

# ***DRAFT DECREES ON WATER PRICING IN SERBIA***

## **A BRIEF CONTEXT**

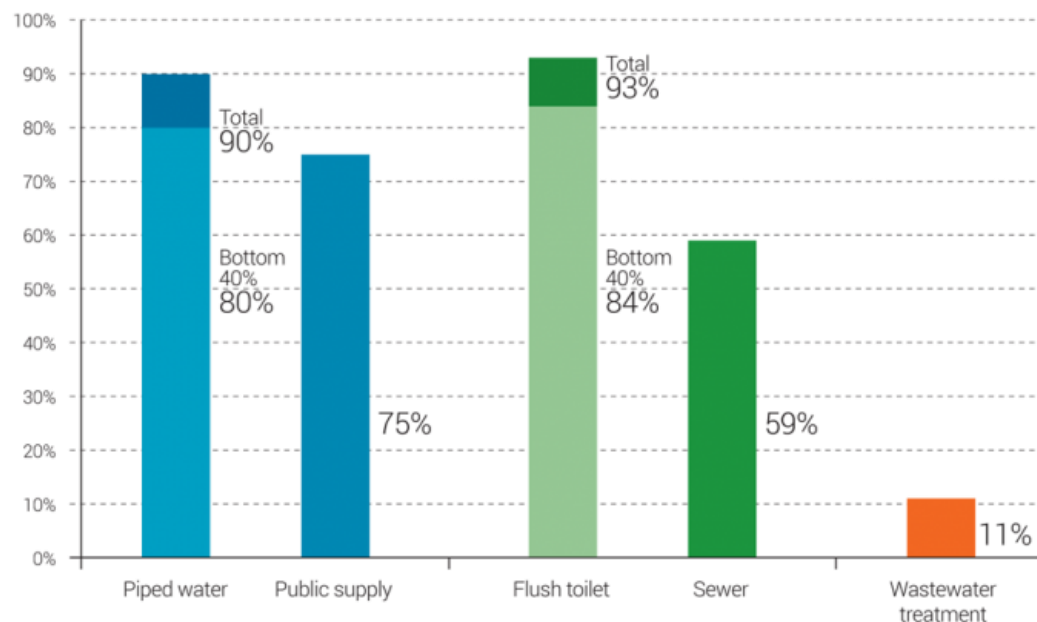
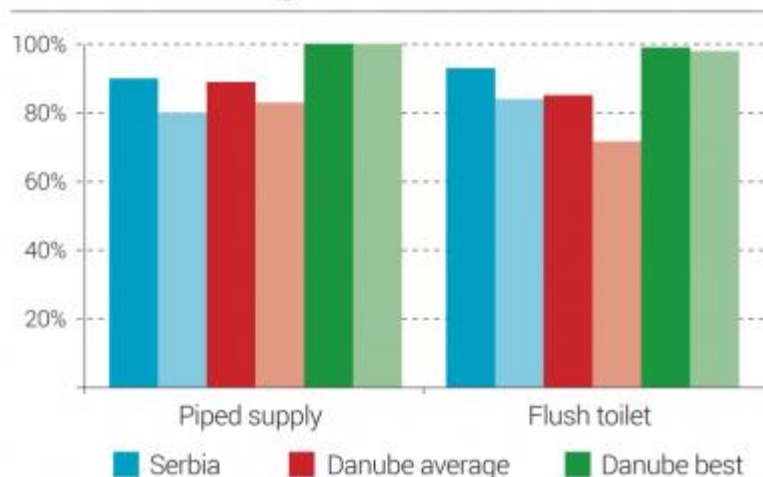
WATER DIRECTORATE WORKSHOP  
BELGRADE, SEPTEMBER 5, 2016

# ACCESS TO EU- COMPLIANT WSS SERVICES

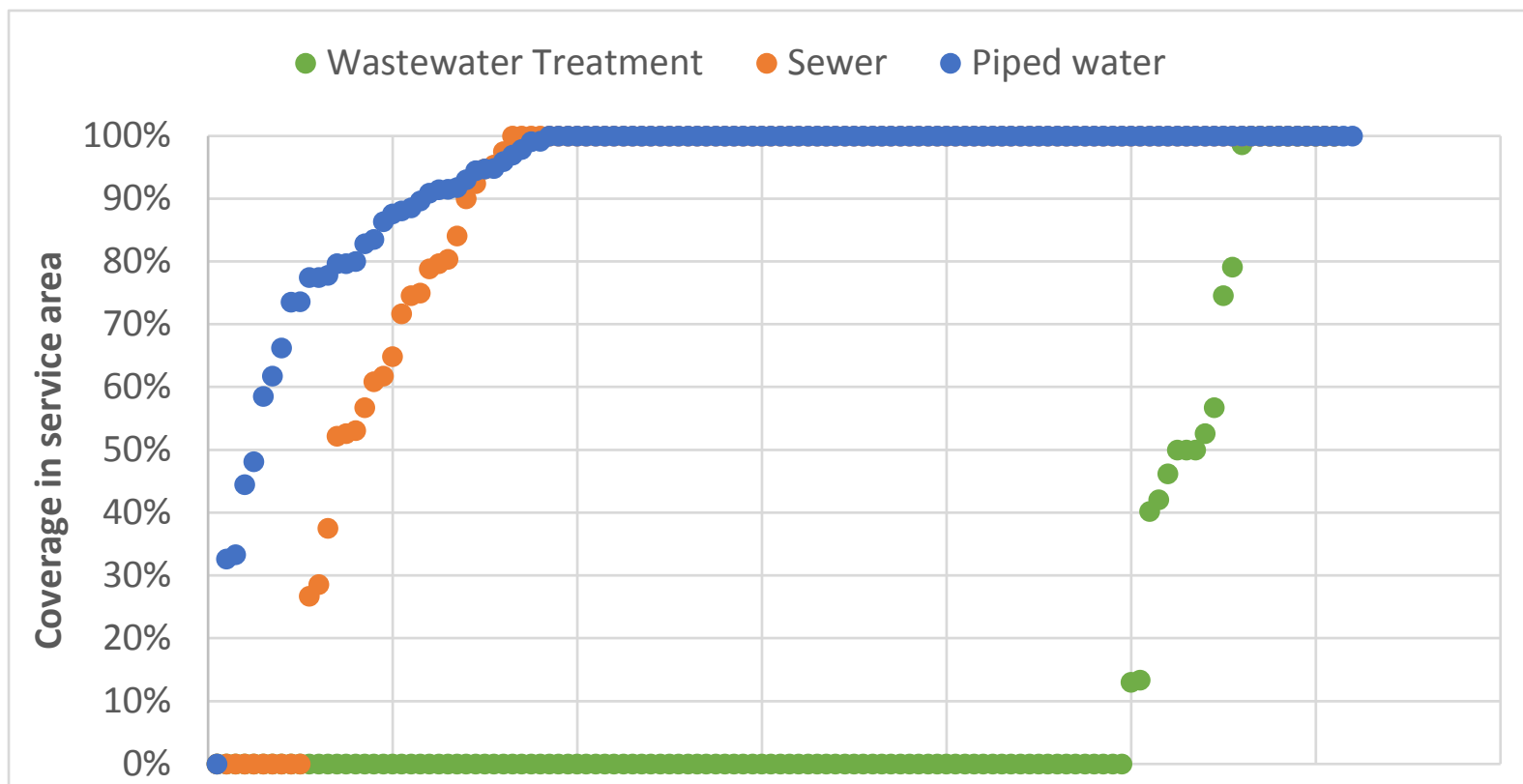
# GAP TO EU COMPLIANCE

- ▶ Drinking water high but quality an issue
- ▶ Sewer collection on the way
- ▶ Significant gaps in wastewater treatment

Access to services:  
average and bottom 40%

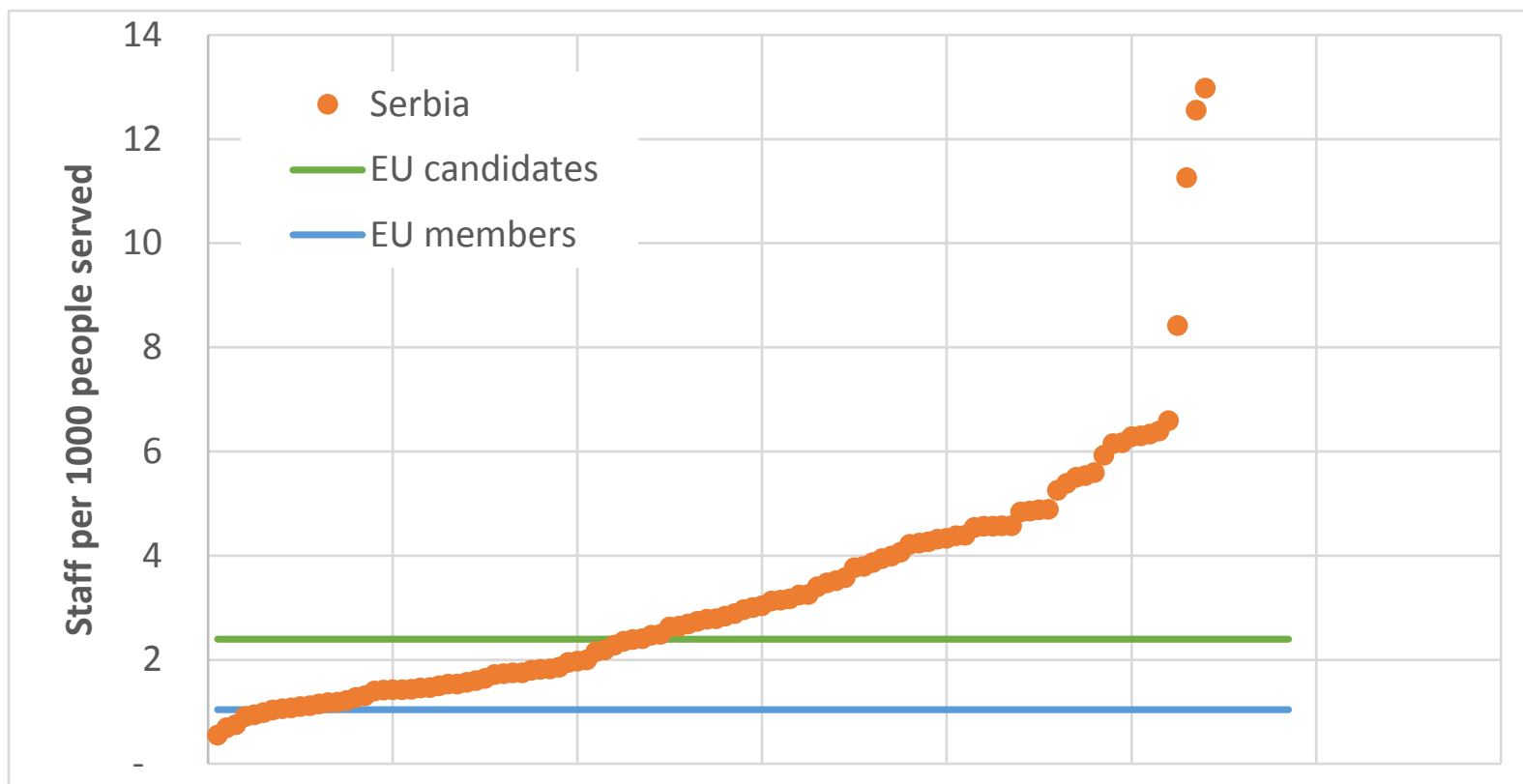


# AND VARIATIONS WITHIN SERBIA

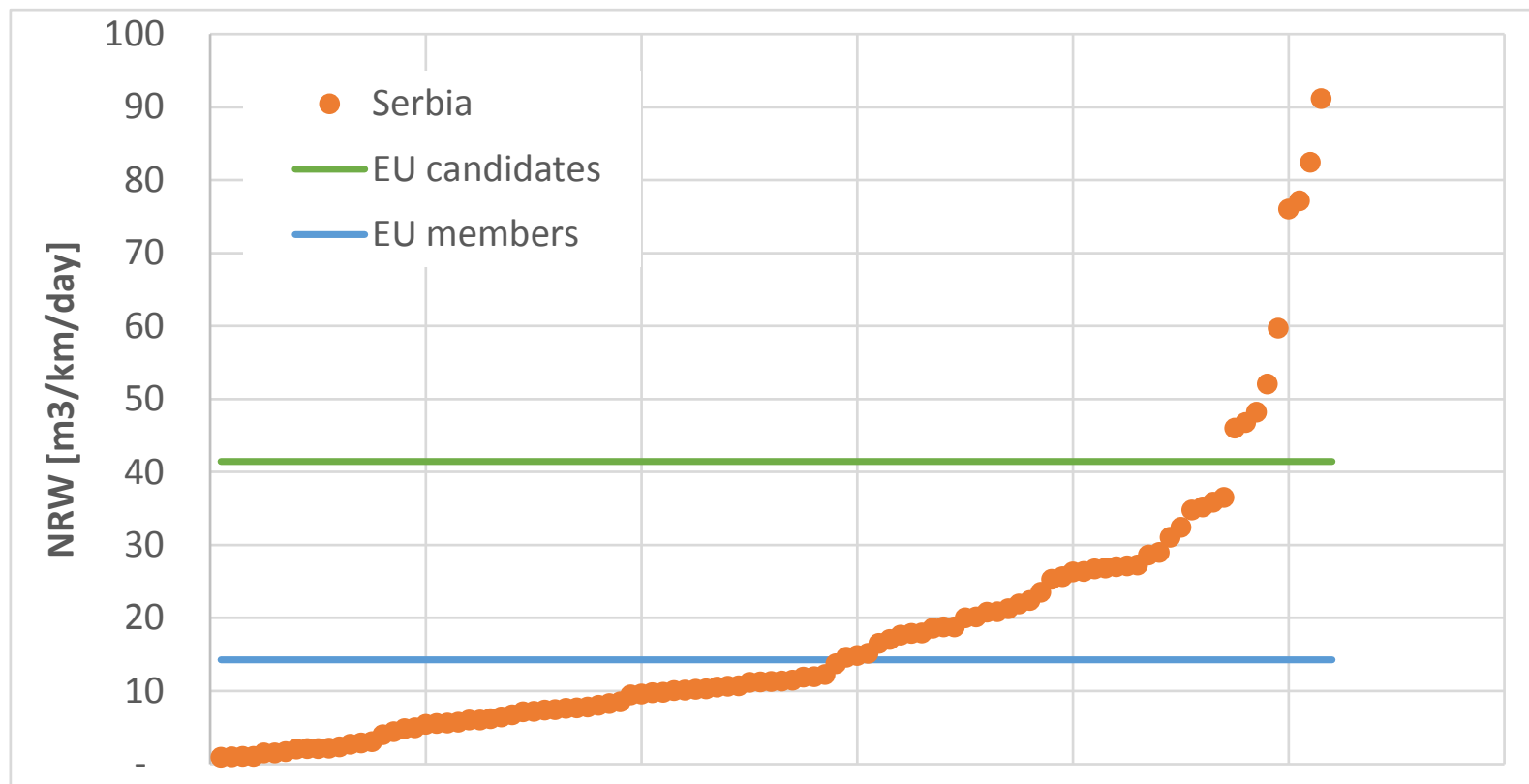


# PERFORMANCE OF UTILITY COMPANIES

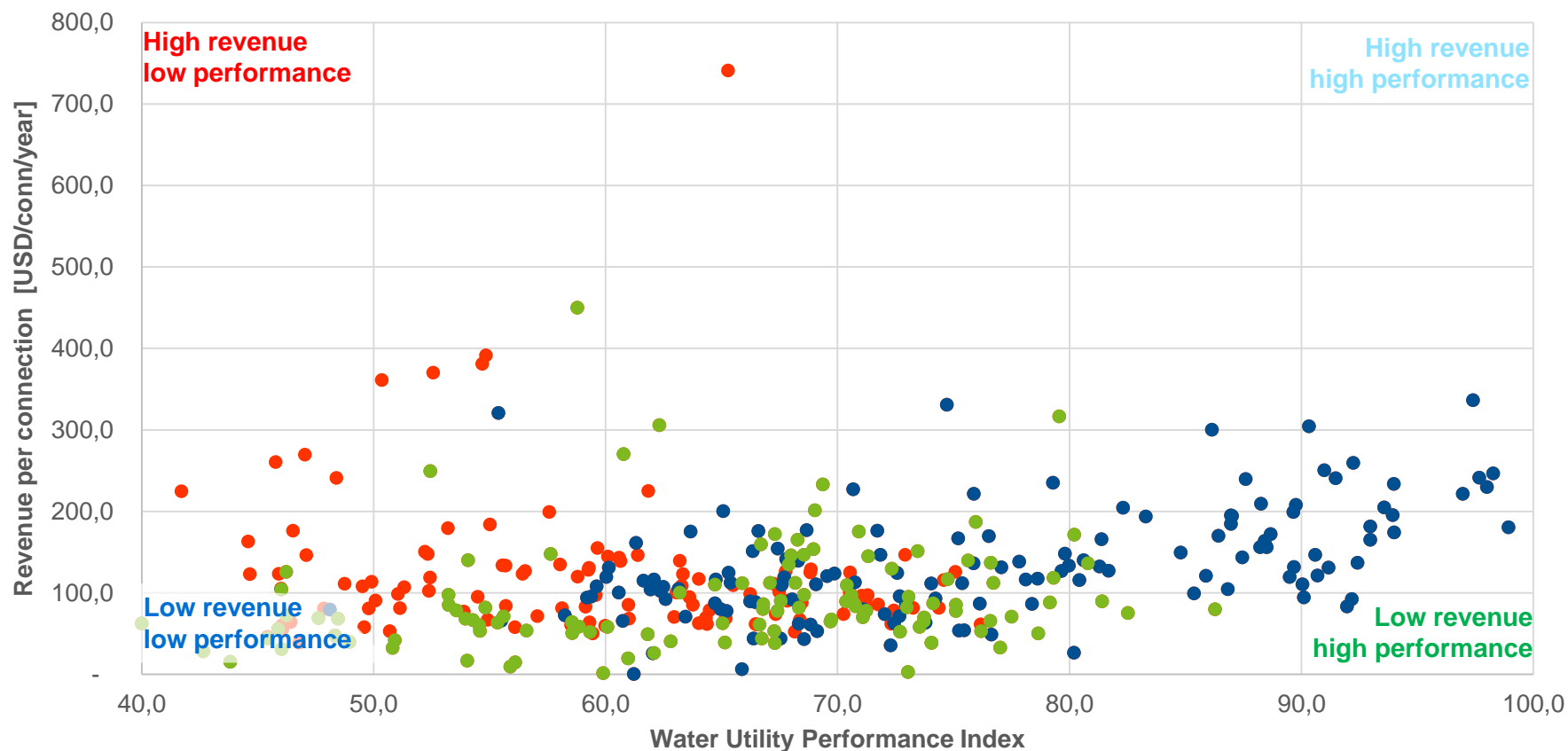
# STAFFING



# NON REVENUE WATER

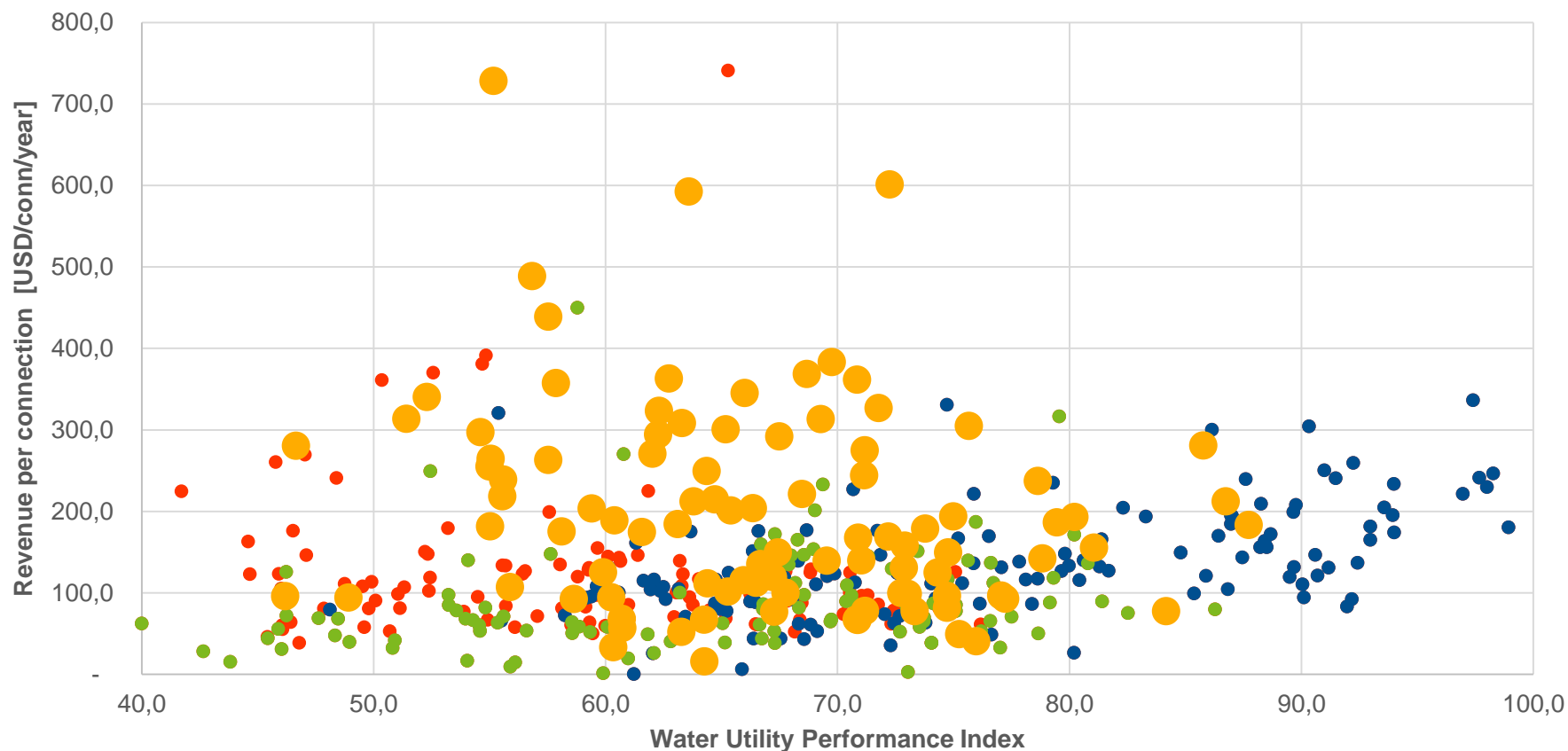


# OVERALL VALUE FOR MONEY



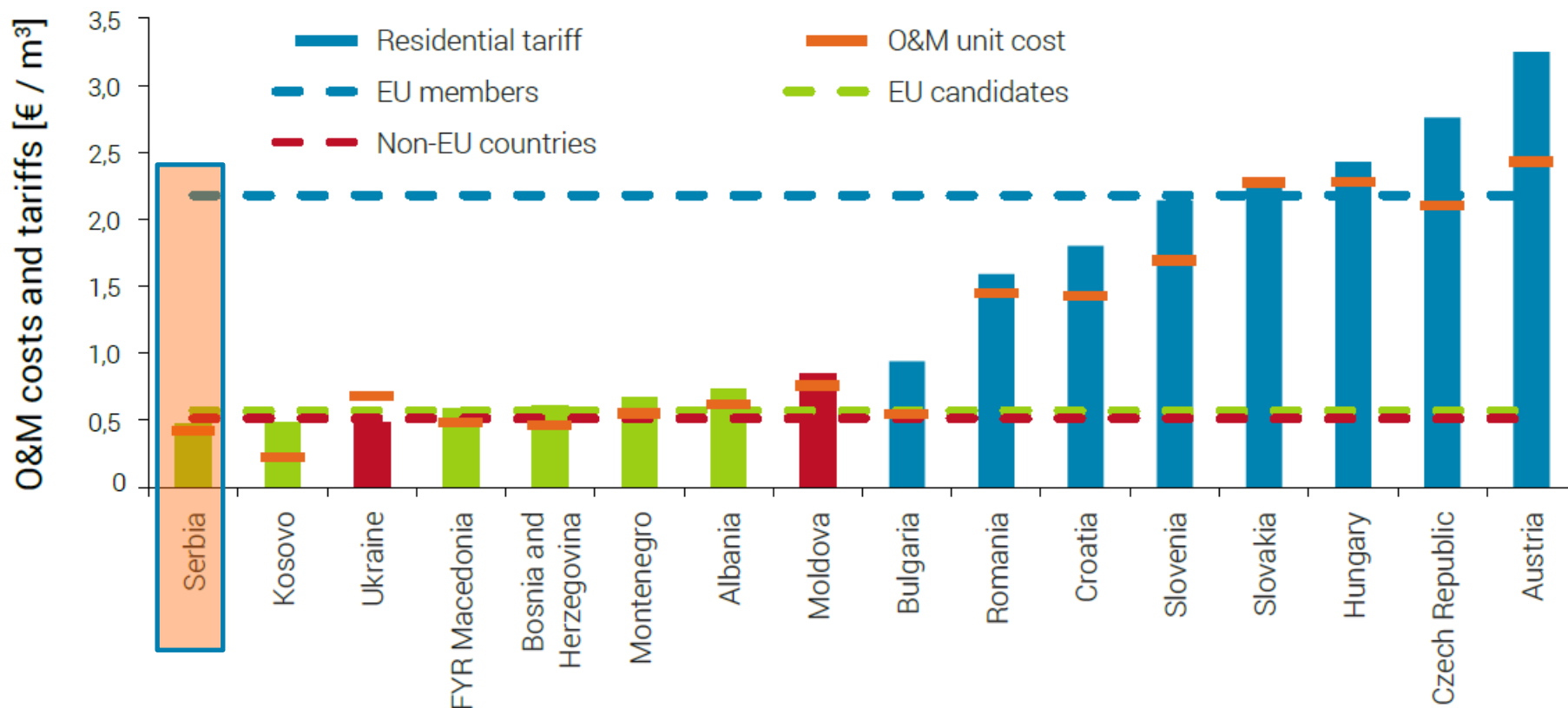


# OVERALL VALUE FOR MONEY



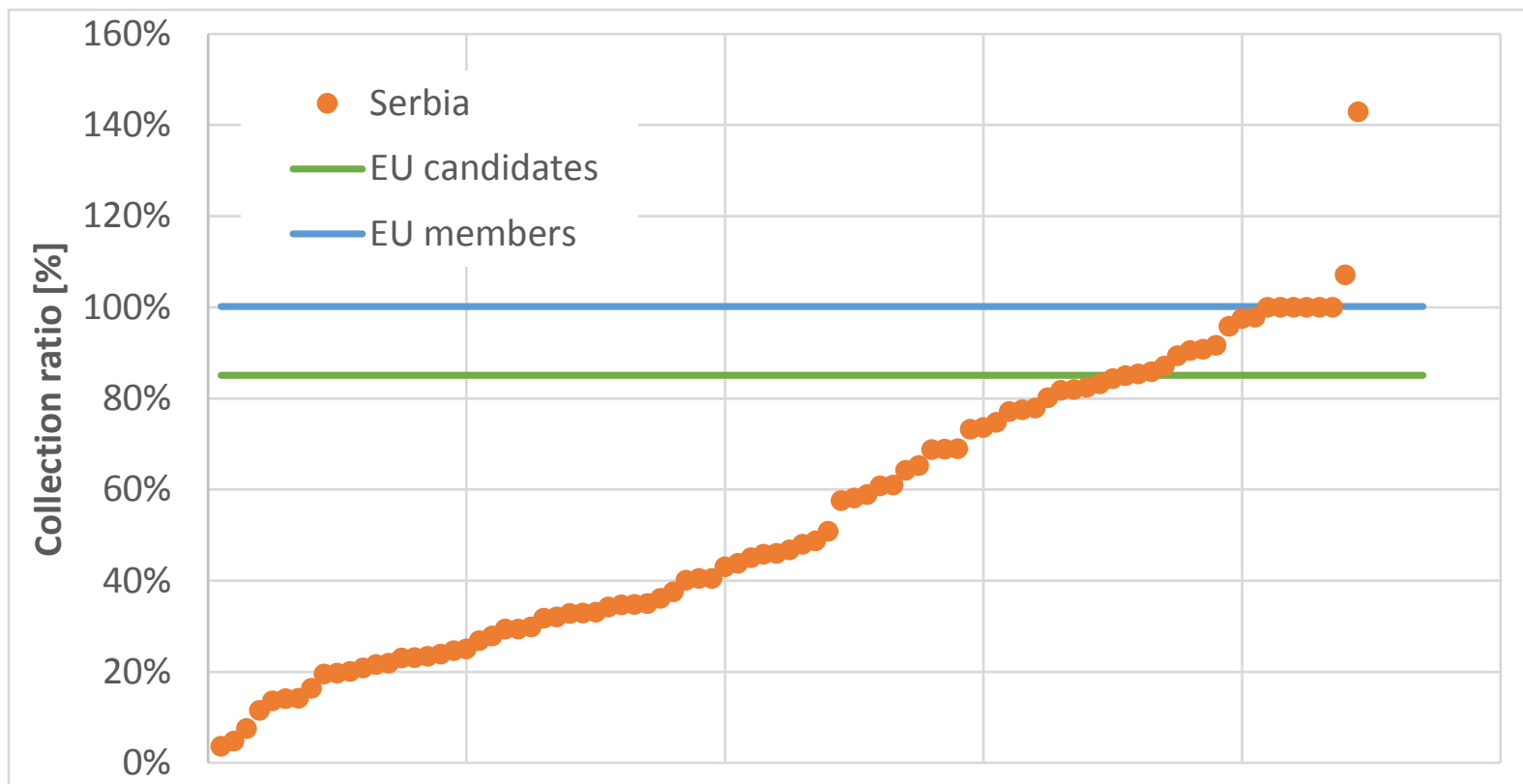
# UTILITIES' FINANCES

# TARIFFS ARE STILL VERY LOW

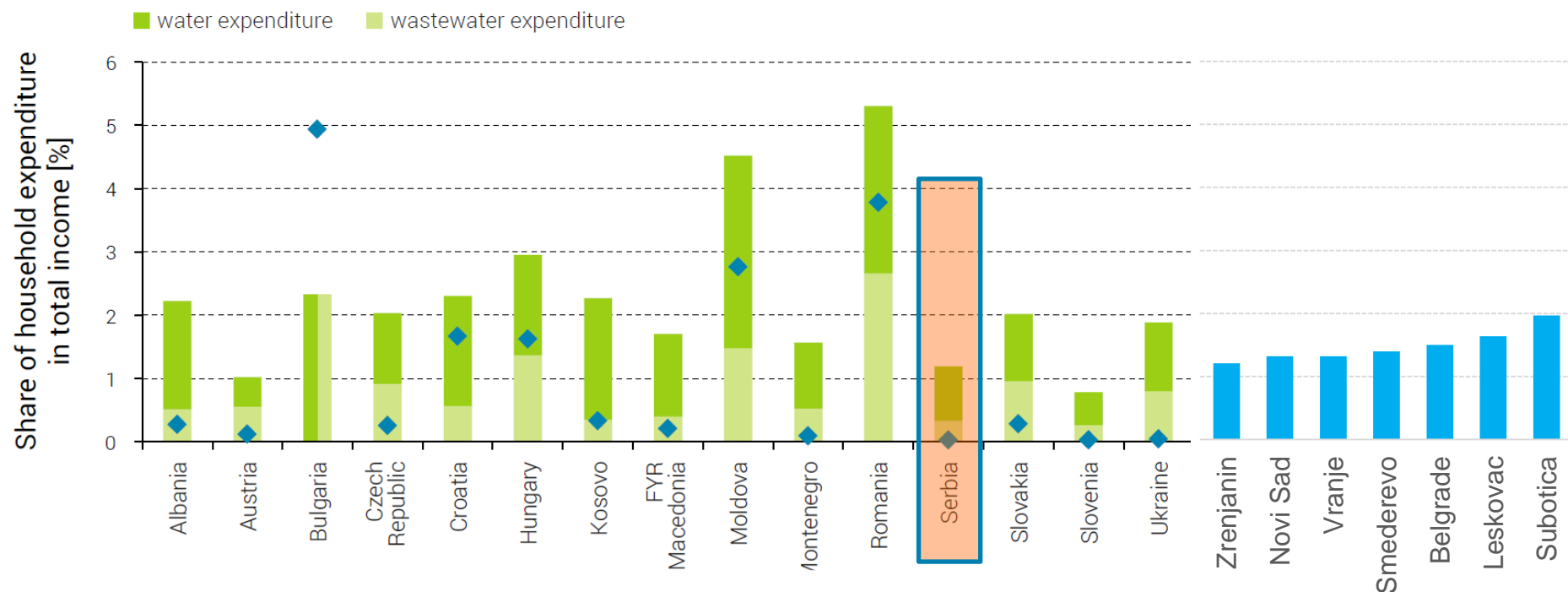


SOURCE: AUTHORS' ELABORATION BASED ON SOS DATA COLLECTION.

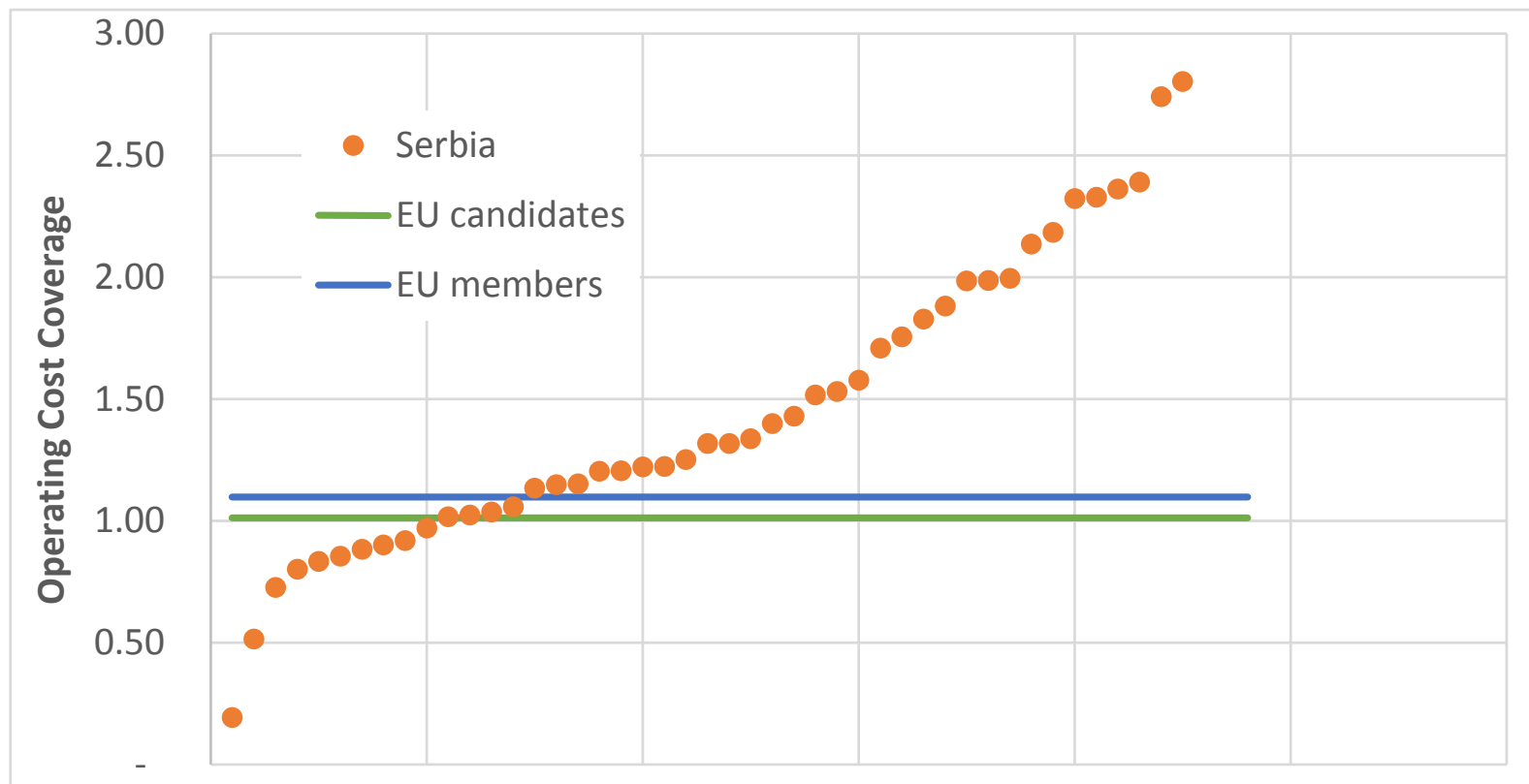
# AND ARE NOT BEING COLLECTED



# DESPITE BEING AFFORDABLE



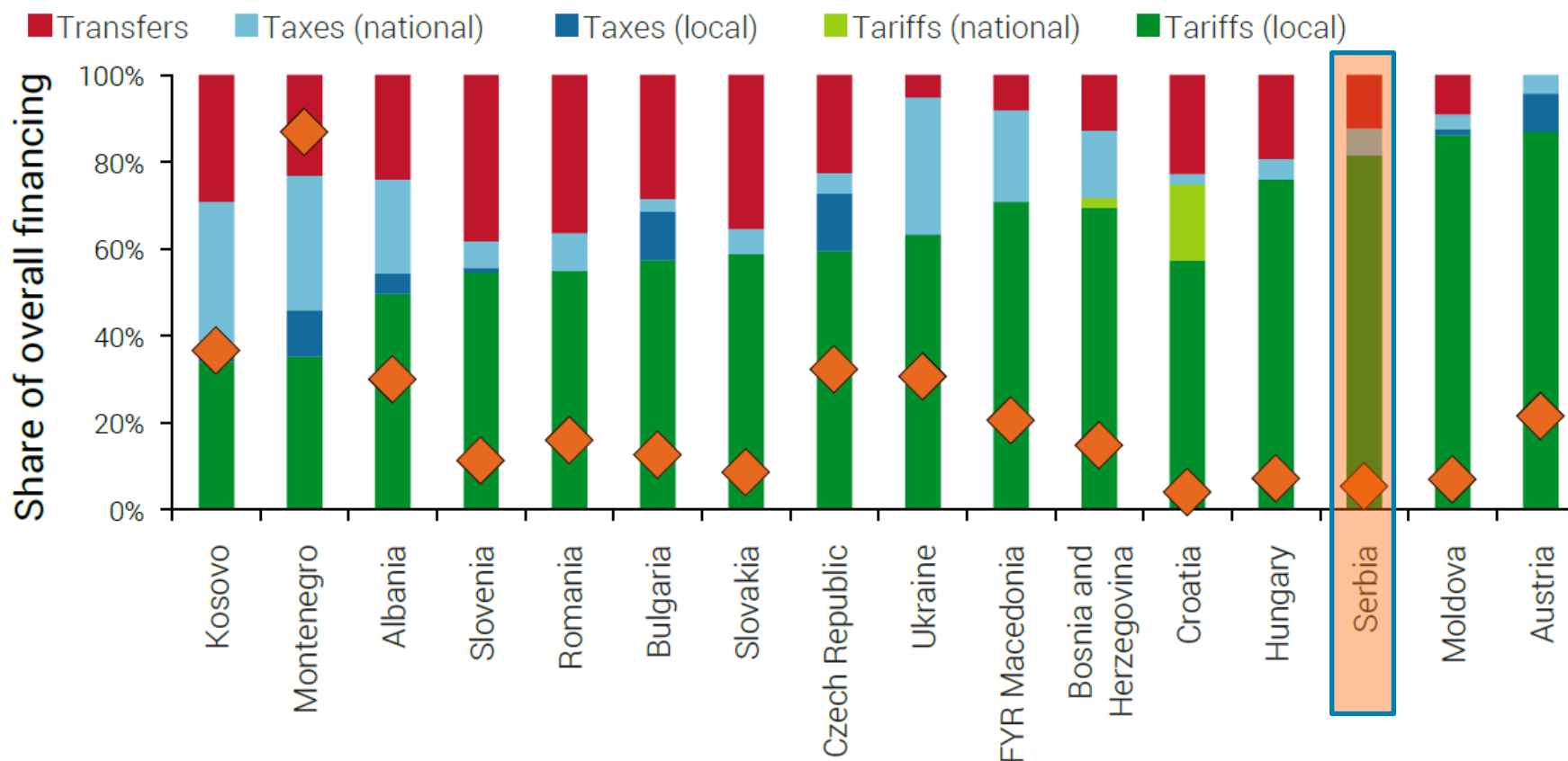
# YET MANY RECOVER O&M



# OVERALL RESOURCES AND NEEDS

# OVERALL FINANCING

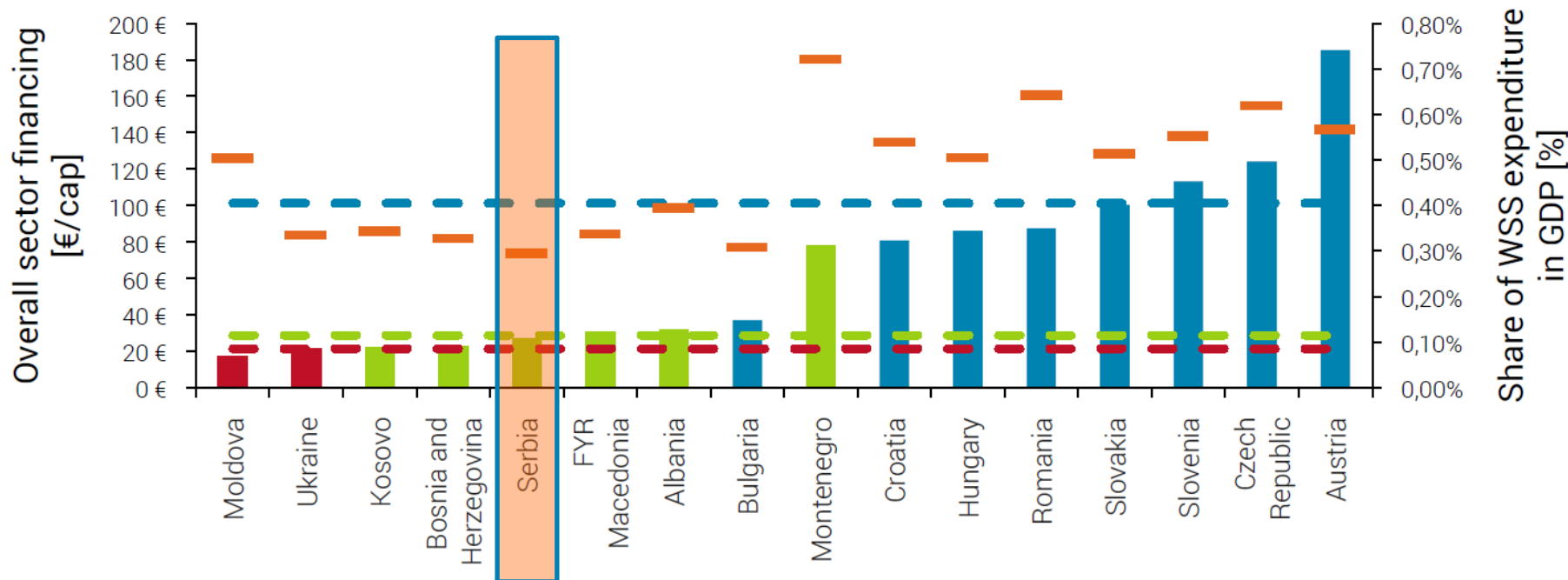
## ► Tariffs represent bulk of financing





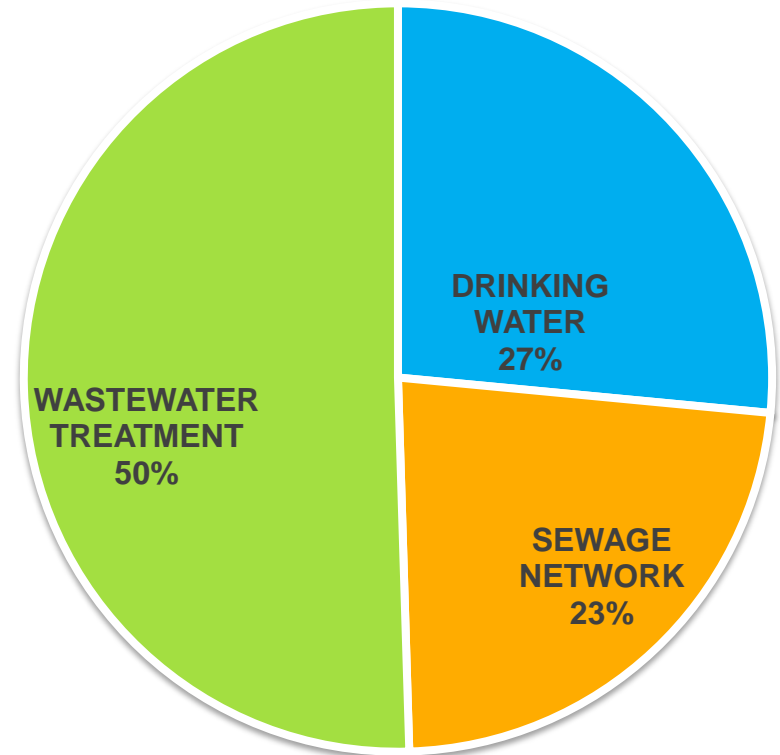
# OVERALL FINANCING

- ▶ Much lower than OECD recommendations (0.5-1.0% of GDP)
- ▶ Assets being used up?



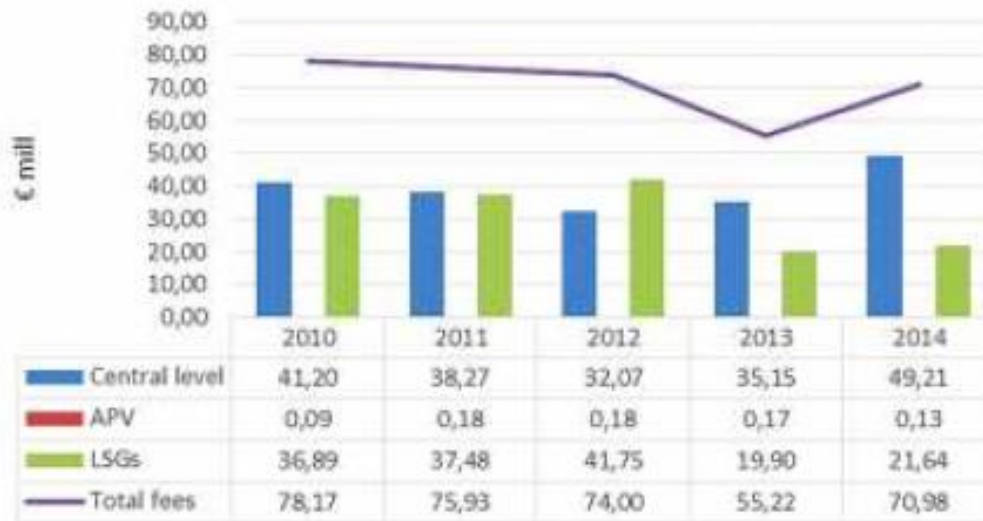
# EU COMPLIANCE COST

- ▶ Around **7B Euros** (acc. to latest 2015 post-screening document)
  - ▶ 2B Euros for DWD
  - ▶ 5B Euros for UWWTD



# INVESTMENT FINANCING

- ▶ External sources variable but low (70M€)
- ▶ Large WW management needs
- ▶ Around 150M Euros gap annually



# WHAT DOES THIS MEAN FOR THE DECREES?

# CHALLENGES AND OPPORTUNITIES



- ▶ **Costs increasing:**
  - ▶ Large investment needs (wastewater collection and treatment, asset maintenance and renewal)
  - ▶ Increasing operation costs (wastewater treatment)
- ▶ **And limited space:**
  - ▶ Tariffs low, cost recovery limited
  - ▶ Environmental fees low and not tied



- ▶ **Space for efficiency gains**
  - ▶ On costs: Staff, physical losses
  - ▶ And revenues: collection ratio, commercial losses
- ▶ **And higher tariffs still affordable**

# SO THE DECREES SHOULD...

- ▶ Reference price of water:
  - ▶ Generate environmental incentives
  - ▶ Meaningfully fund externalities investments
- ▶ Water Services price:
  - ▶ Allow utilities to cover EFFICIENT, long-term costs for EU-compliant services...
  - ▶ While remaining affordable



# THANK YOU

***AND REFER TO DANUBIS.ORG FOR MORE DETAILS***

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