

Utilities as Creditors: The Effect of Enforcement of Water Bill Payment in Zambia

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Abstract : Providing safe and affordable drinking water to low-income households in developing countries remains a challenge. Policy goals of increasing household piped-water access and cost recovery for utility providers are often at odds. Nonpayment of utility bills is frequently cited as a constraint to improving the quality of utility service. However, nonpayment is widely tolerated, and households often accumulate significant debt to the utility provider. This study examines the effect of enforcement of water bill payment through supply disconnections in Livingstone, Zambia. This research uses a dynamic model of household monthly payments and accumulation of arrears, which determine the probability of disconnection, and simulates the effect of exogenous changes in enforcement levels. This model is empirically tested using an event-study framework of exogenous increases in enforcement capacity that occur during administrative rezoning events, which reduce the number of households that one enforcement agent is responsible for. The results show that households are five percentage points more likely to make a payment in the months following a rezoning event, but disconnections for low-income households increase as well, resulting in little change in revenue collected by the water utility. The results suggest that high enforcement of water bill payments toward credit-constrained households may be ineffective and lead to reduced piped-water access.

Keywords : enforcement, nonpayment, piped-water access, water utilities

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