



17 July 2007

Administrative Order

No. 23

Series of 2007

Subject: **Addendum to DA Administrative Order (AO) No. 08, Series of 2006, Governing the Utilization of the Agricultural Competitiveness Enhancement Fund (ACEF) for Public Investment Projects**

WHEREAS, the Agricultural Competitiveness Enhancement Fund (ACEF) is a government-instituted measure for the main objective of increasing the agricultural sector's productivity and enabling it to achieve higher levels of competitiveness;

WHEREAS, Administrative Order No. 8, Series of 2006, issued by the Department of Agriculture (DA) provides for the implementation Guidelines on the Utilization of the ACEF;

WHEREAS, Section I.J.c.ii stipulates that a funding support to various public investment especially those which are programmed under, but unfunded by the DA regular budget under the General Appropriations Act (GAA);

WHEREAS, Section I.J.c of the AO stipulates the need for the issuance of a separate set of guidelines for this purpose to maximize the utilization of ACEF;

NOW, THEREFORE, this Administrative Order contains the rules and regulation that will govern the disposition and utilization of the ACEF to finance public investment projects.

**SECTION I.
GENERAL FRAMEWORK**

A. Declaration of Policy

Consistent with the provision of DA Administrative Order No. 8, Series of 2006, this issuance maintains the thrust of being supportive of the goal of the national economy for a more equitable distribution of opportunities, income and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key in raising the quality of life for all especially the underprivileged.

B. Definition of Terms

1. **Applied Research** – refers to research aimed at gaining knowledge to meet a specific, recognized need in the agriculture sector. Applied research is generally divided into pre-technology sciences and technology invention. Pre-technology sciences include soils physics and chemistry, plant and animal genetics, plant and animal pathology, plant and animal physiology, nutrition, engineering, climatology, computer science and economics. Technology inventions includes agricultural chemistry, plant and animal breeding, horticulture, agronomy, veterinary medicine mechanics, irrigation methods, anthropology, sociology, communications research, extension research, computer software development for the agriculture and fisheries and farm management.

2. **Basic Research** – upstream research directed towards increase in knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific application toward processes. It is also original investigation for the advancement of scientific knowledge which does not have specific commercial objectives.
3. **DA operating units** – refers to the Bureaus, Regional Field Units, Attached Agencies, Attached Corporations and OSEC Units of the Department of Agriculture
4. **Local Government Units** – refer to the following:
 - Region** – A sub-national administrative unit comprising of several provinces having more or less homogenous characteristics, such as ethnic origin of inhabitants, dialect spoken, agricultural produce, etc.
 - Province** – The largest unit in the political structure of the Philippines. It consists, in varying numbers, of municipalities and, in some cases, of component cities. Its functions and duties in relation to its component cities and municipalities are generally coordinative and supervisory.
 - City** – There are three classes of cities in the Philippines: the highly urbanized, the independent component cities which are independent of the province, and the component cities which are part of the provinces where they are located and subject to their administrative supervision.
 - Municipality** – Is a political corporate body which is endowed with the facilities of a municipal corporation, exercised by and through the municipal government in conformity with law. It is a subsidiary of the province which consists of a number of barangays within its territorial boundaries, one of which is the seat of government found at the town proper.
 - Barangay** – The smallest political unit into which cities and municipalities in the Philippines are divided. It is the basic unit of the Philippine political system. It consists of less than 1,000 inhabitants residing within the territorial limit of a city or municipality and administered by a set of elective officials, headed by a barangay chairman (punong barangay).
5. **Public Investment** – refers to the goods and services provided/undertaken by the government necessary to perform its functions of promoting efficiency, equity, stability, and representation in the international community in support of optimal rural and agricultural growth.
6. **State Universities and Colleges** – refer to chartered state institutions of higher learning which have independent and separate Governing Boards (GBs).

C. Fund Source and Use

1. Source. The unutilized funds in Special Account 183.
2. Use. The use of which shall be governed by the Guidelines provided herein.

D. Eligible Proponents

Eligible project proponents of public investments for funding assistance under ACEF shall include the following entities:

- a. Local Government Units (LGUs);
- b. State Universities and Colleges (SUCs); and

- c. Bureaus, Regional Field Units (RFUs), Regional Integrated Fisheries Research and Development Centers (RFRDCs), OSEC and Attached Agencies (AAs), and Corporations (ACs) of DA.

E. Eligibility Requirements

1. Project proposal consistent with the ACEF feasibility study format in Annex A of this AO.
2. From the LGU:
 - a. Sanggunian resolution and/or corresponding Sanggunian issuance citing: (i) request for ACEF assistance; (ii) proposed equity contribution; (iii) assurance of funds for MOOE during and after project implementation; (iv) designated representative who shall transact with the DA for and in its behalf, attaching three specimen signatures; and
 - b. Approved Area/Local/Provincial Development or Investment Plan
3. From the Government Organizations / Corporations and SUCs.
 - a. Board resolution/Letter of intent citing (i) request of ACEF assistance; (ii) proposed equity contribution; (iii) assurance of funds for MOOE during and after project implementation; (iv) designated representative who shall transact with DA for and in its behalf, attaching three specimen signatures;
 - b. Charter/mandate; and
 - c. Strategic development or investment plan or its equivalent

F. Eligible Projects

Priority should be given but is not limited to the following:

1. Projects proposed/identified in the DA-Medium Term Project Investment Program (MTIPIP), but is unfunded under the DA GAA funds, or Local Development Investment Plant (LDPIP) and other strategic development plans of concerned institution's regular funds.
2. As counterpart for FAPs designed for enhancing competitiveness (eg. TRRA).
3. Specific types projects, activities, and services eligible for funding under ACEF may include:
 - a. Rehabilitation and upgrading of research and development buildings and facilities;
 - b. Procurement of laboratory equipment and other facilities;
 - c. Construction of buildings and other infrastructures;
 - d. Establishment of nurseries and model farms;
 - e. Procurement of post-harvest equipment and facilities; and
 - f. Undertakings in applied research and development, and the commercialization of such.

However, items listed below are not eligible for funding under ACEF and should form part of the proponent's equity contribution;

- a. Conduct of basic researches/studies;
- b. Payments for consultancy services;
- c. Honorarium/allowances/incentives;
- d. Personnel services; and
- e. Operating expenses (utilities, gasoline, inputs, etc.)

G. Minimum Project Criteria

Project intended to tap ACEF assistance shall uphold the criteria enumerated below:

1. Be consistent with the policies and priority thrusts under R.A. 8435 (as amended by R.A. 9281) or the Agricultural and Fisheries Modernization Act (AFMA) vis-a vis Goals 1 and 2 under the Medium-Term Philippine Development Plan (MTPDP) and/or the current plans and programs of the Department of Agriculture (DA);
2. Be complementary to, supportive and not duplicative of, the various and current funding assistance windows/programs of DA and other government institutions;
3. Exhibit technical, socio-economic, and organizational viability and feasibility;
4. Enhance the competitiveness of target project beneficiaries or sector(s);
5. Provide clear and verifiable proof of sustainability of operations; and
6. Beneficial to most, and not only to selected groups within the sector.

H. Financing

1. Mode

The ACEF intended for public investment shall be extended to a qualified proponent of an approved project in the form of a grant.

2. Amount of ACEF Assistance

The minimum amount of ACEF assistance is Three Million Pesos (P3,000,000.00). A maximum amount may be set by the ACEF Executive Committee (Execom).

3. Cost-Sharing Scheme

A proponent of an approved project shall provide a counterpart which could be in the form of labor, land for the project site, facilities, equipment, personnel salaries, and other expenditures as provided in Section I.F.2 stated herein. The Grant Equity Financing Mix would be:

For LGUs

LGU Income Class	Grant	Equity
1 st – 2 nd	50%	50%
3 rd	60%	40%
4 th	70%	30%
5 th – 6 th	80%	20%

For Cities

They shall have a 50:50 grant-equity ratio.

For SUCs

At least 10% of the total project cost should be shouldered or borne by the SUCs.

4. Fund Disbursement

Fund disbursement shall be governed by the existing guidelines, procedures, rules and regulations of the government on the release of funds to the proponents. Provisions regarding these shall form an integral part of the Memorandum of Agreement between the DA and the proponent.

SECTION II. PROCEDURES

A. Evaluation and pre-qualification of project proposals for public investment shall be as follows:

- a. The submitted project proposals and documents shall be screened and pre-appraised by the National Technical Secretariat (NTS) as to the conformity with the prescribed format, completeness as well as integrity of all requirements including all other provisions of the guidelines herein;
- b. Project proposals that have passed the screening and pre-appraisal process shall be evaluated and pre-qualified by the National Technical Committee (NTC).
- c. Project proposal that passed the pre-qualification of the NTC shall be endorsed to the Execom for review, deliberation and possible approval, and
- d. Any fraudulent submission of documents by a prospective proponent shall cause the disqualification of said proponent to avail of assistance from the ACEF.

B. Approval and Financing

1. The final review and approval of all pre-qualified project proposals shall follow the procedure as stated in AO No. 8, Series of 2006.
2. The approved project proposals and their corresponding work and financial plans shall be endorsed by the ACEF Execom Chair to the Department of Budget and Management (DBM), to enable the latter to issue the corresponding Special Allocation Release Order (SARO)/Notice of Cash Allocation (NCA) for the endorsed project.
3. The release of funds and disbursements for projects shall follow the usual fund release, accounting and audit system of the government; and

4. The proponents of approved proposals shall enter into a Memorandum of Agreement (MOA) with the DA. The MOA shall contain provisions for fund release, disbursement, and other relevant information.

C. Monitoring and Post-Project Evaluation

All monitoring activities shall be done by the NTS in coordination with the concerned DA Units, DA Finance/Accounting Group, including the Commission on Audit (COA), based on a set of monitoring and evaluation guidelines to be developed by the NTS as approved by the NTC/Execom.

SECTION III. EFFECTIVITY

This Administrative Order shall take effect immediately.

(Signed)
ARTHUR C. YAP
Secretary