

# IS DRINKING WATER AFFORDABLE FOR ALL?

Everyone agrees that water must be affordable, but no one really knows what this means exactly. A study of around one hundred countries shows that water is generally very expensive for the lowest-income groups and affordable for the vast majority of users. As this disparity concerns a good that is traditionally free, it should be rectified. As proposed by Angel Gurría, Secretary General of the OECD, “*Measures need to be set in place to ensure affordable access to the poorest to adequate water supply and sanitation*”. Significant progress is required for the poorest to have access to the safe water that is often only available to those who can pay for it. However, it should be noted that over 50 developed and developing nations have already taken measures to ensure water is affordable for all and to reduce the proportion of people who “are unable to afford safe drinking water” as stipulated in the UN Millennium Declaration.

1. See “De l’eau à un prix abordable”, Paris 2008, 260 p. (available at: [www.academie-eau.org](http://www.academie-eau.org)).  
For further information: ADEDE, [henri.smets@smets.com](mailto:henri.smets@smets.com).

## 1. THE PRICE OF DRINKING WATER

The right to water concerns access to drinking water and to sanitation at an affordable price. It is not enough to be able to procure drinking water, the cost of doing so must not be disproportionately high in comparison with a person’s resources.

Water is considered to be unaffordable if it takes too much time or money to obtain it, such that a person’s means of obtaining other essential goods and services are significantly reduced. The child who must carry buckets of water cannot go to school and the mother who must pay dearly for water at the stand-post cannot acquire other essential goods. In Europe, people with very low incomes are often unable to pay their water bills, and the public authorities must step in to compensate.

Statistically speaking, whether or not water is affordable can be measured by the ratio between the price paid for water and sanitation and the disposable income of the household concerned (affordability index).

For households in the median range (those whose income is less than that of 50% of the population), this ratio is usually around 1% in developed countries and around 2.5% in developing countries for users connected to a water supply network. In all these countries, water is considered to be affordable for median range households. These figures reflect national water pricing policy and, in particular, the considerable subsidies provided to ease the burden of water services on the consumer.

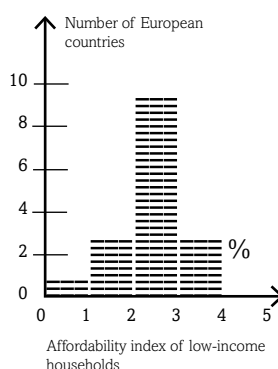
For low-income households, i.e. those with an income of 40% or less than that of the median range households, the affordability index is much higher, because while low-income

households do not consume significantly less water, their income is considerably lower.

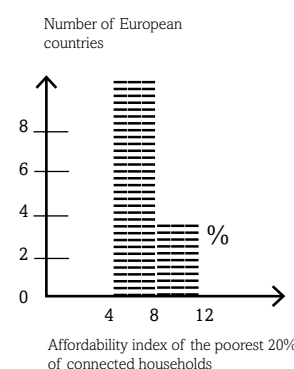
**In developed countries, this index is generally around 2.5% but can reach 3.5% (Figure 1) while in developing countries it is much higher, varying from 4 to 12% (Figure 2).** In certain regions of these countries, water is more expensive and income lower, resulting in affordability indices as high as 15%. Drinking water is physically «available» but economically inaccessible! And if safe water is unaffordable, the only alternative is to use unsafe water.

**FIGURE 1**  
**DISTRIBUTION OF AFFORDABILITY INDICES IN EUROPE**

*Index figures are predominantly around 2.5%*



**FIGURE 2**  
**AFFORDABILITY INDICES IN LATIN AMERICA (ECLAC)**



There are no internationally recognised standards set to define the level at which water prices become unaffordable, but there are some «references» such as:

UNDP:	3%
OECD AND EUROPEAN COMMISSION:	4%
ASIAN DEVELOPMENT BANK:	5%

At national level, water is most certainly unaffordable when the public authorities decide to take measures to reduce the impact on the most affected groups within the population. In Europe, some public authorities reacted when the affordability index exceeded 3%, but others show no concern. In developing countries, the index would probably have to climb higher before action would be taken. During recent years, several countries have officially adopted

affordability index figures to adapt their water pricing policies to the population's ability to pay. It should be noted that the figure chosen by the governments is around 4%.

**OFFICIAL OBJECTIVES OF NATIONAL GOVERNMENTS REGARDING WATER AFFORDABILITY: 2 TO 6% OF THE HOUSEHOLD BUDGET**

LITHUANIA	2%
NORTHERN IRELAND	3%
ARGENTINA	3%
VENEZUELA	3%
CHILE	3%
UNITED STATES	4%
INDONESIA	4%
KENYA	5%
MONGOLIA	6%

## 2. GOVERNMENT PRACTICES

To make water more affordable for households, governments:

- Subsidise household water and reduce water taxes,
- Lighten the burden on small consumers (for instance by increasing the price paid by large consumers and non-domestic consumers),
- Support programmes to improve economic efficiency in the water sector and to reduce household water consumption levels (reducing wastage).

Some governments have also taken social assistance measures (for example increasing housing assistance) and specific measures to make water more affordable for low-income households such as:

- Providing assistance to repair leaks and reduce wasteful use,
- Providing assistance to help users access the different social support systems available and thus be better able to pay their various bills, including water,
- Creating reduced tariffs for water for low-income households (social tariff) and/or provide targeted aid to the same effect. Such measures have been taken by more than 50 national governments, at least 14 of which are industrialised countries (see below) without necessarily making much of a hue and cry about it.

## COUNTRIES THAT HAVE ESTABLISHED SOCIAL TARIFFS FOR WATER

*(Help for categories of people in difficulty to pay for water)*

EUROPE	AMERICAS	OTHER
BELGIUM	ARGENTINA	SOUTH AFRICA
BULGARIA	BOLIVIA	AUSTRALIA
SPAIN	BRAZIL	CAP VERT
FRANCE	CHILE	CHINA
GREECE	COLOMBIA	SOUTH KOREA
HUNGARY	COSTA RICA	GABON
ITALY	UNITED STATES	INDIA
LITHUANIA	GUATEMALA	INDONESIA
LUXEMBOURG	MEXICO	JAPAN
MALTA	NICARAGUA	KENYA
NETHERLANDS	PANAMA	MAROCOCO
POLAND	PARAGUAY	MONGOLIA
PORTUGAL	PERU	PAKISTAN
UNITED KINGDOM	SAINT KITTS	SINGAPORE
RUSSIA	EL SALVADOR	SRI LANKA
TURKEY	URUGUAY	TUNISIA
UKRAINE	VENEZUELA	

## 3. ADAPT THE PRICE OF WATER TO LOW-INCOME GROUPS' ABILITY TO PAY

For water supply services to be sustainable, they must balance financially, taking subsidies into account. The governments' objective is that everyone have access to water, not that everyone pay the same price per m<sup>3</sup> as if it were a mere commodity.

One way to facilitate access to water would be to provide a set quota of free water or low-priced water per household or per person. In the case of free stand-posts, access to water for all is ensured, but the water must be carried. In the case of networks, the effect of this type of measure on the poorest depends on how consumption is paid for over and above the set quota, particularly when several families share the same meter.

Another approach is only to offer low-income groups a reduced tariff or assistance to help them pay their water bills up to a certain volume. This limited volume approach requires prior identification of beneficiaries and of how the cost will be recovered.

The identification of beneficiaries is easier in countries that already have an established social benefit system. When information on household income is lacking, more simple criteria can be used such as the type of housing or the area, to determine who is eligible for special tariffs. Similarly, tariffs that are favourable for stand-post users can be created, ensuring that the price is not much higher than the minimum price paid by those connected to the network. If there is a high proportion

of poor people, it is preferable to reduce the price of water for all through subsidies, and to increase taxes.

Assistance provided to households can be in the form of direct aid to individuals (for instance a water coupon or cheque) or a tariff reduction (reduction on the bill). If there are no individual meters, it is possible to distribute a voucher for an amount equivalent to a water quota.

Financing assistance for low-income groups can be ensured by the public authorities at central, district or municipal levels through social policies (subsidies covered by taxpayers), but it can also be covered by the users in the context of solidarity policies (cross-subsidies by large users or companies). It can sometimes take the form of joint action by utilities (users) and public authorities (taxpayers) that finance a social fund for water or debt reduction. The table opposite highlights the wide range of possible solutions.

### The cost of affordability measures

The cost of social measures varies according to the number of beneficiaries. According to data gathered in the different countries, this cost is usually very low. Indeed, if 15% of the population receives assistance for around 30% of the average bill, the assistance provided to the poorest represents

4.5% of the total cost of water. As such assistance usually concerns fewer people than that, it is less costly to fund.

Setting up social measures does not necessarily mean increasing the price of water for domestic users. Indeed, assistance for the poorest can be funded by eliminating unnecessary advantages for certain “protected” individuals or institutions (unpaid bills, preferential tariffs, privileges etc.). It is also possible to increase the proportion of cross-subsidies, to reduce water taxes and even to finance social measures with the price reduction obtained when re-negotiating delegated services contracts.

**TABLE 1**  
**SOCIAL TARIFF AND TARGETED AID FOR LOW-INCOME HOUSEHOLDS**

		HOW?	
		TARIFF REDUCTION	DIRECT INDIVIDUAL AID
WHO PAYS?	USERS	United Kingdom Australia	South Africa Belgium (Walloon Region)
	USERS AND TAX PAYERS	Colombie Panama	France (housing solidarity fund) Mexico
	TAX PAYERS	Poland Chile	Estonia Lithuania

## 4. SOME EXAMPLES OF SOCIAL TARIFF SYSTEMS

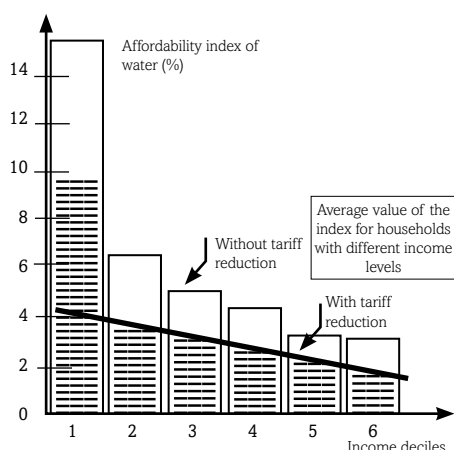
More than 50 countries have already chosen to implement social tariffs or equivalent measures. The following examples concern countries where water is quite expensive and assistance to pay for water consumption can be justified.

- **In Belgium**, users in the Walloon Region finance a social fund for water through a tax on water consumption of €1.25 cents/m<sup>3</sup>. This fund is shared among all municipal social assistance centres, which redistribute the funds to households experiencing difficulties in paying their water bills (€140/year on average). 0.5% of subscribers benefit. In France, a similar system (the housing solidarity fund) is co-financed by the public authorities and private sup-

ply companies, but the number of beneficiaries is lower (0.25% of subscribers).

- **In Chile**, people with low incomes according to their municipalities (16.6%) have the right to partial or total coverage of their water bill by the government, within the limit of 15m<sup>3</sup> per month. The municipalities transfer the assistance for the low-income users to the utilities (\$9/household/year on average). Overall, these funds represent 5.9% of turnover.
- **In Colombia**, poor users identified by their local councils or by housing conditions, benefit from a tariff reduction while wealthy users and companies pay a higher price for their water (cross-subsidising). Furthermore, the Government pays a balancing subsidy. Figure 3 shows that people in the first income decile (the poorest 10%) who would otherwise have had to pay 14.7% of their income for water only pay 9.5% thanks to the social tariff. This figure is still high because other users pay 3.7% or less.
- **In South Africa**, a free quota of 6 000 litres per month (200 litres/day) is attributed to all households. A Johannesburg court has deemed this quota insufficient. In practice, in Soweto, 45% of the population pays nothing and 55% pays €5/month for water. Furthermore, the indigent populations receive an additional quota of 4 000 litres/month.
- **In Kenya**, the Official Plan stipulates that the price of water sold in kiosks must be less than twice the basic price (first tariff block).
- **In the United States**, assistance for water varies from one town to the next. In San Antonio (Texas), a very poor household can receive \$8.80 per month towards water bills.
- **In Hungary**, 5.6% of users benefit from a reduction of 20% on their water bills. The utility and the municipality cover the cost of this measure.

**FIGURE 3**  
**AFFORDABILITY INDICES IN COLOMBIA. EFFECTS OF TARIFF REDUCTION ON HOUSEHOLD EXPENDITURE**



- ▶ **In Brazil (Porto Alegre)**, an incremental block tariff System is used and, furthermore low-income users (65,650) benefit from a 60% reduction if they consume less than 10 m<sup>3</sup>/month
- ▶ **In Uruguay**, water and sanitation services are free for low-income elderly people who consume less than 10 m<sup>3</sup>/month.

- ▶ **In Panama (Panama City), Venezuela (Merida) and Nicaragua (Managua)**, water prices in the slums are the lowest
- ▶ **In Gabon (Libreville)**, 10 000 subscribers out of 100 000 benefit from a tariff reduction of 50% if they consume less than 15 m<sup>3</sup>/month and water from stand posts is free.
- ▶ **In Niger**, indigent households with a spécial low-income card have the right to 6 m<sup>3</sup> of water per month.

## 5. CONCLUSIONS

The steady increase in water prices makes it necessary to assess whether the price of water remains affordable for the poorest. The proportion of people concerned is considerably higher in developing countries but the problem nonetheless exists in developed countries, where it is easier to resolve.

### FOR WATER TO BE AFFORDABLE, WE RECOMMEND:

- Integrating the principle that water should be affordable for all in the law,
- Assessing the affordability index for the various sectors of society in different regions and identify where water is not affordable,
- Setting up social tariffs or equivalent measures to reduce water bills for the poorest populations.

# IS WATER UNAFFORDABLE IN CERTAIN REGIONS IN FRANCE?

Water is affordable in France for almost everyone but some households have to dedicate more than 3.5% of their income to pay their water bills. This level of expenditure is commensurate with the equivalent levels in other European countries, the maximum figure in Northern Ireland and in the United States and the references proposed by international organisations. It corresponds to the intervention threshold of French solidarity structures (housing solidarity fund) when they help indebted users to pay their water bills and it is linked to the maximum price that 95% of the population pays for water.

According to the French Water Act: “each person... has the right to access to safe water under conditions that are economically acceptable for all; thus the public authorities should intervene when water is “too expensive”. For example, in order to stay under the index of 3.5%, those receiving income support (€806/month for a couple and a child) should receive €12 /month in assistance if water costs more than €4/m<sup>3</sup>.



The Coalition Eau is a group of 25 NGOs mobilised in France and abroad in favour of access to water and sanitation for all. Members: Acad, Action Contre la Faim, Adede, Avsf, CCFD, CRID, 4D, East, Eau Vive, Enda, Green Cross France, Gred, Gret, Helen Keller International, Hydraulique Sans Frontières, Ingénieurs Sans Frontières, Initiative Développement, les Amis de la Terre, Réseau Foi et Justice Afrique Europe, Secours Catholique, Sherpa, Solidarité Eau Europe, Toilettes du Monde, Triangle Génération Humanitaire, WWF.