



Republika ng Pilipinas
National Irrigation Administration
(Pambansang Pangasiwaan ng Patubig)
Lungsod ng Quezon

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

Telefax No. (632) 928-9343
TIN No. 000-916-415

August 31, 2016

SECRETARY EMMANUEL F. PIÑOL

Department of Agriculture
Elliptical Road, Quezon City

Dear Secretary Piñol,

This has reference to the article published in your Facebook account entitled, "HOLDOVER NIA OFFICIALS BLOCKING FREE IRRIGATION" where it was alleged that the undersigned is against the "Free Irrigation Service Fee" and that I did not include the P4B in the 2017 irrigation budget to address the operational expenses of NIA and the Irrigators Associations (IA).

With all due respect, this is an apparent false insinuation and wrong conclusion. Thus, we submit the following information and explanations:

1. The National Irrigation Administration (NIA) has conducted a "Study on the Best Irrigation Practices in Selected Countries". (Annex "A") The study reveals that only the Philippines is collecting ISF but it is shared with the Irrigators Associations based from the Irrigation Management Transfer Contract with NIA. Water users of irrigation facilities in other countries collect fees but for their sole use.
2. In the book "NIA Today: An Aide Memoire" (Annex "B"), there is an extensive discussion on the legal bases why NIA collects irrigation service fees and amortization, as shown in the proposed amendments to NIA Charter, as well as a roadmap on how to proceed if "Free Irrigation Fee" is adopted.
3. Budgeting Process (Annex "C")

For 2017 budget, the NIA Management required regional/field offices to submit their budget proposals based on guidelines issued for the purpose. The proposals are evaluated by Central Office headed by the Corporate Planning Services. This is followed by a series of consultation/dialogues between Management and Regional/Project/Field Offices. The final budget proposal is then submitted to the Department of Budget and Management (DBM) for review.



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The NIA Budget for Tier 1 was submitted to the DBM on January 29, 2016, and Technical budget hearing was conducted from then on, until a final budget ceiling was issued on April 1, 2016. Under Tier 2, budget proposals were submitted to DBM on April 22, 2016 and conducted a technical budget hearing on May 20, 2016. The proposed budget is focused on the continuity of the regular programs and projects of NIA considering the thrusts and priorities of the agency in 2017.

The Current Operating Budget (COB) for 2017 still considers ISF collection as one of the sources of funds, which was also submitted to DBM on April 22, 2016, the deadline set by DBM. The final COB budget is P3.108 B that will finance Personal Services (P1.513B), MOOE (P1.252B) and Capital Outlay (P0.343). Of that amount, P2.061 B represents ISF while (P.247B) represents CIS and Pump amortization. The IA Share in ISF is included in the MOOE, which is about P370M.

The overall budget for 2017 is P39.466B broken down as P36.358B from the GAA and P3.108B from the COB.

In the series of meetings with DBM on the NIA Budget, the issue on ISF was extensively discussed.

4. Please refer to the "NIA's Position on Free ISF" (Annex "D").

From the foregoing discussion, it is very clear that the undersigned as NIA Administrator is not opposed to any plan of the government to implement free ISF provided the issues and concerns as indicated in the attached "NIA's Position on Free ISF" (Item 4) are properly addressed.

We hope we have clarified our position on the context of your Facebook post even as we always welcome any formal invitation from your end to further discuss said matter.

Yours sincerely,

ENGR. FLORENCIO F. PADERNAL, DPA
Administrator

Cc: Secretary Leoncio B. Evasco, Jr. (Office of the Cabinet Secretary, Office of the President)
Secretary Benjamin E. Diokno (Department of Budget and Management)



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Annex "D"

**THE NATIONAL IRRIGATION ADMINISTRATION
POSITION ON FREE IRRIGATION SERVICE FEE**

BACKGROUND

Irrigation Service Fees (ISF) are charges imposed upon users of irrigation on some basis fairly related to the amount of services provided. The fee is charged by the National Irrigation Administration (NIA) from the beneficiaries for the services rendered in the course of delivery of water. The ISF charged for wet and dry season cropping is 2 and 3 cavans/hectare respectively. The equivalent cash value depends on the current government support price.

ISF are used to cover the cost of operation, maintenance, and to recover the cost of construction within a reasonable period of time to the extent consistent with government policies. As part of the operations responsibilities, the ISF is used to pay for the personal services, MOOE and capital outlays of NIA.

Recommended Farm Plan and Budget under the DA's "Sikat Saka Lending Program" for hybrid and in-bred rice is P50,000.00 and P41,000.00 per hectare, respectively. The ISF represents about 3.4% to 6.1% of the production cost per hectare.

LEGAL BASES ON ISF COLLECTION

NIA is authorized to collect ISF pursuant to the following laws:

a) RA 3601, Section 2, Paragraph C

"The NIA shall have the following powers and objectives: (C) To collect from the users of each irrigation systems constructed by it such fees as maybe necessary to finance the continuous operation of the system and to reimburse within certain period of time not less than twenty (25) years the cost of construction thereof.

b) PD 552 Section 1, Paragraph B

"The NIA shall have the following powers and objectives, (B) to charge and collect from the beneficiaries of the water from all irrigation systems constructed by or under its administration, such fees or administrative charges as may be necessary to cover the cost of operation, maintenance, and to recover the cost of construction within a reasonable period of time to the extent consistent with government policies".

c) PD 1702 Section 1, Paragraph B

(B) Operating Capital – All amounts collected by the National Irrigation Administration as irrigation fees, administration charges, drainage fees, equipment rentals, proceeds from the sale of unserviceable equipment and materials, sale of reparation goods allocated to the defunct irrigation service unit and the NIA, all other income shall be added to its operating capital.

ADVANTAGES OF "WITH" ISF COLLECTION

1. Sustainability of the operation and maintenance of all existing national irrigation systems, pump irrigation systems, and communal irrigation systems. Irrigation facilities will be properly operated and maintained, thus ensuring better water delivery and distribution that will redound to higher agricultural production.
2. Sustain effectively the partnership with Irrigators Associations (IAs) in all stages of irrigation development and management.
3. Defray the NIA's corporate operating budget (COB) for personal services, MOOE, and capital outlay requirements.
4. Strengthen and sustain self-reliance of IAs. It would minimize the dependency of the farmers to the government, thus, lessening the latter's financial burden.
5. The water users' fee would serve as incentives to the IAs who would manage their association as well as their operations. This will result to a more cohesive, functional, and viable IAs.

A viable and strong IA will serve as partner of NIA and all other agencies involved in agricultural production because they will act as conduit of all assistance and support services geared towards increased productivity. Providing assistance is more effective through organized farmers' groups like the IAs.

ADVANTAGES "WITH NO" ISF COLLECTION

1. Reduction of cost of production of farmers by 3.4% to 6.1% per hectare.
2. NIA can focus more on the construction, restoration, rehabilitation of national irrigation systems, and provision of technical assistance in the planning, design, and in the operation and maintenance of communal irrigation systems.
3. NIA can focus more on the strengthening and capacity building of Irrigators Associations.

INEVITABLE ACTIONS IF "NO ISF" IS IMPLEMENTED

1. A law must be passed to amend RA 3601 (NIA Charter), PD 552, and PD 1702 declaring that ISF is free.

Likewise, there must be an official order or directive issued by the national government or should form part of the amendments to the NIA Charter, that irrigation fees are free. Absence of such official directive, irrigation fees shall still be collected from users of water in accordance with existing policy as provided under NIA Memorandum Circular No. 46 S. 2016 dated August 18, 2016.

2. Determination should be made on the sources of funds amounting to P3.108 B per annum to offset NIA's operational expenses like Personal Services and MOOE, and share of Irrigators Associations amounting to about P370M in the operations and maintenance of irrigation systems under the IMT Contracts. There should be a Financing Plan for this purpose.
3. There should be a set of Implementing Rules and Regulations (IRR) detailing the implementation arrangements, sustained funding sources, roles of the national government, (e.g. limited construction of larger irrigation systems, technical assistance at various stages of development, national planning of irrigation development, standards setting and enforcement, and the conduct of the capacity building and other institutional development activities), the roles of Irrigators Associations (e.g. construction of small irrigation systems, operation and maintenance, and repair and rehabilitation of irrigation facilities), and the roles of the local government units and other Stakeholders.
4. NIA's status as government-owned and controlled corporation should be studied whether it will remain as such or become a regular agency/instrumentality of the government.

CONCLUSION:

The National Irrigation Administration is NOT OPPOSED to free Irrigation Service Fee, provided, that the foregoing issues and concerns are properly addressed.