

INTERNATIONAL DRINKING WATER SUPPLY AND SANITATION CONSULTATION  
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World Health  
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**WORKING GROUP 2: COST RECOVERY**

Introduction

The Group acknowledged today's cost recovery insufficiency in the Water Supply and Sanitation Sector and recognized the necessity of cost recovery to strengthen the Sector, to improve its autonomy, for the consumers to appreciate the value of water, and so avoid investment losses and waste of water. Notwithstanding, the Group considers that this target cannot be obtained immediately. It depends on a complex conjunction of conditions in which social cultural values, lack of education and Sector weakness play important roles. Because of that, the Group considers that applicable strategies should be different for urban and rural areas and for water supply and sanitation.

It is recognized also that cost recovery has been hampered by unreliable services or too costly services due to wrong technology choices.

Issue 1: How can donor collaboration assist in countries' achievement of tariff structures and cost

ACTIONS:

- Where necessary, measures for appropriate tariffs should always form part of loan conditions whose compliance should be rigorously pursued by such actions as dialogue with borrower, withdrawal from further financing in the sector or even postponement of disbursement.
- Information of cost recovery measures agreed on a loan and during its implementation should be available to other donors. Collaboration at all agencies in cost recovery matters will be useful.

Issue 2: How can donor agencies influence recipient countries to choose the most economical solution in each project, in order to get minimum tariffs for the service.

ACTION:

- Agencies will agree only to finance economically sound projects. This will be determined during project appraisal taking into account the various possible alternatives of technologies and construction methods, and the related tariff structure required for cost recovery.

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Issue 3: How can agencies promote reliable services and prevent waste of water in order to facilitate successful cost recovery.

ACTION:

- By preparing good terms of reference for the projects, so that those responsible for design and construction (consultants and national sector agencies) are aware of targets about operation optimization, control of leaks and all matters related to reliable services and prevention of water waste.

Issue 4: How can donor agencies ensure that revenue collected remains within the Water Supply and Sanitation Sector.

ACTION:

- To promote autonomy (or at least financial autonomy) of operating entities, like national or regional institutions, rural community committees, etc., assuring they can collect directly for their services and keep funds for the operation of facilities and to finance rehabilitation and extensions.

Issue 5: Which mechanisms are available for cost recovery in water supply from standposts.

ACTION:

- Users should pay for water collected from public standposts. Payment should be made to a concessionaire or committee that will take responsibility for distribution and control of water and collection of revenues.  
In case target groups cannot pay, indirect cost recovery can be obtained through cross-subsidy from other users or local authority subsidies (i.e. poverty taxes, etc.).

Issue 6: Which mechanisms are available for cost recovery in sanitation programmes, urban or rural.

ACTIONS:

- Cost recovery of water borne sewerage systems should be related to water consumption as a percentage of the water bill.
- For private latrines and septic tanks a revolving fund can be established from which users can get loans. For cleaning of septic tanks, a charge should be paid each time a tank is emptied.