

Collecting water in a peri-urban settlement

Rights and Price: A Pair of Red Herrings in Water

If water is perceived as a human right, it should be freely available to one and all. But clean water comes at a cost and unless that cost is paid for, it is difficult to ensure universal access.

By Ching Leong

Water is a resource that is not consumed but recharges itself naturally. Yet, the world becomes thirstier each day. Recent droughts in China have seen farmers losing millions of dollars' worth of winter wheat. In many developing countries, pollution and poor urban infrastructure deprive city dwellers of clean drinkable water. At the same time, this increasingly scarce resource continues to be given away almost free. In many countries, including developed ones like Australia, water is heavily

subsidised. In others, water dues are not strictly enforced – in Mexico City for example, less than 20% of water bills are paid.

If there is one policy tool that applies to almost all water woes, it could well be said to be pricing. Yet, this is a difficult tool to apply politically because it is tied up inextricably with the notion of human rights. If something is a human right, then it should be free. And water, being essential to life, surely qualifies as such a right. But the question of whether water should be free or priced is best

answered by first, whether we think water has a cost. If it does, then this cost is borne by someone - whether by individuals or society as a whole. Declaring that water is a human right does not take away this cost.

Human Rights: A Red Herring in Water

The language of rights creates a sense of entitlement. When policy-makers or interest groups use the word "rights", they want to be allocated resources to pursue that right. Saying that water is a human

right, we create a general right to water. This is good rhetoric but too blunt as a public policy instrument – it does not help us in deciding how to realise this right, how to allocate resources, and what way, if any, to subsidise to those who cannot afford it.

In Singapore, water is not declared as human right. Everyone who uses water is charged from the first drop. While the water is not free, the Government has targeted subsidies under a scheme called RUAS (Rent and Utilities Assistance Scheme) where the poor receive subsidies for their utilities. Even for the very poor, the water connection is 24/7, and at the service level the same as that experienced by all other Singaporeans.

In other words, despite the lack of the declaration in Singapore that water is a human right, there is universal access to water in Singapore. So we see such a declaration is not a necessary condition for universal access. But another way to view the question is – is the declaration of water as a human right a sufficient condition for universal access?

Let us now consider South Africa. In its 1998 National Water Act, it declared that there should be access to water for all its citizens. Today, 10 years after this declaration, many problems remain on the ground. For one, the poor continue to be deprived of reliable and safe access to clean water. In August 2000, a decision to cut water to people who were not paying a regional water board led to Africa's worst-ever recorded cholera outbreak. Records show differing numbers of between one and 10 million people being affected by disconnections by private water companies. There have been law suits from people who have been disconnected from water with some disconnections being upheld, while others denied.

In 2003, The New York Times reported on Richard Mokolo, the leader of the Crisis Water Committee, which was formed to resist the privatisation of water in a town called Orange Farm. Mr Mokolo exhorted the people not to pay for

water. 'The government promised us that water is a basic right,' he said. 'But now they are telling us our rights are for sale.'

On the demand side, designating "water as a human right" creates a sense of entitlement. When they are told they have a right to something, people will not want to pay for it. On the supply side, designating "water as a human right" does nothing. It is not sufficient to ensure its place in policy-making. It does not ensure universal access, and offers little advice to policy makers who are simultaneously battling other equally urgent problems.

Clean Water is a Service that Costs Money

A better way to think of water is as a service that comes with a price. PUB, Singapore's national water agency is in the fortunate position of dealing with people who are used to paying for water because the island buys the majority of its water from Malaysia. The notion of property rights prepares the consumer to ascribe a value to water. This is not the case in many countries where water comes from the rain, from the ground, or from melting snow. Water is the largesse of nature. Paying for water appears to be as paradoxical as paying for a sunset.

But we can see that, under present day conditions, these assumptions no longer hold true. Clinging on to these have led to what is called the "tragedy of the commons" in which water is treated as a public good, resulting in over-usage and pollution. Clean water has a cost, as the case of the polluted Lake Taihu in China shows us. Over the past 20 years, households and factories alike have been discharging industrial waste into the lake, leading to a decline in the quality of water and the occurrence of blue algae. The cost of cleaning up the lake is estimated to cost CNY 21.9 billion (US\$ 2.6 billion), according to the State Environmental Protection Administration (SEPA). Clean water is patently not free.

There are many ways to price water. The most straightforward way

is to recover the cost of production, including the cost of treating wastewater, in line with what the institutions such as the Asian Development Bank advocate. Another way is to include the cost to the environment – some environmental economists term this the cost of utilising "environmental capital", a common good which nonetheless can be priced. Singapore has chosen a third route – to monetise a strategic variable. In 1997, it restructured its tariff rates and the price of water to be borne by the consumer was adjusted to reflect the cost of the next alternative source of water – desalination. The price of water was raised by adding what is called a water conservation tax, which today represents about a 30% increase in the price of water in Singapore.

We can see that whatever manner the final price is arrived at, priced water is necessary for good water management. It is near impossible to find a country with good water management that does not have priced water. But this may be not sufficient to ensure good water management. Other things such as public education, good governance and strong institutions may be needed.

Water in short should be priced as an economic virtue. At the same time, it should be free to those who cannot pay because of a moral imperative that is sometimes captured by the declaration that it is a human right. There is no reason that public policy cannot fulfill both roles because, in this happy instance at least, the imperatives from economics and morality are not in contradiction. **AW**

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