

While we are waiting for the new Government of the Republic of Serbia to be formed, Electric Power Industry of Serbia is being criticized by the World Bank for the delay in restructuring.

Pretty flat reviews, for which EPS claims is based on inaccurate data, show that the new Government has to decide whether it will blindly follow the advices or make EPS a successful profitable company.

On the eve of the new Serbian Government forming, Electric Power Industry of Serbia is being criticized by the World Bank for the delay in restructuring. Tony Verheijen, Country Manager for Serbia said for the Serbian media that the downsizing of the number of employees in Public Enterprise Electric Power Industry of Serbia should have been done through the new systematization, which was supposed to be submitted by EPS at the end of the last year, then in March this year, then in June: "And they still have not submitted it, so we are still waiting to see the new EPS systematization," said Verheijen stating the number of very sharp criticism of EPS management.

Accusing them that "EPS is spending too much for the salaries of the employees that is one of the biggest issues" Verheijen said that "financial sustainability of EPS can be discussed only if by the end of the year the number of employees is reduced and salary costs reduced as well by 15 percent during five years".

Otherwise, according to his conclusion "without applied consolidation plan EPS will have a debt of almost two billion euros until the end of 2019".

It is interesting that the head of the World Bank in Serbia claims that without cost reduction, for employees salaries or investments, EPS would have to resort to electricity price increase.

Specifically, Verheijen advises "They can avoid reduction of employees cost but then they have to increase the price by 10 percent. They can reduce investments, and then they will have to have lesser electricity price increase ..."

Everyone who is reading these criticism probably feels shivers down the spine. As if it was at least „electrified“.

To this accusation EPS replays that retrenchment plan was submitted and specifies that this plan foresees the reduction by 1,000 employees until the end of the year. They also claim that new systematization has been prepared, which allows more efficient operation of EPS, and that by the reduction of the number of employees the employees costs are also reduced, and that together with the unions the optimization of the positions and the number of employees is being solved.

Out of these 1,000 about 600 would anyway have to retire and EPS trade unions negotiate

with the Government of the Republic of Serbia signing of the new collective agreement that would define the severance payment for redundancies.

Milorad Grčić, Acting Director of Electric Power Industry of Serbia in the announcement submitted to the media invites the representatives of the World Bank to clarify all the facts, to perform joint analysis of EPS business operation, to avoid inaccurate information for the public and claims “that obviously World Bank did not have all the relevant data while analyzing EPS business operation”.

Those well informed about the energy sector in Serbia claim for Balkanmagazin however that the problem is that the people from the World Bank who “scanned” EPS business operation are not competent to either give diagnosis or prescribe the medicine. As they say these are young, still inexperienced people who are not up to the task. As they say this can be seen best in the approximate projection that EPS will be in debt of two billion euros by the end of 2019.

It should be said that period from the middle of 2016 until the end of 2019 is not five years long.

Many who cooperated with these foreign experts claim that consultants often come to a company, ask for all the necessary data, analyses... and then present the same material with the letterhead of their consulting company as their own expertise.

Many of them come to Serbia as tourists. Several years ago, when the negotiations of the Serbian Government were led by Mladen Dinkić the excursion into Šumadija vineyards and wineries was organized for the delegation of International Monetary Fund that was visiting Serbia in order to inspect whether the measures prescribed by the arrangement of this global financial institution with the Serbian Government are being implemented.

With no intention to claim that Tony Verheijen had hidden agenda and not the welfare of EPS and Serbia we have to ask ourselves how is it possible that materials from EPS did not reach him? And why did he feel free to publicly comment something he is not entirely familiar with.

In Serbia, however, during these transition years we have heard a lot of witticism of different eminent consultants and global financial “gendarmes”, who claimed without even blinking that nothing is good in the Serbian economy, that all should be privatized, that large state companies should be restructured, i.e. fragmented according to the activities, that foreign management should be employed... who when it comes to EPS see the cheapest price for electricity in Serbia as the main issue, not only in the region but in the Europe as well, thus they always advice price increase, so that the free market could start operating and that the private mostly foreign traders could be competitive.

Such advices were heard in the other countries in transition so Bulgaria for example rushed to privatize its distributions and when the new owners increased electricity price the people rebelled and even the Government crushed down.

Globally lobbying is one of the most lucrative professions. It seems it is becoming increasingly popular in our country as well. There are a lot of those who claim that EPS should be restructured and then, inevitably, privatized. Such positions are not new. They are being promoted in the public since 2000 in various forms.

In EPS, of course, not everything is ideal. A lot should be synchronized, reorganized – regardless whether such process is called restructuring or differently.

Real analysis, that would show all the advantages and disadvantages of restructuring, not only for EPS and the state as the owner, but for the entire Serbian economy and, above all, for the citizens – not just those who are employed in EPS or companies who cooperate with EPS but also customers – is not prepared.

“Financial operation of the Electric Power Industry of Serbia is not threatened and the austerity measures are already yielding results. In the first quarter of 2016 EPS made a profit of 13.6 billion dinars, which is much better than planned. EPS is profitable and continues reorganization in accordance with the measures of the Government of Serbia,” said Milorad Grčić EPS Acting Director emphasizing that actions are also taken to reduce losses and electricity theft.

As he says, “EPS will have much better results of collection and losses reduction than World Bank expected”.

It seems that the state, as the owner of EPS must deal with serious restructuring of EPS itself in the future. Because, in the previous steps of this imported process there were a lot of mistakes because of listening to the foreign advisors. Just to mention widely praised unbundling of so-called non-core activities. Thus the entire services were unbundled from EPS, without which the system cannot function – in the mining basin Kolubara, for example, the sector Kolubara metal with workshops and all the people / handymen, who maintained machines on open cast mines was first to be unbundled only to be returned to the company after several years.

Therefore, the new Serbian Government faces the serious task. To solve how it will implement further restructuring of EPS. Will it blindly listen to advices based on erroneous premises. And then to assist the EPS management in finding the right path – to make EPS a profitable company, more competitive in the market. Only thus there will be vacancies for young experts in EPS and the companies from the sectors of mechanical engineering and other activities related to the energy sector who are now going abroad. Only by developing

a healthy segment of the Serbian economy the national economy can be drawn out of the crisis, unemployment will be reduced ... and then no electricity price increase will be a thing scaring the majority of citizens.

source: balkanmagazin