Water privatisation in Africa: lessons from three case studies

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1. Introduction

Water privatisation is being adopted as the reform method in many African countries but there has been little research into its impact. What evidence is emerging suggests that the methods used to privatise have been problematic. In particular:

- The institutional framework has meant that there has been confusion regarding responsibilities for maintenance and investment;
- The government has been powerless to regulate the private firms and the private investors have failed to cooperate with the regulators;
- The use of a lease contract means that government still has responsibility for capital investment;
- Privatisation has failed to make the public sector pay its bills. The private sector claims compensation by paying less to the government asset holding institution which then has less funds for investment. Privatisation then fails to address one of the core investment financing issues;
- It is not clear that the water sector is any better off financially aside from the large loans received from donors because of complying with conditionality.

This paper catalogues the main water privatisations in Africa before reviewing three case study experiences. The information for the case studies comes mainly from two World Bank publications.¹

2. Major water privatisations in Africa

Table 1 below shows the major water privatisations that have taken place in Africa. The table shows that the picture is dominated by two French firms: SAUR, a subsidiary of Bouygues, and Vivendi.

♦ Table 1: Major water privatisation in Africa

<table>
<thead>
<tr>
<th>Country</th>
<th>Date</th>
<th>Company</th>
<th>Sector</th>
<th>Contract Type</th>
<th>Lead Investor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cote d'Ivoire</td>
<td>1960</td>
<td>SODECI</td>
<td>Water</td>
<td>15 year renewable concession</td>
<td>SAUR</td>
</tr>
<tr>
<td>South Africa</td>
<td>1992</td>
<td>WSSA</td>
<td>Water</td>
<td>25 year concession (Queenstown) and 10 year concession (Fort Beaufort)</td>
<td>Suez-Lyonnaise</td>
</tr>
<tr>
<td>Guinea</td>
<td>1989</td>
<td>SEEG</td>
<td>Water</td>
<td>Ten year lease contract</td>
<td>SAUR, EDF</td>
</tr>
<tr>
<td>CAR</td>
<td>1993</td>
<td>SODECA</td>
<td>Water supply</td>
<td>15-year management leasing contract</td>
<td>SAUR</td>
</tr>
<tr>
<td>Mali</td>
<td>1994</td>
<td>EDM</td>
<td>Water and electricity</td>
<td>4-year overall management contract¹</td>
<td>SAUR-EDF-HQI</td>
</tr>
<tr>
<td>Senegal</td>
<td>1995</td>
<td>SdE</td>
<td>Water</td>
<td>51% ownership</td>
<td>SAUR</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>1995</td>
<td>EAGB</td>
<td>Water and Electricity</td>
<td>Management contract</td>
<td>Suez-Lyonnaise, EDF</td>
</tr>
<tr>
<td>Gabon</td>
<td>1997</td>
<td>SEEG</td>
<td>Water and electricity</td>
<td>20 year concession</td>
<td>Vivendi, ESB</td>
</tr>
<tr>
<td>South Africa</td>
<td>1999</td>
<td></td>
<td>Water</td>
<td>30 year concession Dolphin Coast</td>
<td>SAUR</td>
</tr>
</tbody>
</table>

¹ Sources:
² Since privatised
South Africa 1999 Water 30 year service contract Biwater Nuon
Mozambique 1999 Aguas de Mocambique Water Concession - 15 yrs (Maputo and Matola) and 5 years for the other cities SAUR+IPE (Portugal)
Kenya 1999 Nairobi Water 10 year management contract for water billing and revenue management Vivendi
Chad 2000 STEE Electricity and water 30 year management contract Vivendi
Cameroon 2000 SNEC Water 20 year concession and 51% stake Suez Lyonnaise
Burkina Faso 2001 Water 5 year support and service contract Vivendi
Niger 2001 Water 10 year renewable lease contract – provision of water services to whole country. Vivendi

Sources: PSIRU database; Campbell-White and Bhatia, Privatisation in Africa IBRD 1998

3. Guinea water privatisation

Before reform in 1989, the performance of the water sector in Guinea was very poor. There was low access and high incidence of water borne diseases. The World Bank had sponsored the first ‘Water Supply and Sanitation Project’ for Conakry from 1977 to 1985 but results were disappointing. Political interference and an unfavourable economic climate resulted in poor financial performance and weak institutional development in the water sector. Fewer than 40 percent of the urban population in Guinea had access to piped water. Tariffs bore little relation to supply costs and irregular flow and poor water quality were commonplace.

A. Why did they privatise?

The performance of the utility was poor but that does not always mean that a county privatises its water supply. In addition to the need for investment finance and for internal performance improvement, there were two other reasons why the privatisation happened when it did in Guinea:

1. Donor pressure: The government was short of funds and needed donor finance. For the World Bank, the poor performance of the first Conakry water supply and sanitation project meant that future finance would require more far-reaching reforms so private participation was a condition of World Bank lending.

2. The new military government was not reliant on political support from those who would lose from the policy. The two interest groups expected to lose out from privatisation were the urban elite and workers (the utility was overstaffed in part because of the government promise to give a job to all graduates). In practice, neither of these groups were vital supporters of the new military government. These groups had suffered substantially as a result of other structural adjustment policies, increasing agricultural prices and cutting public sector employment. The army on the other hand, which was a key supporter of the government, increased its numbers and was awarded a pay rise.

The government took steps to reduce opposition from workers. Of 504 DEG employees, 40 were hired by SONEG, 250 by SEEG and 30 qualified for other civil service positions. Both SONEG and SEEG are unionised although unions do not seem to have much influence.

3. The problems in Guinea were due almost entirely to management of the sector as there was not a lack of water.
B. The reform process

The Government opted for a lease contract as the means for bringing in private sector participation. Under this arrangement, the private operator was not responsible for the assets of the water sector as these were still owned by the government. The private firm pays a lease fee in return for ‘rental’ of the infrastructure assets and is responsible for operating the system and billing and collecting revenue.

The advantage of this set up is that private investors do not have to commit funds to long-term investment projects. At the time, Guinea was potentially unstable having recently been through a military coup and the judiciary was weak, dependent on the government and had a poor record of enforcing private contracts. So it was considered it would be too risky for firms to invest in long-lived and non-transferable assets.

Such a lease arrangement is also politically appealing because it does not give the impression of selling off the nation’s assets as they are still under government control. The drawback, as we shall see, is that responsibilities for the sector may be confused.

The steps of the reform process:

1. In 1989, the government transferred ownership of urban water supplied in Conakry and secondary cities from DEG to national water company to the newly established state owned national water authority; Societe Nationale des Eaux de Guinee (SONEG).
2. Private companies were invited to bid for a lease arrangement to operate and manage the urban water services in 17 urban centres. Competitive bidding only produced two bids.
3. Two consortia finally put in bids for the lease contract (although there were 6 firms that expressed interest). The contract went to a consortium led by SAUR and Vivendi from France (also running water companies in Cote d’Ivoire) which set up the management company Societe de Exploitation des Eaux de Guinee (SEEG).
4. Contracts were signed in 1989 and were supported by the WB Second Water Supply Project with US$102.6m funds from WB, African Development Bank and Government of Guinea and SONEG.

It was also decided to increase prices for water as this was considered necessary to allow private firms to make more revenue – particularly as the government still is a poor payer. Prices were subsidised by the World Bank and went directly to the private firm rather than through the government.

C. Institutional set-up

The new arrangement involved a set of three contracts between the following parties:
- Government and SONEG
- SONEG and SEEG and
- SEEG and its international shareholders

SONEG was owned by the government and owned the assets, planned investments and set fees. SEEG operated the system and billed and collected payment and paid a rental fee to SONEG. SEEG received payments from customers and paid a management fee to the private shareholders, Vivendi and Saur.

The key responsibilities of the government and private sector are:

- **The government – through SONEG**
  - Ownership of assets
  - New investment
  - Sector planning
  - Debt service
  - Setting tariffs
 Monitoring the activities of SEEG.

**The Private sector – SEEG**
- Operating and managing existing supply facilities
- Billing and collecting payments in the 17 urban centres
- Small scale investment
- Receiving payments from consumers
- Paying rental fee to SONEG
- Paying management fee to private shareholders at a fee based on 2 percent of the revenues.
- SEEG also works for SONEG as a contractor for rehabilitation and extension work.

D. How has it worked?
Things improved but not as much as was hoped. After privatisation, connection rate rose from 38% in 1989 to 47% in 1996. Labour productivity rose at the time of reform from more than 40 to 20 employees per 1000 connections. Water quality increased, consumer service improved and metering levels rose dramatically.

The main results were:

- Water quality – almost everyone agrees that this has improved.
- Improved customer service – it became easier to complain, register faults and get repairs done.
- Rapid metering – before reform about 5% of customers had working meters. By 1996 98% of private customers were metered and 100% of administration connections were metered.
- Improved bill collection from private customers. But this fell when the price increased. SEEG can and does cut off supplies to consumers who do not pay their bill for three consecutive months.
- Higher labour and total factor productivity – the number of connections per workers increased dramatically following the layoffs at the time of reform but failed to increase significantly after that.
- Prices increased more rapidly than planned and made it difficult for even wealthy people to pay. Prices in Guinea are higher than average in Africa and Latin America. Costs are also higher. Tariffs are high by industrial as well as African standards. SEEG seems to be adopting (and SONEG are complying with) a kind of cost plus tariff setting scheme. If this is the case then the lease approximates a management contract with SEEG’s risks minimised and commercial risk borne by the government. And - despite SEEG's role in investment - the company assumes almost no investment related risk.

Why did prices increase so much? As there is no clear mechanism for tariff setting the reason is not clear. Requests are put to SONEG for approval. High prices have been attributed to the fact that government departments do not pay their bills but this is also claimed back with payments withheld from SONEG.

- There was substantial investment due to the funds provided by donors at the start of the project, although this was not that effective because of high levels of unaccounted for water.
- Company finances: Improved financial situation: not surprising given the improvements in billing and large increases in tariffs. SEEG quickly became profitable. In 1996, SEEG made profits of US$3.2m. SONEG however has been making losses. In 1996, SONEG’s losses were US$4.1m. The decline was due to the drop in the rental fee that SEEG paid to SONEG and the end of the subsidy that the government paid SONEG for debt service.

- Collection rates: Still low because government still does not pay its bills and because of the weak legal environment which means that even where people do not pay there is little the company can do beyond cutting them off. Collection rates from the public sector remain low. For the first two years of the lease, under donor pressure, the government paid its bill regularly. But in 1991, the government collection rate fell to less than 50% and then dropped further to close to 10% in 1993. This is a major problem for SEEG as the government accounts for about 30% of sales. Costs are then passed on to smaller consumers who pay their bills.
• Connections increased but not by as much as expected. Why? High price of water means people cannot afford to get connected; the chaotic expansion of Conakry including inflows of refugees has made it technically difficult to set up connections. And system expansion was slowed by disagreements between SEEG and SONEG over who was responsible for what.

• Unaccounted for water (UFW): Still very high. Why is it still so high in Guinea? There seem to be lots of illegal connections and there is little SEEG can do in the circumstances other than cut off the supply. Overlapping lots and interlaced household especially in older parts of the city can make it difficult to interrupt water supply and control connections. And the problem is worse because of poor maintenance and ancient infrastructure.

SEEG has little incentive to reduce UFW. There is no shortage of water as the infrastructure has been improved so it does not affect what SEEG can charge. And the amount paid by SEEG to SONEG is a proportion of bills collected not of the water used so it has little incentive to reduce unaccounted-for-water.

E. Problems:

♦ Unclear responsibilities

Because of the interrelated functions between SONEG and SEEG, there have been disputes over who is responsible for what. SEEG’s effectiveness as an operator of the facilities is dependent on SONEG for payment so it is easy for SEEG to blame SONEG for any problems.

The overlapping of investment responsibilities has caused problems with both blaming the other for delays. SONEG still has to operate according to bureaucratic government procedures, for example on tendering for procurement, but SEEG has much more flexibility.

There is no requirement for SEEG to put its input procurement to competitive tender because it is assumed that the private firm, aiming to maximise profits will simply go for the best value option although this can be complicated when they source products from their parent company.

♦ Weak regulation

SONEG does not have access to information on SEEG’s finances. This means that when SEEG puts in a request for SONEG to increase tariffs, SONEG is not able to accurately assess the grounds on which this is based. Thus the basis for tariffs is not clear – it might be a cost plus basis but SEEG is able to conceal the nature of charges in the different accounts for service contracts or operational contracts.

SEEG does not have to put its procurement to tender. The problem comes when the private firm sources input from its parent company and there is no way of the government knowing if the firms is using transfer pricing to increase profits – i.e. it may be that the charges from the parent firm are manipulated to ensure the profit of the multi national company is maximised which might not be in the best interests of Guinea’s water services.

SEEG has gone over SONEG’s head and developed infrastructure beyond its contractual responsibilities. Although the contract specifically prohibits SEEG from doing this, once it is done, the situation is irreversible. For example, the French development bank provided SEEG with substantial aid to develop new infrastructure – this was done without bidding and ignoring the clause which makes SONEG responsible for such projects. But there was little SONEG could do about it.

Weak regulation can work in SEEG’s favour. It can overstate costs incurred in its maintenance programme as some of the pipes are so old and it can bid on construction contracts. It is required to provide SONEG with separate reports and accounts on its separate functions (i.e. the functions that are subject to regulation and those that are not) but SEEG has refused to provide SONEG with this information even though it is required in the contract and this then aggravates the information asymmetry.
SONEG has been unable to force SEEG to comply in a timely fashion with its financial reporting requirements and SONEG then cannot assess whether requests for increases in remuneration are reasonable. This also increases tariffs. SONEG has not been able to get SEEG to separate its activities under the lease contract and its activities under separate construction contracts. This means that SEEG might be able to transfer cost overruns from operational activities (for which SEEG should bear some commercial risk) to its construction activities (for which it is not supposed to bear any commercial risk).

A World Bank audit found that weak regulation has meant that the formulas which are used to adjust prices in response to cost changes were misapplied and this meant that tariffs were overvalued. Because of this and because of the informal price negotiations between SEEG and the government, the private operator receives far greater compensation than was anticipated – the lease contractor rate – i.e. the part of the tariff to be paid to SEEG was supposed to be 214 GF/m³ but in fact it was 448 GF/m³. This is due in part to a lack of administrative capacity at SONEG but also because SEEG has failed to provide the information to SONEG that was required under the contract.

♦ No independent regulator

So there has been a weak institutional framework which has not prevented private sector involvement but it has affected the success of the reform. There is no independent body to enforce the contracts between the various parties. This means that many of the terms of the contract have not been effective such as terms requiring the government to pay its bill, or enforcing performance targets.

The institutional set up has caused problems – partly because there has been no independent arbitrator. For example, in 1991, the government stopped paying a large amount of its water bill. SEEG still had to pay its workers so in response it stopped paying SONEG its rental fee – formally a breach of contract. There was a clause in the contract which said that SONEG could access a deposit paid by the investors if they were to not pay this rental fee. But when SONEG threatened to apply this rule, SEEG said that the delay was because government had not paid its bill and government representatives forced SONEG to back down. Finally an agreement was reached when the WB made a settlement a condition for funding the third water supply and sanitation project.

There has been no independent regulator in Guinea and this has made things more difficult. Without an independent party, the system depends on the set of contracts and their implementation. SONEG, which is officially responsible for monitoring SEEG, is not able to do this because of lack of autonomy and because of information asymmetries. Disputes and disagreements were settled at the highest level of government often going to the ministry or even to the president. Such a system has soured relations between government and investors. The government retains substantial discretionary power that is only partly counterbalanced by international lenders and the lobbying of the companies that own SEEG.

Weaknesses in the wider institutional framework also affect privatisation outcomes. For example, low collection rates are in part due to weaknesses in the judicial system that make it difficult to extract payment from non-payers including government departments.

♦ Politics remains influential

SEEG did not cut-off the government departments that did not pay although they are allowed to contractually. Why did they not do this? The government has substantial power over SEEG. At the time, SEEG was trying to get the government to approve price increases larger than originally planned. Also it might be that the government has direct influence through its representation on SEEG’s board. SEEG has been willing to cut water supplies to local agencies which have little power of SEEG.

Regulation was down to SONEG which had government ministers on the board and was therefore unlikely to be able to avoid political pressures.
Government still does not pay its bill and as a result, SEEG withholds payment of its rental fee from SONEG. This means that there is less money for investment. So, privatisation fails to address one of the crucial issues of public sector ownership. Despite privatisation, poor revenue collection still means that there is insufficient finance for investment.

F. Conclusions

In retrospect, outcomes should have been predictable. In its efforts to maximise profits, the investors will prioritise operations which make money. Prices will be increased as much as possible and compliance with the regulator will be kept to a minimum – even down to charging double the agreed rate. The main focus of investment has been to improve billing while efforts to increase the number of collections or minimise water losses have not been significantly affected. The private firm has made a profit and the bit that is still government owned continues to be loss-making.

Some might consider this to be a success when compared with the way the water supply was operating before privatisation. However, there are clearly substantial limitations.

Leases are perceived as easier to implement than concessions (where the private firm takes responsibility for investment) because the private sector does not need to commit to large scale investment and there is less need for intrusive regulation. But there needs to be effective monitoring and regulation if governments are to be able to make an accurate assessment of performance and lessees are to bear their share of commercial risk.

4. Senegal water privatisation

A. History

Earlier reform efforts had produced little improvement in service delivery. The water company had been privately owned at the time of independence, but was nationalised in 1972. During 1970s there was substantial investment but much of it was of low quality due to poor planning and the excessive sophistication of some installations which could not subsequently be properly maintained.

In an effort to reduce government influence, it was decided to transfer all assets and related debt service obligations to a public enterprise, the Societe Nationale d’Exploitation des Eaux du Senegal (SONEES) which had primary responsibility for operation, maintenance and rehabilitation of the urban water supply sector while government undertook to review tariffs twice a year in line with predetermined pricing formula.

Despite efforts at restructuring as well as reasonable levels of technical competence, the finances did not improve because the government failed to increase tariffs, public authorities failed to pay their bills and the government continued to intervene in investment decisions. So even though SONEES operational performance was satisfactory with high labour productivity (7 employees per thousand connections), revenues were not enough to cover costs and this had a bad effect on the state of the network.

Unaccounted for water was about 30% in 1994, water quality was unequal and while 80% of Dakar had access to safe drinking water, this was not the case for a growing number of poor residents.

B. Why privatise?

- Finance – It was believed that the increases in efficiency that the private sector would bring would mean that the tariff increases required to cover costs and ensure financial self sufficiency of the sector would not be less than the tariff increases required under government ownership.
- Efficiency gains - It was estimated that prices would need to increase by 2.4 percent per year from 1996 to 2003 to make the sector self-sustaining with private participation. Against this it was estimated that annual increases of 5 percent a year would be required without private participation.
• Autonomy from government - Private participation was seen as essential to ensure real autonomy from the government and allow the utility to put greater pressure on public bodies to pay their water bills.

C. Structure
A lease contract was set up. This option was chosen because it was politically sensitive and because private firms were not expected to want to assume full debt service and investment risks. The lease was signed with the private operating company, Senegalaise des Eaux (SdE) in 1996. SAUR (France) was the main shareholder. Responsibility was divided then:

• SdE: Private operating company, responsible for some investments every year.

• SONES: Government state holding company, responsible for owning sector assets, planning and financing investments (except for what was done by SDE) and monitoring SDE activities. Part of the reason for setting up SONES as a state holding company was to rally SONEES employees to the reform process and SONEES had performed well technically so it was worth maintaining a specialised public entity in the water sector.

• Finance: SONES was to receive the difference between total consumer tariffs and SDE’s remuneration.

D. Results
• In Dakar, since privatisation the population with access to safe drinking water has increased from 80 to 82% and UFW was reduced by about 4% from 30 to 36% over same period.

• 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.

E. Problems
• It has been difficult having separate bodies responsible for investment and maintenance.

• One of the difficulties with regulating SdE arises because the regulator, SONES, is staffed by employees who had been passed over for a job by the private firm and were being paid less than their former colleagues they were supposed to be regulating.

• Yearly tariff adjustments have so far been implemented as planned and public entities do pay their bills. But there is tension between the private operator and the SONES.

5. Cote d’Ivoire water
This privatisation came long before any others in Africa. A contract was given to French firm SAUR in 1960 to run the water company SODECI. Generally, performance was considered satisfactory. The water was of high quality, high collection rate from private (although not public) users, high labour productivity (8 workers per 1000 connections) and low levels of unaccounted for water (15% in 1987).

Management of water came under a department within the Water Directorate of the Ministry of public works and transportation rather than under a specially created state holding company (SHC) as was the case in Guinea and Senegal.

There was a financial crisis in 1980s because of an overly ambitious expansion programme by the Water Directorate which coincided with depressed demand. So this demonstrated that there was a need for greater linkage between the revenue side of things with investment planning.

The government wanted to set up a concession with SODECI where SODECI assumed full responsibility for investment and debt service.
A. Contract renewal negotiations, 1987

The original contract was signed in the late 1950s and was renewed in 1987 for 20 years. The private firm that owned SODECI was not prepared to take on responsibility for investment because it was not clear that the sector revenue would cover debt service requirements.

The new contract gave SODECI planning responsibilities and therefore a large degree of control over investment while it remains a lease contract because SODECI does not commit its own resources to carry out the investment and cover debt service charges and so it does not bear any investment related risks.

SODECI then continues to get a lease fee without being exposed to any risk. The finance for investment and debt service come from the difference between consumer tariffs and SODECI’s lease fees. The balance here is transferred to the Fonds de Developpement de l’Eau (FDE) which funds investment expenditure and the Fonds National de l’Eau (FNE) which funds debt service.

Under the contract SODECI is responsible for:

- Supplying drinking water services in Abidjan and all other urban centres in the country. This involves production, distribution, service management, facilities and network management and maintenance, renewals and extension of the network, as required by the government, and the collection of tariffs.
- Since 1997, it has drawn up investment plans that are submitted to the government.
- It carries out construction works with a value of under CFAF 80m (approx USD115,000).
- It also takes part in competitive bids to construct infrastructure.

The public sector is:

- Owner of network and all related assets.
- Provider of services to all rural segments of the population (centralised activity).
- Provider of financing for investment.
- Sets tariffs for end-users

The renewed contract did change some of the terms and reduced some of the benefits SAUR had enjoyed, for example,

- Before 1987, SODECI had been obliged to operate and maintain any additions made to the existing system but was guaranteed compensation if the amount of water actually consumed fell below some forecasted levels calculated in advance. This guarantee made sure that SODECI’s profits were safeguarded. After 1987, the guarantee was removed.
- 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. This in itself suggests that there had been a considerable profit margin accruing to SAUR.

B. Results

Since 1987, tariffs have increased more slowly than stipulated in the 1987 contract. Regulation and tariff adjustments come under the water directorate but ultimately they have to be approved by the council of ministers. The process remains highly political and has therefore been more erratic and ad hoc than might have been.

The public sector still doesn’t pay its bills and SODECI doesn’t cut them off but withholds payments to FDE and FNE. This means that the funds transferred to these two are in insufficient to cover future investment and debt service needs.

The connection rate has increased since 1989, water quality has remained high, UFW still low and labour productivity continues to improve. 1996: 3.8 employees per thousand connections.

Some have expressed 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.

3 Source: http://www.wupafrica.org/wup_e/wup/Reforms/Coutry_inf/Cote_D'Ivoire.htm
6. Conclusions
The above case studies show that privatisation of water with a lease contract in Africa has only demonstrated improvements in some of the core aspects of raising revenue. Tariffs, billing and collection rates have improved. What is more, it is not clear that the increase in revenue actually reaches the bodies responsible for investment in the sector as the public sector seems to be powerless to find out about the revenue position of the private investors.

High prices and disconnections must mean that the poorest segments of society are likely to be the main losers from the privatisation process. Where this increases use of unsafe water sources, the consequences will be disastrous for public health.

The main winners from the contracts seem to be the private companies whose investments are focused on revenue raising such as meter installation. Private firms are in a powerful position as it is them who receive tariffs and then decide what to pay the government.

This analysis is based on what little evidence there is from water privatisation in Africa. The subject needs extensive further research, particularly into the impact on those excluded from the privatised water supply. These studies show that effective regulation remains elusive. Given the enormous institutional demands presented by privatisation, alternative policy options need to be considered.