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Results of the assessment of the utilization and impacts of the motor vehicle user's charge in the Philippines

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Results of the Assessment of the Utilization and Impacts of the Motor Vehicle User's Charge in the Philippines

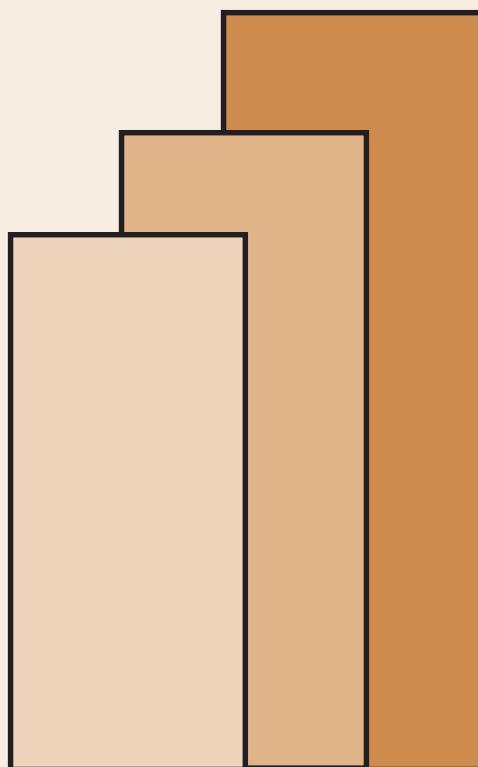
Ma. Sheilah G. Napalang et al.

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Results of the Assessment of the Utilization and Impacts of the Motor Vehicle User's Charge in the Philippines

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Adoracion M. Navarro and Keith C. Detros*

Abstract

Road funds like the Motor Vehicle User's Charge (MVUC) Fund in the Philippines are a kind of earmarked funds. Though without shortcomings, earmarking funds through the MVUC continues to be relevant as it is able to ensure a stable flow of resources for public road expenditures. The study identifies the shortcomings as well as areas for improvement. In our assessment of the different stages of the MVUC process, we find that transparency and efficiency in collection have to be improved through automation and accurate recording. We also find that project identification and investment programming need to adhere to the recommended procedures in the operating manual. As there are indications of fund underutilization, we recommend accelerating the utilization of funds through advance project development and investment programming. After examining five MVUC-funded projects on the ground, we find that an impact monitoring system is present in only one case, a recently finished project, and the sparse data available are not enough to quantitatively establish impacts. Nevertheless, findings from field visits and interviews with beneficiaries (e.g., local residents and truck drivers benefiting from a road safety project) reveal that there are positive benefits from the MVUC mechanism. An examination of successful cases in other countries also reveal good practices that are worth looking into, such as ensuring that the road fund administrator is strictly an administrator rather than project implementor, advance preparation of long-term vision and medium-term to short-term road investment programs, and variations of the reimbursement-basis payment system that are supported by strong audit systems.

Key words: road fund, motor vehicle user's charge, MVUC, road user's tax, earmarking, public finance

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Acronyms and abbreviations

AEP	-	Annual Expenditure Program
AGDB	-	Accredited Government Depository Bank
BOM	-	Bureau of Maintenance
BTr	-	Bureau of the Treasury
CEO	-	City Engineering Office
COA	-	Commission on Audit
DBM	-	Department of Budget and Management
DENR	-	Department of Environment and Natural Resources
DEO	-	District Engineering Office
DILG	-	Department of Interior and Local Government
DILG-OPDS	-	DILG-Office of Project Development Services
DO	-	Department Order
DOTC	-	Department of Transportation and Communications
DPWH	-	Department of Public Works and Highways
DPWH-PS	-	Department of Public Works and Highways-Planning Service
ESITU	-	Environmentally Sustainable Initiatives Transportation Unit
EST	-	Environmentally Sustainable Transport
IRAP	-	International Road Assessment Program
IRR	-	Implementing Rules and Regulations
JEV	-	Journal Entry Voucher
LAA	-	Letter of Advice of Allotment
LBP	-	Land Bank of the Philippines
LDC	-	List of Deposited Collections
LGU	-	Local Government Unit
LTO	-	Land Transportation Office
LTO-DO	-	LTO-District Office
LTO-RO	-	LTO-Regional Office
LTO-SHO	-	LTO-Sectoral Head Office
MVIC	-	Motor Vehicle Inspection Center
MVIS	-	Motor Vehicle Inspection System
MVRS	-	Motor Vehicle Registration System
MVUC	-	Motor Vehicle User's Charge
NCA	-	Notice of Cash Allotment
NEDA	-	National Economic and Development Authority
NGA	-	National Government Agency
NRLP	-	National Road Lighting Program
PUJ	-	Public Utility Jeepney
RB	-	Road Board
RBS	-	Road Board Secretariat
RPO	-	Road Program Office
SARO	-	Special Allotment Release Order
SLRF	-	Special Local Road Fund
SRSaF	-	Special Road Safety Fund
SRSF	-	Special Road Support Fund
SVPCF	-	Special Vehicle Pollution Control Fund
TAD	-	Traffic Accident Data
TARAS	-	Traffic Accident Recording and Analysis System

1 Introduction

1.1 Background of the Study

A well-maintained road system contributes to economic development by facilitating the movement of people and goods. It also ensures access to employment, education and social services. In the case of the Philippines, two studies conducted in the late 1990s² called policy makers' attention to the poor quality of the national roads of the country. The poor quality of roads was attributed to the meagre allocation for road maintenance from the national budget. Allocating for the competing needs of other central government agencies led to unpredictability in the level of fund granted to the Department of Public Works and Highways (DPWH) for road preservation.³ Inadequate funding delayed critical road maintenance works, which in turn increased rehabilitation costs and lowered the level of service for road users.⁴

To address the issue of inadequate funding, the Motor Vehicle User's Charge (MVUC) was established through Republic Act (RA) 8794 or "An Act Imposing a Motor Vehicle User's Charge on Owners of All Types of Motor Vehicles and for Other Purposes," hereinafter to be referred to as the MVUC Act. RA 8794 was enacted on June 27, 2000. It aims to ensure the sustainable financing of road maintenance and the minimization of air pollution from mobile sources. Section 7 of the aforementioned RA stipulates that "all monies collected 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 lights and road safety devices, and (3) for air pollution control."

The monies are deposited to four special accounts in the National Treasury. The four special accounts are:

- 1) Special Road Support Fund (SRSF),
- 2) Special Local Road Fund (SLRF),
- 3) Special Road Safety Fund (SRSaF), and
- 4) Special Vehicle Pollution Control Fund (SVPCF).

In accordance with the law, the first three funds (SRSF, SLRF, and SRSaF) are placed under the Department of Public Works and Highways (DPWH) and the last one (SVPCF) is under the Department of Transportation and Communications (DOTC).

The utilization of the MVUC is riddled with allegations of fund misuse and politicized allocation. For instance, it has been reported that in the past, a high share of MVUC funds were used to fund employment-generating roadside maintenance programs. The World Bank (2009) examined 2002-2007 data on MVUC releases for the maintenance of national roads and found that the allocations for labor-intensive roadside maintenance (sweeping, beautification, planting) reached a high of 35% of maintenance funds in 2005.

² Asian Development Bank-funded *Philippine Transport Strategy Study* (1997) and World Bank-funded report *Better Roads Philippines* (1999).

³ Cesar E.A. Virata & Associates Inc. (2005), pp. I-1 to I-2, citing *Better Roads Philippines* (1999) as original source.

⁴ Cesar E.A. Virata & Associates Inc. (2005), p. I-9, citing *Philippine Transport Strategy Study* (1997) as original source.

The World Bank report also claimed that there was a politicization of project resource allocation. For example, despite the availability of planning tools like the Highway Development Management 4 (HDM-4)⁵, the identification of projects did not always follow the HDM-4. In 2005, only 38% of the MVUC-funded preventive maintenance projects were drawn from the HDM-4 generated list; moreover, many areas (engineering districts) received a fixed allocation regardless of road maintenance needs and realignments were made to accommodate so-called urgent and special projects (World Bank 2009).

The problem of politicization of project-resource allocation was also mentioned in a technical assistance report for the Asian Development Bank (ADB), which stated that about 60% of MVUC funds had been allocated based on political and equity considerations (Katahira & Engineers International, et al. 2011).

In 2008, the House of Representatives, led by Representative Rufus Rodriguez of Cagayan de Oro, moved to abolish the Road Board due to signs of corruption. Rep. Rodriguez alleged that his district had not received any allocation due to his opposition to the then administration of President Gloria Macapagal-Arroyo while other congressmen enjoyed benefits and bonuses (GMA News 2008). In 2009, Senator Miriam Defensor-Santiago called for an investigation of the Road Board and the use of the MVUC after Typhoon Ondoy caused massive flooding in Metro Manila and nearby areas. Senator Santiago based her allegations of the misuse of the MVUC funds on Commission on Audit (COA) reports which detailed some irregularities in the use of the special funds (Santiago 2009).

Despite the controversies, there had been no comprehensive evaluation of the MVUC Act implementation aside from the 2005 study *Road Board Assistance on Road User Charges Law Implementation* (Cesar E.A. Virata & Associates Inc. 2005). Thus, this study attempts to provide an up-to-date evaluation of the procedures and safeguards in place for the allocation of the MVUC funds and the implementation and operation of specific funded projects. The study is also part of the set of impact evaluation studies of the Philippine Institute for Development Studies funded in 2014-2015 and supports the Department of Budget and Management's need for background studies on programs being reviewed under the department's zero-based budgeting framework.

1.2 Objectives of the Study

The general objective of the study is to evaluate the effectiveness and efficiency of the collection and disbursement of the MVUC. It seeks to identify the weaknesses and strengths of the current procedures adopted in the allocation of the MVUC and the effects of these weaknesses and strengths on project implementation. It also seeks to evaluate the impacts of MVUC-funded programs and projects and whether or not the objectives—in terms of adequate maintenance and road drainage, adequate and efficient safety devices, and reduced air pollution control—of the MVUC scheme are achieved.

The study is composed of two main components, namely process evaluation and impact evaluation, with the following specific objectives:

Process Evaluation

⁵ HDM-4 is a road investment model that evaluates economic viability of road projects and optimizes economic benefits to road users. Such information on benefits can be used to prioritize projects.

- a. To assess the effectiveness of the MVUC scheme by investigating whether or not the funds are used for their intended purposes;
- b. To determine conditions and safeguards that have to be put in place in the use of the MVUC funds;
- c. To determine how greater transparency and accountability can be induced in the use of the funds.

Impact Evaluation

- a. To evaluate the impacts of the MVUC scheme by gathering evidence on the programs and projects under the four special funds established under the law; and
- b. To help build the capacity of the government in conducting impact evaluation for road transport projects.

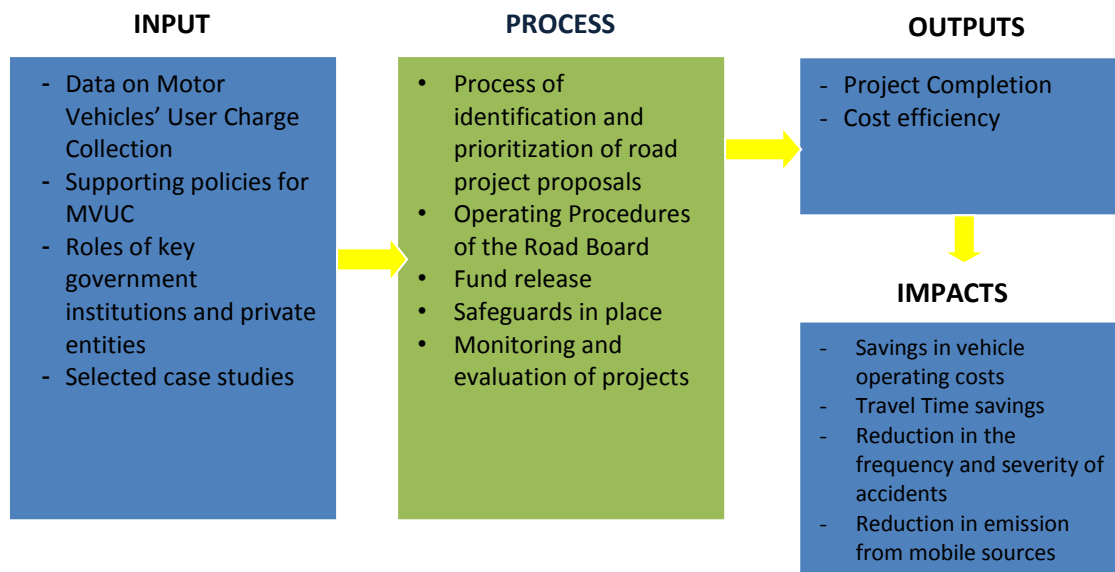
Case studies were conducted to check on the ground of how processes were followed and at the same time to gather evidence of impacts. Five cases or specific MVUC-funded projects were studied to evaluate the extent to which particular project objectives have been met.

Transport projects are undertaken to lower costs. The most common direct benefits of transport projects that will redound to the communities include:

- Savings in vehicle operating costs
- Person travel time savings
- Reduction in the frequency and severity of accidents
- Increased comfort, convenience, reliability, and accessibility of service

In general, the study adopts a modified input-process-output framework of inquiry. Input data include multi-year MVUC collections, pertinent policies and department orders of the key institutions, and the roles of the various government and private stakeholders. The input data obtained are described in this study to provide an understanding of the environment within which the processes operate. The processes pertaining to project identification, prioritization, implementation, and monitoring as well as other procedures such as fund release and procurement are also studied. The evaluation in this study documents the existing safeguards to ensure that the integrity and transparency of the processes are retained. Inquiry into the final product of the processes, as applied to the selected five case studies, are divided into two parts: examining the outputs, or the physical accomplishments of the selected MVUC-funded projects, and examining the impacts, which considers the projects' benefits to the locality in particular and the entire community in general and compares the benefits to the projects' declared objectives.

Figure 1. Framework of Inquiry



The process evaluation for the operation and management of the MVUC Special Funds and the assessment of the implementation is based on official documents and additional information obtained from key informants. The Study also describes the processes applied in and the impacts of the projects that are subjected to case studies. The main sources of information are the MVUC Act and its revised implementing rules and regulations (IRR), previous studies on the MVUC Special Funds, reports of the Commission on Audit (COA), the 2013 Operating Procedures Manual (OPM) for the MVUC, key informant interviews with staff of the Road Board Secretariat (RBS), DOTC, Land Transportation Office (LTO), the Department of Budget and Management (DBM), DPWH Central, Regional, and District Offices as well as ocular inspection conducted by the Research Team on the locations of the selected case studies.

2 The Motor Vehicle User's Charge in the Philippines

Road funds financed through taxes on road users, like the Motor Vehicle User's Charge (MVUC) Fund in the Philippines, are a kind of earmarked funds. In public finance literature, the pros and cons of earmarking are often juxtaposed with those of general fund financing (i.e., pooling tax revenues into a general fund and allocating the general fund across government programs and projects) and the discussions are far from over. The common argument for earmarking is that, since it directly links the tax revenues to public spending, it is better able to protect spending priorities (a commitment solution in public choice theory), curb corruption, and get support from the voting public. In contrast, the favorable view on general fund financing rests on the separation of the taxation decision from the expenditure allocation decision as a general two-step process, which offers flexibility and avoids a sub-optimal allocation of resources that may be inherent in earmarking (e.g., excess funds parked under earmarking will have a higher social return if placed in more urgent public projects). Note that the mentioned advantages of earmarking are closely related to the political economy perspective in decision-making. Such perspective can be crucial in countries with either weak institutions or very tight budget constraint, or both. These problems are common in developing countries, and thus, road funds as earmarked funds continue to be relevant to

them. In the Philippines, the road fund that was set up is as described below. A comparison with road funds in other countries can be found in Section 5.

2.1 The Motor Vehicle User's Charge in a Nutshell

In the Philippines, the earmarked road fund is sourced from a subset of road users—the motor vehicle owners. As stipulated in RA 8794, the Motor Vehicle User's Charge (MVUC) is imposed through the registration fees of vehicles and penalties for overloading collected by the Land Transportation Office (LTO) annually. As mentioned in the last section, the monies are deposited to four special accounts, namely, (1) Special Road Support Fund (SRSF), (2) Special Local Road Fund (SLRF), (3) Special Road Safety Fund (SRSaF), and (4) Special Vehicle Pollution Control Fund (SVPCF). The responsible agency and prescribed allocation for each special fund are summarized below:

Table 1. Special Funds under the Motor Vehicles User's Charge

Responsible Agency	Fund Name		Allocation	Purpose
DPWH	Fund 151	Special Road Support Fund (SRSF)	80%	Road maintenance and improvement of drainage of national primary and secondary roads
	Fund 152	Special Local Road Fund (SLRF)	5%	Maintenance of local roads, traffic management and road safety devices
	Fund 153	Special Road Safety Road (SRSaF)	7.5%	Installation of traffic signs, pavement markings, and safety devices
DOTC	Fund 151	Special Vehicle Pollution Control Fund (SVPCF)	7.5%	Air pollution control

The law stipulates that 70% of the SRSF should be used for the maintenance and drainage of national primary roads and the remaining 30% should be used for the maintenance and drainage of national secondary roads. Furthermore, the operating expenses of the Road Board and its Secretariat are charged against the SRSF.

A total of Php112.5 billion has been deposited to the MVUC fund from 2001⁶ to 2014. During the same period, Php105 billion was disbursed through the four special accounts, bringing the total fund balance by 2014 to about Php7.5 billion.

Table 2. MVUC Fund Total Collections and Releases, 2001-2014 (in Philippine pesos (Php))

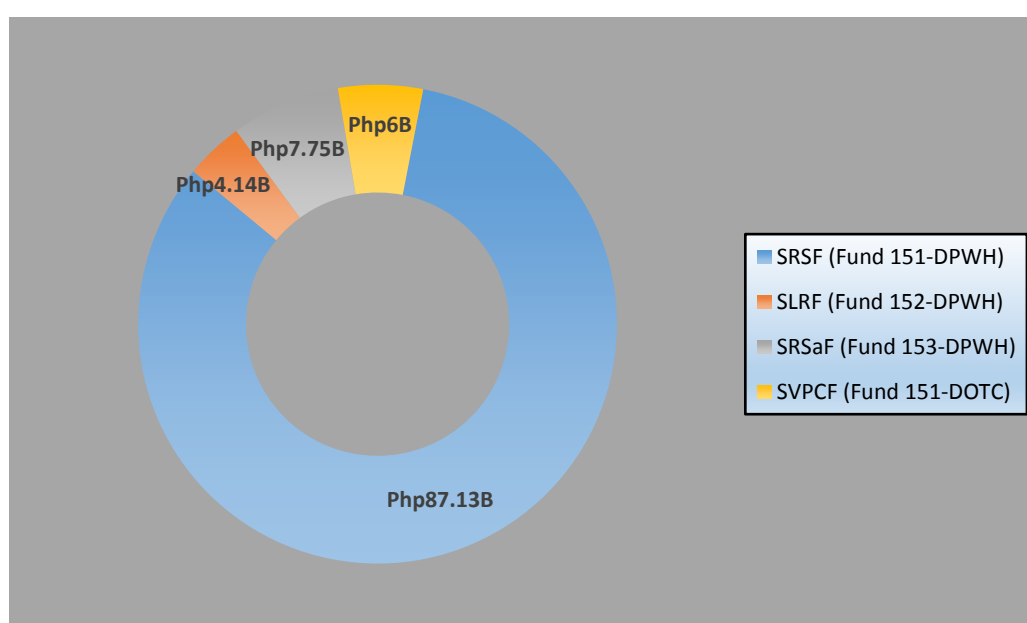
⁶ The LTO started collecting MVUC in 2001 following the completion of the 1st version of the Operating Procedures Manual.

Year	MVUC Collections	Releases
2001	3,171,682,068.85	0.00
2002	4,419,422,233.78	701,347,687.00
2003	5,455,562,970.16	4,068,516,000.00
2004	6,649,022,226.76	4,886,706,057.00
2005	7,207,309,000.06	6,869,331,120.00
2006	7,854,959,214.52	11,547,156,789.00
2007	8,443,724,502.95	10,541,325,541.00
2008	8,579,097,694.44	7,953,109,898.00
2009	9,031,116,338.79	6,267,383,944.00
2010	9,581,147,502.05	6,019,101,776.00
2011	10,100,381,687.60	8,836,159,908.00
2012	10,364,734,263.94	12,698,044,083.00
2013	10,856,204,914.51	8,216,715,685.00
2014	10,789,870,932.63	16,413,488,394.00
Grand Total	112,504,235,551.04	105,018,386,882.00
Fund Balance	7,485,848,669.04	

Source: Road Board

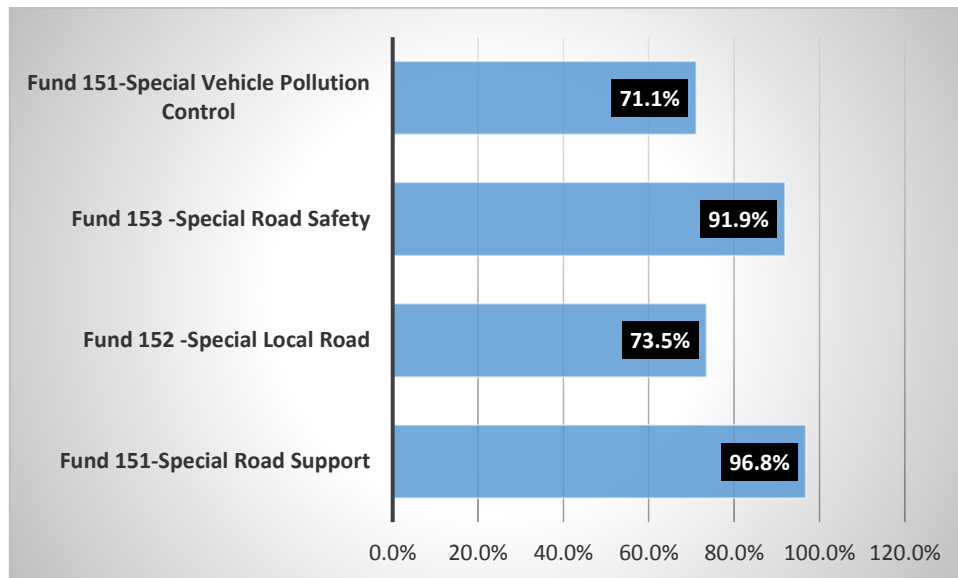
Of the total releases between 2001 and 2014, Php87.13 billion (83% of total disbursement) were from the SRSF, Php4.14 billion were from the SLRF (3.9%), Php7.75B from SRSaF (7.4%), and Php6B from the SVPCF (5.7%). The disbursement from the SRSF includes the operating expenses of the Road Board and its Secretariat for the same time period which totals about Php330.6M (0.38% of the total SRSF disbursement). Details of the annual disbursement for each special fund will be discussed in the respective case studies.

Figure 2. MVUC Disbursement by Special Fund (cumulative, 2001-2014)



In terms of utilization per special fund, the SRSF has the highest utilization rate⁷ at 96.8%, followed by the SRSaF at 91.9%. The SLRF and SVPCF have utilization rates of 73.5% and 71.1%, respectively.

Figure 3. Utilization Rate per Special Fund (cumulative, 2001-2014)



An analysis of available MVUC funds for Fund 151 (SRSF) and Fund 153 (SRSaF) for 2010-2015 vis-à-vis the DPWH Budget for Asset Preservation for the same duration indicates that on the average, the MVUC provides substantial additional funds for the maintenance of national roads (Figure 4). The additional funds reached a high share of 32% of the total maintenance fund in 2014. Cumulatively, the MVUC provided 39% of the total maintenance fund during the period 2010-2015 (Figure 5).

⁷ Ratio of total disbursement to total fund allocation.

Figure 4. MVUC Funds vis-à-vis DPWH Assets Preservation Budget from GAA

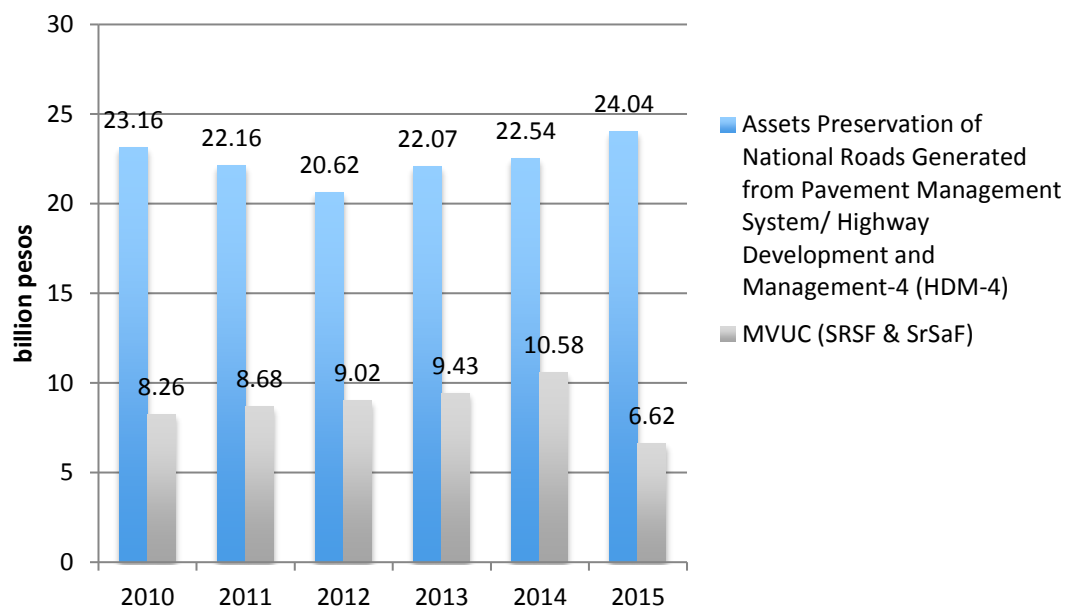
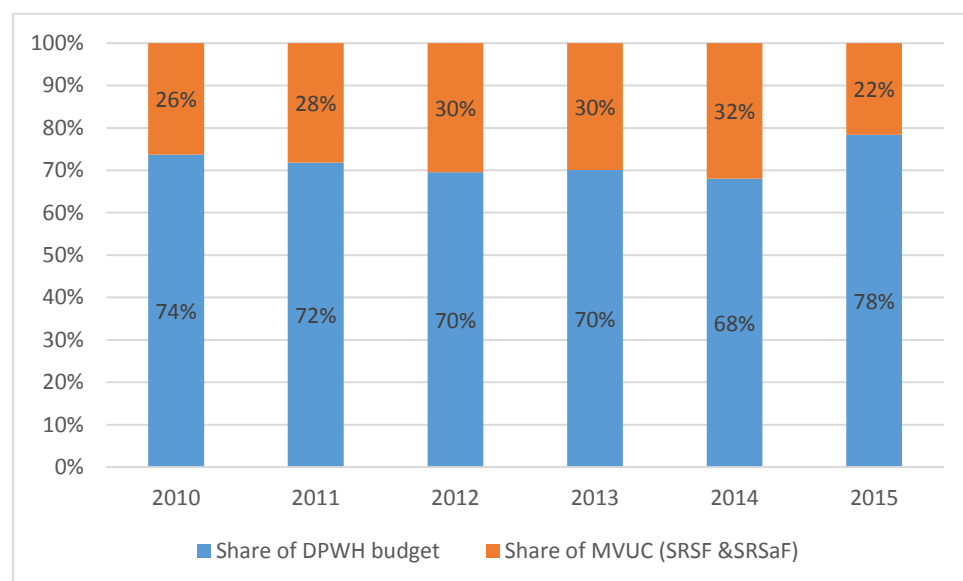


Figure 5. Shares of MVUC and DPWH-GAA in the Total Maintenance Fund



2.2 The Implementation Objectives

The IRR of the MVUC Act was issued jointly by the secretaries of the DPWH and the DOTC on August 16, 2000. It specifies the following implementation objectives of the law:

- 1) To provide adequate maintenance of the national and provincial roads to ensure satisfactory service to road users, efficient road transport operations and preservation of road assets;
- 2) To determine the physical and financial maintenance needs of the national road network, as optimized in a multi-year program within projected funding resource, with consideration of road safety requirements;
- 3) To determine optimal medium-term funding needs and allocations for the national and local road networks in relation to the economic and functional performance of the road networks, as a basis for evaluating the equity burden of road user charges;
- 4) To prioritize road maintenance needs as well as redressing and resolving maintenance backlogs, inclusive of road safety requirements;
- 5) To provide for a system of contracting maintenance work through competitive bidding;
- 6) To organize regular monitoring of road networks and road works, inclusive of road safety requirements and local road maintenance, to ensure prompt objective assessment and feedback of system performance and quality;
- 7) To formulate and implement a comprehensive program for the prevention, control and management of air pollution from mobile sources consistent with R.A. 8749, the Philippine Clean Air Act of 1999 and its Implementing Rules and Regulations; and,
- 8) To establish and implement the appropriate structural and procedural improvements to carry out these policies.⁸

There have been three amendments to the IRR of RA 8794:

- The heading of the first column of the tables in Schedule 1 of the IRR was changed from “2000” to “Base Rate” in September 2000;⁹
- The requirement for a Work Program was amended by requiring an Expenditure Program and the responsibilities of the RBS were enhanced in 2012;¹⁰
- The gross vehicle weight of trucks in the anti-overloading provisions of the IRR was amended in April 2013.¹¹

⁸ Rule 1, Article 1, of the IRR issued in 2000.

⁹ DPWH Department Order No. 161 Series of 2000.

¹⁰ As disclosed during the interview with RBS on March 25, 2015. The study team, however, was not given the specific Board Resolution date or number.

¹¹ Joint Resolution of DPWH and DOTC approved on April 5, 2013.

2.3 The Key Agencies Involved

This section outlines the responsibilities of the various key agencies involved in the collection, management, and disbursement of the MVUC fund and the identification, prioritization, and implementation of the projects financed by the various special funds, as prescribed by the law and its IRR and other subsequent pertinent department orders.

2.3.1 Road Board

To ensure the prudent and efficient management and utilization of the Special Funds, RA 8794 stipulated the creation of the Road Board to be composed of seven key members, namely:

- The Secretary of Public Works and Highways, as ex-officio chairperson
- The Secretary of Finance, as ex-officio member
- The Secretary of Budget and Management, as ex-officio member
- The Secretary of Transportation and Communications, as ex-officio member
- Three other members from transport and motorist organizations which have been active and in existence during the past five (5) years, appointed for a term of two (2) years by the President of the Philippines upon the recommendation of the DPWH Secretary and the DOTC Secretary

The Road Board convened for the first time on November 22, 2000 under the leadership of then DPWH Secretary Gregorio R. Vigilar. It performed its functions based on the IRR of the MVUC Act.

To provide administrative guidance on all matters, the Road Board has developed an Operating Procedures Manual (OPM) which has been revised through the years to its latest 2013 version. Consistent with the IRR of the MVUC Act, the 2013 Revised Operating Procedures Manual reflects the following functions of the Road Board:

1) Operation of Special Funds

To establish the necessary procedures, including appropriate controls, for collection of monies, deposits to the special trust accounts in the National Treasury, and disbursements from the MVUC account; to put in place the appropriate accounting, auditing, and reporting arrangements, in accordance with the accounting and auditing regulations of the government;

2) Management of Special Funds

To monitor the income and expenditure of the monies and approve withdrawals from the Special Funds, ensuring that the distribution is in accordance with Section 7 of the MVUC Act;

3) Approval of Expenditure Programs

To approve on an annual basis, prior to the beginning of the financial year, the Annual Expenditure Program (AEP) for: the Special Road Support Fund; Special Road Safety Fund, identified through Traffic Accident Recording and Analysis System (TARAS),¹² and road safety audits conducted by the DPWH without prejudice to road sections which the Board may, upon recommendation of the DPWH, consider for funding during the course of the year; and Special Vehicle Pollution Control Fund; as well as the proposed apportionment of the Special Local Road Fund to provincial and city governments;

4) Approval of Special Budgets

To approve a Special Budget for each Special Fund based on the approved expenditure program and covering either an annual or multi-year period as may be applicable, and to submit such to the DBM for release of funds;

5) Review of Work Programs

To review and approve revisions of the annual work programs in accordance with updated estimates of income to the Special Funds and level of work accomplishment based on submitted Work Plan, and to establish an operating margin above which the Implementing Agencies (the DPWH and the DOTC) can modify or make variations in the individual work project or the total program, subject to the prior approval of the Board;

6) Complementary Expenditure Programs Under Other Funding

To consider, in the approval of the Annual Expenditure Programs, such other work programs to be implemented by the DPWH and the DOTC that are to be financed through other sources, including:

- a) the continuing appropriations by Congress for road maintenance, road safety and local roads;
- b) the continuing appropriations by Congress for vehicle emissions control; and
- c) any grants and other funding from external agencies, donors and private financing;

7) Procedures for Monitoring Performance and Managing Program

To require the DPWH and the DOTC to provide and perform acceptable and systematic procedures for: measuring conditions; maintaining a database; determining treatments, priorities, cost estimates and quantified benefits on a life-cycle basis; and managing the implementation of programs in conformity with planned costs and time;

8) Approval of Bidding Procedures

¹² TARAS is a graphic data entry and statistical query system that provides access to information on traffic accidents on national roads throughout the Philippines. It is managed and implemented by the DPWH. It stores and analyzes traffic data collected for national roads and identifies hazardous locations or road sections with high frequency and severity of traffic accidents. The intent is to use the information in location prioritization through the Ranking List for road safety projects. However, according to the DPWH-RPO resource person (in the Planning and Evaluation Division), the use of the TARAS has been discontinued upon the recommendation of the DPWH Road Safety Consultant. The reason given was that the data collected were incomplete and hence do not provide the complete picture of the road safety situation in the country.

To approve competitive bidding procedures for execution of road maintenance and road safety projects;

9) Utilization of the Special Funds

To continually monitor the utilization and deployment of the four Special Funds, to ensure that the same are allocated and used effectively and efficiently in accordance with the approved programs (for this purpose, the Board may require DPWH and DOTC to submit periodic reports at interval not longer than three months presenting physical and financial progress in relation to approved programs and projection of expenditures);

10) Public Awareness and Reports

To raise public awareness on the use of the Special Funds and the activities of the Board, thus making the road users' involvement better informed; as soon as possible and not more than four months after the end of the fiscal year, to publish an Annual Report which shall include, among others, (a) a statement of the Board's activities during the year, (b) the annual financial statements and audit reports of the Board, including a separate accounting of each of the four Special Funds, and (c) an evaluation of the Board's performance in comparison with its statements of intent made at the beginning of the fiscal year; to make the Annual Report publicly available and widely disseminated in a popular form; to prepare or cause to be prepared such other reports as may provide for greater transparency and clarity in the operations of the Board;

11) Supervisory Authority

To exercise supervision and control over all substantive activities that are funded by and emanate from the use of the four Special Funds mentioned above, including activities undertaken by DPWH and DOTC;

2.3.1.1 Road Board Secretariat

Section 6 of the IRR of RA 8794 stipulates the creation of the Road Board Secretariat (RBS) to support the functions of the Board. Hence, following the creation of the Road Board, then DPWH Secretary Gregorio R. Vigilar issued Department Order (DO) 171 creating the Task Force for the establishment of the Road Board Secretariat on September 2000. However, although the RBS was created in January 2001, in accordance with the action plan of DO 171, it was not fully operational until 2004. The delay in operationalization was mainly due to a small number of plantilla positions approved for the RBS. Thus, most of its initial personnel were 'borrowed' on detail status, particularly the engineers and accountant.¹³

The Secretariat is headed by an Executive officer who is appointed by the Board and acts as secretary to the Board. The Secretariat is responsible for the day-to-day management of the Funds and for implementation of the decisions of the Board. In general, the Road Board Secretariat is responsible for the following tasks: (1) book keeping of proper accounts and

¹³ Key informant interview with former Undersecretary Teodoro Encarnacion, one of the two undersecretaries through which the RBS task force reported to the Secretary, an arrangement mentioned in DO 171. The interview response was received through email on May 26, 2015.

records in respect of the funds; (2) preparation and submission of audit in respect of each financial year, a balance sheet, a statement of income and expenditure, and a statement of cash flow as prescribed by the Commission on Audit (COA); (3) preparation of the Annual Report of the Fund; and (4) arrangement of the business for meetings of the Board and its sub-committees.

In 2012, through a board resolution signed by the secretaries of the DPWH and the DOTC, the responsibilities of the RBS¹⁴ were expanded to include:¹⁵

- Undertaking research activities, policy studies and preparing special/technical reports needed by the Board;
- Implementing special projects upon the direction and supervision of the Board;
- Making or accepting grants or donations;
- Executing routine contracts, on behalf and/or under the direction of the Board; and,
- Exercising such other functions as may be directed by the Board.

In 2011, the RBS only has five permanent staff positions. Currently, the RBS has only nine permanent staff positions, including the Executive Director and Division Heads. Additional 15 entry level positions have also been approved to support the functions of each division. (Of the 15 positions, 12 had been filled up and 3 were being advertised at the time this research was being undertaken.) All positions require civil service eligibility to ensure level of competency.

2.3.2 Department of Public Works and Highways

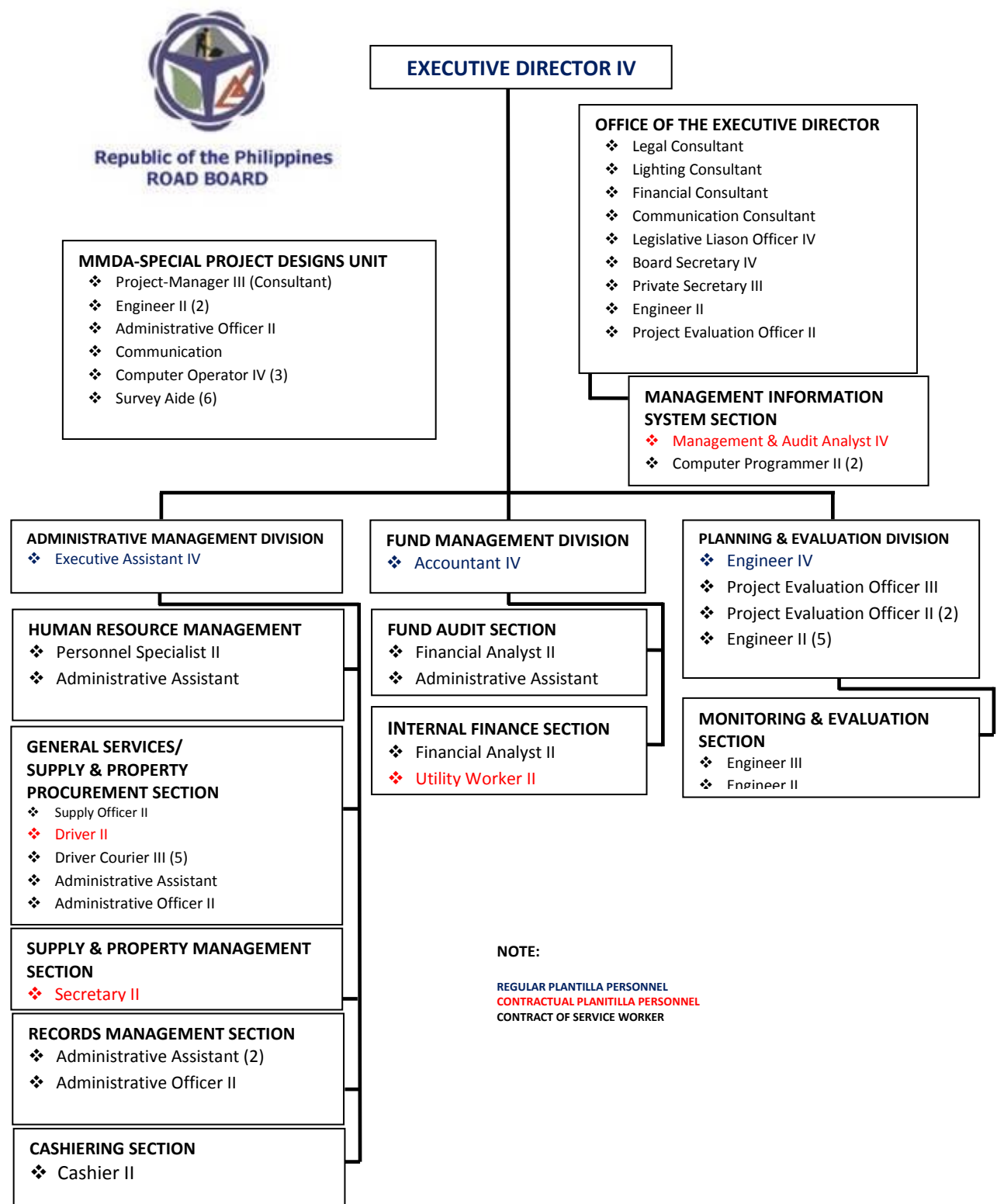
To ensure prudent, wise, effective and efficient utilization of the SRSF and SRSaF, the Department of Public Works and Highways (DPWH) performs the following functions:

1. Preparation and submission to the Road Board of Annual Work Plans (AWP) and rolling Multi-year work plans (MYP) through the Road Program Office (RPO);
2. Reporting on the status of funds under the Special Local Road Fund and availability for transfer to the various local governments, in coordination with the Department of Interior and Local Government (DILG);
3. Implementation of the approved road maintenance and road safety programs, duly monitored by the Bureau of Construction;
4. Submission of annual reports to the Road Board.

¹⁴ Interview with Road Board Secretariat, March 25, 2015.

¹⁵ Section (e) of the Revised IRR, approved in 2012.

Figure 6. Interim Organizational Structure of the Road Board Secretariat



Source: Road Board (2015).

http://www.roadboard.gov.ph/LS/theroadboard~chart/Organizational_Chart.html

2.3.2.1 Road Program Office

To assist the DPWH in the performance of its tasks and in accordance with Section 12 of the IRR of the MVUC Act, the DPWH established the Road Program Office (RPO). The RPO's constitution, functions, and responsibilities, as stipulated by Department Order 005-2011, are as follows:

1. The Director of Planning Service shall be the Head of the RPO. As such he/she shall coordinate and consolidate the planning and programming activities of the Planning Service and the planning and programming activities of the Bureau of Maintenance for MVUC projects. He/she shall also ensure that the consolidated plans and programs are coordinated with the Road Board Secretariat (RBS). He/she shall review the plans and programs for MVUC resource allocation prior to submission to the DPWH secretary and subsequent transmission to RBS.
2. The RPO Head shall be supported by staff from Planning Service (PS) and Bureau of Maintenance (BOM). The RBS shall also provide staff support to the RPO Head as the need arises, subject to the approval of the Road Board.
3. The RPO Head shall coordinate with all other units within and outside of the DPWH on matters related to MVUC-funded road maintenance and road safety activities.
4. The RPO Head shall submit the planning and programming targets and outputs to the RBS. The RBS, in turn, shall submit and present the MVUC plans and programs to the Road Board for deliberation and approval.
5. The Planning Service (PS) shall be responsible for the:
 - Planning and programming of Preventive Maintenance (PM) projects to be funded from the regular PM program under the General Appropriations Act (GAA);
 - Preparation of the list of PM projects generated from the Pavement Management System/Highway Development Management 4 (PMS/HDM)¹⁶ Planning Application for resource allocation under the Special Road Support Fund of MVUC. The Regional Offices and District Engineering Offices shall validate the HDM-4 outputs before their final inclusion in the list of projects under the GAA and MVUC funds.
 - Preparation of the list of road safety projects prioritized from the Traffic Accident and Recording Analysis System (TARAS) and Road Safety Audits to be funded from Special Road Safety Funds of the MVUC.
6. The Bureau of Maintenance shall be responsible for the:
 - Preparation of the Annual Routine Maintenance Program under the GAA and MVUC Funds.

¹⁶ The DPWH uses HDM-4 as its main tool for pavement management. HDM-4 is a road investment model that evaluates economic viability of road projects and optimizes economic benefits to road users. It seeks to find optimum strategies for planning and maintaining pavements in a serviceable condition over a given period of time.

- Preparation of the Roadside Maintenance Program under the GAA and MVUC Funds.
7. The Implementing Units¹⁷ shall be responsible for the submission of accomplishment reports to the Bureau of Construction (BOC).
 8. The BOC shall be responsible for the administration of the Project Monitoring System which includes all MVUC-funded projects.
 9. The Quality Assurance Units (QAU) shall be responsible for the implementation oversight by including MVUC Projects in their regular QAU assessments. The QAU reports shall be submitted to the RPO Head.¹⁸

2.3.3 Department of Transportation and Communications

Pursuant to Sections 7 and 9 of RA 8794, the IRR provides for the functions, duties and responsibilities of the Department of Transportation and Communications (DOTC) with respect to the collection of the Motor Vehicle User's Charge through the Land Transportation Office (LTO), and the disposition of the monies accruing to the Special Vehicle Pollution Control Fund. In accordance with the authority of the DOTC Secretary to undertake structural and procedural improvements to ensure the prudent, wise, effective and efficient utilization of the Special Vehicle Pollution Control Fund, the IRR also established the Vehicle Pollution Control Fund Committee (VPCFC).

The Committee is responsible for the administration and management of the fund, providing directions to the projects or activities utilizing the fund and, in general, supervising, monitoring and ensuring the proper implementation of the approved Vehicle Pollution Control Program.

The membership of the Committee, the Working Group and the Secretariat are all determined by the DOTC Secretary. The DOTC Secretary may also assign personnel, either on a temporary or permanent basis as the case may be, from other offices and units of DOTC. The Committee is headed by the DOTC Secretary, and assisted by a Technical Working Group (or TWG, which is headed by the DOTC Director for Planning) and the DOTC Secretariat. The TWG and the DOTC Secretariat are responsible for the submission of Annual Work Programs (AWPs) and rolling Multi-Year Work Programs (MWPs) of the DOTC. The work programs should: identify the specific programs, projects and activities aimed at preventing, controlling, and managing air pollution from motor vehicles; determine the resources and funding requirements; and set the timetable for implementation. The work programs are subject to approval and can be modified as necessary by the Road Board.

In the preparation of the work programs, the Committee is directed to coordinate with the Department of Environment and Natural Resources (DENR) to ensure that the program and its implementation are consistent with the Philippine Clean Air Act of 1999.

¹⁷ DPWH Department Order (DO) 24 series of 2007, as amended by DPWH DO 54, series of 2011, prescribes that the Implementing Unit for projects with costs up to Php50 million will be the District Engineering Offices and for those with costs above Php50 million, the Regional Offices.

¹⁸ Note that the Planning Service, Bureau of Maintenance, Implementing Units (Regional Offices, District Engineering Offices), Bureau of Construction and Quality Assurance Units are all in the DPWH.

The Committee is also tasked to conduct studies and surveys necessary to meet air pollution reduction objectives and to monitor, manage and administer the SVPCF, in accordance with the guidelines provided by the Board.

The first VPCF Committee was constituted in 2005 through Department Order 2005-16.

2.3.3.1 Land Transportation Office

The Land Transportation Office (LTO) is a line agency under the DOTC mandated to enforce the existing traffic rules and regulations of the country, including drivers' licensing and vehicle registration. With respect to the MVUC, the LTO is responsible for ensuring the proper collection and remittance of the levy. It is directly in charge of collecting the MVUC by including it in the annual vehicle registration fee and imposing penalties on violators of the rules on vehicle capacity overloading. It deposits all collections to the National Treasury, which in turn places these into the four special trust accounts, in conformance with Section 7 of the MVUC Act. It also submits recommendation to the DOTC Secretary on any change in the classification of motor vehicles. In addition to collection and remittance, the LTO, through its district and regional offices, also functions as an implementing arm for projects under the SVPCF.

2.3.4 Department of Interior and Local Government

By virtue of the Memorandum of Agreement entered into by the Department of Interior and Local Government (DILG) and the DPWH in 2005 for the administration of the Special Local Road Fund (SLRF), the DILG agreed to:

- 1) Collaborate with the DPWH in administering/overseeing the implementation and utilization of the SLRF at the local government unit (LGU) level in accordance with the prescribed policies and standards under the MVUC law and its IRR;
- 2) Provide the DPWH with data on LGU road length and vehicle registration as basis for apportionment of the SLRF to provinces and cities;
- 3) Inform the provincial and city governments of their SLRF annual allocation for the preparation of their Annual Work Programs (AWPs);
- 4) Review, consolidate, and submit the LGUs' AWP to the Road Board through the DPWH-Road Program Office;
- 5) Monitor the progress and utilization of the SLRF;
- 6) Install and operate an Implementation Tracking System with the assistance of the DPWH;
- 7) Institutionalize systems and mechanisms on road maintenance management in the LGUs; and,
- 8) Represent the LGUs to the Road Board.

2.3.5 Local Government Units

The local government units (LGUs) are tasked to prepare and submit, through the DILG, their Annual Work Programs (AWPs) corresponding to the amounts allocated by the Road Board. Upon approval of the AWP, the LGUs and the DPWH, through its appropriate Regional Office (RO), must enter into a Memorandum of Agreement (MOA) to delineate responsibilities in

project implementation. The MOA is executed for every fund release to the LGU. The general terms of the MOA directs the LGUs to:

- 1) Implement projects funded by the SLRF, in accordance with the approved Work Program and Maintenance Performance Standards and Procedures required of all LGUs and to submit to the DILG a quarterly progress report, copy furnished the DPWH-District Engineering Office (DEO);
- 2) Establish, maintain, and operate a financial management system to record details of expenditures from the SLRF released to the LGUs and to submit quarterly financial reports;
- 3) Prepare and submit to the DPWH an Annual Report not later than the 20th of February of each year;
- 4) Conduct an annual inventory of existing local road networks for the updating of the database of provincial/city roads assets and the submission of the same to the DILG Central Office, which in turn is in charge of updating of the National Inventory of Local Roads; and
- 5) Periodically inspect, verify, and measure the work accomplished through engineers assigned to monitor the SLRF projects.

The LGUs are required to open and maintain a separate Trust Account/Local Current Account to be known as the Road Fund Disbursement Account to be used exclusively for road maintenance, road safety devices, and traffic management. Fund releases from the SLRF and to the beneficiary LGUs are deposited to this account.

2.3.6 Department of Budget and Management

The Department of Budget and Management (DBM) is mandated to 'promote the sound, efficient and effective management and utilization of government resources. In keeping with its mandate, it ensures that the expenditures from the MVUC fund is within the approved MVUC Expenditure program (i.e., budget ceiling) for the year, allocated per special fund. The agency is responsible for the issuance of Special Allotment Release Order (SARO) and the Notice of Cash Allotment (NCA) for the approved projects under the four (4) special trust accounts, which are submitted by the Road Board to the Department.

3 Process Evaluation

3.1 The Key Processes

The following describes the key processes prescribed in RA 8794, its IRR and other subsequent department orders, and the Operating Procedures Manual (OPM) of the Road Board.

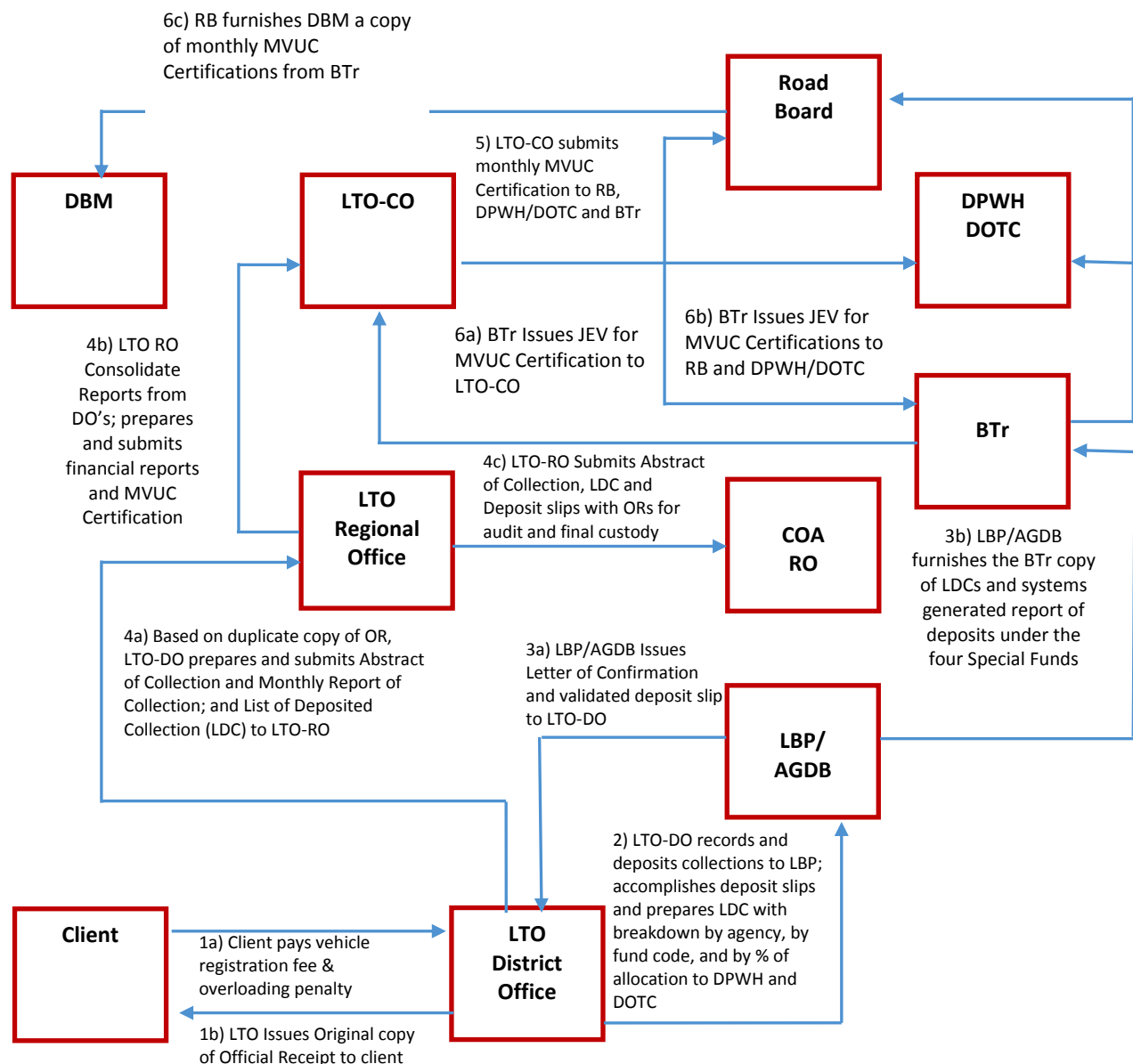
3.1.1 Collection and Deposit of Monies

The collection of monies and subsequent deposit to the Bureau of Treasury (BTr) is primarily performed by the Land Transportation Office (LTO), in accordance with Presidential Decree No. 1234, Joint Memorandum Circular No. 1-81 of the Department of Finance (DOF) and Commission on Audit, and DOF Order No. 52-96 dated May 22, 1996. The procedure for the collection and deposit of MVUC can be divided into the following major tasks:

- 1) The LTO District Offices (LTO-DOs) nationwide collect vehicle registration fees from vehicle owners covered by their jurisdictions, and overloading penalties, when applicable;
- 2) Each LTO-DO deposits the collections to the Land Bank of the Philippines (LBP), the Authorized Government Depository Bank (AGDB) for MVUC, and prepares the List of Deposited Collections (LDC), with breakdown by fund code. It also submits to the LTO Regional Office (LTO-RO) the Abstract of Collections, the Monthly Report of Collection and the LDC, based on the duplicate copy of the Original Receipts (OR).
- 3) The LBP issues a letter of confirmation and validated deposit to the LTO-DO. It likewise furnishes the Bureau of Treasury (BTr) the LDC and systems-generated report for the four special funds.
- 4) The LTO-RO consolidates reports from the district offices and submits a financial report and MVUC Certification to the LTO Central Office (LTO-CO). The LTO-RO likewise submits the Abstract of Collection, LDC, and Deposit Slips with ORs for audit and final custody to the respective regional office of the Commission on Audit (COA-RO).
- 5) The LTO-CO submits monthly MVUC Certifications to the Road Board through the Road Board Secretariat, the Department of Public Works and Highways/Department of Transportation and Communications (DPWH/DOTC) and the BTr. The LTO-CO is required to submit the financial reports for the preceding month by the 20th of each month.
- 6) The BTr issues the Journal Entry Voucher (JEV) for MVUC Certifications to the Road Board through the Road Board Secretariat and the DPWH/DOTC.

The detailed process flow for the collection and deposit of MVUC monies is outlined in Figure 7.

Figure 7. Process Flow for the Collection and Deposit of MVUC Monies



Source: 2009 COA Sectoral Audit Report

3.1.2 Project Identification, Prioritization, and Approval

There are four documentary requirements in initiating the request for funding under any of the four special funds. These are:

- Program of works
- Detailed project cost estimates
- Detailed plan
- Pictures of the proposed road project with station limits, or of the pollution control project

Results of the Assessment of the Utilization and Impacts of the Motor Vehicle User's Charge in the Philippines

These are submitted by the implementing units to the proponent agencies. For the SRSF and the SRSaF, the implementing units may be the district engineering or the regional offices and the proponent agency is the DPWH. For the SLRF, the LGUs submit to the DILG as the proponent agency. For the SVPCF, the regional LTOs submit to the DOTC.

Once the annual list of projects has been finalized, the proponent agency then submits the same to the Road Board for review. The 2013 Operating Procedures Manual (OPM) of the Road Board prescribes output classes with specific work categories that are eligible for funding from the special funds. Work categories under Output Classes 1 and 2 (maintenance of national primary and secondary roads) are eligible for SRSF funding, while those in Output Class 3 (maintenance of local roads) are eligible for SLRF funding. (See table below.)

Table 3. Work Categories for Output Classes 1-3

Output	Work Category Number and Name	Output Class 1: Maintenance of National Primary Roads	Output Class 2: Maintenance of National Secondary Roads	Output Class 3: Maintenance of Local Roads
Carriageway Maintenance	10 Pavement Management	√	√	√
	11 Regravelling	√	√	√
	12 Bridge and Structure Maintenance	√	√	√
Roadside Maintenance	15 Shoulder Maintenance	√	√	√
	16 Drainage Maintenance	√	√	√
	17 Vegetation Control	√	√	√
	18 Traffic Services and Maintenance	√	√	√
Preventive Maintenance	20 Pavement Resurfacing	√	√	√
	21 Concrete Reblocking	√	√	√
	22 Seal Widening	√	√	√
	23 Preventive Works	√	√	√
Rehabilitation and Improvement	25 Rehabilitation	√	√	√
	26 Drainage Improvement	√	√	√
	27 Rehabilitation plus improvement	√	√	√
Emergency Reinstatement	28 Emergency Reinstatement	√	√	

Results of the Assessment of the Utilization and Impacts of the Motor Vehicle User's Charge in the Philippines

Output	Work Category Number and Name	Output Class 1: Maintenance of National Primary Roads	Output Class 2: Maintenance of National Secondary Roads	Output Class 3: Maintenance of Local Roads
Road Management	30 Professional Services	√	√	
	31 Administration	√	√	

Note: Emergency reinstatement pertains to immediate or temporary repairs to address the damages caused by sudden and unexpected events.

Source: 2013 Road Board Operating Procedures Manual

Work categories under Output Classes 4 to 6 are eligible for SRSaF funding:

Table 4. Work Categories for Output Classes 4-6

Output	Work Category Number and Name	Output Class 4: Safety Works on National Roads	Output Class 5: DPWH Safety Works on Local Roads	Output Class 6: LGU Safety Works on Local Roads
Safety devices	50 Safety Devices Installation	√	√	√
	51 Safety Devices Operation	√	√	
Safety Projects	55 Safety Projects	√	√	√
Road Safety Education and Training	57 Road Safety Education and Training	√	√	
Road Safety Management	59 Road Safety Management	√	√	

Source: 2013 Road Board Operating Procedures Manual

Work categories under Output Class 7 are eligible for SVPCF funding:

Table 5. Work Categories for Output Class 7

Output	Work Category Number and Name	Output Class 7: Motor Vehicle Pollution Control
Vehicle Standards and Enforcement	60 Development of Vehicle Standards and Regulations	√
	61 Enforcement of Vehicle Standards and Regulations	
Vehicle Pollution Control Education and Training	67 Vehicle Pollution Control Education & Training and Public Information	√

Output	Work Category Number and Name	Output Class 7: Motor Vehicle Pollution Control
Vehicle Pollution Control Management	69 Vehicle Pollution Control Management	√
Alternative Vehicle Pollution Control Technology	70 Alternative Vehicle Pollution Control Technology	√

Source: 2013 Road Board Operating Procedures Manual

All proposed projects are evaluated by the RBS. However, the evaluation procedures under each special fund differ. For project proposals under the SRSF and the SRSaF, the Operating Procedures Manual prescribes that RBS coordinate with the DPWH-RPO to ensure that the proposed projects conform to the results of applying HDM-4 and TARAS and that there's no funding duplication, that is, the proposed projects have not been funded or are not being funded from other sources.

For project proposals under the SLRF, the Operating Procedures Manual prescribe the following allocation formula for each city/municipality:

$$LGU \text{ allocation} = \text{Annual SLRF}(0.30PI + 0.20VHI + 0.50RLI)$$

Where *PI* = performance index

VHI = vehicle population index

RLI = road length index

The performance index refers to the performance of the LGU and the index being used currently is derived from the Seal of Good Housekeeping program¹⁹ being implemented by the DILG.²⁰

For the SVPCF, the IRR of the MVUC law directs the DOTC to coordinate closely with the Department of Environment and Natural Resources (DENR) in the preparation of its Annual Work Plan (AWP) and the corresponding Annual Expenditure Program (AEP) to ensure that the program and its implementation are consistent with the Philippine Clean Air Act of 1999. Under the Operating Procedures Manual, the AWP and AEP are to be submitted by the DOTC to the Road Board through its Secretariat prior to the financial year to which the programs apply. Operationally, the target submission is November. The DOTC secretary or the delegated representative should confirm the submitted AEP in writing with a clear implementation schedule. The submitted AEP should include: a brief description of the proposed course or program, including the target audience and geographical spread; objectives to be achieved and how these will be measured; total cost; proposed starting date; and duration of the course or program.

3.1.3 Funding Release Process

Upon approval of the projects, the Road Board submits the budget of the approved projects to the Department of Budget and Management (DBM). The DBM then issues the Special Allotment

¹⁹ The Seal of Good Housekeeping monitors and awards LGUs with good performance in internal housekeeping specifically in the areas of local legislation, development planning, resource generation, and resource allocation.

²⁰ Interview with RBS on February 9, 2015.

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Release Order (SARO)/Notice of Cash Allotment (NCA) to the proponent agencies, after verification of availability of funds based on the approved Expenditure Program (i.e., approved budget ceiling for the use of the Special Funds). The proponent agencies (DPWH and DOTC) then release the funds to the implementing units.

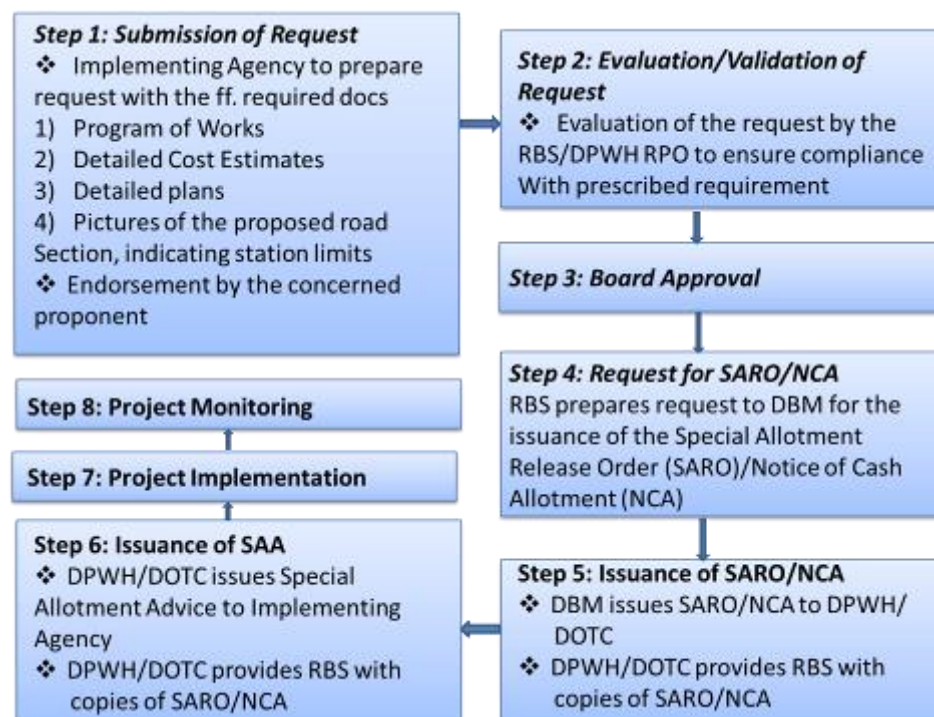
At the end of the obligated period, any unspent balance, unless the Board advise otherwise, should be cancelled and reverted to the relevant special trust account.²¹

3.1.4 Monitoring of Projects

Section 5 of the IRR directs the Road Board 'to require DPWH and DOTC to provide and perform acceptable and systematic procedures for measuring conditions and managing the implementation of programs in conformity with planned costs and time.' Further, Chapter 6 of the Road Board's Operating Procedures Manual (OPM) establishes the report format for the quarterly achievement, annual and special reports required by the Road Board and to be submitted by the DPWH, the DOTC and the LGUs which utilize the special funds. The OPM states that quarterly achievement reports must be submitted to the RBS at the end of March, June and September, and no later than the 20th of the month following the quarter being reported.

The MVUC project cycle, from proposal stage to implementation and monitoring stage, is summarized by the Road Board as follows:

Figure 8. MVUC Project Cycle



Source: Road Board

²¹ 2009 COA Sectoral Audit Report.

3.2 Key Findings from the Process Evaluation

This section presents the key findings of the evaluation of the implementation of the procedures described in Section 2. It also presents the identified implementation challenges. The description of the *de facto* practices and implementation issues are based on COA reports, interviews with the Road Board Secretariat, members of the VPCFC (past and current members), and key personnel of the DPWH Road Program Office (DPWH-RPO) and other DPWH units, the LTO, the BTr, and the DBM.

3.2.1 On the Collection and Deposit of Monies

In 2008, COA reported that “the total MVUC collections and deposits could not be accurately established due to errors in recording, among others, which resulted in unreconciled differences between LTO and BTr records,” with the aggregate unreconciled difference amounting to Php1.288 billion as of December 31, 2008.²² We checked further using 2009-2014 data made available to us. The data show that the cumulative discrepancy has increased to Php4.032 billion as of end-2014.

Table 6. MVUC Collection and Deposit

Year	LTO Deposits (Php)*	BTr's Record of Statement of Deposits (Php)**	% Difference
2001	3,426,312,376	3,171,682,069	-7.43%
2002	4,672,346,472	4,419,422,234	-5.41%
2003	5,455,565,035	5,455,562,970	0.00%
2004	6,649,038,227	6,649,022,227	0.00%
2005	7,207,319,724	7,207,309,000	0.00%
2006	8,261,165,615	7,854,959,215	-4.92%
2007	8,537,353,490	8,443,724,503	-1.10%
2008	8,859,758,531	8,579,097,694	-3.17%
2009	9,184,490,405	9,031,116,339	-1.67%
2010	9,845,653,527	9,581,147,502	-2.69%
2011	10,328,137,605	10,100,381,688	-2.21%
2012	10,715,046,305	10,364,734,264	-3.27%
2013	11,242,062,869	10,762,575,928	-4.27%
2014	12,204,344,784	10,935,289,206	-10.40%
Total	116,588,594,963	112,556,024,838	-3.46%

Notes: * Based on Certification issued by LTO RO consolidated by LTO Central Office.

** Based on Updated Certifications Issued by the Bureau of Treasury.

Source: Road Board

In the course of this study, several sources of the discrepancies were identified through discussions with key personnel from pertinent agencies. These include:

²² 2009 COA Sectoral Report

1) MVUC monies deposited in General Fund

The LTO started in January 2001 shortly after the enactment of the law. However, the special funds were created only in 2002. Hence, the collection prior to the establishment of the MVUC funds were deposited to the General Fund (Fund 101). No adjustment has been made for the 2001 MVUC deposit.²³

2) Manual Encoding of List of Deposited Collections (LDC)²⁴

Another source of the discrepancy identified is the manual encoding of the List of Deposited Collections by the Bureau of Treasury (BTr) which is considered to be prone to human error. According to the LTO, its Abstract of Collection is automatically generated. The registration fee/penalty is automatically displayed once a license plate is encoded. Moreover, the monthly summaries from the LTO are collected and checked by the Road Board Secretariat (RBS) and checked for consistency with the validated deposit slips from the Land Bank of the Philippines. Thus, the LTO and BTr agreed that the problem lies in the encoding of data on deposits.

3) Use of Incorrect Agency/Transaction Code

One source of error in the encoding of MVUC collection is the use of incorrect transaction/agency code by the LTO collection officers.

4) No LDC for LTO Advance Deposits²⁵

A main issue that was identified was the non-issuance of the List of Deposited Collections (LDC) for the LTO advance deposits. It is the practice of the LTO to make advance deposit of the weekly collections every Friday by the 3 p.m. cut-off time, although payments are still processed by the LTO offices until 5 p.m. or 6 p.m. on Fridays. This is to ensure that no large amount of money is kept at the district offices over the weekend. In as much as the rest of the Friday collections will still be deposited the following Monday, the LTO does not submit a LDC, only an Abstract of Deposits with the DPWH Agency Code but without the breakdown of deposits by special fund. As a result, the BTr allocates the advance deposit to DPWH Fund 151, 152, and 153. It then places the rest of the deposits to the General Fund (Fund 101).

This year, the Bureau of Treasury (BTr) has issued several Journal Entry Vouchers (JEVs)²⁶ to adjust MVUC collections, including:

1) JEV No. 15-10-07772 dated October 01, 2015:

Collections for the year 2006 received on 2007-2013.

2) JEV No. 15-10-07774 dated October 01, 2015 to correct the following:

²³ Meeting with LTO and RBS on Nov. 16, 2015

²⁴ Meeting with personnel of the Bureau of Treasury, LTO, and representative of Road Board Secretariat, December 1, 2015.

²⁵ Ibid.

²⁶ A journal voucher is an integral part of the audit trail, and carries (1) a serial number, (2) transaction date, (3) transaction amount, (4) ledger account(s) affected, (5) reference(s) to documentary evidence (such as invoices or receipts) supporting the entry, (6) brief description of the transaction, and the (7) signature(s) or initials of one or more authorized signatories. A journal is, in effect, a collection of financial data culled from journal vouchers. (Source:

<http://www.businessdictionary.com/definition/journal-voucher.html#ixzz3uy8SDMXh>)

- a. MVUC share for DPWH OSEC was credited to DOTC;
 - b. MVUC share for DOTC was credited to DPWH OSEC;
 - c. MVUC share for DPWH OSEC was credited to other agencies;
- 3) JEV No. 15-06-04808 dated June 17, 2015:
MVUC collections which should be recorded to DPWH OSec (B5702) were recorded to DPWH RO III (B9789), DPWH RO V, DPWH RO XI (B9876), etc.
- 4) JEV No. 15-07-05328 dated July 03, 2015:
Discrepancy in Generated MVUC Summary for the months of January and February 2015, for the date July 3, 2015 against April 7, 2015.
- 5) JEV No. 115-05-04164 dated May 29, 2015:
Erroneous transaction code such as 604 for regular collections and 609 for penalty collections.

3.2.2 On Project Identification and Prioritization

3.2.2.1 For Projects under DPWH Supervision

As described in the preceding section, the procedure for identification and prioritization of projects under the IRR of the MVUC Act is that the DPWH RPO is supposed to generate a list of priority road projects. In addition, the Operating Procedures Manual prescribes using the results of HDM-4 analysis. The list of priority road projects shall then be validated by the concerned RO and DO. However, the 2009 COA Sectoral Performance Audit Report pointed out that there have been instances when DPWH regional offices submit their proposals directly to the Road Board, without prior submission to the DPWH Central Office.²⁷ Further, the 2011 COA Report noted that a “lack of effective procedures by the Planning and Evaluation Division (PED) of the Road Board Secretariat (RBS) in the evaluation of 1,011 projects amounting to P7.99 billion before implementation by the Regional Offices/District Engineering Offices (ROs/DEOs) of the DPWH may result in the approval of non-priority projects”.²⁸ Hence, to optimize value for money, the COA directed the Road Board to “request from the DPWH the current/updated HDM-4, updated RBIA (Road and Bridge Information Application), and list of funded and proposed projects to avoid duplication/overlapping”.²⁹

The study team's discussions with the DPWH RPO³⁰ revealed that despite the COA recommendation, the list of priority projects is still not generated by HDM-4 as prescribed by the MVUC law and its IRR, nor coursed through the implementing agencies. In this respect, the actual practice is not consistent with what is intended by the law and the IRR, and deviates from what is indicated in the Operating Procedures Manual. What is happening in actual practice is that the RBS compiles the list of projects submitted to them by the district and regional offices of the DPWH. The RBS then sends the list to the DPWH RPO/Planning Service for evaluation and confirmation. The DPWH RPO/Planning Service checks whether the project has not yet been funded from other sources. The indicated road conditions are validated using Road Condition (ROCOND) data that the DPWH regularly generates and the station limits (i.e., start and end) of project are confirmed. The results of the evaluation of the DPWH RPO are

²⁷ Sectoral Performance Audit Report 2009-02. Commission on Audit.

²⁸ 2011 COA Report on the Road Board.

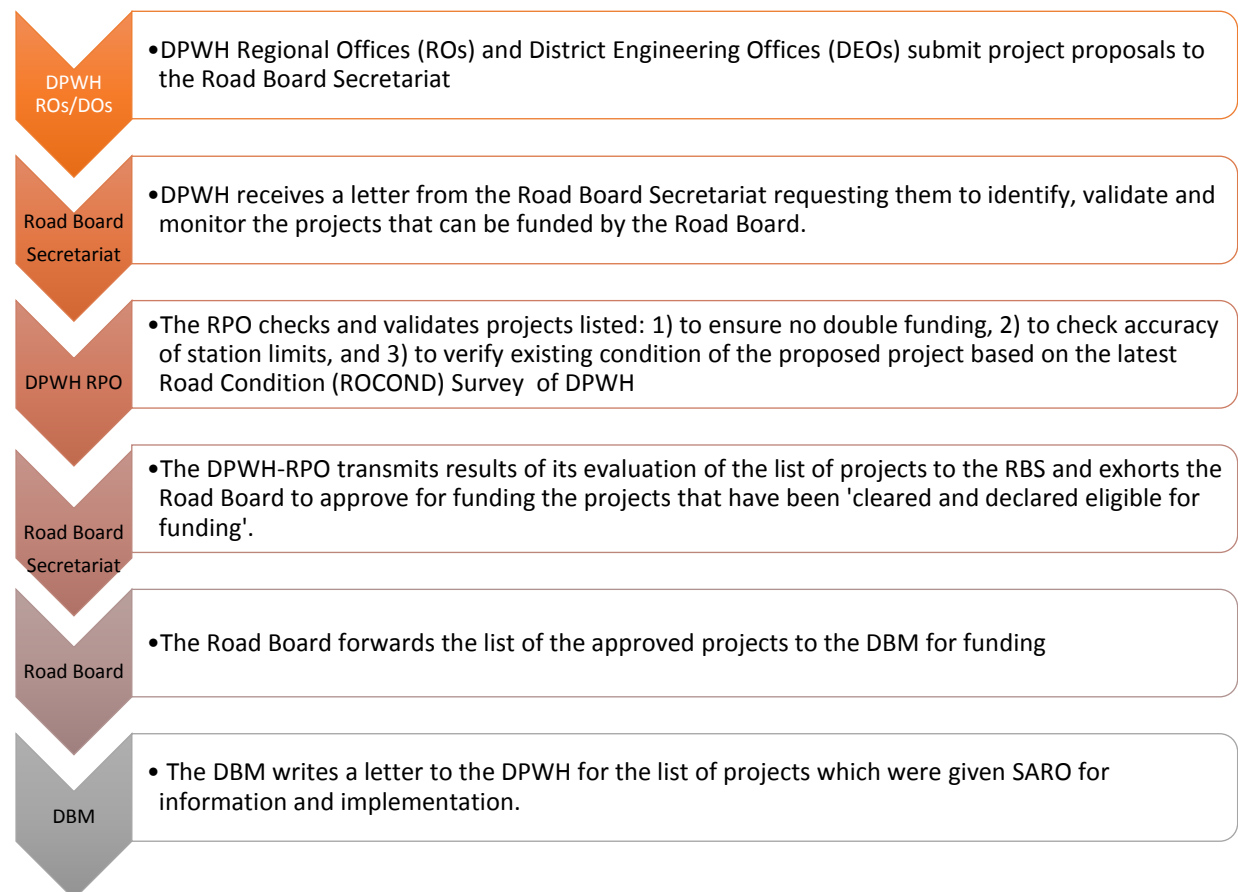
²⁹ Ibid.

³⁰ Meeting with DPWH RPO, February 27, 2015.

transmitted to the RBS, with the exhortation to endorse to the DBM only those projects that have been evaluated and declared “eligible for funding” (Sample letters and tables of projects are shown in Appendix A).

The current practice in identifying and evaluating priority preventive maintenance projects is illustrated below:

Figure 9. De facto Procedure for Project Identification for SRSF and SRSaF Funding



Source: DPWH-Road Program Office

For the identification of priority road projects under the SLRF, two critical challenges have been identified. These are the: 1) absence of a comprehensive and validated database on local road conditions, and 2) difficulty in ascertaining the accuracy of number of motor vehicles that are actually used in the city/municipality, which may not be the same as the number of registered vehicles in the city/municipality. These data are inputs to the formula used to determine the budget ceiling for each locality. Although one of the required tasks for the LGUs is to regularly conduct local road inventory and submit the same to the DILG, the results of these have not been validated by DPWH. To address this issue, the Road Board approved the conduct of the Road Inventory Survey on an estimated 47,000 kilometers of local roads during its February 9, 2015 meeting.

3.2.2.2 For Projects under DOTC Supervision

Of all the 4 funds, the SVPCF is the most underutilized. In the 2011 COA Report³¹ on the MVUC, it was found that only 1.7% of the total MVUC funds available during that year was released for vehicle pollution control—substantially below the 7.5% yearly allotment mandated by the law. Further scrutiny of data on SVPCF collection and releases from 2001-2014 reveals that there had been years when there were no releases from the SVPCF.

Table 7. Collections for and Releases from the Special Vehicle Pollution Control Fund (in Php)

Year	Collections	Releases
2001	235,189,161.54	0.00
2002	342,278,354.14	0.00
2003	409,027,760.98	0.00
2004	498,744,009.07	144,463,000.00
2005	540,521,366.12	276,700,000.00
2006	603,115,726.32	514,299,000.00
2007	649,321,294.67	0.00
2008	683,939,656.20	541,701,420.00
2009	731,788,846.77	811,524,500.00
2010	786,116,869.50	131,175,000.00
2011	859,666,176.70	67,226,000.00
2012	817,186,427.88	45,878,744.00
2013	776,713,138.25	0.00
2014	809,249,698.95	3,467,114,863.00
Total	8,742,858,487.09	6,000,082,527.00

Source: Road Board Secretariat

The main reason for this underutilization of funds is the absence of a definitive operating procedure system for the identification and prioritization of projects. The 2012 COA report calls attention to the inability of the DOTC to “formulate and implement a comprehensive program for the prevention, control and management of air pollution from mobile sources consistent with R.A. 8749, the Philippine Clean Air Act of 1999 and its Implementing Rules and Regulations”.³² The 2012 Audit Report also recommended that the DOTC “facilitate the revision of the Implementing Rules and Regulations for the Special Vehicle Pollution Control Fund (SVPCF) so that projects funded out of said fund would be immediately undertaken”.³³ The study team’s interview with the DOTC confirmed that, to date, the agency does not have clear guidelines on prioritization of projects for potential SVPCF funding, although the development of such is underway.³⁴ Because of this lack of clear guidance, several projects proposed by the DOTC were disapproved for funding because these “did not fall within the approved work categories.”³⁵

³¹ 2011 COA Audit Report

³² Section 1g of RA8794 IRR

³³ 2012 COA Audit Report

³⁴ Interview with Dir. Florencia Creus of DoTC Planning, Dec. 19, 2014

³⁵ <http://www.manilatimes.net/senate-panel-starts-probe-on-road-users-tax/46314/>. Accessed August 28, 2014.

The 2013 experience in the implementation of the Special Vehicle Pollution Control Programs and Projects illustrates the lack of clear guidelines. The Department of Budget and Management released SARO No. BMB-A-12-0008165 amounting to Php 45,878,744 to cover the implementation of fiscal year 2012 projects, the budget for which was obligated until December 2013. Included in the list of projects is the Public Utility Jeepney (PUJ) Modernization Program, but it was not implemented after the Road Board requested for a Department of Justice (DOJ) opinion and the latter ruled that public fund (such as the MVUC) should not be used for private undertakings. According to the DOJ opinion, public transportation modes, which are privately owned, are not eligible for funding under the MVUC. As a result, no disbursements to the DOTC were made in 2013.

In a key informant interview with DOTC, it was articulated that coordination with the DENR is not done. (Note that the IRR of the MVUC law required such coordination.) In fact, the composition of the Vehicle Pollution Control Committee (VPCC) does not include DENR units. However, non-coordination with DENR was not identified as a cause for the under-utilization of the SVPCF. The main reason was truly the delay in coming up with a definitive operating procedure for project identification and prioritization.

3.2.3 On Release of Funds

The study conducted by Cesar E.A. Virata & Associates Inc. (2005)³⁶ stated that the procedure followed by the Department of Budget and Management Procedure (DBM) is consistent with the one-fund concept (General Fund), with the release of the Special Allotment Release Order (SARO) and Notice of Cash Allotment (NCA) to the DPWH and the DOTC put on queue together with those of other agencies of the national government.

However, subsequent interview with DBM personnel³⁷ in February 2015 revealed that although the agency follows the one-fund concept,³⁸ the MVUC is earmarked by law for road maintenance and safety, and vehicle pollution control. Thus, the SARO and NCA are prepared and processed upon receipt of the Road Board resolution on the approval of the projects. Under ideal conditions, the SARO can be released within 7 to 15 days, in compliance with civil service rules. However, there have been instances when the release took about a month or so.³⁹ (See Appendix B for the documentation of a sample case).

³⁶ Cesar E.A. Virata & Associates Inc. (2005). *Road Board Assistance on Road User Charges Law Implementation*.

³⁷ Interview with DBM Budget and Management Specialist on Feb. 9, 2015

³⁸ The "one-fund" concept is a fiscal management policy requiring that as much as possible, all revenues and other receipts of the government must enter the General Fund and their utilization and disbursement subject to the budgeting process.

³⁹ Interview with RBS, Feb. 9, 2015.

3.2.4 On Project Monitoring

Based on the IRR of the MVUC Act, the DPWH and the DOTC are to put in place a monitoring system for projects implemented under the MVUC special funds. Hence, the DPWH and the DOTC are required to submit quarterly reports itemizing physical and financial progress for each major project and summarizing physical and financial progress by output. The report should also provide a projection of expenditures. Under this set-up, the monitoring by the Road Board is heavily dependent on the reports submitted by the DPWH, the DOTC and the LGUs. Discussion with the RBS⁴⁰ revealed that in the past, implementing agencies did not submit the required reports regularly. This may be due to the fact that there are no sanctions in place for non-submission. To remedy this inadequacy, the RBS conducts spot checks to ensure conformity of project implementation to the technical specifications of the Program of Works. But considering that projects are so numerous and overwhelming for the available personnel of the RBS, monitoring inspections are limited and cannot cover all projects. Moreover, the current monitoring efforts of the RBS focuses on compliance to technical specifications and time and cost schedules. The Road Board's Operating Procedures Manual does not include any guideline which requires the implementing agencies to conduct the evaluation of benefits vis-à-vis project objectives, nor does it contain key indicators for measuring project benefits and impacts. Monitoring is therefore limited to the physical outputs and does not provide for evaluation of whether the project objectives have been attained and the optimal benefits to society achieved. The monitoring and evaluation systems of selected projects are discussed in detail in the case studies for each special fund.

⁴⁰ Ibid.

4 Case Studies

A total of five case studies are conducted. Two of these are for the Special Road Support Fund (SRSF) and the remaining three are for the Special Local Road Fund (SLRF), the Special Road Safety Fund (SRSaF), and the Special Vehicle Pollution Control Fund (SVPCF), respectively. As requested by the Department of Budget and Management, two case studies for the Special Road Support Fund are conducted given that it is the largest of the four special funds; 80 percent of the MVUC collections go to this fund. Since road maintenance projects also meet road safety measures, one of the two case studies are not "pure" SRSF study because it is co-funded by the SRSaF.

The case studies are presented below not in the order with which the field investigations were conducted but in order of appearance of the four special funds in the MVUC Act, the IRR, and the discussions in the previous sections. Thus, the reference dates are sometimes not in chronological order.

4.1 Special Road Support Fund Case Study 1: Upgrading of Road Shoulder along Marcos Highway

4.1.1 Project Identification

The project selected as the first of the two case studies for the SRSF is designated by the Department of Public Works and Highways (DPWH) as the International Road Assessment Program (IRAP)-Phase 1 Demonstration Corridor. The IRAP is an assessment tool that evaluates safety conditions of roads through star ratings and aims to significantly reduce road crashes worldwide.

The project, **Upgrading of Road Shoulder along Marcos Highway**, was identified through the submitted priority projects of the District Engineering Offices (DEOs) in the regions and is based on the Road Safety Audit conducted by the DPWH Central Office.⁴¹ The project is located along Marcos Highway covering the City of Baguio, Province of Benguet and La Union Province with a total length of 47.03 kms.

The scope of work for the road project covered the following:

- 1) Upgrading of road shoulder;
- 2) Removal of structures and obstructions;
- 3) Construction of retaining walls;
- 4) Concrete lining of canals;
- 5) Carriageway reblocking;
- 6) Installation of Reinforced Concrete Pipe Culvert (RCPC) pipes, inlets and manhole cover; and,
- 7) Construction of sidewalks.

⁴¹ Key informant interviews with: 1) Engr. Engr. Nestor Nicolas, Assistant Chief Maintenance Division, DPWH Cordillera Administrative Region (CAR) Regional Office; 2) Engr. Julie Agcon, Engineer III, IRAP Coordinator, DPWH CAR Regional Office; and 3) Engr. Nora R. Delos Santos, Maintenance Chief, Baguio 1st DEO.

The DEOs in the DPWH-Cordillera Administrative Region (CAR) with administrative jurisdictions on the road sections upgraded are as follows:

- | | | |
|---------------------------------|---|---------------------------|
| 1) Baguio City DEO | : | K0280+(-855) – K0 283+334 |
| 2) Benguet 1 st DEO | : | K0260+(-686) – K0 279+149 |
| 3) La Union 2 nd DEO | : | K0237+(-810) – K0 259+224 |

4.1.2 Funding Approval

As an IRAP demonstration project, the road shoulder upgrading project aims to improve road safety condition. Thus, the project utilized both the SRSF and the SRSaF. The SRSF (Fund 151) allocated Php98 million for measures such as paving of shoulder and carriageway improvement. The SRSaF (Fund 153) allocated Php97.09 million for the construction or installation of road safety devices.

Special Allotment Release Order (SARO) No. BMB-A-14-0003795 chargeable against the SRSaF for the construction/installation of road safety devices was released on April 04, 2014. Subsequently, SARO No. A-14-0014903 for the construction/rehabilitation/improvement of Agoo-Baguio City Road was released on October 2, 2014.

4.1.3 Project Procurement

Considering that the project covered several DEOs, the DPWH Office of the Secretary recommended that the project be “solely undertaken by the DPWH-CAR”. The DPWH further recommended that only one qualified contractor be utilized to undertake the project to facilitate monitoring of the project.⁴² The latter recommendation tries to avoid the practice of “declustering” segments of a project and contracting several companies, a practice which can sometimes be inefficient, and aims to facilitate project completion.

Upon the approval of the SARO, the procurement process was initiated by the posting of call for bids through the websites of PhilGeps and the DPWH as well as in leading newspapers, as required by the procurement law. The winning company for all the components of work was Northern Builders. The bidding resulted in savings for the government as the total contract amount for the component funded by the SRSF is Php92.043 million, lower than the approved budget ceiling (ABC) of Php98 million.

4.1.4 Project Implementation

The upgrading of the road shoulders commenced on January 23, 2015 and was undertaken for 270 calendar days. It was supposed to be completed by October 19, 2015. However, due to inclement weather causing rock falls and landslides along the corridor, project completion was moved back to end of November 2015.

⁴² Inter-office Memos from DPWH Office of the Secretary dated March 7, 2014 and October 28, 2014.

Figure 10. SRSF Case Study: IRAP Demonstration Corridor



Starting point of SRSF Case Study 1 (Agoo, La Union)



End-point of SRSF Case Study 1 (Baguio City)



Completed Portion of the Case Study Project with installed Road Safety Devices from Phase 1



Pedestrian sidewalk installed on newly upgraded shoulder to serve school children

4.1.5 Project Monitoring

4.1.5.1 Output monitoring

The Office of the Secretary designated the Road Safety Program Division (RSPD) of the Bureau of Quality and Safety (BQS) as the overall monitoring unit for the project and to “ensure that it (project) is built in accordance with the approved plans and specification.”⁴³ Moreover, to facilitate the implementation of the project, one project engineer from the DPWH-CAR was designated to supervise the over-all execution of the project⁴⁴ and focal persons in each of the three DEOs were assigned as project inspectors to monitor the daily activities of the contractor.⁴⁵ Progress reports are to be submitted to the Office of the Director of the BQS through the IRAP Regional Coordinator every first week of the month.

4.1.5.2 Outcome Monitoring

Based on the Status Report dated July 31, 2015, the project “as projected and expected, after the implementation, will provide safer, better, faster, and easier access to and from adjacent municipalities of the province and its nearby provinces as well.” To monitor the impact of the implemented road safety schemes, Undersecretary Raul C. Asis issued a memorandum directing the DPWH-CAR to establish “baseline or statistics of distinct observations and studies about road crash occurrence within the station limits of the project over a period of time.” In the gathering and collection of road crash records, referred to as Traffic Accident Data (TAD), he recommended that the Traffic Accident Report (TAR) form of the DPWH TARAS be used.⁴⁶ All TAR forms are to be collected every month and submitted to the BQS every first week of the succeeding month.⁴⁷

Acting on the aforementioned directive, DPWH CAR wrote on September 10, 2015 to the chiefs of the police stations serving the areas within the demonstration corridor. Detailed data on traffic accidents to be collected will be for the period starting January 2015 until October 2016, one year after the target completion of the project. However, with the decommissioning of TARAS, the sustainability of monitoring of incidence of road accident is not assured.

⁴³ Inter-office Memos from DPWH Office of the Secretary dated March 7, 2014 and October 28, 2014.

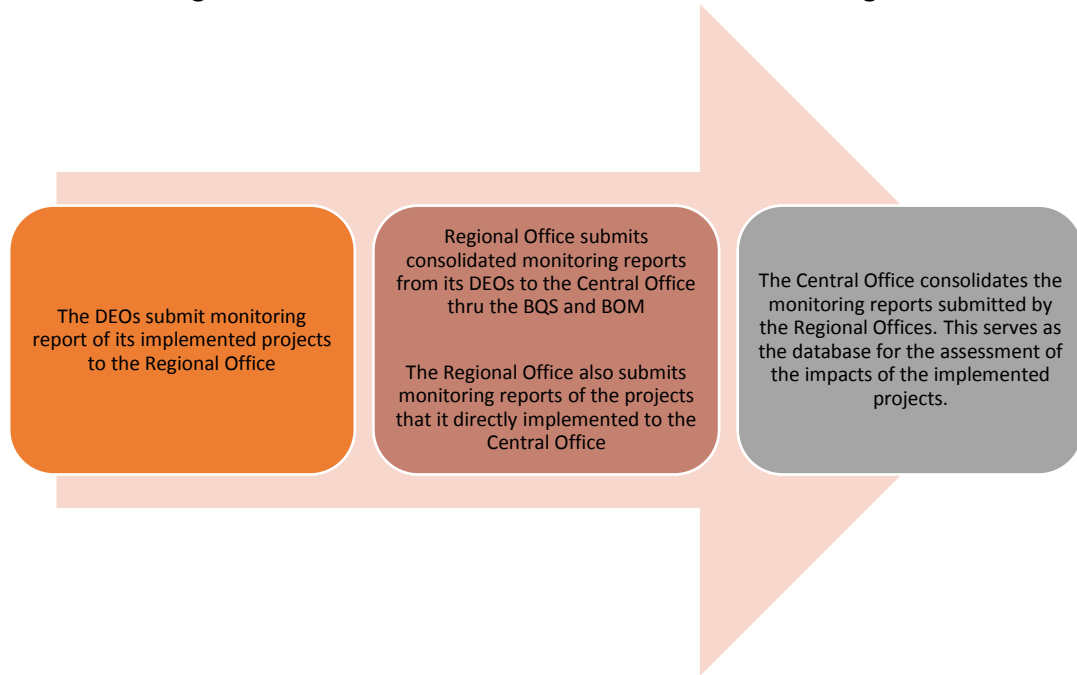
⁴⁴ Inter-office Memorandum from DPWH Office of the Secretary dated August 12, 2014, signed by Raul C. Asis, Undersecretary for Technical Services.

⁴⁵ Ibid.

⁴⁶ Inter-office memorandum issued on June 3, 2015, signed by Undersecretary Raul Asis.

⁴⁷ To be confirmed with the BQS after the submission of this Progress Report.

Figure 11. Information Flow for Road Accident Monitoring



Incidence of road accidents has been monitored since January 2015 (please see Appendix C). However, the full impact of the project could not be fully ascertained when the fieldwork was being conducted (November 4-6, 2015) since the project has not yet been completed at the time.

4.2 Special Road Support Fund Case Study 2: National Road Lighting Program in Roxas Blvd. (Vito Cruz St. to P. Burgos St.)

4.2.1 Background on the National Road Lighting Program

The National Road Lighting Program (NRLP) was established by the Road Board in 2012 and was implemented in selected regions. The table below shows the estimated length of roads targeted for lighting and the amounts released.

Table 8. National Road Lighting Program Releases

**CY 2012-2014 MVUC Releases
Special Road Support Fund (F151) - National Road Lighting Program**

Region	2012		2013		2014	
	Estimated Length (km)	Amount (Php)	Estimated Length (km)	Amount (Php)	Estimated Length (km)	Amount (Php)
NCR	8.74	226,000,000	47.87	767,350,697.69	24.34	377,468,442.77
CAR	-	-	-	-	-	-
R1	-	-	-	-	4.30	26,253,000.00
R2	-	-	4.92	57,822,800.60	4.29	54,743,000.00
R3	-	-	4.50	61,728,780.80	11.37	149,775,000.00
R4A	-	-	3.60	54,379,692.60	16.39	186,523,157.23
R4B	-	-	-	-	-	-
R5	-	-	-	-	-	-
R6	-	-	8.29	111,602,726.00	23.17	189,444,000.00
R7	-	-	-	-	-	-
R8	-	-	-	-	9.59	103,192,000.00
R9	-	-	-	-	-	-
R10	-	-	-	-	-	-
R11	-	-	-	-	-	-
R12	-	-	-	-	2.00	31,509,000.00
R13	-	-	-	-	-	-
ARMM	-	-	-	-	-	-
Total	8.74	226,000,000	69.18	1,052,884,697.69	95.45	1,118,907,600.00

Source: Road Board Secretariat

4.2.2 Project Identification and Design

The selected NRLP project for the case study is located in Roxas Boulevard and is approximately 300 meters long, from Vito Cruz St. to P. Burgos St. It was completed on July 29, 2015. The total project cost is PhP 47.744 million, more than the allocation of PhP47 million with the following scope of work:

- Removal of existing concrete pavement, curb and gutter and asphalt pavement;

- Construction of pavement (PCCP), curb and gutter and sidewalk;
- Installation of lamp post (single, double, combination arm);
- Installation of conduits, wires, and panel boards.

Based on the interview with DPWH NCR personnel, they were only involved in the implementation of the project but were not in any way involved with project identification. The project design and location were decided by the Road Board. Moreover, the Road Board, through its Secretariat, was responsible for the procurement and installation of the luminaires or electric light units.

4.2.3 Project Implementation

The Notice-to-Proceed (NTP) was awarded to New Big Four J Construction on December 05, 2014 and the project was completed on July 29, 2015.

Figure 12. Road Lighting Along Roxas Boulevard



4.2.4 Project Impact

Since the project improved road visibility along Roxas Boulevard, it is expected to minimize road-related accidents and enhance road security. However, no baseline data were collected prior to project construction and no impact evaluation system was put in place for the project. Moreover, there were no available reports on impacts in terms of road accident reduction or road safety enhancement after project completion.

4.3 Special Local Road Fund Case Study: Baguio City

The case study conducted for the Special Local Road Fund (SLRF) is slightly different from those that have been conducted for the three other special funds. The case studies for the latter are project-centric, whereas the case study for SLRF is focused on Baguio City and its experience as a fund recipient. This approach for SLRF was adopted to afford the researchers a better understanding of the MVUC funding dynamics at the local government unit (LGU) level.

The table below shows the SLRF allocation for Baguio City from 2008 to 2015.

Table 9. SLRF Allocation for Baguio City, 2008-2015

Year	SLRF Allocation (in Php)	Remarks on fund release
2008	1,774,746.58	Released in 2010
2009	1,765,088.00	Unreleased
2012	0	No fund allocation to be released
2013	0	No fund allocation to be released
2015	5,255,806.00	To be released pending completion of required documents

Source: Baguio City Engineering Office

As can be seen from the table above, the delay in fund release can be long; for example, the 2008 SLRF allocation for Baguio City was released in only 2010. Moreover, project implementation can be delayed also; for example, the project funded under Baguio City's 2010 SLRF—the Asphalt Overlay along Lake Drive 1, Burnham Park, Baguio City from Sta. 0+066 to Sta. 0+115—was implemented beginning in 2012 only due to delay in procurement.

Based on documents obtained from the DILG-Cordillera Administrative Region (CAR) and Baguio City Engineering Office (CEO), two checks were issued to Kane Construction in keeping with the then procedure of downloading SLRF to the LGUs in two tranches: 50% upon mobilization and 50% upon project completion. The fund download are as follows: 1) LBP Check No. 16484 for Php 991,046.61 issued on November 20, 2013, and 2) LBP Check 18614 issued on March 10, 2014 for Php 693,995.44; which meant that the actual total project cost is Php1,685,042.05.

However, on November 6, 2014, a Notice of Disallowance (ND) for Php520,339.03 was issued by the COA-CAR Office of the Audit Team Leader and the Supervising Auditor and addressed it to Baguio City Mayor Mauricio G. Domogan. The ND stated that there was a "volume deficiency of 50.01 metric tons as inspected by a representative of the Technical Services,

COA-CAR... on July 10, 2014.” To address the COA ND, a letter of “Appeal from Notice of Disallowance” was sent by the Baguio City Engineering Office on March 19, 2015. It clarified that “after the required area was completed, there were still three truckloads of premix asphalt on site. So as not to waste the premix asphalt, it was decided with the contractor’s engineer to continue to lay asphalt from Sta. 0+115 onwards for the condition of the road was on its deterioration state. With the required area of Seven Hundred Thirty Five (735) square meters, an additional area of Three Hundred Forty and 9/100 (340.09) square meters was asphalted.” The aforementioned letter further stated that “After the project was completed, a representative from the Technical and Information Technology Service (TechITS) of COA-CAR Office, La Trinidad, Benguet, thru Engr. Roel Guadiz inspected the project and only minor surface depressions were noted.”

Because of slow project implementation and the slow resolution of the issue of “disallowance”, Baguio City did not receive any SLRF allocation from 2012 to 2014.

4.3.1 Project Identification

The Baguio City identifies its investment projects, including infrastructure, through its Annual Investment Plan (AIP). The city’s AIP undergoes deliberations and the City Planning Department records the funding sources for the various projects in the AIP to ensure no double funding. The priority projects that are proposed for funding through the MVUC are taken from the AIP and the projects are ranked according to urgency and necessity.⁴⁸

Even though the issue of disallowance was still being resolved, the DILG informed Baguio City LGU through Mayor Mauricio G. Domogan of its SLRF allocation of Php5,255,806 on March 2, 2015. In this connection, on March 13, 2015, the DPWH-CAR issued a certification stating that “the City Government of Baguio has no unliquidated cash advance in the implementation of the SLRF,” only a disallowance as stated in the Credit Notice from COA-CAR (Appendix D). Thus, it seems that to mobilize funds and facilitate budget allocation, the fact that there’s no unliquidated cash advance was emphasized, pending the COA’s decision on the Notice of Disallowance for a past project. Given the DPWH-CAR certification of no unliquidated cash advance, the City Engineering Office of Baguio proceeded to identify projects for 2015 SLRF funding.

For the 2015 SLRF allocation, the Baguio City LGU used its Annual Investment Plan in project identification and submitted a list consisting of nine projects, as shown in the table below:

Table 10. Proposed Projects of Baguio City under the 2015 SLRF Allocation

Work Category Number	Description	Road Name	Location	Estimated Project Cost
21	Concrete Re-blocking	Camdas	Brgy. Camdas	Php700,000
21 & 26	Concrete re-blocking and drainage improvement	Sta. Escolastica	Bgry. Sta. Escolastica	Php835,000

⁴⁸ Interview with Dir. Evelyn Trinidad, City Director, DILG-CAR and Mr. Ric Abad, City Planning Dept., Baguio City, Nov. 6, 2015

Results of the Assessment of the Utilization and Impacts of the Motor Vehicle User's Charge in the Philippines

Work Category Number	Description	Road Name	Location	Estimated Project Cost
21	Concrete Re-blocking	Sarok	Sitio Sarok, Brgy. Camp 7	Php1,035,106
21	Concrete Re-blocking	Bakakeng Norte	Brgy. Bakakeng Norte/Sur	Php680,000
21	Concrete Re-blocking	Bado Dangwa	Brgy. Cresencia Village	Php142,000
21	Concrete Re-blocking	Pinget	Brgy. Pinget	Php600,000
21	Concrete Re-blocking	Dominican Hill	Brgy. Dominican-Mirador	Php530,000
21	Concrete Re-blocking	Bengao	Sitio Bengao, Brgy. Bakakeng Central	Php443,700
21	Concrete Re-blocking	Dizon	Brgy. Dizon Subd.	Php290,000
TOTAL ESTIMATED COST				Php5,255,806

Source: DILG-CAR

4.3.2 Fund Approval and Release

Once the fund allocation has been finalized by the RBS, DBM, and DILG-Office of Project Development Services (DILG-OPDS), the LGUs which have no outstanding unliquidated cash advances and are deemed qualified by the DILG based on the results of the Seal of Good Financial Housekeeping are requested to submit a list of priority projects for possible financing under the SLRF.

According to the City Engineering Office, the proposed projects are checked against the local road inventory.⁴⁹ Once these have been confirmed and approved for funding, it is necessary for the *Sangguniang Panlungsod* to issue a resolution authorizing the City Mayor to enter into a "Tripartite Memorandum of Agreement with the DPWH and DILG for the implementation of the Special Local Road Fund Under Republic Act No. 8794."⁵⁰

For the release of the 2015 SLRF allocation for Baguio City, the Mayor requested the *Sangguniang Panlungsod*, through the Vice-Mayor, for such resolution through a letter dated September 7, 2015. The City Mayor was granted the authority to enter into and sign the Memorandum of Agreement (MOA) on October 12, 2015.⁵¹ However, the Study Team was

⁴⁹ Interview with Engr. Stephen Capuyan, Assistant Chief, Maintenance Division, City Engineering Department
City of Baguio, Nov. 6, 2015

⁵⁰ Resolution No. 228, Sangguniang Panlungsod, Oct. 12, 2015

⁵¹ Ibid

informed during the site visit that the MOA has not been finalized yet due to lack of clarity within the DPWH as to who should sign on behalf of the agency (see Appendix E).

4.3.3 Project Procurement

All projects under SLRF were bid out by the Baguio City LGU.

4.3.4 Project Implementation

As discussed earlier, the last project undertaken in Baguio City under the SLRF was the Asphalt Overlay of Lake Drive 1 in Burnham Park. The pictures below show the current good state of the asphalt overlain road.

Figure 13. 2010 SLRF Project in Baguio City: Asphalt Overlay Along Lake Drive 1, Burnham Park., from Sta. 066 to Sta. 0+0115



4.3.5 Project Monitoring

The DILG, as the oversight agency, is obliged to monitor the implementation of SLRF-funded projects. The city offices submit inspection report to the DILG regional office based on their observations. In addition, the Local Project Monitoring Committee (LPMC), composed of DPWH, DILG, CEO, and other pertinent local government units, conducts inspection of projects being implemented through various fund sources.

There is no impact monitoring system designed for SLRF projects and such is also the case for SLRF-funded projects in Baguio City. Nevertheless, our field visit validated that the completed project in Burnham Park is in good state and is being enjoyed by Baguio City residents and local tourists.

4.4 Special Road Safety Fund Case Study: Installation of Road Safety Devices along Daang Maharlika

4.4.1 Background on the Project

The Special Road Safety Fund (SRSaF) has three output classes: *Output Class 4: Safety Works on National Roads*; *Output Class 5: DPWH Safety Works on Local Roads*; and *Output Class 6: LGU Safety Works on Local Roads*. Under these output classes are work categories which provide detailed description of programs and projects that are eligible for funding under the SRSaF. The Road Board Operating Procedures Manual further defines *Work Category 57: Safety Projects* which cuts across the aforementioned output classes. The manual enumerates installation or construction of safety projects, which are typically identified by accident reduction studies, and the safety projects enumerated include the installation of new traffic signs and markings and provision of guard railing.

The selected project for this case study is the Installation of Road Safety Devices along Daang Maharlika, K0152+000 to K0162+, with exceptions, Atimonan, Quezon, with a total approved budget ceiling of Php11.2 million.

4.4.2 Project Identification

Based on the supporting documents submitted with the proposal,⁵² the request for funding was triggered by a major accident which occurred on the downhill portion of Daang Maharlika in the municipality of Atimonan. Three buses and five trucks were involved in multiple collisions, resulting in 20 fatalities and numerous injuries. According to Atimonan Mayor Jose Mendoza, he immediately called for a meeting with the DPWH, the Municipal Planning and Development Office, and the police after the accident. He was alarmed that there have been numerous police reports of accidents occurring at the Atimonan side of Daang Maharlika.⁵³

The proposal for the project was submitted to the Road Board by the DPWH-Quezon 4th District Office in March 2013. The transmittal letter for the Road Board was signed by the district engineer and the Congressional district representative.

The project identification process undertaken for the project conforms with the Road Board OPM guideline which states that “the Annual Expenditure Plan (AEP) of the Special Road Safety Fund (SRSaF) shall prioritize road sections identified through TARAS, and road safety audits conducted by the DPWH/RBS without prejudice to road sections which the Board may, upon recommendation of the DPWH, consider for funding during the course of the year.”⁵⁴

On the endorsement of the congressional representative, although not required by the Road Board, the staff of the DPWH- Quezon 4th DEO believes that it facilitates the review and eventual approval of the project proposal. Considering the distance between Metro Manila and Atimonan, Quezon, it is not easy to follow up on the status of proposals submitted to the Road Board. According to the informants, this is usually done on their behalf by the

⁵² Obtained from the Road Board Secretariat.

⁵³ Meeting with Atimonan LGU officials, April 30, 2015.

⁵⁴ Pg. 5, Road Board Revised Operating Procedures Manual (OPM) c. 2013

Congressional Representative. That is why it is the DPWH DEO that actively seeks the endorsement.

4.4.3 Fund Approval

The SARO for the project was issued on April 21, 2014, a little over a year since the request was made by DPWH-Quezon 4th DEO. Discussion with the DPWH-Quezon 4th DEO personnel revealed that the period required for project evaluation and approval (or disapproval) of a proposal can vary between two to three months, depending on the workload of the Road Board Secretariat.⁵⁵

4.4.4 Project Procurement

The DPWH-Quezon 4th DEO advertised the Invitation to Apply for Eligibility and to Bid for the project at the DPWH website and the Philippine-Government Electronic Procurement System (Phil-GEPS), as required under the public procurement rules.⁵⁶

Three contractors were found qualified and were asked to submit their bids, which were opened on August 07, 2014. The resulting bids are shown below:

Table 11. List of Bidders for the Project

Name of Bidder	Total Bid Amount	Variance from Agency Budget Ceiling
L.M.G. Construction	Php10,444,526.11	(-) 5.80%
RAM Builders	Php10,749,161.91	(-) 3.06%
St. Bernadine Construction and Enterprises	Php10,540,904.25	(-) 4.94%

The Contract was eventually awarded to the L.M.G. Construction.

4.4.5 Project Implementation

The Notice-to-Proceed (NTP) was issued on August 26, 2014 to commence implementation by September 01, 2014 and the project was to be undertaken in 90 calendar days. The project was completed in December 2014, based on the contract period of 90 days.

Field observations on meeting safety design requirements

Based on key informant interview with the DPWH-Quezon 4th DEO,⁵⁷ the proposed specifications of the road signs and other safety appurtenances conform to the standards prescribed in the 2012 DPWH Road Safety Manual (DPWH-RSM). It was further articulated during the discussion that these specifications are validated and are finalized by the Road Board in cooperation with the DPWH engineer.

⁵⁵ Key Informant Interview, DPWH Quezon 4th DEO personnel, May 30, 2015.

⁵⁶ DPWH Quezon 4th District Office Resolution No. 14-0031.

⁵⁷ Meeting with DPWH Quezon 4th DEO personnel, May 30, 2015.

Note that the DPWH Highway Safety Design Standards Manual stipulate that for road signs to be effective, it must meet five basic requirements.⁵⁸ The road signs must:

- Fulfill a need;
- Command attention;
- Convey a clear, simple message;
- Command respect, and,
- Give adequate time for proper response

During the ocular inspection conducted by the Study Team on May 1, 2015, the installed signs were evaluated using the five requirements of road safety signs:

Fulfill a need

Based on observation, the traffic signs installed indicated the potential dangers in the road section, hence, deemed to fulfil a need. However, in a few locations, similar traffic signs are placed proximate to each other, resulting in redundancy. In one location, as depicted by Figure 14 below, there is already an existing sign (one with yellow post) but a new one (with orange post) was installed nearby as part of the project. Another issue noticed was the incorrect arrangement of the traffic signs. According to the DPWH Road Safety Manual, the “sharp turn curve sign is used in advance of a sharp curve where motorists are required to slow down substantially because of the road geometry”. Thus, the sign should be placed at some distance before the sharp curve. However, in at least one road section, as depicted by Figure 15 below, the sign was placed behind the “Reduce Speed” sign which in turn obstructs the sharp turn curve sign from the view of the driver. Moreover, the sharp turn curve sign is located on the curve itself, thereby diminishing its usefulness.



Figure 14. Similar Signs at the Same Location



Figure 15. Imprecise Arrangement of Traffic Signs

⁵⁸ Pg. 4, Highway Safety Design Standards Part 2: Road Signs and Pavement Markings Manual

Command attention

To command attention, traffic signs must be clear and distinct from a certain distance. However, it was observed that several traffic signs were obstructed from view by foliage of trees. Under such circumstance, the traffic signs could not effectively guide the drivers, particularly at night.



Figure 16. Obstructed Traffic Signs

Convey a clear, simple message

The DPWH RSM prescribes that the use of regulatory and warning signs must be kept to a minimum so as not to lose their effectiveness in conveying a single message. Nevertheless, in certain instances, more than one sign can be placed in one location if these have complementary messages.⁵⁹ For instance, the DPWH RSM recommends that the “Reduce Speed” sign must be used in conjunction with an appropriate warning sign to convey to the driver the reason for the speed reduction (Figure 17).

Furthermore, the DPWH RSM prescribes that when it is absolutely necessary to place several signs of different messages in one location, the distance between the signs should not be less than $0.6V$ apart, where V is the 85th percentile speed in kilometers per hour (kph). Thus, considering that the 85th percentile speed in rural highways is between 40 kph to 60 kph, the minimum distance between traffic signs should be 24 meters. However, during the visit to the case study area, it was noticed that in some areas, traffic signs are spaced closely, resulting in overcrowding of signs (Figure 18).

⁵⁹ 2012 DPWH Road Safety Manual, pg. 10



Figure 17. Complementary Traffic Signs



Figure 18. 'Overcrowding' of Traffic Signs

Command respect

The various classifications of traffic signs⁶⁰ have corresponding standard color, shape, and materials that are internationally accepted. Conformity with these standards impute the installed traffic signs with authority to regulate, warn, and guide the drivers. However, during the site visit, it was observed that there were traffic signs that do not conform to the standards (Figure 19).



Figure 19. Non-standard Traffic Signs

⁶⁰ Traffic signs have four categories: 1) regulatory-signs that inform road users of traffic laws and regulations which, if disregarded, will constitute an offense; 2) warning signs – warn road users of condition on or adjacent to the road that may be unexpected or hazardous; 3) informative (guide) signs – inform and advise road users of directions, distances, routes, location of services for road users, and points of interest; 4) special instruction signs – instruct road users to meet certain traffic rule requirements or road condition (Source: DPWH Road Safety Manual, 2012).

Give adequate time for proper response

The location of a traffic sign is critical to its effectiveness. According to the DPWH RSF, “a traffic sign should be perceived and understood by the driver travelling at the 85% percentile speed of the traffic on the road, in sufficient time for him to safely take any action necessary.”⁶¹ The table below shows the prescribed distance of the sign from the road condition that the driver is being warned about, based on the approach speed of the vehicle and the desired speed at the particular road section.

Table 12. Advance Warning Signs Distance (in meters)

Approach Speed (kph)	Desired Speed (kph)			
	Stop	20	30	40
50	75	60	45	30
60	100	90	75	60
70	160	150	140	120
80	225	200	190	170

Source: DPWH Road Safety Manual Part 2 (2012)

However, despite this regulation, it was observed during the site inspection that a few “Reduce Speed” signs are installed on the curve itself (Figure 20), potentially reducing the time for proper driver response.



⁶¹ DPWH Road Safety Manual (2012)



Figure 20. Warning Signs located on the curve

Other observations

- Missing traffic signs in a few locations

Despite the fact that the project has already been completed, it was noticed that there were several signs that were not yet installed. Figure 21 shows poles installed under the project but have no signages and which are installed beside old posts with signages.



Figure 21. Poles with missing traffic signages

- Dilapidated traffic signs

There were several old and dilapidated traffic signs that have not been removed, although this is part of the project's scope of works.



Figure 22. Old and dilapidated traffic signages

- Project billboard being used to gain political mileage

There were two project billboards installed for the project—the official DPWH project marker and the one bearing the same project title with the picture of the incumbent congressional representative of Quezon 4th District (Figure 23).



Note: The billboard on the left with the congressional district representative's photo says "Installation/Application/Construction of Road Safety Devices, Daang Maharlika, Atimonan, Quezon (S05868LZ) KO152+000 to KO162+000 with exceptions", which is the same as the title of the official DPWH marker on the left.

Figure 23. Project Billboards

4.4.6 Impact Monitoring

The DPWH-DEO key informants stated that there is no monitoring system in place, especially now when the Traffic Recording and Analysis System (TARAS) has been discontinued. They simply rely on police reports of occurrence of accidents in the project area. So far, they said there have been no reports of major road accidents occurring in the area since the project was completed.

In the absence of any existing data, the MVUC Study Team interviewed residents along the project corridor and truck drivers who frequently travel along the route. The responses gathered were consistent. The local residents perceived that there had been a reduction in the number of accidents since the traffic signs and guard rails have been installed. The group of drivers interviewed also shared the same opinion—that the newly installed traffic signs are very useful in guiding motorists, especially at night as they are reflectorized. According to the driver respondents, the most useful traffic signs are the Chevron markings and “Reduce Speed” signs; the Chevron markings guide drivers along a curve and are particularly useful for those who traverse the route for the first time, and the “Reduce Speed” signs, when properly located, provide a good reminder to start deceleration. The group of drivers interviewed articulated that the size and font of the traffic signs are just right and clear. They also suggested that the guardrails should also be reflectorized to improve visibility at night.

In general, despite the shortcomings in the final outputs in terms of design, the local community and drivers, as revealed through the on-site interviews, consider the installation of the new traffic signs and guardrails as effective deterrents against road traffic accidents.

4.5 Special Vehicle Pollution Control Fund Case Study: Motor Vehicle Inspection System-NCR North

4.5.1 Background on the Motor Vehicle Inspection System

Based on the Road Board's Operating Procedures Manual, work categories eligible for funding under the Special Vehicle Pollution Control Fund (SVPCF) include Work Category 60 (Development of Vehicle Standards and Regulations) and Work Category 61 (Enforcement of Vehicle Standards and Regulations). Work Category 60 includes implementation and monitoring of programs on vehicle standards and regulations. Work Category 61 includes the acquisition, construction and maintenance of land, building, equipment and all other expenses necessary for the conduct of motor vehicle type approval, inspection and emission testing by the DOTC-Land Transportation Office (LTO) or its authorized centers.

Eligible programs/activities/projects may include but are not limited to the following:⁶²

- Procurement of Motor Vehicle Type Approval System facilities;
- Maintenance and operation of Motor Vehicle Inspection System facilities;
- Maintenance and operation of Motor Vehicle Type Approval Test System (MVTAS) facilities;
- Anti-smoke belching operation/random roadside emission testing of in-use motor vehicles;
- Implementation of Private Emission Testing Centers Regional Monitoring System (Operationalization of Regional Monitoring Teams)
- Implementation of programs related to vehicle standards and regulations

Based on the above, maintaining and operating Motor Vehicle Inspection System (MVIS) facilities can be funded through the SVPCF. The MVIS Program of the DOTC involves the development of a network of motor vehicle inspection centers nationwide. It aims to improve the efficiency, effectiveness, reliability, and transparency of the inspection process by using primarily automated inspection methods that will be linked to the information system of the LTO. It is expected to play a crucial part in ensuring that the projected rapid growth in the motor vehicle population of the country is environmentally sustainable and safe for the citizens. Specifically, the MVIS program aims:

- To promote clean air by reducing pollution coming from in-use motor vehicles
- To enhance road safety by reducing accidents caused by vehicular defects and mechanical failures.

4.5.2 The MVIS in NCR North

The MVIS facility or the Motor Vehicle Inspection Center (MVIC) of the National Capital Region (NCR) North is part of the MVIS program of the government. The center was established in 1992 through a donation from the Government of Japan, along with three other centers, namely, NCR South (Pasay City), Region III (San Fernando, Pampanga), and Region IV-A (Lipa, Batangas). Each center is supposed to have fully computerized and automotive

⁶² Road Board's 2013 Revised Operating Procedures Manual (OPM).

inspection/testing equipment for wheel alignment, brake, speedometer, headlight, hydrocarbons/carbon monoxide release, and diesel smoke emission.

The MVIC-NCR North is intended to accommodate public transportation companies with approved franchises servicing the north of Metro Manila (including the cities of Caloocan, Quezon, Malabon, Navotas, and Valenzuela), vehicles with government and diplomatic plates, and even private vehicles which are registered at the Diliman District Office.

In 2007, the SVPCF was used to fund the upgrading and rehabilitation of the system in MVIC-NCR North. The works focused on putting in place various equipment for the different stages of inspection, as outlined in the table below.

Table 13. Equipment upgraded and rehabilitated: MVIC-NCR North, 2007

Stage	Inspection Aspect
Stage 1	Above carriage inspection
Stage 2	Brake efficiency
	Wheel Alignment
	Suspension efficiency (for light vehicles)
Stage 3	Smoke emission
	Lighting efficiency
Stage 4	Undercarriage inspection
	Joint play efficiency ⁶³

Source: Land Transportation Office

The rehabilitated and upgraded MVIC-NCR North was inaugurated on July 14, 2008 with a total cost of Php14.47 million.

4.5.3 State of Operation of the MVIS-NCR North

Based on the 2012 COA Audit Report, regular maintenance and calibration of the MVIS testing equipment at the LTO-NCR was not strictly observed, contrary to what was directed in Section 10 of LTO Administrative Order No. ACL-2009-018, thus, contributing to the deterioration of the same. Moreover, despite repeated recommendations by the COA in its past audit reports,⁶⁴ the MVIS LTO-NCR remained unconnected to the Motor Vehicle Registration System (MVRS), hence, impeding real-time authentication and validation of inspection results. The 2012 COA Audit Report also included the MVIS Status Report prepared by the MVIC Management of the NCR North, detailing the defects of the system (Table 14). As can be seen below, significant components of the MVIS in the NCR North are defective and in dire need of rehabilitation and upgrading. The aforementioned report also indicated that the equipment have not been calibrated.

⁶³ Check for mechanical condition of axle components

⁶⁴ Recommended in 2010 and 2011 COA Audit Reports

Table 14. Status Report for the MVIS in NCR North, 2012

Defective Parts of the Equipment	Defects/Remarks
<i>Lane 1 – Light Duty Lane</i>	
Stage 2 – Test Equipment Peripherals	Operation cannot be checked due to faulty Personal Computers (PCs)
Stage 3 – Smoke Emission Tester	
• Central Processing Unit (CPU)	Defective, no display VGA out
• Gas Analyzer	No display, with power but low pump, no oxygen censor
• Smoke Analyzer	Defective: communication with burn marks
• Headlight Tester	Operation cannot be checked because of faulty PC
Stage 4 – Under chassis inspection	Defective Uninterruptible Power Supply (UPS)
<i>Lane 2 - Light Duty Lane</i>	
Stage 1 – Input computer panel	PC corrupted
Stage 2 – Test Equipment Peripherals	Corrupted Operating System
Stage 3 – Smoke Emission Tested	
• CPU	Blurred LCD Monitor
• Gas Analyzer	Faulty power supply, no oxygen censor
• Sound level meter	No communication, Sonometer line problem
• Headlight Tester	No direction movement, transmission error, no ticking sound of head panel
<i>Stage 4 – Under Carriage Inspection</i>	
• Liquid Crystal Display (LCD) Monitor/Process Indicator	No display
• Joint Play	Flashlight on, motor not working
• CPU	Defective UPS

Source: 2012 COA Audit Report

To check the 2012 findings and validate the current conditions of the MVIS in NCR North, site visits were conducted on January 27, 2015 and March 12, 2015. During the site visits, we noted that the MVIC is not linked with the Motor Vehicle Registration System (MVRS). The visits also confirmed that the conditions of the equipment have not improved since 2012. To illustrate, the picture below shows the equipment intended to be used for inspection of brakes, suspension, and side slip. Steel rollers are supposed to be used in conducting said inspection but the rollers are not functioning. Some of the rollers were removed due to rust corrosion and wooden logs have been laid down to replace the removed rollers and avoid accidents.

Figure 24. Stage 2 Test Equipment Peripherals: MVIC-NCR North



Note: Taken during Study Team Site Visit, January 27, 2015.

Moreover, only the emission testing is functional in the Stage 3 test.⁶⁵ The equipment for testing the vehicles' lighting efficiency (i.e., headlights) and speedometer are defective.

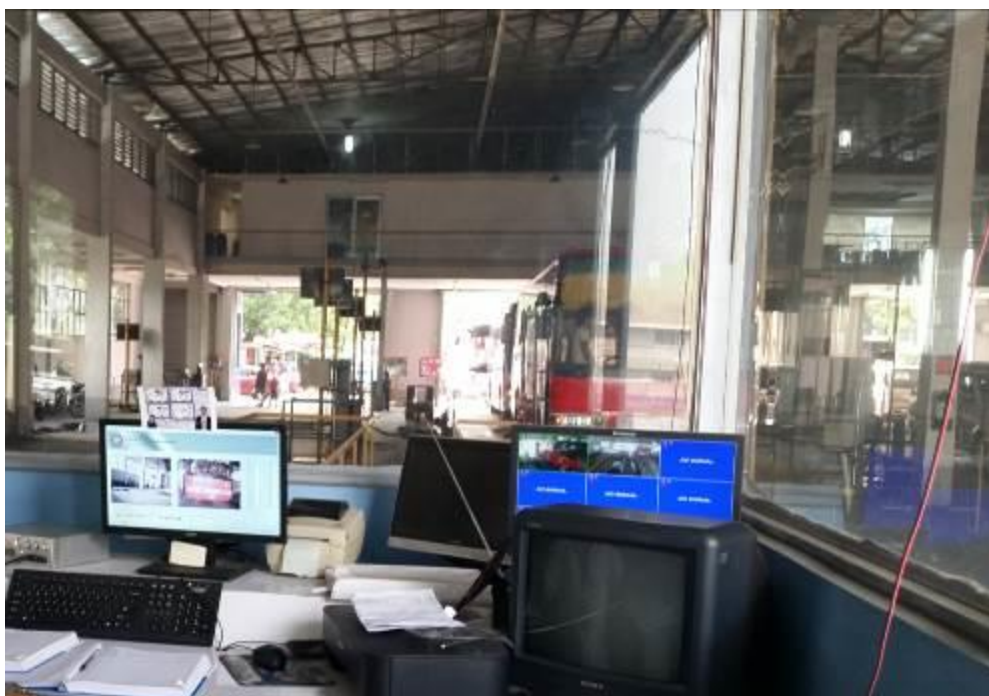
Figure 25. Emission Testing Machine at the MVIC-NCR North



Note: Taken during Study Team's site visit on January 27, 2015.

⁶⁵ Interview with Mr. August Cesperes, MVIC-NCR North Officer-In-Charge, January 27, 2015.

Figure 26. Central Database Station: MVIC-NCR North



Note: Taken during Study Team Site Visit, January 27, 2015.

4.5.4 Impact Monitoring

4.5.4.1 Emission Reduction

The MVIS program has two aims: to reduce emission from motor vehicles, in compliance with Article 4 of the Clean Air Act of the Philippines; and to reduce the incidence of road accidents caused by mechanical failure. The primary clientele of the DOTC's MVIS facilities are public utility and government vehicles. Due to the scarcity of government funds, the functions of government-operated MVIS facilities are complemented by Private Emission Testing Centers (PETC) supervised by the LTO. Based on key informant interviews, there is currently no comprehensive monitoring system to measure the impact of the MVIS program.

Data obtained from the LTO Central Office shows that the MVIC-NCR North serviced 156,385 vehicles in 2013 and 166,011 vehicles in 2014. On the other hand, the MVIC-NCR South inspected 63,042 vehicles in 2013 and 83,089 in 2014. Comparing the total number of vehicles served with the estimated number of vehicles-for-hire suggests that the two MVICs in the NCR were unable to serve all vehicles-for-hire. In 2013, the total number of vehicles serviced by the two MVICs in NCR is 219,427, but the estimated number of vehicles-for-hire during that year is larger at 315,172.⁶⁶ It can be surmised that a significant number of vehicles-for-hire that were not accommodated in the government-run MVICs sought the services of the PETCs.

⁶⁶ According to the 2013 Annual Report of LTO, the number of registered vehicles in NCR totals 2,101,148. To get the estimate of the number of public transportation units in NCR, the total volume

Table 15. Number of Vehicles Inspected at the MVIC-NCR North and MVIC-NCR South of the LTO, 2013-2014

Month	MVIC-NCR North				MVIC-NCR South			
	2013		2014		2013		2014	
	Passed	Failed	Passed	Failed	Passed	Failed	Passed	Failed
January	9,353	50	16,022	125	5,039	36	5,412	475
February	15,019	75	12,194	85	5,206	461	5,802	478
March	14,540	50	16,044	145	5,336	453	6,631	515
April	16,143	40	14,249	103	5,798	477	5,753	434
May	16,448	90	16,046	106	5,740	485	7,164	612
June	14,291	52	15,566	102	5,302	454	7,039	498
July	16,496	105	14,334	130	6,038	461	7,161	611
August	12,833	70	14,314	101	5,072	407	7,091	670
September	16,819	65	16,557	126	5,787	452	7,766	531
October	12,301	80	13,834	114	4,833	396	7,845	650
November	5,248	0	8,766	84	2,389	182	5,746	533
December	6,217	0	6,799	65	2,081	157	3,410	262
TOTAL	155,708	677	164,725	1,286	58,621	4,421	76,820	6,269

Source: LTO Central Office

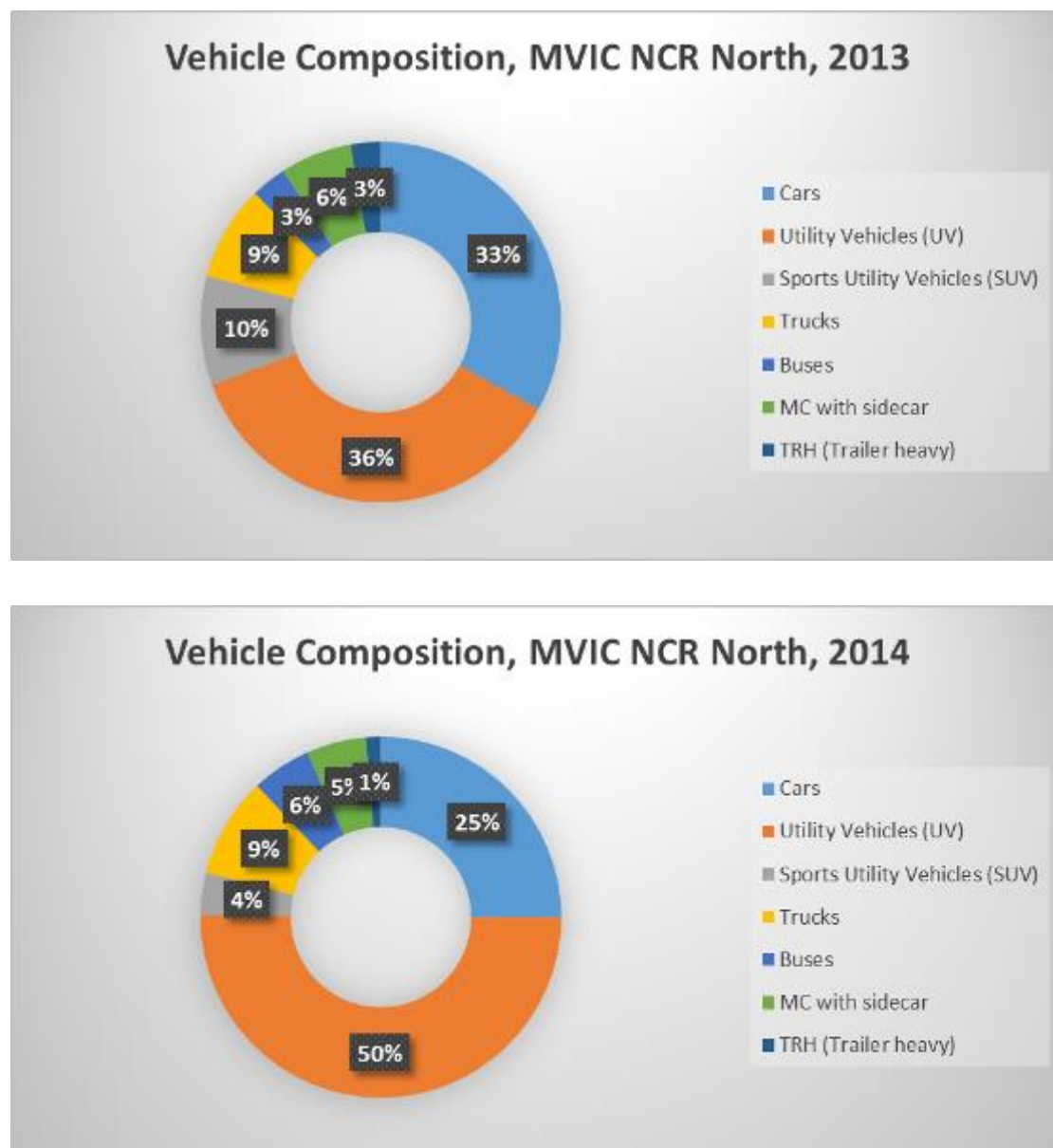
The data also shows that of the total number of vehicles serviced by the MVIC-NCR North, only 677 (0.43%) and 1,286 (0.77%) did not pass the inspection in 2013 and 2014, respectively. In the case of the MVIC-NCR South, the failure rates were slightly higher, with 4,421 (7%) vehicles failing the test in 2013 and 6,269 (7.5%) in 2014. When LTO personnel at the MVIC-NCR North and Central Office were asked why only a few vehicles failed the test, they explained that most vehicle owners subject their units to oil change and engine cleaning prior to the inspection.⁶⁷

Data on vehicle composition inspected at the MVIC-NCR North for 2013 and 2014 show that utility vehicles compose the largest proportion of the vehicles served (36% in 2013 and 50% in 2014), followed by cars (33% in 2013 and 25% in 2014). The utility vehicle category is likely composed of AUV Express/Garage to Terminal vehicles and school services, while cars include taxi and those with government diplomatic plates. However, no distinction is made in the data set between the two kinds of franchises. Motorcycles with sidecar made up 6% of the total number of vehicles inspected in 2013 and 5% in 2014 (Figure 27).

of vehicles in NCR is multiplied by the average share of 15% of traffic volume of public transport modes (Source: *Mega Manila Planning Transport Support System, 2012*).

⁶⁷ Mr. August Cesperes, North MVIC OIC and Ms. Bonette Navaja, Central Office.

Figure 27. Composition of Vehicle Types Inspected at MVIC NCR North, 2013-2014



When asked whether the MVIC is perceived to have a considerable impact on the reduction of emissions, the MVIC-NCR North Head stated that it is difficult to evaluate this inasmuch as the inspection is conducted only once a year, prior to the renewal of vehicle registration.

Notwithstanding the lack of data from the MVIC-NCR, we gathered secondary data on vehicle emissions. Data from the Department of Environment and Natural Resources-Environmental Management Bureau on the quality of air in Metro Manila (as cited in ALMEC 2014) show that total emissions increased from 2008 to 2010 (see table below), except for carbon monoxide which displayed a slight total emissions decrease. (Note that 2008 is the year after the MVIC-NCR North and the MVIC-NCR South became operational.) In particular, carbon monoxide and

total organic gases emissions from buses increased, with sharper increase from those which use diesel. A similar trend is observed for utility vehicles using diesel as well as tricycles.

Table 16. Motor Vehicle Emissions by Vehicle Type in Metro Manila in 2008 and 2010 (tons/year)

Vehicle Type	Fuel Used	TOG		CO		NO _x		SO _x		PM ₁₀	
		2008	2010	2008	2010	2008	2010	2008	2010	2008	2010
Cars	Gas	32,450	32,640	267,715	269,281	14,603	14,688	647	626	535	538
	Diesel	312	85	912	247	960	260	64	17	276	75
UV	Gas	68,793	63,984	515,498	479,502	25,797	23,975	411	384	1,023	951
	Diesel	11,655	12,551	41,626	44,825	23,310	25,102	1,657	1,775	14,386	15,492
Buses	Gas	1,108	1,126	1,108	1,126	120	122	1	1	1	1
	Diesel	6,122	8,027	6,122	8,027	6,172	8,091	39	39	217	285
Trucks	Gas	435	381	10,396	8,220	1,017	891	7	7	12	11
	Diesel	11,539	13,040	38,671	43,700	38,983	44,053	248	2,806	1,372	1,551
MC/TC	Gas	107,561	124,677	150,354	174,280	1,157	1,341	830	962	11,508	13,339
	Diesel										
Sub-total	Gas	210,347	222,757	945,521	932,408	42,694	41,107	1,896	1,979	13,080	14,841
	Diesel	29,628	33,702	87,331	96,799	69,425	77,507	2,009	4,638	16,252	17,402
TOTAL		239,459	256,459	1,032,851	1,029,207	112,119	118,542	3,905	6,616	29,332	32,243

Note: TOG=Total Organic gases, CO=carbon monoxide, NO_x = nitrogen oxide, SO_x = Sulfur oxide, PM₁₀

Source: ALMEC (2014)

4.5.4.2 Ensuring Roadworthiness of Public Transportation Vehicles

In the absence of an impact assessment framework for SVPCF, secondary data on road accidents involving vehicles-for-hire and due to mechanical defects may be used as a proxy indicator of effectiveness of the MVIC for two reasons:

- 1) Vehicles-for-hire, including buses, are the main target clientele of MVIC. Hence, road accidents due to mechanical defects could indicate that the aims of the establishment of the MVIC have not been fully achieved;
- 2) Non-accommodation of vehicles-for-hire due to limited lanes and non-functional equipment at the MVIC encourage the use of PETCs which are notorious for granting certificates of compliance even without actually inspecting the vehicle.

The National Statistics Office (NSO)'s *Philippines in Figures 2012* has 2007-2009 data on road accident by type of cause of accident (see table below). However, the figures are aggregate for all vehicle types for the entire Philippines and, therefore, no NCR data can be used for impact evaluation. The country-level data can nevertheless suggest trends on the impact (in terms of improving vehicle roadworthiness) of the MVIS as a national program. Note from the table below that the number of traffic accidents due to mechanical defects has increased by 30% from 2007 to 2009. This does not immediately tell us that the overall roadworthiness of vehicles in the country declined; it is possible that traffic accidents due to mechanical defects have increased because the number of vehicles plying the roads increased in the first place. So we checked if the number of registered vehicles increased substantially. Official records (NSO's *2012 Philippine Yearbook*) show the numbers as follows: 5,530,052 vehicles in 2007; 5,891,272 vehicles in 2008; and 6,220,433 vehicles in 2009. The number of registered vehicles increased by 12% from 2007 to 2009, whereas the number of mechanical defects increased by 30% during the same period. This suggests that, in general, the roadworthiness of vehicles

in the Philippines declined despite the presence of a national MVIS program, which supposedly aims not only to reduce pollution from vehicles but also to reduce accidents caused by vehicular defects and mechanical failure.

Table 17. Causes of Traffic Accidents, 2007-2009

Cause of traffic accidents	2007	2008	2009
Driver's error	3,021	4,323	---
Mechanical defect	2,075	1,904	2,706
Over-speeding	1,287	2,107	3,078
Bad overtaking	888	1,048	3,259
Road defect/under repair	1,149	1,414	1,899
Self-accidents	675	924	---
Hit and run	777	765	1,066
Bad turning	646	622	2,755
Overloading	515	903	1,750
Drunk driving	319	201	735
Using cellular phone while driving	222	70	291
Others	649	308	2,102

Source: Philippine Statistics Authority-National Statistics Office, 2012

4.5.5 Implementation Challenges

In general, the implementation of the programs and projects under the SVPCF was hampered by the lack of clear guidelines for project identification and prioritization. The crafting of the Implementing Rules and Regulations for the SVPCF was delayed, which in turn can be traced to the delayed constitution of the Vehicle Pollution Control Fund Committee (VPCFC). Under the IRR of the MVUC Act, the VPCFC is responsible for: the administration and management of the fund; providing directions to the projects or activities utilizing the fund; and the supervision, monitoring and proper implementation of the approved Vehicle Pollution Control Program. However, the VPCFC was constituted late—only in July 2007 through DOTC Department Order (DO) 2007-04. Thus, it was the DPWH that administered the SVPCF from 2004 to 2007. The same DO also mandated the creation of the Technical Working Group (TWG), chaired by the Director of the Transportation Planning Service, to provide assistance to the Committee. Subsequently, the TWG was converted to a Project Management Office (PMO) in 2008 (DO 2008-03). During that time, the Committee and the TWG/PMO identified a multi-year plan covering 2007-2010. The tables below show that funds were released during this period. However, despite the use of the multi-year plan, instances of fund misuse were observed by the COA in its 2009 Audit Report,⁶⁸ as shown also in the tables below.

⁶⁸ COA Sectoral Audit Report, 2009

Table 18. COA Findings on the LTO's Appropriate Disposition of SVPCF, 2009

Implementing Unit	Amount Released (Php)	COA Findings
Land Transportation Office		
Central Office	44,766,493.83	The funds released to the Central and Regional Offices were intended for air pollution control. The audit disclosed that among the expenses charged to SVPCF, which may not be considered relevant, are foreign and local travels, trainings, meetings, seminars and conferences, gasoline and oil, utility bills, construction/improvement of LTO compound, offices and ASBU building, communication and IT equipment, furniture, motor vehicle, software and office supplies, installation of various facilities, repair of service motor vehicles, awards and incentives, representation expenses, security services, miscellaneous expenses, salaries, overtime, bonus and allowances of contractual/job order personnel performing functions not in connection with the MVUC program
National Capital Region	27,030,038.59	
Regional Office No. III	32,949,529.35	
Regional Office No. IV-A	7,332,282.42	
Regional Office No. VII	12,083,445.58	
Total	124,161,789.77	

Source: 2009 COA Sectoral Audit Report

Table 19. COA Findings on the DOTC's Appropriate Disposition of SVPCF, 2009

Implementing Unit	Amount Released (Php)	COA Findings
DOTC		
Main Office	58,412,371.21	The funds released to DOTC Main Office and Regional Office No. XIII were intended for air pollution control. Among the expenses charged to SVPCF are purchase of environmental multi-media, digital instruction laboratory, mobile phones, television set, DLP projector, desktop micro-phones, fax machine, furniture, office supplies, cellcard, repair and improvement of office facilities and motor vehicles, advertisement, rental copier machine, training/seminar/meeting (food and accommodation), travel foreign and local, honoraria repair of motor vehicle and aircon, fuel and lubricant, salaries, allowance and bonus of casual employees, honoraria, hazard pay, security services, utility bills, representation and miscellaneous expenses.
Regional Office No. XIII	8,437,169.18	
Total	66, 849,540.39	

Source: 2009 COA Sectoral Audit Report

In 2011, the multi-year work program prepared by the VPCF Committee was presented to the DOTC secretary, for supposed endorsement as inputs to the Annual Investment Plan (AIP). However, the then new administration did not consider the plans and programs crafted under the Arroyo administration and the proposed multi-year work program was disapproved, partly because the proposed work program was deemed inconsistent with the new DOTC secretary's priorities. Hence, all the projects and programs that have been prepared were pulled out. With the disapproval of the multi-year work program, the Project Management Office (PMO) of the VPCFC was rendered redundant given that there were no projects and programs to implement. This situation led to the eventual dissolution of the PMO in 2012. Moreover, with no PMO overseeing the implementation of previously approved SVPCF projects, the projects were not accomplished within the target completion date of December 31, 2012 and, thus, funds reverted to the National Treasury (see the table below). Another reason why some funds were reverted was program non-implementation, such as the project "Pilot Testing Program of Alternative Engines/Fuel Efficiency and Emission Reduction Technology for Public Transport." This program was not implemented because of the Department of Justice's (DOJ) ruling that said that it is unlawful to use public money (i.e., MVUC fund) for private endeavors (i.e., the current public transportation modes are privately owned and managed, such as the public utility jeepneys).

Table 20. Unfinished SVPCF Projects in 2012

Activity	Cost (in Php)
1. Work Category 61 (Enforcement of Vehicle Standards and Regulations) • <i>Oplan Kaayusan sa Paglalakbay</i>	303,300.00

Results of the Assessment of the Utilization and Impacts of the Motor Vehicle User's Charge in the Philippines

Activity	Cost (in Php)
2. Work Category 67 (Vehicle Pollution Control Education and Training and Public Information) <ul style="list-style-type: none"> Pilot Testing Program of Alternative Engines/Fuel Efficiency and Emission Reduction Technology for Public Transport⁶⁹ 	33,400,000.00
3. Work Category 69 (Vehicle Pollution Control Management) <ul style="list-style-type: none"> Creation of the Environmentally Sustainable Initiative Transportation Unit (ESITU) 	12,175,444.00

Source: DOTC Planning unit

In 2013, DOTC DO 2013-03 reconstituted the SVPCF Committee for the purposes of: (1) administering and managing the SVPCF; (2) providing direction to the activities and projects using the SVPCF; and (3) in general, supervising, monitoring, and ensuring the proper implementation of the approved Vehicle Pollution Control Program, under the supervision of the Road Board. The DOTC also established the Environmentally-Sustainable Initiatives Transportation Unit (ESITU), under the Office of the Director for Planning, to act as the project management team for the SVPCF-funded projects. The ESITU categorizes SVPCF-funded projects as follows:

- Clean fuel initiatives
- Vehicle technology and service rationalization
- Development studies on environment preservation

The new process flow for SVPCF projects has been defined and proposed (see Appendix F). Funding for the ESITU has also been recently approved by the Road Board. Moreover, the draft guidelines for project identification and prioritization under the SVPCF fund has been completed. However, as of December 2015, it still awaiting approval by the DOTC Secretary.

Recently, a public-private partnership (PPP) approach is being explored for the MVIS program of the government. A PPP project that will establish a state of the art network of motor vehicle inspection centers across the Philippines is now being proposed. As of this writing, the project structure is yet to be finalized. The DOTC's identification and prioritization of future projects for SVPCF funding should consider the developments in this PPP proposal in order to ensure complementation of projects and avoid duplication of work.

⁶⁹ This program was not implemented because of the DOJ ruling that barred the use of MVUC funds for privately owned transportation modes.

4.6 Key Findings from the Case Studies

4.6.1 On Project Identification and Prioritization Processes

The Motor Vehicles Users' Charge contributes an additional 40% available fund for maintenance of national roads. It is a large amount and, hence, the identification and prioritization of projects must be performed rationally to ensure maximum benefits for the community.

For the MVUC projects under the DPWH

Based on key informant interviews, it was discovered that the prescribed procedure indicated in the IRR of RA 8794 as well as the Road Board's Operating Procedures Manual (i.e., that the DPWH should identify priority road projects through the Road Program Office (RPO), using HDM-4) is not strictly followed. In reality, the project proponents submit proposals to the Road Board Secretariat, which then asks the DPWH-RPO to check the accuracy of station limits and clear any incidence of double funding.

Moreover, with the decommissioning of the TARAS, the projects are based on recommendations from the DEO/RO and the results of Road Safety Audits conducted by the BQS. The prioritization is now on a 'first-come, first served' basis.

Although the bottom-up approach for project identification is a legitimate methodology, adopting this without validation through HDM4 or a network perspective of accident blackspots may lead to the implementation of projects that are not of the highest priority, thereby defeating the intention of the fund.

Fund Approval and Release

For the projects under the SLRF that were subjected to the case study, one key challenge is the requirement for the *Sangguniang Panglunsod (SP)* to issue a resolution granting the City Mayor to enter into and sign the tripartite Memorandum of Agreement (MOA). This makes the process vulnerable to the political manoeuvres, especially when the SP is not of the same political party as the incumbent Mayor, hence delaying the process and subsequent implementation of priority projects.

For the MVUC projects under the DOTC

It was discovered that the main reason for the underutilization of the SVPCF is the absence of a definitive operating procedure system for the identification and prioritization of projects. Hence, it is critical that the SVPCF guidelines that have been recently completed be approved and implemented to facilitate the implementation of critical projects that will reduce the adverse impacts of transport on the environment and the general populace.

Regarding the Expansion of the RBS' Function

As discussed earlier in this paper, by virtue of the revised 2012 IRR, the functions of the Road Board Secretariat has been enhanced to now include procurement and project

implementation. This creates potential overlaps in its functions with those of the DPWH. For instance, the Road Board, through its Secretariat, has initiated a project to supply the required road signages along national roads for the entire country (Appendix H). Under this project, the Road Board, through its Secretariat, will procure the road signages and the fund will no longer be downloaded to the DPWH. However, the installation of the signages will be performed by the DPWH using its regular maintenance budget.

The enhanced authority of the Road Board Secretariat creates a real potential of overlaps of its functions with those of the DPWH as the premier authority of the country on road safety.

4.6.2 On Transparency and Accountability

Transparency of process and accountability of actors are critical factors for the successful implementation of the MVUC funds. However, two observations indicate that there is still a need to improve on this area.

- a. One of the functions of the Road Board, through the RBS, is to raise the public's awareness on the use of the special funds and the activities of the Board through the publication of an annual report, not more than four (4) months after the end of the fiscal year. The IRR further stipulates that the Annual Report should be made available and disseminated in a popular form. In this era of electronic access, one of the more popular medium is the Road Board website. However, annual reports are not available online.

Moreover, information on projects implemented are also not easily accessible to the general public as these are not readily available on the Road Board's website as of this writing.

- b. It was also noted that no clear schedule for proposal submission and approval is indicated in the Road Board's Operating Procedures Manual, as also discovered during the various key informant interviews. In fact, the approval of the second case study (Installation of Road Safety Devices along *Daang Maharlika*) and subsequent release of the SARO took about 21 months. The absence of a systematic system for proponents to track their proposals has necessitated the involvement of local politicians as the latter are called on to assist in following up the status of requests. If left unchecked, this could present opportunities for political interference in the project identification and implementation processes.

4.6.3 On Monitoring and Evaluation of Impacts

Except for the SRSF case study on the IRAP Demonstration Corridor, impact evaluation system is absent in all cases examined. It is evident that the focus of monitoring is mostly on project implementation, rather than on the impacts of the projects.

Due to lack of data that can be used in rigorous quantitative impact evaluation, we rely on qualitative evaluation, summarized as follows:

Table 21. Summary of Qualitative Impact assessment for the Five Cases

Results of the Assessment of the Utilization and Impacts of the Motor Vehicle User's Charge in the Philippines

Case	Assessment
SRSF Case Study 1: Upgrading of Road Shoulder along Marcos Highway	Baseline data on accidents were prepared but it was still too early to check for impacts because the project was not yet fully completed at the time of fieldwork. (Though not yet 100% complete, the project was selected as case study upon the advice of the implementing agency and on the ground that it is an International Road Assessment Program demonstration project and will provide useful process evaluation lessons.)
SRSF Case Study 2: National Road Lighting Program in Roxas Blvd. (Vito Cruz St. to P. Burgos St.)	Since the project improved road visibility along Roxas Boulevard, it is expected to minimize road-related accidents and enhance road security. However, no baseline data were collected and there were no available reports on which an impact assessment can be based.
SLRF Case Study: Baguio City	No impact monitoring system is in place. Nevertheless, the field visit validated that the completed project in Burnham Park is in good state and is being enjoyed by Baguio City residents and local tourists.
SRSaF Case Study: Installation of Road Safety Devices along Daang Maharlika	There is no systematic monitoring system in place but the key informants said that they rely on police reports of accidents in the project area and so far, there have been no reports of major road accidents occurring in the area since the project was completed. Interviews with residents along the project corridor and truck drivers who frequently travel along the route yielded a consistent perception that accidents were reduced and that the installed safety devices were very useful, especially for night driving.
SVPCF Case Study: Motor Vehicle Inspection System-NCR North	There is no system for monitoring impacts in terms of air quality improvement and reduction in accidents due to mechanical defects in the coverage service area of the MVIS-NCR North; there are also no baseline data. The same is true for the nationwide MVIS program. Nevertheless, available secondary data were scrutinized. DENR data show that air quality in Metro Manila worsened despite the presence of MVIS centers. PSA data on road accidents by type show that roadworthiness of vehicles worsened even though we have a compulsory national inspection system.

The MVUC was instituted to ensure sustainable financing of road maintenance and help minimize air pollution from mobile sources. It is considered as the third biggest source of tax revenues of the government of the Philippines. But despite this, there is no systematic procedure in place for the evaluation of impacts of the projects undertaken through the MVUC funds. Section 5g of the IRR of the MVUC Act stipulates that the Road Board shall require DPWH and DOTC to provide acceptable and systematic procedures for measuring conditions, maintaining a database, and determining quantified benefits on a life-cycle basis. However, these have not been strictly required nor actively pursued.

Implementation shortcoming may also undermine the attainment of impacts. In the MVIC NCR-North case study, in particular, we noted that the MVIC is not linked with the Motor Vehicle Registration System (MVRS). This hinders real-time verification of the results of the Inspection and opens the system to manipulation of results for the purpose of facilitating vehicle registration. Should incidents of such occur, the objectives of the MVIS program would be subverted, thereby diminishing the value-for-money of the fund allocated.

5 International Experience with Road Funds

Road funds as earmarked funds have a long history and the oldest road fund is in South Africa, which was established in 1935 (World Bank n.d.). There are thus many examples of earmarked road funds worldwide. But based on our review of literature, the ones which may be able to provide relevant lessons to the Philippines are the hypothecated revenues for road funds in New Zealand, the Federal Highway Trust Fund in the United States and the erstwhile road funds in Japan. The ADB (2015) states that apart from these three countries, virtually all road funds failed in maintaining a stable flow of funds, ensuring funds are not diverted, keeping fund management in order, and securing the added revenues for roads. Nevertheless, given the many pressing calls on governments' general funds in developing countries, the ADB recognizes that without earmarking, there is only a small chance of consistently allocating enough revenues for road maintenance in those countries. Thus, road funds continue to be relevant to developing countries like the Philippines and in the discussion below, we gather from the three country experiences the good practices that can be scrutinized for possible adoption. Good practices that may be worth emulating include the following: (i) ensuring that the road fund administrator is strictly an administrator rather than project implementor; (ii) advance preparation of long-term vision and medium-term to short-term road investment programs; and (iii) variations of the reimbursement-basis payment system that are supported by strong audit systems.

5.1 New Zealand Road Fund

New Zealand has a long history of use of what it terms hypothecated revenues for roads and the institutional arrangement for the use also evolved. In 1953, it enacted the Nation Roads Act which adopted a "user pays" principle for the provision of roads and the original road fund in the country was born. The road fund was re-named the Land Transport Fund and a portion of it was transferred to the then newly created Transit New Zealand (TNZ). In 1996, a law separated road fund management from the TNZ's function and the Transfund New Zealand, a distinct road fund administration, was born. In 2004, a law abolished Transfund and another agency, the Land Transport Safety Authority, and then established in their place the Land Transport New Zealand (LTNZ). In 2008, further merging of agencies was carried out and the LNTZ and the Transit New Zealand were merged to become the New Zealand Transport Agency. Up to this day, the use of hypothecated revenues or earmarking for road funds continue through the New Zealand Transport Agency (New Zealand Ministry of Transport 2014).

What is documented in more detail and where the Philippines can draw lessons from is New Zealand's experience when Transfund was still the administrator. (It is quite possible though that the basic arrangements or basic principles for the New Zealand road fund did not change even though it had gone through bureaucracy evolution and national government agency mergers.) Transfund had a management board consisting of five members:

- (i) two representatives from TNZ;
- (ii) one representative of local governments;
- (iii) one representative of road users; and
- (iv) one representative for other aspects of public interest.

The board's key functions are:

- (i) to approve and purchase a national road investment program from the various road agencies, including capital projects;
- (ii) approve the competitive pricing procedures applicable to the road program;
- (iii) audit the performance of TNZ and local authorities against their respective road programs;
- (iv) provide advice and assistance to local authorities in relation to the Transfund Act.

The day-to-day management of Transfund was carried out by 52 staff, headed by a Chief Executive. The staff include programming and contracts staff, audit and policy staff, and other staff in three regional offices.

Transfund's specific responsibilities were:

- (i) to prepare the Annual National Roding Programme;
- (ii) to recommend to Government income and expenditure levels needed to support the Programme;
- (iii) to advise in general on the suitability of the Land Transport system;
- (iv) to fund the approved projects within the Programme;
- (v) to make payments to road agencies to finance the approved projects.

The Annual National Roding Programme was the basic building block for short- and long-term activities. TNZ and the local authorities submitted bids to the Transfund and the Annual National Roding Programme was built up from the submissions. Transfund reviewed the bids to check on the reasonableness and appropriateness of supporting benefit-cost calculations, and then projects were ranked in order of priority. Maintenance projects got the highest priority, and then all other projects were ranked in order until the funds were fully allocated.

In assessing maintenance requirements, all road agencies were required to use the Road Assessment Maintenance Management (RAMM) system coupled with professional judgment. RAMM is a computerized pavement management system. The system churns out road condition, road inventory and treatment selection based on engineering and economic criteria. Project requests were vetted on an ongoing basis by Transfund staff.

For projects implemented by the TNZ, the payment was on a reimbursement basis after the TNZ had carried out the work. Reimbursement was supported by regular ex post audits. For projects implemented by local authorities, the reimbursement was based on monthly claims supported by work invoice. The arrangement was more lenient for local authorities because they have less working capital than the national agency TNZ. Local authorities' work was also subject to regular audits and in case of non-compliance with agreements, they had to repay the funding received.

Auditing was carried out by the Review and Audit Division systematically and appropriate intervals. The primary audit objective for maintenance projects was to ensure that minimum maintenance standards and service levels were being maintained by each road authority. The general objective of audit for all projects was to ensure that the funds had been used in an efficient and effective manner. The audit division monitored outputs in relation to the promised performance measures and tested compliance with agreed plans. Technical and

economic audits were conducted every five years while procedural audits were conducted every three years (World Bank 2004).

5.2 The United States Federal Highway Trust Fund

The earmarking for the Federal Highway Trust Fund, which began in 1956, involves depositing certain road-related taxes into a special account that dedicate the funds to special highway or transportation accounts. Initially, it was used to fund federal-aid highway projects but the scope for funding was eventually widened. The fund coverage started including state and community road safety programs in 1966, mass transit projects in 1982, and high speed rail lines and bike trails in 1991. The fund has now evolved as an intermodal fund and not a strictly highway fund. When earmarked tax revenues exceed the current expenditures requirement, the excess are invested in public debt and the interest earnings are credited to the trust fund.

For the highway portion of the fund, the eligible projects include heavy maintenance, road improvement (not regular maintenance as states are the ones in charge of this), new construction, road safety programs, relevant studies, and other highway-related expenditures. States spend in advance for these projects and are eventually reimbursed for expenditures on approved projects.

Two congressional committees--one in the House of Representatives and one in the Senate--provide oversight. The Secretary of Transportation has overall authority over program implementation. At first, the eligibility of states for funding was determined based on the presence of sound planning capacity, suitable control procedures, and independent external audits at the state level. Since these are now established at the state level, the federal oversight focuses on the penalty system designed to encourage states to be responsible implementors. About 3,000 staff of the Federal Highway Administration (FHWA) are spread across states and stationed in Washington, D.C. and they closely work with the states in program preparation, funds disbursement, and auditing of completed works.

Fund allocation for the federal-aid highway program is based on formulas and it is strictly a reimbursable program, which is implemented by allocating states credit lines against which they can draw to meet obligations. The allocation formulas generally use variables such as population, road mileage and traffic density.

The fund disbursement and expenditure reimbursement generally follow the following procedures:

- (i) Work is done by a contractor.
- (ii) Contractor is paid by the state.
- (iii) Vouchers for reimbursement (usually covering several project withdrawals) are sent to FHWA for review and approval.
- (iv) Claims are certified by FHWA (this is a formality and certification is normally automatic, although it does provide an opportunity to audit works before payment is made).
- (v) Certified schedules are submitted to Treasury.
- (vi) Federal share is transferred to state bank account by electronic funds transfer.

Annual audit is required by law. Outside auditors carry out audits not only of financial matters but also of program compliance and internal control procedures. The FHWA check the procedures on an ad hoc basis and conduct occasional field inspections. The FHWA itself is subjected to an annual audit to ensure that it complies with the procedures it laid down and that it can account for all fund expenditures.

Recently, however, the growth of the trust fund is slowly getting behind the growth of expenses. Revenues from the gas tax, a primary source of the earmarked revenues, are not increasing as much as before. As cars become more and more fuel-efficient, aggregate gas consumption and therefore gas tax revenues no longer grow at a pace enough to match the need for road funds. Some recommendations have cropped up. One is to transfer the federal government's role of funding highway construction to states and cities. Another is the idea of transport economists to tax based on mileage rather than gas consumption, an approach which is gaining traction such as in Oregon where there is an ongoing pilot program for 5,000 volunteer-experimenters who pay 1.5c tax for every mile driven (Philips 2014).

5.3 The Japan Road Improvement Special Account

Early on, Japan recognized that in order to develop the road network, large-scale and stable funding is required. The major source of funding for highway construction in Japan was previously the earmarked tax-revenue system (Umeda 2014). After 54 years of utilizing the earmarked tax system for funding road network improvement and noting that the fundamental reforms of the taxation system has been implemented, earmarking was abolished in 2008 and the funding for road maintenance henceforth was sourced from general revenues (Japan Ministry of Finance 2008). Since the Japanese road fund has demonstrated success in 54 years, we examine below how it was used and how the process for utilization improved over time.

Japan introduced its special fund for roads in 1954 together with five-year rolling programs for road improvements. The five-year rolling programs, which were meant to elevate the country's road system to 20th century standards and meet the demands of post-war road improvements and rapid motorization, were renewed and implemented continuously. The funding mechanism involved earmarking certain road-related taxes and depositing these into a special off-budget account—the Road Improvement Special Account. The earmarking invoked the “user pays” principle or the reasoning that since road users benefit the most from improved roads, they should bear the roads improvement cost burden.

The activities that were covered included maintenance, improvement and construction of national, prefectural and local roads. The special account directly financed national government spending on national roads, transferred some revenues to local governments on a cost-share basis in road program financing, and extended loans to local governments. It also financed the purchase of construction equipment, equity for toll roads and subsidies for interest payments in toll road financing.

The legislation designated the Minister of Construction as the person responsible for managing the account and specified that the draft annual budget would be submitted to the cabinet for approval and subsequently to the Diet (parliament) for budget endorsement.

Oversight was originally provided by a Road Council composed of an independent chairperson and twelve other members from the motor industry, business community, trade unions, academia and local government sector. The council deliberated on the road fund management and program financing and advised the Minister of Construction on changes needed to reorient road financing. The council was then converted into a Roads Committee and worked in the same way as before, although with greater emphasis on civil society engagement and dialogues with interested or affected stakeholders.

The road fund in Japan encountered the risk of abolition in 1982 when the finance ministry attempted to replace it with allocations from the general fund. Faced with such risk, the Road Council which was then playing a relatively minor role became actively engaged, conducted an inquiry into the future requirements and came up with a forward-looking report envisioning the 21st century road improvement program. The recommendation not only set the future direction of the road program but also saved the road fund from abolition and then the Road Council and eventually, the Roads Committee, submitted its views on long-term strategy together with the five-year rolling program.

The day-to-day administration of the road fund was carried out by 12 staff in the General Affairs Division of the Roads Bureau of the Ministry of Construction. The staff were responsible for forecasting revenues, liaising with the finance ministry and monitoring the use of funds by the other divisions in the Roads Bureau (e.g., Highways Division, Expressway Corporation, etc.) and by the prefectures. Prefectures monitored the road fund utilization in cities, towns and villages. Contractors were paid directly after the work passed the inspection by a Ministry of Construction engineer who had not been involved in planning or implementation of the particular work. Audits were conducted by the Japanese Institute of Audits, which is independent from the government and regarded highly by the public (World Bank 2004).

6 Community Involvement in the Maintenance of Infrastructure

One key strategy for sustaining efforts in maintaining road infrastructure is to involve the local communities. This will not only promote inclusivity and transparency, but also provide opportunities for the individuals and the locality. As requested by the DBM, the aspect of community involvement in the maintenance of infrastructure is included in this study.

6.1 Experiences in Other Countries

6.1.1 Mbizana Local Municipality, South Africa

The community-based labor-intensive construction of the Amadiba road started when the Amadiba community together with a local non-profit organization asked assistance from the Council for Scientific and Industrial Research (CSIR) for the upgrade of their road. The project is to develop the Amadiba road, which is forty kilometers in stretch, into a sustainable road infrastructure with an aim to enhance the accessibility to socio-economic opportunities for more than 15000 people being served by the road and 1500 households located along the road. The construction began in January 2002. However, the project itself had been running since July 2001. (Mashiri et. al, 2005).

Mbizana, where the Amadiba community is located, is considered to be as one of the poorest local authorities in South Africa with more than eighty percent of the population below the poverty line and a significant number of households unemployed (Alderman et. al, 2001 as cited by Mashiri et. a, 2005). Since 1994, the South African Government has had National Public Works Programme whose aims included employment and asset creation, alongside capacity and skills development (McCutcheon, 1999 as cited by Mashiri et. al, 2005) with a view to impacting on poverty reduction and economic growth. The socio-economic condition of the Amadiba community mentioned above provided for the said programme to be extended.

The labor-intensive component of the project is seen to be as providing short term employment recognizing of laying the foundation for the creation of systems, procedures, capacities for sustainable employment. This kind of mechanism fits the profile of the households of the Amadiba perfectly whose numbers are substantial in terms of having no income at all. The whole project transpired through a series of project inception workshops and meetings, supervision from the Project Steering Committee, carrying out of an Environmental Impact Assessment and the construction of the Amadiba road. (Mashiri et. al, 2005)

The project had a positive effect on the socio-economic condition and trajectory of the Amadiba community, especially on the beneficiaries of the project and residents along the road. These positive effects were bounded by the critical things that were given attention by the implementers of the projects. These are the institutionalization of the stakeholder involvement, importance of making the stakeholders understand the benefits that is emanating from the project, political will, and the labour-based approach for the construction of roads.

6.1.2 Nanggroe Aceh Darussalam Province, Indonesia

The Kecamatan Development Programme (KDP) is an initiative of the national government of Indonesia which aimed to alleviate poverty, to strengthen local government and community institutions and improve local governance. One component of the program is the National Program for Community Empowerment (Program Nasional Pemberdayaan Masyarakat-PNPM). The KDP/PNPM offers the community a list of activities that they can select from by a participatory approach in which the decision of the residents from the village and sub-district are being followed. Most of the projects (90%) under this component have been infrastructure projects. Under this program is the Local Resource-Based Road Works project. The project is also in partnership with the UNDP/ILO.

The implementation of the project is done by the facilitators from the UNDP/ILO and the community. They focus on the budget and how the construction of the roads can be done within the given budget. The construction of the roads is being carried out either by a contractor hired by the community or directly by the community themselves under the direction of a village foreman/woman. With these mechanisms of the project, the quality of the road can be compromised. Moreover, with the challenge of having inadequate funding, the financing and management of routine maintenance was recognized as an issue in which should be concentrated on. As part of the solution, one option was the provision of allowance in the construction contracts of the contractor to be able to continue with routine maintenance once the construction of the road was finished. In addition to that, proper training, community-oriented handbooks and mentorships are things to be done for the

communities to be better equipped to manage their own simple maintenance activities to prolong the life of the road (ILO, 2008).

6.1.3 Malawi and Paraíba, Northeast Brazil

Both countries, in partnership with the World Bank have looked into undertaking Community Contracting to enable communities by letting them work and handle their own projects. Community contracting is defined to be as the procurement done by or on behalf of the community (Jorgensen, 1999 as cited by de Silva, 2000).

An assessment of local stakeholder perspectives of community contracting in the Malawi Social Action Fund and North East Brazil Rural Poverty Alleviation project was conducted in May 1999 and June 1999 respectively. The assessment was conducted after projects were conducted in the area. It was verified that community contracting has its own limits. Communities can handle subprojects that are simpler more efficiently. On the other hand, if the projects are more complex and technical in nature, communities should be provided assistance (de Silva, 2000)

6.1.4 Dehong Prefecture, Yunnan Province, China

Road deterioration is evident in Dehong Prefecture because of the limited labor inputs and a lack of skill training. Maintenance quality is suboptimal and the burden of this situation falls on the women and poor residing in the area. Because of this condition, through the Gender and Development Cooperation Fund (GDCF), a pilot demonstration project of community based road maintenance was implemented. Through the said fund, the Asian Development Bank agreed with the Yunnan Provincial Department of Transport and the Dehong Prefecture Communications Bureau to increase the funding for routine maintenance of rural roads. This pilot project also provided an opportunity for the residents of the area for off-farm employment especially for the women and ethnic groups.

The project had been beneficial for the residents of Dehong Prefecture for roads were successfully maintained by the women's road maintenance groups, people were provided technical and management skills training in routine rural road maintenance with other income generating activities, and wages from the maintenance work provided a substantial increase in the household income. (ADB, 2011).

6.2 Experiences in the Philippines

6.2.1 Community-based employment for road projects

With respect to community-based employment for road projects, the Philippines has already applied this kind of mechanism for over 20 years. In particular, the Community Based Employment Program (CBEP) seeks to provide short term employment to workers through the infrastructure projects, including road projects, and non-infrastructure projects undertaken by different government agencies. This program also covers providing emergency employment projects to individuals affected by disasters and economic shocks. In this context, the program is a social protection scheme and was devised to contribute to poverty alleviation.

Republic Act 6685 serves as the legal basis of the CBEP. Its provision is to hire local labor available in the areas where government infrastructure projects are to be undertaken. There are other laws such as the Executive Order No. 336 and Executive Order No. 994 that set out the policy direction and institutional frameworks for the implementation of Labor-Based/Equipment-Supported approach in government infrastructure projects.

When President Benigno S. Aquino III assumed office in 2010, he revived the CBEP as the major strategy for generating employment and poverty alleviation. The program is designed to have a variety of existing labor-intensive programs of different government agencies. The projects would include infrastructure and non-infrastructure. As a mechanism, the Public Employment Service Offices (PESOs) will be providing the list of the projects and its eligible beneficiaries. However, not all local government units have their own PESOs. In the absence of a PESO, the implementing national agency will be the one responsible in employing workers for their CBEP project. The wage of the workers is also determined by the implementing government agency (Artajo, 2013).

6.2.2 Civil society participation in monitoring road projects

Electing the help of civil society organizations (CSO) in monitoring infrastructure projects is not new in the Philippine road transport sector. The World Bank initiated the *Bantay Lansangan* or Road Watch initiative in November 2007, as part of its implementation of phase two of the National Roads Improvement Management Program⁷⁰. Bantay Lansangan is composed of multi-sectoral organizations from all over the country including non-government, private, and official development partners. It is primarily tasked to monitor if transport infrastructure projects meet the quality and design benchmarks.⁷¹ Further, it is recognized by the DPWH as a partner in efforts to deliver transparent and efficient services in relation to the road network of the country.

In 2011, the DPWH issued Department Order No. 14, Series of 2011 which directs the creation of a committee that shall be the lead entity in promoting DPWH-CSO partnership in all levels of project development cycle. In relation to this, DPWH and Bantay Lansangan signed a Budget Partnership Agreement in 2011 which states that the civil society organization shall be included not only in the monitoring aspects of transport infrastructure projects, but also in the budgeting process⁷². DPWH is to provide Bantay Lansangan with budget documents in order for the former to submit its recommendations and comments. Essentially, the agreement increased transparency as DPWH committed to give access to relevant information and data.

One of the interesting activities by Bantay Lansangan is coming up with the Road Sector Status Report Card (RSSRC). The RSSRC is a tool designed to measure the institutional and operational performance of DPWH using three key indicators: effectiveness, efficiency, and impact on the road user.⁷³ Bantay Lansangan has also developed a Procedures Manual for Road Construction and Maintenance in 2008. The manual was designed for volunteers who will conduct the road

⁷⁰ The National Roads Improvement and Management Program, a project funded partially by World Bank through a loan, aims to improve the maintenance and management of national road system in the country, as well as improve road user satisfaction.

⁷¹ Affiliated Network for Social Accountability in East Asia and Pacific. (2010). The Bantay Lansangan (Road Watch) Experience.

⁷² DPWH, Bantay Lansangan inks Budget Partnership Agreement. Accessed December 26 from <http://goo.gl/RQB7Vd>.

⁷³ Road Sector Status Report Card 2009.

monitoring tasks for the organization. The manual contains basic concepts of road construction and it includes standard definitions in the design, sample calculations of measurements, and corresponding pictures to help the volunteers in understanding technical specifications of the roads. For example, a concrete pavement will be given a Good, Fair or Bad rating. Each of the rating has a corresponding definition and a picture to help the volunteer assess the road in their respective areas. According to DPWH however, Bantay Lansangan has failed to submit the RSSRC since 2011 as sustainability of the World Bank-funded organization may be an issue.^{74 75}

7 Recommendations

Based on the results of our assessments, the following recommendations are put forward to improve the effectivity and efficiency of the MVUC fund.

7.1 On the Collection and Deposit of MVUC Monies

To improve the efficiency of MVUC collection, it is strongly recommended that serious effort be placed into automating the system of recording and encoding of collections and deposits to reduce human errors.

On advance Friday deposits, the recording procedure for this should be sufficiently addressed. It seems at this point that it is only a matter of devising an appropriate recording procedure for the advance Friday deposits and Monday deposits of the remaining Friday collections and consistently and deliberately adopting the procedure.

7.2 On Project Identification and Prioritization

Project Identification and prioritization

Note that the process on paper requires, for the MVUC funds under the DPWH, that the RPO of the DPWH do the planning for and programming of targets and outputs for submission to the Road Board Secretariat (RBS). The RBS, in turn, is required to submit and present the MVUC plans and programs to the Road Board for deliberation and approval. But the de facto procedure being implemented is that the DPWH regional offices and district engineering offices submit project proposals directly to the RBS, rather than the DPWH-RPO, and the RBS in turn submits the project proposals to the DPWH-RPO so that the latter could validate: (1) that there is no double funding; (2) the accuracy of station limits; and (3) the existing road conditions. The DPWH-RPO, using the results of its validation, then exhorts the Road Board to approve only those projects validated as eligible. In this de facto approach, the planning and programming activities become diluted and the DPWH-RPO becomes reactive.

We recommend, for the special accounts under the DPWH, that the advance planning, programming and project proposal development be done within the DPWH itself and that the RPO and regional/district offices have closer coordination for these activities.

⁷⁴ 2014 DPWH Annual Report. Accessed from December 26, 2015 <http://goo.gl/w0jNtT>.

⁷⁵ Latest available RSSRC is the 2009 report. See <http://goo.gl/KhEpRP>.

We recommend that the process conform to the prescription of RA 8794 and its IRR wherein: 1) the district/regional offices submit proposed projects to the Central Office/RPO, and 2) projects are prioritized using HDM4.

We note that the DPWH Secretary issued a memorandum on December 14, 2015 directing all district engineers and regional directors that all project proposals for "Asset Preservation and Additional Pavement Width" under the Motor Vehicle Users Charge (MVUC) be sent to the Road Program Office, Planning Service for evaluation and validation (Appendix G). We note this good action by the DPWH secretary. What should logically follow from this is that the regional and district offices should direct their submissions to the DPWH central office and discourage these local units' direct submissions to the RBS.

For the special account under the DOTC, we also recommend a more vigorous project development activity. The highest underutilization rate among the four special accounts is for the SVPCF at 28.9% (cumulative, 2001-2014).

No document was found in the course of the Study that stated that only LTO can implement SPVCF projects. However, the LTO is the only agency under DOTC that is mandated to ensure that emissions from land transportation are reduced through vehicle inspection. In as much as the SVPCF was created to support the implementation of the Clean Air Act through the reduction of pollution from mobile sources, there should be greater effort to involve regional LTOs in project identification and implementation.

The coordination, and possibly, project development partnerships, with DENR must also be explored. Note that the composition of the Vehicle Pollution Control Committee (VPCC) does not include DENR. Including DENR in the committee can institutionalize the partnership and facilitate coordination activities.

We also recommend that the guidelines for identification and prioritization of projects to be funded through the SVPCF be approved and implemented. We further suggest that multi-year funding scheme be studied to ensure sustainability of programs and maintenance of facilities.

Funding Approval and Release

We note that the underutilization rate for SLRF (cumulative, 2001-2014) was also high at 26.5%. It has been raised that the current process for release of the SLRF is cumbersome and open to political interference. One recommendation during the workshop for the study is that the SLRF be downloaded like the Internal Revenue Allotment (IRA). But the institutional repercussions of this need to be examined further given that control on information flow to the DILG and DPWH about good planning/programming may be lost/weakened. At present, the process flow requires that: (1) the LGUs submit to the DPWH, through the DILG, their proposed work programs corresponding to the amounts allocated by the Road Board; (2) upon approval of the work program, the LGU and the DPWH-regional office enter into a MOA in order to delineate each party's responsibilities (thus, a MOA is executed for every fund release); and (3) the LGU opens a trust account for the fund releases.

Downloading the funds to the LGU like IRA may indeed fast-track the utilization, and the allocation formula may still be used. (Note that the allocation formula uses the following weights: 30% for LGU good performance, 20% for vehicle population index, 50% for road

length index.) At this point when delay in budget spending is a big issue in government, experimenting on a method that could fast-track implementation is worthwhile. The legality of it and the institutional repercussions, however, need to be studied more thoroughly.

As an alternative, the current SLRF process can be fast-tracked through a combination of strategies. On the RBS side, fast-tracking can be through the RBS' advance forecasting of the likely shares of LGUs in SLRF and advance communication of eligibility conditions that are yet to be satisfied (e.g., no unliquidated balances). The process can be fast-tracked on the LGU side through advance programming by the LGUs of rolling work programs for possible SLRF funding. It will also be necessary to:

- (i) strengthen the information system and communication channels with LGUs regarding conditionalities and eligible work categories;
- (ii) put in place a monitoring system that aims to facilitate project implementation, monitor early warning signals on possible implementation problems, and recommend ways to fast-track implementation; and
- (iii) strengthen the auditing system by the RBS and/or explore a third party audit setup.

These activities will need resources and a portion of the SLRF could be set aside for establishing these systems and procedures and hiring RBS personnel or outsourcing some of the RBS' work.

7.3 On Monitoring

The monitoring by the Road Board is heavily dependent on the reports submitted by the DPWH, the DOTC and the LGUs. As discussed by the RBS, implementing agencies in the past did not submit the required reports regularly and this may be due to the fact that there are no sanctions for non-submission.

Transparency of Process

To improve the transparency of the whole process, we suggest that:

- Information on projects undertaken for the last 5 years be published in the Road Board website;
- A clear timeline from submission of project proposal to Road Board decision (approval or disapproval) be formulated;
- An on-line verification of the status of project proposals be made available at the Road Board website.

Establishment of Impact Evaluation System

An appropriate impact evaluation plan, where expected outputs and outcomes are stated, should be made a requirement in the application for funds. Further, we recommend that the impact evaluation and outcomes monitoring be institutionalized. Performance indicators and baseline data for the following categories must be identified and included in project proposals:

- Travel time savings
- Savings in vehicle operating costs
- Reduction in the frequency and severity of accidents
- Increased comfort, convenience, and reliability of service

7.4 On Institutional Reforms

The administration of the MVUC is in dire need of institutional reforms given the mismanagement issues it faced during the Arroyo administration (see Section 1.1) and the continuing problems under the Aquino administration, as discussed in the process evaluation and the five case studies. So great is the frustration with the MVUC performance that the Road Board was even recommended for abolition in the Sixteenth Congress, as manifested in Senate Bill 3131, which aimed to amend the MVUC law or RA 8794 particularly for the purpose of abolishing the Road Board. Under the law, the Road Board is a high-level body which is composed of seven members--the DPWH secretary (ex officio head), the DOF secretary, the DBM secretary, and the DOTC secretary as ex officio members, and three members from transport and motorist organizations which have been existing and active for the last five years.

However, it is worth emphasizing that we need to continue with the concept of a national fund earmarked for the roads sector given that the demand for resources is huge and earmarking is a stable source of resources. It is a second best solution until the time that, like Japan, the general fund is great enough to accommodate competing claims and we can afford to discontinue the MVUC. Part of the key design of an earmarked road fund, as we have seen in the successful country cases, is an oversight body. The Road Board is supposed to provide such oversight function, but it seems that it is not performing it that well given the past issues and the fact that its secretariat is also into project implementation.

We note that while attempting to abolish the Road Board, Senate Bill 3131 does not propose an oversight arrangement for the MVUC. Rather than abolish the Road Board, we believe that its oversight capability and transparency have to be strengthened through at least three measures.

- One is to restructure it to include other road users aside from transport and motorist organizations. Note from the featured country experiences that there is usually a strong representation of the road users in the oversight body. At present, three of the seven Board members are supposed to be coming from transport and motorist organizations. This can be restructured by requiring only one representative of motorists and requiring that the other two slots be given to one representative of the business users (such as a representative from chambers of commerce or a business organization with nationwide following) and one representative of the supply chain and logistics sector.
- Another measure is to make the Road Board's reports easily accessible to the public. Despite the requirement that the annual reports of the Road Board be made "publicly available and widely disseminated in a popular form", such is not being followed. We

therefore recommend that the Road Board increase its transparency by publishing its annual reports regularly and posting these on its website.

- Lastly, the Road Board needs to drive a re-orientation of its secretariat as a fund manager and not an implementing agency. Or if the intent of the Senate Bill proponent is to abolish the Road Board Secretariat rather than the Road Board and then distribute the secretariat tasks to DPWH for the SRSF, SLRF, and SRSaF and to the DOTC for the SVPCF, then a legislative bill will not be necessary because the creation of the Road Board Secretariat was not made through the law but through the IRR. In any case, there should be strong units in charge of fund management, project monitoring, technical and financial audits of projects, and impact evaluation. These should be the requirement whether the Road Board Secretariat functions, resources, and plantilla allocations would be distributed between the DPWH and the DOTC or the secretariat would be retained as is.

Moreover, the following institutional reforms are put forward to improve the efficiency and transparency of the processes:

- Strengthen oversight through audits

Given the presence of an oversight body in the form of the Road Board, to ensure constant improvement of process and procedures as well as adhere to the essence of RA 8794 for the prudent and effective utilization of the funds, it is strongly suggested that a body to provide additional oversight be created/identified for the MVUC. One option put forward is the Internal Audit Office under the Office of the President.

- Include in the roles of the Road Board Secretariat the monitoring of project implementation and evaluation of project outcomes

As stated previously, the expansion of the authority of the Road Board Secretariat, by virtue of the 2012 Revised IRR, to include procurement and project implementation has the potential to duplicate the functions that are part of the mandate of DPWH. For more efficient operations and in the adherence to the essence of the law, it is recommended that the RBS re-focus its roles to its tasks outlined in RA 8794 and develop a monitoring and evaluation system for projects implemented under MVUC.

- Strengthen the use of community-based employment in road maintenance projects and the participation of civil society organizations in monitoring and increasing transparency in road projects

Communities are critical actors in the development of the locality. Hiring of community organizations and local units are beneficial in terms of efficiency on work and economic advancements. Given the experiences of community-based labor approach on road maintenance from other countries and the experience in the Philippines, this approach in road maintenance certainly has potential for mainstreaming. However, the local communities in our country have not yet reached the stage where they can be the outright implementer of the project. It must be

initiated by the government or a private entity, coupled with a program that could capacitate the communities into sustaining such efforts.

The Bantay Lansangan experience proves that there is indeed space for CSO participation in the road monitoring aspect. DPWH has shown willingness to work with CSOs in order to increase transparency. As the chairperson of the Road Board, it would be best if the DPWH-CSO partnership can be replicated for the monitoring of the MVUC fund. The Road Board can release a resolution similar to Department Order No. 14, Series of 2011, where the Road Board Secretariat can take the lead in giving policy directions in greater CSO participation in managing the MVUC fund. This could mean CSO participation not only in project implementation, but also in identification and prioritization as well.

One important activity that should be adopted for the MVUC fund is the RSSRC. The RSSRC is a great tool which does not only consider the physical components of the project. More importantly, the impacts to the road users are also measured. Although impact to the road user indicators such as road safety, flow of traffic and road surface is mainly perception rating, it nevertheless is a great step towards measuring MVUC outcomes. More information can be added in the survey so that more advanced impact evaluation methodologies may be employed in the future.

Finally, closely related to the RSSRC is the need for the DPWH to capacitate volunteer CSOs. Road construction and engineering is a technical craft. Thus, the issuance of a Procedures Manual for Monitoring may not be sufficient. Continuous capacity building activities must be undertaken, and the manual must be updated to reflect current standards. The Procedures Manual developed for Bantay Lansangan in 2008 may serve as the template, or it may be further upgraded, simplified or even translated into vernacular terms for the volunteers.

7.5 On increase in rates

The law provides for increase in MVUC rates and given that the next administration will need greater fiscal space to implement projects, it will only be a matter of time before the increase in MVUC rates is viewed as one source of additional resources. Section 3 of the law states that the President of the Philippines may adjust the MVUC rates not more than once every five years.

At this point, there is a need to demonstrate first that the MVUC can be made effective and efficient through an overhaul of the institutional setup and processes. After which, the public must be made aware of the improvements and demonstration of effect of reforms in order to gain the public's support to any increase in the MVUC rates.

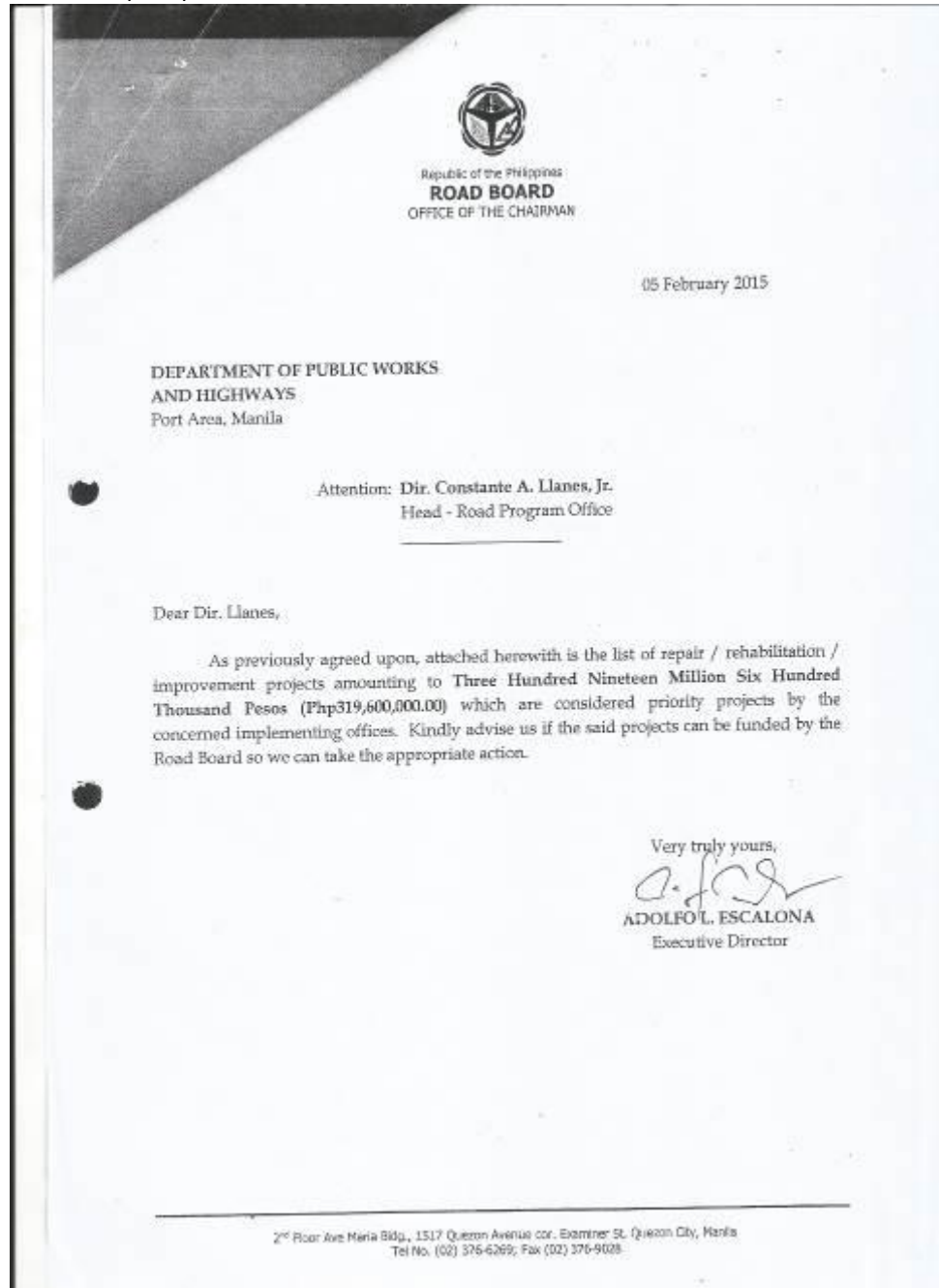
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Appendix A: Sample Correspondences between RBS and DPWH RPO

A1. Cover Letter for List of Projects from Road Board Secretariat to DPWH-Road Program Office (RPO)



Results of the Assessment of the Utilization and Impacts of the Motor Vehicle User's Charge in the Philippines

A2. List of Priority Projects from RBS

		Scope of Work		Road Section	Station Limit	Estimated Amount	Location	Findings
		Pangasinan 3rd DEO	Additional Pavement Width	Mangaldan - Manaoag - Binalonan Road S0000231LZ	K0196+000 to K0197+779 with exceptions	10,000,000.00	Pangasinan 5th District	Station limit is up to K0197+780 only. Change Section ID to S000231LZ
2	RI	Pangasinan 3rd DEO	Additional Pavement Width	Cermen Jct - Manat Road, Brgy Pindangan East, Alcala, Pangasinan S00335LZ	K0176+200 to K0177+085 with exceptions	11,250,000.00	Pangasinan 5th District	Ok, it is within the limit. Concrete: Poor L=885m
3	RI	Pangasinan 3rd DEO	Additional Pavement Width	Cermen Jct - Manat Road, Brgy Pindangan West, Alcala, Pangasinan S00335LZ	K0177+085 to K0177+970 with exceptions	11,250,000.00	Pangasinan 5th District	Ok, it is within the limit. Concrete: Good L=885m
4	RII	Bulacan 1st DEO	Additional Pavement Width with Drainage Improvement	Daang Maharlika (LZ), Baluag & Pineda, Bulacan S01505LZ	K0052+085 to K0052+592, K0045+050 to K0045+600 & K0039+540 to K0039+700 (with exceptions)	11,250,000.00	Bulacan 2nd District	K0052+085 to K0052+592: Ok, it is within the limit. K0045+050 to K0045+600: Ok, it is within the limit. K0039+540 to K0039+700: Ok, it is within the limit.
5	RII	Tarlac 1st DEO	Slope Protection	Paniqui - Camiling - Walse Road, Paniqui, Tarlac S01026LZ	K0156+000 to K0156+750 with exceptions	10,000,000.00	Tarlac 1st District	Ok, it is within the limit.
6	RIV-A	Batangas 2nd DEO	Slope Protection	Batangas - Lobo Road, Lobo, Batangas S00000LZ	K0125+493 to K0126+000 with exceptions	11,750,000.00	Batangas 2nd District	Ok, it is within the limit.
7	RIV-A	Batangas 2nd DEO	Slope Protection	Batangas - Lobo Road, Lobo, Batangas S00000LZ	K0130+000 to K0130+600 with exceptions	12,440,000.00	Batangas 2nd District	Ok, it is within the limit.
8	RIV-A	Batangas 2nd DEO	Slope Protection	Batangas - Lobo Road, Lobo, Batangas S00000LZ	K0131+788 to K0132+300 with exceptions	12,350,000.00	Batangas 2nd District	Ok, it is within the limit.
9	RIV-A	Batangas 2nd DEO	Slope Protection	Batangas - Lobo Road, Lobo, Batangas S00000LZ	K0135+500 to K0137+200 with exceptions	12,890,000.00	Batangas 2nd District	Ok, it is within the limit.
10	RIV-A	Batangas 2nd DEO	Slope Protection	Batangas - Lobo Road, Lobo, Batangas S00000LZ	K0135+000 to K0135+700 with exceptions	13,500,000.00	Batangas 2nd District	Ok, it is within the limit.
11	RIV-A	Batangas 3rd DEO	Upgrading / Rehabilitation	Daang Maharlika (LZ) S01911LZ	K0065+671 to K0069+398 with exceptions	11,000,000.00	Batangas 3rd District	Ok, it is within the limit. Asphalt, L=401m, Good.
12	RIV-A	Batangas 3rd DEO	Upgrading / Rehabilitation	Manila - Batangas Road S01917LZ	K0056+523 to K0058+500 with exceptions	10,000,000.00	Batangas 3rd District	Ok, it is within the limit. Asphalt, L=619m, Good; L=1230, Fair; L=186m, Poor.
13	RIV-A	Cavite 2nd DEO	Additional Pavement Width with Drainage	Sta Rosa - Ulat - Tagaytay Road S01906LZ	K0060+400 to K0061+340.65 with exceptions	11,250,000.00	Cavite 5th District	Ok, it is within the limit.
14	RIV-A	Cavite 2nd DEO	Additional Pavement Width with Drainage	Sta Rosa - Ulat - Tagaytay Road S01906LZ	K0072+316.79 to K0072+676 with exceptions	11,250,000.00	Cavite 5th District	Ok, it is within the limit.
15	RIV-A	Laguna 2nd DEO	Asphalt Overlay	Manila South Road, Sta Rosa Section, Sta Rosa, Laguna S01715LZ	K0036+385 to K0036+845 with exceptions	11,620,000.00	Laguna 1st District	Ok, it is within the limit. Asphalt, L=165m, Good; L=289m, Poor.
16	RIV-A	Laguna 1st DEO	Asphalt Overlay	Calamba - Sta Cruz - Famy Jct Road S05088LZ	K0077+343 to K0077+450 with exceptions	12,000,000.00	Laguna 4th District	Ok, it is within the limit. Asphalt, L=107m, Fair.

Results of the Assessment of the Utilization and Impacts of the Motor Vehicle User's Charge in the Philippines


		Scope of Work		Road Section	Station Limit	Estimated Amount	Location	Findings
			Asphalt Overlay	Calamba - Sta Cruz - Fanny Jct Road S06099LZ	K0077+600 to K0079+400 with exceptions	12,000,000.00	Laguna 4th District	Ok, it is within the limit. Asphalt: L=500m, Fair; L=195m, Poor; L=205m, Bad.
18	R/V-A	Laguna 1st DEO	Asphalt Overlay	Calamba - Sta Cruz - Fanny Jct Road S06098LZ & S06099LZ	K0091+665 to K0092+700 with exceptions	12,000,000.00	Laguna 4th District	Ok, it is within the limit. Asphalt: L=283m, Good; L=772, Fair.
19	R/V-A	Laguna 1st DEO	Asphalt Overlay	Calamba - Sta Cruz - Fanny Jct Road S06099LZ	K0098+450 to K0100+000 with exceptions	12,000,000.00	Laguna 4th District	Ok, it is within the limit. Asphalt: L=1004, Fair; L=550m, Poor.
20	R/V-A	Laguna 1st DEO	Asphalt Overlay	Calamba - Sta Cruz - Fanny Jct Road S06099LZ	K0099+608 to K0100+500 with exceptions	12,000,000.00	Laguna 4th District	Overlaps with #19.
21	R/V-A	Laguna 1st DEO	Asphalt Overlay	Lumban - Caliraya Road S01678LZ	K0102+635 to K0103+440 with exceptions	12,000,000.00	Laguna 4th District	Ok, it is within the limit. Concrete: L=807m, Fair.
22	RV	Albay 3rd DEO	Concrete Reblocking	Albay West Coast Road, San Jose Section, Libon, Albay S05785LZ	K0499+000 to K0502+100 with exceptions	10,000,000.00	Albay 3rd District	Ok, it is within the limit. Concrete: L=1195, Fair; L=2010, Poor.
23	RV	Camarines Sur 3rd DEO	Concreting of Road Shoulder with Drainage Improvement	Sagnay - Nato Road, Nato, Sagnay, Camarines Sur S03598LZ	K0455+(-527) to K0485+1193 with exceptions	11,250,000.00	Camarines Sur 4th District	Ok, it is within the limit.
24	RV	Camarines Sur 3rd DEO	Concreting of Road Shoulder with Slope Protection	Pili - Tigson - Albay Bdry Road, Patitinan, Sagnay, Camarines Sur S03596LZ	K0499+455 to K0508+022.60 with exceptions	11,250,000.00	Camarines Sur 4th District	Ok, it is within the limit.
25	RV	Sorsogon 1st DEO	Asphalt Overlay	Daang Maharlika, Danilog - Putiao - Pilar Section S03732LZ	K0540+(-547) to K0542+000 with exceptions	12,000,000.00	Sorsogon 1st District	Ok, it is within the limit. Asphalt: L=794m, Good; L=1234m, Fair; L=518m, Poor.
26	RV	Sorsogon 1st DEO	Asphalt Overlay	Daang Maharlika, Pantayasan - San Isidro - Sorsogon City S03732LZ	K0565+000 to K0566+800 with exceptions	12,000,000.00	Sorsogon 1st District	Ok, it is within the limit. Asphalt: L=160m, Good; L=800, Fair; L=811m, Poor.
27	RVI	Antique DEO	Drainage Improvement	Bantayan - San Pedro - Cubay Road S00409PN	K0098+(-100) to K0098+700 with exceptions	6,500,000.00	Antique Lone District	Ok, it is within the limit.
28	RVI	Antique DEO	Drainage Improvement	Iloilo - Antique Road S00409PN	K0093+859 to K0092+565 with exceptions	11,300,000.00	Antique Lone District	Ok, it is within the limit. Change Section ID to S00336PN
						319,800,000.00		

Verified by:


LOYD ANTHONY A. MIARAL
 Engineer II
 RPO, Planning Service

Results of the Assessment of the Utilization and Impacts of the Motor Vehicle User's Charge in the Philippines

A3. Cover Letter from RPO Head to RBS



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

February 16, 2015

ADOLFO L. ESCALONA
Executive Director
Road Board Secretariat
2nd Floor, Ave Maria Building
1517 Quezon Avenue cor. Examiner St.
West Triangle, Quezon City

Dear Director Escalona:

This refers to your letter dated 05 February 2015, requesting advise whether the 28 proposed repair / rehabilitation / improvement projects with a total amount of **Three Hundred Nineteen Million Six Hundred Thousand Pesos (Php319,600,000.00)** can be funded under the Motor Vehicle User's Charge (MVUC).

Please be informed that based on the evaluation of the Road Program Office (RPO), Planning Service (PS), **25** out of 28 proposed projects were found eligible and may be considered for funding under MVUC. (see attached Annex "A"). However, 3 projects are not acceptable for funding and need clarification from the concerned implementing offices in view of the findings as enumerated below:

Project Number	Findings	Total Amount (Million Pesos)
4	Pending clarification on double funding	11.250
11	Due to good road condition	11.000
20	Overlaps with # 19	12.000
TOTAL		34.250


For project numbers 1 and 28, please follow the instructions as stated in the Findings of the attached "Annex A".

It is understood that projects to be funded by the Road Board for indorsement to the Department of Budget and Management, for issuance of Special Allotment Release Order should be taken from the list of projects that the Road Board Secretariat endorsed to the Road Program Office, Planning Service, and from other request that were eventually cleared and declared eligible for funding.

Furthermore, it is understood that the work programs, detailed cost estimates, detailed plans and other pertinent project data had been reviewed, evaluated by the Road Board Secretariat and duly approved by the Board prior to the inclusion in the succeeding expenditure programs.

For your appropriate action.

Very truly yours,


CONSTANTE A. LLANES, JR.
Head, Road Program Office
Director, Planning Service

LOI15- 2/25/15

A4. Sample List of Priority Projects with comments from RPO


319,600,000.00

ELIZABETH C. FRANCO
Engineer III

~~CONSTANTE A. LLANES, JR.
Head, Road Program Office
Director, Planning Service~~

Appendix B: Sample Correspondence between RB and DBM on SARO

B1. Road Board's request for release of SARO, Aug. 20, 2014


Republic of the Philippines
ROAD BOARD
OFFICE OF THE CHAIRMAN

15 August 2014

HON. FLORENCIO B. ABAD
Secretary
Department of Budget and Management
General Solano St., San Miguel
Manila

ATTENTION : **Director Ma. Soledad G. Doloiras**
Budget and Management Bureau – A

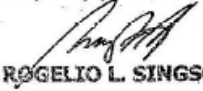
Dear Secretary Abad,

Pursuant to Board Resolution No.14-22, as approved in the 93rd Regular Road Board Meeting held on 26 March 2014, may we respectfully request for the release of the Special Allotment Release Order (SARO) and the corresponding Notice of Cash Allocation (NCA) in the total amount of **Eighty Two Million One Hundred Thousand Pesos (Php 82,100,000.00)**, chargeable against the CY2014 MVUC Special Road Support Fund (SRS&F)-Fund 151, to fund the herein attached matrix of approved projects. (Please refer to "Annex A").

It is also requested that the SARO/NCA indicate that, in utilizing this fund, the work to be implemented by the DPWH shall strictly comply with prescribed guidelines, rules, and regulations of the Road Board as adopted in existing Road Board Resolutions.

Thank you for your usual immediate attention on this matter.

Very truly yours,



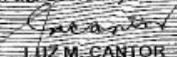

ROGELIO L. SINGSON
Chairman, Road Board

Department of Budget and Management
OFFICE OF THE SECRETARY
RECEIVED
AUG 20 2014
BY: LA. D. D. 14
CONTROL NO.: _____ TIME: _____

Department of Public Works and Highways
Office of the Secretary
WIN4J03995

2nd Floor Ave Maria Bldg., 1517 Quezon Avenue cor. Examiner St. Quezon City, Manila
Tel No. (02)-376-6269; Fax (02) 376-9028


B2. SARO Issued on Sept. 22, 2014, 33 calendar days after request

 REPUBLIC OF THE PHILIPPINES DEPARTMENT OF BUDGET AND MANAGEMENT MALACANANG, MANILA SPECIAL ALLOTMENT RELEASE ORDER <small>For Fiscal Year 2014</small>			
Department	Department of Public Works and Highways (DPWH)		ORG CODE
Agency	Office of the Secretary		18-001-0100900
Operating Unit	Central Office		(05702)
Locality			
Funding Source	Automatic Appropriations Special Road Support Fund		1 04 350
Purpose	Release of funds for the repair/rehabilitation/improvement/construction of pedestrian overpasses in NCR, pursuant to R.R. Resolution No. 14-22 and 14-37, chargeable against the Special Road Support Fund (SRSRF) Fund 361, RA No. 8794 Motor Vehicle Users' Charge (MVUC) Act, details in Annex A.		
MFO/PAP Code	Particulars	Object Code	Amount
	Road Networks	5060403001	82,100,000
	TOTAL:		P 82,100,000
Amount in words: *** EIGHTY-TWO MILLION ONE HUNDRED THOUSAND PESOS ONLY ***			
Notes: The allotment herein released shall be used exclusively for the purpose cited herein and valid for obligation until December 31, 2014 only. It is understood that the provisions, guidelines, rules and regulations under RA 8794, its IRR and the Operating Procedures Manual shall be strictly adhered in the utilization of the funds herein released. Further, the SAA to be issued to the concerned DFO shall likewise specify this condition.			
The allotment herein authorized shall be used solely for the purposes indicated and disbursements thereon shall be made in accordance with existing budgeting, accounting and auditing rules and regulations. It is the primary responsibility of the head of the Department, Bureau or Agency concerned to keep expenditures within the limits of the amount allotted.			
In follow-up: <small>un-ble</small> <small>date</small> <small>barcode</small> <small>25A001/2014-006684B</small> 		By Authority of the Secretary:  LUZ M. CANTOR Undersecretary	
Page 2 of 2 page(s)		SARO No. SARO-BMDA-14-0014241 Date of Issue: September 22, 2014	

Appendix C: Sample Road Accident Record

TRAFFIC ACCIDENT REPORT ALONG AGOO - BAGUIO CITY ROAD VIA MATUGAN									
as of September, 2015									
REPORT NUMBER	DATE OCCURRED	LIGHT	WEATHER	LOCATION		SURFACE CONDITION	ACCIDENT SEVERITY	MAIN CAUSE OF ACCIDENT	P
				Barangay	Landmark				
Tuba, Benguet									
0001	January 16, 2015	Daylight	Fair	Sitio Salpang, Taloy Sur, Tuba	K0260 - K0261	Dry	Fatal Accident	Human Error	C
0002	January 16, 2015	Night	Foggy	Sitio Salpang, Taloy Sur, Tuba	K0260 - K0261	Dry	Property Damage	Vehicle Defect	C
0003	February 14, 2015	Daylight	Fair	Sitio Salpang, Taloy Sur, Tuba	K0260 - K0261	Dry	Property Damage	Vehicle Defect	C
0004	February 28, 2015	Daylight	Fair	Sitio Caucaian, Taloy Sur, Tuba	K0262 - K0263	Dry	Property Damage	Vehicle Defect	C
0005	April 20, 2015	Night	Fair	Sitio Caucaian, Taloy Sur, Tuba	K0262 - K0263	Dry	Minor Injury Accident	Human Error	C
0006	April 25, 2015	Daylight	Fair	Sitio Salpang, Taloy Sur, Tuba	K0260 - K0261	Dry	Property Damage	Vehicle Defect	C
0007	April 25, 2015	Daylight	Fair	Sitio Salpang, Taloy Sur, Tuba	K0260 - K0261	Dry	Property Damage	Human Error	C
0008	May 17, 2015	Daylight	Foggy	Sitio Emomas, Taloy Sur, Tuba	K0264 - K0265	Dry	Property Damage	Human Error	C
0009	June 4, 2015	Daylight	Fair	Sitio Salpang, Taloy Sur, Tuba	K0260 - K0261	Dry	Minor Injury Accident	Vehicle Defect	C
0010	July 7, 2015	Night	Rainy	Upper Palina, Taloy Sur, Tuba	K0259 - K0260	Wet	Minor Injury Accident	Human Error	C
0011	July 21, 2015	Night	Rainy	Upper Palina, Taloy Sur, Tuba	K0257 - K0258	Wet	Minor Injury Accident	Human Error	C
0012	August 8, 2015	Night	Fair	Sitio Salpang, Taloy Sur, Tuba	K0260 - K0261	Fair	Property Damage	Vehicle Defect	C
0013	August 21, 2015	Daylight	Rainy	Sitio Salpang, Taloy Sur, Tuba	K0260 - K0261	Rainy	Minor Injury Accident	Road Defect	C
0014	September 2, 2015	Daylight	Rainy	Upper Palina, Taloy Sur, Tuba	K0257 - K0258	Rainy	Property Damage	Human Error	C
0015	September 7, 2015	Daylight	Rainy	Sitio Caucaian, Taloy Sur, Tuba	K0262 - K0263	Rainy	Minor Injury Accident	Human Error	C
0016	September 19, 2015	Night	Foggy	Sitio Salpang, Taloy Sur, Tuba	K0260 - K0261	Foggy	Property Damage	Road Defect	C
0017	September 2, 2015	Daylight	Fair	Upper Palina, Taloy Sur, Tuba	K0258 - K0259	Dry	Property Damage	Human Error	C
Tubao, La Union									
670	September 9, 2015	Night	Fair	Francia West, Tubao, La Union	K0260 - K0261	Fair	Fatal Accident	Human Error	C
709	September 20, 2015	Daylight	Fair	Brgy Lloren, Tubao, La Union	K0246 - K0248	Fair	Property Damage	Human Error	C
Prepared by : _____									
Checked by : _____									
Submitted by : _____									

Appendix D: DPWH CAR Certification of No Unliquidated CA



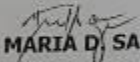
Republic of the Philippines
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS
OFFICE OF THE REGIONAL DIRECTOR
Cordillera Administrative Region
Engineers' Hill, Baguio City

CERTIFICATION

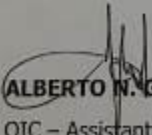
THIS IS TO CERTIFY that the City Government of Baguio has no unliquidated cash advance in the implementation of Special Local Road Funds (SLRF). However, as per Credit Notice No. 2014-004 dated November 6, 2014 (copy attached) furnished to this Office by Audit Group G, Team No.1, Commission on Audit assigned at the City Government of Baguio, there was a disallowance of FIVE HUNDRED TWENTY THOUSAND TWO HUNDRED THIRTY NINE PESOS AND THREE CENTAVOS (Php520,239.03).

This CERTIFICATION is issued based on the verbal request of Engr. Stephen Capuyan, Baguio City LGU, to comply with the letter of John M. Castaneda, CESO III, Regional Director of the Department of the Interior Local Government Cordillera Administrative Region, to Hon. Mauricio G. Domogan, City Mayor of Baguio.

Issued this 13th day of March 2015.


MARIA D. SAÑGA
Chief, Financial and Management Division

Noted by:


ALBERTO N. CAHID
OIC – Assistant Regional Director
"For and in the absence of the Regional Director"
A

Tel. Nos. (074) 444-6460/ (074)444-8838* Email Address: dpwh_car@yahoo.com

Appendix E: Minutes of the Key Informant Interviews for the SLRF Case Study in Baguio City

I. Engr. Stephen Capuyan

Assistant Chief, Maintenance Division, City Engineering Department, City of Baguio

Engr. Vic Ulpindo, Chief, Planning and Construction Division, City Engineering Officer, City of Baguio

- Dr. Napalang introduced the team to Engr. Capuyan
- Engr. Stephen Capuyan said that they identify projects through the directives of the City Engineer to inspect barangay roads. He said that this would give them an idea on the current and latest status of the roads. He said that the 9 projects for SLRF funding were identified during their inspection.
- Dr. Napalang asked the yearly allocation from the SLRF for Baguio City. Engr. Capuyan said that it ranges from 1.7 to 1.8 million pesos annually based from the allocation in 2012 and the previous years.
- Dr. Napalang asked if it is possible to resubmit projects that were applied for funding but were not implemented. Engr. Capuyan said that it is possible as long as it is recommended by the city engineering office.
- Dr. Napalang asked Engr. Capuyan on the disqualification of the city government to avail the fund in 2012. Engr. Capuyan said that there is a disallowance because of previous projects but was not able to give details as he is relatively new in the unit.
- Dr. Napalang asked if the local road inventory is done by the department. Engr. Capuyan said that the latest Local Road Inventory was completed in 2014. Dr. Napalang asked what the challenges during the inventory. Engr. Capuyan said that it was very challenging for their department as there are a lot of roads in the city and that it is beneficial for the city to be able to identify the local roads from that of the national roads. He also added that they also use the inventory, as basis on the conditions of the roads to assess which ones should be prioritized.
- Dr. Napalang asked the usual duration of the local road inventory. Engr. Ulpindo said that it usually takes 1.5 to 2 years for the road inventory. He also said that it is a continuing process as they have to update every time the condition of a certain road is changed.
- Dr. Napalang asked if the SLRF guidelines is clear. Engr. Capuyan said that it is unclear as it changes from time to time. While Engr. Ulpindo said that there is a continuity because the divisions under the city engineering office is always rotated that is why they have challenges in the documentation and file keeping.
- Dr. Napalang asked if the fund is beneficial for the city government. Engr. Ulpindo said that the fund is beneficial like the Performance Challenge Fund as it supplements the city budget for development. Engr. Capuyan said that it is

beneficial because the city government use its money for other purposes such as other barangay roads.

- II. Evelyn Trinidad, City Director, DILG-CAR
Mr. Ric Abad, Planning Officer III, City Planning Department, City of Baguio
November 6, 2015

Highlights:

- Dr. Napalang introduced the team to Director Trinidad.
- Director Trinidad said that there are no SLRF releases for Baguio City for 3 consecutive years, 2012, 2013 and 2014. She said that the reason is that the city failed to liquidate the cash advances for 2009 project. She said that funds are released per tranche that is 50% of the cost should be implemented and liquidated before the other half or 50% will be released. Dir. Trinidad said that it is hard for the LGU because they have to liquidate the 50% released to them, which usually causes delays. She said that it would be more efficient if the fund is downloaded fully or 100% to the LGU and will be liquidated only once after the implementation.
- Dr. Napalang clarified the statement of Engr. Capuyan on the disallowance, which disqualified Baguio City for SLRF release for 3 years. Dir. Trinidad said that there was a discrepancy on the actual delivery and the specification. She also said that there was a letter that was sent by Engr. Leo Bernardez, the city engineer, to the COA answering the 'disallowance'.
- Dir. Trinidad said that one of the reasons she knows is the Php200,000 unspent from the previous project. She said that the DPWH could not answer whether or not the City government can use it for other projects under SLRF or if they will return the amount to the DPWH. The city government also raised this issue to the DILG thru Usec. Panadero, but they were not also given a clear answer. She also said that if they will return the 200 thousand pesos, it will no longer be returned to the MVUC fund but goes directly to the national treasury, which is inequitable for the MVUC fund recipients.
- Dr. Napalang asked why the SLRF allocation increased. Dir. Trinidad said that it is an aggregate of the previous years of being disqualified from SLRF Funding.
- Dir. Trinidad said that it will be better if the SLRF are directly downloaded to the LGUs since the fund is the LGUs share from the MVUC. Dir. Trinidad said that doing so will lessen the layers and possibilities of corruption. Dr. Napalang said that the fund may be channeled thru the DPWH because they are the ministry for road development and that there is a need to coordinate with DILG for the agency's direct supervision to the LGUs.
- Dr. Napalang asked the requirements to qualify for the SLRF funding. Dir. Trinidad said that it is imperative for the LGU to have a Seal of Good Financial Housekeeping, this is a measure of performance and capacities of LGU to deliver basic social services. She said that it is somewhat measurement of compliance of LGUs to use its fund efficiently and effectively. She said that the city must implement and liquidate properly based on the specifications of the DPWH.
- Dr. Napalang asked the function of the DILG. Dir. Trinidad said that they do oversight functions on the delivery or implementation of the project being an included party in the MOA. She said that sometimes, even they do not have the technical knowhow in engineering; they join the inspection because it is part of their duties and responsibilities.

She said that they make a report on their observations and send it to the regional office of DILG.

- Dr. Napalang asked if Dir. Trinidad the computation for the SLRF sharing of the LGUs. She said that the DILG does the computation based on the LGU and LTO's data on the registered vehicle and the road length.
- Dr. Napalang asked how the projects are prioritized. Dir. Trinidad said that the SLRF projects are identified thru the Annual Investment Plan. She said that the city government ranked its priority projects in the AIP so it is about knowing what was funded and what is not.
- Dr. Napalang asked if there are instances that projects are included in the SLRF list for funding that are not included in the AIP. Dir. Trinidad said that it never happened during the term of Mayor Domogan. She said that the mayor wants the priority projects indicated in the AIP to be followed.
- Dr. Napalang clarified the Performance Challenge Fund which was mentioned by Engr. Vic Ulpindo. Dir. Trinidad said that the fund is a prize for the LGU that qualify for the Seal of Good Local Governance. She said that in 2012 and 2015, the city government bagged 3 million and 5 million respectively. Dir. Trinidad said that the prize comes from the GAA. Dr. Napalang asked where the PCF is used. Dir. Trinidad said that projects for development based from the menu. The project is not necessarily specified just the area.
- Dr. Napalang asked how double funding is checked given that there are numerous funding sources available and how the DILG helps on checking double funded projects. Dir. Trinidad said that the projects are verified before funding thru the AIP. According to Dir. Trinidad, the projects identified went through the full process of planning lead by the Planning Department and the Local Development Council. The verification of double funding is done by the Planning Department. Mr. Ric Abad from the City Planning Department confirmed the statement of Dir. Trinidad.
- Dr. Napalang asked if the city government does the local road inventory which is one of the requirements for the SLRF eligibility. Dir. Trinidad said that the city does local road inventory thru the city Engineering Office particularly, the maintenance division under Engr. Capuyan. Dir. Trinidad said that the local road inventory is important to know what belongs to the DPWH and to the LGU and to check the status or condition of the roads.
- Dr. Napalang asked if Dir. Trinidad thinks that the SLRF is beneficial for the city government. Dir. Trinidad said that the 5 million pesos from SLRF is a big help for the city government as the funds that should be appropriated to the projects that will be funded by SLRF can be used for other purposes, especially on social services.
- Dr. Napalang asked what can be further improved in the process. Dir. Trinidad said that the Procurement Law is a tedious process that sometimes it is no longer facilitating, it hampers the fast implementation. She said that there are a lot of instances where the implementation was delayed due to the procurement process where prices for a particular project increased because of inflation. She said that the national government should consider formulating a shorter process for procurement.
- Dir. Trinidad also said that there should be a provision on unspent or savings from the project in the guidelines.
- Dr. Napalang asked if the DILG City level is involved in monitoring of projects. Dir. Trinidad said that they force other parties to involve them because the MOA instructs their involvement. She said that they submit report to the DILG regional office for their observations.
- Dir. Trinidad said that the DPWH experienced difficulties in identifying who the signatory for the MOA will be. The city government initiated the drafting of the MOA and suggested that the District Engineer should sign the MOA but the DEO said that only the DPWH Regional Director is entitled sign the MOA but the Regional Director said that it


should be the assistant Regional Director. She said that these mechanisms should be cleared in the guidelines.

- Dir. Trinidad also suggested that the MOA should only signed once among the DILG, DPWH and the LGU to lessen the hassle in the implementation, unless, there are significant changes in the existing MOA.

- Dr. Napalang asked what will be done to the MOA if the project is not implemented. Dir. Trinidad said that the MOA would not take effect since there is no project that will be implemented.

- Dir. Trinidad also suggested that the Local Project Monitoring Committee be strengthened as it could serve as the oversight committee in the implementation of all types of funding which includes the MVUC, BUB and the PCF. This could also facilitate the linkages among the projects that are implemented in the city towards the city government goal.

Appendix G: DPWH Memorandum on MVUC Projects


DEC 14 2015

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

MEMORANDUM

FOR : **ALL REGIONAL DIRECTORS
DISTRICT ENGINEERS**
This Department

SUBJECT : **PROCESS FOR REQUESTING PROJECTS FUNDED BY THE MOTOR
VEHICLE USERS CHARGE (MVUC)**

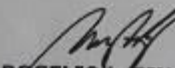
To avoid double funding of asset preservation and road widening projects it is imperative that Implementing Offices do not request funding for projects through multiple funding sources (i.e. General Appropriations Act (GAA) and the Motor Vehicle Users Charge (MVUC)). This can result in double-funding of projects, thus creating a poor perception of the Department's planning process, and wastage of GAA funds due to return of funding to the Department of Budget and Management.


To mitigate this issue, and facilitate improved planning and coordination of asset preservation and road widening projects, all requests for funding of Asset Preservation and Additional Pavement Width projects under the Motor Vehicle Users Charge (MVUC) must be sent to the Road Program Office, Planning Service for evaluation and validation. The Implementing Office requesting MVUC funding must also certify the same project is not being considered for funding through other funding sources.

All funding requests must include a project definition detailing all project components, the specific work location using Department's Locational Referencing System, a specific Scope of Work and Target output(s). The project Components, Scope of Work and Targets must be in accordance with the requirements for loading into the Multi Year Programming and Scheduling Application (MYPs). The standard list of Scope of Work and Targets is attached and is also available for download from the MYPs web page on the Planning Applications intranet site.

The RPO will load all proposed and approved MVUC funded projects into MYPs to facilitate improved planning.

For strict compliance.

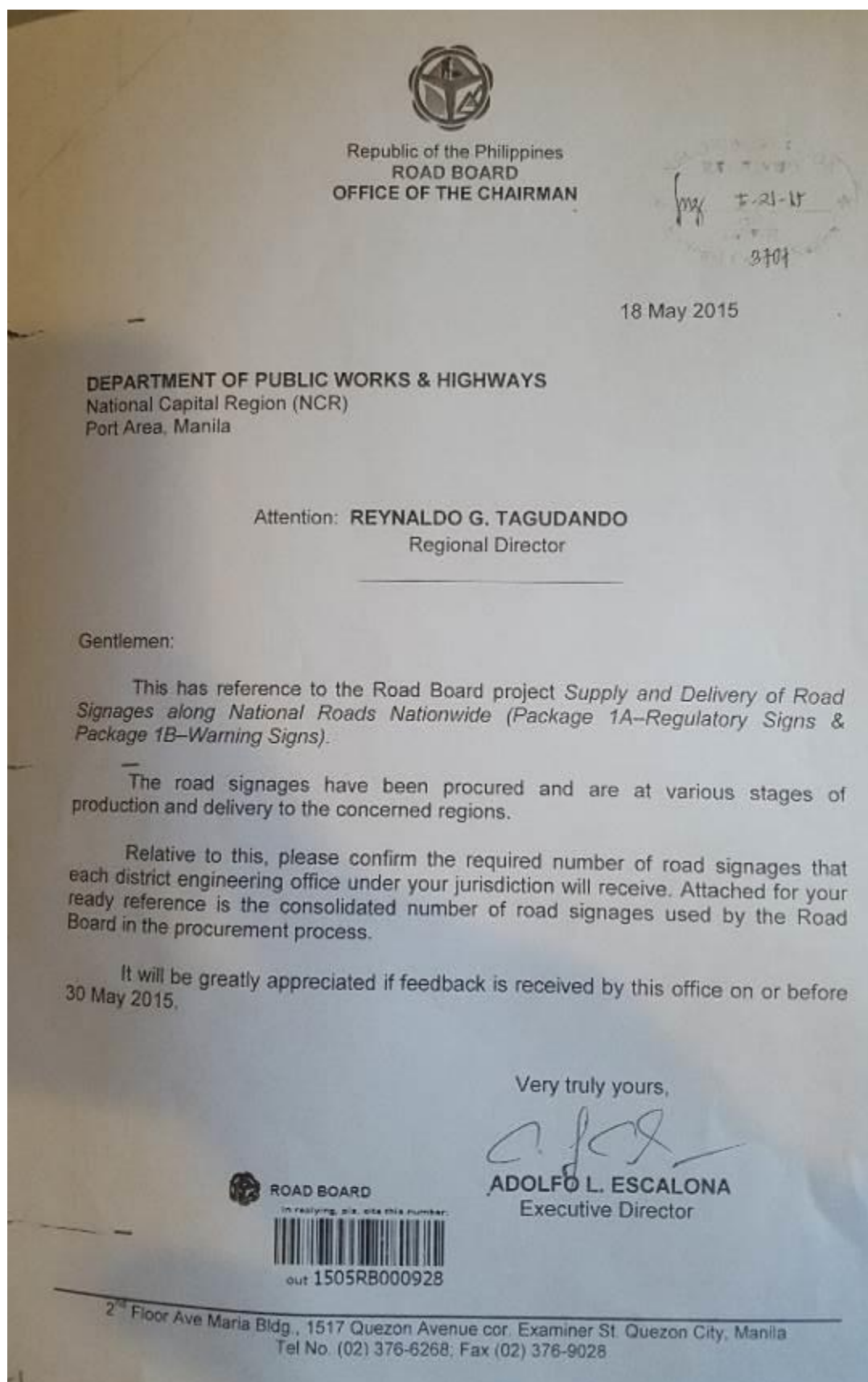

ROGELIO L. SINGSON
Secretary

Department of Public Works and Highways
Office of the Secretary

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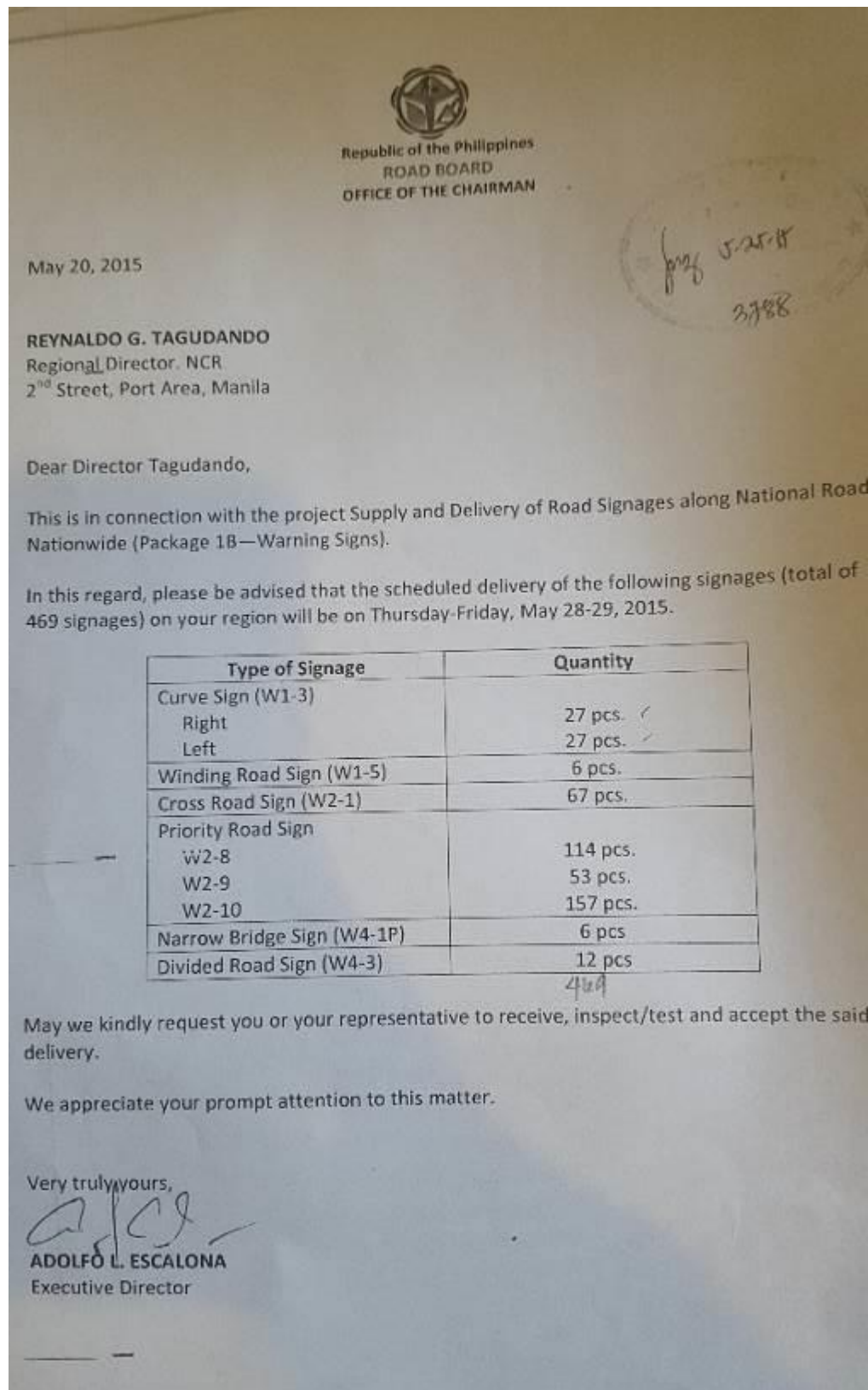
cc. Undersecretary Maria Catalina E. Cabral, PhD., Planning and PPP
Director Constante A. Llanes, Jr., Planning Service
Engr. Nenita R. Jimenez, DPD, Planning Service

4.1.1/PTD/NRJ

Appendix H: Road Board Project – Supply and Delivery of Road Signages along National Roads Nationwide



Results of the Assessment of the Utilization and Impacts of the Motor Vehicle User's Charge
in the Philippines



Appendix I: Impact Evaluation Workshop Design

Technical Assistance to the Study on the Utilization and Impacts of the Motor Vehicle User's Charge (MVUC) in the Philippines

Impact Evaluation Workshop*
Dec. 17, 2015

I. Background and Rationale

As a source of supplement fund for maintenance of the nation's road network and implement measures to mitigate adverse impacts of transportation on the environment, the MVUC was established through Republic Act 8794 in 2000 as a result of the road sector reform initiated in 1990s. It is aimed at ensuring sustainable financing of road maintenance and increased private sector participation. Section 7 of the aforementioned RA stipulates that "all monies collected 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 lights and road safety devices, and (3) for air pollution control". The monies are deposited to the National Treasury and allocated in four (4) special accounts, namely, 1) Special Road Support Fund, 2) Special Road Safety Fund, 3) Special Vehicle Pollution Control Fund, and 4) Special Local Road Fund. The fund management agency for the MVUC, the Road Board, was established in 2001 and its office and the Secretariat were made operational in 2004.

The utilization of the MVUC, however, is replete with issues. A Commission on Audit (COA) report in 2009 detailed some irregularities and deficiencies in the use of the special funds. Reports also surfaced that the MVUC was added to the Priority Development Assistance Fund or "pork barrel" of lawmakers.

Despite these controversies, there had been no comprehensive evaluation of the procedures for the allocation of the MVUC and safeguards against corruption that are in place. Thus, the Study was commissioned by the Department of Budget and Management (DBM), through the Philippine Institute for Development Studies (PIDS) to evaluate the effectiveness and efficiency of the collection and disbursement of the MVUC. It is composed of two main components, namely process evaluation and impact evaluation. Phase 1 of the study was conducted from August 15, 2014 to May 15, 2015 and covered the overall process of the MVUC fund including: project identification, prioritization, release of funds, project implementation and monitoring. Phase 2 commenced last August 2015 and is set to be completed by Dec. 15, 2015. Part of the Consultant's Deliverables is the design and the conduct of training on road project impact evaluation with implementing and oversight agencies as audience.

II. Objectives of the Activity

At the end of the training workshop, the participants shall have:

1. Gained a better appreciation of the importance of the MVUC in preserving the country's road network;

* The research collaborators gratefully acknowledge the skillful assistance of Kirsten dela Cruz, PIDS Research Analyst, in conducting the workshop.

2. Understood the issues and initiatives in the collection and disbursement of the MVUC, including project identification and prioritization;
3. Identified key indicators for monitoring and evaluation of projects implemented under the four special trust funds of the MVUC;

III. Target Participants

- Agencies mandated to implemented projects under the MVUC, including DPWH, DOTC and DILG
- Agencies responsible for the collection and disbursement of the MVUC monies: RBS, LTO, Bureau of Treasury
- Oversight agencies: NEDA, DBM
- Other agencies that contribute to the efficient and prudent utilization of the MVUC

IV. Expected Output

At the end of the activity, it is expected that the participants have crafted a draft impact monitoring plan for the MVUC based on perceived critical evaluation questions.

V. Program

Time	Session/ Topic	Methodology	Responsible Person
8:30 – 9:00am	Registration		PIDS/Consultant
9:00 – 9:20am	Opening Program		PIDS/Consultant
	<ul style="list-style-type: none"> - Introduction of the participants - Opening Remarks - Objectives of the Workshop 		
9:20 – 10 am	Articulation of the Audience Views on the MVUC	Plenary discussion (using SWOT framework)	PIDS/Consultant
10:00 – 10:10am	COFFEE BREAK		
10:10 – 11:00 am	Presentation of Key findings of the Study	Presentation	
11:00am-12nn	Lecture on 'Monitoring and Evaluation of Transport Projects'	Lecture	
12nn – 1:00pm	LUNCH		
1:00 – 1:15pm	Workshop Mechanics: Crafting of draft M&E System for MVUC		
1:15 – 3:15pm	Workshop proper	Break-out session	
3:15 – 4:00pm	Presentation of outputs	Plenary	
4:00 – 4:20pm	Synthesis and Conclusion		
4:20 – 4:30pm	Closing Remarks		

Appendix J: Results OF SWOT Analysis – Impact Evaluation Workshop

The MVUC Impact Evaluation Workshop was held on December 17, 2015 at the PIDS Conference Hall, 18F Three Cyberpod Centris, Quezon Ave. cor. EDSA, Quezon City.

PLENARY WS 1: SWOT

Strengths

1. Earmark for identified and approved projects
2. Assured funding for road maintenance and pollution control
3. Good leadership on the current road board
4. Sustainable fund source for the maintenance of provincial and city roads
5. Immediate release of funds
6. Immediate implementation of projects due to available funding

Weaknesses

1. Weak coordination mechanisms among concerned agencies
2. Lack of technical staff for the planning
3. Lack of prioritization criteria of projects to be funded (budget prep)
4. Late release of fund
5. One year validity of SARO
6. Road network planning
7. Different policies and standards on the national road networks
8. Unclear timeliness on the approval process
9. Constant realignment of released funds (during execution)
 - a. Result of poor prioritization
10. Unreconciled collection data between BTr and LTO
11. SLRF covers provinces and cities only, municipality, and barangay roads are not funded. Only 5% for local roads
12. Lack/absence of approved guidelines and policies for MVUC projects (SYPCF)
13. Duplication of funds for the proposed projects (MVUC and regular GAA)
14. Uncoordinated prioritization of projects
15. Dissemination of road board guidelines and project prioritization of projects

Opportunities

1. Potential counterpart for International Commitments
2. A growing economy ensures greater collection/monies going to the fund
3. Better utilization of the fund can lead to better pollution control and better quality of the road network/safety
4. Better road network results to better transport of goods and services thereby boosting the economy
5. Provincial and city roads inventory being updated with funding from SLRF
6. Safer roads
7. TRIP (3-yr Rolling Infrastructure Program) will strengthen the linkage between planning and budgeting
8. Program convergence approach (among IAs) will harmonize target economic
9. Active CSO participation ensures better accountability and transparency

Threats

1. Political Dynamics
2. Political interventions
3. Change in administration
4. Political influence in the allocation of the MVUC funds
5. Resistance of stake holders in the project implementation
6. Coordination between and among agencies
7. Calamities (natural and man-made) can adversely impact on the infra programs funded by the fund
8. Lack of discipline (compliance and rules and regulations) to undermines the effectiveness of the programs funded by MVUC