

CHAPTER 1

Privatization of Irrigation Operation

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INTRODUCTION

In many countries where the irrigation sector is substantial, governments have been trying, since the early 1980s, to change the relationship between the farmers and the government bodies which have hitherto organized and operated most aspects of irrigation services.

The motivation of this process is not the same in every country, and in most cases there are a number of reasons why it is being undertaken. However, in the great majority of cases a primary characteristic of the change is that more responsibilities should be accepted by the users of the irrigation facilities, and therefore, that fewer responsibilities will be retained by government organizations.

Privatization is one such policy. It has not yet been applied (to irrigation) in many countries, so we do not yet have many models of successful implementation. There are many possible levels or degrees of privatization, and the term is not easy to define. In general, it means a policy that transfers the majority of decision making into the hands of a nongovernment organization, and that provides few guarantees of subsequent financial support from the government to this organization.

Less drastic transfers policies, under which the areas retained by the government are still quite significant, are usually called "turnover." There are at present more examples of these than of full privatization.

In developing policies for privatization or for turnover it is necessary to formulate a view of the ultimate governance and organizational arrangements that are desired, and then to plan a process (perhaps lasting several years) through which those arrangements will be brought into existence.

In planning this process, it is essential to ensure that the interests of all groups of people who will be significantly affected by the proposed changes are expressed and taken into account. Failure to do this may be the most common case of failure of transfer programs, because resistance by the affected groups may prove too strong to be overcome.

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Stakeholders

Privatization cannot be easily imposed. Since it requires that groups of farmers accept tasks, responsibilities and relationships that they do not have at present, those people must be involved from the beginning in the formulation of the plans. This must be a genuine involvement, not just a passive role in which they are merely informed about the government's plans for them: if they are to make it succeed, they must have some capacity to influence the shaping of the plans.

Many other groups, as well as the farmers will be affected by the outcome of the process, and, if they are not sufficiently consulted, they may not devote their necessary efforts to making it work. One such group is the staff employed in the existing managing agency or agencies, who may well feel anxious about the possible effects of the plans upon their status.

A necessary step in preparing for a privatization program is, therefore, to identify all major groups of stakeholders (people whose lives and interests will be significantly affected by the changes envisaged) and seek ways of involving all of these groups into the planning process.

Since these various groups do not have the same goals, the process should be regarded as a negotiation, in which each group can expect to get some, but not all, of what they seek. In this respect, the government should be regarded not as a neutral facilitator of the process, but as one of the interested stakeholder groups, seeking to achieve as much as it can of its own specific set of objectives.

Objectives

There are many reasons why privatization or turnover policies may be adopted by governments. Some of these reasons will probably not seem attractive to other participants in the process.

For example, the objective of reducing government expenditure on irrigation may be endorsed at the policymaking level, but it is not likely that this will be a goal desired by the systems' users. Nor will it usually appeal strongly to middle and lower levels in the existing organization.

Such objections may be dealt with by adopting multiple objectives that give some degree of satisfaction to each stakeholder group. Often, this seems to involve combining the privatization program with some physical improvement or rehabilitation scheme. This has the disadvantage (to the government) that it requires an initial increase of spending.

In other cases, the argument may be made that farmers will obtain benefits such as improved equity or reliability of service as a direct consequence of the change of governance system arrangements. This argument may not seem very convincing to farmers unless there is evidence to demonstrate its validity; so this course of action is more likely to work if it is led by a pilot project.

The above simple examples show how the objectives of different groups have to interact and how some groups will usually have positive reasons for wishing to frustrate or at least to reduce the aims of other groups. Because of this characteristic aspect of the process it is probably better to seek agreement at an early stage about the broad objectives of the process, among all the affected stakeholders.

At least, it seems essential that government organizations entering upon transfer programs should have a clear understanding of why it is being done, and what benefits and results are wanted. If these aims are not sufficiently clear, then it seems that it will be difficult to sustain the momentum of a transfer program through the quite long period of time that is required for its implementation.

Scope of Privatization

The question of exactly what it is that should be privatized gives wide room for negotiation. It has several dimensions, especially:

- (a) which irrigation facilities should be put into the control of the new organization?
- (b) what range of irrigation activities should it take over?
- (c) what should be its scale? (In particular, should irrigation systems that are single units from a hydraulic point of view be subdivided in order to suit the assumed management capacities of the new owners/operators?)
- (d) should the change of governance be restricted to the irrigation services, or should it include also ancillary government-assisted services that are necessary to the success of irrigated agriculture, such as crop protection, marketing, crop processing, and others?

The answers to each of these questions must be specific to the conditions of the local society as well as to the physical system conditions.

In most countries where turnover programs are under development, there is a tendency to apply them first to rather small systems. There are probably several reasons for this: it is possible to try out a number of alternative modes and find out which works better; farmers may not have the management skills to deal with larger units; it is easier to overcome resistances to the policy; the new farmers' organizations which will run the systems may be expected to be more cohesive; it is easier to adapt or even abandon the policy if it is found not to work.

Recipient Organizations

Privatization, or turnover, involves the transfer of control from government to some kind of nongovernmental organization. This may be a new organization, or something that has existed previously.

In most cases, planning is based on the presumption that the organization will be, in some way, representative of the existing set of farmers who are already users of the system. This is not the only possibility, and in some countries ways of bringing in urban capital, or bringing back the new financial resources of emigrant workers, are being explored. However, at present, the "farmers' organization" seems to be the standard model.

These organizations, in most countries, have only a very brief or negligible past history and "track record." Even in countries where the traditional farmer-managed irrigation sector is long-established and strong, there exists state-managed sectors. Therefore, the organizations that are eventually expected to become the recipients of the privatization transfer may have to be created for that purpose.

Many difficult questions have to be resolved in this phase, and the way they are resolved probably has great impact upon the subsequent success or failure of the enterprise. Such questions include the legal status of the organization; how membership in it is determined; whether membership is voluntary or automatic; how it will choose (and when necessary dismiss) its officers; how it will finance itself; and so on.

Much of the early impetus toward turnover occurred in places such as Southeast Asia where the size of landholdings is quite small, so the membership of the association could initially be equated to those holding land within the system boundaries. In places where the land-people ratio is much higher (such as Pakistan or Sudan) there may be large numbers of people who are not landholders, but whose interests in the success of the system are nevertheless very great. It is probably necessary that ways be found for accommodating these interests in the new organizations.

The Transfer Process

The fact that new organizations often have to be created, as recipients of the transfer of authority, means that there must be uncertainties about the eventual performance and sustainability of the organizations. An unusual response to those uncertainties is to develop some sort of staged plan for the whole operation, under which each successive stage may have to demonstrate a certain level of achievement, before the

next stage is initiated. This phased approach has been developed methodically in the Philippine turnover program.

A possible disadvantage of such phased programs (from the government viewpoint) may be that they take a long time, and afford numerous opportunities for groups that are hostile to the policy to intervene for delay or reversal of the policy. Others may say that the time spent is well-justified, if it ensures a more widely supported and, therefore, sustainable result.

A major requirement of a prolonged program is the maintaining of political support for the operation.

Residual Role of the Government

Privatization and turnover are processes in which a new relationship between farmers and the government is established. The revised role of the government needs to be given just as much attention, in the planning stages, as the role of the farmers.

Even in full privatization, it is not to be expected that the government hands over all of its functions. It will normally wish to keep an interest in certain areas, such as:

- i. water allocation.
- ii. effluent pollution.
- iii. reserve powers that may enable it to recover control if the new organizations are unsuccessful.
- iv. provision of some support services like research and technical advice.

In the more usual cases of partial transfer or turnover, various kinds of arrangement can be devised under which the government irrigation agency continues to provide the essential technical service of operating the main water delivery facilities. In the end, such arrangements usually aim to establish a contractual relationship, according to which the technical agency provides agreed services, and the users' organization gradually develops a capacity to pay the costs of those services, subject to their satisfactory performance.

From the farmers' point of view, the main interest will probably be financial. Their organizations will wish to maximize the amount of financial support that they can secure from the government, and for as long as possible. Governments may try to link their inputs to some kind of performance indicators, in

order to motivate the new organizations. However, the problem of what the governments should do about unsuccessful organizations is a particularly difficult one, and does not appear to have been answered yet.

Ultimately, if transfer programs progress well, the character of the government irrigation agencies must change radically. They would eventually cease to be operating organizations, and instead would develop the features of regulatory agencies, whose main concern would be to set rules and standards and ensure that the new operating organizations comply with those standards, on matters like water abstraction, effluent quality, environment and public health, and perhaps on areas such as land tenure, organizational membership, and financial behavior.

That stage seems at present quite far off. However, it seems clear that, from an early stage of the transfer process, the agencies should start to improve and develop their monitoring competence. As the transfer proceeds, there will inevitably be many requirements for performance information, including comparisons between the performances of different organizations, and evidence about the trends of performance over time in each system.

The development of these regulatory functions is, of course, valuable in itself. An important secondary benefit may be to convince staff of the agencies that there will be some continuing role for them in the new arrangements.