

# South Africans say no to Eskom's R29 billion World Bank Loan

Saturday 27 March 2010, by [Collective / Multiple signers](#) (Date first published: 18 March 2010).

**Communities, environmental groups, academics and NGOs today call on the World Bank to cease and desist from a proposed loan of R29 billion (\$3.75 bn) to Eskom. If this loan - which may come up for a Board vote in March or April - goes through, poor South Africans will have to bear the burden of Eskom's debt and the World Bank's cost recovery programme, and climate change will intensify. A world campaign begins now.**

Today, community groups from Durban are protesting outside Eskom's offices in Westville against an increase in tariffs, and are joined by more than 50 organisations from South Africa and the rest of Africa, all endorsing a call for the World Bank to halt the proposed loan. The loan, which funds Eskom's ill-advised construction of coal-fired power plants - while the state-owned firm gives the largest metals/mining companies the world's cheapest electricity yet demands annual 35% increases from ordinary South Africans - will result in:

- \* energy poverty and environmental destruction;
- \* burdening the poor of South Africa with a dollar-based debt;
- \* increased 'Climate Debt' to Africa (SA already makes up more than 40% of the African CO<sub>2</sub> with only 6% of its population, a worse ratio than even the USA to the world); and
- \* the World Bank's ongoing rejection of advice from its own independent advisory panel's recommendations - the 2004 World Bank Extractive Industries Review - which called on the Bank to phase out fossil fuel projects such as those Eskom proposes.

The Bank financed Eskom from 1951-67, and during that period, electricity became cheaper for large corporations and white households - and was completely unavailable to black people. This could be history repeating itself. The Bank, like all corporations investing in South Africa during apartheid - against the demands of the liberation movements that they disinvest - owe reparations to victims of racism. Paying back its social debt should be Job One for the Bank, as it will become for many other firms now being sued under the US Alien Tort Claims Act by Khulumani, Jubilee SA and thousands of other South Africans.

Community groups endorsing the demand that the World Bank cease and desist its fossil fuel lending to Eskom range from activists in the polluted Vaal Triangle where people burn coal for heating and cooking because electricity is unaffordable, to the Pan African Climate Justice Alliance, which helped define climate injustice in Copenhagen by showing how the Copenhagen Accord - signed by Jacob Zuma - condemns Africa to a hellish future.

South Africans are also building solidarity alliances with citizens groups across the world, demanding that all Executive Directors of the Bank reject the loan. The most powerful bloc of directors with the most votes are from Europe and the US. Hence the groups protesting Eskom are

building solidarity in Brussels and Washington, DC. For example, the United States Treasury has recently opposed the Bank's coal financing in a 'guidance note', and African groups join with citizens in the US to demand that Washington not only cease and desist from financing the World Bank's coal loan portfolio (and hence veto this loan to Eskom), but also heed the calls of communities and environmentalists who oppose US coal, especially West Virginia mountain-top removals.

The solution to the present South African energy crisis is to transform our electricity generation, consumption and financing. Renewable energy is the optimal development path for South Africa, given our vast capacities of sunlight, wind and tidal power. This path will create more Green Jobs, build local manufacturing capacity and avoid the environmental mistakes already made by the Northern economies. It is widely recognised that South Africa's 'Minerals Energy Complex' is our Achilles Heel. It makes South Africa extremely energy-intensive and hence subject to future climate-related sanctions; extremely capital-intensive (the smelters that consume so much electricity all have fewer than 1000 workers); extremely dependent upon the whims of Foreign Direct Investment at a time of sharp decline (30% less in 2009 than 2008); and extremely export-oriented during a time of global economic stagnation, in which minerals and metals prices have slumped dramatically.

The groups argue that it simply doesn't make sense to use South African coal to generate electricity at the cheapest rates in the world, to zap imported bauxite, to increase profits of corporations headquartered in London, Melbourne, Luxembourg and Zurich, which worsens South Africa's already precarious balance of payments deficit, and for which vast new coal-fired powerplants must be built, financed by World Bank loans and privatised shares (49% projected for Kusile), and then by huge tariff increases for poor people, whose development, health and gender equity needs are ignored.

The South African government cannot continue to give away electricity below cost, to fire smelters which have little linkage to the South African economy. It is critical that demand side management occurs and that transparency and contract renegotiations begin for the dubious 'special purchase agreements' made during the late apartheid era, which give the world's cheapest electricity to large foreign corporates. A 'Just Transition' for our economy and energy sector is needed.

Eskom should not be given the World Bank loan, and won't be as a result of this campaign.

On February 17, Nersa should tell Eskom's overpaid executives to go back to the drawing board and recalculate tariffs that include more Free Basic Electricity to South Africa's households, to promote development, health and gender equity from below. Nersa should tell Eskom to recalculate tariffs by imposing cross-subsidies so that the large corporations pay much more and ordinary people pay less. Nersa should tell Eskom to provide alternative, well-paid Green Jobs - such as construction of the fabled million thermal-solar geysers for every house, where workers who are employed at the smelters can be re-employed. And Nersa should tell Eskom to forget about the World Bank loan, and rely upon local resources instead.

Nersa is especially important at this moment because of its reputation as a 'captive regulator.' It is no accident that the first national energy regulator, Xolani Mkhwanazi, found the revolving door between state and capital, and is now head of BHP Billiton's South African operations.

In a week when Finance Minister Pravin Gordhan is about to warn us of a vast budget deficit, seeking a loan to increase our debt is ludicrous from the standpoint of national interests. If once again, Nersa and Eskom follow their own self-interests as bureaucratic fat-cats, meeting the needs of foreign capital instead of our local society, economy and environment, the groups will increase protests and build a global campaign to defund Eskom.

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