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FAO/USAID EXPERT CONSULTATION
ON IRRIGATION WATER CHARGES

Main Findings of the Consultation

Equitable and reliable distribution of water is the key to achieving efficient use of water. Except in situation where both (a) water is very scarce, and has a high farmer and general social value and (b) the irrigation system delivers water on a demand basis, water charge policies are unlikely to have any significant impact on the efficiency with which individual farmers use the water. (L. Small notes, P.3 #2).

Water charge policy is not an effective method of dealing with broad issues of social equity, such as rural-urban income disparities or highly skewed land ownership patterns. Other policy instruments for dealing with these issues are preferable. (L. Small notes P.1)

General Statements about the role of water charges and irrigation development

1. In almost all countries irrigation has a role to play - whether irrigated areas are growing or not.
2. Provision of good irrigation service costs money and all farmers should pay something (cost/labour) for this important agricultural input.
3. Careful attention should be given to the political acceptability of water charge policies

- a) Active political support is critical to successful implementation of water charge policies.
 - b) Charging policies need to be broadly compatible with overall government policies toward the pricing of services in both the agricultural and non-agricultural sectors.
4. Achieving satisfactory system management is a precondition of talking about water rates.
 5. Equity considerations within irrigation projects between public and private schemes, as well as between the irrigated sub-sector and rainfed agriculture support the proposition that subsidized water users should make a contribution to irrigation costs.
 6. In establishing water charge policies, the costs of implementation (including personnel, physical structures and administrative procedures) needs to be evaluated carefully, and ways sought to minimize these costs relative to the revenues generated.
 7. Water users should be involved in the decision processes for both capital expenditures and O&M expenditure.
 8. Cost reduction in system design and future O&M should be brought into harmony with social, environmental and production goals. Techniques of least-cost maintenance (and operation) is a blind spot that has been neglected by the engineering profession.
 - a. Engineers should be pressed to show how their estimates of future O&M costs will actually be used;
 - b. social scientists should attempt to understand engineering concepts at least as well as they understand those from agronomy.

9. Decentralization of operational and financial responsibilities within irrigation schemes should be encouraged in order to create conditions favourable to both increased farmer involvement and increased agency accountability. The development of strong farmers' organizations with operational and financial capabilities is critical to the success of such an approach. There should be clear linkages between the financial responsibilities of water users for irrigation costs and the accountability (to the water users) of those responsible for irrigation investment and management decisions.
10. Programs to help farmer owned irrigation systems remain productive should be encouraged.....
11. Donor agency policies concerning irrigation development cost recovery should be clearly defined and, where possible, consistent with each other and responsive to local special needs and sensitivities.

Detailed Statement on Policies for Implementing Irrigation Water Charges in Public Systems

1. Water users should make a contribution to cover at least a portion of both O&M costs and future capital costs.
 - a) In establishing the water rates the farmers' ability to pay, as reflected in the incremental net income due to irrigation investment, should be taken into consideration,

- or -

if farmers desire a particular level of maintenance (& operation) the government should match the farmers' "payments" according to agreed formula.

2. A method of indexing water charges is needed in countries where inflation rates are high in order to reflect real resource values in the face of inflation or deflation.
3. The goal should be to move toward a level of water charges that covers the full cost of normal O&M, plus the recovery, with interest, of as much as possible of the future capital costs, while leaving a portion of the net incremental income with the water users.
4. The target farmer share of capital cost recovery should be based on considerations of:
 - a. the general structure of macroeconomic policies, and the burden or benefit of these policies on the farmers; and
 - b. the extent to which goals other than increasing farmer incomes have increased the total investment costs.
5. Future capital expenditures should not be made until agreements are reached between water users and the implementing agencies regarding the financial responsibilities of each.