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MINISTRY OF PUBLIC WORKS AND WATER RESOURCES, EGYPT

IRRIGATION SERVICE COST RECOVERY IN EGYPT

Report on a Workshop

24 - 27 May, 1995

Alexandria, Egypt

The Third Workshop of the Study,
"Strengthening Irrigation Management in Egypt"

Organized and facilitated by:

*International Irrigation Management Institute
Sri Lanka*

Supported by:

United States Agency for International Development

Cooperative Agreement Number: 263-0132-A-00-5036-00

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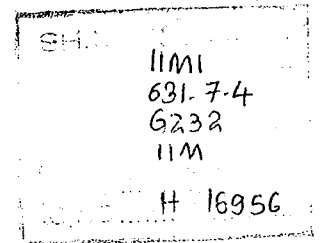
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The Workshop reported in this document was the third of five planned under the Study entitled *Strengthening Irrigation Management in Egypt*. The Study is being carried out jointly by the Ministry of Public Works and Water Resources (MPWWR), Government of Egypt, and the International Irrigation Management Institute (IIMI). It is supported by the United States Agency for International Development (USAID). The major objective of the Study is to develop plans whose implementation would enable the Ministry to make more effective use of the investments made under the Irrigation Management Systems (IMS) Project.

The second major objective of the overall study concerns cost recovery for irrigation services. The objective of this work is:

to make further progress towards clarifying and establishing Egypt's future policy towards cost recovery and cost sharing to ensure the sustainability and efficiency of water resource management

The objective of the workshop was to define the potential future role of service charges in irrigated agriculture in Egypt, and the advantages and disadvantages of alternative charging mechanisms.

To achieve this objective, the workshop moved through a sequence of activities, which provided the basis for designing a cost recovery mechanism for Egypt. Key steps included understanding and applying a framework that specifies the elements of a cost recovery mechanism; suggesting appropriate goals for Egypt; listening to case studies from outside of Egypt; and finally devising an approach for Egypt and identifying "next steps" for implementation.

The workshop was highly participatory in design, with each "module" consisting of the definition of a topic or issue, followed by work group activities (6-8 per group) to respond to the issue, and reporting back to the whole group on findings.

A high degree of consensus was achieved on a number of key issues: the priority reasons for introducing service charges (to recover the cost of Operation and Maintenance, and encourage efficiency in the use of water and provision of the water service); appropriate components of a charging mechanism (simple area-based charges, collected by the existing Ministry of Finance field staff, and used for O&M); and the next steps needed (public awareness and availability of information regarding the cost of the service and the benefits to users).

Evaluations of the workshop were generally positive, especially as regards the logical framework provided.

IRRIGATION SERVICE COST RECOVERY FOR EGYPT

A. BACKGROUND

With the support of the United States Agency for International Development (USAID), the International Irrigation Management Institute (IIMI) is assisting the Ministry of Public Works and Water Resources (MPWWR), Government of Egypt, to analyze how it can make optimum use of past investments to improve the efficiency and productivity of water use. Over the past 14 years, USAID has been supporting the Irrigation Management Systems (IMS) Project to introduce new hardware and software into the Ministry. While the Project has had many successes, USAID and the Ministry wish to identify whether there are policy, institutional or human resource constraints affecting full integration of IMS investments into the working of the MPWWR, and if so, how can these be overcome.

IIMI and the Ministry are working together to carry out the Study whose main objectives¹ are:

- *to develop a long range plan that would enable the MPWWR to make effective use of IMS outputs, and*
- *to make further progress towards clarifying and establishing Egypt's future policy towards cost recovery and cost sharing to ensure the sustainability and efficiency of water resource management.*

The Study is being implemented over a six-month period. Its methodology includes data collection through analysis of reports and documents, extensive interviews with Ministry staff at all levels, direct observations, and considerable interaction with Ministry officials, both formally and informally. A Steering Committee of senior officials is guiding the overall Study. Task forces consisting of Ministry professionals are working closely with the IIMI team in the two areas noted above. In addition, a series of five workshops are being held to maximize the involvement of Ministry officials in shaping the outputs of the Study.

The first Workshop was held in March in Alexandria, Egypt. That Workshop used a highly participatory process involving small group exercises to create a vision of the future of the Nile Basin in the year 2010. An ambitious and positive vision was created and adopted which provides overall direction to the remainder of the Study².

In parallel with the first workshop, the first phase of the Study involved the preparation of a report analyzing the institutional framework of the Ministry, with special but not exclusive attention to the experience in implementing the IMS Project. This phase was designed to be comprehensive both in the breadth of topics considered, and in the sources of views and experiences assembled from within the Ministry. The second Workshop, held in Port Said in April addressed issues arising from that process³.

¹ *Work Plan: Strengthening Irrigation Management in Egypt: A Program for the Future.* IIMI, MPWWR, USAID. March, 1995.

² *Nile Water Resources Management in 2010: Achieving a Common Vision.* Report on a Workshop, 9-11 March 1995. IIMI, MPWWR, USAID. May 1995.

³ *Water Resources, Irrigation Operations, and Institutional Issues: An Analysis of the Ministry of Public Works-- Report on a Workshop,* Draft, Cairo, May 1995

Reports were also prepared during this period on topics related to cost recovery, including the allocation of costs among beneficiaries of the Nile system (power, navigation, municipal and industrial users, irrigation), a review of the major existing study on cost recovery, an assessment of the accounting system now in place, and projections of future non-agricultural demand.

This third workshop was designed to address issues arising from this work and relating to service charges and cost recovery. As background material, participants were provided with the following background documents:

- *Non-Agricultural Cost Recovery*, Rita Cestti, April 1995
- *Agricultural Cost Recovery*, Adrian O. Hutchens, March 1995
- *Water Policy Analysis in Egypt—An Analysis with IFPRI's Agricultural Sector Model*, Hans Lofgren, April 1995
- *Financial Management Systems in the MPWWR—An Analysis and Recommendations for Meeting Current and Future Needs*, Charles Lewis and Mohammed Mahmoud Hilal, April 1995
- *Cost Recovery for Water Service to Agriculture*, C. Perry, May 1995
- *Cost Recovery and Institutional Relationships for Water Users and Providers in Northern Colorado*, Ed Harvey, BBC Research and Consulting Inc, and Darrel Zimbelman, Northern Colorado Water Conservancy District, May 1995
- *Possible Lessons from the Introduction of Irrigation Service Fees in Indonesia (1989-1995)*, Jan L. M. H. Gerrards, Gaia International Management Inc, Jakarta, May 1995
- *Recovery of Irrigation Service Costs through Water Charges—A Case Study of the Philippines*, Mark Svendsen, May 1995

B. OBJECTIVES OF THE WORKSHOP

The primary objective of the workshop was to define the potential future role of service charges in irrigated agriculture in Egypt, and the advantages and disadvantages of alternative charging mechanisms. At the end of the workshop, the participants were expected to have: designed an irrigation service charge mechanism for Egypt, in accordance with a defined five-element framework, and identified the next steps required for introduction of such a mechanism.

C. PLANNING AND DESIGN OF THE WORKSHOP

In planning the workshop, particular attention was given to the difficulties faced in Egypt, as in many countries, in formulating an approach to cost recovery for irrigation services. To facilitate the participants' full contribution to the outcome of the workshop, and to derive maximum benefit from the discussions, the workshop was carefully designed to move logically through the process of understanding the separate elements⁴ of a service charge mechanism (the *goal* of charges, the *service* provided, the *rate base* for charging, the *collection* process, and the *use of funds*). Past experience has shown that without clear distinctions among these elements, discussion of this controversial and difficult issue can become confused and unproductive.

The workshop therefore had a carefully defined sequence of discussions and tasks designed to clarify the components of service charge mechanisms, and understand their related functions in

⁴ See Appendix 3 for detailed definitions.

question of service charges in Egypt was then discussed.

D. THE WORKSHOP LOCATION, PARTICIPANTS, PROCESS AND OUTPUTS

The workshop was held in the Ramada Hotel in Alexandria from the evening of May 24 until mid-day on May 27, 1995.

Participants⁵ included members of the Steering Committee, members of the Cost Recovery Task Force, other representatives of MPWWR, staff of USAID, Cairo, invited consultants, and IIMI staff and consultants.

The initial Agenda for the workshop⁶ was followed, with some adjustments to timing to accommodate slippage on the first full day.

In the course of preparing for the workshop and assembling information for the background reports, many people expressed uncertainty as to the potential role and feasibility of water service charges as a means of cost recovery in Egypt. The accompanying box incorporates

Cost recovery is:

- + essential to good management
- + essential to sustainability of the system
- + a way to increase efficiency of resource use
- + a way to encourage efficiency in operation

- *new and difficult to start*
- *a challenge in Egyptian conditions*
- *something to introduce slowly*

most of the comments of workshop participants in the introductory session when asked to complete a sentence beginning "Cost recovery is..."

The mix of responses indicated clear understanding of both the **potential contribution** of service charges and cost recovery as well as the **difficulties** inherent in the process.

Overall, more positive aspects than negative were identified by workshop participants, though the complexities of the challenge were often forcefully stated.

Module 1: The first task assigned to workshop participants was to analyze service charge mechanisms using the five-element framework⁷ (Goal, Service, Rate Base, Collection Process, Use of Revenues). The participants were divided at random into five groups, and each group selected a service other than irrigation (for example, telephones, domestic water supply, bus services) and used the framework as a means of specifying the key elements of the charging mechanism for the chosen service, and hence clarifying the meaning, importance, and interdependencies of the elements of the framework. The results of the exercise were reported back to the full workshop by each group, giving the opportunity for further discussion of the underlying concept.

Module 2: With this background, the second task was to define appropriate *goals* for irrigation service charges in Egypt. Again, the workshop participants worked in groups to discuss, list and prioritize potential goals. No guidance was given to the groups as to what such goals might be, but a very strong consensus emerged from this exercise, as shown below in Table 1.

⁵ Appendix 1

⁶ Appendix 2

⁷ Appendix 3

	Rating				Total
	First	Second	Third	Other	
Recover O&M	3	2			5
Conserve Water	2	2	1		5
Improve Service		1	2	1	4
Recover Modernization				3	3
Improve Farm Incomes				3	3
Recover Rehabilitation			1		1
Incentives for Staff				1	1
	5	5	4	8	22

Again, each group reported its conclusions to the workshop in plenary session, and Table 1 summarizes the results of the small-group exercise. The consensus, in terms both of frequency and priority, was clearly for:

- Recovery of Operation and Maintenance
- Conservation of Water, and
- Improved Service Efficiency

as the most important goals to be achieved by the introduction of service charges in the Egyptian context.

Module 3: Three international case studies (from the Northern Colorado Water Conservancy District in the United States; the Philippines; and Indonesia) were then presented and discussed utilizing the five-element framework. An example of the application of the framework to one of the case studies (Northern Colorado) is shown below, indicating how the approach allowed separate consideration of each element.

Table 2: Application of the Five-Element Framework to a Case Study

Goals	Service	Rate Base	Collection	Use of Revenues
<ul style="list-style-type: none"> * recover O&M * Repay capital costs 	<ul style="list-style-type: none"> * Fixed unit in proportion of annual yield * On demand 	<ul style="list-style-type: none"> * Fixed cost per share unit, depending on purpose of use (agriculture, industry, etc.) 	<ul style="list-style-type: none"> * District bills users * Federal government bills District 	<ul style="list-style-type: none"> * Payment of O&M costs * Reserve fund (replacement, emergencies) * Repay capital costs

IIIMI/MPWWR studies were presented, focusing particularly on those aspects of the studies that were relevant to the design of recovery mechanisms suited to the priority goals (Table 1, above). The presentations dealt particularly with how the chosen cost allocation procedure worked, the stability of the costs allocated to agriculture, and the difficulties in disaggregating costs among purposes. The predicted relationships between charges and agricultural income and production were also presented to, and discussed by the participants.

The participants again met in small groups with the assigned task of devising a service charge mechanism for Egypt, based on the five element framework. Groups were assigned different objectives which were formulated on the basis of the rankings, and **based on the assumption that the decision had been taken to proceed, cautiously, with the introduction of service charges.**

Three groups were given single objectives, while two were given multiple objectives in designing a service charge mechanism:

1. Recover O&M costs
2. Encourage efficient resource use (conservation)
3. Encourage efficient provision of irrigation service
4. Recover O&M *and* conservation
5. Recover O&M *and* efficient service

The resulting recommendations are set out in Table 3.

Table 3: Recommended Charging Mechanisms

Goal(s)	O&M	Conservation	Efficient Supply	O&M and Efficient Service	O&M and Conservation
Service	Agreed by parties	Acceptable to Farmers	Annual defined allocation	Water for agreed crops	Agreed amount by service area
Rate Base	Flat rate, by region	Crop-based	Crop-based	Crop-based Remission for crop failure	Crop-based
Collection	Ministry of Finance	Ministry of Finance	Ministry of Finance	Ministry of Finance	Ministry of Finance (WUA in future)
Use of Funds	MPWWR, special fund, with collection costs to MoF	MPWWR, special fund, with collection costs to MoF	MPWWR, special fund, with collection costs to MoF	MPWWR, allocated by level, with collection costs to MoF	Initially Ministry of Finance, MPWWR in future

The similarity among these proposed mechanisms was striking. The definitions of Service all include:

1. A process of agreement between the parties concerned (MPWWR, farmers, others) on the quantity of water to be supplied;

recovering O&M (a logical approach, since in this case no additional objectives beyond revenue raising were sought);

3. Each group suggested that the Ministry of Finance should be the primary agent for collection of fees, through its existing field collection agents, with a proportion of the funds reserved for collection costs;
4. Similarly, the MPWWR was seen as the appropriate recipient of funds, in some cases with earmarking for specific purposes; and
5. In future, a role for Water User Associations was also anticipated.

The proposals also omitted some elements, for reasons which were well explained by the groups:

1. Little role was foreseen for service charges as a means of strongly influencing crop choice;
2. The crop-based rating, which can give an efficiency "signal" through higher rates for more water intensive crops was seen as a realistic approach, while volumetric delivery and charging was not;
3. The scope for encouraging improved efficiency in MPWWR through service charges was also not clear. The group charged with devising a mechanism to meet that goal indicated that initially information would be most useful in creating the appropriate pressures--by identifying clearly what was being spent, where, and to what purpose on the one hand, and what was being achieved (water delivered, crop production achieved) on the other.

A result of the discussions which followed these presentations was the need for two additional definitions, relating to efficiency. It was clarified that: a) the conservation objective relates to the **user** of the service, in that it is a measure of the production or benefit achieved for a given water service; and b) the **efficiency of supply** objective relates to the supplier of the service, and is a measure of the cost of delivering a specified water service.

Module 5: In the last small-group sessions, participants were asked to identify key actions needed to introduce the proposed charging systems. They were asked to first define what would be required prior to introducing a system designed to recover O&M, and additionally to identify steps needed before introducing *either* a crop-based charging system, *or* actions that would assist in improving the efficiency of the MPWWR itself.

As in the previous exercises, there was a great deal of consensus in the results of the exercise regarding actions required to prepare for cost recovery. Table 4 summarizes the group conclusions as presented to the plenary sessions.

Action	Inputs needed
Public awareness campaign on costs of providing services	<ul style="list-style-type: none"> • Detailed breakdown of O&M expenditures by location and purpose • Expenditures on rehabilitation and improvements • Records of revenues from earlier crop taxes • Effect on farm incomes of liberalization • Benefits to farm income of good O&M
Improved Accounting	<ul style="list-style-type: none"> • Sources and uses of funds • Water delivery records by season and location • Crop production records by season and location
Upgrading poorly served areas	<ul style="list-style-type: none"> • Quantification of service provided • Reasons for poor service • Solutions and costs for improvement

All groups identified public awareness and education as the most important first step--focusing both on explanations to the farming community of the benefits they are receiving and on information to the population as a whole about the budgetary impact of the present subsidies on water services on other "service" sectors such as health and education. As also noted, the information needs were generally agreed, and will represent a substantial action program to assemble the required information and analysis.

The two groups reporting on how MPWWR might be made more efficient identified several common themes, which are summarized in Table 5.

Table 5: Actions to Improve the Efficiency of MPWWR

Action	Inputs needed
Increased Accountability	<ul style="list-style-type: none"> • Clearer definition of irrigation service and performance targets • Link between achievements and pay • Rationalization of incentives
Decentralization	<ul style="list-style-type: none"> • Definition of responsibilities at various levels • Delegation of authority as appropriate to responsibilities
Performance Indicators	<ul style="list-style-type: none"> • Introduction of Management Information Systems

In the general discussion, the close correlation between these recommendations and points which had come from the international case studies was noted--particularly the emphasis on definition of the service provided for the charge, the merits of decentralization, and the importance of information.

are set out in Table 6.

Table 6: Actions to Introduce Crop-Based Charges

Action	Inputs needed
Agree basis for computing charge	Crop water consumption data
Information on cropping pattern	Procedure agree among farmers and MPWWR/MoA/MoF on actual cropping pattern Procedures for pre-season agreement of areas under water-intensive crops

The main point of discussion from this presentation was concern regarding the availability of data and the problems in ensuring accuracy as a basis for charging farmers by crop and area.

The fifth Group in this module was asked to develop the steps needed to introduce volumetric charges. Their presentation was detailed, and indicated the large number of steps and pre-requisites to introducing such a system. In addition to many of the points listed above, the question of infrastructural implications was also noted, the accuracy of the water accounting needed to the volumetric delivery point, the need to federate WUAs as an organizational basis for delivery, and the need for supporting legislation defining the service in volumetric terms. The need to separate the service charge from any other tax was also seen as important to preserve the sanctity of the "payment for service" relationship. The outcome from this Group's discussions was generally seen as confirming the difficulty of introducing a volumetric charging system.

E. EVALUATION

Written comments from the participants were generally positive in relation to the content of the workshop, the process of working in small groups, and the analytical framework used. Ranking aspects of the workshop on a scale of 1 (dissatisfied) to five (very satisfied), participants gave the overall content of the workshop a score of 3.9 and the participatory facilitation methods used a score of 4.

Final comments from key participants stressed the extent to which awareness of both purpose and complexity had been heightened by the meetings. The usefulness of the case studies was widely commented upon, and the value of the five-element framework as a means to organize discussions was also agreed by most speakers.

F. CONCLUSION: THE NEXT STEPS

The purpose of the workshop--to define the future role of irrigation service charges in irrigated agriculture in Egypt and the advantages and disadvantages of alternative charging mechanisms--was agreed by the participants to have been broadly achieved, and a high degree of consensus was evident among the views expressed and summarized above.

designed basically to collect the cost of O&M, was accepted by most participants, with the caveat that the benefits of crop-based charges in relation to flat area rates were small, and capacity of MoF staff to implement the more complex accounting system needed evaluation. The sensitiveness of the issue socially and politically must be clearly recognized in developing any scenarios for cost recovery.

A number of participants also highlighted the importance of defining the service (and where necessary improving it) as a prerequisite to the introduction of cost recovery. This position was generally supported by the case studies, though the definition of the service was generally described as being more important than improvements--especially where, as in Egypt, the existing service meets the needs of many farmers. If differentiated service is not proposed, it was concluded that flat rates (unrelated either to volume of water delivered or crops served) met the basic need of cost recovery at minimum administrative overhead.

Another area of consensus was the activities needed before implementation, and the strong focus on public awareness efforts. Finally, several proposals and approaches recognized the need for better management information, as a means of justifying charges and evaluating operational performance.

LIST OF WORKSHOP PARTICIPANTS

Name	Position
------	----------

MINISTRY -- MEMBERS OF THE *STEERING COMMITTEE*

1.	Eng. Gamil Mahmoud*	Chairman, IMS High Coordinating Committee
2.	Dr. Mahmoud Abu Zeid**	Chairman, National Water Research Center
3.	Eng. Ali Abu El-Seoud**	First Undersecretary and Head of Planning Sector
4.	Eng. Ahmed El Sawaf*	Head, Irrigation Department
5.	Eng. Ahmed Maher**	Head, Irrigation Sector
6.	Eng. Sarwat Fahmy	Monitoring Office Chief for IMS
7.	Eng. Abdel Rahman Shalaby**	Head of Central Management for Minister's Office
8.	Eng. Yehia Abd El Aziz**	Director, Irrigation Improvement Project
9.	Eng. Soliman Abu Zeid	Director, Main System Management

MEMBERS OF THE *TASK FORCE ON COST RECOVERY*

10.	Eng. Kamal Enani	General Manager, Project Preparation Department (Coordinator)
11.	Eng. Samir Mohammed Ahmed	Project Preparation Department
12.	Eng. Shinnawi Abd El Aty El Shinnawi	Irrigation Improvement Project
13.	Eng. Soraya Abd Elwan	Irrigation Improvement Project
14.	Eng. Fawzy Mohammed Ibrahim Khalil	Project Preparation Department
15.	Dr. Lotfy Nasr	National Water Research Center
16.	Eng. Mohammed Hamed Abdel Latief	Planning Sector
17.	Eng. Baha Ghonem	Project Preparation Department
18.	Eng. Hoda Salah El Dien	Project Preparation Department

OTHER MINISTRY PARTICIPANTS

19.	Dr. Bayumi Attia	Chief, Resources and Water Usage Unit, Planning Sector
20.	Eng. Rizk El Minshawy	Chief, Planning and Follow-Up, Drainage Authority
21.	Eng. Ahmed Fahmy	Central Management for Minister's Office

IIMI TEAM

22.	Dr. Doug Merrey	Team Leader
23.	Dr. Chris Perry	Economist
24.	Mr. Rodney Vissia	Water Resources Specialist
25.	Dr. Jeffrey Brewer*	Institutional Specialist
26.	Dr. A F Metawie*	Irrigation Engineer
27.	Dr. Fouad El Shibini	Co-Team Leader
28.	Ms. Rita Cesti	Economist
29.	Dr. Mark Svendsen	Workshop Facilitator

SPECIAL IIMI CONSULTANTS

- | | | |
|-----|-----------------|---------------------------|
| 30. | Dr. Jan Gerards | Irrigation Fee Specialist |
| 31. | Mr. Ed Harvey | Cost Recovery Specialist |

USAID

- | | | |
|-----|-------------------|--|
| 32. | Dr. Wadie Fahim | Project Officer, IIMI Project, AGR/ILD |
| 33. | Mr. Russ Backus* | Office Director, AGR/ILD |
| 34. | Mr. Ray Waldron | Project Officer, AGR/ILD |
| 35. | Dr. Rollo Ehrich* | Agricultural Economist, AGR/ACE |
| 36. | Mr. Clem Weber* | Associate Director, USAID Cairo |

OTHER INVITEES

- | | | |
|-----|-------------------------|----------------------------------|
| 37. | Dr. Mohammed Haider | Economist, IIP Consultants |
| 38. | Mr. Guy Jones | Consultant, World Bank IIP |
| 39. | Dr. Zakhir Hussain Rana | Economist, EPAT Training Project |
| 40. | Ms. Arwa Beshara | IIMI Secretary |

* Attended part-time

** Did not attend

WORKSHOP ON IRRIGATION SERVICE COST RECOVERY FOR EGYPT

Purpose: To define the future role of irrigation service charges in Egypt and the advantages and disadvantages of alternative charging mechanisms

Venue: Ramada Renaissance Hotel, Alexandria

Dates: 24-27 May 1995

WEDNESDAY MAY 24

7:00-8:30
(PM) Welcome
Introductions
Workshop overview
Purpose and expected outcomes
Explanation of process
Agenda

8:30-10:00 Reception

THURSDAY MAY 25

8:30-9:00 Definition of terms and presentation of five element framework for analyzing charging mechanisms. Explanation of small group tasks.

9:00-10:00 Analyzing cost recovery mechanisms of public services

10:00-10:15 Coffee

10:45-11:15 Small group work to identify and prioritize goals of the government for irrigation service cost recovery in Egypt

11:15-12:30 Plenary session presentations on goals and discussion

12:30-2:00 Lunch

2:00-4:00 Description of small group work to follow. Presentation of cases and discussion
• USA
• Philippines
• Indonesia

4:00-5:00 Small group work to analyze case studies

5:00-5:10 Feedback

FRIDAY MAY 26

8:30-8:45 Feedback on feedback

8:45-10:00	Plenary session presentations on international case study analyses and discussion
10:00-10:15	Coffee
10:15-11:30	Presentation of IIMI-MPWWR study results
11:30-2:00	Lunch and prayers
2:00-3:15	Small group work to develop alternative mechanisms for service charging in Egypt
3:15-3:30	Coffee
3:30-5:00	Plenary presentations on alternative mechanisms and discussion

**SATURDAY
MAY 27**

8:30-9:15	Review agenda. Cross-section of cost recovery mechanisms.
9:15-10:00	Small group meetings on next steps
10:00-10:15	Coffee
10:15-11:30	Reporting and general discussion on next steps
11:30-12:00	Evaluation and closing
12:00	Lunch and departure

DEFINITIONS AND FRAMEWORK

DEFINITIONS

COST RECOVERY	A system under which beneficiaries contribute toward the capital and/or O&M costs of a service provided by a public agency or public utility.
COST ALLOCATION	Distribution of costs of service among different classes of beneficiaries according to a set of rules
SERVICE FEE	A fee paid by direct users of a service to cover all or part of the cost of providing that service
CHARGING MECHANISM	A set of procedures used to effect cost recovery from a particular group. It can be described using the 5-element framework shown below.

CHARGING MECHANISM

A charging mechanism can be described in terms of 5 inter-linked elements which constitute a framework for analysis.

- **GOALS** The purposes for which the charging mechanism is established
- **SERVICE** The entitlement of the user, described in terms of **where** the service is provided, **when** it is provided, and its **essential characteristics**
- **RATE BASE** The amount charged users per unit of the service
- **COLLECTION** The process used to secure payments from users, specified in terms of implementing agencies, roles, responsibilities, timetable, and procedures
- **USE OF REVENUE** The destination of money collected. Includes any deductions for collection costs and rules specifying sharing.

ADDITIONAL DEFINITIONS

EFFICIENCY OF SERVICE PROVISION

The relative cost of providing a given level of irrigation service. If the cost of providing a certain level of irrigation service is reduced, *efficiency of service provision* is said to improve. This term describes the cost effectiveness of the agency providing the irrigation service, and not the user of the service.

CONSERVATION

A reduction in the amount of irrigation service (the amount of water, other things being equal) used to produce a given value of output. If EL 1 worth of agricultural produce is grown using 5 cubic meters of water where previously 8 cubic meters of water was required to produce the same value of output, water conservation is said to have occurred. This term relates principally to the actions of users of the irrigation service.

SMALL GROUP TASKS

MODULE 1 -- ANALYZING A PUBLIC SERVICE

- Choose a public service such as refuse pick up, electricity, domestic water supply, bus service, a toll road, or something similar.
- Analyze its charging mechanism in terms of the 5 element framework. (GOALS, SERVICE, RATE BASE, COLLECTION, USE OF REVENUE)
- Record results on flip chart under the 5 headings.

SMALL GROUP TASKS

MODULE 2 -- GOALS FOR IRRIGATION SERVICE COST RECOVERY

- List government goals for irrigation service cost recovery
- Prioritize the list and prune it to no more than 5 items
- Record 1 to 5 goals, in priority order, on flip chart

SMALL GROUP TASKS

MODULE 3 -- INTERNATIONAL CASE STUDIES

- For each international case, describe (a) the goal(s) of introducing a cost recovery program, (b) how irrigation service was defined, (c) the basis on which charges were levied, (d) how revenue was collected, and (e) how generated revenue was used.
- Record the results on a flip chart under the 5 headings. (GOALS, SERVICE, RATE BASE, COLLECTION, USE OF REVENUE)
- List advantages and disadvantages of the charging mechanism employed in each case from the perspective of the stakeholder group assigned to your small group. (FARMERS, IRRIGATORS' ASSOCIATION, IRRIGATION AGENCY OFFICIALS, FINANCE MINISTRY, OR LOCAL POLITICIANS)
- Record the results on a flip chart.

Note: This task was omitted due to time constraints.

SMALL GROUP TASKS

MODULE 4 -- SERVICE CHARGING MECHANISM FOR EGYPT

Imagine that the Minister of Public Works and Water Resources and the Minister of Agriculture have just agreed to move forward with an irrigation service cost recovery policy. They request the President's approval, and he says "Yes, go ahead, but carefully."

You must design this cost recovery program. Your tasks are the following:

- Given a set of prioritized goals, design a service charging mechanism for introduction in Egypt using the 5-element framework.
- Record the results on a flip chart under the 5 headings. (GOALS, SERVICE, RATE BASE, COLLECTION, USE OF REVENUE)
- List reasons for the selections made under each heading.
- Record the results on a flip chart under the 5 headings.

Goal assignments are the following.

- Group 1: Conservation
- Group 2: O&M Cost Recovery (1), Conservation (2)
- Group 3: O&M Cost Recovery
- Group 4: O&M Cost Recovery (1), Efficiency of Supply (2)
- Group 5: Efficiency of Supply

SMALL GROUP TASKS

MODULE 5 -- NEXT STEPS IN INTRODUCING IRRIGATION SERVICE CHARGES

- Given a charging mechanism, list actions needed, preparatory to introducing an irrigation service charging program, to accomplish the following:
 - + Convincing farmers to pay for irrigation service
 - + Making MPWWR a more cost efficient service provider
 - + Improving the ministry's ability to manage water and finances for individual units and regions
 - + Introducing crop-based service charges
- Reduce each list to no more than 3 items (if necessary) and prioritize