Corporate Responsibility, Environmental Protection and Threats to Africa’s Development

(One case from paper: Soweto Civil Society v. State and Capital)

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Presented to the conference AFRICA’S ENVIRONMENTAL POLITICS: OPPORTUNITIES, CHALLENGES, THREATS co-hosted by Departments of Political Sciences and Geography UNISA, Pretoria, 30 May 2008

cartoons by Zapiro
Annual rate of social protests, 2005-present (recorded by SA Police Service): 10,000
A gift from the corporate world!
Protest against the ‘W$$D’ 30 000 march from Alexandra to Sandton, 31 August 2002 including Joburg Anti-Privatisation Forum, Soweto Electricity Crisis Committee
Civil Society v State & Capital: lawsuit filed by Soweto activists and SA Coalition Against Water Privatisation against Johannesburg government (and by implication, Suez):

http://www.law.wits.ac.za/cals
“economic value of water”, 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.’
DATE: December 12, 1991
TO: Distribution
FR: Lawrence H. Summers

'Dirty' Industries: Just between you and me, shouldn't the World Bank be encouraging MORE migration of the dirty industries to the LDCs?... From this point of view a given amount of health impairing pollution should be done in the country with the lowest cost, which will be the country with the lowest wages.

I think the economic logic behind dumping a load of toxic waste in the lowest wage country is impeccable and we should face up to that... I've always thought that under-populated countries in Africa are vastly UNDER-polluted, their air quality is probably vastly inefficiently low compared to Los Angeles or Mexico City...

(full memo at http://www.whirledbank.org)
World Bank commodification of water

• ideological assertions: ‘the poor are willing and have the capacity to pay for services that are adapted to their needs… poor performance of a number of public utilities is rooted in a policy of repressed tariffs’


• ‘Work is still needed with political leaders in some national governments to move away from the concept of free water for all… Ensure 100% recovery of operation and maintenance costs’

--Sourcebook on Community Driven Development in the Africa Region, 2000.
World Bank *results*:
pro-corporate water agenda

- **megadams** continue -- in spite of ’98-’01 World Commission on Dams (sabotaged by Bank staff), corruption, displacement, overspending, ecological damage;

- ‘02-‘03 Michel Camdessus infrastructure financing report, especially ‘risk insurance’ for privatisers;

- privatisation conditionality continues in debt relief;

- philosophical commitment to *pricing water according to ‘marginal cost’* (operating & maintenance) + profit markup.
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*

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
- **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**: World Bank 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 systematic 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’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’

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…
Three ‘reverse Robin Hood’ pressures on municipalities:

- Big businesses, white farmers and wealthy ratepayers’ associations want lower tariffs -- and some threaten to leave municipalities if they don’t get a financial break;

- ‘Equitable share’ central-local grants are still insufficient (after falling 85% in 1990s);

- Pressure to privatise water also works against cross-subsidies.
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.
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
Johannesburg attempts to save water: ‘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”.

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; Phiri activists launch lawsuit against JW: http://www.law.wits.ac.za/cals/phiri/index.htm active APF solidarity with Accra Campaign Against Privatisation against Rand Water.
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.