

SOUTH AFRICAN CIVIL SOCIETY PERSPECTIVE ON WORLD BANK ENERGY STRATEGY

POVERTY

The Energy for Our Common Future project brings together responses and alternative approaches to the World Bank energy strategy. This South African perspective lays out concerns over the World Bank Group's focus on fossil fuel and its 'business as usual' approach to loans and the energy market throughout South Africa and the African continent.

There is much energy activism in South Africa that touches on World Bank energy strategy. Communities, non-governmental organisations, environmental groups and academics among others have all been campaigning for social and environmental justice and have raised critical questions about the World Bank Group's role in energy in South Africa.

In February 2010, the protests reached fever pitch against the background of a pending US\$3.75bn loan by the World Bank Group to power utility company Eskom. Community groups from Durban protested outside Eskom's offices in Westville. Residents in the Waterberg area of South Africa's Limpopo Province lodged a complaint with the World Bank Group's independent complaints body about the impact of the coal plants on their health and livelihoods. In the same month, a statement was circulated and endorsed by more than 60 South African organisations which blasted the World Bank Group for being 'a leading financier of climate destruction'. They criticised the Bank for funding bad projects that contribute to energy poverty and environmental destruction.

Since then, in many meetings and writings,¹ concerned organisations and communities have made the point that energy security should be established through clean and renewable energy. There has further been a call for a moratorium on the construction of any coal-fired power stations or non-renewable energy resources, and

immediate financial support from the historic polluting nations to recognise their ecological debt to enable southern Africa to leap-frog into the clean solar- and wind-energy age. Furthermore, the point has been made that decentralised micro-generation is important in meeting rural communities' energy needs. There seems to be agreement that the World Bank Group has no role to play in energy provision.

Key concerns

Contradictory statements and actions

The World Bank Group speaks of a vision of a sustainable energy future for client nations, with access to energy for all people from diverse sources of reliable, affordable and environmentally sound ultra-low-carbon energy technologies. To achieve this vision, two strategic goals are proposed:

- support increased energy services for the poor that are clean, reliable and sustainable
- support the transition towards zero/ ultra-low-carbon development.

The vision and the two strategic goals seem benign, but they also seem to gloss over the economic context in which they are to be implemented. It is important to understand the extent to which states struggling under the burden of neo-liberal policy frameworks can be expected to support affordable, clean and reliable energy services, especially for the poor. On the one hand the World Bank strategy

Lead partners and authors:
Economic Justice Network
(South Africa) and the Pan
African Climate Justice
Alliance



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speaks of supporting clean and renewable energy but on the other hand it supports coal production through its traditional financing instruments (although under 'strict' conditions including the use of modern technology to reduce emissions from coal).

This approach contributes to climate destruction. South Africa emits 8.2 tonnes of carbon dioxide (CO₂) per person per year. This is way above the African average of 1.49 tonnes of CO₂ per person per year. The Bank's support of coal power projects will pull South Africa into a huge financial debt and also exacerbate South Africa's climate debt to the rest of Africa.

Within the South African context, civil society movements and community groups opposed the World Bank Group's US\$3.75bn loan to Eskom largely on grounds that it was a bad project, contributing to energy poverty and environmental destruction. They pointed out that the Eskom project was flawed because it is:

- based primarily on large coal-fired stations (followed by nuclear) and as many as 40 new coal mines, which will add to South Africa's already extremely high-carbon intensity (high-carbon emissions per unit of electricity supplied), as well as the air pollution and degradation of scarce water resources
- designed to continue supplying the world's cheapest electricity mainly to large energy-intensive industries, including steel and aluminium, whose corporations are headquartered abroad (hence contributing to the profits outflow on South Africa's balance of payments)
- to be mainly paid for by unaffordable tariff increases imposed on ordinary South Africans, while the beneficiaries – the largest industrial consumers – are exempt from price rises because of multi-decade special purchase agreements offered to them during apartheid and in the 1990s
- unable to alleviate 'energy poverty', because of these unaffordable tariffs, but instead it entrenches suffering by imposing 'cost recovery' on people who cannot afford it, with Eskom already admitting a 'typical township household' will face a 2009-2012 monthly price rise from 360 rand (US\$48) to 1,000 rand (US\$130).²

It is worrying that the World Bank Group strategy paper seeks to support client countries to develop new coal power projects even as it speaks of clean energy. In 2007-2008, the Bank increased by 256 per cent its spending on coal. Despite pious

statements of sustainable development, its loans from its traditional financing instruments impose cost recovery on people who cannot afford it. It is therefore difficult to reconcile what the Bank is doing on the ground with its strategic goal of supporting increased energy services for the poor that are clean, reliable and sustainable.

The World Bank energy strategy recognises the need to tailor-make strategies to suit different country needs. This seems commendable because all countries are at different levels of development. However the outline criterion in the strategy document does not explicitly recognise the role of stakeholder consultations before and during implementation. In South Africa, end-users have been narrowly defined to mean private sector and big smelters only. The securing of the World Bank loan by South Africa (for Eskom) mostly focused on the 'usual suspects' – producers of electricity and the big consumers such as industry and smelters. In its written response to a parliamentary question on the loan application, the Department of Minerals and Energy (DME) admitted to selective consultation – 'consulting civil society on an individual basis'. It also points out that 'Government has not sought to engage with certain groups, who are in principle opposed to a loan from the World Bank.' All this points to omission of the affected communities as significant stakeholders as has been the trend with other DME consultations.

The World Bank framework on energy says so many things that are contradictory. While the two strategic objectives are more outward looking (global problems to be solved) and recognise the external nature of the challenges – for instance, the objective of 'facilitating the shift to a more environmentally sustainable energy development path' – the two supporting pillars of 'improving operational and financial performance of energy sector' and 'strengthening governance to improve contribution of energy to equitable economic development' are inward looking (to be solved at a national level) and give the impression that the problem is local. There seems to be a disjuncture between the strategic objectives and the supporting pillars.

Finance

Access to environmental funds under the United Nations Framework Convention on Climate Change (UNFCCC) has been a key issue for developing countries in general and southern Africa in particular. The World Bank Group has fashioned itself a role and is committing to support developing countries to access existing environmental

funds. Questions have been raised on the role that the World Bank Group will play in receiving and distributing climate change funding. Without finance, Africa will find it next to impossible to deal with climate change. If anything, it is better that funds are channelled through the UNFCCC rather than the World Bank Group, especially given the latter's history of supporting structural adjustment programmes. The World Bank Group also seems to promote carbon trade, speaks about a maturing carbon market and guarantees carbon credit streams. This in essence is about privatising air and represents continued pollution as companies and governments buy their way out of emission cuts to avoid dealing with their over-consumption.

Costs for the poor

A key concern regarding the World Bank strategy as well as the DME approach is that it adopts a trickle-down approach when addressing key issues for the poor. The World Bank Group from its experience should realise that such a trickle-down

approach has not worked under structural adjustment programmes and will not work now. They need to factor in the priorities of the poor as key variables in access and sustainability equations, and not hope that they will be met as a by-product of some other actions. Clearly the link between increasing energy supply and end-user efficiency on one hand and increasing the poor's access to energy is uncertain and very debatable. In a country such as South Africa, where the majority was excluded from energy services, a shift to cleaner energy is not a smooth process and may leave out the same groups that were left out during apartheid, though this time the exclusion may be due to the inappropriateness and high cost of replicating or providing new technology to all areas. Clean technology may remain concentrated in the same privileged towns and cities as opposed to rural areas.

'Government has not sought to engage with certain groups, who are in principle opposed to a loan from the World Bank'

Case study 1: Poor struggle with rising electricity costs, Capricorn, Cape Town

Chris Matsilele watched a European Champions League match on Wednesday night on his television. The popular drama *Jozi H* was making a comeback on Thursday and on Friday he eagerly awaited soccer talk on e-Shibobo. By the week's end, he was mumbling in the darkness of his shack in the evening. There was no electricity.

It infuriates him. Hardly a week after paying rent to his landlord, there is no electricity. He resorts to buying prepaid electricity vouchers for 10 rand (US\$1) daily when he can afford to. If he is lucky, he will watch the television briefly – that is, if one of the other four families connected to the same electricity meter box has not latched on to 'his' electricity.

Matsilele is one of many affected by the cost of electricity to tenants. **'I cannot afford to go and stay anywhere better,'** says Matsilele who shares his room with his cousin. **'The 2010 World Cup left a legacy of increased rentals in more affluent suburbs, and it also left us saddled with limited use of electricity,'** Matsilele says.

'My landlord says our 350-rand (US\$50) rental a month includes electricity, but what he buys does not last long,' Matsilele says. **'The issue is landlords are passing the cost of electricity to their tenants in poor communities.'**

'Food might be expensive, but electricity is more expensive for us,' says Xabazana Dubula, a father of six who makes a living by renting out rooms that he built in his own yard.

'There is no cheaper and safer alternative available to us. If the government was to give incentives for using any gadgets that convert sunlight into electricity, or safe-designed gas-powered appliances, many people would opt for it,' says Talent Chitubura, another resident.

Subsidies are essential especially given the yawning gaps in access and affordability

Subsidies

The World Bank Group's message on subsidies is inconsistent and confusing. At times the Bank talks about eliminating subsidies altogether and at other times it talks about targeted subsidies. Nevertheless, its overall tendency is to remove energy subsidies and balance that by enhancing end-user efficiency. The implicit assumption here is that subsidies lead to resource and energy wastage. In a country such as South Africa, subsidies in the form of grants and so on have been key in empowering excluded communities as well as redressing exclusion from basic services. Therefore, to address a situation where a greater section of the population is excluded from main services requires increasing access first (through subsidies) while addressing end-user efficiency issues. Subsidies are essential especially given the yawning gaps in access and affordability.

Priorities for Africa

What are the energy priorities for Africa? The World Bank Group surveyed its six regions and asked its staff what they saw as priorities in the next 10 years. Looking at the priorities given it seems the focus is on electricity more than anything else. Energy poverty is about the lack of energy to meet some of the basic needs of warmth, cooking and lighting. There are also gendered aspects to energy poverty as most women, who are a huge part of the rural poor, do not have adequate energy.

The Bank also makes reference to the need for clean energy technology. This has implications for technology transfer. This is important because reducing greenhouse gas emissions poses technical challenges for African countries. Technology transfer will not mean much if intellectual property rights (IPRs) are left intact. Developing and middle-income countries' experience with IPRs in the health sector has not been encouraging. In South Africa in 2000, 39 pharmaceutical companies, mainly US-based, threatened to sue the South African government for passing the Medicines and Related Substance Control Amendment Act, which was designed to make medicine more affordable. Given these past obstacles, the overriding goal should be to treat IPRs in a manner that allows access to technology at affordable prices.

The World Bank Group presents the challenge faced by developing countries as a lack of funds. It elaborates on the various climate funds available to support developing countries. This unfortunately misses the point. What developing countries are calling for is for the industrialised countries to own up to their climate debt to

the poor majority in Africa for their excessive historical and current emissions. Africa is demanding a fundamental share of its development space without being burdened by loans from the World Bank Group.

South African Civil Society believes the energy security of the country should be established through clean and renewable energy. Renewable energy and not coal-fired power stations should be the development path for southern economies, creating more jobs and building local manufacturing capacity. There should be no new coal or nuclear energy; instead what is required is a coherent transformation strategy – for solar, wind and wave power. Communities need to be provided with adequate assistance to develop local energy resources to meet their requirements. World Bank Group loans are opposed because in the end they are expensive. The key contributor to global warming is human-induced climate change as a result of unsustainable economic growth and consumption and production patterns, largely from the global north. The World Bank Group has no role to play in energy provision.

Renewable energy and not coal-fired power stations should be the development path for southern economies

Case study 2: From illegal connections to green solutions

Billy is a high school drop-out, father of two and former restaurant manager – he cannot explicitly tell what he does nowadays. He can only say that he now ‘helps’ in the community. Billy knows the men who have committed themselves to plug the gap of poor service delivery. He can’t name them. **‘It’s a risky affair,’** he says.

The men provide electricity to hundreds of households who cannot afford it. With a piece of copper wire and a pair of pliers they get the job done.

Sometimes they tamper with the meter box so that it does not reflect the units used, yet electricity flows. On other occasions, wires are connected from the power lines to redirect electricity to people’s houses.

‘People want electricity but they cannot afford it. They are fully aware that when they are caught, they can go to jail... but they believe they are justified,’ says Billy.

‘People are poor, they have no jobs, but that does not mean they are not entitled to electricity,’ he explains.

Illegal connections in the informal settlements are made by residents, mostly for lighting, cooking and powering radios. Sometimes they extend to small businesses such as barber shops, hair salons, and spaza shops (tuck shops).

People such as Reason from Khayelitsha, who ekes out a living from vending, believe that giving informal communities access to alternative power, such as solar energy, must be a priority if this problem is to be tackled.

‘Small thefts lead to a bigger hole in the electricity losses. The focus should not only be on building green-friendly buildings – turn the shacks green as well,’ she said.

As long as the poor in informal and formal settlements are not part of solving the energy equation, the illegal connections will continue.

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Endnotes

1 In May, the Economic Justice Network (EJN) of the Fellowship of Christian Councils in Southern Africa together with the Southern African Faith Communities Environmental Institute (SAFCEI) and the Pan African Climate Justice Alliance (PACJA) organised a Climate Justice meeting in Johannesburg. Sustainable energy issues were raised in

this meeting attended by 30 participants from Southern Africa.

The Gender and Energy Network of South Africa submitted comments to the World Bank Group before the June deadline on its energy strategy paper. The comments they submitted were compiled during a policy workshop attended by 19 participants. In August in Johannesburg, another meeting

to discuss the World Bank energy strategy paper was organised and was attended by EJN, Ecumenical Service for Socio-Economic Transformation, South African Council of Churches and Earthlife. The World Bank energy strategy paper was also discussed during a climate presentation by EJN to more than 100 participants from Southern Africa at the sixth Southern African Civil Society Meeting in Windhoek, Namibia

(13-15 August), leading to a resolution calling on southern African states to pursue renewable energy options and not apply for any funding that exacerbates climate change and increases foreign debt.

2 Statement from more than 60 South African and African civil society organisations on Eskom's proposed US\$3.75bn World Bank loan, February 2010.

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**Christian Aid, 35 Lower Marsh, London SE1 7RL
t. 020 7620 4444 www.christianaid.org.uk**