

MEMORANDUM OF AGREEMENT
FOR THE IMPLEMENTATION OF THE SPECIAL LOCAL ROAD FUND (SLRF)
UNDER THE MVUC LAW, R.A. 8794

KNOW ALL MEN BY THESE PRESENTS:

This Memorandum of Agreement (MOA) for the Implementation of the Special Local Road Fund (SLRF) under the Motor Vehicle User's Charge (MVUC) Law is made and executed at _____ Metro Manila, Philippines, this _____ 2005, by and between:

The Department of Public Works and Highways (DPWH) thru the Road Program Office (RPO), represented herein by its Secretary and concurrently Ex-officio Chairperson of the Road Board, Honorable HERMOGENES E. EBDANE, JR., duly authorized with principal office address at Bonifacio Drive, Port Area, Manila, herein referred to as DPWH.
and

The Department of the Interior and Local Government (DILG) thru the Office of the Project Development Services (OPDS), represented herein by its Secretary, the Honorable ANGELO T. REYES duly authorized, with principal office address at 10th floor, A. Francisco Gold Condominium II, Mapagmahal St., Quezon City, hereinafter referred to as DILG.

WITNESSETH THAT:

WHEREAS, the existing road network in the country is extensive with about 202,000 kilometers that are administratively classified as national roads (15%) and local roads (85%) of which 16% are provincial roads and 4% are city roads;

WHEREAS, the DPWH is responsible for national roads while local roads are under the responsibility of the Local Government Units (LGUs) as provided for under Section 17, of the Local Government Code, (RA 7160);

WHEREAS, thirty one percent (31%) or 9,200 kilometers of the provincial roads are in poor condition due to insufficient funding for maintenance works;

WHEREAS, pursuant to R.A. 8794, MVUC Law, under Section 1 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"; and Section 7 states that "all monies collected under this Act shall be earmarked solely and used exclusively for 1) Road maintenance and improvement of road drainage; 2) for the installation of adequate and efficient traffic lights and road safety devices; and 3) air pollution control" and be deposited in four (4) Special Trust Accounts in the National Treasury as follows:

- i. Eighty Percent (80%) shall be allotted to and placed in the Special Road Support Fund;
- ii. Five Percent (5%) shall be allotted to and placed in the Special Local Road Fund;
- iii. Seven and One half Percent (7.5%) shall be allotted to and placed in the Special Road Safety Fund;
- iv. Seven and One half Percent (7.5%) shall be allotted to and placed in the Special Vehicle Pollution Control Fund;

WHEREAS, the Special Local Road Fund (SLRF) 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;

WHEREAS, DPWH, the agency responsible for national roads, is also authorized to administer the utilization of the SLRF by provinces and cities for the maintenance and road safety measures of their local roads;

WHEREAS, the DILG is an agency mandated to exercise general supervision over the Local Government Units (LGUs) and is tasked to strengthen the capability of LGUs in the delivery of devolved services including the maintenance and construction of local roads and to coordinate the activities undertaken by LGUs;

WHEREAS, the DILG has recently formulated the Rural Roads Development Policy Framework (RRDPF), which shall be the primary guide of LGUs to effectively carry out their mandate to develop and manage their respective local road network;

WHEREAS, the DPWH, in consideration of the DILG's mandate over LGUs and the recent undertakings under the RRDPF, has proposed that DILG extends its assistance to provinces and cities through the Special Local Road Fund for the maintenance of local roads;

WHEREAS, the Road Board during its 35th Meeting recommended that a Memorandum of Agreement (MOA) be executed between the DPWH and DILG to delineate responsibilities for planning and programming, apportionment of funds; monitoring and reporting of the utilization of the Special Local Roads Funds;

NOW, THEREFORE, for and in consideration of the foregoing premises and mutual covenants herein set forth, the DPWH and DILG mutually agree on the following;

Article I SCOPE AND COVERAGE

This agreement covers the planning, programming and apportionment of SLRF to provinces and cities as well as the monitoring and reporting of the utilization of the SLRF under the MVUC Law (RA 8794).

Article II APPORTIONMENT AND RELEASE OF FUNDS TO LGUs

Apportionment. The SLRF shall be apportioned to provincial and city governments in accordance with the vehicle population and size of the road network under their jurisdictions. The Road Board shall determine based on its assessment of the revenues into the SLRF the payment profile or level of expenditures that will be apportioned to LGUs. The DPWH-Road Program Office (DPWH-RPO) shall prepare the SLRF allocation Matrix based on the vehicle population and road length data provided by the DILG.

Release of Funds. Upon the receipt of the Special Allotment Release Order (SARO) from the DBM, the DPWH Central Office shall issue Sub-Allotment Advice (SAA) to the District Engineering Offices concerned, copy furnished the DILG, which will be subsequently released to the LGUs thru Letter of Advice of Allotment (LAA) based on the amount approved by the Road Board.

Article III
RELEASE AND LIQUIDATION OF FUNDS FOR DILG

RELEASE OF FUNDS TO DILG. Upon receipt of SARO from DBM, the DPWH shall release to DILG the budget for the DILG's Activity Plan approved by the Road Board.

LIQUIDATION OF FUNDS. The DILG shall submit to DPWH-RPO an Annual Report of Disbursement duly audited by the DILG Resident Auditor. The succeeding release of funds to DILG shall be subjected to liquidation of prior year's release.

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. Prepare and submit for approval of the Road Board, the apportionment of the SLRF to provinces and cities in accordance with Article II of this Agreement.
02. Advise DILG of the LGUs SLRF allocations for dissemination to LGUs.
03. Obtain from the DBM the Special Allotment release Order (SARO) covering the amount approved by the Road Board for the SLRF and issue Sub-Allotment Advices (SAAs) to concerned DPWH-District Engineering Office (DPWH-DEOs).
Fund release
04. Provide training and technical assistance to LGUs, in coordination with DILG, in preparing implementation mechanisms, standards and procedures on SLRF project implementation to include an effective Quality Assurance Program;
Tech. assistance
05. Assist the DILG in installing and operating an implementation tracking system to assess the progress and quality of SLRF-funded road maintenance works, road safety and traffic management projects;
monitoring
06. Conduct periodic assessment of the implementation of SLRF projects in coordination with DILG to determine compliance with technical standards, plans and specifications.
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07. Submit annual report and periodic accomplishment report to the Road Board on the status of the fund utilization and progress of work of SLRF projects.

B. DUTIES AND RESPONSIBILITIES OF DILG:

01. Assist DPWH-RPO in administering/overseeing the implementation and utilization of SLRF at the LGU level in accordance with prescribed policies and standards under the MVUC Law and its IRR. For this purpose, formalize creation of SLRF Coordination Committee to be composed of DILG, DPWH, DBM, RBS and other National Government Agencies (NGAs) involved in the SLRF with the participation of the Leagues of Provinces and Cities and Associations of Provincial and City Engineers to ensure the smooth management and coordination of SLRF implementation;

02. Organize and conduct briefings on SLRF implementation guidelines and procedures with Local Chief Executives (LCEs) and Provincial/City Engineers and other concerned local officials in coordination with the DPWH-RPO.
03. Inform Provincial and City Governments of their SLRF allocation for the year as basis for the preparation of Annual Works Program;
04. Review, consolidate and submit LGUs Annual Work Programs (AWPs) for approval of the Road Board thru the DPWH-RPO within two (2) months upon receipt of apportionment matrix from DPWH.
05. Institutionalize systems and mechanisms on road maintenance, management and development in the LGUs thru conduct of trainings and other similar institutional capability building activities using SLRF and LGUs own resources;
06. Maintain and update data base of local road network and vehicle population of LGUs;
07. Install and operate an Implementation Tracking System with assistance of DPWH-RPO in order to:
 - a) monitor progress and quality of SLRF funded works
 - b) reconcile budget utilization
 - c) ensure compliance of LGUs on the Approved Works Program.
08. Provide DPWH-RPO with the corresponding report based on the Implementation Tracking System.
09. Submit to the Road Board for approval thru the DPWH-RPO the DILG's Activity Plan to include schedules, outputs and costs to undertake the above duties and responsibilities. The annual budget shall be sourced from the SLRF not exceeding 1% of its level of expenditure for the year as part of the management cost of SLRF implementation.
10. Maintain a separate Trust Account specifically for the funds covered by this Agreement.

Article V EFFECTIVITY

This Agreement shall be effective from the date of its signing and shall continue to be in force and in effect unless sooner terminated by either party. The termination of this Agreement may be initiated within 30 days upon receipt of written notice delivered by either party to the other.

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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 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 this 6th day of July, 2005 at Quezon City, Philippines.

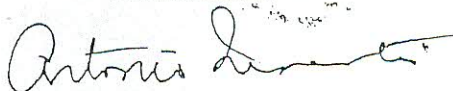
DEPARTMENT OF PUBLIC WORKS
AND HIGHWAYS

By:


HERMOGENES E. ERDANE, JR.
Acting Secretary



WIN5M00063



ANTONIO A. INOCENTES
Undersecretary and Head
of Road Program Office



WIN5M00063

DEPARTMENT OF THE INTERIOR
AND LOCAL GOVERNMENT

By:

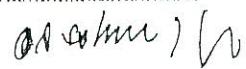

ANGELO T. REYES
Secretary



Republic of the Philippines
DEPARTMENT OF THE INTERIOR
AND LOCAL GOVERNMENT

IN REPLYING, PLS CITE:
SILG05-005707




EDUARDO R. SOLIMAN, JR.
Undersecretary for Local Government

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)

OC) S.S.
x _____ x

BEFORE ME, this 6th day of July, 2005 at _____, Philippines personally appeared Honorable DPWH SECRETARY HERMOGENES E. EBDANE, JR. with Community Tax Certificate No. 156-730-33 issued at Quezon City on 10 January 2005 and Honorable DILG SECRETARY ANGELO T. REYES with Community Tax Certificate No. 229-822-08 issued at Quezon City on 15 March 2005 known to me to be the same persons who executed the foregoing instrument and acknowledge to me that the same is their free and voluntary acts and deeds and of the entities they represent.

WITNESS MY HAND AND NOTARIAL SEAL

Notary Public

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Book No. I
Series of 2005

ASTEL JENA J. JAVAREZ
Notary Public
Valid December 31, 2005
PTR-5906266; Q.C. 1-3-05
BR-0270023; 12-8-04; M.L.A. IV
TIN 119-735-317