



Module 5: Financial Management of WUAs

1. Goal

Participants will be in an improved position to design, modify, upgrade irrigation water charges and adopt practices that will improve the financial sustainability of WUAs

2. Learning Objectives

1. Participants will update and increase their knowledge regarding the following aspects:
 - a. Importance and objectives of irrigation water charges
 - b. The predominant models for the recovery of costs
 - c. The main types of water tariffs and payments
 - d. Good practices to ensure financial viability of WUAs

3. Key messages.

1. Irrigation water charges is not only an important tool to recover operational cost and ensure the sustainability of WUAs but also to promote a more efficient use of the water and accountability of the leaders to the water users.
2. Although often used as synonymous, water price is not the same as water charge.
3. The full cost of water is made of the recovery of the investments (where applicable) and the cost of the services (operation, maintenance and administration) needed to provide the irrigation water.
4. Most countries recover the total O&M costs but few recover the capital costs. Normally a large part or the capital costs is subsidized by governments or not recovered at all.
5. The main components of the irrigation service fee or O&M costs are: operation, maintenance, administration and overheads or general costs.
6. In the WUAs, the main authority to approve/disapprove the annual irrigation fee is the General Assembly of all users. In some countries the proposal must also be approved by the Irrigation Agency.
7. Several types of tariffs are applied but the most common one is the "area based" tariff. Tariffs based on volume of water used offer good incentives for increasing water use efficiency.
8. Water markets are mostly considered as illegal by the existing legislations and are of minor importance but they are sometimes found in groundwater areas.
9. The greater risks for financial mismanagement are the non-payment of fees and corruption practices within the WUA.
10. The level of annual recovery of the O&M costs should never fall below 80%. When this happens the sustainability of the system is at risk.
11. Landowners are those responsible for the payment of the irrigation water charges. Renters can pay when authorized by the owner.
12. There are many good practices to prevent financial irregularities. Some of these are:
 - a. Payment against received water service. This has proven to be very effective.
 - b. Training on agreed financial practices for the treasurer and accountant are needed
 - c. Financial transactions need a minimum of two signatures
 - d. Financial records should be available to farmers
 - e. Special committees should be set up to verify periodically the correctness of financial transactions



- f. Very clear rules should be established for determining water fees
 - g. External financial auditors should be used to periodically examine accounts
 - h. The treasurer should be replaced periodically
13. The money collected for the recovery of the O&M costs should remain in the irrigation system where it was collected and not to be transferred to the irrigation agency.
14. Payment in cash is the predominant method but payment in labour is sometimes accepted for maintenance works.

4. References

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