



Republic of the Philippines
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS
OFFICE OF THE SECRETARY
Manila

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MAR 19 2004

DEPARTMENT ORDER)
No. 39)
Series of 2004 *March 19-04*)
SUBJECT: IMPLEMENTING RULES AND
REGULATIONS (IRR) FOR THE
DPWH-LGU COST SHARING
PROGRAM, SECOND PHASE.

The following rules and regulations are hereby issued for the implementation of the DPWH-LGU Cost Sharing Scheme Program, Second Phase, pursuant to the Memorandum of Agreement, dated 7 February 2004 between the National President of the League of Municipalities of the Philippines (LMP) and the Secretary of the Department of Public Works and Highways (DPWH), to enhance the capability of the Local Government Units (LGUs) in the implementation of infrastructure projects, promote rural development, stimulate local economy and generate local employment.

1. SCOPE OF WORK

1.1 Projects eligible under this program shall be any of the following:

- 1.1.1 Concreting of unpaved municipal roads;
- 1.1.2 Concreting of access road to public market; and
- 1.1.3 Concreting of barangay roads accessible to at least two (2) barangays.

1.2 An LGU may implement two or more projects provided that each project shall cost not more than P 1.0 Million and provided further that the total National Government (NG) counterpart shall not exceed P 1.0 Million.

2. COST SHARING SCHEME

The cost sharing schemes to implement the proposed projects are as follows:

	<u>MUNICIPALITY</u>	<u>DPWH</u>	<u>LGU</u>
2.1	1 st and 2 nd class municipalities:	P 1,000,000.00,	P 500,000.00
2.2	3 rd and 4 th class municipalities:	P 1,000,000.00,	P 250,000.00
2.3	5 th and 6 th class municipalities:	P 1,000,000.00,	P 125,000.00

3. AVAILMENT PROCEDURE

3.1 Availment Requirements

3.1.1 Each LGU shall submit to the DPWH District Engineering Offices (DEO) the following reports:

- A. A list of proposed projects to be implemented with the total estimated cost broken down into NG and LGU counterpart funds using the form in Annex A.1.
- B. A Program of Work (POW) of eligible projects as provided for in Article I above to be approved by the DPWH-DEO;

C. A Resolution from the Municipal Council providing for the LGU counterpart fund for the project (s); or a Certification from the Municipal Treasurer showing proof of deposit of the LGU counterpart fund for the project (s) in a government depository bank.

- 3.1.2 Upon review of the completeness of requirements, the DPWH-DEO shall then evaluate the capability of the LGU to implement the project based on the evaluation report using the DPWH standard format, hereto attached as Annex A.
- 3.1.3 DPWH-DEO shall return all the requirements and a certification of demonstrated capability of the LGU to the complying LGU.
- 3.1.4 Complying LGUs shall submit all documents to the LMP. All projects submitted by LGUs shall be reviewed, prioritized and consolidated by the LMP for submission to DPWH.

4. PROJECT MEMORANDUM OF AGREEMENT (PMOA)

- 4.1 The DEO and the LGU shall enter into a Project MOA, using the Standard Format of Project MOA-1 (Annex B), subject to prior compliance by the LGUs of the requirements in Section 2.1 hereof.

5. FUND RELEASE AND TRANSFER

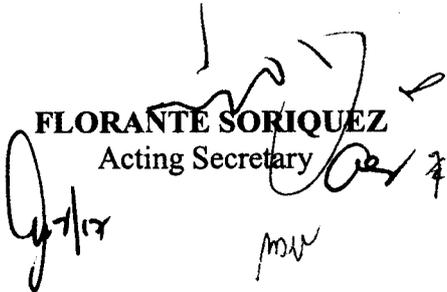
- 5.1 The DPWH Central Office shall obtain from the DBM the Special Allotment Release Order (SARO) covering the total amount of the DPWH counterpart funds for the projects submitted by the LGU and a Notice of Cash Allocation (NCA). The DPWH-CO shall sub-allot the same to the DEO concerned.
- 5.2 The DPWH-DEO shall issue to the LGU a Letter of Advice of Allotment (LAA) equivalent to the DPWH counterpart funds for the project, based on the Special Allotment Release Order (SARO) issued by the DBM and sub-alloted by the DPWH CO/PMO. The LAA shall serve as the obligational authority of the LGU to implement the project/s.
- 5.3 Authorized deductions from the NG counterpart funds for engineering and administration overhead shall not exceed one point eight percent (1.8%) with no more than one percent (1%) accruing to the DPWH-DEO; half a percent (0.5%) to the DPWH-Regional Office and the balance of point three percent (0.3%) to the DPWH Central Office.
- 5.4 The LGU shall be fully accountable for all funds for the project released to it by the DPWH.
- 5.5 The DPWH-DEO shall release to the LGU an initial cash advance equivalent to forty percent (40%) of the obligational authority (LAA). The LGU shall take up said cash advance, including the LGU counterpart fund, as a Trust Fund to be deposited in a separate checking account with a government depository bank.
- 5.6 The DPWH shall release to the LGU succeeding cash funds for the project equivalent to the amounts of previous cash advances liquidated, based on Liquidation Reports or accounting thereof duly certified correct signed by the LGU Treasurer/ Chief Accountant and verified and found correct by the LGU Resident Auditor thereat in accordance with COA Circular No. 94-013 dated 13 December 1994 and subject to the availability of Notice of Cash Allocation (NCA) specifically released by DBM for the projects.

- 5.7 The LGU shall remit to the Bureau of Treasury (BT), under the account of the DPWH, any interest that may accrue out of the funds transferred, furnishing the DPWH-DEO with copy of the said remittance.
- 5.8 Any unused balance of the trust fund after completion of the project (s) shall be returned to the DPWH-DEO.
- 5.9 The LGU shall submit monthly reports of disbursements on the project/s to the DPWH-DEO, duly certified by its Chief Accountant and verified correct by its Resident Auditor, copy furnished the LMP. Any unused balance of the cash advance after the completion of the project/s shall be refunded to the DPWH-DEO.
- 5.10 The counterpart fund provided by the NG shall not be used for the purchase of any kind of service vehicle, office equipment and/or payment of honoraria or additional compensation pursuant to COA Circular no. 94-013, dated December 1994.

6. PROJECT IMPLEMENTATION, MONITORING AND REPORTS

- 6.1 The project/s shall be implemented by the LGU, by administration in accordance with the approved POW, Plans and Specifications.
- 6.2 The DPWH-DEO/RO shall, from time to time, inspect the progress of project implementation.
- 6.3 The LGU concerned shall submit to the DPWH-DEO monthly accomplishment reports on the project/s, copy furnished the LMP. DPWH-DEO shall submit monthly progress reports to the DPWH-CO/PMO through the DPWH-RO.
- 6.4 The DPWH-DEO, LMP and LGU shall conduct a final inspection of each completed project/s, and officially turn over to the Municipal Mayor the responsibility for the maintenance of the project/s.
- 6.5 The DPWH-DEO and the LGU shall issue a joint Certificate of Completion of the project/s.
- 6.6 After the completion of all projects under the Program, the LMP shall consolidate all reports on project implementation and submit a completion report to the DPWH CO and the Office of the President. Based on the completion report, DPWH shall transfer the cost of these completed projects from its book of accounts through Journal Voucher to the LGU concerned.
- 6.7 The LMP will have oversight functions in the implementation of the projects.

This Order takes effect immediately.


FLORANTE SORIQUEZ
Acting Secretary

MEMORANDUM OF AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

This **AGREEMENT** entered into and executed this 7th day of February in the year of Our Lord Two Thousand and Four at the City of Manila by and between:

The **DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS**, herein represented by Honorable FLORANTE M. SORIQUEZ, Secretary and herein after referred to as **DPWH**;

--and--

The **LEAGUE OF MUNICIPALITIES OF THE PHILIPPINES**, herein represented by Honorable Mayor RAMON N. GUICO, JR., National President, and herein after referred to as the **LMP**.

WITNESSETH

WHEREAS, the LMP, through its National President, wrote Her Excellency President Gloria Macapagal-Arroyo, a letter dated 30 August 2001 seeking approval of its request to implement the Second Phase of the LGU-DPWH Cost-Sharing Program;

WHEREAS, the League of Municipalities of the Philippines, through its National Directorate, which is composed of LMP Provincial Chapter Presidents representing the 1, 496 municipalities throughout the country, passed and adopted ND Resolution No. 010 - 2003, requesting the DPWH to enter into a Memorandum of Agreement with the LMP for the implementation of a cost-sharing program for the concreting of municipal roads;

WHEREAS, the LMP wrote a letter to Her Excellency dated 12 November 2003 informing the President of the proposed projects of the LMP including the implementation of rural infrastructure and agricultural/ agrarian support projects to stimulate local economy and generate local employment;

NOW THEREFORE, in consideration of the foregoing premises, the Parties to this Memorandum of Agreement hereby agree to the following terms and conditions:

ARTICLE I – SCOPE OF WORK

Section 1.1. This Memorandum of Agreement (MOA) covers the implementation of projects identified by the municipal governments and limited to any of the following categories only:

- a. Concreting of unpaved municipal roads
- b. Concreting of access roads to public market
- c. Concreting of barangay roads accessible to at least two (2) barangays

Section 1.2. The cost sharing schemes to implement the proposed projects are as follows:

	<u>DPWH</u>	<u>LGU</u>
a. 1 st and 2 nd Class Municipalities:	P1,000,000.00	P 500, 000.00
b. 3 rd and 4 th Class Municipalities:	P1,000,000.00	P 250, 000.00
c. 5 th and 6 th Class Municipalities:	P1,000,000.00	P 125, 000.00

ARTICLE II – AVAILMENT REQUIREMENTS

Section 2.1. For the availment of the program, the LGU shall submit to the DPWH District Engineering Office (DPWH-DEO) the following requirements:

- a. List of Projects to be implemented and completed.
- b. A Program of Work (POW) of eligible projects, as provided for in Article I above to be approved by the DPWH-DEO;
- c. A Resolution from the Municipal Council providing for the LGU counterpart fund for the project (s); *σv*
- d. A Certification from the Municipal Treasurer showing proof of deposit of the LGU counterpart fund for the project (s) in a government depository bank.

Section 2.2. Upon review of the completeness of requirements ~~stated in 2.1 above~~, the DPWH-DEO shall then evaluate the capability of the LGU to implement the project based on the evaluation report using the DPWH standard format, hereto attached as Annex A.

Section 2.3. DPWH-DEO shall return all the requirements ~~stated in 2.1 above~~ and a certification of demonstrated capability of the LGU to the complying LGU.

Section 2.4. Complying LGUs shall submit all documents to the LMP. All projects submitted by LGUs shall be reviewed, prioritized and consolidated by the LMP for submission to DPWH.

ARTICLE III – FUND RELEASE AND TRANSFER

Section 3.1. The DPWH Central Office shall obtain from the DBM the Special Allotment Release Order (SARO) covering the total amount of the DPWH counterpart funds for the projects submitted by the LGU and a Notice of Cash Allocation (NCA). The DPWH-CO shall sub-allot the same to the DEO concerned.

Section 3.2. The DEO and the LGU shall enter into a Project MOA, using the Standard Format of Project MOA-1 (Annex B), subject to prior compliance by the LGUs of the requirements ~~in Section 2.1 hereof~~.

Section 3.3. The DPWH District Engineer shall issue to the LGU a Letter of Advice of Allotment (LAA) equivalent to the DPWH counterpart funds for the projects based on the SARO issued by the DBM and sub-alloted by the DPWH Central Office. The LAA shall serve as the obligational authority of the LGU for entering into contracts/to implement the project.

Section 3.4. Authorized deductions from the NG counterpart funds for engineering and administration overhead shall not exceed one point eight percent (1.8%) with no more than one percent (1%) accruing to the DPWH-DEO; half a percent (0.5%) to the DPWH-Regional Office and the balance of point three percent (0.3%) to the DPWH Central Office.

Section 3.5. The LGU shall be fully accountable for all funds for the project released to it by the DPWH.

Section 3.6. The DEO shall release to the LGU an initial cash advance for the project equivalent to forty percent (40%) of the obligational authority (LAA) chargeable against the NCA released by the DBM and transferred by DPWH-CO. The LGU shall take up the said cash advance as a Trust Deposit in a separate checking account with an authorized government depository bank.

Section 3.7. The DPWH shall release to the LGU succeeding cash funds for the project equivalent to the amounts of previous cash advances liquidated, based on Liquidation Reports or accounting thereof duly certified correct signed by the LGU Treasurer/ Chief Accountant and verified and found correct by the LGU Resident Auditor thereat in accordance with COA Circular No. 94-013 dated 13 December 1994 and subject to the availability of Notice of Cash Allocation (NCA) specifically released by DBM for the projects.

Section 3.8. Any interest that may accrue out of the cash advances shall be remitted to the Bureau of Treasury under the account of the DPWH furnishing DPWH a copy of the said remittance.

Section 3.9. Any unused balance of the trust fund after completion of the project (s) shall be returned to the DPWH-DEO.

ARTICLE IV – PROJECT IMPLEMENTATION AND REPORTS

Section 4.1. The project (s) shall be implemented by the LGU, by administration in accordance with the approved POW and Plans and Specifications.

Section 4.2. The DPWH-DEO shall, from time to time, inspect the progress of project implementation.

Section 4.3. The DPWH-DEO, LMP and LGU shall conduct a final inspection for each of the completed project (s) and officially turn over to the Municipal Mayor the responsibility for the maintenance of the project (s). The DEO and the LGU shall issue a joint Certificate of Completion of the project (s).

Section 4.4. After the completion of all projects, the LMP shall consolidate all reports on project implementation and submit a completion report to the DPWH-CO and the Office of the President. Based on the completion report, DPWH shall transfer the cost of these completed projects from its book of accounts thru Journal Voucher to the LGU concerned.

Section 4.5. The League of Municipalities of the Philippines will have oversight functions in the implementation of the projects.

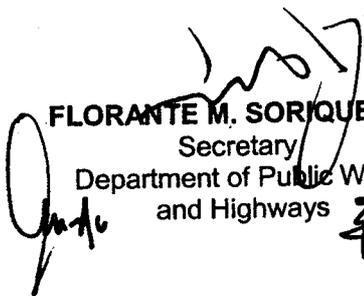
ARTICLE V – LIMITATIONS

Section 5.1. The counterpart fund provided by the NG shall not be used for the purchase of any kind of service vehicle, office equipment and/ or payment of honoraria or additional compensation pursuant to COA Circular No. 94 – 013 dated 13 December 1994.

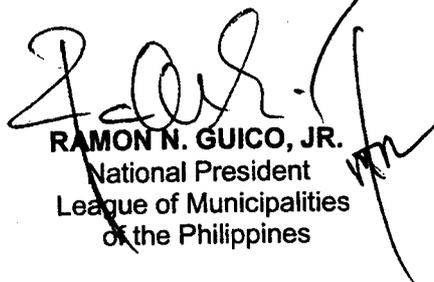
ARTICLE VI – GENERAL PROVISIONS

Section 6.1. This MOA shall take effect upon signing of the Parties hereto and shall continue and remain in force until the completion and acceptance of the project (s) unless mutually terminated earlier by the said Parties.

WITNESS WHEREOF, the Parties hereto have affixed their signatures in the place and date first above-stated.



FLORANTE M. SORIQUEZ
Secretary
Department of Public Works
and Highways

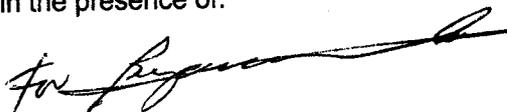


RAMON N. GUICO, JR.
National President
League of Municipalities
of the Philippines

Signed in the presence of:



ANTONIO A. INOCENTES
Undersecretary
DPWH



Mayor PACIFICO LL. MAYOR
Secretary General
LMP

EVALUATION OF CAPABILITY OF LOCAL GOVERNMENT UNIT (LGU) TO IMPLEMENT DPWH INFRASTRUCTURE PROJECTS

Name of LGU: _____ Date of Evaluation: _____
 Name of Project proposed to be implemented by LGU: _____

 Estimated Project Cost: _____

CRITERIA	APPLICATION
<p>1. Maintenance Condition of Local (LGU) Roads</p> <p>The LGU must have maintained its Local roads to a "fair" to "satisfactory" level, using the road condition rating of the DPWH Bureau of Maintenance.</p>	<p>Actual condition rating of Local Roads as of _____ (date): _____</p>
<p>2. Experience or Track Record relevant to the proposed Project</p> <p>2.1. The cost of the largest single relevant project completed by the LGU within the last three years should be at least 50% of the estimated cost of the Project.</p> <p>2.2. The cost of the completed largest single relevant project managed within the last three years by the key LGU personnel to be assigned to the Project (Project Manager to Foreman) should be at least 50% of the estimated cost of the Project.</p>	<p>Cost of largest project completed by LGU: _____ Versus 50% of estimated cost of proposed Project: _____</p> <p>Cost of largest project managed by key LGU personnel: _____ Versus 50% of estimated cost of proposed Project: _____</p>
<p>3. Organization and Personnel for the Project</p> <p>The LGU must have the required key Personnel from its Engineering Office who are available to undertake, supervise, and manage the Project by administration.</p>	<p>Yes / No</p>
<p>4. Construction Equipment for the Project</p> <p>The LGU must own and commit for the Project the required minimum owned equipment.</p>	<p>Yes / No</p>

CRITERIA

APPLICATION

- | | |
|--|----------|
| 5. Financial and Procurement Management | Yes / No |
| 5.1. The LGU must have satisfactory financial and procurement management systems as indicated by the absence of adverse findings in the latest COA audit report. | Yes / No |
| 5.2. The LGU must have fully liquidated its previous cash advances from the DPWH. | |

CONCLUSION: Based on this evaluation, the LGU is / is not (please encircle) capable of implementing the subject Project by administration.

Approved by:

DPWH District Engineer

LIST OF PROJECTS FOR LGU-DPWH COST SHARING PROGRAM, SECOND PHASE
MUNICIPALITY OF _____
PROVINCE OF _____

Name of Project/Location	Description	Cost			Remarks
		DPWH Fund	LGU Fund	Total	

ATTACHMENTS:

1. PROGRAMS OF WORK OF ELIGIBLE PROJECTS
2. MUNICIPAL COUNCIL RESOLUTION PROVIDING COUNTERPART FUND
3. TREASURER'S CERTIFICATION ON THE AVAILABILITY OF FUND

PREPARED BY:

APPROVED BY:

Municipal Engineer

Municipal Mayor

INDIVIDUAL PROGRAM OF WORK

Name/Location of Project:		Appropriation: _____ DPWH: _____ LGU : _____ Issued Obligated Authority: Calendar days to comp: _____ Starting Date: _____				
Project Description						
MINIMUM EQUIPMENT REQUIRED			TECHNICAL PERSONNEL REQUIRED			
Description	No.	Description	No.			
ESTIMATED COST OF PROPOSED WORK						
ITEM NO.	DESCRIPTION	UNIT	QUANTITY	UNIT COST	DIRECTION	% OF TOTAL

BREAKDOWN OF ESTIMATED EXPENDITURES	% OF TOTAL	AMOUNT
ESTIMATED COST:		
A. DIRECT COST		
1. Materials		
1.1 Supply/Delivery		
1.2 Testing of Materials		
2. Labor (including fringe benefits)		
3. Equipment Expenses		
SUBTOTAL		
B. GOVERNMENT EXPENDITURES		
1. Engineering and Administrative Overhead		
SUBTOTAL		
TOTAL ESTIMATED COST		

PREPARED BY:

Municipal Engineer

SUBMITTED BY:

Municipal Mayor

APPROVED BY:

District Engineer

**PROJECT MEMORANDUM OF AGREEMENT (MOA)
BETWEEN THE DPWH AND THE LOCAL GOVERNMENT UNIT OF _____
FOR THE
IMPLEMENTATION OF THE DPWH-LGU COST-SHARING PROJECT**

This Memorandum of Agreement (MOA) entered into on _____ at _____ by and between:

The Department of Public Works and Highways, herein represented by its District Engineer, _____, and hereinafter referred to as the DPWH;

- and -

The Local Government Unit of _____, herein represented by its Mayor _____, and hereinafter referred to as the LGU.

WITNESSETH

WHEREAS, under the 1999 General Appropriations Act or GAA (R.A. No. 8745) and the Public Works and Highways Infrastructure Program Act (R.A. No. 8150) nationally funded infrastructure projects may be implemented by Local Government Units with the demonstrated capability to undertake the Projects by themselves;

WHEREAS, in accordance with the said Department Order, the LGU has submitted to the DPWH a written request given in Annex I hereof, for the DPWH to authorize the LGU to implement by administration the DPWH Project mentioned in Annex I;

WHEREAS, in accordance with the same Department Order, the DPWH has determined the LGU to have the demonstrated capability to undertake the said Project by administration, as shown by the evaluation results in Annex II hereof;

NOW THEREFORE, in consideration of the foregoing premises, the Parties to this MOA hereby agree on the following terms and conditions:

ARTICLE I – PROJECT COVERAGE

Section 1.1. This MOA covers the implementation by the LGU of the DPWH Project described in Annex II hereinafter called the "PROJECT."

ARTICLE II – PROJECT IMPLEMENTATION

Section 2.1. The LGU shall implement the PROJECT by administration only, in accordance with the Program of Work, Plans, Specifications, PROJECT Cost, and Time Duration approved by the DPWH Official concerned, which are incorporated into this MOA as Annex III.

Section 2.2. The LGU shall, to the extent feasible, use labor-based equipment-supported methods in implementing the Project.

Section 2.3. The LGU shall start the Project within fifteen (15) days from the approval of the MOA and shall complete the Project within the Time Duration prescribed in Annex "III".

Section 2.4. The LGU shall submit monthly monitoring reports on the Project to the DPWH District Engineer.

Section 2.5. Upon the satisfactory completion by the LGU of the Project as verified by the designated DPWH inspection team, the LGU shall correct, at its own expense, all defects discovered in the Project due to faulty construction or use of substandard materials.

After this one-year period and after the Project is verified by the DPWH inspectorate team as having no defects, the DPWH District Engineer shall issue to the LGU the Certificate of Project Acceptance.

ARTICLE III – PROJECT FUNDING

Section 3.1. The DPWH District Engineer shall issue to the LGU a Letter of Advice of Allotment (LAA) equivalent to the approved Project Cost based on the allotment authorized by the Department of Budget and Management. The LAA shall serve as the obligational authority of the LGU to implement the Project.

Section 3.2. The LGU shall be fully accountable for all funds for the Project released to it by the DPWH.

Section 3.3. The DPWH shall release to the LGU an initial cash advance for the Project equivalent to forty percent (40%) of the obligational authority (or Project Cost). The LGU shall take up the said cash advance as a Trust Deposit in a separate checking account with a Government depository bank.

Section 3.4. The DPWH shall release to the LGU succeeding cash funds for the Project equivalent to the amounts of previous cash advances liquidated, based on Liquidation Reports signed by the LGU Treasurer/ Chief Accountant and verified and found correct by the LGU Resident Auditor of the Commission on Audit.

ARTICLE IV – EFFECTIVITY

Section 4.1. This MOA shall take effect upon signing by the Parties hereto and shall remain in force until the completion of the Project, unless mutually terminated earlier by the said Parties.

Section 4.2. Either Party to this MOA may initiate the termination of this MOA in the event of a default by the other Party of any of its obligations thereunder.

WITNESS WHEREOF, the Parties hereto have affixed their signatures at _____, this _____ day of _____.

For the Municipality:

For the DPWH:

Municipal Mayor

District Engineer

Signed in the presence of:

Head, Accounting Unit

Copy furnished:

- 1. Undersecretary Antonio Inocentes, DPWH*
- 2. League of Municipalities of the Philippines*