Water Renationalisation in Cameroon 2018

Vera Weghmann and Emanuele Lobina
v.weghmann@gre.ac.uk, e.lobina@gre.ac.uk

May 2018

The Public Services International Research Unit (PSIRU) investigates the impact of privatisation and liberalisation on public services, with a specific focus on water, energy, waste management, health and social care sectors. Other research topics include the function and structure of public services, the strategies of multinational companies and influence of international finance institutions on public services. PSIRU is based in the Business Faculty, University of Greenwich, London, UK. Researchers: Prof. Steve Thomas, Dr. Jane Lethbridge (Director), Dr. Emanuele Lobina, Prof. David Hall, Dr. Jeff Powell, Sandra Van Niekerk, Vera Weghmann, Dr. Yuliya Yurchenko
1. Introduction

This briefing was commissioned by Public Services International (PSI) to provide an overview of the re-nationalisation of water supply in Cameroon, which comes into force in May 2018. The briefing covers the following issues.

- The history of water privatisation in Cameroon
- Workers’ response to privatisation
- Public and private performance in terms of expanding access to drinking water
- The process of renationalisation
- Large privatised construction projects

2. Privatisation of SNEC

In 1968 Cameroon created the National Water Supply Company of Cameroon (SNEC, Société Nationale des Eaux du Cameroun) to provide water supply across the country. Preparations for the privatisation of SNEC began in 1999 as part of an IMF structural adjustment package, first under the Enhanced Structural Adjustment Facility (ESAF) framework and later the Poverty Reduction Strategy Papers (PRSP). Yet, the first attempts to privatise SNEC failed. After nearly 4 years of negotiations with French multinational ONDEO Services - formerly Suez-Lyonnais de Eaux and now part of Suez Environnement - the acquisition of SNEC did not materialise. The Panapress reported that, according to sources close to the Technical Commission in charge of privatisation, the acquisition failed because the price of CFA 500 million ONDEO offered for 51% of SNEC was much below the CFA 300 billion SNEC was assessed to be worth. In other words, ONDEO offered less than 1% of what the government asked for. It was also reported that the offer made by ONDEO Services only focused on the six urban centres and neglected the sparsely populated towns of Cameroon. As such ONDEO Services aimed to cream off the areas considered to be profitable. As Suez were reported to be the only bidder for SNEC, the privatisation process came to a standstill.

The public asset holding company Cameroon Water Utilities Corporation (Camwater) was created in 2005 to facilitate the establishment of a Public Private Partnership (PPP) and attract investors. Camwater was to manage water infrastructure while the private partner would be responsible for service delivery. Camwater started operating on 31 March 2006. It was put in charge of the managing, financing and construction of all the infrastructure for the capture, production, transport and storage of water as well as control over water quality. As such Camwater took over the activities of SNEC (with the exception of maintenance and operation activities) as well as its assets, liabilities and also its employees. Through Camwater the Cameroonian government intended to invest over CFA two hundred billion (currently €30.6 million) in the extension and rehabilitation of water supply networks across the country over the following ten years.

It was announced in 2007 that a consortium of the Office National de l’Eau Potable (ONEP), the national water supply company of Morocco, and the Moroccan companies DELTA HOLDING and INGEMA had won a 10-year lease contract with Camwater. Through this PPP the consortium, named Camerounaise des Eaux (CDE), became responsible for operating water supply while Camwater remained in charge of running the infrastructure. The contract between CDE and Camwater was signed on 2nd May 2008 and was to expire in May 2018. It was hailed by the World Bank as “the first example of a true South-South PPP in the (Western and Central African) region”, and constituted one of the largest water PPPs in the region by population served.

In 2011, ONEP merged with Morocco’s public-owned energy generation and distribution enterprise ONE (Office national de l’électricité) to form the new public agency ONEE (Office national de l’eau et de l’électricité). The merger aimed at facilitating the development of water and energy services in Morocco’s rural areas where the private sector had less interest in investing because these were less profitable than large cities like Casablanca and Rabat. Since 2012, ONEE became the leading partner in CDE.

3. Workers’ response to privatisation

No redundancies were made in the run-up to the privatisation of SNEC and all employees were distributed between Camwater and CDE, but conflict soon arose over employment conditions. Immediately after the privatisation the former SNEC workers, mostly employed by CDE, threatened to go on strike over lost longevity benefits, as with the transfer they were considered as new CDE employees. The Post reported that the company changeover also affected benefits such as social insurance and retirement as well as ‘accrued salaries’.

22 According to Africa News the threat of
strike to 92% in 2008 and 95% in 2015. By contrast, only 31% of the rural population had access to improved sources of drinking water in urban areas (a 0.5% annual average increase was achieved under public ownership, while a 0.28% average annual increase was achieved under private ownership (see Table 2). The public sector performed slightly better than the PPP in terms of expanding access to drinking water in urban areas (a 0.42% average annual increase was achieved under public-private ownership). Considering that the average urbanisation growth slowed during the PPP period, from 1.3% annually in the eight years prior to privatisation (2000-2008) to 1.1% annually in the 8 years during the PPP for which data is available (2008-2016), the relative success of the public sector performance is even greater.

The public sector performed also significantly better in terms of expanding access to drinking water in rural areas, where investments are less profitable than in urban areas - a 1.11% average annual increase was achieved under public ownership, while a 0.28% average annual increase was achieved under public-private ownership (see Table 2).

Table 2: Average annual increase in access to improved sources of drinking water

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>1.33%</td>
<td>1.11%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Private</td>
<td>0.28%</td>
<td>0.28%</td>
<td>0.42%</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations based on the 2010 and 2015 report by the Joint Monitoring Programme for Water Supply and Sanitation (JMP). Note: Public refers to the years 1990-2008 and private refers to the years 2008-2015.

4. Expanding access to drinking water – a public/private comparison

The UNICEF and World Health Organisation’s (WHO) Joint Monitoring Programme for Water Supply and Sanitation (JMP) estimates that access to drinking water in Cameroon rose from 50% in 1990 to 74% in 2008. The JMP also estimates that around 8 million people gained access to improved sources of drinking water over this period. This shows that significant achievements were made by the public sector prior to the 2008 privatisation. In 2015, 76% of the population had access to drinking water. In other words, in the seven years after privatisation, between 2008 and 2015, access to improved drinking water rose only by 2% (see Table 1). This shows that limited progress was made with expanding access to drinking water under privatisation. Between 1990 and 2008, before water privatisation, the public sector expanded access to water by an annual average of 1.33% while under the contract with CDE access increased by an annual 0.28% on average (see Table 2). The public sector significantly outperformed the PPP in expanding the access to water in a context of constant population growth. According to World Bank data the annual average population growth between 1990 and 2000 was 3%. In the 8 years prior to privatisation (2000-2008) the annual average population growth was 2.9% and it remained 2.9% during the 8 years of privatisation for which data is available (2008-2016).

The PPP made limited progress despite a US$10 million subsidized connection program to fund about 50,000 new connections. The program was funded with a US$5 million grant from GPOBA, a multi-donor trust fund that aims to foster access to basic services for the poor, with co-financing from both Camwater and users.

Table 1: Percentage of population with access to improved sources of drinking water in Cameroon

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>50%</td>
<td>31%</td>
<td>77%</td>
</tr>
<tr>
<td>2000</td>
<td>64%</td>
<td>43%</td>
<td>86%</td>
</tr>
<tr>
<td>2008</td>
<td>74%</td>
<td>51%</td>
<td>92%</td>
</tr>
<tr>
<td>2015</td>
<td>76%</td>
<td>53%</td>
<td>95%</td>
</tr>
</tbody>
</table>

Source: Based on the 2010 and 2015 report by JMP.

There is a stark difference between access to drinking water in rural and urban areas. In urban areas access to water has been significantly better. According to the JMP in 1990, 77% of the urban population had access to improved drinking water, which increased to 92% in 2008 and 95% in 2015. By contrast, only 31% of the rural population had access to improved drinking water in 1990, which increased to 51% in 2008 and 53% in 2015 (see Table 1). The public sector performed slightly better than the PPP in terms of expanding access to drinking water in urban areas (a 0.5% average annual increase was achieved under public ownership, while a 0.42 average annual increase was achieved under public-private ownership). Considering that the average urbanisation growth slowed during the PPP period, from 1.3% annually in the eight years prior to privatisation (2000-2008) to 1.1% annually in the 8 years during the PPP for which data is available (2008-2016), the relative success of the public sector performance is even greater.

The conflict continued in 2012 over an agreement which officially took effect in February 2011 but was still not implemented in 2012. According to the Cameroon Postline, the workers claim that for many years there has never been a cause for striking, until 2008 when SNEC was privatised and split between Camwater and CDE. Then confusion arose over where to collect payments such as retirement benefits, end of career packages and death benefits. The Cameroon Postline reports that CDE workers are often sent to Camwater to get payments but Camwater sends them back to CDE.

Note: Public refers to the years 1990-2008 and private refers to the years 2008-2015.
In recent years Cameroon suffered from frequent water shortages, due among other reasons to a failure to build new infrastructure to match the cities’ rapidly growing population.\textsuperscript{36} It should be noted that unlike other lease contracts, where all infrastructure investments remain the responsibility of the public sector, the contract with CDE provided for part of the investment program to be implemented by the operator. This was intended to give more flexibility to rehabilitate and expand the distribution systems by reducing the dependence of CDE on Camwater’s investments.\textsuperscript{37} Therefore, this innovation in the design of the PPP did not deliver the expected results. According to News Watch Cameroon there were water interruptions before the privatisation of SNEC but the situation worsened when service management moved from public to private hands.\textsuperscript{38} Also, according to a recent study of five municipalities in Cameroon - namely Douala IV, Buea, Kumba I, Kumba II, and Kumba III - all mayors interviewed referred to the negative impact of privatisation. The constant water shortages, the irregular supply, and high bills made it difficult for the poor to cope.\textsuperscript{39}

During the ‘Leasing and Concessions Follow-up Committee for Potable Water Supply’ in Yaoundé it became known in 2015 that 24\% of drinking water was lost during distribution.\textsuperscript{40}

5. Renationalisation

In April 2016 Cameroon President Paul Biya announced that the 10-year contract would not be renewed.\textsuperscript{41} While no official reason was given for the decision,\textsuperscript{42} this was made in the context of acute drinking water shortages.\textsuperscript{43} For more than 5 years both consumers and the authorities had been criticising CDE for poor services and overbilling.\textsuperscript{44} In August 2016 the decision was made official by the Minister of Water and Energy (MINEE), Basile Atangana Kouna, who informed CDE that the contract would not be renewed.\textsuperscript{45} 46 Previously, CDE had requested an extension of the contract for 5 more years.\textsuperscript{47}

According to the newspaper Repères, CDE responded to the non-renewal of the contract with a demand in compensation for the ‘breakdown of the economic and financial balance’ and financial losses due to unpaid water bills. In total CDE claimed 101 Billion CFA (US$19 million) in compensation.\textsuperscript{48} Private water operators often claim compensation when operations are remunicipalised or renationalised - a sobering reminder that the best way to avoid the costs of water privatisation and conflicts with the private sector is not to privatise water in the first place.\textsuperscript{49}

On 1\textsuperscript{st} May 2018 Camwater will officially take over CDE and from then onwards it will be in charge of water supply.\textsuperscript{50} CDE employees are expected to be transferred to Camwater.\textsuperscript{51} The termination of CDE’s lease contract in Cameroon adds to previous failures of water privatisation in the region, including the termination of PPPs in the Central African Republic and Guinea Conakry in 2003, Cape Verde and Mali in 2005, and Ghana in 2011.\textsuperscript{52} The Ghana PPP was a management contract with two public companies – Vitens of the Netherlands and Rand Water of South Africa. Like Ghana, the Cameroon PPP is a sobering reminder that for-profit PPPs with public water companies can be just as problematic and prone to fail as contracts with private water multinationals.

6. Privatised water projects in Cameroon

Recently, Cameroon has entered into contracts with two multinational water companies for water production projects.

6.1 Biwater

In 2016 British multinational Biwater signed a US$152 million contract with Camwater to refurbish and extend the water supply infrastructure with a view to addressing acute and ongoing water shortages. As part of the project, Biwater will build and refurbish infrastructure for potable water production, storage and distribution in 14 locations in Central and Southern Cameroon.\textsuperscript{53} 54 The project was later extended to achieve a total value of US$166 million.\textsuperscript{55} The recent visit of the UK’s MP Harriett Baldwin, Minister of State for Africa, in support of Biwater’s project might be interpreted as a sign of Biwater’s continuing interest in Cameroon.\textsuperscript{56}

6.2 SUEZ

The French multinational SUEZ has several construction contracts for drinking water with Camwater.\textsuperscript{57} In late 2017, SUEZ won a €43 million contract to build a drinking water plant in Yaoundé as a subcontractor of the Chinese company SINOMACH-CMEC over a 3 year period.\textsuperscript{58} The plant will be one of the largest drinking water production plants in Sub-Saharan Africa.\textsuperscript{59} The contract includes ‘pumping of raw water into the river Sanaga’, building a drinking water processing plant that will produce 300,000 cubic meters per day, building pumping stations and transferring treated water to Yaoundé.\textsuperscript{60} The project will be funded by the Export-Import Bank of China, and by the Cameroonian government
under a larger project worth more than €650 million (US$767.12 million). SUEZ will be responsible for undertaking engineering studies pertaining to the treatment plant, providing equipment and supervising the assembly, commissioning of the facility and for training Cameroonian personnel.61 62

6.3 Seureca/Veolia

Veolia is also trying to establish its presence in Cameroon. In 2015 Veolia announced to have won a contract to improve the drinking water supply for Yaoundé.63 The contract, which has been awarded to Seureca, Veolia’s consulting engineers group, has a duration of five years and is to produce revenue of EUR 12.1 million.64 Moreover, in January 2018 it signed a 2-year contract for works supervision and control of water supply projects in Meyomessala, Nkongsamba, and Melong.65

7. Conclusions

The main findings of this briefing are:

- The IMF-enforced privatisation of Cameroon’s water corporation, SNEC, took place in May 2008 after 9 years of attempts – and untold funds spent in preparing the transfer.
- The World Bank hailed the lease contract as “the first example of a true South-South PPP in the (Western and Central African) region”, because Morocco’s public water company ONEP led the privatising consortium CDE.
- The privatisation of SNEC led to conflicts with workers over employment conditions.
- When comparing public and private performance in terms of expanding access to drinking water it becomes clear that greater progress was achieved under public ownership and management. Especially in the less profitable rural areas the access to drinking water was increased at a much faster rate prior to privatisation.
- Cameroon’s decision to renationalise water production and distribution, by not renewing the contract with CDE, was taken after years of poor service quality and overbilling.
- Private operator CDE responded to Cameroon’s decision not to renew the lease contract by claiming compensation – a sobering reminder that the best way to avoid the costs of water privatisation and conflicts with the private sector is not to privatise in the first place.
- For-profit PPPs with public water companies can be as problematic and prone to failure as contracts with private water multinationals.

Endnotes


5


Journal du Cameroun (n.d.) CAMWATER to officially takeover CDE. Available at: https://www.journalducameroun.com/en/diary/camwater-officially-takeover-cde/


Biwater (24 November 2016) Biwater’s Water Treatment Project In Cameroon Gets A Boost To $166m https://www.biwater.com/Articles/485270/Biwater/BW_Home/Media/News_articles/Biwater_S_water.aspx

Biwater (19 February 2018) UK Minister Of State For Africa Visits Cameroon Showing Support For Biwater’s Water Supply Scheme Contract. Available at: https://www.biwater.com/Articles/516371/Biwater/BW_Home/Media/News_articles/UK_MINISTER_OF.aspx


Seureca/Veolia (13 November 2015) Seureca has won a EUR 12.1 million contract to assist Cameroon with its project to improve drinking water supply in Yaoundé. Available at: https://seureca.veolia.com/en/media/our-events/news/seureca-has-won-eur-12-1-million-contract-assist-cameroon-its-project-improve-drinking-water-supply-yaounde2