

CHAPTER ONE: INTRODUCTION

1.1. Introduction

In the last decade countries across the globe have been engaging in privatization programs. The number of privatization transactions has been growing over the years and throughout the world, privatization of services has become a controversial topic of growing debate. Since 1995, Rwanda's government embarked on the privatisation of state-owned enterprises as one of the measures embraced in the scope of its economic and social reforms. Other reforms were made in the exchange and trade regime, public administration, budget and financial management, and private sector development (MINECOFIN, 2000). It was in this framework that ELECTROGAZ the only national electricity and water company, was set up for privatisation and underwent a new management contract from 2003.

1.2. Aims

This study aims to determine the impact of utility privatisation (electricity and water) on the residents of Kigali city within the context of donor-dependent countries being forced to adopt such measures in accordance with the prevailing 'best practices' ideology of neo-liberalism that currently underpins economic globalisation. It focuses on whether the partial privatisation of ELECTROGAZ was positive or negative by examining whether and how it has affected the quality and prices of services provided to households in Kigali city.

1.3. Research questions

General question

In the context of neo-liberal globalisation, and the allegation that donor-dependent countries like Rwanda are obliged to privatise national assets, what has been the impact of the partial privatisation of water and electricity utility, ELECTROGAZ, on the cost and quality of services to the residents of Kigali city between 2003 and 2005?

Specific questions

1. Was the decision to privatise ELECTROGAZ made by Rwandans or externally imposed?

2. How does the management contract of ELECTROGAZ affect the prices of services to households?
3. How does the management contract of ELECTROGAZ affect the quality of services to households?

1.4. Rationale

As said above, there is currently a growing debate on the issues of privatization (and mostly on privatization of public utilities). It is believed that large scale privatisation has been one of the most remarkable economic features during the last decade. However, the success of privatization varies astonishingly between countries, both in economic and in political terms (Ahrend and Winograd, 2002).

In the global context most governments opt for the privatisation of utilities because of donor conditions (Baten, 2004). Indeed, as argued by Grusky, the privatization of public utilities (water and electricity) is largely donor sponsored, which means that the release of aid funds is often conditional on the privatisation of water (Grusky 2001). Water and electricity privatisation in Sub Saharan Africa has always involved a foreign investor (Bayliss 2002). So far only a handful of companies such as Suez, Lyonnaise des Eaux, Lahmeyer International and a few others have taken part in privatization tenders.

A review of IMF loan policies in forty random countries reveals that, during 2000, IMF loan agreements in 12 countries included conditions imposing water privatization or full cost recovery. In general, it is African countries, and the smallest, poorest and most debt-ridden countries that are being subjected to IMF and the World Bank conditions on water privatization and full cost recovery (Grusky 2001).

Collyer (2003) asserts that privatization is part of an ideology in which people are coerced into accepting a particular set of policy strategies. He argues that even if these policies are 'harmful to some social groups' this facet of privatisation is conveniently obscured by another: a view that privatisation is a politically neutral, economic transaction. Beyond this, however, Collyer (2003) says that privatisation is more than the mere sale of public assets or the contracting-out of services, it also involves public sector and welfare cuts, trends towards intensive market commoditization, a new emphasis on self-provisioning, and the increased domestic burden being placed on families. According to Collyer (2003),

these aspects of privatisation are kept hidden from the public, as a broader and more political definition of privatisation can politically have negative consequences, by revealing the full range of likely effects and exposing the wide gap between the beneficiaries of the policy and those who are harmed by its introduction.

Actually, according to the literature, the privatization of public utilities may have positive outcomes for the citizens, but in a considerable number of cases it has led to seriously negative results. Given that Rwanda is one of the least developed countries that have undertaken the privatisation of water and electricity provision (through the contract management of ELECTROGAZ with a foreign firm) and that it intends to sell that institution in coming years, it is very important to assess the impact that privatisation is having on the population.

Even if several studies have been conducted on privatization, my study is the first to be conducted on the case of the privatization of water and electricity in Rwanda (through the privatization of ELECTROGAZ). Therefore, it is worthy to undertake it because it will help in giving facts and evidence to assess public utilities' privatization in Rwanda. The study may raise issues of social justice as it focuses on human vital needs (water and electricity). Furthermore, my study will help in future researches on cases of privatisation, be it in Rwanda or elsewhere.

1.5. Research methodology

1.5.1 Study population

The study population is composed of the residents of Kigali city (household consumers), the staff of ELECTROGAZ Kigali station, the management of ELECTROGAZ (representatives of The Lahmeyer International Consortium) and government officials from the Department of Energy, the Privatisation Secretariat and the Rwanda Utility Regulatory Agency (RURA). It should be noted that these are the categories of people in direct connection with the delivery of ELECTROGAZ' services to households in Kigali city.

1.5.2. Sampling

Due to financial and time limits a sample of only 33 people was drawn from the study population as follows:

a. 1 member of (Lahmeyer International) ELECTROGAZ managing company.

Given that the data to be collected would be qualitative, the assumption was that one person, the Administrative and Financial Director of ELECTROGAZ, would represent valuably the Lahmeyer International Consortium point of view. The information to be collected therefrom regarded changes introduced in the company to improve services to households, and other minor issues such as the way that Lahmeyer International assesses itself regarding its current achievements.

b. ELECTROGAZ Marketing Director

From the Marketing Director, I expected to get a wide range of information on ELECTROGAZ including its mission, structure, operations. In addition, I was intending to get a mixed view of the management and workers, considering the fact that the Marketing Director officially provides the point of view of his supervisor (from the managing company) whilst simultaneously being an employee (public servant) as the rest of workers of the company.

c. Director of Energy in the Ministry of Infrastructure

From the Director of Energy in the Ministry of Infrastructure, the information collected was about the background of the energy sector in Rwanda; reasons for the privatisation of ELECTROGAZ, assessment of outcomes of the management contract with regard to targets set in the contract between the government and Lahmeyer International.

d. Project Coordinator at the privatization secretariat

From the office of the Project Coordinator information gathered was about the process of privatisation of ELECTROGAZ. In fact I found out that the secretariat is more active in preparing, campaigning for and advertising the company to be privatised and in carrying out the process of sale of the company/shares from the government to private or signing public-private contract.

e. Director of Energy in the Rwandan Utility Regulation Agency (RURA).

From the Director of Energy in RURA information about tariffs of water and electricity would be attained. It should be noted that it is these three governmental institutions (the Ministry of Infrastructure, the privatization secretariat and the Rwandan Utility Regulation Agency) that are linked directly to the privatisation of ELECTROGAZ.

f. 2 ELECTROGAZ staff members who worked prior to the privatisation of its management and directly linked to customer care services.

The abovementioned 2 employees provided meaningful and diversified information regarding how services were and are currently provided to consumers. ‘What changed and why it changed’, was the question which was adequately answered.

g. 26¹ households of Kigali city.

Two types of residences were separated as follows: The first category was composed of old and spontaneous areas that have been inhabited with no planning, (these areas mostly inhabited by poor and working class people have been unserved or poorly serviced for long). The second category was composed of old wealthy areas and post-genocide areas, planned and mapped before they were inhabited.

For each district, areas were listed and grouped following the above categories and a random selection was undertaken to have one area for every category (two areas for each district). One to two households from every chosen area were chosen for interview purposes depending on the availability and acceptance to take part in the interview, and on whether they engaged directly with ELECTROGAZ². It is from the chosen households that either the husband or his wife was interviewed.

1.5.3. Data collection instrument

The fieldwork in-depth interviews were used to provide a framework for subjects to speak freely and in their own terms about a set of concerns. To ensure that detailed information was attained from respondents, contacts for appointments and interviews were conducted personally. For every district, after administrative approval, informants were met at a convened place whether at their houses, workplaces or elsewhere. Every respondent (from households and ELECTROGAZ workers categories) was interviewed only once. As for the governmental officials and the management of ELECTROGAZ, some respondents were met twice or more times. In fact, most times, the first interviews included exhibition of important documents that had to be read for a latter discussion.

¹ Two households subscribed at ELECTROGAZ since before 2003 and one household subscribed after the contract management have been taken from each district. But due to insufficient information from Kacyiru and Kicukiro, it has been necessary to take 4 households from each of these two districts.

² Some families live in rented houses where water and electricity charges are included in monthly rent. These people seem to be ready to talk of cut-offs changes only. Mostly they avoid real assessment of service provision by ELECTROGAZ.

Besides in-depth interviews, collected were newspapers that wrote on ELECTROGAZ related issues (interviews with the Director General or the Minister of Infrastructure, and different articles on the on-going privatisation) Furthermore, data collection included reading relevant articles and reports produced either by the government of Rwanda, ELECTROGAZ, the World Bank or the International Monetary Fund.

It should be noted that prior to conducting interviews, one day was dedicated to contacts with district officials, ELECTROGAZ and governmental institutions included in the research population. As making contacts could not finish for the first day, conducting interviews had to start while still making arrangements for following days' interviews. Furthermore, exploratory interviews for one day were conducted in order to test interviews schedules and to locate the first interviewees. During interviews, tape recording was done, but not for every informant as this depended on the approval from the informant. In all cases block notes were used to take field notes.

1.5.4. Data analysis

'Data analysis involves reading through your data repeatedly and engaging in activities of breaking down the data (identifying themes and categories) and building it up again in novel ways' (Greenstein, 2003: 75).

After collecting the data from all sources, the analysis was undertaken. For the purpose of analysis, responses obtained from interviews were read and grouped into categories to enable intelligibility. Once categories were formed, responses were read and coded so as to understand their meanings and their relationships with my research questions. In analyzing responses, independent variables such as household income, housing conditions, neighbourhood (or area), education background (of the head of the household). were taken into consideration for interpretation needs.

1.5.5. Household as unit of analysis

A household consists of all the people who occupy a housing unit. A house, an apartment or other group of rooms, or a single room, is regarded as a housing unit when it is occupied or intended for occupancy as separate living quarters; that is, when the occupants do not live and eat with any other persons in the structure and there is direct access from

the outside or through a common hall. As Smith and Wallerstein³ put it, the household can be seen as an entity whose boundaries and composition are subject to continuing change and its structures influenced by cycles and trends of the world economy (cited by Bezuidenhout *et al.* 2003). And recalling Kabeer⁴ and Hart⁵ Bezuidenhout and co-authors (2003) observe that households are seen as social and economic institutions of the world economy, influenced, moulded and remoulded by it. They are economic cushions and historically constructed in response to uncertainty and sudden shocks.

This study takes households in Kigali city as the unit of analysis. Actually, it has been said that the study assesses the link between privatisation and the quality and cost of services provided by ELECTROGAZ to households of the city.

1.5.6. Ethical issues

According to De Vaus (2001), a well established principle of social research is that people should not be required or be led to believe that they are required to participate in a study. Furthermore, participants should know they could withdraw from the study at any point.

After an introduction of the researcher himself, the purpose of the study, and how and why informants had been selected, every respondent was asked for his or her consent. During interviews respondents were allowed to give no answer to any question or withdraw at a given stage. As concerning confidentiality, respondents were assured full anonymity. Thus codes were used to replace their names and they were assured that raw data would be kept secret for the sole purpose of this research report. Apart from a few officials whose views can identify who they are, respondents' identity is not disclosed. However, respondents' identity can be provided to examiners if it is necessary for the validity of the research.

1.5.7. Validity and reliability (study limitations)

a. Validity

The discussion on validity of a research design addresses the question of whether the research design is delivering the conclusions that we claim it delivers (De Vaus, 2001).

³ Smith J & Wallerstein I (1992), Household as an Institution of the World Economy (eds.), *Creating and Transforming Households*, Cambridge University Press, Cambridge

⁴ Kabeer N. (1991), *Gender, Production and Well-being: Rethinking the Household Economy*, Institute of Development, May

⁵ Hart G(1997), 'From rotten wives to good mothers-household models and the limits of economism in tactics trade offs: Revisiting the links between gender and poverty' *IDS Bulletin* 28(3)14-25

Internal validity being concerned, De Vaus (2001) says that the capacity of a research design to sustain the causal conclusions that we claim for it reflects its internal validity (to draw unambiguous conclusions from findings). For internal validity of this study, responses from different interviewees of the same category are compared. Responses from different categories (consumers, employees, managing company representative, and government on the same issue) are also compared. Furthermore responses from different categories are compared to written documents in order to draw a conclusion.

External validity refers to the extent to which results from a study can be generalized beyond the particular study (De Vaus, 2001). According to Greenstein, ‘the more representative of other sites our research site is, the more confident we can become that its conclusions are externally valid’ (Greenstein *et al.*, 2003:13).

This study’s external validity relies in the fact that sampling includes all categories of people linked with the privatization of ELECTROGAZ and service provision to households in Kigali. Given that the study sample is representative, the conclusions made on this sample will be externally valid. This means the study findings can be generalized to Kigali in its entirety. However, it should be noted that this validity applies only to the research case (households in Kigali city) and that we may not ensure the research findings will be entirely generalized to the whole of Rwanda nor to every type of consumer in Kigali. Nevertheless, these findings can be a source of meaningful information that can help in developing thinking on similar cases.

Furthermore, it may be noted that this study focuses on the issues regarding provision of services to households only. Thus, it does not include services that are provided to other types of consumers (e.g. big companies). It may also be noted that the issue of labour is only addressed with regard to provision of services (water and electricity) to households.

b. Reliability

De Vaus (2001) considers that a reliable measure is the one that gives the same reading when used on repeated occasions. Greenstein *et al.* (2003:13) highlights the fact that: ‘a reliable measure shows the same results every time it is used, assuming no change has taken place’. This study’s reliability is guaranteed by the close relationship between the research aims, research questions and the guide for interviews (conceived following

research questions). Besides this, the researcher's behaviour towards interviewees and their credibility in him, contribute to the study's reliability too.

1.6. Overview of the report

The first chapter stands for the introduction of the report. It gives the aims of the study, the research question and rationale of the study. Besides that, the chapter presents the study methodology.

The second chapter is the theoretical framework and discusses the review of the literature. After discussing globalisation and privatisation, the chapter takes a tour into case studies on privatisation of water and electricity in some developing and developed countries.

The third chapter - the overview of Rwanda - aims to provide an understanding of the country in which the research on utility privatisation was conducted. It lays down the background of Rwanda since before the colonial era up to now. Highlighting social forces and dynamics that play a key role in the country, the chapter gives an overview of privatisation and presents Kigali city, which is the case study's focus.

Chapter four is made of the study findings and their analysis. It presents the role of International Financial Institutions (IFIs) in the history of the energy sector in Rwanda and highlights the way the IFIs drove the country to adopting privatisation, as the only way the energy sector would be developed. The chapter discusses changes in the company, drawing a comparison between before and after privatisation. Finally, a discussion of how the privatisation of ELECTROGAZ affects the quality and prices of water and electricity provided to household consumers is undertaken.

Chapter five offers general conclusions of the report. It summarizes the findings and portrays their link with the theory and the literature. It then debates out policy implications ending up with giving recommendations and further research orientations.