

AGENDA FOR THE THIRD MEETING OF THE
TASK FORCE ON FINANCING WATER FOR AGRICULTURE (TF-FIN)
New Delhi, India
07 December 2009: 14:15-18.00 hours

Year of Establishment: 2007

Mandate:

The focus of the TF will be to get a better understanding and insight (assessment) of:

(i) the demand for financing, (ii) for whom are those investments in agriculture water, (iii) the present financing mechanisms, constraints met from the demand side, and (iv) the changes and innovations for more appropriate mechanisms to enable better access to finance.

Members : (1) Ir. Paul van Hofwegen, Chairman (The Netherlands, 2007); (2) Mr. Eric Viala, Vice Chairman (USA, 2007); and (3) Dr. Vijay K. Labhsetwar (Coordinator).

Proposed Members: (1) Mr. Zainor Rahim bin Ibrahim (Malaysia); (2) Vice President Hon. Henri Tardieu (France); (3) Mr. C.S. Mathur (India); (4) Ms. Şadiye Yalçın (Turkey); (5) Mr. E. Farhadi (Iran); (6) Mr. Bashir Ahmed Sial (Pakistan); (7) Prof. Kazumi Yamaoka (Japan); and (8) Dr. Gerhard Backeberg (South Africa).

Item 1 : Confirmation of minutes of the 1st meeting of TF-FIN

(The 2nd meeting of TF-FIN during Lahore meetings (2008) could not take place in view of scarce attendance of members)

Item 2 : Membership of the Task Force

The membership issue as such has not been discussed so far. In response to invitation from ICID Central Office on 10 July 2007, Malaysia, France, India, Turkey, Iran, Pakistan, Japan and South Africa nominated their representatives for membership of the TF as mentioned under proposed members above. Their CVs will be made available for consideration during the meeting.

2.1 Election of New Chair and Secretary

The Chairman has expressed (07 July 2009) his doubt to continue as Chairman of the TF and the TF-FIN never had a Secretary. In view of above the elections of the Chair and Secretary will be held during this meeting.

NEW ITEMS

(The background for establishing the TF-FIN is available at **Annex 1** for information)

Item 3 : Exploring a better understanding on the demand side of financing water for agriculture

Scope needs to be developed.

Item 4 : Evolve financing mechanisms in fast changing environment of agricultural sector

Scope needs to be developed.

Item 5 : Need for climate change adaptation

Scope needs to be developed.

Item 6 : Develop a position paper on “Financing Water for Agriculture”

Scope needs to be developed.

Item 7 : Workshop on “Development and financing of irrigation schemes”

The Internal workshop of TF-FIN titled “*Development and financing of irrigation schemes*” is scheduled to be held on 07 December 2009 (14:15 to 18:00 hours), together with workbody’s annual regular meeting. The announcement of the workshop is available at **Annex 2**.

Item 8 : Work Plan of the TF

Workplan needs to be developed.

Item 9 : Any other business

BACKGROUND FOR ESTABLISHING THE TF- FIN (30 SEPTEMBER 2007)

To achieve or sustain food security and the economic value of the agricultural sector, adaptation of agricultural water management practices and associated infrastructure and institutions is necessary in many regions due to the rapidly changing social, economic, climatic and physical environment.

As indicated by the Camdessus Panel and the Gurria Task Force, a redirection of investments is to take place to meet the MDGs and to face the challenge of population growth, malnutrition and poverty, the increasing competition for land and water and the need to protect resources and eco-systems. Also new challenges are appearing that necessitate adaptation to the impacts of climate change, change of diets and development of agro-fuels. The recent development of increasing world market prices for staple food products is an important factor in the development of investment strategies.

In recent years recognition grew to look at water management for agriculture in the wider context of farm systems, livelihood options and institutions. Also the recognition of farmers as guardians of the environment has changed the nature of and need for investments.

Investors are increasingly looking at complete agro-chains (crop production – storage - processing – marketing – sales) for niche markets in which beside the traditional farmers and water service operators, a new set of actors emerge i.e. water users or farmer associations, supermarket chains, food and agro-industry etc.

The next generation of investments in water management for agriculture will therefore be different from the last in type, scale, sponsors, and modes of finance. Under the Gurria Task Force, the working group on “Financing Water for Agriculture” recognized the complexity and the need to further work on this issue to identify a set of clear recommendations for various public and private, international, national and local actors to enhance access to finance for the necessary investments in this sector. The findings of the working group are available on <www.financingwaterforall.org>.

This complexity was confirmed in the Comprehensive Assessment (2007): *“It is clear that the environment in which irrigation decisions will be made is far more complex today than in the past: more stakeholders, more competing demands for [land and] water and no single overwhelming driver for investment”*.

To get more grip on this complexity, the “Financing Water for Agriculture” working group formulated three main questions around this issue as a guideline for work in the next stage:

- What are the needs for financing water management infrastructure for agriculture and where should it be? Should it be on efficiency improvement, expansion of irrigated agriculture, or technology development? And whose needs are they, as they vary from small-scale subsistence agriculture to large-scale international commercial enterprises?
- Who should pay for these investments? Within the distorted agricultural market, the separation between public and private interests has become very vague. Where does the public responsibility end and where does the private responsibility start?
- What mechanisms are most appropriate? The wide variety of functions of water in agriculture and the large spectrum of size of operations which all need to be properly funded, demands for a mix of instruments that need to be consistent and complementary.

These questions are proposed as the basis for the work for this new ICID Work body on Financing Water for Agriculture which the PCTA during its 26th meeting in Kuala Lumpur recommended and which was subsequently approved by the 57th IEC subject to the preparation of a detailed workplan and objectives.

**INTERNAL WORKSHOP OF TF-FIN ON
“DEVELOPMENT AND FINANCING OF IRRIGATION SCHEMES”
07 December 2009 (14:15-18:00 hours)
New Delhi, India**

Background

Based on discussions at different international and local events, it is clear that there is a large degree of confusion between terms such as the price and user charge for water. A major issue is the incorrect perception that farmers are being subsidised in cases where full cost recovery charges are not levied, while ignoring the indirect financial contributions through the taxation system by both direct and indirect beneficiaries. The contention is that this difference in understanding between e.g. engineers and economists leads to incorrect policy advice and also to slow progress with application of sound financing principles in practice. This explains amongst others why little progress is made with effective cost recovery and implementation of financially viable irrigation schemes.

Purpose

The workshop is organised on behalf of the Task Force on Financing Water for Agriculture (TF-FIN) on the topic of “Development and Financing of Irrigation Schemes” with the purpose to achieve consistency on theoretical issues (value and price vs. cost and user charges), clarity on practical issues (cost recovery through different water user charging systems) and correct approaches to determine the financial feasibility of irrigation development (financial and fiscal impact analyses, with explicit or hidden double taxation). Furthermore, the purpose of this forum is to achieve interactive discussions between the engineering and economics profession as well as water managers and practitioners on irrigation schemes.

Content

The format of the workshop will be presentation of short papers followed by discussions and inputs by workshop participants. The workshop with emphasis on financial feasibility analysis of irrigation development will be introduced by Dr Gerhard Backeberg (South Africa). Papers will be presented by Dr Brian Davidson (Australia) on the principle/theoretical issues of value, price, cost and charges; Dr Sylvain Perret (France) on experiences with implementation of the ICID guidelines to determine the financial cost of water services; and Dr Madhu Bhattarai (Nepal) together with Prof A Narayanamoorthy (India) on financing and cost recovery of irrigation water supply as a semi-public good or service and practical experiences in India to levy user charges based on cost.

Invitation

Country representatives on the ICID Task Force on Financing Water for Agriculture (TF-FIN) and other interested participants are invited to share their knowledge and experience regarding the extent of implementation of cost recovery charges for financially sustainable irrigation scheme development.
