



Affordability and willingness to pay – A desk study

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Workshop no 4 – Part iii

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Leaders in the design, implementation and operation of
markets for electricity, gas and water.



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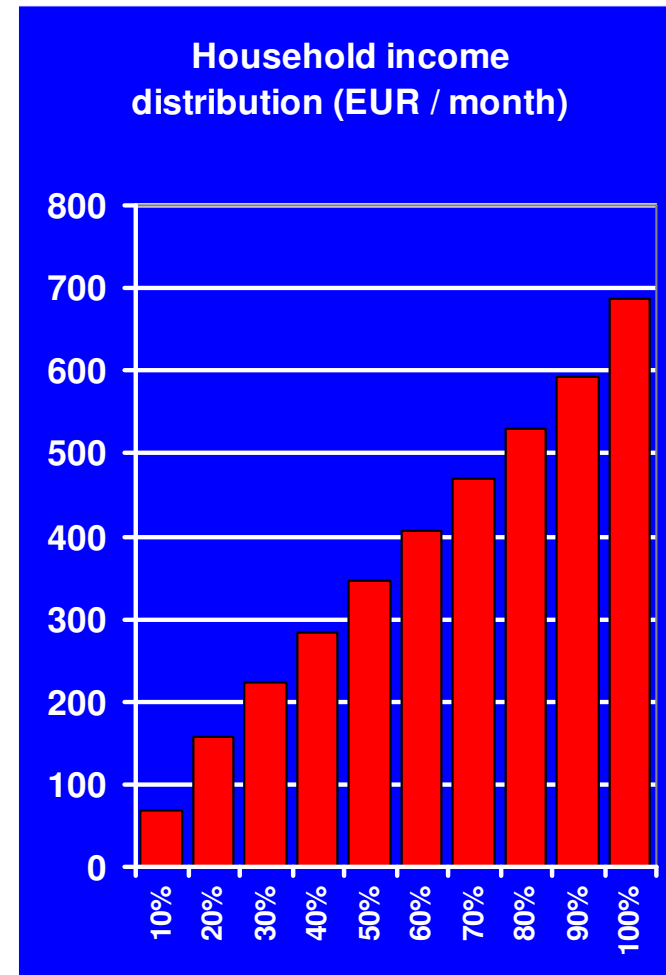
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Background

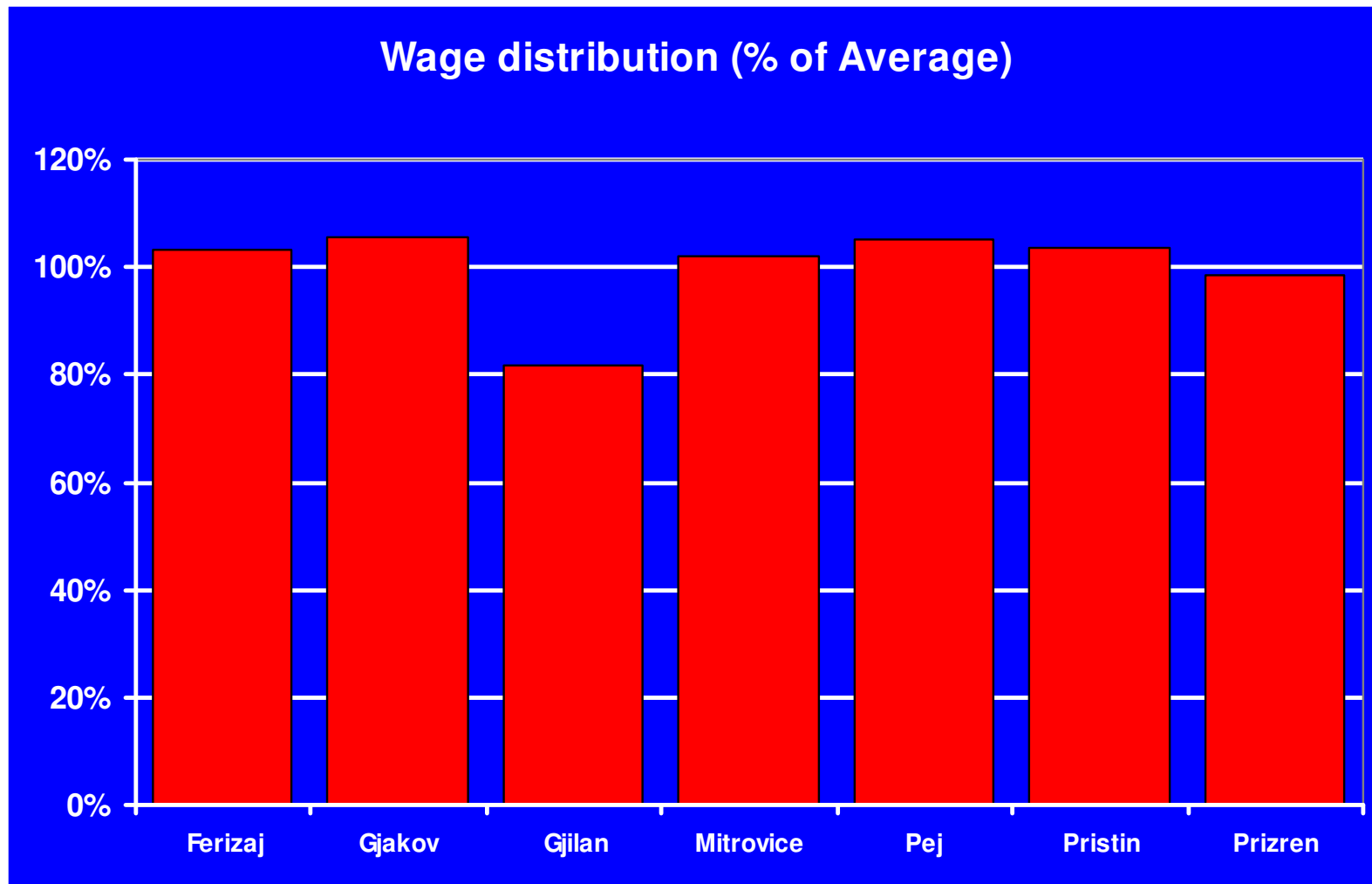
- Previous studies undertaken, e.g.
 - Statistical Office of Kosovo
 - European Commission
 - Consultants etc.
- Macro / average analyses only
- New study to focus on the incomes of the poorest sector
- Impacts on affordability of services
 - Water supply
 - Waste collection and disposal

Findings – Income (1)

- Average household income \approx €376 / month
- Distribution of income relatively uniform
 - Income of poorest 10% \approx €80 / month
 - Income of next poorest 10% \approx €150 / month
- Poor comprise \approx 20% of population
- Very poor (food poverty) \approx 10% of population
- Households receiving social assistance \approx 8% of population



Findings – Income (2)



Water demand and affordability

- Average domestic demand \approx 80 lpcd
- Domestic demand of very poor \approx 50 lpcd (basic needs requirements)
- Current tariffs well below full cost recovery levels - need to be increased x 5 or more
- 6 % - 10 % of households may struggle to pay water bills based upon affordability ceilings of 3 % to 5 % of household income.
- Social cases represent 8.4% of households.

Potential for water tariff increases

- If 20% of households supported with social assistance can increase tariffs by $\approx 100\%$ (range 50% to 170%)
- Optimum least economic cost between financial viability of utilities and support to the poor – further analysis required.

Willingness to pay - water

- Approx 50% water unpaid but only 10% considered attributable to affordability
- Reasons unknown but may include:
 - Poor level of service
 - Inconvenience
 - Limited powers of enforcement
 - Unwillingness to collect
- Recommendations
 - Communications
 - Promotion of management initiatives
 - Performance targets

Support mechanisms - water

- Water bills for poorest 10% of households \approx €3.50 per month
- Total subsidy requirement \approx €1.2 million per year for poorest 10%
- Total subsidy requirement \approx €2.5 million per year for poorest 20%
- Registration processes for social cases (responsibility of customer to register)
- Limit subsidy to basic needs
- Government policy decision – not WWRO

Recommendations

- Government to examine options for providing financial support to the poorest households for water but balanced by price increases leading to full cost recovery
 - Support to the poorest 10% of the population \approx 40% tariff increases
 - Support to the poorest 20% of the population \approx 100% tariff increases
- Communications strategy necessary.