

**You are invited to a presentation on the results of the study:**

***Measuring irrigation subsidies in Spain - an application of the GSI Method for quantifying subsidies***

**Escuela Técnica Superior de Ingenieros Agrónomos**

**Room: "Aula Magna"**

**Avda. Complutense s/n, Madrid**

**12-14 hours, October 1, 2010**

The [Global Subsidies Initiative \(GSI\)](#) of the [International Institute for Sustainable Development \(IISD\)](#) will present its study entitled ([Measuring irrigation subsidies in Spain - an application of the GSI Method for quantifying subsidies](#)), reviewing and quantifying the subsidies to water supply for irrigation provided in Spain.

### **Background**

While farmers may be the primary beneficiaries of water supplied for irrigation, they are rarely the sole beneficiaries. The availability of irrigation provides benefits for many segments of the rural population—both farm and non-farm—but often by residents of urban areas as well. Some derive these benefits directly, while others derive them indirectly through the benefits of increased agricultural production transmitted to other parts of the society. In addition to the economic benefits accruing to various segments of the rural and urban population, investments in irrigation can provide a number of social benefits, such as more stability of food production, lower food prices and increased income-generating opportunities. At the same time, irrigation subsidies should also be recognized as influencing decisions over which crops get produced, how much is produced, and where it is produced. Also, subsidized irrigated production of horticultural products in wealthier countries can affect the relative competitiveness of products grown in developing countries that have fewer financial resources for investing in irrigation.

The premise of the GSI's work on irrigation is that measuring and quantifying the subsidies to the sector is necessary for comparing the benefits and efficiency losses associated with government policies to promote irrigation. In facing today's challenges – such as climate change and water-resource management – governments need to ensure they have a clear understanding of the level of public money provided to the irrigation sector, as with all sectors of the economy.

You are invited to join a discussion on the crucial issues surrounding the measurement and analysis of irrigation subsidies at the launch of *Measuring irrigation subsidies in Spain - an application of the GSI Method for quantifying subsidies*. The event will be chaired by IISD President, [Franz Tattenbach](#) with panel experts:

- **Dr. Alberto Garrido**, Professor of Agricultural and Natural Resource Economics at the Technical University of Madrid. He has 18 years of research and consulting experience in areas related to water economics and policy, and agricultural policy. His most recent books are *Water Policy in Spain* co-edited with Prof. M.R. Llamas (Taylor and Francis, Leiden, 2009) and *Water Footprint and Virtual*

***Water Trade in Spain: Policy Implications***, co-authored with Llamas, Varela-Ortega, Novo, Rodríguez-Casado and Aldaya (Springer, New York, 2010)

- **Dr. Javier Calatrava**, Assistant Professor of Agricultural Economics and Policy at the Technical University of Cartagena, Spain. He has 12 years research experience in the field of agricultural and resource economics, mainly focused on the economics and policy of water resources and agricultural soil conservation. He has conducted consultancy work on these issues for several Spanish Governmental Agencies, the European Commission, and the OECD.

The report is intended to provide a starting point for a debate on the use of irrigation subsidies in Spain, quantified using the [GSI's Method for quantifying irrigation subsidies](#). It also highlights the need to develop sound replicable methods for measuring and quantifying subsidies.

**Key findings from “Measuring irrigation subsidies in Spain - an application of the GSI Method for quantifying subsidies”:**

- In total, water supply subsidies to Spanish irrigated agriculture are in the range of €900-1120 million per year (an overall subsidy rate of 55% - water user charges for projects meet 45% of the costs). More than half of those subsidies finance the modernization and rehabilitation of water distribution infrastructures to allow for water savings.
- Water supply subsidies in Spain do not differ significantly from those granted in other EU and OECD countries: in general, the subsidization of irrigation water supply relates to the capital costs of supplying surface water. Capital costs of abstraction, storage, transportation and distribution of surface water are partly subsidized and the full costs are not recovered from users.
- In general, irrigation supply costs are not recorded and compiled with the intention of generating accurate assessments of the actual costs for specific activities. Information about specific payments made to contractors along the life cycle of a project is not available.
- The Spanish Government should consider improving the reporting criteria and requiring water authorities to publicly provide information on water costs, revenues and subsidies in a more organized and usable manner. This would include establishing the minimum level of information to be provided, the adequate level of disaggregation, the methodology used to develop it, and the formats in which information would be presented.

### **More about irrigation subsidies from the Global Subsidies Initiative**

The extent of subsidies to irrigation can only be guessed at. In 1997, the World Bank estimated that subsidies to irrigation provided by developing countries during the decade ending in 1993 averaged around \$22 billion a year<sup>1</sup>. That may well be an under-estimate. With irrigation recognized as the leading consumptive user of water in most countries, from the perspective of sustainability, irrigation policies are extremely important and subsidies to the sector require quantification. .

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<sup>1</sup> *Expanding the Measure of Wealth: Indicators of Environmentally Sustainable Development*, Environmentally Sustainable Development Studies and Monographs Series No. 17, The World Bank, 2007, p. 62.

Being able to make informed decision on irrigation policy is difficult for governments given insufficient information is often available. Estimating the size of subsidies is in itself a difficult challenge for analysts is given the site-specific nature of the subsidies. The structure of the charges, the degree of cost-recovery built into water charges, and of cross-subsidization among different users of multiple-use infrastructure, can vary from water project to water project. There is also as yet no internationally agreed method for estimating the subsidy equivalent of prices for water that are below those charged to other consumers, after adjusting for differences in quality and interruptibility.

Nevertheless, it is not too soon to establish the necessary groundwork for measuring subsidies to irrigation so that better, and internationally comparable, estimates become available sooner rather than later. Such an effort requires: assembling researchers and partnerships; forging agreement on common terms and estimation methods; supporting basic research to identify data and start recording what can be measured; and assisting governments in making data available for estimating subsidies to irrigation.