



Specialist Group
Statistics and
Economics

WORKSHOP

Water Tariffs and Affordability

INTRODUCTION

Bucharest, 17th of May 2016
Ed Smeets



International
Water Association

EDMADI BV



INTERIM-MANAGEMENT & CONSULTANCY



IWA

- IWA is an organization that brings together people from across the water profession to deliver equitable and sustainable water solutions for our world.
- Association of companies and individuals; network of water professionals (>10,000) in 130 countries



IWA: THE NETWORK



International
Water Association

SPECIALIST GROUPS IN GENERAL: CHARACTERISTICS

- Specialist Groups lie at the heart of IWA
- Membership is open to all IWA members
- Develop international specialist networks and contacts
- Disseminate knowledge and information
 - by organising/contributing to conferences/workshops
 - by report/disseminate conclusions in IWA publications, on the web, social media, etc.



SPECIALIST GROUP STATISTICS AND ECONOMICS

Topics

- All economical and financial issues of water industry (tariffs, efficiency, micro economics, finance of utilities, cost coverage, affordability, etc.)
- Periodical world wide surveys and providing analysis/statistics on all kind of economical and financial issues



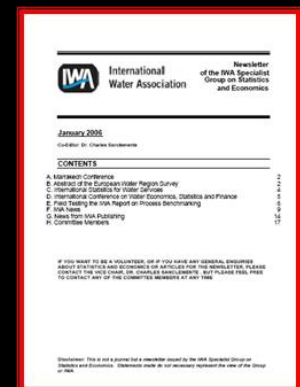
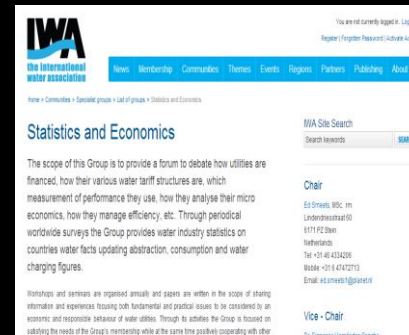
SPECIALIST GROUP STATISTICS AND ECONOMICS

- 700 members
- +/- 20 active members (from universities, regulators, utilities, consultants, associations, etc.)
- self-managed by chair, vice-chair, secretary and Management Committee (= active members)
- 2 times per year meetings to discuss program/activities, to do work and to have some fun; in between meetings all activities per mail/phone
- all work is free-time and self-financed



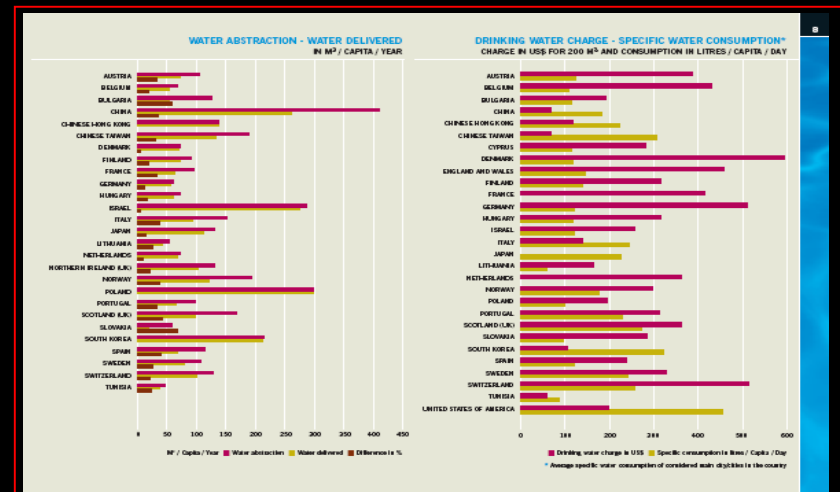
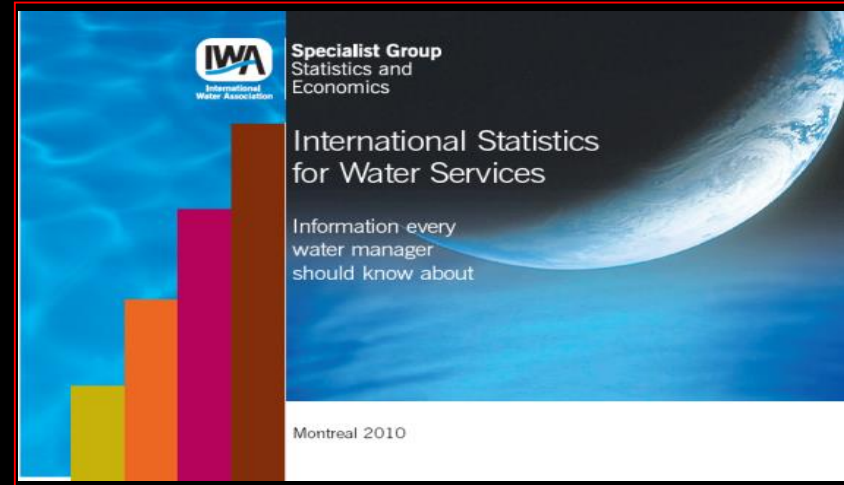
SPECIALIST GROUP STATISTICS AND ECONOMICS

- Chairman:
 - Ed Smeets, (*Netherlands*)
- Vice chair:
 - Doru Popa, (*Rumania*)
- Secretary:
 - Maria Molinos (*Chile*)
- Working Groups
 - Statistics
 - Tariff and Finance
 - Water Economics
 - International Conferences



SPECIALIST GROUP STATISTICS AND ECONOMICS

- Working Group on Statistics
 - Leader: Jan Hammenecker, Belgium



SPECIALIST GROUP STATISTICS AND ECONOMICS

- Working Group on Tariffs and Finance
 - Leader: Doru Popa, *Romania*



International
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IWA Reference Paper
Sustainable Cost Recovery

1. Introduction

The subject of sustainable cost recovery can be approached in a number of ways, and consequently several different terms are also used (sustainable cost recovery, full-cost recovery, etc.). The most important consideration is the need for a level of cost recovery achieved through a combination of water service charges and subsidies, which will enable sustainable water services. However, affordability and efficiency have to be taken into account, so that cost recovery applies only to necessary costs.

2. What does sustainable cost recovery mean?

The definition used here is that costs are recovered so that a water services undertaking can achieve and maintain a specified standard of service, both for the present and future generations. The level of cost recovery can be defined exactly through water charges, as in some developed countries, or through a combination of water charges and targeted, various, long-term government subsidies.

The costs to be recovered include:

- The internal operating costs of extracting, treating and distributing the water, as well as those of the collection, conveyance, treatment and disposal of wastewater. These costs include administrative overheads.
- The cost of capital for new infrastructure. An important consideration is the time period over which a capital investment is depreciated.
- The cost of maintaining and replacing existing assets. For both capital and maintenance costs, an accounting system is needed that makes the required financial provision. There are examples where historical cost accounting does not make adequate provision for system replacement and this is a subject for a separate Reference Paper.

It is of utmost importance that consumers are able to afford to pay their water service charges. This does not imply under-recovery of costs, as this will result in unsustainable water service systems, but instead the taxpayers of service should be set such that the service is affordable to the majority of consumers. Consumer participation is important, both as part of their liability ownership for sustainability, but also to ensure that water service projects are built to serve consumer needs and to be affordable.

3. Why is sustainable cost recovery important?

Without sustainable cost recovery, water service systems go into a state of decay, ultimately resulting in an unacceptable level of service or poor water quality. There are plenty of examples of this happening from around the world. The Ukraine, for example, had a very good water supply system prior to becoming part of the Soviet Union. After unification, there was a policy of moving away from any subsidised charges, and collectively through charges was reduced to 2% of property rental. As a result, water consumption tripled and the infrastructure started to deteriorate. The current generation has to pay exorbitantly high water service charges to refurbish the systems. There was also a similar situation in Chile involving a partial (for government and consumers) transition back to the excellent service that exists there today.

Page 1 of 3

PRICING

Water pricing:
from theory
to practice

Approaches to water pricing can offer considerably, as a conference in Seville last year observed. **ROMANEA**, **HERNANDEZ-SANCHEZ**, **MOULAS ROMANU** AND **JENU TREBETREACHEA-PRITZ** review the debate, with references to the policies in Austria and Spain.

more places stepped in where (often larger) international players were not. Another reason (CO2) will depend on the ability of water service providers to reduce charges and discharge of dumping as well as the availability of pumped risk mitigation mechanisms. However, CO2 risk reduction projects should ultimately complement efforts provided for their role provided it does not become public, since as the levels present projects. The role comes to the introduction (CO2) projects which are dependent on differences and may depend on a number of factors, including local and global conditions, including the use of water for irrigation, and so on, of course, the quality of the project design.

Footnotes

¹ World Bank, June 2010, Program Support and Risk Management for Urbanization in Chile, Mexico, and Colombia.

² World Bank, 2008, Urban Infrastructure Support, Mexico and Colombia.

³ Ministry of Water, Electricity and Energy, 2008, Water Supply and Sewerage Services, Mexico.

⁴ The Global Water Supply and Sanitation Assessment of the World Urban Population (GWSAP), 2008, World Urban Water Demand and Supply.

⁵ The Global Water Supply and Sanitation Assessment of the World Urban Population (GWSAP), 2008, World Urban Water Demand and Supply.

⁶ The Global Water Supply and Sanitation Assessment of the World Urban Population (GWSAP), 2008, World Urban Water Demand and Supply.

⁷ The Global Water Supply and Sanitation Assessment of the World Urban Population (GWSAP), 2008, World Urban Water Demand and Supply.

⁸ The Global Water Supply and Sanitation Assessment of the World Urban Population (GWSAP), 2008, World Urban Water Demand and Supply.

Figure 2
Water charges in the water sector supply and distribution (2008) (€ per m³)

Country	Supply (€/m³)	Distribution (€/m³)
CH	0.15	0.05
ES	0.25	0.05
FR	0.35	0.05
IT	0.45	0.05
NL	0.15	0.05
PT	0.25	0.05
UK	0.35	0.05
Average	0.25	0.05

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SPECIALIST GROUP STATISTICS AND ECONOMICS

- Working Group on Water Economics
 - Leader: **Francesc Hernandez, Spain**

December, 2004

Country	Total number of water services	Average number of water services per inhabitant
Belgium	96	1 000 000
Cyprus	14	1 000 000
Denmark	25	1 900
Finland	1 360	2 180 000
France	27 000	4 000
Germany	7 848	4 000
Italy	200	44 000
Romania	200	48 000
Spain	8 100	1 000 000
Netherlands	49	200 000

Figure 1: Total number of water services (total) and average rate of services per inhabitant

The Cyprus data don't take into account the numerous local authorities dealing directly with water service. They benefit also from the support of the Government Water Development Department.

Average coverage ratio (% of population served in the country)

Almost all the population is connected to the drinkable network in the 11 countries. Only 8 countries dispose of the percentage of population connected to sewerage network. It is a bit lower and varies between 70 to 90% (excepted in Romania, where it is 52%).

The percentage of population connected to a wastewater treatment plant or to a non collective treatment system ranges from 70% to 94%, excepted in Romania and in Belgium where they are respectively 52% and 41%.

December, 2004

18 Heads is in charge of the

for Development Department

equivalent for public services via the municipal services

within the water service schemes (SUAFC) are national governing body (GSAE) of the economic planning in the public sector.

the water policy, define the reached in the frame of the role of leader and assess the the financial stability and its operation for the quality of water service is in charge of services.

Minister's Agency is certain made by the water services. is based on a system of

December, 2004

Romania and Spain, large be transferred to private

education.

in Romania and Spain, is important to the water joint

system in each country

Figure 2: Different level of water treatment for drinking water in each country

December, 2004

services.

the contract with private operators?

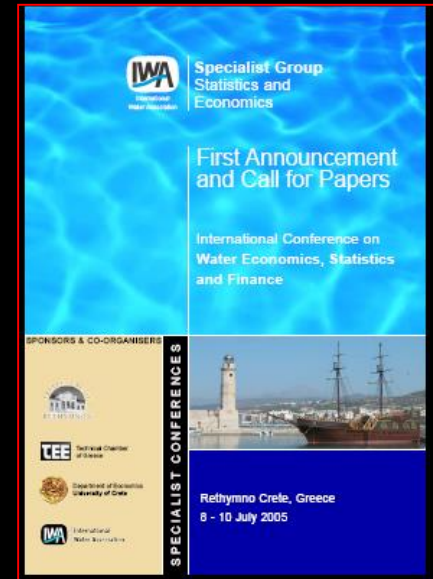
The procedures for contracting are specific to each country:

- In Belgium, national calls for tender are organized;
- In Denmark, Romania and Spain, only international calls for tender are organized;
- In Italy and France, international and national calls for tender are organized.



SPECIALIST GROUP STATISTICS AND ECONOMICS

- Working Group on International Conferences
 - Leader: Konstantinos Tsagarakis, Greece



SPECIALIST GROUP S & E: WORKSHOP

Policy SG

- Two meetings per year hosted by member in home country
- Possibility to organize simple workshop
- Topics to decide by host
- Speakers from SG and home country
- Ultimate goal is to learn from each other



SPECIALIST GROUP S & E: WORKSHOP

Presentations in workshop

- different countries
- different situations
- different solutions

Ultimate goal workshop

TO LEARN FROM EACH OTHER

AND MAKE A CONTRIBUTION

**TO DELIVER EQUITABLE AND SUSTAINABLE
WATER SOLUTIONS FOR OUR WORLD**



SPECIALIST GROUP STATISTICS AND ECONOMICS

INFORMATION ABOUT SPECIALIST GROUP

Secretary: mmolinos@uc.cl

Chairman: ed.smeets1@planet.nl

