

Tajikistan Water Supply & Sanitation Project (Phase III)

Policy Report

Tariff policy for drinking water supply in rural Tajikistan:

Towards a full-cost recovery mechanism and
rights-based water governance

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The Tajikistan Water Supply and Sanitation (TajWSS) project is a Swiss government initiative, funded through the Swiss Agency for Development and Cooperation, and implemented by Oxfam in Tajikistan in partnership with UNDP.

Section 1

Executive Summary

Tajikistan's rural water supply sector, typical of lower-income countries, is facing a so-called vicious cycle of systemic underperformance, management constraints, chronic underinvestment, lack of sustainability and service failure. Commonly argued sources of such a crisis lies in the present "ineffective" tariff policies in action.¹ Tariffs for drinking water supply for rural (and urban) schemes have traditionally been maintained significantly below cost recovery levels.

Policy analysis revealed **conflicting views** (section 4) between four distinct participating groups in tariff policy equation, with **mutual objections and demands** to each other (authorities, regulator, service providers and consumers). While an effective solution lies in addressing each party's concerns, the common view is that achieving immediate full-cost recovery tariffs does not necessarily lead to systems sustainability in the short to medium term, unless affordability and willingness to pay do actually improve.

International experience suggests that affordable water services should not exceed 3% of a household's income.² In Tajikistan, the richest 60% of households typically pay around 3% of their income for drinking water, but this figure goes up to 8% for the poorest 40% of households.³ The water fee collection rates for rural drinking water schemes at large remain below recovery level even for those in full functioning mode. Consumer potential has not yet been fully explored throughout rural Tajikistan, however, there is no evidence of improvements in ability and willingness to pay across most of the rural communities.⁴

Evidence from the field suggests that when water scheme development strategies are designed to address conflicting views through implementation of **balanced human rights-based approaches**,^{5,6} changes in tariffs towards full-cost recovery and improvements in collection rates do actually take place⁷ (see section 5). It is imperative that the policy agenda promotes all-round implementation of the rights-based approaches in the short to long term, meeting the needs and concerns of both duty-bearer and rights-holder networks. Such comprehensive support must engage all participating sides and guide implementation of concrete interventions that can strategically be grouped into **two inter-linked policy actions**: 1) improving tariff policies and guidance in implementation, and 2) applying good governance principles and confidence-building mechanisms (see section 4 for more details).

¹ UNDP and Oxfam (2012). Overview of tariff policy in the sphere of drinking water supply and sanitation and recommendations for its improvement, TajWSS Project.

² UNDP (2006). Human Development Report, 2006. Retrieved 7 April, 2022 from: <https://hdr.undp.org/sites/default/files/reports/267/hdr06-complete.pdf>

³ World Bank (2017). Glass Half Full: Poverty Diagnostic of Water Supply, Sanitation, and Hygiene Conditions in Tajikistan. WASH Poverty Diagnostic. World Bank, Washington, DC. Retrieved 7 April, 2022 from: <https://openknowledge.worldbank.org/handle/10986/27830>

⁴ Oxfam GB (2016). The level of satisfaction of customers of drinking water with the quality of drinking water and drinking water services.

⁵ UNDP Water Governance Programme (2010). Human Rights Based Approach and Water Governance. [Such an approach emphasises both development outcomes and the process by which rights are realised. It focuses on the relationships of obligations and rights, and on improving the capacity of those with responsibilities to respect, protect and fulfil rights (duty bearers) to meet their obligations, and on improving the capacity of those that have rights (rights holders) to claim them].

⁶ SDC (2008). A Human Rights-Based Approach to Water and Sanitation. Briefing Paper. Retrieved 7 April, 2022 from: www.eda.admin.ch/dam/countries/countries-content/india/en/resource_en_170500.pdf

⁷ UNDP and Stockholm International Water Institute (SIWI) (2018). Balanced rights-based approach to water supply sustainability: addressing the vicious cycle in viability of water supply service provision in Tajikistan.

Despite the relative progress and evidence from pilot exercises, tariffs remain significantly low. While implementation of rights-based approaches and consumer protection mechanisms do provide positive impact, complete achievement of full-cost recovery policy is subject to addressing a number of standing **challenges, opportunities and policy recommendations** (see section 6 for more details).

Most importantly, willingness to pay and affordability issues must be further monitored alongside application of human rights-based approach principles in project implementation. While rights-based approaches may positively impact trends in tariff improvements and collection rates, that alone without additional state support (subsidies, tax alleviations, preferential financing) does not guarantee full viability of water supply systems in rural Tajikistan.

Thus, from immediate to long-term perspectives, the Government of Tajikistan's policy agenda should promote the following targets towards effective implementation of full-cost recovery tariff policy in rural Tajikistan:

Immediate targets (up to 5 years)

- Good governance and consumer rights protection mechanisms operationalised
- Extended application of endorsed guidelines⁸ on tariff setting
- Incremental improvements towards full-cost recovery tariffs and trends in collection rates
- Public outreach and awareness launched on understanding full cycle of systems sustainability
- Innovative and/or alternative tariff schemes (volumetric, block tariffs) developed and promoted
- Experiences documented and successes replicated

Medium-term targets (5–10 years)

- State support mechanisms developed and launched (pro-poor subsidies, cross-subsidies, taxation, preferential financing and other transfers)
- Gradual transition to full-cost recovery and increase in collection rates is sustained
- Consumer understanding of cost items and sustainability demands achieved

Long-term targets (over 10 years)

- State support mechanisms effectively implemented and sustained
- Tariffs reach full-cost recovery level, and collection rates are above 70% across all systems
- Affordability and willingness to pay are fully achieved

⁸ (a) Decree of the Chairman of the Antimonopoly Agency under the Government of the RT – Guidelines on the order of tariff setting for drinking water supply services for rural systems in the Republic of Tajikistan, as of 25 September 2019, #155; (b) Regulation of the Government of the RT (2020). *Guidelines on the order of tariff setting for drinking water supply and sanitation services*, as of 23 June 2020, #364.

Therefore, based on the above, the given policy report is prepared primarily for the attention of the **Ministry of Energy and Water Resources** of the Republic of Tajikistan (RT) – the focal ministry with the role of conducting policy development and coordination, but also for other key agencies such as the **Ministry of Finance** of the RT and the **Antimonopoly Agency** under the Government of the RT. The policy report suggests that the mentioned ministries and agencies may collectively contribute to further enhancing the enabling environment for the development of sustainable drinking water supply in rural Tajikistan. Suggested roles for each agency can be summarised as follows:

▶ Ministry of Energy and Water Resources of the RT

- Develop an overarching **strategy for transitioning towards full-cost recovery tariffs** for the drinking water supply and coordinate overall implementation of its articles. The immediate to long-term targets listed above should be well elaborated and integrated within such a strategy.
- Integrate **good governance and full-cost recovery principles** explicitly within related **laws, by-laws and policies**.

▶ Ministry of Finance of the RT

- Develop **state support mechanisms** such as pro-poor subsidies, tax alleviation schemes and access to preferential financing.

▶ Antimonopoly Agency under the Government of the RT

- Institutionalise **implementation of endorsed guidelines** for developing **full-cost recovery tariffs**.
- Institutionalise **implementation of good governance and consumer rights protection** mechanisms.
- Carry out regular **surveys on willingness to pay and affordability** for drinking water supply services. Surveys must be documented, published and made accessible accordingly.

▶ State Unitary Enterprise *Khojagii Manziliyu Kommunalii*, non-government service providers (community-led organisations) and district authorities

- Operationalise and expand **implementation** of both endorsed guidelines for development of full-cost recovery tariffs, and good governance and consumer rights protection mechanisms for the drinking water supply.
- Promote **application of metered connections** and consumption-based innovative tariff schemes across rural Tajikistan (as feasible).
- Carry out **local outreach and awareness** on understanding the full cycle of systems sustainability among consumers.

→ Monitor **willingness-to-pay and affordability issues** among consumers.

↳ Development partners (donors, international financial institutions, international non-government organisations)

→ Support **innovative and alternative approaches** to volumetric tariff schemes; document and disseminate successful experiences and best practice.

→ Provide **all-round support** (financial assistance, institutional support and policy development) for implementing a balanced approach across rural Tajikistan (as documented in the present policy report).

Section 2

Chronic underinvestment in rural water supply – a vicious cycle?

Tajikistan's water infrastructure is the legacy of Soviet-era investments and command-economy subsidies with most systems built in the 1960s and 1980s. Maintaining them given the levels of GDP since independence had been an impossible task without external support. Most foreign aid and constrained state support was channelled to the rehabilitation and recovery of existing infrastructure. Despite these efforts, only about 30% of potable water supply systems in Tajikistan are reliable for use to date. In rural settlements, only about 40% of systems are in working condition, 44% partially working, and 16% are out of order. In contrast, urban settlements (cities, towns and urban-type settlements) are slightly better off with 68% in working condition, 7% partially working and 25% out of order. In addition, only 22% of rural water supply systems are indeed managed by operators, compared with 100% in urban settlements.⁹

In response, the state initiated a financing strategy¹⁰ for the period 2007–2021, which is far from filling the funding gap from designated sources – state budget (15%), district budget (10%), local communities (5%) and foreign assistance (70%). Annual implementation of the strategy remained between 30% and 60% at best in any year.¹¹ Coupled with the country's overall economic performance, the sector of water supply, especially in rural settlements, is suffering from chronic underinvestment, and available financing is largely lagging behind depreciation rates for the systems built 40 to 60 years ago. Some sources indicate that State Unitary Enterprise Khojagii Manziliyu Kommunalni (SUE KMK) needs \$1.5bn for the next 10 years for rehabilitation of its managed infrastructure (both urban and rural).¹²

The series of common challenges reported to date constitute a **vicious cycle** – systemic underperformance, management constraints, sustainability and service failure. Such a cycle includes the following challenges that the sector in large is not able to overcome:

- Low water fee collection rates
- Poor and postponed maintenance
- Higher share of non-revenue water (water losses)
- Efficiency deterioration

⁹ State Unitary Enterprise KMK (2011). The status of potable water supply and sanitation sector in the Republic of Tajikistan.

¹⁰ Government of Tajikistan (2006). State Programme for improvement of safe drinking water supply for the population of the Republic of Tajikistan for the period 2007–2020.

¹¹ Annual reports from the Ministry of Energy and Water Resources to the government about the implementation of the programme for improvement of access to safe drinking water for the population of the Republic of Tajikistan for the period 2007–2020.

¹² SUE KMK (27 July 2020). Mr Jamshed Tabarzoda, General Director. Asia-Plus News Article. Retrieved 7 April, 2022 from:

<https://asiaplusti.info/news/tajikistan/society/20200727/10-let-i-15-milliarda-nuzhno-tadzhikistanu-dlva-polnogo-dostupa-naseleniya-k-chistoi-pitevoi-vode>

- Deteriorating quality of service provision
- Lower willingness to pay
- Operators unable to bear the costs
- Iterative service failure

It is commonly argued that the primary source of such a crisis lies in the present ‘ineffective’ tariff policies in action. Such concerns had been recurrently reported during various high-level policy dialogue platforms, among development practitioners and partner development agencies. Tariffs for drinking water, both for urban and rural setting, have been traditionally maintained significantly below full-cost recovery levels.¹³

¹³ Full-cost recovery tariff includes costs of operation and maintenance, capital costs, including cost of depreciation, and up to 10% profit margin (KMK). Source: SUE Khojagii Manziliyu Kommunalni (12 March 2020), Mr Saifiddin Karaev (author). Asia-Plus News Article. Retrieved 7 April, 2022 from: <https://asiaplustj.info/ru/news/tajikistan/society/20200312/tarifi-na-vodu-povishat-nelzya-ne-povishat-tozhe>

Section 3

Drinking water tariffs – how far from full-cost recovery level?

Public water supply schemes

Drinking water tariffs to date range between 1.02 and 1.32 Tajik Somoni (TJS)/m³ for all urban and rural systems operated by SUE KMK and its department for rural water supply and sanitation, *Tojikobdehot*, including those run by municipalities independently from SUE KMK (Table 1). However, SUE KMK has reported that the cost price of delivering 1m³ of drinking water to the population is at least 4.0 TJS/m³ on average.¹⁴ Therefore, the current level of tariffs for SUE KMK operated systems is within a range of 25% to 33% of full-cost recovery level. The highest tariffs are operated by SUE KMK and/or municipalities in Khorog, Kanibadam, Istiklol, Dushanbe and Khujand, and range between TJS 1.30 and 1.73/m³, that is, 32% and 43%.



It is the regulator's requirement that tariffs are foremost set based on metered consumption. When meters are not installed, consumption levels are assumed based on established norms of consumption.¹⁵ However, at the national level, only 15% of water connections were metered in 2016, ranging from 5% in rural areas to 38% in urban areas.¹⁶

In large cities of Dushanbe and Khujand, metered connections are fast increasing with support from large investment projects (by the World Bank, Swiss Secretariat for Economic Affairs and the European Bank for Reconstruction and Development (EBRD)). Due to widespread absence of metered connections in rural areas, service providers have traditionally enforced flat rate (unified) tariffs as opposed to the few volumetric tariff schemes set for metered connections. Such a situation poses a serious challenge for rural service providers in establishing pro-poor tariff schemes that most often require volumetric tariffs set in place (progressive tariffs for higher consumption levels, multi-purpose water supply – drinking, irrigation and livestock).

¹⁴ SUE Khojagii Manziliyu Kommunalii (10 February 2020). Mr. Bakhtiyor Safarzoda, Deputy Director. *Asia-Plus News* Article. Retrieved 7 April, 2022 from: <https://asiaplusti.info/ru/news/tajikistan/society/20200210/v-tadzhikistane-predlozhili-povisit-tarifi-na-vodu>

¹⁵ Decree of the Government of the Republic of Tajikistan: Regulation on the use of communal water supply and sewerage systems in the Republic of Tajikistan, as of 30 April 2011, #234.

¹⁶ World Bank (2017). *Glass Half Full: Poverty Diagnostic of Water Supply, Sanitation, and Hygiene Conditions in Tajikistan*. WASH Poverty Diagnostic. World Bank, Washington, DC.

Table 1: Drinking water tariffs (in TJS/m³ per person)¹⁷

Water supply entities	Cities, towns, districts	Current tariffs	Full-cost recovery tariffs
Rural Water Supply Services Department Tojikobdehot of SUE KMK	Rural systems in 23 districts ¹⁸	1.09	4.0
SUE KMK, municipalities	19 cities/towns and districts ¹⁹	1.02	4.0
SUE KMK, municipalities	21 cities/towns and districts ²⁰	1.09	4.0
SUE KMK, municipalities	7 cities/towns and districts ²¹	1.16	4.0
SUE KMK, municipalities	B. Gaffurov, Buston, Guliston	1.23	4.0
SUE KMK, municipalities	Khorog	1.30	4.0
SUE KMK, municipalities	Kanibadam, Istiklol	1.32	4.0
SUE Dushanbevodokanal/Dushanbe municipality	Dushanbe	1.73 ²²	-
SUE Khujandvodokanal/Khujand municipality	Khujand	1.20 ²³	-

In addition, as of 2017, SUE KMK has reported on the indebtedness of its customers (private households and government-financed organisations) at around \$5.3m, of which \$3.3m are debts from private households for housing and communal services (such as water, sewerage, waste disposal). About \$4.1m debts to SUE KMK are the result of unpaid fees for water supply.²⁴ In consequence of such debts, SUE KMK becomes indebted also to the state tax authorities, which apply taxes on the basis of planned collection rates and enforce penalties on missing payments. In addition, the General Director of SUE KMK has explicitly noted that with the current level of tariffs, KMK is not able to fulfil loan repayments to the World Bank, Asian Development Bank, EBRD, Japan International Cooperation Agency and so on, and

¹⁷ Antimonopoly Agency under the Government of the RT (2018). Order on Implementation of Tariffs for drinking water, sewerage, pasture water supply, as of 27 August 2018, #90. In force since 1 October 2018.

¹⁸ Kushoniyon, Vaksh, J. Balkhi, Jaykhun, Pyanj, Yovon, Danghara, Sangtuda, Temurmalik, Kulob, A. Jomi, Hamadoni, Vose, Soughd, Istaravshan, Asht, Mastchoh, Isfara, Spitamen, Devashstich, Panjakent, Varzob, Rudaki.

¹⁹ Yavan, Muminobod, Sh. Shohin, Qubodiyon, Vanj, Levakand, Khuroson, N. Khusrav, Baljwjon, Ayni, Bustoni Mastchoh, Darvoz, Rushon, Ishoshim, Murghob, Sangvor, Tojikobod, Rasht, Lakhsh.

²⁰ Kushoniyon, Kulyab, J. Balkhi, Jaykhun, Shahrituz, Vakhsh, Pyanj, Hamadoni, Vose, Farkhor, Khovaling, Asht, Zafarobod, Istaravshan, Penjikent, Devashstich, J. Rasulov, Mastchoh, Shahrison, Vahdat, Nurobod.

²¹ Bokhtar, Danghara, Isfara, Tursunzade, Shahrinav, Gissar, Rudaki.

²² Decree of the Mayor of Dushanbe, as of 17 September 2018, #625. "Coefficient 3" applied to TJS 0.58m³ for metered consumption, or TJS 6.24/person for non-metered consumption. Inclusive of VAT for households in 1–12 storey buildings.

²³ SUE Khojagii Manziliyu Kommunalii (18 August 2020). S. Karaev. Retrieved 7 April, 2022 from: <https://asiaplustj.info/ru/news/tajikistan/society/20200818/v-tadzhikistane-budut-razrobotani-novie-tarifi-na-vodu>

²⁴ SUE Khojagii Manziliyu Kommunalii, General Director, Mr. Alimurod Islomzoda. Retrieved 7 April, 2022 from: http://m.ru.sputnik-tj.com/country/20170713/1022814617/tadzhikistan-tarify-na-vodu-vyrastut-10-protsetov.html?mobile_return=no

that annual trends in TJS/US dollar currency exchange rates pose an additional burden on the Government of the RT's obligations to those creditors.²⁵

Despite systemic reluctance within the governance system to support immediate transition to full-cost recovery tariffs, in an attempt to sustain functioning water infrastructure, SUE KMK has managed to achieve gradual improvements on seven consecutive occasions between 2010 and 2018.²⁶ In particular, the tariff for KMK services had been raised on average by 13% annually (in TJS terms), ranging between 7% and 20% at any particular occasion during the same period. However, while TJS terms show a definitive positive trend in tariff increases during the reporting period, in US dollar terms the annual average trend over the 2010-2018 period are estimated at negative -1.86%. More importantly, when 2018 average tariffs (\$0.12/m³) are compared with those implemented in 2011 (\$0.14/m³), tariffs have in fact decreased by about 15%.

Evidently, gradual improvements towards full-cost recovery represents a balanced solution for national authorities to reach in the mid to long term. SUE KMK had been allowed to raise tariffs on average every 1.5 years during the period 2010–2018. Inherently, part of recent improvements is linked with the EBRD-supported regionalisation of the KMK structure into regional-central hubs. EBRD support is in part implemented through a loan agreement, which obliges KMK in cooperation with the government to develop financially and economically viable systems. While it is difficult to assess whether incremental tariff increases can be improved and/or maintained in the near future, the KMK's loan repayment obligations may further drive the change towards full-cost recovery tariffs.

Community-led schemes

In contrast to state-owned and state-managed systems, the experience of community-driven water supply systems promoted by international and local development partners offers a different insight. The given systems, though considered community driven, have in fact adopted a variety of ownership models such as public organisations, LLCs, Dehkan Farms, water users' associations (WUAs), village organisations and SUE KMK.

For seven systems supported by Oxfam GB in Rudaki and Muminobad districts (Khatlon Region)²⁷ that serve more than 12,000 community residents, tariffs have significantly improved reaching on average 49% of full-cost recovery level (ranging between 28% and 83%) compared with average 29% in 2011²⁸ (see Annexes 4 and 5 for further details). Collection rates for Oxfam-supported systems are currently above 80% on average, compared with average 58% in 2017 (Annex 6).

Similarly, for five other systems supported by UNDP in Farkhor, Hamadoni and Shaartuz districts (Khatlon Region)²⁹ serving about 10,000 community residents, tariffs have improved reaching on average 55% of full-cost recovery level (ranging from 14–100%) compared with average 42% in 2011 (see Annexes 4 and

²⁵ SUE Khojagii Manziliyu Kommunalni (31 July 2018). Mr Alimurod Islomzoda, General Director. Asia-Plus News Article. Retrieved 7 April, 2022 from: <https://asiaplus.tj.info/news/tajikistan/economic/20180731/gup-zhkh-nizkie-tarifi-na-kommunalnie-uslugi-ne-pozvoljavut-pogashat-kredit>

²⁶ Antimonopoly Agency under the Government of the RT, "Order on Implementation of Tariffs for drinking water, sewerage, pasture water supply": 1) 27 August, 2018, #90; 2) 22 August, 2017, #33; 3) 18 February, 2016, #9; 4) 30 May, 2014, #42; 5) 29 November, 2012, #89; 6) 3 March, 2011, #66; 7) 19 August, 2010, #28.

²⁷ Tajikistan Water Supply & Sanitation Project (TajWSS) Project, funded by the SDC and implemented by Oxfam GB in partnership with UNDP in Tajikistan.

²⁸ UNDP and SIWI (2018) *Balanced rights-based approach to water supply sustainability: addressing the vicious cycle in viability of water supply service provision in Tajikistan*.

²⁹ Livelihoods Improvement in Tajik-Afghan Cross-Border Areas (LITACA) Project funded by Japan International Cooperation Agency and implemented by UNDP in Tajikistan.

5 for further details). Collection rates for UNDP-supported systems are at 69% on average, ranging between 65% and 79% (Annex 6).³⁰

More advanced progress has been achieved by the International Secretariat for Water (ISW) in Soughd region, in 14 communities representing around 100,000 people. All 14 water supply schemes have developed and agreed (with both communities and Antimonopoly Agency) full-cost recovery tariffs at the onset of project implementation.^{31,32} For seven of the systems launched between 2009 and 2013, full-cost recovery tariffs have been revised and agreed on three or four occasions based on related increase/decrease of the costs of the systems (such as salaries, taxes and royalties), and collection rates have improved annually, from 27% to 75% on average (see Annexes 4 and 5 for further details). For the remaining seven systems launched between 2014 and 2019, annual collection rates hover between 77% and 80% on average. In 2020, most ISW-supported schemes tariff collection hovered between 70% and 95% (Annex 6).

For the 10 systems launched by the Mountain Societies Development Support Programme (MSDSP) in the mountainous districts of Khatlon Region (Shamsiddin Shohin, Khovaling, Baljuvon) during 2018 and 2019, tariff schemes are agreed at 73% of full-cost recovery level on average, ranging between 50% and 100%. Tariffs had not yet been reconsidered since the systems' launch. All 10 systems are considered small scale serving on average 450 people, and in total more than 4,500 people (see Annex 6 for further details). Collection rates for MSDSP-supported systems were at 78% on average in 2019 (ranging between 65% and 85%) compared with 64% in 2018 (Annex 6). For six other mountainous community-led systems supported by International Fund for Agriculture Development (IFAD) projects³³ (Khatlon), tariffs had been designed at 10–25% of full-cost recovery levels, with more than 80% collection rates.

While there had been numerous community-driven systems developed in remote and mountainous regions, to date there are no sufficient **documented** experiences. Progress towards sustainable schemes with cost recovery objectives is contradictory, simply because although many rural systems traditionally did not adopt full-cost recovery systems, communities strived to support systems in other ways, such as in-kind support (labour) and financial means at times of repairs.³⁴ Such contributions are not normally recorded, but it explains how many rural schemes have survived in such regions to date. Therefore, the present policy report does not provide comprehensive experiences from remote mountain regions, but urges development partners to research and document experiences, particularly on metered connections (in freezing winters), consumption-based payments, feasibility of full-cost recovery tariff schemes, willingness-to-pay and affordability issues. Those are yet relatively new endeavours for remote and mountainous settings.

In general, evidence shows that in contrast to state-owned and state-managed systems, community-led systems supported by mentioned development partners have achieved relatively better progress in improvements towards full-cost recovery and collection rates. Reportedly, this progress is because community-level service provision had been rendered with greater consideration of good governance principles: transparency, accountability and community participation.

³⁰ UNDP and SIWI (2018) *Balanced rights-based approach to water supply sustainability: addressing the vicious cycle in viability of water supply service provision in Tajikistan*.

³¹ Regional Rural Water Supply and Sanitation Project (RRWSSP 2007–2013, funded by the SDC and implemented by the ISW).

³² Rural Water Supply and Sanitation Project, Ferghana Valley, Tajikistan" (RWSSP FV 2014-2019), funded by the SDC and implemented by the ISW.

³³ Khatlon Livelihoods Support Project (KLSP) (2009-2016), funded by IFAD and implemented by the Government of the RT (Project Management Unit).

³⁴ Reports from IFAD (KLSP Project) and SDC (OGB, UNDP, ISW and the Safe Drinking Water and Sanitation Management Project) on funded projects in remote and mountainous regions.

Section 4

Conflicting views in tariff formation of water supply and sanitation services

In 2012, UNDP published a report on the state of tariff policy and its implementation summarising over 20 years of experience reported by various government and development partners and sources.³⁵ The report comprised reviews on legal and regulatory framework, institutional set-up, economic and financial aspects of tariff policy implementation. Based on the outcomes of the given reviews the following statements and conclusions had been made, which largely still stand today:

▣ Legal and regulatory framework

a) National laws and regulations do not pose any explicit limitations on the choice of tariff schemes and tariff levels, b) Service providers have the freedom to change tariff schemes and raise tariffs as necessary, and c) Law on drinking water and sanitation recognises water fees as the key source of financing.³⁶ Despite recently approved comprehensive guidelines on full-cost recovery tariffs development (by the government and Antimonopoly Agency), the regulatory framework does not provide any concept for pro-poor tariffs and compensatory mechanisms on entitled subsidies.

▣ Institutional set-up

The state Antimonopoly Agency at the national and sub-national level (regional branches) is the sole regulator for tariff setting for drinking water supply and sanitation, among many other sectors. Tariff schemes and proposals are developed by service providers, but presented for official agreement directly to the Antimonopoly Agency. In turn, the agency is responsible for analysing proposals on the subject of financial and economic viability, and then either providing official endorsement, or requesting further inquiries or audits in an effort to validate a particular tariff scheme.

▣ Economic and financial review

Tariffs for drinking water supply and sanitation services remain critically low and for many systems by at least four or five times less than the full-cost recovery level. Water fee collection rates also remain

³⁵ Overview of tariff policy in the sphere of drinking water supply and sanitation and recommendations for its improvement, TajWSS (2012).

³⁶ Law of the RT on Drinking Water Supply and Sanitation (Sewerage), new edition endorsed as of 19 July 2019, #1633.

significantly low. Suppliers (state-owned, private, community-based organisations) have growing debt from unpaid water fees, in the result of complex tax administration and related tax penalties by the National Tax Committee. Suppliers' overall income largely lags behind depreciation rates.

More importantly, further analysis revealed **conflicting views** between four distinct participating groups in tariff policy equation. Each group reported **mutually contradicting objections** and demands to others, namely 1) national and local authorities, 2) regulating agency, 3) service providers, and 4) consumer groups (see Annex 1 for more details). For example, consumers demand improved/adequate services and only then would they be ready to pay due and improved tariffs; while suppliers objected that service improvement could not happen without due and improved payments. Furthermore, supplier organisations demand that regulating agencies must approve tariff increases in order to provide improved services; whereas the regulating agency expect that good governance and consumer rights must be implemented duly, as well as demonstrating that consumers are willing and able to pay higher tariffs. In their turn, the regulating agencies felt reluctant to agree higher tariffs because of political pressure from national and local authorities on any increases on basic services such as drinking water supply and sanitation. National and local authorities suggest that higher transparency and accountability measures be implemented locally and that such processes must be monitored and documented through public discussions.

Section 5

Breaking the vicious cycle – towards a balanced approach to tariff policy implementation

Achieving immediate full-cost recovery tariffs does not necessarily lead to systems sustainability, unless consumer willingness and ability to pay have actually been improved. Fee collection rates have mostly been below recovery level even for systems in full functioning mode. Although consumer potential has not yet been fully explored throughout rural Tajikistan, there is increasing evidence of improvements in willingness and ability to pay among rural population.³⁷ It is therefore imperative that the policy agenda promotes all-round support in the short to medium term that meets the needs and addresses the mutual objections of all conflicting sides of the sustainability equation. Such comprehensive support must guide implementation of concrete actions in a collaborative manner engaging simultaneously all participating sides. In particular, the suggested strategy comprises **two interlinked policy actions**.

Policy Action 1

Improving tariff policies and guidance in implementation

In 2019 and 2020, the government and the Antimonopoly Agency have respectively endorsed two sector-specific guidelines that provide practical and comprehensive instructions on setting full-cost recovery tariffs respectively. While the former³⁸ provides general guidance for the entire sector of drinking water supply and sanitation, the latter³⁹ gives practical instructions to rural water supply and sanitation service providers in setting their full-cost recovery tariffs. Both guidelines were developed with Tajikistan Water Supply and Sanitation Project (TajWSS) project support in response to expressed views of participating parties. The guidelines, substantive in size, provide: 1) detailed information on the cost items, 2) user-friendly examples of cost calculations, and 3) templates for preparing formal applications agreed with the regulatory agency.

³⁷ Oxfam GB (2016). The level of satisfaction of customers of drinking water with the quality of drinking water and drinking water services.

³⁸ Regulation of the Government of the RT (2020). Guidelines on the order of tariff setting for drinking water supply and sanitation services, as of 23 June 2020, #364.

³⁹ Decree of the Chairman of the Antimonopoly Agency under the Government of the RT – Guidelines on the order of tariff setting for drinking water supply services for rural systems in the Republic of Tajikistan, as of 25 September 2019, #155.

The set of concrete actions (see Annex 2 for more details) is aimed foremost to **improve knowledge** about *tariff composition, cost calculation norms* and *technical* as well as *socio-economic specificities* that are unique to rural water systems. It has been traditionally the view of duty-bearing agencies that tariffs for rural water supply must not differ much from those applied for urban services. In reality, experience shows that tariffs for rural water supply services can be significantly higher than those in cities and towns. Rural water supply organisations face challenges that are unique to them, and it is important that the duty-bearers understand the common differences that rural water supply systems have from those of urban settings. Some of the most common differences are reported as follows:

- Given the typical geographic terrain in rural settlements, rural suppliers do not benefit much from population density within service areas, that is, economies of scale, compared with those in cities and towns;
- Water supply systems' structure and facilities can be technically more complex with 1) multiple water pumping levels, 2) distribution networks that connect remotely located villages and households, and 3) water sources accessed from greater depths below the ground;
- Limited access to qualified technicians and restricted management mobility have negative impacts on operational efficiency for systems located farther from district centres;
- Investment prospects and access to finances are negligent in rural communities;
- Poverty in Tajikistan is largely a rural phenomenon, subsequently water fees constitute a greater share of rural households compared with those living in cities and towns;

Secondly, suggested policy actions guide suppliers to follow step-by-step all legal and administrative procedures required by the Antimonopoly Agency, from learning and setting full-cost recovery tariffs to carrying out public hearings, on-site visits for authorities and regulators, multi-stakeholder consultations, mediations and formal submission of agreed/negotiated tariff schemes for approval.

Policy Action 2

Good governance and confidence building

The focus of this set of actions (see Annex 2 for more details) is to build confidence primarily between suppliers and consumers around water service delivery. This can be achieved through applying good governance and consumer rights protection mechanisms. Some of the identified tools have been developed with TajWSS project support such as 1) Guidelines on good governance,⁴⁰ 2) Handbook for consumers on water rights,⁴¹ 3) Guide on establishment and management of public advisory councils⁴²

⁴⁰ *Guidelines on good governance: transparency, accountability and participation*. Retrieved 7 April, 2022 from: www.obinushoki.tj/ru/category/our-publication/page/2

⁴¹ B.A. Khabibov (2013) *Drinking Water: Our Rights and Responsibilities. Focus: Rural Drinking Water Supply*. Retrieved 7 April, 2022 from: www.obinushoki.tj/ru/category/our-publication/page/3

⁴² Consumers Union of Tajikistan. Retrieved 7 April, 2022 from: www.obinushoki.tj/ru/obsh-sovety

and 4) Knowledge, awareness, communication platforms and products.⁴³ The set of actions below also help duty-bearing agencies and authorities understand whether suppliers fulfil their obligations towards improved water services and consecutive tariff improvements. Ultimately, the impact of those actions should translate to improved fee collection rates, and consumers' demonstrated preparedness towards full-cost recovery tariffs.

The most recent data on implementation of both sets of policy actions conclude substantive progress against all objectives of improved tariff policy implementation by Oxfam GB (Khatlon, Direct Rule Districts), UNDP (Khatlon) and ISW (Soughd). More than 30 service-providing entities were part of the pilot exercise: 25 of these were from rural communities and 5 from district centres; all with diverse ownership and management schemes ranging from public to private and small-scale community managed systems. Two distinct indicators were monitored to assess the impact of implemented actions, namely 1) **changes towards full-cost recovery tariffs**, and 2) **trends in fee collection rates**.

The actions were implemented between 2012 and 2017, with the application of draft methodology for tariff setting commencing in 2012. Good governance and consumer rights protection mechanisms were later introduced in 2015 and support extended through 2017.

Changes towards full-cost recovery tariffs

Progress towards full-cost recovery tariffs foremost reflects changes in perceptions among regulating bodies and authorities about the fact that tariffs for rural water supply services differ from those in cities and towns. Traditionally, tariffs endorsed for state-run systems (KMK) had been considered as **benchmarks** for identifying tariffs for all other systems in rural Tajikistan. The policy first aimed to redefine such an approach as inappropriate. The impact on this indicator can be summarised as follows:

- 12 system operators⁴⁴ had been able to determine their full-cost recovery tariffs as targets to be achieved in the mid to long term. Each supplier organisation successfully had their new and improved tariff schemes endorsed by their communities and approved by the regulator. Some suppliers were able to raise tariffs on three to five consecutive occasions during the past five years, on average by 70% against the baseline levels.
- For seven systems supported by Oxfam GB in Rudaki and Muminobod districts (Khatlon Region),⁴⁵ tariffs have significantly improved, reaching on average 49% of full-cost recovery level (ranging between 28 and 83%) compared with average 29% in 2011.⁴⁶
- Similarly, for five other systems supported by UNDP in Farkhor, Hamadoni and Shaartuz districts (Khatlon Region),⁴⁷ tariffs have improved reaching on average 55% of full-cost recovery level (ranging between 14 and 100%) compared with average 42% in 2011.

⁴³ Consumers Union of Tajikistan. Retrieved 7 April, 2022 from: www.obinushoki.tj/ru/category/our-publication

⁴⁴ UNDP and SIWI (2018). Balanced rights-based approach to water supply sustainability: addressing the vicious cycle in viability of water supply service provision in Tajikistan.

⁴⁵ Tajikistan Water Supply & Sanitation Project (TajWSS) Project, funded by the SDC and implemented by Oxfam GB in partnership with UNDP in Tajikistan.

⁴⁶ UNDP and SIWI (2018) Balanced rights-based approach to water supply sustainability: addressing the vicious cycle in viability of water supply service provision in Tajikistan.

⁴⁷ LITACA project funded by Japan International Cooperation Agency, and implemented by UNDP in Tajikistan.

- 14 community-led schemes in Soughd region implemented by ISW not only have determined their full-cost recovery tariffs, but also succeeded in endorsing them by communities and the regulatory agency.⁴⁸
- For 10 systems supported by MSDSP in the mountainous districts of Khatlon Region, tariffs were endorsed on average at 73% of full-cost recovery level at the onset of systems' launch.
- National authorities and the regulatory agency have agreed to allow moderate consecutive increases in tariffs over time towards reaching the target, by about 10–15% at a time.

Midway through, the duty-bearing bodies will have the opportunity to assess the extent of willingness and ability to pay, and the good governance principles implemented to validate the justification for consecutive tariff improvements.

Trends in fee collection rates

Progress in tariff collection rates represents changes in 1) consumer willingness to pay; 2) the impact of good governance principles implemented; while it may imply changes in 3) the level of consumer confidence and satisfaction with the services provided. The evidence and impact on this indicator therefore can be summarised as follows:

- All systems demonstrated improved collection rates compared with baseline year, with some level of consistency. Few systems (six) showed some decline in rates by about 6% in certain years, reportedly in part undergoing a period of adapting to higher and newly endorsed tariff schemes.
- Collection rates for six Oxfam-supported systems (Khatlon and Direct Rule Districts) are currently above 80%, with average 8% improvement during 2015–2017, and with average 25% improvement during 2015–2019 against the baseline year of 2015. The consistency of improvements in collection rates also reflects that communities have adapted well to consecutive tariff improvements.
- Collection rates for five UNDP-supported systems (Khatlon) on average is estimated at 69% ranging between 65 and 79%, with average 8.5% annual increase during the period 2015–2017.
- ISW-supported schemes in six target communities (Soughd) have been able to improve collection rates significantly from 26 to 58% (on average) in just three years (during 2009–2012). In all new systems since 2014, the collection rate starts at 80% and remains steady. In the 11 best performing communities (out of 14), the rates range between 70 and 95%.⁴⁹

⁴⁸ Rural Water Supply and Sanitation Project in the Ferghana Valley, funded by the SDC and implemented by the ISW in Tajikistan.

⁴⁹ Ibid.

- Collection rates for 10 MSDSP-supported systems (mountainous districts in Khatlon Region) is estimated at 78% on average in 2019 (ranging between 65% and 85%) compared with 64% in 2018.
- The public advisory councils,⁵⁰ established to extend the application of good governance and consumer engagement mechanisms, in consequence have also contributed in improving water fee collection rates on average by 11% during the period 2014–2017 (Annex 3 – Public advisory councils).

⁵⁰ Established in five district centres under SUE KMK/Vodokanals – Muminobod, Kulyab, Farkhor Vose and Rudaki.

Section 6

Conclusions and policy recommendations

▶ Achievements – a breakthrough in tariff policy agenda?

Evidence from the field demonstrates that applying elements of a rights-based approach may improve overall sustainability of water supply systems. Essentially the policy actions were applied to the nucleus of supplier–consumer relationships; however, expanding the application of good governance principles along with strengthening consumer engagement to a wider duty-bearer and rights-holder network provides a greater positive impact on the national policy environment. Such practice proved to be effective in unbundling the vicious cycle of service failure in the rural water supply and sanitation subsector.

In the result of improved policy exercises, the following outcomes had been achieved and represent a **breakthrough** in tariff policy development in the sphere of rural drinking water supply:

- Changed perception among regulating bodies and authorities that tariffs may in fact differ considerably from system to system in rural Tajikistan, and not only from urban to rural settings.
- Improved understanding of different specificities of rural systems and thereby tariff composition.
- Regulating bodies agreed on (socially responsible) incremental improvements towards full-cost recovery tariffs, and therefore new tariffs for target systems had been endorsed. This creates a precedent for an enabling environment for further consecutive tariff improvements.
- Application of good governance and consumer rights protection measures have not only helped improve tariffs but also water fee collection rates across most target water supply schemes.
- Public advisory councils have proven instrumental in building confidence among all participating sides (regulators, suppliers, consumers and authorities). Maintained support to public advisory councils and replicating that approach can lead to further policy improvements at national level.

▶ Challenges and opportunities

Despite achievements in the growing number of rural schemes, rural service providers still face challenges in the current context. These can be summarised as follows:

- The poverty context differs across rural communities, and some development projects have targeted communities that were better prepared and responsive to sustainability demands.
- The costs of constructing rural water supply systems in rural communities can be more due to 1) water sources being located greater distances or depths, and/or 2) different methods of delivery and distribution (multi-level pumping versus gravity-fed). Additionally, implementing present construction norms and standards for rural schemes pose unnecessary additional costs with little impact on service delivery. Achieving recovery levels in such communities pose a technical and financing challenge, unless some degree of state support is provided.
- Some evidence indicates that consumers tend to adapt more slowly when tariffs change (raise) every two to three years. Such slow adaptation is seen in decreased rates of fee collection during the months that follow new tariffs.
- Rural water supply operators often adopt simplistic approaches in developing tariff schemes. The absence of intelligent, pro-poor and differentiated tariff schemes is most often due to service providers' lack of capacity, financial agility or even basic operational literacy on the ground. Service providers do not necessarily have to raise tariffs too often if volumetric and differentiated approaches are enforced (multi-purpose water supply – drinking, irrigation, livestock). The gap is there to fill for development practitioners in exercising such support.

Consequently, there are several opportunities on which authorities, development partners and service providers will need to follow up:

- Affordability and willingness to pay across rural Tajikistan must be duly monitored. Any improvements in tariff schemes must be guided by sound evidence that communities are prepared to participate in building water supply systems' financial viability.
- Capacities among service providers needs to be strengthened in relation to introducing innovative or alternative tariff schemes versus simplistic flat rate schemes. The pilot exercises may not necessarily accompany increases in tariff levels.
- Knowledge-base and information campaign should be organised and scaled-up to support further strive towards rights-based approaches, such as transparency, accountability, participation measures. Documented experiences must inform policy makers towards further enabling environment.
- Consumer groups' engagement should be strengthened through legal awareness and consultations, which have mainly been done through empowering the Consumers' Union Organization active in rural and urban Tajikistan.

→ Policy recommendations – balanced rights-based approach

Although all sides recognise full-cost recovery schemes as the principal target for future sustainability, the present policy report brings to the attention of policy makers the following policy recommendations that derive from the field evidence and experience:

- All principles of good governance must be incorporated in policy and implementation approaches, notably transparency, accountability and consumer participation.
- Despite recent policy improvements (new edition of the law on drinking water supply and sanitation, guidelines on full-cost recovery tariffs) approved by the government, further implementation mechanisms (by-laws) and development support is needed to ensure the given policy change materialises to systems' sustainability improvements. Public outreach and capacity development support must be maintained institutionally for service providing network's understanding of the full cycle of systems sustainability.
- Comprehensive state support mechanisms need to be developed that consider provision of pro-poor subsidies (direct and indirect), cross-subsidies, tax alleviation schemes, access to preferential financing and so on.
- Tariff policy implementation on the ground must be accompanied with rights-based and 'balanced' approaches (meeting the demands of both duty-bearers and rights holders) and replicated across rural Tajikistan. Evidence, particularly for remote mountainous regions, must be duly documented for further policy change.
- Changes towards full-cost recovery tariffs and improvement in collection rates should be carried out incrementally in communities where willingness to pay and affordability issues are present. Good governance measures must be applied to improve collection rates simultaneously with tariff increases.
- Innovative and alternative approaches to volumetric tariff schemes must be documented and best practices integrated into the endorsed guidelines (on tariff setting).
- Metered connections and consumption-based schemes must be promoted and supported across rural Tajikistan, where applicable, to ensure feasibility of innovative tariff schemes.

From immediate to long-term perspectives, the policy agenda should promote the following targets towards effective implementation of full-cost recovery tariff policy in rural Tajikistan:

Immediate targets (up to 5 years)

- Good governance and consumer rights protection mechanisms operationalised
- Extended application of endorsed guidelines on tariff setting
- Incremental improvements towards full-cost recovery tariffs and trends in collection rates
- Public outreach and awareness launched on understanding full cycle of systems sustainability
- Innovative and/or alternative tariff schemes (volumetric, block tariffs) developed and promoted
- Experiences documented and successes replicated

Medium-term targets (5–10 years)

- State support mechanisms developed and launched (pro-poor subsidies, taxation, preferential financing, and other transfers)
- Gradual transition to full-cost recovery and improvement in collection rates is sustained
- Consumer understanding of cost items and sustainability demands achieved

Long-term targets (over 10 years)

- State support mechanisms effectively implemented and sustained
- Tariffs reach full-cost recovery level, and collection rates are above 70% across all systems
- Affordability and willingness to pay are fully achieved

▶ Implementing policy recommendations – distribution of responsibilities

The present policy report is prepared primarily for the attention of the **Ministry of Energy and Water Resources** – the focal ministry with mandates, among many others, to conduct policy development and coordinate implementation of established government policy agenda for the water sector, including the drinking water supply subsector. However, given the present distribution of certain roles (tariff policy, regulation and implementation) between several key government agencies, inherent from the policy report, the suggested policy recommendations and targets can effectively be achieved if all participants deliver their share in accordance with their mandates.

The following table summarises the suggested roles for key ministries and agencies, as well as development partners (such as donors, international financial institutions and international non-government organisations) in implementing the recommendations and targets set by this policy report:

Table 2: Distribution of responsibilities – achieving set targets

Responsible entity	Key roles and responsibilities (Implementing recommendations and targets from the policy report)
<p>1 Ministry of Energy and Water Resources of the RT</p>	<ul style="list-style-type: none"> · Develop an overarching strategy for transitioning towards full-cost recovery tariffs for drinking water supply and coordinate overall implementation of such a strategy. · Integrate a) good governance principles (transparency, accountability and participation), and b) full-cost recovery principles explicitly within related laws/by-laws and policies.
<p>2 Ministry of Finance of the RT</p>	<ul style="list-style-type: none"> · Develop state support mechanisms such as pro-poor subsidies, tax alleviation schemes and access to preferential financing.
<p>3 Antimonopoly Agency under the Government of the RT</p>	<ul style="list-style-type: none"> · Institutionalise implementation of endorsed guidelines for developing full-cost recovery tariffs for the drinking water supply. · Institutionalise implementation of good governance and consumer rights protection mechanisms for the drinking water supply. · Carry out regular surveys on willingness to pay and affordability for drinking water supply services. Surveys must be documented, published and made accessible accordingly.
<p>4 SUE KMK and non-government service providers/community-led entities (e.g. LLCs, Dehkan Farms, WUAs, voluntary organisations)</p>	<ul style="list-style-type: none"> · Operationalise and expand implementation of a) endorsed guidelines for development of full-cost recovery tariffs, and b) good governance and consumer rights protection mechanisms for the drinking water supply. · Promote application of metered connections and consumption-based innovative tariff schemes across rural Tajikistan (as feasible).
<p>5 District authorities /administration</p>	<ul style="list-style-type: none"> · Carry out local outreach and awareness on understanding the full cycle of systems sustainability among consumers. · Monitor willingness-to-pay and affordability issues among consumers.
<p>6 Development partners (donors, international financial institutions, international non-government organisations)</p>	<ul style="list-style-type: none"> · Support innovative and alternative approaches to volumetric tariff schemes; document and disseminate successful experiences and best practices. · Provide all-round support (financial assistance, institutional support and policy development) in implementing a balanced approach across rural Tajikistan (as documented in the present policy report).

References for further reading

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Annex 1

Conflicting views and mutual demands of participating groups in tariff policy equation⁵¹

Service providers' main view:

- Service providers face political reluctance from national and local authorities about any increases in tariffs for basic services. Payments for basic services (especially water fees) have become highly sensitive issues for authorities especially during election cycles.
- Suppliers face procedural complications from the regulating agency “reluctant” to endorse the required level of tariffs, and many providers end up accepting lower tariffs involuntarily as the result of encountered regulatory burden.

Regulator's view:

- The state Antimonopoly Agency is prepared to endorse any level of tariff or schemes for a particular system, *as long as* the supplier meets the following criteria:
 - They can economically justify the cost items and respective calculations are within ‘reasonable’ boundaries (although no boundaries are legally formulated).
 - They ensure the tariffs and its contents are discussed openly with consumers, local authorities and representatives of the agency in order to prepared consumers for tariff increases.

⁵¹ UNDP and SIWI (2018) Balanced rights-based approach to water supply sustainability: addressing the vicious cycle in viability of water supply service provision in Tajikistan.

- They demonstrate that they are accountable to their clients on how the present water fees and new tariff schemes are translated to systems' functionality improvements before consecutive increases.
- ↪ It is the regulator's view that the suppliers at large have not been able to effectively meet the abovementioned criteria, which most often result in denied endorsements or complicated procedures.

National and local authorities' view:

- ↪ The tariff-setting procedures must be **transparent** and **responsive** to the economic situation on the ground (poverty level and pro-poor strategies must be taken into account).
- ↪ An immediate shift to full-cost recovery tariffs poses threats to socio-political stability, and therefore a **moderate approach** must be taken to avoid undesired negative reactions from water users.
- ↪ Authorities have not yet been able to provide sufficiently targeted subsidies to poor families or compensations to supply organisations due to state and local budget constraints. The state had to eliminate a chunk of social subsidies in 2012 and strengthen taxation discipline in part to compensate for the consequences of ongoing socio-economic challenges.

Consumer groups' view:

- ↪ The supplier must ensure water systems are adequately functioning and service provision is relatively stable so to successfully agree on tariff increases.
- ↪ The supplier must demonstrate accountability for collected fees, as to how the resources are spent and translated into improved services.
- ↪ The supplier must demonstrate transparency and communicate more closely with the consumers on its operations, plans for system improvements and standing issues.
- ↪ Improved tariffs may be acceptable should the supplier engage more often with consumer groups about system management and operation costs, constraints and anticipated development issues.

Policy actions in implementation of a balanced approach to tariff policy implementation for rural water supply and sanitation⁵²

Policy Action 1

Improving tariff policy and guidance in implementation

- a) Promoting application of unified tariff setting guidelines for rural drinking water supply.
- b) Training and hands-on exercises for water supply organisations on the use of the guidelines.
- c) Facilitating public hearings and consultation meetings between suppliers and consumers with participation of local authorities and relevant tariff regulatory agency.
- d) Organisation of regular on-site visits for and by the Antimonopoly Agency and local authorities to review and validate draft tariff schemes to gain a better understanding of tariff setting processes that is different in the rural context.
- e) Mediate support between suppliers, authorities and the designated regulatory agency throughout tariff consultations and endorsement processes.
- f) Guide formal submission of negotiated tariff schemes for subsequent approval by the designated regulatory agency.

⁵² Ibid.

Good governance and confidence-building mechanisms

- a) Application of *guidelines on good governance: transparency, accountability and participation* tailored to the needs of the rural drinking water supply sector.
- b) Training held on water integrity, consumer rights protection and dispute resolution mechanisms for duty-bearers and rights holders in drinking water supply.
- c) Running a consumer rights protection exercise and promoting adequate consumer behaviour in relation to their responsibility to pay water fees. This includes a series of training sessions explaining to consumers about their rights and responsibilities along with dissemination of a *handbook* for consumers on water rights.
- d) Exercising consumer voice and feedback mechanism implementation within service areas of targeted supply organisations. This included training for consumers on how to hold service providers accountable, filing complaints and inquiries. Service providers are guided to carry out frequent meetings to hear directly from consumers about their concerns. Establishment and support of public advisory councils is one of the most effective tools of feedback mechanisms.
- e) Rendering legal services for drinking water consumers to consult on common cases of rights violations (including pre-trial and court protection where necessary).

Annex 3

Public advisory councils for drinking water supply and sanitation in Tajikistan⁵³

▸ Overall objective

Improving quality and level of participation of clients, local communities in active engagement in the work of organisations providing drinking water supply and sanitation services, about the rights and lawful interests of clients, stakeholders and local communities.

▸ General terms

- A public advisory council is a consultative and observing body, which is established under the management of water supply organisations, and is a permanent body organised on the basis of voluntary participation of interested citizens and representatives of water supply organisations in the respective target area (city, district or elsewhere).
- Public advisory councils function through organisation of meetings carried out on a regular and systemic basis. The agenda of the meetings includes information on planned decisions, open discussion of all issues raised by the public and where applicable taking collective decisions on relevant matters. Councils' decisions are considered 'recommendations' for the attention of the service providing organisation.
- The council performs on the basis of the Constitution, laws, legal norms and regulatory acts of the Republic of Tajikistan, as well as the Charter, endorsed by the manager of the service providing organisation under which it is established.

▸ Objectives of public advisory councils

- Develop effective mechanism representation and lobbying of interests of clients, local communities before service providing organisation.

⁵³ Ibid.

- 📖 Establish system of engagement and implementation of local community initiatives around drinking water supply and sanitation services.
- 📖 Facilitate consolidation of interested parties/stakeholders and their participation in the sphere of drinking water supply and sanitation about their respective rights and interests.
- 📖 Promote and discuss community initiatives related to activities of service providing organisation aimed at furthering sector development.
- 📖 Carry out public monitoring and control over implementation of decisions made by the service providing organisation.

▶ **Key functions of public advisory councils**

- 📖 Represent the interests of consumers, local communities within executive branches of state power, local self-governing bodies, in the decision-making processes of the service provider.
- 📖 Participate in the development of norms and regulations relevant to the activities of the service providing organisation in the sphere of drinking water supply and sanitation.
- 📖 Participate in control and monitoring of implemented norms and regulations in the sphere of drinking water supply and sanitation, around the rights and interests of consumers.
- 📖 Assist the service providing organisations (drinking water supply and sanitation) in carrying out relevant social community initiatives, advocacy actions, community awareness raising, training programmes, consultations and more.
- 📖 Conduct monitoring and evaluation over quality of extended services by service providing organisations.
- 📖 Assess and extrapolate public opinion on priority issues related to operations of service providing organisations.
- 📖 Perform other functions relevant to achieving objectives foreseen by the Charter of the Council.

Annex 4

Tariffs improvement progress/consecutive tariff endorsements for target water supply systems⁵⁴

Project 1

Tajikistan Water Supply and Sanitation Project (TajWSS)⁵⁵

Water supply system (village, jamoat, district)	Service provider	Tariffs improvement progress/consecutive tariff endorsements (TJS/m ³)					Full-cost recovery*
		Baseline	Phase I	Phase II			
		2011	2012	2015	2016	2017	
1 Navobod, Dovai Bolo, Dovai Rohati, Mekhatri and Nilkon villages, Rohati Jamoat, Rudaki district	PO Obi Bosafo	N/A**	0.25	0.40	0.67	0.67	1.46
2 Balkhi village, Sultonobod Jamoat, Rudaki District	PO Chashmai Balkhi	0.60	0.70	0.85	0.85	0.85	1.76
3 Barakat village, Sultonobod Jamoat, Rudaki district	PO Chashmai Chanor	0.60	0.70	0.70	0.70	0.70	1.20
4 Darai Kalon village, Esanboy Jamoat, Rudaki district	WUA Darai Kalon	0.60	0.60	0.82	0.82	0.82	2.48
5 Anguli village, Esanboy Jamoat, Rudaki district	WUA Anguli	0.60	0.60	1.94	1.94	1.94	2.35
6 Delolo-2 village, Kulchashma Jamoat, Muminobod district	PO Delolo-2	0.60	0.80	1.00	0.90	0.90	3.19
7 Shululu village, Balkhobi Jamoat, Muminobod district	PO Obi Shifobakhsh	0.60	0.66	0.85	0.85	0.85	1.92

DF: Dehkan Farm (small farming unit); PO: public organisation (non-governmental entity); WUA: Water Users Association

*Full-cost recovery level estimated in 2016. **N/A: system built in the following year.

⁵⁴ Ibid.

⁵⁵ TajWSS project, funded by the SDC and implemented by Oxfam GB in partnership with UNDP in Tajikistan.

Project 2

Livelihoods Improvement in Tajik-Afghan Cross-Border Areas (LITACA)⁵⁶

Water supply system (village, jamoat, district)	Service provider	Tariffs improvement progress/consecutive tariff endorsements (TJS/m ³)					Full-cost recovery*
		Baseline	Phase I	Phase II			
		2011	2012	2015	2016	2017	
1 Gulshan, Davlatobod, Navobod, and Jayrali villages, Gulshan Jamoat, Farkhor district	LLC <i>Obi Nushoki</i>	N/A**	0.50	0.85	0.85	0.85	2.30
2 Tugul village, Chubek Jamoat, Hamadoni district	DF <i>Jomi</i>	0.60	0.60	0.63	0.63	0.63	0.63
3 Obshoron and Binokor villages, Obshoron Jamoat, Shaartuz district	SUE KMK, <i>Vodokanal</i>	0.60	0.75	0.83	0.83	0.83	1.12
4 Shaartuz sewerage system of urban type settlement, Shaartuz district	SUE KMK, <i>Vodokanal</i>	0.30	0.38	0.42	0.42	0.42	3.09
5 Kahramon village, Kahramon Jamoat, Hamadoni district	DF <i>Kahramon</i>	0.60	0.60	1.12	1.12	1.12	2.19

*Full-cost recovery level estimated in 2016. **N/A: system built in the following year.

Project 3

Regional Rural Water Supply and Sanitation Project (RRWSSP)⁵⁷

Water supply system (village, jamoat, district)	Service provider	Tariffs improvement progress/ consecutive tariff endorsements (TJS/m ³)*			
		2009– 2012**	2013**	2014**	2017**

⁵⁶ LITACA project funded by Japan International Cooperation Agency and implemented by UNDP in Tajikistan.

⁵⁷ RRWSSP, funded by the SDC and implemented by the ISW.

1	Sanjizdor, Lohuty, Kanibadam	PO Obi Sanjizdor	1.66	1.66	2.00	3.12
2	Galchamullo, Puloton, Kanibadam	PO Galchamullo	1.66	1.66	2.00	1.66
3	Pakhtakor, Sharipov, Kanibadam	PO Association of Drinking Water Organisations	0.60	0.70	0.80	0.68
4	Lohuty, Lohuty, Kanibadam	PO Zulol	1.66	2.00	2.40	2.88
5	Mahram, Sharipov, Kanibadam	PO Mahram	1.66	2.00	2.40	2.88
6	Pakhtakor, Sharipov, Kanibadam	PO Malham	1.66	2.00	2.66	3.12
7	Jahonzeb, Lohuty, Kanibadam	PO Chashmai zindagi		2.00	2.40	2.88

*Tariffs accepted at full-cost recovery level by served communities and approved by the Antimonopoly Agency.

**Tariff revised considering the related increase/decrease costs of the systems (e.g. salaries, taxes and royalties)

Project 4

Rural Water Supply and Sanitation Project, Ferghana Valley (RWSSP FV), Tajikistan⁵⁸

Water supply system (village, jamoat, district)	Service provider	Tariffs improvement progress/consecutive tariff endorsements (TJS/m ³)					
		2017		2018		2019	
		Full-cost recovery estimate	Accepted by community and approved by AMA	Full-cost recovery estimate	Accepted by community and approved by AMA	Full-cost recovery estimate	Accepted by community and approved by AMA
1 Chilgazi and Bogdori Chilgazi, Isfara	PO Obi Chilgazi	3.00	3.00	3.00	3.00	3.00	3.00
2 Kulkand, Kulkand, Isfara	PO Subhi Sodik	3.00	3.00	3.00	3.00	3.00	3.00

⁵⁸ Rural Water Supply and Sanitation Project, Ferghana Valley, Tajikistan, funded by the SDC and implemented by the ISW.

3	Feregat, Obburdon, Maschoh	PO Runj			2.00	1.00	2.00	2.00
4	Safedtepa, Istiklol, Spitamen	PO Obi Istiklol	2.75	2.75	2.75	2.75	2.75	2.75
5	Mehrobod, Mehrobod, Asht	PO JSC Mehrobod					3.50	3.50
6	Lakkona and Dahana, Lakkon, Isfara	PO Obi Tozai Lakkon					4.00	4.00
7	Fayzobod, Kurush, Spitamen	PO Obi Tozai Fayzobod					4.00	4.00

AMA: State Antimonopoly Agency under the Government of the RT

Project 5

Safe Drinking Water and Sanitation Management in Tajikistan (SDWSMT)⁵⁹

	Water supply system (village, jamoat, district)	Service provider	Tariff improvement progress (TJS/m ³)			Full-cost recovery estimate (TJS/m ³)
			2018 (Baseline)	2019	2020	
1	Kuhdoman village, Jamoat Shurobood, Shamsiddin Shohin district	Village committee	0.85	0.85	0.85	1.50
2	Javonon village, Jamoat Shurobood, Shamsiddin Shohin district	Village committee	0.85	0.85	0.85	1.50
3	Toshbuloq village, Jamoat Chagam, Shamsiddin Shohin district	Village committee	0.85	0.85	0.85	1.00
4	Pistamazor village, Jamoat Sarichashma, Shamsiddin Shohin district	Village committee	0.85	0.85	0.85	1.00

⁵⁹ Safe Drinking Water and Sanitation Management Project, funded by the SDC and implemented by the MSDSP in Tajikistan.

5	Chagami Poyon village, Jamoat Chagam, Shamsiddin Shohin district	Village committee	1.50	1.50	1.50	2.00
6	Dashti Qavaq village, Jamoat Khovaling, Khovaling district	Khovaling Drinking Water Supply company	1.09	1.09	1.09	1.50
7	Darai Aspon village, Jamoat Jombakht, Khovaling district	Village committee	1.00	1.00	1.00	1.00
8	Zarnisor village, Jamoat Saif Rahim, Baljuvon district	Village committee	1.00	1.00	1.00	1.50
9	Debdor village, Jamoat Saif Rahim, Baljuvon district	Village committee	1.00	1.00	1.00	2.00
10	Bogizogon village, Jamoat Sarikhosor, Baljuvon district	Village committee	0.85	0.85	0.85	1.00

Annex 5

Tariff improvement progress against baseline and full-cost recovery level⁶⁰

Project 1

Tajikistan Water Supply and Sanitation Project (TajWSS)⁶¹

	Water supply system (village, jamoat, district)	Service provider	Tariff improvement against full-cost recovery level (in %)		% increase against baseline
			Baseline	New tariff (latest)	
1	Navobod, Dovai Bolo, Dovai Rohati, Mekhatri and Nilkon villages, Rohati Jamoat, Rudaki district	PO Obi Bosafo	17	46	168
2	Balkhi village, Sultonobod Jamoat, Rudaki District	PO Chashmai Balkhi	34	48	42
3	Barakat village, Sultonobod Jamoat, Rudaki district	PO Chashmai Chanor	50	58	17
4	Darai Kalon village, Esanboy Jamoat, Rudaki district	WUA Darai Kalon	24	33	37
5	Anguli village, Esanboy Jamoat, Rudaki district	WUA Anguli	26	83	223
6	Delolo-2 village, Kulchashma Jamoat, Muminobod district	PO Delolo-2	19	28	50
7	Shululu village, Balkhobi Jamoat, Muminobod district	PO Obi Shifobakhsh	31	44	42

⁶⁰ UNDP and SIWI (2018). Balanced rights-based approach to water supply sustainability: addressing the vicious cycle in viability of water supply service provision in Tajikistan.

⁶¹ TajWSS project, funded by the SDC and implemented by Oxfam GB in partnership with UNDP in Tajikistan.

Project 2

Livelihoods Improvement in Tajik-Afghan Cross-Border Areas (LITACA)⁶²

	Water supply system (village, jamoat, district)	Service provider	Tariff improvement against full-cost recovery level (%)		% increase against baseline
			Baseline	New tariff (latest)	
1	Gulshan, Davlatobod, Navobod, and Jayrali villages, Gulshan Jamoat, Farkhor district	LLC Obi Nushoki	22	37	70
2	Tugul village, Chubek Jamoat, Hamadoni district	DF Jomi	95	100	5
3	Obshoron and Binokor villages, Obshoron Jamoat, Shaartuz district	SUE KMK, Vodokanal	54	74	38
4	Shaartuz sewerage system of urban type settlement, Shaartuz district	SUE KMK, Vodokanal	10	14	40
5	Kahramon village, Kahramon Jamoat, Hamadoni district	DF Kahramon	27	51	87

⁶² LITACA project funded by Japan International Cooperation Agency and implemented by UNDP in Tajikistan.

Annex 6

Water fee collection rates – rural drinking water supply systems⁶³

Project 1

Tajikistan Water Supply and Sanitation Project (TajWSS)⁶⁴

	Water supply system (village, jamoat, district)	Service provider	Water fee collection rates (in percentage %)		
			2015	2016	2017
1	Navobod, Dovai Bolo, Dovai Rohati, Mekhatri and Nilkon villages, Rohati Jamoat, Rudaki district	PO Obi Bosafo	44	45	48
2	Balkhi village, Sultonobod Jamoat, Rudaki District	PO Chashmai Balkhi	57	55	63%
3	Barakat village, Sultonobod Jamoat, Rudaki district	PO Chashmai Chanor	55	65	71
4	Darai Kalon village, Esanboy Jamoat, Rudaki district	WUA Darai Kalon	74	74	76
5	Anguli village, Esanboy Jamoat, Rudaki district	WUA Anguli	29	39	37
6	Delolo-2 village, Kulchashma Jamoat, Muminobod district	PO Delolo-2	70	81	75
7	Shululu village, Balkhobi Jamoat, Muminobod district	PO Obi Shifobakhsh	24	28	34

⁶³ UNDP and SIWI (2018). Balanced rights-based approach to water supply sustainability: addressing the vicious cycle in viability of water supply service provision in Tajikistan.

⁶⁴ TajWSS project, funded by the SDC and implemented by Oxfam GB in partnership with UNDP in Tajikistan.

Project 2

Livelihoods Improvement in Tajik-Afghan Cross-Border Areas (LITACA)⁶⁵

	Water supply system (village, jamoat, district)	Service provider	Water fee collection rates (%)		
			2015	2016	2017
1	Gulshan, Davlatobod, Navobod, and Jayrali villages, Gulshan Jamoat, Farkhor district	LLC Obi Nushoki	74	76	65
2	Tugul village, Chubek Jamoat, Hamadoni district	DF Jomi	82	86	79
3	Obshoron and Binokor villages, Obshoron Jamoat, Shaartuz district	SUE KMK, Vodokanal	73	74	68
4	Shaartuz sewerage system of urban type settlement, Shaartuz district	SUE KMK, Vodokanal	38	54	66
5	Kahramon village, Kahramon Jamoat, Hamadoni district	DF Kahramon	65	72	68

Project 3

Regional Rural Water Supply and Sanitation Project (RRWSSP)⁶⁶

	WSS (village, jamoat, district)	Service provider	Water fee collection rates (annual figures in %)											
			2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	Sanjizdor, Lohuty, Kanibadam	PO Obi Sanjizdor	23	35	50	72	74	81	80	75	80	82	84	79
2	Galchamullo, Puloton, Kanibadam	PO Galchamullo			39	22	28	35	30	10	10	30	50	42
3	Pakhtakor, Sharipov, Kanibadam	PO Association of Drinking Water Organisations		50	100	100	100	100	100	100	100	100	100	100
4	Lohuty, Lohuty, Kanibadam	PO Zulol		18	34	44	55	66	68	60	58	70	72	68
5	Mahram, Sharipov, Kanibadam	PO Mahram		10	27	44	57	69	65	65	78	85	80	86
6	Pakhtakor, Sharipov, Kanibadam	PO Malham		24	43	58	63	50	47	50	70	75	75	63
7	Jahonzeb, Lohuty, Kanibadam	PO Chashmai zindagi					91	80	78	80	93	90	87	84

⁶⁵ LITACA project funded by Japan International Cooperation Agency and implemented by UNDP in Tajikistan.

⁶⁶ RRWSSP, funded by the SDC and implemented by the ISW.

Project 4

Rural Water Supply and Sanitation Project, Ferghana Valley, Tajikistan⁶⁷

	Water supply system (village, jamoat, district)	Service provider	Water fee collection rates (annual figures in %)			
			2017	2018	2019	2020
1	Chilgazi and Bogdori Chilgazi, Isfara	PO Obi Chilgazi	90	93	82	85
2	Kulkand, Kulkand, Isfara	PO Subhi Sodik	70	86	90	91
3	Feregat, Obburdon, Maschoh	PO Runj		40	50	40
4	Safedtepa, Istiklol, Spitamen	PO Obi Istiklol		95	95	95
5	Mehrobod, Mehrobod, Asht	PO JSC Mehrobod			85	92
6	Lakkona and Dahana, Lakkon, Isfara	PO Obi tozai Lakkon				92
7	Fayzobod, Kurush, Spitamen	PO Obi tozai Fayzobod				45

Project 5

Safe Drinking Water and Sanitation Management in Tajikistan (SDWSMT)⁶⁸

	Water supply system (village, jamoat, district)	Service provider	Progress on water fee collection rates (annual figures in %)		
			2018	2019	2020
1	Kuhdoman village, Jamoat Shurobood, Shamsiddin Shohin district	Water Users Committee	63	75	80
2	Javonon village, Jamoat Shurobood, Shamsiddin Shohin district	Water Users Committee	55	65	78
3	Toshibuloq village, Jamoat Chagam, Shamsiddin Shohin district	Water Users Committee	60	73	
4	Pistamazor village, Jamoat Sarichashma, Shamsiddin Shohin district	Water Users Committee	71	81	
5	Chagami Poyon village, Jamoat Chagam, Shamsiddin Shohin district	Water Users Committee	58	75	
6	Dashti Qavaq village, Jamoat Khovaling, Khovaling district	Water Users Committee	75	85	
7	Darai Aspon village, Jamoat Jombakht, Khovaling district	Water Users Committee	65	85	
8	Zarnisor village, Jamoat Saif Rahim, Baljuvon district	Water Users Committee	59	80	
9	Debдор village, Jamoat Saif Rahim, Baljuvon district	Water Users Committee	64	78	
10	Bogizogon village, Jamoat Sarikhosor, Baljuvon district	Water Users Committee	71	82	

⁶⁷ Rural Water Supply and Sanitation Project, Ferghana Valley, Tajikistan, funded by the SDC and implemented by the International Secretariat to Water (ISW).

⁶⁸ Safe Drinking Water and Sanitation Management Project (SDWSMP), funded by the SDC and implemented by the MSDSP in Tajikistan.

Annex 7

Abbreviations

DF	Dehkan Farm
EBRD	European Bank for Reconstruction and Development
GDP	Gross domestic product
IFAD	International Fund for Agriculture Development
ISW	International Secretariat for Water
LITACA	Livelihoods Improvement in Tajik-Afghan Cross-Border Areas (LITACA) project, funded by Japan International Cooperation Agency and implemented by UNDP in Tajikistan
LLC	Limited liability company
MSDSP	Mountain Societies Development Support Programme
Oxfam GB	Oxfam Great Britain
PO	Public organisation
RRWSSP	Regional Rural Water Supply and Sanitation Project (RRWSSP), funded by the SDC, and implemented by the International Secretariat to Water (ISW).
RT	Republic of Tajikistan
RWSSP FV	Rural Water Supply and Sanitation Project, Ferghana Valley, Tajikistan, funded by the SDC and implemented by the ISW
SDC	Swiss Agency for Development and Cooperation
SDWSMP	Safe Drinking Water and Sanitation Management Project (SDWSMP), funded by the SDC and implemented by the MSDSP in Tajikistan
SIWI	Stockholm International Water Institute
SUE KMK	State Unitary Enterprise <i>Khojagii Manziliyu Kommunalii</i>
TajWSS	Tajikistan Water Supply & Sanitation Project (TajWSS) Project, funded by the SDC, and implemented by Oxfam GB in partnership with UNDP in Tajikistan
TJS	Tajik somoni
UNDP	United Nations Development Programme
WUA	Water users' association

Tajikistan Water Supply & Sanitation Project (Phase III)

Policy Report



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