

Africa

In Summary

NIGERIA

In Nigeria, it has recently become public that state-owned oil company Nigerian National Petroleum Corporation failed to account for more than 107 million barrels of crude oil, worth around \$1.6 billion dollars, in 2019. The revelation comes amid increasing public discontent at double-digit inflation and fuel costs, as well as substantial shortages caused by fuel imports taken off the market in February when the government found that they contained unsafe levels of methanol.

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Kenyan Police Have Committed Murder on Behalf of Property Developers

THE AFRICAN INFRASTRUCTURE SCAM

BY ZAHRA MOLOO

How Western finance uses the promise of critical infrastructure to loot Africa.

► **IN MAY 2018**, Nigeria's first entirely private sector power plant, the Azura-Edo, began making energy. The natural gas plant was projected to produce more than a third of the country's power-generating capacity. A year later, Azura invested in another gas power plant, this one in Senegal, with support from the private equity firm Actis and the infrastructure investment platform Africa50.

These two plants are among an array of infrastructure projects sprouting up across Africa, supported by institutions like the Programme for Infrastructure Development in Africa (PIDA) and the World Bank. The narrative of these groups is

familiar: African infrastructure is needed to advance "economic prosperity and sustainable development," and the continent has an infrastructure financing gap of \$68 to \$108 billion a year, which requires public institutions to leverage private investment in the form of public-private partnerships (PPPs).

But as denizens of the Global South have learned, these "partnerships" come at a severe cost — one borne by the public, not by private investment.

Beyond traditional state sources, financing for

SUDAN

Thousands of people took to the streets of Khartoum, the capital city of Sudan, in March to protest worsening economic conditions in the country, which has been under military rule since a coup d'état in October 2021. In response to the coup, many foreign nations have suspended their aid, which normally numbers in the billions of dollars.



Electrical power lines at the natural gas-powered Azura-Edo Independent Power Plant in Benin City, Nigeria, June 2018. Nigeria has the capacity to produce upward of 12,000 megawatts of electricity each day but often dispatches only 4,000.

March 1, 2022

South Africa Has Not Been Immune to Right-Wing Populism

ments through offshore financial centers, contributing to capital flight from developing countries and a loss of tax revenue.

DFIs have invested extensively in energy projects in Africa. In June 2021, the United States' DFC provided \$217 million in debt financing for a new power plant in Freetown, Sierra Leone, to provide and sell electricity under a twenty-year agreement. It also invested in a biomass power plant in Ivory Coast to generate power from palm trees, a wind project in Kenya, and the Taiba N'Diaye wind farm in Senegal, dubbed the largest wind power plant in West Africa. The UK's BII has invested in "the largest solar park in Africa" in Benban, Egypt, which spans thirty-seven kilometers, as well as in other energy projects in Kenya and South Africa.

If one accepts the narrative that private investment is essential for developing infrastructure and that, in the words of the United States' DFC, DFIs are providing "alternatives to unsustainable and irrespon-

large-scale infrastructure projects in Africa often comes from development finance institutions (DFIs), which are publicly owned organizations created mostly by Northern governments but organized as private corporations. Although most DFIs are funded by donor government development agencies, they can also raise additional money through private banks and capital markets to

provide financing for projects in poor countries in sectors like banking, agribusiness, and infrastructure.

The US government's DFI is the US International Development Finance Corporation (DFC), and the United Kingdom's is British International Investment (BII, formerly the Commonwealth Development Corporation), an entity wholly owned by the UK's

Department for International Development (DFID). Other European DFIs include France's Proparco, partly owned by the French Development Agency (AFD); the Swedish government's Swedfund; and Norfund, owned by the Norwegian Ministry of Foreign Affairs. DFIs have been criticized for a lack of transparency and accountability to the general public, and for structuring invest-

SOUTH AFRICA

In South Africa, President Cyril Ramaphosa appointed Raymond Zondo as the new chief justice of the Constitutional Court, the highest court in the country. Judge Zondo, who served as deputy chief justice from 2017 to 2022, is best known for chairing the "Zondo Commission," which uncovered corruption centering around former president Jacob Zuma and his key political allies.

BURKINA FASO

In Burkina Faso, Lieutenant-Colonel Paul Henri Sandaogo Damiba was sworn in as president in February, just three weeks after leading a coup d'état that removed the country's democratically elected president Roch Marc Christian Kaboré. In April, former president Blaise Compaoré was jailed for his role in the 1987 murder of Burkina Faso's socialist leader Thomas Sankara.

sible state-directed initiatives” on the continent, then the involvement of DFIs in large-scale infrastructure projects is laudable. After all, who can argue with BII’s claim to be “improving supplies of reliable electricity, water, internet and transport”?

What these institutions do not mention is that infrastructure is more than just roads, railways, water, and power. As Nicholas Hildyard explains, infrastructure is an asset, providing enormous returns on investment and “stable, contracted cash flow for the long term.”

In his book *Licensed Larceny*, Hildyard lays out exactly how infrastructure works as a form of institutionalized wealth extraction, primarily through public-private partnerships.

Although PPPs are defined by the World Bank as a mechanism for governments to put in place public infrastructure with resources from the private sector, Hildyard defines PPPs as “a back door route to privatization” that emerged in the 1990s partly as a response to “lukewarm financial returns that followed the privatization of much publicly owned infrastructure in the 1980s and 1990s.”

In contrast to outright privatization, PPPs are formed through contracts by which the private sector gains access to public income streams. These contracts include state commitments to investors such as minimum revenue guarantees (whereby the government must pay the difference if a concession’s revenue is lower than that defined in the contract) and loan guarantees (where the government pays if a private partner defaults on a loan). Over the last ten years, more African governments have put in PPP legal regimes, including Kenya in 2013 and the DRC in 2018.

In the case of the Azura-Edo gas power plant in Nigeria, which was constructed after the Nigerian government privatized its entire electricity sector in 2013 and which received financing from a range of DFIs, the Nigerian government signed a power purchase agreement with a take-or-pay provision. That means that, as long as the plant is available to produce electricity, the government will pay for the capacity it can produce, whether or not it takes that electricity. Also included was a put and call option agreement (PCOA), which means that if the contract is terminated because the government cannot pay,

the government is forced to make a payout to investors and creditors, obtaining the asset in return.

The agreement with Azura-Edo ended up placing Nigeria under a heavy financial burden, with the country forced to pay Azura \$30 million per month, with or without power being taken from the generation company. In addition, the company that built the plant, Azura Power West Africa, was discovered to be owned by an elaborate structure of offshore companies in Mauritius, enabling it to avoid paying taxes or being subject to a proper audit.

Though proponents of energy privatization often claim that it will result in cheaper prices, Hildyard explains that private sector operators of public infrastructure routinely raise tariffs, preventing the poor from accessing water and electricity, and that 62 percent of renegotiated PPPs result in higher tariffs.

Another controversial deal in Nigeria’s electricity sector involved the UK development agency DFID, which in 2014 channeled £90 million of aid money into a private consultancy company, Adam Smith International (ASI). Global Justice Now, an organization that investiga-

ted DFID’s aid to the company, found that ASI “became a multi-million pound company thanks largely to DFID money.” ASI went on to provide advice to the Nigerian government and play a key role in the country’s energy privatization process, successfully persuading policymakers to raise tariffs. The price of electricity in Nigeria increased by more than 45 percent.

For its part, the UK’s BII has been accused of having little or no impact on reducing poverty, instead favoring high financial returns on its investments.

This will become the norm as long as aid money is used to bolster the forces of finance capital, rather than helping to strengthen the public sector and improve the lives of ordinary Africans. ◀

KENYA

In Kenya, former political rivals turned into allies when President Uhuru Kenyatta endorsed his 2017 opponent Raila Odinga over his own deputy president, William Ruto, in the race for the upcoming August 2022 presidential election — despite some of the worst political violence in the country’s history following the two foes’ contested election five years ago.

