

Solidarity pricing and specific means for reducing the price of water for underprivileged uses (B8)

20 March 2012



1) What is involved ?

This data sheet is meant to be a **summary**, intended for deciders, **of the various methods that really make it possible for low-income users**, and in particular the poorest, **to have access to water in economically-acceptable conditions**.

Several **of these means are of the rate type, but others**, which are often as effective and sometimes even more effective, are of another type such as **social assistance, the allocation of grants, the use of more suitable and less costly techniques, partial gratuity of water or financial facilities**.

This data sheet therefore does not go into detail on all of the systems that have already been described in **previous sheets B1 to B7, or in the following data sheets B9 to B11**, and is a simple overview of them, reiterating **their advantages and disadvantages for the poor**.

Its purpose is to allow for a quick compilation, before a more in-depth study and decision, of the main means from among which a State, a region, a town, an NGO, a community or any other body involved in the design or management of a water and/or sanitation department can choose, and even mix.

2) Who use this means and since when ?

Their use, not very frequent in the past except for the natural solidarity that exists in many villages, **has been developing** for a few decades now **in many countries** (there are now about **fifty**) and especially in towns and villages. The methods of use are different according to the nature, level of resources and the method of development in the countries but there are many common general points.



But it is still in the early stages, the precept of "**Water paying for water**", which means that its price, to be paid by consumers, must reflect its cost, ensure a balance and sustainability of the service and must not be confused with a method of social redistribution, **which has for a long time**, and most often still does, **prevail**.

3) Why ?



Firstly because **the price of water**, which in the past was relatively little for many people, **increases** on a regular basis **and is becoming too high** in relation to the income for **poor populations**.

Furthermore, it is certainly important that the price of water make it possible to balance the expenses for the water department and it is sought that it be fair and not include too many differences between the users in the same location, but it also as necessary, if only to

apply the new "**right to water for all**" recognised by the GA of the United Nations in 2011, to implement **systems of a social or solidarity nature** in order to allow the poor to have access in terms of quality and sufficient quantities.

4) Who is primarily concerned ? Places or contexts in which this means appears best suited

It is especially those people who have low income, with the **difficulty** furthermore being **to precisely define and especially identify** who is concerned, which varies according to the country, the standards of living and the means, in particular the statistics that they have.

We can consider that the poor households are those of which the income is included in the first income quartile (first quarter on the income scale of a population), which corresponds for example in France to households said to be **living below the poverty line**, but each country is responsible for defining this.

Another means could be to implement a recommendation from an international body such as the **UNDP (United Nations Development Programme)**, which suggests that social measures be taken in favour of all people who spend more than **3% of their income** on water.

The developing countries are concerned the most and more particularly, as furthermore in the other countries, **the regions where the price of water is the highest**. This percentage of expenses / income, close to 1% on the average in the developed countries (but where it can reach up to 4 or 6% for the poorest), often varies in fact from 2 to 4% (but 2 to 3 times more for the most underprivileged) in the developing countries.

5) What does these process involve ? How are they used ?

Let's first be clear that there is no universal method and that **the best one is that one that is best suited** to the local situation and to its environment. Experience shows by the way that **it is sometimes using several of the mat the same time** and in various degrees of importance **that the best results are obtained**. Indeed, even if measures of a general nature are taken in order to reduce the bills of the most underprivileged, they cannot solve, unless they are too expensive, the situation of the poorest for which specific measures, of a nature most often individual and optional, are then often taken.

In addition to the methods that make it possible to **reduce the price of water for everyone**, and therefore also for the underprivileged, which should not be neglected as **a reduction in consumption** in order to preserve resources, **searching for leaks** in the networks, **improving management** and the effectiveness of the service, **the use of the most suitable and least costly means**, which is the purpose of the Wikiwater fact sheets, **we can distinguish :**

a) Means of a rate nature

These depend on the pricing method used.



Adapted lump-sum pricing

- Setting up a special reduced rate for the poor, disabled or elderly with low income.
- Possibility given to the least fortunate to pay less and to do this, entirely or in part, in kind (or by proposing services).

Pricing by volume (this supposes that the people have meters)

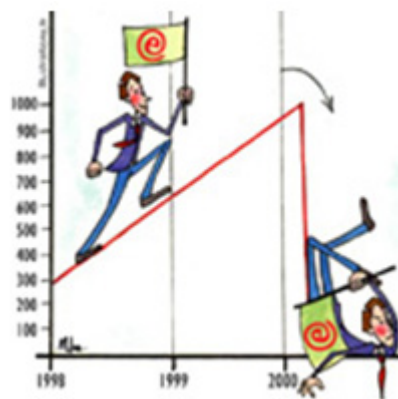
Pricing systems that only allow for minimal taking into account of the situations concerning poverty :

These are systems wherein **the only parameters are the rates and the number of m³ consumed**. As these do not in any way take the income into account and as **there is no significant correlation between income and the number of m³ consumed, they can only have but little impact** on reducing costs for low-income users, which furthermore was not their real role even if they are sometimes referred to as "social pricing".

There are two types :

Progressive linear pricing (See Fact Sheet B3)

Principle : This entails **linear pricing but is comprised of several brackets in the schedule**, usually three or four brackets, of which the rate increases from **the first, at a reduced price** and sometimes referred to as "low-cost social bracket", to **the last rate which is high**, intended to offset the reductions in price of the preceding brackets.



Main advantage (for the poor) : Reduced rate right from the first m³, interesting as long as they do not consume much water.

Main disadvantages (for the poor) :

- Everyone in fact benefits from the reduced rate.
- Low reduction for average or low consumption.
- Not advantageous for large families or for those in developing countries who live together in the same housing project with a single meter or who must get their water supply from a neighbour.
- Difficult to apply in buildings with group meters.

Progressive pricing par brackets (See the Sheet B4)

Principle : This pricing system, also referred to as "superprogressive" or "by sliding brackets" also comprises several brackets but the user pays all of his consumption at the schedule of the bracket that corresponds to the total volume consumed. It therefore comprises several tariffs but only one applies to the user ; the more he consumes the higher it is.

Main advantages

- As previously, reduced rate for small consumers.
- Other consumers do not benefit from the reduced rate.
- The higher rates paid by the average consumers but especially by the highest consumers make it possible to offer more substantial reduced rates.

Main disadvantages

- The same as for the three previous ones.
- Risk of searching for alternative solutions (wells, other supplies) by the large consumers and a substantial decrease in income.
- Difficult to apply in buildings with group meters.

Pricing systems that allow for a better taking into account of the situations concerning poverty

There are four types of these :

Pricing of a socio-economic nature : See Fact Sheets B5 and B3 (5b- Examples)

Principle : Pricing is **either of the "progressive linear" type, or of the "progressive by bracket" type, but**, in order to lower the rates for certain categories of users, **parameters of a socio-economic nature are introduced** concerning for example the composition of the household, their housing or their income.

Main advantages

- It allows for targeting of the people that one ones to assist.
- Determining the parameters, which cannot be many, is not easy.
- It provides more possibilities to set up significant reductions.

Main disadvantages

- Requires access to a minimum amount of reliable statistical data.
- It can lead to complicated management.

Example: "Ecosolidarity" tariff of Dunkerque (France, see fact sheet B3) where 10% of the population, the poorest, have a special tariff 70% minus that the former and 40% minus that for the new first bracket tariff for 75 m³/year.

Reduced rate pricing (See Fact Sheet B6)

This can be a genuinely interesting a rather simple means for people with low income.

Principle : A **reduction corresponding to a certain percentage of the price per m³** is granted **to certain categories** of the underprivileged or vulnerable people, **either on the entire amount, or only on a portion of the consumption** considered to be indispensable.

Variants : this reduction **can be a lump sum** and cover, either just on the amount of the subscription (with pricing of the two-part type), or on the entire bill (most often excluding taxes), and this reduction is granted either by person, or applied solely by connection.

It can also be the same for all of the underprivileged or have different values according to the level of income or vulnerability.

Main advantages

- The principle is simple and allows for several types and degrees of application.
- It makes it possible to target precise categories of users without having to individualise the discounts granted.
- These categories can, as chosen by the communities, be highly diverse (most often the low-income populations, but also certain patients, for example with kidney problems who require a lot of water for their treatment, the disabled, widows or people living in poor sections of town)
- The reductions granted can be substantial and can vary according to the level of resources or



vulnerability of the interested parties.

Main disadvantages

- Difficulty sometimes in defining the beneficiaries in a simple yet precise manner, and then in identifying them.
- Risk of substantial costs to identify and manage the people concerned if the system is too complicated or if there are not already files in the countries concerned on social assistance granted subject to conditions of resources or composition of the household and lists of beneficiaries that can already be used.
- Difficulty in applying to buildings with group meters

"Mixed" pricing (See Fact Sheet B7)

This one is also interesting but does not provide **any direct advantage, but only collective**, to low-income users.



Principle : **The rates are increased** for the inhabitants of certain sections of town or pour the well-off categories of the population of a town in order to finance the creation or the extension of a network, for example of public fountains, or the financing of new facilities in the poor or abandoned sections of town. Pricing making it possible to set up **so called "cross" grants between categories of users**.

Main advantages

- Allows for interesting solidarity, but also causes restrictions, between the various categories of a population.
- Has a more collective rather than individual nature, is easier to manage and makes it possible to then procure water inexpensively, and even free of charge if for example access to the public fountains is free, for entire populations of certain sections of town.

Main disadvantages

- Difficulty sometimes in getting the principle accepted and in striking a good balance between those who must pay more for their water and those who obtain it thanks to them but by paying a lower price or nothing at all.
- Risk of a lack of interest for the middle classes to connect if for example there are many public fountains with an advantageous price in the vicinity.

The reduction in the amount of the subscription in the pricing of the "two-part" type (See Fact Sheet B7)

Principle **The amount** of the fixed portion of the rate (**the subscription**) is **substantially reduced, even suppressed**, for people with low income.



Main advantages

- Simplicity and high effectiveness possible for the system, especially when this amount is high.
- Suppression of an often substantial source of inequality in treatment between the poor or small consumers of water and the others.
- Increased transparency in rates and in the price put forth per m³, as the latter often corresponds only to that of the variable portion and makes it possible to put forth a price that is less than the actual price paid which is often much higher.

Main disadvantages

- Rather strong opposition from many water department organisation authorities and of their delegates in reducing this fixed portion, intended officially to make the small consumers of water, in particular owners of second homes, pay a higher portion of the investments rendered necessary by the high consumption in certain periods, in particular of tourists, as in seaside towns.
- Can create difficulties or increases in the rates per volume for the permanent residents in towns where the fixed portions are high, in particular in seaside resorts.
- Reduction that is unfavourable for large consumers, including large families.
- Difficult to apply in buildings with group meters.

b) Social assistance

This is the oldest method, the most widespread and is often very effective as it makes it possible to better target and modulate the assistance granted according to the current situation of the interested parties.

Principle

Granting of financial assistance to certain low-income users that meet precise criteria, most often conditions concerning income, in order to allow for payment of a part of their bills or hook-up charges.

Particulars

Grants most often, and loans more rarely. Allocation either in the form of cash payments, or most often in the form of a cheque remitted either to the interested party or directly to the body in charge of collecting invoices.

The assistance can be :

- either (most often) **of a curative nature**, i.e. **making it possible to settle the bills** that the user cannot, or can no longer, settle only partially or not at all and as be of a rather exceptional nature. This is for example the case of many forms of assistance granted by the social services.

This can be granted by a simple decision of these departments, a community or an **NGO**.

This assistance is also sometimes organised on a regional or national level through the intermediary of **Special Funds** (Example : the FNL, National fund for housing assistance in France, funded by contributions from local governments and private operators and which cover a portion of the water bills that cannot be paid).

- or **of a preventive nature**, i.e. intended to **prevent difficulties or impossibilities for payment** of underprivileged families by paying to them on a regular basis, according to their level of income and the price of water, permanent assistance in order to reduce the weight of their bills.

This generally requires setting up **legal and regulatory systems** that set down the particulars (for example a water budget exceeding a certain level such as 3% of the income) and in particular **means for financing**, those which can be either of a **tax nature** (feeding into a specific Fund for redistribution), or come from a **low tax** (usually hardly 1%) on the price of water.

Most often individual, **this assistance is sometimes, but more rarely collective** and is therefore most often used for creating hydraulic infrastructures intended to improve the facilities in the poor sections of town. This as such rather similar to **grants**, which most often are paid by the State, NGOs or international

funding institutions.

Similar, but individualised, such is finally the case with assistance (of great interest) sometimes granted to people, in the form of reductions, loans or payment facilities, for the **creation of a hook-up**, usually of high cost, on a public network, the referred to as a "**social hook-up**", and then allow for substantial savings thanks to the lower price of such a network

Main advantages

- Social assistance is often faster, more flexible and more easily adaptable to the situation of the people concerned.
- It makes it possible to quickly resolve temporary difficult situations and prevent them from getting worse.
- It can supplement certain pricing systems in order to make them more equitable and more targeted.
- It can, according to its form, not be simply assistance but be transformed into a right for the most underprivileged.

Main disadvantages



If it is of a curative nature

- Most often of an optional and individual nature and left to the appreciation of bodies or persons that grant it, which for the most part makes it depend on the location of residence, this assistance has difficulty in allowing the poorest to get out of the situation in a sustainable manner.
- It requires personal approaches which may be considered as difficult to carry out and support.

If it is of a preventive nature

- The system is more interesting and better respects people's dignity, but it is more difficult to define and set up. It requires legal or regulatory provisions and is not as easy to modify.
- It requires the creation of substantial and perpetual funds and a more complicated management system.

c) Allocating grants

This method of intervention, also very common, is similar to the social assistance that we have just covered especially when it is used individually, but it is most often used collectively, benefitting a community.

Principle

Payment to a person, family or collective unit of a sum intended either to provide for the needs in water or sanitation, or to reduce the price per m³ in particular for the underprivileged, or to invest in new equipment.

Various forms

These grants are :

- either **linked to consumption** (example : grants allocated to private individuals in order to allow them to pay a portion of their bills as in the case of social assistance).
- or **linked to investment** (examples : participation in individual hook-up charges to a network, paying for the creation of public fountains or extending a network to poor sections of town).

The following can also be distinguished in general :

- **direct subsidies**, highly-targeted personal grants or intended for a collective unit, generally intended

either to be able to pay a bill, or to balance a budget in order to offset reductions in rates granted by the collective unit to the poor.

- **cross-subsidies**, either between categories of users (those who are well-off or large consumers who pay a higher price for their water in order to reduce the price for single or underprivileged persons, the case with pricing of the progressive type), or between inhabitants of towns or in the country in order to equip the latter.

Main advantages

- The use of grants is a rather flexible and quick system making it possible to target the recipients well.
- It can foster savings through the financing of better equipment.
- For many collective units, it facilitates budget balancing.
- It can make it possible to offset a portion of the negative effects of progressive or two-part pricing for the poorest.

Main disadvantages



- It is difficult to establish appropriate eligibility criteria.
- It risks hiding the actual cost of water from the users, unless it is always printed on their bills.
- It is difficult to find middle ground or a good balance between equity or solidarity and effectiveness and sustainability.
- We must not wait until it is suppressed to provide a replacement solution.

Among these, **grants for subsidised connections** at a reduced cost have the main advantage, where of course a network exists, in addition to the financial assistance nature, to allow low-income households, not only to have access to better quality water, but especially afterwards to pay much less for this water and to **as such generate substantial savings** and to **no longer need any assistance or much less**.

d) Water free of charge

This, which however has many critics for financial reasons, a risk of budgetary imbalance or encouraging waste, **can be partial or total**. It is recommended by various NGOs or Institutions, even international ones such as UNESCO and UNDP who recommend access to the supply of a quantity of water corresponding to vital needs estimated to be at least **20 l/person/ day** (which is about **8 m3/person/year**), but which can in fact vary according to the countries.

This gratuity already exists in many countries for certain public fountains such as for certain community water outlets such as those that used to exist in many towns or villages for people passing through or those without a hook-up.

Principe

Granting of a certain quantity of water free of charge, usually limited to the estimated minimum needs, for the most underprivileged people.

Main advantages

- This solution is apparently the most interesting one for the most underprivileged if the quantity set is sufficient.
- Relatively easy to set up.
- High degree of respect for people's dignity.

Main disadvantages

- The most expensive solution for the collective unit or its inhabitants, as what is not paid for by some has

to be paid for by others.

- Difficult to determine the quantity of water free of charge that is adequate and compatible with the need to balance the budget of the department and the ability for the decrease in income to be covered by the other users or by other resources.

- Risk of waste.

e) Other various measures

Microcredit (See Fact Sheet B11)



Principe : Lending small amounts at a normally reduced rate of interest by associations or institutions specialised in people with low incomes.

Main advantages

- Makes it possible to purchase individual means for purifying water or sanitation or for financing a request to tap into a network or by spreading out the cost over time.

- Makes it possible to obtain small loans that traditional banks would not grant.

Main disadvantages

- A loan is not as interesting as a grant.

- The interest rates proposed, although reduced, are sometimes exaggerated or prohibitive.

Periodicity of billing and the granting of payment facilities

As the billing of water, for reasons of savings and/or reducing the cost of meter readings, takes place only once or twice a year, the corresponding amounts are higher and more difficult to pay for certain people.

There are several ways to **increase the frequency of billing** (or on the contrary to make it on a yearly basis in certain villages at the time of harvests) **or to grant payment facilities** to those who have most need.

Better information in terms of rights as well as means for reducing costs

Experience shows in fact that many people are not aware of their rights to various sources of assistance or renounce these because they are complicated and/or difficult to obtain. Their **characteristics** and the **methods for allocating them** must be **clear and as simple as possible**.

Technical assistance must also be able to be provided to people in difficulty in order to allow them to know the **various means**, including the simplest ones, **to reduce their bills**, in particular for those who are connected to a network (leak monitoring, reduction of excessive consumption, flow restrictors, recovering rain water...)

6) Special difficulties and precautions to be taken

- Systems for assisting those in difficulty are actually quite numerous but only some of them provide enough information, and the latter can sometimes be misleading 'cf. for example the often inappropriate name of "social").



- These must therefore be better understood and above all evaluated, and a **determination must be made of those best suited** to the local situation and to the financial resources, with respect to the people concerned as well as those who, most often will have to offset the corresponding losses in income.

- **The simultaneous use of different methods** often makes it possible to **solve the problems better**. - Focussing solely on "all preventive" or "all curative" is probably an error.

Although certain progressive methods of pricing can demonstrate advantages, most often they do not make it possible to avoid creating social assistance systems for the most underprivileged.

- **Methods that are too sophisticated must be avoided**. Simplicity and clarity must be favoured as well as a prior economic examination through simulating the effects of the projected measures. Complicated "labyrinths" or systems that in the end only provide assistance that is highly insufficient, poorly targeted or hardly necessary if the price of water is low must be avoided.

7) Achievement examples



See specific data sheets B2 to B11

8) Where to obtain further information

a) Websites

- **Revue Pro-environnement** : "**Water is no longer affordable for the most underprivileged households**", a one-page article by **Henri SMETS**, President of the ADEDE. Proposals for France. Available online on :

<http://www.pro-environnement.com/ea...>

- **Coalition Eau** : "**12 proposals for elected officials**". Brochure created by this Platform of 25 associations suggesting to Mayors 12 very concrete paths for reflection and action, in particular for the most underprivileged.

Available online on : <http://www.coalition-eau.org/IMG/pd...>

- **UNDP** : "**World Human Development Report 2006**". This long and **very interesting Report, also available in French**, contains a wealth of information and figures on issues with water and sanitation in the world, and in particular **on the pricing and assistance issues** (pages 84 to 86 and 97 to 99).

Available online on : http://hdr.undp.org/en/media/HDR_20...

- **Isabelle Vincent (AFD)** : A 14-page dossier published in 2003 in "**Contemporary Africa**" : "**The price of water for the poor. How to reconcile right to access and payment for a service ?**", a 5-page

article which, after reviewing the various systems, in particular pricing systems, is rather in favour of targeted grants.

Available online on : <http://www.cairn.info/article.php?I...>

b) Videos

- **Fondapol-TV : "Right to water and social pricing"**, Video of 1h21 'extracted from a round table on the problems of right to water and genuine access for the poor through various means including the pricing:

<https://www.dailymotion.com/video/xhnrjb>

- **DVD from ACF (Action against hunger) : "Water pricing in urban areas for vulnerable populations"**.

This DVD, which also exists **in French and in Spanish**, is a tool for spreading awareness and assistance in making decisions in terms of urban pricing. It can be requested from Action contre la faim, 4 rue Nieppe 75662 Paris Cedex 14 Fax 33 1 43 35 48 79

- Emplacement : Accueil > en > Wikiwater > Technical sheet > Reducing the cost of water > Social or solidarity pricing >
- Adresse de cet article : <https://wikiwater.fr/b8-social-pricing-specific-to-some>