

## **IRRIGATION FEE – HOW TO EXEMPT IT?**

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At the national conference on state planning and budget in 2007 the Prime Minister assigned the provinces to consider the irrigation fee exemption from 2007.

To provide a scientific support for this significant advocate this paper mentions the discussion by a person who is experienced in policy making process related to irrigation fee in Vietnam.



*Paysages in Vietnamese countryside*

### **I. CHARACTERISTICS OF HYDRAULIC WORKS**

Hydraulic systems or works have similar characteristics as follows:

- Hydraulic systems are used for multi-purposes (at least 2 purposes) including irrigation, drainage, domestic water supply, fisheries, industry, power generation, transport, tourism, flood control, saline water prevention, soil and environmental improvement...

- The construction of hydraulic works requires large amount of investment. On average, it requires at least VND 30-50 mil. or at most VND 100-200 mil., depending on the local conditions, to have a closed work on an irrigated hectare.

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- To achieve high effectiveness the hydraulic works must be uniform and closed from the headworks (invested by the Government) to the field (invested by the farmers).

- Each hydraulic work or system can serve only a certain area as designed. It cannot bring water from the area in surplus to the area in need. It must be directly managed by a state, collective or private organization, and operated as required by the water users.

- As hydraulic works are scattered outdoor on a large area, and even go through residential areas, they are affected by not only the nature but also the people.

- Hydraulic works have great and diversified effectivenesses. Some of them can be valued in money or specific amount of a substance but some cannot. In the field of irrigation and drainage, the effectiveness can be seen in the irrigated area, increase in cropping seasons, timely and sufficient supply of water, low management cost, higher yield and production... to create employment and income for farmers.

The mentioned characteristics show that the hydraulic work have not only economic and technical aspects but also political and social ones. Therefore, the investment in and management and protection of the hydraulic works must be done in participatory manner (PIM), in the light of the state advocate “*the State and the People share*” and government policies, including “*irrigation fee*”.

## II. ESSENCE OF IRRIGATION FEE

### 2.1. Essence of irrigation fee:

In Vietnam, so far, even though the Government has specific advocates and policies on irrigation fee and this has been recognized by farmers for decades there remain some ways to understand it:

The major difference in understanding can be seen in two aspects: *is irrigation fee production cost or a charge collected by the government from the farmers for their water use?*

In accordance with Decree No.66-CP issued by the Governmental Council (referred to as Government now) on June 5<sup>th</sup> 1962 “*the costs for management and maintenance of hydraulic systems*” borne by the water users are called “*irrigation fee*”.

According to the Ordinance on Exploitation and Protection of Hydraulic Works (No. 32/2001/PL-UBTVQH10 irrigation fee “*is service charge from the organizations and individuals that use water or do the services related to the hydraulic works for the purpose of agricultural production in order to*

*contribute to the management, maintenance and protection costs, and “water tariff” is the value nominated in the water service contract and collected from the organizations and individuals that use water or do services related to the hydraulic works not for the purpose of agricultural production”*

Naturally, “irrigation fee” is “water tariff” for agricultural production and subsidized 50% by the Government. In other words, irrigation fee is one of input costs (similar to costs for power, fertilizers, seeds...) of irrigated agricultural production and it is paid by the users. The fees collected for the past years could serve only the operation and maintenance of the hydraulic works (usually far below the demands) for the users’ area (no contribution to state budget like taxes, not for other purposes, and not for other areas).

## **2.2. International experience on irrigation fee policies**

Most of nations in the world consider water from hydraulic works as a “special” good, one of input costs of irrigated agricultural production and paid by the users. Each nation has its own policies (direct or indirect collection of irrigation fee). However, most of them have policies on initial investment in construction of headworks and large-scale works, no cost recovery, financing large repair or repair of the works damaged by natural disasters. The costs for operation and maintenance are mobilized from water users to raise their awareness of water use as well as protection and operation of the works. This measure can help save water, reduce maintenance cost, prevent the works from damages, ensure social equality, and enhance the participatory community’s role (PIM).

A lot of nations collect irrigation fees on the basis of every cubic meter of water used to ensure the equality and encourage water saving.

## **III. VIETNAM’S POLICIES ON IRRIGATION FEE**

### **3.1. Review of policies on irrigation fee**

Irrigation fee plays a significant role in the production and people’s life. For agriculture, rural areas and farmers, irrigation plays a decisive role for yield, output and price of irrigated agricultural products (rice, coffee, vegetables, subsidiary crops, fruit trees...) Therefore, the Communist Party and the Government of Vietnam have paid much attention to it and defined a lot of advocates and policies related in the the light of “*Both the State and the People share*”.

**Box 1: Legal documents containing policies on irrigation fee in Vietnam**

**Decree 68-SL :**

The President issued Decree 68-SL on 18<sup>th</sup> June 1949 on “Publication of practical plans on irrigation and regulations on protection of hydraulic works” aimed at mobilizing people’s participation “by contributing labor and materials to the construction, maintenance and exploitation of hydraulic works...”.

**Decree 1028-TTg :**

The Prime Minister signed and issued Decree 1028-TTg on 29<sup>th</sup> August 1956 on “Issuance of temporary regulations on transport of boats and rafts on irrigation canals” (irrigation fees imposed on transportation) that regulated transportation fees for different types of boats, barges, rafts and load (boats and barges of 3-10 tonnes: 150 dongs; 61 tonnes up: 550 dongs; wooden rafts: 8 dongs/m<sup>2</sup>).

**Decree 66-CP :**

The Prime Minister signed and issued Decree 66-CP on 5<sup>th</sup> June 1962 on “Issuance of regulations on irrigation fees” in order to “...make people’s contributions equal and proper, ensure the rural solidarity, facilitate the management based on economic accounting, promote water saving and lower management cost”.

“...for all irrigation systems constructed or rehabilitated by the Government, the people and the cooperatives whose fields are irrigated and drained by the systems and give higher yield shall bear the expenses for management and repair. These expenses are called irrigation fee”.

“The irrigation fees will be based on the benefits of the fields using the water and the expenses for management and repair of the irrigation systems”. The irrigation fees are imposed on rice only: maximum 180kg/ha/year, minimum 60 kg/ha/year.

**Decree 141-CP :**

The Government issued Decree 141-CP on 26<sup>th</sup> September 1963 together with “Regulations on management, exploitation and protection of hydraulic works” that initially implemented the decentralization and enhance people’s participation in management, exploitation and protection of hydraulic works as well as payment of irrigation fees”

“For the small systems related to more than one cooperatives the expenses for management, repair and exploitation shall be borne by the cooperatives and farmers who use the water and discuss to reach an agreement on the payment.”

“..for the small systems related to several communes or cooperatives the communes or cooperatives shall discuss and assign their management staff..”

**Circular 13 – TL/TT:**

Water Resources Ministry (now changed into MARD) issued Circular 13 – TL/TT on 6<sup>th</sup> August 1970 on “Regulations on management of irrigation systems” to “manage well water, works and business”. “Irrigation system shall be recognized as a unit for establishing a management organization”. “The management shall be done on the basis of economic accounting”. “An IMC – now referred as to IDE - shall be founded to manage an irrigation system).

**Resolution 118-CP :**

The Government issued Resolution 118-CP on 16<sup>th</sup> June 1972 on investment in improvement of irrigation systems to the field (5-10ha) in 12 provinces including the Red River Delta provinces (Thái bình, Nam định, Hải phòng, Hải dương, Hưng yên, Hà nội, Hà tây), 2 midland provinces (Bắc giang, Vĩnh Phú – mainly Vĩnh phúc) and 2 provinces of former region IV, to create closed systems that supply water well from the headworks to the fields on total area of 730,000 ha.

**Decree 112 / HDBT**

The Minister Council issued Decree 112 / HDBT on 25<sup>th</sup> August 1984 on “Nationwide collection of irrigation fees” to replace Decree 66-CP issued on... This was the first Decree on irrigation fee to be applied nationwide since the country reunited. It aimed at:

“maintaining and exploiting well hydraulic works by equal and proper contributions from the area benefiting from the water supplied by the works...”

“enhancing responsibility of the local authorities and people for protection, management and utilization of hydraulic works...”

Decree 112/ HDBT regulated that irrigation fees was collected in rice and converted into cash, based on the rice price of the Government. The fees were percentage of average rice yield obtained from an irrigated hectare for different cropping seasons and works (maximum 8%, minimum 4%).

The implementation of the Decree for around 20 years shows a lot of problems.

**Decree 143/2003/ND-CP**

The Law on Water Resources was approved in 1998. The Ordinance on Exploitation and Protection of Hydraulic Works (amended) was issued on 4<sup>th</sup> April 2001. To deal with the shortcomings of Decree 112/HDBT the

Government issued Decree 143/2003/NĐ-CP on 28<sup>th</sup> November 2003. This Decree “regulates specifically the implementation of some articles in the Ordinance on Exploitation and Protection of Hydraulic Works”: the management of hydraulic works is assigned to WUCs and individuals; the Government provides funding in the events of flooding, drought, improvement of works, loss of irrigation fees due to natural disasters, and rehabilitation of the works damaged by natural disasters. Specifically, the Decree regulates irrigation fees for all the water users of the hydraulic works to relieve the fees imposed on the people using water for food crops (farmers) and ensure the equality in use of water from the hydraulic works.

Decree 143/NĐ-CP regulates the framework of irrigation fees, payment in cash, and two categories of water users:

- irrigation fees imposed on the people who use water for rice, vegetables, subsidiary crops, winter crops and short-day industrial crops are low (the Government subsidizes more than 60%). In the area served by IDEs the fees are calculated for the head of the canals of the WUCs. In the area served by WUCs the fees are discussed and agreed between the WUCs and water use organizations and individuals.

- For the people who do not use water for “food production”, (eg. industrial production, handicraft production, water plants that produce water for domestic use, livestock raising, irrigation for long-day industrial crops, fruit trees, flowers, pharmaceutical crops, aquaculture, transport through locks, hydraulic works for hydropower, tourism, entertainment) the irrigation fees are categorized and the Government subsidizes around 50% (eg. the irrigation fee on water for water plants, supplied by electric pumping systems, is the lowest: 300dongs/m<sup>3</sup>, for reservoirs: 250dongs/m<sup>3</sup>, approximately 10% of the water tariff paid by the users).

### **3.2. Implementation of policies on irrigation fee:**

#### **a. Collection of irrigation fee (collected by the Government from water users):**

For almost 20 years (1984-2003), the total amount of irrigation fee collected nationwide in accordance with Decree 112/HĐBT was VND 500-600 bil., accounting for 50-60% of the plan, while the funding demand for operation, maintenance and repair of the hydraulic works was VND1,200-1,500 bil. per year.

For the past 3 years (2004-2006) 42 provinces have collected irrigation fee in accordance with Decree 143/NĐ-CP (the remaining provinces are following Decree 112/HĐBT). The total amount collected by the State has

increased to nearly VND800 bil. (planned to collect VND1,500bil.). Even though this amount is not a large share of the total revenue of the state budget it is not small in the provincial budget.

**Box 2: Collection of irrigation fee in some provinces**

On average, each province in the Red River Delta collects VND40 bil., some can collect as high as VND60 bil. In Mekong River Delta, although the fee regulated by the Government is just for “source creation” purpose, very low, a lot of provinces can collect large amount (for example, Tien Giang province collects VND13 bil./year and Vinh Long collects VND12 bil./year – 100% of the plans).

*Source: Economic Planning Division – Department of Water Resources, Directors of Tien Giang and Vinh Long IMCs*

Especially, IDEs and “WUCs” have considerable funding for maintenance of the hydraulic works. They become autonomous in finance, to some extent, can serve irrigation and drainage effectively. This reduces state subsidy, enhances the managers and people’s confidence and awareness, ensures social equality, promotes the water users’ role in management, operation and protection of hydraulic works as well as water saving.

As a result, the existing hydraulic systems nationwide have served stable irrigation for more than 7 mil.ha of rice (excluding vegetables, subsidiary crops, industrial crops). This has made a significant contribution to sustainable development of agriculture and rural areas, food security, stabilization of people’s life, political and social security, and export.

### **3.3. Current status of irrigation fee and problems:**

#### **a. Current status of irrigation fee**

Provinces are collecting irrigation fees in accordance with 2 different decrees: 112/HĐBT dated 25/8/1984 and 143/NĐ-CP dated 28/11/2003.

According to Decree 112/HĐBT irrigation fee is valued in rice, and converted into money on the basis of the regulated rice price that is much lower than the market price. Irrigation fee is calculated by percentage of average yield of rice in the whole region, for a hectare of irrigated and drained land. The yield used for the calculation is frequently much lower than the actual yield of the irrigated and drained region. It is based on the irrigated and drained area, not on the amount of water used.

According to Decree 143/NĐ-CP irrigation fee is collected in money for a hectare of irrigated and drained land. The rate is applied for the whole economic region, and based on the irrigated and drained area. As this does not include other external factors it is not appropriate to the actual conditions of every hydraulic system in terms of water supply and use.

In fact, in accordance with Decree 143/NĐ-CP, most of provinces regulate the lowest rates designated in the Decree. Some provinces (rich provinces) have not applied this Decree yet.

In general, the fees regulated in the two Decrees do not express the equality and rationality. It is because farmers using the works that are much invested and managed by state organizations (IDEs) pay low fees (450-500 kg of rice/ha/2 cropping seasons in the Red River Delta) and the deficit is subsidized by the State. Whereas, the farmers using the works that are poorly invested, especially those managed by collective or private organizations, or the works that are wholly invested by the farmers, have to pay very high fees and do not have any subsidy from the Government (749 kg of rice/ha/2 cropping seasons in Tuyen Quang province). This collection of irrigation fees does not encourage the users to save water, not follow the principle “pay on the basis of the amount used, service quality and time required and satisfied”, and is not adjusted when prices of materials, power, gasoline, labor...increase.

**Box 3: Collection and concept of irrigation fee**

A lot of provinces collect irrigation fee together with agricultural tax. The fee is decided by the provinces without discussion with the local people. Some provinces even consider irrigation fee as part of State budget to spend on other purposes. Therefore, a lot of managers and people “mistake” it for a policy contribution like taxes (agricultural tax) and they think that “if agricultural tax has been already abolished irrigation fee also should be abolished”.

In fact, the abolishment of agricultural tax is to help farmers pay other input costs including irrigation fee, power, fertilizers and seeds...

**Box 4: Debt of irrigation fee**

As reported by the Department of Water Resources, MARD, on 31<sup>st</sup> December 2000 and earlier, agricultural cooperatives in 42 provinces owed IMCs around VND280 bil., including VND35 bil. of power, mainly rich provinces that had been invested in the most improved hydraulic works (Thai Binh: VND22,714.03 mil., Thanh Hoa: VND22,580.64 mil., Hai Phong: VND17,598.35 mil., Bac Ninh: VND13,955.37 mil., Vinh Phuc: VND9,614.16 mil., Nam Dinh: VND9,431.17). In 2002 the Government abolished VND160



bil. of debts for the provinces owing irrigation fees, mainly those in the Red River Delta. This resulted in inequality between the provinces that paid sufficient irrigation fees (mainly poor provinces) and those that did not pay enough, and made the local farmers, agro-cooperatives and commune people's committees rely on the State. And, therefore, irrigation fees became more difficult to collect.

*(Source: Report on debt of irrigation fees by Economic Planning Division – DWR – in 2002)*

### **b. Some problems**

- In a lot of areas, water resources planning and agricultural planning are not closely linked. Consequently, the hydraulic works constructed on the basis of the planning cannot meet sufficiently the demands for agricultural production restructuring, short-term and long-term market-oriented development of production.

- The invested works are not complete, uniform and closed. Only headworks and main canals are invested while secondary and tertiary canals are not. Some poor quality works become damaged quickly, resulting in loss of water, smaller irrigated area, lower quality of irrigation and drainage. And, therefore, it is more difficult to collect irrigation fee and it causes lack of funding for maintenance.

- the management of hydraulic works is not uniform and does not ensure the principle “linking closely responsibilities of managers and beneficiaries”, particularly:

+ for the works invested by the State and their service areas are related to various communes, districts and provinces, the State is responsible for managing headworks, main canals and large branch canals (frequently from secondary canals up), the remaining structures (from tertiary canals to the field) are managed by WUOs or private organizations.

That kind of organization has been creating separation in management and operation of hydraulic works. Consequently, troubles arising from water supply and drainage cannot be well managed, water delivery from the sources to the fields is not ensured, farmers' water use cannot be controlled, and the service of IDEs and WUOs cannot be sufficiently evaluated through the management and operation of the works.

+ the organization of IDEs is frequently cumbersome and ineffective. Commune and inter-commune canals have no “real” owners”. Therefore, Chairmen of CPCs or managers of agro-cooperatives and heads of villages sign contracts with the IDEs to collect irrigation fee and get “commission”. The

delivery of water and protection of the local hydraulic works are done by farmers. Consequently, it results in low effectiveness of water use and inequality.

+ the works serving a commune or village are mostly invested by farmers or supported by the State, and managed by a farmer organization. The managers of this kind of works are not elected by the farmers. Irrigation fee is regulated by the State (most PPCs regulate not more than 5 kg of rice/sao/cropping season). The fee collected cannot cover all the costs (particularly depreciation, power consumed by electric pumping stations) and cannot finance maintenance when the works are damaged.

- the policies on water resources in general and management of hydraulic works in particular are not appropriate, and slow to issue and amend. Therefore, a legal corridor for management organizations has not been built yet to help them work effectively.

- Training of managers and farmers for capacity building and awareness improvement in water resources has not been paid proper attention. This limits farmers' role and managers' responsibilities. Consequently, it results in low effectiveness.

#### **Box 5: Problems in management and operation of hydraulic works**

Ke Go IMC, Ha Tinh province, signs water use contracts with 189 commune-level units (agro-cooperatives: 5%, CPC: 20%, village: 75%). The farmers have to spend their labor on delivery of water on canals and protection of the works in their village and commune. If the labor is valued in money the local farmers have to spend 400,000 – 600,000 VND /ha more (besides the irrigation fees the farmers pay the CPC and agro-cooperative, some communes even collect more for the commune budget).

Farmers using water from the State hydraulic systems have to pay irrigation fee for 2 management agencies:

- IDEs (IMCs): 10-15kg of rice/sao/cropping season
- WUOs: 2-4kg of rice/sao/cropping season

Income of an member of irrigation cooperatives is only 70-90,000 VND/month, not enough for fuel for their travel to manage the area he/she is in charge of (30 ha).

*Source: Report No. 62 BC/CT dated 1<sup>st</sup> August 2003 by Ke Go IMC, Ha Tinh; Report on survey results by PIM consultant center, Water Resource Research Institute – September 2006 in project “irrigation system modernization” - WB*

#### ***Causes of irrigation fee loss:***

The mechanisms and policies on irrigation fee (rate and way to collect), investment in, construction and management of the hydraulic works result in losses of irrigation fees:

- + Difference of rice price: the price regulated by the State is lower than the market price (10-20 %), especially in the years of good harvest low price of rice leads to low amount of irrigation collected.

- + Yield used to calculate irrigation fee is frequently 20-30% lower than the actual yield of the irrigated area (4 tonnes/ha in stead of 6 tonnes/ha of actual yield) or even 50% lower (5 tonnes/ha in stead of 10 tonnes/ha of actual yield). As a result, the actual total of irrigation fees collected is lower than the potential amount.

- + agro-cooperatives and CPCs occupy and use irrigation fee for wrong purposes (10-15%) and hide irrigated area. These cause a loss of 5%.

- + Hydraulic works are not properly constructed. Their quality is not good and they are not well managed. Therefore, all command area is not irrigated and it is difficult to collect irrigation fee. The loss is estimated at 10-20%.

- + The State support for the difference (50-60%) resulting from the fact that private and WUOs cannot collect enough is considered in deciding irrigation fees. But, actually, the IDEs receiving support (5 cases as regulated) can receive approximately 20% of the difference every year (lack of 80%, WUOs are not provided this support). In the event of natural disasters causing harvest loss IDEs and WUOs get big loss due to exemption of irrigation fee. This is the biggest problem that has not been solved for years.

- + irrigation fees charged on other users (besides food producers) as regulated in Decree 143/NĐ-CP have not been collected or already collected but at low rates accounting for 15-20% of the total national amount. This is a considerable loss.

- + Governmental authorities at different levels play an important role in collecting irrigation fee (direction, supervision). Their ignorance or inappropriate attention will result in loss of irrigation fee. Especially, at provincial level, PPCs have power to sign and issue decisions on irrigation fees (rate, exemption, not support for deficit, or limited support). This is the legal base for farmers to pay irrigation fees.

Depending on specific local conditions the cases of loss are different (frequently 1-3 cases in a province), excluding the loss resulting from the fact that provinces regulate much lower rates than the rates regulated by the State.

With the above said causes, the national irrigation fee amount can meet 50-60% of the collection plan and 50% of the demands for management, operation and maintenance. Small damages of works and canals cannot timely repaired, leading to big damages and financial difficulty for IDEs and WUOs.

Especially, the IDEs have to adjust their spendings with priorities for wages and bonus. They only improve damaged works when they have enough funding. That is why the works become degraded quickly and ineffective, and irrigation fee, thus, is more difficult to collect.

**Box 6: Degredation of hydraulic works**

Causes of drought in the Red River Delta for the past 2 years are not only related to water sources, ununified direction (between energy and agriculture sectors) and inappropriate crop structure but also related to poor management of hydraulic works, lack of funding for maintenance, revenue being lower than spending. These resulted in degradation of the hydraulic works. Especially, canals broke and were deposited but they were not timely dredged; and damaged equipment was not replaced. Consequently, necessary pumps in some big pumping stations could not work well and canals could not supply the design volume of water.

*Source: Report on basic investigation “Current status of local irrigation organizations” in 2001-2003, Department of Water Resources, MARD*

**c. Concerned issues:**

*- Irrigation fee is a production cost*

According to a recent survey of water users in Nghe An, Ha Tinh, Quang Nam and Khanh Hoa the farmers interviewed considered irrigation fee as a production cost like the costs for fertilizers, seeds and electricity but it is subsidized by the Government. The farmers did not complain about the fees in general but they complain about the high fees when the volume and quality of supplied water were not as good as required and caused serious effects on the yield and output. Many of the interviewers expressed the inequality on paying irrigation fees: users in the head of the canals could use a lot or even waste water but they paid the same as those who got water from the end of the canals and lacked water.

*- Bases to calculate and use irrigation fee*

The above survey also reveals that most farmers pay sufficient irrigation fees as required for their cooperatives or CPCs (a lot of farmers in Tuyen Quang province paid 5-7 years in advance). However, most of the farmers questioned complained that they did not know the bases for the agro-cooperatives and CPCs to calculate and use the irrigation fees. Some agro-cooperatives increased the fees to pay the staff of the cooperatives and CPCs or

collect “lump sum” per “sao”<sup>1</sup>. In some communes irrigation fees were misused or appropriated, and the cooperatives and CPCs did not pay sufficient irrigation fees for the IMCs and explained that the farmers still owed irrigation fees.

*- Irrigation fees were related to the operation of WUCs*

In the locations without WUCs the delivery of water and protection of hydraulic works are difficult and water quality is not good. Actually, a lot of WUCs were established but they were not allow to collect irrigation fees or could collect at too low levels to cover their expenses. They, therefore, went bankrupt.

*- Exemption of irrigation fees*

It is said that there are too many items, including irrigation fees, the farmers nowadays have to pay for. Therefore, exemption of irrigation fees aims at **helping the farmers**. Recently, Thai Binh and Vinh Phuc provinces and Da Nang city have decided to exempt or reduce irrigation fees.

#### **Box 7: Payment of irrigation fees in Ha Tinh province**

According the investigation in Ky Anh and Duc Tho districts, Ha Tinh province, the irrigation fees paid by the farmers make up 4-5% of their total payment. This means, the payment for other items, including improper items, is much higher than the payment for irrigation fees.

*Source: “Report on evaluation of WUAs in Ha Tinh province”, Oxfam Great Britain – August 2004*

#### **+ Reduction of irrigation fees**

Reduction of irrigation and drainage service costs (irrigation fees) is a necessary requirement for farmers and the Government. It is also the target of IDEs and WUCs. It aims to encourage and enhance awareness of both the farmers and management units. It is the responsibility of both sides (farmers - IDEs and WUCs). The reduction can be done on the basis of improved management to reduce the management costs (eg: wages, electricity, materials), better irrigation and drainage, water saving and less damaged works. *Irrigation should not be reduced by increasing the subsidy from the Government for the management*, because the irrigation fee framework regulated in Decree No 143/ND-CP was subsidized more than 60% of the “production”. As regulated, the irrigation fees are reduced 50% - 70% in the areas with poor socio-economic conditions” (Article 19, Decree No 143/ND-CP).

<sup>1</sup> 1 sao = 360m<sup>2</sup>

**Box 8: Irrigation fees in Tuyen Quang and Lao Cai provinces**

After canal lining and management improvement some irrigation service cooperatives in Tuyen Quang province could reduce management costs, works were less damaged, irrigation and drainage became more effective. As a result, irrigation fee was reduced from 749kg of paddy/ha to 550 kg of paddy/ha.

Based on the actual reductions of the costs Ban Kem WUA (Lao Cai) reduced the irrigation fees. When the hydraulic works were much damaged by the natural disasters the farmers could participated in discussion to raise the fee from 1.5 kg/sao/cropping season to 2.5 kg/sao/cropping season.

*Source: "Report on evaluation PIM models in Vietnam", July 2005, Technology and Water Resources Development Consulting Center; and "Report on study tour results" of "Integrated Water Resources Management in Srepok River Basin", DANIDA- 2005-2006*

**+ Exemption of irrigation fees:**

Exemption of irrigation fees does not mean abolishment of irrigation fee. According to Article 19, Decree No 143/ND-CP, "irrigation fees are exempted in the areas with especially poor socio-economic conditions". In fact, investment in these areas are far lower than demand. Most of the hydraulic works have small scale, mainly temporary, built and managed by the farmers themselves, and, in principle, the farmers do not have to pay irrigation fees. However, in some remote areas in Lao Cai the local authorities still regulate low fee (15% of the normal fee) to raise the farmers' responsibility for protection, management and use of the hydraulic works.

Article 15, Decree No 143/ND-CP says that "irrigation fees are exempted when 50% or more of the total production was lost".

Briefly speaking, the exemption and reduction of irrigation must be based on the actual conditions and all the benefits of the stakeholders including water users, management units and the Government.

**+ Abolishment of irrigation:**

Da Nang city is abolishing irrigation fees. It means that from now on the farmers in the areas served by the state-managed hydraulic works do not have to pay irrigation fees (IDEs in Da Nang now can collect 3 bil. dong of irrigation fees and is subsidized 2 bil. dong). The abolishment of irrigation fees can be done for the state-managed hydraulic works and only the part paid for state management can be abolished, the part paid for WUCs is not abolished. Whereas, the farmers using the works that are not invested and managed by the Government but the farmers have to pay irrigation fees.

The abolishment of irrigation fees *invisibly means that the Government reinvests in the areas it has invested*. This neither encourages production nor raise water users' responsibility for management, protection and use of hydraulic works. Therefore, there are more and more damages, management cost increases, and service became less effective. These have impact on farmers' income.

#### **Box 9: Abolishment of irrigation fees - statistics**

Financially, irrigation fees collected **in 2005** from the hydraulic systems managed by IMCs reached 800 bil.dongs (making up more than 60% of the maintenance estimate), excluding the fees collected from the works managed by WUCs (in cash, labor and materials – about 500 – 1,000 bil.dongs). The Government provided an annual subsidy of 100-200 bil.dongs (meeting 20% of demands for regular repairs nationwide and this was mainly done in delta provinces that had been much invested and had improved hydraulic systems).

In the Red River Delta and north of former region IV the Government can collect 50 bil.dongs/year/province on average while it had to invest in a complete way to the field. In the Mekong River Delta, the Government collected only 10 bil.dongs/year/province on average were, accounting for 1-1.5% of the production but the amount the farmers paid to IDEs multiplied the payment to the Government.

In mountainous provinces, irrigation fees for the small-scale hydraulic works invested by the farmers, or with Governmental support, managed by farmers, and paid for operation expenses by the farmers are high. Therefore, the Government cannot collect much, 1-3 bil.dongs/year/province at most. In various provinces the Government do not collect irrigation fees as no irrigation enterprises are available.

*Source: Report on operation of IMCs, prepared by Department of Water Resources and presented in Hue Conference, **8-2003***

#### **4. How to exempt and reduce irrigation fees?**

How should exemption and reduction of irrigation fees be done to reduce the Government subsidy and the farmers' contribution and ensure good management and use of the available hydraulic works at the same time? The answers is **"helping the farmers"** through the policy on irrigation fees to promote the competitiveness of irrigated agro-products when Vietnam enters WTO.

*To reach the objective it is necessary to:*

*Firstly*, to develop a “water resource development strategy” (nowadays only water resource development plans are available) for multi-purpose service. Based on the strategy, agricultural development plans will be formulated, crop structure will be adapted (not growing rice at any price).

*Secondly*, to implement seriously Governmental Decree 143/2003/NĐ-CP with following measures:

Re-imposing proper irrigation fees, reducing management costs and irrigation fees in all cases. Exempting irrigation fees only in the cases of food production as requested by the Government, natural disasters, harvest loss... Exemption and abolishment of irrigation fees are not done if the water is taken from the hydraulic works that were built with state funding. Collecting correctly and sufficiently irrigation fees for all water users, based on the principle “pay for use” to have more funding for operation and maintenance of the works, and help to reduce irrigation fees for food producers.

*Thirdly*, the Government should subsidize enough the deficit for the management units (IDEs, WUCs) in the 5 cases that are regulated in the Ordinance on Exploitation and Protection of Hydraulic Works and specified in Decree 143/NĐ-CP (most provinces have not provided this subsidy and this is the major problem in the policies on irrigation fees).

*Thirdly*, to transfer (IMT) of small-scale and less complicated works to the organizations founded by the farmers so that the works have their “real” managers. If the farmers manage the hydraulic works they participate in the discussions about irrigation fees and pay appropriate fees. If the Government manages the hydraulic works the farmers have to pay irrigation fees as regulated.

To reach this goal the Government should have proper mechanisms and policies to ensure that the works are invested in a completed way before they are transferred to the farmers. This is a big challenge for both the Government (IDE) and farmers.

*Fifthly*, to restructure IDEs (IMCs) in accordance with the Governmental laws (Decree 31/2005/NĐ-CP, Decree 95/2006/NĐ-CP); apply technological advances to management; reduce management costs; collect irrigation fees by the amount of used water (m<sup>3</sup>); ensure the equality in payment of irrigation fees. This is the foundation for reduction of irrigation fees for farmers.

*Sixthly*, to bring into full play the farmers’ role in management and exploitation of hydraulic works (PIM) by consolidating and founding water use organizations as requested by the farmers, performing well the function as a “bridge” in water supply and drainage, ensuring equality and effectiveness in terms of benefits of the Government (IDEs) and farmers, paying sufficient irrigation fees as regulated and agreed. If agro-cooperatives are not involved in irrigation service another kind of organization should be established on the



basis of farmer's discussion and in accordance with legal regulations (Circular 75/2004/TT-BNN, issued on 20<sup>th</sup> December 2004 by MARD).

*Seventhly*, to review the state management structure in irrigation and drainage, reduce intermediary management units, abolish inappropriate payments (eg. payment on the basis of area to pay staff of the agro-cooperatives, communes and villages).

*Eighthly*, to publicize the irrigation fee collection. The farmers should be announced, discuss about the fee levels and the spending of the fees collected. To establish inspection units in the agro-cooperatives and CPCs. To deal with the cases related to appropriation and misusing of irrigation fees to recover farmers' belief.

*Ninthly*, grassroot level projects should be open to the farmers. The management and operation should be discussed and agreed by the farmers. The collection and spending of irrigation fees should be open. If these can be done the farmers will pay irrigation fees sufficiently and timely.

*Tenthly*, local authorities should pay proper attention, not "intervention", play well state management function, and facilitate the management organizations (IDEs, WUCs) to collect sufficiently irrigation fees.

*Eleventhly*, sectoral management agencies should provide advices, propose, draft and submit timely and appropriate policies and mechanisms; provide technical assistance, guidance and training for managers; raise farmers' awareness in managing and operating hydraulic works safely and using water effectively.

**Abbreviation:** IDE – irrigation and drainage enterprise;  
WUC – water user cooperative;  
CPC – commune people's committee