



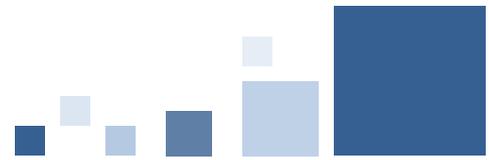
IMPROVING COHERENCE BETWEEN TARGETS AND INSTRUMENTS OF THE AGRICULTURE, RURAL DEVELOPMENT AND WATER POLICIES



Project presentation, preliminary results and next steps

NPD Meeting – Bishkek, June 20th 2017

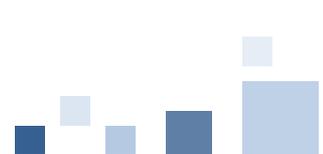
Today's presentation



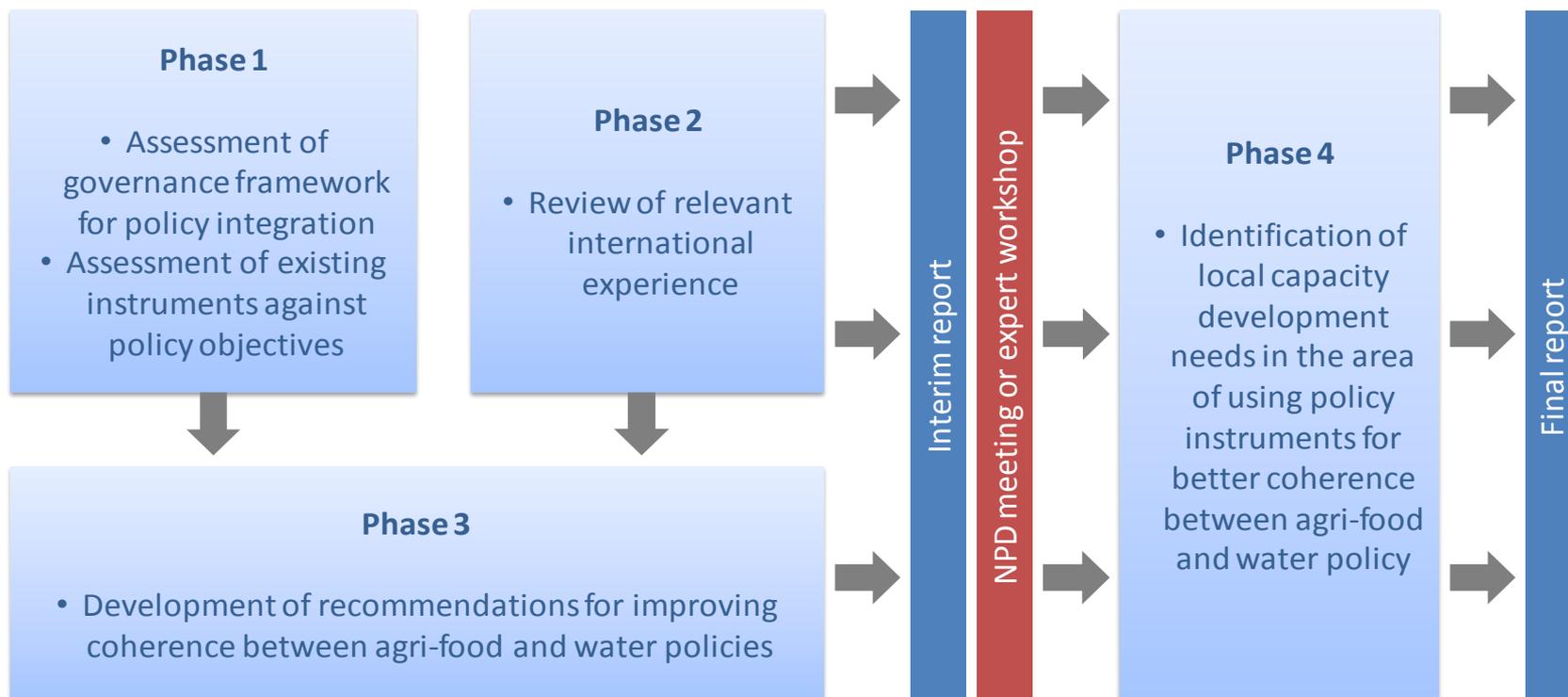
1. Project's objectives and methodology
2. **Water and Agri-food policy objectives**, incl. water and food security : synergies and conflicts
3. Existing economic instruments for water management and subsidies to agriculture and rural development: how do they contribute to water and food security objectives?
4. How to improve policy coherence? Proposed steps

This project builds on two previous studies:

- OECD EAP Task Force (2013), *Improving the Use of Economic Instruments for Water Resources Management in Kyrgyzstan: the Case of Lake Issyk-Kul Basin* (second edition); and
 - OECD EAP Task Force (2016), *Reforming Economic Instruments for Water Resources Management in Kyrgyzstan*.
- These studies highlighted that, in several situations, existing state-support mechanisms to agriculture had a negative impact on water resources; at the same time, economic instruments for water management may have an impact on land management, rural development, agriculture and food production.



The main objective of the project is to assist the Kyrgyz Republic in achieving better coherence between agri-food and water policies.



Water and food security objectives

Overall policy objectives	Good governance	
	Well-defined property rights	
	WSS infrastructures	
	Food security	Water security
Mutual objectives - Synergies	Sanitation and clean water	Reduce risk of inadequate quality
	Efficiency of natural resource use	Reduce risk of shortages
	Resilience to weather-related risks and adaptation to climate change	Ecosystem resilience Reduce risk of floods
Conflicting objectives	Strengthening farmers' income	Reduce risk of inadequate quality
	Raising productivity growth	Ecosystem resilience
		Reduce risk of shortages
Other objectives	Resilience to extreme price shocks	
	Resilience to trade interruptions	
	Reduce post-harvest losses	

Water and food security objectives

Today's presentation

Overall level	Assessment of existing governance systems for water and agri-food policies	
	Assessment of existing institutional mechanisms for policy coherence	
	Assessment of the state of WSS infrastructures	
	Food security	Water security
Overview of existing instruments	Quick assessment of existing state-support instruments to agriculture against food and water security objectives	Quick assessment of existing economic instruments for water management against food and water security objectives
In-depth assessment	In-depth assessment of a selected state-support instrument	In-depth assessment of a selected economic instrument

To be done

Kyrgyzstan – National Strategy for Sustainable Development: Policy objectives concurring in synergy to food and water security objectives

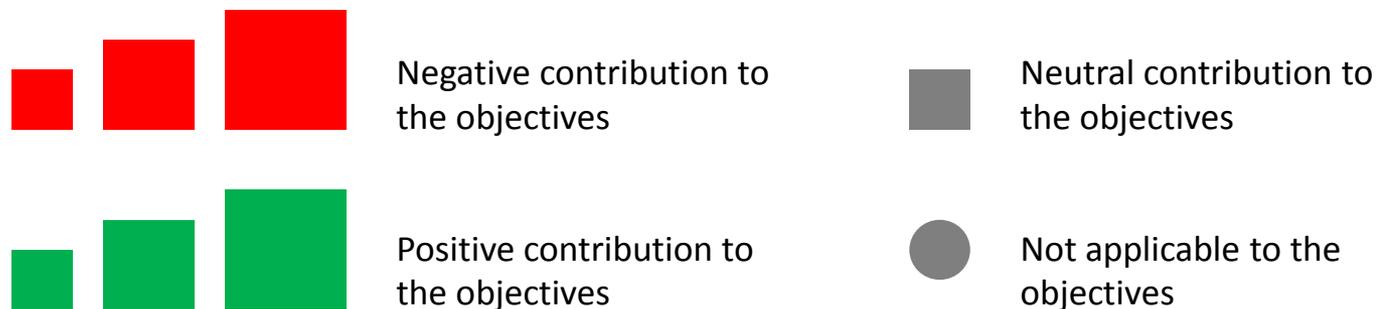
Overall goal → Improvement of the efficiency of agricultural production and competitiveness of products of the entire agricultural complex.

- Improving quality and composition of servicing and technical services for agriculture
- Create conditions for the development of cooperation

Economic instruments for WM and subsidies to agriculture and rural development

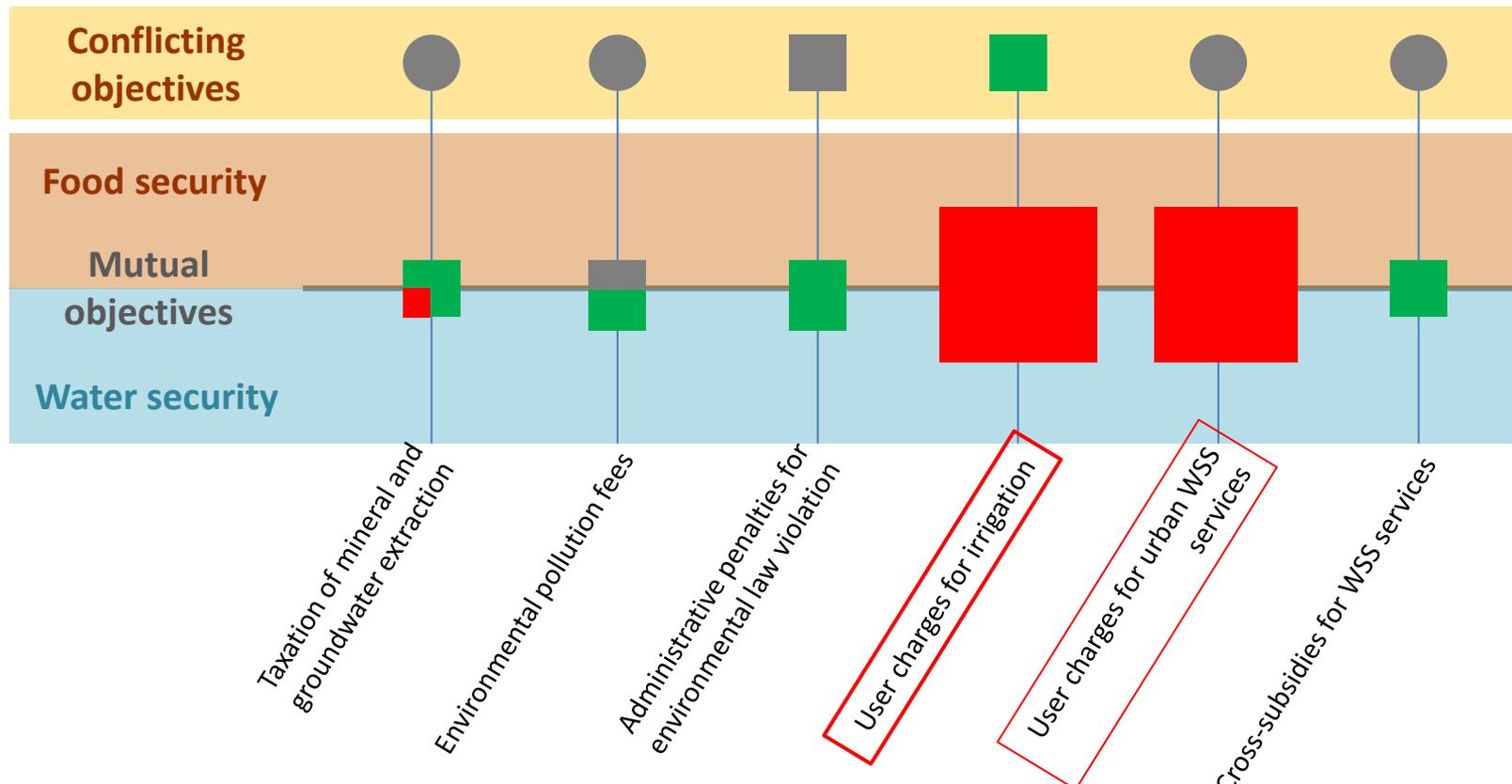
→ How do existing instruments contribute to water and food security objectives? Which synergies and conflicts were observed?

As a result of the rapid assessment, we developed a graphic representation of the contribution of each mechanism to food and water security objectives –and, in particular, to mutual and conflicting objectives. Negative and positive contributions are represented by red and green squares, and the size of the squares is proportional to the magnitude of the negative or positive contribution. This allows for a straightforward comparison of the performance of the mechanisms against food and water security objectives.



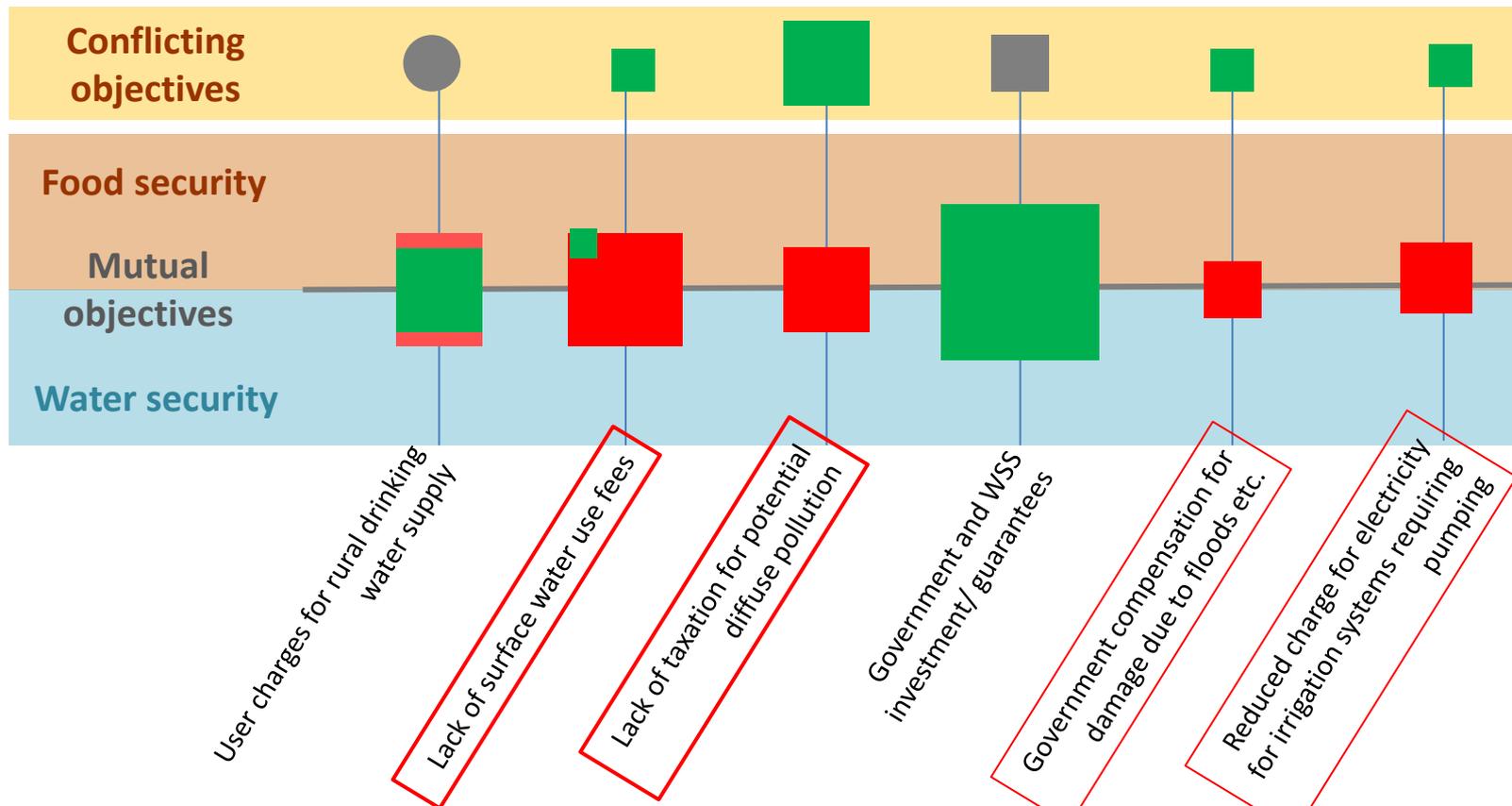
Economic instruments for WM and agricultural subsidies

→ How do existing instruments contribute to water and food security objectives? Which synergies and conflicts were observed?



Economic instruments for WM and agricultural subsidies

→ How do existing instruments contribute to water and food security objectives? Which synergies and conflicts were observed?



User charges for irrigation

Food security objectives		Water security objectives	
Sanitation and clean water	0	Reduce risk of inadequate quality	0
Efficiency of natural resources	--	Reduce risk of shortages	--
Resilience to weather-related risk and adaptation to climate change	--	Improve ecosystem resilience	-
Strengthening farmers' income	+	Reduce risk of floods	0
Raising productivity growth	+		

Very low rates are applied, so that: (i) no incentive for a more efficient water use is provided; and (iii) less financial resources (revenues) for network upgrade and maintenance

As a result of inefficient use (and possibly wasteful use), the resilience to weather-related risks, adaptation to climate change and ecosystem resilience are negatively affected

User charges for irrigation

Food security objectives		Water security objectives	
Sanitation and clean water	0	Reduce risk of inadequate quality	0
Efficiency of natural resources	--	Reduce risk of shortages	--
Resilience to weather-related risk and adaptation to climate change	--	Improve ecosystem resilience	-
Strengthening farmers' income	+	Reduce risk of floods	0
Raising productivity growth	+		



Low rates → irrigation water charges are a relatively small share of farmers' production costs
Cheaper water → more water might be used to raise crop productivity (but this should be further substantiated by data on efficiency levels)

User charges for urban water and sanitation services

Food security objectives		Water security objectives	
Sanitation and clean water	(++) --	Reduce risk of inadequate quality	(+) --
Efficiency of natural resources	--	Reduce risk of shortages	--
Resilience to weather-related risk and adaptation to climate change	--	Improve ecosystem resilience	0
Strengthening farmers' income	n/a	Reduce risk of floods	0
Raising productivity growth	n/a		

In theory, this instrument should contribute to achieving sanitation and clean water and, indirectly, to reducing the risk of shortages and the resilience to weather-related risks. However, rates are very low, which translates in insufficient revenues to properly maintain and upgrade the network. As a result, both water and wastewater treatment plants tend to be in a very poor state of repair

Lack of surface water use fees

Food security objectives		Water security objectives	
Sanitation and clean water	0/+	Reduce risk of inadequate quality	0
Efficiency of natural resources	--	Reduce risk of shortages	-
Resilience to weather-related risk and adaptation to climate change	-	Improve ecosystem resilience	-
Strengthening farmers' income	0/+	Reduce risk of floods	0
Raising productivity growth	0		

The lack of this instrument implies failure in the application of the polluter-pays principle, and this provides a disincentive to a more efficient water resource use

Lack of surface water use fees

Food security objectives		Water security objectives	
Sanitation and clean water	0/+	Reduce risk of inadequate quality	0
Efficiency of natural resources	--	Reduce risk of shortages	-
Resilience to weather-related risk and adaptation to climate change	-	Improve ecosystem resilience	-
Strengthening farmers' income	0/+	Reduce risk of floods	0
Raising productivity growth	0		

The lack of this instrument → Lower prices → Higher affordability of WSS services for households

However, this effect is minimal, for two reasons: (i) current affordability levels are within the range of what is considered acceptable; and (ii) normally, these fees are low, and represent a very small share of water prices

Lack of taxation for potential diffuse pollution

Food security objectives		Water security objectives	
Sanitation and clean water	--	Reduce risk of inadequate quality	--
Efficiency of natural resources	0	Reduce risk of shortages	0
Resilience to weather-related risk and adaptation to climate change	0	Improve ecosystem resilience	-
Strengthening farmers' income	+	Reduce risk of floods	0
Raising productivity growth	+		

No incentive for reducing fertilizer and pesticide use → negative consequences on water quality
Foregone source of revenues to contribute to environmental monitoring and protection systems

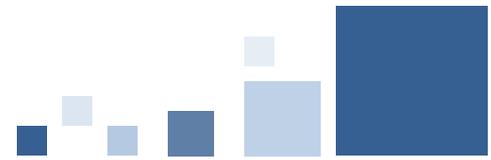
Lack of taxation for potential diffuse pollution

Food security objectives		Water security objectives	
Sanitation and clean water	--	Reduce risk of inadequate quality	--
Efficiency of natural resources	0	Reduce risk of shortages	0
Resilience to weather-related risk and adaptation to climate change	0	Improve ecosystem resilience	-
Strengthening farmers' income	+	Reduce risk of floods	0
Raising productivity growth	+		



Lower production costs for farmers

Economic instruments for WM and agricultural subsidies



Instruments and subsidies revealing conflicts in achieving water and food security objectives:

- User charges for irrigation
- User charges for urban water and sanitation services
- Lack of surface water use fees
- Lack of taxation for potential diffuse pollution
- Government compensation for extreme events (e.g. floods)
- Reduced charge for electricity for irrigation systems requiring pumping

→ Which key instruments on water and agri-food policy sides should be selected for in-depth assessment?

- The rapid assessment of existing mechanisms revealed that there is a need to **improve policy coherence at the instrument level**
- **Main sectoral policies:** National Strategy for Sustainable Development, National Water Strategy (being finalized)
- **NSSD and NWS** set the ground for a stronger policy coherence, but these **need to be strengthened and complemented**
- Other **existing mechanisms for policy coherence:** assessment of institutional coordination through functional analysis; overall coordination of ministries involved in the different Programmes
- The **NPD** can play an **important** role in bringing together relevant policy-makers from different sectors

How will this study contribute to improve policy coherence?

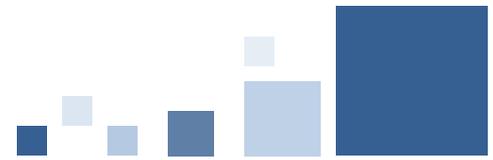
Our focus → State-support mechanisms to agriculture and rural development and economic instruments for water management

→ Recommendations will be provided on

- The removal or improvement of conflicting instruments
- How to reword/ adjust current conflicting objectives (e.g. strengthening farmers in come) while strengthening the achievement of mutually supporting objectives (e.g. sanitation and clean water, reduce risk of inadequate quality)

How will recommendations be developed?

- Based on information gaps found so far, and on discussions today, further investigation on existing mechanisms for policy coherence will be carried out
- Relevant international experience will be reviewed as a source of inspiration
- Two selected instruments achieving conflicting objectives will be assessed in-depth
- Some draft recommendations will be formulated
- Proposed recommendations will be discussed and further developed at the **Expert Meeting in Bishkek (September 2017)** and needs for capacity building in the country will also be identified



Thank you for the attention!

