Water privatisation in Africa

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Summary

This paper analyses developments in the privatisation of water services in sub-Saharan Africa (SSA). The management contracts and concessions that have been awarded are listed with brief details on each. The paper then goes through specific developments in relevant countries. There is considerable analysis of the situation in South Africa which has seen the award of six water privatisation contracts to multi-national companies (MNCs) since 1992. These contracts have proved difficult for consumers, workers and for the water companies themselves. One contract (Fort Beaufort) was finally nullified in 2001. Another (Dolphin Coast) was renegotiated after just two years, and prices were increased in order to restore profitability for the concessionaire, French MNC, Saur. In a third, (Nelspruit), the concession which was awarded to Biwater in 1999 has yet to reap any benefits for consumers. Rather the company has been criticised for raising prices and cutting off non-payers while there has been no extension of the network.

After a brief review of cases where privatisation is in the pipeline, the paper considers the growing number of cases of withdrawals and / or cancellations of privatisation in SSA. These examples demonstrate that privatisation is not some unstoppable monolith but that there is scope to alter the pattern of events. In Gambia, Guinea and South Africa, governments have managed to terminate (or not renew) water concessions. In Ghana and Kenya, local opposition has delayed the implementation of privatisation proposals. In Mozambique and Zimbabwe, investors have withdrawn from privatisation contracts.

The paper then considers the position of the MNCs in water privatisation in SSA. The picture is dominated by French MNCs. Saur was the first international company in the region with a contract in Cote d’Ivoire in 1960. The next water lease in Guinea in 1989 also went to Saur which now has six contracts in SSA; Vivendi has four substantial water supply contracts and has other activities in SSA. Suez has surprisingly little: the only water supply contract the company has in SSA, outside South Africa, is a two-year management contract in Uganda.

Investors in water in SSA are finding the business increasingly difficult. It is becoming apparent that the incomes of consumers in poor regions are such that they are not able to pay a tariff which is high enough to finance the investment required to provide an adequate water service. The World Bank doctrine of ‘full cost recovery’ is simply not viable.

The paper then considers campaigns against privatisation both within SSA and at a global level and sets out examples of successful public provision of water. Finally, we consider the impact of donor policies and NEPAD and show how these are biased towards the private sector, undermining the provision of a public sector option.
Contents

1 Introduction .............................................................................................................. 6
2 Current water privatisation contracts ................................................................. 6
3 Contracts by country .............................................................................................. 7
   3.1 Burkina Faso .................................................................................................. 7
   3.2 Central African Republic ............................................................................... 8
   3.3 Chad ............................................................................................................. 8
   3.4 Republic of Congo ....................................................................................... 8
   3.5 Cote d’Ivoire ............................................................................................... 8
   3.6 Gabon .......................................................................................................... 9
   3.7 Mali .............................................................................................................. 9
   3.8 Mozambique ............................................................................................... 9
   3.9 Niger ............................................................................................................ 10
   3.10 Senegal ...................................................................................................... 10
   3.11 South Africa .............................................................................................. 10
      3.11.1 Suez-Lyonnaise-Ondeo: the Eastern Cape contracts ...................... 11
      3.11.2 Nelspruit .......................................................................................... 12
      3.11.3 Dolphin Coast: ‘model’ contract hits financial crisis, re-negotiation and
            price rises ............................................................................................... 15
      3.11.4 Johannesburg: management contract .............................................. 17
      3.11.5 Other ................................................................................................ 18
      3.11.6 Cholera ............................................................................................. 18
      3.11.7 PUPs: Odi .......................................................................................... 20
      3.11.8 South Africa: comments ................................................................. 20
4 Privatisation in the pipeline ................................................................................. 21
5 Withdrawals / cancellations / terminations ....................................................... 23
   5.1 The Gambia ................................................................................................ 23
   5.2 Ghana ......................................................................................................... 24
   5.3 Guinea ....................................................................................................... 24
   5.4 Kenya ......................................................................................................... 25
   5.5 Mozambique ............................................................................................. 25
   5.6 South Africa .............................................................................................. 26
   5.7 Zimbabwe .................................................................................................. 26
      5.7.1 Withdrawal by Biwater ..................................................................... 26
      5.7.2 Gweru: SAUR negotiations suspended ........................................... 26
6 Multinational water companies in Africa ......................................................... 26
   6.1 Aquas de Portugal ...................................................................................... 27
   6.2 Biwater ....................................................................................................... 27
   6.3 Saur ............................................................................................................ 28
   6.4 Suez – Ondeo ........................................................................................... 28
   6.5 Vivendi ....................................................................................................... 29
   6.6 Bundling water with electricity ................................................................... 29
   6.7 The water business .................................................................................... 30
7 Campaigns against water privatisation .............................................................. 31
   7.1 South Africa ............................................................................................... 31
   7.2 Ghana ....................................................................................................... 31
   7.3 Kenya ....................................................................................................... 31
   7.4 Global campaigns ..................................................................................... 31
8 Public sector provision of water ....................................................................... 32
<table>
<thead>
<tr>
<th>Section</th>
<th>Country</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1</td>
<td>Botswana</td>
<td>32</td>
</tr>
<tr>
<td>8.2</td>
<td>Burkina Faso</td>
<td>33</td>
</tr>
<tr>
<td>8.3</td>
<td>Malawi</td>
<td>34</td>
</tr>
<tr>
<td>8.4</td>
<td>Namibia</td>
<td>34</td>
</tr>
<tr>
<td>8.5</td>
<td>South Africa - ODI</td>
<td>34</td>
</tr>
<tr>
<td>9</td>
<td>Donor policies and pressure to privatise</td>
<td>35</td>
</tr>
<tr>
<td>10</td>
<td>Comments on trends and issues</td>
<td>36</td>
</tr>
</tbody>
</table>
## Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>AdP</td>
<td>Aguas de Portugal</td>
</tr>
<tr>
<td>BOOT</td>
<td>Build Operate Own Transfer</td>
</tr>
<tr>
<td>BOT</td>
<td>Build Operate Transfer</td>
</tr>
<tr>
<td>CAR</td>
<td>Central African Republic</td>
</tr>
<tr>
<td>DBSA</td>
<td>Development Bank for Southern Africa</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development (UK donor agency)</td>
</tr>
<tr>
<td>DWAF</td>
<td>Department of Water Affairs and Forestry</td>
</tr>
<tr>
<td>EAGB</td>
<td>Electricity and Water of Guinea Bissau</td>
</tr>
<tr>
<td>EAIF</td>
<td>Emerging Africa Infrastructure Fund</td>
</tr>
<tr>
<td>EdF</td>
<td>Electricité de France – French public electricity utility</td>
</tr>
<tr>
<td>EdM</td>
<td>Energie du Mali</td>
</tr>
<tr>
<td>HQI</td>
<td>Hydro Quebec International – Canadian electricity company</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Assistance – division of the World Bank that provides concessional loans</td>
</tr>
<tr>
<td>IFC</td>
<td>International Financial Corporation – the division of the World Bank that provides finance for the private sector</td>
</tr>
<tr>
<td>IFI</td>
<td>International Financial Institution</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>ISODEC</td>
<td>Integrated Social Development Centre (Ghanaian NGO)</td>
</tr>
<tr>
<td>JOWAM</td>
<td>Johannesburg Water Management Company</td>
</tr>
<tr>
<td>KZN</td>
<td>KwaZulu Natal</td>
</tr>
<tr>
<td>MNC</td>
<td>Multi-national Company</td>
</tr>
<tr>
<td>NEPAD</td>
<td>New Partnership for Africa’s Development</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental organisation</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>ONEA</td>
<td>Burkina Faso Water Utility</td>
</tr>
<tr>
<td>PUP</td>
<td>Public-Public Partnership</td>
</tr>
<tr>
<td>SAMWU</td>
<td>South African Municipal Workers Union</td>
</tr>
<tr>
<td>SEEG</td>
<td>Gabon and Guinea water utilities (they have the same acronym)</td>
</tr>
<tr>
<td>SEEN</td>
<td>Niger electricity utility</td>
</tr>
<tr>
<td>SNDE</td>
<td>Societe Nationale de Distribution d’Eau (Congo water utility)</td>
</tr>
<tr>
<td>SNEC</td>
<td>Cameroon water utility</td>
</tr>
<tr>
<td>Sodeci</td>
<td>Cote d’Ivoire Water utility</td>
</tr>
<tr>
<td>SSA</td>
<td>sub-Saharan Africa</td>
</tr>
<tr>
<td>STEE</td>
<td>Societe Tchadienne d’Electricité et de l’Eau (Chad water utility)</td>
</tr>
<tr>
<td>SWC</td>
<td>Siza Water Company (Suez South African subsidiary)</td>
</tr>
<tr>
<td>TLC</td>
<td>Transitional Local Council</td>
</tr>
<tr>
<td>UFW</td>
<td>Unaccounted for water</td>
</tr>
<tr>
<td>WSSA</td>
<td>Water and Sanitation Service Africa (Suez Subsidiary)</td>
</tr>
<tr>
<td>WUC</td>
<td>Water Utilities Corporation – Botswana water utility</td>
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1 Introduction

This paper covers developments in water privatisation in sub-Saharan Africa (SSA). It includes sections on
- current water privatisation contracts
- proposed or threatened water privatisations
- public ownership options

It discusses some major issues:
- The activities of the main MNCs in the region
- cases where MNCs have withdrawn from existing or potential contracts.
- local government restructuring options.
- campaigns to stop privatisation
- pressure to privatise at the expense of a public sector option.

2 Current water privatisation contracts

Table 1 below lists water privatisations in Africa to date. Up to 1997, almost the only privatised water services in Africa were in a few francophone African countries, which had granted water and/or energy concessions to French companies. In 1999 and 2000, however, there was a sharp growth in the number of actual and proposed water privatisations. In a number of cases these were forced by World Bank/IMF conditionalities. In the subsequent section, some country cases are examined in more detail.

Table 1: Water privatisations in Africa, May 2002*

<table>
<thead>
<tr>
<th>Country</th>
<th>Company</th>
<th>Water and elec</th>
<th>Mgmt Contract</th>
<th>Lease / Concess.</th>
<th>Duration</th>
<th>%</th>
<th>Date</th>
<th>Lead Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burkina Faso</td>
<td>Vivendi</td>
<td>✓</td>
<td>✓</td>
<td>5 years</td>
<td>-</td>
<td>2001</td>
<td>Vivendi</td>
<td></td>
</tr>
<tr>
<td>Cape Verde</td>
<td>Electra</td>
<td>✓</td>
<td>✓</td>
<td>50 years</td>
<td>51</td>
<td>1999</td>
<td>Aguas de Portugal / EdP</td>
<td></td>
</tr>
<tr>
<td>Central African Republic</td>
<td>Sodeca</td>
<td>✓</td>
<td></td>
<td>15 years</td>
<td>10/10/0</td>
<td>1991</td>
<td>Saur</td>
<td></td>
</tr>
<tr>
<td>Chad</td>
<td>STEE</td>
<td>✓</td>
<td>✓</td>
<td>30 years</td>
<td>-</td>
<td>2000</td>
<td>Vivendi (expected to change from management to lease contract after initial period)</td>
<td></td>
</tr>
<tr>
<td>Republic of Congo</td>
<td>SNDE</td>
<td>✓</td>
<td>✓</td>
<td>?</td>
<td>?</td>
<td>2002</td>
<td>Biwater</td>
<td></td>
</tr>
<tr>
<td>Cote d'Ivoire</td>
<td>Sodeci</td>
<td>✓</td>
<td></td>
<td>20 years</td>
<td>10/1960</td>
<td>1960</td>
<td>Saur</td>
<td></td>
</tr>
<tr>
<td>Country</td>
<td>Company</td>
<td>Water and elec</td>
<td>Mgmt Contract</td>
<td>Lease / Concess.</td>
<td>Duration</td>
<td>%</td>
<td>Date</td>
<td>Lead Company</td>
</tr>
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<td>---------------------------</td>
</tr>
<tr>
<td>Gabon</td>
<td>SEEG</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>20 years</td>
<td>51</td>
<td>1997</td>
<td>Vivendi</td>
</tr>
<tr>
<td>Guinea</td>
<td>SEEG</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>10 years</td>
<td>51</td>
<td>1989</td>
<td>Saur / Vivendi</td>
</tr>
<tr>
<td>Mali</td>
<td>EDM</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>20 years</td>
<td>65</td>
<td>2000</td>
<td>Saur / IPS</td>
</tr>
<tr>
<td>Mozambique</td>
<td>Aguas de Mocambique</td>
<td>✓</td>
<td></td>
<td>Maputo and Motola</td>
<td>15 years</td>
<td>73</td>
<td>1999</td>
<td>Aguas de Portugal</td>
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<td>Niger</td>
<td>Societe d’Exploitation des Eaux du Niger (SEEN)</td>
<td>✓</td>
<td></td>
<td>10 year renewable contract</td>
<td>51</td>
<td>2001</td>
<td>Vivendi</td>
<td></td>
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<tr>
<td>Senegal</td>
<td>Senegalaise des Eaux</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>10 years</td>
<td>51</td>
<td>1996</td>
<td>Saur</td>
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<td>South Africa</td>
<td>Johannesburg Water</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>5 years</td>
<td>-</td>
<td>2001</td>
<td>Suez - Ondeo / WSSA (Northumbrian Water)</td>
</tr>
<tr>
<td>South Africa</td>
<td>Nelspruit</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>30 years</td>
<td>40</td>
<td>1999</td>
<td>Biwater / NUON</td>
</tr>
<tr>
<td>South Africa</td>
<td>Siza Water – Dolphin Coast</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>30 years</td>
<td>58</td>
<td>1999</td>
<td>Saur</td>
</tr>
<tr>
<td>South Africa</td>
<td>Queenstown</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>25 years</td>
<td>50</td>
<td>1992</td>
<td>Suez - Ondeo / WSSA (Northumbrian Water) UWR</td>
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<tr>
<td>South Africa</td>
<td>Stutterheim</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>10 years</td>
<td>50</td>
<td>1993</td>
<td>Suez - Ondeo / WSSA (Northumbrian Water) UWR</td>
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<tr>
<td>Uganda</td>
<td>Ondeo (Uganda)</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>2 years</td>
<td>-</td>
<td>2002</td>
<td>Suez - Ondeo</td>
</tr>
</tbody>
</table>

Source: PSIRU database
*Under a lease or concession contract, the private investor usually establishes a local subsidiary, sometimes with local investors and / or with the domestic government. This company usually has operational responsibility for the water supply but not ownership of the infrastructure. This remains in government hands. With a management contract, the private firms usually have to provide managerial services and this is often for a fixed fee.

3 Contracts by country

3.1 Burkina Faso

Despite a good record of performance in the mid-1990s (see below, section 5), by the public sector water utility of Burkina Faso, ONEA (Office national de l'eau et de l'assainissement), Vivendi Water, in partnership with Cabinet Mazars and Guerard,
has been awarded a five-year support and service contract, supported by World Bank financing. The contract covers the management of the customer service and finance activities for the authority with the assistance of a permanent team of three experts on site.  

ONEA has also awarded a contract to Suez subsidiary, Ondeo, for the construction of a plant for the production of drinking water. The cost (19m euros) is being financed by the French development agency.

3.2 Central African Republic
In 1991, Saur subsidiary, Sodeca, was awarded a 15 year contract for the management of water services to all urban areas in the Central African Republic.

3.3 Chad
In January 2000 it was announced that Vivendi was to take over responsibility for Chad’s state owned power and water company under a 30 year contract for the management of the Société Tchadienne d’Electricité et de l’Eau (STEE). STEE is initially to be wholly-owned by the Chadian government but is to be privatised by 2005, at the end of a ‘transition stage’ during which STEE is supposed to improve its financial and technical performance. At the end of a two year period, Vivendi should bring into operation a new electrical power station at N’Djamena. After this, Vivendi is expected to take a majority stake in STEE.

Thus initially this is a management contract (with STEE wholly owned by the government of Chad) but Vivendi are expected to take over the company after a period of at least two years. The full financial details of the contract have not been disclosed. Nor is it clear that the contract was competitively tendered. Under the terms of this contract, it seems that Vivendi operates a management contract for a flat fee remuneration. Finance for this phase comes from ‘operating surplus, loans and contributions of donors.’ Under Phase 2, Vivendi will take a controlling interest in the utility with at least 51% of the share capital.

The French aid agency gave the government of Chad a grant of around 3.5bn CFA francs to help with the privatisation exercise.

3.4 Republic of Congo
In February 2002, UK firm, Biwater was reported to be chosen to take over the Congo’s national water distribution company, the Société Nationale de Distribution d’Eau (SNDE) beating competition from Saur and Vivendi. Vivendi and Biwater also bid for the electricity utility, Société Nationale d’Electricité but it is not yet known who won this tender.

3.5 Cote d’Ivoire
Cote d’Ivoire was the first country in SSA to privatise its water, entering into a lease contract with a Saur subsidiary, Sodeci, in 1960. The contract was renegotiated in 1987 for a further 20 years. In these renegotiations, Saur was not prepared to take on responsibility for investment because the company did not want to take the risk that
future revenue would cover debt service requirements. Sodeci, therefore does not bear any investment related risk.\(^\text{10}\)

After 1987, the authorities managed to negotiate a 20 percent reduction in the fees paid to the private operator by suggesting that they might allow other companies to bid for the contract.\(^\text{11}\) This in itself suggests that there had been a considerable profit margin accruing to SAUR.

While performance has been generally satisfactory, tensions exist between the government and Sodeci. Many public sector bodies which consume water still do not pay their bills and Sodeci does not cut them off but instead withholds payments to the government’s fund for investment in the water supply. Thus the privatised operation prioritises securing the net revenue of SAUR above the generation of funds for investment. There are also doubts about the capacity of the water directorate to effectively monitor Sodeci’s investment activities: Sodeci might be able to earn excess profits or might get round competitive tender rules by dividing large investments into a series of smaller ones to be below the cut off.\(^\text{12}\)

### 3.6 Gabon

In 1993, a contract for the management of water and electricity utility Societe d’Electricite et d’Eau du Gabon (SEEG) was awarded to a consortium including Suez/HQI/EdF.\(^\text{13}\) Then in 1997 SEEG was privatised to a joint venture 51% owned and controlled by Vivendi and Irish utility ESBI\(^\text{14}\) (although ESBI no longer have an interest). The World Bank’s IFC advised on the preparation and the transaction of this contract.\(^\text{15}\)

Vivendi’s investment seems to have benefited from the policies of French donors. The company is said to have invested 12 billion CFA francs in power generation in Libreville and 1 billion CFA in water. According to Africa Energy and Mining, this was “with a generous push from Agence Francaise de Developpement (AFD).”\(^\text{16}\)

### 3.7 Mali

In 2000, a Saur-led consortium won a contract to distribute water in Mali. A joint venture between Saur and IPS West Africa (a subsidiary of the Aga Khan Fund for Economic Development) was to get a 20-year concession of 60% of Energie de Mali (EDM). Saur has a 65% stake and IPS has the remaining 35%, making Saur International the operator.\(^\text{17}\) So Saur has a 65% stake in a joint venture that has 60% of the utility. EDM produces and transports both water and electricity in Mali.

Saur had been part of a consortium operating a management contract at EDM from 1994.\(^\text{18}\)

### 3.8 Mozambique

Although Saur withdrew in 2002 from the private consortium running water in Mozambique cities, the contract continues. The concession was awarded to Aguas de Mozambique – a joint venture between Saur and Aguas de Portugal (AdP) in 1999, beating competition from Suez and Vivendi.
The contract is for the supply water services to 2.5 million people in the following five cities: Maputo, Beira, Quelimane, Nampula and Pemba in Mozambique. Aguas de Mozambique is 38%-owned by Saur, 32%-owned by AdP and 30%-owned by the local investors. For Maputo and Matola the contract is valid for 15 years, whereas for the other cities it will expire after five years.19

The privatisation in Mozambique was connected to the WB/IMF debt relief programme. In 1999 the country received close to US$3.7 billion in debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. The relief was granted because of the government’s reform policies which included wide ranging privatisation.20

At the beginning of 2002 Saur sold its shares in Aguas de Mocambique to Portugal's Aguas de Portugal public company (see next section for further comments).

3.9 Niger
In January 2001 Vivendi was awarded a EUR 150m renewable lease contract for water services in Niger. Vivendi, in partnership with Cabinet Mazars and Guerard, was awarded a ten year concession contract - beating Saur, who were also short-listed. The contract covers the provision of water services for the country's 10 million people, including Niamey the capital city.21

Vivendi was to create an operating company with ownership of 51% of the equity capital and this company will also be awarded a programme of work worth about EUR 5.5m to install connections and water fountains. The World Bank will provide most of an EUR 35m investment finance package devoted to network rehabilitation and extension.22 Under the lease contract, Vivendi will manage an investment fund financed initially by the World Bank.23

3.10 Senegal
The Senegalese water utility has been run by Saur since 1996 under a ten-year lease contract. Before privatisation, the performance of the state owned utility, Sonees, was relatively good in terms of operational performance and labour productivity. However, revenues were insufficient to cover costs in part because of non-payment by public authorities.

Since the lease was implemented, the revenue situation has improved as yearly tariff adjustments have been implemented and public entities do pay their bills but tensions exist between the private operator and the state holding company. Progress achieved with respect to access to safe drinking water and level of UFW has remained below performance objectives established in 1995 because of confusion and tensions which persist in the relations between SONES and SDE. 24

3.11 South Africa
The cases of water privatisation in South Africa so far can be divided into three stages:

- In the early 1990s Suez-Lyonnaise-Ondeo subsidiary WSSA (a joint venture with South African construction company, Group 5) obtained three contracts in the eastern Cape: Stutterheim, Fort Beaufort (Nkonkobe), and
Queenstown. All of these have experienced problems – the Nkonkobe contract has been nullified by a court decision; at Stutterheim relations between the council and WSSA are bad; and there have been strikes at Queenstown.

- In 1998 two larger municipalities privatised their water services: Nelspruit, capital of Mpumalanga province, to a company led by Biwater-Nuon; and Dolphin Coast, to a joint venture headed by Saur.
- In 2000, Johannesburg City Council gave a management contract to Suez-Lyonnaise-Ondeo for its water services, as part of the ‘Igoli 2002’ plan to restructure the councils covering greater Johannesburg.

3.11.1 Suez-Lyonnaise-Ondeo: the Eastern Cape contracts

Fort Beaufort/Nkonkobe: terminated

In December 2001 Nkonkobe municipality (Fort Beaufort) in Eastern Cape won a court case against Water and Sanitation Services SA (WSSA), a subsidiary of French water firm Suez Lyonnaise, effectively cancelling its contract with the company. WSSA had won a 10 year contract in 1995 with the former Fort Beaufort transitional local council (TLC) to operate water and waste services for the municipality.

The problems in the contract emerged because of the municipality’s inability to pay the management fees to the company. This was also accompanied by high levels of dissatisfaction with service among the communities. According to the mayor of Nkonkobe, Mandisile Mdleleni, the scrapping of the contract meant that the Nkonkobe municipality would save R19 million. Mdleleni said his council had inherited the TLC’s debts but was not prepared to honour invalid contracts. The Nkonkobe municipality comprised poverty-stricken rural areas where people were unable to pay for services, he said. Nkonkobe includes Alice, Fort Beaufort, Middledrift and Seymour. The lawyer for Nkonkobe council, Dumisani Tabata, said the court found the contract was invalid as it had not been published first for comment by members of the public. Secondly, approval from the local government MEC was never obtained. WSSA says it plans to appeal against the ruling.25

The Fort Beaufort contract included a secrecy clause which prevented any member of the public from seeing the contract without the explicit approval of the company WSSA (owned by Suez-Lyonnaise): “2.2.2: Confidentiality: the documentation contained herein has been developed exclusively by the operator (WSSA) and shall not be disclosed to third parties without the written approval of the operator.” 26

In late 2001, immediately prior to the court ruling in Nkonkobe, there was a major dispute between SAMWU and Suez-Ondeo-WSSA over the pay rates in Nkonkobe, Queenstown and Stutterheim. SAMWU was demanding an equalisation of pay across the company’s plants in the Western Cape, Eastern Cape and KwaZulu-Natal: SAMWU members were unhappy as the company intends to retain wage differentials of R1868 in KwaZulu-Natal to R2565 in Cape Town. The company was also refusing to implement a programme that recognises long service with the company. This resulted in a strike from 15 October, and WSSA approached the CCMA to seek compulsory arbitration on the dispute. 27
Queenstown: dispute

The first Suez-Lyonnaise-Ondeo contract in South Africa was signed in 1992, with the Queenstown municipality. This contract was signed with the Lyonnaise subsidiary Aqua-Gold, which subsequently became WSSA, a Lyonnaise-Group 5 joint venture. Lyonnaise had previously obtained water supply and construction contracts, through Aquagold and Degremont, with the apartheid-sponsored homeland governments of KwaZulu (as early as 1987), Bophuthatswana, and Kangwane, and various mining companies.  

In 1999 there was strike action in a pay dispute at the Queenstown contract. The strike concerned both a wages dispute – the company was offering a lower wage increase than that agreed upon for all other municipal workers in the country at wage negotiations, according to SAMWU. The dispute was also over what employees said were broken promises: WSSA had promised higher salaries, no job losses, training and opportunities for development, but had failed in practice to deliver.

Stutterheim: breakdown in communication

In 1993 WSSA signed a contract with the municipality of Stutterheim, again under the old apartheid structures. According to a research report at the end of 2000, the contract has experienced a series of problems, including the political differences between the council of 1993 and the current democratically-elected council; the lack of municipal capacity to deal with a water concession run by a multinational; and the lack of clarity over investment including, for example, disputes over responsibility for repairs to a major water main after the floods of 2000. The report refers to: “the crisis of municipal capacity, particularly in the light of an affermage contract where responsibilities for operations and maintenance and capital investment are ill-defined. It also draws attention to the breakdown in communication that can occur between partners with different capacities, and of the need for increased linkages between national-policymakers and local implementers if the needs of the poor are to be met”.

It also observes that: “In 2000, the council in power in Stutterheim is motivated by very different concerns than those that compelled the 1993 council to initiate a partnership with a private company. While the previous council was dominated by businessmen and adopted a commercial approach to town management, the current council is socially aware and firmly focused on developing community-oriented and participatory approaches to development.”

3.11.2 Nelspruit

Concession to Biwater-Nuon-Cascal

The plan to privatise the water of Nelspruit, the capital of Mpumalanga province, had been proposed since 1997, but was extremely controversial. For nearly two years SAMWU succeed in deferring the privatisation, arguing that it was a breach of the government’s policy of preference for a public sector option. An assessment of a
public sector option was promised, but never happened, despite a national framework agreement between the local government association and the unions, concluded at the end of 1998, which reiterated preference for the public sector and promised consultation.

The contract was finally awarded in 1999 to UK company, Biwater, operating through Metsi a Sechaba, its joint venture with a local black empowerment group. The concession started in November 1999. The concession company was later renamed Greater Nelspruit Utility Company (GNUC).

In 1999, as part of its search for sources of finance, Biwater converted its international water operations into a 50-50 joint venture with Nuon, a Dutch municipally-owned company which is expanding globally in electricity and gas as well as water. The new venture is called Cascal, but the company still sometimes refers to itself as just Biwater (or, in the USA for example, as just Nuon), to provide some of the necessary finance.31

**Nelspruit: public financial support**

The main argument used for the concession was the need to attract private finance. But Biwater had great difficulty in raising the money and has depended on finance from the public sector. In July 2000, nearly two-thirds of the total finance (R195m) for the project was finally obtained in the form of a R125m loan from the state-owned Development Bank of South Africa (DBSA). 32

Biwater has also benefited from a new water treatment plant at Matsulu, a suburb of Nelspruit, which the government of Portugal financed, and the South African government constructed. Water Minister Kasrils described this as: "Partnership between the Government and people of Portugal and South Africa. Partnership between the public sector of Portugal, embodied in IPE - Aguas de Portugal and the local, provincial and national spheres of government in South Africa....This treatment works that we are commissioning today will provide water to areas of Matsulu formerly not supplied and will be operated by the Department until it is finally transferred to the Greater Nelspruit Council by October next year". 33 But two months after this speech, the operation of the whole network was transferred to Biwater.

**Opposition, criticism and the campaign for free lifeline water**

There has been continuing criticism of the operation of the concession since it began. The opposition has included political and community groups, as well as the trade unions, and the company has been criticised for failing to extend the network – “Biwater has not extended services and water infrastructure over the past three years - it still stands at only one tap for every 10 households” - increasing prices, and cutting off non-payers: "the organisations say that residents were paying a flat rate of R70 a month before Biwater took over in 1999, but are now paying between R400 and R500. Where residents have stopped paying their water supply has been cut off.... Residents who are in arrears now risk being sued by the council, which has just hired a legal firm to track down defaulters."34
There is said to be a high level of political commitment by the central government to ensuring that the concession succeeds, as both sides see it as a key test case of water privatisation: “Spokesperson for the presidency Bheki Khumalo said that the government is fully behind the privatisation of water in Nelspruit….There is a lot at stake, says PAC national organiser Themba Godi, because if Biwater does withdraw from Nelspruit it would set a precedent for other water privatisation plans around the country.”. The company claim that the price increases have been only 10% per annum, and that investments have been made.\(^\text{35}\)

GNUC was criticised for not implementing the government’s promise to provide 6,000 litres of free water a month to households by July 2001 (announced by water minister Ronnie Kasrils in response to the cholera outbreaks).\(^\text{36}\) The company’s contract did not provide for the provision of free water, and continued to cut off defaulters. It only agreed to provide the 25 litres per day free water after a seven-month fight by local campaigners: “The company began cutting off water to rates defaulters in June last year but residents led by the Pan African Congress (PAC) started a defiance campaign against the company and staged pickets outside the GNUC offices and illegally reconnected water. The GNUC initially threatened court action against the PAC but later backtracked and implemented the government’s promise of 25 litres of free water per day to residents on January 1. Residents will have to pay for water used above that amount and the GNUC stressed it would implement strict credit control on any additional water use.”\(^\text{37}\)

The change of policy by GNUC came after resistance by residents of KwaNyamazane, Matsulu and Thekwane. Consumer disgruntlement about new tariffs, which replaced the old flat rates with a charge by the kilolitre, has resulted in a dramatic decline in payment. People used to pay a flat rate of about R75 for all services, but under the GNUC concession the metered water bill alone rose to about R200, according to SAMWU. Payment dropped from 38% in June to about 27% in December 2001, according to GNUC itself.

Senior GNUC manager Moeng said capital projects to provide water to peri-urban areas had been put on hold pending discussions with the municipality over the debt. “What is the point of pumping money in while we are not sure of cost recovery?” he said. The company had frozen projects worth more than R100-million. “These projects can resume when payment for service picks up,” he said.\(^\text{38}\)

**Overseas criticism and company responses**

Further criticisms were made in January 2002 by a visiting delegation of UK trade unionists sponsored by ‘War on Want’. These added the criticisms of poor pay, training and equipment of workers, worse levels of continuous service than before privatisation, and increases in diseases. The delegation visited the Clau-Clau Clinic, where there was no water at all; the Matsulu water treatment plant, where “almost 20 battered cars arrived with plastic drums at the only two functioning taps outside the plant, to collect water for their communities” One nurse stated that “There is constant pressure on people to store water in whatever containers they can find. It is common to find an entire family living off 10 litres of water over one or two days.” She said that her clinic “had seen an increase in diseases like diarrhoea since privatization of water. Workers and communities all said that before Biwater took
over, water was supplied throughout the day. Workers at Matsulu treatment plant were dressed in ragged shorts and t-shirts, saying that Biwater did not provide them with overalls or training. Biwater has outsourced maintenance to a plumbing company, D. Henning Loodgieters, where workers said they were paid only R300 per fortnight with no UIF. The delegation was horrified when they found communities still disposing of sewerage in buckets, women walking miles to carry heavy quantities of vital water to their families and many others which only receive water for a handful of hours per day. Others are now being cut off completely from water services due to un-payment for the vital resource. .......Nick Dearden, Campaigns Officer at War on Want said "It is totally unacceptable that global corporations can make money by raising the price of basic necessities like water to the poorest people in the world….."

The company claim that they have increased the amount of money collected from users, from R32 million a year to R47 million a year, and that more meters have been installed – “‘Effective metering is crucial and households should always ensure their metering is in good condition’ said senior GNUC manager Mr Moeng. The company also claim that more pipes have been laid, and that leakage and waste have been reduced (this may be the company’s perspective on cut-offs, as the company definition of wastage and leakage will include unofficial or unpaid consumption of water). It states that “KaNyamazane township, which has a population of about 65,000, now receives a consistent 24-hour water supply for the first time ever….It is also now 100% metered.” Again, the net effect of this was visible in the non-payment of higher tariffs. Finally, the company also says that it is supplying free water but again claims that wastefulness causes higher bills: “Some houses are however not heeding the call to use water wisely and if they limit their water usage, they wouldn’t have to pay anything.”

3.11.3 Dolphin Coast: ‘model’ contract hits financial crisis, re-negotiation and price rises

Concession awarded to Saur-Siza Water, 1999

In 1999, Saur, the water subsidiary of Bouygues, was awarded a 30-year contract to provide water supplies and purification services to the resort of Dolphin Coast, worth FFr/R 33 m. per year. The area covers the resorts of Kwazulu-Natal’s Dolphin Coast (population 56,000), mostly peri-urban villages serviced by the Joint Services Boards. SAUR was preferred to a bid from a Suez-Lyonnaise-Ondeo’s WSSA, and a bid from a joint venture between Umgeni Water – the regional bulk water supply parastatal – and Vivendi-CGE.

After winning the bid, SAUR formed a local Company, Siza Water Company (SWC) - a consortium of five partners. SWC has been responsible for the provision of water and sanitation services to the Dolphin Coast since 1 April 1999. Its is 58% owned by SAUR Services, and four South African empowerment partners own the remainder of shares, viz:Metropolitan Life Ltd. (23% of shares); Women’s Development Bank Investment Holdings (5% of shares); The Investment Progress Group Holdings (IPG) (5% of shares); NANO Investment Holdings (Pty) Ltd (5% of shares)
The agreement was controversial from the outset because it was signed “just six weeks after the South African government and local authorities signed a framework agreement with the trade unions, which says that public sector provision is the preferred option, and privatisation is only a ‘last resort’ after all other avenues have been exhausted..... 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 (MSPs). 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. The MSP agreement set up a Sectoral Forum for the restructuring of local government. This Sectoral Forum is supposed to discuss any cases that fall outside the provisions of the agreement. The first meeting of the Sectoral Forum on January 26th, 1999 agreed that the proposed privatisations of water in Nelspruit to British Biwater, and in Dolphin Coast to French SAUR, would need to be discussed further at a specially convened meeting of the forum. The next day, January 27, the Dolphin Coast signed the agreement. Government minister Chippy Olver had authorised the municipality to proceed, on the grounds that the authority had confirmed in writing to the Department that its contract complied with the MSP agreement. He later stated that: “In the absence of a response from Cosatu on the contract, it had to be agreed that the municipality had no option but to proceed with the signing of the contract....Private sector bidders were extremely frustrated at the endless delays, and the project was on the verge of collapse”.43

An ‘exemplary’ contract

The contract was seen as a pioneering example of privatisation, justified by government ministers on the grounds of lack of municipal capacity and lack of their ability to raise finance. Minister Chippie Olver said: "Valli Moosa's vision is of local government concentrating on their core business, and that is taking charge of the development strategy of their domains. Local governments should not be in the business of buying and selling. They should not be running a trade in services. That is best left to other actors," All councils are facing problems according to Olver: "They are all being squeezed. All have capacity problems. I cannot name a municipality which isn't lacking key technical skills and they all have huge investment needs. The RDP vision requires them to do a massive roll-out, but they don't have access to the capital markets...Capital markets, in turn, are terrified of lending to local government."

Over a year into the contract, a research study of the concession acknowledged that: “For the local authority, government and the Company, the concession is working in an exemplary manner. Opposition at the time of planning came largely from the unions, but was finally overcome through high-level intervention from Ministers and ANC leaders. Dissenting views now come largely from the communities involved and from employees. ..... From the number of visits, local and international, who have visited the concession, it is clear that it is serving as an exemplar of the way in which central government is directing local government initiatives. Its present operation has the support of the Council and of the government and serves as a showcase for private sector participation in municipal affairs. The concession has surmounted the
difficulties of transition, the transfer of personnel, and the opposition to the sewerage charges.”  

However the study warned that “It faces the difficulties of further enlargement of the municipal area, and of possible opposition to the higher charges it makes for water provision to the poor. There is significant opposition to the policies of the concession by the poor in the shadow communities. An evaluation of the local policy framework in relation to water provision concludes that the rationale in decision-making is largely one of private sector participation, cost reduction and recovery rather than one based on an explicitly pro-poor policy”.  

Financial crisis and forced re-negotiation  

In 2001 the company hit financial problems and successfully demanded a renegotiation of the contract in its favour. In April Siza Water refused to pay the scheduled R3,6m lease payment due to the municipality of KwaDukuza. Instead, Siza asked for relief under the contract, which allows for renegotiation if returns are either above or below a predetermined range. The problem was said to be that the development of middle-income and mass housing has fallen far short of projections. The result was a serious shortfall in Siza's revenues of about R12m a year. The alternative to renegotiation according to Andrew Ferguson, KwaDukuza's acting municipal manager, was “to go off to the contract guarantor (a bank) and take back the performance bond.”  

The local authority approved the revised contract in May 2001. Water prices were immediately increased by 15% to restore profitability. In addition to the 15% tariff hike required to put Siza on a stable financial footing, local residents face another big increase in water costs as a result of inflation, plus an increase of more than 20% imposed by the neighbouring Umgeni Water Board for bulk water supplies.  

Besides the tariff hike, the main points of the revised contract are: - Siza's investment commitment will drop to R10m from R25m over five years. - Siza will ease the municipality's fiscal burden by taking over its remaining R15m debt (excluding R3,6m in arrears). The loans will be fully redeemed within two years, with funding provided by Siza's shareholders, either in the form of new equity or shareholder loans. This seems to mean that the users of water will be expected to cover the cost of repaying the loan.  

Both parties will ‘examine ways of reducing costs’. Options include a reduction in the management fee paid by Siza to Saur, and the concession fee paid to KwaDukuza. Reducing the concession fee means placing the cost on the municipality. As a result of the restructuring, Siza claims it will just break even over the first five years of the 30-year contract, and make a small profit over the first 10 years - shareholders are unlikely to receive a dividend before the 10-year mark. However SAUR will continue to receive its fixed payment from Siza, in the form of the management fee.  

3.11.4 Johannesburg: management contract  

In February 2001, Suez-Lyonnaise-Ondeo-WSSA-Northumbrian obtained a 5-year water management contract in Johannesburg. The contract provides for "the
management of water and wastewater services, billing and customer services as well as extensive training and capital expenditure programs”. The contract covers the six municipal water and wastewater structures of Johannesburg and its 3 million inhabitants. The six municipal structures are united into a single utility named Johannesburg Water. Johannesburg Water employs over 2500 staff and has annual sales of Rand 1.3bn (Euro 200m).\textsuperscript{49}

3.11.5 Other

Vivendi-OTV treatment plant, Durban

OTV, Vivendi’s water engineering division, won a BOT contract in 1999 for a water purification plant in Durban providing for up to 200,000 people. The contract is a 20 year concession worth Euros 76m.\textsuperscript{50} Under BOT schemes, a private developer finances, builds and operates the plant for some years, and then hands it over after 20 or 30 years, after the profit has been extracted. This treatment plant was not wholly financed by Vivendi - 45% of it (R34m out of R74m total) was financed by the state development bank the DBSA.\textsuperscript{51}

Lesotho: multinational bribes for water scheme

In Lesotho, subsidiaries of a dozen multinationals - from the UK, France, Italy, Germany, Canada, Sweden and Switzerland - are being prosecuted for paying bribes to obtain contracts in the Lesotho Highlands project – a huge water supply scheme. The companies included a former subsidiary of Suez-Lyonnaise (Dumez International, which was part of the Lyonnaise des Eaux group), Bouygues (parent of SAUR), and RWE (the German parent of Thames Water).\textsuperscript{52} The scheme may encourage excessive consumption of water resources, or may require high prices as a condition of operation.\textsuperscript{53} The chief executive of the Lesotho Highlands water company is on the board of the water utility of Johannesburg City Council, which is itself under the management contract by Suez-Lyonnaise-Ondeo.

3.11.6 Cholera

The worst outbreak in South African history

A cholera outbreak started outside Empangeni in Kwazulu Natal in August 2000, with later outbreaks in Guateng, Northern province, the greater Johannesburg area and elsewhere. By February 2002 the total death toll from cholera had risen to 260, the worst epidemic in the history of South Africa.\textsuperscript{54}

The development of the epidemic was linked by many to the operation of government policies of full cost recovery for water. The residents of the Empangeni district itself, where the cholera first appeared, did in fact have access to government-provided water schemes. But they were too poor to pay the R51 registration fee levied to join the water scheme provided by the Mhlathuze Water Board.\textsuperscript{55}
The iGoli 2002 plan for privatising and corporatising local government services in greater Johannesburg also risks encouraging cholera, according to some commentators, because it adopts a sanitation plan for low-income Johannesburg residents to use pit-latrine ghettos instead of water borne sewage system: despite “the public health …implications of dumping excrement directly through porous dolomitic soils into a high water table…. in 1991 when such a strategy was applied by apartheid bureaucrats in Winterveld, cholera broke out.” 56

Free water is feasible for poor communities in South Africa

On 13 October 2000, government water minister Ronnie Kasrils said that the outbreak would not have happened if free water had been available; that many were too poor to pay for water; that the country could and should afford to provide a lifeline 25 litres of free water for all.

According to a report by the South African Press Association:

“A government committee has found that it would be feasible to provide water free of charge to poor communities. Water and Forestry Minister Ronnie Kasrils said on Friday [October 2000]. Kasrils said in a statement that the inter-ministerial group, comprising himself and the ministers of finance and provincial and local government was formed to investigate the provision of free basic water to the poor. A study by the committee found it would be "feasible and viable" to provide free water once schemes were established. Funding for free water would come from local government and by recovering costs from those who could pay. In many areas, particularly rural districts, the poor do not pay at present for water. "The problem is that when we try to implement cost recovery, many of the poor cannot pay." Kasrils said health problems, such as the current cholera outbreak in KwaZulu-Natal, arose when the poor were excluded from water supplies. He said his visits to rural areas had highlighted the fact that many people were so desperately poor that they could not afford what might seem to ordinary people a very small price for water. He said rural women complained that should they have to pay a R10 per month for water, their families would have less to eat. They therefore chose to buy food instead and took their chances in searching for river or ground water, he said. "It is our moral duty to make a basic amount of safe water available to all South Africans, or at least to those who cannot afford to pay for it". Kasrils said the cholera outbreak in KwaZulu-Natal would not have happened if all South Africans had access to safe drinking water.”57

Cost recovery and cholera

This reversed the previous policy based on World Bank advice. World Bank economist John Roome advised then-water minister Kader Asmal in 1995 against cross-subsidisation, arguing that this could deter private companies.

According to a research by the Rural Services Development Network, the spread of cholera was connected to the government support for policies of full cost recovery that made water unaffordable to the poor. The policies also led to failure to invest in services for the poor, and the researchers noted that: “the water project for the Madlebe Tribal Authority, situated adjacent to the wealthy Ngwelezane/ Empangeni Transitional Local Council - the official point at which the epidemic was noted - was
delayed by several months….Yet the Ngwelezane/Empangeni council had a reserve of R98-million at the time…. While communities had to pay for cost recovery, this very same council offered various tax concessions to business for investing in the area”. 58

The authors concluded that: “There has to be a fundamental change in water and sanitation policy that scraps the cost-recovery principle. As long as cost recovery exists the poor will seek alternative sources of water for domestic consumption”.

3.11.7 PUPs: Odi

Odi, in the North West Province of South Africa, is a semi-rural region with a poor population, - only 27% of households have inside taps. The municipalities formed a project with the parastatal bulk water authority, Rand Water, to develop water services capacity over a period of three years, after which the municipalities would take over the running of it. Democratic structures, including local councillors, trade union representatives and elected village committees have played an important role, for example, in increasing payments – the income from charges quadrupled in 18 months. The project has involved capital investment and transitional consumer subsidies from central government. 59

The project has been praised by an international delegation for its commitment form workers and community, but it has faced problems of sustainability without continuing central government financing of investment finance.

3.11.8 South Africa: comments

There continues to be a dynamic tension in South Africa between the forces supporting water privatisation and those opposing them. A number of features are worth highlighting:

- The opposition to water privatisation has been remarkably successful so far. Despite the handful of concessions, there has been no massive implementation of privatisation policies. Two major factors in this have been, firstly, the poor experiences so far with the WSSA contracts, Nelspruit and even the Dolphin Coast; and, secondly, the cholera epidemic, which provided the starkest reminder of the public health reasons for providing public supplies of clean water.

- The continuing strength of the opposition to privatisation reflects the relative strength of organised democratic bodies in the country, including politically active trade unions and community groups. This has generated a series of public conflicts which have themselves highlighted some key features of the privatisation and cost-recovery process. The campaigns in Nelspruit have created a critique of the cost-recovery process which would have remained hidden without that opposition.

- Government policy has responded to developments, notably the cholera epidemic, by significant changes of policy. Its policies remain clearly pro-privatisation, however, as a series of regulations have made clear.
However, South Africa has not drawn on the World Bank or IMF for loans, and so has not been subject to the conditionalities of those bodies. This may have made it easier for the government to respond to domestic political demands.

- The multinationals remain with a relatively weak presence in South Africa. It seems unlikely that any of the concessions are making significant profits at present, and their behaviour suggests they are uncertain of future profitability. Saur has re-appraised their southern African operations, which has led to them withdrawing from Mozambique and Zimbabwe – while the Dolphin Coast has just survived a crisis. Suez appear to be wary of making major commitments anywhere in Africa, and have not rushed to appeal for the reinstatement of the Nkonkobe contract, for example. Vivendi still have only a BOT in Durban (and an executive sitting in the offices of Durban water). Biwater-Nuon-Cascal appear committed to Nelspruit, but with no signs of expanding elsewhere in the country. Thames and IWL are not present at all (surprisingly in an English-speaking country)

- Key issues of (1) public health (see cholera) (2) the problems with full cost recovery (see Nelspruit) (3) the need for central government funding for investment (see Odi) have all been apparent and made sharper by effective political campaigning and organisation.

4 Privatisation in the pipeline

There are few African countries where privatisation is not on the policy agenda. Even in Botswana where the Water Utilities Commission has been operating since 1970, privatisation is reported to be on the horizon.60 African privatisation has often proceeded slowly. Governments have faced difficulties attracting investors and restructuring unprofitable enterprises. Hence some countries initially tendered their water companies some years ago but the privatisation has yet to be completed. Most countries are at some stage in the privatisation process. For example,

Table 2: Planned privatisations

<table>
<thead>
<tr>
<th>Country</th>
<th>Utility</th>
<th>Status of privatisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burundi</td>
<td>REGIDESO</td>
<td>‘In an advanced stage’</td>
</tr>
<tr>
<td>Cameroon</td>
<td>SNEC</td>
<td>The government has been in negotiations with Suez since 2000. These are recently reported to have broken down.</td>
</tr>
<tr>
<td>Ghana</td>
<td>2 business units</td>
<td>Bids have been invited. Private operators expected to be in place by March 2003.</td>
</tr>
<tr>
<td>Guinea Bissau</td>
<td>EAGB</td>
<td>Originally scheduled for 1995, possible change of procedures reported Feb 2002</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Lagos water</td>
<td>Receiving visits from UK potential investors</td>
</tr>
<tr>
<td>Rwanda</td>
<td>Electrogaz</td>
<td>Management contract to be completed in 2002</td>
</tr>
<tr>
<td>Tanzania</td>
<td>DAWASA</td>
<td>Originally scheduled for 1999, privatisation since re-tendered</td>
</tr>
<tr>
<td>Uganda</td>
<td>NWSC</td>
<td>Designing lease framework for a number of towns</td>
</tr>
</tbody>
</table>

Source: various - see PSIRU Database www.psiru.org
In **Burundi** Good Governance and Privatisation Minister Didace Kiganahe reported in February 2002 that the privatisation of the National Water and Power Distribution and Production Company (REGIDESO) was in an advanced stage. This comes after assurances eighteen months previously - following the proposed relaxation of the monopoly status of the enterprise - that the company was not being privatised.

Attempts to privatise the water supply in **Cameroon** have run into difficulties. The sale to Suez was reported in May 2000 when Suez was the only bidder for the utility, SNEC. The government had to privatise at speed to meet conditions set by donors for the receipt of aid. However, some two years later the negotiations failed, and Suez have now withdrawn from the proposal. It was reported that the price put forward was considered by the government to be too low.

In **Ghana**, bids have been invited for leases for the national water supply which has been divided into two ‘business units.’ Bids are expected for the two leases. Business Unit A covers Greater Accra, Volta, Northern Upper East and Upper West regions. It is for 30 years and Bidders are Northumbrian Water, Vivendi and Saur. Business Unit B covers Central, Eastern, Western, Ashanti and Brong Ahafo regions. The lease is for ten years and bidders are Biwater, Nuon, Vivendi, Suez Lyonnaise and Skanska. Private operators are expected to be in place by March 2003.

In **Guinea-Bissau**, there were reports of planned privatisation of the Electricity and Water company of Guinea-Bissau (EAGB) as far back as 1995. Bid opening was scheduled for November 2000. Then in February 2002, it was reported that “the process for the privatisation of EAGB could shortly be abandoned in favour of a direct sale following the withdrawal of some companies and fresh interest displayed by others.” African Energy and Mining, February 2002.

In February 2002, the government of **Nigeria** received a 14 person delegation of potential investors in the water sector from the UK. Included in the party were representatives from British Water, ABB, Biwater, Ondeo Services and Thames Water.

In **Rwanda**, a management contract for the electricity and water utility, Electrogaz, is scheduled to be completed in 2002.

The government of **Tanzania** has been attempting to privatisethe Dar es Salaam Water Supply and Sewerage Authority (DAWASA) since 1999. Subsequently three (out of four) firms pre-qualified for the tender. Two firms submitted bids but both attached a number of different conditions. After lengthy debate it was resolved to re-tender, with a requirement that the international investor forms a local company with at least 20% of the shares held by local investors.

The **Ugandan** water authority has a management contract with Suez – Ondeo with a view to eventually establishing a lease arrangement separating responsibilities for operating the water supply from developing the infrastructure. The lease is likely to cover 33 towns.
5 Withdrawals / cancellations / terminations

The path of water privatisation has been far from smooth and there are a growing number of cases where MNCs and / or governments have withdrawn from privatisation projects.

Table 2: Withdrawals

<table>
<thead>
<tr>
<th>Country</th>
<th>Company</th>
<th>Parent</th>
<th>Reason for withdrawal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gambia</td>
<td>MSG</td>
<td>Sogea</td>
<td>Bad relations between investor and government from beginning, exacerbated by aggressive disconnection campaign. Contract unilaterally terminated in 1995, following coup.</td>
</tr>
<tr>
<td>Ghana</td>
<td>Azurix</td>
<td>Enron</td>
<td>World Bank withdrew funding because of lack of transparency in contract award</td>
</tr>
<tr>
<td>Guinea</td>
<td>SEEG</td>
<td>Saur / Vivendi</td>
<td>Breakdown in contract renewal negotiations</td>
</tr>
<tr>
<td>Kenya</td>
<td>Seureca Space</td>
<td>Vivendi</td>
<td>Contract suspended after outcry over contract terms; World Bank commissioned study of alternative privatisation options</td>
</tr>
<tr>
<td>Mozambique</td>
<td>Aquas de Mozambique</td>
<td>Saur</td>
<td>Reasons for withdrawal not made public</td>
</tr>
<tr>
<td>South Africa</td>
<td>Fort Beaufort</td>
<td>Suez</td>
<td>Contract nullified</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>-</td>
<td>Biwater</td>
<td>Company withdrew from negotiations for commercial reasons</td>
</tr>
<tr>
<td></td>
<td>Gweru</td>
<td>Saur</td>
<td>Negotiations suspended in 1999</td>
</tr>
</tbody>
</table>

Source: PSIRU database

5.1 The Gambia

In 1993, a subsidiary of Generale des Eaux (now known as Vivendi), Management Service Gambia (MSG), was selected as the lessee through competitive bidding. MSG, was engaged on a 10 year franchise to operate water and electricity services in Gambia. The World Bank sponsored contract was awarded following an open international tendering procedure.

However, the experience is ‘generally considered a failure.’ Gambia was reported to have cancelled the contract, alleging poor performance and contractual omissions including failure to produce accounts and financial reports. Finally, in 1995, following a coup in the country, the new government was reported to have arrested staff under allegations of contractual failures.

The gains that were made during the contract, in terms of increases in connections and reductions in UFW, were due not to the lease contract but to the implementation of a donor funded project by the public authorities.

“Relations between the SHC [State Holding Company] and MSG, the private operator were tense from the very beginning. A severe lack of capacity within the SHC, both at the staff and at the managerial level, and a high degree of uncertainty regarding the precise scope of maintenance and investment responsibilities contributed to these
tensions. The situation deteriorated further after the 1994 military coup and when MSG initiated an aggressive campaign to disconnect non-payers the Government unilaterally terminated the contract in February 1995.\textsuperscript{64}

5.2 Ghana
A contract given to Enron subsidiary, Azurix, for a BOOT water sector project was cancelled after the World Bank withheld financing of $100m for the project. Ghana has also been called upon to pay $800,000 for the costs of preparing the defunct project.\textsuperscript{85} The funds were withheld because the contract was awarded in less than transparent circumstances.

The Financial Times quotes Peter Harrold, the World Bank's country director, following the subsequent collapse of Enron: "There were suspicions of corruption, and a draft schedule of payments by Azurix showed a $5m upfront payment." This suspicion was compounded when subsequently five other water companies entered the open competition but Azurix did not. Mr Harrold said "I concluded that the only way they thought they could get contracts was through the back door, not through the front," (Financial Times 12.02.02).

5.3 Guinea
Guinea was one of the first African countries to privatise water, establishing a lease and management contract with a consortium led by Saur with the participation of Vivendi (formerly Generale des Eaux). The contract did not run smoothly and prices have escalated (See Bayliss, 2001, and Menard and Clarke, 2000, for more details\textsuperscript{86}). At the end of 1999 the contract had run its ten-year course. The government signed an interim one-year lease contract which came into effect on December 31\textsuperscript{st} 2000.

Efforts to negotiate a new 15 year lease contract broke down and the government has asked for World Bank assistance with an interim organisational arrangement and with organising a competitive tender for SEEG.

The World Bank is obviously unhappy with this outcome: "Regrettably, negotiations were unfruitful, and consequently, Government decided to launch a competitive tender to recruit a new private operator. After more than 10 years of private management of water operations in Guinea, the outcome of these negotiations represents a serious drawback to one of the first established private public partnership in the sector, and in the region. Delays in paying Government’s water consumption is still one of the main issues in the sector..."\textsuperscript{87}

For the government, however, the high prices charged under the concession were not acceptable. According to Guinea’s national radio in January 2001, the existing lease arrangement was to be replaced by a new privatisation in the hope that such a measure might bring prices down. "After more than 10 years of contract operations between the two firms, it was realised that the consumer was paying too high a price for pipe borne water."\textsuperscript{88}
In a move reminiscent of re-nationalisation, SONEG, the public sector owner of the water infrastructure, was intending to assume water management in urban centres, according to local weekly paper "Le Democrat."  

5.4 Kenya

Efforts by Vivendi to secure contracts in Kenya through its subsidiary Seureca Space have so far been unsuccessful. In July 2001, the government of Kenya suspended a controversial water contract with the company. Originally this was a $5m billing and accounting project and there was an outcry when critics pointed out that Seureca would not invest a single cent in new water reservoirs or distribution systems during the 10 years that the contract was to be in force. Instead, the company was to spend an undisclosed amount on installing a new billing system at City Hall and, for that, reap 14.9 per cent of the Ksh12.7 billion ($169 million) collected over the period.

Furthermore, the city council's water and sewerage department was supposed to reimburse the cost of the computer equipment and hardware to the company at the end of the 10 year arrangement with no provision for depreciation.

In response to protests, Vivendi agreed to pump in another $150 million in expansion, repair and maintenance of the network (suggesting there was considerable slack in the contract from Vivendi’s end). However, there was still further criticism of the project, this time from the World Bank on the grounds that it was expensive and had not been competitively tendered. In June 2001, the World Bank appointed UK consulting firm Halcrow to carry out a study to evaluate alternatives.

Also in 2001, Seureca was scheduled to undertake a feasibility study for the Kibera Urban Environmental Sanitation Project. However, the fate of the feasibility study remains unclear. In November 2001, the mayor of Nairobi, Dick Waweru caused an upset after refusing to endorse the study, rejecting the proposal in a public meeting in which the French Ambassador subsequently stormed out. One of Mr Waweru’s concerns was that the cost of the study – at 3% of overall costs - was too high. It is understood that the Ambassador has taken the matter up with the government.

5.5 Mozambique

In 1999, Saur led a consortium with Aguas de Portugal to take on a concession in Mozambique, but sold their shares to the other European partner, Aguas de Portugal, in 2002. The reasons for Saur’s withdrawal have not been made public.

Following Saur’s withdrawal, AdP were left with a shareholding of 73%. The remaining 27% of the shares are held by Mozambique’s Mazi group. Mazi is formed by various entities: the SCI holding belonging to officials of the ruling Frelimo party and headed by former industry minister Octavio Muthemba; the Fundacao Para o Desenvolvimento da Comunidade headed by Graca Michel; the MG –Mocambique Gestores company of Armando Guebuza and Teodato Hunguana; the Foresta e Turismo (Flotur) of former Renamo opposition leader Raul Domingos.
5.6 South Africa

In South Africa, the contract for Fort Beaufort (Nkonkobe) water was nullified in December 2001, effectively cancelling the contract with Suez subsidiary, WSSA. The lawyer for Nkonkobe council, Dumisani Tabata, said the court found the contract was invalid as it had not been published first for comment by members of the public. Secondly, approval from the local government MEC was never obtained.  

5.7 Zimbabwe

Two proposed privatisations in Zimbabwe have been abandoned or postponed as a result of multinational companies deciding to withdraw:

5.7.1 Withdrawal by Biwater

In 1999, Biwater after extensive negotiation – and rumours of corruption – withdrew from a water privatisation project in Zimbabwe on the grounds that local consumers could not afford tariffs that were sufficient to generate an adequate commercial return for the company. According to the then Biwater country manager for Zimbabwe, Richard Whiting, “From a social point of view, these kinds of projects are viable but unfortunately from a private sector point of view they are not.”

5.7.2 Gweru: SAUR negotiations suspended

In 1999, the municipality of Gweru, Zimbabwe, selected SAUR, apparently through its UK subsidiary SAUR UK, as the private company to take over the water operation. Negotiations to develop a contract included discussion of a number of issues including the level of investment, the regulatory framework and the level of the tariff, and were said to be proceeding smoothly until two major problems arose: (a) the 50% devaluation of the Zimbabwe dollar in the crisis of 1999-2000 (b) the municipality’s “commitment to gradual increase in tariffs and their rejection of the 100% increase proposed by SAUR (UK)” (though the council is reported to have introduced massive price increases itself since then). The negotiations remain suspended.

6 Multinational water companies in Africa

This section sets out the operations of MNCs in SSA, by company.

Table 3: SSA activities of MNCs

<table>
<thead>
<tr>
<th>Parent Company</th>
<th>Country</th>
<th>Company</th>
<th>Sector</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aguas de Portugal</td>
<td>Mozambique</td>
<td>Aguas de Mocambique</td>
<td>Water</td>
<td>1999</td>
</tr>
<tr>
<td>Aguas de Portugal (with EdP)</td>
<td>Cape Verde</td>
<td>Electra</td>
<td>Water</td>
<td>1999</td>
</tr>
<tr>
<td>Biwater</td>
<td>Congo</td>
<td>Biwater (Congo)</td>
<td>Water</td>
<td>2002</td>
</tr>
<tr>
<td>Biwater</td>
<td>South Africa</td>
<td>Metsi a Sechaba</td>
<td>Water</td>
<td>1999</td>
</tr>
<tr>
<td>Saur</td>
<td>Mali</td>
<td>EDM</td>
<td>Water and elec</td>
<td>2000</td>
</tr>
<tr>
<td>Saur</td>
<td>South Africa</td>
<td>Siza Water</td>
<td>Water</td>
<td>1999</td>
</tr>
<tr>
<td>Saur</td>
<td>Senegal</td>
<td>Senegalaise des Eaux</td>
<td>Water</td>
<td>1996</td>
</tr>
<tr>
<td>Saur</td>
<td>Central African Republic</td>
<td>Sodeca</td>
<td>Water</td>
<td>1991</td>
</tr>
<tr>
<td>Parent Company</td>
<td>Country</td>
<td>Company</td>
<td>Sector</td>
<td>Date</td>
</tr>
<tr>
<td>----------------</td>
<td>---------------</td>
<td>----------------</td>
<td>----------------</td>
<td>------</td>
</tr>
<tr>
<td>Saur</td>
<td>Guinea</td>
<td>SEEG</td>
<td>Water</td>
<td>1989</td>
</tr>
<tr>
<td>Saur</td>
<td>Cote d’Ivoire</td>
<td>Sodeci</td>
<td>Water</td>
<td>1960</td>
</tr>
<tr>
<td>Suez – Ondeo</td>
<td>Uganda</td>
<td>Ondeo (Uganda)</td>
<td>Water</td>
<td>2002</td>
</tr>
<tr>
<td>Suez – Ondeo</td>
<td>South Africa</td>
<td>Johannesburg Water</td>
<td></td>
<td>2001</td>
</tr>
<tr>
<td>Suez – Ondeo</td>
<td>South Africa</td>
<td>WSSA</td>
<td>Water</td>
<td>1995</td>
</tr>
<tr>
<td>Vivendi</td>
<td>Burkina Faso</td>
<td>Vivendi (Burkina Faso)</td>
<td>Water</td>
<td>2001</td>
</tr>
<tr>
<td>Vivendi</td>
<td>Chad</td>
<td>STEE</td>
<td>Water</td>
<td>2000</td>
</tr>
<tr>
<td>Vivendi</td>
<td>Gabon</td>
<td>SEEG (Gabon)</td>
<td>Water</td>
<td>1997</td>
</tr>
</tbody>
</table>

Source: PSIRU database

The picture is dominated by the French MNCs. Saur has four long term contracts (Senegal, Cote d’Ivoire, CAR and South Africa as well as Guinea although this is due to finish imminently – see above). The company is also involved in electricity projects in Guinea and Cote d’Ivoire. Vivendi has three big contracts – Gabon, Chad and Niger, all acquired in the past five years. Suez has just one long-term contract – Queenstown in South Africa. The company’s other contracts are short term (Uganda – 2 years; South Africa – 5 years) and they now have two construction contracts (Burkina Faso, Senegal).

Despite the French dominance, two other firms have managed to move into the region. UK firm Biwater has recently (March 2002) managed to secure a contract in Congo and Portuguese government’s Aguas de Portugal has two contracts in sub-Saharan Africa.

### 6.1 Aquas de Portugal

In Cape Verde, a 51% stake in the state electricity and water utility went to a consortium consisting of Portugal’s state-owned Electricite de Portugal (EdP) as part of a consortium with AdP for EUR 45.4m in 1999. In May 1999, the government of Cape Verde received a loan of $22m from the World Bank to help with restructuring electricity and water and privatisation of Electra.97

In September 1999, AdP together with Saur and a number of Mozambique investors were awarded the water supply concession in Mozambique. However, following the withdrawal of Saur in December 2001, AdP is looking for a new partner as it currently has 73% ownership of Aguas de Mozambique which has a contractual arrangement to manage the water supply for 15 years.98

### 6.2 Biwater

Biwater made their first move into Africa with the highly controversial South African concession at Nelspruit in 1999. The company has made a substantial addition to their presence in SSA by winning a contract for the supply of water in the republic of the Congo. At the opening of technical and financial tenders, a Biwater representative said the company would not retrench workers from Societe Nationale d’Electricite (SNE) if selected.99 Biwater is now technically co-owner of a joint venture, Cascal,
with Dutch municipal utility Nuon, but the company still sometimes uses the Biwater name alone.

In Zimbabwe, Biwater eventually withdrew from lengthy contract negotiations on the grounds that consumers could not afford a commercially viable tariff.\(^\text{100}\)

The company is also reported to be interested in the Ghanaian water privatisation.

6.3 Saur

Saur was the first water MNC to operate in Africa and continues to dominate privatisation in the region. Their first contract in 1960 was for the water company in Cote d’Ivoire, SODECI. Then came the Guinea lease in 1989 (which the government does not want to renew – see above). Next came Senegal in 1996, Mozambique in 1999 and Mali in 2000 (after a management contract since 1994).

In addition to water, Saur has been active in electricity. In Guinea, Saur (with EdF and Hydro Quebec) have run the electricity distributor, Sogel, since 1994. This contract has been problematic and the investors have threatened to withdraw due to difficulties with revenues.\(^\text{101}\) Saur (with EdF) have entered into a technical assistance arrangement with Electricidade de Mocambique.\(^\text{102}\) In Cote d’Ivoire Saur is also responsible for electricity production and distribution with EdF.

With Saur’s withdrawal from Mozambique it might seem that the company is losing its taste for African water contracts. The company also lost in Congo and Niger in 2001. However Saur is reported to be bidding for Rwanda’s Electrogaz\(^\text{103}\) and interested in the Ghanaian water leases.

6.4 Suez – Ondeo

French MNC, Suez, has had a presence in South Africa since 1992 through its UK subsidiary, Northumbrian Water, which has a 50% stake in Water and Sanitation Service Africa (WSSA). WSSA was awarded three contracts in Eastern Cape in between 1992 and 1995.

Suez also has a 20% stake in the Johannesburg Water Management Company, Jowam which was awarded a five year contract for the management of Johannesburg water in 2001.

In January 2002, Suez subsidiary, Ondeo beat Vivendi to be awarded a two year contract to manage and operate the water supply and sewerage services of the Kampala area in Uganda, taking over from a German technical assistance team. The Ugandan National Water and Sewerage Corporation (NWSC) had been effectively corporatised in 1998. The contract will be supported by a grant of Euro3.3m from the German Government to help in the rehabilitation of the network.

Suez has had a difficult time in Africa. They lost to Vivendi in Gabon in 1997 and lost to Aguas de Portugal in Mozambique, 1999. They have also ventured into two electricity contracts in the region through their subsidiary, Elyo, in partnership with Canadian firm Hydro Quebec International (HQI). Suez and HQI have a contract for electricity distribution in Togo which is still running but the contract for the electricity utility in Senegal (Senelec) was terminated in 1999 due to failure of service (see
PSIRU Africa Electricity Paper). Suez suffered a further blow when their contract in Fort Beaufort (Eastern Cape) was nullified in December 2001 (see above).

Suez is now taking on smaller scale construction contracts. In March 2002, its subsidiary Ondeo was awarded two contracts to complete water projects valued at a total of $32m. In Senegal they are to build a drinking and pumping plant in the town of Keur Momar-Sarr, at a cost of $15m. In Burkina Faso, they are to build a drinking water production plant in the town of Ziga at an estimated cost of $17m.\textsuperscript{104}

6.5 Vivendi
Vivendi’s first contract in Africa, in Gambia, ended with the company’s expulsion in 1995. It then won a drinking water supply contract for Djibouti in 1996, worth 15 million French francs ($3m) over three years;\textsuperscript{105} neither the company nor anyone else now refers to this contract, so it too may have been ended or not renewed.

Vivendi was awarded a major contract in Gabon in 1997\textsuperscript{106} beating bids from Saur and Elyo (Suez subsidiary), gaining a 51% stake and a 20 year concession in the state water and electricity utility. By 1999 Vivendi reported that they were now making a profit from this Gabonese subsidiary.\textsuperscript{107} In January 2001, Vivendi announced two contract awards: a ten year lease in Niger and a five-year support and service contract in Burkina Faso, supported by World Bank financing.

Generally Vivendi have been proactive in their search for contracts. The company put forward a potentially lucrative proposal to the government of Kenya (see above). In South Africa, they have been courting Durban Metro, for example in April 2002, acting as joint sponsors of an exhibition.\textsuperscript{108} In May 1999, Vivendi took part in a three year ‘partnership’ project with intended to improve water service to deprived urban communities. Other partners include Durban Metro as well as the World Bank, the London-based Water Aid NGO, Durban metropolitan council, Maritzburg council, Umgeni Water and Mvula Trust.\textsuperscript{109}

The company also is operating in Africa through its other activities for example, in Kenya, Vivendi owns a mobile phone company, Kencell, in a joint venture with a Kenyan Company.

6.6 Bundling water with electricity
There are some cases in Africa where water has been privatised as part of a package with electricity, which invariably appears to be done for the benefit of investors rather than the public services concerned. In the words of one IFC adviser regarding the sale of the combined utility in Gabon, “In order to increase the attractiveness of the opportunity, it was decided not to separate the component parts of SEEG, as each would be too small to attract serious players.”\textsuperscript{110}

Vivendi (which has an energy services and heating division, Dalkia, which is 49% owned by EdF) - has two of these combined electricity and water utilities (Chad and Gabon); Aguas de Portugal - which is itself owned by the Portuguese state electricity company Electricidade de Portugal (EdP) - has one in Cape Verde; and Saur – which was until recently 22% owned by EdF - has one in Mali. (Saur also has other ‘stand-
alone’ electricity interests – in Cote d’Ivoire and Senegal). Suez-Lyonnaise has no combined contracts in sub-Saharan Africa, but a significant multi-utility contract in Casablanca, covering water, energy and waste management (other partners in this contract include EdF, and the Spanish energy company Endesa); as mentioned above, Suez also has an energy-only contract in Togo (with Hydro-Quebec International).

6.7 The water business

In reality, it has proved difficult to reconcile the conflicting interests of the profit motive with a social service. Such incompatibility has recently been highlighted by water companies themselves.

Staff from Vivendi participated in a conference in Kampala in 2001, providing an illuminating insight into privatisation from the firm’s perspective. According to the participants, private firms are able to invest in water in Africa if a) the risks are ‘fairly’ apportioned and b) the firm is able to generate a ‘fair’ profit (quotation marks added). This then limits investment to ‘big cities where the GDP/capita is not too low.’ Private firms are available as much as the project is bankable and bankability comes from ‘Guarantees securing the flow of payments by the municipalities or Governments’ and / or ‘Sufficient and assured revenues from the users of the service.’

Thus it is ability of consumers to pay (or governments to provide guarantees) that determines whether the private sector will participate. Private firms do not bring finance but seek profit.

When it comes to risk, the advice from the representatives of Vivendi is that the private sector is not able to control risks related to currency devaluation, inflation, political and other forces. They say that a reduction in risk will cut down project expenses incurred by the private sector and hence will reduce prices. Furthermore, they argue that contracts should have provision for readjustments if an event changes the circumstances that adversely affect the private operator - a contract should provide for a fair adjustment of the fixed fee and incentive compensation if an event significantly:

- Increases the operator’s real costs and expenses
- Alters the environment in which the operator carries out its obligations,
- Causes material hardship to the operator.

Thus, again the private sector is only prepared to participate in circumstances where there is virtually no chance of their profit being jeopardised by ‘an event.’ Secure profits are the overarching goal.

Saur take the matter further. In a recent presentation to the World Bank, Mr Talbot the CEO of Saur, highlighted the unrealistic demands on the private sector in developing countries (such as providing “connections for all”). He went on to say that the level of investment required cannot be met by the private sector and “water pays for water is no longer realistic in developing countries: Even Europe and the US subsidise services....Service users can’t pay for the level of investments required, not for social projects...The scale of the need far out-reaches the financial and risk taking capacities of the private sector.”
The private sector, then, cannot finance water sector requirements and cost recovery no longer appears a viable option.

7 Campaigns against water privatisation

There have been a number of effective campaigns against water privatisation in sub-Saharan Africa.

7.1 South Africa

Water privatisation has been strongly and effectively opposed in South Africa (see above). These protests had an impact beyond national borders, affecting the privatisation of water in Mozambique. When the water privatisation contract award was first announced in September 1999, it was reported that Mozambican Public Works and Housing Minister, Roberto White, promised that not a single one of the country's current 850 workers will be retrenched or otherwise dismissed. This was described as an attempt to "head off looming labour union protests" following concerted union protests in South Africa that have held back commercialisation schemes.

White said that all rights currently enjoyed by the workers would be respected and upheld by the new operators. He also pledged that no worker would be laid off during the first year of operation, and said that anyone who was dismissed thereafter would be absorbed into the planned rehabilitation projects linked with the main contract.114

7.2 Ghana

There has been well-organised and effective widespread protest against the planned privatisation of water in Ghana. This has been dominated by the Integrated Social Development Centre (ISODEC), a Ghanaian NGO. The campaign has been reinforced by research from Christian Aid and benefited from widespread international support from academics and NGOs. Many of these participants have not protested against other water privatisations so the level of support must be a testament to the success of ISODEC in bringing the issue to international attention.

7.3 Kenya

Protesters drew attention to the poor deal that the council was to get from the Nairobi water deal with Vivendi (see above). Under the terms of the original agreement, the investment from Vivendi was to be just focused on improving billing systems with no money spent on infrastructure improvements.115 The project was initially due to start in November 2000.

However, the project was finally suspended in September 2001 when the World Bank stepped in to fund a study into alternative privatisations, criticising the high cost and lack of transparency of the Vivendi project.

7.4 Global campaigns
The above campaigns should be seen in the global context of opposition to water privatisation. Table 4 below lists major cases where privatisation was opposed with some definite degree of success.

A number of campaigns are continuing, with no final outcome yet visible. However the fact that the campaigns are still going demonstrates a degree of success – Brazil was close to privatising much of its major cities’ water in 1999, for example.

There are other campaigns which have failed, like the campaign in the UK against Mrs Thatcher’s privatisation plans in the 1980s. There are also certainly other cases where privatisation proposals were stopped or rejected.

Table 4: International campaigns against water privatisation

<table>
<thead>
<tr>
<th>Country</th>
<th>City</th>
<th>Year</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>Lodz</td>
<td>1994</td>
<td>Privatisation prevented</td>
</tr>
<tr>
<td>Honduras</td>
<td>Honduras</td>
<td>1995</td>
<td>Privatisation prevented</td>
</tr>
<tr>
<td>Hungary</td>
<td>Debrecen</td>
<td>1995</td>
<td>Privatisation prevented</td>
</tr>
<tr>
<td>Sweden</td>
<td>Malmo</td>
<td>1995</td>
<td>Privatisation prevented</td>
</tr>
<tr>
<td>Argentina</td>
<td>Tucuman</td>
<td>1996</td>
<td>Termination and reversion to public</td>
</tr>
<tr>
<td>Germany</td>
<td>Munich</td>
<td>1998</td>
<td>Privatisation prevented</td>
</tr>
<tr>
<td>Brazil</td>
<td>Rio</td>
<td>1999</td>
<td>Privatisation prevented</td>
</tr>
<tr>
<td>Canada</td>
<td>Montreal</td>
<td>1999</td>
<td>Privatisation prevented</td>
</tr>
<tr>
<td>Panama</td>
<td></td>
<td>1999</td>
<td>Privatisation prevented</td>
</tr>
<tr>
<td>Trinidad</td>
<td></td>
<td>1999</td>
<td>Termination and reversion to public</td>
</tr>
<tr>
<td>Bolivia</td>
<td>Cochabamba</td>
<td>2000</td>
<td>Termination and reversion to public</td>
</tr>
<tr>
<td>Brazil</td>
<td>Limeira</td>
<td>2000</td>
<td>Incomplete termination</td>
</tr>
<tr>
<td>Germany</td>
<td>Potsdam</td>
<td>2000</td>
<td>Termination and reversion to public</td>
</tr>
<tr>
<td>Hungary</td>
<td>Szeged</td>
<td>2000</td>
<td>Incomplete termination</td>
</tr>
<tr>
<td>Mauritius</td>
<td></td>
<td>2000</td>
<td>Privatisation prevented</td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
<td>2000</td>
<td>Termination and reversion to public</td>
</tr>
<tr>
<td>USA</td>
<td>Birmingham</td>
<td>2000</td>
<td>Termination and reversion to public</td>
</tr>
<tr>
<td>Argentina</td>
<td>BA Province</td>
<td>2001</td>
<td>Termination and reversion to public</td>
</tr>
<tr>
<td>France</td>
<td>Grenoble</td>
<td>2001</td>
<td>Termination and reversion to public</td>
</tr>
<tr>
<td>Brazil</td>
<td></td>
<td>current</td>
<td>Continuing campaign</td>
</tr>
<tr>
<td>Ghana</td>
<td></td>
<td>current</td>
<td>Continuing campaign</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Jakarta</td>
<td>current</td>
<td>Continuing campaign</td>
</tr>
<tr>
<td>South Africa</td>
<td></td>
<td>current</td>
<td>Continuing campaign</td>
</tr>
<tr>
<td>Uruguay</td>
<td></td>
<td>current</td>
<td>Continuing campaign</td>
</tr>
</tbody>
</table>

Source: David Hall, 2001, South Africa Labour Bulletin

8 Public sector provision of water

8.1 Botswana

The Botswana Water Utilities Corporation (WUC) was established in 1970 by an Act of Parliament. Between 1970 and 1998 it was reported that the population serviced by the WUC increased from 30,000 - with water consumption averaging 5 mega-litres a day - to 330,000 - with an average of 84 mega-litres daily consumption.
According to NewAfrica.com, the WUC operates on commercial principles and sets tariffs to the public and other clientele which allow a fair return on its services and assets employed. The corporation maintains a policy of cross-subsidy in order to protect domestic consumers at the lowest band to have access to water supplies.

The corporation is headed by a Chief Executive who is accountable to a Board of Directors which consists of six to eight members representing interests affected by the corporation’s activities and senior government officials. The board members are appointed by the Minister of Mineral Resources and Water Affairs.\(^{119}\)

In order to cope with increasing demand the WUC invested in the North South Carrier Water Project (NSCWP) pipeline – the largest single public investment ever undertaken in the country. The WUC raised finance for the project from a consortium of local banks, including, Barclays, First National Bank and Standard Chartered. Other financiers were the Development Bank of Southern Africa (DBSA) and the European Investment Bank (EIB). While there are concerns that project overruns may lead to price increases, NSCWP has been given a 15 year guarantee by the joint venture that was given the tender.\(^{120}\)

While this appears to be a relatively successfully run public water supply, it was reported by the OECD that WUC is slated for privatisation.

8.2 Burkina Faso

The water utility of Burkina Faso in the 1990s was restructured and recorded impressive indicators – most notably coverage of 85-86%.

<table>
<thead>
<tr>
<th>Performance indicators for ONEA</th>
<th>Serving 36 towns with 2 million inhabitants</th>
</tr>
</thead>
<tbody>
<tr>
<td>UFW</td>
<td>18%</td>
</tr>
<tr>
<td>Collection</td>
<td>&gt;95% incl. Gov’t consumption</td>
</tr>
<tr>
<td>Metering</td>
<td>100%</td>
</tr>
<tr>
<td>Cost recovery</td>
<td>96% of all costs</td>
</tr>
<tr>
<td>Coverage</td>
<td>80-85%</td>
</tr>
<tr>
<td>Public Kiosk</td>
<td>998</td>
</tr>
</tbody>
</table>

Source: ONEA – Office National de l’Eau at l’Assainissement, Burkina Faso, 1999,
Cited in Werchota 2001\(^{121}\)

Research by Roland Werchota suggests that ONEA in Burkina Faso has been successful in providing an integrated water service that meets the needs of the poor as well as higher income levels. The restructuring process which took place between 1990 and 1998 had two main aims: To create a commercially viable enterprise and to expand service to the poor and low income areas. There is evidently a commitment to ensuring that low-income groups do not pay more for services than connected households.

The multinationals are now moving into Burkina Faso water. ONEA has now been made subject to a management contract with Vivendi for five years from 2001. In addition, Ondeo won a construction contract in 2002.
8.3 Malawi

The World Bank funded a pair of long-running and apparently successful capacity-building projects in Malawi, using a (public sector) partner from the UK (the project was carried out in the 1980s, before UK water was privatised). The key role of the partnership was in providing training to the point where local officials took over all the running of the authority themselves: “The projects helped develop an effective management support and training program through a twinning arrangement with a British water authority. After the program was completed in 1994, the water board successfully took over the functions of expatriate advisers. All senior level management positions are now filled by local officers, and staff productivity has increased above target levels.”

In May 2001, 350 water workers were sacked for strike action. Workers were protesting at poor wages (most earned about $50 a month) and working conditions. They also accused the parastatal’s management, who were reported to be mainly functionaries of the ruling United Democratic Front, of financial mismanagement and extravagant spending on expensive vehicles and huge allowances. Some workers reportedly deflated tyres of vehicles belonging to the board’s chief executive and chairman.

Some employees were subsequently rehired but to regain their jobs, the workers had to sign a letter agreeing not to strike again and accepting their previous pay and working conditions.

8.4 Namibia

The Namibian Water Corporation Ltd (NamWater) was officially registered as a company on 9th December 1997 and started business as a fully government owned company in 1 April 1998. It supplies water in bulk to industry, municipalities and the Directorate of Rural Water Supply in the Ministry of Agriculture, Water and Rural Development. The company’s operations are financed through the sale of water and to a lesser extent irrigation water to farming communities. All surplus is accumulated into a fund which is used to finance capital development renewal expenditure and reduces the need for external borrowing. Namwater receives a government subsidy which will be phased out over a period for five years. In 2000, the company redesigned the tariff structure on a zone basis to enable cross subsidy.

There were a number of layoffs. Total employee numbers were reduced from 1180 to 975. For the staff that remained, wages and benefits increased, working conditions improved and staff development programmes were introduced. The company has made efforts to increase debt collection and cut costs. As a result, in 2000 (after two years) the company recorded an operating profit when it was not expected to break even for five years. The company publishes audited accounts.

8.5 South Africa - ODI

The South African district of Odi was set to become the country’s first public-public partnership in September 1999. The parastatal Rand Water Board was to develop capacity in the local authorities in the municipalities of Winterveld, Mabopane and other peri-urban areas under the Easter District Councils. After three years, the municipalities were to take full responsibility for the systems. There was significant
support from unions and promises of financial support from the municipalities and the Department of Water Affairs and Forestry (DWAF).

However, a year later the project was in financial difficulties because of continued non-payment as well as the failure of the municipalities and government to make their promised contribution. The lack of government commitment to the project has raised the question of whether the PUP was in fact meant to succeed or if in fact, public ownership was never really the preferred option.128

9 Donor policies and pressure to privatise

Privatisation often forms part of conditionality packages for donors whereby the release of aid funds is conditional on the implementation of privatisation policies.129 This then distorts the whole privatisation issue. While the genuine costs and benefits have yet to be empirically and theoretically determined, by releasing aid funds in response to privatisation, donors debase the whole argument with questionable welfare implications.130

Attracting foreign investment is a cornerstone of the New Partnership for Africa's Development NEPAD – described as a “pledge by African leaders...that they have a pressing duty to eradicate poverty and to place their countries...on a path of sustainable growth and development.”131 Critics have pointed to a contradiction with NEPAD when it comes to finance. On the one hand the object is to create a self sufficient region but at the same time the initiative calls for the need to attract private finance to the continent to fill the region’s “resource gap.”132

The use of conditionality and emphasis on the needs of investors both serve to undermine the scope for a public sector reform option, masking the genuine realities of private and public alternatives. This is further illustrated by a recent donor initiative to provide finance for private firms investing in Africa:

In January 2002, the UK Department for International Development (DFID) launched the Emerging Africa Infrastructure Fund (EAIF) a financing fund worth $305m for infrastructure construction in sub- Saharan Africa as part of the EAIF. The Fund will be managed by Barclays PLC, the Netherlands Development Finance Company (FMO) and Emerging Markets Partnership (EMP) with the Standard Bank Group as leader.

Emerging Africa’s initial financing comprises committed equity capital of $100m dollars, underwritten by DFID, a tranche of $85m of development finance debt from FMO, DEG and DBSA, and $120m of commercial debt from Standard Bank Group and Barclays. The IFC is also planning to participate.

The Fund is intended to offer competitive long-term lending terms to private infrastructure companies in SSA. Sectors will cover energy, telecommunications, transport and water.135 The Fund will be able to consider loans in 44 African countries and will be wholly focused on private sector. Thus the fund will make the situation easier for private firms wanting to invest in African infrastructure and skew the position against a public ownership option.
10 Comments on trends and issues

Most countries have been under substantial donor pressure to privatise. However, governments have faced difficulties attracting investors who are hesitant to commit long term finance to what is perceived as a risky venture. The nature of developments in water privatisation reflects these issues.

Management contracts are being commonly used as a way of giving multinationals risk-free business in water, while smoothing the way for eventual lease or concession privatisation. There are now examples in Chad, South Africa, Mali, Gabon, Burkina Faso and Mozambique.

The public sector option is rarely considered. With so much support from donor countries for privatisation, the IFIs frequently making privatisation a conditionality, and the multinationals not wishing to face competition from the public sector, public ownership is rarely considered a viable policy option. In both Ghana and Kenya for example the governments have no plans to explore public sector options, and so the choice they present is restricted to ‘which multinational?’

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