

SHOULD WE PAY FOR WATER? AND, IF SO, HOW?

Water is too complex—and vital—a resource to be left to the mercy of uncontrolled market forces. But some form of market valuation must be found if water users are to be encouraged to increase the efficiency of their use. **BY JOHN KALBERMATTEN**

MANY COUNTRIES are fast approaching the point, if they have not already reached it, when there will simply not be enough fresh water to meet all the unrestricted demands from the various sectors—municipal water supply, industry and irrigation—that feel they have a priority right to this raw material. For instance, to produce a pound of beef takes seven pounds of grain; this grain in turn takes 7,000 pounds of water. This same amount of water, if treated to potable standards, is enough to meet one person's basic needs for about six months. Which would be the better use, in a drought-stricken African country?

The fact that water resources allocation is complex and contentious is an argument for dealing with the matter sooner rather than later—we do not have too many years left to get the answer right.

When customers complain about the price of water, what they're really decriing is not the cost of the water itself, but the cost of treatment and delivery. The raw material, water, is free. It's there, in the river, for the taking by anyone. Having access to raw material at no cost is in fact the cause of much of what ails the water supply and sanitation sector. It leads to the—false—impression that it is much cheaper to expand abstraction and production than to make better use of existing supplies. The availability of water as a free resource, and the related view that wastewater is something to be disposed of rather than reclaimed for use as an additional resource, leads to an inefficient allocation of both water and financial resources.

The introduction of fees and charges for the use of all fresh water can be an

important stimulus to the efficient use of resources and to better environmental protection. It will also provide a valuable source of revenue to ensure service to the absolute poor, whether slum dwellers or subsistence farmers.

So we are faced with a classic dilemma. On the one hand, additional charges are essential to provide adequate revenue for the sector and allow services to be extended and properly maintained for sustainability. On the other, these same charges are beyond the means of many of the people most needing the services. Therefore, we need a better way to bridge the technical, financial and institutional gaps that prevent the extension of conventional services to low-income users. Fortunately, solutions to that dilemma are becoming increasingly clear.

Reduce costs to extend service

THE FIRST ELEMENT of a sustainable solution is to reduce the costs of service. We have known for years that this can be

accomplished by, for one thing, doing away with unrealistic standards. That means not designing distribution systems for high residual pressures or for fire-fighting capability in areas with single-story shacks that rarely have water at any pressure—and which are inaccessible to fire trucks in any case. Another way of reducing costs of service is by providing conventional sewerage for population groups unable to pay for the water needed to operate sewers—and even less able to finance adequate disposal facilities. We also know that families can receive service that is far better than what they have now, even if not ideal, through a mixture of public standpipes and public connections, and through low-cost sanitation facilities. Designing on this basis can reduce the costs of distributing water by as much as 40 percent, and by similar or greater amounts for sanitation—undermining the excuse that it is too expensive to extend service to low-income areas.

Recover costs

HAVING EXTENDED the service, some way has to be found to recover the cost. Public utilities usually give up trying to control the mass of illegal "spaghetti connections" that seem to spring up overnight in many slum and squatter areas. But some recent experiences show that communities themselves can be the most efficient controllers, buying water wholesale from the utility, distributing it and recovering the cost themselves. In this way, management costs are lowered—and remain within the community. The sys-



tem is affordable because the cost of this public water supply is often only a fraction of the cost people were already paying vendors.

Withdrawal of external funding, or provision of funds only against demonstrated progress in improving performance, would impose much-needed discipline on this situation. It would force service providers to recover their costs from consumers and minimize unaccounted-for water. With such discipline, payment for raw water utilization would become more feasible, since a habit of realistic payment for services would have been established.

Subsidies: An unresolved problem

OF COURSE, there will always be people who are destitute—jobless, disabled, dis-

placed by political upheavals (which may include slum clearance)—and who genuinely cannot pay for water and sanitation, even if provided by conventional means. The traditional response has been to provide them with water at a subsidized rate (for example, “lifeline tariffs”). However, the United Nations Development Programme’s 1998 human development report has called for such subsidies to be phased out since, all too often, they do not benefit those intended: the urban poor often do not have any service at all, and so do not receive the subsidy.

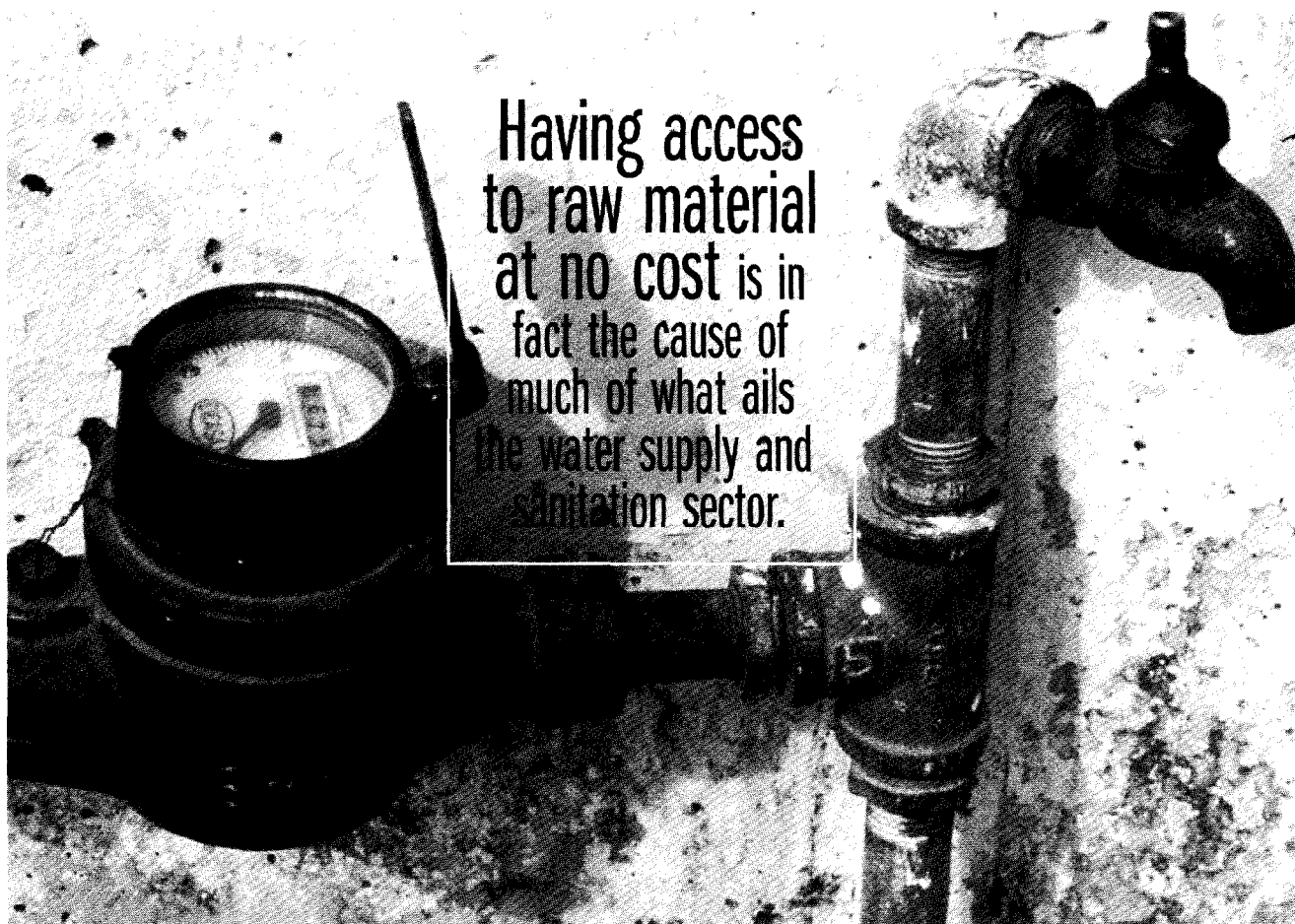
In fact, the present trend toward privatization is likely to end all such subsidies. In the absence of effective regulation (a real risk in most developing countries), privatization is likely to result in efficiency gains and better service for those

who already have service or who can afford to get connected to the existing system. The urban poor will again be overlooked. For this problem, there are no easy solutions.

IN THE FINAL ANALYSIS, this much is clear, even if all the logistics and politics have not yet been determined:

- If we want good water supply service, we have to pay for it.
- If low-income users are to benefit from service, technologies and methods that lower the cost of service must be used.
- If we want water to be sustainable, we also have to pay it. [E]

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