

# A FEW CENTS ON YOUR WATER BILL: TANA'S SURCHARGE SYSTEM

In Madagascar's capital Antananarivo (Tana), water bills include various surcharges designed to help finance water and sanitation. In recent years, Water & Sanitation for the Urban Poor (WSUP) has been working with local government and with the utility JIRAMA to optimise the use of these revenues to support water supply improvements in low-income communities. This brief describes how this interesting system works, and considers how it might be further developed.

In Madagascar, water and electricity are supplied mainly by the national utility, JIRAMA. Customers receive a monthly bill for water and electricity, and both components include various additional charges. This Finance Brief looks at two of these charges, the Municipal Surcharge and the Sanitation Charge. Here is an example water bill for a domestic customer who has used 15m<sup>3</sup> of water over the one-month billing period:

	Amount US\$ (ariary)	How calculated?	How spent?
<b>Water Charge</b>	5.057 (11,865)	usage charge + fixed charge	(domestic water supply)
Water: usage charge (in this case for 15m <sup>3</sup> )	3.665 (8,600)	360 ariary per m <sup>3</sup> for first 10m <sup>3</sup> 1000 ariary per m <sup>3</sup> above 10m <sup>3</sup>	
Water: fixed charge	1.392 (3,265)	(dependent on network diameter)	
<b>Sanitation Charge</b> Redevance d'assainissement des eaux usées	0.367 (860)	10% of usage charge	solid waste, sanitation and drainage
<b>Municipal Tax</b> Taxe communale	0.110 (258)	3% of usage charge (varies: 3-4.5% in CUA, 1-7% in FIFTAMA)	water consumption in municipal buildings and public facilities
<b>Municipal Surcharge</b> Surtaxe communale	0.006 (15)	0.17% of usage charge (varies: 0.1-0.3% in CUA, 1-5% in FIFTAMA)	water network extension in the municipality
<b>Sales Tax (VAT)</b> TVA	0.801 (1,880)	20% of all components except usage charge for first 10m <sup>3</sup>	(national sales tax)
<b>TOTAL</b>	6.341 (14,878)		

Dollar values calculated from March 2014 exchange rate (1 ariary = \$0.0004262), and shown to three decimal places, e.g. 0.006 = 0.6 US cents. This is an example bill from the CUA. These taxes and surcharges are applied to customers with household connections, not to water kiosks. For comparison, a kilo of rice costs about \$1.60.

## THE MUNICIPAL SURCHARGE: FUNDING FOR NETWORK EXTENSION

The Municipal Surcharge is a very small amount: just 0.6 of a US cent in the example above. Nonetheless, the surcharge raises significant funds: JIRAMA data for 2013 indicate that about \$20,000 was raised by the surcharge in the central municipality of Antananarivo (the *Commune Urbaine d'Antananarivo*, CUA) and about \$110,000 in the peri-urban municipalities (the FIFTAMA *communes*).

The surcharge is collected by JIRAMA, but expenditure decisions are made by each Municipal Council. The money goes into a "works fund" account (*fond de travaux*) held by the utility, which sends quarterly updates to each municipality; the municipality is then able to request expenditure on designated projects (through an *Ordre de Prelevement*, e.g. "please allocate \$15,000 to network extension into District X").

The *fond de travaux* is ring-fenced for extension of the water and electricity networks. There is no legislated requirement for the funds to be spent in low-income districts. Since 2012, WSUP has been lobbying for more targeted use of these funds for network extension to supply water kiosks in low-income districts, and between 2012 and 2015 at least \$80,000 was allocated from the *fond de travaux* to water kiosks and

associated network extension, alongside donor investment. Thus a substantial proportion of these funds is now being spent in a clearly pro-poor manner, reflecting the strong commitment of both JIRAMA and municipal governments to water supply improvements in under-served communities.

## THE MUNICIPAL SURCHARGE: WAYS FORWARD?

**Raise more revenue?** The relevant legislation (*IIM 1990 001*) indicates that the total Municipal Tax and Municipal Surcharge may be up to 10% of the pre-tax water bill total. In both the CUA and FIFTAMA, the amount charged is currently much less (about 2.3% in the above example). There is of course political and consumer resistance to increasing water bills, and we would not necessarily argue for an increase in these taxes at this time. Rather, we suggest that it would be useful to review the current system, including the Sanitation Charge, to assess how this already-functioning model might be modified and extended to help meet urban development objectives.

**Use the money more effectively?** As noted, WSUP has lobbied for the *fonds de travaux* to be targeted at low-income consumers, and particularly to fund network extension in currently under-served districts: this is currently working well, notably in FIFTAMA municipalities. A further improvement would be to develop more strategic planning of network extension requirements, in close collaboration between each municipality and JIRAMA, considering both kiosks and household connections.

## THE SANITATION CHARGE: CURRENT SITUATION

The Sanitation Charge is currently a very small amount (in the example overleaf, 10% of water usage charge = 6% of the total water bill amount), though this still raises significant revenues (about \$570,000 in 2014). This money is held by JIRAMA, and disbursed on formal request to SAMVA, the municipal department responsible for solid waste, drainage, and sewerage. We do not have detailed information on how SAMVA uses this money: however, it is widely accepted that SAMVA is currently under-resourced to meet the CUA's enormous sanitation challenges.

## THE SANITATION CHARGE: WAYS FORWARD

**Raise more revenue?** The legislation (*LOI 1995 035*) indicates that the Sanitation Charge should be 15-25% of the total water bill, but in the example shown above it is only 6%. This is *much*

less than required to finance urban sanitation: in Kenyan cities, for example, the sanitation charge for sewered customers is about 75% of the water bill. There is a clear opportunity here to look at ways of raising more revenue through the Sanitation Charge. We would argue for a system in which a) sewered customers pay a substantially increased charge to cover sewerage costs; b) non-sewered customers pay a smaller charge for non-sewered sanitation and drainage services; and c) there is a defined cross-subsidy from relatively wealthy consumers, to support improvements in under-served districts (alongside investments by central government and donors). But of course development of an improved Sanitation Charge model will require detailed financial analysis and associated studies which are beyond the scope of this Brief.

## Raise the Sanitation Charge in FIFTAMA communes?

Currently the Sanitation Charge is raised only in the CUA, not in the peri-urban FIFTAMA municipalities. We would argue that the peri-urban municipalities might consider raising the Sanitation Charge, to help finance sanitation improvements in these communes; this is authorised under existing legislation, and again offers a powerful avenue towards equitable financing of sanitation improvements.

## EXCITING MODEL, EXCITING PROSPECTS...

Antananarivo is a step ahead of most African cities, in that there is an existing mechanism for local revenue generation to support water and sanitation improvements. In recent years, some of these revenues have been used to support water supply improvements in low-income communities. We suggest that there is now a clear opportunity for relevant actors to review the existing model, with particular attention to the possibility of increased revenue generation through the Sanitation Charge. Of course, increased public revenue generation can only be justified if there are effective structures in place for service provision. Furthermore, there is a need for strong regulation to ensure that revenue generation and expenditure are *socially equitable* and at the same time *financially viable*; currently there is no independent WASH regulator in Madagascar. There is no space in this short Brief to discuss these complex issues in depth. But we believe that local governments and JIRAMA are in a strong position to achieve an effective and equitable system for sanitation financing, creating a sector-leading model on the international stage.

### PUBLIC FINANCE for WASH

The Public Finance for WASH initiative is grounded on two principles: i) that sustainable universal provision of high-quality water and sanitation services is fundamentally dependent on progressive domestic taxation systems, and that consequently ii) WASH-sector donors, donor-funded NGOs and in-country actors need to pay greater attention to ensuring that ODA is delivered in ways which support the development of effective and equitable domestic public finance systems.

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