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

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Section 1. Prefatory Statement Upon the representations of the Department of Agrarian Reform (DAR) and with the support of the Department of Budget and Management (DBM), the Office of the President (OP) approved the provision of budgetary assistance to partner Local Government Units (LGUs) in the implementation of rural infrastructure (RI) subprojects under the Agrarian Reform Communities Project II (ARCP II). 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. With the ARCP II being saddled with equity concerns of the LGUs, the OP assistance is intended to boost the LGU's capability to address the equity requirements for the implementation of RI subprojects in the target Agrarian Reform Communities (ARCs).

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 the LGUs' equity to the first tranche of assistance under the ARCP II Loan Proceeds (LP) through the Municipal Development Fund Office (MDFO). Subject to LGU compliance with the requirements enumerated in the succeeding discussions, the DAR shall release the NGALGU for deposits in the LGU equity account where the LGU will deposit its equity contributions. Subsequently, the LGU will liquidated the amount received from the DAR pursuant to the usual accounting and auditing regulations.

In this regard, Operating Guidelines for NGALGU, through DAR Memorandum Circular No. 14 as issued on 11 November 2011 to guide the LGUs and field implementers of the ARCP II in the accessing, processing, release, utilization and liquidation of the NGALGU. The guidelines describe the eligibility requirements, documents to be submitted, responsibility centers and procedures to be followed.

However, recent developments necessitate the revision of the said Operating Guidelines to assist the LGUs in easily, promptly and properly complying with the requirements for the availment of NGALGU.

Section 2. Scope - These operating guidelines are applicable to all local government units (LGUs) covered by ARCP II with approved RI subprojects/s and applying for NGALGU.

Section 3. Definition of Terms - For the purpose of this Memorandum Circular, the following terms are defined:

3.1 Certificate of Availability of Funds (CAF) – refers to the certification issued by the Accounting Division of DAR Finance, Management and Administrative Office (FMAO) showing that there is available fund/cash for the NGALGU entitlement of LGUs
3.2 Local Government Unit (LGU) - refers to either provincial or municipal government implementing RI subprojects/s
3.3 Local Government Unit (LGU) Equity – refers to the counterpart fund of the LGU in implementing RI subprojects equivalent to 70% (1st and 2nd class municipalities), 60% (3rd and 4th class municipalities), or

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50% (5th and 6th class municipalities) of the total subproject cost
3.4 National Government Assistance to Local Government Units (NGALGU) – refers to the funding assistance from the Office of the President to LGUs covered by ARCP II with approved RI subprojects. NGALGU is equivalent to 25% of the total subproject cost.
3.5 National Subproject Approval Committee (NSAC) – refers to the inter-agency committee whose members are from the national offices partner agencies such as the National Economic and Development Authority and Departments of Budget and Management, Finance, Public Works and Highways and Environment and Natural Resources, among others, which is tasked to review, evaluate and approve proposed RI subprojects worth US$75,000 and above.
3.6 Notice of Advance Procurement Activities (NAPA) – refers to the notice allowing LGUs to proceed with the conduct of activities relative to the procurement of RI project/s but not to award the contract to the winning bidder yet.
3.7 Regional Subproject Approval Committee (RSAC) – refers to the inter-agency committee, whose members are from the regional offices of partner agencies such as the National Economic and Development Authority and Department of Budget and Management, Finance, Public Works and Highways and Environment and Natural Resources, among others, which is tasked to review, evaluate and approve proposed RI subprojects worth below US$75,000
3.8 Rural Infrastructure (RI) subprojects – refers to the basic infrastructure such as farm-to-market roads, small-scale irrigation facilities, multi-purpose buildings, and potable water supply systems, among others, provided with funding assistance by ARCP II and implemented by LGUs

Section 4. Eligibility and Other Requirements

1. NSAC/RSAC approval and Resolution. The 25% NGALGU shall be given to partner LGUs to support the implementation of their approved RI subprojects. The 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 for the issuance of the Certificate of Availability of Funds (CAF) by the DAR that will be used by the LGU in enacting an Appropriate Ordinance indicating all fund sources for the subproject to be implemented.
2. Prioritization. The NGALGU shall be granted as LGU counterpart for the subprojects that have been approved and validated by DAR for 2011-2013 implementation under the ARCP II. Assistance for additional subprojects may be provided, especially for irrigation subprojects, subject to the availability of funds.
3. DAR-LGU MOA. A Memorandum of Agreement (MOA) shall be executed by and between the DAR and the LGU for the approved RI subproject to be given the 25% assistance. This is a the pre-requisite for the release of the NGALGU .
4. LGU Equity Account. The DAR shall issue a funding check for 100% of the NGALGU to the LGU, which shall deposit the check in the LGU equity account to be opened specifically for its equity counterpart for ARCP II RI subprojects. This account shall indicate through subsidiary ledgers the different amounts by source.
5. Liquidation of NGALGU. Upon complete utilization of the NGALGU, the LGU shall liquidate the amount of the assistance received pursuant to the usual accounting and auditing regulations.

Section 5. 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. To simplify the processing of the NGALGU, the requirements and procedures prescribed below are parallel with the requirements and procedures in the processing of the ARCP II assistance under the LP. The NGALGU will be processed and released by the

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DAR 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.

As shown in Annex 1, the simplified process for the grant of the NGALGU is as follows:

1. Issuance of Special Allotment Release order (SARO) and Notice of Cash Allocation (NCA). Based on the requests and submissions of the DAR, the DBM shall first release the Special Allotment Release Order (SARO) and then the Notices of Cash Allocation (NCAs) for the NGALGU to the DAR FMAO.
2. Submission of Letter of Intent and Request for Funding (2 original copies). LGUs with subprojects approved by the NSAC/RSAC shall request the DAR Secretary, through the ARCP II National Project Coordinator, for the release of the CAF and Funding Check for the corresponding NGALGU, based on the NSAC/RSAC Resolution. To avail of the NGALGU, the LGU shall submit directly to the ARCP II- NPCO a Letter of Intent (Annex 2), with the following attachments:

a. Memorandum of Agreement (MOA) duly signed by the LGU Chief Executive (i.e., Mayor/Governor), for signature of the DAR Secretary for subprojects costing above PhP40 million (Annex 3A), or DAR Undersecretary/Project Implementation Officer for subprojects costing above PhP5 to PhP40 million (Annex 3B), or DAR Regional Director/ARCP II Regional Project Manager for subprojects costing bellow PhP5 million (Annex 3C). Six (6) originals of the documents shall be distributed as follows: LGU-1, NPCO-1, DAR FMAO-1, Notary Public-1, attachment to disbursement voucher-1 COA-1.
b. NSAC/RSAC Resolution, in six certified true copies (as certified by NSAC/RSAC Secretariat)
c. Sangguniang Bayan Resolution (Annex 4A) or Sangguniang Panlalawigan Resolution (Annex 4B) authorizing the LGU Chief Executive to enter into and sign the NGALGU MOA, in six certified true copies
d. Bank certification that the LGU has opened a special account for the LGU's equity contributions, under the name "(LGU's Name) DAR ARCP II LGU Equity," an original of the document to be attached to the disbursement voucher and a copy for the NPCO.

Note: The NPCO shall create a secretariat that will be responsible for coordinating with the LGU's in the processing of the NGALGU, including assistance in coming up with certified true copies of the documentary requirements, and tracking/follow-through of the request within the DAR, among others.

3. Endorsement of Request to DAR-Central Office Budget Division (DARCO BD). The NGALGU Secretariat at the NPCO shall check the completeness of documents submitted by the LGUs and forward to NPCO-Finance and Administrative Division (FAD) for endorsement to DARCO BD.
4. Issuance of Notice to Advance Procurement Activities (NAPA). While the NGALGU is being processed, the LGU shall likewise complete the requirements for the issuance of the CAF by the MDFO for the funding assistance under the LP. Upon the LGUs' compliance with the requirements for both the NGALGU and LP, the NPCO shall issue a NAPA, together with one original of the signed NSAC/RSAC Approved Program of Works (POW) and one certified true copy of the NSAC/RSAC Resolution, directly to the LGU Chief Executive copy furnished the Regional and Provincial Project Offices (RPO/PPO).
5. Obligation and Issuance of Certificate of Availability of Funds (CAF). The NPCO shall endorse the LGU Letter of Intent together with the duly executed MOA and other annexes, to the DAR FMAO. The Budget Division shall obligate the corresponding NGALGU amount and the Accounting Division shall issue the necessary CAF.
6. Issuance of Notice to Enact Appropriation Ordinance (NEAO) and Enactment of Appropriation Ordinance. The NGALGU Secretariat will transmit to the LGUs copies of MOA together with the NGALGU CAF and the NEAO. Upon receipt, the LGUs will enact the corresponding Appropriation Ordinance, which will be submitted to NPCO.

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7. Preparation of Disbursement Voucher (DV). The NPCO shall prepare the DV with the pertinent attachments and forward these to the FMAO Accounting Division. The DV should indicate the amount equivalent to 25% of the approved total subproject cost, as reflected in the NSAC/RSAC Resolution, or an amount not exceeding the obligations made prior to the effectivity of this Memorandum Circular. The Accounting Division shall process the DV, which, when approved, shall be forwarded to the DAR Central Office (DARCO), Cashier.

Note:
i. MOAs that have been obligated based on the As bid POW shall not receive any adjustment payment for the difference from the approved total subproject cost, as reflected in the NSAC/RSAC Resolution on POW.
ii. MOAs that have been obligated based on the NSAC/RSAC Approved POW and have been paid based on the As bid POW shall be adjusted for the LGU to receive the difference from the approved POW.
iii. All DVs prepared prior to the issuance of this Memorandum Circular shall be based on the approved total subproject cost as reflected in the NSAC/RSAC Resolution.

8. Preparation of Funding Check. The DARCO cashier shall prepare the funding check, representing 100% of the NGALGU assistance, specifically in the name of the LGUs equity account, i.e., "(LGU's name) DAR ARCP II LGU Equity" As authorized LGU representative, the Municipal/Provincial Treasurer shall personally claim the check from the DARCO Cashier upon presentation of the following:

a. Authorization letter by the LGU Chief Executive
b. LGU Identification (ID) Card or any valid government-issued ID, such as Drivers license, GSIS card, or passport, among others
c. Official Receipt to be issued by the LGU for the amount of the LGU equity account

9. Liquidation. The LGU shall liquidate the NGALGU received upon full utilization and before the release of the final tranche for the LP assistance. The final LP tranche shall not be released until and unless the LGU has fully liquidated the NGALGU received. The LGU shall submit to the NPCO the following documents, all of which shall be post-audited by the LGUs Resident COA Auditor:

a. Statement of Receipts and Disbursements (SORD)
b. Summary of Expenditures (SOE) with attached Monthly Cost Summary Report (MCSR)
c. Certificate true copies of disbursement vouchers including attachments.

Section 6. Miscellaneous Provisions

1. Separability Clause. Any judicial pronouncement declaring as unconstitutional any provision of this Memorandum Circular shall not affect the validity of the other provisions.
2. Repealing Clause. This Memorandum Circular amends or supersedes any previous issuance (i.e., Memorandum Circular No. 14, series of 2011) inconsistent with it.
3. Effectivity. This Memorandum Circular shall take effect immediately.

(SGD.) VIRGILIO R. DE LOS REYES
Secretary

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