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OPERATING GUIDELINES ON THE GRANT OF THE NATIONAL GOVERNMENT ASSISTANCE TO LOCAL GOVERNMENT UNITS (NGALGU) FOR RURAL INFRASTRUCTURE DEVELOPMENT UNDER THE AGRARIAN REFORM COMMUNI...

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Section 1. Prefatory Statement

Upon the representations of the Department of Agrarian Reform and with the support of the Department of Budget and Management, the Office of the President (OP) agreed to provide budgetary assistance to partner Local Government Units in the Agrarian Reform Communities Project II (ARCP II) for the implementation of rural infrastructure subprojects. The OP approval to provide funding support, representing 25% of the total subproject cost, is pursuant to Chapter 3, Article 1, Section 25(c) of the Local Government Code. The ARCP II has been saddled by the equity problems of the LGUs and the OP-DBM assistance is intended to boost the LGUs' ability to address the rural infrastructure requirements of the target Agrarian Reform Communities.

The 25% national Government Assistance to Local Government Units (NGALGU) will be released by the DBM to the DAR and by the DAR to the LGUs as part of its equity. It will constitute the initial counterpart of the LGU to the first tranche of assistance under loan proceeds to be provided by the ARCP II through the Municipal Development Fund Office (MDFO). Subject to LGU compliance with the requirements listed below, the DAR shall release the NGALGU for deposit in the Special Trust Fund Account where the LGU will deposit its equity contributions. Subsequently, the LGU will liquidate the amount received from the DAR pursuant to the usual accounting and auditing regulations.

Section 2. Scope

These operating policies and procedures are issued to guide Local Government Units and field implementers of the ARCP II in the accessing, processing, release, utilization and liquidation of the NGALGU. The guidelines below describe the eligibility requirements, documents to be submitted, responsibility centers and procedures to be followed.

Section 3. Eligibility and Other Requirements

- NSAC/RSAC Approval. The 25% NGALGU shall be given to partner LGUs to support the implementation of their approved subprojects. The initial basis for the computation of the 25% assistance shall be the total subproject cost indicated in the resolution of the National or Regional Subproject Approval Committee (NSAC/RSAC). This NSAC/ RSAC approved cost shall be the basis of the issuance by the DAR of the Certificate of Availability of Funds (CAF) that will be used by the LGU in enacting an Appropriation Ordinance indicating all fund sources for the subproject to be implemented.

- Prioritization. The NGALGU shall be granted as counterpart for the subprojects that have been approved and validated by DAR for 2011-2012 implementation. Assistance for additional subprojects may be provided, especially for irrigation subprojects, subject to the availability of funds.

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- DAR-LGU MOA. The release of the NGALGU shall be based on a Memorandum of Agreement (MOA) to be executed by and between the DAR and the LGU for the approved subproject to be given the 25% assistance.

- "As Bid" POW. The total subproject cost as approved by the NSAC/RSAC may still change after the completion of the procurement process. Thus, the amount of NGALGU to be actually released shall be based on the As Bid Program of Work (POW). The MOA shall include this stipulation and the DAR shall make the adjustments in the accounting entries as necessary.

- Special Trust Fund Account (STFA). The DAR shall issue a funding check for 100% of the NGALGU to be given to the LGU. The LGU shall deposit the check in the Special Trust Fund Account that it will open specifically for its equity counterpart for ARCP II subprojects. This STFA shall indicate through subsidiary ledgers the different amounts by source.

- Liquidation of NGALGU. Upon complete utilization of the NGALGU, the LGU shall liquidate the assistance received pursuant to the usual accounting and auditing regulations.

Section 4. Operating Procedures

The release of the NGALGU is predicated on the approval, procurement, implementation and turnover of the RI subproject to be co-financed by the LGU with the DAR under the ARCP II. Thus, to simplify the processing of the NGALGU, the requirements and procedures described below run parallel with the requirements and procedures in the processing of the ARCP II assistance under loan proceeds (LP). However, the NGALGU will be processed and released by the DAR Finance, management and Administration Office (FMAO) under Fund 101 while the LP assistance will be processed by the DAR Foreign-Assisted Projects Office (FAPsO) under Fund 102 and released by the MDFO.

The simplified process for the grant of the NGALGU is as follows (Annexes 1 and 2):

- SARO and NCA. Based on the requests and submissions of the DAR, the DBM releases to the DAR FMAO first the Special Allotment Release Order (SARO) then the Notices of Cash Allocation (NCAs) for the NGALGU.

- Letter of Intent and request for CAF. LGUs with subprojects approved by the NSAC/ RSAC request the DAR Secretary, through the ARCP II National Project Coordinator, for the release of the corresponding NGALGU, including the issuance of the CAF based on the NSAC/RSAC resolution. The LGU submits a Letter of Intent (Annex 3) to avail of the NGALGU, with the following attachments:

- Memorandum of Agreement (Annex 4) duly signed by the Mayor, for signature of the DAR Secretary, in six original copies (1 – LGU, 1 – NPCO, 1 – DAR FMAO, 2 – Notary Public, 1 – as attachment to disbursement voucher)

- NSAC/RSAC Approved POW, in six certified true copies

- NSAC/RSAC resolution, in six certified true copies

- Sangguniang Bayan Resolution (Annex 5) authorizing the Mayor to enter into and sign the NGALGU MOA along with the other documents required for the Loan Proceeds (LP) assistance (i.e. MOA, Accession Undertaking and Subproject Agreement), in six certified true copies

Note:

- To expedite processing, the LGU shall submit the requirements above directly to the ARCP II NPCO.

- The NPCO shall create a secretariat that will be responsible for coordinating with the LGUs in the processing

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of the NGALGU, including assistance in putting together the requirements (e.g., certified true copies) and tracking and follow-through of the request within the DAR. The NGALGU Secretariat shall work in collaboration with the designated Accountant of the NPCO Finance and Administration division (FAD).

- Certified true copies of RSAC resolutions and POWs shall be prepared by the RSAC Secretariat.

- Obligation and Issuance of CAF. The NPCO endorses the LGU Letter of Intent, together with the duly executed MOA and other annexes, to the DAR FMAO. The Budget Division obligates the corresponding amount and the Accounting Division issues the CAF.

- Notice to Procure. While the NGALGU is being processed, the LGU is likewise completing the requirements for the issuance by the MDFO of the CAF for the assistance under loan proceeds. Upon meeting the requirements for both the NGALGU and LP – including the respective CAFs that will be used in the passing of the Appropriation Ordinance for the subproject – the NPCO issues to the LGU a Notice to Procure. The NPCO sends this notice, together with the pertinent NGALGU and LP documents, to the Mayor through the Regional and Provincial Project Offices (RPO/PPO).

- Procurement. The LGU undertakes the procurement process, prepares the Bid Evaluation report (BER) and sends the BER to the NPCO through the RPO/PPO for review and approval. The NPCO Rural Infrastructure Division reviews the BER, seeks the clearance of the Asian Development Bank as may be necessary, and prepares the As Bid POW. The NPCO then sends the unsigned As Bid POW to the LGU through the RPO, together with the No Objection Letter (NOL) advising the Regional Project Manager (RPM) about the clearance from NPCO to award the contract. The RPM transmits the unsigned As Bid POW to the LGU through the PPO, together with the advice to the Mayor to issue the Notice of Award to the winning contractor. [Note: The necessary adjustments will be made in those cases where the RPO prepares and approves the As Bid POW, i.e., for RSAC approved subprojects and those procured using the shopping mode.)

- Letter-Request for Release of Cash. Upon its acceptance and signing of the As Bid POW, the LGU submits a Letter-request (Annex 6) for the release of the cash for the NGALGU computed at 25% of the total project cost reflected in the As Bid POW. The following shall be attached to the Letter-Request:

- As Bid POW duly signed by the LGU, PPO and RPO, in two certified copies (1-NPCO FAD, 1 – as attachment to disbursement voucher)

- Bank certification that a Special Trust Fund Account has been opened for the LGU's equity contributions, under the name "(LGU's name) DAR ARCP II LGU equity," in two copies (1 original – as attachment to disbursement voucher and 1 photocopy – NPCO FAD)

Note:

- The Revised POW prepared by the NPCO based on the BER becomes the Final approved As Bid POW upon approval and signature of the NPCO, RPO, PPO and LGU.

- To expedite processing, the LGU may secure the approval and signatures of the RPO and PPO on the As Bid POW and submit the requirements above directly to the ARCP II NPCO. Or the LGU may submit its Letter-Request through the PPO and RPO, asking the officials concerned to sign the As Bid POW accordingly.

- Disbursement Voucher and Funding Check. The NPCO FAD prepares the disbursement voucher with the pertinent attachments and forwards this to the FMAO Accounting division. The voucher shall indicate the amount equivalent to 25% of the total subproject cost as reflected in the As Bid POW. The Accounting Division processes the voucher and, upon approval, forwards it to the DAR Central Office (DARCO) Cashier.

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- Funding Check. The DARCO Cashier prepares the funding check representing 100% of the NGALGU. The check will be specifically in the name of the LGU's equity account, i.e., "(LGU's name) DAR ARCP II LGU equity." To receive the check, the municipal Treasurer has to personally claim it in the DARCO Cashier and do the following:

  - Present his/her LGU Identification (ID) Card and a letter of authorization signed by the Mayor.

  - Issue an Official Receipt of the LGU

- Liquidation. The LGU liquidates the NGALGU received upon full utilization and before the release of the final tranche for the LP assistance. The final LP tranche will not be released until and unless the NGALGU received is fully liquidated. The LGU submits to the NPCO FAD the following documents, all of which should be post-audited by the LGU's resident COA Auditor:

  - Statement of Receipts and disbursements (SORD)

  - Summary of Expenditures (SOE) with attached Monthly Cost Summary Report (MCSR)

  - Certified true copies of disbursement vouchers

Section 5. Transitory Provisions

1. NGALGU Releases for Approved Subprojects. These guidelines shall govern all NGALGU requests and applications filed after the effectivity of this Memorandum Circular. However, for the subprojects that have been previously approved by the NSAC/RSAC and are now in various pre-implementation and implementation stages, the NGALGU shall be processed and released as follows:

  - Approved Subproject with As Bid POW. Upon the LGU's submission of the pertinent requirements, the DAR shall immediately issue the CAF and funding check for the entire NGALGU computed based on the As Bid POW of the subproject.

  - Approved Subproject with no As Bid POW yet. Upon the LGU's submission of the pertinent requirements, the DAR shall issue the NGALGU CAF based on the NSAC/RSAC approved total subproject cost. The DAR shall likewise immediately prepare the funding check for 80% of the total amount of NGALGU to be provided. This first tranche is intended to jumpstart the procurement and implementation of the NSAC/RSAC approved subprojects in the ARCP II pipeline.

The balance of 20% shall be requested by the LGU and released by the DAR upon the preparation and approval of the As Bid POW of the subproject. The DAR shall make the adjustments in the computation of the final tranche and in the accounting entries as necessary.

2. Revision of NG:LGU Cost Sharing Policy. The grant of the 25% NGALGU is based on the cost sharing scheme specified in Department of Finance (DOF) Department Order No. 40-09 dated 03 December 2009. Under this policy, LGUs falling in the fifth and sixth income class are required to provide 50% of the total subproject cost as equity counterpart; third and fourth class, 60%; and first and second class, 70%. Should the "Guiding Principles and National Government: Local Government Unit Cost Sharing Policy in the evaluation and Processing of Projects Involving Devolved Activities" be revised, the NGALGU to be granted shall be equal to the LGU equity share or 25% of the total subproject cost, whichever is lower. (Thus, for example, if the NG:LGU cost sharing scheme is changed to 80:20, the NGALGU shall be correspondingly reduced to 20% of the total subproject cost. If the LGU equity share is pegged at 30%, the NGALGU will remain at the current 25% of total subproject cost.) The new policy, if any, will be applied prospectively to subprojects not yet approved by the NSAC/RSAC at the time of effectivity of the revised cost sharing scheme.

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Section 6. Miscellaneous Provisions

- Separability Clause. Any judicial pronouncement declaring as unconstitutional any provision of this Memorandum Circular shall have no effect on the validity of the other provisions not affected thereby.

- Repealing Clause. This Memorandum Circular amends or supersedes any previous issuance inconsistent with it.

- Effectivity. This memorandum Circular shall take effect immediately.

Adopted: 11 November 2011

(SGD.) VIRGILIO R. DELOS REYES
Secretary

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