The Scope and the Implications for Water Policy Reform

What Will Water Policy Actually Change?

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- See all material prepared for the FAO Policy Learning Programme
- See the FAO Policy Learning Website: http://www.fao.org/tc/policy-learning/en/
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What Will Water Policy Actually Change?

By

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of the

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About EASYPol

The EASYPol home page is available at: www.fao.org/easypol

This presentation belongs to a set of modules which are part of the EASYPol Resource package: FAO Policy Learning Programme : Specific policy issues: Natural resource management, Water

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Introduction

There are many generic attempts to reform water policies and associated legislation in efforts to improve access to water services, allocation of resources and mitigate environmental impacts of use.

Despite being the largest user of water resources, the prompting rarely comes as a result of agricultural reform. Perhaps agriculture should give more thought to its role in water resource management.
Purpose and objective

**Purpose:**
To illustrate the scope of water policy reform and prompt responses to key (but generic) considerations for agriculture

**Objective:**
To set the boundary conditions for the module as a whole
Why a water policy?

Possible reasons:

- stressed water resources and poorly performing water services?
- lack of sectoral coordination/coherence or institutional shock?
- economic imperative to raise water productivity and apportion hydrological and financial risk?
- taking heat from the environmental lobby?
- the IWRM mantra?
- access to concessional finance?

Then:

- what should be the depth and scope of such a policy?
- will the policy define what is public and what is private?
- what will the policy change?
The water reform process

Precedents:
- Is there basin wide management or simply sector planning/allocation and financing?
- Is there a national water policy or simply a set of sector policies – are they aligned or do they compete?
- Is the current policy arrangement a wish list – or does it have teeth?

Question:

*Do ongoing initiatives in the water sector amount to a strategy for policy implementation (major/minor irrigation, rural livelihoods, etc.)*?

Next Steps?

- Preparation of a consultation process (does it need one?)
- An institutional driver (are sector players on board?)
- Details – are strategies for implementing policy plus investment planning in place?
Fundamental questions for any water sector policy

1. Who gets what? – allocation of resources and services
   - are rights in use recognized and protected
   - can the priority domestic water supply and sanitation coverage keep up with service demand? (looking for low volumes of high quality water)
   - is agriculture simply the residual user? (looking for high volumes of low quality water)

2. Are there mutually acceptable mechanisms to reconcile competition for water resources and services between and within sectors?

3. Can water services perform – by whose standard?

4. Will environmental externalities associated with water use be mitigated/internalized?
Fundamental questions [cont’d]

5. Is there a *competent* institutional instrument to drive a process of change - does this need to be a promoter or a passive regulator?

6. Is there a clear definition of responsibilities and liabilities between those of water agencies (public and private) and those of individual consumers - is this understood by all?

7. Integration: Can the range of water related (i.e. planned) sectoral interventions and investments be integrated at the *appropriate scales*?

8. Operation: Can the institutions manage water resources and water services operations effectively?
The way forward - What issues can be addressed?

Measures to sustain socio-economic impact

- guarantee basic access to water and sanitation services
- allow the water economy to breathe (remove distortions, perverse incentives, bureaucratic barriers etc.)

... at the same time:

- manage resources and services in the *public interest* to optimize economic returns to water
- maintain the hydro-environmental integrity of surface and groundwater systems to sustain in-situ services
- align inter-related sector policies
Example of sector analysis: basic questions for irrigated agriculture

1. Will large scale irrigation continue to make a significant economic contribution to AP? What will be the contribution of small-scale agricultural water management?

2. What will be the pull factors and what is the desired style and scale of production?

3. What role will commercial (agri-business) production play?

4. Is the structure of the irrigated sub-sector matched to projected demands in food and industrial crops?

5. Are related policies in land, food and rural infrastructure aligned?
Agriculture policy & irrigation

1. Macro-realities (pull factors)
   - producer prices
   - market linkages
   - tariffs and subsidies
   - cost of capital and energy
   - labour mobility and wage rates
   - land and water limits

2. Institutional alignment
   - clarity of roles and reporting lines?
   - suited to scale of intervention?
   - good information flow?
   - effective integration across jurisdictions
   - physical and economic transfers possible?
   - how high transaction costs?

3. Quality of Investment
   - lumpy/high intensity?
   - distributed/low intensity?
   - public/private balance

Export-led model?
Import substitution model?
Business as usual?
General findings

- Bringing water to land not a problem – plenty of redundant infrastructure around.
- No evidence of ‘sweated’ assets
- Very poor *hydraulic* service to farmers
- Irrigation scheme governance highly variable
- Little evidence of effective marketing chains, commercialization and private sector involvement
- But trend to more precision irrigation firmly established. Groundwater is providing much more on-demand, just-in time irrigation service. Can canal irrigation modernization do the same?
Reversing trends and going for scale

- **Policy emphasis on outputs rather than inputs needed.**

- **Make strategic choices on agricultural output and balance rainfed and irrigated production.**

- **Focus resources - rehabilitate priority public schemes with most potential and set in a new rural development strategy (with better links to agriculture markets).**

- **Get management and regulation of public schemes right;**

- **Re-align federal, river basin and state level administration and clarify land tenure and water use rights.**

- **If there is to be public sector management in a sophisticated trade environment, it needs to be super-smart.**

- **Commercialize and modernize into agricultural markets to achieve scale effects.**
Conclusions: What will a water policy have to demonstrate?

- Remove constraints and mitigates environmental externalities
- Equitable socio-economic impact is feasible
- Overall water productivity can be raised
- Public services can be re-engineered to perform
- The private sector and CSOs are given the space to promote private investment and management
- Institutions can collaborate effectively
- Information can flow between managers and users
- Enact enabling legislation that

  - protects rights in use and levels of water service
  - conserves the integrity of the water resource systems
  - supports productive engagement with water resources
Further readings
