JOURNAL FÜR ENTWICKLUNGSPOLITIK

herausgegeben vom Mattersburger Kreis für Entwicklungspolitik
an den österreichischen Universitäten

vol. XIX, No. 4–2003

WEM GEHÖRT DAS WASSER?
Die Kommodifizierung öffentlicher Dienstleistungen

Schwerpunktredaktion: Bettina Köhler

Mandelbaum Edition Südwind

Journal für Entwicklungspolitik (JEP)
Austrian Journal of Development Studies

Herausgeber:
Mattersburger Kreis für Entwicklungspolitik an den Österreichischen Universitäten
Projekt Internationale Entwicklung / Zentrum für überfakultäre Forschung der Universität Wien

Titelbild:
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Inhaltsübersicht

Patrick Bond

The Limits of Water Commodification in Africa

1. Introduction: Commodifying Water

Across Africa, a high proportion of water services programmes and projects are in crisis. This is true in settings ranging from the continent's wealthiest city, Johannesburg, to small-scale projects in rural African villages. But interpretations of failures and suggestions for reforms are rife with controversy. To illustrate, a special survey on water in *The Economist* declared that »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.« In particular, »Charges should be set, as far as possible, to cover full costs, including environmental ones,« and in rural areas where there is competition among farmers for irrigation water, »The best solution is water trading,« and 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.« (*The Economist*, 19 July 2003).

The United Nations has moved in the same direction. In addition to the aggressive role of the UN Development Programme and Habitat in promoting water privatisation through their joint Urban Management Programme with the World Bank, even a World Health Organisation (WHO) »Sachs Commission« background report insisted that earlier state investments in water systems were wasted: »Not only is improved water and sanitation not particularly cost effective as a health measure, it is also high in total costs... Between 1981 and 1990, more than US$134 billion was invested in efforts to expand water supply and sanitation services, approximately 34% of the sum coming from donors. Although some regions were able to make progress in improving access, few attained any of the goals set.« (WHO 2001).

Inexplicably, the WHO report failed to recognise that at the same time, the Bretton Woods Institutions were forcing dramatic cuts in water system operating subsidies on debtor countries, a practice that continues today. When impoverished water consumers could no longer maintain the systems – e.g., refilling diesel tanks to run boreholes, or replacing broken piping – naturally the capital investment was lost. Yet from this experience, which should have encouraged advocacy on behalf of higher state operating subsidies, the WHO-Sachs team drew the opposite lesson, namely that »improved water and sanitation [are] not particularly cost effective as a health measure« (WHO 2001). Moreover, the researchers endorsed regulated water privatisation as »an important tool to ensure the delivery of expanded [privatised] services to the poor.« One tautological rationale – again, without conceding that Washington financial bureaucrats ordered cuts in social and infrastructural spending – was that »In many places it is the poor themselves, rather than their governments, who are acting to improve their lives by investing in water and sanitation.«

Notwithstanding growing resistance, this classically neoliberal approach to water services supply – oriented to shrinking state provision and forcing a greater reliance upon full cost-recovery pricing models – remains widespread in Africa. The evidence of problems associated with neoliberal water management is witnessed in cases as diverse as the Johannesburg metropolitan municipality and rural villages. Johannesburg is one of Africa's few integrated financial-commercial-industrial-mining megalopolises, and with 3.2 million residents (and another 5 million in four neighbouring cities in the highly-urbanised Gauteng Province), is the world's largest city without a natural water supply. In contrast, rural villages that lack piped water and sanitation may have rivers or streams from which to draw water, but lack of purification or safe borehole sources has generated growing threats to public health.

In both settings, fiscal constraints are the primary rationale for the move to neoliberal principles of cost-recovery and differential service standards. In both settings, similar kinds of contradictions emerge associated with the affordability of public services and the transfer of state resources to private management. In both settings, water pricing is a key problem. In both settings, the inability of advocates of neoliberalism such as the World Bank to factor in eco-social considerations and public goods, hence allowing administered consumer prices to stray from market outcomes, is part of the reason that popular opposition has emerged.

In Johannesburg, we stand to learn a great deal from the past decade of institutional restructuring aimed at providing municipal water to a vast population ill served by prior apartheid administrations, using cutting-edge tools of institutional efficiency imported from a Paris-based firm, Suez. In rural Africa, we learn of the dilemmas faced by the World Bank in arguing for an end to ongoing state subsidies for rural projects and full cost-recovery for poor people. Linking the two, the New Partnership for Africa's Development (NEPAD), a strategic framework for an integrated socio-economic development for Africa launched in 2001 by the African Union (NEPAD Secretariat 2001) has advocated »public-private partnerships« (PPPs) as the main basis for future infrastructural investments, even in the sensitive water sector.

2. Commercialising Urban Water Systems

In large Third World cities, the commercialisation of water is typically introduced so as to address problems associated with state control: inefficiencies, excessive administrative centralisation, lack of competition, unaccounted-for-consumption (leaky pipes), weak billing systems and political interference. The desired forms will vary, but the options include private outsourcing, management or partial/full ownership of the service. In the field of water, there are at least seven institutional steps that can be taken towards privatisation: short-term service contracts, short/medium-term management contracts, medium/long-term leases (affermages), long-term concessions, long-term Build (Own) Operate Transfer contracts, full permanent divestiture, and an additional category of community provision which also exists in some settings (Bond et al. 2001).

2.1 Promoting Urban Entrepreneurialism

Aside from French and British water corporations, the most aggressive promoters of these strategies are a few giant aid agencies (especially US AID and British DFID) and the World Bank. For example, »The World Bank has worked with the City [of Johannesburg (CoJ)] in recent years to support its efforts in local economic development and improving service delivery,« according to World Bank (2002) staff and consultants. Johannesburg's vision strategy document for 2030 »draws largely on the empirical findings of a series of World Bank reports on local economic development produced in partnership with the CoJ during 1999–2002, and places greater emphasis on economic development. It calls for Johannesburg to become *a world-class business location.*« (ibid.). In turn, the Bank insists, businesses (not low-income consumers) should be allowed benefits that will, later, trickle down: »The ability of the city to provide for services is related to its tax revenue base or growth. *The CoJ does not consider service delivery to be its greatest challenge to becoming a better city*... The city finds further support for its Vision in a survey that suggests that the citizens are more concerned about joblessness than socio-economic backlogs.« Bank staff continue by citing »the World Bank's local economic development methodology developed for the CoJ in 1999,« which »sought to conceptualize an optimal role for *a fiscally decentralized CoJ* in the form of a regulator that would seek to alleviate poverty... through job creation by creating *an enabling business environment for private sector investment* and economic growth in Johannesburg.« (emphasis added) (World Bank 2002).

This short-termist commitment to urban entrepreneurialism negates the needs of poor people for higher levels of municipal services paid for through cross-subsidies from business, for Johannesburg would become less competitive as a base within global capitalism if higher levels of tariffs were imposed. Internationally, contestation of urban services prices is increasingly central to broader struggles over development strategies. The core choices are whether such strategies genuinely meet basic needs or instead take on a neoliberal character, and whether international agencies and corporations should be at the helm of urban planning and management. If the rise of urban social movements and urban »IMF riots« have shown anything since the 1980s, it is that the neoliberal approach to both national policies and municipal services calls forth opposition (Schuurman/van Naerssen 1989, Walton/Seddon 1994). Indeed, in many cases, the orientation that resulted in municipal services neoliberalism was nearly identical to austerity policies imposed at the macroeconomic scale. Those policies had the effect of splitting the urban working-class into a small fraction of »insiders« served by the market, and masses of peri-urban, slum-dwelling »outsiders.«

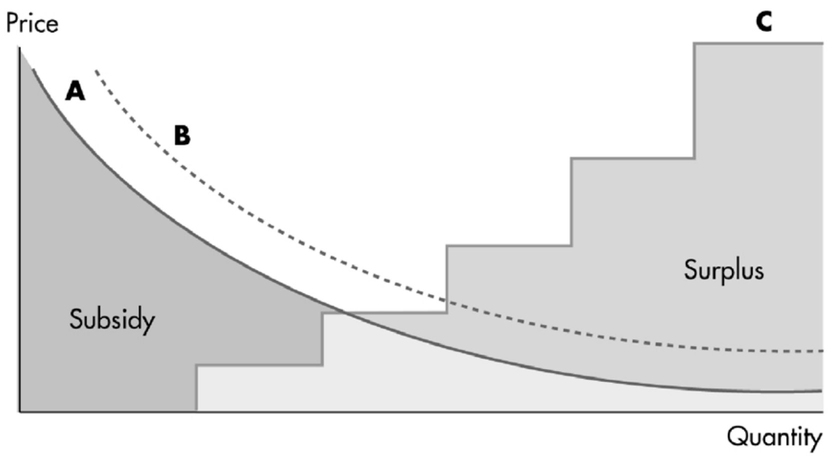
Throughout the 1990s, pressure intensified on South African cities, especially Johannesburg, to outsource a variety of functions. Amongst key pilot projects were late-apartheid water supply projects established by the Suez-controlled company »Water and Sanitation South Africa« in three Eastern Cape towns: Queenstown (1992), Stutterheim (1994) and Fort Beaufort (later named Nkonkobe) (1995). Similar supply deals with foreign firms in Nelspruit and the Dolphin Coast were temporarily stalled in 1998 by trade union-led resistance, but were resuscitated in 1999. Johannesburg followed in 2001. The primary advocates of privatisation were the World Bank and its private sector investment arm, the »International Finance Corporation«, as well as local and international firms. For example, Banque Paribas, Rand Merchant Bank, Colechurch International, the Development Bank of Southern Africa, Generale des Eaux, Metsi a Sechaba Holdings, Sauer International and Suez had all met with officials of South Africa's fifth largest municipality by 1997, in the wake of a week-long 1996 World Bank study of the council's waterworks which suggested just one policy option: full privatisation (Port Elizabeth Municipality 1997).

2.2 Controversies over Water Pricing

As *The Economist* (19 July 2003) correctly records, the crucial policy problem, reviewed below in both urban and rural settings, is the way water is priced under conditions of commercialisation. In the course of outsourcing to private (or even NGO) suppliers, the benefits of water as a »public good« (or »merit good«) – namely, environmental, public health, gender equity and economic multiplier features – are generally lost (Bond 2000a, 2002). The lack of »effective demand« by poor consumers, and the difficulty in identifying accurate »shadow prices« for subsidies, together make it very difficult to internalise these externalities via the market. Regulation is normally insufficient in even middle-income countries like South Africa, largely because »captive regulators« are incapable of serving the public interest. The aspect of water commodification that is both most dangerous from the standpoint of low-income people, and most tempting from the side of management, is to reduce cross-subsidisation within the pricing system, sometimes termed »cherry-picking« so as to signify that within a local retail market, the premier customers are served and the masses are left behind.

This temptation allows the supplier to avoid distorting the end-user price (the »tariff«) away from its »natural« market level (i.e., marginal cost, or full cost-recovery of operating and maintenance costs). As shown in Figure 1, this tendency away from a cross-subsidised »rising block tariff« (Line C) under conditions of commercialisation would initially seek to match the tariff with the short-run marginal cost (Line A), and then add a price mark-up to incentivise profitability (Line B), which in turn would attract a private-sector investor. The strategy associated with Lines A and B is based on the principle, »Get the prices right,« so that the market is not distorted by conflicting tendencies of costs and prices. To the extent that subsidisation is required to address access by low-income people, agencies like the World Bank recommend a severely limited form of means-tested »indigence« benefits.

Figure 1: Methods of water pricing, according to short-run marginal cost (A), privatisation (B) and eco-social justice values (C)



In sum, the main dangers of outsourcing and PPPs are associated with excessive corporate control of essential infrastructure and services, and the pricing decisions that logically follow. Such control mitigates against both adequate service levels for low-income people and the cross-subsidisation that would solve the problem. To what extent, then, did these challenges of neoliberal policy implementation became sites of conflict in Johannesburg?

3. Outsourcing Water in Johannesburg

3.1 From Racial to Class Apartheid

The post-apartheid managers of Johannesburg faced awesome pressures in the wake of the city's first-ever democratic election in 1995: on the one hand, social and environmental justice demands from below and a 1996 constitution which guarantees access to water as a human right, but on the other hand growing export-competitiveness requirements imposed from above. Notwithstanding Johannesburg's poor geographical location far from the major harbours, city officials adopted a neoliberal economic strategy (Beall et al. 2002, Bond 2002, Beauregard et al. 2003, Murray 2004). The 1996 national macroeconomic policy (»Growth, Employment and Redistribution«), with its orientation to export-led growth and foreign direct investment, gave municipal authorities visions of joining the rank of »world cities« (Rakodi 1997, Sassen 2001). A dramatic 1997 fiscal crisis compelled Johannesburg authorities to either tax wealthy residents and businesses more, or adopt a neoliberal urban management strategy termed »Igoli 2002« (Igoli is Zulu for »City of Gold«). Given the prevailing balance of forces, the latter route was chosen, and in 2001, this entailed outsourcing the vast municipal waterworks to Suez.

Simultaneously, however, low-income townships in the Johannesburg region began to reawaken to worsening socio-economic conditions, with periodic riots beginning in 1997 and spreading quickly through the lowest-income townships (Bond 2000a). Racial apartheid had been replaced in May 1994 by a non-racial democracy, characterised by one-party-dominated centralised rule under conditions of widespread economic liberalisation, resulting in intensified class/gender polarisation and segregation (Bond 2000b). In virtually every area of business and government, jobs were shed, wages were kept relatively low, and the price consumers paid for state services rose dramatically as subsidies were withdrawn. A government agency, Statistics South Africa, released a report in October 2002 confirming that in real terms, average black »African« household income had declined 19% from 1995-2000, while white household income was up 15% (Statistics South Africa 2002a). Part of the explanation lies in the fact that the official measure of unemployment rose from 16% in 1995 to 30% in 2002, largely as a consequence of import liberalisation, the replacement of workers with capital-intensive machinery and stagnant effective demand (Statistics South Africa 2001 and 2003). Suffering from worsening poverty and from rising water and electricity prices (which together accounted for 30% of the income of those earning less than R500 – or roughly 60 euros – per month), an estimated ten million people had their water disconnected, according to one national government survey (Statistics South Africa 2002b, McDonald/Pape 2002).

Disappointments with the ANC government are perhaps greatest in the largest site of anti-apartheid militancy, working-class-consciousness and democratic community organisation, Johannesburg, which is responsible for 16% of South Africa's national output. But Johannesburg's economic growth was only 2% per annum during the 1990s, mainly concentrated within four types of activities: financial and business services, trade (retail and wholesale), manufacturing, and community and social services. The formal unemployment rate rose to 30% in 2001 (Harvey 2003).

3.2 Urban Water Apartheid

Geographically, Johannesburg's landscape still reflects the manifestation of racial apartheid in residential segregation. Immediately after liberation, the national government adopted World Bank advice that included smaller housing subsidies than were necessary (R15,000), and much greater reliance upon banks and commercial developers instead of state and community-driven development (Bond 2000a, Bond 2000b). Given the uneven development of Johannesburg, inequality and poverty are explicitly reflected in infrastructure and related services, as explored in more depth below. In contrast, the municipality offers the opinion that »only 16% of household [are] receiving services below the minimum statutory standards. Services is not the greatest challenge facing Johannesburg in its drive to become a ›better‹ city.« (City of Johannesburg 2002: 14).

Many residents argue that services are indeed the »greatest challenge« to living a decent life in Johannesburg. There is only one recent official survey that systematically measures citizen satisfaction with municipal services (City of Johannesburg 2001:14-17, 24-34), and it is not flattering. Amongst their top five complaints with council, pluralities of residents chose electricity (48%), water (42%) and toilets (33%) as three of the five worst problems (the other two were the city's failure to create jobs and maintain health clinics). For black (»African«) Johannesburg residents, the figures were, respectively, 58%, 53% and 45%, ranking as the first, second and fourth worst problems. Growing concern about inadequate water services was especially telling. Nearly half the residents polled (44%) expressed »dissatisfaction« with water (and only 2% were neutral). The following problems were cited: cost of water (30%); shared water supply problems (30%); supply interruptions with no warning (19%), poor water quality (6%), and no water supply (4%).

Most of the dissatisfied residents live in the low-income townships, especially 83 informal settlements which house nearly one million people who suffer from water apartheid: 65% use communal standpipes, 14% yard standpipes and 20% water tankers. For sanitation, 52% use pit latrines, dug by themselves, 45% chemical toilets, 2% communal flush toilets and 1% ablution blocks (Harvey 2003). Water is a crucial resource for the urban poor, given the enormous public health problems that have resulted from overcrowding, communal taps and inadequate sanitation. In the midst of a national cholera outbreak of more than 150,000 cases, four residents of Alexandra township died in early 2001. Diarrhoea kills hundreds of Johannesburg children each year. The transition from HIV+ status to full-blown AIDS often is made via minor water-borne diseases, so the health implications of water access are enormous at a time when more than 25% of Johannesburg's child-bearing mothers test positive for HIV (Bond 2002).

3.3 The Corporatisation of Johannesburg Water

It is in this context that Johannesburg Water (JW), an arms-length »private company with limited liability,« was formed as the operating vehicle for both the City of Johannesburg and Suez. The business plan for JW called for (after-tax) profits to increase from R3.5 million in 2000-2001 to R419 million in 2008-2009 (Bond 2002). JW purchases water in bulk from the Rand Water Board (a regional catchment agency), which in turn mainly draws from the Vaal River 90 kilometers distant, fed by the Lesotho Highlands Water Project, Africa's largest dam complex. The Lesotho dams are notorious because they were an apartheid prestige project financed by the World Bank against the wishes of the then-exiled African National Congress, and rife with corruption. Indeed, just at the point that water commercialisation was being debated in Johannesburg, a Suez subsidiary, Dumez, was alleged by state prosecutors to have bribed the Lesotho Highlands Water Authority's manager Masupha Sole, who was subsequently sentenced to 15 years in prison. The latter allegedly received $20,000 at a Paris meeting in 1991 to engineer a contract renegotiation providing Dumez with an additional R2 million profit, at the expense of Johannesburg water consumers. Johannesburg officials were asked by trade unionists to bar Suez from tendering on JW, but they refused (ibid.).

The deal with Suez lasts until 2006, when it could be renewed for more decades. However, this is only the latest manifestation of water sector restructuring, and it is by no means certain that the institutional arrangement will remain the same, given the turbulence in both the form and content of water supply since the early 1990s. The most important source of conflict is the pricing of water. The flow and ebb and subsequent flow of social activism affected the price, quantity and quality of water provided in Johannesburg's townships, and the health, environmental and economic implications which tariff-setters have traditionally failed to factor into their pricing calculations. The most important social struggles of the early 2000s were over water disconnections, the installation of pre-paid water meters and experiments with shallow-sanitation and pit latrines (ibid.).

On the cost side, during the late 1990s, Johannesburg became liable for Lesotho dam repayments, resulting in a spectacular 69% increase from 1996-99 in the nominal cost of water purchased from the Rand Water Board. By the time Igoli 2002 was established in 1999, Johannesburg's water prices became more regressive than during apartheid (i.e., with a flatter slope in the block tariff). The costs associated with providing water, factoring in an unaccounted for water rate of 35%, were higher than the revenue, and even the highest-volume domestic consumers were thereby subsidised. Johannesburg was, thus, a good example of a common problem in Africa: because one fifth of metropolitan residents did not receive water directly at their yard or house (many resorting to purchasing water from extremely expensive vendors), municipal services subsidies were often redirected from where they were intended, and captured by higher-income groups (ibid.).

As a result, the neoliberal approach to water provision and pricing was unsound even on simple economic grounds, because of its failure to cost in eco-social factors such as the penetration of effluent into the water table, as we will see below. Recognition of the full range of water-related factors would in turn have allowed Johannesburg to redistribute wealth, income and services so as to raise capital investments and subsidies in low-income communities. Moreover, worker and community participation could have been established as integral to services and infrastructure investment so as to maximise the merit-good and public-good effects of service provision. But without these kinds of provisions, Johannesburg's extreme and debilitating forms of inequality and uneven development could never be reversed.

4. Saving Money – At What Cost?

In spite of periodic mass dissent, including more than 20,000 municipal workers at one 1999 demonstration and periodic community and student protests, Igoli 2002 remained in place. For the municipality and Suez, the strategy appears to be centred on saving money. The city and JW are well aware of micromanagerial techniques for lowering the supply costs of infrastructure and services, as part of the commodification process. The three most important techniques are disconnections of service to those who do not pay their bills; lower services standards for low-income people; and water pricing innovations.

4.1 Disconnections

Disconnections were not widely practiced during the apartheid era, partly because municipalities generally operated under by-laws which, in protection of the public health, prohibited water cuts. Until the racist Pass Laws ended in 1986, only black workers with jobs were allowed access to urban residential accommodation. Their company or council housing was funded either directly, or through a wage sufficient to pay bills. In 1995, recognising that the urban informal sector and poor people who had migrated into the cities since the late 1980s were generally not paying municipal bills, the World Bank's main Southern African water official, John Roome (1995: 51), told then water minister Kader Asmal that if consumers didn't pay, municipalities needed a »credible threat of cutting service«.

This advice was taken to heart not only by the water ministry, but in most municipalities. The Department of Provincial and Local Government's (DPLG's) »Project Viability« quarterly survey requires local governments to report on finances and »credit control« measures. At the time the debate unfolded, the latest national disconnection statistics available from DPLG were from the fourth quarter of 2001. That study listed 83,000 *net* water disconnections in those municipalities that reported to DPLG (less than 80% of the total). There were, over a three-month period, 133,000 disconnections and 50,000 reconnections, a low 38% reconnection rate, indicating that the oft-mentioned »culture of non-payment« was not the source of the problem for at least 83,000 households representing perhaps half a million people during that quarter. Prior victims of disconnection who reconnected are in the 50,000 noted, while those households which remained disconnected soon numbered in the millions.

After the cholera outbreak and numerous protests, direct disconnections without a backup supply were finally, in December 2002, frowned upon by the water minister Ronnie Kasrils who replaced Asmal in 1999 (Kasrils 2002). In May 2003, after embarrassing, high-profile media revelations about disconnections (Thomson 2003), Kasrils promised in his parliamentary budget speech to »name and shame« municipalities that disconnected residents without a nearby standpipe backup supply or »trickler« restrictor device (such as a washer with tiny holes inserted into the pipes, that allow merely drips). But he admitted that the three largest cities in South Africa were still disconnecting 17,800 households a month (Kasrils 2003).

As a result of community resistance to direct disconnections, a new technique for *self-disconnection* emerged during the late 1990s: pre-paid water meters. These meters were the core component of a five-year JW operation termed »Gcin'amanzi« (Zulu for »conserve water«), aimed at durable non-payment problems in the townships of Soweto, Orange Farm, Ivory Park and Alexandra. Although declared illegal in Britain after public health crises during the 1990s, pre-paid meters were installed in Orange Farm as a pilot project, and expanded to Soweto under duress in mid-2003 (Thomson 2003).

4.2 Lower Standards

Lower service standards were another neoliberal policy response. To take one characteristic example, the installation of Ventilated Improved Pitlatrines instead of water-borne sewage was agreed upon by Johannesburg officials in June 1999, without public debate, participation and announcement. But in budgeting R15 million worth of pit latrines (from privatisation revenues), municipal officials failed to factor in the environmental or public health implications. The World Bank advocated this method of sanitation in South Africa for 20% of all citizens in its November 1994 Municipal 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.

However, Johannesburg has highly dolomitic (porous) soils. In February 2001, the result of inadequate sanitation was an outbreak of high-density E.coli, the often deadly bacteria that is transmitted through fecal matter and water, which led to panic. Rather than treat the issue as a sustained threat to the region's water table, Sandton's wealthy households and institutions invested in their own additional borehole water purification systems, consistent with the tendency to *insulating* the upper classes from socio-environmental problems, rather than *solving* those problems.

As part of the Gcin'amanzi project, another controversial technique for sewage was adopted by JW in 2002, termed »shallow sanitation.« The system uses low quantities of water and much less gravity to take excrement from toilets to bulk sewage pipes, hence saving water and money in both installation and operating costs. The most extraordinary feature is that pipes are regularly blocked with excrement in each neighbourhood, *not by accident but as a matter of design* (Harvey 2003). Because they do not utilise cisterns inside the house, internal shallow sewer capital installation costs are less than a Ventilated Improved Pitlatrine, and one third less than a conventional toilet connected to bulk sewage. In sum, JW is passing on the costs of sanitation to the residents of low-income black townships which are the target market (upper-income and white residential areas do not receive shallow sanitation). Women can be anticipated to bear the problems of public health, time and indignity associated with cleaning excrement from the cheap piping system.

4.3 Retail Pricing

The same philosophy of saving money at any cost is evident when it comes to retail pricing. The issue is complicated by South Africa's 1996 Constitution, which guarantees that »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 healthcare services, including reproductive health care; sufficient food and water; and social security.« Yet shortly after liberation was achieved in mid-1994, the minimum price of water was set in a new national White Paper (December 1994) at »marginal cost« – i.e., the operating and maintenance expenses associated with covering the next unit of water's production cost (Line A in Figure 1).

At this point, the World Bank began advertising its services in South Africa as a »Knowledge Bank,« and water was a key sector. The main criticism of a free lifeline and rising block tariff offered by the World Bank's leading South African water official, Roome, in 1995 was that it would disincentivise privatisation. The propensity of a private firm to provide cross-subsidies and lifeline tariffs (Line C) is extremely low, Roome (1995: 50), explicitly warned water minister Asmal in 1995. That advice formed part of a lobbying campaign to dissuade him from invoking cross-subsidies, and arose from the belief that sliding-scale tariffs favouring low-volume users (Line C) »may limit options with respect to tertiary providers... in particular private concessions [would be] much harder to establish« if poor consumers had the expectation of getting something for nothing. The Bank's 1999 *Country Assistance Strategy* for South Africa termed this advice »instrumental« in the »radical restructuring« of water pricing policy (Bond 2000b, 2002, 2003).

However, in 2000, as a result of cholera and protest, as well as an upcoming municipal election which suffered from rising township apathy, the African National Congress (ANC) changed the policy in its public campaigning: »The 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« (see discussion in Bond 2002). This promise has great potential, for it explicitly commits municipalities to get the prices »wrong« (Line C). The same principle of a free lifeline demand is being suggested by South African social movements in relation to many other state services and goods, including electricity, health care (e.g., free anti-retroviral medicines to combat HIV/AIDS), education and land.

However, consistent with the Johannesburg municipality's broader commitment to serving business interests ahead of consumers, as articulated by the World Bank (2002), there were many ways in which this promise could be sabotaged. The design of the lifeline block is, hence, based upon a per household unit, not per person unit, thereby biasing the water provision in favour of smaller, higher-income households. Moreover, in implementation, Johannesburg's technique was to adopt a relatively steep-rising *convex* tariff curve which, as noted above, was somewhat more onerous at the second block of consumption than that one paid at the end of apartheid. Hence a relatively small proportion of Johannesburg's lowest-income residents received a sufficient free lifeline supply each day, given how few low-income people have their own house or yard connection, and given how many people have faced water disconnections.

JW's resistance to a genuinely free lifeline supply at the level of 50 free liters per person per day, as demanded by unions and social movements and promised in the ANC's original 1994 Reconstruction and Development Programme election manifesto, is not an accident. Across the world, Suez has had conflicts with communities due to tariff increases or complaints about service coverage. This has led to expulsion or retreat in high-profile sites such as Manila and Atlanta, and huge losses in Buenos Aires and other Argentine cities. Suez and Vivendi suffered 60% crashes in their share prices from mid-2001 through March 2003 (*The Economist* 2003: 7), requiring support from a friendly commission on water financing headed by Michel Camdessus, discussed below.

4.4 The Failure of Privatisation

Most South African water commercialisation projects were failing by 2003: Nkonkobe (contract cancellation due to privatiser's nonperformance), Stutterheim (cherrypicking of wealthier residents), Queenstown (protests against poor service), Dolphin Coast (contract rewriting due to privatiser's desire for greater profits), Nelspruit (widespread and growing social resistance) and Johannesburg (intense resistance to pre-paid meters and substandard sanitation). Was neoliberal municipal water policy reaching its limits? According to an International Consortium for Investigative Journalism study (Pauw 2003), by February 2003 water privatisation was running out of steam: »Saur has withdrawn from Mozambique and Zimbabwe. Suez has not appealed the cancellation of its Nkonkobe contract in the Eastern Cape. Biwater says it is committed to Nelspruit, but is not seeking any further concessions. Thames Water has no presence in the country. Vivendi's one executive seems wary of the situation.«

However, dating back a decade earlier, if there was one institution that aimed to reconcile the competing objectives, and to assure the profitability of ongoing neoliberal water policy and projects, to Johannesburg, it was the World Bank.

5. Protecting African Urban Water Investments

Johannesburg was typical of other South African and African cities undergoing utility reforms during the 1990s. To some extent this was a matter of national policy in various countries, although often a country's policies were determined in Washington, DC. The International Monetary Fund drew many water-related issues into its structural adjustment programme conditionalities, whether via the Enhanced Structural Adjustment Facility, Poverty Reduction and Growth Facility or Poverty Reduction Strategy Programme (Grusky 2001). According to one 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.« (Hennig 2001).

5.1 Homegrown Adoption of Water Commodification – The Kampala Statement

Aside from straight loan conditionality, »homegrown« adoption of water commodification was also important. Promotion of outsourcing in African municipalities required a subtle analysis constructed by the World Bank and other African urban and water utility officials: the »Kampala Statement,« drafted at the World Bank and issued in mid-March 2001. 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 based upon market-oriented reforms. 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« (World Bank and Africa Utility Partnership 2001). 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.« (ibid.).

To that end, a key 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« (ibid.). As Johannesburg's experience suggests, 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).

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 (1963) 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.« (World Bank and Africa Utility Partnership 2001). 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, the abuse of water by large-scale agro-corporate irrigation and wealthy consumers, is barely remarked upon, and the word water »conservation« is only used once, in passing.

With this kind of support in African cities (including Johannesburg), the World Bank felt able to continue promoting privatisation. In addition to its ideological commitment to the market, the World Bank also would have considered self-interest in safeguarding its vast sunk investments in water systems. The International Consortium of Investigative Journalists found that during the 1990s, the Bank lent $20 billion to water-supply projects and imposed privatisation as a loan condition in one third of the transactions (Logan 2003).

5.2 Public Guarantees and Subsidies for Private Water Investors – The Camdessus Commission Report

To protect these loans and investments, the Bank and other financiers participated in the World Panel on Financing Infrastructure that reported to the World Water Forum in Kyoto in March 2003. Chaired by former IMF managing director Michel Camdessus, it brought together the Global Water Partnership, presidents of major multilateral development banks (IADB, ADB, EBRD, WB), representatives of the International Finance Corporation, Citibank, Lazard Freres, the US Ex-Im Bank, private water companies (Suez, Thames Water), state elites (from Egypt, France, Ivory Coast, Mexico, and Pakistan) and two NGOs (Transparency International and WaterAid). Among Camdessus' recommendations were that international financial institutions should increase guarantees and other public subsidies for private water investors. Camdessus called for $180 billion in capital expenditure, even though just one sixth of that would be earmarked for investments aimed at meeting drinking water, sanitation and other hygiene needs. Public Services International (2003) and many other environmental and social representatives criticized Camdessus for his pro-profit recommendations. Although the Camdessus report was vehemently opposed by former water minister Asmal because it downplayed the World Commission on Dams recommendations, current water minister Kasrils endorsed the Camdessus report and chaired the Kyoto panel at which it was discussed.

While Johannesburg and other Third World cities witnessed worsening polarisation under these circumstances, rural Africa suffered increasing marginalisation, at a time when integration into the world economy had never been more thorough. African rural water systems were also subject to some of the same controversies discussed above.

6. Cost-Recovering Water in Rural Africa

In circumstances of intense fiscal shrinkage across Africa during the neoliberal era, states retreated from their responsibilities and small-scale water vendors took over urban systems. Communities, NGOs and even some microbusinesses attempted to maintain rural supplies that had been constructed in prior developmental eras or that were part of a new, neoliberal ethos of public management for rural Africa. As noted, commodification typically relegates state services to the status of an »economic good« – i.e., with little or sometimes no attention to complicating features in the spheres of society, ecology, culture/spirituality or even broader economics (i.e., entailing public/merit-good features).

The World Bank strategy to this end is most coherently articulated in its March 2000 *Sourcebook on Community Driven Development in the Africa Region – Community Action Programs* (World Bank 2000a). According to the sourcebook, the World Bank has played a key role in moving African water projects out of their previous unsustainable 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.« The key problem with this argument, is that it ignores the possibility that the rural water projects would have continued to work *had there been adequate state resources available for ongoing subsidisation.*

The Bank's state-shrinking project-level work was not yet complete until two other ideologies were adopted, according to the *Sourcebook*. Firstly, »work is still needed with political leaders in some national governments to move away from the concept of free water for all.« (World Bank 2000a: Annex 2). Secondly, financial mechanisms stilled need fine-tuning: »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.« (ibid.).

Much the same outcome can be expected if, in the event the New Partnership for Africa's Development (NEPAD) actually generates resources, more donors are moved to »promote PPPs as a promising vehicle for attracting private investors, and focus public funding on the pressing needs of the poor, by building capacity to implement and monitor such agreements« (NEPAD Secretariat 2001: 106). The vast problems of effective demand and eco-social externalities discussed in prior pages are simply not on the agenda of the private sector, even if profitability was sufficient to attract them, with or without the anticipated taxpayer subsidies.

In contrast to the urban and rural water commodification strategies, which have had such a devastating impact in South Africa and across the continent, is there any basis for *decommodifying* water by declaring it a human right, and demanding management systems that make the right real, not just rhetorical?

7. Conclusion: Resisting Water Commercialisation

When JW began its pilot pre-paid water meter installation project, the *New York Times* (Thomson 2003) recorded the response of Orange Farm Water Crisis Committee leader Briggs Mokolo: »Destroy the meters and enjoy the water. The government promised us that water is a basic right. But now they are telling us our rights are for sale.« From Orange Farm, protests against pre-paid meters spread to Soweto during 2003. Claiming that the Anti-Privatisation Forum was disrupting meetings, JW (2003) denied access to information about the Orange Farm pilot project by the Freedom of Expression Institute, on grounds of commercial confidentiality, leading to court litigation based on the Access to Information Act (Letsoalo 2003).

Together, protests and technical critiques of neoliberal water policies are strengthening not only in South Africa but amongst social movements across the world. Moreover, as many water privatisation projects began failing on their own terms, even Pretoria's politicians and technocrats began to adjust their formerly neoliberal rhetoric (Muller 2003). Nevertheless, it also took a combination of protest and international media attention to shame Pretoria bureaucrats, who still did not (as of 2003) outlaw water disconnections, shallow sanitation and pre-paid meters. Water apartheid has been profiled in high-profile articles in the *New York Times*, *Washington Post*, *Le Monde Diplomatique*, *London Observer*, *Boston Globe*, *Houston Chronicle*, *Mother Jones*, *L'Humanite* and other international periodicals and media.

The media were extremely important allies, for even in South Africa, with strong progressive civil society organisations, advocacy for a different public water services strategy had not been easy. It was only on the eve of the World Summit on Sustainable Development (WSSD) that water minister Kasrils convened his first substantive meeting with a group of water-sector activists. The »South African Civil Society Water Caucus« (Caucus) had formed in July 2002 explicitly for the WSSD, but many of its members were veterans of national and local water advocacy work on problems including water access, sanitation, ecosystems, human rights, privatisation and commodification of water, anti-evictions and water cut-offs, rural water supply, urban water issues, the large dam debate, water conservation, regional and transboundary water issues, labour, and the promotion of public services. The Caucus drew up Points of Consensus to present to Kasrils at the August 2002 meeting:

- Water and sanitation are human rights. All people are entitled to have access to water to meet their basic human needs, and rural communities are entitled to water for productive use to sustain their livelihoods.
- Water management must be accountable to communities at a local level.
- We respect the integrity of ecosystems as the basis for all life – both human and nature – with an emphasis on maintaining river ecosystems and groundwater resources.
- We reject the commodification and privatisation of water services and sanitation, and water resources.
- Further, we reject the role of the USA, the other G8 countries and Trans-National Corporations for their role in pushing privatisation and commodification.
- We reject the UN WSSD process and outcomes so far, as nothing more than structural adjustment of the South. We therefore resolve to work together with social movements to realise an alternative vision.
- We reject the New Partnership for Africa's Development (NEPAD) and the plans for water in NEPAD as not being sustainable. It is structural adjustment by Africa for Africa. In particular we reject the privatisation of water and the hydropower focus. We commit ourselves to building a mass movement for the reconstruction and sustainable development of Africa.
- We undertake to educate and raise awareness and to mobilise communities towards the WSSD.

Kasrils gracefully received this list of grievances, alongside a variety of harshly critical comments about his officials. Although unwilling to give ground on critiques of big dams (he had rejected the World Commission on Dams and endorsed the controversial Yangtze River's Three Gorges Dam), the minister commented that the point of his meeting was *not* to simply show a surface-level consultation with NGOs in the days prior to the WSSD. The Caucus was not entirely convinced, however, and their press statement concluded: »Of particular importance are the issues of NEPAD, water cut-offs and evictions, and it is expected that a number of meetings will be held with the Ministry in the near future to resolve these issues. While the civil society representatives that were present at this meeting were happy with the spirit of openness of the meeting, there is some concern that this should be the beginning of an ongoing dialogue and not just a short-term strategy to appease civil society before the Summit.« (South African Civil Society Water Caucus 2002). But the dialogue quickly degenerated into disruptive protest, at both multilateral fora such as the Waterdome and Kyoto World Water Forum, and local sites of commodification such as Soweto and Orange Farm. On several occasions, Kasrils himself was a target of activist anger.

The point, ultimately, is that rising protest must be channeled through wider-scale organised coalitions of progressive, democratic forces. For example, after the mid-2003 Soweto protests, the Water Caucus united to support the township activists, who suffered demonisation by Kasrils and JW. In other African countries, where socio-economic conditions are far worse but organisation and consciousness (and freedom to protest) are also less advanced, South African activists are joining with groups such as Acrra, Ghana's Campaign Against Privatisation and the African Social Forum, to contest the neoliberal strategies so prevalent in the water sector. These coalitions will increasingly unify the cutting-edge »militant particularisms,« as David Harvey (2001) expresses it, associated with genuine grievances, consciousness-formation and protest.

Critics of the neoliberal direction taken by so many Third World states might take heart from the experience thus far. South African organisations such as the Anti-Privatisation Forum and SA Municipal Workers Union, and Africa-wide efforts with visions of decommodification (especially the African Social Forum) will together mature and strengthen. This work will allow organisations to find common ground in coming years and to put forward an agenda based on the opposite premise to neoliberal water management, namely that the commercialisation of water services contradicts our most fundamental human rights.

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Abstracts

The application of explicitly neoliberal philosophy to African state policies began in the 1980s with macroeconomics, but by the 1990s had worked its way through to microeconomic and developmental fields. In the case of water and sanitation services provision, the World Bank played an instrumental role in transmitting market-based strategies to national, municipal-scale and local-level projects. In settings as diverse as Johannesburg commercial outsourcing and African rural village water projects, we consider the core dynamics and the most important internal contradictions, as well as political resistance associated with the contradictory application of neoliberalism to water services.

Die Anwendung eines explizit neoliberalen Ansatzes auf die afrikanische Politik begann in den 80er Jahren im Bereich der Makroökonomie und wurde in den 90er Jahren auf die mikroökonomische Ebene und auf den Bereich der Entwicklungspolitik ausgeweitet. Im Fall der Wasserver- und Abwasserentsorgung spielte die Weltbank eine entscheidende Rolle, bei der Einführung markbasierter Prinzipien in die Abwicklung nationaler, regionaler und kommunaler Projekte. Beispiel wie der Outsourcing-Prozesses in Johannesburg, sowie kleinen ländliche Wasserprojekte in Afrika veranschaulichen die weitreichende Dynamik und die wichtigsten internen Widersprüche sowie auch den wachsenden politischen Widerstand gegen die Anwendung neoliberaler Politik auf den Wassersektor.

Patrick Bond
University of the Witwatersrand
Graduate School of Public and Development Management
Johannesburg, South Africa
E-mail: pbond@sn.apc.org