring to think differently*, Yash Tandon, Fahamu Ltd., 2009; *Aid to Africa: Redeemer or colonizer*, Hakima Abbas and others, Pambazuka Press, 2009; *The trouble with Aid. Why less could mean more for Africa*, Jonathan Glennie, Zed Books 2008.

would be a flat tax of 25% on all corporate activity, replacing the existing system in which 25% is the lowest tax rate. 25% would also be the top individual tax rate, with the onus on increasing taxation on those with low incomes. Analyst Reda Issaa called the plan “laughable. It’s the exact same as Mubarak’s economic policies.”²³

At the same time, the form privatisation is taking in the MENA region is more invasive than previous waves in developing countries. Whereas the IFI-driven firesales in post-Soviet countries after 1989²⁴ involved the privatisation of specific assets, the Arab Spring countries are to be subjected to the privatisation of whole infrastructure classes—of entire future energy and water systems. The means by which this is to be achieved is Public-Private Partnerships (PPPs), a hugely contentious and damaging mode of ‘development’ with a long track record of expensive failure.

The essence of modern financial capitalism is the wholesale transfer of public assets into private hands, at the same time dumping the risk associated with those assets back onto the public. The Arab Spring countries

are one of the few remaining regions where public assets have not yet been entirely sold off to private entities, and as such represent a fantastic potential “Middle East Beanfeast” for the Development Mafia.

Unlike in 1989, however, the feast may not be as easy to prepare as they hope. For one, people have seen the privatisation movie before, in Eastern Europe and elsewhere—and know that unless you’re Roman Abramovich, the ending stinks. In Egypt, after the notorious corruption of the Mubaraks, privatisation is a dirty word—and crucially, people are willing to stand up and fight it. The Arab Spring was an attempt to wrest control of power and resources from the hands of a corrupt elite into more democratic control. The fact a new elite (containing large remnants of the old) is now attempting to co-opt the Arab Spring (Cairo protestors pointedly wave signs denouncing “Mohamed Morsi Mubarak” even as Morsi claims to be ‘safeguarding the spirit of the revolution.’²⁵) has sent the people of Egypt back into the streets to preserve their revolution. It is their consistent bravery and willingness to go to battle that gives us hope the Development Mafia may not find the Great Middle East Beanfeast readily digestible.

The woeful track record of ‘development’ banks in north africa

The European Investment Bank and World Bank were deeply entangled with the pre-Arab Spring dictatorships. In the decade before Mubarak’s ouster, the EIB invested €15.5 billion in the Middle East and North Africa region, twice as much as in any other region outside Europe.²⁶ The two largest recipients of EIB largesse were also the two places in which popular resentment at dictatorial elites led to their overthrow: Egypt, at nearly €4 billion²⁷, and Tunisia, at €3.5 billion.²⁸ Morocco, a constitutional monarchy where the king holds executive power and which was also a site of protests, was the third largest recipient at nearly €3 billion. No other country in the MENA region received more than €1.5 billion. The World Bank Group lent \$17 billion to the region over the same period.²⁹

So when the EIB and friends now refer to “democratic development of the region”³⁰, it must be remembered these banks loaned more under the old dictators (and at

times to interests connected to those dictators) of North Africa than to any other regime—and used the same justifications to do so then as they use now. For instance, a 2004 joint financial package between the EIB, World Bank and EU Commission for the MENA region claimed it, “will be used to lend support to institutional and economic reform, human rights and democracy projects, the fight against poverty and education and training.”³¹

Those were the years in which, far from promoting human rights and democracy, the ruling regimes were criminal kleptocracies, diverting colossal sums out of public treasuries into private hands via illicit privatisations. The Egyptian Centre for Economic Studies estimates that of \$104 billion in public assets privatised under Mubarak, the Egyptian treasury received only \$9.6 billion.³² The layoffs and unrest of privatisation were cited by many, notably the Egyptian military, as a key driver of the revolution.

23. Maggie Hyde and Amira Salah-Ahmed, ‘Egypt’s economic reform plan: Revolutionary social justice, or more of the same?’, *Egypt Independent*, November 29 2012, <http://www.egyptindependent.com/news/egypt-s-economic-reform-plan-revolutionary-social-justice-or-more-same>
24. See Naomi Klein, *The Shock Doctrine*, (London: Penguin), 2007, chaps. 11-12; Joseph Stiglitz, *Globalisation and its Discontents*, (Washington DC: W.W. Norton), 2002

25. Kareem Fahim and David Kirkpatrick, ‘Clashes Break Out After Morsi Seizes New Power in Egypt’, *New York Times*, November 23 2012, http://www.nytimes.com/2012/11/24/world/middleeast/amid-protest-egypts-leader-defends-his-new-powers.html?nl=todaysheadlines&emc=edit_th_20121124

26. <http://www.eib.org/projects/loans/regions/index.htm?start=2000&end=2011>

27. Total projects financed in Egypt 2000-2011: €3,876,179,235. <http://www.eib.org/projects/loans/regions/mediterranean-countries/eg.htm?start=2000&end=2011§or>

28. Total projects financed in Tunisia 2000-2011: €3,457,791,000. <http://www.eib.org/projects/loans/regions/mediterranean-countries/tn.htm?start=2000&end=2011§or>

29. World Bank Group, total of signed, open and closed projects for the MENA region between 2000 and 2011 agglomerated, results exported into Excel and total amount (IBRD+IDA) of US\$17.054 billion

30. E.g. <http://www.eib.org/about/news/commission-and-eib-presidents-visit-egypt.htm> PR 27.7.2011

31. *Europolitics*, ‘EU/Mediterranean States: EU to put up Euro 1.2 billion co-operation funding’, <http://www.europolitics.info/eu-mediterranean-states-eu-to-put-up-euro-1-2-billion-co-operation-funding-artr181560-44.html>

32. <http://www.eces.org.eg/>

The privatisation programme was driven, ideologically and financially, by the Development Mafia. In 2010 the IMF endorsed the policies of the Mubarak regime as, "Five years of reforms and prudent macroeconomic policies," and called for, "Resuming privatization and increasing the role of carefully structured and appropriately priced PPPs".³³ In the same year an IMF mission congratulated the Gaddafi regime in Libya on a programme to make 340,000 public employees redundant, recommended that the process "should be accelerated", and added, "The mission would like to thank the authorities for their excellent cooperation and hospitality."³⁴

Though NGOs have warned for years that privatisation deepens poverty and takes essential services out of the reach of ordinary people,³⁵ the World Bank, in tandem with USAID and the African Development Bank, lent billions for the Egyptian privatisation programme.³⁶ The IFC put nearly \$50 million into perhaps the most hated of all Mubarak's privatisations, the cut-price sale of the department store Omar Effendi to a Saudi investor.³⁷ After the revolution, the Omar Effendi deal, which cost the treasury an estimated \$100 million and over 2000 workers their jobs, was annulled by the Administrative Court, which cited Mubarak's Investment Minister Mahmoud Mohieldin as a 'responsible party'.³⁸ The World Bank, naturally, hired Mohieldin as a Managing Director. Its former head Robert Zoellick described him as a "tireless reformer" and "an outstanding young leader."³⁹ The World Bank has refused three requests from the Government Accountability Project for Mohieldin's financial disclosure details.

Such relationships with the scions of Mubarak were not limited to the World Bank. In 2010 the EIB invested €50 million in the InfraMed Infrastructure Fund, "the biggest infrastructure fund in the MENA region... designed to promote, in a market environment, equity investment in urban, energy and transport infrastructure projects."⁴⁰ At the launch of the fund, the EIB announced that a strategic

board had been established to provide the fund manager with "strategic advice and orientation on the overall development" of the fund.⁴¹ The designated chair of this strategic board? None other than Rachid Mohamed Rachid, Mubarak's Minister for Trade and Industry.

Rachid was later charged with multiple counts of corruption including profiteering, squandering and misusing public funds. He was tried in absentia on these charges and found guilty. In the latest case he was sentenced to 15 years in prison and ordered to pay a \$237 million fine.⁴² That makes a total of three convictions and 35 years in jail.⁴³ In March 2012, less than two years after the EIB had accepted Rachid as InfraMed's designated strategic chair, the European Commission imposed sanctions on him, requiring member states to seize his assets.⁴⁴ (The EIB has yet to explain why it was willing to approve the designation of Rachid as the fund's strategic chair).

But that is only the start of the EIB and IFC's involvement with the Mubarak regime. A co-investor in InfraMed is the well-known Egyptian investment bank EFG Hermes.⁴⁵ Equally well-known to those who cared to look (since he had held it since 1997⁴⁶ and announced it on an Egyptian talk show⁴⁷) was that Gamal Mubarak held an 18% stake in EFG Hermes Private Equity (EHPE), a subsidiary of the bank, through Bullion, an off-shore fund domiciled in Cyprus.

Though the value of the stake itself is relatively minor, of far more immediate concern is what InfraMed Infrastructure calls "its privileged relationship" with EHPE. EHPE signed "an advisory and co-investment agreement" in relation to InfraMed's co-investment funds in Egypt, including a local currency fund, InfraEgypt.⁴⁸ Clearly Gamal Mubarak would have stood to gain from this arrangement through the management and advisory fees that EFG Hermes PE would charge InfraMed.

32. <http://www.eces.org.eg/>

33. Adam Hanieh, 'Egypt's Orderly Transition? International Aid and the Rush to Structural Adjustment', *Jadaliyya*, 29 May 2011, <http://www.jadaliyya.com/pages/index/1711/egypts-%E2%80%98orderly-transition%E2%80%99-international-aid-and-> Patrick Bond, 'Neoliberal threats to North Africa', *Review of African Political Economy*, 38:129, 481-495 (2011), <http://dx.doi.org/10.1080/03056244.2011.602546> both cited in David Hall, *Business as Usual: International Promotion of PPPs in North Africa*, Public Services International Research Unit, May 2012, <http://www.psiu.org/reports/business-usual-international-promotion-ppps-north-africa>

34. IMF 2010 Preliminary Conclusions of the Mission to Libya, October 2010, <http://www.imf.org/external/np/ms/2010/102810.htm>

35. See for example War On Want, *Profiting from Poverty: Privatisation Consultants, DFID and Public Services*, 2004

36. <http://theglobalrealm.com/2011/04/12/privatisation-aided-egypt-revolt-army-says/>

37. <http://www.ifc.org/ifcext/spiwebsite1.nsf/0/D257B6C533749396852576BA000E29DF>

38. <http://www.whistleblower.org/blog/31-2010/1437-egypt-privatization-a-the-sordid-tale-of-world-bank-managing-director-mahmoud-mohieldin>

39. <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22695283~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>

40. www.eib.org/attachments/inframed-note-de-presentation-en_fin.pdf

41. <http://www.eib.org/about/press/2010/2010-078-lancement-du-fonds-dinfrastructure-inframed.htm>

http://www.eib.org/attachments/inframed-note-de-presentation-en_fin.pdf

42. Jurist legal news & research, <http://jurist.org/paperchase/2011/09/egypt-court-sentences-former-mubarak-associates-on-corruption-charges.php>

43. The New York Times, 'Steel tycoon with links to a Mubarak is sentenced', <http://www.nytimes.com/2011/09/16/world/middleeast/egypt-sentences-mubarak-era-tycoon-ahmed-ezz-to-prison.html>

44. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:076:0063:0067:EN:PDF>

45. http://www.inframed.com/cms/EFG_Hermes.html?PHPSESSID=2bc5b5431df737032f192e96f3806351

46. <http://english.ahram.org.eg/NewsContent/3/12/43391/Business/Economy/EFGHermes-plays-down-Mubarak-connections-Statement.aspx>;

47. Wikileaks, <http://wikileaks.poliisi.mobi/cable/2006/04/06CAIRO2010.html> Al Ahram Weekly 'Re-Introducing Gamal Mubarak', <http://weekly.ahram.org.eg/2006/788/eg3.htm> Mar-Apr 2006

48. http://www.inframed.com/Management_Team-InfraEgypt_Cairo_Team.html

Most of all, there is the possibility that Gamal's political influence could have been bought to bear to ensure that the Egyptian sub-funds prospered. Why on earth is the EIB, which claims to have "a zero tolerance policy on fraud or corruption"⁴⁹ and whose Anti-Fraud policy includes due diligence on Politically Exposed Persons (PEPs),⁵⁰ investing in funds connected to the president's son? Why did EIB agree to a fund from which Gamal Mubarak stood to gain being manager of its Egyptian co-investments? Was it because in 2001 it signed a co-investment agreement with EFG to seemingly invest in all of EFG's private equity funds?⁵¹ Was it not concerned at the possibility of corrupt or illegal benefits accruing to its funds or to the PEPs in question, not only after the EFG Hermes investments but also before? Has it investigated those possibilities, either before investing in InfraMed or since, and if so will it release the results?

EIB made four separate equity investments in EFG Hermes from 2000 to 2005, totalling more than €70

million,⁵² as well as inviting senior EFG executives to speak at conferences.⁵³ The IFC went even further, offering EFG nearly \$300 million in four tranches from 2000-2010 "to contribute to the development of regional capital markets."⁵⁴ It may or may not be indicative of the style in which 'regional capital development' occurred that the two CEOs of EFG Hermes are currently on trial with the Mubarak brothers in an alleged share-rigging scandal.⁵⁵

What is apparent, however, is that 'development' banks played important roles not only in financing but in legitimising Middle Eastern despots. They provided what EFG Hermes, in reference to itself, calls "a vote of confidence... from a reputable institution like the EIB".⁵⁶ From the perspective of developing country elites, that 'vote of confidence' and the political and financial protection that comes with it, is what the EIB and its ilk are for. And though some of the most venal elites were overthrown in explosions of popular rage, the banks are back, with a new trick up their sleeve.

49. <http://www.eib.org/about/cr/anti-fraud/index.html>

50. http://www.eib.org/attachments/strategies/anti_fraud_policy_20080408_en.pdf, para. 19

51. http://www.efg-hermes.com/English/files/pdf/EFG-Hermes_204Q_202000_20Newsletter.pdf

52. <http://www.eib.org/projects/press/2000/2000-092-eur-15-mio-for-information-technology-in-jordan.htm?lang=-en>;

<http://www.eib.org/projects/press/2001/2001-021-eur-36-mio-for-smaller-sized-enterprise-and-environment-investment-in-egypt.htm?lang=-en>;

<http://www.eib.org/projects/press/2002/2002-025-eur-25-mio-for-private-sector-projects-in-egypt.htm?lang=-en>;

<http://www.eib.org/projects/press/2005/2005-147-femip-eur-25-million-risk-capital-facility-for-developing-egyptian-private-sector-companies-.htm?lang=-en>

53. http://www.eib.org/attachments/general/events/pres_marseille.pdf

54. <http://www.ifc.org/ifcext/spiwebsite1.nsf/ProjectDisplay/SPI10731>

<http://www.ifc.org/ifcext/spiwebsite1.nsf/ProjectDisplay/SPI24586>

http://www.ifc.org/ifcext/spiwebsite1.nsf/ProjectDisplay/SPI_DP25148

http://www.ifc.org/ifcext/spiwebsite1.nsf/ProjectDisplay/SPI_DP28833

55. <http://english.ahram.org.eg/NewsContent/3/12/43295/Business/Economy/BREAKING-EFGHermes-heads-to-stand-trial-alongside-.aspx> ; <http://www.bbc.co.uk/news/world-18268142>

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**PRIVATE
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Private partnerships: a brief history

Public-Private Partnerships were invented in the UK and introduced into the mainstream by New Labour under Gordon Brown. One of Brown's objectives was to keep expenditure 'off balance sheet' and below the spending threshold of the Stability and Growth Pact. In theory, by 'backloading' project costs, more investment could be made in public services, while the private sector would bear some of the investment risk (the essence of the 'partnership') and bring a level of efficiency the state supposedly could not muster.⁵⁷

In practice, PPPs have proven to epitomise the function of twenty-first century financial capitalism: the transfer of public wealth into private hands. As David Hall demonstrates, PPPs can't raise money more cheaply than the public sector and have higher procurement costs than other options; are no more efficient in delivering projects on time or on budget; do not produce more innovative designs; and do not provide value for money.⁵⁸ In capital costs alone, the Financial Times calculates, "The taxpayer is paying well over £20bn in "extra" borrowing costs – the equivalent of more than 40 sizeable new hospitals – for the 700 projects that successive governments have acquired under the private finance initiative [a UK PPP]. In addition, lawyers, financial and other consultants have earned a minimum of £2.8bn and more likely well over £4bn in fees over the past decade."⁵⁹

Costs are often hugely inflated: the nearly doubled cost of the CUPOVZ Zagreb waste water plant is common.⁶⁰ Even a report by the EIB, a major promoter of PPPs, found that PPP road schemes are on average 24% more expensive than publicly procured projects.⁶¹ In Portugal, the €800 million cost of two PPP roads exceeded the entire €700 million transport budget. It's no coincidence that the bulk of European PPPs occurred in the UK, Portugal, Spain, Greece and Ireland, countries which due to their commitment to neo-liberalism now share another characteristic: they're all broke.⁶²

Because of 'backloading', the true cost of PPPs may not be apparent until much later. A report commissioned

by the EBRD concluded that, "these contracts, if improperly dealt with, are a powerful instrument for keeping public expenses out of the books, for under-evaluating them and for biasing decisions in favour of PPP schemes."⁶³ Refinancing, taking out cheaper loans after construction is complete, often provides another opportunity for corporate profiteering: investor returns on the Norwich and Norfolk hospital jumped from 19% to 60% after refinancing, with little benefit to the public.⁶⁴ The combination of inflated costs and locked in profits for the private sector have meant in some cases that the public will still be paying for defunct hospitals and roads decades after the projects have closed.

Most of all, the ideology of PPP ignores the reality that there is no risk sharing—and therefore no 'partnership'. Governments 'incentivise' private companies to participate in PPPs with all kinds of sweeteners—subsidies, profit guarantees, low equity requirements, easy exit rules. They do this partly because they are building essential infrastructure, things they cannot afford to fail or go unfinished—but mainly they do it, in a remarkable Mobius loop of tautology, because they are so ideologically committed to PPPs that they need to prove they 'work' when they don't.

In an extraordinary debunking of rail PPPs, a report by the Centre for Research on Socio-Cultural Change shows that rail company profits from PPPs rely overwhelmingly on public subsidy (after privatisation, state investment in rail went up 700%); that rail companies invest little or no capital of their own, hold the franchise in an offshore Special Purpose Vehicle, backload payments to the state and walk away before they start to kick in, leading to huge revenue shortfalls; and that even after all that, the state is so brainwashed by the ideology of "private sector=better" that it rigs the system (by means such as dropping track access charges) in order to make PPPs look like a success. As the title of the report, 'The Great Train Robbery', suggests, this is no 'partnership'—this is straightforward looting.⁶⁵

57. Andrew Bowman and Michael Pooler, 'Infrastructure Finance as an Extractive Industry (or, Tollbooth Capitalism)', Centre for Research on Socio-Cultural Change, presentation Nov 27 2012

58. David Hall: 'Briefing on Public-Private Partnerships (PPPs)', EPSU, December 2011, http://www.epsu.org/IMG/pdf/factsheetPPPs_EN.pdf; 'More public rescues for more private finance failures', PSIRU, University of Greenwich, 2010, <http://www.psiru.org/reports/2010-03-PPPs.doc>; 'Public-Private Partnerships (PPPs) in the EU - a critical appraisal', PSIRU, University of Greenwich, 2008, <http://www.psiru.org/reports/2008-11-PPPs-crit.doc>; 'Alternatives to PPPs: positive action for in-house services', PSIRU, University of Greenwich, 2008, <http://www.psiru.org/reports/2008-11-PPPs-altern.doc>; 'Protecting workers in PPPs', PSIRU, University of Greenwich, 2008, <http://www.psiru.org/reports/2008-11-PPPs-workers.doc>

59. Nicholas Timmins and Chris Giles, 'Private finance costs taxpayer £20 billion', Financial Times, August 11 2011, <http://www.ft.com/cms/s/0/65068d1c-bdd2-11e0-babc-00144feabdc0.html#ixzz2DQWqNIN>

60. <http://bankwatch.org/documents/PPPs/PPP-Zagreb-wastewater.pdf>

61. Referenced in Robert Bain, Review of Lessons Taken From Completed PPP Projects, European Investment Bank, May 2009, available on request from the EIB

62. David Hall, 'PPPs: Historical Truths and Economic Myths', University of Greenwich, Public Services International Research Unit, May 2012, http://wien.arbeiterkammer.at/bilder/d183/PPPs_David_Hall.pdf

63. <http://bankwatch.org/public-private-partnerships/background-on-ppps/build-now-pay-heavily-later>

64. <http://bankwatch.org/public-private-partnerships/background-on-ppps/excess-profits-through-refinancing>

65. Andrew Bowman, Julie Froud, Sukhdev Johal, Karel Williams, Centre for Research on Socio-Cultural Change, 'The Great Train Robbery', presentation 27 Nov 2012, to be published January 2013

Time after time in PPPs, the private sector cynically exploits the state's ideological cowardice and its dependence on the infrastructure being built. Nothing illustrates this cynicism better than the Metronet fiasco. Responsible for the maintenance of nine London Underground lines in a PPP deal, Metronet went into administration in 2007 having obtained more than £3 billion in payments and state guarantees for a further £2 billion to cover 95% of its loans —on top of the costs the public incurred in taking over the running the Tube. Metronet knew full well the government couldn't do without the Underground, and acted accordingly. In a devastating critique, the Transport Select Committee concluded,

"Metronet's inability to operate efficiently or economically proves that the private sector can fail

*to deliver on a spectacular scale... The Government should remember the failure of Metronet before it considers entering into any similar arrangement again. It should remember that the private sector will never wittingly expose itself to substantial risk without ensuring that it is proportionally, if not generously rewarded. Ultimately, the taxpayer pays the price... We are inclined to the view that the model itself was flawed and probably inferior to traditional public-sector management. We can be more confident in this conclusion now that the potential for inefficiency and failure in the private sector has been so clearly demonstrated... It is worth remembering that when private companies fail to deliver on large public projects they can walk away—the taxpayer is inevitably forced to pick up the pieces."*⁶⁶

PPPs in the south: Who says we don't make things anymore?

Of course, governments have not heeded this advice—quite the opposite. In the UK and increasingly elsewhere, PPPs have become the default mechanism for infrastructure projects, posing a fundamental challenge to leftist ideas of an alternative to neo-liberalism based around Keynesian principles—when the public sector has been fundamentally captured by the private sector, both in terms of who benefits/who pays but also in terms of values and ideals, is Keynes not dead?

There has been an explosion in the export of the PPP model to Southern countries. Britain, home of the industrial revolution but fallen into manufacturing decay, still has one major export: Public Private Partnerships. "We are keen to export our PFI [Private Finance Initiative, a form of PPP] experience overseas," says Ian Rylatt, chief executive of Balfour Beatty Infrastructure Investments. In case there were any doubts about who might benefit from that export, he continues, "Overseas PFI isn't just an opportunity for UK construction companies; it's also a huge opportunity for lawyers, advisers and banks."⁶⁷

As far back as 2004, the Department for International Development gave £6.4 million of British 'aid' money to the Adam Smith Institute, the ultra-right preachers of privatisation, to promote PPPs in South Africa. The effects were immediate: an upswing in contracts for British corporations ("British business can help. They have an unrivalled wealth of experience in privatisation, private finance and all types of public sector reform,"), and, allegedly, an equal upswing in deaths from cholera among poor people forced to drink from ditches after their water was cut off.⁶⁸ The privatisation of essential services can mean impoverishment, deprivation and even death.

The new kid on the block in the MENA region is the European Bank for Reconstruction and Development. Set up to convert the post-Soviet economies to the wonders of market forces, the EBRD has been a consistent promoter of PPPs in Eastern Europe—with to say the least unimpressive results. In 2000, a 25-year water concession for the Bulgarian capital, Sofia, was awarded to Sofiyska Voda, owned by the UK's United Utilities and International Water Ltd and thus ultimately owned by Bechtel. Despite heavy EBRD subsidy, the investors made so little investment that by 2009 water losses were at 58% and most people in Sofia considered the water "undrinkable." They then flipped the concession to the contentious French water giant Veolia.⁶⁹

The Zagreb waste water treatment PPP, owned by a German consortium, "has locked the city of Zagreb into an oversized and overpriced project, and when industrial users refused to pay the increased fees, the city authorities started to use taxpayers' money to pay them instead." Costs doubled, household bills trebled, and the city council's Expert Commission denounced the project's design as "totally unsuitable". The council responded by disbanding the commission.⁷⁰

The EBRD's ideological commitment to PPPs means even where it admits they don't work, it's unable to give them up. The bank seriously considered funding the Moscow-St Petersburg motorway PPP,—until it was revealed to involve major potential corruption and conflicts of interest (Arkady Rotenberg, a friend of Vladimir Putin, was a primary beneficiary via a series of offshore funds

66. Department for Transport: The Failure of Metronet, Public Accounts Committee, Conclusions and Recommendations, <http://www.publications.parliament.uk/pa/cm200910/cmselect/cmpublicacc/390/39004.htm> In related news, the Underground is still the most infuriating mode of transport on the face of the earth.

67. Gill Plimmer, 'UK companies export PFI expertise', October 11 2012, <http://www.ft.com/cms/s/0/0139c544-1126-11e2-a637-00144feabdc0.html>

68. George Monbiot, 'Exploitation on Tap', Guardian, October 19 2004, <http://www.monbiot.com/2004/10/19/exploitation-on-tap>

69. CEE Bankwatch Network: Overpriced and Underwritten: The Hidden Cost of Public-Private Partnerships, <http://bankwatch.org/public-private-partnerships/case-studies/sofia-water-concession-bulgaria>

70. <http://bankwatch.org/public-private-partnerships/case-studies/zagreb-wastewater-treatment-plant-cupovz-croatia>

and holdings in Cyprus and the British Virgin Islands⁷¹), a tendering process involving one applicant, the illegal removal of protected status from the Khimki Forest to permit driving the motorway through it, and violence towards protestors.⁷² Though the EBRD – for unknown reasons – did not in the end finance the project, it did not acknowledge that corruption-ridden Russia might not suit the PPP model. Instead, the bank launched into long-term co-operation with the Russian roads authority Avtodor... to help it carry out more PPPs.⁷³

With this kind of stellar record, it's no wonder the EBRD managed to persuade its backers to extend its remit to Egypt, Jordan, Tunisia and Morocco.⁷⁴ Notably, the bank intends to attack food and fuel subsidies, which it describes as “pervasive, distorting markets and placing heavy burdens on state budgets.”⁷⁵ While such subsidies are far from perfect, they are also for many people the difference between survival and starvation. The EBRD also plans to promote large-scale agribusiness and the consolidation of land out of the hands of the rural fellahin; push for even more of the capital market development Gamal Mubarak was so fond of; and privatize huge chunks of the transport, fuel and power sectors.⁷⁶ You would be hard pressed to find policies more in contradiction to the aims and spirit of the revolutionaries of Egypt.

But the lead in privatising the Arab Spring, as with so much else in the privatisation of ‘development’, is being taken by the European Investment Bank. The EIB’s Facility for Euro-Mediterranean Investment and Partnership (FEMIP) has been a relentless promoter of ‘structural reform’ via PPPs, and when the old dictatorships fell, it spotted a golden opportunity. Literally within days of the January 25 revolution in Egypt, FEMIP “launched an ambitious programme of technical assistance to encourage the use of public-private partnership contracts in the Mediterranean” and to grab a slice of the “more than EUR 300bn being invested in public utilities infrastructure in the southern and eastern Mediterranean by 2030 (for water management, urban services and energy).”⁷⁷

The program consists of “a regional analysis of experience with PPPs, together with an examination of

the legal, administrative or financial obstacles to the use of such instruments in each of the nine FEMIP countries;” “operational recommendations and assistance with implementing PPP policies in one or more priority sectors;” and “terms of reference for further technical assistance.” This is what the EIB really meant when it claimed at the Deauville conference that it “strongly supports the aspirations of the Arab Spring”⁷⁸. It supports an aggressive scheme of private resource grabs that practically and philosophically are the absolute enemy of what the region’s popular uprisings stand for.

Tellingly, while the EIB now claims to be “closely following the aspirations expressed by the people of Tunisia and Egypt,”⁷⁹ in pushing this model of development, two years before the Arab Spring its own staff were expressing significant concerns about PPPs. An internal review of bank staff, which the EIB initially suppressed, is critical of the bank’s relentless promotion of the PPP model, which it says “influence—or indeed lead—the planning process (the ‘tail wagging the dog’).” PPPs were seen as:

- “expensive and procurement can take too long...with value-for-money playing second fiddle to achieving off-balance sheet treatment.”
- “inflexible and poor at accommodating change.”
- “there was a strong, vocal body of opinion that felt that PPPs are not a global panacea to meet infrastructure deficits.”
- only suitable for certain sectors “where the pace of change is gradual”. Schools and roads yes, but hospitals, water and rail less so. Only 1/6 of toll roads exceeded traffic predictions: half were worse, often by up to 50-70%.

Most damning are two observations. One was that “*PPPs worked best when there was real money—private finance—at risk.*” As we have seen, that is almost never the case—the intent of private sector involvement in PPPs is to dump maximum risk onto the public sector. And most of all, this gem from an unknown interviewee:

*“If you’re a good public sector, you shouldn’t need PPPs. If you’re bad, you shouldn’t go near them.”*⁸⁰

71. Vinci Concessions Russie SA, one of the owners of NWCC, is 50 percent owned by Sunstone Holding Ltd Limassol, which is 73.8 percent owned by Croisette Investments Ltd Limassol and 26.2 percent by Littoral Investments Ltd Limassol. A 50 percent shareholder of Croisette and the 100 percent shareholder of Littoral is a British Virgin Islands company called Peak Shores Investment Corp. Tortola. The remaining 50 percent of Croisette is held by another Cyprus company called Olpon Investments Ltd Nicosia. Mr Arkady Rotenberg holds 100 percent of Olpon Investments Ltd Nicosia.” <http://bankwatch.org/documents/PPPs/PPP-case-MoscowStPetersburg.pdf>

72. CEE Bankwatch Network, ‘Moscow - St. Petersburg motorway section 15-58 km: A deal involving tax havens and poor value for money’, <http://bankwatch.org/public-private-partnerships/case-studies/moscow-st-petersburg-motorway-section-15-58-km-deal-involvi>

73. <http://www.ebrd.com/pages/news/press/2011/110818.shtml>

74. <http://www.ebrd.com/english/pages/news/press/2012/120519.shtml> ; <http://www.ebrd.com/english/pages/news/press/2012/121105b.shtml>

75. European Bank for Reconstruction and Development, ‘Southern and eastern Mediterranean countries face significant transition challenges, EBRD report says’, November 7 2012, <http://www.ebrd.com/english/pages/news/press/2012/121107b.shtml>

76. European Bank for Reconstruction and Development, Concept Note Egypt, June 2012

77. European Investment Bank, ‘FEMIP launches ambitious technical assistance programme to encourage use of PPPs in Mediterranean partner countries’, February 8 2011, <http://www.eib.org/about/press/2011/2011-017-la-femip-lance-un-ambitieux-programme-dassistance-technique-pour-favoriser-le-recours-aux-ppp-dans-les-pays-partenaires-mediterraneens.htm>

78. European Investment Bank, ‘EIB welcomes Deauville Partnership for Middle East and North Africa’, May 27 2011, <http://www.eib.org/about/press/2011/2011-073-eib-welcomes-deauville-partnership-for-middle-east-and-north-africa.htm>

79. European Investment Bank, ‘FEMIP launches ambitious technical assistance programme to encourage use of PPPs in Mediterranean partner countries’, February 8 2011, <http://www.eib.org/about/press/2011/2011-017-la-femip-lance-un-ambitieux-programme-dassistance-technique-pour-favoriser-le-recours-aux-ppp-dans-les-pays-partenaires-mediterraneens.htm>

80. All quotes taken from Robert Bain, ‘Review of Lessons from Completed PPP Projects Financed by the EIB’, May 2009, available on request from the European Investment Bank



Who likes PPPs? corrupt people

Speaking of bad public sectors, there is another group that displays equal enthusiasm for Public-Private Partnerships: kleptocratic rulers of poor countries. If ever there was someone who understood the concept of eliding the public and the private, the transfer of public wealth to private hands, it was Hosni Mubarak. In 2006 the 82 branches of the Omar Effendi department store were sold to a Saudi, Jamil ibn Abdelrahman ibn Mohamed Alqinbit, for 590 million Egyptian pounds. Even before the sale, a member of the committee evaluating Omar Effendi's assets alleged publicly that our old friend Mahmoud Mohieldin, the World Bank's 'tireless reformer', had pressured them to drop their (already questionable) value of 1139 million to 438 million.⁸¹ The sale went ahead anyway, on condition that Alqinbit not dispose of any of the assets.

According to Amr Adly's research, Alqinbit promptly mortgaged 16 branches for 462 million—not far off the price he had paid for the entire chain.⁸² Also allegedly wrapped up in the deal were full property rights over the land owned by the Omar Effendi Company, which were only supposed to be rented on long term usufruct, plus several resort chalets in the Northern part of the Delta and two apartment buildings in downtown Alexandria. What the members of the Mubarak regime received in exchange for this remarkably generous deal must be left to your fertile imaginations. The IFC put fifty million dollars of public aid money into making the deal happen.⁸³

The Omar Effendi deal was later invalidated by the Administrative Court on grounds of under-pricing of assets, corruption, fraud and violation of laws. It was one of at least six major privatisations that have been overturned by the courts, including the Al-Nasr Steam Boiler Company, in which Mohamed Sheta, a close associate of the Mubaraks, oversaw the sale of a factory on prime Nile riverside land to a company part-owned by his two sons, which allegedly violated the contractual arrangement to keep the factory going and sold off the prime land for development.⁸⁴ Entertainingly, unless you happen to be an Egyptian taxpayer, the Egyptian state has refused to take the assets back, for reasons fertile imaginations may or may not have trouble working out.

What is important here is, once again, the key role of 'development'. As Adly observes, this systemic ransacking of the public treasury was not the initiative of the ruling

kleptocracy: it was mandated by the Development Mafia, via its privatisation programme. *"The Ministry of Investment was in a rush to divest some public assets through privatization under whichever conditions so as to meet the criteria set of the IMF and the World Bank. The haste with which many of the deals were concluded bore a great many violations to the law, corruption and loss of public money."*⁸⁵

And PPPs played an integral role from the start. Waste management PPPs were introduced in Egypt in 2002, leading to higher prices, worse service and eight years of deterioration, as admitted by the Minister for Environmental Affairs.⁸⁶ PPPs for ports, airports, energy and telecoms followed: by 2004 there were 16 PPPs in Egypt worth a total of \$6.2 billion.⁸⁷ By 2008 the PPP 'pipeline' in health, education, social infrastructure and medical facilities was up to 32 projects and \$15.3 billion.⁸⁸ But that was only the start.

The Mubarak regime launched a 'Supportive Legislative Environment' for PPPs, including a PPP Authority, which promoted use and administered tenders. Legislation came into force in July 2010 which "significantly enhanced the progress of PPPs", according to a report by the OECD.⁸⁹ A presentation by the PPP Authority in 2008 emphasised the importance of finding the 'right investors' and creating a 'modern' legal framework, but also the dangers of the 'public perception of PPPs as privatisation' (sic). It paid special attention to the need for public money for PPPs, including paying companies for the costs of preparing tenders, a fund for lending to PPP projects, and a 'viability gap fund' to subsidise PPPs.⁹⁰ It will astound literally no-one at this point that the development of the PPP Authority was supported by the IFC.⁹¹

Ahmed Tarik, a former employee of the PPP Authority, provides a striking illustration of exactly how the process worked:

First, the IMF and World Bank are the main consultants on almost all projects. During negotiation meetings with the main private sector bidders, the IMF team would side with almost all of the private companies' requests when it came to contract drafting, payment mechanisms and responsibility and services provided.

81. Amr Adly, 'Mubarak 1990-2011: The State of Corruption', Egyptian Initiative for People's Rights, September 2011, pp.26-27

82. Ibid.

83. <http://www.ifc.org/ifcext/spiwebsite1.nsf/0/D257B6C533749396852576BA000E29DF>

84. Adly, op. cit., pp.22-25

85. Adly, op. cit., p.28

86. Sohair Mourad Milik, 'Assessment of Solid Waste Management in Egypt During the Last Decade in Light of the Partnership Between the Egyptian Government and the Private Sector', 2010, <http://dar.aucegypt.edu/handle/10526/1527>

87. MENA-OECD Investment Programme Business Climate Development Strategy, Phase 1: Policy Assessment Egypt, Dimension I-2 Privatisation Policy and Public Private Partnerships, July 2010 <http://www.oecd.org/dataoecd/49/55/46340470.pdf>

88. http://www.energytoolbox.org/library/ppp_in_infrastructure/presentations/Overview_on_the_Development_of_the_Egyptian_PPP_Program.pdf

89. MENA-OECD Investment Programme, op.cit.

90. Zayed, op. cit.

91. IFC, 'PPIAF Supports Groundbreaking Public-Private Partnerships in the Wastewater Sector in Egypt', January 2011 <http://water.worldbank.org/node/83687>; David Hall, 'Business as Usual: International Promotion of PPPs in North Africa', May 2012, www.psir.org

Most of the time, the bidders' requests would be approved and drafted in the contract. For example, and this is one of many, schools usually have after school and weekend programs for their students. This was unacceptable to bidders and their high priced Dubai stationed lawyers. Schools in the contract were only to be open from 7am to 4pm. According to the lawyers, "the opening of schools on weekends or later on in the evening during the week would be a security threat to the investors and if such programs were to be implemented that would come with an extra cost". Further, the investors wanted to expand their "revenue streams" by having "cultural events" at the schools at night, such programs would inhibit the "cultural events" from taking place. Also, no students could be at school after 4pm. This means, a child that was waiting for their older brother or sister to pick them up would have to stay out in the street and wait if the person responsible for picking them up was late for any reason.

My point is this: the process and discourse of making money is unethical in its essence, especially on

large scale projects. The maximization of profits always comes at the cost of people closest to the business operation, whether cutting costs, reduced services, unethical treatment of students, etc. If we want to build a new Egypt that meets the demands of its people, we should not allow these types of aid programs to operate. These investors don't build schools to improve education, they build schools to make money. They don't build hospitals to provide decent health care, they build hospitals to overprice medical care that we the tax payers and generations after us will have to pay.⁹²

In sum: because of the conjunction of public and private, the massive subsidies of private interests with public wealth, and the relatively small number of players involved, PPPs can be said to be intrinsically prone to corruption. The Mubarak regime was notorious for the transfer of public wealth into private hands, making its enthusiasm for PPPs no surprise. But it's essential to realise that the model itself is prone to being manipulated for private ends, and the replacement of the Mubaraks with another elite does not resolve that problem.



Who else loves PPPs? speculators

It's also essential to realise that in the era of financial speculation that is twenty-first century capitalism, no project or investment is only itself. Capital has taken on extra dimensions: an asset is now also the raw material for securitisation (placing the assets in an offshore vehicle and selling off the rights to the income streams through bonds called derivatives). The combination of risky assets with more valuable ones in different derivative packages has the magical effect of turning risk into value—but also of contaminating the valuable ones with risk. At the same time, derivatives are also subject to credit default swaps (CDSs), hedges on them not paying off as projected. The combination of the intermingling of solid and 'toxic' assets, plus the unknown exposure of CDS counterparties, was responsible for the mortgage crisis of 2008 and the bailouts of the banking system at a cost of anything up to \$15 trillion.⁹³

That crisis has not stopped the relentless promotion of financialisation by the banking industry and the Development Mafia. Quite the opposite—the intent now is to extend the bond model from banking into social spheres like addiction, homelessness and crime through "social impact bonds".⁹⁴ In other words, casino capitalism, having depleted the public coffers so much through its bailouts that we supposedly can no longer afford basic social needs, is being invited to take advantage of the shortfalls it caused to speculate on people's human weaknesses and failures. Treatment and control of human behaviour at the behest of financial markets represents a clear watershed in the control of our society—the first signs of what might be called a financial fascism.⁹⁵

Any investment that generates a predictable income stream is an ideal candidate for securitisation. Any investment with a guaranteed income stream thirty or even forty years into the future, underwritten by public guarantees irrespective of how well it performs, with stringent contractual reinforcement—that is the financial speculator's Utopia. It's also a one line definition of the Public-Private Partnership. And suddenly the enthusiasm of the Development Mafia for PPPs takes on a new dimension.

The promoters of this conversion aren't shy about touting it. Nicholas Jennett of the EIB told a recent conference that the bank would be pushing for more PPPs in Europe as well as the South "to establish a new asset class."⁹⁶ With austerity causing public liquidity to dry up and the private sector to be hesitant about investment, the new solution is project bonds—yet another example of the extension of financialisation into the 'development' game. Werner Hoyer, the EIB president, was equally open about the bank's push for "capital market financing for infrastructure".⁹⁷ The European PPP Expertise Centre, a joint initiative of the EIB and its neo-liberal sidekick the European Commission, now issues guides on how to "incentivise bidders to consider bond financing" to fund more PPPs.⁹⁸ The relentless march of financialisation goes on.

92. Ahmed Tarik, comment on Jadaliyya website, June 12 2011, <http://www.jadaliyya.com/pages/index/1711/egypts-%E2%80%98orderly-transition%E2%80%99-international-aid-and->, cited in David Hall, *Business as Usual: International Promotion of PPPs in North Africa*, Public Services International Research Unit, May 2012, <http://www.psiu.org/reports/business-usual-international-promotion-ppps-north-africa>

93. For a superb and relatively straightforward guide to the impossibly confusing world of financialisation, read Nick Hildyard, *A (Crumbling) Wall of Money: Financial Bricolage, Derivatives and Power*, The Corner House, October 2008, <http://www.thecornerhouse.org.uk/sites/thecornerhouse.org.uk/files/39wallmoney.pdf>

94. Patrick Wintour, 'Social impact bond launched to help teenagers in care and the homeless', *Guardian*, November 23 2012, <http://www.guardian.co.uk/society/2012/nov/23/social-impact-bond-teenagers-homelessness?INTCMP=SRCH>; Polly Toynbee, 'Who's in the market for sub-prime behaviour bonds?', *Guardian*, July 4 2011, <http://www.guardian.co.uk/commentisfree/2011/jul/04/sub-prime-behaviour-bonds-fools-gold?INTCMP=SRCH>

95. For a dramatic illustration of some of the forms that fascism could take, see Anders Lustgarten, *If You Don't Let Us Dream, We Won't Let You Sleep*, Royal Court Theatre, Feb 15-March 9 2013, <http://www.royalcourttheatre.com/whats-on/if-you-dont-let-us-dream-we-wont-let-you-sleep> Text to be published by Methuen in February 2013

96. Nicholas Jennett, speech at "Policy dialogue: a push for growth and jobs" conference, European Policy Centre, Brussels, 7 November 2012

97. Werner Hoyer, speech at "Policy dialogue: a push for growth and jobs" conference, European Policy Centre, Brussels, 7 November 2012

98. European PPP Expertise Centre, 'Financing PPPs with project bonds: Issues for public procuring authorities', October 2012, www.eib.org/epcc



Conclusion:

1. Don't. Under no circumstances consider Public-Private Partnerships a legitimate model for a poor country to develop. PPPs are intended to serve many goals. The primary three we have identified here are the transfer of public wealth to private hands; the dispensing of patronage and pork barrel contracts; and the conversion of infrastructure into a new asset class for use in financial speculation. None of these serve normal people's needs. PPPs are expensive, don't work and are prone to disaster. Avoid at all costs.
2. 'Development' banks love PPPs. 'Development' banks were also integral to the flourishing of the Mubarak and other North African dictatorships, with major debt lending but above all by legitimising those regimes as acceptable in the eyes of the world. And now, with stunning hypocrisy and complete lack of acknowledgement of their complicity with discredited dictatorships, they are back in town trying to lay their hands on yet more public assets—assets which were and are fought over with exceptional bravery by ordinary people. Reject 'development' banks and their predatory 'friendships' outright.
3. Find an alternative to yet more loans to pay off the last loans. One obvious one we have tried to promote is the debt audit: the evaluation of bilateral and multi-lateral debt to see how much was legitimately racked up in the national interest, and how much was 'odious'—debt used for the benefit of a regime not the public. A debt audit is a slow and complex process, but can yield fantastic results. The Ecuadorian debt audit concluded that 70% of the national debt was illegitimate and offered creditors thirty cents on the dollar: 95% of them took it, wiping out decades of accumulated financial oppression.⁹⁹ Steps towards a debt audit have already begun in Tunisia.¹⁰⁰

There is always another way. It begins with rejection of PPPs and the Development Mafia.

99. <http://archive.org/details/EcuadorsDebtAuditImplicationsInTheGlobalEconomicCrisis>;

100. <http://www.jubileedebtcampaign.org.uk/Ecuador3720to3720help3720Tunisia3720audit3720debt+7901.twl>

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