

WATER FOR ALL

Water Academy 2004

The reports prepared by
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Solidarity for Drinking Water, 2003
The Cost of Meeting the Johannesburg Targets For Drinking Water, 2004

In these publications, the reader will find
detailed information and statistics
on the subjects discussed in this paper.



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WATER ACADEMY

WATER FOR ALL

AN OVERVIEW OF THE STUDIES CONDUCTED ON THE RIGHT TO DRINKING WATER AND WATER SOLIDARITY

January 2004

ACADÉMIE DE L'EAU
France

"The vital question for the quality of life in France is now that of water"

Roselyne Bachelot-Narquin
Minister for Ecology and Sustainable Development
Pour une Écologie humaniste, August 2003

PREFACE

Life in society is not possible without sharing: sharing knowledge, values, and resources. Amongst the latter, water is the most precious because it is essential to all forms of life. Every person has a right to water and a duty to offer it to his fellow men.

In January 2000 the Water Academy adopted the Social Charter for Water, according to which its access is the "inalienable right" of each and every one of us. It also says that everyone must bear the cost of water, it being understood that there has to be "solidarity between rich and poor" if water is to remain accessible even to the most deprived.

The Academy continued its studies on the economic aspects of drinking water solidarity and considered how that solidarity might effectively be implemented in order to prevent the considerable damage done to people's health because of the shortcomings and inadequacies of certain water services. It adopted the principle that everyone is entitled to an amount of water sufficient to meet his basic needs but that, in return, everyone must pay for that water if he is able, solidarity taking care of what the insolvent user cannot pay for.

"Give full effect to the right to water"

As a result of its work, the Academy recommended that greater use be made of the various water solidarity schemes at national and international levels, and financial transfers in the drinking water sector be increased so that it is available and affordable for all.

In this document, the Water Academy gives an overview of the results of this work in the hope that they will stimulate discussion as to how to achieve the targets adopted in Johannesburg, in order to improve access to water for all and give full effect to the right to water.

Pr. Marc Gentilini
President, Water Academy
President, French Red Cross

THE WATER ACADEMY

The Water Academy was set up in 1993 on the initiative of the six French Water Agencies and the Ministry responsible for water and the environment. It is a 1901 Association with 130 members comprising specialists and bodies representing all the public services, companies and organisations in the water sector.The Academy's prime task is to develop horizontal thinking between the water sector and all the areas in which it intervenes by using modern means of action and relying on information, education, sociology, economics and law.

The object of the Water Academy is to:

- enhance the value of the asset that water is by encouraging exchanges of information (technical, legal, scientific, cultural,...) and theme-based reflection with the object of furthering sustainable development;
- contribute to decision-making on water-related issues, in particular by organizing symposiums, initiating and heading up studies and making general recommendations;
- improve public awareness of water problems;
- develop national and international relations between all the parties concerned by water issues.

The Academy has eleven working groups which meet several times a year. A permanent team of project leaders helps to run these groups and ensure the proper functioning of the Academy.

The Water Academy's studies and information on all its activities are described on its web site: www.oieau.fr/academie.

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THE SOCIAL CHARTER FOR WATER

Water is an essential and vital element of economic and human development. Access to it must be an inalienable right for all.

Water is an economic and social resource since, while everyone must bear its cost, solidarity between rich and poor must exist in order to provide support for the most deprived.

An effective water policy requires that all citizens help define and monitor it.

The Social Charter for Water recommends... laying the foundations of a financial fund between North and South and a set of rules needed to make all these actions possible, thereby adding to the much needed solidarity between developed and developing countries, with the help and support of international organizations.

Water Academy
January 2000 (Extracts)

WATER FOR ALL

In the Social Charter for Water (facing page), the Water Academy stressed the fact that water is both an economic good and a social good. The Academy has sought in its studies to explain how these two aspects can be combined in order that water be made available to all. The studies arrive at a number of recommendations by the Academy concerning the financing of water (see page 30). The present report was submitted to the Academy's General Assembly on 15th January 2004 which approved the broad thrust of the report and recommended that it be published under its responsibility.

The foundations of a water policy

Water is the nation's common heritage

In France, the 1992 Water Act stated that water is part of the "nation's common heritage" and that its "use belongs to everyone". According to Mr. Jacques Chirac, President of the French Republic: *"Water is by definition a public good. No one may appropriate it for himself. It is for the community to determine how it should be used in such a way as to ensure proper supplies and sanitation and limit wastage, in a spirit of social justice, sound economics and respect for the environment."* (Kyoto, March 2003).

That statement talks about social justice and not the laws of trade, about collective rather than private ownership, about being a public good and not about individual possession. It is an approach which reflects very broadly shared social values, but which does not overlook the economic aspects since it refers to "sound economics".

The majority of social systems recognize that water is a collective good jointly possessed and

* Report drawn up by Henri Smets on the basis of work carried out in the framework of the Water Academy's Water and Economics Group. More detailed information is available in studies to be found on the Academy's web site. The boxes and statistics are taken from studies published by the Academy.

used by each and every one of us. That water should be shared by all is seen as a social necessity based on equity and justice and compliance with the law and traditions. It is a necessity that cannot be distorted by considerations relating to trade.

Might water be a commodity?

Whether it comes from a well or flows from a tap, drinking water cannot be likened to bottled water, a mere commodity found in the grocer's shop. Almost no country allows mains drinking water to be treated like mineral water, to be the property of private companies when it is a source of life managed by public utilities or services or general economic interest under government control. The CEO's of the multinationals Suez and Véolia Environnement are both perfectly clear in stating that water in general and water provided by the mains "is not a commodity". While drinking water can sometimes, in certain forms, resemble a commodity, the European Union stated in its 2000 Framework Directive on water that water was not "a commodity like any other" and the European Parliament said in 2003 that water "cannot be considered to be a mere commodity".

For the European Parliament, water cannot be looked upon "as a mere commodity"

In every country, water is subject to very specific legal provisions which differ from those applying to other physical goods or commodities because water is an essential good. This specificity needs to be preserved, and protected even, because it relates to a fundamental value to which human societies are very attached.

Society, tradition and religion are often opposed to the sale of water, the raw material, because the authorities want to keep control over water even if they allow it to be used temporarily to carry out certain activities that they authorize. Transactions involving "water rights" are usually not free and private ownership of water, when it exists, remains subject to a host of constraints of a social nature. The sale of drinking water, like the sale of human blood, raises ethical problems that cannot be evaded, even in the context of the rules governing international trade. A lot of countries are against exporting water in any quantity, whereas they export oil, gas and electricity quite freely. Studies of the way people behave and act with regard to water reveal its inescapable cultural and spiritual dimensions. Water is a core component of nature; it is not just one molecule amongst all the others since it is the actual prerequisite of life.

Drinking water is an essential good

Since water is vital for life, any shortage cannot but have serious implications for health. It is used for drinking and food (7%), bodily hygiene (39%), bathroom appliances (20%), laundry (12%), dish washing (10%) and other purposes (12%). A person's minimum daily consumption for the most essential basic needs is between 40 and 60 liters, which is one third of the normal daily per capita consumption of 150 liters in the industrialized countries. In the developing countries, daily consumption can be as little as 20 liters per person.

In contrast with most other goods, consumption of water varies very little according to household income because the basic needs of every individual (drinking, hygiene, bathroom, etc.) are very similar[1]. That being so, water accounts for a much larger share of the budgets of poor households than of those of wealthy households. The main determinant affecting households' water consumption is the number of people in the household. A large poor family will consume more water than a wealthy couple.

Many countries endeavour to guarantee that everyone has real access to such essential goods and services as food, accommodation, education and health, and are not content just to provide the poorest people with financial assistance to make access easier. Asked for their opinions about economic values, a very large majority of Europeans consider "guaranteed basic needs for all to be very important."[2] Governments are therefore naturally prompted to take steps to guarantee access to water for all.

Drinking water is a fundamental right

According to the Bible and the Koran, offering water is a duty which has gradually turned into an obligation. More recently, a veritable "right to water" has been recognized, i.e. the right for any person, whatever his or her economic level, to have the minimum quantity of good quality water that is sufficient to maintain life and health.

At European level, the right to water is enshrined in the Council of Europe's Charter on Water Resources (2001) and a Resolution of the European Parliament (2003). In positive international law, it appears explicitly in two world conventions currently in force, namely the Convention on the Elimination of all Forms of Discrimination against Women (1979) and the Convention on the Rights of the Child (1989). It is also enshrined in three regional conventions (the London Protocol on Water and Health in Europe, the Addis Abeba Charter for Africa and the Protocol of San Salvador for Latin America).

In November 2002, the United Nations Committee on Economic, Social and Cultural Rights declared[3]: *"Water is fundamental for life and health. The human right to water is indispensable for leading a life in human dignity. It is a prerequisite for the realization of other human rights".*

▶ 1. In Europe, water consumption varies by + 75% between the first and tenth decile of income, whereas income varies by over 600%. In France, the consumption gap between a family with five children and a single, childless person is + 177%, whereas the gap is only + 31% when a household's annual income per unit of consumption rises from less than €4.600 per year to over €38.000 per year. A household's spending on water is equal to 2.1% of income in the case of an income of €7.900 per year per household and 0.6% for an income of €50.000 per year.

▶ 2. According to J.F. Tchernia (*Futuribles*, N°. 277, July 2002, pp. 81-93), a guarantee of basic needs for all is the subject of a virtual consensus in Europe, together with the market economy. For 69% of people, a guarantee of basic needs is deemed "very important".

The right to water is indispensable for implementing the right to an adequate standard of living or the right to health enshrined in the International Covenant for Economic, Social and Cultural Rights. This statement, emanating from the Committee responsible for monitoring the implementation of the Covenant, amounts to recognizing that the right to water is a fundamental right, without it being necessary to ask whether a new human right might need to be recognized in this connection. The 148 countries which have ratified the Covenant are required gradually to ensure universal access to safe and healthy drinking water and to sanitation. Such action involves a cost which will have to be borne in accordance with the financial resources available.

At the Johannesburg Summit, governments agreed unanimously to halve, by 2015, the proportion of people "without access to clean water and who do not have the means to obtain it, and the proportion of people who lack access to basic sanitation". They emphasized both the physical and also the economic inaccessibility of water.

According to the Mayors of France, "access to drinking water is a fundamental right for every individual"

In France, the right to water is recognized by all as a fundamental right, but it has still to be enshrined in law. To accomplish this would be consistent with the statements made by the President of the Republic and also with the adoption of the Environmental Charter, referred to in the preamble to the French Constitution. In recognizing that "everyone has the right to live in an environment that is balanced and healthy", the Charter will imply that there is an obligation to ensure access to drinking water and provide adequate sanitation.

Water is free but drinking water has a cost

Water drawn from nature is free. It then goes through a host of costly operations (being harnessed, stored, treated, transported, purified and decontaminated).

Users cover some of the expenditure involved in water supply and sanitation, and the authorities supplement the price paid by users by means of subsidies. In the majority of countries, the authorities cover all or part of the investment costs which represent over three-quarters of expenditure on water. In France, the authorities do not play a major role (€1 billion, compared with turnover of €10 billion per year for drinking water). In other countries, users do not even pay one quarter of the cost of water, while in Ireland household water supplies are completely covered by the State, i.e. by the taxpayer.

When users pay a very low price for water and government subsidies are inadequate, distributors are unable to keep the networks in good condition. When maintenance is poor, the public service deteriorates and users have to make up for the lack of drinking water by spending large sums which sometimes amount to ten times more for substitute water than for mains water. Inadequate funding of water services has serious economic and social consequences, a

number of countries in the former USSR and the Third World only making drinking water available for a few hours every day and its potability no longer being guaranteed.

Drinking water is becoming both dear and rare

Drinking water is no doubt the cheapest consumer good by unit of weight. In France, where water is only slightly subsidized, every household spends an average of less than one € per day on water.[4] That price cover both the resource itself, sanitation, charges and taxes. For an average daily consumption in the home of 150 liters per person at €2.8 per m^3, water costs €0.42 per person, i.e. approximately the price of a half a baguette of bread or two cigarettes.

The price of drinking water plays a fairly insignificant role in the budget of the average household (1.2%) which spends more on various types of drink than on drinking water[5]. Even so, 60% of the French population consider the price of water to be "too high".

In time the price of drinking water will be much higher because funds will have to be found for work aimed at ensuring full compliance with the norms in force (pesticides, nitrates), while the said norms will have to be strengthened, sanitation extended, obsolete pipes and drains replaced and mains and connections made of lead also replaced for health reasons. All this work is likely to cost a great deal and to cause the rate of increase in the price of water to accelerate. Figure 1 gives an idea of possible trends in the price in question. If the increase is rapid, water will in time account for as much as electricity in household budgets[6].

Whereas, in the industrialized countries, water at present costs less than 2% of an average household's income, in the developing

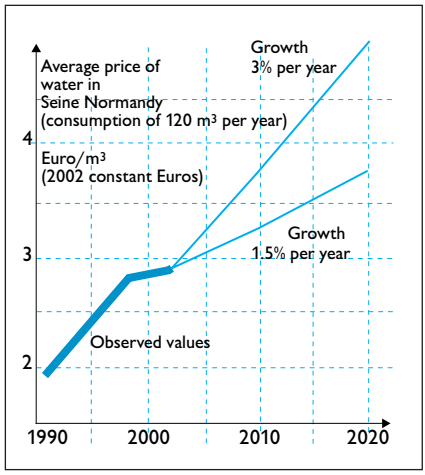


FIGURE 1. Trend in the price of drinking water in the Seine-Normandy basin (the average price of water in 2002 is € 2.93 per m^3; it varies between € 2.31 per m^3 (upstream Seine) and € 3.17 per m^3 (grande couronne).

▶ 3. General Comment Nr 15 ; "The Right to Water", adopted in November 2002, E/C.12/2002/11. See also www.righttowater.org.uk

▶ 4. For a household consuming 120m^3 per year, the price of water ranges from €436 in Saint-Etienne to €249 in Montpellier, the national average being €317 in 2000. Water accounts for 5% of housing expenditure and 15% of group housing co-ownership charges in Paris.

▶ 5. In France, household consumption of non-alcoholic beverages came to €8.3 billion in 2002, while for alcoholic beverages it came to €13.3 billion, the figure for drinking water being €10 billion. Consumption of drugs totaled €13 billion.

countries expenditure on water can account for as much as 10% of an average household's income. As a result, poor households consume both clean but very expensive water sold by merchants and also unclean water.

All users have to pay for drinking water

In many countries, drinking water management and water governance could be improved, particularly from the financial standpoint[7]. Ideally, therefore, all users should pay for the water that they consume and the privileges of free or reduced price water enjoyed by certain government departments and professions should be abolished.

As an exception, drinking water could be free from public fountains, and also in the event of shortages, fire or catastrophe. These exceptions are public service constraints the cost of which can be covered by the authorities or users. Free water from public fountains means that everyone has guaranteed access to water.

Full cost coverage and the user-pays principle

A French water bill now going through Parliament provides that: *"The costs relating to the use of water, including the environmental costs and the resources themselves, must be recovered from users. Account may, however, be taken of the social, environmental and economic effects of cost recovery, and also of geographical and climatic conditions"*.

The above provision implements the user-pays principle, in line with a policy of full cost recovery from users. Its aim is to ensure the financial autonomy of the water services, but it does not imply that the price of water should be the same for everyone. Price setting is a way of sharing the aggregate costs between the different categories of users (households, government services, industry, agriculture, urban and rural populations, etc.) and consumers (small and big). Exceptions to the user-pays principle are scheduled in the form of subsidies so as to take account of the social consequences of cost recovery or to meet public service imperatives.

If overall expenditure on water is to be minimized and economic efficiency criteria satisfied, care will have to be taken to ensure that the unit price of water comes close to the long-term marginal cost. This principle of sound economic management prevents excessive consumption of water, but is not fully implemented because of the exceptions allowed in the name of considerations to do with territorial and social cohesion.

In a great many countries, governments tend to apply the principle whereby users cover the operating costs of water services, while the taxpayers meet the investment costs. This weaker version of the user-pays principle, which is advocated in the Report of the Camdessus Panel[8], is very gradually being implemented in the developing or transition countries where, in many cases, users do not even pay for all the operating costs.

In the industrialized countries, efforts are at present being made to reduce water investment subsidies, which is cutting budget deficits. This policy of real cost

pricing is advantageous for people in the high-income deciles, since it is they who pay the bulk of taxes and hence subsidies for water. Its effect is to push up the price of water, the impact of which is felt most keenly by households in the lower income deciles who consume almost as much drinking water as the higher-income decile households. What it in fact does is to replace a generally progressive State tax with payment by users for what they consume.

A policy of real cost pricing of water affects the poorest families in particular.

Is cheap drinking water wasted?

The cheaper water is, the more of it is consumed. In fact, the change in the volume of drinking water consumed in relation to its price is relatively small in towns. The effect of too low a price for water on household consumption varies from one country to another according to the uses and bad habits that virtually free water can engender, and also how aware consumers are of their responsibilities towards their fellow citizens.

To prevent cheap drinking water from being used for purposes other than those for which it was intended, some countries have two prices for water- a low price for normal uses in the home (those which are socially necessary), and a higher or even dissuasive price for outside uses (for more ostentatious purposes, which are sometimes banned during water shortages, such as watering the lawn, gardens, golf courses, washing cars and streets, filling swimming pools, etc.). In Flanders, detached houses have to be equipped to catch rainwater, which reduces the use of drinking water for watering.

Water monopolies can cause prices to surge

In the majority of countries, water is managed by public services or services of general economic interest, with or without private sector participation, and they are in a monopoly situation under government control (Box 1, page 14).

Whether the drinking water monopoly is public or managed in partnership with the private sector, it can generate economic rents that benefit the managers, municipalities or monopoly employees.

▶ 6. Complying with European Directives on water is likely to cost €2 per m^3 (G. Miquel: La qualité de l'eau et de l'assainissement en France, Senate Report No. 215, 2003). The SPDE (Syndicat professionnel des distributeurs d'eau) puts the annual increase in water prices at 1.8% per year in real terms. It forecasts that expenditure of €820 million will be needed to conform with the new quality standards for distributed water, while €15.7 billion between now and 2013 will be needed to comply with the Directive on lead.

▶ 7. In Mexico, for example, 40% of water leaks away before it can reach the consumer, 19% is used but not billed and 12% is billed but not paid for, with the result that water billed and paid for actually accounts for no more than 29% of water supplied on the network.

▶ 8. "Financing Water for All", a report by the World Panel on Financing Water Infrastructure, chaired by Michel Camdessus, March 2003. The principle of "sustainable cost recovery" concerns only recurrent expenditure such as operating costs, financial costs and the costs of renewing existing infrastructure. If these costs are not covered, the service deteriorates.

Such rents can result in unacceptable extra costs for users, and especially poor users who have to cut back on their consumption of essential goods. On the whole, however, the price of drinking water is set under conditions laid down by public entities that come under supervisory authorities, or is subject to prior approval by an independent regulator. These controls can be strengthened by means of users' committees and auditing bodies (for example, outside audit and verification by a government accounting office) in order to avoid abuses of dominant position in an unbalanced relationship between very unequal partners and, as far as possible, ensure that when it comes to managing a collective good, it is the general interest that prevails.

BOX 1. The natural monopoly for drinking water

■ Drinking water distribution is a natural monopoly in that the supplier is imposed on the consumer. Transporting water over long distances is costly and it would be unreasonable to equip streets with different pipes for different suppliers. Using one distributor's network to sell water to another supplier (as happens with competition between suppliers in the gas and electricity sectors) poses a problem of water quality and the distributor's health responsibilities. It is nevertheless possible in the United Kingdom, though under still very limited conditions and for big consumers. The investment cost being particularly high in relation to the operating costs, it is difficult to generate competition between existing distribution and sanitation networks and the networks yet to be created.

The right to water is not implemented to the full.

Implementing the right to water everywhere in the world is going to require a very substantial effort, given that 1.2 billion people are without clean water and 2.4 billion people do not have basic sanitation. Most of these people live in the developing countries, and more especially in the poorest regions.

In the industrialized countries the situation is much better thanks to investment over the past hundred or so years, but fresh efforts are needed and are liable to be costly. Almost everyone has access to water and sanitation, but even so there are still exceptional situations and the courts have had to intervene in cases where water supplies have been polluted or cut off.

In France, non-application of the right to water has occurred less frequently than in the case of other economic and social rights. Such cases are attributable to service shortcomings (distribution of polluted water, inadequate sanitation), to prices being too high for the poor and to the absence of services for certain minorities (people living in the country far from the networks, insalubrious housing, caravans and squats, etc.). The result tends to be a sharp increase in consumption of bottled water, in certain regions, and a rapid rise in the price of water in order to finance the necessary additional capital spending. In many of the countries in transition, a lot of investment is still needed to guarantee access to water for all.

SHARING WATER

Sharing water, offering it to a visitor, helping one's neighbour who has none, is this not the least that can be expected in a society that wastes water without counting the cost? Sharing water means, above all, giving it to the very poor- those who can no longer even pay for it. But, is this charity, or is it a right?

Should the right to water be seen in the same light as the right to medical cover, which has just been made law, or should water only be given in an emergency, as used to be the case with health care for the poorest sick people? Will there be different categories of recipients of this right, or will cumbersome and sometimes humiliating administrative machinery need to be set in motion in order to benefit from this source of life?

Whether water is a right or not, it has to be paid for. For most of us, paying the price for water is not a problem, but who is going to cover the cost of water for the poor? The State or users? The whole nation, anonymous and remote, or the local community?

"Every household would just have to give a bucket of water per day".

There are some regions in France where we help via our water bills to provide water for villagers in the Third World. Should we not be able to do the same for the least well off in France and set aside the financial resources needed to make the right to water a reality closer to home? The idea is simple and has moreover already been implemented in France for the telephone and, soon, for electricity.

The sums involved in ensuring access to water for all in a country like France are derisory; every household would just have to give the equivalent of a bucket of water per day. Are we ready to make this minute gesture of solidarity, and why should the law not allow us to introduce for water what already exists for the telephone: a self-financing social rate, i.e. a normal rate coupled with a reduced rate to which the very poor would be legally entitled?

Jean Dausset,
Nobel Prize for Medicine
Honorary President of the Water Academy

Solidarity as the basis for a more fraternal policy

Is drinking water affordable?

In the industrialized countries, expenditure on water accounts for between 0.5 and 2% of the income of the average household (1.3% in Germany and the Netherlands, 1.2% in France) and water is judged to be much "too expensive" by the population in general when the price exceeds 3% of the average household's net income. With spending on water having risen constantly over the past fifteen or so years, the economic accessibility ("affordability") of water is a growing problem.

While the average user's budget is generally not very much affected by the price of water, for a growing number of poor households water has become costly. In France, households with less than €1000 a month to live on spend over 2% of their income on water. A person earning the social minimum income (RMI: €412 per month) spends 3.3% of that income on water (150 liters per day at €3 per m^3). In Germany, France and the United Kingdom, water accounts for between 3.4 and 5.2% of the budget of households on welfare (one adult and one child). In the United Kingdom, households in the poorest 1% category spend over 10% of their income on water, whereas for median households the figure is only 1.3%. It follows that the doubling of the price of water would oblige a median household to reduce its consumption of other goods by 1.3%, while for very poor households the reduction would be 10%.

For reasons of equity, it seems reasonable that the share of water in a poor household's budget should not exceed three-times the share of water in a median household's budget (i.e. 3.9% in the United Kingdom and 3.6% in France), and it seems right to take measures to ensure that this is the case. Thanks to this sort of approach, aid measures for water can be targeted and excessively inequitable situations caused by water price increases can be avoided. As far as median households are concerned, it seems difficult to set an upper limit for the price of water since what they do not pay as users they pay as taxpayers.

In the developing countries, clean water is inaccessible to a large proportion of the population whose incomes are under $2 a day. The phenomenon is accen-

tuated when there are no water distribution networks, water supplied by water sellers being easily ten times more expensive than mains water. Over 1 billion people consume unclean water and suffer serious health problems.

Drinking water has become too expensive for the poorest people

Although water consumption costs less than €0.45 per person per day (150 liters at €3 per m^3), that expenditure nevertheless represents 6% of what is "left to live on" for those living in poverty (see Box 2). The result is that there are delays in paying for water, applications for credit or assistance in paying and repeated unpaid water bills, legal proceedings and cuts. In some countries, unpaid water bills can concern as much as 25% of the population. The difficulties that the poor have in paying for their water are compounded by the lack of any savings and infrequent billing. On the other hand, they are lessened if the price of water is well below its cost, as is still the case in a great many countries.

In France, 2000 households a year are deprived of drinking water because they can no longer even pay their water bills.

When water bills are not paid and the social services do not intervene, supplies are liable to be cut off. More than 2000 impoverished families in France have had their water cut off for over 24 hours. The cost of direct subscribers' unpaid bills is put at approximately one per thousand of total invoicing.

It has become relatively rare for water to be cut off because it has a "bad press" and poor households tend for the most part to live in apartment blocks where water is included in the charges (with the nation-wide Fonds Solidarité Logement sometimes intervening when bills are not paid). The authorities, like the courts, are realizing increasingly that, for

BOX 2. Poverty in France

■ Despite substantial welfare benefits and income redistribution policies, several percent of the population are affected by poverty in the developed countries. In France, 2.6 million people receive food aid. According to INSEE, 3% of households have been prevented by lack of money from having at least one full meal during one day in the two weeks preceding the survey. That population, of some 1.8 million people, has an income of less than €14 per day, which is under 40% of the median income.

For a single person, the amount that has to be spent on food in France in order not to consider oneself poor is approximately €10 per day. Below that level, there will be some privation. Once the rent has been paid, the poor are often left with just €7.50 per day to live on (the "left to live on" amount). When they have paid for food, they sometimes have nothing left for the electricity and water bills. In 2000, the French electricity company took action with respect to 228 500 poor subscribers.

Because of poverty, there were 79 000 evictions as a result of court orders in 2000, while 15 749 proceedings were begun by managing agents because of unpaid charges. Impoverished subscribers whose supplies were cut off because of unpaid bills numbered 12 500 in one year in the case of electricity and some 2 000 in the case of water (detached housing).

people who really are unable to pay the corresponding costs, cutting off essential services like water and power is an affront to their dignity.

In France, a family with a young child or a dependent person can now no longer have its water cut off, and the courts often order the distributor to turn the supply back on when it has been cut off because of an unpaid bill. In a great many countries, including the United Kingdom where water management is completely privatized, it is illegal to cut off a household's water supply. In other countries, the supply is reduced to a minimum instead of being cut off.

To prevent water being cut off, the municipal social services provide emergency relief for the destitute, but what they can do is limited by the inadequacy of their budgets in relation to needs. A water solidarity fund is in principle scheduled to be set up in every French département to cover some of the unpaid water bills for a limited period. But the system is administratively very cumbersome and the funds that are theoretically available are not being spent (€7.5 million per year for 50.000 households). In Belgium, the sums spent to cover unpaid water bills are much bigger and the social centres are not short of appropriations for this purpose. In Brussels it has become very difficult to cut water off, and this has resulted in additional expenditure for distributors equal to 0.2% of their turnover.

Drinking Water for all thanks to solidarity

It is national solidarity that has

BOX 3. The price of solidarity

■ If a certain number of subscribers pay a reduced price for water, others will have to pay a higher price in order to finance the measure. If the proportion of people is small and the assistance received concerns a small quantity of water compared to average consumption, the extra cost to other subscribers will be slight. If a% of the total population is assisted and average aid to the assisted population is equal to x% of the unassisted population's average water bill, the price of the unassisted population's water increases by : x a / (l - a).

If the assistance is a rebate of 50% of the price of water and it applies to half of the average consumption of an unassisted user, x equals 0.25. If there are 4% of assisted subscribers and both assisted and unassisted subscribers have the same number of dependents, the extra cost occasioned by solidarity measures will represent 1% of the unassisted persons' water bill. If the average consumption of an unassisted subscriber is 160 liters per person per day and the assistance applies to 80 liters per person, unassisted households (96%) will be giving the equivalent of 1.7 liters per person per day. Assisted households (4%) will receive aid equivalent to the price of 40 liters of water per person per day i.e., for a household of 2.5 persons, €110 per year if water costs €3 per m^3. The table below gives the rate of increase in the price of water for other cases.

Assumption: 50% reduction in price applying to half of normal consumption (x = 0.25)

Proportion of people assisted (%)	Increase in the price of water for donors (%)	Assistance in liters/day per donor
1	0.25	0.4
4	1	1.7
8	2.2	3.5
16	4.8	7.6
25	8.3	13.3

financed free schooling for all, access to culture, social assistance for the unemployed, the handicapped and pensioners, legal aid, universal medical cover, aid for dependant, etc. Because society takes the view that everyone should have access to drinking water, it has put water solidarity mechanisms in place. The basic principle is that everyone should help to finance water, but that the price paid should take account of people's ability to pay. As the Social Charter for Water says: "while everyone must bear its cost (water), solidarity between rich and poor must exist in order to provide support for the most deprived ".

Welfare measures concerning water for the poor cost very little in the developed countries.

Water solidarity involves all water consumers and all taxpayers. That part of the cost of water which is not covered by the user himself is borne by other users and by taxpayers. Part of the cost of water is covered by subsidies, while some users enjoy cheaper water because of the pricing system. Cross-subsidization between users allows geographical factors to be taken into account (cross-subsidization between people living in towns and those living in the country, between those already on mains water and those who have only just been connected), and also social (cross-subsidization between wealthy and poor households) and economic considerations (cross-subsidization between big and small consumers and between domestic and other consumers).

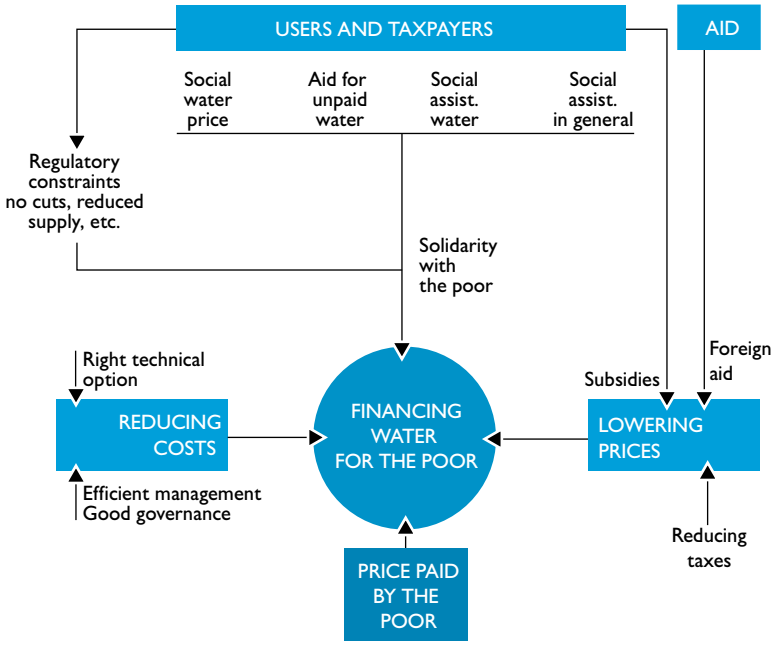
Thanks to subsidies, water is becoming affordable for everyone, and especially the most deprived. With the price of water being of little significance to the majority of users, solidarity measures on behalf of the least well off involve only relatively few people and concern only a level of water consumption that is considered necessary to meet essential needs. This being so, welfare measures concerning water for the poor cost very little in the developed countries (Box 3). The increase in price that they may generate is far below the annual rise in the price of water. In the developing countries, on the other hand, which have large populations with very small incomes, the financial impact of solidarity on the wealthier segments of the population is appreciably greater.

Incorporating the principle of solidarity in water pricing does not achieve maximum economic efficiency or reduce the overall cost of water to a minimum. Attaching, as it does, considerable importance to such factors as territorial and social cohesion, this approach does not tally with the "economist" credo which has it that subsidies and cross-subsidization must be banned. In particular, the price of water rarely reflects the expenditure involved in supplying water in each case. When the deviations from the economic optimum are not excessive, their impact on the overall cost of water is limited and socially acceptable.

Implementing water solidarity domestically

Water solidarity policies mainly have to do with solidarity towards country people and towards the poor. As the Report of

FIGURE 2. Financing water for the poor



the Camdessus Panel says: "Individual affordability of water charges should be ensured by appropriate tariff structures, including local cross-subsidization (for example by setting a rising block tariff structure) and/or targeted and transparent policies in favour of the least well off". These policies will be financed by aid (subsidies) and will involve the budget, local taxes, community charges, specific taxes on water and water pricing (redistribution or cross-subsidization). The effect of these measures is to bring the price of water down below its cost.

a) Government assistance in general

In many countries, water benefits from both a reduced rate of VAT (5.5% for essential goods) and subsidization (investment aid, aid for sanitation), with the result that drinking water is sold at below cost. Improved sanitation and heightened quality standards, together with reduced subsidization, are pushing up the price of water, which is rising faster than the cost of living.

b) Aid for water in rural areas

Water supplies and sanitation in rural areas are generally less developed than in towns. They pose special problems because of the very high costs of connecting people to the mains water supply (since they live far apart) and because of lower income levels. In order to make water more affordable for people living in rural areas, but without making them pay too high a price compared with people living in towns, special aid is available

under the heading of territorial cohesion.

In France, government assistance is provided at regional and departmental levels. There is also a nation-wide fund for the development of water mains, the aim of which is to give the whole population access to drinking water. The Fund, which is financed by a tax on distributed water, helps to finance extensions to drinking water supply networks, especially in areas not yet connected. It plays the same role as the equalization funds set up to share, without budgetary involvement, the public service obligations attaching to telecommunications and electric power.

BOX 4. Measures taken in support of water for the poor in the OECD countries

General water aid	Nbr. countries
Water subsidization (over 30% of the price):	13
Reduced VAT:	11 (F)
Free water for all:	1
Targeted water aid measures (in addition to welfare measures)	
Reduced sanitation tax:	3
Reduced local taxes:	3
Allowances for water:	2
Coverage of unpaid water bills:	3 (F)
Tangible measures	
Water may not be cut off	12
or is very seldom cut off:	6
General price measures	
No standing charge:	9
Fixed rate (no meterage):	13 (F)
Progressive rate:	
Targeted price measures	
First tranche free:	2
Social price:	9

NB: F means that the measure is implemented in France. Targeted measures concern only the poor. All the OECD countries also have welfare measures designed to help the most deprived to pay for their water and other expenses.

c) Water aid for the poor

The water consumed by the poor is paid for by the poor themselves and by a series of circuits financed by other users, taxpayers and, in the developing countries, foreign aid. The price of water is reduced by good management and cost controls, lower taxes, water subsidization and welfare measures that target the poor or are specific to water (Figure 2). Box 4 gives some insight into the various measures taken in the OECD countries to make water more accessible to the deprived.

In both the industrialized countries and those in transition, welfare measures are important. They take the form of general social measures, aid for housing (and the related charges), specific aid for water (reduced bills and aid in respect of unpaid bills (as the case may be). Reductions in the price of water can be financed by the State (Chile, Box 5) or by users (cross-subsidization or specific taxes) (Belgium, Box 7).

d) Price measures as an instrument for implementing solidarity

If they are not calculated on a fixed rate basis, water prices usually comprise a fixed part and a payment proportional to actual consumption. The elements that make up this price depend on geographical, economic and social variables, which affect the price paid by the different consumers.

To have access to water distribution networks, users have generally to pay the costs attaching to connection to the meter, together

with periodic fixed costs for maintaining the service, even when consumption is low or non-existent. Combined, these fixed costs are particularly hard for single people on small incomes and low consumption to pay. Reducing them and replacing them with recurrent costs proportional to consumption has positive effects for poor households with few dependents (the vast majority), but negative effects for big families with much higher consumption. In the developing countries, connection costs are a major financial obstacle to access to water. To reduce their impact, they can be spread over time and subsidized, for example by means of a redistributive charge payable by all subscribers (Buenos Aires).

When the price of water does not depend on actual consumption (fixed price), households which do not consume much water can be severely penalized. In England, special measures had to be taken to prevent excessive consumption and encourage the fitting of meters. In France, providing a fixed amount of water at no cost is now prohibited, except in small towns.

Increasingly, consumers want to see the fixed elements restricted, or even abolished, as is already the case in a number of European countries and several towns in France. In towns which experience big seasonal fluctuations, the fixed part does nevertheless allow expenditure to be spread more equitably between the different groups of users (permanent residents and temporary residents).

Payments proportional to actual consumption mean that there have to be reliable meters which need to be read at periodic intervals. The price paid can be based on a single price per m^3 consumed or on a unit price that increases in line with the level of consumption (progressive rate). The latter favours small consumers because they pay a low price for the first tranche of consumption. The advantage of progressive pricing is the simplicity of implementation, while the drawback is that it does not favour large families whose overall consumption can be high. In some cases the price can be degressive, which favours high levels of consumption.

Progressive pricing is used in a great many countries, especially in the Mediterranean region, Belgium, Luxembourg, Switzerland, Japan, Korea, the United States, Mexico, numerous Latin American countries, several French-speaking countries in Africa, etc. In South Africa, progressive pric-

BOX 5. Water for the poor in Chile

In Chile, the authorities have brought in a reduction in the price of water for the poorest households. This reduction ranges from 40 to 85% and concerns 15 m^3 per month, the aim being that water should account for no more than about 5% of household incomes. It is financed by the authorities and paid to users through the distributors. In 1997, there were 440 000 recipients out of a total of 3.3 million subscribers. The aid in question amounts to a total of $22.6 million per year (i.e. $4 per month or 8 m^3 at $0.5 per m^3, whereas average consumption per subscriber is 23 m^3 per month). It is estimated that 95% of potential beneficiaries have made use of the system (i.e. 17% of the population).

ing has allowed the most impoverished to have access to water (Box 6). In France, it is not very much used but it could be introduced more extensively in certain regions as a way of encouraging people to use less water.

Social prices are prices that take into account the characteristics of the connection and of consumption- as the progressive price does- but which also incorporate some of the subscriber's socio-economic characteristics. Their purpose is to lessen the financial cost of water for certain categories of users by reducing the connection cost, the cost of the standing charge or the cost of consuming a certain quantity of water, or by providing financial assistance to pay for water. The categories that qualify for this price are laid down by law, e.g. low-income individuals, large families and pensioners. Responsibility for identifying the beneficiaries usually lies with the public authorities and social services, and consumers are required to provide a proof to the distributor.

Progressive pricing is used in a great many countries; it favours those who do not consume much water.

Social pricing is used in the United Kingdom, Flanders (Belgium), Portugal, Spain (Barcelona, Madrid, Murcia, Seville), Australia, the United States, Mexico, South Africa and Chile, and is being considered in Wallonia (Belgium) and in Brazil.

In the developed countries, it would be easy to introduce a rebate on the price of a first tranche of consumption for the poor, or else a reduction in the standing charge (as is done for the telephone in France). Such a measure could apply to low-income households or just "very needy" households those, for example, that receive assistance to pay their electricity bills. If this sort of targeted measure were to provide 1 million households with a benefit worth €80 per year, it would represent an increase of 0.8% in water bills in France. Funding it would require neither an increase in taxation nor any new taxes because it could easily be absorbed by the price.

Another policy involves introducing a form of progressive pricing which does not penalize big families. With this approach, the price for 1 m^3 of water depends on average per capita water consumption in the family of the subscriber. This sort of pricing system, which has been used successfully in Flanders since 1997, has met both social and fam-

BOX 6. Water for the poor in South Africa

■ In South Africa, the water pricing system may take into account the economic situation of the user. The policy usually adopted is based on progressive pricing with a standing charge. In Durban, prior to the introduction of a first free tranche for all, "social" consumers did not pay their standing charge and their first 200 liters per day cost them 40% less. In February 2001, the South African Government decided that basic water (6000 liters per month for each household) would be provided free of charge. In Durban, water is priced in three progressive tranches. Only users who consume less than 6000 liters per month (18% of the population) enjoy free water. As average consumption per user is 26 600 liters per month, free water accounts for less than 5% of water consumed.

ily policy objectives and has resulted in increased investment in the water sector without any social difficulties (Box 7). The Flemish authorities' experience with this system has been very satisfactory.

It should be noted that such pricing involves higher administrative costs and support from public authorities to target and weigh the pricing measure.

Social pricing of water based on the number of people in the consumer's family is also used in Luxembourg, Spain, Greece and Malta. A similar approach has already been implemented in France inasmuch as income tax, local tax on residents and social insurance benefits take account of the number of people in the family. Extending the system to drinking water would involve adopting separate legislation.

e) Solidarity for water in France

The main solidarity measures taken with regard to water have provided access to water in the

BOX 7. An example of a water price favourable to families

■ Pricing proportional to water consumption has been replaced by progressive pricing per person, and the poorest people (5% of the population) have benefited from a special reduction (30 free liters per person) (Figure 3). This sort of pricing, introduced in Flanders, helps people with very low or low incomes, and also those with intermediate incomes (with the exception of unmarried people with no family responsibilities). Thanks to this twofold measure, the increase in the price of water occasioned by the change in pricing mainly affects well-off families with few dependents, whose budgets are not much affected by water.

The Table below shows the change in water bills for different types of user according to income per unit of consumption and according to the number of people in the household when the total price of water increases by 33% and the proportional price is replaced by the social price described above. The relative change in households' expenditure on water following a 33% increase in the average price of water is shown below:

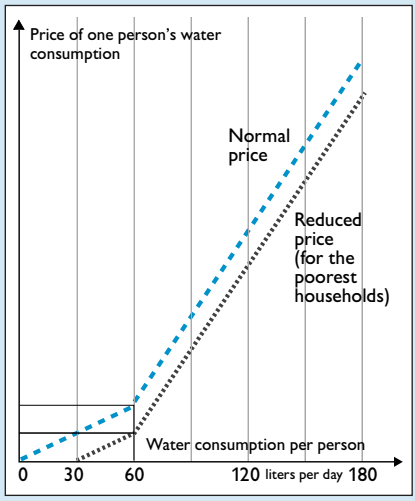


FIGURE 3. Example of a social tariff (taking family size into account and offering a reduced price to the poorest households)

Change in expenditure on water (%)

Household size (number of persons)	1	2	3	4	5
Household with a income					
Very low	- 46	- 60	- 72	- 83	- 91
Low	+ 8	0	0	0	0
Intermediate	+ 54	+ 40	+ 28	+ 18	+ 9
High	+ 70	+ 60	+ 52	+ 45	+ 40

countryside which, some fifty years, was very poorly equipped in this respect. The authorities have paid out subsidies to create new infrastructure. Distributors have organized tariff cross-subsidization within their networks. Urban and rural users have financed a fund intended to improvement capital equipment in rural areas. In addition, the government has financed aid for water in the developing countries.

In aggregate, the funds for reinforcing territorial cohesion in the water sector far exceed those devoted to social cohesion. Specific measures in favour of water for the poor amount to less (some €5 million per year) than water aid in the Third World (€120 million per year) and less, above all, that aid designed to improve water services in rural areas (almost €900 million per year).

Appreciable progress could be made with water pricing if town councils regained the right to introduce pricing that matched their social and family policy objectives, for example by taking into account the composition of the family or, as President Chirac suggested, by "weighting prices in favour of the most deprived". To achieve this, the price of water would have to depend not just on the level of consumption, but ought also to incorporate some of the consumer's socio-economic characteristics. Legislation of this sort does not generate budgetary expenditure and has already been included in recent laws concerning the telephone and electricity. Ideally, the future law on water should authorize the territorial authorities, if they so wish, to build some of their subscribers' socio-economic characteristics into the price of water, as they can already do with other aspects of local management (e.g. school meals).

Water solidarity with the Third World

At the World Summit on Sustainable Development in Johannesburg in September 2002, countries adopted a "Plan of Implementation" which contains the following commitment:

"We agree to "halve, by the year 2015, the proportion of people who are unable to reach or to afford safe drinking water and the proportion of people who do not have access to basic sanitation".

The Plan meets a fundamental need, with over 6 000 people dying from water-related diseases every day in the developing countries.

The industrialized countries are close to making universal access to drinking water and basic sanitation a reality. The medium-income developing countries[9] still have some way to go to meet the Johannesburg objectives and on the whole have the financial resources to do so. The low-income developing countries will have to make greater efforts, but have the most meager financial resources. Box 8 shows the present situation as regards water supplies and the scale of the effort to be made in the space of 15 years in order to meet the Johannesburg targets. The effort required in sub-Saharan Africa (improving access to water for 21.5% of the population) is three times greater than in South Asia, Latin America or the Middle East/North Africa, but average income in Africa is much lower. Within these countries, a distinction has to be made between urban, peri-urban and rural areas. It is in the latter that the capacity to find the investment needed for water is the lowest.

To meet the Johannesburg targets with regard to water, considerable additional investment will be required which can be put at over $10 billion per year in the developing countries as a whole. The bulk of this will be financed by the countries concerned and only a small proportion is likely to come from development aid.

The case of the least developed countries[10] warrants very special attention because of the acute poverty and public health problems with which these countries have to cope. In sub-Saharan Africa, some 320 million people, i.e. approximately the total population of the European Union today, will need to be given access to water in the space of 15 years. The

additional investment needed is put at approximately $3.4 billion per year and it would mainly be targeted at a very poor population with a daily income of less than $1 per person. The African countries could probably raise $2.2 billion per year for this task[11]. To cover the investment costs in their entirety, the developed countries would have to provide sub-Saharan Africa with additional aid put at $1.2 billion per year. With international aid for water standing at just $600 million per year at present, it would therefore need to be trebled.

To do so, the developed countries could use part of the increase in development aid appropriations that they have undertaken to fund. At the same time, the developing countries will have to set up the machinery for financing their share in this new investment. They will have to increase the price of water or taxes, rather than government deficits, and improve the governance of water so that investment is managed on a sustainable basis. Unless action is taken by both sides, access to water will not be sufficiently improved and the Johannesburg objectives will not be achieved.

With the amount of aid for water disbursed by the industrialized countries to the least developed countries declining in recent years, while at the same time ambitious targets for investment in the water sector were being adopted at international level, the Camdessus Panel[12] concluded that the flow of funds needed to double for drinking water to be available to everyone, and France endorsed that pro-

BOX 8. The Johannesburg targets as regards water supplies (% of the population with access to water)

Region	Situation in 1990/2000	Target 2015 (Effort)
Sub-Saharan Africa	53/57	78.5 (+ 21.5)
East Asia + Pacific	71/76	88 (+ 12)
South Asia	72/85	92.5 (+ 7.5)
Latin America	82/86	93 (+ 7)
Mid. East/ North Africa	82/87	93.5 (+ 6.5)

▶ 9. In the medium-income countries, per capita GNP was between $9256 and 756 in 1999, while in the low-income countries it was less than $756.

▶ 10. The 49 poorest countries, 35 of which are in Africa. They have a total population of 637 million, with a per capita GDP of $288 in 1999. The mortality rate among children under 5 is 159 per 1000 births (compared to 6 per 1000 in the high-income OECD countries).

▶ 11. If the poor without access to water were to devote 1% of their meager incomes to investment in the water sector, their total financial contribution might amount to $640 million per year. Taxpayers and other water users in sub-Saharan Africa could probably devote 0.5% of GDP to additional investment in the water sector, which would mean a 30% increase in their expenditure on water in order to finance water for the poor ($1.6 billion per year).

▶ 12. "Financing Water for All", Report of the World Panel on Financing Water Infrastructure, chaired by Michel Camdessus, March 2003.

posal. That said, no specific commitment to increase the total amount of aid for water has been entered into at world level.

France could take concrete steps to promote access to water in sub-Saharan Africa and provide more substantial aid without further delay. The target of doubling the average volume of aid for water disbursed during the period 1996-2001 would mean allocating an additional €200 million per year for water for the developing countries, including Africa.

To mobilize off-budget financial resources, French law needs to authorize the funding of humanitarian co-operation schemes implemented outside France in the water sector by municipalities and water services and agencies, in particular in the framework of the "1 centime for water" initiative. Direct solidarity between citizens of industrial countries and those of Africa without access to water should be promoted.

Conclusions

In every country in the world, the implementation of solidarity and cross-subsidization mechanisms at local, regional and national levels has improved the supply of water and sanitation by providing the recipients of such cross-subsidization with aid to fund infrastructure and even some of the operating costs. The said mechanisms have strengthened social cohesion by making the price of water more affortable to all users, and have improved territorial cohesion by equipping remote areas so that, in the industrialized countries, the rate of access to drinking water has become very high.

In the developed countries everyone, or almost everyone can afford water. In the majority of cases, measures concerning the price of water are taken to compensate for the inadequate incomes of the poorest people. Such measures deserve to come into widespread use and be stepped up so that the right to water becomes a reality for everyone. The cost of such solidarity measures is very low by comparison with the cost of other solidarity schemes put in place.

In the light of information received and the industrialized countries' experiences, it would seem that solidarity between rich and poor would allow the cost of water to be shared between everyone without generating excessive costs for the better off. There are no economic reasons not to guarantee access to water for everyone.

To overcome the challenge of water for all at the global level, every country will need to redouble its efforts. The developing countries need to improve the governance of water and provide investors with guarantees, while the developed countries need to increase their financial commitments.

Unless overall aid for water doubles, the objectives of both the Millennium Declaration and the Johannesburg Summit will not be met in the least developed coun-

tries. The extra investment needed comes to $10 billion a year for the developing countries as a whole - on top of the equivalent investment for ongoing programmes; this additional amount ought not to be out of the reach of the international community. It is vital in the case of the least developed countries.

Where France is concerned, increased solidarity would mean devoting some 3% of the turnover for drinking water in order to improve poor people's access to water (€100 million per year), and to double the average amount of bilateral aid for water that goes to the developing countries (€200 million per year). The additional solidarity required could be covered by users as part of their water bills if the State cannot cope in the framework of the budget.

It is very much to be hoped that the future law on water will include provisions that allow the funding of water policies based on increased solidarity.

RESOLUTIONS OF THE WATER ACADEMY CONCERNING SOLIDARITY FOR DRINKING WATER

At its General Assembly in December 2002, the Water Academy adopted the following resolution:

- **Social pricing:** social pricing of water should be made legal;

- **Development aid:** the industrialized countries ought to increase their development aid programmes for drinking water in the developing countries;

- **Solidarity mechanisms:** the middle-income countries should adopt effective solidarity mechanisms so as to ensure that water remains affordable, even to the most deprived populations.

It also adopted the following recommendations concerning French policy in the water sector:

- **Aid to the most deprived persons:** France should improve its solidarity mechanisms with regard to access to water for the most deprived populations and make its existing internal mechanisms more effective. Local authorities should be allowed to introduce special water rates for certain categories of very deprived people;

- **More appropriate pricing:** providing a first tranche of consumption at a price below the normal price is a frequently used way of promoting access to water for the most deprived. To make the method more equitable, the ideal solution would be to take account of the size of the user's household or to make adjustments to that effect. Before changing the pricing structure, the approach most appropriate in the specific context should be looked for so as to ensure that the various objectives of equity and economic efficiency for the different categories of user are met.

At its General Assembly in January 2004, the Water Academy adopted the following resolution:

• **Doubling French aid for water:** France's official development assistance with respect to water ought rapidly to be doubled, as already announced, while the additional resources generated should be used first and foremost in the least developed countries where needs are the most acute and where the Johannesburg targets with regard to water supply and sanitation could well not be met;

• **Better decentralized co-operation:** legislative measures need to be taken inside France with the object of authorizing the financing of decentralized co-operation schemes for water in order to improve public health in the developing countries;

• **An action plan for access to water:** A French action plan concerning aid for water should be drawn up with the participation of the various actors involved so as to step up the scope, effectiveness and sustainability of the various measures taken to meet the Johannesburg objectives;

• **Priority for sub-Saharan Africa:** France needs to take exemplary action aimed at facilitating water supply and sanitation in the sub-Saharan African countries. The aid projects for water that France pursues in some of these countries ought to be the subject of an audit designed to draw conclusions from past schemes.

• **Aid from the peoples of Europe:** European Union citizens with a high standard of living ought to be more involved in schemes aimed at coming to the assistance of African populations without access to water and helping to finance the investment needed for these very deprived populations soon to enjoy clean water.