

South Africa's poor to pay for dirty World Bank loan

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April 14, 2010 — Just how dangerous is the World Bank and its neo-conservative president Robert Zoellick to South Africa and the global climate? Notwithstanding South Africa's existing US\$75 billion foreign debt, on April 8 the bank added a \$3.75 billion loan to South Africa's electricity utility Eskom for the primary purpose of building the world's fourth-largest coal-fired power plant, at Medupi. It will spew 25 million tons of the climate pollutant carbon dioxide into the air each year. [1]

South Africa's finance minister Pravin Gordhan has repeatedly said that this is the World Bank's "first" post-apartheid loan, yet the bank's 1999 and 2008 Country Assistance Strategy documents show conclusively that Medupi is the 15th credit since 1994.

Gordhan also claimed the loan will now help South Africa "build a relationship" with the bank. He forgets the bank co-authored the African National Congress (ANC) government's neoliberal 1996 Growth, Employment and Redistribution (GEAR) program, which led us to overtake Brazil as the world's most unequal major country, as black people's incomes fell below 1994 levels and white people's incomes grew by 24 per cent, according to official statistics.

Gordhan neglects that the World Bank itself regularly brags about its "knowledge bank" role here. In 1999, for example, after economist John Roome suggested to then water minister Kader Asmal that the government impose "a credible threat of cutting service" to people who cannot afford water, the bank's Country Assistance Strategy reported that its "market-related pricing" advice was "instrumental in facilitating a radical revision in South Africa's approach". As a result, the cholera epidemic the following year — catalysed by water disconnections — killed hundreds.

Similar misery will follow the Eskom loan. Medupi will be built in a water-scarce area where communities are already confronting extreme mining pollution. Forty new Limpopo and Mpumalanga coal mines will be opened to provide inputs to Medupi and its successor, Kusile.

ANC conflict of interest

More worryingly, power-plant construction plans include a pay-off of \$135 million profit for the ANC, whose investment arm owns a quarter of Hitachi, which received a \$5 billion Eskom contract. So blatant is the conflict of interest that the government's public protector last month judged Valli Moosa — then chair of Eskom and an ANC finance committee member — to have acted "improperly". Official embarrassment is acute, especially since the World Bank issued a major report, Quiet Corruption, just weeks ago. This is a prime case.

The potential sale of the ANC's share in Hitachi within the next six weeks (announced and then retracted) doesn't really mitigate matters, given Medupi's huge cost escalations (from \$5.5 billion to \$18 billion) and the increased value of Hitachi's shares thanks to the improper, corrupt contract.

Five dozen SA civic, environmental, church, academic and labour organisations began a campaign against the World Bank loan in February. They are concerned not only that catastrophic climate change will be hastened, along with privatisation of electricity generation, but worse, Medupi's main beneficiary will be the world's largest metals and mining corporations, which already receive the world's cheapest electricity thanks to multi-decade deals cut in the last years of apartheid. In early April, a small modification was made to one sweetheart "Special Pricing Agreement" — but it was to BHP Billiton's "advantage", the Melbourne-based company reported.

Medupi's vast costs will mainly be passed on to people who cannot afford to pay the loan, through a 127 per cent electricity price increase over four years. Protests against service delivery deficits make South Africa among the world's most dissent-rich countries and the Congress of South African Trade Unions (COSATU) is threatening a national strike against Eskom that may well last into the soccer World Cup, which starts on June 11.

Bond boycott

South African civic groups and their 140 international allies now say they will start financial punishment of the institution, harking back to the World Bank bonds boycott campaign launched by the late poet-activist Dennis Brutus exactly a decade ago.

In response to Brutus's call, the city of San Francisco and other municipalities pledged not to buy World Bank bonds. Scores of major financial institutions and endowment funds followed suit, including the world's largest pension fund, TIAA-CREF, whose annual meetings Brutus visited on three occasions.

With the focus now broadening to include climate, San Francisco supervisor Ross Mirkarimi reacted angrily to the Eskom financing: "The loan provides sobering proof that the World Bank's recent talk about its commitment to climate finance was nothing but a bunch of hot air. We will renew our commitment to keep our clean money from being tarnished by investment in the bank's coal-dirtied bonds."

Neo-con boss

To understand why the bank took this huge risk — with major shareholders like the US and European countries abstaining from voting — requires insights into its leader, Zoellick. A major player in the "war on terror", Zoellick served as number two at George W. Bush's State Department and then in 2007 replaced World Bank president Paul Wolfowitz, who was fired by the bank board for arranging a plush State Department job for his girlfriend.

Like Wolfowitz, Zoellick was at the outset a proud member of the neo-conservative think tank, the Project for a New American Century, and as early as January 1998 went on record arguing that Iraq should be illegally overthrown. In the same period, Zoellick also worked for Fannie Mae, Enron and Alliance Capital, all of which effectively went bankrupt.

From 2001-05, Zoellick was the US trade minister, and his bumbling at the 2003 Cancun ministerial summit confirmed the World Trade Organization's subsequent demise. And just prior to becoming

World Bank president, Zoellick was a top executive at Goldman Sachs, widely blamed for amplifying the 2008-09 global financial crisis.

Zoellick's efforts promoting the World Bank as lead climate financier at the December 2009 UN Copenhagen climate summit were equally unsuccessful, and the bank's backing of carbon markets has now widely been decried as a lost cause.

Zoellick has broken many things in his career, and having now granted Eskom the \$3.75 billion loan, he can add to his belt some new notches: the budgets of poor and working South Africans who will suffer the demise of their electricity budget, local ecology, national democracy and the climate.

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P.S.

* <http://links.org.au/node/1621>

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Footnotes

[1] For more background go to <http://links.org.au/node/1570>.