

CHARGING THE POOR FOR DRINKING WATER

The experience of continental European countries concerning the supply of drinking water to poor users

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1. Water is not a commercial product

Some 20 years ago, charging for water was presented as a purely economic issue¹ and it was stated that water being a « commercial product »² should be charged like any other commercial product. This economic approach was strengthened when it was thought that private funding or privatisation would provide all needed investment in this area. This liberal approach is now over. The flow of private capital for water investment did not materialize and the principle that water supply and sanitation would not depend any more on public funding was partly abandoned. During this period, water was progressively recognized as a human right while at the same time subsidies for drinking water were reduced.

In continental Europe, the accepted policy on water charging is half way between a liberal approach and a public property approach. The UK model with privatised water utilities was not accepted and most Europeans citizens now require that investment and major decisions on water issues remain formally in the hands of public authorities. In some countries, privatisation of water companies was even forbidden by law.

In all countries, it is now accepted that water users should pay to a very large extent for the water they use and that 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. Table 1 and 2 provide a comparison for the purpose of this paper between France and Belgium on the one hand and Ireland on the other hand. From an economic point of view, these are similar countries but for water the differences are sometimes very large.

¹ According to the Dublin Statement on Water and Sustainable Development (1992), « Water has an economic value in all its competing uses and should be recognized as an economic good. Within this principle, it is vital to recognize first the basic right of all human beings to have access to clean water and sanitation at an affordable price. » In the nineties, many official bodies ignored the second sentence.

² According to the water framework directive (EEC 2000/60), « Water is not a commercial product like any other but, rather, a heritage which must be protected, defended and treated as such ».

2. Metering water, a technical challenge

In Western continental Europe, nearly all households are equipped with either a collective or an individual meter. Paying in proportion to water consumed is considered more equitable than paying a fixed fee. This does not mean that every household has a meter. It means only that every building has one. In Paris, for instance, there is only one meter for 25 people because there are many condominiums, i.e. apartment buildings with a single meter.

Twelve years ago, it was thought appropriate in France that all households be provided with a water meter. This policy is now in force but only for all new buildings. On the other hand, for old buildings, serious difficulties associated with this policy led to the conclusion that mandatory metering of individual households would not be done because of the cost involved. In existing condominiums with more than one water inlet per apartment, individual metering is simply too costly and there is only a collective meter.

3. Cost allocation of metered consumption

People generally prefer water expenses to be allocated between them on the basis of metered consumption. In principle this would induce people to conserve water but in fact it mostly helps to avoid the situation where small water consumers pay for large consumers because otherwise the consumption is allocated in proportion to surface area of apartments and not actual use. In Paris, there are few meters and water is generally apportioned on the basis of surface area of apartments. Thus there is no incentive to avoid water wastage and water consumption is about 15% higher than what it would be with individual meters. To reduce wastage, the public is regularly informed that it should save water and that it is very costly to permit leaks in taps or toilets. Making people conscious of water losses helps very much in decreasing water consumption. Metering is useful but should not be seen as the only method to conserve water. The decrease in public subsidies and increased requirements relating to water quality and sanitation led to significant increases in water prices.

4. Paying for water

The proper functioning of water supply and sanitation services requires that all costs be borne by the users and, in appropriate cases, by subsidies. Tariffs must be designed to finance water and sanitation services but also to ensure social solidarity with the poor. Tariffs are set up to satisfy the three objectives of sustainable development:

- a) Economic efficiency,
- b) Social equity and
- c) Environment protection.

This paper will try to describe the practice in continental Europe to ensure that charging for water is meeting social equity. In particular it will consider the special problems related to charging water in the case of households with small incomes or with many children or dependents.

5. Free water and the human right to drinking water and sanitation

The issue of charging for water must now be examined in the context of the worldwide recognition of the human right to water. In July 2010, the General Assembly of the United Nations adopted a resolution recognizing the right to drinking water and sanitation³. In September 2010 the Human Rights Council adopted a further resolution on the same subject⁴. All European countries now support the recognition of this new human right except possibly the United Kingdom.

All European countries are now committed to implement the new human right to water. In particular they have to fight the discrepancy in the availability of drinking water between rural and urban areas. Countries have also to adopt special provisions to ensure that vulnerable people have access to drinking water. Water like food, health and education must be provided to all even to poor people that cannot pay their water bills. The challenge is to define who is to provide this drinking water to the poor, how much water should be provided and which poor persons would receive water.

There are three theories to deal with this matter:

- a) Drinking water should be charged for like any other commodity;
- b) Drinking water should be provided free to everyone;
- c) Drinking water should be provided free only to those who cannot afford to pay for it.

The issue of free water in France

The principle in force in France is that water has to be paid by water users but there is some derogation in particular public authorities help to finance the large investment needed in water services.

The principle called “water pays for water” is part of the philosophy implemented over the last 50 years. It means that there is little State intervention in the provision of water. In France, it is illegal to provide free drinking water, for instance, to provide a first block of 15 m³ per year free to all citizens or to provide free water to a municipality. On the other hand, it is permissible to provide a block of water at a highly subsidized price provided that overall the users pay for water. This cheap first block approach is now used in a few cities.

Although free water is illegal, France has public fountains or standposts which are delivering free water at the expense of the municipality. In Paris, the policy towards implementation of the right to water leads to increasing the number of public fountains (1250 for 2.2 million people) and during summer, to distributing free water bottles to homeless people. The French Water Council, a body with representatives of all stakeholders as well as the State Council, an administrative court advising the Government recommended to increase the number of water standposts and suggested to pass a law making them obligatory in every municipality.

³ A/RES/64/292. See also World Health Assembly document WHA64.24, “Drinking Water, Sanitation and Health,” dated May 24, 2011 which was adopted unanimously except UK.

⁴ HRC 15/9, HRC 16/2, HRC 18/L.1.

The policy of a free supply of water to all is supported by a few groups of the civil society but is not implemented in any of the 36 000 French municipalities except by providing public water fountains. Proponents of the free water philosophy suggested offering 40 l per day of free water to all and to increase the price of water above a consumption of 40 l per day. They argue that water being a human right should be provided to every human person just like every person has a right to free primary education. This approach is not supported by human right specialists or the Human Rights Council who argue that there is no right to free food, to free health service or to free housing although these are also human rights. Thus recognition of the right to water does not imply free water for all. Opponents to the free water for all approach consider in addition that it is totally unjustified to provide aid to people who do not need it.

The policy in force

A less generous policy has been adopted in most European countries; it requires a payment from nearly all users and supports the principle that no one should be left without drinking water. People with financial difficulties in paying for water would receive aid to pay their water bills. In substance, it means that instead of providing 40 l for free to 100% of the population, 40 l would be provided for free or for a small fee to a small fraction of the population. The Special Rapporteur on the Human Right to Water recognized the principle of providing of free water for the poor when she stated that water was free only when users were incapable of paying for it. The quantity that should be free is not yet specified but it should probably be around 40 l of drinking water per day per person (which is equivalent to 15 m³ per year). No indication was given of the proportion of the population receiving free water. The practice in Europe is rarely generous.

While the opposition to free water is still very strong, many people in France are now asking that the first block of water be provided at a price below the average price. For instance each household should receive 30 m³ per year at a low price the understanding being that those consuming much water would be required to pay a higher unit price for water, thereby compensating for the loss of revenue.

French politicians are now well aware that water has become expensive especially for the poor. The Socialist party, the Green party and the Communist party which are now in the majority at Parliament are all in favour of a progressive tariff for water, i.e. a tariff in which the essential uses of water are charged at a lower price than uses for leisure or gardening. President Hollande has even announced that he would propose a new law within one year on this issue. The main reason for this law is to provide water to all at a reduced price even if this does not entirely solve the issue of affordability. The advantage of this approach is that it can be implemented without any delay or red tape and that it is financially favourable to a majority of users.

6. Consequence of non-payment of water charges

In principle, non-payment of water charges will lead within a period of a few weeks or months to disconnection of the water user. In fact this legalistic approach is not followed any more because there is a growing reluctance by the judicial system to penalize households lacking water for essential uses and toilets. French tribunals decided that disconnection for non-payment was a penalty out of proportion to a household water debt. The courts ruled that a landlord without a court decision could not disconnect the water of a tenant who has unpaid rent. Similarly a water supplier should not disconnect a user with unpaid water bills if the user has genuine financial difficulties. In Brussels, for instance, the water supplier needs a court order in order to disconnect for non payment. In Wallonia and in the Netherlands, courts are now basing their decisions disallowing disconnection by the water supplier on the newly recognized human right to water.

In France, a law now prohibits disconnection for one year if the user has received during the last 12 months social benefits from a regional solidarity fund set up to help people with housing difficulties. This law is *de facto* extended to people having severe financial difficulties. In general, water suppliers like to have a law authorizing disconnection even if in practice the law may not be enforced. The threat is seen as a good means to convince users to pay for their water. In France, only 0.7% of users have water debts. The policy in Paris is not to disconnect households but to disconnect commercial users or unoccupied dwellings.

In Flanders, the issue of disconnection is obscured by the fact that a water supplier must provide free water to all users who have only to pay the cost of water sanitation. Thus it is difficult to disconnect the water supply unless a special municipal body intervenes to allow it.

Many French water suppliers have a special office to deal with unpaid water bills and to help people to obtain support from social services. In case of legal difficulties between a user and the water supplier there is provision for a water arbitrator to settle disputes out of court, more rapidly and at lower cost than in traditional courts.

7. The rising price of drinking water and sanitation

7a) Price level

The price of water and sanitation has risen over the last 40 years by a factor of 5 in terms of percentage of household expenses. In the past water was cheap but this is not the case anymore. In France where water is at the average price in Western Europe, an average household spends 434 €/year. This is equivalent to 1.25% of average consumption expenses. For poor households, the ratio of water expenses to consumer expenses is much greater and sometimes exceeds 5%. In comparison, Ireland has relatively low water bills for non domestic users.

The economic conditions of poor people in France is such that 500 000 households have had to take out a deferred payment plan in order to pay their water bills. It is estimated that at least 500 000 households spend over 3% of their income on water bills. There are large disparities in the price of water because the price varies from one municipality to the other. In some municipalities, the price of water is twice the average price at regional level. The tariff

structure may be such that the average price of a liter of water is far higher for small households than for standard households. Few measures have been introduced so far to limit these discrepancies.

The population in general consider that water prices are high. This opinion varies with income. In a public opinion survey (Table 3), nearly 90 % of low paid people stated that water was expensive, i.e. 50 % more than when people with average income are asked the same question. It can be concluded that price acceptability is income dependent even if water expenditures are relatively small (1.2 € per pay for a standard family).

Another measure of price acceptability is provided by comparing the proportion of households with water arrears as a function of water price level in various regions of France. As expected there are more people with water debts in regions where water is more expensive. This observation confirms that the price of water is a significant item for poor people.

A good policy on water pricing should aim at making the price of water more acceptable to people with low income because they experience greater difficulties with paying water. Well- to- do people certainly need no help to pay for their water.

7b) Affordability of water is now a requirement because water has become a human right

It is now recognized that the right to drinking water implies that water must be affordable to all, i.e. available under economic conditions which are not creating significant difficulties in the life of people. A measure of affordability is the amount of financial resource needed to pay for water or the amount of time necessary to collect drinking water. When measured in money terms, a good indicator is the ratio of water and sanitation expenditures to total consumption expenditures of a person or a household.

Debates in the French Water Council and in Parliament have shown that expenditure on water of an individual should not exceed the level of 3% of its consumption expenditures. Adopting this target of 3% would mean that there should be social measures in favour of people who would otherwise have to pay more than 3% for water. These are people with low incomes in areas of high water price.

France recognized that social problems exist in the area of water some 15 years ago when it adopted a law that introduced a right to receive assistance for water. The text of the law is:

“...Any person or family experiencing particular difficulties, especially with regard to their assets, lack of resources or living conditions, is entitled to assistance from public authorities to ensure the continuing supply of water, energy and telephone services to their home” (Family and Social Action Code, L115-3).

In 2006, France adopted the right to drinking water at an affordable price:

“...Each natural or legal person has the right to obtain drinking water for nutrition or hygiene in conditions that are affordable to all” (Environmental Code, Art. L210-1).

This text is very far reaching but has not been fully implemented to date. One law was adopted recently to help financing a system of assistance to support the poorest members of the population when they have water debts.

During the last six years, no law was adopted to finance a proper solidarity system, which would reduce the price impact of water price on poor people⁵. A few bills were referred to Parliament pertaining to the creation of a system to prevent poor people from getting into debt with their water supplier. Unfortunately they were not adopted and there was no decision on who shall manage the assistance system and who shall finance it. Therefore at present when water is not affordable, the only solution is not to pay the water bill.

In the meantime, the municipality of Paris has decided to grant financial assistance to facilitate payment of water bills. In 2010, 40 275 households received on average 70 € as a support for their water expenses (300 €).

8. Progressive water tariffs do not solve social issues but meet people's preferences.

France is implementing on a growing scale a progressive tariff system for drinking water, i.e. a system that sets a growing unit price for successive water blocks. Small users pay water at a low price and large users pay water at a higher price. Each communal council may adopt such a tariff, which is the rule for many years in Spain, Portugal, and Belgium and in most countries in Latin America.

Progressive tariffs are easy to implement when water is metered on an individual basis. It can also be used when water is metered in every building and the number of dwellings in the building is known or can be known easily, as is the case in continental Europe in areas where individual meters are lacking.

With a progressive tariff, the first block of water is paid at a lower price. This is often seen as a means to improve access to water for poor people as if poor households were consuming less water. It is true that water consumption increases with wealth but only to a small extent for households without a garden. The reason is that nearly everyone in Western Europe has a shower and toilets and thus is using more or less the same quantity of water.

Water consumption of a household is very dependent on the size of the household. As the average price paid for water increases as a function of consumption, large families are sometimes required to pay their water at a higher average price. Two systems have been used to avoid large families paying a high price for water. The first one used in Spain and Portugal consists of using bigger water blocks for large families. The second one consists of charging a larger unit price only for water consumption levels that exceed the normal consumption level of a large family.

⁵ “To reinforce the credibility and coherence between the positions taken by France domestically and in international Forums and in national law, the Conseil d'État also recommends that (2010), the right to water be fully implemented within France to benefit the poorest members of the population.”

9. Helping poor people to pay their water bill. Examples of operating systems

The most relevant models for introducing a social dimension in water tariffs are provided by the three regions of Belgium. In each of these regions, every building is metered and the first block of water consumption is provided at a lower price. The first block amounts to 30 m³ per household in Wallonia and 15 m³ per person in Brussels and Flanders. These are equivalent quota of water as a household average size is approximately 2.2 persons. The first block of water is a significant amount of water equivalent to 30% of the total water consumed by an average household.

In Flanders, there is standing charge of 49 € and the first block of water consumption (30 m³ for two persons) is charged at a low price of 1.9 €/m³. Water consumption above 30 m³ is charged at a normal price of 4.1 €/m³. As a result, the average price paid for a litre of water by a large family household is 25% lower than the price for a single person. In Flanders it is considered acceptable to favour families in this way. Contrary to many statements, water is not free for everyone in Flanders because people have to pay sanitation charges.

When consumption is very high, water is sold at a very high price in Brussels. In Flanders and Wallonia, the unit price remains the same for large consumptions. This is the proof that in these regions the progressive tariff was not introduced to protect the water resource.

In Flanders but not in the other regions, there is a special tariff for low-income families defined as people receiving social benefits. 200 000 families out of 2.3 million households connected to water supply pay water a lower price. These families do not have to ask for a discount because they automatically get the special water tariff system, which includes a reduced sanitation charge, and in some regions no standing charge. In one part of Flanders, water is completely free below 30 m³ per year for a couple on social benefits and is half price above 30 m³. The Flemish system is quite generous as it provides support to 7.6% of the population. The cost of the Flemish pro-poor system is 3.8% of water sales.

In Flanders, when a poor household is living in a condominium without individual meters, the tariff is the usual tariff for the building but the poor household receives compensation calculated on the assumption that its water consumption is 30 m³ per person. In Brussels, the water tariff for a condominium is based on the average consumption of water per person in the condominium. It is up to each condominium to reallocate the water bill of the building among each household.

The important characteristic of Flanders is that there are two water tariffs, one for usual households and one for households on benefits. In spite of the reduced tariff, there are 32 000 households out of 200 000 households on benefits which had to take a deferred payment plan because they had water debts.

The Flemish two-tariff system is not unique. Malta also has a progressive charging system with special allowances for vulnerable people. For most households, there is a standing charge of 59 €. The first block of water is sold at 1.5 € per m³ and the second block at a price 3.7 times higher (5.4 €/m³). A total of 30 000 households are entitled to water at a lower price (i.e. 16% of all households). The tariff for the vulnerable group consisted in removing the standing charge and in reducing the unit water price by 30%. In Portugal, some cities have a special tariff for poor people.

In South Africa, each household receives 72 m³ per year of free water, which often amounts to 9 m³ per head. This system had to be completed by a social tariff to take account of special needs of the very poor people. In Johannesburg, a higher quota of free water is given to the poorest people and in Durban the free quota was enlarged. The consequence of the free quota is that water unit price above the quota is very high.

In France, there are many different water tariffs but none amount to giving free water even to poor people as is the case in Flanders. In France, it is even illegal for a municipality to design a tariff with a free block. There are nevertheless tariffs designed with a view to meeting consumers' preferences for low water prices. The tariff used consists of a small standing charge followed by a very low price for a first block of water and a higher price for the second block of water. For instance in the commune of Mantes-La-Jolie near Paris, the new tariff is 31 € for the first 50 m³ and 59 € for the second block of water (50 m³).

10. Payment of water debts

In the absence of measures to reduce the price of water, poor people may be incapable to pay their water bills. Those who accumulated water arrears may be relieved of part of the payment for water if they are experiencing financial difficulties. The French law creates an entitlement "*to assistance from public authorities to ensure the continuing supply of water, energy and telephone services to their home*" (*Family and Social Action Code, L115-3*).

The right to assistance is addressing people having arrears with their water supplier (in case of an individual contract) or with a landlord / homeowner association (collective contract). A solidarity mechanism has been set up at regional level (FSL: *Fonds de solidarité pour le logement*), as well as a social assistance measure at municipal level (CCAS: *Centres communaux d'action sociale*).

The financing of the solidarity mechanism managed at departmental level was improved in 2011 (Law N°2011-156). It now incorporates voluntary contributions from water suppliers, sanitation companies, communes (local authorities) and the general councils of the departments. In 2008, over 60 000 households in France benefited from this departmental assistance for a total cost of € 12 million. This solidarity system represents one per thousand of turnover of water suppliers and water sanitation enterprises. It helps 2 per thousand of the population which is a very small number as the number of very poor people exceeds 2 per cent of the population. In Paris, 5462 households out of 1.2 million households received as a whole 400 000 € to help them pay their water bills. At municipal level there is a similar system of social assistance (CCAS). The solidarity system requires a detailed case-by-case analysis of requests, which people hesitate to make.

In Belgium (Brussels and Wallonia regions), there are similar systems for the payment of water debts. The difference with France is that they are financed in Wallonia by a small tax on water supply of 1.25 c€ per m³, or 3 per thousand of the total price of water. Municipal social service distribute the proceeds of the Wallonia water fund to 12 000 households with arrears. The maximum payment is 287 € per household plus 86 € per additional person above 3.

In Brussels there is also a water solidarity fund fed by a water tax of 3 c€ per m³ which helps people having difficulties to pay their water bill and subsidizes measures to reduce water consumption. The fund is providing 1 800 000 € to poor people.

11. The overall cost of poor users to water and sanitation services

When raising the question of affordability of drinking water for the poor, the main questions to be solved are the number of poor people who are going to receive assistance and the amount of assistance provided to them. In some cases the solidarity effort consists only in helping one out of a thousand people. In other cases it is to assist one per cent of the people or even 10%.

The policy is usually to help a few per cent of the population and to transfer to them at most a few per cent of the total water expenses. A very generous system that would help 10% of the population and reduce the price paid by them by 50% would cost less than 5% of total water costs. Thus it would be possible to manage such a solidarity system by internal redistribution or by cross subsidies. In most cases, the reluctance is related to admitting that measures have to be taken to combat poverty not to the financial consequences of such measures for the usual users.

TABLE 1

COMPARISON BETWEEN IRELAND AND BELGIUM AND FRANCE

	Pop.<40%	Income	Income	Water	No	Urban
	Median inc.	lower 10%	lower3 %	consum.	shower	pop.
	%	€	€	m3/yr /inh.	%	%
	(a)	(b)	(c)	(d)	(e)	(f)
Belgium	3.5	7725	7475	68	0.9	97
France	3.1	7904	7843	91	0.6	76
Ireland	3.3	8978	8685	141	0.6	60

- a) Population which earns less than 40 % of the median income
- b) Income level of people at the upper limit of the first income decile
- c) Income level of people at the limit of the lower third per cent of income
- d) Drinking water consumption of domestic users (m3/year par person)

NB : Irish data may not be comparable because they are too high

- e) Percentage of population without shower and bath.
- f) Percentage of population in urban areas

TABLE 2
COMPARISON BETWEEN THREE COUNTRIES

	Wastewater Popul.treated	Water bill for 120 m3
Belgium	55%	460 €/yr
France	80%	434
Ireland	65%	240

NB Water prices in Ireland (non domestic user with a consumption of 120 m3) are below those in western Europe.

**Table 3. WATER BILLS ARE CONSIDERED MOST EXPENSIVE
BY LOW-INCOME HOUSEHOLDS**

Out of the 77% of users receiving a water bill, half (49%) consider that the bill is “expensive” and nearly 30% (28%) consider it “inexpensive”. The variation in responses based on socio-economic levels illustrates that low-income households recognize more particularly the concept of an unaffordable water price, even though water does not constitute a large part of the average budget of poor households.

	<i>Expensive bill</i>	<i>Inexpensive bill</i>	<i>Don't know</i>
<i>Tradesmen, shopkeepers, business owners</i>	58	36	6
<i>Managers, professionals</i>	61	32	7
<i>Intermediary professions</i>	77	22	1
<i>Employees</i>	84	15	1
<i>Manual workers</i>	86	10	4

Source: Credoc: Les héros de l'eau, March 2011 (Results of a survey conducted in March 2011).

Fig. 1 In Flanders (TMVW public water supply company operates in the Ghent region), there are two tariffs for domestic users according to whether the users are on social benefits or not. The graph is for a household of two persons. Please note that in Flanders, usual consumers have to pay sanitation charges in addition to water supply charges.

