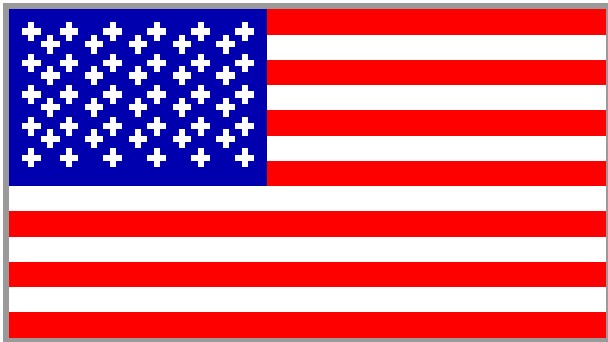
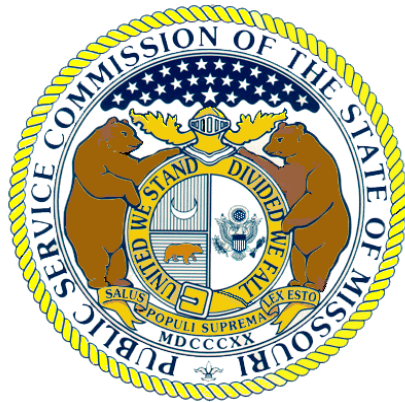


**Rwanda Utilities Regulatory Agency (RURA), National
Association of Regulatory Utility Commissioners (NARUC)
and Missouri Public Service Commission (MPSC)**

Regulatory Partnership Program



Sponsored by US Agency for International Development (USAID)

RURA and NARUC Partnership

Thursday, October 28th, 11:00 to 12:30

Warren Wood

The Regulators Role In Encouraging Investment

(Privatization and Restructuring)

Regulators Role in Encouraging Investment

The government of the Republic of Rwanda and the Rwanda Utilities Regulatory Agency (RURA) have several initiatives in place at this time to continue to privatize a number of government owned and operated businesses in Rwanda. Government owned and operated utilities are included this effort.



Regulators Role in Encouraging Investment

Laws have been enacted that provide for several of these initiatives (n°39/2001). It is my understanding that these laws have the following primary objectives:

1. To support private sector investment in Rwanda;
2. To create the Regulatory Board, which will be the regulator for the utility sectors in Rwanda;

Regulators Role in Encouraging Investment

3. To provide the Regulatory Board with administrative and enforcement support for all aspects of utility regulation by the creation of the Regulatory Agency;
4. To provide for a flexible law which will allow further sectors to be added to the remit of the Regulatory Board as and when the Government decides;

Regulators Role in Encouraging Investment

5. To address the sensitivity of moving from regulation by central Government to independent regulation by defining the individual roles of the regulator and the relevant Government Ministers;
6. To provide for the regulation of competition in the utilities sector.

Regulators Role in Encouraging Investment

It is my understanding that the effort to draft and adopt additional laws on electricity, gas, water, sanitation and transport is ongoing. Once this is done for electricity (and to a lesser degree for natural gas?), the energy sector regulation effort will be able to move forward in earnest.

Regulators Role in Encouraging Investment

Last year, negotiations of the privatization of the management of Electrogaz (water and electric power utility) and conclusion of the management contract with Lahmeyer International were some of the key issues for RURA.

Regulators Role in Encouraging Investment

Last year, involvement of Independent Power Producers (IPPs) was being encouraged and two memorandums of understanding were being pursued with Cogelgas S.A. and Dane Associates Limited (DAL).

Regulators Role in Encouraging Investment

These organizations intend to recover gas from Lake Kivu (with ~ 50 BCM exploitable reserves!) and generate electric power. These activities represent a significant step in RURA's plan to initiate a competitive supply of energy.



Regulators Role in Encouraging Investment

Privatization of government owned and operated utilities is typically sought to bring about increased efficiency in provision of utility services, increased quality of utility services, and to encourage investment from the private sector. It is my understanding that RURA hopes to privatize the management of Electrogaz within 5 years.

Regulators Role in Encouraging Investment

Efforts to privatize the management of Electrogaz should include measures to assure that accounting and operating data is maintained and reported to RURA on a regular basis, that service quality is maintained or improved over time, and that generation, transmission and distribution facilities are being maintained and/or improved.

Regulators Role in Encouraging Investment

Consistent with RURA's objectives, service area growth and an increasing number of customers will be items to monitor. Mechanisms to potentially reward the utility for outstanding performance or penalize the utility for poor performance may be items to include in these contracts.

Regulators Role in Encouraging Investment

Achieving the goals of privatization requires an oversight function, that is provided by a regulatory agency, to assure that customers receive safe and adequate service, are charged just and reasonable rates for that service, and that investors in these utilities have an opportunity to achieve a reasonable return.

Regulators Role in Encouraging Investment

Private sector investors will be much more likely to invest in Rwanda if they can see an effective regulatory agency that operates under an effective legal code for the utility sector they wish to invest. The private sector will need to believe that they know what to expect from the agency and that decisions will not be subject to arbitrary influences.



Regulators Role in Encouraging Investment

The decisions of the Regulatory Board may be subject to the scrutiny of the courts but the courts should not become an alternative to the regulator.

Regulators Role in Encouraging Investment

It must be noted that in order to be viewed positively by customers, the regulatory process must be open and transparent to impacted parties and act according to well-defined principles and policies. Stakeholders must have a means to participate and express opinions to decision makers and have a real opportunity to influence outcomes.

Regulators Role in Encouraging Investment

RURA will need to be provided with the means and information to review utility structures and incentives to assure that anti-competitive behavior and inappropriate affiliated transactions are detected, prosecuted and penalized.

Regulators Role in Encouraging Investment

As these efforts move forward it will be important to review the structure of electric tariffs and rates, to address the cost of service to different customer classes, and to provide an acceptable level of service to a growing segment of the population.

Questions?

