

# Presentation

Presentation from the 2009 World Water Week in Stockholm  
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**WORLD**  
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**WEEK**

# **Financing of Water Projects: Institutional Reforms and Cost Recovery Issues in India**

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# ISSUES IN WATER FINANCING

- **COSTS OF IRRIGATION PROJECTS**
- **EXTENT OF RECOVERY**
- **THEIR IMPACT ON OPERATION AND MANAGEMENT OF PROJECTS**
- **DEBATES**
- **INSTITUTIONAL REFORMS ON COST RECOVERY**

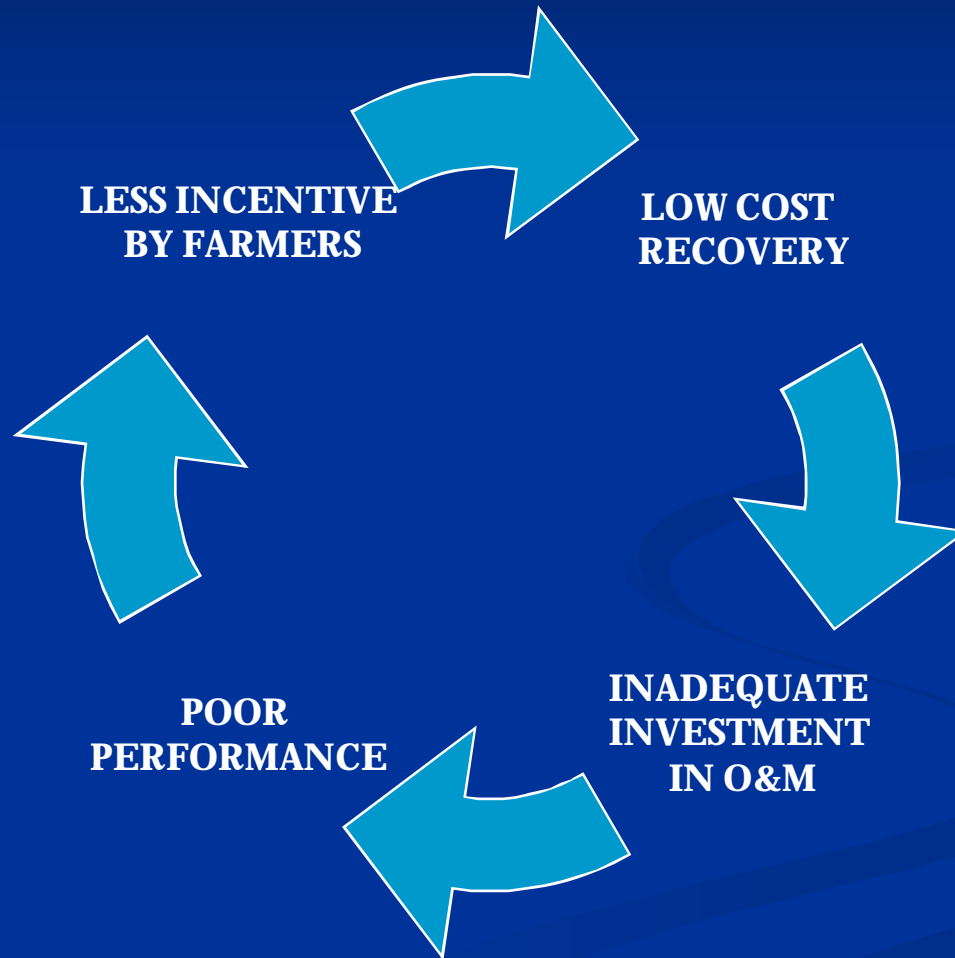
# Trends in water financing

- Not only investments in absolute prices but also in constant prices have increased.
- A study by the author has shown that the real cost per hectare in most of the Indian states is on the increase to a statistically significant level.(Rs 3500 in 1950 to 12,300 in 2007 at constant prices)
- The reason was that more number of projects were taken up with out considering financial availability which resulted in time and cost overruns.

# **COST RECOVERY**

- **20-34 PERCENT OF O&M COSTS-MANY STATES**
- **NO CAPITAL COST RECOVERY**
- **WATER CHARGES LOW-ABOUT RS 50 PER HECTARE(1 USD)**
- **LESS ALLOCATION FOR MAINTENANCE BY MANY STATES**

# VICIOUS CYCLE



# DEBATES ON THE ISSUE

## I) Farmers are willing to pay provided ...

- Farmers have contributed to the extent of about Rs.1000/ hectare towards maintenance and repair works undertaken by village communities themselves
- This is relatively VERY high compared to water charges (Rs50) and O&M cost of Rs 250 per Ha.
- What does this paradox indicate?
- FARMERS WILLING TO PAY IF BENEFITS ARE ASSURED

## **II) ANOTHER DIMENSION OF THE DEBATE**

### **-ISSUE OF LOCAL CESSES**

- In many parts of India though water charges are low, an additional tax (locally known as cesses) is collected along with water charges (five times) for local bodies .
- However this is not ploughed back to irrigation maintenance
- Farmers' contention is that as these taxes are assessed on the basis of water rates, it should be treated as user charges for irrigation the total amount collected per hectare is much higher than water rates per se. (equal to O& M cost of Rs 250/Ha)

### **III) Another Argument –Farmers Perspective**

- Another argument by the farmers' organisation is that the bureaucracy is inefficient in financial management, which results in wasteful expenditure. (eg.increased establishment cost)
- Hence farmers are not required to pay for the 'inefficiency' of irrigation bureaucracy.

## **iv) Compare with concessions to Industries**

- Industries/corporates get a huge tax concession in the budgets (eg. 68, 914 crore rupees through concessions on both direct taxes and indirect taxes-Union Budget-2009-10)
- Loans write off of Non Performing Assets (NPA) of corporates Rs48 000 crores-March2008- Business standard)
- These help relatively a few rich compared to millions of farmers

# Policy suggestions

- **Involving users in the management of systems-including main systems to improve performance**
- **Joint assessment of area irrigated and collection of water charges by FO and Government**
- **Multi-stakeholders platform involving many agencies dealing with water at local levels**

A close-up photograph of a purple flower with yellow stamens and green leaves. The flower is the central focus, with its petals showing a fine, ribbed texture. The stamens are bright yellow and stand out against the purple. The background is a solid, dark green color.

**Thank You**