

-Water governance economic instrument-

Water charges



DESCRIPTION OF THE INSTRUMENT

Water charges refer to **fees imposed on the utilisation of water**, encompassing expenses associated with the transportation and storage of water, as well as the economic value of the resource. These charges can take the form of **earmarked tariffs**, where the fees are directly allocated for specific purposes, or they can be in the form of **taxes**, where the revenue is not specifically designated for any particular use.

In Europe, water charges are **not determined through a market system**. Instead, an administrative procedure is followed. This procedure often does not include the **costs of maintaining the water infrastructure** needed to provide the service, nor does it consider the environmental and resource costs. This is especially noticeable in the **irrigation sector**, where there are widespread implicit subsidies due to **inadequate cost recovery**. As a result, the **charges imposed on water use** are not enough to cover the costs of the negative effects on the environment and resources. In cases where the cost recovery is higher, it usually reflects the ability of users to pay rather than the **impact on water withdrawals**.

EXAMPLE OF CHARGES

- Payments and fees for the abstraction/discharge of (ground)water
- Water tariffs on water usage, with the aim of increasing the rates of cost recovery
- Charges for wastewater discharges
- Taxes on drinking water and sanitation
- Fines to discourage individuals, businesses, or industries from engaging in activities that lead to water pollution, wastage, or unauthorized water use

More information
on the economic
instrument



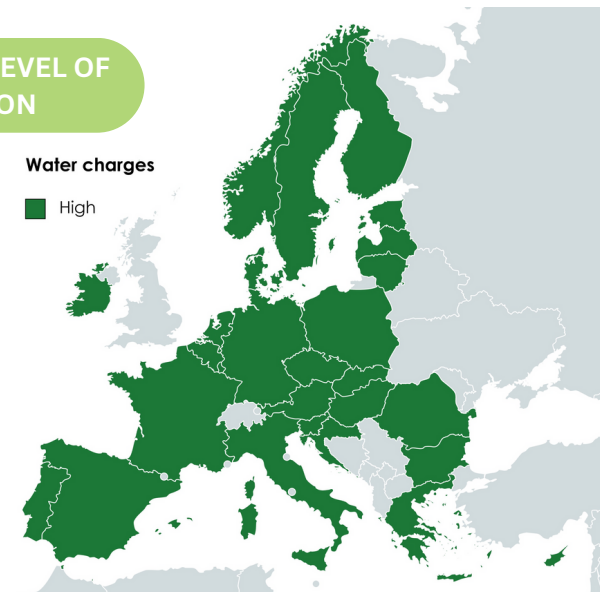
CONTRIBUTION TO GOVERNANCE

- **Sustainability of water systems:** Water charges provide economic incentives for efficient water use.
- **Financial sustainability and cost recovery:** Water charges help ensure the financial sustainability of water management systems. By charging users for water services, the costs of water supply, treatment, distribution, and infrastructure maintenance can be recovered.

BARRIERS OR CHALLENGES FOR IMPLEMENTATION

- Resistance from groups of interest and related transaction costs
- Willingness and ability to pay
- Unintended consequences can arise, including:
 - **Adverse impacts on agricultural income**
 - Widespread effects throughout the economy
 - **Redistribution of resources**, potentially affecting different sectors or social groups.

MAP SHOWING THE LEVEL OF IMPLEMENTATION



PATHWAYS FOR IMPLEMENTATION

- Enhancement of institutional capacities
- Ensuring effective enforcement of regulations and metering systems
- Supplement with decoupled subsidies to provide compensation for users who may experience negative effects



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