

Serbia is in talks with the European Bank for Reconstruction and Development (EBRD) on a 200 million-euro (\$227 million) loan to help with the overhaul of power utility Elektroprivreda Srbije (EPS), a spokeswoman for the utility said on Monday.

Serbia's government plans to separate EPS into separate production, distribution and supply arms and sell a minority stake as part of a broader plan to overhaul the bloated public sector and reduce the burden on state coffers.

Earlier this month, EPS said it had signed contracts to separate its operations, the latest step towards full liberalisation of the Balkan country's energy market. That would put Serbia in line with standards in the European Union, which it hopes to join.

"The old way of EPS's organisation is becoming history and will now be replaced by a stronger, more organised and vertically integrated EPS," General Manager Aleksandar Obradovic said on June 1.

EPS said that the first phase of the plan, aimed at helping streamline the business and making the utility more profitable, would begin on July 1. The second phase will turn EPS into a share-holding company by the summer of 2016.

EPS plans an initial public offering in 2016 and aims to sell a minority stake to a strategic partner, a senior company official previously told Reuters.

Successive Serbian governments, determined to keep power prices low to avoid a backlash from voters, have heavily subsidised EPS indirectly through bank guarantees.

But Prime Minister Aleksandar Vucic's government, which agreed a 1.2 billion euro, three-year standby loan with the International Monetary Fund in February, has committed to overhaul costly public firms, including EPS, and cut subsidies.

Serbia's fiscal council estimates that almost a third of the 33,000 employees at EPS are surplus.

"A decision has not yet been made on how many people will be made redundant," the EPS spokeswoman said on Monday.

The company produces almost all of Serbia's annual consumption of 38 gigawatt-hours of electricity, of which more than two-thirds is in ailing coal-fired plants and the rest in hydro power plants.

Serbia's government approved a 12 percent hike in power prices this month, slightly less than agreed with the IMF.

Source; Reuters