



IIIMP financing and cost recovery

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Africa Water Week
Cairo, 16 May 2012

Contents

- IIIMP project goals
- Investment costs
- Project financing
- Cost recovery mechanism
- Conclusions

IIIMP in brief

Integrated Irrigation Improvement and Management Project (IIIMP)

- 2006-2014, multi-donor, multi-sector
- Command area of 2 main canals
- 230,000 ha in Nile delta
- 380,000 farm families
- Investment US\$ 330 m



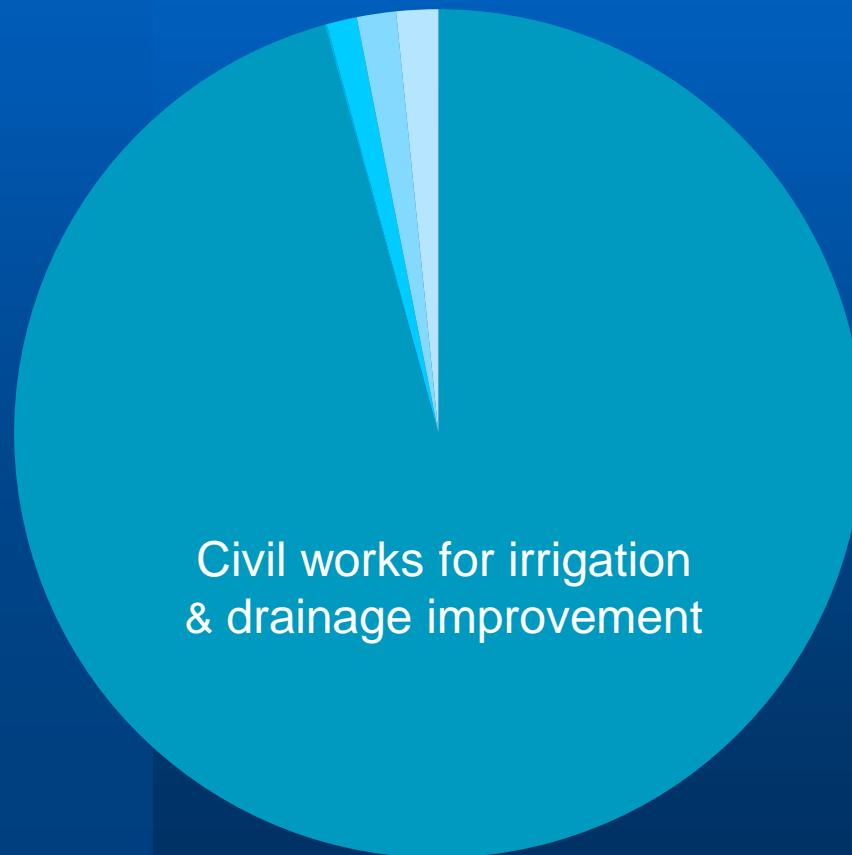
Project Goals

- Improve irrigation & drainage management
- Increase efficiency of irrigated agriculture, water use and services
 - Reduced (more rational) use of irrigation water
 - More effective user participation
 - Integrated approach

Project Components

1. Improved and integrated water management
2. Improved on-farm water management
3. Institutional development & capacity building
4. Project management, coordination, integration
5. Environmental mainstreaming

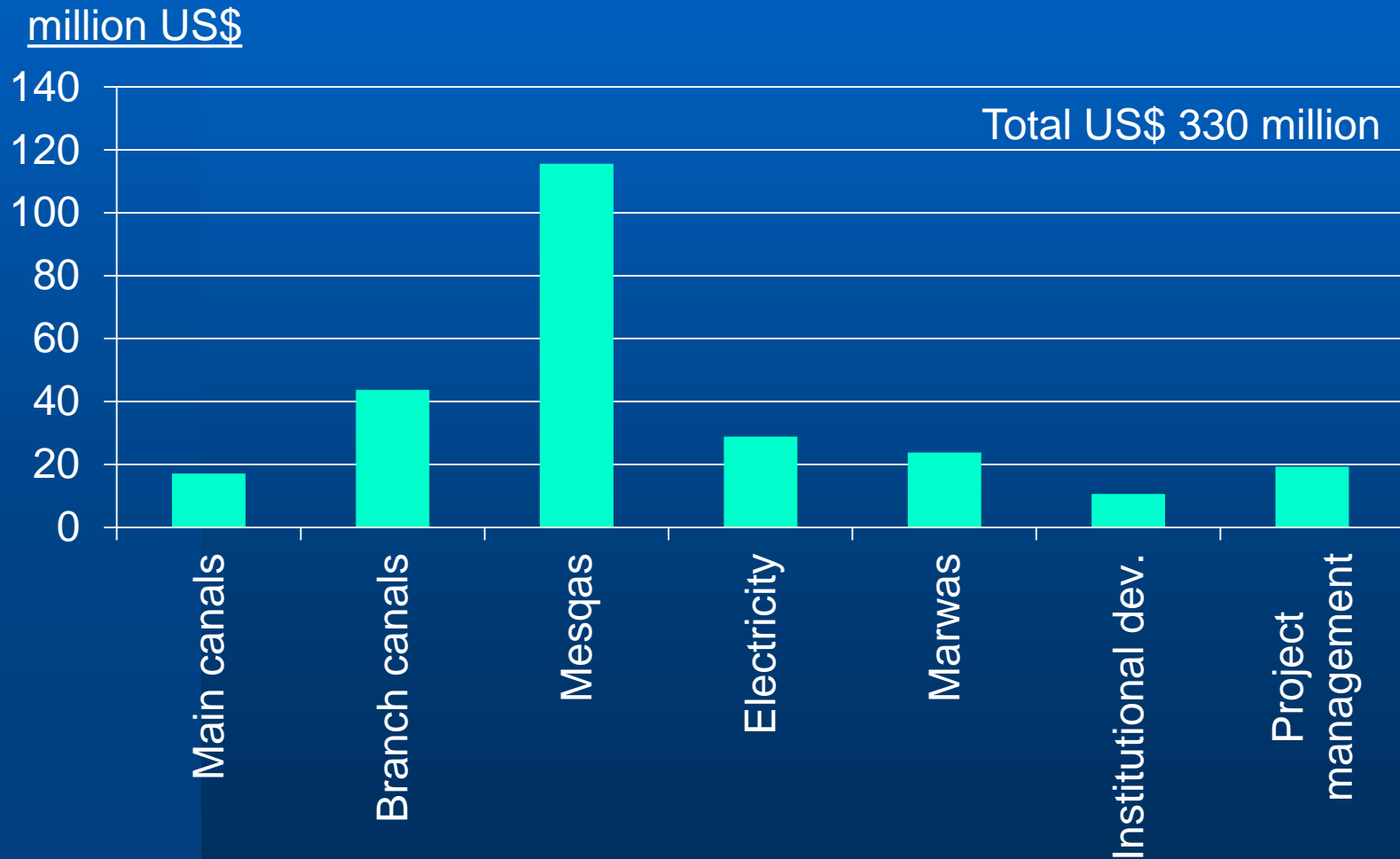
Project funding per component



Project component

■ Irrigation & drainage	87.8%
■ On-farm	1.3%
■ Institutional	3.4%
■ Management	6.3%
■ Environmental	1.3%

Cost Elements of IIIMP

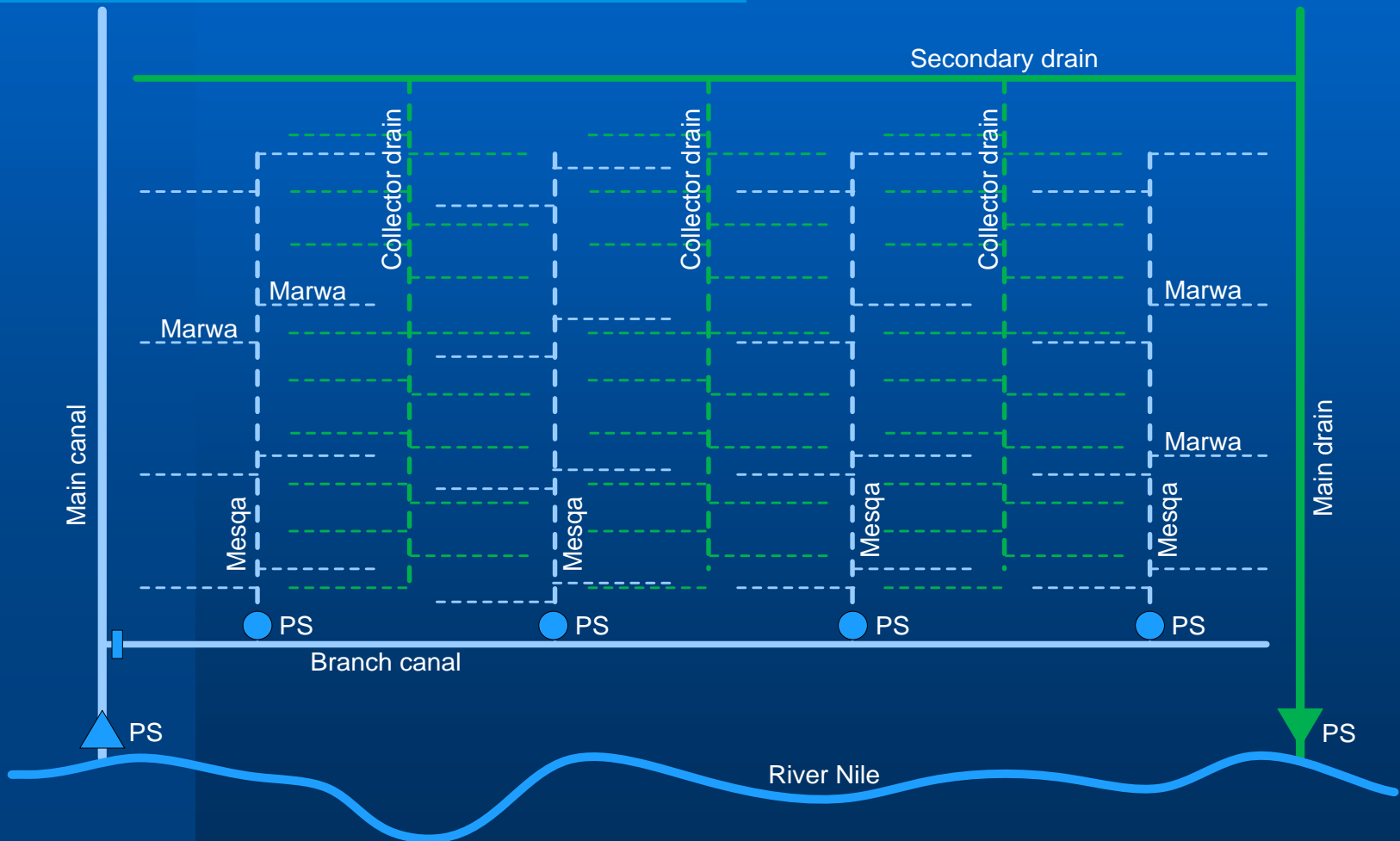


Project funding

Fund source	Amount	Category	09	10	11	12	13	14	15	
IBRD	\$ 120 M	Loan	[Blue bar from 09 to 14]							
KfW	€ 38.8 M	Loan I	[Green bar from 09 to 15]							
	€ 25.0 M	Loan II				[Green bar from 12 to 15]				
	€ 2.0 M	Grant for TA	[Green bar from 09 to 15]							
NL	€ 4,1 M	Grant for TA	[Red bar in 09]							
	€ 14.9 M	Grant for IIIMP	[Red bar from 09 to 13]							
	€ 1.0 M	Grant for ISSIP								
Egypt	LE 575 M	Regular budget	[Dark blue bar from 09 to 15]							
TOTAL	\$ 330 M									



Schematic layout



Cost Recovery IIIMP

- Recovery of investment costs for:
 - Mesqa improvement (US\$ 135 m)
 - Field drainage improvement (US\$ 49 m)
- 10% Administrative costs, no interest charges
- Repayment terms:
 - Mesqa pumps 3 years
 - Civil works20 years
- WUA formation required for Mesqa improvement
- Cost recovery of O&M costs through land tax

Legal framework

Reference	Relevance to cost recovery
Law 12/1984	The basic law on irrigation & drainage authorizes cost recovery of new field drainage projects from beneficiaries
Law 213/1994	Amendments to Law 12/1984: <ul style="list-style-type: none"> ▪ Extending the principle of cost recovery in field drainage to mesqa improvement ▪ Establishment of a Special Fund within MWRI
MWRI decree 14900/1995	Regulations on the Special Fund and WUA formation & operation
MWRI decree 277/1999	Amendments to decree 14900/1995 regarding the Special Fund

Cost recovery: field drainage

- 20 years repayment period, no grace period.
- Repayment of investment costs + crop compensation + 10% administration costs.
- Tariff is based on land area, added to land tax.
- The amounts to be paid are posted at public places.
- 30 days appeal period to a committee.
- Collection by MOF's real estate tax authority.
- Collected funds go the MOF.
- No requirement to form WUAs.



Cost recovery: mesqa improvement

- Pumps 3 years repayment period
- Mesqa remodelling ... 20 years repayment period
- No grace period, no interest charged
- Similar cost recovery procedure as for field drainage.
- The collected funds go to a Special Fund of the MWRI
- Beneficiaries must form WUAs who are responsible for:
 - O&M of the pumps and mesqa pipelines
 - Determining + collecting the O&M charges from the farmers



Cost recovery: recurrent O&M

- Farmers pay for irrigation & drainage services through the land tax, collected by MOF.
- Revenue enters into general State revenue.
- Land tax rates have eroded due to inflation.
- Land tax revenue <10% of MWRI budget or 40% of MWRI's O&M budget in 2003/2004.
- No link between land tax and O&M services.



Special Fund (1)

Objectives of the fund:

- Finance mesqa improvement & land leveling projects
- Supervise implementation
- Raise awareness on prudent water use

Fund income sources:

- Cost recovery collections
- State budget
- Loans and contributions
- Payments for repair of obstructed/damaged mesqas

Special Fund (2)

Fund management:

- Fund is affiliated to the MWRI Minister
- Managed by a Treasurer who approves the improvement budget and follows-up with the tax authority.
- Fund general assembly (15 members from MWRI MALR, MOP, MOF, MOIC and 2 public personalities)

Fund performance:

- Total to date EGP 40.1 million ($\pm 26\%$ of collectable)

Issues / lessons learned

- Total cost recovery amount sent to Tax Authority:
 - Mesqa pumps: EGP 53 million
 - Mesqa civil works: EGP 576 million
- Low collection efficiencies:
 - For field drainage: **60%**
 - For mesqa improvement: **26%**
- Cost recovery arrangements for LV networks & Marwas
- Cost recovery for irrigation and drainage O&M
- Capital cost recovery factor at 6% inflation:
 - 89% for pumps
 - 57% for mesqa improvement & field drainage

THANK YOU !

