

TA COMPLETION REPORT

Division: SEAE

TA No. and Name TA No. 3235-PHI: Review of Cost Recovery Mechanisms For National Irrigation Systems			TA Amount Approved \$300,000.00	
			Revised Amount -	
Executing Agency National Irrigation Administration			TA Amount Undisbursed \$25,576.99	TA Amount Utilized \$274,432.01
Date			Closing Date	
Approval	Signing	Fielding of Consultants	Original	Actual
04 Aug 1999	11 Aug 1999	20 Jan 2000	10 Jul 2000	31 Dec 2000
TA Description				
<p>The National Irrigation Administration (NIA) was established in June 1964 as a Government-owned and controlled corporation mandated to develop, improve, operate, and maintain irrigation systems throughout the country. In 1974, a major change of charter required that NIA become financially independent. NIA was allowed to retain revenues from irrigation service fee (ISF) collections from national irrigation systems (NISs), and equipment rentals. By 1979, NIA had achieved overall financial viability, a status maintained until the late 1980's. Since the early 1990's, NIA has been operating at a loss because of low ISF collection ratio of 45% on current basis and 58% including the backlog. The financial status of NIA further deteriorated after the issuance of Administrative Order (AO) 17 dated 31 August 1998 which (i) reduced the ISF rate for farmers owning less than 2 ha land within the service area to half, and (ii) increased the ISF rate for farmers owning more than 5 ha of irrigated land by 50%. As 69.5% farmers own less than 2 ha and only 8% own more than 5 ha, NIA estimated that with the socialized ISF scheme, achieving the breakeven point of operation and maintenance (O&M) cost would require a collection efficiency of 80%, which was never achieved. ADB and other funding agencies expressed their concerns over the implication of the socialized ISF on sustained O&M of irrigation systems. The Government recognized the potential impact of the issue and sought ADB's technical assistance for a thorough review of ISF policy.</p>				
TA Objectives and Scope				
<p>The long-term objective of the TA was to contribute to the sustainable O&M of NISs. The more immediate purpose was to assist the Government in reviewing and rationalizing its ISF policy. The scope of the TA included (i) reviewing and analyzing the socialized ISF vis-à-vis its implication on the financial viability of NIA and continued sustainability of NISs; (ii) assessing the required funding level for efficient O&M of NISs; (iii) assessing returns to irrigated farming for typical farm sizes; and (iv) recommending an appropriate level of ISF for NISs, including measures for their successful implementation.</p>				
TA Inputs Evaluation				
<p>A multidisciplinary team of consultants worked with NIA to undertake the study. A total of 21.5 person-months (pm) of consulting services was provided (6.7 pm international and 14.8 pm domestic). The TA, implemented over a period of 11 months, commenced with a two-day workshop participated by irrigation associations (IAs), NIA, and other relevant government agencies. The workshop discussed the institutional and financial issues related to efficient O&M of irrigation systems and worked out a program for reviewing and analyzing these issues under the TA study. The study findings were presented in four reports: inception report, mid-term report, draft final report, and final report. The draft final report, produced in the 7th month, was reviewed by the government agencies concerned and publicly discussed in a workshop participated by various stakeholders. The outcome of the review and workshop discussions helped to form the basis of the final report and enabled the Consultant to formulate realistic recommendations on the appropriate level of ISF, which were accepted by the Government and are being implemented.</p>				

The performance of the Consultant both in terms of conduct of services and quality of works was satisfactory. The consultants in general complied with the contracts and work program and had established good working relationship with their counterpart staff in NIA. The TA implementation was intensively monitored by ADB staff, participating in all workshops and the steering committee meetings, and critically reviewing all reports produced by the Consultants.

TA Outputs Evaluation

The study concluded that socialized ISF would have serious impact on long-term sustainability of the NISs and should be discontinued. The study also concluded that improving the sustainability of NISs will require changes in both the institutional arrangements for O&M and a shift from land area-based ISF to irrigation water volume-based ISF. The study recommended that under a two-tiered management system, NIA should be responsible for O&M of head works and main canal facilities while secondary and tertiary canal facilities should be turned over to IAs for operation and maintenance. This will provide opportunities for downsizing NIA's personnel complement and reducing overhead costs. The volumetric ISF rates should be region-specific, based on pilot testing over a five-year period.

The TA findings and recommendations were accepted by the Government in principle and it reverted to the old ISF rates with effect from 1 January 2002. A five-year program for implementing the two-tiered O&M arrangement is under preparation by NIA. Meanwhile, NIA has initiated pilot testing of the volumetric ISF rates in five NISs, including one under the ADB-assisted Southern Philippines Irrigation Sector Project (Loan No. 1668-PHI).

TA Overall Assessment and Rating

The TA comprehensively analyzed the related institutional, financial, and socioeconomic issues and made specific recommendations for improving sustained O&M of NIS facilities. The TA findings and recommendations were well documented, and persuaded the Government in withdrawing the AO 17 to improve O&M funding and initiating steps for further rationalizing the O&M policy. The findings and recommendations were endorsed by other funding agencies active in the sector, and the Japan International Cooperation Agency approved in August 2000 a grant to finance a study on strengthening of NIA's management system. Thus, the TA substantially met its objectives and is rated as successful.

Major Lessons Learned

The major lesson learned from the TA is that stakeholder participation in TA implementation enhances their ownership of TA results. The TA design provided for and the Consultant team made special effort to promote such participation by various stakeholders, specially farmers and NIA staff, during various stages of the study. Active participation by these stakeholders not only provided insights into the issues and options related to ISF, but also generated a sense of ownership of the TA study among various participants. This helped a smooth reversal to the old ISF rates and initiating pilot testing of the volumetric ISF rate in five systems.

Follow-Up Action and Recommendations

The Government initiatives to implement TA recommendations are encouraging and their progress and impact should be reviewed. NIA and IAs need more support to strengthen their capability. The scope and need for further ADB support in the sector should be examined in future projects.