COMMODIFICATION OF PUBLIC GOODS: CRITIQUE AND ALTERNATIVES

General principles and a specific case study of water privatisation in South/Southern Africa

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'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'[ii]

Bill of Rights, Constitution of the Republic of South Africa, 1996

The World Bank's water commodification agenda

Are there intractable contradictions between a rights-based agenda, respectful of the social, ecological and spiritual characteristics of water, and an approach that emphasises water as an economic good, a commodity? This paper demonstrates, in one of the most politicised and unequal environments in the world, that the contradictions can be debilitating--and, literally, fatal.

The case study setting is important. In 2003, South Africa is an eco-social mess. The official government statistical agency released a report in October 2002 confirming that in real terms, average African household income had declined 19% from 1995-2000, while white household income was up 15%. The average black household earned 1/6 as much as the average white household in 2000, down from 1/4 in 1995. Households with less than R670/month income--mainly black Africa, coloured and of Asian descent--increased from 20% of the population in 1995 to 28% in 2000. Across the racial divides, the poorest half of all South Africans earn just 9.7% of national income, down from 11.4% in 1995. The richest 20% earn 65% of all income. The official measure of unemployment rose from 15% in 1995 to 30% in 2000, and adding to that figure frustrated job-seekers brings the percentage of unemployed people to 43%. These statistics reveal worsening poverty; one symptom is that ten million people reported having had their water cut off in one national government survey, and 10 million were also victims of electricity disconnections, mainly due to unaffordability. In addition, two million people have been evicted from their homes or land since liberation in 1994.[iii] Most other countries in Southern Africa show similar if not higher levels of poverty, unemployment and inequality.

There are several reasons why South/Southern Africa provides revealing material as a case study. In the mid-1990s, the region began experiencing severe water stresses (e.g., the drought of 1995, and persistent problems of municipal payment arrears by low-income residents across Southern Africa). The World Bank began issuing documents and making presentations in South Africa not only about macroeconomic strategy, where the Bank contributed its econometric models and staff to pursue the failed 'Growth, Employment and Redistribution' strategy, as well as similar policies in other countries. In addition, the Bank advised Pretoria politicians and bureaucrats about efficient water management, ranging from pricing of water to infrastructure investment to natural resources management. Finally, the Bank has adopted South African lessons in its *World Development Report 2004: Making Services Work for Poor People*, insofar as 'Chapter 10: Water and Sanitation' intends using case studies of local government boundaries; 'greater separation of roles between policymakers and service providers'; 'designing pricing and subsidy strategies to ensure both accountability and protection of poor people'; 'capturing the political economy window of restructuring local governments'; 'addressing the cost of transitions--the role of public finance from central governments'; and 'delivering and supporting the capacity of local governments during the process of decentralisation'.[iv]

Some Bank statements, such as the book *African Water Resources*, are vague and all encompassing: '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.'[v] However, others--including one termed 'instrumental' in the World Bank's 1999 *South Africa Country Assistance Strategy*--played a crucial role in the disconnection of water supplies to millions of low-income South Africans, in the ongoing outbreak of cholera, in the highly controversial privatisation of municipal water, and in the reorientation of national water priorities towards a market-based system.

This paper documents some of the specific and general problems associated with a dogmatic 'neoliberal' approach to water that, during the late 1990s, became official policy at the Bretton Woods Institutions (the World Bank and International Monetary Fund), notwithstanding the numerous dangers and well-tested alternative approaches (recognised inside the Bank from time to time). South Africa and the surrounding semi-arid region of Southern Africa represent good terrain upon which to observe World Bank water management strategies. The region has specific problems not only with natural cycles of droughts and floods, which have been exacerbated by global warming. In addition, the skewed settler-colonial mining and agricultural systems and economic development patterns make future conflict over water a certainty. Water has already served as an important lubricant of sustained geopolitical strife in Lesotho (1998) and on the Namibia/Botswana border (ongoing). Problems also arose in relation to flood control on South African sourced rivers that flow into Mozambique during 2000-01. Historically, the conflict over water was the source of sustained colonial and apartheid oppression: for example, large dams displaced tens of thousands of people on the Zambezi River (Kariba and Cahorra Bassa dams) and Orange River (Garieb Dam).

For our purposes in this seminar, it may be most important to highlight the microeconomics of water pricing and public utility management, for it is here that contrasts between water as a commodity and water as a social/spiritual/ecological good are greatest. Specifically, the paper objects to the user-pay full-cost-recovery approach that is most strongly and universally promoted by the World Bank across Africa. So it is to both the Bank's urban water utility reforms and rural project principles that we turn first for general evidence of the contradictions that inevitably emerge, prior to investigating the Bank's role in South/ern African water privatisation debates.

Water, power and poverty

Recovery from a major conflict, whether civil or liberation in nature, ideally entails large investments in water infrastructure, in part so as to bring about the return of displaced rural people to their traditional homes. Donors have often played a central role in providing water to impoverished people whose own resources would not sustain either capital investments or recurrent costs (operating and maintenance costs of water services ranging from bulk supply to household reticulation and smallholder irrigation). The importance of managing water extends up from micro-project level to national, regional and international policy, and donor agencies have played crucial roles at all levels.

The Bretton Woods Institutions' central coordinating and strategising role in South and Southern Africa water management deserves detailed consideration. The International Monetary Fund has drawn many water-related issues into its own structural adjustment programmes, whether the Enhanced Structural Adjustment Facility, Poverty Reduction and Growth Facility or Poverty Reduction Strategy Programme.[vi] According to one recent report,

A review of IMF loan policies in 40 random countries reveals that, during 2000, IMF loan agreements in 12 countries included conditions imposing water privatisation or full cost recovery. In general, it is African countries, and the smallest, poorest and most debt-ridden countries that are being subjected to IMF conditions on water privatisation and full cost recovery.[vii]

However, it is the IMF's fraternal organisation, the World Bank, that has had primary responsibilities for intellectual, policy, and project promotion consistent with water commodification, so the Bank is the main focus of our immediate interests. Moreover, by the late 1990s, the Bank had become involved in a wide variety of Southern African water-related projects with other donors.[viii] The Bank maintains a broadly dominant role in proffering advice--and sometimes giving orders--in the regional water sector.[ix] Internationally, the Bank website lists the following key international relationships--several of which were catalysed by the Bank--in advancing its water agenda:

- Global Water Partnership, which has the mandate of developing networks and knowledge for water resources management, and is based in Stockholm;
- the World Commission on Dams, which was launched by IUCN/World Conservation Union and the World Bank, together with many other partners, which is defining standards for when, where, and how dams should be designed, constructed, and operated;
- the Water and Sanitation Program, a 20‑ year-old partnership hosted by the Bank, to improve the access of poor people to water and sanitation services;
- the Business Partnership for Development, hosted by the NGO Wateraid in London, to develop innovative mechanisms for ensuring that private water contracts serve the needs of the poor; and
- the International Program for Technological Research in Irrigation and Drainage, hosted by the Food and Agricultural Organisation in Rome, which has the objective of developing innovative technologies for irrigation and drainage.

The Bank is a regular coordinator of, and leverage-point for, donor resources. It is a catalyst for several large dam projects, a project and water sector lender, a 'Knowledge Bank' source of information, a facilitator of civil-society involvement and promoter of a limited version of 'community participation' in water projects. The Bank is also a government policy adviser, an investor in privatised water infrastructure (through the International Finance Corporation), a host to numerous African water agencies' Water Utilities Partnership, and the main agency imposing stipulations upon water sector management via structural adjustment and debt relief conditionality. The Bank can, therefore, claim not only to have a coherent perspective and wide-ranging market-oriented framework, but also to have applied these to water projects and policy across Africa. The African Development Bank has generally followed the same patterns.[x]

True, there are occasional disagreements amongst Bank staff. A mid-1990s debate occurred over whether retail water prices should follow a rising block tariff or instead more closely approximate the cost of production ('full cost recovery'). The victory of the latter argument within the Bank during the late

1990s seemed to herald an era of full-fledged water commodification, at the same time the Bretton Woods Institutions were most dogmatically insistent upon similar principles in relation to macroeconomic policy: in a phrase, ‘get the prices right’.

The philosophical underpinning to this dogmatic approach was once expressed in an infamous memo by the Bank’s then chief economist, Lawrence Summers. ‘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,’ Summers argued in a 1991 memo that was subsequently leaked and published in *The Economist*.[xi] Rather than ‘internalise the externalities’ associated with pollution or ecological damage, the ready solution is simply to displace these to somewhere political power is negligible and the immediate environmental implications are less visible, in the name of overall economic growth. After all, Summers continued, inhabitants of low-income countries typically die before the age at which they would begin suffering prostate cancer associated with toxic dumping. And in any event, using ‘marginal productivity’ as a measure, low-income Africans are not worth very much anyhow. Nor are African’s aesthetic concerns with air pollution likely to be as substantive as they are for wealthy northerners. Although Summers and his colleague Lant Pritchett have retrospectively used the term ‘ironic’ to describe the argument, *The Economist* endorsed the underlying principle by which ecological and social objectives are subordinated to ‘impeccable’ economic logic. Indeed, it can be argued that the subsequent decade of Washington Consensus commandments--’getting the prices right’--no matter the social costs, codified the Bretton Woods approach.[xii]

But just as important as the ideology of commodification, are the numerous practical applications. Bank experience is drawn upon from across the world. In conjunction with the UNDP, the Bank-catalysed World Water Forum--a crucial session of which is to be held in Kyoto in March 2003--has become the leading international forum for applying market solutions to water-related problems. The Bank also sponsored the World Commission on Dams, which included studies and submissions concerning two Southern African megadams: Kariba and Garieb. The region’s two largest dams, Kariba (late 1950s) and the Lesotho Highlands Water Project (1980s-present), were both catalysed and funded by the Bank.

Also of critical importance is the role of Bank water management in grassroots-level conflict resolution--via development projects such as water supply enhancement that can resolve longstanding disputes, or via restructuring Riparian water law so as to end centralised administrative allocation of water, to be replaced by water trading in specially-designed markets. In virtually all such cases, *the Bank has developed policies and projects that further the commodification of water*.

Commodifying water entails the following:

- highlighting its role mainly as an ‘economic good’;
- attempting to reduce cross-subsidisation that distorts the end-user price of water (tariff);
- insisting upon 100% cost recovery on operating and maintenance costs (even if capital investments are subsidised);
- promoting a severely limited form of means-tested subsidisation;
- establishing shadow prices for water as an environmental good;
- solving problems associated with state control of water (inefficiencies, excessive administrative centralisation, lack of competition, unaccounted-for-water, weak billing and political interference), and in the process;
- fostering the conditions for water privatisation.

Concrete manifestations are obvious once we consider two recent Africa-wide Bank statements on water resources management, urban and rural, that provide the conceptual underpinning for water projects and policies. We can then consider other evidence of the role of the Bretton Woods Institutions in promoting privatisation of water in Southern Africa.

Urban utility reform

The ‘Kampala Statement’ of February 2001, drafted by the Bank in association with the Water Utilities Partnership, is an important review and aspirational vision of broader water policy issues in Africa, in part because of buy-in from African water officials.[xiii] The Kampala Statement is a misleading document, for it certainly makes a strong case that poor people, and women in particular, deserve primary consideration in water policy. However, the actual content of the Statement--and all the follow-up work planned--is very much towards market-oriented reforms and what can be termed ‘privatisation’, a word that encompasses various types of management, outsourcing and ownership relations by which for-profit firms come to operate what were once state water services. A typical premise is the notion that ‘the poor are willing and have the capacity to pay for services that are adapted to their needs’. And dealing with the semantics of privatisation, the Kampala Statement suggests that

> Reforms should not be considered synonymous with privatisation, but as a co-ordinated series of structural changes to provide better water and sanitation services to more and more people. However an increased role of the private sector in WSS delivery has been a dominant feature of the reform processes of African countries as it has been recognized as a viable alternative to public

service delivery and financial autonomy.

Indeed, the premise of water privatisation had already been cemented. Not surprisingly, omitted from the Kampala Statement is any substantive information that would assist African policymakers understand and address--even via ‘regulation’--four crucial drawbacks to such private partnerships:

- the high profit rate extractions, in hard currency, typically demanded by transnational corporations;[xiv]
- the issue of whether hard-currency Bank loans are required to promote water privatisation;[xv]
- the change in the incentive structure of water supply once private suppliers begin operating (especially in relation to pricing);[xvi] and
- the difficulty of a private supplier recognising and internalising positive socio-environmental externalities.[xvii]

Aside from private-sector involvement, another feature of the Kampala Statement is the strong orientation towards water-system cost recovery. As a result, the Statement denies the most fundamental reality faced by water services providers:

The objectives of addressing the needs of the poor and ensuring cost recovery for utility companies are not in contradiction; well thought‑out mechanisms for cross‑subsidies, alternative service provision, and easing the cash flow demands upon the poor can allow the utility to survive whilst attending to their needs.

There is an enormous contradiction, in reality, between the drive to cost-recovery and the needs of the poor (as well as other vulnerable groups, and the environment), as discussed below. In particular, as we will see, the pressure to corporatise/privatise water services works decisively against cross-subsidisation.

The incentive to reform in a neoliberal mode is the universally-acknowledged fact that African water systems don’t work well, especially when associated with public utilities that enjoy a relaxed budget constraint (i.e., ongoing subsidies from general revenues). Progressive critics of the African state, dating at least as far back as Frantz Fanon in *The Wretched of the Earth*, typically point to a variety of features of neo-colonialism, compradorism, neoliberal economic pressures, petit-bourgeois bureaucratic class formation, and simple power relations whereby elites can garner far more resources from local states than can the masses.

In contrast, the Kampala Statement derives the problems from one fundamental cause, namely, Africans get the prices ‘wrong’: ‘The poor performance of a number of public utilities is rooted in a policy of repressed tariffs which leads to lack of investment, poor maintenance lagging coverage, and subsidised services reserved for the privileged who are connected to the network'. The mandate for full cost-recovery and an end to cross-subsidies--with meagre subsidies allegedly to be available for poor people at some future date--follow logically. As a result, one of the most important issues associated with water resource management, abuse of water by large-scale agro-corporate irrigation and wealthy consumers, is barely remarked upon, and the word 'conservation' is only used once, in passing.

Politically, the Kampala Statement is extremely naive--or disingenuous: 'Labour can also be a powerful ally in explaining the benefits of the reform to the general public. It is essential therefore that the utility workers themselves understand and appreciate the need for the reform'. But as shown in the conclusion to this paper, political resistance is probably the most interesting contradiction embedded within the Bank's water strategy.

Water for rural villages

Moving to the countryside, the Bank strategy is also articulated in the *Sourcebook on Community Driven Development in the Africa Region--Community Action Programs*.[xviii] According to the sourcebook, the Bank has played a key role in moving African water projects out of their previous unsustainable, failure-riven mode:

Twenty-five years ago handpumps designed for North American farmsteads were installed in villages across Africa. They all broke down shortly after being installed. Twenty years ago robust handpumps and centralized maintenance was introduced. All the pumps broke down within one year and took months to repair. Donors were spending more and more money to maintain what was installed and less and less on new facilities.

Fifteen years ago, community based management and user friendly handpumps were introduced, together with VIP latrines. Communities had to manage and pay for the maintenance of their handpumps. The approach was received with great skepticism by sector ministries: 'Villagers can't possibly maintain a pump'. Today community based management is accepted by all sector professionals across Africa as the only sustainable approach to village water supply and sanitation (with construction of low cost latrines) and increasingly to town water supply. Demand responsiveness where communities choose the facilities they want, decide how to manage and finance them, and pay part of the capital cost is also widely accepted as fundamental to sustainability.[xix]

Yet the neoliberal, state-shrinking project-level work is not yet complete, until the central philosophy associated with neoliberal water policy is adopted, according to the *Sourcebook*:

Promote increased capital cost recovery from users. An upfront cash contribution based on their willingness-to-pay is required from users to demonstrate demand and develop community capacity to administer funds and tariffs. Ensure 100% recovery of operation and maintenance costs...[xx]

The Bank's role in South African water commodification

The 100% cost recovery philosophy became extremely controversial in Africa's most industrialised country, South Africa. Before providing details, it is useful to consider at least one reflection of the relations between the Bank and Pretoria. A major report by the International Center for Investigative Journalism in February 2003 explored the issue:[xxi]

According to a 1999 World Bank strategy report, the bank played an important role in charting South Africa's privatization strategy. It used South Africa as a sort of test laboratory to 'pilot our evolving role as a "knowledge bank"', the report stated.

'The Bank has provided technical assistance and policy advice in virtually all sectors of the economy', Pamela Cox, World Bank director for South Africa, wrote in the introduction to *South Africa Country Assistance Strategy*, a bank report. The report stated that the Bank's International Financial Corporation has played an 'active role in the further development of infrastructure in South Africa and promote the increased participation of the private sector in this area'.

The same 1999 document concluded with a proud claim, that advice by 'knowledge bank' water expert John Roome in October 1995 was 'instrumental in facilitating a radical revision in South Africa's approach to bulk water management'.[xxii] Although the presentation dealt with the transition from national-scale (bulk) 'riparian rights' to a water-market strategy ultimately adopted in a 1998 policy and law, the microeconomics of water pricing were also crucial.

The debate at the time was whether a 1994 *Reconstruction and Development Programme* (RDP) medium-term mandate for free 'lifeline' water supplies of 50-60 litres of water per person per day in urban areas would be provided, or whether instead water should not be subsidised (aside from capital investments) but rather priced according to marginal cost. Roome argued that municipal water privatisation contracts 'would be much harder to establish' if poor consumers had the expectation of getting something for nothing, i.e., the lifeline supply mandated in the RDP. Moreover, if consumers didn't pay their water bills, Roome continued, South African water minister Kader Asmal needed a 'credible threat of cutting service'.[xxiii] In short, a private supplier logically objects to serving low-income people with even a small lifeline consumption amount. Hence the demand for such a rising block tariff is indeed, as Roome pointed out, a serious deterrent to privatisation. The most important point about the advice on microeconomic pricing is how it led to distributionally-regressive outcomes in South Africa's cities, and caused a cholera epidemic in the rural areas.

Pricing towards marginal cost

Probably the two most important reflections of the dangers of marginal-cost pricing--i.e., 'getting the prices right' by following 'impeccable economic logic' so as to attract private-sector investors into the water sector--are ecologically-disastrous supply enhancements in the form of mega-dams that allow for increased hedonistic consumption on the one hand; and price increases plus water disconnection policies which kill low-income people who cannot afford their water bills, through cholera, diarrhoea and other water-borne diseases (many of which lead to HIV/AIDS opportunistic infections).

In the first category, an extreme but emblematic case is the Lesotho Highlands Water Project (LHWP). To prevent construction of further large dams for the purpose of cross-catchment water transfer from the Lesotho mountains to Johannesburg, residents of Alexandra township filed a World Bank Inspection Panel complaint about the Bank's failure to consider 'demand-side management' as an alternative. Central to the latter strategy is penalising hedonistic water consumers through higher tariffs. The Bank's Inspection Panel inexplicably turned down the township activists' request to simply carry out a formal investigation into the distributional problem.

Alexandra residents complained to the Bank Inspection Panel, 'The possibility for changing water usage patterns through progressive block tariffs was never factored in to LHWP demand calculations, in part because key World Bank staff (though not the Bank's Washington headquarters) explicitly opposed differential pricing of water'.[xxiv] The residents referred to Roome's October 1995 presentation to Asmal, which argued against sliding tariffs, citing in particular the case of Johannesburg.

At the time, Johannesburg (known then as the 'Central Wits' region) had a four-block tariff structure which rose gradually from R1.20/Kl for 0-10 Kls per month, up to R3/Kl for more than 45 Kl/month consumption. Roome's only valid criticism of Johannesburg's water pricing model was that the rising block tariffs 'may limit options with respect to tertiary providers--in particular private concessions much harder to establish'.[xxv]

This criticism is understandable, although not forgivable, in view of the World Bank goal to privatise municipal water. Private bidders would indeed be deterred if they encountered an obligation to consider redistribution--in the form of a lifeline water supply and sharply rising tariff for hedonistic users--when pricing water to maximise profit. The reason for this is that the firm's curves for marginal cost (each additional unit) and marginal revenue (ideally running parallel, so as to 'get the prices right') necessarily depart from a redistributive water pricing structure.

Most South African cities moved in Roome's favoured direction, i.e., away from cross-subsidisation, prior to the ANC's September 2000 promise of a free lifeline water supply and rising block tariff. Tellingly, instead of raising the slope of Johannesburg's near-flat block tariff to levels that would have achieved social justice and conservation, the city managers hired World Bank consultants as part of the Igoli 2002 corporatisation programme. The city's strategy, until July 2001, was to provide only a small grant--R30 per month for water and a bit more for other services--to 'indigent' households whose poverty status could be confirmed through stigma-inducing 'means-testing'. Instead of finding several hundred thousand qualified households, the city signed up only a meagre 24,000 recipients.[xxvi]

Across Gauteng, prior to the implementation of the free water policy, the Palmer Development Group found in its survey of Rand Water Board users that low-volume users had systematically been charged more than higher-volume users since 1996: 'It is evident that there is a continuing increase in tariffs in real terms, of the order of 7% per year for all blocks. Some of this increase may be related to increasing bulk supply costs and some may relate to improved service. But there is a concern that a part of the increase relates to decreasing efficiency. A further concern is that the lowest block is the one which is increasing fastest'.[xxvii]

Indeed, amongst the municipalities served by Rand Water during the late 1990s, those at the first block of consumption paid 39% more, *after inflation*, than they had in 1996. The more hedonistic consumers' rate went up only 24%, as shown in the table:

Residential water tariff increases imposed by Rand Water-supplied municipalities, 1996-2000 (Rands per thousand litres, real 2000 currency)[xxviii]

Tariff:	1996	1997	1998	1999	2000
Block 1	1.86	1.97	2.33	2.41	2.58
Block 2	2.52	2.64	3.26	3.22	3.36
Bloc	2.9	3.0	3.6	3.7	3.7

k 3	1	1	6	1	9
Bloc k 4	3.4 9	3.4 1	4.2 0	4.2 0	4.3 2

The reverse Robin Hood policy ended finally, after July 2001, when the free services policy was partially adopted in Gauteng cities. At that point, Johannesburg adjusted its tariff curve in a slightly more progressive direction. Beyond the free 6 kl/household/month, a R2.30/kl price was applied up to 10 kl/h/m. From 10-15 kl/h/m, the tariff was for R4.10/kl; from 15-20 kl/h/m, R4.60; from 25-40 kl/h/m, R5.50/kl; and above 40 kl/h/m, R6.50.[xxix]

What would that mean, price-wise, for a grandmother in a township looking after a dozen dependents on a measly monthly pension? Even after July 2000 when the new free water policy allegedly came into effect, if she and the others consumed the 50 litres recommended for human health and hygiene each day, the roughly 20 kl per month would cost R53 in Johannesburg, nearly a tenth of her monthly income. In some towns served by Rand Water, the cost would be yet higher: R90 in Randfontein, and more than R75 in Emfuleni, Lesedi, Midvaal and Highveld East.

As for industrial tariffs, they have been kept on a regressive schedule, so that extremely high volume users (in excess of a million litres per month) pay declining rates in many towns supplied by Rand Water. In Johannesburg, the tariff was set at R4.60 in July 2001.

What this suggests is that in South Africa's cities, the commercialisation and privatisation process favoured by the World Bank and IMF have had regressive impacts, *even after* a promise of 6,000 litres per household per month was made by the ruling party. But things are even worse in rural South Africa.

Project failure

After a 1994 White Paper was adopted by water minister Asmal, very much in the spirit of the World Bank's *Sourcebook on Community Driven Development* (insofar as prohibiting subsidies on operating and maintenance costs), the Department of Water Affairs and Forestry (Dwaf) began their famous capital investment roll-out. Dwaf officials instructed staff and all agencies carrying out community water supply and sanitation activities on its behalf to implement the *White Paper* standards and tariffs to the letter. Community water supply projects include communal standpipes at 200 metres. Despite the array of problems associated with collecting payment for water from communal standpipes, the principle of full payment for the operating, maintenance and replacement costs was insisted upon. Once projects were built, especially by Mvula Trust and other non-governmental suppliers, communities didn't receive further support.

Inexorably, extremely serious problems arose in the community water supply projects. There are varying estimates about project sustainability, with even the pro-government Mvula Trust acknowledging that roughly half of the projects it established would fail because of inability to maintain the system. The official Dwaf line by the early 2000s was that more than 80% of the taps were still working, but there were *no* national monitoring and evaluation reviews, merely tortured extrapolations of dubious small-scale reviews. One oral report by Dwaf official Helgard Muller in 1999 put the government's own cost-recovery on these projects at just 1%.

Reasons for unsustainability invariably include very real affordability constraints and an unwillingness to pay for communal standpipes. Communal standpipes are often not viewed as a significant improvement on existing sources of water. Other important reasons for failure include poor quality of construction, areas within communities without service and intermittent supply.

Moreover, the community water supply systems have led to numerous instances of inequity. Adjacent communities pay different amounts depending on the systems installed. Rural households pay for water from standpipes, whereas households in Durban getting water on site were getting the first 6 kilolitres per month for free, i.e., the amount of the breakeven point between the cost of collecting payment and the amount collected. Communities with new water systems were paying for the ongoing functioning of their systems whereas communities supplied by the former Bantustan governments often received their water for free. Such inequities led to significant levels of community tension within and between villages. And, despite the claim to provide 'some to all', vast areas did not receive water services of any sort.

Dwaf's response to the high level of subsequent project failure was initially to move yet further from the entitlement to water as spelt out in the Constitution, partly egged on by advisers from international agencies such as the World Bank.[xxx] Dwaf continued to insist upon construction of communal standpipes in rural areas, but in future they were to be built with prepaid meters, whereby people must buy electronic cards to access even communally-piped water, a system declared illegal in Britain.[xxxi]

Instead of moving towards the medium-term aim of the RDP and providing taps on site, the Department proved willing to relax the 200 metre criterion and allow for standpipes further apart so as to limit the number and thereby cost of prepaid meters. Indeed, one Dwaf document circulating widely in early 1999 recommended that water supply to rural people be dropped from 25 to 7 litres per person per day.[xxxii] One of the central problems, Dwaf officials continued to insist, was financing the expansion of water supplies to low-income people. As the free-services promise was unpacked, Dwaf director general Mike Muller issued several statements confirming that no additional national subsidy funds were available to make good on the water promise.[xxxiii] To the suggestion that Dwaf tax the abuse of water by commercial agriculture and, as short term measure, use defence force tanker supplies to those with no access, Muller responded that 'no case for new money can be made until it is clear that existing funds are being properly used'.[xxxiv]

Yet because of the neoliberal policy parameters, the existing funding for rural projects was not being properly used. Failure to spend Dwaf's budget had been an embarrassment dating to the mid-1990s, when the majority of water project funds were rolled over, back to the finance ministry. Yet Dwaf's 100% cost-recovery strategy was based upon the alleged lack of sufficient funding, and the government continued avoiding the option of taxing large-volume water consumers.

Water denialism

Demands to reverse the government's full cost-recovery policy by labour and social movements were made during the late 1990s, and Asmal's mid-1999 replacement, Kasrils, began hinting at a policy change in February 2000 after rural water projects broke down at a dramatic rate--mainly because impoverished residents could not keep the vital service maintained by themselves without a subsidy, as Asmal had demanded. When cholera broke out in August 2000, less than four months before nation-wide municipal elections, the ANC government reacted by promising a free services lifeline. It was progress, although for poor households the promise was half the amount needed, and for electricity was undefined but in practice amounted to only a tenth of essential needs.

As might have been predicted, the World Bank saw Kasrils' and the ANC's free-services promise as potentially dangerous. In March 2000, the Bank's Orwellian-inspired *Sourcebook on Community Driven Development in the Africa Region* laid out the policy on pricing water: 'Work is still needed with political leaders in some national governments to move away from the concept of free water for all.'[xxxv]

Social disasters from such rigid neoliberal policy were strewn across Africa, especially when low-income people simply could not afford any state services, or cut back on girls' schooling or healthcare when cost recovery became burdensome. In October 2000, the Bank was instructed by the US Congress never to impose these user-fee provisions on education and healthcare, and in 2002 a campaign by progressive NGOs in the US expanded to decommodify water as well.

As one example, in 1996, the World Bank and IMF launched its 'Highly-Indebted Poor Countries' (HIPC) initiative, and Mozambique was a high-profile pilot project. But harsh conditions were to the paltry debt relief, as expressed in a letter sent to Mozambican president Joaqim Chissano by World Bank president James Wolfensohn in March 1998:

- the privatisation of municipal water (which required, in classical public-squeeze prior to private profiteering, the 'sharp' rise in water tariffs, which were 'to be increased even further prior to the signing of management contracts');

- the quintupling of patient fees for public health services over a five-year period; and

- the privatisation and simultaneous liberalisation of the important cashew nut processing industry (which led to the collapse of most factories and 10,000 job losses, mainly women).[xxxvi]

A year later, more than 70 new conditions emerged in the next IMF debt relief package, including a recommendation that parliament make the tax structure more regressive (i.e., so the rich would pay a decreasing share of their income). Yet more arrogantly, the IMF used new jargon in applying neoliberal conditionality to the rural water sector: 'transforming the planning and delivery of rural water and sanitation services from a supply‑driven model to a sustained demand responsive model, characterised by community management, cost recovery, and the involvement of the private sector.'[xxxvii] Such a 'demand-responsive approach' is an increasingly discredited development strategy. Such cost-recovery strategies simply don't work in a country in which 70 per cent of the population live below the poverty line.

In 1999, however, increased public pressure against the IMF and Bank--including Chissano's own public frustration over HIPC--led to slightly greater concessions for Mozambique (repayments fell to $73 million and then $58 million by 2001). Nevertheless, the IMF and Bank remained so callous to Mozambique's grinding poverty, and were unmoved even by the January-February 2000 floods that devastated Mozambique. Instead of shaking loose more debt cancellation, Washington offered only to reschedule repayment, by adding the amount due that year to the end of the amortisation schedule.

Thus for one of the world's poorest countries, the experience of HIPC debt relief shows how the combination of international financial power, unrepayable debt and the Washington Consensus economic philosophy can be a lethal combination, via water privatisation.

A final example of the denial of water/sanitation through the privatisation process is found in the continent's wealthiest city, Johannesburg. The World Bank played a substantial role in designing Igoli 2002, the plan to corporatise Johannesburg utilities. The Johannesburg Water Company, also managed by Suez, soon controversially introduced pit latrines in spite of porous soil and the spread of the E.Coli bacteria, so as to prevent poor people flushing their toilets with water that they would not be able to afford given Johannesburg Water's pricing strategy. The company also offers a low-flush ‘shallow sewage’ system to residents of ‘condominium’ (single-storey) houses arranged in rows, connected to each other by sanitation pipes much closer to the surface. Given the limited role of gravity in the gradient and the mere trickle of water that flows through, community residents are required to negotiate with each other, over who will physically unblock sewers every three months. Pre-paid water metres--which have been outlawed in Britain--are also associated with Johannesburg Water’s attempt to limit consumption by the poorest urban residents.

Conclusion: Resisting the BWIs and Claiming the Right to Water

It should be evident from this paper that the World Bank and IMF have been violating the rights to water that are explicitly guaranteed by the South African Constitution, and implicitly crucial to any humane development strategy for the people of Southern Africa, and the world. They have done so through ignoring several aspects of water discussed above:

Firstly, the Bank and IMF ignore ‘positive externalities’ of publicly provided water:

- public health improvements achieved through water‑borne disease mitigation;
- gender equity, through permanent access by women to water;
- environmental protection, through protection of local ecosystems instead of their degradation as water collection points and run-offs for informal sewage/sanitation;
- economic multipliers that stem from access to water; and
- desegregation that can be achieved through standardised, higher-quality water/sanitation services.

It should be evident from this list of ‘public goods’ and ‘merit goods’ that *only the state and society* have a material incentive in these sorts of positive externalities, and that private, for-profit suppliers do not (except in extremely rare cases when they run local clinics as well).

In addition, since water infrastructure is a classical natural monopoly, and since investments in the sector tend to be ‘lumpy,’ there is a sustained reason for public not private provision of water services.

As for those advocating both privatisation and regulation, the difficulty of the latter is evident in most cases, given the weakness of states, and the long history of water‑sector corruption by multinational corporations.

Finally, the crises in the state water sector, and the lack of capital that states have to invest--the two main reasons for advocating privatisation--are in fact due mainly to the failed 1980s‑90s structural adjustment programmes, to corrupt state bureaucrats, to weak trade unions and to disempowered consumers/communities. These are all temporary problems which can be overcome through a concerted political effort and a redirection of state resources that are currently being used for debt repayments--to the same World Bank and IMF which push privatisation because states lack money and capacity.

Across the world, people have begun to unite in defense of their human right to water, in part on spiritual grounds but also out of pure necessity. Whether in Cochabamba, Bolivia, or Accra, Ghana or Atlanta, Georgia, or Buenos Aires, Argentina, or Manila in the Philippines, or Johannesburg, the ongoing anti-privatisation campaigns for water access are resonating with struggles in other places to *decommodify* water and institute public sector services that meet people's needs. Whether through public-public partnerships, public-people arrangements between states and communities, or public-proletarian partnerships involving the municipal workers' unions, the advantages of social determination of water systems are far greater than the fleeting efficiency gains that may, in the short term, arise from public-private partnerships.

A statement by the Ralph Nader-linked organisation 'Public Citizen' lists ten reasons to oppose water privatisation:

- privatisation leads to rate increases;
- privatisation undermines water quality;
- companies are accountable to shareholders not consumers;
- privatisation fosters corruption;
- privatisation reduces local control and public rights;
- private financing costs more than public financing;
- privatisation leads to job losses;
- privatisation is difficult to reverse;
- privatisation can leave the poor with no access to clean water;
- privatisation would open the door for bulk water exports.[xxxviii]

Several of these propositions are already manifestly obvious in South Africa, as this paper has shown. The Southern African experience suggests that even if in South Africa there is strong resistance to privatisation, the rest of the region remains under threat. And in South Africa, it took a great deal of time and social discontent to roll back the tide of privatisation, even after the late 1990s witnessed extensive technical arguments about the merits of public, not private provision of water.

What these debates suggest is that the World Bank--as one of the most important development agencies, and a source of immense power during periods of fiscal stress--is not learning these lessons. Many of its documents released since the beginning of the millennium continue to force-feed the discredited Washington Consensus approach. Lawrence Summers' 'impeccable economic logic'--fatal if the advice is followed--has its successor in World Bank and IMF strategies to remove water from the public sphere, and reduce it to a mere commodity.

What kinds of resistance is the world beginning to witness? There are several international lobbies to force WB/IMF/WTO to stop commodifying water and other services. In South Africa in particular, a campaign by the SA Municipal Workers Union and the Rural Development Services Network for free lifeline water (50 liters per person per day) continues--as do numerous community struggles against water commodification and privatisation. Indeed, 'Anti‑Privatisation Forums' and other manifestations of the Global Justice Movement exist in many Southern African cities: Johannesburg, Cape Town, Durban, Pholokwane, Harare, Bulawayo, Mbabane, Lilongwe and Windhoek. A 'Southern African People's Solidarity Network' links progressive activists, churches, trade unions and thinktanks, as does a regional water-sector network.

More generally, to resist World Bank and IMF power, Jubilee movements across the region continue fighting for debt repudiation. The African Social Forum is developing tough positions. And most Southern African progressive movements are demanding that IMF & World Bank should immediately quit their countries. To drive home the point in a manner which image-conscious international financiers understand, lawsuits are being filed against those banks (including, soon, the World Bank and IMF) which supported apartheid and dictatorships.

The financial squeeze is what the Bank and IMF have used to get their way. Likewise, a financial sanctions campaign against the Bank began in April 2000, called for by Jubilee South Africa, the Brazilian Movement of the Landless, and a Haitian social-justice coalition (PAPDA). They immediately asked the question that posed, first and foremost, during South African apartheid: who reaps the economic benefits of systemic oppression? Today, churches, other socially responsible investors, trade unions, municipalities, and universities together ponder a similar query: is it morally acceptable to earn profits from World Bank bonds (responsible for 80% of WB funding), if the Bank so evidently contributes to what Thabo Mbeki terms 'global apartheid'?

Having answered in the negative, many people of conscience are joining the 'World Bank Bonds Boycott' (WBBB), which sends a tough signal to the Bank: end anti‐social, environmentally‐destructive activities and cancel Third World debt. When enough investors endorse the campaign, the Bank will suffer a declining bond rating, making it also *fiduciarily irresponsible* to invest, which in turn will represent a profound threat, a 'run on the Bank'. Recognising the merits of the WBBB for changing power relations between the Bank and its many victims, dozens of major investors have endorsed the boycott, including church and religious community investors: the Unitarian Universalist General Assembly, the Conference of Major Superiors of Men, Pax Christi, USA and various denominations of Marianists, Sisters of the Holy Cross, Franciscan Friars, Adrian Dominicans and many others. Adding their own muscle, are ethical investment funds that include major players such as the Calvert Group, Trillium Assets Management, Progressive Assets Management, the Pax World Fund Family, Ben and Jerry's Foundation, the Global Greengrants Fund and the Citizens Funds. Finally, the WBBB has also undergone extensive discussions and debates in many US cities (e.g., San Francisco, Milwaukee, Oakland, Cambridge) and major trade union pension/investment funds (e.g., Teamsters, Postal Workers, Service Employees International, American Federation of Government Employees, Longshoremen, Communication Workers of America, and United Electrical, Radio and Machine Workers). In most cases, the decision by democratically-elected decision-makers to join the WBBB was unanimous.

It is likely that the denominations supportive of the World Council of Churches will also be asked by their memberships whether investing in global apartheid makes sense. There are many reasons to support the WBBB: the people who are intent on making water a human and spiritual good, not a for-profit commodity, have some of the strongest arguments to weaken Washington and save lives in the process.

Notes

[i]. This material is partially based upon work previously published in Bond, P. (2002), *Unsustainable South Africa: Environment, Development and Social Protest*, London, Merlin Press and Pietermaritzburg, University of Natal Press. Support for the analysis was provided by the University of Natal School of Development Studies research programme on donor roles in post-conflict societies, and by numerous colleagues who worked on these issues with me, especially through the Municipal Services Project (http://www.queensu.ca/msp).

[ii]. Republic of South Africa (1996), *The Constitution of the Republic of South Africa*, Act 108 of 1996, Cape Town, s.24.a, s.27.1).

[iii]. *Business Day*, 22 November 2002; Human Sciences Research Council and

Municipal Services Project survey of disconnections analysed at http://www.queensu.ca/msp

[iv]. World Bank (2003), *Draft World Development Report 2004: Outline*, Washington, http://www.worldbank.org, Chapter 10, pp.49-55.

[v]. World Bank (1996), *African Water Resources*, Technical Paper 331, Washington, DC, p. ix.

[vi]. See, e.g., http://www.challengeglobalization.org and Grusky, S. (2001), ‘IMF makes Water Privatisation Condition of Financial Support’, PSIRU update, http://www.psiru.org

[vii]. Hennig, R. (2001), ‘IMF forces African Countries to Privatise Water’, 8 February (http://www.afrol.com).

[viii]. Soderstrom, E. (1998), ‘Survey of Donor Involvement in the Water Sector in the SADC Region’, USAID, Gabarone, Botswana (cited on Africa Water Page).

[ix]. In 2001, the Bank had numerous ongoing SADC water projects underway. In Angola, Bank projects include urban water supply and sanitation, Luanda Water Supply project. The main Lesotho projects are the Highlands Water Project, Phase 1B and Water Sector Reform. The main Malawi project is National Water Development. Mauritius has a Bank Environmental Sewerage and Sanitation project. Mozambique has a National Water I and National Water II. The Bank promoted the Aguas de Mocambique 15-year lease contract for Maputo and four identical five-year management contracts for four other cities. Companies benefiting include Saur International (France), IPE-Aguas de Portugal (Portugal) and Mazi-Mozambique (Mozambican). In Namibia, the Bank is involved in bulk water commercialisation through Namibia Water Corporation (NamWater). In South Africa, private water contracts--pushed by the Bank originally in 1994--include Johannesburg’s Igoli 2002 and privatisation in three other towns (Queenstown, Fort Beaufort and Stutterheim), as well as Dolphin Coast and Nelspruit. The main companies are Suez, Northumbrian, Saur, Biwater/Nuon and Vivendi. In Tanzania, the Bank promoted privatisation through the Dar es Salaam Water Supply and Sanitation Project, and a rural water supply and sanitation project. In Zambia, the Bank promotes the Urban Restructuring and Water Project (including Lusaka Water and Sewerage Company) and the Mine Township Services project.

[x]. Yirga-Hall, G. (2001), ‘Experiences and Challenges of Financing Water Systems in Africa’, in *Volume II, Papers & Presentations, Reform of the Water Supply & Sanitation Sector in Africa Conference*, www.wsp.org, African Development Bank.

[xi]. *The Economist*, 8 February 1992; the memo is available at http://www.whirledbank.org.

[xii]. See, e.g., Stiglitz, J. (1998), `More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus', WIDER Annual Lecture, Helsinki, Finland, 7 January; and (2002), *Globalization and its Discontents*, London, Allen Lane. It is widely understood that Summers--as US Treasury Secretary--compelled James Wolfensohn to fire Stiglitz (who was then World Bank chief economist) in September 1999 once his objections to the Washington Consensus became sufficiently damaging.

[xiii]. The Kampala Statement was drafted at the World Bank and issued in mid-March 2001. It attempted to speak for 'a total of 270 participants drawn from government, the utilities (including the private sector), financial institutions, external support agencies, and civil society...' Quotations are from the final E-mail version sent from the Bank on 14 March, 2001.

[xiv]. These have often been cited in the 30% range, payable in hard currency (i.e., if the local currency falls, then the profit rate is even higher). According to the African Development Bank (ADB), the South Africa Infrastructure Fund projection for before-tax Internal Rate of Returns of 26-27% 'during SAIF's 15-year life in constant US dollar terms' assumes that '10% of all investments will fail; 50% of all investments will generate an IRR of 30%; and 40% of all investments will generate an IRR of 35%'. To earn such high rates of return on infrastructure investments that are often long-term in nature (often 40 years before full social and economic returns on investment are realised), and on top of that to compress the high earnings into the early stages of investment (on average 7.5 years, given that the SAIF will shut down after 15 years), and to do so using a wide range of social infrastructure investments, implies an extremely high cost-recovery burden for direct infrastructure recipients, or dramatic cost reductions at the level of the enterprise. See African Development Bank (1997), 'Investment Proposal: South Africa Infrastructure Investment Fund', ADB Private Sector Unit, Abidjan, p. 13, Annex 6. As noted below, the International Finance Corporation authorised a major investment in the SAIF, so these high profit rates are apparently consistent with the World Bank water-commodification strategy.

[xv]. The Statement argues, on the contrary, that multilateral and bilateral agencies 'are keen to support' privatisation, and that 'In view of the limited budgetary resources in most African countries, external financing should be available to cover the operational deficit resulting from the lag between improved service and increased revenue during the initial years of PPP'. No mention is made of the lack of hard-currency revenue that comes from selling water services to low-income people, despite the need to repay the multilateral and bilateral financiers in hard currency.

[xvi]. The Statement's only concession along these lines is that 'Where price increases to cover costs and improve service are planned, these should be gradual and should follow service improvements to maintain public support'.

[xvii]. It is well known that there are public and merit good effects from provision of water and sanitation to the homes of low-income people. Instead of making a strong case for lifeline water provision, tellingly, the Kampala Statement offers only extremely shallow rhetoric on this point: 'While the role of the private sector should increase in most cases, the public aspects of water and sanitation services should not be compromised. The creation of an independent regulator and corresponding legislation before any major transfer of operational activity to the private sector can help to ensure the priority of the public interest through increased fairness, transparency, accountability and better monitoring of contract performance'.

[xviii]. World Bank (2000), *Sourcebook on Community Driven Development in the Africa Region: Community Action Programs*, Africa Region, Washington, DC, 17 March (signatories: Calisto Madavo, Jean-Louis Sarbib), Annex 2.

[xix]. World Bank, *Sourcebook on Community Driven Development in the Africa Region*, Annex 2.

[xx]. World Bank, *Sourcebook on Community Driven Development in the Africa Region*, Annex 2.

[xxi]. Pauw, J. (2003), 'Metered to Death: How a Water Experiment Caused Riots and a Cholera Epidemic', Washington, International Center for Investigative Journalism, Center for Public Integrity, 5 February.

[xxii]. World Bank (1999), *Country Assistance Strategy: South Africa*, Washington DC, Annex C, p. 5.

[xxiii]. Roome, J. (1995), 'Water Pricing and Management: World Bank Presentation to the SA Water Conservation Conference', unpublished paper, South Africa, 2 October.

[xxiv]. Alexandra residents (1998), 'Inspection Panel Claim regarding World Bank Involvement in the Lesotho Highlands Water Project', Paper presented anonymously to the World Bank Inspection Panel, March, pa.1.10.

[xxv]. Roome, 'Water Pricing and Management: World Bank Presentation to the SA Water Conservation Conference', pp. 50-51.

[xxvi]. Ketso Gordhan, the main city manager promoting neoliberal utilities pricing and privatisation, turned down a World Bank job offer in late 2000.

Instead, he became deputy chief executive of FirstRand, which included one of South Africa's most aggressively pro-privatisation merchant banks.

[xxvii]. Palmer Development Group (2001), 'Rand Water: Tariff Database Survey 2', Johannesburg, March, p. 8.

[xxviii]. Adapted from Palmer Development Group, 'Rand Water: Tariff Database Survey 2', Table 14.

[xxix]. Information in this and the following paragraphs is from Mare, K. (2001), 'Free Basic Water: Actual Tariff Structures in Rand Water Area of Supply', Presentation to the Water Services Forum, Johannesburg, 18 July.

[xxx]. Masia, S., J.Walker, N.Mkaza, I.Harmond, M.Walters, K.Gray and J.Doyen (1998), 'External BoTT Review', Joint report by the Department of Water Affairs and Forestry, World Bank, British Department for International Development and Unicef, Pretoria, November.

[xxxi]. Drakeford, M. (1998), 'Water Regulation and Pre-payment Meters', *Journal of Law and Society*, 25, 4.

[xxxii]. Dwaf (1998), 'Compulsory National Standards Relating to the Provision of Water Services in Terms of Section 9(1)(a)', Memo CWS02161, Pretoria, 30 December, p. 2.

[xxxiii]. E.g., interview, SABC tv show 'Newsmakers', 14 January 2001.

[xxxiv]. *Business Day*, 9 April 2001.

[xxxv]. World Bank (2000), *Sourcebook on Community Driven Development in the Africa Region: Community Action Programs*, Africa Region, Washington, DC, 17 March (signatories: Calisto Madavo, Jean-Louis Sarbib), Annex 2.

[xxxvi]. Details provided in Bond, P. (1998), 'Mozambican Parliament Questions Debt Management,' *Sunday Independent*, 21 December; and see rebuttal letters from the Bank's Mozambique officer Phyllis Pomerantz on 24 January 1999, and from myself and Joe Hanlon on 7 February 1999, and 11 July 1999. See also Denny, C. and Elliott, L. (1999), 'Fund Admits Debt Plans will Fail Poor,' *Guardian*, 19 April.

[xxxvii]. International Monetary Fund (1999), *Mozambique: Enhanced Structural Adjustment Facility Framework Paper for April 1999-March 2002*, Washington.

[xxxviii]. http://www.citizen.org/cmep/water