

**Community Managed System  
for  
Operation, Billing & Collection  
of Water Charges**

**Prepared by**

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## PREFACE

The Urban Local Bodies are mandated to make adequate provision for the management and maintenance of all municipal water works and construction of new works for providing supply of suitable water for public and private purposes. This requires adequate resources which are to be raised from consumers. Inadequacies in management include high proportions of non-revenue water, poor billing arrangements, limited metering, non-viable pricing, lack of proper municipal dues collection, and poor revenue recovery rates leading to commercially non-viable urban local bodies, and inadequate service coverage especially in the slum and squatter settlements to improve service delivery. The prevailing water tariffs are generally below the actual cost of water supply. Moreover, the urban water supply sector has traditionally been plagued with high levels of inefficiencies leading to poor service delivery. This leads to a poor willingness to pay among the consumers and consequent poor collection of water charges and financial losses to the urban local bodies. Rationalization of water tariff and its billing and collection system is one of such measures to improve fund mobilization.

Water for Asian Cities (WAC) Programme, a collaborative initiative between UN-HABITAT and Asian Development Bank (ADB), is supporting the implementation of the water and sanitation related targets in Asian cities and promoting new/innovative investments in the urban water and sanitation sector. In India, WAC is supporting the ADB financed MPUWSEI Project in cities of Bhopal, Gwalior, Indore and Jabalpur in the state of Madhya Pradesh for the improvement and expansion of urban water and sanitation services.

In the area of water demand management, the UN-HABITAT had commissioned The Energy & Resources Institute (TERI), New Delhi and Water Resources Planning and Conservation (WRP), South Africa for developing Water Demand Management strategy to reduce unaccounted for water as well as to improve the revenue of the Municipal Corporation of the four project cities. The study has recommended a comprehensive city-wise reform package, which include an efficient billing and collection system for water charges. This Publication is a policy initiative on Community Managed System for Operation, Billing & Collection of Water charges, jointly prepared with the Directorate of Urban Administration and Development, Government of Madhya Pradesh followed by consultation with Municipal Corporations and other stakeholders.

The initiative suggests that for improving the efficiency of collection of water charges, the billing and collection system should be decentralized to the door step of the consumer, matching with the income cycle and paying capacity of consumer. A mechanism for converting individual households billing into bulk consumer billing be devised to reduce cost of billing and collection through the involvement of the community based organization like "Mohalla Committees". This mechanism is expected to benefit both MCs and the households. The Municipal Corporation can choose one of the effective CBOs and may enter into agreement for entrusting the function of billing and collection of water charges. I am happy to note that Directorate of Urban Administration and Development has issued the instructions for piloting the initiative in municipal areas.

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# Chapter – I

## INTRODUCTION

### Background

The Millennium Development Goal 7 target 10 targets access to safe drinking water supply and basic sanitation to the under privileged. These two issues pose new challenges to all civic bodies in providing these very basic services for ensuring a healthy living environment. This could build on capacities of communities to make significant progress with regard to poverty reduction and improvement in the quality of life. The current level of investment in the water sector is quite inadequate. While additional financial resources will help to meet these challenges, infrastructure investment alone does not ensure sustainability. The need for efficient use of existing water resources, and community participation are imperative to make increased coverage to all a reality.

There are prospects for a rapid increase in the external investment flow to improve service delivery in this sector. It is expected that efforts are made to intensify domestic mobilization of funds. Rationalisation of inter tariff is one of such measures to improve fund mobilization.

Inadequacies in management include high proportions of non-revenue water, poor billing arrangements, limited metering, non-viable pricing, lack of proper municipal dues collection, and poor revenue recovery rates leading to commercially non-viable urban local bodies, and inadequate service coverage especially in the slum and squatter settlement to improve service delivery.

The prevailing water tariffs are generally below the actual cost of water supply. While over the years, both the annual receipts from water charges and annual Operation and Maintenance (O&M) expenses have been rising, the trend in the former has been subdued compared to the latter resulting in a growing gap between the two and thereby further resulting in mounting losses over the years.

This paper puts forward possible measures for strengthening the urban water sector along with the enhancement of the capacity of the community, emphasizing the importance of water charges billing and collection involving user groups or Non-Governmental Organisations (NGOs).

### Context and rationale of the initiative

**Water for Asian Cities (WAC)** Programme is a collaborative initiative between the United Nations Human Settlements Programme (UN-HABITAT), the Asian Development Bank (ADB) and Governments of Asia. WAC Programme in India is to pursue the accomplishment of Millennium Development Goals (MDGs) relating to water and sanitation at the local level in four cities viz. Bhopal, Indore, Gwalior and Jabalpur in the state of Madhya Pradesh. The WAC Programme is supporting the following areas agreed upon at the Regional Consultation held in August 2004 in New Delhi and reiterated later in the Consultation held in Bhopal in March 2005:

1. Pro-poor Urban Water and Sanitation Governance,
2. Integrated Urban Environmental Sanitation ,
3. Capacity Building ,
4. Monitoring and Evaluation and Knowledge Sharing.
5. Water Demand Management

In the area of water demand management the UN-HABITAT had commissioned studies on water demand management in four cities of Madhya Pradesh through The Energy and Resources Institute (TERI), New Delhi and Water Resources Planning and Conservation (WRP), South Africa, with the objectives of conducting a water balance study, recommending the measures for reducing non revenue water and preparation of a detailed database on a Geographical Information System (GIS) platform. The scope of the studies also covered a review of the existing institutional, policy, legal frame work, tariff structure including billing, pricing and recovery structures and suggesting measures for financial sustainability in the four project cities of Madhya Pradesh.

The study had recommended the need for a sound billing and collection system essential in respect of the taxes levied by the urban local bodies and the amount collected by them. A sound billing system can ensure timely serving of demand notice and collection of dues from individual customers, thereby enabling efficient cash recycling. The present situation of recovery as a percentage of the demand in case of individual consumers is not encouraging in the 4 project cities.

## Chapter – II

### STATUS OF WATER CHARGES BILLING AND COLLECTION

The urban water supply sector in India has traditionally been plagued with high levels of inefficiencies leading to poor service delivery and a high level of losses. This leads to a poor willingness to pay among the consumers which on the other hand translates into a financial crunch for the utility making any improvements in day to day O&M very difficult.

#### Water charges

The Madhya Pradesh Municipal Corporation Act, 1956 Section 66(K) requires the corporations to make adequate provision for the management and maintenance of all municipal water works and construction of new works for providing supply of suitable water for public and private purposes. Proper management of water works entails the resources which are to be raised from consumers, should be adequate to meet the O & M as well as the cost of capital works. However, the water taxes were never commensurate even to the expenditures incurred on the operation and maintenance of the water supply to the consumers.

In the year 1995, the Department of Local Self Government, GoMP, vide its circular No.F-6/18-95/18-3 dated 22.12.1995 promulgated the minimum uniform rates of Rs 60 per month for a ½ inch connection for water taxation in Municipal Corporations having a population more than 3 lacs. This was amended in the year 1999-2000 with the GoMP leaving it to the Municipal Corporations to decide upon the water tax based on their income and expenditure analysis of water supply to the consumers.

The Gwalior Municipal Corporation increased the rates of water taxation from Rs 60 to Rs 80 per month from 1.4.2002. The Jabalpur Municipal Corporation has not made any changes from the existing Rs 60. The Bhopal Municipal Corporation raised the water charges from Rs 60 to Rs. 150 per month from 15.7.2001, but in view of pressure created by local power brokers against the move this increase has been withdrawn from 1.10.2004.

The Corporations broadly classify water uses in the following categories:

1. Domestic
2. Commercial including establishments such as hotels, restaurants, beauty parlours, cinema theatres, nursing homes etc.
3. Industrial

The Corporations charge domestic consumers on a monthly fixed rate basis while it is a volumetric rate for other categories. Though there is also a volumetric rate existing for domestic uses it is not used on account of lack of a non functional individual water meters. The status of the rates of water charges in four Municipal Corporations over the last 10 financial years starting from 1995-96 to 2004-05 is illustrated in table No.2.1 to 2.4.

**Table 2.1: Rates of water user charges in Gwalior**

Financial year	Metered rates (in Rs. per kilo litre)			Flat (fixed) rates (in Rs. per month)
	Domestic	Commercial	Industrial	Domestic connections
1995-96	2	10	15	12
1996-97	2	10	15	12
1997-98	2	10	15	60
1998-99	2	10	15	60
1999-00	2	10	15	60
2000-01	2	10	15	60
2001-02	4	20	30	60
2002-03	4	20	30	80
2003-04	4	20	30	80
2004-05	4	20	30	80

(Source: GMC)

**Table 2.2: Rates of water user charges in Jabalpur**

Financial year	Metered rates (in Rs. per kilo litre)			Flat (fixed) rates (in Rs. per month)
	Domestic	Commercial	Industrial	Domestic connections
1995-96	1	3	3	20
1996-97	1	3	3	20
1997-98	3	6	6	60
1998-99	3	6	6	60
1999-00	3	6	6	60
2000-01	3	6	6	60
2001-02	3	9	9	60
2002-03	3	9	9	60
2003-04	3	9	9	60
2004-05	3	9	9	60

(Source: JMC)

**Table 2.3: Rates of water user charges in Indore**

Financial year	Metered rates (in Rs. per kilo litre)			Flat (fixed) rates (in Rs. per month)
	Domestic	Commercial	Industrial	Domestic connections
1995-96	1	5.25	16	30
1996-97	2	10.5	22	30
1997-98	2	10.5	22	60
1998-99	2	10.5	22	60
1999-00	2	10.5	22	60
2000-01	2	10.5	22	60
2001-02	2	10.5	22	60
2002-03	2	10.5	22	60
2003-04	2	10.5	22	60
2004-05	2	10.5	22	60

(Source: IMC)

**Table 2.4: Rates of water user charges in Bhopal**

Financial year	Metered rates (in Rs. per kilo litre)			Flat (fixed) rates (in Rs. per month)
	Domestic	Commercial	Industrial	Domestic connections
1995-96	2	4	8	30
1996-97	2	4	8	30
1997-98	2	4	8	30
1998-99	2	4	8	30
1999-00	2	4	8	30

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