

*for info*

Republic of the Philippines  
NATIONAL IRRIGATION ADMINISTRATION  
(PAMBANSANG PANGASIWAAN NG PATUBIG)  
Quezon City

MC# 19, s. 2007

**MEMORANDUM CIRCULAR**


**TO : THE DEPUTY ADMINISTRATOR, ASSISTANT ADMINISTRATORS, DEPARTMENT MANAGERS, REGIONAL IRRIGATION MANAGERS, OPERATIONS MANAGERS, PROJECT MANAGERS, PROVINCIAL IRRIGATION OFFICERS, IRRIGATION SUPERINTENDENTS, DISTRICT MANAGERS, REGIONAL FINANCE & MANAGEMENT MANAGERS, CASHIERS/COLLECTION OFFICERS AND ALL OTHERS CONCERNED THIS AGENCY**

**SUBJECT: ESTABLISHMENT AND UTILIZATION OF A RESERVE FUND (RF) AT CENTRAL OFFICE FOR IA SHARES/INCENTIVES**

In consonance with the NIA's mandate and vision for a dynamic and effective partnership with the Irrigators Associations (IAs) in the management of the Operation and Maintenance (O&M) of National Irrigation Systems (NIS), prompt payment of the IA shares/incentives from the collection of Irrigation Service Fees (ISF) has to be addressed with dispatch.

In order to achieve this prime objective and bolster the morale of our partners, the IAs, a Reserve Fund (RF) from ISF collections shall be established at Central Office for the purpose. The establishment and utilization of the fund shall be strictly in accordance with the attached guidelines.

This Memorandum Circular shall take effect immediately and supersedes all previous issuances inconsistent herewith.

  
MARCELINO V. TUGAOEN, JR.  
OIC - Administrator

April 4, 2007

**GUIDELINES FOR ESTABLISHMENT AND UTILIZATION OF  
RESERVE FUND  
FOR PAYMENT OF IA SHARES/INCENTIVES**

**I. Rationale**

In compliance with the NIA's mandate and authority as embodied in its corporate charter (R.A. 3601 as amended by PD 552 and PD 1702) and reiterated under the Agriculture and Fishery Modernization Act (AFMA, R.A. 8435), the NIA has been entering into various forms of agreements with the Irrigators Associations (IAs) for the management of the O&M of National Irrigation Systems (NISs). As of CY 2005, a total of 1,981 IAs covering 566,340 has have signed O&M contracts with the NIA under various scheme, i.e. Type I – maintenance, Type II – operations and ISF collection and Joint System Management (JSM). Under Types II and JSM, the IAs are entitled to either shares or incentives from the collection of Irrigation Service Fees (ISF), which the NIA pays in accordance with the terms and conditions stipulated in the Memorandum of Agreement (MOA).

At present, the National Irrigation System Offices (NISOs) and the Provincial Irrigation Management Offices (PIMOs) are experiencing difficulties in the timely payment of the shares/incentives of IAs. To provide the NISOs and PIMOs readily available funds for its prompt payment and thereby bolster the morale of the IAs, a Reserve Fund (RF) from ISF remittances of field offices shall be established at the Central Office (CO). Thus, the payment of IA share/incentives are of the same category and priority with that of salaries, wages and other statutory contributions.

**II. Procedures for the Establishment and Utilization of Reserve Fund (RF) (Fig. 1)**

**A. Establishment of Reserve Fund**

1. The initial amount of the RF shall be 5% of the total ISF remittances from field offices to CO.
2. The RF cash support shall be released to each Regional Irrigation/Integrated Irrigation System Office (RIO/IISO) starting January, subject to existing accounting and auditing rules and regulations. Releases shall be done on the basis of requests submitted to CO from the NISOs/PIMOs as evaluated and consolidated by the RIO/IISO.
3. All ISF collections shall be remitted to the CO one-way deposit account at gross amount.

In order to facilitate release of the IA shares/incentives, the following procedures shall be followed.

**B. Utilization of the Reserve Fund**

**1. NISO/PIMO:**

- a. Cashier issues Official Receipt to authorized IA representative upon receipt of ISF cash payment.
- b. Cashier deposits gross amount of collection to the one-way deposit account at CO.
- c. Cashier monitors IA remittances of ISF collections; checks if the amount turned over is the same amount shown in the covering report of collections and that all official receipts issued for the period are included in the report of collections.
- d. Accounting Processor determines the amount of IA shares/incentives and reconciles with IA statement of remittances at the end of cropping season.
- e. Irrigation Superintendent informs the IA if not entitled.
- f. Irrigation Superintendent submits to RIO/IISO due and demandable accounts for IA shares/incentives for evaluation and consolidation.
- g. Cashier receives cash from the RIO for IA shares/incentives.
- h. Cashier processes IA incentives/shares based on their evaluated requirements depending on the sharing scheme as stipulated in the MOA:
  - i. Cashier prepares Disbursement Voucher (DV) and Check in the name of the IA.
  - ii. IA signs DV, receives Check, issues IA OR, and deposits to IA Bank Current/Savings Account.
1. Prepares and submits to RIO/IISO the Report of Disbursement (RD) with paid IA incentives/shares.

**2. RIO/IISO:**

- a. Evaluates, consolidates and submits to CO (Asst. Adm. For Finance & Mgt, Attn: Mgr., Controllershship Dept.) the NISO/PIMO Summary list of Due and Demandable Accounts Payable for IA incentives/shares for evaluation and allocation.
- b. Receives cash and copy of CO Advice to Debit Account (ADA) and takes up in the books.
- c. Transfers cash to NISO/PIMO.
- c. Reconciles with bank credit/debit memo furnished by NISO/PIMO.
- d. Receives RD with paid IA incentives/shares for booking up.

### **3. CENTRAL OFFICE:**

#### **a. General Accounting Div., Controllership Dept.**

- a. Evaluates the consolidated summary list of Due and Demandable Accounts Payable for IA shares/incentives of NISOs/PIMOs submitted by the RIO.
- b. Prepares CO-ADA for IA shares/incentives.

#### **b. Treasury Department:**

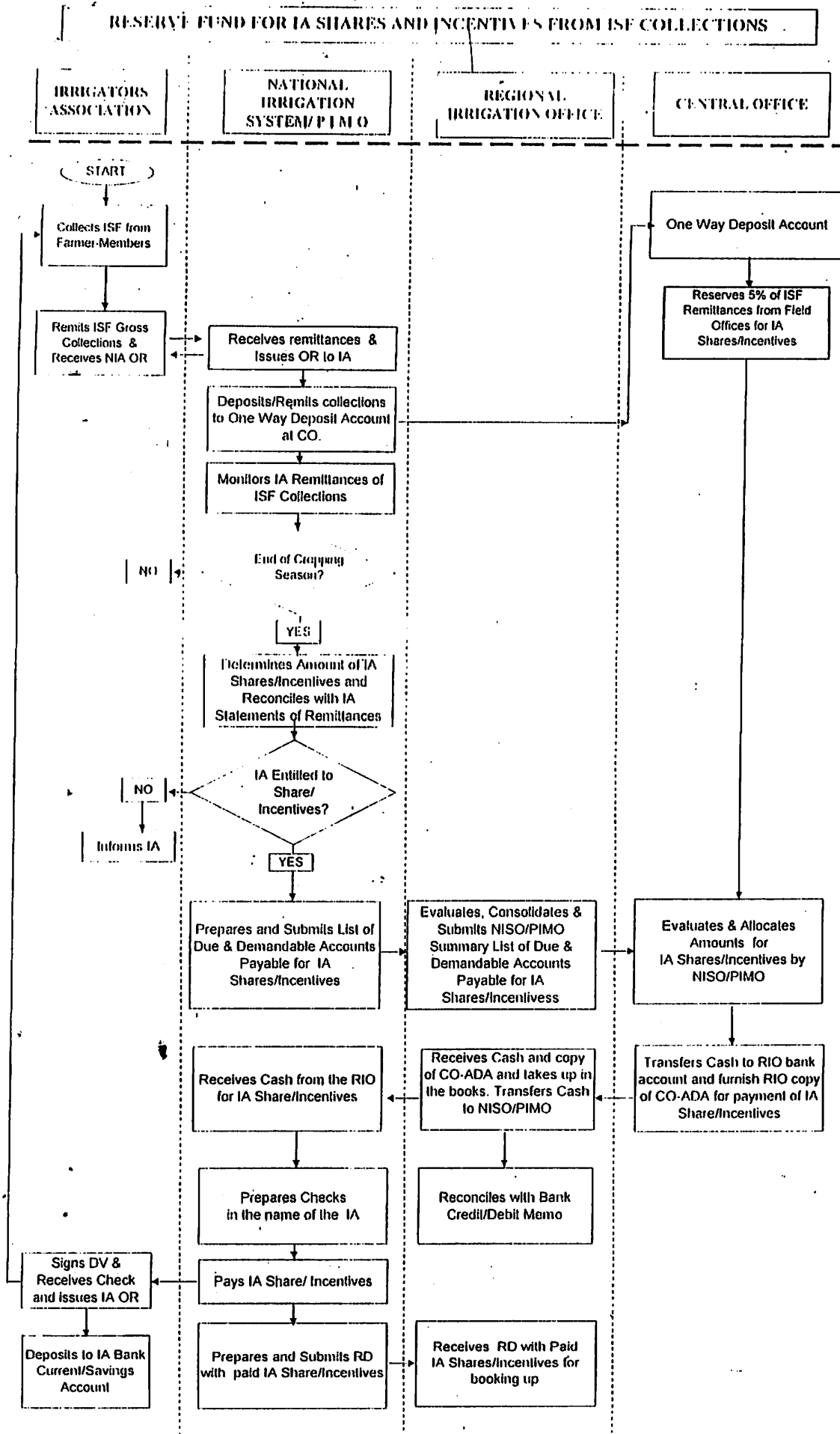
- a. Transfers cash to RIO bank account.
- b. Furnishes RIO copy of CO-ADA for payment of IA incentives/shares.

All requests for payment of IA shares/incentives shall be submitted to the General Accounting Division, Central Office supported by the following:

1. A summary report on IA shares/incentives indicating the following: name of IA/IA Federation/CIA; the ISF sharing scheme; total amount of IA shares/incentives payable within the current cropping season, amounts of IA shares/incentives actually paid, and other information for monitoring and evaluation purposes. For uniformity, adopt the attached format (Form RF-1). Submit the report through the E-Mail at General Accounting Division, Controllership Dept. (controllership @ nia.gov.ph/accounting @ nia.gov.ph)
2. All the necessary certifications covering the collection, remittance and payment of IA shares and incentives.

The NISOs/PIMOs and RIOS/IISOs shall be held responsible for all IA shares/incentives paid within their jurisdiction. For proper fund monitoring, a subsidiary ledger for the purpose shall be established and maintained by the RIO/IISO for each of the NISO/PIMO and by the NISO/PIMO for each of the IA. It is the responsibility of the NISO/PIMO and RIO/IISO Accounting to have this record updated at all times, such that all concerned can accurately determine or monitor the total amount of IA shares/ incentives paid.

Figure 1. FLOW CHART



## NISO/PIMO SUMMARY REPORT

on

### ISF Collection Remittance and IA Share/Incentive

Period Covered — From:           (Date 1)           To:           (Date 2)          

Name of RIO/IIISO: \_\_\_\_\_

Name of NISO/PIMO: \_\_\_\_\_

Name of NIS: \_\_\_\_\_

Name of IA/Fed/CIA	Type of Contract	NIA -IA ISF Sharing Scheme	ISF Collection Remittance		IA Share/Incentive from ISF Collection			Remarks
			Estimated Collectible Amount This Cropping Season (R)	Amount Remitted This Period (R)	Cumulative Amount Remitted This Cropping (R)	Estimated Amt. This Cropping Season (R)	Amt. Paid This Period (R)	
N1								
N2								
N3								
NN								
TOTAL								

Prepared by: \_\_\_\_\_

Concurred by: \_\_\_\_\_

Head of NISO/PIMO

CURRENT EXPENSES	MC 78, s. 2005:  ONE-WAY DEPOSIT SCHEME	Proposed MC:  ESTABLISHMENT OF RESERVE FUND FOR IA SHARES/INCENTIVES
<p>A) SALARIES, WAGES, GSIS, PHIC, etc., PERA, RATA, 13<sup>TH</sup> MO. PAY, 13<sup>TH</sup> MO. PAY</p> <p>B) IA SHARE/ INCENTIVES</p>	<ul style="list-style-type: none"> <li>• Items A &amp; B are both under Category A as 1<sup>st</sup> Priorities.</li> <li>• Sourced from common fund.</li> <li>• In fund releases, hierarchy repeats itself: <ul style="list-style-type: none"> <li>- Item A as 1<sup>st</sup> priority -</li> <li>- Item B as 2<sup>nd</sup>.</li> </ul> </li> <li>• Effect: <ul style="list-style-type: none"> <li>• Delayed payment of IA Share/Incentives.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• IA share/incentives are of the same category and priority with that of Salaries...</li> <li>• Funds equivalent to 5% of ISF collection are reserved <b>specifically for IA Share/ Incentives.</b> <p>Ninety-five per cent (95%) is allocated to all other current expenses.</p> </li> <li>• Effect: <ul style="list-style-type: none"> <li>• Prompt payment of IA Share/Incentives.</li> </ul> </li> </ul>

**NATIONAL IRRIGATION ADMINISTRATIVE**  
**COMPARATIVE INCOME STATEMENT - FUND 501**  
**FOR THE CALENDAR YEARS 2001 TO 2005**

PARTICULARS	2001	2002	2003	2004	2005
<b>Operating Income:</b>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Irrigation Fees	474,535,766.80	655,720,859.38	694,850,119.32	781,640,071.84	801,169,863.70
Less: 10 % Discount on ISF	18,639,905.22	28,441,785.30	32,218,701.24	40,535,333.51	45,384,665.09
Loss on Sale of Palay	2,569,139.46	1,083,874.65	786,569.39	157,117.88	17,433.00
Net Irrigation Fees	455,326,722.12	626,195,199.41	661,844,848.69	740,947,620.47	755,767,765.61
Equipment Rentals	185,627,243.50	191,903,133.00	158,428,831.48	146,050,842.40	86,498,668.98
Pump Amortization	7,372,031.35	4,414,109.38	4,681,047.02	1,427,778.97	601,497.21
<b>Total -----</b>	<b>648,326,986.97</b>	<b>822,512,441.77</b>	<b>824,764,727.19</b>	<b>888,426,241.84</b>	<b>842,867,931.80</b>
<b>Non-Operating Income:</b>					
5% Mgt. Fees	213,634,618.96	243,955,523.52	191,260,085.94	164,255,519.08	289,782,776.65
CIP/CIS Amortization	23,486,423.89	43,884,461.95	36,355,642.50	38,809,078.08	39,702,344.22
CIP/CIS Equity	114,129,070.00	156,756,930.00	134,989,400.00	91,222,076.72	87,648,356.75
Pump Equity	0.00	0.00	0.00	11,989,733.84	14,446,983.86
Interest	13,340,621.11	12,743,155.45	8,747,377.72	6,518,861.42	3,801,057.37
Sale of Fixed Assets/Scrap	5,233,139.18	5,557,966.18	9,898,477.26	11,180,745.98	11,595,659.37
Subsidies	120,094,631.00	15,421,721.00	0.00	50,000,000.00	0.00
Others	167,932,157.15	130,506,490.28	319,018,988.35	160,958,023.66	339,290,784.63
<b>Total -----</b>	<b>667,860,661.29</b>	<b>608,826,247.38</b>	<b>700,269,971.77</b>	<b>634,934,038.78</b>	<b>786,267,962.85</b>
<b>TOTAL REVENUES -----</b>	<b>1,308,186,658.26</b>	<b>1,431,338,689.15</b>	<b>1,525,024,698.96</b>	<b>1,423,360,280.62</b>	<b>1,629,135,894.65</b>
<b>Less: EXPENSES:</b>					
<b>Personal Services -----</b>	<b>1,094,285,436.08</b>	<b>1,136,743,035.76</b>	<b>1,210,489,339.75</b>	<b>1,112,333,313.76</b>	<b>1,178,297,859.53</b>
<b>MOOE -----</b>	<b>148,827,563.91</b>	<b>233,474,185.26</b>	<b>272,093,100.19</b>	<b>296,371,365.21</b>	<b>346,639,987.05</b>
Travelling Expenses	2,805,146.91	5,129,678.50	7,017,023.66	8,722,923.95	15,295,665.70
Communications	3,856,402.17	6,240,436.72	9,314,242.31	9,178,980.79	10,557,879.42
R/M of Gov't. Fac.	292,952.00	1,851,262.17	1,385,740.18	2,351,987.92	1,857,645.46
R/M of Gov't. Veh/Eq.	2,694,226.38	2,921,428.04	4,901,748.06	7,494,774.71	4,443,554.24
Transportation	25,481.65	121,469.13	264,148.35	462,486.43	494,391.91
Supplies & Materials	24,692,808.89	44,087,705.46	43,525,059.34	48,716,973.42	41,329,951.49
Rent Expense	66,817.89	235,226.00	499,778.81	89,940.00	220,214.00
Interest	0.00	0.00	6,369.50	2,500.00	7,502.40
Grants, Subsidies & Contributions	0.00	0.00	0.00	15,000.00	0.00
Awards and Indemnities	0.00	0.00	285,500.00	0.00	104,500.00
Water, Illumination & Power	31,737,331.21	49,802,311.62	58,258,160.81	70,480,976.84	105,608,379.68
Rewards & Other Claims	22,177,169.24	18,449,317.94	13,872,638.46	4,647,323.64	9,550,803.43
Auditing Services	4,505,369.35	5,630,713.44	4,962,240.41	4,904,488.70	6,278,774.99
Training & Seminar	219,542.33	381,692.68	838,011.41	1,430,368.34	678,580.16
Meals/Snacks during meeting	0.00	0.00	3,589,734.95	5,479,146.56	5,088,970.15
Sports	205,940.00	257,769.37	422,125.73	376,178.20	12,364.00
Contribution civic/Char Institution	0.00	0.00	12,200.00	265,445.53	159,476.86
Membership Fees Gov't Assn.	0.00	0.00	79,324.85	117,225.00	18,931.50
Discretionary	376,742.34	318,496.74	337,716.23	337,480.24	421,460.43
Bank Charges	0.00	0.00	23,617.42	25,035.35	275,348.43
Insurance/Registration Bldgs. & Vehicle	4,943,597.80	6,082,801.92	7,204,294.86	6,718,789.74	5,763,874.83
Collection/Viability Bonus	7,278,981.60	13,040,588.89	22,456,321.25	10,677,856.74	18,588,354.58
Fiscals Assistance	0.00	73,466.65	229,616.58	234,682.11	145,248.33
Collection Expenses	4,624,545.25	9,237,847.40	10,435,742.83	19,132,127.39	15,814,228.26
Irrigator's Share	4,905,569.66	18,451,031.91	21,862,603.16	23,902,728.30	29,619,111.51
Loss on Current Assets	0.00	283,862.79	0.00	0.00	0.00
Newspaper Subscription	0.00	0.00	267,134.75	361,432.30	128,588.90
Registration of Firearms	0.00	0.00	16,500.00	29,280.00	28,681.13
Xerox/Printing	0.00	0.00	347,000.50	475,896.34	488,808.58
Motorcycle Allowance	0.00	0.00	0.00	76,775.00	116,783.50
Freight Charges	0.00	0.00	20,639.90	180,877.76	235,609.73
Taxes, Duties & Fees	76,689.19	478,714.77	143,879.82	244,019.87	282,467.32
Gasoline, Oil & Lubricants	8,631,428.06	13,672,550.63	21,298,109.02	30,964,017.61	35,483,396.27
Fidelity Bonds/Insurance	2,753,595.37	3,563,468.31	7,432,513.66	3,382,090.85	3,208,440.83
Repairs/Maint. Of Equipment	0.00	0.00	4,884,101.36	3,028,869.53	4,114,383.58
Contractual Services	11,855,424.86	18,449,360.65	21,513,019.34	25,022,251.17	25,428,977.96
Lab Analysis of Soil & Water Sample	0.00	0.00	0.00	14,518.46	0.00
Advertising/Publication	0.00	0.00	277,655.00	174,435.10	283,121.10
Job Order	0.00	0.00	1,377,323.25	1,071,350.28	491,988.30
Miscellaneous Expenses	10,301,803.76	14,713,005.53	2,734,264.43	5,580,131.04	4,033,528.09
<b>TOTAL EXPENSES -----</b>	<b>1,243,112,999.99</b>	<b>1,370,217,221.02</b>	<b>1,482,562,439.94</b>	<b>1,408,704,678.97</b>	<b>1,524,937,846.68</b>
<b>NET INCOME BEF. CAPEX -----</b>	<b>63,073,658.27</b>	<b>61,121,468.13</b>	<b>42,462,259.02</b>	<b>14,655,601.65</b>	<b>104,198,048.07</b>
<b>Less: CAPEX -----</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>NET INCOME BEF. NON-CASH -----</b>	<b>63,073,658.27</b>	<b>61,121,468.13</b>	<b>42,462,259.02</b>	<b>14,655,601.65</b>	<b>104,198,048.07</b>
Depreciation	313,747,927.70	502,061,472.68	298,835,467.12	129,504,487.01	9,351,153.60
Bad Debts	42,274,950.29	51,190,881.70	186,883,550.92	16,876,503.14	219,746,651.20
<b>TOTAL NON-CASH EXPENSE -----</b>	<b>356,022,877.99</b>	<b>553,252,354.38</b>	<b>465,519,018.04</b>	<b>146,380,990.15</b>	<b>229,097,804.80</b>
<b>NET INCOME (NET LOSS) -----</b>	<b>(292,949,219.72)</b>	<b>(492,130,886.25)</b>	<b>(423,056,759.02)</b>	<b>(131,725,388.50)</b>	<b>(124,899,756.73)</b>



**Per Consolidated Income Statements**

<b>PARTICULARS</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Net Irrigation Fees	455,326,722.12	626,195,199.41	661,644,848.69	740,947,620.47
Irrigator's Share	4,905,569.86	18,451,031.91	21,862,603.16	23,902,728.30
Percent	1.08%	2.95%	3.30%	3.23%

**Proposal is 5% of Field Offices ISF Remittances to CO One-Way Deposit**