

Specialist Group on Economics meeting

The Romanian Water Sector

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Romanian Water Association

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Teodor Popa

- ▶ Experience in the water sector since 1991
- ▶ Involved in international financed programs since 1994
- ▶ Financial Manager since 2001
- ▶ Member of the Strategic Council of IWA

Content

- ▶ Romanian water sector
 - ▶ key figures
 - ▶ institutional arrangements
 - ▶ the regulator
- ▶ Finance
 - ▶ tariff policy
 - ▶ financial mechanism



Romania water key figures (2013)

- ▶ Total population: 21 mil. (3- 4 living abroad)
- ▶ Service coverage:
 - ▶ 62% water (29% in '95)
 - ▶ 83% in urban area
 - ▶ 47 % sewerage
 - ▶ 95% treated at least in one stage



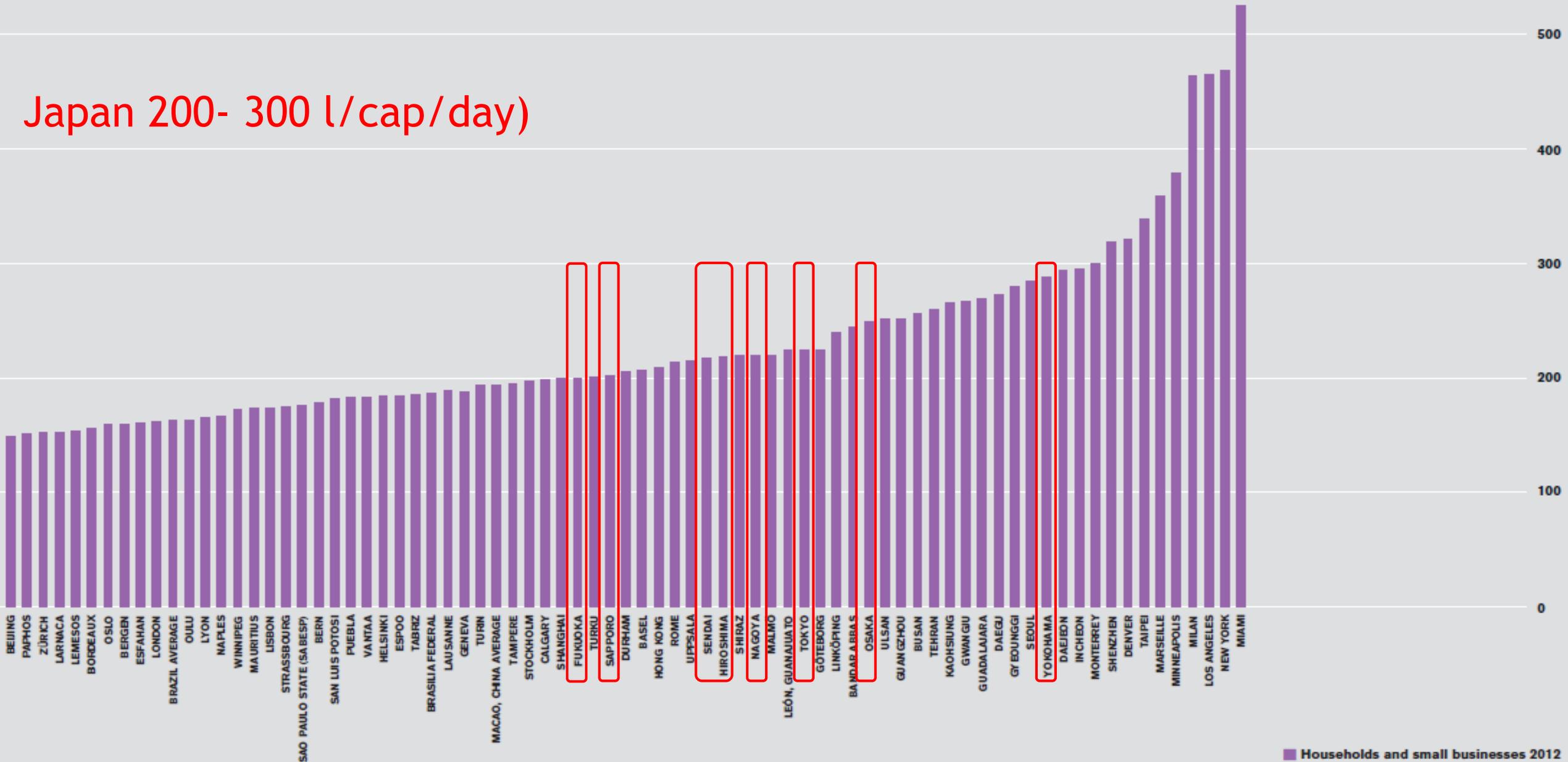
Romania water key figures (2013)

- ▶ Number of employees: 30,000
- ▶ Invoiced water quantity: 550 million m³
- ▶ Operating revenues: 700 million Euro
- ▶ EBITDA (Profit before taxation and depreciation):
160 million Euro
- ▶ Indebtedness of the sector: 700 million Euro

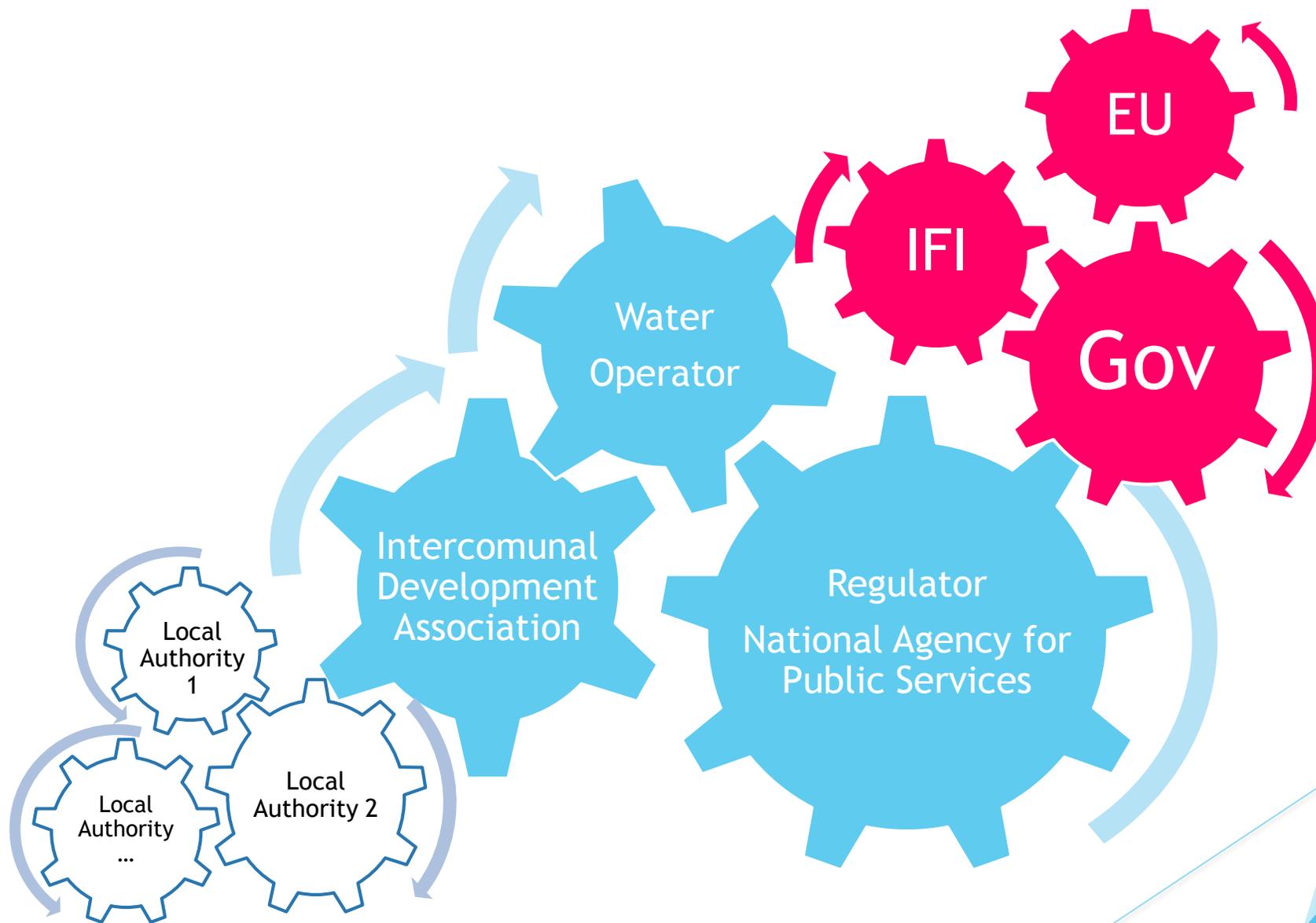
Specific consumption (l/cap/day)



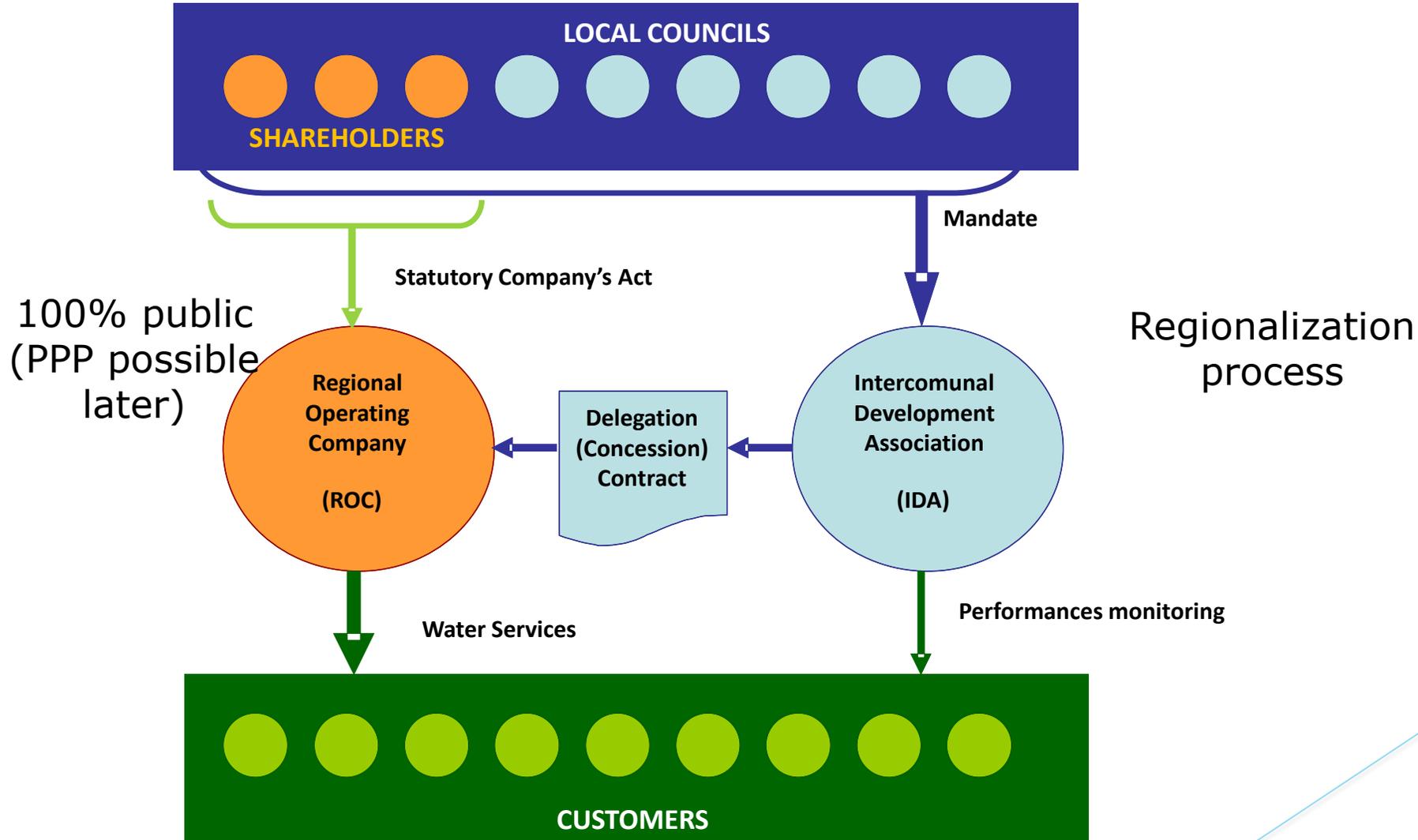
Japan 200- 300 l/cap/day)



Water sector institutional key players



Institutional arrangement in Romania



Tariff policy

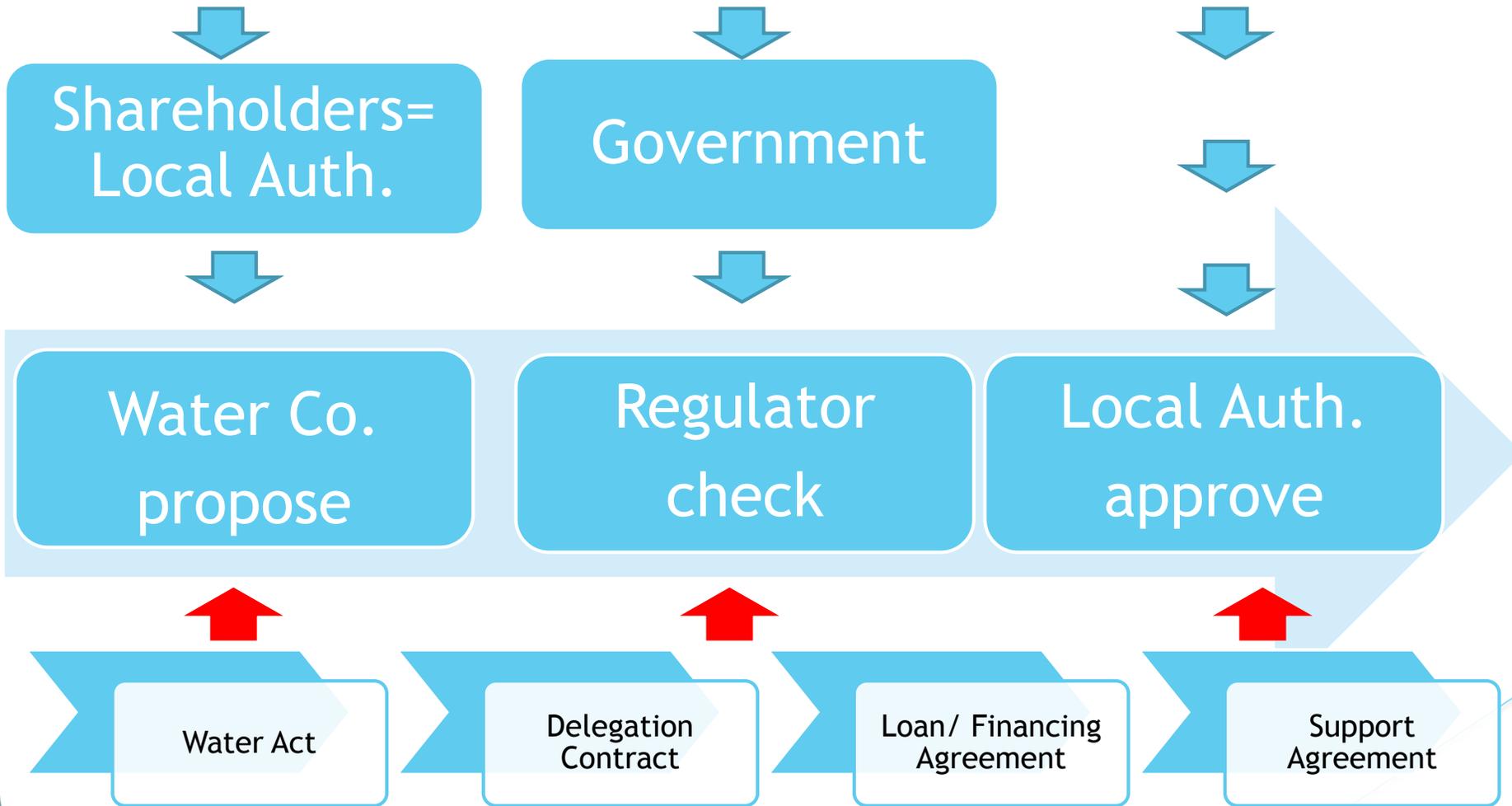
- ▶ Volume based/ Fixed part possible/ Polluters pay principle
- ▶ Strategies were related to the investment projects considering the affordability criteria:
 - 2000: 4.0% for the average household income
 - 2003-2004: 3.5%
 - 2007-2011: 2.0-2.5% max. 4% for the lowest decile

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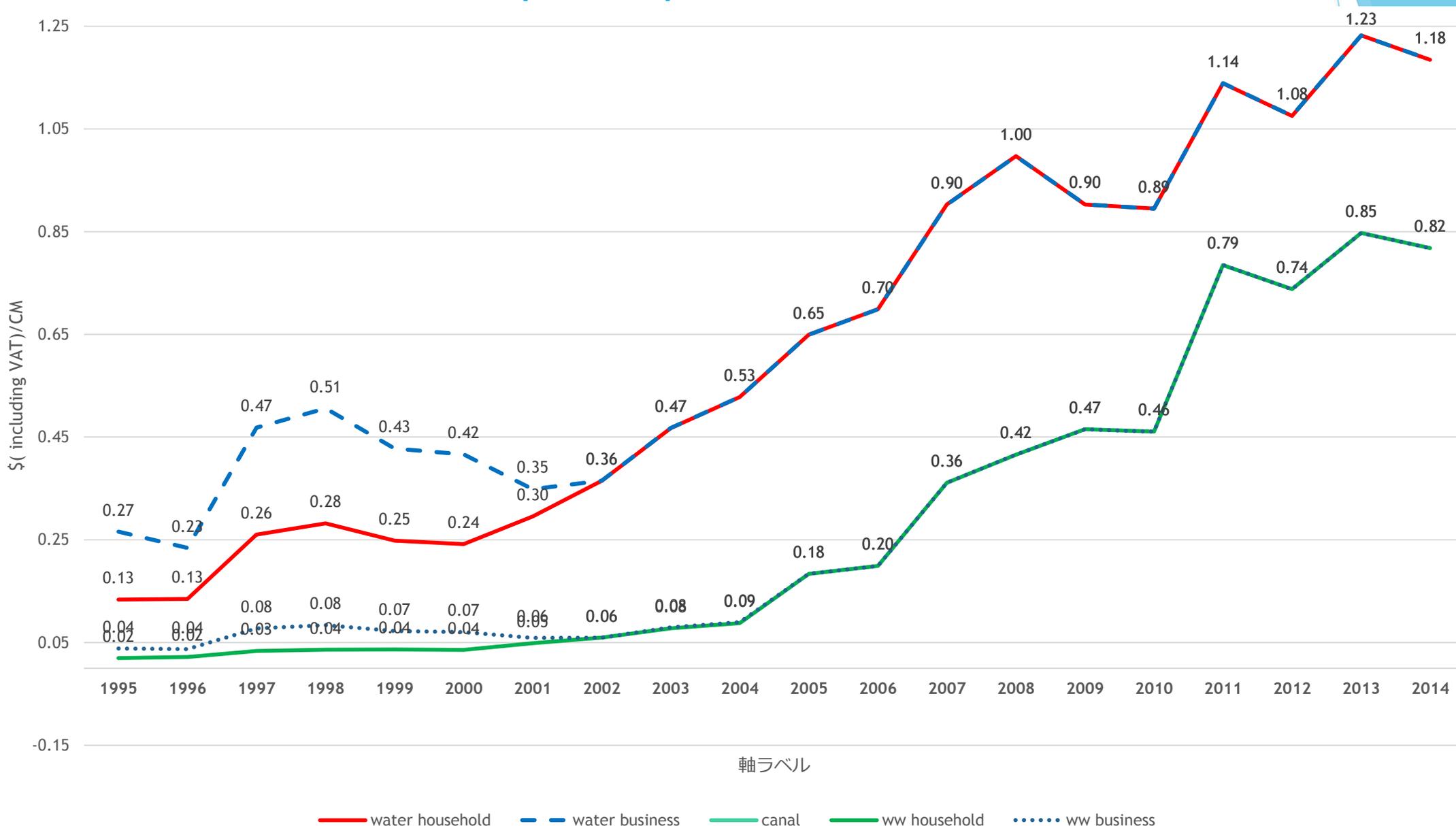


ASSETS	COST ELEMENTS	ADJUSTMENT	
	Operating expenses: Raw water, energy, fuel, staff	INFLATION 	
	Maintenance & repair expenses Executed by themselves/ third parties <ul style="list-style-type: none"> ▶ <i>emergency repairs</i> ▶ <i>routine maintenance</i> ▶ <i>preventive maintenance</i> 	REAL TERM	
	Environmental expenses:	FORMULA	
	Financial expenses: Interest and commission, exchange rate loss	FINANCING/ LOAN AGREEMENT	
Water Co. Fixed assets: buildings, equipment etc.	Company' assets depreciation	A F F O R D A B I L I T Y	
City Fixed assets: w& ww. networks etc. (Delegation contract)	Public assets depreciation: zero !		
	Royalty/ Concession fee		
	Development fund		
	Profit		
			

CUSTOMERS



Tariffs evolution (\$ including VAT) Compania Apa Brasov

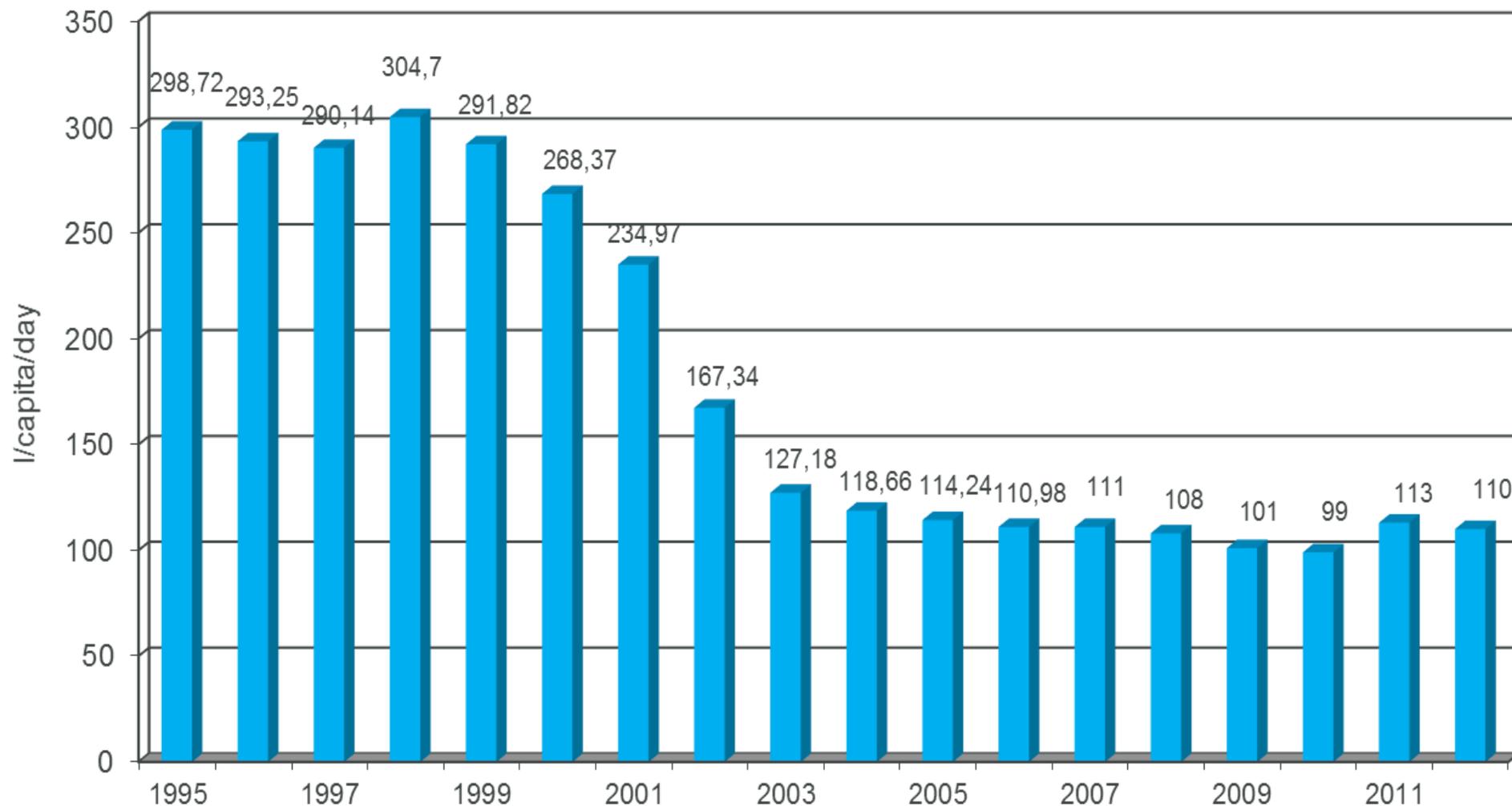


軸ラベル

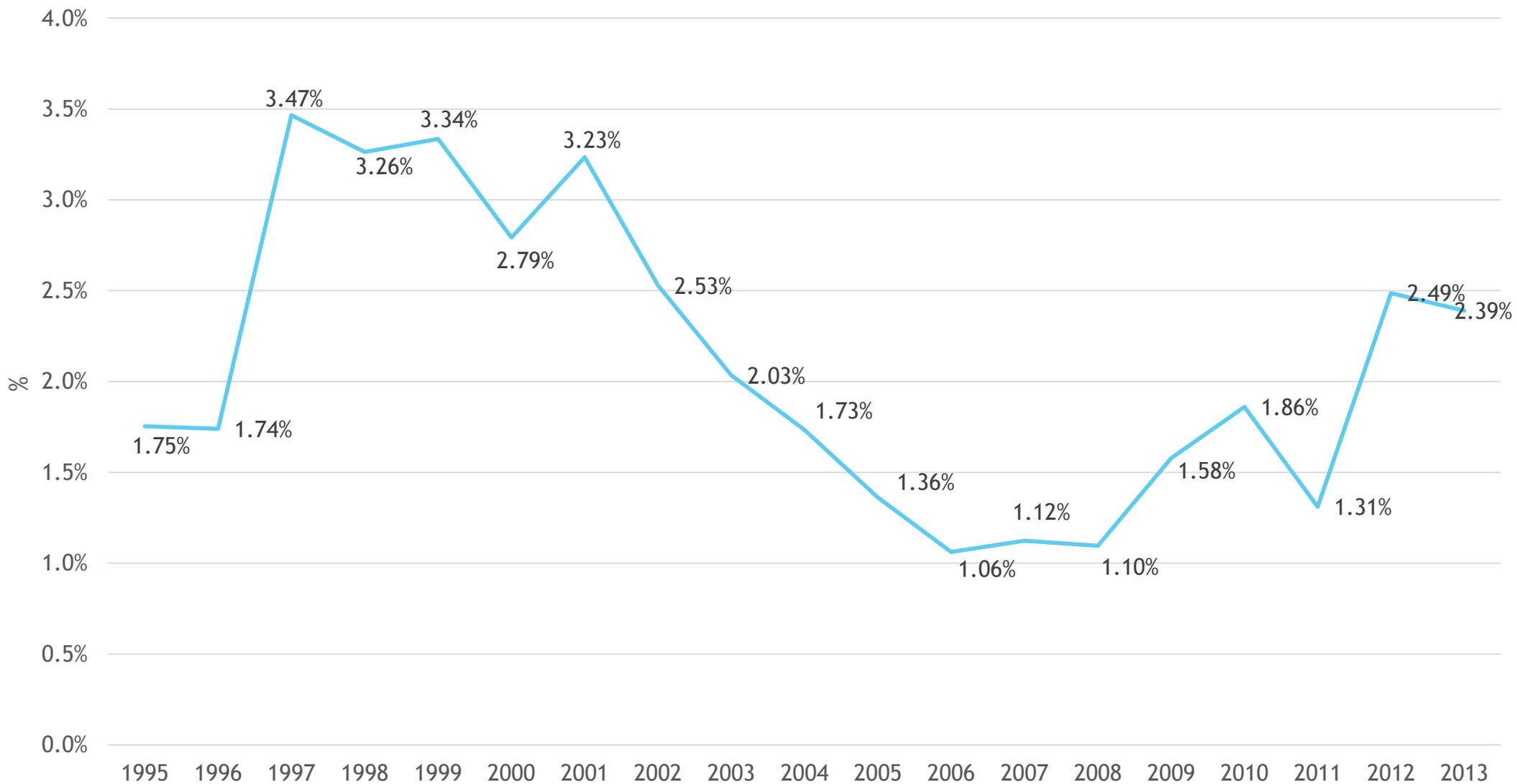
— water household - - - water business — canal — ww household ww business

Water consumption per capita

Compania Apa Brasov, Romania



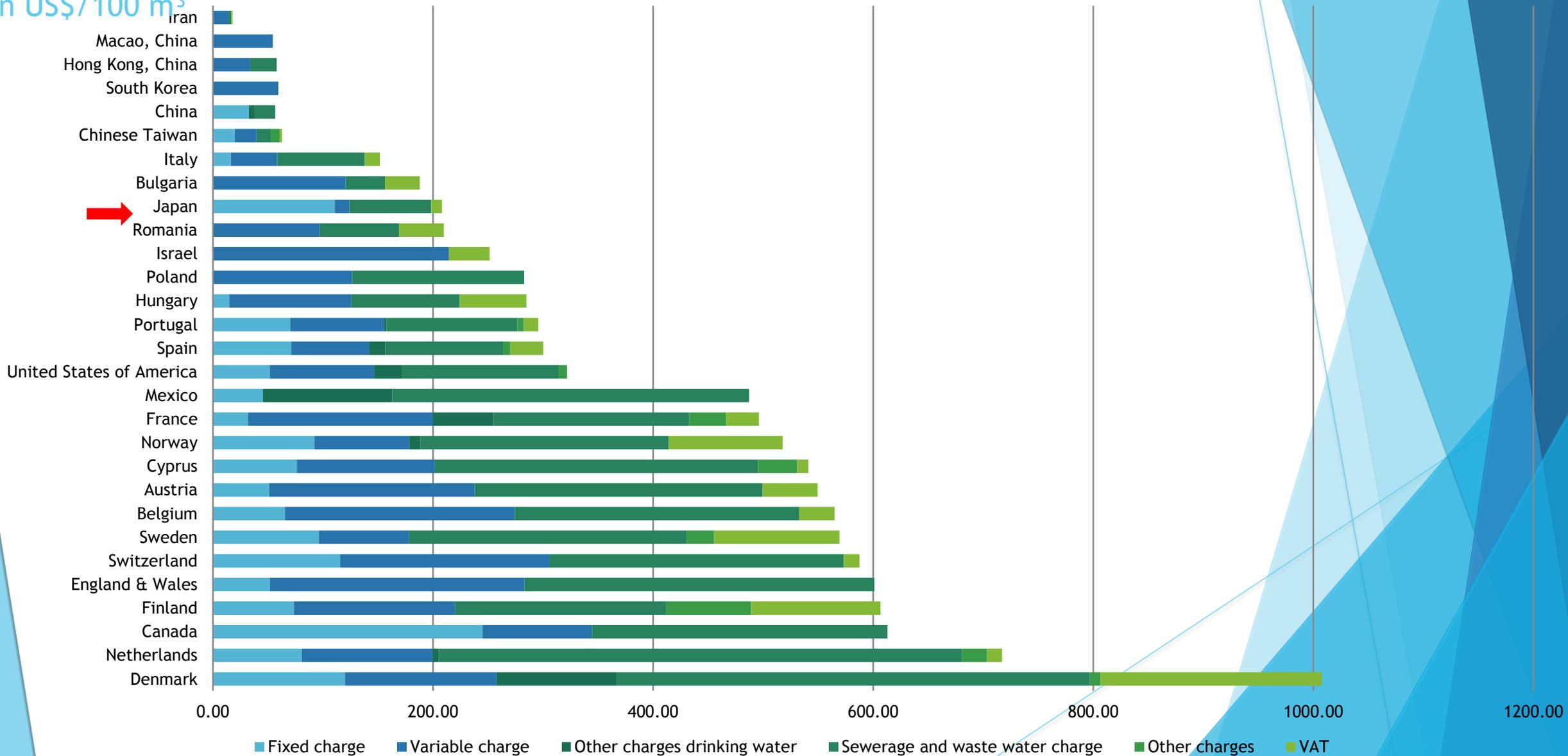
Affordability Compania Apa Brasov





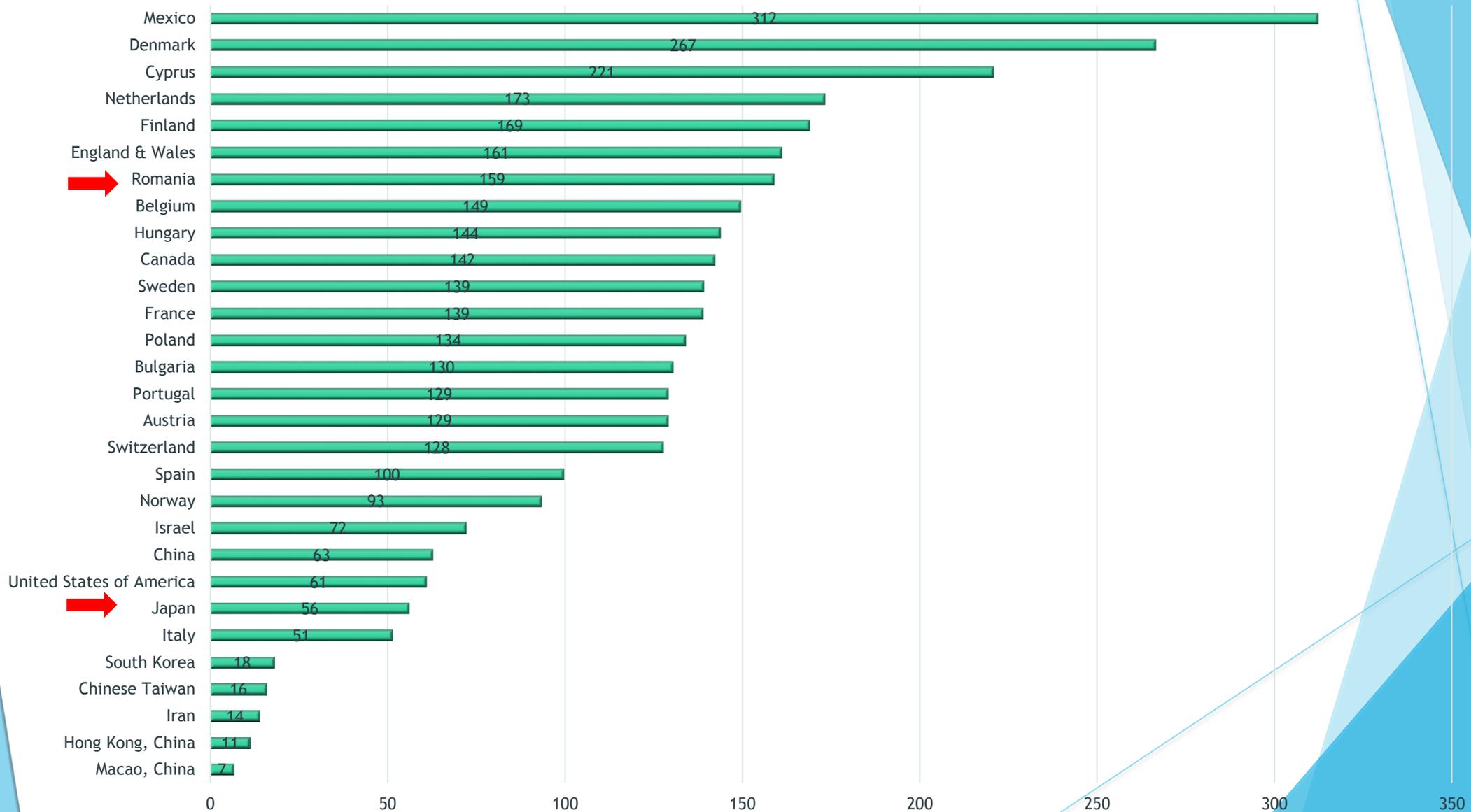
ASOCIAȚIA ROMÂNĂ A APEI

Average annual water cycle charges in 2013 for a consumption of 100 m³* in US\$/100 m³



Affordability index

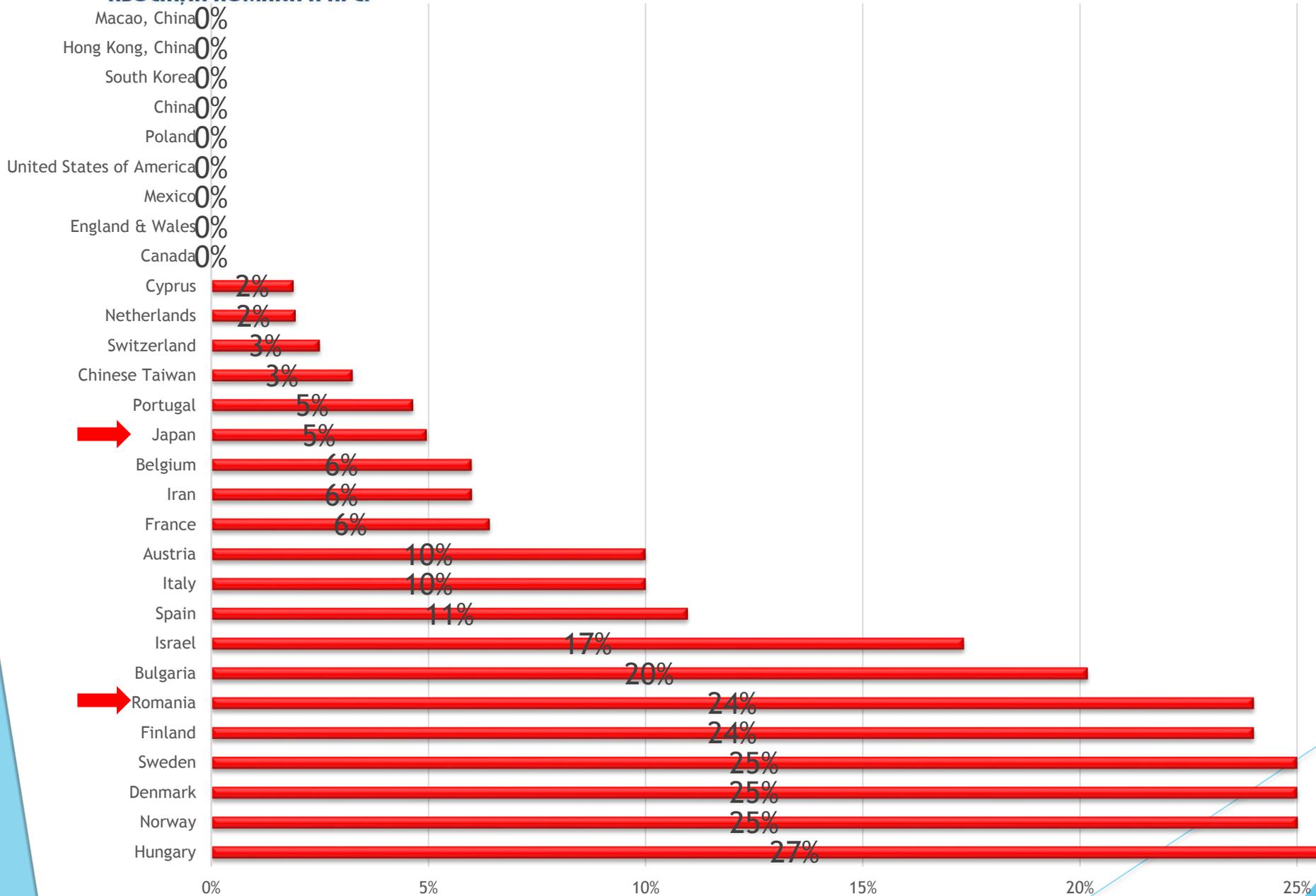
Water cycle charge for 100 m³ x 10 000/GDP





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VAT on total charge 100 m³

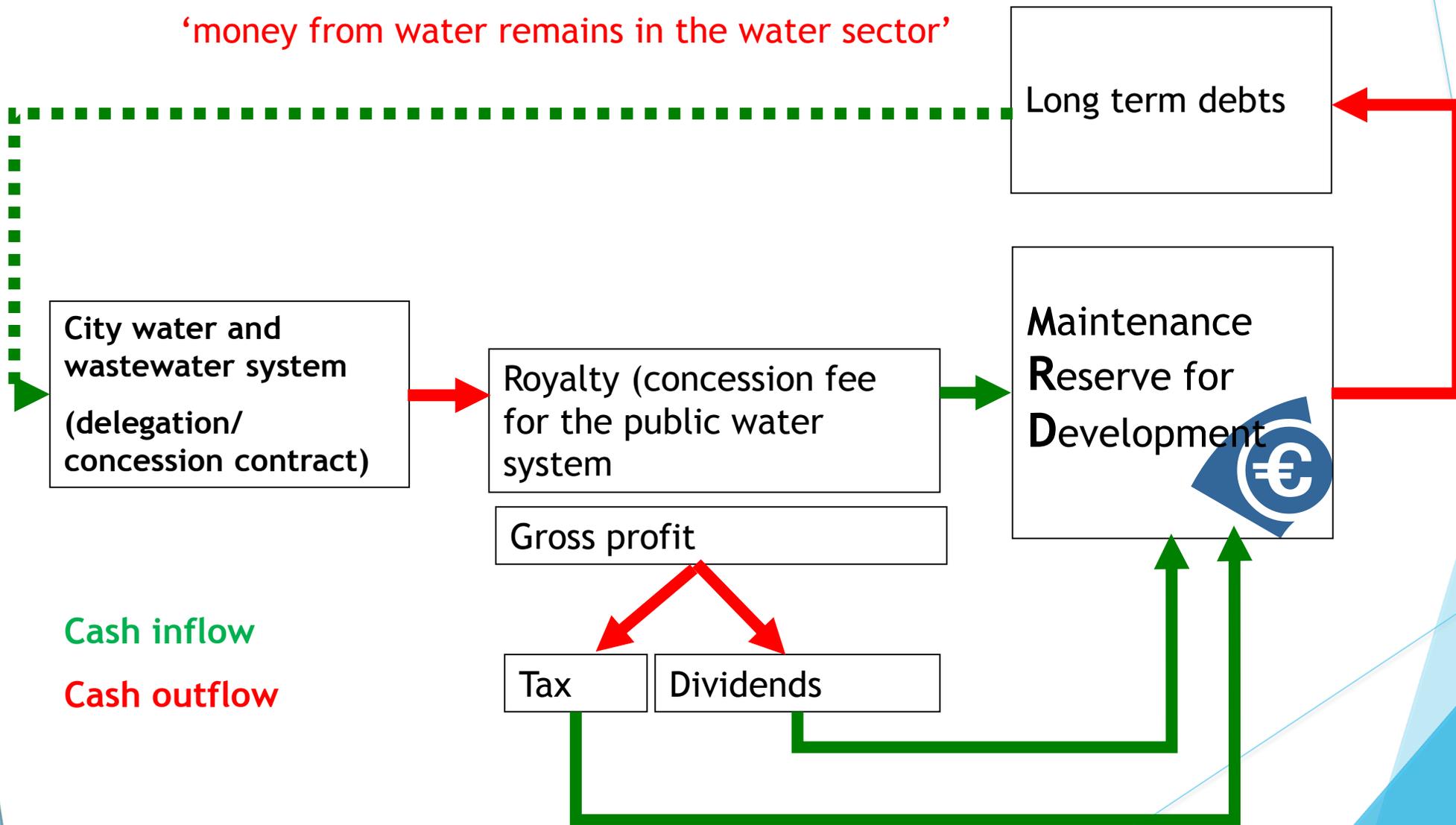




City of Detroit water shutoffs

Maintenance Reserve for Development mechanism

'money from water remains in the water sector'



Conclusions

- ▶ Need to up date financial strategy/ tariff policy
 - ▶ Cost recovery principle
 - ▶ Polluters pays principle
 - ▶ Gradually include depreciation
 - ▶ Gradually reduced VAT
 - ▶ Applying social measures



Thank you !

お気遣いありがとうございます。
O ki zu ka i A ri ga to u go za i ma su



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