

# Why should I pay for water?

## FAQ

(Community-based Financing for Operation and Maintenance of Rural Water Supply System created under the Jal Jeevan Mission)



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April 2022

## Preface

The National Jal Jeevan Mission (JJM) Guidelines specifies the Gram Panchayats (GPs) to take over the Operation and Maintenance (O&M) of rural water supply infrastructure. The most essential of them are: technical management and financial management of the system. Often enough, when GP functionaries initiate a discussion about collection of water user charges, the community tend to ask several questions. Their questions are usually based on stereotypes such as: *‘Water is a basic necessity for life. Is it not a responsibility of an elected local body (Gram Panchayat) to provide it for free? ‘Why should I pay for water’?* This is an oft-repeated question an extension worker has to face from the rural households.

Their contention is that water and sanitation including solid waste management are essential functions of a Gram Panchayat, stipulated under the State Panchayati Raj Act. It’s for the Panchayats to find funds as to how to operate and maintain such facilities. Basically the question they have is one. But they ask that in several different words as a series of non-stop questions – some logical and others argumentative.

Thus, the experience with regard to collection of water tariff from water users has always been a challenge. The community level trainers have to do enough home work to be able to offer a convincing explanation. A trainer’s response cannot be off-hand or casual. The community members have their reasons, why they think the GP or the State should pay. As a trainer what’s your convincing response to rewire their thinking? Are you prepared? Can you convince? Are you convinced yourself, in the first place?

What are your logical and technical reasons that make you think that the community should pay? Is it because the JJM guidelines say so, or you are convinced that the community should pay so that benefits can sustain? The point is the community members have one thousand reasons why they think they need not pay for drinking water. As a trainer at the community level, what is your logic to persuade and convince people that they should pay for water - and that it is in their interest? By the way, it’s not about developing a counter-argument. Nor is it getting into an academic scrap. The idea is it must serve a practical purpose.

This FAQ is to be used for a role play in a training session, where one participant can play the role of community level trainer, and one or a few others can play the role of a resistant community. The task of the trainer is to explain and convince the resistant community to pay for water.

**Questioner - 1:** *Why should I pay for water?*

**Trainer:** The Government has invested in creating water supply infrastructure and facilities. This is *one-time investment*, the government incurs for every Gram Panchayat. The *recurring expenses* incurred on daily provision of water to every household have to be borne by the user community.

**Questioner - 2:** *Actually, for creating infrastructure facilities or for expanding the existing facilities in order to provide Functional House Tap Connection (FHTC) to every household require huge expenditure. I can understand it. But, for simply operating and maintaining the facilities, do we need money?*

**Trainer:** Are you paying monthly electricity bill for your house?

**Questioner – 3:** *Yes. I do. But what has my household level power bill, it to do with a common facility like water supply?*

**Trainer:** I am just trying to understand if you invested one time to get power connection to your house, and thereafter never paid your monthly power bill. You do pay your monthly power bill in time, right? Thus, be it a private facility or common facility – the users have to pay for the services they enjoy, the benefits they derive through that facility. I hope you agree with this. ‘Users of service pay’ so that any service provider can help sustain the benefits.

**Questioner - 4:** *For a private facility, yes. But, for a common facility, why I should pay? That’s my fundamental question. If it’s a common facility it has actually to be incurred by the Gram Panchayat, isn’t it?*

**Trainer:** I mentioned earlier that the government provided the technical infrastructure facilities. Can you tell me, to be able to do that, where did the government get money from? My simple question to you is, *what is the source of revenue for the government to provide you the water supply infrastructure, road, street lights etc.?*

*Questioner – 5: The government collects various taxes from the people. It can be income tax, property tax, GST and so on. Therefore, the government has money.*

**Trainer:** Yes, the central and state governments levy various taxes, which are the main source of revenue for the government. The tax money is used for creating facilities such as roads, street lights, building houses for the poor, providing water supply facilities etc. These are incurred as one-time expenditure. For instance, a poor household is sanctioned a house under PMAY-G programme. It is one-time expenditure that the government provides to that family. You cannot expect the government to repair and whitewash all PMAY-G houses before every *Sankranti*, isn't it? That's the crux of the matter. The users of the house have to maintain and upkeep, isn't it? The same holds good for drinking water supply.

*Questioner – 6: Once a house is provided, the house owner has to take care of the maintenance. That's logical. My question is about paying for water, which is freely available from sources created with one-time investment*

**Trainer:** Again, we are back to square one! The source and facilities were created with one-time investment made by the government. But, there is a water supply operator in our villages who ensures that every household gets safe water at appointed times; he has to chlorinate the water in order to ensure safety of the water supplied; he has to operate the pump, which requires electricity; the Panchayat has to pay the electricity bills to the Electricity Board. If EB bill is not paid on time, the Electricity Board may cut the power supply, which will result in the GP being unable to pump water.

Let's take another example, the government provides street lights to our villages. Street lights are one-time investments. When a street light is fused, whose responsibility is it to replace it with a new one? The government does not come to replace every time a tube light is fused. It's the local government that has to maintain it, isn't it? A related issue here is who is paying the electricity bill every month so that Electricity Board doesn't cut the power supply to the street lights? It's the Gram Panchayat, right? That means if certain benefits have to sustain there are many

recurring expenses involved in it. Therefore, for the GP to be able to pay for the electricity bill and to maintain street lights, or the water supply facilities it's quite logical that the users have to pay.

**Questioner** – 7: *If the users do not pay or stopped paying for the service, do you think a GP can stop providing drinking water? I think, practically, it is impossible to stop.*

**Trainer:** Practically speaking it does not stop immediately, but it does stop very soon. Since Panchayat functionaries are basically political persons, they would not want to earn the displeasure of the community members. So, they shall try to run it by requesting the EB not to cut power supply; and convincing the watermen that they would get their salaries as soon as some funds are received at the GP; by pleading the materials suppliers that their dues will be cleared once the GP receives some fund from the government etc. This may help run the system for a short-term. But, it cannot run for long. If the EB dues are not cleared for long, obviously, there will be pressure from their higher ups on mounting overdue. The local EB Department has to take action, by cutting the power supply. After some time, the watermen will stop working in protest against their long pending salaries. There will be no funds with the GP to attend to repairs and leakages in pipelines. When power supply is cut, there is no way water can be pumped to the Over Head Tank for distribution. Ultimately, water service delivery has to come to a halt. In such a situation, we shall have pipelines. There will be no water coming in the taps.

**Questioner** – 8: *If users have to pay for all such services, why does a Panchayat exist? What's the use of a Panchayat? Why did we all vote and elect a local body, if they are going to ask us to pay?*

**Trainer:** Users are not different from voters in any given village. I hope you agree with me. In other words, all the rural households are 'users' of various services. As users it is quite logical they must together maintain these facilities. On their behalf they created a local body, which we call Gram Panchayat. The Gram Panchayat manages and maintains these services. Now, where will the Gram Panchayats get

funds to operate or maintain these facilities, unless the users pay? It's like saying: *I shall milk a cow daily, but I shall not feed the cow nor water it.*

**Questioner – 9:** *Are the Gram Panchayats not receiving any grants from the government to maintain these facilities / provide these services?*

**Trainer:** That's a right question you asked. In order to strengthen the decentralised governance at the grassroots level, the Government of India has come out with Central Finance Commission grants. The Panchayati Raj Institutions (PRIs) are receiving funds annually under Central Finance Commission Grants. This is known as the XV Finance Commission Grant to Panchayats. In fact, as per the stipulations of the XV FC funds, sixty percent can be used for WASH related expenses; and the remaining 40 percent can be used for any purpose that the Gram Sabha may decide. The rural local bodies can use that fund towards delivering basic services to the rural citizens with a special focus on water, sanitation, hygiene (WASH) and health. Thus, there is this fund available for maintaining water and sanitation facilities at GP level.

You must also understand that XV FC fund is a small piece of cake that has to be sliced into several pieces. This fund is to be used for many purposes such as maintenance of water and sanitation facilities including solid waste management; repair and maintenance of waste collection vehicles; cleanliness of community sanitary complex etc. Therefore, the XV FC fund can serve something like a critical gap fund, when the user charges collected is insufficient. We must be aware that the XV FC funds might be barely sufficient to meet the entire Operation and Maintenance (O&M) expenditure on water supply.

**Questioner – 10:** *If the GP can use some portion of the XV FC funds for meeting the O & M related expenses why should every household pay? It will be enough if some households, who can afford to pay, pay. The GP can manage, right?*

**Trainer:** You are not paying, and it sounds absolutely rational to you! If it sounds rational to you, it's rational enough for everyone else, right? It's like the proverbial street light. *Who wants to pay for the street lights?* If some are paying and others do

not pay, eventually those who pay shall also stop paying. Therefore, it is necessary every household (and all the users of water service including institutions and restaurants etc.) pay a fixed amount as user charges. The amount of user charge may be fixed by Gram Sabha considering the affordability of the households, and the expenses involved in water supply.

The rational way of looking at it is, work out a rough budget as to how much your GP is spending every month on water supply related expenses such as EB bill, repairs and maintenance, pump operators' salary etc. Similarly, calculate how much is the revenue generated by way of user charges. We need to see if it shows surplus or deficit. After collecting from all water users, deficit, if any can be drawn from XV FC funds. This is what is meant by gap filling fund. This way, the GP will be able to use XV FC funds for meeting not only for water supply but also for expenses related to solid waste management, maintenance of community sanitary complex, cleaning up of drainage etc.

*Questioner – 11: Are people in the Town Panchayats and municipalities paying for water?*

**Trainer:** Yes. They do pay for water. Mostly it's collected annually.

*Questioner – 12: Maybe, they can afford to pay. But, how can poor rural people pay?*

**Trainer:** It is true - in rural areas - there are households that are poor. If the Gram Sabha decides some poorer families may be identified as 'extreme poor' based on locally evolved criteria. Nevertheless, this number cannot exceed 10 per cent of the total households. Such families may be exempted from paying the user charges. This is within the prerogative of Panchayats. Taking cognizance of this, a Gram Panchayat can decide differential user charges / tariff to households, institutions, restaurants, tea stalls, and marriage halls etc. Such tariff setting will counterbalance if some poorer families are officially exempted from paying.

**Questioner – 13:** *In the past, nobody was paying user charges. Despite it, the GPs have been ‘somehow’ managing to supply drinking water in yard taps and common water collection points. How was that possible? If that was possible in the past, why not now?*

**Trainer :** This is an important question. I am happy you asked this question because to a large extent what you say is true. I appreciate you said: ‘*the GPs have been “somehow” managing*’. But you must understand *what is behind that “somehow”*. And why we cannot afford to tread on the same path now or in the future anymore.

In the past I am sure you have complained often enough that many resolutions were passed in the Gram Sabha meeting, but hardly a few of them were implemented, right? That’s not because Panchayats did not receive funds to implement most of them. But because often funds had to be diverted by the GP to pay for maintenance dues such as arrears to be paid to the Electricity Board; salary dues to be paid to the watermen; pending bills to be paid to some materials suppliers who supplied materials for repair of leaky pipes, taps etc. You can check your GP at any given point in time you shall find the amount of pending bills that the GP owes to the Electricity Board is huge. Whenever Electricity Board has to take action by way of disconnecting power supply, the BDO or the Chairperson of / Assistant Director of ZP or the District Magistrate intervene and promise to pay the amount due to EB, when the next instalment of fund is released to the GP.

Accordingly, for instance, when the XV FC fund is released for some development purposes, the District Magistrate has the powers to instruct the GP to immediately clear the amount due to the Electricity Board. Similarly, there is a constant pressure from the watermen urging to get their salary arrears that they did not get for months. Thus, it’s a general practice in GPs that fund meant for development purposes are diverted for clearing up the pending electricity bills or pay the salary dues of Panchayat workers including sanitation workers etc. Unfortunately, this does not come to the knowledge of the ordinary residents in the village. They end up blaming the GP for not implementing the resolutions passed.

Thus, it's sometimes the EB bill; at times it is pending operators' salary; and at other times, it is amount due to some vendors who supplied materials for repair of motor or to set right break down in water supply. In all these what happens is one and the same – *money meant for development purposes diverted to pay dues, which otherwise should have been paid through user charge collection.* That was the past.

That's what we are trying to change. If we can clear up EB dues, watermen salary etc. from the user charges collected, money meant for development purposes such as from the XV FC fund can be democratically decided and spent as per the priority of the Gram Sabha. Don't we have to move towards this, if at all we are running a local self-governance system at GP level?

That's a long answer. But, you need to know so you can decide what do you think should be the future like.

**Questioner – 14:** *I understand, but apart from water supply, there are other services such as solid waste management etc. Do we have to pay for it again separately?*

**Trainer:** There are several ways to generate revenues within a Gram Panchayat. Generally GPs raise a house-tax demand and most Panchayats think that it's the only source of local tax revenue. Trying to explain various ways of generating local tax revenue by a GP will be a digression here. So, I avoid discussing them here. For the purpose of maintaining water and sanitation related expenses, the GPs can collect water users' charges. But again, solid waste management and drainage cleaning etc. also involve expenses. Therefore, what can be suggested is GPs can consider collecting '*utility charges*', which should cover all water and sanitation, related expenses encompassing water, waste management and so on.

This can be collected annually, instead of making it monthly or quarterly. In order not to make the people feel hard, water tax (or '*utility tax*', which combs water and village cleanliness related) can be collected, along with annual house tax demand. It is best raised in December every year asking people to pay by 31<sup>st</sup> March of the

succeeding year. In order to incentivise paying (i) those who pay in January (next year) may be allowed 10% discount; (ii) those who pay in February may be allowed 5% discount; and (iii) those who pay in March will have to pay the full amount.

Similarly, those who pay after 31<sup>st</sup> March may have to pay a penalty of 5% or 10% as the case may be, as month go by. There are GPs where people do not bother to pay any tax at all – including the property tax or house tax. In such places, the GPs have the practice of collecting such pending taxes when a household visits the GP office for obtaining some certificate or benefit under government schemes. The GP uses that opportunity to collect tax (including annual water tax) from such households. The households are asked to attach receipts of house tax / property tax / utility tax so as to obtain any certificate from the GP. This is a kind of coercive way of collecting tax when people have a tendency to take it easy when it comes to paying taxes to the GP.

All said and done, annual collection is found to be the best method, rather than going for monthly collection. Going for monthly collection of tax is laborious and tiresome. Again, accounting it for every household – preparing defaulters list every month etc. are unnecessary clerical works in already staff-starved GPs. It's best done annually.

## **Conclusion**

Like the central or a state government does, it is quite orderly and methodical that the local governments have to generate own source revenues to maintain water and sanitation infrastructure, if at all facilities have to render sustainable benefits. This is a basic tenet in local governance.

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