

TRANSFORMATION IN INFRASTRUCTURE POLICY FROM APARTHEID TO DEMOCRACY:

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ABSTRACT

Policy associated with basic infrastructure investment -- water and sanitation systems, new electricity lines, roads, stormwater drainage, and other services provided at municipal level -- has been one of the most troubling aspects of the first five years of African National Congress rule. Enormous challenges were offered by the infrastructural backlog and ecological inheritance. Notwithstanding rhetoric (and Constitutional provisions) to the contrary, government quickly retreated from its original electoral mandate. Following a section that provides brief historical context, this paper offers a reminder of infrastructure policy directives in the *Reconstruction and Development Programme*, continuities in ideology represented in the government's main housing/infrastructure policy documents (especially those finalised during 1996-98), and frictions associated with the delivery process, particularly in the growing reliance upon municipal services privatisation. The paper identifies key moments in the policy-making process, and argues that it is only with a different ideological approach (drawing upon sound technical analysis) on the part of key politicians and officials -- as well as a more liberatory perspective and political will in South Africa's civil society movements -- that transformation of policy and hence delivery will one day be possible.

INTRODUCTION : INFRASTRUCTURE POLICY NEEDS FIXING

There are far more continuities than change, between the ungenerous housing and household infrastructure policies of the late-apartheid regime and those of the ANC government. The most telling principles now widely followed across government are that the user must pay the marginal cost of services, that standards be minimal for those who cannot afford marginal cost, and that commercialisation and indeed privatisation of infrastructure-related services be pursued. The contrast between these central infrastructure principles and what ANC constituents have traditionally demanded (and what was promised in the 1994 *Reconstruction and Development Programme*) is the core subject of this paper.

The disjuncture between what is required and what is on offer is not an accident, though neither is a necessary outcome. It reflects quite similar influences in the form of policy advice that flowed, during the 1980s-90s, from the World Bank and its main South African surrogates (the Urban Foundation and the Development Bank of Southern Africa). The key apartheid-era statements that introduced the site-and-service approach to housing and narrow cost-recovery municipal services practices included the Independent Development Trust housing grant (1991), the de Looer Report (1992), and the National Housing Forum accord (1994).

The main post-apartheid infrastructure policies through which we can trace the influence of neo-liberal advice are the *Housing White Paper* of November 1994 (Department of Housing), the *Water Supply and Sanitation White Paper* of November 1994, the *Urban Infrastructure Investment Framework* of March 1995 (RDP Ministry), the *Urban and Rural Development Strategies* of October 1995 (RDP Ministry), the *Urban and Rural Development Frameworks* of May 1997 (Departments of Housing and Land Affairs), the *Municipal Infrastructure Investment Framework* of July 1997 (Department of Constitutional Development), the *Local Government White Paper* of February 1998 (Department of Constitutional Development), the April 1998 *Policy Paper on Intergovernmental Finance* (Department of Finance), and the August 1998 *Draft Regulatory Framework for Municipal Service Partnerships*. Other papers from the Departments of Water Affairs and Forestry, and Energy and Minerals, are similar in tone and content. A variety of laws and regulations have codified these policies, even if implementation has been uneven. (Notably, many of these can be read as

entailing a profound conflict with the South African Constitution, which, amongst other socio-economic rights, confers "the right to have access to... sufficient... water"(RSA, 1996, s.27.1).

Taken together, these core policy statements of infrastructure and municipal services policy represent the main barriers to provision of basic water, sanitation, electricity and other household and community infrastructure investments, and to the cross-subsidisation necessary to pay for the recurrent costs associated with minimally decent standards of consumption. This paper shows the ebb and flow of the policy argument, invoking aspects of the reasoning promoted by the two main opposing camps in the debate: the neo-liberals and the progressives. To borrow Tomlinson's (1993) typology of the main competing "urban visions," a third group which had earlier dominated policy-making -- apartheid-era statist -- had waned decisively by the early 1990s.

Since the neo-liberal camp consistently won the debates and wrote policy accordingly (not necessarily because their arguments were more convincing, but rather reflecting the balance of forces in society as a whole), it is important to show that an alternative, progressive policy framework -- providing infrastructure for all, on the basis of "intermediate" level standards and a free "lifeline" bloc of water and electricity consumption -- was (and is) feasible and affordable. Thus one of the objectives of this paper is to argue that South African government policy-makers -- and if not politicians and officials, surely the leading civil society organisers -- should return to their roots, drawing on insights gained through decades of social struggles by mass democratic organisations in townships and villages. What this would mean in practice would be providing higher-standard but lower-priced infrastructure and services to South Africans than is presently being practiced and contemplated. The paper suggests ways to do that rely on domestic (South African) financing, not that of the World Bank or other international lenders, through partnerships between the first democratic state (at central, provincial and municipal levels) and local communities.

The paper therefore has a dual function of offering constructive criticisms about existing policies and, in its conclusion, posing an alternative. Along the way, we dissect crucial aspects of late-apartheid policy and socio-ecological conditions associated with infrastructure, before considering the

ANC government's mandate to deliver infrastructure and services to all South Africans, revisiting the debate over municipal services provision, and explaining the failure of existing options under consideration to adequately meet the infrastructure mandate.

GOVERNMENT'S INHERITANCE

When in 1994 the first democratic government was elected on a platform known as the *Reconstruction and Development Programme* (RDP), there was a high expectation that politicians and officials would immediately deliver improved basic services to the mass constituency of the victorious African National Congress (see Bond, 1999a and 1999b, Chapter Four for details). Late-apartheid household infrastructure practices were sufficiently egregious that numerous 1980s social struggles arose, achieved defensive successes (such as preventing repossessions of houses and cut-offs of services), and codified a more humane approach grounded in a rights-based discourse. No new, overarching policy could be generated given the late-apartheid regime's lack of credibility, and hence the infrastructure "policy" inherited by the democratic government in 1994 was in fact merely an amalgamation of a variety of project-based, highly fragmented approaches to housing and local government.

The context for the policy vacuum is important. After the 1980s rent boycotts became debilitating for Black Local Authorities, causing virtually all to fall into formal bankruptcy, the apartheid government's national housing funds were redirected to covering municipal operating expenses. Attempts to evict non-payers and to cut off vital municipal services were successfully resisted by residents' mass action, and only a very few Conservative Party-ruled white municipalities were able to, even temporarily, punish black residents for non-payment (a few incidents of cholera generated by services cuts during the early 1990s were so widely condemned that the practice of disconnection halted). Meanwhile, virtually no new houses for "African" people were built by the state during the late 1980s. Instead, deregulation of racial restrictions on property ownership and the failure of banks' white client base to grow adequately led to a dramatic increase in private housing construction in the townships (once the mid-1980s civic association protests had been snuffed by state repression) (Mayekiso, 1996), fuelled by bank credit on (initially easy) terms.

What this left by the end of the 1980s was a series of recent township housing projects -- usually poorly-located, however, on cheaper land in distant locations -- with relatively good levels of service (full electricity and fully-reticulated water and sewerage) for approximately 200 000 households (still leaving an estimated three million households without adequate shelter); a slow household electrification programme run by Eskom in the main existing urban townships (though unevenly, and delays in implementation caused by local authority turf problems); and, in the interstices, a dramatic increase in shack settlements without even rudimentary services. The first main component of the *de facto* late-apartheid housing policy -- privately-owned, bank-bonded housing -- slowed to a virtual standstill from 1990-95 once interest rates on housing bonds had increased from their low of 12,5% in 1986 to 20,75% by 1989, leading to approximately 40% of all borrowers defaulting or falling into deep arrears (the interest rate increase also generated the country's longest-ever depression, which cost many hundreds of thousands of jobs, including many held by township residents with bonds). The second component, electrification, picked up slowly and then peaked at close to 400 000 new connections per year (including rural areas) in the mid-1990s, as Eskom reacted to political pressure by increasing its (high-priced but low-profit) retail supply. The third component, upgrading of shack settlements and the formalisation of site-and-service programmes and projects, became the basis for 1990s infrastructure policy.

The first key statement of the late-apartheid government's intent to establish household infrastructure at inadequate levels for slightly-better formalised shack settlements was the 1991 Independent Development Trust (IDT) housing grant. Inspired by World Bank "site-and-service" projects and policies, the R7 500 IDT capital subsidy for servicing sites was designed and largely implemented by officials associated with the Urban Foundation, the large corporate-funded think-tank and developer founded by Harry Oppenheimer and Anton Rupert in the wake of the 1976 Soweto uprising. The IDT projects were quickly labeled "I Do Toilets," because they financed the construction of merely a toilet (with no building materials or electricity hook-up provided). This "beacon of hope" -- as IDT director (and former Urban Foundation director) Jan Steyn put it -- was soon followed by more government "toilets in the veld" projects, such as those in very poorly-located

settings supported by the Department of Development Aid (whose mandate was to fund "self-governing" homelands).

Recognising that this new approach could help dampen the fiscal requirements associated with rapid urbanisation, in 1992 Department of Housing politicians and bureaucrats drafted the *Report of the Task Group on National Housing Policy and Strategy*, which endorsed a World Bank critique of the IDT subsidy for being "unrealistically high" (see Bond, 1992, for a critique). In terms of guiding principles, as de Loor put it, "Deregulation, commercialisation and the employment of sound policies which strengthen market forces and provide access to opportunities are all strategies which need strong promotion and high priority." As Tomlinson (1993) shows, an entirely different approach was adopted by civic associations and their technical colleagues in the "urban service organisations" (largely research NGOs in each of the main cities).

A degree of criticism of the late-apartheid government's approach emerged in the National Housing Forum. But the Forum's domination by Urban Foundation personnel and big business lobbyists (and ineffective ANC and civic movement participation) assured that the critique would only scratch the surface and that in early 1994, in a controversial deal with Louis Shill following months of severe conflict (Bond, 1993), a modified site-and-service policy (with a R12 500 maximum subsidy) would lay the basis for post-1994 policy. The key actor in the adoption of the Forum compromise as the basis for post-apartheid housing policy was the ANC representative to the Forum, and subsequently Department of Housing Director-General, Billy Cobbett. According to Swilling (1999),

It was largely up to Cobbett as to who from the democratic movement participated in the policy process. When questioned as to why he largely kept the urban service organisations out of the national housing policy formulation process, he said that there was an emphasis from his political bosses on direct representation of political and civic leaders rather than involvement of "experts" from the urban service organisations. This contrasted markedly from the strategy of organised business -- in particular the

banking institutions -- who seconded large numbers of experts into the process and in so doing directly influenced the policy agenda in a way that would be impossible today, or even during the apartheid era. The democratic movement's overcommitted political and civic leaders were not equipped to deal with this army of technical expertise that were trusted with broad negotiating mandates by their principals. The consequences of this strategic (mis)calculation will be felt for many years.

At the same time, a new definition of service delivery was proposed in the *White Paper on Water and Sanitation*, namely that the "lifeline" price of water to retail consumers should be at least equal to the operating and maintenance expenses; all previous use of the term lifeline was "free." This was a fundamental statement that a neo-liberal pricing policy would prevail in the crucial water sector.

The socio-ecological inheritance associated with maldistribution of infrastructure resources must also be considered. Water management offers South African government and society possibly the most serious contemporary challenges. Amongst the main problems for environmental management are water scarcity; the maldistribution of water; pollution of water sources; other forms of structural damage to water ecosystems; and substandard or nonexistent sanitation. South Africans have access each year to, on average, only 1 200 kl per person of available water, of which half is already dammed. Ineffective and destructive uses of water are prevalent. Water scarcity is exacerbated by South Africa's erratic rainfall patterns, and the effect of periodic droughts on low-income people is particularly devastating (whereas wealthy white farmers have traditionally gained access to state compensation during droughts). There exists a worrying potential for both domestic and regional geopolitical conflict over access to water, with South Africa already draining Lesotho's water and with controversial plans underway to tap other regional sources, as well as border rivers (such as the Orange River bordering Namibia, via the Lesotho Highlands Water Project).

The distribution of South Africa's water across the population is even

more unequal, measured in class, race and gender terms, than the distribution of income. More than half of the country's raw water is used for white-dominated commercial agriculture, of which half is considered to be wasted due to poor irrigation techniques and inappropriate crop choice. Another quarter is used in mining and industry. Around 12% of South Africa's water is consumed by households, but of that amount, more than half goes into (white people's) gardens and swimming pools, and less than a tenth is consumed by all black South African households. Minimal water access is one reason for black South Africans suffering by far the highest infant mortality and water-related disease rates in all of Africa in relation to per capita GDP. Access by the majority is improving only marginally, notwithstanding massive cross-watershed pumping of water, for example, from Lesotho, done inexplicably (as shown below) in the name of development. In rural areas, the Departments of Agriculture and of Water Affairs and Forestry are making only minimal efforts to improve water access to black farmers, and indeed due to impending water shortages the government will only expand existing water supply systems (which irrigate white farmland) -- the Lesotho Highlands, the Tugela, Mkomoti and Mzimvubu basins, the Orange River and Western Cape sources -- with only a tiny fraction of resources spent on new irrigation schemes for emergent farmers.

Likewise, water-borne sanitation is available to only around one third of black South Africans, and excessive amounts of water (typically 13 litres per flush) are used in virtually all middle- and upper-class areas. Although a solid-waste sanitation system is desirable, so too would universal installation of low-flush and dual-flush toilets (as well as low-flow showerheads) save water and cut sewage treatment costs, while sanitation services could be extended to all households (although this would contradict current policy on household affordability grounds, regardless of the social and ecological consequences). Dumping of untreated sewage into the sea remains an issue. Mass pit latrines in urban and peri-urban areas remain factors in the spread of faecal bacteria.

More general pollution of water ultimately destined for human consumption arises from largely unregulated discharges from industry, from waste dump runoff, and from agricultural chemicals and mine tailings/slimes dams. Faecal pollution is a problem in many urban areas due to most low-income households' inadequate sanitation. Acid rain is considered extremely

prevalent in coal-burning regions of the country. All these features of pollution increase water treatment costs and raise public health risks to many low-income households dependent upon direct access to unpurified water. Water ecosystems suffer enormous soil loss and siltation through commercial agriculture, erosion caused by overcrowded rural areas, polluted aquifers from mining waste, the exhaustion of aquifers from excessive irrigation, and drainage of wetlands and regions with high levels of forestry (especially invasive-alien eucalyptus and pine plantations). There are also problems in declining natural flow-rates of rivers due to cross-watershed pumping (resulting, too, in increased urbanisation pressure), siltation of dam storage capacity (costing up to \$30 million per year), and salination and waterlogging of land due to intensive irrigation.

Similar features of South Africa's energy inheritance deserve comment: a reliance on (and oversupply of) coal-generated electricity; lack of equitable access amongst households along class/race lines (with particularly severe gender implications); and related inefficiency in use associated with apartheid geographical segregation and urban sprawl. The strength of the coal mining industry fostered a reliance on electricity, with per capita consumption as high as in England (notwithstanding the fact that until recently only a quarter of South Africans had access to domestic sources) and per capita emissions of greenhouse gasses twice as high per capita as the rest of the world. In turn this reflects the importance of what has been termed the "Minerals-Energy-Complex" -- South Africa's economic core, effectively run by a handful of mining-based conglomerates and friendly parastatal agencies -- which has traditionally accounted for 1/4 to 1/3 of South Africa's GDP (and which even in the 1980s and 1990s, as the gold price declined, was the most important and dynamic sector). As one example of the power still invested in these large firms, the parastatal electricity company justifies ignoring its own anti-pollution policies (for example, refusing to install scrubbers at coal-fired stations, earning the wrath of even its own accountants) by the need to generate cheap electricity for export-led minerals and metals growth. As a result, electricity generation has been associated with high levels of greenhouse gasses, very high levels of acid rain, enormous surface water pollution, badly regulated nuclear supplies (near Cape Town), and ineffectual safety/health standards in coal mines. Poor planning two decades ago led to massive supply overcapacity (at peak in the

early 1990s, 50% more than demanded), yet very little of the capacity has been used to provide low-income people with sufficiently cheap energy.

Indeed, the meager electricity consumed by low-income households (about 3% of the total) comes at a high price (in 1996, R0,20/kWh) in relation to the very low-cost supply of power to large corporate consumers, particularly the mines and minerals smelters (in 1996, less than R0,06/kWh). Hence even after more than a million households were added to the electricity grid during the 1990s, many could not afford to maintain consumption at levels sufficiently profitable for the state electricity company, relying instead for lighting, cooking and heating on paraffin (with its burn-related health risks), coal (with high levels of domestic and township-wide air pollution) and wood (with consequences for deforestation). Women are far more adversely affected by the unaffordability of electric power sources, as well as in expending time and energy to obtain alternative energy sources. Reacting to these formidable infrastructure-related problems, government turned to neo-liberal principles, particularly lower standards, higher cost-recovery, and creeping privatisation -- notwithstanding a much more expansive mandate from its supporters.

GOVERNMENT'S MANDATE

Given that many Democratic Movement leaders saw transitional bargaining fora like the National Housing Forum as merely stepping stones to power and policy-making, it was not obvious initially how much Cobbett's early 1994 acceptance of site-and-service principles would shape future developments. The RDP was meant to change matters radically. As ANC leader Nelson Mandela remarked at the victory party on May 2, "We have emerged as the majority party on the basis of the programme which is contained in the Reconstruction and Development book. That is going to be the cornerstone, the foundation, upon which the Government of National Unity is going to be based. I appeal to all leaders who are going to serve in this government to honour this programme."

The RDP's paper on "Meeting Basic Needs" began with an ambitious statement (ANC, 1994, section 2.1.3): "With a per capita gross national product (GNP) of more than R8 500 South Africa is classified as an upper middle income country. Given its resources, South Africa can afford to feed,

house, educate and provide health care for all its citizens." The document proceeded to list a number of specific areas (many related to the International Covenant on Economic, Cultural and Social Rights) in which South Africans can consider themselves *entitled* to an adequate consumption level of goods and services. The RDP's approach, in short, was to ensure that essential service needs were met through vast increases in government subsidies when the market failed, and by mobilising additional resources through partnerships, more forcefully tapping capital markets, and via off-budget methods. This was government's overarching mandate in the area of infrastructure and services, and concrete suggestions with regard to housing, land reform and services were made to direct policy-makers in detail.

Thus, for example, the RDP offered hope for a decent residential existence far beyond what was on offer in existing site-and-service schemes (ANC, 1994, section 2.5.7): "As a minimum, all housing must provide protection from weather, a durable structure, and reasonable living space and privacy. A house must include sanitary facilities, storm-water drainage, a household energy supply (whether linked to grid electricity supply or derived from other sources, such as solar energy), and convenient access to clean water." The budgetary goal for housing expenditure in the RDP is 5% of the entire national budget; this goal was repeated in the *Housing White Paper*. The failure of the first democratic government's housing policy to ensure such standards -- due to its focus on "incremental" building techniques, a maximum subsidy only half of that required to build housing (R15 000 instead of R30 000), and bank-centred financing -- is not the subject of this paper (Bond, 1999a and 1999b, Chapter Four). But it is noteworthy that the World Bank (1994) intervened in the housing policy debate shortly after the 1994 election and recommended that proposed subsidy levels be decreased and more use made of commercial banks. Within three months, the outlines of the new policy, which conflicted dramatically with the RDP, were adopted.

Likewise, as specified in the RDP (ANC, 1994, sections 2.4.12, 2.4.14) the rural land reform "programme must include the provision of services to beneficiaries of land reform so that they can use their land as productively as possible" and "must aim to redistribute 30 per cent of agricultural land within the first five years of the programme." But as in the case of housing, a World Bank land reform team made market-oriented policy suggestions (e.g., a willing-

seller, willing-buyer "kulak" model based on small grants and unsubsidised interest rates) in 1993 which were ultimately adopted by the new government (see Williams, 1996, for details and a critique). And as in the case of housing, the maximum land reform subsidy is R15 000, and provision of rural infrastructure and services were not considered as integral to provision of services to land reform recipients. Instead of redistributing 30% of agricultural land within five years, it is more likely that the Department of Land Affairs will redistribute less than 1%.

How, according to the RDP, were infrastructure and services to be paid for? The RDP (ANC, 1994, sections 2.6.10, 2.7.8) specifies the need for tariff restructuring, cross-subsidies and lifeline services to the poor, with respect to both water (including sanitation) and electricity:

To ensure that every person has an adequate water supply, the national tariff structure must include the following:

- a lifeline tariff to ensure that all South Africans are able to afford water services sufficient for health and hygiene requirements;
- in urban areas, a progressive block tariff to ensure that the long-term costs of supplying large-volume users are met and that there is a cross-subsidy to promote affordability for the poor, and
- in rural areas, a tariff that covers operating and maintenance costs of services, and recovery of capital costs from users on the basis of a cross-subsidy from urban areas in cases of limited rural affordability.

The electrification programme will cost around R12 billion with annual investments peaking at R2 billion. This must be financed from within the industry as far as possible via cross-subsidies from other electricity consumers. Where necessary the democratic government will provide concessionary finance for the electrification of poor households in remote rural areas. A national Electrification Fund, underwritten by a government guarantee, must be created to raise bulk finance

from lenders and investors for electrification. Such a fund could potentially be linked to a Reconstruction Fund to be utilised for other related infrastructural financing needs. A national domestic tariff structure with low connection fees must be established to promote affordability.

With national tariff reform emphasising cross-subsidies (using national and provincial resources, not just local) and lifeline tariffs for low-income consumers, and with a more appropriate use of housing subsidies to finance deeper levels of capital infrastructure -- *neither of which should ultimately cost central government anything extra beyond even the existing (planned) urban housing and rural land reform grants* -- promises of humane standards of infrastructure and services for all South Africans can be kept, and additional public health, environmental and economic benefits to all of society (particularly women and children) can be gained.

To clarify the difference between this mandate and the approach adopted to date, it is worth providing a critical assessment of the existing options government is now considering. We dispense with the conflict-ridden housing policy debate, for although it is crucial to understanding why so little state funding was made available in comparison to what was promised, why developers rather than the state and communities drove post-apartheid housing projects, and why so many other urban RDP promises were so explicitly violated (Bond, 1999a and 1999b), it is more important to communicate the details of declining infrastructure standards, below even that of "toilets-in-the-veld."

THE POST-APARTHEID MUNICIPAL SERVICES DEBATE

The *Municipal Infrastructure Investment Framework* (MIIF) describes the main infrastructure and services options planned by government. This framework, according to the Department of Constitutional Development's (DCD's) (1997, 2) "User-Friendly Guide," used "an economic modelling exercise to estimate services backlogs; assess the capital costs that are involved in removing these backlogs; and calculate the recurrent costs of operating and maintaining the services."

In late 1994 and early 1995, based on *Urban Infrastructure Investment Framework* (UIIF) recommendations by a consultancy team dominated by World Bank staff, key officials in the Ministry for Reconstruction and Development agreed that government would provide only minimal infrastructure and services to low-income urban South Africans. The same ministry's draft *Urban Development Strategy* (UDS) -- released in October 1995 -- reflected government thinking on service provision from late 1994 through late 1996. The UDS summary demonstrates the inadequacy of standards then contemplated for *urban* "municipal" areas (rural infrastructure plans had not been developed at that stage) (RSA, 1995, 24-25):

An average national distribution of 55:25:20 between full, intermediate and basic levels of services in municipal areas is considered a realistic target for the infrastructure investment strategy over the next ten years... "Basic services" means communal standpipes (water), on site sanitation, graded roads with gravel and open stormwater drains and streetlights (electricity). These services will be targeted at households with an income of less than R800 per month and charged for at between R35 and R50 per month. "Intermediate services" entail water provision through yard taps on site, simple water-borne sanitation, narrow paved roads with no curbs and open drains and 30 amps electricity with prepaid meters for households. These should be affordable to households which earn between R800 and R1700 per month and will cost them between R100 and R130 per month. "Full services mean house connected water supplies, full water-borne sanitation, paved roads with curbs and piped drains and 60 amps electricity provision. It is anticipated that households in the R1700-R3500 monthly income class could afford "low consumption" costing them between R180 and R220 per month. Households with monthly incomes of above R3500 will be assumed able to pay for "full services at high consumption" at charges between R270 and R350 per month.

Partly because MIIF was already controversial (see, e.g., *Mail and Guardian*, 22/11/96 and Bond, 1997), extensive technical persuasion and a degree of policy advocacy (mainly through the National Economic Development and

Labour Council) had the effect of raising the infrastructure standards slightly higher than was initially proposed in the UIIF, draft UDS and early drafts of the MIIF. Instead of no electricity, there was the potential for urban households to receive an 8 Amp supply; and instead of paying R35-50 per month for these services, a subsidy of approximately R50 per low-income household was planned (whether this was enough to cover basic operating costs was questionable, and indeed whether the grant was sustainable given budget constraints remained to be seen, but as shown below, there were substantial doubts about this method of subsidy).

In short, there were several minor improvements over "basic" standards of services. But there remained -- as "probably affordable to all in urban settlements" (DCD, 1997, 18) -- many objectionable components of the basic MIIF package: pit latrines, communal (not house or yard) standpipes, a weak electricity supply, gravel roads, open storm-water drains, communal waste dumps (not kerbside removal), and other reflections of an extremely stingy infrastructure package. Under the "low" growth scenario (most realistic in view of the failure of the *Growth, Employment and Redistribution* strategy to meet any but the inflation and budget deficit targets), nearly 30% of urban residents would be subject to these low standards even after the ten-year plan (1997-2006) for service provision was fully implemented.

Though we do not have the space in this paper to fully explore the rural implications of MIIF, the standards under the low scenario were even lower, with 70% of the rural population anticipated to have the "basic" services discussed above after a decade, and 20% to have no services at all (DCD, 1997, 19). In both urban and rural settings, as noted below, the implementation progress was far slower than even the low target levels specified in MIIF.

Several other criticisms of MIIF must also be recorded. The service levels contemplated in MIIF were not merely emergency services (piped water or portable toilets in slum settlements that are without water or hygienic facilities at present), but represented, more fundamentally, permanent development policy. A crucial problem in the affordability calculations was the overoptimistic projection in MIIF that (in inflation-adjusted terms) only around 20% of urban households would still earn less than R800 per month within ten years. In addition, on technical grounds, there are six other important points to be made regarding the low levels in government's infrastructure and service

provision policy.

First, a national tariff structure was not developed consistent with the cross-subsidisation and lifeline tariff provisions mandated in the RDP. Second, public health benefits associated with increased access to services were not adequately factored in. Third, environmental problems associated with the proposed standards were not adequately addressed or factored in. Fourth, implications of the infrastructure policy for microeconomic linkages and for macroeconomic policy were not adequately addressed or factored in as a means of overcoming affordability constraints. Fifth, the implications of infrastructure standards for women were not adequately considered and factored in. Sixth, the spatial implications of class segregation implicit in the programme -- with all the consequent economic inefficiencies -- lent themselves to creation of new, post-apartheid racial ghettos where it will be physically impossible or excessively costly to upgrade from "basic" to full services. While recognising this problem, MIIF did nothing to counteract it; again the costs associated with neo-apartheid geography were neither calculated nor factored in (see Bond, 1999a for details of these problems).

The main investment implications are important to note at the outset, namely that the "net economic return" on infrastructure investments should incorporate not only the immediate financial return -- the amount of cost recovery as a ratio of the amount invested -- but also other social benefits, costs, externalities and multipliers. Having failed to do so in the areas noted above, the MIIF provided for low standards of infrastructure on grounds that these standards were the most that low-income South Africans can afford to pay.

To illustrate the broader approach, even the World Bank's Washington DC headquarters has provided guidelines (and an example from Nepal) for interpreting the economic return and for using this as the basis for justifying projects, in a manner not accomplished nor even attempted by the World Bank staff who advised the South African government:

[In Kathmandu] based on estimates using narrowly defined project appraisal techniques, [net] benefits from the city's new \$150 million water distribution system... [equalled] \$5.2 million. Using the more detailed service-level approach to project appraisal, however, it was

determined that in some cases health benefits from a reduction in coliform contamination of the water approached \$1,000 per unit serviced. An education program that improved water use led to further reductions in health and transport costs. After these indirect benefits were factored in, the project showed a positive net benefit of about \$275 million (World Bank, 1994, 82).

Specifically, in light of the failure to consider the broader economic returns to infrastructure investment, the main reason that "basic" levels of service were being imposed upon the vast majority of the poor is the allegedly high recurrent costs of water and electricity. In the absence of subsidies, these costs prohibit low-income households from paying full cost-recovery rates for even a minimal monthly amount of these services. A subsidy should cover sufficient services -- according to the RDP, for example, "an on-site supply of 50-60 litres per capita per day of clean water" (section 2.6.7), and sufficient electricity to cover the energy requirements associated with essential lighting, heating and cooking for a typical family (approximately 100 kilowatt hours per average family per month) -- such that all South Africans attain a minimally-decent standard of living regardless of their ability to pay. Instead, an approach emphasising cost recovery and "limited" local-level cross-subsidies was adopted. According to the UDS,

Services and infrastructure will be introduced in line with the affordability levels of communities affected. The principle that people should pay for the services to which they have access is central. This means that the level of services in each area should relate to what the consumers there can afford and are willing to pay for. Where government support is needed to ensure basic service delivery, it will be provided transparently. Deliberate steps will be taken to remove any disguised subsidies. Limited cross-subsidies to enhance household affordability and secure "lifeline" consumption will be necessary (RSA, 1995, 22).

Two points should be made immediately. First, the UDS failed to mention that

urban services in existing middle- and high-income areas were heavily subsidised for decades, from surpluses generated through business levies (ultimately based on transfers from black workers and consumers whose employers and retail outlets were historically, by law, located in white areas).

Second, South Africa's majority is so poor -- especially in relation to the minority of luxury consumers who have never had to worry about access to full services -- that "limited cross-subsidies" are insufficient and the exercise of recovering costs on collectively consumed services (a communal tap, for example) is often futile or too administratively expensive. Indeed, the reason that the phrase "limited" is used in this context is because of government's explicit refusal to consider (even as an policy option exercise) restructuring national tariffs so that substantial cross-subsidies could be obtained. If such a proposal -- consistent with the RDP -- had been considered and adopted, it would have been relatively easy to cross-subsidise from national-scale industrial, service-sector, mining and agricultural bulk users of water and electricity, to low-income residential consumers. The vast difference in use patterns allows a small marginal increase in tariffs for the large users and a lifeline service at no cost to all other consumers as an entitlement. Such a progressive block tariff system would also penalise excessive usage, thereby contributing to conservation goals.

At this stage of the argument, prior to describing some of the related household water policies of the Department of Water Affairs and Forestry, early evidence of infrastructure delivery and the implications of the current policy, an alternative approach should be clarified. Most importantly, how large a subsidy can South Africa afford to provide users of basic-needs infrastructural services? Ironically, the UDS states, "the government's aim is to increase housing's share of the budget to 5 per cent and housing delivery to a sustained 350 000 units per annum within five years" (RSA, 1995, 28), which repeats not only the RDP commitment (section 2.5.5) but the same goal stated in government's *Housing White Paper*. With that level of fiscal support -- R10 billion in public investment per annum (in present value rands, given a 1998/9 national budget of R200 billion) -- devoted to the capital costs of housing, and with the sorts of cross-subsidies and lifeline service provision anticipated in the RDP to offset households' ongoing expenses, there is no question that the supply of services at much higher levels is financially feasible for all South

Africans.

In sum, options consistent with the RDP are required (and are feasible) to provide higher standards that better reflect the variety of costs and benefits associated with infrastructure and services. To do so would require not only spending roughly 10% more than is planned on capital investment in infrastructure, but also locating financing sources for recurrent costs within existing service suppliers through national-scale cross-subsidies such that a lifeline entitlement is provided to all South Africans and greater resource conservation is achieved. But the difficulties of winning support even from a minister (Kader Asmal) who in principle agreed with these sentiments is described next.

DELIVERY CRISIS: THE CASE OF WATER

The delivery crisis is virtually universal when it comes to meeting basic needs, and so it is useful to focus in detail upon the infrastructure-related service that has been considered perhaps the most successful example of the new government's commitment and capacity: water. By 1998, according to the Department of Water Affairs and Forestry (DWAF), 18 million South Africans were without basic water supply and 27 million had no basic sanitation (SA Institute of Race Relations, 1998, 327). And yet by year-end 1998, Minister of Water Affairs and Forestry Asmal was hailed for having served three million people, mainly in rural areas, with new water connections. (Figures are unreliable, and in a best-case account, according to a PanAfrican News Agency report on 6/2/99, Nelson Mandela told parliament that "in 1994, when the ANC was elected, some 30 per cent of South Africans lacked access to safe supply of water near their homes. Today, after three million people have benefitted from the government's water supply programme, the percentage has been reduced to 20.")

Rarely mentioned is the notorious unsustainability of the water projects, which were said by DWAF insiders to have rendered as many as 90% of the new taps inoperative. Rarely mentioned is the extraordinary upsurge in water cut-offs, which included, as an example, 70 000 black township residents of Leandra, Mpumalanga, who suffered 70% water pressure cut-off for several months in late 1998 at the hands of Rand Water, due to a non-payment rate of

nearly 70% (*Sunday Independent Reconstruct*, 20/12/98). But amongst those suffering cuts were households which had paid their bills.

The development of water and sanitation policy reflected and in some important respects preceded the overarching urban, rural and municipal infrastructure policy processes. A mere six months after the 1994 election, Minister Asmal's first white paper announced that "where poor communities are not able to afford basic services, government may subsidise the cost of construction of basic minimum services but not the operating, maintenance or replacement costs" (DWAF, 1994, 19). The insistence on charging the full operating and maintenance costs (and thus the refusal to keep to the mandate in the RDP that all are entitled to access to sufficient lifeline water for their reasonable needs) was based on two assertions.

First, the *Water and Sanitation White Paper* (DWAF, 1994, 23) states that if government covers operating and maintenance costs, there will be a "reduction in finances available for the development of basic services for those citizens who have nothing. It is therefore not equitable for any community to expect not to have to pay for the recurring costs of their services. It is not the Government who is paying for their free services but the unserved." The *White Paper* thus argues for a "some for all, not all for some" approach. But the false dichotomy between "width" and "depth" is presented as fact, without any reference to available sources of finance or to the potential of cross-subsidisation, as recommended in the RDP, in generating the finances available to meet everyone's entitlement to water.

Second, the *White Paper* repeats the widely held but unsubstantiated assertion that payment for services is the single defining feature that determines whether people and communities behave responsibly: "The other reason why operating and maintenance costs should be borne by the communities is the principle of Community-Based Development. If the community expects some outside agency to be responsible for keeping their supplies going, they will have no control over the processes and lose leverage and ownership. Responsibility for keeping the service going is placed with a remote authority and accountability is lost. This will have an impact on the reliability of supplies" (DWAF, 1994, 24).

The *National Sanitation Policy White Paper*, released in 1996, reiterated the "some for all, not all for some" approach and included as a principle that the

user pays: "Sanitation systems must be sustainable. This means they must be affordable to the service provider, and payment by the user is essential to ensure this" (DWAF, 1996, 4). Shortly thereafter, however, Asmal (1996a, 1) came out strongly against the misleading supply-side definition of lifeline. At the launch of the 1996 Annual Report of the Working for Water Programme, he said:

We feel that we should not employ workers who refuse to pay for their water -- provided (and this is most important) that the local authority has in place a lifeline tariff for the first five kilolitres of water per month. And note that by "lifeline" I mean a life-giving tariff, and not some engineering solution like the "operating and maintenance costs."

In a talk on water conservation in Cape Town the same year, Asmal (1996b, 2) put it even more strongly: "I see that the term 'life-line' has been hijacked: it is being taken to refer to the *operational and maintenance costs*, as a reflection of engineering elegance rather than social needs." Asmal thus repeatedly repudiated the central approach of his *White Papers*, yet still kept to the short-term aim of the RDP to provide between 20–30 litres of water per person per day, short of the medium-term aim of 50–60 litres.

The *White Paper on a National Water Policy for South Africa* of 1997 reflected an uneasy compromise between the cost recovery and life-line approaches. It concedes the right of all to have access to basic water services and includes the following key proposals for incorporation into the Water Law:

- To promote the efficient use of water, the policy will be to charge users for the full financial costs of providing access to water, including infrastructure development and catchment management activities.
- To promote equitable access to water for basic needs, provision will also be made for some or all of these charges to be waived (DWAF, 1997, 4).

The document also defines a "reserve" for basic human needs: "This will be provided free of charge in support of the current policy of Government which

is to encourage the adoption of lifeline tariffs for water services to ensure that all South Africans can achieve access to basic services." But the 1997 *White Paper* only deals with the first tier level, that of water in catchments under central government control, and excludes the second and third tier levels, namely water as distributed and delivered by agencies including water boards and local governments. In practice, the approach to basic needs thus amounts to an acceptance of the position that communities fetching water from natural sources do not need to pay for the first 25 litres per person per day. For communities that receive water from built water systems, the document does not go beyond the principle of access to basic water services and does not describe how this entitlement is to be achieved.

Despite the more ambiguous current policy position on entitlement and, in particular, the lifeline tariff, the Department of Water Affairs is in practice instructing its staff and all agencies carrying out community water supply and sanitation activities on its behalf to implement the standards and tariffs as defined in the 1994 *White Paper* to the letter. Community water supply projects include communal standpipes at 200 metres and, 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 is insisted on. Once projects have been built, communities don't receive further support.

There are extremely serious problems in the community water supply projects; indeed within the Department it is acknowledged informally that the rate of failure is as high as 90%. Reasons invariably include very real affordability constraints and an unwillingness to pay for communal standpipes. Communal standpipes are often not seen 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.

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 get the first 6 kilolitres per month for free. (According to the Durban Metro, 6 kilolitres is the breakeven point between the cost of collecting payment and the amount collected.)

Communities with new water systems must pay for the ongoing functioning of their systems whereas communities supplied by the former Bantustan governments get their water for free. These inequities have led to significant levels of community tension within and between villages. And, despite the claim to provide "some to all," vast areas have not received water services to date.

The 1994 *White Paper* (DWAF, 1994, 19) considered the inequity between the new systems and those of the former Bantustans:

This will require a substantial revision of present policy since Government grants or "subsidies" have been given in the water sector for many years. These have generally been targeted at specific sectors of the population to promote policy objectives such as agricultural production in the commercial sector and the stabilisation of "separate development" structures.

The removal of the subsidies and replacement of inequity with equity at the lowest common denominator -- nonfunctioning water systems where they exist at all -- is now being implemented.

DWAF's response to the high level of project failure has been to move further from the entitlement to water as spelt out in the constitution and from the mechanism of financing this entitlement as spelt out in the RDP, partly egged on by advisors from international agencies such as the World Bank (Masia et al, 1998). The insistence on communal standpipes is unchanged, but they are now being built with prepayment meters to ensure payment up front. Instead of moving towards the medium-term aim of the RDP and providing taps on site, the Department has proved willing to relax the 200 metre criterion and allow for standpipes further apart so as to limit the number and thereby cost of prepayment metres.

DWAF's response to a self-generated crisis of delivery, clearly based to an important extent on inadequate financing systems, was paralleled by a tendency across government infrastructure delivery agencies -- led by DCD -- to consider private sector management assistance, contracting out, concessions and outright privatisation of infrastructure.

MUNICIPAL SERVICES PARTNERSHIP POLICY

Partly as a corollary to government's retreat from its policy mandate and its failure to deliver infrastructure of even low standards, lead bureaucrats within DCD and DWAF also began pushing a privatisation agenda beginning in 1995. Municipalities were encouraged to contract out infrastructure-related services to the private sector using what were initially called Public-Private Partnerships (PPPs), for which in 1997 the DCD issued guidelines and helped establish a Municipal Infrastructure Investment Unit (MIIU) based at the Development Bank of Southern Africa. This was followed by DCD's draft regulatory framework in August 1998, in which PPPs were rebaptised as Municipal Service Partnerships (MSPs) and characterised as "a variety of risk-sharing structures within public-public, public-private and public-NGO/CBO partnerships" (DCD, August 1998, v). By December 1998, the SA Local Government Association and DCD had negotiated a Municipal Framework Agreement with unions.

As an aside, beginning in 1996 DWAF's Community Water Supply and Sanitation programme commissioned several dozen extremely small-scale, rural PPPs, known as Build-Operate-Train-and-Transfer contracts, involving NGOs and some private firms. But such serious problems soon emerged -- unsustainability, lack of consumer affordability given cost-recovery pricing policy, poor technical design, poor community control functions, mismatched NGO/private-sector roles and expectations, systematic inconsistencies with neighbouring government-subsidised water schemes, and lack of training and transfer prospects -- that by 1999, the concept was in many areas evaluated as a "failure" with respect to implementation by DWAF and DCD -- whereby according to Masia *et al* (1998, 11), "The gaps between practice and policy have to be addressed head on lest the policies be invalidated" -- and by its favoured NGO implementing agency, the Mvula Trust (Bakker, 1998).

Thus within about four years of the advent of democracy, key political decision-makers within the South African state -- at national and local levels -- had been won over to what effectively amounted to creeping privatisation of core local services: rubbish removal, water works and even municipal electricity supply. The primary advocates of privatisation were the World Bank and its private sector investment arm, the International Finance Corporation (which in

1997 announced a \$25 million investment in Standard Bank's South Africa Infrastructure Fund, an explicit privatisation financing vehicle) (African Development Bank, 1997), as well as local and international firms. Banque Paribas, Rand Merchant Bank, Colechurch International, the Development Bank of Southern Africa, Generale des Eaux, Metsi a Sechaba Holdings, Sauer International and Lyonnaise Water had all met with officials of Port Elizabeth, for example, 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, 1998; Bond, 1999a, Chapter 4).

But there was also resistance, and not only from usual suspects like the SA Municipal Workers Union and the Congress of SA Trade Unions, some of the more advanced civic groups and in places like Nelspruit, the SA Communist Party and ANC Youth League. So too was privatisation contested by some municipal bureaucrats -- interestingly, a large fraction of "Old Guard" (pre-1994) officials -- such as one from East London who argued, "PPPs are not always the best way to go. Costs creep up especially by the third year. So we don't accept that we will save money. By the time the contract expires, everything is ruined. We have lots of companies coming to do presentations, but we will not be caught. They take over your staff and you loose control over them. It is not sustainably cheaper" (interview, December 1998).

As the 1998 *Local Government White Paper* was being drafted, these concerns were flagged by Hemson (1997) in an international literature review:

corruption in the tendering and drawing up of contracts, particularly in the US; monopoly in the privatised service; higher user charges; inflated director's fees, share options, and management salaries; widescale retrenchments; and anti-union policies... The effects of privatisation bear most radically on the poorest in the community; there is widespread evidence of more cut-offs in service and generally a harsher attitude towards low-income "customers." Water in Britain is a case in point. Water and sewerage bills have increased by an average of 67 percent between 1989/90 and 1994/95, and during roughly the same period the rate of disconnections due to non-payment by 177 percent. The inflexibility and hostility

which often characterised public utilities attitude towards non-payment has, over the same period, been replaced by an emphasis on pre-payment meters and "*self-disconnection*" as public goods have been commodified. Pre-payment metering is greatly advantageous to companies as the problem of poorer customers is avoided, there is a continuous revenue stream in advance of consumption, less of a "political" problem in confronting disconnections, and better form of debt recovery. Self-disconnection is education of consumption below the level consistent with health, safety and participation in normal community life. Surprisingly high number of self-disconnections for various periods of 49 percent by those using pre-payment devices in a trial period. Self-disconnection is associated with the reduction of consumption below the level consistent with health, safety and participation in normal community life. Studies have shown a surprisingly high number of self-disconnections of water supply for various periods by as much as 49 percent by those using pre-payment devices over a trial period. The most critical feature of privatisation, however, has been that cross-subsidies are rooted out after privatisation: those who need costly help have to pay for these services *directly* themselves... Rather than cross-subsidies there has been the introduction of "cost-reflective" pricing (in which prices reflect the particular costs associated with a particular customer) will end with greater differences in regional charges, the poorer paying more, and better off people with cheque accounts paying less with direct debits.

The critiques were joined from a surprising source in early 1998, namely World Bank chief economist Joseph Stiglitz (1998, 17-18), who conceded that

the conditions under which privatisation can achieve the public objectives of efficiency and equity are very limited, and are very similar to the conditions under which competitive

markets attain Pareto-efficient outcomes. If, for instance, competition is lacking then creating a private, unregulated monopoly will likely result in even higher prices for consumers. And there is some evidence that, insulated from competition, private monopolies may suffer from several forms of inefficiency and may not be highly innovative... there are strong incentives not only for private rent seeking [i.e., corrupt patronage-related activity] on the part of [privatised firm] management, but for taking actions which increase the scope for such rent seeking.

Stiglitz (1998, 18-19) cited the examples of China, which "managed to sustain double-digit growth by extending the scope of competition, without privatising state-owned enterprises," and Russia, which in contrast "privatised a large fraction of its economy without doing much so far to promote competition. The consequence of this and other factors has been a major economic collapse." Stiglitz (1998, 19) concluded that "Privatising monopolies creates huge rents. It has proved difficult to administer privatisation without encouraging corruption and other problems. Entrepreneurs will have the incentive to try to secure privatised enterprises rather than invest in creating their own firms."

Notwithstanding the criticisms, the *White Paper* endorsed privatisation, while acknowledging risks of "cherry-picking" (refusal to provide services to low-income areas), poor quality services and unfair labour practices. A virtually unstoppable momentum had built up by 1999, reflecting continuity, not change, from late apartheid. Many large municipalities had, after all, closed down their public housing and in some cases civil engineering departments during the 1980s, and by the early 1990s the (white-run) Eastern Cape was the site of several small (but long-term, thoroughly monopolised) water privatisation pilot projects, including Queenstown (1992), Stutterheim (1994) and Fort Beaufort (1995). Water privatisation in Nelspruit and the Dolphin Coast were temporarily stalled in 1998 by trade union-led resistance, and their 1999 resuscitations were mired in a controversy over whether DCD Minister Valli Moosa had bargained in bad faith with the SA Municipal Workers Union (Samwu). Meanwhile other major exploratory projects were underway,

facilitated by a R30 million US AID grant to DCD for the development of PPP business plans in various towns. These included Cape Town, Port Elizabeth and Stellenbosh (where water and sanitation were reviewed by 1999), Benoni (fire and emergency services) and several towns where refuse removal would be privatised. (In Cape Town's Khayelitsha township, the Billy Hattingh private rubbish removal scheme was so unsuccessful that by 1999, municipal workers had to be redeployed to back up the company.)

These early PPPs suggest a penchant for long-term management contracts, entailing "delegation" of defined municipal functions for a ten, twenty-five or thirty year period. They include the operation, rehabilitation, maintenance, customer services and expansion of assets, which are, however, still owned by the municipalities. Contracts are flexible, allowing for the company to extend or upgrade facilities but with municipal or non-company finances. Unlike concession contracts, they involve less greenfield investment (such as extension of services to townships) and hence far lower risks for the successful bidder.

Companies like Water and Sanitation South Africa (WSSA, a Lyonnaise des Eaux/Group Five joint venture) promised to "render an affordable, cost affective and optimised service, implement effective consumer management" and ensure that customers are "willing and able to pay for services, while maximising revenue collection" (WSSAa, 1995, 1). Benefits also allegedly include "a more dynamic business environment, increased productive investment, workplace democratisation, co-operation with small and micro enterprise, and more open and flexible management styles" (WSSA, 1995b, 1). Yet in practice, in the Stutterheim pilot, water services were instead characterised by WSSA's failure to serve any of the 80% of the region's township residents (classic cherry-picking), mass cut-offs of water by the municipalities of township residents who could not afford payments, and the cooption of the main civic leader into WSSA's employ, thus effectively rendering silent any community protest (Bond, 1999a, Chapter Five).

DCD considered some of the pilots too conservative, if anything, for failing to promote sufficient concessions to assure increased capital investments. DCD officials identified constraints in the forms of legal obstacles and uncertainties with respect to contractual issues, tendering procedures, contract monitoring requirements and dispute resolution procedures.

Management contracts were, by 1997, said to be "only advisable when more ambitious forms of private participation are considered undesirable" (DCD, 1997). The suspicion was, simply, that "contractors with international linkages might engage in management contracts in order to secure a privileged position in subsequent initiatives" rather than for the sake of providing optimum services, with the effect of "sabotaging open competition."

Having raised these concerns, DCD's Draft Guidelines for MSPs then proceeded to diminish the role of municipal workers by insisting that "a municipality must consult, but is not obligated to negotiate and reach agreement regarding the labour aspects of the transfer with employees or unions as a condition for being authorised to proceed with the transfer" (DCD, 1998, 48). Yet the reality was that Samwu has been so effective in generating public opposition to DCD's plan and to participation by the British firm Biwater (the lead company behind Nelspruit's water contract), that, as Samwu described it, "In December 1998, Cosatu and Samwu signed a framework agreement with the local government employer body, SA Local Government Association (Salga) around municipal service partnerships. The agreement was the product of months of negotiations. It concurs with national legislation that the public sector is the preferred deliverer of services and specifies that involvement of the private sector in service delivery should only be a very last resort -- if there is no public sector provider willing or able to provide the service" (Weekes, 1999, 1).

And here emerges the classical problem associated with "natural monopoly," namely the ability of a state institution to pass along implementation responsibilities while still holding control over basic services policy (e.g., on coverage, quality, access, cost, labour conditions, etc, all of which the private sector would ordinarily skimp on to the public's detriment). The propensity of a private firm to, for example, provide cross-subsidies and lifeline tariffs, is extremely low, as the World Bank (Roome, 1995, 50-51) explicitly warned Asmal in 1995 -- since sliding-scale tariffs favouring low-volume users "may limit options with respect to tertiary providers... in particular private concessions [would be] much harder to establish" -- as part of a lobbying campaign to dissuade him from invoking cross-subsidies.

The extent to which a public monopoly is simply replaced by a private one gives rise to yet more concern. In late 1998, Lyonnaise des Eaux

announced plans to establish multi-purpose utility monopolies covering water, sanitation, refuse, roads, cable TV and telephones, to be payable through a single bill, with Casablanca already witnessing the firm's pilot linkage of several privatised municipal services. Aware of this possibility, DCD (1998, 56) acknowledged that "The Competition Bill [of mid-1998] could create opportunities for consumers of municipal services to challenge various aspects of an MSP including tariff structures, tariff setting mechanisms and grants of monopoly rights to a service provider in both administrative and judicial forums" -- but reassures firms that "the power of the Competition Tribunal to award costs to a respondent against whom a finding has been made may act to restrain consumers from initiating complaints."

In other countries (beginning with Paris in 1985), the privatisation of water was at the very least done in a manner that deliberately distinguished retail provision from distribution, and also established geographical divides (the Left Bank going to Lyonnaise des Eaux and the Right Bank to General des Eaux), thus allowing "for a compromise where there is still outside competition and larger markets beckon" (Lorrain, 1997, 117). Indeed, this raises the question of whether water and energy should be managed at a local or regional level (i.e., along politico-administrative boundaries) or indeed based on geological, watershed/basin, or functional divides. Moreover, if water supply is separated from sewerage and roads, there is bound to be confusion, dislocation and diminished accountability. By fragmenting responsibility for road works, refuse removal and sanitation, residents will have to visit different company offices to register complaints, increasing the bureaucratic hurdles for consumers.

The thorniest questions are those bound up in politics and corruption, and hence are least transparently considered in DCD and other official work. Many of the transnational services firms have dubious track records, and not just in the notorious kickbacks and bribes associated with privatisation in Eastern Europe, Indonesia and the like. Even in France, the mayor of the city of Grenoble was imprisoned for taking bribes from Lyonnaise des Eaux and its local partner (Barsock, 1997, 16). Likewise in apartheid-era South Africa, WSSA (then called Aqua-gold) had a previous close association with repressive bantustan regimes beginning as early as 1987. This does not prove corruption in a commercial sense, but does show that unlike many other companies which disinvested, the French chose not only to stay but to accelerate their dealings

with the most discredited elements of the apartheid regime. In several towns, WSSA signed agreements with unrepresentative white politicians and municipal administrations prior to democratic elections, and without going through a tender process (DCD, 1998).

In sum, if the "basic rationale" for privatisation is that "MSP projects can save or avoid municipal expenditures" (DCD, 1998, 74), it should also be considered that a municipality has enormous burdens once a contract is signed: monitoring the concessionaire or contractor; undertaking expensive litigation in the event of disputes; establishing reliable, independent sources of information; and bearing the political and financial costs of failure. Typically, the municipality is prevented from taking direct action on complaints.

CONCLUSION: POST-WASHINGTON CONSENSUS INFRASTRUCTURE POLICY

The struggle against apartheid was both a struggle against the politico-juridical system of racism *and* for improved quality of life. Improved residential infrastructure and service delivery are amongst the most crucial objectives of public policy, by all accounts. Many of the aspirations and concrete demands of South Africa's oppressed peoples are reflected in the 1994 RDP and the 1996 Constitution, in particular the *entitlement* to decent standards of services.

Despite this mandate to govern, there has been a clear continuity of policy between the late-apartheid era and democracy. Some key common features are an often untransformed bureaucracy, white consultants at the nerve centre of policy-making, influence by the World Bank or its proxies, and the ascendance of a new breed of conservative bureaucrats (once termed "econocrats"). Unlike the chaotic and uncoordinated positions across most of government, there is a disturbing level of consensus in infrastructure-related departments and agencies that a) users pay, b) standards should be relatively low, and c) privatisation should be regularised.

Restating in any detail the numerous concrete problems associated with late-apartheid and post-apartheid infrastructure policies would belabour the obvious. In sum, the unsustainability of an approach to development modeled less on organic South African demands arising from social struggles, and more on the essentially neo-liberal perspective now known as the

"Washington Consensus," is now recognised from even within the highest levels at the World Bank (Stiglitz, 1998).

Is an RDP-friendly alternative possible? One proposal advocated by social change activists from community organisations and associated NGOs, compatible with the Constitution and RDP, was a universal *free* lifeline to all South African consumers for the first block of water (50 litres of water per person each day) and electricity (approximately 1 kiloWatt hour per day) with steeply-rising prices for subsequent consumption blocks. There would be no need, in this policy framework, for means-testing or a complex administrative apparatus, nor would complete service cut-offs feature. Recurrent consumption expenses would be paid for entirely from within each sector, although an additional 10% expenditure would be needed, beyond what the *MIIF* budgeted, to finance the added capital costs (totalling R120 billion over 10 years, a reasonable investment in relation to late-1990s GDP of R600 billion and an annual state budget of R200 billion).

Where social change advocates have come up short, however, was in turning an extensive series of mid- and late-1990s riots over municipal services -- which, tragically, included the assassination of an ANC mayor known for willingness to cut off power and water, as well as the burning of several ANC councillors' houses -- into more sustained, constructive political pressure (this partly reflected the demobilisation of the national "civic association" movement during the late 1990s). In contrast to an alliance between DCD and the big business lobby within the National Economic Development and Labour Council (the stakeholder forum at which state policies were often debated), the progressive forces failed, especially in 1996-97, to successfully contest the intensification of services commodification. Notwithstanding firm opposition by Samwu -- which also campaigned for 50 free litres of water per day to consumers as a means of resisting DCD divide-and-conquer strategies -- central government continued to advocate the privatisation of municipal services.

Also at stake in all of this was, as ever, the degree to which a capitalist state in league with big business could construct a "social wage" policy framework that had, as a central objective, maintaining relatively low upward pressure on the private-sector wage floor; in other words, by keeping monthly operating costs of services low through denying workers access to flush toilets, hot plates and heating elements, the *MIIF* also reduced the pressures that

workers would otherwise have to impose upon their employers for wages sufficient for the reproduction of labour power.

In very practical ways, the social and labour movements were too weak to successfully contest the broader neo-liberal trajectory, and not even the strongest rhetorical and technical critiques could have made up for lack of political clout. What looms ahead, as more than half of South Africa's 878 municipalities prepared to face formal bankruptcy at the turn of the 21st century -- due to declining central-local grants and low levels of service payments by residents -- is potentially a stark scenario in which sufficient unpopularity with ANC rule emerges, so as to generate conditions amenable to a more progressive backlash either within the Alliance or, around the time of the 2005 election, the emergence of a leftwing alternative to the ruling party. Until then, it will be up to activists in civil society organisations, probably led by Samwu in key sites of privatisation struggles and potentially joined by a nascent alternative civic movement in Gauteng, to remind society at large that the transition from late-apartheid to post-apartheid infrastructure policy remains unsatisfying, to put it mildly.

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