



RESOURCE

State-of-the-Art Review: Designing Urban Water Tariffs to Recover Costs and Promote Wise Use

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Description / Abstract

Urban water tariffs vary substantially across cities and regions, for reasons that reflect water scarcity conditions, local or regional objectives, and political considerations. Comparisons of average water prices across regions are not generally meaningful, as the prices are not weighted or adjusted to account for variation in socio-economic or political characteristics. This study endeavours to describe the observed variation in water tariffs, with the goal of highlighting key features and the degree to which some tariff programs achieve local objectives. To this end, the domestic and non-domestic water and wastewater tariffs in 60 cities across 43 countries were examined. The non-weighted average of the per unit domestic water and wastewater bills in the cities considered was USD 2.10/m³. The average per unit bills in Asia and Africa were generally lower than those in Western Europe, North America and Australia. On average, households spend about 1.5% of their monthly incomes on water and wastewater bills. In Asia and Africa, the average unit bills for the non-domestic sector were higher than those for the domestic sector, suggesting cross-subsidy. The study also analyzed the components of a metered tariff schedule with regard to the goals of cost recovery, demand management and affordability. The article also discusses the effectiveness of existing tariffs in addressing local challenges in the context of water pricing examples from Singapore, Los Angeles, and Manila.

Publication year

2013

Publisher

Taylor and Francis Open Access Journals and Publishing

Keywords

Wastewater Tariffs Water pricing Urban Water

Thematic Tagging

Urban Water services

Language English

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