Water and economic development: Time for bottom-up strategies

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Centre for Civil Society, Durban
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Durban
Is the ‘neoliberal’ era of corporate globalisation and ‘global apartheid’ finally over?

What can we learn from the water sector?

Is the ‘economic development’ imperative for large firms and the rich still dominant?

Our objective is to advance socio-economic and environmental justice by developing critical knowledge about, for and in dialogue with civil society through teaching, research and publishing.

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Annual rate of social protests, 2005-present (recorded by SA Police Service): 10,000
A GIFT FROM THE CORPORATE WORLD!

SUSTAINABLE DEVELOPMENT

- Profit
- Self-regulation
- Unfair trade

Johannesburg World Summit 2002
Protest against the ‘W$$D’ 30 000 march from Alexandra to Sandton, 31 August 2002 including Joburg Anti-Privatisation Forum, Soweto Electricity Crisis Committee
1) Neoliberal water pricing, according to *The Economist*

- *The Economist* magazine July 2003 survey on water declares the central dilemma: ‘Throughout history, and especially over the past century, it has been ill-governed and, above all, collossally underpriced.’

- Identifying this problem, naturally begets this solution: ‘The best way to deal with water is to price it more sensibly,’ for ‘although water is special, both its provision and its use will respond to market signals.’

- As for the problem of delivering water to the poor, ‘The best way of solving it is to treat water pretty much as a business like any other.’
2) Water and ‘sustainable development’: World Bank’s balanced *rhetoric*

- Pleasing philosophy:
  ‘The strategy developed in this document is based on the principle that water is a *scarce good* with dimensions of *economic efficiency*, *social equity*, and *environmental sustainability*’

- The *World Development Report 2004* on basic services makes eco-social concessions (though see critique at [http://www.servicesforall.org](http://www.servicesforall.org))
3) **Environmental justice discourse: South Africa’s right to water**

- 'everyone has the right to an environment that is not harmful to their health or well-being...

everyone has the **right to have access to**... **sufficient water**’

Lesotho/Johannesburg is a good site to assess these discourses

- Issue 1: the future of big dams like the Lesotho Highlands Water Project;
- Issue 2: commercialisation of municipal water;
- Challenge: linkage of issues and movements, so as to establish sound geopolitical analysis, leading to a coherent ‘red-green’ and urban-rural political strategy that is eco-feminist-social (not merely reformist), in addition to being technically competent.
Explicit water shortages anticipated (scarcity is not merely a social construct)
Key Johannesburg sites of pricing/ privatisation debates

- redistribution from Sandton to Soweto also opposed by wealthy residents until Constitutional Court judgement, 1997
- Alexandra to Sandton contrasts in access to water: low pressure and disconnections versus hedonistic consumption – WB Inspection Panel protest, 1998
- ‘Fiscal crisis’ declared by Joburg Metro in late 1990s, justifying ‘E.goli 2002’
- Anti-Privatisation Forum protests against disconnections, 2000s
- Phiri lawsuit (against pre-paid meters and 6kl/month FBW) won in High Court by activists, 2008
Water in the **townships**: world-famous site of struggle
Most frequent citizen complaints

% of citizens that say issue is a ‘problem’

Source: City of Johannesburg – Jo’burg 2030
Businesses generally satisfied
Survey of 365 firms’ viewpoints on services

Source: City of Johannesburg – Jo’burg 2030
Bulk water supply from Lesotho: Satisfying Johannesburg’s thirst
Lesotho mega-dams fraught with controversy

- Katse -- Africa’s largest dam at 185 m -- open in 1998 (top), and Mohale still under construction (bottom);
- controversial scheme promoted by the World Bank during 1980s-90s, even in violation of anti-apartheid financial sanctions;
- corruption in tendering: WB supported bribed official, initially refused to debar firms;
- ecological damage, ongoing displacement and resettlement problems, geopolitical tensions leading to 1998 SA invasion, etc.
Increase supply or manage demand?

- the cost of Lesotho water to Jo’burg is **quintuple** that of existing sources… without pricing in eco-social damage

- alternative is to adopt **faster-rising tariff** to penalise hedonistic overconsumption, fix leaks, impose water restrictions and rethink Jo’burg’s **primate-city status**
What about the ANC’s ‘free basic water’ promise?

- There are numerous reasons for what seems to be systemic sabotage of the ANC government’s ‘free basic water’ promises (made in the 2000 municipal election);
- One key reason, explored in the next slides, is the municipality’s choice of water tariffs, especially the slope of the tariff curve...
The precise wording of the ANC’s promise:

- ‘ANC-led local government will provide all residents with a free basic amount of water, electricity and other municipal services, so as to help the poor. Those who use more than the basic amounts will pay for the extra they use.’

(ANC campaign promise, 2000 municipal elections)
Two eco-social features of the ‘free basic water’ promise:

• The promise is based on a ‘universal entitlement’ -- basic needs should be met (regardless of income), consistent with the Constitution’s Bill of Rights;

• The promise also means that those who consume more should pay more per unit after the free basic supply, which promotes ‘cross-subsidies’ (i.e., redistribution).
What choices do we have when pricing water?

- Curve A is ‘short-run marginal cost curve’ for a utility (‘commodification’);
- Curve B is a typical ‘cost-plus markup’ tariff which aims to ‘get the prices right’ (avoid distorting the market) so as to attract privatisation investment;
- Curve C is the ‘eco-social justice tariff’ which combines a free lifeline, redistribution from high- to low-volume users, and an incentive to conserve (i.e., the ANC promise): in short, ‘decommodification’.
World Bank advice to SA on pricing and privatisation

• promotion of privatisation & low standards in (1994-95 Municipal Infrastructure Investment Framework)

• advice that free lifeline water should be avoided because it ‘may limit options with respect to tertiary providers--in particular private concessions much harder to establish’ … so instead, price water according to cost, and establish a ‘credible threat of cutting service’

  ‘Water Pricing and Management: World Bank Presentation to the SA Water Conservation Conference’, 2 October 1995
Pushing privatisation, World Bank fails to incorporate public goods:

- positive externalities of *publicly* provided water:
  - public health *(water-borne disease mitigation)*;
  - gender equity;
  - environmental protection;
  - economic multipliers;
  - desegregation through standardised services;
- only *state/society* have an interest in positive outcome, *not private supplier*;
Pushing privatisation, World Bank fails to incorporate other factors:

- water infrastructure is classical natural monopoly, and suffers ‘lumpiness’ of investment -- making private sector less suitable;
- difficulty of regulation given weakness of state, and long history of water-sector corruption;
- crises in African state water sector due not to intrinsic public sector incapacity, but instead to
  - 1980s-90s state-destroying structural adjustment,
  - corrupt bureaucrats (in lieu of capitalist class formation),
  - weak trade unions and
  - disempowered consumers/communities.
How important was the World Bank’s mid-1990s advice?

- Staff report that involvement in ‘market-related pricing’ was ‘instrumental in facilitating a radical revision in SA’s approach’ to water…
To pay for Lesotho dams, those using less water suffered higher price increases

Table 4: Residential water tariff increases imposed by Rand Water-supplied municipalities, 1996–2000

(Rands per thousand litres, real 2000 currency)\textsuperscript{77}

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Block 1</td>
<td>1.86</td>
<td>1.97</td>
<td>2.33</td>
<td>2.41</td>
<td>2.58</td>
<td>39%</td>
</tr>
<tr>
<td>Block 2</td>
<td>2.52</td>
<td>2.64</td>
<td>3.26</td>
<td>3.22</td>
<td>3.36</td>
<td>33%</td>
</tr>
<tr>
<td>Block 3</td>
<td>2.91</td>
<td>3.01</td>
<td>3.66</td>
<td>3.71</td>
<td>3.79</td>
<td>30%</td>
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<tr>
<td>Block 4</td>
<td>3.49</td>
<td>3.41</td>
<td>4.20</td>
<td>4.20</td>
<td>4.32</td>
<td>24%</td>
</tr>
</tbody>
</table>
The triple irony of Johannesburg water supply and demand:

• Poor people weren’t the reason for Johannesburg’s overconsumption of water (requiring the LHWP dams);

• rich people barely noticed their water bill increasing by a slight amount during the late 1990s, and hence did not conserve water; so

• when the LHWP dams were built and costs passed to consumers, the poor suffered unprecedented price increases and -- when they couldn’t pay -- disconnections!
Disconnections still a national epidemic

• **275 000 families** (approximately 1,5 million people) in 2003 disconnected due to **inability to pay** water bills, admits lead state water official

In July 2001, Jo’burg adopted a ‘convex’ (not concave) tariff to reward big customers.

Lowest consumption block is only 6,000 liters/month, which is meant for a whole household (including backyard shack dwellers); most low-income families are larger, so bias favours wealthy, smaller families; in July 2003, rates changed, with second block rising 32% and higher blocks up only 10%.
If Jo’burg officials tried, *concave* tariff would raise more revenues from *hedonistic* consumers.

For family of 10 (blue line), a larger free lifeline, and smaller increases at lower consumption levels; for high-volume consumption, dramatic increases so as to curb consumption; same principle applies to cross-subsidy between commercial customers and households.
Durban: three income groups with very different consumption patterns (2003)

Source: Reg Bailey and Chris Buckley (2004), ‘Modelling Domestic Water Tariffs’, UKZN.
Durban: lowest-income 1/3 of paying customers cut back consumption by 1/3 as price doubled

Source: Reg Bailey and Chris Buckley (2004), ‘Modelling Domestic Water Tariffs’, UKZN.
# Joburg Water tariff changes: very high for second block

<table>
<thead>
<tr>
<th>Year of usage</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPIX (2001 = 100)</td>
<td>109.10</td>
<td>116.30</td>
<td>121.20</td>
<td>126.90</td>
</tr>
<tr>
<td>Annual inflation %</td>
<td>9.13</td>
<td>6.58</td>
<td>4.25</td>
<td>4.70</td>
</tr>
<tr>
<td>6 kl/month</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>10 kl/month</td>
<td>-0.80</td>
<td>23.36</td>
<td>29.09</td>
<td>33.57</td>
</tr>
<tr>
<td>15 kl/month</td>
<td>-0.66</td>
<td>1.39</td>
<td>6.10</td>
<td>9.12</td>
</tr>
<tr>
<td>20 kl/month</td>
<td>-0.64</td>
<td>1.91</td>
<td>6.64</td>
<td>9.60</td>
</tr>
<tr>
<td>40 kl/month</td>
<td>-0.67</td>
<td>4.56</td>
<td>9.31</td>
<td>12.48</td>
</tr>
<tr>
<td>60 kl/month</td>
<td>-1.34</td>
<td>2.94</td>
<td>7.62</td>
<td>10.70</td>
</tr>
<tr>
<td>80 kl/month</td>
<td>-1.60</td>
<td>2.34</td>
<td>6.98</td>
<td>10.03</td>
</tr>
</tbody>
</table>

**Note:** 2005 consumer price index (CPIX) has been estimated and set at 4.7 per cent. kl = kilolitre. **Source:** Hazleton 2005.
Note: Year 2005 CPIX has been estimated and set at 4.7%.

CPIX adjusted cumulative tariff increases (%)

2002 2003 2004 2005

CPIX adjusted cumulative tariff increases since 2001

Water usage: kl/mth

10 15 20 40 60 80

Johannesburg attempts to save water:

1) ‘Pre-paid meters’

- R342 ($57) million 5-year ‘Gcin’amanzi’ plan aims at ‘self-disconnection’ as solution to durable non-payment problems, in low-income townships;
- pilots in Soweto and Orange Farm (but this technology not found in mainly-white suburbs);
- pre-paid meters declared illegal in Britain (as a public health threat) in 1998, and challenged in SA courts;
- High Court Judge Moroa Tsoka (30/4/08) accused city of racism by imposing credit control via prepayment “in the historically poor black areas and not the historically rich white areas”. Meter installation occurred “in terms of colour or geographical area”, and community consultation process was “a publicity stunt” characterised by a “big brother approach”.
Johannesburg attempts to save water: 2) ‘Ventilated Improved Pitlatrines’

- Johannesburg Water’s objection to installing full sewage is ongoing operating expense: 12 litres per flush of conventional toilets;
- installation of Ventilated Improved Pitlatrines (VIPs) agreed upon by Jo’burg’s ‘Transformation Lekgotla’ in June 1999 without public participation;
- R15 million worth of pit latrines budgeted (from privatisation revenues such as veg market/airport);
- officials failed to factor in the environmental or public health implications of E.coli flooding through the Jukskei River, and into the water table of Sandton.
Thanks to overpriced water, ecological blowback:

- Sandton newspaper warns of high water table and inadequate informal settlement sanitation during 2000-01 cholera epidemic;

- Cynics took opportunity to relabel the Jo’burg privatisation plan ‘Igoli 2002’ as ‘E.coli 2002’ in the run-up to the World Summit on Sustainable Development, Aug.’02.
Johannesburg attempts to save water: ‘Ventilated Improved Pitlatrines’

- Notwithstanding dangers, according to JW business plans, company intends to construct 6 500 VIPs from 2003 to 2006 in several informal settlements.
- World Bank advocated this method of sanitation in South Africa for **20% of all citizens** (in 1995 Urban Infrastructure Investment Framework), on grounds that if people are too poor to pay cost-recovery tariffs for water, they should be denied the opportunity to flush.
Johannesburg attempts to save water:

3) ‘Shallow sewers’

Sewer pipes are regularly blocked with excrement, not by accident but as a matter of deliberate cost-savings;

JW provides ‘Maintenance Procedure’ instructions for unfortunate residents:

- Open all inspection chambers
- Wear gloves
- Remove all solids and waste from the inspection chambers
- Do a mirror test for each chamber-to-chamber section
- If waste material is found in a section, bring in the tube from the upstream inspection chamber until it comes into contact with the obstruction
- Block off the outlet from the downstream inspection chamber with a screen that allows water to pass through but not solids
- Push the tube until the material is moved to the downstream inspection chamber
- Wear gloves and remove waste material by hand
- Pour a large quantity of water through the section between the two inspection chambers and check for cleaning
- Repeat the mirror test
- Close the inspection chambers
- Inspection chambers must be kept closed at all times except during cleaning operations
Dangers of commodified water/sanitation: Jo’burg’s socio-political blowback

Protests occur regularly in Soweto, Orange Farm and other townships;

SA Municipal Workers fought Igoli 2002 privatisation (20,000 members in November 1999 demonstration);

Jo’burg Anti-Privatisation Forum regularly reconnects water and electricity;

mass opposition to pre-paid meters;


active APF solidarity with Accra Campaign Against Privatisation against Rand Water.
### Johannesburg changes water tariffs, 2008

#### Proposed Domestic Water Tariff – Metered Areas

<table>
<thead>
<tr>
<th>Kilolitres per connection per month</th>
<th>2007/08 Tariff (R/kil)</th>
<th>2008/09 Tariff (R/kil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-6</td>
<td>Free</td>
<td>R2.50</td>
</tr>
<tr>
<td>7-10</td>
<td>R4.40</td>
<td>R4.40</td>
</tr>
<tr>
<td>11-15</td>
<td>R5.90</td>
<td>R5.90</td>
</tr>
<tr>
<td>16-20</td>
<td>R7.40</td>
<td>R7.86</td>
</tr>
<tr>
<td>21-30</td>
<td>R8.80</td>
<td>R9.43</td>
</tr>
<tr>
<td>31-40</td>
<td>R8.80</td>
<td>R9.52</td>
</tr>
<tr>
<td>41+</td>
<td>R10.40</td>
<td>R11.36</td>
</tr>
</tbody>
</table>

Free basic water is increased from 6kl to 10kl per household per month, for registered indigents.

#### Proposed Institutional and Industrial Water Tariffs

<table>
<thead>
<tr>
<th></th>
<th>2007/08 Tariff (R/kil)</th>
<th>2008/09 Tariff (R/kil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional</td>
<td>R7.60</td>
<td>R8.22</td>
</tr>
<tr>
<td>Industrial/Commercial</td>
<td>R10.40</td>
<td>R11.25</td>
</tr>
</tbody>
</table>

#### Proposed Private Dwelling Domestic Sanitation Tariffs

<table>
<thead>
<tr>
<th>ERF Size (m²)</th>
<th>2007/08 Tariff (R/erf/month)</th>
<th>2008/09 Tariff (R/erf/month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to and including 300m²</td>
<td>R54.30</td>
<td>R58.75</td>
</tr>
<tr>
<td>From 301m² to 1000m²</td>
<td>R105.70</td>
<td>R114.37</td>
</tr>
<tr>
<td>From 1001m² to 2000m²</td>
<td>R169.90</td>
<td>R173.01</td>
</tr>
<tr>
<td>Larger than 2000m²</td>
<td>R230.40</td>
<td>R249.29</td>
</tr>
</tbody>
</table>

#### Proposed Domestic Water Tariffs in Previously Deemed Consumption Areas fitted with Metered Connections as per the Gcin’amanzi Project

<table>
<thead>
<tr>
<th>Kilolitres per connection per month</th>
<th>2007/08 Tariff (R/kl)</th>
<th>2008/09 Tariff (R/kil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-6</td>
<td>Free</td>
<td>R2.50</td>
</tr>
<tr>
<td>7-10</td>
<td>R3.40</td>
<td>R3.40</td>
</tr>
<tr>
<td>11-15</td>
<td>R4.00</td>
<td>R4.00</td>
</tr>
<tr>
<td>16-20</td>
<td>R6.20</td>
<td>R6.58</td>
</tr>
<tr>
<td>21-30</td>
<td>R8.50</td>
<td>R9.11</td>
</tr>
<tr>
<td>31-40</td>
<td>R8.50</td>
<td>R9.20</td>
</tr>
<tr>
<td>41+</td>
<td>R10.40</td>
<td>R11.36</td>
</tr>
</tbody>
</table>

Free basic water is increased from 6kl to 10kl per household per month, for the registered indigents.

#### Proposed Domestic Sanitation Tariffs in Previously Deemed Consumption Areas fitted with Prepaid Meter Connections

<table>
<thead>
<tr>
<th>Kilolitres per connection per month</th>
<th>2007/08 Tariff Subsidised measured (R/kil)</th>
<th>2008/09 Tariff Subsidised measured (R/kil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7-10</td>
<td>R1.90</td>
<td>R1.90</td>
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<tr>
<td>11-15</td>
<td>R2.20</td>
<td>R2.20</td>
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<tr>
<td>16-20</td>
<td>R3.50</td>
<td>R3.72</td>
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<tr>
<td>21-30</td>
<td>R4.90</td>
<td>R5.25</td>
</tr>
<tr>
<td>31-40</td>
<td>R4.90</td>
<td>R5.30</td>
</tr>
<tr>
<td>41-50</td>
<td>R5.60</td>
<td>R6.44</td>
</tr>
<tr>
<td>50+</td>
<td>R1.90</td>
<td>R2.08</td>
</tr>
</tbody>
</table>

Free basic sanitation is increased from 6kl to 10kl per household per month, for the registered indigents.
Johannesburg changes water tariffs, 2008

- very bad for Joburg to rely on failed indigency register. A huge group of people will not be included, such as those without formal papers, and those victimised by the stigmatisation process;
- very bad to lose universal free services for all, a violation of the ANC's 2000 municipal election promise that says "All residents" will receive free services;
- it's useless to only increase water prices by only 1-3% for consumption above 15 kl/hh/month
Global environmental justice discourse: People’s World Water Forum

- PWWF is constituted to counter the malicious agenda of the World Water Forum (WWF) which is a brainchild of the World Water Council (WWC), a policy think tank run by the World Bank, IMF and regional banks such as the Asia Development Bank as well as the major water corporations, such as Vivendi, Suez, Bechtel.

- WWC speak for the water giants and not for the people, the millions and billions of the world's population who do not want the world's dwindling supplies of fresh water to be privatized and commodified and put on the open market for sale.

- As expected, the WWC tried to forge a global consensus on the future of water; but the huge civil society contingent “Water Warriors” present at Kyoto did not buy into it and, in fact, presented compelling evidence of corporate failure and alternative models for a water-secure world.
People’s World Water Forum
Delhi, India * January 2004

• Water is a human right; corporations have no business profiting from peoples' need for water; and governments are failing in their responsibilities to their citizens and nature.

• The PWWF is representing civil society at large constituting NGOs, trade unions, grassroot workers, experts, scientists, students, farmers, women, indigenous peoples, with a goal to breaking the objective and goals of WWC, World Bank and IMF as well as the water corporates who are trying to commodify and grab our water and deny water rights to the community.

• PWWF is putting forth an alternative vision, and building a massive network of water warriors and anti privatisation movement for water rights around the globe.