



International Association
of Water Service Companies
in the Danube River
Catchment Area



Utility Management Training

MODULE 1:

Utility Economics, Finance And Regulation (UEFR)

Institutional Partners



WORLD BANK GROUP
Water



GWSP
GLOBAL WATER
SECURITY & SANITATION
PARTNERSHIP



**FACULTY
OF ECONOMICS
AND BUSINESS
ADMINISTRATION**



UEFR Module Team

Module Development Partner:

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Trainers:

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Utility Partner:

Sofiyska Voda (Sofia, Bulgaria)

Thematic Support and Materials:

World Bank



UEFR Module Logistics

Format and Venue: Four-months module with one-week residential week in Sofia, Bulgaria

Module timeline: January – April 2023

Introductory webinar for the module: 2 March 2023

Core training week: 13 – 17 March 2023



UEFR Module Outline

The UEFR module of the UMT program is not only “the core financial module of the program” but it also provides a wide “sector-environment” introduction to the water-utility world. As such, it combines financial, economic and regulatory topics with “softer” ones such as organizational design and HR techniques, etc.

More specifically, the module comprises of 4 complementary topics, each of which is comprehensively covered in one residential day.

Day 1 of the module places the focus on **Utility Economics and (overall) Sector Environment**. The idea of this part of the UEFR module is to present key features of water utilities being capital-, labour- and customer-intensive companies. These features of the water operators predetermine the impact of macro and micro economic factors such as inflation, interest rates, country-specific macro risks, etc. Emphasis is also placed on the complementary stakeholders in the sector – asset owners, regulatory features (although there is a full day on regulation later in the week), contractual models, consumer and NGO players, policy process, etc. As these arrangements vary widely from country to country, an active dialogue between the participants is strongly encouraged, so everyone gains an understanding of various models.

The second day provides a deep dive into **Financial Management of Water Utilities**. Two specific sessions are included here, i.e. Understanding Financial Statements and Management Accounting. Financial statements of water companies typically have certain specifics, e.g. off-balance registration of the public assets, heavy costs for energy (not always, though) and labour, collection rates that often go

far below 100%, etc. These are put in context and the UMT participants are encouraged to present the financial statements of their own companies. A separate session is then dedicated to how water operators manage their in-house financial processes through “the tools and techniques of Management Accounting”, e.g. budgets, cost centres, activity-based costing, variance analyses and related ones. The actual application of these instruments in a couple of companies is presented as case studies.

Day 3 covers two highly complementary topics – **Regulations and Tariffs**. The water sector is typically given as an example as a heavily regulated industry. That is why regulation principles are presented in certain level of detail followed by the topic of “tariff design” – from theoretical foundations to the practicalities of tariff models, sensitivities, etc.

As this is the first module of the UMT, one day is dedicated to the **Organizational Design of Water Utilities** so the forthcoming core-function modules of the program can step on some shared concepts of how water companies are structured as organizations. This is the place in the program where HR techniques and ideas on how to retain talent are presented.

Other significant sub-topics covered in this residential week include the overall EU-level regulatory frame for the water sector, private-sector participation mechanisms and outsourcing trends, technology developments with high impact, etc.

Being the beginning the program, the module encourages the participants to openly share experiences and reflections, so the group develops a joint regional context.

Competence Partner



Utility Partner



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