# DROP iT!

Summer 2017

# GLOBAL BRITAIN: EXPORTING HEALTHCARE DEBT


JUBILEE DEBT CAMPAIGN

# BRITAIN: EXPORTING HEALTHCARE DEBT AROUND THE WORLD

**The NHS is in crisis.** Cuts to services mean that this year patients have died on trolleys while they waited to be treated and the stress and strain on NHS staff is becoming unbearable. **The Red Cross has described the situation as a "humanitarian crisis".**

At the heart of the problem is underfunding – the government is not providing the health service with the funds needed to pay staff properly and provide adequate care. But **the NHS also faces a big drain on funds because of the 'Private Finance Initiative' (PFI): a type of 'Public Private Partnership' (PPP)**. This way of funding public services has **landed hospitals and health trusts with unpayable debts** and is siphoning away taxpayers' money into the pockets of investors and speculators.

And rather than warning other countries about the risks of PPPs, **the UK government is actively promoting this disastrous model globally,** including to impoverished countries in the global South. **This risks creating a new global debt iceberg which will sink healthcare systems across the world** and harm those who need access to health services the most.

## WHAT IS A PUBLIC PRIVATE PARTNERSHIP?

**Under a Public Private Partnership (PPP), governments pay to use infrastructure designed, financed, built, owned and operated by a consortium of private financiers and providers, until ownership usually passes to the government, on completion of payment, several decades later.**

**The main attraction of PPPs is that the cost of borrowing doesn't appear on the government's balance sheet, ie, the debts are hidden. But this is little more than an accounting trick. Governments are still liable for payments on PPPs, often to a far greater extent than if they had invested in the public services directly themselves.**


Halifax Courier

4,000 PEOPLE PROTEST IN HUDDERSFIELD IN FEBRUARY 2016 AGAINST THE CLOSURE OF THE HOSPITAL'S ACCIDENT AND EMERGENCY DEPARTMENT

## THE UK'S DISASTROUS PPPS EXPERIMENT

The UK was one of the first countries to develop PPPs. Here in the UK, they are known as the 'Private Finance Initiative' (PFI). They were first introduced by the Conservative government of John Major in 1992, and were expanded by Tony Blair's Labour government from the late-1990s, spreading across all parts of public services including healthcare, education and the military. From 1997-2007, PFI accounted for 88% of capital investment in new hospitals in the NHS.

As our new briefing, 'The UK's PPPs Disaster' sets out, the UK's extensive experience with PPPs has been disastrous for our public finances and public services. The use of PPPs to deliver public services and infrastructure in the UK has:

- Cost the government more than if it borrowed the money itself
- Led to large windfall gains for the private companies involved, at public expense
- Enabled tax avoidance through offshore ownership
- Led to declining service standards and staffing levels
- Hollowed out state capacity to design, build, finance and operate infrastructure
- Eroded democratic accountability

The Private Finance Initiative has represented terrible value for money for the British public. In 2011 a review by the UK parliament's Treasury Committee found that "The use of PFI has the effect of increasing the cost of finance for public investments relative to what would be available to the government if it borrowed on its own account." A subsequent 2015 review by the UK National Audit Office, the independent public body responsible for investigating government accounts, found

**FACT:**
**PFI schemes cost the public double compared to if the government had borrowed the money directly**

*(Source: UK National Audit Office)*

that investment through PFI schemes more than doubles a project's cost to the public sector.

## THE NHS DEBT BURDEN

PPPs have been particularly disastrous for the NHS, burdening NHS trusts across the country with enormous debts and sucking scarce NHS finances away from frontline services and into the pockets of speculators and investors. With over 100 PFI hospitals across the UK, the NHS is paying out over £2 billion every year to private companies on PFI contracts which stretch out for many years into the future, and these payments look set to increase.

**FACT:**
**The NHS is paying over £2 billion a year to private companies for PFI contracts**

For example, Calderdale Royal Hospital in Halifax cost £65 million to build, but £312 million has to be paid over the next 30 years to cover the PFI debt and interest costs. If the money to build the hospital had been borrowed publicly, it would have cost an estimated £127 million. So the hospital will cost £185 million more than it should have done – enough for another one and a half hospitals.

According to Allyson Pollock, Professor of public health research and policy at Queen Mary, University of London: "the high cost of PFI schemes presented NHS trusts with an affordability gap. This has been closed by external subsidies, diversion of funds from clinical budgets, sales of assets, appeals for charitable donations, and, crucially, by 30% cuts in bed capacity and 20% reductions in staff in hospitals financed through PFI."

## THE UK'S PPPS HYPOCRISY

These problems with PFI in the NHS and other PPPs have been acknowledged by Ministers from across government departments here in the UK. (See over).

However, despite this clear cross-government acknowledgment of the failings of PPPs in the UK, and the major problems they have created, especially in the NHS, several government departments are now actively promoting PPPs globally and claiming the UK's experience with them as a success, including in healthcare.

In 2013, UK Trade and Investment, the Department for Health and NHS England created Healthcare UK, a public body specifically aimed at promoting British companies working in healthcare around the world, including on PPPs. Healthcare UK promotes PPPs in UK hospitals as a success story:

**"Through partnership with the private sector, PPPs enable the delivery of efficient, cost-effective and measurable public services within modern facilities whilst minimising the financial risk.**
**The UK is the acknowledged world-leader in healthcare PPPs, harnessing the best in public and private sector skills and innovation to provide outstanding healthcare facilities."**

*(Healthcare UK website)*

Ironically, the UK 'success stories' used by Healthcare UK to promote PPPs include St Bartholomew's and The Royal London New Hospitals PFI, even though Bart's and the London Hospital Trust had to be placed into special measures after inspectors found it was running dangerously short-staffed and overcrowded hospitals.

## UK MINISTERS ON PPPs

**"One of my biggest concerns is that many of the hospitals now facing huge deficits are seeing their situation made infinitely worse by PFI debt. We will continue to do everything we can to help hospitals deal with that."**

*Jeremy Hunt, UK Secretary of State for Health (June 2015)*

**"In other countries this would be called looting, here it is called the PPP."**

*UK Foreign Secretary, Boris Johnson, (speaking when Mayor of London about the former London Underground PPP, March 2010)*

**"It is outrageous that our local hospital is tied down to paying these excessive [PFI] costs while there is an unacceptable shortage of healthcare provision elsewhere in Essex."**

*Priti Patel, UK Secretary of State for International Development (speaking about the local hospital for her constituency in Essex)*

**"NHS hospitals ow[e] over £80 billion in PFI loan unitary charges, leaving the taxpayer a legacy of debt repayment that will amount to up to 7 times the original capital cost."**

*Liam Fox, UK Secretary of State for International Trade (April 2017)*

Note: The holders of the above Ministerial posts were correct upon going to print.

## TAKE ACTION

**Ask the Health Secretary to tell the truth to impoverished countries about the UK's PPPs disaster.**

The Department for International Development (DfID) and the Foreign & Commonwealth Office (FCO) have also been active in exploring and promoting the use of PPPs globally, including in low and lower middle income countries with a high risk of debt crisis. From February 2012 to January 2016 DfID funded a World Bank programme to promote PPPs in healthcare, but they have refused to release their evaluation of this programme.

Two of the countries where the FCO has been active in promoting PPPs in healthcare are countries in sub-Saharan Africa that are on our watch list of countries at risk of a new debt crisis: Liberia and Zambia. (See over).

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Other countries where the UK government has organised or funded PPP workshops or promotional events and which are now either considering or already embarking on PPPs in healthcare or other public services include:

**Afghanistan, Brazil, China, India, Indonesia, Nigeria, Peru, Sierra Leone, Turkey, Colombia, Costa Rica, Jamaica, Madagascar, Mauritius, Mexico, Myanmar, Philippines, Serbia, South Africa, Uruguay, Vietnam, and Zimbabwe.**

This concerted attempt by government departments to export a method of financing public services that has been disastrous for healthcare here in the UK is truly shocking. Access to affordable, good

# GLOBAL BRITAIN: EXPORTING HEALTHCARE DEBT


## HEALTH DEBT ISN'T GREAT BRITAIN

JUBILEE DEBT CAMPAIGN

Dear Secretary of State,

I am appalled that in recent years the Department of Health has promoted to impoverished countries a financing mechanism that has burdened the NHS with debt and is threatening the provision of good quality, affordable healthcare in this country.

The use of the 'Private Finance Initiative' to fund UK hospitals has been widely discredited, including by the National Audit Office, the Treasury Select Committee, and various government Ministers. The NHS is paying over £2 billion every year to private companies for PFI contracts. And yet the Department of Health, through Healthcare UK, has been promoting the use of similar Public Private Partnerships (PPPs) around the world.

PPPs put the healthcare systems of impoverished countries like Zambia and Liberia at risk of unjust and unpayable debts. I am writing to ask you to stop Healthcare UK and the wider UK government from promoting this flawed model to countries in the global South.

Yours sincerely,

Full name ____________________

Address ____________________

____________________ Postcode ____________________

Email address ____________________

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Affix stamp here (if needed)

SECRETARY OF STATE FOR HEALTH

C/O JUBILEE DEBT CAMPAIGN

28 CHARLES SQUARE

LONDON

N1 6HT

## ORDER FREE MATERIALS:

QUANTITY

☐ more copies of this booklet

☐ The UK's PPPs Disaster briefing (A4, 10 sides)

☐ Ghana@60: Independent and in debt (A5, 12 pp)

☐ UK debt law MP postcards (A6)

**DONATE:** I enclose a donation of ____________
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*giftaid it*

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Please return to: **Jubilee Debt Campaign, The Grayston Centre, 28 Charles Square, London N1 6HT**

*If you're not making a donation, you can also email your order to info@jubileedebt.org.uk or phone 020 7324 4722*

## HEALTH PPP ALERT: THE UK CONNECTION

### LIBERIA

Liberia was one of the countries to benefit from the £100 million in debt cancellation for Ebola-affected countries that Jubilee Debt Campaign helped to secure in 2015. The country's health system and public finances are still recovering from the Ebola crisis and are vulnerable to further shocks. The UK Embassy ran a training for Liberian government officials and others in PPPs in January 2016. The Liberian media reported that:

"British Ambassador David Belgrove said the PPP is an important tool that can promote infrastructure growth in Liberia. He said [PPPs] have benefitted other countries, including the United Kingdom."

Now Liberia is planning to build a National Diagnostics Centre (laboratory and radiology services) under a PPP deal at the JKF Medical Centre in Monrovia.

### ZAMBIA

Zambia's economy has been devastated by the recent drop in commodity prices and it is teetering on the edge of debt crisis. In July 2015, the British High Commission set up a PPPs training unit in Zambia. Acting High Commissioner Sean Melbourne is quoted on the UK government's website as saying: "The British Government is keen to promote UK-Zambia trade for the benefit of both countries and to share its expertise in the development and successful implementation of Public Private Partnerships."

Sixteen PPP projects are listed on the website of the Zambia Development Agency, two in health, nine in transport, two in agriculture and three in energy. One of the health PPPs listed is a hospital in Lusaka.

### LESOTHO

The UK's Department for International Development has funded the World Bank to provide 'advice' on implementing PPPs in healthcare. One of the first countries in the global South to complete a healthcare PPP is Lesotho. Oxfam have exposed how the PPP hospital, completed in 2011, is already costing three times more than the old public hospital it replaced. Meanwhile, the private investors are expecting a 25% return every year.

quality essential healthcare services is a basic human right and one of the new Sustainable Development Goals.

The universal healthcare free at the point of need that we receive through the NHS here in the UK is the result of centuries of hard fought struggle by health campaigners and represents a great global model for healthcare provision. But rather than supporting and promoting the NHS, the government is letting it crumble under funding cuts and PFI costs, and meanwhile peddling the disastrous PPP model around the world.

This needs to be exposed for what it is: a blatant attempt to mislead the governments of impoverished countries, and to promote British corporate and finance interests at the expense of the debt sustainability and healthcare systems of countries in the global South.

As part of our work on the new debt crisis in the global South, we are working to stop the promotion of the PPP model, and to raise awareness amongst developing country governments and civil society about the risks PPPs pose for their public finances and public services.

We need your help to get the government to stop this hypocrisy and tell the truth about the UK's disastrous PPPs experience.

# DEBT UPDATE

## GLOBAL SOUTH DEBT PAYMENTS INCREASE ALMOST 50%

Debt payments by impoverished country governments have continued to increase dramatically in the last two years. New figures, calculated by the Jubilee Debt Campaign and published in the Guardian and Financial Times, show that average government debt payments increased from 6.7% of revenue in 2014 to 9.7% in 2016, an increase of 45%.

The rapid increase in debt payments in many countries comes after a boom in lending after the financial crisis of 2008, a fall in prices for commodity exports such as metals and fossil fuels, and the rising value of the US dollar and increasing dollar interest rates.

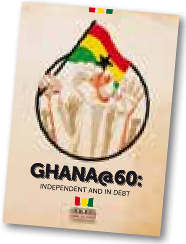
Countries with the highest debt payments in 2016 include:

- Commodity exporters hit by price falls, including Ghana, Mozambique and Laos
- Countries on the frontline of refugee flows from Syria: Lebanon and Jordan
- Small states which were considered 'too rich' to benefit from significant debt relief initiatives, including Grenada, Jamaica and the Dominican Republic.

Debt payments are expected to keep on increasing. Annual foreign loans to impoverished country governments more than quadrupled between 2008 and 2016, from $56 billion to $262 billion.

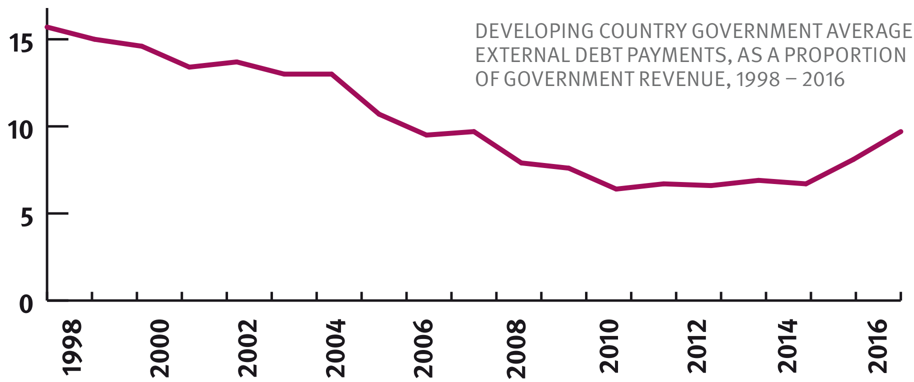
**Read the Guardian article and share on social media:**
**https://tinyurl.com/jdhtsqb**

## GHANA @ 60: INDEPENDENT AND IN DEBT




Jubilee Debt Campaign has launched a new popular education briefing looking at why Ghana is back in debt crisis ten years after receiving significant debt cancellation, and what can be done to stop the country falling into an extended debt trap. The new resource is based on our bigger joint report published last year on Ghana's debt crisis with six partner organisations. It aims to be used by campaigners and educators in Ghana and the UK to build greater awareness of Ghana's new debt crisis and pressure for action.

**Order copies:**
**http://jubileedebt.org.uk/get-involved/order-campaign-materials**




DEVELOPING COUNTRY GOVERNMENT AVERAGE EXTERNAL DEBT PAYMENTS, AS A PROPORTION OF GOVERNMENT REVENUE, 1998 – 2016


RIGHT: MEMBERS OF THE PHILIPPINES INDEPENDENT CITIZENS' DEBT AUDIT COMMISSION

Freedom from Debt Coalition / Ruy Martinez

## EDUCATION FOR ACTION! DEBT & ECONOMICS WORKSHOPS

We have launched a series of new, day-long interactive, informative workshops, aimed at equipping participants with knowledge about debt and economics in countries like Greece, Ghana and the UK. The workshops are for anyone who is interested in learning more and taking action on debt and economic justice. Workshops took place in Newcastle, London and Manchester in late May and June, and we are looking at possibilities in the South West, South East and Birmingham later in the year. If you're interested in attending a workshop please email clare@jubileedebt.org.uk for more information.

## STUDENT LOAN SELL-OFF

In February this year, the government announced plans to sell off student debt to private lenders from loans taken out in 2002-2006. This £4bn tranche of loans is expected to be followed by the sell-off of loans taken out 2006-2012 later. This latest move in the ongoing dismantling of public higher education funding means that companies will soon be able to profit from the outstanding debts of students who took out loans during that time. The *Financial Times* has said of these plans that they "fail any sensible 'value for money' test". Jubilee Debt Campaign is in discussions with the National Union of Students about how we can work together to challenge the sale.

## PHILIPPINES TO HOLD 'HISTORIC' DEBT AUDIT

Good news from the Philippines: The Philippines parliament is holding a debt audit into 20 projects to determine the legitimacy of loans provided by the Asian Development Bank, the World Bank and the Japan Bank for International Cooperation.

Philippines campaign group the Freedom from Debt Coalition (FDC) hope the audit will be a first step towards investigating the legitimacy of debts arising from 481 projects on which payments are still being made. Sammy Gamboa from FDC said: "We have to arrest the further bleeding of public coffers on these fraudulent, wasteful or useless debts and rechannel funds to finance much-needed programs to address poverty and inequality."

## ABOUT US

**Jubilee Debt Campaign is part of a global movement demanding freedom from the slavery of unjust debts and a new financial system which puts people first.**

Jubilee Debt Campaign

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