



## EU SUPPORT TO REFORMS IN WATER SECTOR SERVICES

### PROJECT FACT SHEET

#### PROJECT OBJECTIVE

To improve quality of life of citizens by raising environmental standards in Serbia to approximate EU levels.

#### PROJECT PURPOSE

To improve the efficiency of water services and to support the implementation of the requirements for cost recovery both at central and local level, through two main components:

1. Component 1: Assessment of service provision situation and development of proposal on increasing **efficiency of water sector services**. This component will support the revision of the existing Public Utility Company system which is in charge for water supply, collection and wastewater treatment;
2. Component 2: Support for the implementation of revised **cost recovery requirements** (including implementation of Tariffs Methodology) and establishment of a water pricing regulatory system.

The project will directly contribute to the **quality of life of citizens** by improving the **standards and efficiency of water-related services**, performance of utility companies (including customer relations), and increased **transparency and unified approach to tariffs**, ensuring a **fair costing methodology** that can be used across the country.

#### MAIN RESULTS

- ✓ **Result 1**: Improved utility service system on local level;
- ✓ **Result 2**: Developed model for separating water services from other communal services;
- ✓ **Result 3**: Developed models for business performance improvement of Public Utility Companies (PUCs);
- ✓ **Result 4**: Tariffs methodology and water services pricing system developed;
- ✓ **Result 5**: Developed model for the establishment of the Regulatory body – Regulator;
- ✓ **Result 6**: Strengthen capacities on local level regarding introduction of the Regulatory body – Regulator.

#### 20 PILOT PUCs PARTICIPATING IN THE PROJECT

“NAISSUS” Nis, “Vodovod” Kraljevo, “Vodovod Cacak” Cacak, “Vodovod i kanalizacija” Subotica, “Vodovod i kanalizacija” Loznica, “Vodovod” Uzice, “Nas Dom” Pozega, “Zelen” Arilje, “Ivanjica” Ivanjica, “Elan” Kosjeric, “Vodovod” Smederevo, “Vodovod-Krusevac” Krusevac, “Rasina” Brus, “Blace” Blace, “Vodovod-Sabac” Sabac, “Napredak” Sokobanja, “Drugi oktobar” Vrsac, “Vodovod i kanalizacija” Pancevo, “Raska” Raska, and “Vodovod” Lebane.

#### MORE INFORMATION

Website: <https://waterreform.euzatebe.rs> E-mail: [office@waterrefom.rs](mailto:office@waterrefom.rs)

### QUICK FACTS

#### Project Title:

**EU support to reforms in water sector services**

#### Project Location:

Serbia

#### Project Duration:

24 months (January 2022 – January 2024)

#### Project value:

1,800,000 EUR

#### Contracting Authority:

Ministry of Finance, Department for Contracting and Financing of EU Funded Programmes (CFCU)

#### Main Beneficiaries:

Ministry of Agriculture, Forestry and Water Management  
Republic Water Directorate

#### Project implemented by:

EPTISA Servicios de Ingenieria S.L. (ES) in consortium with Eptisa Southeast Europe d.o.o. (RS)  
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## PROJECT PROGRESS (JUNE 2023)

### RESULT 1: IMPROVED UTILITY SERVICE SYSTEM ON LOCAL LEVEL

- ✓ The project performed a detailed **analysis of 20 pilot PUCs**, producing assessment reports for each company and a comprehensive plan for their reorganization.
- ✓ More than **50 short-, mid- and long-term measures** were proposed, grouped into four main improvement areas: **1) Institutional and Organizational; 2) Technical and Operational; 3) Commercial; and 4) Financial.**
- ✓ A set of **qualitative and quantitative indicators** was defined, as a common basis for comparison of PUCs' performance.

### RESULT 2: DEVELOPED MODEL FOR SEPARATING WATER SERVICES FROM OTHER COMMUNAL SERVICES

- ✓ An **analysis of the overall performance of the sector** was prepared, and data on the 20 pilot PUCs compared with the national-level performance of utility companies.
- ✓ Recommendations were developed for **separating water services** from multi-service PUCs. A set of criteria was developed for assessing the benefits of separation. It was highly recommended that **separation should be introduced together with clustering/regionalization of water services.**
- ✓ As a minimum, each PUC should **introduce cost-splitting for water services and establish proper cost centers.**
- ✓ The project developed **guidance and criteria on the regionalization of services.** Options for establishing **regional WW and WS service areas (RSAs)** were considered, and **2 medium-term scenarios were developed (27/24 RSAs).**
- ✓ The scenarios were supplemented with **long-term concept** for clustering of regional WS and WW services, and specific **legal recommendations for improving the regulatory framework in this area.**

### RESULT 4: TARIFFS METHODOLOGY AND WATER SERVICES PRICING SYSTEM DEVELOPED

- ✓ A **tariff setting methodology** is being finalised, as part of a **package of outputs** related to water services pricing and regulation.
- ✓ A related **IT tool – Excel model** was developed that will allow PUCs to calculate their tariff based on a set of common parameters, and related trainings will be provided.

### RESULT 5: DEVELOPED MODEL FOR THE ESTABLISHMENT OF THE REGULATORY BODY – REGULATOR

- ✓ A report was delivered on **EU regulation practices**, followed by the proposal on the **Regulator's institutional and organizational set up (as a new regulatory agency).**
- ✓ Procedures and tools are being developed to support the Regulator in the process of **tariff applications' review and approval**, and **three trainings** are planned related to these topics.

### RESULT 3: DEVELOPED MODELS FOR BUSINESS PERFORMANCE IMPROVEMENT OF PUBLIC UTILITY COMPANIES

- ✓ Ongoing preparation of medium-term business plans (3 years) for each of the 20 pilot PUCs, investment planning included, with **defined performance indicators (PIs)** and **benchmarking systems** with related trainings.
- ✓ A **guidance document on benchmarking** was developed, with **52 PIs in four categories**, out of which **6 Key PIs were proposed.**

### RESULT 6: STRENGTHEN CAPACITIES ON LOCAL LEVEL REGARDING INTRODUCTION OF THE REGULATORY BODY – REGULATOR

- ✓ A new **law on the Regulator and tariffs is being drafted**, to be followed by stakeholder consultations. Based on the law text, the project is developing **internal documents and procedures** for the Regulator.
- ✓ In addition, **workshops** are being prepared for national and local authorities, as well as other stakeholders, covering various aspects of the water tariff system reforms.