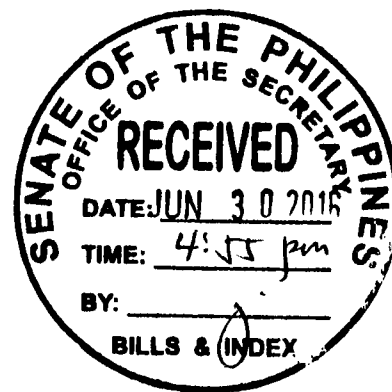


SEVENTEETH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



SENATE

Senate Bill No. 140

Introduced by Senator CYNTHIA A. VILLAR

**AN ACT PROVIDING FOR FREE IRRIGATION SERVICES TO FARMERS,
AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 3601, AS AMENDED, AND
FOR OTHER PURPOSES**

EXPLANATORY NOTE

In the Philippines, the key to achieve food security and poverty alleviation is to increase farm productivity and lower production costs. Irrigation and its cost has played a crucial role in enhancing productivity in rice growing areas in the country and in Asia.

The National Irrigation Administration (NIA) was created by law in 1963 primarily to address the needs of the "Irrigation Age", and specifically to, "investigate and study all available and possible water resources in the Philippines, primarily for irrigation purposes; to plan, design, construct and/or improve all types of irrigation projects and appurtenant structures" (Section 2, R.A. 3601, as amended by P.O. 552 and P.D. 1702). For this purpose, the NIA has been given the necessary flexibility of a corporate vehicle and the administrative autonomy to pursue its statutory objectives.

As of December 2013, about 1.678 million ha or 55.59 percent of the 3.126 million hectares have been developed for irrigation. Of the total area, about 740,213 ha or 24.5 percent are under National Irrigation System (NIS); 576,419 ha or 19.1 percent under Communal Irrigation System (CIS) that are farmer-managed; and 194,620 ha or 6.5 percent under privately owned systems that are constructed through private initiatives. (PIS)

In 2016, the budget of NIA is P44.5 billion for the expansion of irrigation across the country. The amount go towards Irrigation Network Services and Locally-funded Projects. NIA maintains two kinds of funds: Capital Outlay which is budgeted in the Annual General Appropriations Act and the Current Operating Budget which is internally generated.

Funds for capital outlay are for the construction of irrigation projects and appropriated annually in the General Appropriations Act (GAA). The national government provides local counterpart funds for project implementation.

Project funds also have foreign exchange component from loans and grants. The foreign financing institutions which have extended loans or grants to NIA are the International Bank for Reconstruction and Development (The World Bank), Asian Development Bank, Japan International Cooperation Agency, China National Construction and Agricultural Machinery Import and Export Corporation, United States Agency for International Development, International Fund for Agricultural Development, Organization of Petroleum Exporting Countries, International Development Association, Philippine Australian Development Assistance Program. Foreign exchange allocations are also included in the annual GAA.

The Current Operating Budget is NIA's corporate earnings from various activities. Such internally generated funds are used mainly for operation and maintenance, repair and maintenance of equipment, institutional development, and investigation and survey. **These include irrigation service fee (ISF) collection**, equipment rentals and pump amortizations categorized under operating income, and administration and engineering overhead charge, interest income, proceeds from the sale of idle assets and communal irrigation projects and systems amortizations as non-operating income. NIA is authorized to charge five percent (5%) of the total costs of the projects it implements as administration and engineering overhead charge or management fee.

There are three categories of irrigation systems: national, communal, and private. National irrigation systems (NIS) are large and medium schemes. These are basically operated and maintained by NIA where beneficiaries are charged irrigation service fee for the services rendered in the delivery of water. In the 1980s, joint management of portions of national systems with irrigators associations (IA) was effected.

Communal irrigation systems (CIS) are small-scale schemes and constructed with the participation of farmer-beneficiaries thru their IAs. The operation and maintenance (O&M) of CIS is turned over to IAs upon project completion subject to a cost recovery arrangement. Farmers amortize the chargeable cost for a period not exceeding 50 years at 0 percent interest. The repayment scheme is pre-arranged and acceptable to both NIA and the IA.

Private irrigation systems are those constructed, operated and maintained by private individuals or groups with or without technical assistance by NIA or other government agencies.

COMPARISON BETWEEN THE NATIONAL AND COMMUNAL IRRIGATION SYSTEMS

For Comparison System	National Irrigation System	Communal Irrigation
Area (ha)	: > 1,000	< 1,000
Implementation/construction	: NIA	NIA with farmers' participation
Operation and maintenance	: NIA and Irrigators Associations	Irrigators Associations
Water charges	: Farmers pay irrigation service fee Per hectare/season/crop	Farmers pay amortization
Purpose of water charges	: Capital cost recovery	Cost Recovery and O & M

Reduced production costs will enable rice to be sold at lower prices while still compensating farmers appropriately for their efforts. One of the most important components of a rice productivity program is irrigation.

Irrigation services is a vital government obligation to support the growth of Philippine economy, just like the network of roads being used for free. Irrigation projects improve agricultural productivity and increase cropping intensities. Irrigation addresses national food security concerns. The country's rice farmers should be supported by providing them free irrigation water and should be allowed to manage their own irrigation systems for themselves without being obliged to pay for the irrigation fees.

The main goal of government is to foster sustainable livelihoods among its farmers through improvements in both farm productivity and increase income. In the wake of typhoons and floods that devastated farm lands and the continuing threat of drought the government should provide free irrigation service to revive the agriculture sector.

The proposed law will repeal or modify provisions of existing laws prescribing the power and authority of the NIA to collect Irrigation Service Fees (ISF) or other forms of charges for the use of irrigation systems. The bill shall bail out the farmers from the ISF which eat up their otherwise already small income.

The proposed bill seek to level the playing fields of the Filipino farmers with that of Thailand and Vietnam. This shall also make them more resilient to climate change by reducing production cost.

At present the powers and functions of NIA under RA 3601, as amended by PD 552 and PD 1702, include the - To charge and collect from the beneficiaries of the water from all irrigation systems constructed by or under its administration, such fees or administration charges as may be necessary to:

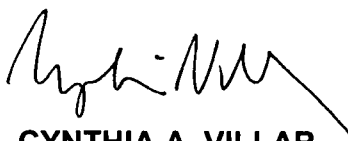
- cover the cost of operation, maintenance, and insurance;
- recover the costs of construction within a reasonable period of time to the extent consistent with government policy;

- recover funds or portions thereof expended for the construction and/or rehabilitation of communal irrigation systems (CIS) which shall accrue to a special fund for irrigation development.

The Commission on Audit (COA) in its 2015 report assailed the weak collection efforts for Irrigation Services Fees (ISF) from farmers who availed of NIA services. The total accounts receivable has continued to increase yearly, with the aging ISF have reached P363, 261,084 as of December 31, 2014, the report said.

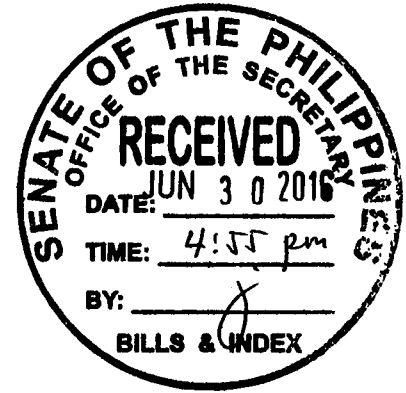
"Weak collection efforts for IRS back accounts and Management's inability to timely disseminate policies/guidelines on incentive program of payment of back accounts, resulted in the accumulation of said accounts representing approximately 79 to 95 percent of the total accounts receivables as illustrated in some regions," COA said. COA asked the irrigation agency to intensify collection efforts of ISF back accounts and closely monitor the collection performance at Communal Irrigation system areas with higher uncollected receivables since the service fund income is the lifeline source of NIA operations.

In view of the foregoing, the passage of this bill is earnestly sought.



CYNTHIA A. VILLAR
Senator

SENATE OF THE PHILIPPINES)
17th CONGRESS OF THE)
First Regular Session)



S E N A T E

Senate Bill No. 140

INTRODUCED BY SENATOR CYNTHIA VILLAR

**AN ACT PROVIDING FOR FREE IRRIGATION SERVICES TO FARMERS,
AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 3601, AS AMENDED, AND
FOR OTHER PURPOSES**

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1
2 SECTION 1. *Short Title.* – This Act shall be known as the “FREE IRRIGATION REFORM
3 AND RESTRUCTURING ACT OF 2016.”
4

5 SECTION 2. *Declaration of Policy.* – It is the policy of the State to refocus the direction,
6 role and functions of the National Irrigation Administration (NIA) towards development of
7 more irrigation systems by strengthening its mandate in studying, planning, designing and
8 constructing irrigation projects, water catchments, and appurtenant structures to support
9 farms and agricultural production; and by removing from the NIA the functions of
10 maintenance of irrigation projects and the business of collection of irrigation services and
11 other fees. The State seeks to reduce the dependency of farmers’ and producers’ groups
12 on government services where they actually can support themselves. Concomitantly, the
13 State shall transfer ownership and management of all completed irrigation facilities to the
14 direct beneficiaries of such facilities, including irrigators’ associations, cooperatives, and
15 farmers’ corporations, who shall organize said projects into farmer-owned irrigation
16 service enterprises - with professional help in maintaining the facilities and financial
17 sustainability of said enterprises.
18

19 SECTION 3. *Renaming and Re-Classifying the Agency.* – The National Irrigation
20 Administration, which was created under Republic Act No. 3601, as amended by
21 Presidential Decrees No. 552 and 1702, is hereby renamed as the National Irrigation
22 Development Administration (NIDA), and is hereby converted from a government
23 corporation
24
25

1 into a line agency under the Department of Agriculture.

2 SECTION 4. *Restructuring/Amending the Irrigation Mandate.* - The mandates, powers and
3 authorities provided to the NIA under these laws shall be assumed by the NIDA, except for
4 the following provisions which are hereby deleted and repealed accordingly:

5 (a) Section 2 (a) of Republic Act 3601 -

6 The phrase "and administer all international";

7 (b) The entire Sections 2. (c) and (d) of R.A. 3601;

8 (c) The entire Section 2. (b) of P.D. 552;

9 (d) The entire Section 2. (f) of P.D. 552;

10 (e) The entire Article II (Capitalization) of R.A. 3601;

11 (f) The entire Section 2 of P.D. 552 (Amending Article II of R.A. 3601);

12 (g) The entire Section 3 of R.A. 3601 (Authority to incur foreign loans)

13 SECTION 4. *Irrigation Planning Board.* - Section 4 of R.A. 3601, as amended by P.D. 552, is
14 hereby repealed and the NIA Board of Directors is hereby replaced by the Irrigation Planning
15 and Advisory Board (IPAB), which shall have the following power and functions:

16 1. To formulate and adopt policies for the management and operations of the NIDA;

17 2. To investigate, study and develop all available water resources in the country,
18 primarily for irrigation purposes.

19 3. To plan, design, construct and/or improve all types of irrigation projects and
20 appurtenant structures.

21 4. To operate, maintain and administer all national irrigation systems (NIS).

22 5. To supervise the operation, maintenance and repair, or otherwise, administer
23 temporarily all communal and pump irrigation systems constructed, improved and/or
24 repaired wholly or partially with government funds;

25 6. To ensure the preparation of irrigation development of district, regional and national
26 irrigation plans in relation to the Strategic Agriculture and Fisheries Development
27 Zones (SAFDZ) as prescribed by R.A. 8435;

28 7. To oversee efficiency, integrity and transparency of the affairs, and operations of the
29 Agency in the implementation of its irrigation plans and development programs;

30 8. To approve for the NIDA's plans, programs and budgets for inclusion in the
31 Department of Agriculture's plans and budgets for the ensuing year;

- 1 9. To formulate the relevant strategies, plans, and programs as well as organizational
2 development that will ensure the effectiveness of the missions of agency;
- 3 10. To regularly monitor and evaluate NIDA's reports on the state of irrigation in the
4 various regions of the country for all the major crop commodities in each region;
- 5 11. To oversee, in cooperation with the Commission on Audit, the inventory of all NIA
6 irrigation assets;
- 7 12. To ensure the effective and efficient transfer of the irrigation projects to the
8 beneficiaries, and ensuring that such entities have professional management support.
- 9 13. To approve any organizational re-engineering plan that may be needed for
10 transformation of NIA into the NIDA which may entail, among other measures: (1)
11 reduction of maintenance and collection personnel, (2) expansion of research and
12 development, and construction management units, and (3) provision of early
13 retirement benefits at a factor of 2 months basic for every year of service;
- 14 14. To ensure the hiring of technically competent and highly capable, qualified personnel
15 in the Agency.

16 SECTION 5. *Removal of Irrigation Fees* - The service fees and other charges being collected
17 by the NIA from the irrigation beneficiaries are hereby discontinued.

18 SECTION 6. *Turn Over of Irrigation Facilities*- Within one year from the effectivity of this Act,
19 the National Irrigation Development Administration shall complete its turn over to farmers
20 groups all completed and inventoried irrigation projects, including those currently under
21 rehabilitation, and including all functional equipment and facilities, appurtenant thereto.
22 Henceforth, the beneficiaries of such irrigation facilities and projects shall, with professional
23 help, manage the maintenance of the irrigation facilities.

24 SECTION 7. *Organization of the Beneficiaries as Partners* - Small communal irrigation
25 systems (CIS) may be directly taken over by the farmers, who are able to present
26 management and maintenance plans for the sustainability of the irrigation projects.

27 To be eligible for the Section 5 and 6 above, all stakeholder beneficiaries shall be required to
28 complete a requisite set of trainings in farm enterprise management, and irrigation
29 management concepts prior to the transfer of the particular irrigation facility to their particular
30 group.

31 SECTION 8. *Appropriations* - The funding for the operation and maintenance of the irrigation
32 facilities nationwide shall be sourced out from the General Appropriations Act.

33 SECTION 9. *Repealing Clause*. All other laws, executive orders, rules and regulations, or
34 parts thereof, inconsistent herewith are hereby repealed or modified accordingly.

1 SECTION 10. *Implementing Rules and Regulations.* Within three months from the effectivity
2 of this Act, the Secretary of Agriculture shall form an ad hoc Task Force to be composed of
3 two representatives each from the NIDA, from the large scale irrigators association, from
4 small irrigators associations, and one representative each from the professional associations
5 of civil engineers and an accountants' or financial management group, to formulate the
6 Implementing Rules and Regulations within the ensuing period of three months. Two
7 representatives of the Congressional Commission on Agriculture and Fisheries Modernization
8 shall join the meetings of the ad hoc Task Force as observers.

9 SECTION 11. *Separability Clause* - The provision of this Act are hereby declared to be
10 separable. If any provision of this Act shall be held unconstitutional, the remainder of the Act
11 not otherwise affected shall remain in full force and effect.

12 SECTION 12. *Effectivity.* - This Act shall take effect upon its publication in the Official
13 Gazette.