



CAMPAIGNING TO KEEP
WATER AS A PUBLIC TRUST

HOW TO MAKE CLEAN WATER AFFORDABLE TO ALL

A consumer-rights and social justice perspective on water pricing

THE PROBLEM: Globally, more than 1 billion people lack access to clean and affordable water. Approximately 2.4 billion people lack proper sanitation services. Over 5 million people, mostly children, die each year of preventable water-borne diseases such as cholera, diarrheal diseases and dysentery. The divide between those who have access to clean and affordable water and those who don't continues to grow. This growing divide is related to environmental crisis, public debt, urban population growth, and the increasing poverty and inequality attributed to policies of trade liberalization, privatization, de-regulation and corporate globalization. The IMF, the World Bank, and many governments, including the United States, claim that an important way to ensure funding for water services is to raise the price of water to consumers, privatize water services, and impose policies called *full-cost recovery*. In contrast, many consumer-rights and social justice groups say that *public funding* from governments and international institutions must be the primary source of financing. This is the only way to ensure that *everyone has the right to clean water, regardless of the ability to pay*.

THE SOCIAL CONTRACT: Historically, government funds collected from taxpayers have been used to provide public funding for essential services such as education, health care, roads, and *water and sanitation services*. This ensures that consumer fees for essential public services are low or non-existent and the services are affordable to everyone. An enormous amount of money will need to be spent on water and wastewater infrastructure in communities around the world and across the nation to replace or repair deteriorating systems and build new facilities to accommodate growth. At the same time, governments are facing large public deficits and debt crises. Unfortunately, many governments respond to the debt crisis by attempting to cutback public funding for essential public services. This threatens the *social contract* – an agreement between governments and their citizens that tax revenues will provide for essential public services. When the social contract is eroded the quality of life is reduced for everyone. Around the world those left without access to water and sanitation and other public services continues to grow.

THE FALSE SOLUTION: FULL COST RECOVERY, THE “MARKET PRICE” FOR WATER

In the U.S., the Environmental Protection Agency lists “full cost pricing” as one of its “Four Pillars of Sustainable Infrastructure” and is more actively encouraging municipalities to adopt full cost recovery. That move is welcomed by the private corporations seeking to privatize water in the U.S.—companies which openly acknowledge that full cost recovery will lead to much higher water and wastewater bills. The EPA's support for full cost recovery also echoes the policies of the World Bank and the International Monetary

Fund (IMF) as they try to promote privatization around the globe. Whether called *full-cost recovery*, *full-cost accounting*, *full cost pricing*, *economic pricing*, the theory says that consumers should cover the full cost of operation, maintenance (and sometimes even expansion) of the water and sanitation utility. The IMF and the World Bank argue that developing countries are too poor to provide public funding (government subsidies) for their water utilities. If governments implement full-cost recovery, they argue, the increased revenue streams can be used to rehabilitate and expand water and sanitation services. The companies, meanwhile, complain that without full cost recovery, publicly owned and operated water systems have a competitive advantage.

FULL COST RECOVERY CAN'T SOLVE THE PROBLEM

Whether emanating from the World Bank, multinational corporations or the EPA, the faith in and focus on *full-cost recovery* is misplaced. Paying higher consumer fees for water leaves less available for other vital necessities such as food, clothing, medicine or housing. *Full-cost recovery* can have a very negative impact on the poor.

PRICING AND SUBSIDIES: A SOCIAL JUSTICE PERSPECTIVE

Water services are generally funded through a mixture of government funding (from taxpayers) and consumer fees. Water pricing structures and subsidies should aim to redistribute income from the wealthiest to the poorest so that those with lower incomes and those who are unconnected to the piped water network are benefited. The overriding principle should be the objective of universal access to water and sanitation services. Successful solutions must involve the participation of local citizens, with special emphasis on women's groups, environmental organizations, consumer groups, and others.

PRICE STRUCTURES THAT CAN REDUCE THE BURDEN ON THE POOR

- Government subsidies – the government plays its historic role and fulfills responsibility to provide for universal access to essential services.
- Lifeline – A basic minimum amount of water is provided for free or at a very low price.¹
- Cross-subsidies – wealthier water users subsidize poorer users, such as industry subsidizing residential users, or urban users subsidizing rural users.
- Free or affordable connection fees – this ensures that those outside the piped network will have access.

PRICE STRUCTURES THAT SHIFT THE BURDEN TO THE POOR

- Full cost recovery – raising consumer water fees to cover the full cost of operation & maintenance.
- Pre-paid meters – New technology requiring upfront payment. Cuts off household when payment is due.
- High connection fees – raise barriers to connecting to the piped network.
- Special low-income programs – After consumer rates become unaffordable to the poor, low-income residents must struggle through the stigma and bureaucratic obstacles to become “eligible” for special discount.

¹ The World Health Organization says 25 liters per person per day is necessary for basic human survival and 100 liters for sustainable livelihoods.