

Republika ng Pilipinas
Department of Agriculture
Pambansang Pangasiwaan ng Patubig
(NATIONAL IRRIGATION ADMINISTRATION)
Lungsod ng Quezon

Office Address: National Government Center
EDSA, Diliman, Quezon City, Philippines
Telephone Nos.: (02) 929-6071 to 78

Telefax No. (632) 928-9343

MC 49 S, 2012

MEMORANDUM CIRCULAR

MEMORANDUM

TO : THE SENIOR DEPUTY ADMINISTRATOR, DEPUTY ADMINISTRATORS, DEPARTMENT MANAGERS, REGIONAL IRRIGATION MANAGERS, OPERATION MANAGERS, PROJECT MANAGERS, REGIONAL ACCOUNTANTS, IRRIGATION MANAGEMENT OFFICE MANAGERS AND ALL OTHER CONCERNED

FROM : THE ADMINISTRATOR

SUBJECT COST RECOVERY SCHEMES FOR COMMUNAL IRRIGATION PROJECTS

This Memorandum Circular was prepared from the documentation of Policy Dialogue for Amortization of Communal Irrigation Systems held on May 20, 2011 at the Camelot Hotel in Quezon City. This was attended by Regional Institutional Development Section Chiefs and selected NIA Regional Engineering and Operation Division Chiefs and Central Office Personnel.

For the Guidance of all concerned, it is hereby reiterated that pursuant to the NIA Board of Directors Resolution No. 7786-12 Series of 2012 dated September 4, 2012, the following cost recovery schemes be strictly adhered to, in the construction and/or rehabilitation of communal irrigation system under all sources of funding whether general appropriations, foreign loans or grants.

SCHEME I. THIRTY PERCENT (30%) EQUITY PARTICIPATION

The Irrigators Association (IA) could avail this type of arrangement in place of the regular amortization of the chargeable cost under these conditions:

- a. The IA is willing and capable to raise within the construction/rehabilitation period its equity participation which is defined as the amount of money equivalent to

THIRTY PERCENT (30%) of the chargeable cost. The money value of the IA's equity participation may come from the following:

- (i) The cost of all types of labor provided by the IA on the project valued to NIA rates without payment from NIA;
 - (ii) The cost of right – of – way for canals, diversion works, structures, or access roads negotiated and acquired by the IA either within or outside the service area of the project and without payment from NIA;
 - (iii) The cost of materials and supplies furnished by the IA and used in the project without payment from NIA;
 - (iv) Cash contributed by the Irrigators Association for the construction/rehabilitation.
- b. IA agrees to contribute a portion of the wages of its members as its equity participation and it authorizes the IMO to withhold the amount from the payroll of the IA – members working on the projects by the PIC/Accounting Clerk of the project indicating therein the amount withheld and the balance paid by members. This shall be prepared in triplicate copies and to be distributed as follows:
- i. Original copy - IA President
 - ii. Duplicate copy - Regional Accountant
 - iii. Triplicate copy - IMO file copy

The amount withheld shall be certified to income Account, Account Code 59 – 200 and shall be transferred monthly to the Central Office through a reciprocal account.

- c. If during the construction/rehabilitation period the required **THIRTY PERCENT (30%)** equity participation is not met, the IA shall be given a maximum grace period of **TWO CROPPING SEASONS** after project completion and turnover to raise the remaining amount. After the two cropping seasons grace period, whatever be the remaining account which the IA was not able to settle shall be paid by the IA within the immediately succeeding season. However, this remaining amount of the IA's equity participation shall be subjected to a maximum interest of **ONE PERCENT (1%) PER MONTH** . If after the two succeeding cropping seasons, the IA was not able to put up completely the required equity participation then, Scheme II shall be adopted – that is the IA will amortize the remaining balance of construction/rehabilitation cost which is net of the total chargeable cost minus the total equity which the IA was able to raise (Amount to be amortized = Total Chargeable Cost – Total Equity Raised).

SCHEME II. AMORTIZATION OF THE CHARGEABLE COST

Under this arrangement, the IA is required to put up an equity participation of NOT LESS THAN TEN (10%) of the chargeable cost during the construction period and amortize the remaining amount without interest within an agreed period, the duration of which shall not exceed fifty (50) years. This is the long term arrangement on cost amortization which has been availed of by most of our communal IA's.


SCHEME III. IAs WISHING TO CONVERT SCHEME II TO SCHEME I

For IAs who are currently amortizing the development cost of their system (both communal and fully turned over nationals) and who wish to convert into Scheme I, the following guidelines should be followed:

- a. The IA should forward its intention through a Board Resolution addressed to the Regional Irrigation Manager, Attention: The Division Manager of their respective Irrigation Management Office;
- b. The IA Board Resolution shall be endorsed by the IMO Division Manager to the RIM attaching thereto a current status of amortization payment of the requesting IA which shall be duly certified by the IMO and Regional Accountant;
- c. The equity participation of the IA shall be THIRTY PERCENT (30%) of the remaining balance of the amortizable amount plus any back account, if there are any; and
- d. The equity participation of the IA shall be payable in cash within a maximum period of 12 MONTHS, the effectivity of which shall be reckoned from the date the IA has received the notice of the RIM approving the IAs request. Any unpaid amount within the designated period shall be settled to a maximum interest of ONE PERCENT (1%) per month and to be settled by the IA within the next six months.

All provision of earlier pertinent circulars, memoranda, guidelines and similar issuances inconsistent to the above are hereby correspondingly amended/revoked. This Memorandum Circular shall take effect immediately

Compliance is hereby enjoined.


ANTONIO S. NANGEL
Acting Administrator

Nov. 14, 2012

Date