

Making the human right to water and sanitation a reality in Europe

The role of affordability mechanisms

The United Nations General Assembly officially acknowledged the human right to water and sanitation in 2010. To realise this right, water and sanitation must be available, accessible, affordable, acceptable, and safe.

In order to strike the right balance between availability and affordability, pricing policies and affordability mechanisms play a fundamental role. In countries where these mechanisms are needed, EurEau recommends measures targeting persons facing affordability problems by social policy instruments. Although decisions on such mechanisms and the identification of beneficiaries remain the responsibility of public authorities, water operators can play an important role in developing appropriate models.

Water and sanitation recognised as a human right

The United Nations General Assembly (UNGA) officially acknowledged the human right to water and sanitation in resolution 64/292 adopted on 28 July 2010¹.

The UNGA recognised the human right to water and sanitation as a right that is essential for the full enjoyment of life and all human rights (e.g. human right to health).

The UNGA calls upon states and international organisations “to provide financial resources, capacity-building and technology transfer [...] in order to scale up efforts to provide safe, clean, accessible and affordable drinking water and sanitation for all”.

The legal content

The legal content of the human right to water and sanitation embraces complementary aspects. To realise this right, water and sanitation must be **available, accessible, affordable, acceptable, and safe**².

So “while human rights laws do not require services to be provided free of charge, States have an obligation to provide free services or put adequate

¹ <http://www.un.org/es/comun/docs/?symbol=A/RES/64/292&lang=E>

² Realising the human rights to water and sanitation: a handbook, Introduction, p.33-36 (2014)



subsidy mechanisms in place to ensure that services always remain affordable for the poor”.

Availability and affordability of water services in Europe

‘Availability’ of water and sanitation means that water and sanitation facilities meet people’s needs now and in the future. Therefore current generations bear an inter-generational responsibility towards future generations: the latter should be able to enjoy affordable water and sanitation with the same (or higher) degree of safety and quality enjoyed by the current generation.

‘Affordability’ of water and sanitation means that “people must be able to afford to pay for their water and sanitation services and associated hygiene”. The price to be paid must “not limit people’s capacity to buy other basic goods and services [...] guaranteed by other human rights”³.

In order to **strike the right balance between availability and affordability, pricing policies and affordability mechanisms** play a fundamental role.

Maintaining water tariffs artificially low would generate a vicious cycle of underfunded services, inadequate investment and aging infrastructures: the quality of services would decrease and future users will not be able to enjoy the same level of quality at a similar degree of affordability.

At the same time specific affordability concerns of low-income households have been addressed in different ways across European countries, namely through measures targeting access to water or through general income support policies. Although decisions on such measures and the identification of beneficiaries remain the responsibility of public authorities, water operators can play an important role in developing appropriate models.

Pricing and affordability at international & European level

Since 2009 the OECD has engaged on the topics of water pricing and affordability and contributed to the debate through relevant publications and methodological guidance on how to finance the water sector through a mix of financing instruments (3Ts approach).

Lacking a commonly shared definition of affordability at international and European level, it could be appropriate to refer to the one adopted by the United Nations by which “the costs for water and sanitation services should not exceed 5% of a household’s income, meaning services must not affect peoples’ capacity

³ Realising the human rights to water and sanitation: a handbook, Introduction, p. 35 (2014)



to acquire other essential goods and services, including food, housing, health services and education”⁴.

The European Environment Agency published the report “Assessment of cost recovery through pricing”⁵ (2013), giving various examples of how pricing and tax systems are combined to ensure available and affordable water services to low-income households.

In its communication responding to the Right2Water initiative (COM(2014) 177)⁶ the European Commission recognises that affordability is “a key element because it relates to effective access to water services for all”. They acknowledged that the EU “has no role in the setting of water prices, which are determined at national level. EU water-related environmental legislation does, however, establish some basic principles for water pricing policies in the Member States. The Water Framework Directive requires Member States to ensure that the price charged to water consumers reflects the true costs of water use. This encourages the sustainable use of limited water resources. EU water policy is based on the principle that affordability of water services is critical. National authorities are competent for taking concrete support measures safeguarding disadvantaged people and tackling water-poverty issues (e.g. through support for low-income households or through the establishment of public service obligations)”.

The European Commission addressed the topic of affordability during the stakeholders’ dialogue on “Benchmarking water quality and water services” held in October 2015.

In the final summary⁷ from the 2014 and the 2015 meetings it is stated that comparing the “5% threshold of household income with figures from European Union Member States, figures for water supply and sanitation bills range between 0.3% and 1.2% on the basis of average net disposable income and between 1.4% and 7.9% on the basis of the lowest decile of the OECD population, both figures calculated at purchasing power parity”.

This means that water services can be considered generally affordable in the EU, but special attention should be paid to the lowest income decile of the OECD population.

The European Commission had also been working on the subject of affordability within the working group ‘Economics’ of the Common Implementation Strategy (CIS) of the Water Framework Directive. The discussions have been conducted on the basis of the resource document ‘Addressing affordability concerns in the

⁴http://www.un.org/waterforlifedecade/pdf/human_right_to_water_and_sanitation_media_brief.pdf

⁵ <http://www.eea.europa.eu/publications/assessment-of-full-cost-recovery> p. 21-24

⁶ <http://ec.europa.eu/transparency/regdoc/rep/1/2014/EN/1-2014-177-EN-F1-1.Pdf>

⁷ <https://circabc.europa.eu/d/d/workspace/SpacesStore/4fa04ec0-2b16-409a-b5b1-edbb6ffd6287/Benchmarking%20Report%202014-2015%20FINAL.pdf>



WFD implementation' (2014). Unfortunately the work was not finalised.

Pricing and affordability at national or local level

The diversity of definition of water services and the various institutional arrangements and management models traditionally followed across the European countries, require a high degree of subsidiarity when discussing water pricing and affordability policies. This is mirrored in Art.14 of Treaty on the Functioning of the European Union and in the Protocol n.26 (annexed to the Treaties) offering interpretative provisions on 'Services of General Interest'.

In Annex I EurEau members present various examples of measures taken at national/local level to ensure affordability of water services.

More information on accessibility can be found in the EurEau paper on "Access to water and measures in case of non-payment (2016)".



ANNEX I

Austria

In Austria it is not a responsibility of the water service utility to deal with affordability problems of households.

Belgium

Flanders

On 6 December 2013 the Flemish government approved the Implementation Act that lays down the measures for the protection of vulnerable target groups (protected customers). Because of this, as of January 2014, a subgroup of the protected customers, the formerly identified group of customers entitled to be exempted from or compensated for the regional contribution, is also exempted from paying the fixed fee of the drinking water component of the integral water invoice. The fixed fee is charged per housing unit, an exemption or a compensation is allowed per family. Starting from the allowed social corrections of the regional contribution in 2013, 9% of the households in Flanders qualify for a social correction of the fixed fee of the drinking water component.

Besides that the act also provides several other measures in order to protect vulnerable target groups. As of 1 January 2014 protected customers are, free of charge, entitled to:

- a) information about possible causes and steps to be taken following a sharp rise in consumption;
- b) a monthly payment;
- c) a personalised payment plan;
- d) a meter reading at their home;
- e) a water scan (This means a specialist examines which measures can be taken to optimise the water consumption of a subscriber)

Wallonia

In Wallonia a social fund is established to which all households contribute with € 0.0250/m³.

This fund is devoted to helping the consumers in difficulties of payment after an assessment leaded by municipal social services. 80% of the collected amount is aimed at direct intervention in the water bills.

10% is aimed at interventions in the housing of families in difficulties in order



for them to lower their water consumption as it was noticed that these families tend to consume much more than the average, even when taking into account the number of people living in the accommodation.

This fund is used only when all other means have been used such as payment facilities for instance.

Brussels

In Brussels Capital Region the contribution to the social fund is € 0.03/m³.

Denmark

Drinking water service

For decades there has been a strong, common view both on political and utility level expressing that you shall not mix social policy with supply policy. Social policy shall be financed by taxes and not tariffs.

The municipality can due to law transfer loans or grants to the utility in regard to reduce the cost for operation or construction. But no municipality has been doing that the last 15-20 years.

Waste water service

No mixing of social policy with supply policy has also been a guiding principle for financing waste water services.

But with effect from 2015 new rules oblige waste water companies to lend money to poor people in the countryside then specific conditions are present. A local authority can decide that a house owner must meet stricter requirements for treating waste water effluent from his house. If the total annual house income is below a certain amount (approx. 40.268 EUR, with a supplement of approx. 5.275 EUR for each child), the owner is entitled to apply for a loan at the local waste water company. If the owner chooses to apply for loan the waste water company must grant the loan with a 20 year maturity. The loan shall cover all expenses for the measures (sewage or local treatment) necessary to abide by the stricter requirements.

France

In France affordability measures are implemented through a Social Fund for Housing, which is set up by subnational authorities (départements), co-financed by them and the water operators.

The Brottes law provides for a period of 5 years during which social tariffs for water services can be tested.



Germany

The municipalities have the responsibility to deal with and support households with affordability problems.

Greece

In Greece there are reduced tariffs for families with numerous members, unemployed members and low-income households.

Ireland

The Irish Government introduced a flat charge in late 2014 in response to protests at the introduction of domestic water charges for the first time in 2014. These charges were capped at a maximum of €160 per household (in cases of 1 person household) or €260 per household (in cases of all other households)

This was further mitigated by an annual single payment to all water users of an annual "water conservation payment" of €100 per household by the Government's Social Welfare Fund.

Following the February 2016 General Election, water charges are now to be suspended, pending an examination by a Parliamentary Commission of the issue of Water Service Governance and Water Charges. This Commission is yet to be established but it is intended that it will report to the Parliament within six months, following which a decision on future policy will be made.

Italy

The Italian water charge regulation specifies a reduced tariff for "essential domestic needs" from 90 to 100 m³ a year/household.

The Operator is bound to invoice the tariff established according to the methodology provided by law and approved by the relevant National Regulatory Authority for energy, gas and water services (AEEGSI), without a grid of social tariffs. Although the general legal framework of the public utility services indicates the possibility to grant some aids from the state or local budgets for certain categories of users, in the field of water supply service no such social measures were generally adopted.



The law 221/2015 introduced a social tariff for the integrated water service for users in economic difficulty. It is waiting for a decree of the Government to implement it.

Luxembourg

There are specific tariffs for large families, but there is no specific tariff for poor families and old people: there is always the possibility to get help from social aid to pay the water bill.

Norway

Water pricing in Norway is a question of cost recovery, almost always fully financed through fees from the subscribers. The companies have no responsibility or legal opportunity to support low-income households.

Low-income households can get municipal social funding (tax-financed) or a specific governmental funding for homeowners (also tax-financed).

Poland

Affordability is ensured by subsidies stemming from the municipality budget for specific groups of recipients (subsidies are granted by a decision of the Municipality Council).

It is also possible for a Social Welfare Centre or other non-governmental organization, program or foundation to settle the water bills on behalf of a customer in a difficult financial situation. In bigger cities the water companies are often members of such aid organizations.

Portugal

Some companies apply social tariffs for families with numerous children and for low income families.

The Netherlands

In the Netherlands, the production and distribution of drinking water is seen as



a public service. Public authorities own the 10 drinking water companies, which operate on the basis of full cost recovery tariffs. The Drinking Water Act increases the responsibilities of the drinking water companies: they must guarantee a durable and efficient public drinking water supply; ensure that future demand can be satisfied; carry out fault risk and provide for emergency drinking water when the delivery of drinking water is no longer possible or is unacceptable on public health grounds. To ensure equitable access to drinking water, every drinking water company is obliged to: a) Make an offer to any person who requests access; b) Provide a connection under conditions that are reasonable, transparent and non-discriminatory; c) Apply tariffs that are cost-covering, transparent and non-discriminatory; d) Develop a policy aimed at avoiding disconnection of small consumers.

The Drinking water sector implemented point d by concluding an agreement with the “association of debt relief and social banking” (Vereniging voor schuldhulpverlening en sociaal bankieren (NVVK)).

Both organization compensate the loss of revenue by increasing the tariff of the paying customers (because of the full cost recovery principle).

Romania

Although Law 51/2006 – the general legal framework of the public utility services indicates the possibility to grant some aids from the state or local budgets for certain categories of users, in the field of water supply service no such social measures were adopted.

According to the Addendum from 2009 to the Concession Contract for Bucharest, the Municipality requested to the Concessionaire to grant exemptions from the payment services to families with financial difficulties to an amount not exceeding 400,000 Lei / year (about 100,000 Euro / year at that time). Method and criteria for granting such exemption are established and managed by the Solidarity Committee composed of representatives of both Parties.

Serbia

According to the law, water tariff should cover production expenses as well as profit up to the level of average profit rate, all this by taking into account the economical capabilities of the consumers.

The local government to provide aid for social categories of consumers for water and other public utility services.



Slovenia

Urban wastewater treatment and drinking water supply services are obligatory municipal public services. Prices for these services are calculated in accordance with Governmental decree. Prices are divided on variable (price per m³) and fixed (price per water connection diameter) part. Fixed part must contain amortization for infrastructure. While municipalities mainly own infrastructure, fixed part of the price is mainly rent for infrastructure and utilities transfer it to municipalities in that context.

Municipalities can subsidize the price for households in general. Social tariffs are not applied; however, municipalities and governmental social services can apply other social policy instruments in case of need.

Spain

On 20 January 2016 AEAS, AGA and ECODES published the report "Sostenibilidad social en el sector del agua: situación y recomendaciones" available at:

http://eureau.org/administrator/components/com_europublication/pdf/3ba93caefe18afa546f86151436de3bc-Social-Sustainability-in-the-urban-water-sector-current-situation-and-recommendations-eng--def.pdf

Below the list of affordability measures in place in Spain.

1. Social Fund through tariffs, administered by the operator, and criteria assigned for a third party.
 - a) Annual amount budgeted and collected by the operator under the tariff.
 - b) Used exclusively for payment of bills customers in poverty, which are identified by the services of the City Social Welfare.
 - c) There are limits per family and per year.
2. Social Fund through tariffs, administered by the operator, criteria assigned for a third party, and with the purpose of issuing long-term loans.
 - a) Annual amount budgeted and collected by the operator under the tariff.
 - b) Used to make bill payments under some financial loans granted by the operator to customers in poverty, previously identified by the services of the City Social Welfare.



- c) It converts debt or debt clients in long-financial loans.
- 3. Social Fund through tariffs, managed and assigned by a third party.
 - a) Annual amount budgeted and collected by the operator under the tariff.
 - b) Used for transfer to a third party to administer the allocation of aid directly to applicants.
- 4. Special Rate Rules as operator.
 - a) It benefits NGOs, families with financial needs, pensioners, large families, income criteria.
 - b) Mechanisms:
Reduction of the total invoice amount (between 30% and 90% reduction).
 - c) Implementation of a given block rate to quantify the total m3 in variable fee (minimum block or midblock).
 - d) Assigning a number of m3 / period clients appointed by the social services of the City (up to 25 m3 / two months without fixed fee waiver).
 - e) Reducing the limit of the first block (3 m3 / month) and assign a very low price (idea of "vital minimum consumption") to all customers.
 - f) Being rate, VAT is on the basis that results from the application of the reduced rate.
- 5. Social Emergency Aid for water.
 - a) Autonomous Regional Community Funds that are distributed via local councils, to generate an aid fund water (no sanitation).
 - b) City Council, according to the own criteria, delivers the amount to customers covering the debt of water (not sanitation).
- 6. Payment Plans and re-date billing due.
 - a) No financial interests and according to criteria of the operator.
 - b) Commitments or payment plans not to waste water (limitation of m3 / period) to perform the plan.
- 7. Aids from a Foundation belonging the operating company (concessions).
 - a) Allocation of aid by the Foundation directly to applicants.
 - b) Allocation of aid by the Foundation to families with needs that dictate the Social Services City.



8. Aids from customers.
 - a) Raising funds via bills to feed an operator Social Fund (voluntary).
9. Others:
 - a) Specific seminars to councillors and social public workers, about this social problematic.
 - b) Arrange the Social Policy Fund for specific defaults and Social Rate for recurrent situations.
 - c) The operator bears the costs of municipal staff dedicated to social assistance from the tariff costs.
 - d) The absence of bonus tariffs, and using solutions through social funds, pushing the idea of maintaining the value of the service.

Sweden

In Sweden the water pricing is a matter of cost recovery, almost fully financed through fees from the customers. The municipalities have the responsibility to deal with and support households with affordability problems. The social funding is tax-financed.

United Kingdom

Social tariffs

Between 2015 and 2016 companies will have provided a package of measures worth more than £40 million to support customers struggling to pay or in debt, for example through trust funds, debt matching and write-off schemes, debt advice and water efficiency measures to help customers on meters reduce their bills.

By April 2015, 14 of 18 companies had social tariffs available for customers to reduce their bills. The other companies either intend to have social tariffs in place in 2016 or are currently consulting their customers about introducing a tariff scheme.

All companies in England provide the national social tariff Watersure, which caps bills for more than 70,000 metered customers who are on means-tested benefits, and water companies will be carrying out further promotion to increase uptake. Some companies have had additional social tariffs for several years, providing assistance to many thousands more customers.



In Wales 54,000 households are either on the Welsh Water Assist tariff, which is based on the Watersure tariff but set at a lower rate and extended to unmeasured customers, or benefit from other forms of social assistance – and this total is planned to increase to 100,000 by 2020.

Funds and other measures

Water companies regularly contribute to the independently-run social funds and charitable trusts that they have set up. Monies from these funds are used to help clear customers' water or sewerage debts and provide support and advice on how to manage debt in the future. These funds have helped hundreds of thousands of customers in need.

Many water companies also look to relieve the pressure on hard-pressed households and get them back on their feet by accepting payments as low as a few pounds, and with schemes to match customers' payments to reduce arrears by writing off some or all of their debts. Around 100,000 households are benefitting from these schemes and companies have proposed to increase this.

Companies are also spending millions of pounds to ensure customers are aware of the potential support on offer. Companies have invested in specialist staff and training so that they proactively seek customers who are struggling.

Companies also donate hundreds of thousands of pounds to Citizens Advice Bureaux and other regional debt and advice charities. Customers on water meters get extra help from companies to bring down their bills even further. For example, some companies install free water saving products such as dual flush convertors, tap inserts and shower adapters that help customers use less water so they save money. Companies also target and promote metering to the customers on low incomes whom they expect will benefit both from a lower bill and from greater control of their bill.

About EurEau

EurEau is the voice of Europe's water sector. We represent drinking and waste water service providers from 29 countries in Europe, from both the private and the public sectors.

Our members are the national associations of water services in Europe. At EurEau, we bring national water professionals together to agree European water industry positions regarding the management of water quality, resource efficiency and access to water for Europe's citizens and businesses. The EurEau secretariat is based in Brussels, from where we coordinate the work of around 200 experts from member organisations and utilities and advocate common positions with EU decision makers.

Our members are fully committed to the continuous supply of clean water and its safe return into the water cycle. As gatekeepers of Europe's water, we have a role in raising awareness of threats to the water environment. With a direct employment of around 500,000 people, the European water sector makes a significant contribution to the European economy.



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