



DOST Administrative Order No. 004
Series of 2008

JUN 26 2008

Subject: AMENDMENT TO ADMINISTRATIVE ORDER NO. 006, Series of 2004, otherwise known as the "GUIDELINES FOR THE GRANTS-IN-AID FUNDS OF DEPARTMENT OF SCIENCE AND TECHNOLOGY AND ITS AGENCIES"

The amendments to Administrative Order No. 006, Series of 2004, are hereby prescribed as follows:

1. Whereas, Sub-section 2.21 of Section 2 (Definition of Terms) is amended to read as follows:

2.21 For this purpose, unexpended balance or savings refer to the outstanding balance from the previous approved allotment after project has been completed/terminated/extended.

2. Whereas, provisions of Section 3 (Classification of S&T Programs/Projects Funded) is amended to read as follows:

3.1 GENERATION OF KNOWLEDGE AND TECHNOLOGIES

An important source of new knowledge and technologies is research and development (R&D). Research and development is defined as comprising creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society, and the use of this stock of knowledge to devise new applications through the conduct of the following activities:

3.1.1 Fundamental/Basic Research--refers to experimental or theoretical work undertaken primarily to acquire new knowledge on underlying phenomena and observable facts. This can either be (a) without immediate or specific application (fundamental research) or (b) geared to come up with basic information toward the solution of a specific problem that has not been solved before (oriented basic research). This category includes natural and social sciences among other areas.

3.1.2 Applied Research--refers to investigation undertaken in order to utilize data/information gathered from

fundamental/basic researches or to acquire new knowledge directed primarily towards a specific practical aim or objective with direct benefit to society.

3.1.3 Experimental Development--refers to systematic work that draws from existing knowledge gained from research and/or practical experience that is directed to produce new materials, products and devices, install new processes, systems and services, and substantially improve those already produced or installed.

3.1.4 Pilot Testing--refers to innovative scaled-up (greater than laboratory or bench scale) activity aimed at gaining experience that may lead to further technical improvement of product or production process, and setting the parameters before the commercialization of the process/product and design of equipment.

3.2. DIFFUSION OF KNOWLEDGE AND TECHNOLOGIES

Technology diffusion is defined as the widespread adoption of technologies by users other than the original innovators. Technology diffusion is recognized world-wide as necessary for generating economy-wide benefits from innovation in terms of productivity gains and job creation. Knowledge and technologies are diffused through various channels and involve a broad range of private and public institutions that, taken as a whole, make up the national innovation system through the following:

3.2.1 Technology Transfer-- are those that are basically designed to support, promote, facilitate or fast-track the transfer of technologies developed by DOST institutions and/or by DOST-funded/assisted R&D programs.

3.2.2 Technology Receptor Capacity Building-- are those that are essentially designed to enhance the capacity of firms, particularly the SMEs, to diagnose their specific technology needs, to solve their technical problems and overcome their obstacles to the successful adoption and use of technologies arising from deficiencies in labor, management and organizational change. These include the provision of consultancy services and of access to information on technology sources.

3.2.3 Innovation Capacity-Building PAPs-- are those that are designed to promote greater awareness of the value of innovation among firm managers and

owners particularly of SMEs, and stimulate demand for technological and organizational change within firms, essentially through greater collaboration, partnerships, clustering and networking among firms and with knowledge providers. These include collaborative and systematic planning for future strategic technology investments for a particular sector/cluster as well as the sharing of diagnostic tools, best practices, and knowledge among firms and academic/government institutions.

This category includes but is not limited to the following activities:

- a. Technology needs assessment and technology sourcing--assistance shall be provided to participating firms in the assessment of technology needs, mapping, and identification of appropriate technologies to identify business opportunities and requirements of investors, entrepreneurs, aspiring entrepreneurs, and industries in accelerating technology commercialization.
- b. Enterprise Development-- establishment and strengthening of technology-based business through the provision of technology, equipment, and training.
- c. Consultancy and Technical Advisory Services-- activities that would ensure successful adoption of technologies through DOST's pool of experts drawn from its various agencies and members of the R&D network including academic institutions and private firms/industries.
- d. Technology Matching Service--these are activities that will ensure promotion and utilization of technology through linkages between technology generators and technology adopters/users.
- e. Preparation of technology commercialization plan, acquisition of equipment and provision of technology systems to encourage and enable the private sector to carry out technological innovation and related activities/services.

3.3 DEVELOPMENT OF HUMAN RESOURCES FOR THE S&T SECTOR

The development of human resources for the S&T sector involves a wide range of interventions from the provision of high-quality formal education at all levels, elementary to university level, to specialized training, with a focus on young scientists and engineers, and the

development, attraction and retention of the country's S&T talents.

These include specialized science secondary school program, undergraduate scholarship programs, teacher upgrading programs, graduate scholarship programs, Balik-Scientist Program, awards and recognition programs and other human resource development programs. These also cover other initiatives aimed at enhancing the public's S&T awareness such as:

- 3.3.1 International, national, and local S&T workshops/seminars/meetings/symposia/conferences
- 3.3.2 International, national, and local S&T competitions/quizzes/olympiads

3.4. PROVISION OF QUALITY S&T SERVICES

The DOST provides other services that strengthen the S&T infrastructure to develop and upgrade national, regional, and local S&T capacities of institutions and centers of excellence. These include:

- 3.4.1. Improving/upgrading the testing, measurement and calibration services of government laboratories and facilities;
- 3.4.2. Development of information resources/databases, national surveys (e.g., nutrition and health surveys) and general purpose data collection to record natural, biological or social phenomena that are of general public interest;
- 3.4.3. Testing and calibration services of R&D institutes and other DOST regional offices;
- 3.4.4. S&T regulatory and licensing work like PNRI's nuclear regulation and licensing; policy related such as those made by the DOST Central Office;
- 3.4.5. Publications/bookwriting on S&T including subsidy/grant to science and technology journals;
- 3.4.6 S&T policy development including secretariat services and management support to S&T programs and projects; and
- 3.4.7 Other S&T linkages development/promotion activities (to include, among others, organization and strengthening of S&T networks, and bilateral agreements, S&T programs for women and tri-media).

3. Whereas, Subsections 4.1.2, 4.2.1 and 4.2.6 of Section 4 (Selection Criteria) are amended to read as follows:

4.1 Eligibility of Proponent

xxx

4.1.2 The eligibility of project proponents shall be determined by the DOST agency concerned based on his/her readiness in terms of technical, managerial, financial and marketing capabilities (if necessary). As such the proponent shall submit documents/proof of the following: credentials/proof of capability, track record, and endorsement of his/her institution. R&D program/project leader shall possess, at least, a Masters degree in a relevant field.

xxx

4.2 Application Requirements

xxx

4.2.1 Complete proposal following the DOST format (See Annex A for Forms- DOST Form No. 1-proposal for S&T Promotion and Linkages projects; Form Nos. 1A, and 1B for a capsule proposal, 2A, 2B, 2B-1, 2B-2, and 2B-3, for a full-blown proposal for R&D projects; and Form No. 2C, and 2D for technology transfer and related activities)

xxx

4.2.6 Approval from the institution's ethics review board for research involving human subjects or from an institutional animal care and use committee for animal subjects (if applicable)

xxx

4.2.8 Clearance from National Committee on Biosafety of the Philippines for proposals with biosafety implications (if applicable).

4. Whereas, the provisions of Paragraph b.8 (Training and Scholarship Expenses) of Sub-section 5.2.1 defining personnel; and Paragraph b of Sub-section 5.2.2 of Section 5 (Proposal Preparation, Submission, Review and Approval) are amended to read as follows:

Direct Cost

b.8. For this purpose, the term personnel should be understood to include all individuals involved in the project.

Indirect Cost

xxx

- b. The indirect cost of the project budget shall be shared by the Monitoring Agency and Implementing Agency. About 50% of 15% (7.5%) indirect cost may be retained by the Monitoring Agency. Management cost and administrative cost over P100,000.00 shall be justified by the Monitoring and Implementing Agencies, respectively.

5. Whereas, provisions under Sub-sections 6.2 and 6.3 of Section 6 (Grant Administration) are amended to read follows:

6.2 Technical Monitoring

Periodic accomplishment reports of projects shall be submitted by the Program/Project Leader duly endorsed by his/her Agency Head to the Funding Agency through the Monitoring Agency concerned.

Submission of Technical Reports

- 6.2.1 A regular semi-annual progress report on the activities shall be submitted in three (3) copies, at least one electronic copy, within a month after first semester (See DOST Form No. 3A).
- 6.2.2 Program/project with duration of one (1) year or more shall submit in three (3) copies, at least one electronic copy, the annual technical report within two (2) months after each year of implementation. This report shall be submitted together with the list of personnel involved and list of equipment purchased (See DOST Forms 3B, 5 and 6). In the case of a program, a consolidated annual program report shall also be submitted in addition to individual project reports.
- 6.2.3 For all programs/projects, the technical terminal report shall be submitted in three (3) copies, at least two (2) hard copies and one (1) electronic copy, not later than three (3) months after their completion (See DOST Form No. 9A-1 for R&D Projects and Form No. 9A-1a for Non-R&D Projects). It shall consist of the publishable terminal report together with information on patentable invention, if applicable. (See DOST Form No. 9A-2). The Monitoring Agency concerned shall submit to the Funding Agency the appraisal report on the program/project within one (1) month of receipt of the terminal report. (See Form No. 3C-2).
- 6.2.4 Periodic field evaluation shall be conducted by the Funding/Monitoring Agency concerned to monitor progress of the project according to the approved/programmed activities and to resolve problems, if any, encountered in project implementation.

Programs/projects for Extension

- 6.2.5 Requests for program/project extension shall be submitted together with the latest financial report, proposed LIB (but no honorarium shall be included in the line-item budget during the extension period) and Gantt Chart of activities for the extension period, technical report and justification for extension.
- 6.2.6 Requests for extension with or without additional funding shall be evaluated and endorsed by the Monitoring Agency for approval of Funding Agency.
- 6.2.7 The program/project duration may only be extended for a maximum of one year beyond the project duration unless allowed by the Funding Agency (DOST-EXECOM in the case of DOST-Central Office GIA) upon endorsement of concerned Monitoring Agency under very meritorious circumstances.
- 6.2.8 Extension shall not be allowed to a continuing project unless it is on its terminal/last year of implementation. The request shall be made within three (3) months before the expected date of completion, and shall be limited up to two (2) extension requests only unless allowed by DOST-EXECOM under meritorious circumstances.

Continuing Assistance and Additional Funding for Programs/Projects

- 6.2.9 Annual request for additional funding of ongoing projects or continued funding of multi-year program/project shall be endorsed/ submitted to the Funding/Monitoring Agency within three (3) months before the end of each implementation year.
- 6.2.10 Request for continued funding shall be accompanied by a technical report that covers at least the first three (3) quarters of the period covered, annual financial report, plan of work, proposed LIB (including cash program) for the succeeding year, and endorsement by the Monitoring Agency with an appraisal report (See DOST Form 3C-1).

Deferment/Suspension/Change in Implementation Date

- 6.2.11 Request for deferment/change in implementation date of a new program/project shall be acted upon by the Undersecretary concerned (for projects implemented by DOST-Central Office or DOST-CO-directed projects) or the Monitoring Agency with appropriate advice to DOST. The revised project duration shall have the same period (in terms of number of months/years) as the originally approved duration.

- 6.2.12 For deferred project due to delay in the release of fund, the project shall resume within three (3) months after the release of the fund. In such a case, the request should be made at the latest two (2) months after fund release.
- 6.2.13 Request for suspension of the implementation of an ongoing project may be allowed by the concerned Undersecretary/Monitoring Agency subject to submission of valid justification(s) with conditions of resumption within three (3) months. Beyond three (3) months, the request for suspension may be allowed by the Funding Agency under very meritorious circumstances.

Modification in Project Title/Objectives/Activities

- 6.2.14 Request for modification in project title, objectives, activities/work plan/Gantt chart shall be accompanied with valid justification(s) and endorsement from Monitoring Agency for approval of the Funding Agency.

6.3 Financial Monitoring

Subject to government accounting and auditing rules and regulations and DOST approval, all DOST-GIA funds released to implementing agencies shall be available for use within the approved project duration including approved extension. GIA funds shall not be used for money market placement, time deposit and other forms of investment not related to the project. Project funds shall be deposited in authorized government depository bank

6.3.1 Fund Releases

- a. Subject to government policies and regulations, and availability of funds, Funding Agency shall release the funds to the project, partially or fully, after the signing of MOA/MOI or conforme letter (for subsequent grant/s to the same project) subject to availability of funds, accounting and auditing regulations, and bond requirements (if necessary). Releases of funds shall be governed by the DOST Memorandum Circular No. 001, Series of 2008 "Guidelines on the Release of Funds of DOST-GIA Projects by Way of Allotment and Cash Support" (See Attachment 1).
- b. Project implementation shall commence within three (3) months after the fund's release. Otherwise, the fund and interest/earnings shall be reverted to the Funding/Source Agency unless valid justification(s) is/are submitted by the Monitoring Agency and approved by the Funding/Source Agency.

- c. Subsequent releases of funds for continuing projects shall be subject to the submission of necessary financial reports, endorsement and other necessary requirements as indicated in Section 6.2.10.

6.3.2 Budget Reprogramming or Realignment/Creation of Expense Items

Disbursement of grants shall be in accordance with approved LIB and subject to existing government accounting and auditing rules and procedures. If budget reprogramming is required, a request shall be made at least two (2) months before the end of the project's current year and shall not be done more than three (3) times in each implementation year (including approved extension) except for meritorious cases approved by the Funding/Source Agency. A revised LIB shall be approved to cover any of the following: budget realignment/transfer of funds, and creation of expense item/s.

Any realignment or transfer of funds from one expense item to another shall be based on the Funding Agency-approved LIB. The Funding/Monitoring Agency must be informed of the budget realignment including realignment in the indirect cost, approved by the Implementing and Monitoring Agencies, otherwise, this shall not be reflected in the official project documentation and such approval shall be deemed null and void. The approving authorities of budget realignment shall be as follows:

Implementing Agency

- a. Realignment/transfer of funds within 33% of existing expense item budget to be augmented under PS, MOOE, and Equipment Outlay shall be approved by the Implementing Agency with notice to the Monitoring and Funding Agencies within the project duration. The approved realigned item/s shall be reflected under the "approved budget" column in the financial report/s to be submitted by the Implementing Agency.

Monitoring Agency (The Undersecretary concerned in the case of DOST-CO-directed projects)

- b. Realignment of more than 33% up to 100% of existing expense item budget, as approved by the Funding Agency, to be augmented shall require a revised LIB approved by the Monitoring Agency and a copy shall be provided to the Funding Agency,

- c. **Realignment of more than 100% of existing allocated MOOE expense items, provided that as a result of such realignment, the total amount of the allocated MOOE expense item and the proposed budget increase do not exceed P50,000.00, and**
- d. **Any realignment within the indirect cost beyond the implementing agency's approving authority.**

Funding Agency (With endorsement from Monitoring Agency)

- e. **The Funding Agency shall approve budget realignments exceeding 100% of the existing expense item/s budget except for realignments that can be acted upon by the Monitoring Agency. For DOST-CO GIA, the Undersecretary concerned shall approve the realignments of grants within his approving authority, (e.g., grants amounting to less than P1,000,000.00), beyond this DOST-EXECOM shall approve the budget realignments, and**
- f. **Creation of additional expense item/s under the direct cost and PS of indirect cost, with or without additional funding (For DOST-CO GIA, the DOST-EXECOM shall approve the request/s).**

6.3.3 Submission of Financial Reports

6.3.3.1 For monitoring purposes, financial reports certified correct by the agency accountant shall be submitted by Implementing Agency to the Monitoring Agency, a month after each semester depending on the nature of the project. If applicable, a Report on Income/Interest Generated/ Earned, and Schedule of Accounts Payable (See DOST Forms No. 4, 7 and 8) shall be submitted. Financial Reports shall be itemized in accordance with the approved LIB.

6.3.3.2 For liquidation purposes, the Project Leader duly noted by the Head of the Agency or designated/authorized representative shall submit Financial Report (FR) certified by the agency accountant on grants received, within two (2) months after the end of every year for government as implementing agency. For NGOs or privately owned institutions, annual audited financial report (AFR) shall be submitted certified by a licensed independent accountant with an Audit Certificate/Report. A terminal AFR shall be submitted within three (3) months after the completion of the project, both for government and private entity as proponents. For projects with equipment outlay in the LIB, FR shall be submitted with the list of equipment purchased using inventory report form (DOST Form No. 6) and corresponding Acknowledgement Receipts for

Equipment (see ARE Format). A Terminal AFR shall be submitted within three (3) months after the completion of the project (See DOST Form No. 9B). Monitoring Council shall submit a consolidated FR/AFR, within one (1) month after submission of the FR/AFR by the Implementing Agency.

6.3.3.3 As basis for granting subsequent funds to a multi-year project, financial report or Statement of Disbursement and Outstanding Obligations (SDOO) may be submitted in case AFR is not yet available.

6.3.4 Unexpended Balance and Savings/Interest/Income

- a. All of the project's unexpended balance/savings/income and interest, if any, shall be reported and included in the annual financial reports submitted to the Funding/Monitoring Agency.
- b. For continuing projects, the unexpended balance of the previous year shall be deducted from its total approved budget for the following year unless approved for use in the subsequent year by the Funding/Source Agency under meritorious cases, otherwise, it shall be reverted to the Funding/Source Agency.

Pending approval/release of succeeding year's budget of multi-year projects, the Funding Agency may allow the use of unexpended balance of projects for payment of salaries of existing project staff, Maintenance and Other Operational Expenses (MOOE). In no case shall it be used to purchase equipment.

- c. In the case of completed/terminated/extended projects, requests for the use of unexpended balance/savings/income pertaining to a) Payment of Salaries, b) MOOE, and c) additional amount under meritorious cases, shall be approved by the Funding/Source Agency upon recommendation of the Monitoring Agency.

The use of unexpended balance/savings/income may be permitted for the following:

- (a) continuing operation of the project,
- (b) acquisition of R&D equipment, and publications deemed critical to the attainment of program's/project's objectives, and
- (c) other related activities as may be authorized by DOST and its grant-giving units.

- d. Request for the use of unexpended balance/savings/income to continue the operation of project, at least one (1) month before the expected date of completion, financial report and valid justification shall be submitted as basis for preparing a new LIB or in revising the LIB of the project.
- e. All balances/savings/income/interests thereof, after project completion/termination shall be reported and reverted to Funding/Source Agency within three (3) months after completion.
- f. Unexpended balance/savings of completed or terminated project can be used for other DOST-approved projects of the concerned agency provided it is within the two years of fund effectivity and upon the approval of the Funding Agency.
- g. In no case shall the interests and income be used to fund a new project not related to the original intent of the fund. Income derived from business activities as a result of the project shall not be used to fund/augment additional and/or existing projects or other projects related thereto unless approved by the Funding Agency.

Interest income earned out of deposit from the bank shall be reverted to the National Treasury.

xxx

6. Whereas, Sub-sections 7.1, 7.6 and 7.7 of Section 7 (Hiring of Project Personnel/Nature of Appointment) is amended to read as follows:

- 7.1. In accordance with the existing hiring policies of the Implementing Agency, personnel shall be hired by the Program/Project Leader on contract basis to work for the program/project and shall not be allowed to engage in activities other than those of the program/project during regular working hours. Contractual personnel shall be subject to conflict of interest rules.

xxx

- 7.6 If the Program/Project Leader transfers to another agency, the project shall remain with the Implementing Agency.
- 7.7 The agency head shall recommend a substitute for the out going Program/Project Leader, for approval of the Monitoring/Funding Agency.

The outgoing Program/Project leader shall be relieved of his/her obligation to the program/project after a clearance from the Head

of the Implementing Agency of all money, records and property responsibilities and accountabilities (e.g. submission of financial and technical reports) in connection with the management of the project.
xxx

7. Whereas, Section 12 (Effectivity) is amended to read as follows:

This order shall take effect immediately and shall supersede all other Orders and Issuances inconsistent herewith.



ESTRELLA F. ALABASTRO

Secretary