

Water for Poor People – The Case for Affordable Water

Professor Frank J Convery, Chair Publicpolicy.ie and Senior Fellow, University College Dublin

Henri Smets sets the international context for water pricing: “In all countries, it is now accepted that water users should pay to a very large extent for the water they use, and the amount of payment be proportionate to water consumption. The Irish model of free water for domestic users was hardly known to the rest of Europe, and did not inspire the policy of any country in Western Europe.”

The Human Rights Imperative

But he goes on to argue that there is a basic human right to have access to clean water at an affordable price. “Tariffs must be designed to finance water and sanitation services, but also to ensure social solidarity with the poor.” Accessibility is a core requirement under the Aarhus Convention which has been transposed into EU law. The Rapporteur on the Human Rights to Water stated that water should be free only when users were incapable of paying for it. Under French Law, any person experiencing difficulties in regard to ensuring a continuing supply of water, energy and telephone services is entitled to assistance from public authorities.

Defining Who Is Poor

The first step in ensuring that water is affordable is to identify those for whom affordability is likely to be a problem.

Drawing on data in other countries, we can see who these might be. From Table 1, we can see the extremes, with Poland with the lowest 10% of the population by income paying almost 8% of their net disposable income for water, while the equivalent cohort in Italy pays 1.4%.

Table 1. Water Supply and Sanitation Bills as % of average net disposable income, 2008.

Country	Average	Lowest 10%
Italy	0.3	1.4
Spain	0.4	2.2
New Zealand	0.5	1.6
Sweden	0.5	1.8
England and Wales	0.6	2.0
Scotland	0.9	2.8
Denmark	0.9	2.5
Poland	1.2	7.9

Source: OECD, 2010. Pricing Water Resources and Water Sanitation Services, Paris, p. 74

A workable definition of the water poor would be those of us who would have to pay more than 3% of our income for water if we paid the full price. And the lowest 10% in terms of disposable income would capture most of those; to the extent that incomes and water bills in Scotland and England are comparable with Ireland, we can see from table 1 that the poorest 10% would be paying between 2 and 2.8 per cent of their disposable income for water.

How Is Water Charged For, And Why?

Water to households typically comprises three elements – a fixed fee, an amount for water supply per cubic metre, and an amount per cubic metre to dispose of wastewater, called sanitation services. As environmental standards have been tightened, the cost of sanitation services has increased, to the point where in most countries they exceed the cost of water supply (Table 3). Increasingly, the costs per cubic metre increase in steps, called an increasing block pricing.

The approach of charging per unit of use on an increasing block basis provides three incentives:

- Reduces leaks
- Invests in conservation measures
- Increases use of water in ways that conserve.

Consumption per household in Ireland is over twice that of Belgium (Table 2). These data are so striking that one wonders about their accuracy, but undoubtedly part of the explanation lies in the fact that Irish consumers have no incentive to identify leaks on their property and fix them, or to invest in low water consuming devices (showers, toilets, washing machines, etc.) and to change behaviour.

Table 2 Average Consumption per household, M³

Country	Average Annual Household Consumption in M ³
Belgium	68
France	91
Ireland	141

Source: Smets (2012) Table 1

How Much Is Charged?

The amount charged typically comprises a fixed or standing charge, and an amount per cubic metre (M3). There is a considerable range across countries as regards the amount charged:

Table 3. Unit Price⁴ in US\$ of Water Supply and Sanitation Services to Households, 2008, per M³

Country	Water Supply	Sanitation	Total ⁵
New Zealand	0.7	1.2	1.98
Italy	0.8	0.7	1.45
Spain	0.9	0.5	1.92
Finland	1.7	2.7	4.41
England and Wales	1.8	2.0	3.82
France	1.9	2.0	3.74
Germany	2.5	na	na
Scotland	2.6	3.1	5.7
Denmark	Na	Na	6.7

Source: OECD, 2010. *Pricing Water Resources and Water Sanitation Services*, Paris, p. 45

The average annual water bill for households in France at present is €434.

How To Meet The Needs Of The Water Poor?

There are a number of approaches:

- Charge everyone the full price, but make direct payments to the poor to compensate them for the costs. In Ireland, we use the [fuel allowance](#) to compensate the fuel poor for their energy costs. In Paris, in 2010, direct payments for water amounting to €70 each were made to over 40,000 households. **Direct payments are efficient in the sense that it maintains the full incentive to conserve water.**
- Provide a certain amount of water to poor people at low cost. This is the approach adopted in Flanders, Belgium and Malta. In one part of Flanders, water is free below 30M3 for a couple on social benefits, and half price for consumption above 30M3. The Flemish system provides support to 7.6% of the population, at a total cost amounting to 3.8% of water sales. In Malta, there is standing charge of €59; the first block is sold at €1.5 per M3, and the second block at €5.4 per M3. The tariff for the vulnerable group (16% of the total population) involves removing the standing charge and reducing the unit cost by 30%. **It has been proposed for Ireland that everyone get some water for free; South Africa provides 70M3 free annually to each household. The consequence is that the charges for water above the free quota are very high.**

- Because minimum basic household water needs are directly related to number of family members, family size is also an equity issue. Spain provides bigger blocks of water at low cost to households with large families.

In France, there is a special office that deals with unpaid bills.

Ensuring Payment By Users Who Can Afford To Pay

When people struggle to pay, most jurisdictions make provision to defer payment, in addition to the arrangements noted above for the poor. But what of those who can pay, but refuse? Most jurisdictions have legal authority to cut off water, but are very reluctant to do so. **An effective option is to reduce the water pressure.** This ensures that there is sufficient water for drinking, cooking and washing, but washing machines and dishwashers etc. will not work.

Conclusions

- There is a compelling case for ensuring that everyone has access to affordable water to meet their minimum needs.
- There is an equally compelling case, in justice and affordability, not to give everyone ‘free’ water. Giving the richest 10 per cent water for nothing as a way of helping the poorest is neither fair nor efficient.
- Policy needs to be designed and implemented in ways that ensures that those who cannot afford to pay are enabled to secure what they need. The provisions need to be explicit in the legislation, so that the regulator can make decisions accordingly. There may be a case for an independent water arbitrator.
- The system needs to be flexible, and reflect reality as experienced today. Those of us who are lucky enough to be able to afford to pay today, may not be able to do so tomorrow, while the converse will also apply.
- There is plenty of experience in other countries from which to draw, and practice evolves over time. For example, François Hollande, the recently elected President of France, favours something along the lines of the Flemish approach, and French policy therefore is likely to move towards and increasing block pricing of water to households.
- There is a strong case for having an informed debate as to how best to protect the human right to affordable water, drawing on international evidence. We hope that this commentary is a useful contribution.

This paper draws heavily on “Charging the Poor for Drinking Water – the experience of continental European countries concerning the supply of drinking water to poor users” by Henri Smets, Water Academy France, presented at a workshop hosted by publicpolicy.ie on

June 19 2012. The full paper is available by [clicking here](#). Data not otherwise referenced is taken from this paper.