



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

097. 13 DPWH  
05. 09. 2005

MAY 06 2005

DEPARTMENT ORDER )

No **59** )

series of 2005 **05. 09. 05**

XXXXXXXXXXXXXXXXXXXX

SUBJECT: Guidelines for the Implementation  
of DPWH Projects by LGUs under  
the Special Local Road Fund of  
R.A. No. 8794 or the MVUC Law

**1. PURPOSE**

This Department Order sets the guidelines, including rules and procedures, to be followed by all concerned in the implementation of DPWH Projects under the Special Local Road Fund (SLRF), pursuant to the provisions of R.A. No. 8794, the Motor Vehicle User's Charge (MVUC) Law.

**2. PERTINENT LAWS**

The following provisions of existing laws serve as legal bases for the herein guidelines on the implementation by Local Government Units (LGUs) of DPWH Projects under the Special Local Road Fund (SLRF):

- a. Section 1 of Republic Act No. 8794, the Motor Vehicle User's Charge Law (MVUC Law), which states that "it is the policy of the State to provide for and ensure the adequate maintenance of national and provincial roads through sufficient funding for the purpose".
- b. Section 7 of the said Act, which states that "all monies collected under this Act shall be earmarked solely and used exclusively (1) for road maintenance and the improvement of road drainage, (2) for the installation of adequate and efficient traffic lights and road safety devices, and (3) for air pollution control." It further provides that five percent (5%) of the all monies collected shall be deposited in the National Treasury under the Special Local Road Fund (SLRF), which shall be apportioned to provincial and city governments in accordance with the vehicle population and size of the road network under their respective jurisdictions, and shall be used exclusively for maintenance of local roads, traffic management and road safety devices. It also directs that the Special Road Support Fund, Special Local Road Fund and Special Road Safety Fund shall be under the responsibility of DPWH.
- c. Sections 3 and 5 of Executive Order No. 124, dated 30 January 1987, which authorizes the DPWH to decentralize its responsibilities to the fullest extent possible and to delegate to any agency it

determines to have adequate technical capability any of its powers and functions. Consistent with this policy of decentralization, the DPWH shall assist the LGUs in developing the latter's capabilities by allowing them greater participation in the road maintenance and safety provisions.

### **3. SCOPE OF WORK**

- 3.1 As specified in the Road Board Operating Procedures Manual, projects eligible under the SLRF Program are road maintenance, road safety devices and traffic management projects along Local Roads (Provincial and City Roads). Projects/activities shall be limited to any of the following outputs and work categories:

<u>OUTPUT</u>	<u>WORK CATEGORY</u>
a. Carriageway Maintenance	Pavement Maintenance Regravelling Bridge and Structure Maintenance
b. Roadside Maintenance	Shoulder Maintenance Drainage Maintenance Vegetation Control Traffic Services Maintenance
c. Preventive Maintenance	Pavement Resurfacing Concrete Reblocking Seal Widening Preventive Works
d. Rehabilitation and Improvement	Rehabilitation Drainage Improvement Rehabilitation plus Improvement
e. Emergency Reinstatement	Emergency Reinstatement
f. Road Management	Professional Services and Administration
g. Road Safety	Safety Devices (Installation and Operation) Safety Projects Road Safety Education & Training Road Safety Management

- 3.2 The LGU shall prepare an Annual Work Program (AWP) and Multi-Year Work Program (MWP) to ensure an ultimately current situation with no backlog in local roads maintenance. In preparing the AWP and rolling MWPs, both the

LGU regular funds for road maintenance and Special Local Road Fund shall be taken into account. As much as possible, recurring maintenance projects shall first be sourced from the LGU regular road maintenance fund while non-recurring (asset preservation) projects shall be funded from the Special Local Road Fund.

- 3.3 The Annual Work Program containing eligible Work Outputs and Categories in the required formats, shall be prepared by the Provincial/City Engineer's Office and approved by the Governor/City Mayor. The LGUs' AWP's shall be submitted, reviewed and consolidated by the Department of the Interior and Local Government (DILG) and furnished to the DPWH-Road Program Office (DPWH-RPO).

#### **4. MEMORANDUM OF AGREEMENT**

Every SLRF project to be undertaken by an LGU in accordance with the provisions of this Department Order shall be covered by a Project Memorandum of Agreement (MOA) to be entered into by and between the DPWH and the LGU concerned, using the format in Annex "1".

#### **5. RELEASE OF FUND AND DEPOSIT**

- 5.1 Each LGU shall maintain a separate Trust Account to be known as the Road Fund Disbursement Account by opening a Local Currency Current Account (LCCA) in the authorized government depository bank preferably, Land Bank of the Philippines and provide DPWH, copy furnished the DILG, with the LCCA Number to facilitate the transfer of fund.
- 5.2 Upon receipt of Sub-Allotment Advice (SAA) from DPWH- Central Office corresponding to the amount approved by the Road Board for SLRF for the year, the DPWH shall release the funds to LGUs thru Letter of Advice of Allotment (LAA) and the corresponding cash advance in the form of check based on the amount approved by the Road Board as per Annual Work Program for each province/city.
- 5.3 The LGU shall deposit all monies from SLRF in the LCCA mentioned in paragraph 5.1 hereof.
- 5.4 Each LGU shall submit a quarterly Report of Expenditure to DPWH DEO, copy furnished the DILG-Office of the Project Development Services (DILG-OPDS) within fifteen (15) days after the end of each quarter. The disbursement report must be duly certified by the Provincial/City Accountant and Provincial Governor/City Mayor and duly verified by the Provincial/City Auditor. Any unexpended amount after the project completion shall be remitted to DPWH. Succeeding release of SLRF to each LGU shall be made only after full liquidation of previous cash advance issued to the province/city. The LGU shall be made fully accountable for all funds for the project(s) released to it by the DPWH.

## **6. PROJECT IMPLEMENTATION, MONITORING AND REPORTING**

- 6.1 The LGUs shall implement the SLRF project/s by Contract thru competitive bidding, except for LGUs determined by DPWH to have a demonstrated capability to implement the project by itself, i.e., by Administration. Pursuant to Amendment No. 3 dated 29 September 2003 of the IRR of the MVUC Law and in accordance with DPWH Department Order No. 137 series of 1999 under Section 5, the DPWH District Engineer shall evaluate the capability of LGU on the basis of the following criteria:
  - a. Maintenance condition of local roads under the LGU;
  - b. Construction/maintenance experience or track record of the LGU relevant to the proposed Project;
  - c. Organization and personnel of the LGU for the proposed Project;
  - d. Construction equipment of the LGU for the proposed Project; and
  - e. Financial and procurement management systems of the LGU.
- 6.2 The details of these evaluation criteria, including the measurable indicators thereof and their application, are given in the prescribed evaluation format in Annex "A", which shall be approved by the District Engineer.
- 6.3 The DPWH-DEO/RO shall inspect from time to time the progress of project implementation.
- 6.4 The LGU concerned shall submit to DPWH-DEO quarterly accomplishment reports on the project/s, copies furnished the DILG-OPDS. DPWH-DEO shall submit the quarterly progress reports to the DPWH-RPO thru the DPWH-RO.
- 6.5 The DPWH and LGU shall conduct a final inspection of each of the completed project(s) and shall issue a Joint Certificate of Completion for each.
- 6.6 After the completion of all projects included in the allotment for the year, the LGU shall prepare all reports on project implementation and submit a consolidated Annual Report to the DPWH DEO not later than 20<sup>th</sup> of February of each year.
- 6.7 The DILG shall assist the DPWH-RPO in administering/overseeing the implementation and utilization of SLRF at the LGU level in accordance with the prescribed policies and standards under the MVUC Law and its IRR.

This Department Order takes effect immediately.

**HERMOGENES E. EBBANE, JR.**  
Acting Secretary



**Annex I**

**Standard Format of Project MOA**

**MEMORANDUM OF AGREEMENT  
BETWEEN THE DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS AND THE  
PROVINCE/CITY OF \_\_\_\_\_  
FOR THE IMPLEMENTATION OF THE SPECIAL LOCAL ROAD FUND (SLRF)  
UNDER R.A. 8794 OR MVUC LAW**

**KNOW ALL MEN BY THESE PRESENTS:**

This Memorandum of Agreement (MOA) entered into and executed this \_\_\_\_\_ day of \_\_\_\_\_ in the year of our Lord Two Thousand and \_\_\_\_\_ by and between

The Department of Public Works and Highways (DPWH) represented herein by District Engineer of \_\_\_\_\_, hereinafter referred to as DPWH.

And

The Provincial/City Government of \_\_\_\_\_ represented herein by Governor/City Mayor, \_\_\_\_\_, and hereinafter referred to as Local Government Unit (LGU).

**WITNESSETH THAT:**

**WHEREAS**, pursuant to Republic Act No. 8794, the Motor Vehicle User's Charge Law (MVUC Law), under Section 1 which declares that "it is the policy of the State to provide for and ensure the adequate maintenance of national and provincial roads through sufficient funding for the purpose";

**WHEREAS**, Section 7 of the said Act, which states that "all monies collected under this Act shall be earmarked solely and used exclusively (1) for road maintenance and improvement of road drainage, (2) for the installation of adequate and efficient traffic lights and road safety devices, and (3) for air pollution control". It further provides that 5% of all monies collected shall be deposited in the National Treasury under the Special Local Road Fund (SLRF), which shall be apportioned to provincial and city governments in accordance with the vehicle population and size of the road network under their respective jurisdiction, and shall be used exclusively for maintenance of local roads, traffic management and road safety devices. It also directs that the Special Road Support, the Special Local Road Fund and Special Road Safety Fund shall be under the DPWH;

**WHEREAS**, pursuant to Sections 3 and 5 of Executive Order No. 124, dated 30 January 1987, the DPWH shall decentralize its responsibilities to the fullest extent

possible; and, may delegate to any agency it determines to have adequate technical capability, any of its powers and functions. Consistent with this policy of decentralization, the DPWH shall assist the LGUs in developing the latter's capabilities by allowing them greater participation in the local road maintenance and safety provisions;

**WHEREAS**, it is necessary that a Memorandum of Agreement should be entered into for the purpose of delineating responsibilities regarding the implementation of policies, standards and procedures at the LGU level in accordance with the pertinent provisions of the SLRF under the MVUC Law and its IRR;

**NOW, THEREFORE**, for and in consideration of the foregoing premises and mutual covenants herein set forth, the **PARTIES** to this Memorandum of Agreement do hereby agree on the following terms and conditions:

### **Article I COVERAGE**

This agreement covers the release, utilization and liquidation of funds for the LGU eligible projects and activities such as road maintenance, road safety devices and traffic management funded by the Special Local Road Fund to be implemented by LGUs in accordance with the policies, standards and procedures of RA 8794 (MVUC Law) and its IRR.

### **Article II SCOPE AND PROJECT IMPLEMENTATION**

01. This agreement specifies the implementation of SLRF Projects along Provincial/City roads in the Province/City of \_\_\_\_\_, with funding under the MVUC Special Local Road Fund.
02. The Scope of maintenance projects and activities funded under the SLRF is limited to any of the following outputs and categories:

<b>OUTPUT</b>	<b>WORK CATEGORY</b>
a. Carriageway Maintenance	<ul style="list-style-type: none"><li>▪ Pavement Maintenance</li><li>▪ Regravelling</li><li>▪ Bridge and Structure Maintenance</li></ul>
b. Roadside Maintenance	<ul style="list-style-type: none"><li>▪ Shoulder Maintenance</li><li>▪ Drainage Maintenance</li><li>▪ Vegetation Control</li><li>▪ Traffic Services Maintenance</li></ul>
c. Preventive Maintenance	<ul style="list-style-type: none"><li>▪ Pavement Resurfacing</li><li>▪ Concrete Reblocking</li><li>▪ Seal Widening</li><li>▪ Preventive Works</li></ul>

d. Rehabilitation and Improvement	<ul style="list-style-type: none"> <li>▪ Rehabilitation</li> <li>▪ Drainage Improvement</li> <li>▪ Rehabilitation plus Improvement</li> </ul>
e. Emergency Reinstatement	<ul style="list-style-type: none"> <li>▪ Emergency Reinstatement</li> </ul>
f. Road Management	<ul style="list-style-type: none"> <li>▪ Professional Services and Administration</li> </ul>
g. Road Safety	<ul style="list-style-type: none"> <li>▪ Safety Devices (Installation and Operation)</li> <li>▪ Safety Projects</li> <li>▪ Road Safety Education &amp; Training</li> <li>▪ Road Safety Management</li> </ul>

03. The LGUs shall prepare an Annual Work Program (AWP) and Multi-Year Program (MWP) to ensure an ultimately current situation with no backlog in local roads maintenance. In preparing the AWP and rolling MWPs, both the LGU regular funds for road maintenance and the Special Local Road Fund shall be taken into account. As much as possible, recurring maintenance projects shall first be sourced from the LGU regular road maintenance fund while non-recurring (asset preservation) projects shall be funded from the Special Local Road Fund.
04. The Annual Works Program containing eligible Work Outputs and Categories in the required formats, shall be prepared by the Provincial /City Engineer's Office and approved by the Governor/City Mayor. The LGUs AWP shall be submitted, reviewed and consolidated by the Department of the Interior and Local Government (DILG) and forwarded to the DPWH-Road Program Office (DPWH-RPO).
05. The LGUs shall implement the project/s by Contract, thru competitive bidding, except for LGUs which were determined by DPWH to have a demonstrated capability to implement the project by itself, i.e. by Administration. Pursuant to Amendment No. 3 dated 29 September 2003 of the IRR of the MVUC Law and in accordance with DPWH Department Order No. 137 series of 1999 under Section 5, the DPWH District Engineer shall evaluate the capability of LGU on the basis of the following criteria:
  - a. Maintenance condition of local roads under the LGUs;
  - b. Construction/maintenance experience or track record of the LGU relevant to the proposed Project;
  - c. Organization and personnel of the LGU for the proposed Project;
  - d. Construction equipment of the LGU for the proposed Project; and
  - e. Financial and procurement management systems of the LGU.

06. The details of these evaluation criteria, including the measurable indicators thereof and their application, are given in the prescribed evaluation format "Annex A", which shall be approved by the District Engineer.
07. The DPWH and LGU shall conduct a final inspection of each of the completed project(s) and shall issue a Joint Certificate of Completion for each.

### **Article III RELEASE OF FUNDS AND DEPOSITS**

**OPENING OF ROAD FUND DISBURSEMENT ACCOUNT.** Each LGU shall maintain a separate Trust Account to be known as the Road Fund Disbursement Account by opening a Local Currency Current Account (LCCA) in the authorized government depository bank preferably Land Bank of the Philippines and provide DPWH, copy furnished the DILG, with the LCCA Number to facilitate the transfer of fund.

**RELEASE OF FUNDS.** Upon receipt of the Sub-Allotment Advice (SAA) from DPWH-Central Office corresponding to the amount approved by the Road Board for SLRF for the year, the DPWH District Office shall release the funds to LGUs thru Letter of Advice of Allotment (LAA) and the corresponding cash advance in the form of check based on the amount approved by the Road Board as per Annual Work Program for each province/city.

**DEPOSIT IN THE ROAD FUND DISBURSEMENT ACCOUNT.** The LGU shall deposit all monies from SLRF in the LCCA mentioned in paragraph 1 of this Article.

**REPORT OF EXPENDITURES.** Each LGU shall submit a quarterly Report of Expenditure to DPWH, copy furnished the DILG-Office of Project Development Services (DILG-OPDS) within fifteen (15) days after the end of each quarter. The disbursement report must be duly certified by the Provincial/City Accountant and Provincial Governor/City Mayor and duly verified by the Provincial/City Auditor. Any unexpended amount after the project completion shall be remitted to DPWH. Succeeding release of SLRF to each LGU shall be made only after full liquidation of previous cash advance issued to the province/city. The LGU shall be made fully accountable for all funds for the project(s) released to it by the DPWH.

### **Article IV WORKING ARRANGEMENTS AND PROCEDURES FOR EXECUTING THIS AGREEMENT**

For the efficient and successful execution of this Agreement, the PARTIES hereby agree to undertake the following:

#### **A. DUTIES AND RESPONSIBILITIES OF DPWH:**

01. To advice LGU of their Annual SLRF allocation based on the payment profile determined by the Board on its assessment of the revenues into the SLRF in coordination with the DILG.



02. Upon the receipt of the Sub-Allotment Advice (SAA) from the DPWH-Central Office, to transfer the fund and issue cash advance to LGU the amount approved by the Road Board for the SLRF for the year.
03. To provide technical assistance to LGU in preparing implementation mechanisms, standards and procedures on SLRF project implementation and provide training for institutional capacity building in coordination with DILG.
04. To assist LGUs in installing and operating an approved budget tracking system and to conduct an assessment of the progress and quality of funded SLRF road maintenance, road safety and traffic management projects in coordination with the DILG.

**B. DUTIES AND RESPONSIBILITIES OF LGUs:**

01. To prepare and submit Annual Works Program (AWP) of eligible work outputs and categories corresponding to the amount as will be advised by DILG based on the payment profile and allocation to be approved by the Road Board. The AWP should be prepared in the required format.
02. To open a separate Trust Account/Local Currency Current Account (LCCA) to be known as the Road Fund Disbursement Account which shall be used exclusively for road maintenance, road safety devices and traffic management.
03. To implement the road maintenance, road safety and traffic management works in accordance with the Approved Work Program and Maintenance Performance Standards and Procedures required of all LGUs, and submit to DILG a quarterly report on the progress and quality of the funded works, copy furnished the DPWH-DEO.
04. To establish, maintain and operate a financial management system to record details of all expenditures from the SLRF released to the LGUs and submit a quarterly financial report showing (1) billings for works/services completed/supplied which has been paid; (2) billings for works/services completed which have been received (but not yet paid); and (3) the estimated value of works completed but not yet billed.
05. To prepare and submit to DPWH an Annual Report in the specified format not later than 20<sup>th</sup> of February of each year. The Annual Report shall show/describe:
  - The opening balance in the Road Fund Disbursement Account at the beginning of the financial year;
  - The expenditure in cash terms for the financial year
  - The works completed in sufficient detail.

06. To conduct annual Inventory of the existing Local Road Networks and their conditions in order to update the database/statistical records of the provincial/city roads assets and submit to DILG Central Office for updating of the National Inventory of Local Roads.
07. To assign Engineers to monitor the SLRF projects thru periodic inspection, verification and measurement of work accomplished to ensure that the approved maintenance standards are being followed.

**Article V  
EFFECTIVITY**

This Agreement shall be effective from the date of its signing and shall continue to be in force, unless sooner terminated by either party within thirty days (30) upon prior written notice delivered to the other.

**Article VI  
SPECIAL PROVISIONS**

All Annexes and other documents attached to this Memorandum of Agreement shall be understood as forming part of this MOA. Provisions and contents thereof are therefore binding on both parties unless part or whole of these documents are amended and mutually agreed upon by both parties.

**IN WITNESS WHEREOF**, the PARTIES have hereto affixed their signatures on the date and place above-written.

**FOR THE DPWH:**

**FOR THE LGU:**

\_\_\_\_\_  
**DISTRICT ENGINEER**

\_\_\_\_\_  
**PROVINCIAL GOVERNOR/  
CITY MAYOR**

**WITNESSES:**

\_\_\_\_\_  
**DPWH Accountant**

\_\_\_\_\_  
**Provincial/City Engineer**

**APPROVED:**

\_\_\_\_\_  
**DPWH Regional Director**

**ACKNOWLEDGMENT**

**REPUBLIC OF THE PHILIPPINES)**

\_\_\_\_\_ )s.s.

x \_\_\_\_\_ x

**BEFORE ME**, this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_ at \_\_\_\_\_, Philippines personally appeared Honorable **GOVERNOR/**  
**MAYOR** \_\_\_\_\_ with Community Tax Certificate No. \_\_\_\_\_  
issued at \_\_\_\_\_ on \_\_\_\_\_  
and **DPWH DISTRICT ENGINEER** \_\_\_\_\_ with  
Community Tax Certificate No. \_\_\_\_\_ issued at \_\_\_\_\_  
on \_\_\_\_\_ known to me to be the same persons who  
executed the foregoing instrument and they acknowledged to me that the same is  
their free and voluntary act and deed and of the entities they represent.

**WITNESS MY HAND AND NOTARIAL SEAL**

\_\_\_\_\_  
Notary Public

Doc. No. \_\_\_\_\_  
Page No. \_\_\_\_\_  
Book No. \_\_\_\_\_

**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**

**1. Maintenance Condition of Local (LGU) Roads**

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.

Actual condition rating of Local Roads as of \_\_\_\_\_  
(date): \_\_\_\_\_

**2. Experience or Track Record relevant to the proposed Project**

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.

Cost of largest project completed by LGU: \_\_\_\_\_  
Versus  
50% of estimated cost of proposed Project: \_\_\_\_\_

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.

Cost of largest project managed by key LGU personnel: \_\_\_\_\_  
Versus  
50% of estimated cost of proposed Project: \_\_\_\_\_

**3. Organization and Personnel for the Project**

The LGU must have the required key Personnel from its Engineering Office who are available to undertake, supervise, and manage the Project by administration.

Yes / No

**4. Construction Equipment for the Project**

The LGU must own and commit for the Project the required minimum owned equipment.

Yes / No

**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