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Financing Operation and Maintenance of Irrigation and drainage services in Asia

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Where have we been?

- Forty years ago, World Bank Policy on cost recovery in irrigation projects was founded on principles of:
 - **economic efficiency**
 - **income distribution**, and
 - **public savings**

Where have we been?

- Today, World Bank Policy on cost recovery in irrigation projects is founded on principles of:
 - economic efficiency = “water is an economic good”
 - income distribution = “pro-poor”, and
 - public savings = “recover costs from users”

What happened in the meantime?



Where did we go wrong (1)?

- Fifteen years spent pursuing the idea of pricing and markets to achieve economic efficiency, optimise allocation and manage demand...
- No country uses pricing to balance supply and demand in agriculture – ALL successful models are based on defined physical entitlements consistent with availability.
 - Markets only work when rights have been defined.

Where did we go wrong (2)?

- Don't confuse irrigation with WSS...
 - Irrigation is high volume, low value
 - Irrigation has “traded good” characteristics
 - Irrigation is the residual user with low reliability

Where next?

- Insist that O&M be fully funded and guaranteed by the State
 - This will catch the politicians' attention
 - It will make the extent of subsidies through recurrent “rehabilitation” clear
 - It will ensure that irrigation projects deliver the design service

To sum up...

- Be modest – we have failed for forty years to achieve adequate O&M, and we probably don't even know what it should cost
- Avoid “clever” schemes – there aren't any, except in the theoretical literature
- Insist that O&M be fully funded and watch the reaction of politicians, agencies and farmers – it will be very interesting!

Thank you for your attention!