



Republic of the Philippines
DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT
DILG-NAPOLCOM Center, EDSA corner Quezon Avenue, West Triangle, Quezon City
<http://www.dilg.gov.ph>



MEMORANDUM CIRCULAR
NO. 2020 - 155

16 NOV 2020

TO : ALL PROVINCIAL GOVERNORS, MUNICIPAL AND CITY MAYORS, DILG REGIONAL DIRECTORS AND FIELD OFFICERS

SUBJECT : ADOPTION OF LOCAL ROAD ASSET MANAGEMENT MANUAL (LRAMM)

I. BACKGROUND

To improve the quality of the local road network, the Department of the Interior and Local Government (DILG) through the Conditional Matching Grant to Provinces (CMGP) Program for Road and Bridge Repair, Rehabilitation and Improvement initiates the provision of both financial investment for local government support fund and support to strengthen governance processes so that the Provincial Local Government Units (PLGUs) will be able to effectively plan, design, implement and maintain their local road networks.

At the outset, certain issues on the governance systems particularly the road asset management and maintenance of the PLGUs have surfaced. Not all provincial roads and bridges are booked as assets, and there is generally a lack of life cycle management for roads. In fact, many of our City and Municipal Governments also do not record their local roads as assets in their books of accounts, leading to various challenges in financial and asset management.

To address the flawed asset reporting of road assets, the Commission on Audit (COA) issued on November 25, 2015 the Memorandum Circular (MC) No. 2015-008 on the "Accounting and Reporting Guidelines on the Local Roads Asset Management System". The MC provides a foundation for further development in local road asset management (LRAM) and makes accounting practice in local government units (LGUs) compliant with the PPSAS, specifically PPSAS 17.

Furthermore, the COA Circular mandates the LGUs to:

- a. Record road assets in its books of accounts only when it is probable that future economic benefits or service potential associated with the item will flow to the LGU, and that the cost or fair value of the item can be measured reliably;
- b. Record road assets in its books of accounts, segregated into four different components: road lot, road pavement, drainage and slope protection structures, and other miscellaneous structures;
- c. Record road assets at cost. If cost is not available, depreciated replacement cost should be used; and
- d. Provide for depreciation for road assets except for road lot.

The DILG, on August 9, 2018, issued the MC No. 2018-126 pertaining to the "Implementation and Roll-out of the Local Road Management Manual". The MC, however, only focused on the technical guidelines, which lacks the financial requirements needed in the PPSAS 17, as well as in the COA MC No. 2015-008.

The Local Road Asset Management Manual (LRAMM) to be adopted by the LGUs shall complement the issued Local Road Management Manual and supplement its provisions by incorporating road asset management principles.

II. PURPOSE

To standardize the implementation of LRAM and in adherence to the *COA Memorandum Circular 2015-008, issued on November 25, 2015 regarding the "Accounting and Reporting Guidelines on the Local Roads Asset Management System"*, the LRAMM was developed by the DILG in partnership with the United Nations Development Program (UNDP) – Roads2SDG under the CMGP Program.

Moreover, the LRAMM primarily aims to guide LGUs to use road asset management practices to improve their road services. Likewise, it aims to strengthen LGUs' capacity in managing their road assets, drawing inspiration from global practices on road asset management. Taking this approach, local governments can move beyond the cycle of 'build-neglect-rebuild' which leads to poor quality roads and is a bad use of public funds.

III. SCOPE/COVERAGE

This Memorandum Circular shall apply to all local government units in ensuring that all local roads and network systems are *properly valued* and *recorded* to the books of accounts of the LGUs responsible for the management of these roads.

IV. EFFECTIVITY

This Memorandum Circular shall take effect immediately for the uniformity of implementation in all LGUs.

V. APPROVING AUTHORITY


EDUARDO M. AÑO
Secretary

Date: _____



DILG-OSEC 11162020-008