

Should consumers demand higher water prices?

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Two diametric views

- *“Water is so essential it should be free”*
- *“Water is so essential it should be fully costed”*

Proposition

- Recognise the role of cost recovery
- Charges/subsidies should be designed to promote:

Conservation of resources

Network extension

Mitigation of hardship

- Price increases may be in the interests of the poor

Regressive subsidies

- 1 billion no access to ‘improved water’

Latin America 15%; Africa 38%; Asia 19%

- 2 billion no access to sanitation

Coverage declining in Africa

- Subsidies do not serve non-connected poor
- Every new customer is a loss maker

Former Soviet Union

- Comprehensive coverage but system breakdown
- Lviv, Tbilisi: 3 hours daily
- Cross pollution
- Massive exemption from payment
- Delinquent consumers includes government

But how can the poor pay?

- They are paying **now** at unsubsidised rates
- Non-connected pay 10-120 times more than the connected: vendors, bottled water, Coke
- Lima, Nairobi, Dominican Rep.
- Also kerosene lamps, torches, mobile phones: the poor pay more

So do we raise tariffs?

- Not unilaterally, will cause hardship to many, and increase delinquency; may cause disorder
- Spread the revenue base first: reduce exemptions, delinquency
- Try asking people nicely: Tbilisi, Abidjan

strategy

- Reduce non-payment
- Subsidise connections not running costs
- Special provisions for poor consumers?
- Regulation of prices and rates of return
- Conservation

Reduce non-payment

- Exemptions –FSU 40%, eg war veterans
- Delinquency:

Government & industry: Nairobi, Macedonia,

Ideology of theft: Barranquilla, South Africa

- Exemption X delinquency = 30% payment of below cost tariffs. FSU cost recovery early 90s = 5%.Russia 2004 =100%

Subsidise connections

- Connection charge barrier
- Lower tariffs – higher connection charges
- Underwrite amortisation
- Community based cost recovery-self build-
Pakistan, Manila; self build discounts
- ‘Solidarity charges’ –Bolivia and Argentina

Preferential tariffs?

- Free water tranches? Indiscriminate, requires sophisticated metering
- Rations for households or individuals?
Problem of multi-occupation/registration
- Individual income support: complexity and stigma – Russia & UK
- Chilean water stamps –high take up

regulation

- 95% water systems are public, but..
micro-privatisation is massive
- Autonomous regulation should not be restricted to private participation
- Publication of contracts-Berlin, Bucharest, Budapest
- Self management-Karachi, Lima, Manila

conservation

- Undervaluation provides no incentive to repair or conserve
- Tbilisi – cost of repairs exceeded revenue from water recovered.

And lastly..

- Cost recovery not a public/private issue;
- Cost recovery will only work if the additional revenue properly accounted;
- Thank you
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