
Economic and Financial Management

Changes are required in the system of prices and other economic incentives affecting water demand and supply in Bangladesh. Unless the users pay a price for water, there will be a tendency to misuse and deplete it under scarcity conditions. Desirable practices such as conjunctive use, water-saving agricultural and industrial technologies, water harvesting, water transfers, and water recycling, both within and between sectors, will emerge only when users perceive the scarcity value of water.

A system of cost recovery, pricing, and economic incentives/disincentives is necessary to balance the supply and demand of water. Cost recovery of services such as flood control, drainage, irrigation, and wastewater treatment has not been considered adequately. Failure to recover O&M cost leads to decline of service quality and deterioration of the system. This, in turn, makes the consumers less willing to pay for the deteriorating services. An important principle, for the long-term, in this regard is that public service agencies should be converted into financially autonomous entities, with effective authority to charge and collect fees. The participation of users in managing and maintaining water facilities and operations is an important element of financial accountability. It is, therefore, the policy of the Government that:

- a. Water will be considered an economic resource and priced to convey its scarcity value to all users and provide motivation for its conservation. For the foreseeable future, however, cost recovery for flood control and drainage (FCD) projects is not envisaged in this policy. In case of flood control, drainage, and irrigation (FCDI) projects water rates will be charged for O&M as per Government rules.
- b. Relevant public water supply agencies will be gradually given authority to charge for their services.
- c. Recovery of O&M cost will, as far as possible, be made through private collection means such as leasing and other financial options. Beneficiaries and other target groups will be given preference for such contracts.
- d. The pricing structure will match the goals and needs of the water provider and the population served. Water rates will be lower for basic consumption, increasing with commercial and industrial use. The rates for surface and groundwater will reflect, to the extent possible, their actual cost of delivery.
- e. Water charges realized from beneficiaries for O&M in a project would be retained locally for the provision of services within that project.
- f. Effective beneficiary participation and commitment to pay for O&M will be realized at the project identification and planning stages by respective public agencies.

Appropriate financial incentives will be introduced for water re-use and conservation, responsible use of groundwater, and for preventing overexploitation and pollution.