

International Drinking Water Supply and Sanitation Consultation  
Interlaken

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COST RECOVERY

Paper presented by Mr. Armon Hartmann, Chief Sectorial Service  
for Water Supply and Sanitation, Swiss Development Cooperation,  
Berne, Switzerland

1. Introduction

Within the water and sanitation sector, the general ineffectiveness of cost recovery remains one of the major constraints. It is clear to all of us, that the cost of water supply and sanitation services must be borne or at least shared by the users. In rural areas this would ensure the operation and maintenance of the system through contribution by the beneficiaries. For urban areas full cost recovery is the longterm goal, that means full recovery of operation and maintenance costs, depreciation of equipment and debt servicing.

In order to reach these objectives, the following three basic requirements have to be fulfilled :

- the local government must have the political will to require consumers to pay for these services, be it with cash and/or unpaid work as community contribution
- the users must be willing to pay for the services
- the users must be able to pay

We are all convinced, that it should be possible to fulfill these three requirements, although some time will be needed untill they will be generally accepted by the country government and by the communities.

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Some specialists think that full cost recovery is even possible in rural areas, immediately. Allow me to point out to you the practical experiences made in the rural water supply section in Lesotho in Southern Africa.

## 2. Main issues towards cost recovery

### 2.1 Construction costs

The Village Water Supply Section finances, through assistance by different donors the major part of the construction costs of a rural water supply. Each family contributes USD 5.- in cash and will participate regularly with community work. Construction costs are relatively low and reach the following per capita levels :

Spring protection	:	USD	7.50
Gravity supply with distribution	:	USD	25.-
Handpump supply	:	USD	15.-
Power pump with gravity distribution	:	USD	30 - 35

### 2.2 The policy paper on recovery of maintenance costs

Over a two year period in 1984/85 more than 1000 repair job cards were collected and evaluated. The average direct cost amounted to about Maloti 120.-.

A cost recovery programme was proposed by VWSS and accepted by the Government whereby for an introductory period,

- villagers pay for each repair a basic service charge of Maloti 15.- and in addition labour and spare parts costs
- Government pays for transport and overheads which represent the other 50 % of the total repair costs.



Average costs for operation and maintenance represent therefore for 96 % of the rural population a very small percentage of the average income (0.6 % - 1 %; 4 % with diesel engine systems pay 3.1 %). Nevertheless cost recovery impact remains well below the expected levels.

Why ?

#### 4. Willingness to pay is low

- . The intended use of the initial contribution is not clear - is it for cofinancing construction or for maintenance and repairs?
- . Villagers are asked (too) frequently to contribute to different social activities : family gatherings, school fees, contributions for establishment of school gardens, kindergardens, social centres, health centres, etc...
- . Breakdownrate is generally low, but they remain often unreported for months. Why pay fees for a broken down system ?
- . Once reported it may take again months until the repair is completed.
- . Community work contribution on handpump systems is very low, and therefore community spirit nonexistent. Why worry if the handpumps which is farthest away is broken down ?

#### 5. Ability to pay

A study carried out in 1984 showed that the average family income is about USD 75 per month or about USD 900 per year.

Collectively, a community should be in a position to finance operation and maintenance of their systems. Although 90 % of the population lives in rural areas, they are very dependant on wage income through remittances from family members working in the mines and/or in wage employment in the urban areas. These remittances are very irregular so that people in rural areas sometimes have to survive only on agricultural income. About one quarter of the families have neither land and animals nor a wage earner outside. They have to rely on income doing odd-jobs, brewing beer and sometimes contributions from relatives.

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October, 1987