

Republic of the Philippines
NATIONAL IRRIGATION ADMINISTRATION
EDSA, Diliman, Quezon City

MC #. 49 s. 1998

MEMORANDUM CIRCULAR

TO: THE DEPUTY ADMINISTRATOR, ASSISTANT ADMINISTRATORS, DEPARTMENT MANAGERS, STAFF HEADS, REGIONAL IRRIGATION MANAGERS, OPERATIONS/PROJECT MANAGERS, PROVINCIAL IRRIGATION OFFICERS, IRRIGATION SUPERINTENDENTS AND ALL OTHERS CONCERNED

SUBJECT: **IMPLEMENTING GUIDELINES TO ADMINISTRATIVE ORDER NO. 17**

The implementation of the socialized irrigation service fee (ISF) rates and payment of communal irrigation system amortization pursuant to Administrative Order (AO) No. 17 shall be governed by the attached guidelines approved by the NIA Board of Directors under Resolution No. 6840-98, series of 1998. The AO took effect on 07 September 1998.

For national irrigation systems, the old ISF rates shall apply to all standing crops as of 07 September 1998. The new rates shall apply to the next cropping season after the AO's effectivity date. For communal irrigation systems, the new amortization scheme shall apply to projects whose contracts with the Irrigators Associations are signed beginning 07 September 1998.

For your guidance and compliance.


MANUEL ANTONIO S. AREVALO
Administrator

Republic of the Philippines
NATIONAL IRRIGATION ADMINISTRATION
EDSA, Diliman, Quezon City

**IMPLEMENTING GUIDELINES
PURSUANT TO ADMINISTRATIVE ORDER NO. 17**

***“ADOPTION OF A SOCIALIZED IRRIGATION SERVICE FEE,
COMMUNAL IRRIGATION SYSTEMS (CIS) AMORTIZATION
RATES, AND OTHER URGENT INTERIM MEASURES TO
CUSHION THE EFFECTS OF EL NIÑO AND THE ASIAN
CURRENCY CRISIS IN THE AGRICULTURAL SECTOR,
PARTICULARLY TO BENEFIT IRRIGATION FARMER
BENEFICIARIES”***

These guidelines shall govern the implementation of Administrative Order No. 17 (Annex A) to ensure uniformity and consistency in the application of its provisions.

A. DEFINITION OF TERMS

1. ***Amortization*** is the scheduled repayment of the chargeable costs in the development of communal irrigation projects/systems within the period mutually agreed upon between the National Irrigation Administration (NIA) and the Irrigators Association (IA).
2. ***Chargeable cost*** is the construction cost of a communal irrigation project (CIP) or system agreed upon by NIA and the IA exclusive of the costs of roads, flood protection, bridge (if any), engineering and supervision, and repair funds for calamity damages (if any).
3. ***Diversion scheme*** is a type of irrigation development where a dam is constructed across the river to divert water to the farmlands.

4. **Equity participation** is the farmers' contribution during construction period of a CIP or rehabilitation of a communal irrigation system (CIS) which covers the value of their labor, construction materials, right-of-way and cash.
5. **Irrigation fee register** (IFR) is a subsidiary ledger of irrigation service fee (ISF) receivables. It contains information on the name of lot owner, lot area, lot number, location, bills, payments and adjustments.
6. **Irrigation service fee** is the amount charged for the services rendered in the operation and maintenance of national irrigation systems (NIS).
7. **Irrigators Association** is an organization of farmers in an irrigation system, duly registered with the Securities and Exchange Commission.
8. **New areas** are rainfed areas with or without land development and farms served by temporary diversion works wherein new irrigation and drainage structures will be introduced with government financial and/or technical assistance.
9. **Pumping scheme** is a type of irrigation development which uses shallow or deep tubewells and lift pumps to draw water from either ground or surfacewater.
10. **Rehabilitation areas** are those areas with existing irrigation and drainage facilities where re-construction, improvement and modernization can be done to maintain, restore and expand irrigated areas to improve water distribution.
11. **Reservoir/Storage scheme** is a type of irrigation development where water is impounded behind a dam and released for irrigation, power generation and other purposes.

12. **Service area** is the area of an irrigation system provided with irrigation and drainage facilities.

B. IRRIGATION SERVICE FEE

1. The socialized ISF on NIS shall be as follows:

1.1 Diversion Scheme

<u>IFR Lot Area</u>	<u>Wet Season</u>	<u>Dry Season</u>
	(Cavans/ha or cash equivalent in accordance with the prevailing government support price for palay)	
Rice Crop		
2 ha and below	1	1.5
Above 2 to 5 ha	2	3.0
More than 5 ha	3	4.5
Other Crops	60% of rate for rice crop	
Annual Crops	7.5 cavans/ha annually	

1.2 Reservoir/Storage Scheme

Rice Crop		
2 ha and below	1.5	2.0
Above 2 to 5 ha	2.5	3.5
More than 5 ha	4.0	5.0
Other Crops	60% of rate for rice crop	
Annual Crops	9.0 cavans/ha annually	

1.3 Pumping Scheme

The same rates as in Reservoir Scheme shall apply to new pump irrigation schemes. In addition, the actual cost of power/energy shall be borne by the farmer-beneficiaries, pro-rated among themselves according to actual area irrigated.

The existing rates in pumping schemes managed by NIA or under joint management with IAs shall be maintained.

2. The application of the rates shall be in accordance with Memorandum Circular (MC) No. 31 and MC No. 31-A, series of 1978, and other official guidelines earlier issued relative to season charts.
3. The existing ISF billing procedures shall be followed. Bills shall be prepared **by lot** based on the IFR and List of Irrigated and Planted Areas. The usual ISF computation procedures shall be followed using the new socialized rates. Sample computations of ISF for different lot areas are given in Annex B.

Any change in the lot area or ownership in the IFR after 7 September 1998 shall be made only if supported by either Transfer Certificate of Title (TCT) or Certificate of Land Transfer and subject to the approval of NIA.

4. The NIA, in coordination with the Register of Deeds of the locality concerned, shall cause the annotation of the back accounts on the TCT pursuant to Section 1 of Presidential Decree No. 552.

C. **CIS AMORTIZATION**

1. For new areas, equity participation during construction is not required. The minimum amortization payment is one cavan/ha/year. The chargeable cost shall be amortized at no interest.

The IAs may opt to:

- 1.1 Adopt the "no equity during construction" and pay the required amortization only after the construction of the CIP (A minimum of one cavan/ha/year of service area shall be collected by the IA.); or

1.2 Pay advanced amortization in the form of cash, labor and construction materials during construction to shorten the repayment period.

2. IAs opting to pay upfront 30 percent of the chargeable cost during construction/rehabilitation are exempted from CIS amortization payment.

IAs shall pay 30 percent of the chargeable costs during construction with grace period of not more than two years after completion of the project.

3. For rehabilitation areas, IAs are required to advance part of the chargeable costs during construction and amortize the balance of the chargeable costs in accordance with the schedule mutually agreed upon between NIA and the IAs.

D. All existing policies and regulations pertaining to the development and management of NIS and CIS not contrary to the provisions of AO 17 and these guidelines shall remain in full force and effect.

E. The new ISF rates, equity and amortization scheme take effect on 7 September 1998.

ANNEX B

SAMPLE IRRIGATION SERVICE FEE BILL COMPUTATIONS

Type of System:	DIVERSION SCHEME
One cavan of palay	= 50 kilograms (kg)
Government support price for palay	= P8.00/kg

Example 1. LOT # 0001 Owner: JOSE B. SANTOS
Lot area: 2.0 hectare (ha)

WET SEASON:

Area Irrigated and Planted: 2.0 ha
ISF Rate: 1 cavan/ha

Computation:

$2.0 \text{ ha} \times 1 \text{ cavan/ha} = 2 \text{ cavans or}$
 $= \text{P800 cash equivalent (2 cavans} \\ \times 50 \text{ kg} \times \text{P8.00)}$

DRY SEASON:

Area Irrigated and Planted: 1.5 ha
ISF Rate: 1.5 cavans/ha

Computation:

$1.5 \text{ ha} \times 1.5 \text{ cavans/ha} = 2.25 \text{ cavans or}$
 $= \text{P900 cash equivalent (2.25} \\ \text{cavans} \times 50 \text{ kg} \times \text{P8.00)}$

Example 2. LOT # 0002 Owner: JOSE B. SANTOS
Lot area: 3.0 ha

WET SEASON:

Area Irrigated and Planted: 3.0 ha
ISF Rate: 2 cavans/ha

Computation:

$3.0 \text{ ha} \times 2 \text{ cavans/ha} = 6 \text{ cavans or}$
 $= \text{P2,400 cash equivalent (6} \\ \text{cavans} \times 50 \text{ kg} \times \text{P8.00)}$

DRY SEASON:

Area Irrigated and Planted: 2.5 ha
ISF Rate: 3.0 cavans/ha

Computation:

$$\begin{aligned} 2.5 \text{ ha} \times 3.0 \text{ cavans/ha} &= 7.5 \text{ cavans or} \\ &= \text{P3,000 cash equivalent (7.5} \\ &\quad \text{cavans} \times 50 \text{ kg} \times \\ &\quad \text{P8.00)} \end{aligned}$$

Example 3. LOT # 0003.

Owner: JOSE B. SANTOS
Lot area: 6.5 ha

WET SEASON:

Area Irrigated and Planted: 5.0 ha
ISF Rate: 3 cavans/ha

Computation:

$$\begin{aligned} 5.0 \text{ ha} \times 3 \text{ cavans/ha} &= 15 \text{ cavans or} \\ &= \text{P6,000 cash equivalent} \\ &\quad \text{(15 cavans} \times 50 \text{ kg} \times \\ &\quad \text{P8.00)} \end{aligned}$$

DRY SEASON:

Area Irrigated and Planted: 2 ha
ISF Rate: 4.5 cavans/ha

Computation:

$$\begin{aligned} 2.0 \text{ ha} \times 4.5 \text{ cavans/ha} &= 9 \text{ cavans or} \\ &= \text{P3,600 cash equivalent (9} \\ &\quad \text{cavans} \times 50 \text{ kg} \times \\ &\quad \text{P8.00)} \end{aligned}$$

NOTES ON EXISTING POLICIES AND REGULATIONS PERTAINING TO
THE DEVELOPMENT AND MANAGEMENT OF NATIONAL AND
COMMUNAL IRRIGATION SYSTEMS

A. NATIONAL IRRIGATION SYSTEMS (NIS)

1. Irrigation service fee (ISF) rates are denominated in-kind, i.e., cavan of palay, but payments in cash are encouraged at all times (MC # 60 s. 1974, MC # 26 s. 1976 and MC # 9 s. 1990). Cash payments are based on the prevailing government support price for palay at the time of payment (MC # 26 s. 1976).
2. ISF payments for other crops and annual crops are the cash equivalent of the rates for rice crop at the prevailing government support price for palay at the time of payment (MC # 60 s. 1974).
3. Prompt cash payment in full of ISF current account is entitled to 10 percent discount (MC # 9 s. 1990).
4. ISF payments in palay must have net weight of 50 kilograms per cavan at 14 percent moisture content (MC # 60 s. 1974).
5. Unpaid ISF accounts are subject to penalty of one percent per month (MC # 60 s. 1974). Back accounts paid in cash shall be based on the prevailing government support price for palay at the time of payment.
6. The different arrangements under the shared management of NIS between the National Irrigation Administration (NIA) and Irrigators Associations (IA) are as follows (MC # 41 s. 1990):
 - a. **Type I:** IAs with Maintenance Contract are paid P1,400 per month for satisfactory maintenance of 3.5 kilometers (km) of unlined canals and 7.0 km for lined canals (amended by MC # 35 s. 1993).

- b. **Type II:** IAs with Systems Operations and Irrigation Service Fee Collection Contract are entitled to the following incentives:

1. Current Accounts

Collection Efficiency (%)	Incentives to IAs as Percent of the Collection
51- 60	2
61- 70	5
71- 90	10
91-100	15

2. For back accounts, IAs are entitled to:

- a. two percent incentive from the collection of back accounts accrued after the effectivity of their contract with NIA.
- b. 25 percent incentive from the collection of back accounts accrued before the effectivity of their contract with NIA.

- c. **Type III:** IAs under Complete Turnover amortize the investment and rehabilitation costs of the facilities turned over to them for a period not exceeding 50 years.

B. COMMUNAL IRRIGATION SYSTEMS

1. For IAs paying amortization

- 1.1 Unpaid amortizations shall be subject to interest of one half of one percent per month on the amount due (MC # 62 s. 1979).

- 1.2 Annual amortization paid in advance is entitled to discounts as follows (MC # 12 s. 1986):

Months	(%)
3	1
4	2
5	3
6	4
7	5
8	6
9	7
10	8
11	9
12	10

2. For IAs paying 30 percent equity (MC # 27 s. 1991)

- 2.1 Equity participation include cash, labor, construction materials and right-of-way.
- 2.2 For rehabilitation projects, IAs with old loans shall restructure their loans by paying 30 percent of the balance during the construction period.
- 2.3 Any unpaid amount within the designated payment period shall be subjected to a maximum interest of one percent per month and to be settled by the IAs within the next six months.

3. The Participatory Approach Program as implemented in national and communal irrigation projects and systems is aimed to make IAs dynamic partners of NIA in irrigation development and management.

ADMINISTRATIVE ORDER NO. 17

ADOPTION OF A SOCIALIZED IRRIGATION SERVICE FEE, COMMUNAL IRRIGATION SYSTEMS (CIS) AMORTIZATION RATES, AND OTHER URGENT INTERIM MEASURES TO CUSHION THE EFFECTS OF EL NIÑO AND THE ASIAN CURRENCY CRISIS IN THE AGRICULTURAL SECTOR, PARTICULARLY TO BENEFIT IRRIGATION FARMER BENEFICIARIES.

WHEREAS, Presidential inspection of the countryside has established the sorry state of farmer beneficiaries of irrigation systems of the National Irrigation Administration (NIA), brought about by the effects of the El Niño phenomenon and the current Asian currency crisis;

WHEREAS, there is a need to immediately implement interim measures to assist irrigation farmer beneficiaries, so that they can recover from the effects of these climatic and economic abnormalities;

WHEREAS, the payment of irrigation service fees and amortization on Communal Irrigation Systems (CIS) are among the identified obligations of farmer beneficiaries payable to NIA;

WHEREAS, a review of said obligations justifies the rationalization thereof, by introducing socialized irrigation fees and amortization on CIS, thereby equitably distributing the burden of payment among farmer beneficiaries in national irrigation and communal irrigation systems;

NOW, THEREFORE, I, JOSEPH EJERCITO ESTRADA, President of the Philippines, by virtue of the powers vested in me by law, do hereby order that the rates of irrigation services fees and CIS amortization payments to be collected by NIA be as follows:

1.1 The Socialized ISF, on National Irrigation Systems Operated and maintained by NIA:

	Wet Season (Cavans/has. or cash equivalent)	Dry Season (Cavans/has. or cash equivalent)
a. Diversion Scheme		
2 has. and below	1	1.5
Above 2 to 5 has.	2	3.0
More than 5 has.	3	4.5
Other Crops	60% rate of rice	

1.0 cavan/has.
annually

b. Reservoir/Storage Scheme

2 has. and below	1.5	2.0
Above 2 to 5 has.	2.5	3.5
More than 5 has.	4.0	5.0
Other Crops	60% rate of rice	
Annual Crops	9 cavan/has. annually	

c. Same rates as in Reservoir/Storage Scheme, but actual cost of power/energy pro-rated to farmer beneficiaries.

1.2 CIS Amortization

- a. No equity during construction is required for new areas. Minimum amortization payment of 1.5 cavan/has./year is reduced to one cavan and the chargeable cost to be amortized at no interest.
 - b. Irrigators' Associations (IA) opting for 30 percent upfront payment of chargeable cost during construction/rehabilitation are exempted from CIS amortization payment.
2. The Department of Agriculture is hereby directed to submit legislative proposals for the increase of administration and overhead charges of 5 percent to 10 percent of the total cost of projects undertaken by the NIA, and the condonation of irrigation service fees and CIS amortization back accounts being collected by NIA.

This Administrative Order shall take effect upon its publication in at least one newspaper of general circulation in the Philippines.

DONE in the City of Manila, this 31st day of August in the Year of Our Lord Nineteen Hundred and Ninety-Eight.

By the President:

Ronald B. Zamora

RONALDO B. ZAMORA
Executive Secretary