



EXECUTIVE SUMMARY*

Tariff policy for drinking water supply in rural Tajikistan:

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



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*This document provides a summary of the full policy report: *Tariff policy for drinking water in rural Tajikistan*, authored by Shukhrat Igamberdiyev, May 2022

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.

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**

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 emphasizes both development outcomes and the process by which rights are realized. 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.

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).

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.

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, 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

Therefore, based on the above, the given policy brief 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 brief 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

- Institutionalize **implementation of endorsed guidelines** for developing **full-cost recovery tariffs**.
- Institutionalize **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 organizations) 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 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 organizations)

- 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.

Tajikistan Water Supply & Sanitation Project (Phase III)

Executive Summary



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