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Republic of the Philippines  
**ROAD BOARD**

*Technical Report*

# **Road Board Assistance on Road User Charges Law Implementation**

by Cesar E.A. Virata & Associates Inc.

**Prepared for**

**Road Board Secretariat  
Road Board  
Republic of the Philippines**

**Submitted for review to**

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# Preface

This report is the result of technical assistance provided by the Economic Modernization through Efficient Reforms and Governance Enhancement (EMERGE) Activity, under contract with the CARANA Corporation, Nathan Associates Inc. and The Peoples Group (TRG) to the United States Agency for International Development, Manila, Philippines (USAID/Philippines) (Contract No. AFP-I-00-00-03-00020 Delivery Order 800). The EMERGE Activity is intended to contribute towards the Government of the Republic of the Philippines (GRP) Medium Term Philippine Development Plan (MTPDP) and USAID/Philippines' Strategic Objective 2, "Investment Climate Less Constrained by Corruption and Poor Governance." The purpose of the activity is to provide technical assistance to support economic policy reforms that will cause sustainable economic growth and enhance the competitiveness of the Philippine economy by augmenting the efforts of Philippine pro-reform partners and stakeholders.

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The views expressed and opinions contained in this publication are those of the authors and are not necessarily those of USAID, the GRP, or EMERGE.

# **ROAD BOARD ROAD BOARD SECRETARIAT**

## **ROAD BOARD ASSISTANCE ON ROAD USER CHARGES LAW IMPLEMENTATION**

**FINAL REPORT**

**DECEMBER 2005**



**ECONOMIC MODERNIZATION  
THROUGH EFFICIENT REFORMS  
AND GOVERNANCE  
ENHANCEMENT (EMERGE)**



**CESAR E.A. VIRATA & ASSOCIATES INC.**

# ROAD BOARD ASSISTANCE ON ROAD USER CHARGES LAW IMPLEMENTATION

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# **EXECUTIVE SUMMARY**



## EXECUTIVE SUMMARY

1. In the 1950's, then Congress had legislated a highway special fund law funded out of a tax on motor fuel. RA 917 or "An Act to Provide for an Effective Highway Administration, Modify Apportionment of Highway Funds and Give Aid to the Provinces, Chartered Cities and Municipalities in the Construction of Roads and Streets and Other Purposes" was approved on 20 June 1953. It provided for the creation of the Division of Highways under the Bureau of Public Works (BPW), Department of Public Works and Communications (DPWC) and the method of disposition of highway revenues as set in Act 3992 as amended by Commonwealth Act 466 and Republic Act (RA) 314.
2. On the disposition of highway revenues as determined under CA 466, as amended by RA 314, the proceeds of the tax on motor fuel was to be deposited in a special trust account at the National Treasury to constitute the Highway Special Fund (HSF). The Funds would be apportioned and spent in accordance with the Philippine Highway Act of 1953.
3. The HSF, together with other special funds, was abolished by PD No 711 [1 July 1975], which transferred these funds to the General Fund. The rationale for abolition of the Special Funds were as follows:
  - The various distinct, separate and special projects previously authorized to be implemented and funded from special and fiduciary funds no longer conform with the present development and/or otherwise run counter to the objectives of social and economic plans formulated;
  - Special and fiduciary funds had already fulfilled their purposes or their purposes had already been abandoned or the purposes for which the funds were created cannot be attained resulting in the accumulation of big cash balances in these special funds; and
  - The transfer of funding and operation of all existing special and fiduciary funds into the general fund would facilitate implementation of Government's social and economic programs and projects.
4. The result of the Better Roads Philippines Study efforts and Philippine Transport Strategy Study recommendations was Republic Act No. 8794 – An Act Imposing a Motor Vehicle User's Charge on Owners of All Types of Motor Vehicles and for Other Purposes. It provided for an institutional and funding mechanism both for the management of the Fund and the implementation of various activities to be undertaken under the Fund. It, however, fell short with regards the institutional aspects recommended under the various studies.
5. Pursuant to Section 2 of R.A 8794, it is the policy of the State to provide for and ensure the adequate maintenance of national and provincial roads, as well as minimize air pollution from motor vehicles, through sufficient funding.
6. The Terms of Reference of this assistance to the RB identified the following objectives:
  - Increasing the efficiency and collection of the Road User Charges;
  - Improving the management of the SRSF for better road improvement and maintenance. This refers to the use of the SRSF in the improvement and maintenance of roads and recommendations on how to improve its utilization; and
  - Improve the current flow of the SRSF between the Bureau of Treasury and the RB itself.

7. RA 8794<sup>1</sup> mandates the creation of a RB “to implement the prudent and efficient management and utilization of the special funds”. It is composed of seven (7) members, with the Secretary of the DPWH as *ex-officio* head, and the Secretaries of Finance, Budget and Management, and Transportation and Communications, as *ex-officio* members. Three (3) other members are from transport and motorist organizations, which should have been in existence and active for the five (5) years prior to the law.
8. The RB<sup>2</sup> has the following functions: (a) Operation of the Special Funds; (b) Management of the Special Funds; (c) Approval of the Multiyear and Annual Work Programs submitted by DPWH and DOTC; (d) Approval of Special Budgets for each Special Fund; (e) Review of Work Programs; (f) Complementary Work Programs under Other Funding; (g) Procedures for Monitoring Performance and Managing Programs; (h) Approval of Contracting Methods; (i) Utilization of the Special Funds; (j) Public Awareness and Reports; (k) Supervisory Authority; (l) Manual of Operating Procedures; and (m) Meetings, which shall not be less than once every three (3) months.
9. To assist the RB in the exercise of its functions, a RBS was mandated in the IRR of RA 8794. The RBS has responsibility over the day-to-day management of the Funds and implement the decisions of the Board. The RBS is headed by the Executive Officer appointed by the Board and performs the functions that the Board may direct.
10. Section 9 of R.A. 8794 authorizes the DPWH to undertake such structural and procedural improvements in the systems and agencies concerned as may be necessary to ensure the prudent, wise, effective and efficient utilization of the Special Funds. In this respect, DPWH had the mandate to establish the Road Program Office or RPO.
11. The RPO was viewed in the BRP Study and PRMRP Reports as a transitional organization and the predecessor to the proposed NRA. “Again, the transition in national road management has commenced with preparations for the establishment of the Road Program Office (RPO) within the central office of the DPWH.”<sup>3</sup>
12. Pursuant to the provisions of Section 9 of R.A. No. 8794, the DOTC Secretary was authorized “to undertake such structural and procedural improvements in the agencies concerned as may be necessary to ensure the prudent, wise, effective and efficient utilization of the Special Vehicle Pollution Control Fund”. A VPCFC was mandated to be established that “shall, subject to the supervision of the Board, administer and manage the fund, provide directions to the projects or activities utilizing the fund and, in general, supervise, monitor and ensure the proper implementation of the approved Vehicle Pollution Control Program”.

### Identified Issues

13. The RBS is tasked to implement the mandate of the RB and therefore requires an effective and efficient organizational structure that is adequately staffed. Since the RB is mandated “to implement the prudent and efficient management and utilization of the special funds”, its functions and responsibilities, as summarized in Chapter 1, cannot be delegated to either DPWH or DOTC.

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<sup>1</sup> See Appendix A – RA 8794

<sup>2</sup> See Appendix B – Implementing Rules and Regulations of RA 8794

<sup>3</sup> Philippine Road Management Reform Project – Final Report, October 2001.

14. Given that DPWH and DOTC implement activities funded by the RB, the RB has the responsibility to assure that those who contribute to the Fund (the road users) are given “value for money”, the primary premise for the enactment of the MVUC law. DPWH and DOTC can monitor themselves in their use of the Special Funds, but the RB also has to undertake the monitoring of the two (2) agencies’ use of the Special Funds to avoid a “conflict of interest” situation and provide the “check and balance” for an unbiased opinion on the use of the Special Funds.
15. The current situation wherein the RBS operates with a lean organizational structure with a grossly inadequate manpower complement, contravenes its mandate and purpose. Given its responsibility in managing and monitoring the utilization of the Special Funds, it must have the appropriate number of technical and support staff needed and to use allocated resources in the exercise of its mandate.
16. There are a number of issues with regards the RPO.
  - Under the BRP and PRMRP studies, the RPO was viewed as a transition organization towards the envisioned NRA. In its current form and without any staff, the RPO does not serve the transition role and it is doubted whether the NRA would be created by congress in the immediate future;
  - The three (3) functions given to RPO under DO 59 series of 2004 is seven (7) short of that mandated under the IRR of RA 8794. Thus, even the existing form of the RPO is not what was intended in the IRR; and
  - The propriety of DILG’s role is questioned, inasmuch as DPWH seems to be delegating functions mandated to it under RA 8794. For example, monitoring performance and managing programs are the tasks of DPWH, not DILG. While the MOA between DPWH and DILG is a legal document, allotment of a portion of the SLRF to DILG was not provided for under the law.
17. There are a number of issues with regards the VPCSF.
  - Given that the Committee was created almost five (5) years after the effectivity of the IRR of RA 8794, the Department had apparently not given due importance and attention to this requirement. The Committee is tasked to endorse the AWP and MWP for the utilization of the VPCF and therefore, its creation and full operationalization was needed for DOTC to have access to the special fund. Even without said Committee endorsement to the RB of the AWP and MWP, fund releases have been made for the utilization of the VPCF;
  - In spite of the fact that the DO was signed 14 June 2005, no meeting of the Committee proper, its Technical Working Group or Secretariat has been conducted. Yet, the DOTC had submitted proposed activities for funding under the VPCF;
  - There is no written standard operating procedure to be followed by the Committee, TWG and Secretariat on the planning, programming and management of the VPCF releases, and monitoring and evaluation of the outputs, outcomes and impacts of expenditures of the VPCF. There are no criteria for prioritizing the use and allocation of the VPCF, hence no visible basis for the activities/projects recommended for funding.
18. There are a number of issues with regards the allocation, Flow of Funds and Monitoring and Evaluation of the Special Funds:

SRSF

It seemed that a portion of the proposed SRSF budget is being allocated on a congressional district basis. This leads one to think that the Fund is being used as a

source of congressional pork barrel. This has to be clarified by DPWH as, such allocation, even though using only a portion of the Fund, seems to be inappropriate;

#### SLRF

The criteria for allocating the SLRF depends on the number of registered vehicles, population and road kilometers under the administration/management of the LGU. This is easier said than done since:

- The LTO does not have an office in every province or city. The number of motor vehicles registered in any particular LTO office does not mean that these are all used in that specific locality only. It is difficult to measure how many vehicles actually operate within an LGU's boundaries. Also, LGUs do not conduct traffic counts in local roads and what are available would be those from traffic count stations of DPWH. These do not cover all of the road networks [local and national] and have been sited for the specific use of DPWH in the planning and monitoring of the national road system;
- Most LGUs have no reliable/accurate inventory of the length and condition of their local road system that would allow the use of HDM IV to estimate their maintenance budgetary requirements; and
- Most LGUs have engineering offices that are not sufficiently manned to undertake the road inventories. They are burdened by many responsibilities, that little importance is given to generating road information and maintenance.

#### SRSaF

The availability of a methodology for apportioning the proceeds of the SRSaF has freed this MVUC proceeds from "too much" political interference. This is not to say that there have been no attempts to influence the allocation/release of the funds to specific districts, but the methodology has allowed a diplomatic means of turning down such requests.

#### SVPCF

One of the main issues on the use of the SVPCF is the criterion being used by DOTC to identify and prioritize the projects/activities to be funded from SVPCF and to apportion the funds to specific projects. LTO, for example, had been asked to submit its listing of projects/activities proposed for SVPCF funding, but are not aware of the procedures/format required in submitting their proposals. After submission, feedback is not given by DOTC central office and LTO is unaware which of their projects/activities has been accepted and programmed and when the funds would be released.

The members of the VPCFC are undersecretaries and assistant secretaries in the DOTC Central office, with the exception of the LTO head. Since said committee has never convened, it is a wonder how DOTC has been able to submit projects/activities to the RB for funding without the approval/endorsement of the VPCFC.

#### Flow of Funds

One issue discussed during the Round Table Discussion was that the procedure followed by DBM is consistent with the one-fund concept (General Fund), with the release of the SARO and NCA to the DPWH and DOTC put on queue together with those of other agencies of the national government. Given that the Special Funds are already earmarked for specific road maintenance, safety and vehicle pollution control use, the release of the SARO and NCA should be automatic subject to compliance with requirements.

Another issue was the exclusion in the Budget Request submitted to Congress and subsequently in the General Appropriations Act, of the regular road maintenance appropriations. Under Section 8 of RA 8794, the four (4) special funds are distinct and separate from and in addition to any appropriation authorized and granted yearly to the DPWH and the DOTC to cover expenditures for the identified objects of expenditures. Congress should continue appropriating an amount for road maintenance with the provision that savings for each year out of such appropriations revert to the General Fund.

The build-up in the Special Funds due to the failure of the DPWH and DOTC to implement the provisions of RA 8794, i.e., creation of the RPO and the VPCF Committee, preparation and submission of the MWPs and AWP, has resulted in a huge unexpended balance in the four (4) Special Funds. Use of these unexpended balances has been disallowed due to the prevailing fiscal crisis and the absorptive capacity of the two agencies.

#### Monitoring and Evaluation

There is no central agency other than the RB that monitors road fund expenditures, implementation of projects/activities using the Special Funds and evaluating the benefits/impacts that accrue out of the utilization of the Special Funds. RB depends on DPWH, DOTC and LGUs to submit their reports without any validation on the RB's part to check the consistency and veracity of the Reports submitted. These agencies are in a "conflict of interest" situation as the implementer of the project is also its monitor. The possibility that the Reports would be self-serving or are done for compliance purposes only exists. The RB needs to revise and enhance the current reporting system that would identify appropriate "objectively verifiable indicators" to measure performance, outcomes and impacts. The implication on the RB would be its need for a suitable number of qualified staff that would be responsible for validating performance reports submitted.

While DBM and COA focus on financial performance, the outcomes and impacts of projects implemented are not measured. The current OPM does not provide for such measurement indicators, that have implications on policies that the RB may formulate or implement in the future.

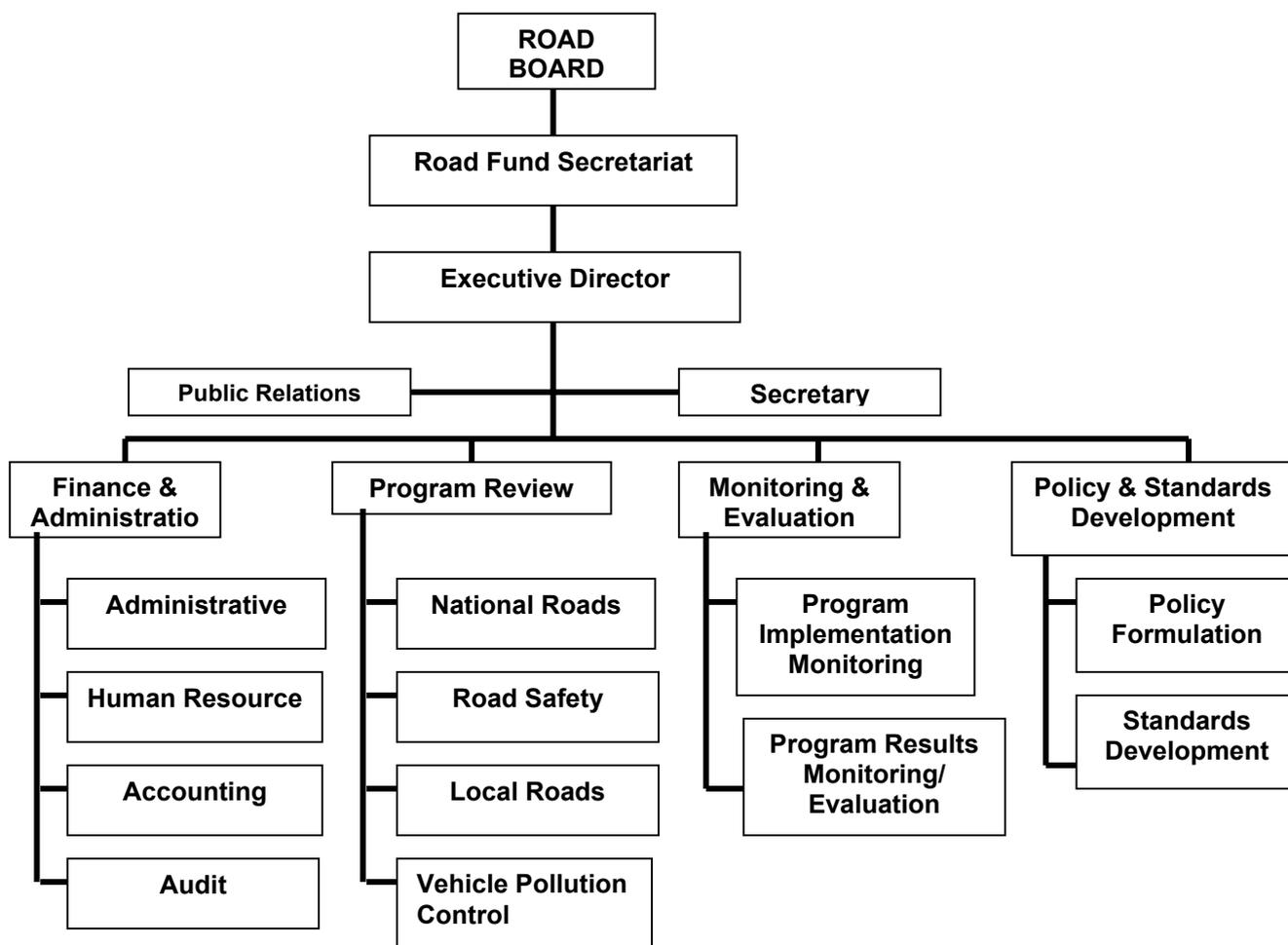
### **Recommendations**

#### Road Board Secretariat

19. The recommended option implies an organizational structure similar to that given in the figure below. This requires more serious in-depth study to determine the precise requirements of the RBS in terms of structure and manning. Consideration would have to be given to the following:
  - Type of organizational structure to fit RBS requirements, i.e., simple, functional, divisional, matrix, etc.;
  - Size of the organization that would efficiently respond to the needs of the RB; and
  - Level of professionalism of the staff that would be needed.
20. As shown in the figure, the proposed RBS organizational structure is composed of the following:
  - Executive Director who shall be in-charge of the day to day operations of the RBS;

- Public Relations, which shall be responsible for all information, education and communications requirements of the RB/RBS, including public relations;
- Finance and Administration which shall be responsible for the financial operations of the RB/RBS, including fund management, budget preparation (RB and RBS) and audit, and administration such as human resource, purchasing, property, etc.;
- Program Review which shall be responsible for reviewing the MWP, AWP and Special Budget requests of DPWH, DOTC and LGUs for the utilization of the Special Funds;
- Monitoring and Evaluation which shall be responsible for monitoring the implementation of programs/activities funded out of RB funds and the results monitoring and evaluation to determine the impacts of projects/activities funded by the RB and implemented by the agencies; and
- Policy and Standards Development, which shall be responsible for the study and formulation of policies and the development of standards for RB consideration and approval.

**Recommended Organizational Structure for the Road Fund Secretariat**



RPO

21. It is difficult for DPWH management to fully operationalize the RPO without resulting in a major reorganization of the Department itself. The government rationalization

program as directed under Executive Order No. 366 and its Implementing Rules and Regulations offers the DPWH the opportunity to expedite the envisioned change.

#### VPCFC

22. As with the RPO, DOTC management should commit to fully operationalize the VPCFC. In lieu of the current layers with the committee, TWG and Secretariat, the organizational structure of the VPCFC should be simplified with the Land Transport Planning Division (LTPD) acting as the Secretariat to support the committee. The tasks of the TWG and Secretariat should be vested on said division.

#### Funds Allocation

23. For allocating the SRSF, DPWH should apply HDM IV to the whole national road system, so that a robust list of preventive maintenance road projects could be generated and funded. On routine maintenance, the EMK has been the historical basis for establishing road maintenance funding requirements in the General Appropriations Act. DPWH needs to either improve the EMK methodology or develop a new methodology to estimate routine maintenance budget requirements.
24. DPWH has still maintained an amount in the proposed road maintenance budget for equal allocation to all regional or district engineering offices. This practice seems to treat a portion of the Special Fund as “pork barrel” to be allocated to each congressional district. If we are to optimize the benefits of the Special Road Funds, then, the procedure for allocation must be free from political considerations and intervention.
25. For allocating the SRSaF, the TARAS results have provided DPWH with the capability to identify critical road sections where both fatal and non-fatal accidents have occurred. Used as a basis for project identification for correcting hazardous road situations, it is a curative, not a preventive approach to road safety. DPWH has coupled the TARAS results with the road safety audit to provide a total approach to road safety. This system has to be applied to local roads, i.e., city and provincial roads, where the bulk of vehicular accidents occur. This includes training LGU engineering offices on road safety design and road safety audits.
26. The major problem is in the allocation of the SLRF, where the use of vehicle registration statistics is handicapped by the fact that not all cities or provinces have LTO offices. The statistic would not be available in most areas and vehicles are usually not used just within their area of registration. The quality and reliability of local road inventories leave much to be desired. While the LGUs have an idea on the approximate length of their road system by type, they do not have sufficient information on their roads, especially road condition information. HDM IV would not be applicable in this respect.

What is needed therefore are the following:

- A detailed road inventory of local road conditions and specifications including a safety audit;
- Common GIS software to be used in inputting the inventories, including HDM IV software; and
- Trained LGU engineering staff dedicated, if possible, to roads maintenance.

#### Flow of Funds

27. Given the fiscal position of the national government, DBM has had to limit the use of the MVUC Special Funds to current year’s collections, while the unexpended balance

remains with the BTr. The result has been the further worsening of the condition of the national road system in spite of the MVUC and an ever-increasing maintenance backlog. It is recommended that:

- The regular annual road maintenance outlay in the GAA be restored;
- Improved flow of Special Fund proceeds to the implementing agencies; and
- Implementation of a catch-up program through the programmed release of the unexpended balances in the Special Funds to resolve the backlog, depending on the absorptive capacity of the implementing agencies. Given the availability of these funds, it is still possible to undertake a set of projects that will show the benefits of the objective of the RUC fund – to shift road maintenance policies to the preventive mode rather than the reactive mode to avoid the situation where roads become uneconomically repairable and eventually requires costly rehab or even replacement.

The RB, through the RPO and the LGUs, can put together a set of meaningful preventive maintenance projects using these available funds. The program can start with a modest P1 billion on the first year to be followed by two years of P2 billion programs. By demonstrating the capabilities of the agencies to implement these programs successfully (preferably spectacularly successful way), the RB will develop credibility and support for the Fund. In fact, by that time even the budget deficit issue may have eased up to the point that DBM can now release part of the GAA commitments on top of the MVUC Funds.

- As indicated by DBM, it was the GAA road maintenance fund that was cut instead of the regular GAA capital expenditure program of DPWH because they have an “obligation” to show support for the foreign funded projects. In other words, they recognize or respect some kind of insulation of foreign counterpart funds. Given this thinking, we can make the RB Preventive Maintenance Program a multi-lateral assisted Project and accomplish two things. One – give it some insulation from budget cuts by DBM. Two – mobilize new money from the World Bank, for example, to make up for the GAA maintenance fund cut. The MVUC Fund can serve as the local counterpart funds to World Bank money.

# CHAPTER 1



## **I. INTRODUCTION**

### **1.1 Brief Historical Perspective**

#### **1.1.1 Better Roads Philippines Project**

In a joint public-private sector workshop conducted on May 1997 at the Tagaytay Conference Center, Development Academy of the Philippines, the condition of the national roads system was discussed, together with suggestions on innovations in the management and financing of roads. It was the consensus of the participants that reforms be devised and instituted, though it was conceded that more work was required to expand and upgrade the national road network and that greater attention and funding should be provided for road maintenance. Two elements of the perceived reform process were identified, namely:

- Involvement of road users in the management of roads, as well as, in the administration of a road fund contributed and paid for by road users; and
- Commercialization of the road system, with roads viewed and managed like a business rather than as a social service.

It was recognized that, while there was agreement on the need for a broad strategy of reforms in the road sector, there was the imperative to develop the full details and ascertain the implications of the proposed reforms.

The Better Roads Philippines Project (BRP) started in August 1998, was funded by the World Bank with the Department of Public Works and Highways (DPWH) as implementing agency. The objectives of the Study were as follows:

- Identify the most appropriate forms of highway authority and road fund for the management and financing of the arterial highways in the Philippines, taking account of stakeholder and road user views, relevant international experience, and the current plans for restructuring DPWH;
- Design the functions, responsibilities, structure and legal status of the preferred management and funding organizations, the transition strategy, implementation plan and initial business plans, and prepare the enabling legislative and regulatory documents; and
- Provide advisory assistance to facilitate the passage of legislation and the establishment of the new organizations, and to finalize the budgets and operating modalities.

The attainment of the above objectives were to be met in three (3) stages, namely:

- Stage 1 – Identify appropriate highway management and financing structure;
- Stage 2 – Design of Highway Authority and Road Funding Structure; and
- Stage 3 – Advisory assistance for establishment of the new organization.

To validate the issues identified in the Tagaytay workshop and to assess other possible problems that may have been overlooked, the BRP project conducted a problem identification workshop on 1 October 1998. The results were as follows:

- DPWH External Environment
  - (a) Insufficient funds to fulfill its basic responsibilities; training, equipment provision and internal processes and have also been subjected to long-term inadequate funding;
  - (b) The level of funding for road preservation is unpredictable and without any rational basis of justifiable need or required levels of service provision;

- (c) The amount of funding provided to DPWH is influenced by the needs of other central government activities rather than the need to maintain and develop the road network;
  - (d) The imposition of politically motivated projects under the Congressional Initiative Allocation (CIA) and Countrywide Development Fund (CDF) tie up scarce financial resources and do not relate to logical and economic development of the network;
  - (e) There is no connection between the revenue raised from road users and the DPWH budget;
  - (f) Road user charges are currently set by the Department of Transportation and Communications (DOTC), with no evident consideration of the level of funds needed for road transport or road infrastructure management;
  - (g) Road users feel uninvolved in road management issues and are therefore reluctant to pay more for better roads;
  - (h) Vehicular overloading is subject to minimal control and is implemented by staff with little motivation to stop and penalize offenders. DPWH has no role in the regulation of axle weights and no powers to stop and weigh apparently overloaded vehicles;
  - (i) Traffic law enforcement is perceived as weak, possibly with insufficient traffic police to enforce regulations and an apparent lack of determination and discipline to act against offenders; and
  - (j) There is no formal mechanism for views and feedback from external stakeholders to reach the appropriate DPWH decision makers and be utilized to influence policy regarding the management of the road network.
- General Problems
- (a) Lengthy and bureaucratic process cycle times due to multiple step processing and inadequate delegation of decision-making responsibility;
  - (b) Responsibilities and accountabilities in DPWH are not clear or overlap;
  - (c) Insufficient/ineffective use of technology to support business processes;
  - (d) Ineffective management of network capital assets, with no linkage between present investments and future maintenance requirements;
  - (e) Inappropriate mechanisms for determining and allocating funds for road management;
  - (f) Susceptibility to political influence on priorities causing conflict of interest and affecting quality of work and staff morale;
  - (g) Bureaucratic rather than commercially-oriented culture, with roads operated like a social service;
  - (h) Stakeholders not represented on any regulatory or performance monitoring bodies; and
  - (i) Widespread graft and corruption perceived and that the problems are not being reduced.
- Planning
- (a) Although DPWH appear to have a clear vision for the development of the national road network (based on the development of the North-South backbone and East-West laterals), it is not clear how this vision translates into specific strategies and plans;
  - (b) Inadequate Strategic Planning processes with poor data to support these activities;
  - (c) There is no comprehensive strategy for developing an integrated and mutually supportive national and local road network;
  - (d) There is insufficient coordination with other external planning agencies, such as Metro Manila Development Authority (MMDA) and National Economic and Development Authority (NEDA);
  - (e) New infrastructure improvements are not planned until the existing network has reached its capacity, and Right of Way (ROW) problems are worse.

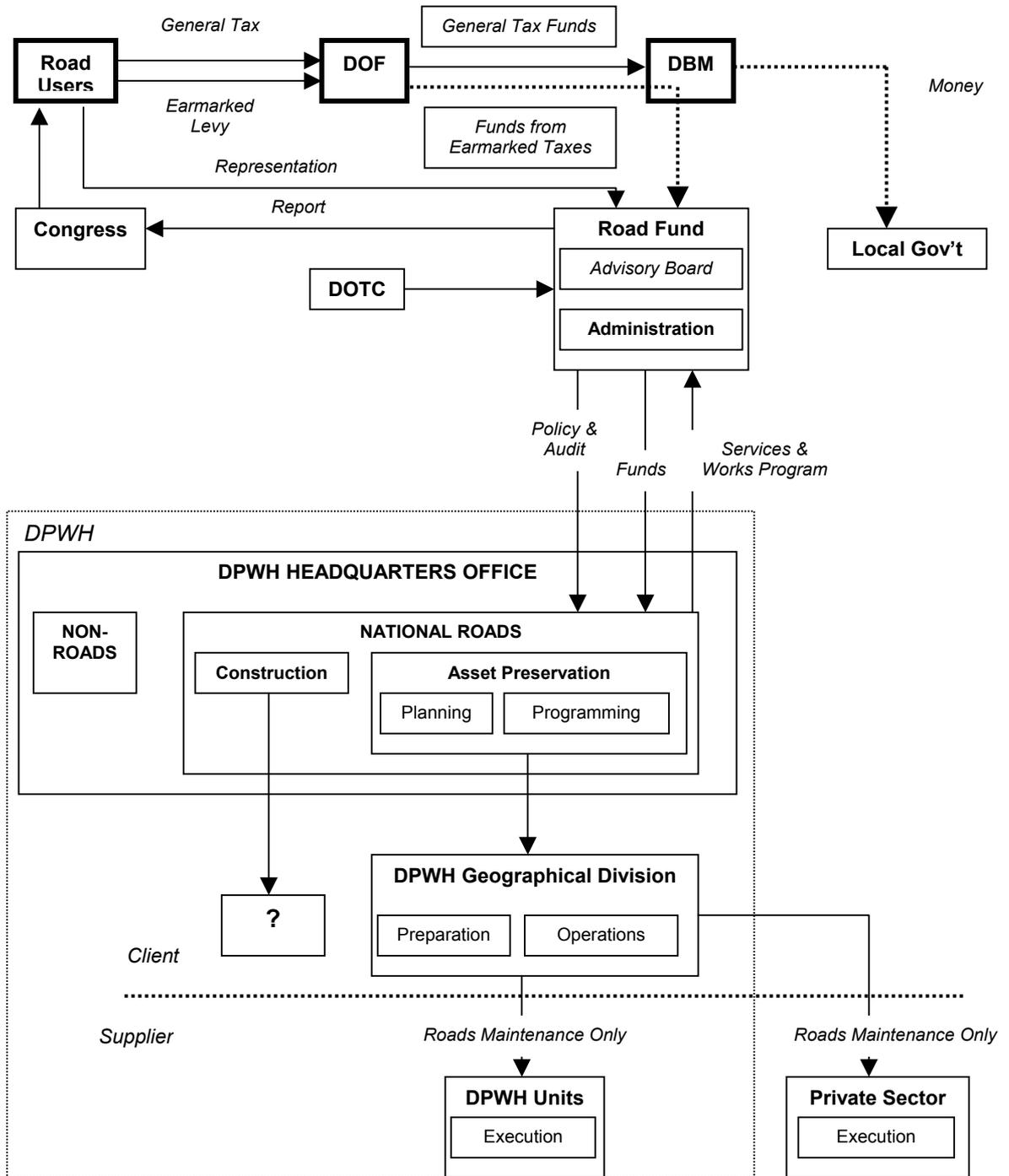
- Large project delays due to problems in acquiring ROW include conflicts with existing 'squatter' rights and unfamiliarity with legislation aimed at such problems;
- (f) There is excessive emphasis on new construction and reconstruction rather than maintenance of existing assets;
  - (g) There is little inter-modal planning, resulting in wide gaps in the urban infrastructure, new ports with inadequate road access and inadequate consideration of how new traffic generating sites could best be connected to the transportation infrastructure network;
  - (h) There is insufficient post-implementation evaluation of projects; and
  - (i) Although the legal framework for environmental protection is considered adequate, its enforcement is inadequate.
- Design
- (a) The standards used for design, (including road and lane widths, pavement designs, traffic safety and highway structures) are inadequate to cater to increases in traffic levels and loads;
  - (b) Substantial delays are common due to the inability of the Bureau of Design personnel to use new software packages to check designs; and
  - (c) As-built drawings are often missing.
- Construction
- (a) There is no effective policing of Contractors' ability to execute works;
  - (b) Problems with Contract documentation;
  - (c) Problems with Contractor's bonds;
  - (d) The size of the final payment is not large enough to ensure that a contractor/consultant completes the final stages of a project satisfactorily;
  - (e) Quality control and contractor accountability are poor;
  - (f) ROW issues cause large cost overruns and project delays; and
  - (g) Lengthy and inconsistent procurement processes and lengthy delays in contractor payments.
- Maintenance
- (a) There is inadequate funding for road maintenance leading to excessive rehabilitation costs and lower level of service for road users;
  - (b) The late release of funds leads to delay in schedules for planned works;
  - (c) Poor design and construction contributes to faster deterioration and higher maintenance costs;
  - (d) Despite higher routine maintenance budgets, there seems to have been no discernible improvement in the condition of the roads;
  - (e) Current methods for planning and programming maintenance works are unscientific and vary between units; and
  - (f) Should maintenance by contract (MBC) be increased at the expense of maintenance by administration (MBA)? The private sector says "yes".
- Financial Management
- (a) There are long delays in payment to contractors (normally 90 - 120 days, but has been up to a year);
  - (b) There is inadequate documentation, accountability and support for DPWH internal control systems, policies and procedures;
  - (c) Financial transactions are not recorded promptly, causing problems with financial reporting and accountability for assets;
  - (d) There is insufficient use of controlling accounts to provide automatic checks of performance and monitoring of transactions and events;
  - (e) Long outstanding accounts are not reverted and long outstanding cash advances are not liquidated;
  - (f) Problems with numerous unreconciled reciprocal accounts;

- (g) Accounts payable with no corresponding claimants or obligations need to be deleted;
  - (h) Assets lost from fire and other calamities are not written off properly;
  - (i) Government relies heavily on foreign funding to subsidize the funding of the network and believe there is a need for a network that is sustained through a sense of ownership with management oversight by road users who are actually paying for the upkeep of the network.
- Equipment Management
- (a) DPWH does not maintain its equipment well;
  - (b) A profit conscious and businesslike attitude is required if equipment management is to become effective;
  - (c) There is a shortage/unavailability of spare parts, caused by delays in approval of the budget and unwieldy procurement procedures; and
  - (d) There is little correlation between actual equipment holdings and the requirements for works implementation. Equipment is not available when required.
- Manpower Management
- (a) DPWH staff lacks management skills;
  - (b) Lack of adequate training and education;
  - (c) Any management training is geared towards bureaucracy and procedures;
  - (d) Insufficient training for improving productivity or providing service to DPWH external customers;
  - (e) Lack of a suitable businesslike culture within the DPWH;
  - (f) Existing policies and procedures for appointing and promoting staff often do not result in the appointment of the most qualified or suitable candidate;
  - (g) There is no adequate employee representation in DPWH acting as counterpart to management on issues, such as welfare and benefits, training, administration and discipline;
  - (h) The remuneration of employees is uncompetitive and "unacceptably low" compared with the private sector resulting in the loss of qualified staff;
  - (i) There are no incentives to encourage good performance; and
  - (j) Insufficient DPWH funding for staff to attend seminars and other continuing education programs.

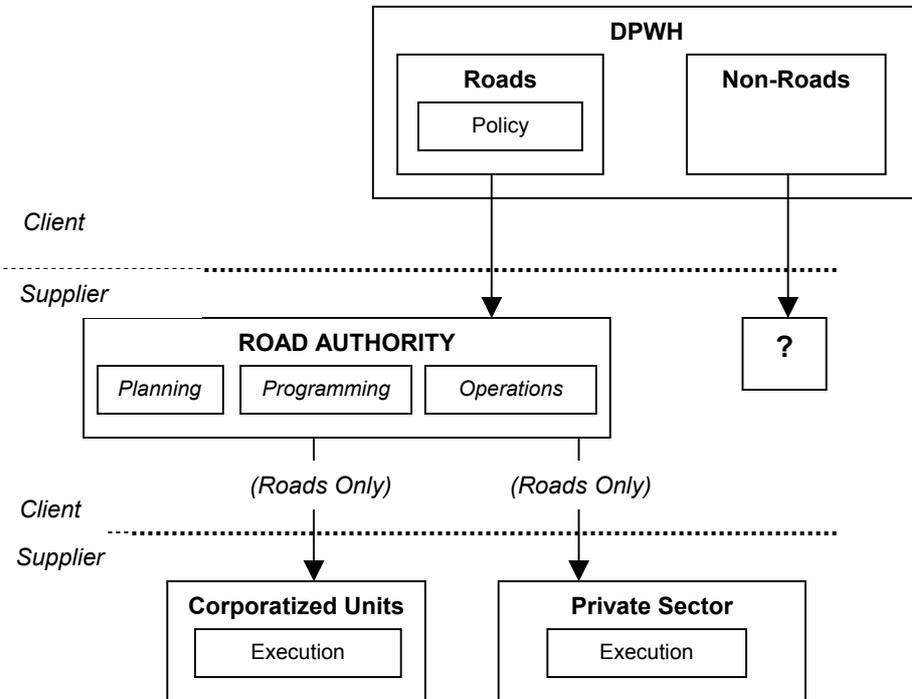
The BRP recommendations were as follows:

- On the proposed institutional arrangements and funding option, the recommended option is as illustrated in Figure 1-1. However, the Project Steering Committee recognized the benefits of moving towards the management option illustrated in Figure 1-2.

**Figure 1-1**  
**BRP Recommended Management and Funding Option**



**Figure 1-2**  
**Recommended Final Management Option**  
*(Management Option Indicated in Figure 1-1 is Only Transitional)*



- On the works activities to be funded, it was recommended that the road fund should be limited to maintenance activities (i.e., asset preservation) including the maintenance of structures and dependencies associated with the relevant roads and road ROW. The road fund will also fund supporting activities required before and after the physical application of a “maintenance” activity such as planning, policy, contract management and data management;

- The proposed Road Authority shall have responsibility for the following:
  - (a) Setting standards, evaluation criteria and methodology; procurement standards and policies, maintenance standards and policies and reporting and monitoring requirements;
    - Forecasting future maintenance needs;
    - Network (Re-) classification;
    - Enforcement of axle load standards; and
    - Management of emergency works;

Other additional functions will involve either the participation or sole responsibility of the Road Authority, such as:

- (b) Together with DPWH, the Road Authority would be involved in agreeing to appropriate standards and inspecting the quality of works undertaken;
- (c) The DPWH, in consultation with the Road Authority, would set the design standards including axle load standards;

- (d) Formulation of the mechanism for the disbursement of funds to works execution units or contractors with the Road Authority using DPWH's contract administration services;
- (e) The data management activity shall initially be the responsibility of DPWH and subsequently migrate to the Road Authority;
- (f) DPWH will provide technical assistance to local government units to enable them to manage their roads on a professional basis;
- (g) On traffic management activities such as signals, parking, street furniture, pavement markings, etc., once erected [who will have responsibility over these?]; and
- (h) The Road Authority should have responsibility over the construction and subsequent maintenance of road safety measures, i.e. improved road signs, crash barriers, etc.

### **1.1.2 Republic Act 917 or the Highway Special Fund**

In the 1950's, then Congress had legislated a highway special fund law funded out of a tax on motor fuel. RA 917 or "An Act to Provide for an Effective Highway Administration, Modify Apportionment of Highway Funds and Give Aid to the Provinces, Chartered Cities and Municipalities in the Construction of Roads and Streets and Other Purposes" was approved on 20 June 1953. It provided for the creation of the Division of Highways under the Bureau of Public Works (BPW), Department of Public Works and Communications (DPWC) and the method of disposition of highway revenues as set in Act 3992 as amended by Commonwealth Act 466 and Republic Act (RA) 314.

With the creation of the Division of Highways under the BPW, DPWC, this new division was charged with the administration of highways. It included any regional engineering division, section, engineering district or office suitably equipped and organized to disburse funds pursuant to the activities of the Division of Highways.

On the disposition of highway revenues as determined under CA 466, as amended by RA 314, the proceeds of the tax on motor fuel was to be deposited in a special trust account at the National Treasury to constitute the Highway Special Fund (HSF). The Funds would be apportioned and spent in accordance with the Philippine Highway Act of 1953. As may be required but not exceeding 3% of all moneys accruing to the HSF was to be available for administering the provisions of the Act including expenditures for sundry expenses, salaries and wages of the necessary personnel of the Division of Highways. This included:

- In-service training programs;
- Fiscal and cost accounting; and
- Statistical and investigation studies carried out independently or in cooperation with other fiscal and research agencies, and for publishing results thereof.

As may be needed but not exceeding P2.5 million or 1% of the HSF for each fiscal year, was made available and spent for highway equipment, machinery, laboratory and testing materials, equipment, motor vehicles, ferries and all necessary accessories and spare parts and for establishment and/or maintenance of the necessary repair shops, motor pools, storage depots, laboratories material testing and other highway construction aids and facilities.

For contingent emergency expenditures for the relief of provinces, cities and municipalities, which have suffered serious loss, damage or destruction beyond their reasonable capacity to bear, 6% of the HSF was to be set aside and made available.

Maintenance funding was to be released separately and regularly but not less often than every quarter irrespective of what amount has been accumulated. This was about 50% of all apportionable sums in the HSF, was intended for the maintenance of all existing and

**ROAD BOARD ASSISTANCE ON ROAD USER CHARGES LAW IMPLEMENTATION**

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unabandoned roads, streets and bridges and was to be distributed among the provinces, cities and municipalities.

The other 50% of the apportionable balances in the HSF was to be apportioned among the provinces, cities and municipalities for improvement, paving, reconstruction and other practicable treatments for the construction of roads, streets and bridges. The basic formula used for the apportionment of the HSF was as follows:

|  |   |
|--|---|
| <b>MAINTENANCE FUNDS:</b> to be 50% of all apportionable sums in the HSF, shared as follows:                           |   |
| 15%  | To municipalities to be apportioned in proportion to population   |
| 30%  | Equally among the provinces and chartered cities  |
| 40%  | To the provinces and chartered cities in the ratio which the combined lengths of all existing and unabandoned roads and streets in the Philippines as inventoried by the Division of Highways provided that only 25% of the lengths of concrete roads and 50% of high type bituminous asphalt roads shall be counted in proportioning the shares of the provinces and chartered cities  |
| 15%  | To provinces and cities in proportion to the number of motor vehicles registered in the province or city  |
| <b>IMPROVEMENT, RECONSTRUCTION AND CONSTRUCTION:</b> to be 50% of all apportionable sums in the HSF, shared as follows |   |
| 60%  | To provinces and chartered cities in proportion to the potential area (uncultivated and undeveloped) available for agricultural and industrial purposes including commercial timber lands as shown by the latest census or data available in the Department of Agriculture and Natural Resources and populated but isolated areas that are served only by existing trails, bull-cart roads and other unclassified roads to be distributed to provinces and cities |
| 20%  | To provinces and chartered cities in the ratio which the vehicle kilometrage of the province or city bears to the total vehicle kilometrage recorded in the entire Philippine Highways System as computed from traffic flow charts or maps of the provinces and cities based on the annual average daily traffic count observed on all classes of national and first and second-class provincial and city roads according to the latest available data            |
| 15%  | To provinces and chartered cities in proportion to the amount of property assessments   |
| 5%   | To be distributed equally among all municipalities  |

The HSF, together with other special funds, was abolished by PD No 711 [1 July 1975], which transferred these funds to the General Fund. The rationale for abolition of the Special Funds were as follows:

- The various distinct, separate and special projects previously authorized to be implemented and funded from special and fiduciary funds no longer conform with the present development and/or otherwise run counter to the objectives of social and economic plans formulated.
- Special and fiduciary funds had already fulfilled their purposes or their purposes had already been abandoned or the purposes for which the funds were created cannot be attained resulting in the accumulation of big cash balances in these special funds; and
- The transfer of funding and operation of all existing special and fiduciary funds into the general fund would facilitate implementation of Government's social and economic programs and projects.

### 1.1.3 Creation of a National Roads Authority

The concept of an independent Roads Authority had been previously tested with the creation of a Department of Public Highways (DPH). Presidential Decree No. 458 - Amending Presidential Decree No. 1 dated September 24, 1972 relative to Part X of the Integrated Reorganization Plan recognized:

- The need to strengthen the Public Works functions of the Government to increase the production of physical infrastructure facilities of the country;
- The need to strengthen Government's capability to operate and regulate the use of these facilities; and
- The Department of Public Works, Transportation and Communications (DPWTC) inability to provide effective supervision and administration due to its large size.

The DPH was responsible for developing and implementing programs on the construction and maintenance of roads, bridges and airport runways. The Department proper was composed of the Office of the Secretary, the Planning Service, the Administrative Service and the Financial and Management Service; and two Bureaus, namely the Bureau of Construction and Maintenance and the Bureau of Equipment. The Department also had a network of Regional and District offices.

The ADB-funded Philippine Transport Strategy Study (PTSS) of March 1997 recommended the creation of a Roads Authority. Although the soundness of the existing institutional arrangements for the management of roads and road transport was recognized, the Study found that the results obtained seemed unsatisfactory. The fundamental question was whether the country was getting *value for money* from its road system and took the view that value for money was not being obtained.

- With regard the planning and programming of road projects, it was difficult to find much connection between the feasibility analysis and evaluation of road projects on the one hand, and the actual program of road works on the other;
- With regard to the construction of road improvement projects, the occurrence of serious faults and failures in road construction suggests that the system of design, competitive bidding, contracting and supervision is being corrupted; and
- With regard road maintenance, the uneven and poor condition of the national roads indicates that the system of maintenance is not working as it should; this may be due partly to lack of funds, but also to the inefficient use of available funds and a poor understanding of maintenance objectives and processes in the field.

## 1.2 Republic Act No. 8794

The result of the BRP efforts and PTSS recommendations was Republic Act No. 8794 – An Act Imposing a Motor Vehicle User's Charge on Owners of All Types of Motor Vehicles and for Other Purposes. It provided for an institutional and funding mechanism both for the management of the Fund and the implementation of various activities to be undertaken under the Fund. It, however, fell short with regards the institutional aspects recommended under the various studies.

Pursuant to Section 2 of R.A 8794, it is the policy of the State to provide for and ensure the adequate maintenance of national and provincial roads, as well as minimize air

pollution from motor vehicles, through sufficient funding. Under the law's Implementing Rules and Regulations (IRR), the attainment of this policy is undertaken in the following manner:

- (a) Provide adequate maintenance of the national and provincial roads so as to ensure satisfactory service to road users, economic road transport operations, and the preservation of road assets;
- (b) Determine the physical and financial maintenance needs of the national road network, as optimized in a multi-year program within projected funding resources to meet ongoing and backlog requirements, and inclusive of road safety requirements;
- (c) 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;
- (d) Establish priorities for action in attending to current road maintenance need as well as redressing and resolving maintenance backlogs, inclusive of road safety requirements;
- (e) Provide for a system of contracting maintenance work through competitive bidding;
- (f) Organize regular monitoring of the 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;
- (g) 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
- (h) Establish and implement the appropriate structural and procedural improvements to carry out these policies.

In brief, the law provided for the following:

- (a) A Motor Vehicle User's Charge (MVUC) to be collected from and paid by the owner of the motor vehicle;
- (b) Establishment of special accounts in the National Treasury where the MVUC proceeds are to be deposited and used for the purposes provided for (Special Road Support Fund (SRSF), Special Local Road Fund (SLRF), Special Road Safety Fund (SRSaF) and the Special Vehicle Pollution Control Fund (SVPCF));
- (c) Establishment of the Road Board (RB) and Road Fund Secretariat (RFS); and
- (d) Defined the apportionment and use of the Special Trust Fund.

In addition, the IRR provided for the establishment of the DPWH Road Program Office (RPO) to:

- (a) Determine the annual needs of adequate road maintenance and road safety, and to formulate multi-year plans and programs, with a view to ensuring an ultimately current situation with no backlog in national road maintenance and road safety projects;
- (b) Prepare Annual Work Programs (AWPs) and rolling Multi-year Work Programs (MWP) of road maintenance and road safety utilizing the SRSF and the SRSaF for the consideration of the RB, as well as a report on the status of funds under the SLRF available for transfer to the various local governments;
- (c) Prepare AWP and rolling MWP of road maintenance utilizing the regular DPWH maintenance fund (under the General Appropriations Act (GAA));
- (d) Install and operate: (i) an approved budget tracking system for the purpose of monitoring and reporting on the disbursement and efficient utilization of project funds; (ii) a field implementation performance tracking system to monitor and

- report on the progress and quality of the funded works, and to reconcile them with the budget utilization data; and (iii) an effective Quality Assurance Program;
- (e) Submit annual reports to the RB on the status of funds and progress of work on the SRSF and the SRSaF;
  - (f) Review and update the standards and procedures required of all local governments in their road maintenance operations and to provide technical assistance to local governments in preparing an inventory of the existing local road network and their conditions;
  - (g) Coordinate its program of work at all times with such other units within and outside of DPWH undertaking activities which may be related to road maintenance and road safety;
  - (h) Maintain the separate and distinct nature and accountabilities of monies received from each of the Special Road Funds (SRSF, SLRF and SRSaF);
  - (i) Expedite implementation of the approved road maintenance and road safety programs and projects through the appropriate district units, and in inter-district cases, through the relevant regional office; and
  - (j) Undertake all substantive road maintenance and road safety operations within DPWH.

### **1.3 Assistance Objectives**

The Terms of Reference of this assistance to the RB identified the following objectives:

- Increasing the efficiency and collection of the Road User Charges and
- Improving the management of the SRSF for better road improvement and maintenance. This refers to the use of the SRSF in the improvement and maintenance of roads and recommendations on how to improve its utilization.

In the course of discussions with the RB, a third objective was identified, namely to improve the current flow of the SRSF between the Bureau of Treasury and the RB itself.

The Study Team was intended to assist the Road Board Secretariat (hereinafter referred to as RBS) improve the efficiency of the SRSF through the following:

- (a) Determine the outstanding amount of collection of the SRSF and identify issues that constrain the efficient collection of road user charges;
- (b) Analyze the experience of the SRSF, the implementing mechanisms and procedures (operations manual) and the IRR of RA 8794 and identify specific provisions that will need improvement;
- (c) Provide advice on the appropriate organizational structure and functions of the RBS;
- (d) Analyze the flow-of-funds experience of the RBS from the Bureau of Treasury (BTr) to the RB and identify specific problems/issues that needs to be addressed and formulate recommendations<sup>1</sup>; and
- (e) Recommend specific measures to improve the collection and utilization of the SRSF, to improve the IRR and to identify possible amendments to RA 8794 based on the analysis of experiences in implementing the law.

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<sup>1</sup> This particular scope of work was not included in the TOR but had been identified as one of the important issues currently facing the RBS in discussions with RBS representatives.

# CHAPTER 2



## 2. INSTITUTIONAL STRUCTURES

### 2.1 Road Board (RB) and Road Board Secretariat (RBS)

RA 8794<sup>1</sup> mandates the creation of a RB “to implement the prudent and efficient management and utilization of the special funds”. It is composed of seven (7) members, with the Secretary of the DPWH as *ex-officio* head, and the Secretaries of Finance, Budget and Management, and Transportation and Communications, as *ex-officio* members. Three (3) other members are from transport and motorist organizations, which should have been in existence and active for the five (5) years prior to the law. They are appointed to a term of two (2) years by the President upon the recommendation of the DPWH and DOTC Secretaries.

The RB<sup>2</sup> has the following functions:

- (a) Operation of the Special Funds;
- (b) Management of the Special Funds;
- (c) Approval of the Multiyear and Annual Work Programs submitted by DPWH and DOTC;
- (d) Approval of Special Budgets for each Special Fund;
- (e) Review of Work Programs;
- (f) Complementary Work Programs under Other Funding;
- (g) Procedures for Monitoring Performance and Managing Programs;
- (h) Approval of Contracting Methods;
- (i) Utilization of the Special Funds;
- (j) Public Awareness and Reports;
- (k) Supervisory Authority;
- (l) Manual of Operating Procedures;
- (m) Meetings, which shall not be less than once every three (3) months.

To assist the RB in the exercise of its functions, a RBS was mandated in the IRR of RA 8794. The RBS has responsibility over the day-to-day management of the Funds and implement the decisions of the Board. The RBS is headed by the Executive Officer appointed by the Board and performs the functions that the Board may direct.

The RBS has responsibility over the following:

- (a) Keeping proper accounts and records in respect of the Funds;
- (b) Preparing and submitting for audit in respect of each financial year a balance sheet, a statement of income and expenditure, and a statement of cash flow in such forms and manners as the Commission of Audit (COA) may prescribe;
- (c) Preparing the Annual Report of the Fund in such form and with such content as may be prescribed by the Board; and
- (d) Arranging the business for meetings of the Board and its sub-committees.

The RBS may require, at such intervals as any oversight agency may require, the submission of reports and financial statements in such form as the agency may determine, regarding the operations and activities of the RBS and the Fund.

#### 2.1.1 Current Membership

The Road Board membership is currently composed of the following:

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<sup>1</sup> See Appendix A – RA 8794

<sup>2</sup> See Appendix B – Implementing Rules and Regulations of RA 8794

| Department/Sector Represented                   | Name of Official and Alternate Representatives  |
|---|---|
| Department of Public Works & Highways           | Hermogenes E. Ebdane, Jr.<br>Secretary<br>As Ex Officio Chairman  |
| Department of Transportation and Communications | Leandro R. Mendoza<br>Secretary<br><u>Alternate Representatives:</u><br>➤ Ricardo E. Alfonso, Jr.<br>Undersecretary for Land Transportation<br>➤ Reginald Velasco |
| Department of Budget and Management             | Romulo L. Neri<br>Secretary<br><u>Alternate Representative</u><br>➤ Ricalinda N. Adriatico<br>Director  |
| Department of Finance                           | Margarito Teves<br>Secretary<br><u>Alternate Representative</u><br>➤ Estela Montejo<br>Director   |
| Private Sector Representative (1)               | Orlando F. Marquez, Jr.<br>Makati Jeepney Operators and Drivers Alliance  |
| Private Sector Representative (2)               | Alberto H. Suansing<br>Engineer<br>Confederation of Land Transportation<br>Organization of the Philippines  |
| Private Sector Representative (3)               | No appointee yet.   |

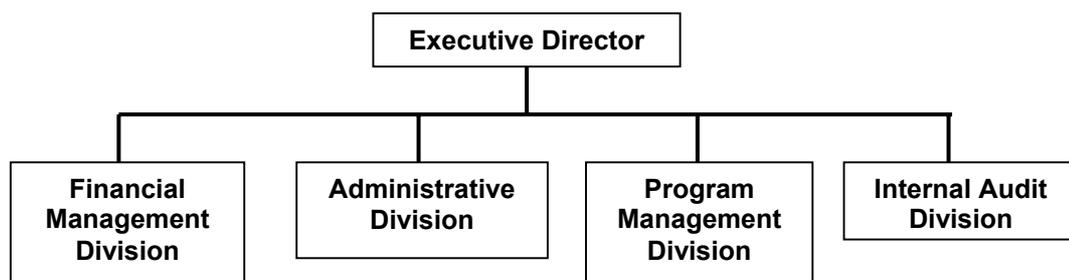
**2.1.2 Current Organizational Structure of the RBS**

The RBS is headed by the Executive Director and is comprised of four (4) divisions, namely:

- (a) Financial Management Division
- (b) Administrative Division
- (c) Program Management Division
- (d) Internal Audit Division

The organizational structure of the RBS is illustrated in Figure 2-1 below.

**Figure 2-1  
Organizational Structure  
ROAD BOARD SECRETARIAT**



The functions of the different divisions are described below.

**ROAD BOARD ASSISTANCE ON ROAD USER CHARGES LAW IMPLEMENTATION**

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| <b>Division</b>      | <b>Functions</b>  |
|----------------------|---|
| Financial Management | <ul style="list-style-type: none"> <li>➤ Directs, coordinates and supervises all financial transactions of the Road Board and the Secretariat;</li> <li>➤ Prepares and submits financial accounts, financial reports, balance sheets, statement of income and expenditure, statement of cash flows prescribed by COA for audit.</li> <li>➤ Prepares supporting documents of budget estimates related to financial transactions; and</li> <li>➤ Prepares Annual Reports.</li> </ul>  |
| Administrative       | <ul style="list-style-type: none"> <li>➤ Provides administrative and human resource services to the Secretariat and administrative services to the Road Board;</li> <li>➤ Provides property and supplies services to the Road Board/Secretariat</li> <li>➤ Maintains office records; and</li> <li>➤ Provides support services to the Executive Director</li> </ul>  |
| Program Management   | <ul style="list-style-type: none"> <li>➤ Prepares and reviews work programs;</li> <li>➤ Reviews/verifies programs submitted by DOTC and DPWH;</li> <li>➤ Reviews AWP and MWP for the four (4) Special Funds;</li> <li>➤ Develops procedures for monitoring performance in managing programs and projects and for competitive bidding; and</li> <li>➤ Conducts inspection/validation of programs submitted by DOTC and DPWH.</li> </ul>  |
| Internal Audit       | <ul style="list-style-type: none"> <li>➤ Prepares program technical and procedural audits to complement the COA audit;</li> <li>➤ Conducts audit of all substantive activities that are funded by and emanate from use of Road Fund monies, including activities undertaken by the RBS, DPWH, DOTC and DILG for the Road Fund Disbursement Accounts of Local Government Units;</li> <li>➤ Prepares report on audit findings and recommendations to the RB; and</li> <li>➤ Conducts audit on the collection of MVUC and Penalties for Overloading to the Special Funds.</li> </ul> |

The current personnel complement of the RBS as approved by the DBM are for five (5) positions including that of the Executive Director and are all technical as follows:

| Number of Positions | Description of Position |
|---------------------|-------------------------|
| 1                   | Executive Director IV   |
| 1                   | Fiscal Controller V     |
| 1                   | Accountant IV           |
| 1                   | Engineer IV             |
| 1                   | Executive Assistant IV  |

In addition to these permanent items, the RBS has four (4) contractual personnel for a total personnel complement of nine (9) composed of five (5) technical personnel, three (3) support staff and the Executive Director.

Previously, the RBS had depended on the DPWH for technical and administrative support, but an autonomous RBS requires an increased and sufficient number of qualified technical and support staff to exercise its mandate under the IRR.

### **2.1.3 Organizational Issues**

The RBS is tasked to implement the mandate of the RB and therefore requires an effective and efficient organizational structure that is adequately staffed. Since the RB is mandated “to implement the prudent and efficient management and utilization of the special funds”, its functions and responsibilities, as summarized in Chapter 1, cannot be delegated to either DPWH or DOTC.

Given that DPWH and DOTC implement activities funded by the RB, the RB has the responsibility to assure that those who contribute to the Fund (the road users) are given “value for money”, the primary premise for the enactment of the MVUC law. DPWH and DOTC can monitor themselves in their use of the Special Funds, but the RB also has to undertake the monitoring of the two (2) agencies’ use of the Special Funds to avoid a “conflict of interest” situation and provide the “check and balance” for an unbiased opinion on the use of the Special Funds.

Given the functions of the RB/RBS, its organizational structure and personnel complement should be responsive to this mandate. While the BRP Study and the Philippine Road Management Reform Project Reports (PRMRP) recognized the important function of the funding agency (the RB), they focused on the DPWH transitioning into a National Roads Authority (NRA) and failed to recognize the need and to propose for, the appropriate organizational structure and manpower requirements for such a crucial organization. The RB has been implementing its Operating Procedures Manual since 1 September 2001. This provides guidance to RBS, LTO, BTr, DBM, DPWH, DOTC and the LGUs on the following:

- (a) Procedures for collection, deposit, reporting, release, disbursement, audit and accounting of Special Fund monies;
- (b) Defines outputs and work categories for purposes of funding, control and reporting of expenditure from the Special Funds;
- (c) Instructions for the development of the AWP and rolling MWP by the DPWH-RPO and DOTC-VPCFC;
- (d) Defines requirements for review of the AWP;
- (e) Specifies the requirements for reporting of expenditure and achievement by DPWH, DOTC, city and provincial governments; and
- (f) Details the competitive bidding procedures applying to the use of monies from the Special Funds by DPWH.

The RB had also approved Office Order No. 04-05 series of 2004 on 17 December 2004 on the Road Board/Secretariat Financial Management Policies. This complements the Operating Procedures Manual.

Based on the two manuals, the responsibility of the RBS is quite substantial and cannot be effectively undertaken under its present organizational structure and manpower complement.

The current situation wherein the RBS operates with a lean organizational structure with a grossly inadequate manpower complement, contravenes its mandate and purpose. Given its responsibility in managing and monitoring the utilization of the Special Funds, it must have the appropriate number of technical and support staff needed and to use allocated resources in the exercise of its mandate.

## 2.2 DPWH's Road Program Office

Section 9 of R.A. 8794 authorizes the DPWH to undertake such structural and procedural improvements in the systems and agencies concerned as may be necessary to ensure the prudent, wise, effective and efficient utilization of the Special Funds. In this respect, DPWH had the mandate to establish the Road Program Office or RPO.

The head of the RPO is appointed by the DPWH Secretary and may attend the meetings of the RB as a non-voting resource person. The staff of the RPO is drawn from the Bureau of Maintenance (BOM) and other DPWH offices and units. The Secretary may also assign personnel, either on a temporary or permanent basis, from other office and units of DPWH.

The functions of the RPO are as follows:

| No. | FUNCTIONS   |
|-----|---|
| 1   | To determine the annual needs of adequate road maintenance and road safety, and to formulate multi-year plans and programs, with a view to ensuring an ultimately current situation with no backlog in national road maintenance and road safety projects. In preparing the AWP and rolling MWP, both the Special Road Funds and the regular maintenance fund shall be taken into account. As much as possible, determinate or recurring maintenance projects shall first be sourced from the regular maintenance fund, while indeterminate projects shall be assigned to the Special Road Funds. Such work shall be made in coordination with the DPWH Planning Service. |
| 2   | To prepare AWP and rolling MWP of road maintenance and road safety utilizing the Special Road Support Fund and the Special Road Safety Fund for the consideration of the Board, as well as a report on the status of funds under the Special Local Road Fund available for transfer to the various local governments pursuant to Section 7 of R.A 8794.   |
| 3   | To prepare AWP and rolling MWP of road maintenance utilizing the regular DPWH maintenance fund (under the General Appropriations Act or GAA) for the consideration and ultimate approval of the DPWH Secretary, after which copies shall be made available to the Board.  |
| 4   | To install and operate: (1) an approved budget tracking system for the purpose of monitoring and reporting on the disbursement and efficient utilization of project funds; (2) a field implementation performance tracking system to monitor and report on the progress and quality of the funded works, and to reconcile them with the budget utilization data; and (3) an effective Quality Assurance Program   |
| 5   | To submit annual reports to the Board on the status of funds and progress of work on the Special Road Support Fund and the Special Road Safety Fund for the consideration of the Board, as well as such accomplishment reports as may be submitted by the various local governments.  |
| 6   | To review and update the standards and procedures required of all local governments in their road maintenance operations, and to submit the findings and recommendations to the Board for appropriate action; and to provide technical assistance to local governments in preparing an inventory of the existing local road network and their conditions.   |
| 7   | To coordinate its program of work at all times with such other units within and outside of DPWH undertaking activities which may be related to road maintenance and road safety   |
| 8   | To maintain the separate and distinct nature and accountabilities of monies received from each of the Special Road Funds, namely, the Special Road Support Fund, the Special Local Road Fund and the Special Road Safety  |

| No. | FUNCTIONS  |
|-----|--|
|     | Fund. The regular maintenance (GAA) fund shall likewise remain separate and distinct in nature and accountability from the Special Road Funds.   |
| 9   | To expedite implementation of the approved road maintenance and road safety programs and projects through the appropriate district units, and in inter-district cases, through the relevant regional office. The Road Program Office itself shall not engage in direct physical implementation of maintenance projects, much less enter into direct contract negotiations, except as may be otherwise explicitly stipulated by the DPWH Secretary in the individual inter-regional case. |
| 10  | To undertake all substantive road maintenance and road safety operations within DPWH, while administrative services of the Road Program Office will continue to be provided by the appropriate DPWH administrative units.  |

The RPO was viewed in the BRP Study and PRMRP Reports as a transitional organization and the predecessor to the proposed NRA. “Again, the transition in national road management has commenced with preparations for the establishment of the Road Program Office (RPO) within the central office of the DPWH.”<sup>3</sup>

However, given the length of time that congress turns out laws and the various interest groups that would be affected by such institutional change at DPWH, the RPO was bound to be a permanent institutional arrangement. There is nothing transitional about the RPO.

**2.2.1 Enabling Department Orders**

The RPO was created by virtue of Department Order No. 59 Series of 2004 on 21 May 2004 (see Appendix C) by then Acting Secretary Florante Soriquez. It was established with the following functions:

| No. | FUNCTIONS  |
|-----|--|
| 1   | Determine the annual needs of adequate road maintenance and road safety, and formulate multi-year plans and programs that ensures elimination of backlogs and ultimately making current the work scheduled for implementation on national road maintenance and road safety projects. In preparing the multi-year and annual work programs (MWP and AWP), both the Special Road Funds and the regular maintenance fund (from the General Appropriations Act (GAA) or the regular annual national government budget) are utilized. As much as possible, recurring maintenance projects shall first be sourced from the regular maintenance fund, while non-recurring (asset preservation) projects shall be assigned to the Special Road Funds |
| 2   | Prepare AWP and rolling MWP of road maintenance and road safety utilizing tile Special Road Funds and the Special Road Safety Fund for the consideration and approval of the Road Board, as well as a report on the status of funds under the Special Local Road Fund available for transfer to the Local Government Units (LGUs).   |
| 3   | Prepare AWP and rolling MWP of road maintenance utilizing the regular DPWH maintenance fund (under GAA) for the consideration and ultimate approval of the DPWH Secretary, after which copies shall be provided to the Road Board  |

Pursuant to DO 59, “The Road Program Office functions shall be divided between the Planning Service and Bureau of Maintenance, with Planning Service

<sup>3</sup> Philippine Road Management Reform Project – Final Report, October 2001.

performing the majority of all planning functions and Bureau of Maintenance carrying out implementation oversight. The Planning Service and Bureau of Maintenance shall coordinate their work and cooperate with each other in an efficient manner.” Assistant Secretary Raul C. Asis was designated as the RPO Head to provide coordination on matters relating to the functions of the RPO. BOM, however, remained under the overall supervision of Assistant Secretary Manuel S. Agyao. Planning Service (PS) continued to report to Assistant Secretary Asis.

All other Department offices concerned were instructed to extend their cooperation and assistance to the institutionalization and implementation of the road maintenance and road safety work in the Department.

Department Order 65 Series of 2005 issued on 9 June 2005 amended the authorities and areas of responsibilities of DPWH undersecretaries and assistant secretaries and responsibility over the RPO was delegated to an Undersecretary. This created a problem since the offices that have strong linkages with RPO, i.e., PS, BOM, are under the supervision of a different undersecretary or assistant secretary.

#### Role of the Department of the Interior and Local Government (DILG)

DPWH is responsible for the “apportionment of the Special Local Road Fund to provincial and city governments and for establishing the basis for ensuring that the funds are used in compliance with the stated purpose of the Fund”. DPWH has entered into a Memorandum of Agreement (MOA) with the DILG for the implementation of the SLRF. This MOA recognizes DILG's mandate over LGUs and the undertakings under the Rural Roads Development Policy Framework (RRDPF). DPWH has proposed that DILG extends, in its behalf, assistance to provinces and cities in the utilization of the SLRF for the maintenance of local roads. The RB had recommended that a MOA be executed between the DPWH and DILG to delineate responsibilities for planning and programming, apportionment of funds; monitoring and reporting of the utilization of the SLRF. Under said MOA, DILG's duties and responsibilities are as follows:

- (a) Assist DPWH-RPO in administering/overseeing the implementation and utilization of the SLRF at the LGU level and formalize the creation of the SLRF Coordination Committee composed of representatives from DILG, DPWH, DBM, RBS, other National Government Agencies (NGAs) involved in the SLRF, Leagues of Provinces and Cities and the Associations of Provincial and City Engineers to ensure the smooth management and coordination of SLRF implementation;
- (b) Organize and conduct briefings on SLRF implementation guidelines and procedures with Local Chief Executives (LCEs) and Provincial/City Engineers and concerned local officials;
- (c) Inform Provincial and City Governments of their SLRF allocation for the year as basis for the preparation of Annual Works Program;
- (d) Review, consolidate and submit LGUs' Annual Work Programs (AWPs) for approval by the RB thru RPO within two (2) months upon receipt of apportionment matrix from DPWH;
- (e) Institutionalize systems and mechanisms on road maintenance, management and development in the LGUs thru the conduct of trainings and other institutional capability building activities using SLRF and LGU resources;
- (f) Maintain and update data base of local road network and vehicle population of LGUs;
- (g) Install and operate an Implementation Tracking System with assistance of - RPO in order to:
  - i. Monitor progress and quality of SLRF funded works;
  - ii. Reconcile budget utilization; and
  - iii. Ensure compliance of LGUs with the Approved Works Program.

- (h) Provide RPO regular reports based on the Implementation Tracking System;
- (i) Submit to the RB for approval thru the RPO, DILG's Activity Plan including schedules, outputs and costs to undertake the above duties and responsibilities. The annual budget shall be sourced from the SLRF, but not exceeding 1% of its level of expenditure for the year as part of the management cost of SLRF implementation; and
- (j) Maintain a separate Trust Account specifically for the funds covered by the MOA.

**2.2.2 Current RPO Organizational Structure**

The task allocation for the various functions and responsibilities involving network development, routine maintenance and reconstruction and rehabilitation, as provided in DO 59 series of 2004, are given in Table 2-1 below.

**Table 2-1  
Functions and Responsibilities of Various DPWH Offices  
On RPO Related Activities (DO 59 Series of 2004)**

| Functions/Responsibilities                    | OFFICE                              |                       |                                   |
|---|-------------------------------------|-----------------------|-----------------------------------|
|   | Planning Service                    | Bureau of Maintenance | Regions/ Districts/ Relevant PMOs |
| <b>1. NETWORK DEVELOPMENT</b>                 |                                     |                       |                                   |
| Strategic/Long and Medium Term Planning       | Development Planning Division (DPD) |                       |                                   |
| Medium Term (MTPIP)                           | DPD                                 |                       |                                   |
| Multi Year Programming                        | DPD/ Programming Division           |                       |                                   |
| Project Identification                        | DPD                                 |                       | Participation                     |
| Project Preparation                           | DPD                                 |                       |                                   |
| Project Prioritization                        | DPD                                 |                       |                                   |
| Project Packaging                             | DPD                                 |                       |                                   |
| <b>2. ASSET PRESERVATION</b>                  |                                     |                       |                                   |
| <b>A. Routine Maintenance</b>                 |                                     |                       |                                   |
| Project Identification                        |                                     | Consolidation         | Participation                     |
| Project Preparation                           |                                     | Costing               |                                   |
| Project Prioritization                        |                                     | Scheduling            |                                   |
| Multi Year Programming                        | DPD                                 | Coordination          | Participation                     |
| Annual Programming                            |                                     | Needs-based           | Participation                     |
| Implementation                                |                                     |                       | Execution                         |
| Monitoring/ Oversight of Implementation       |                                     | Execution             | Execution                         |
| <b>B. Reconstruction &amp; Rehabilitation</b> |                                     |                       |                                   |
| Project Identification                        | DPD                                 | Annual projects only  | Participation                     |
| Project Preparation                           | DPD                                 | Annual projects only  | Participation                     |
| Project Prioritization                        | DPD                                 | Annual projects only  | Participation                     |
| Project Implementation                        |                                     |                       | Execution                         |
| Monitoring/ Oversight of Implementation       |                                     | Execution             | Execution                         |

While the RPO has been created, it has no permanent staff, but is merely being provided technical support by other offices within the Department. It functions as a consolidator of the outputs of the different offices and packages these into AWP and MWP, if these have not been so packaged already. The head of the RPO presents the consolidated AWP and MWP of the Department to the RB.

### **2.2.3 Organizational Issues**

There are a number of issues with regards the RPO.

First, under the BRP and PRMRP studies, the RPO was viewed as a transition organization towards the envisioned NRA. The PRMRP recommended “that core national road management staff at central and regional levels within the Department be identified and grouped ready for formation of the independent National Roads Authority (NRA)”, as if the NRA was already about to be legislated. In its current form and without any staff, the RPO does not serve the transition role and it is doubted whether the NRA would be created by congress in the immediate future.

Second, the three (3) functions given to RPO under DO 59 series of 2004 is seven (7) short of that mandated under the IRR of RA 8794. Only the first three (3) functions were included in DO 59, while the others remain distributed to other offices within the Department. Thus, even the existing form of the RPO is not what was intended in the IRR.

Third, the propriety of DILG’s role is questioned, inasmuch as DPWH seems to be delegating functions mandated to it under RA 8794. For example, monitoring performance and managing programs are the tasks of DPWH, not DILG. While the MOA between DPWH and DILG is a legal document, allotment of a portion of the SLRF to DILG was not provided for under the law.

### **2.3 DOTC’s Vehicle Pollution Control Fund Committee (VPCFC)**

Pursuant to the provisions of Section 9 of R.A. No. 8794, the DOTC Secretary was authorized “to undertake such structural and procedural improvements in the agencies concerned as may be necessary to ensure the prudent, wise, effective and efficient utilization of the Special Vehicle Pollution Control Fund”. A VPCFC was mandated to be established that “shall, subject to the supervision of the Board, administer and manage the fund, provide directions to the projects or activities utilizing the fund and, in general, supervise, monitor and ensure the proper implementation of the approved Vehicle Pollution Control Program”.

The functions of the VPCFC are as follows:

- (a) Prepare for submission to the Board, for possible modification and approval and subsequent implementation, an AWP and rolling MWP of DOTC identifying the specific programs, projects and activities aimed at preventing, controlling, and managing air pollution from motor vehicles, including the resources and funding requirements therefore, and setting the timetable for their accomplishment;
- (b) Coordinate closely 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;
- (c) Undertake consultations, where appropriate, with affected stakeholders in the public and private sectors;
- (d) Conduct such studies and surveys as may be necessary relative to air pollution by vehicles;
- (e) Monitor, manage and administer the Special Vehicle Pollution Control Fund in accordance with such guidelines as may be promulgated by the Board; and

- (f) Prepare and submit such reports as may be required by the Board.

**2.4 Enabling Department Order**

DOTC Department Order No. 2005-16 was signed and issued by the Secretary on 14 June 2005 (See Appendix D) or almost five (5) years after the IRR of RA 8794 was effected. The DO defined the organizational structure and duties and responsibilities of each organizational layer of the Committee.

**2.5 Current Organizational Structure**

The Committee proper is composed of the following:

| Position in Committee | Name  |
|-----------------------|---|
| Chairman              | Leandro R. Mendoza<br>Secretary   |
| Vice-Chairman         | Ricardo E. Alfonso, Jr.<br>Undersecretary   |
| Members               | Domingo Reyes<br>Asst. Secretary<br>Robert R. Castañares<br>Asst. Secretary<br>Emmanuel Noel Cruz<br>Asst. Secretary<br>Anneli R. Lontoc<br>Asst. Secretary |

The duties and responsibilities of the Committee as contained in the DO were closely aligned and similar to that mandated in the IRR of RA 8794.

The Technical Working Group (TWG) is headed by the Director for Planning and includes seven (7) members. Its duties and responsibilities are as follows:

- (a) Formulation and Implementation of the comprehensive program for the prevention, control and management of air pollution from mobile sources;
- (b) Prepare annual work program (AWP) and multi-year work program (MWP) for projects/activities pursued relative to air pollution from mobile sources for approval of the Committee and subsequent submission to the RB;
- (c) Monitor projects and activities undertaken relative to air pollution from mobile sources and submit report to the Committee;
- (d) Monitor the utilization of the SVPCF; and
- (e) Conduct such studies and surveys as may be necessary relative to air pollution from mobile sources.

The Committee Secretariat is headed by a Chairperson and includes five (5) members. Its duties and responsibilities are as follows:

- (a) Preparation of reports of the programs, projects undertaken pursuant to CAA, including disbursement of funds from VPCF;
- (b) Conduct meetings and preparation of corresponding reports; and
- (c) Act as a depository of all proceedings by the Committee on all matters involving the Implementation of programs/projects related to air pollution from mobile sources.

## **2.6 Organizational Issues**

First, given that the Committee was created almost five (5) years after the effectivity of the IRR of RA 8794, the Department had apparently not given due importance and attention to this requirement. The Committee is tasked to endorse the AWP and MWP for the utilization of the VPCF and therefore, its creation and full operationalization was needed for DOTC to have access to the special fund. Even without said Committee endorsement to the RB of the AWP and MWP, fund releases have been made for the utilization of the VPCF.

Second, in spite of the fact that the DO was signed 14 June 2005, no meeting of the Committee proper, its Technical Working Group or Secretariat has been conducted. Yet, the DOTC had submitted proposed activities for funding under the VPCF. There is question as to who is actually preparing the programs/projects being submitted to the RB for funding under the VPCF. The Land Transportation Office (LTO) submits its requirements to DOTC for the funding of its activities/projects concerning pollution, yet the Department has not given any feedback to LTO as to what of its proposed activities/projects would be funded out of the VPCF.

Third, there is no written standard operating procedure to be followed by the Committee, TWG and Secretariat on the planning, programming and management of the VPCF releases, and monitoring and evaluation of the outputs, outcomes and impacts of expenditures of the VPCF. There are no criteria for prioritizing the use and allocation of the VPCF, hence no visible basis for the activities/projects recommended for funding.

# CHAPTER 3



**3. MVUC COLLECTIONS**

**3.1 Growth in Motor Vehicle Population**

The growth in MVUC collections depends on the increase in the MVUC rates and on the increase in the motor vehicle population. While the heavy vehicles bear a higher burden of the MVUC rate-wise, the higher increase in absolute numbers of light vehicles has resulted in its higher contribution to total MVUC collections.

For the period 1990-2004, the absolute increase in the number of vehicles was 1.58 million excluding motorcycles/tricycles and trailers and 2.62 million if these two vehicle types were included.

Vehicle growth rates are shown in Table 3-1, while Table 3-2 shows motor vehicle registration statistics from 1990-2004. In terms of increases in new vehicle registration per annum, motorcycles/tricycles show the highest rate of increase at 15% per annum, while for renewal registration, 11.03% per annum. Trucks showed the highest increase for four and more wheeled vehicles for new registrations at 4.25%, but utility vehicles showed the highest rates of increase for renewal registrations for four and more wheeled vehicles at 7.65%.

**Table 3-1  
Growth Rate in Vehicle Registration, 1990-2004  
In percent**

| Vehicle Type          | Growth Rates (1990-2004)<br>In % |                |
|-----------------------|----------------------------------|----------------|
|                       | <i>New</i>                       | <i>Renewal</i> |
| Cars                  | 0.86                             | 4.37           |
| Utility Vehicles      | 4.03                             | 7.65           |
| Trucks                | 4.25                             | 5.35           |
| Buses                 | 1.18                             | 5.09           |
| Motorcycles/Tricycles | 15.00                            | 11.03          |
| Trailers              | - 7.48                           | 2.79           |
| Total*                | 9.38                             | 7.78           |
| Total**               | 3.91                             | 6.61           |

\* *Includes all types of vehicles.*

\*\* *Excludes motorcycles/tricycles and trailers*

ROAD BOARD ASSISTANCE ON ROAD USER CHARGES LAW IMPLEMENTATION

**Table 3-2  
Motor Vehicle Registration – New and Renewals, 1990-2004**

| Year | Cars   |         | Utility Vehicles |           | Trucks |         | Buses |         | Motorcycles/<br>Tricycles |           | Trailers |         | Total*  |           | Total ** |           |
|------|--------|---------|------------------|-----------|--------|---------|-------|---------|---------------------------|-----------|----------|---------|---------|-----------|----------|-----------|
|      | New    | Renewal | New              | Renewal   | New    | Renewal | New   | Renewal | New                       | Renewal   | New      | Renewal | New     | Renewal   | New      | Renewal   |
| 1990 | 42,389 | 412,165 | 74,731           | 540,872   | 13,419 | 117,554 | 2,119 | 16,222  | 70,034                    | 312,392   | 3,398    | 14,947  | 206,090 | 1,414,152 | 132,658  | 1,086,813 |
| 1991 | 32,130 | 424,476 | 71,969           | 598,879   | 12,646 | 125,492 | 1,877 | 18,813  | 61,820                    | 348,307   | 2,384    | 16,573  | 182,826 | 1,532,540 | 118,622  | 1,167,660 |
| 1992 | 39,636 | 443,986 | 88,683           | 655,507   | 15,207 | 131,482 | 2,586 | 23,241  | 81,614                    | 377,324   | 2,550    | 17,747  | 230,276 | 1,649,287 | 146,112  | 1,254,216 |
| 1993 | 48,551 | 482,689 | 94,503           | 739,665   | 19,848 | 145,432 | 2,979 | 21,624  | 102,915                   | 444,740   | 2,772    | 19,397  | 271,568 | 1,853,547 | 165,881  | 1,389,410 |
| 1994 | 58,322 | 514,444 | 105,759          | 806,916   | 22,190 | 157,603 | 3,261 | 24,334  | 123,772                   | 500,520   | 3,149    | 21,199  | 316,453 | 2,025,016 | 189,532  | 1,503,297 |
| 1995 | 70,526 | 556,045 | 120,425          | 877,906   | 25,279 | 167,513 | 3,405 | 24,787  | 145,425                   | 562,634   | 3,691    | 23,718  | 368,751 | 2,212,603 | 219,635  | 1,626,251 |
| 1996 | 74,057 | 628,521 | 130,934          | 970,143   | 34,238 | 186,150 | 2,838 | 26,492  | 180,240                   | 641,359   | 5,257    | 24,258  | 427,564 | 2,476,923 | 242,067  | 1,811,306 |
| 1997 | 73,160 | 670,139 | 131,186          | 1,060,206 | 33,023 | 209,819 | 3,293 | 28,657  | 229,349                   | 722,695   | 6,224    | 25,798  | 476,235 | 2,717,314 | 240,662  | 1,968,821 |
| 1998 | 40,565 | 708,639 | 103,355          | 1,140,664 | 14,748 | 216,594 | 2,130 | 29,676  | 202,298                   | 830,296   | 1,867    | 25,985  | 364,963 | 2,951,854 | 160,798  | 2,095,573 |
| 1999 | 30,522 | 743,313 | 104,239          | 1,206,626 | 16,143 | 227,300 | 1,849 | 31,344  | 190,278                   | 954,388   | 2,356    | 25,374  | 345,387 | 3,188,345 | 152,753  | 2,208,583 |
| 2000 | 31,169 | 735,779 | 121,210          | 1,266,907 | 17,909 | 230,460 | 1,763 | 32,123  | 214,793                   | 1,021,448 | 1,769    | 24,843  | 388,613 | 3,311,560 | 172,051  | 2,265,269 |
| 2001 | 29,189 | 700,161 | 126,420          | 1,362,846 | 16,640 | 236,956 | 1,446 | 30,240  | 240,152                   | 1,098,111 | 1,143    | 22,558  | 414,990 | 3,450,872 | 173,695  | 2,330,203 |
| 2002 | 30,889 | 718,664 | 149,080          | 1,503,234 | 17,287 | 240,487 | 1,674 | 32,241  | 290,468                   | 1,179,915 | 1,483    | 22,251  | 490,881 | 3,696,792 | 198,930  | 2,494,626 |
| 2003 | 30,032 | 712,633 | 142,686          | 1,543,631 | 21,286 | 234,223 | 1,560 | 29,789  | 343,138                   | 1,209,441 | 1,143    | 22,710  | 539,845 | 3,752,427 | 195,564  | 2,520,276 |
| 2004 | 47,772 | 750,388 | 152,559          | 1,636,412 | 24,028 | 243,949 | 2,496 | 32,507  | 495,400                   | 1,351,961 | 1,145    | 21,976  | 723,400 | 4,037,193 | 226,855  | 2,663,256 |

NOTE: \* - Includes all types of vehicles, including motorcycles/tricycles and trailers

\*\* - Excludes motorcycles/tricycles and trailers

SOURCE: Land Transportation Office, 2005

### 3.2 Current MVUC Rates for Motor Vehicles

RA 8794 established the MVUC rates for various types of motor vehicles as shown in Table 3-3 below. The MVUC rates were based on the then current motor vehicle registration rates. This is an important consideration given that it was the prevailing vehicle registration fee that was renamed MVUC, with incremental increases provided for by RA 8794. This actually resulted in vehicle registration fee collections previously deposited to the General Fund being diverted into the Special Funds (MVUC).

**Table 3-3  
MVUC Rates for Various Types of Motor Vehicles**

**Gross Vehicle Weight and Year Model**

| VEHICLE CATEGORIES & YEAR  | Base Rate | 2001  | 2001  | 2003   | 2004 & after |
|--|-----------|-------|-------|--------|--------------|
| <b>1. AGED PRIVATE VEHICLES</b> – This category refers to private passenger cars registered under the Private Motor Vehicle Tax Law EO 43 in relation to RA 8794 |           |       |       |        |              |
| <b>LIGHT – GVW UP TO 1600 kgs.</b>   |           |       |       |        |              |
| 1995 – 2000  | 1,000     | 1,250 | 1,500 | 1,750  | 2,000        |
| 1994 & below   | 700       | 875   | 1,050 | 1,225  | 1,400        |
| <b>MEDIUM – GVW 1601 to 2300 kgs.</b>  |           |       |       |        |              |
| 1997 – 2000  | 3,000     | 3,750 | 4,500 | 5,250  | 6,000        |
| 1995 – 1996  | 2,400     | 3,000 | 3,600 | 4,200  | 4,800        |
| 1994 & below   | 1,200     | 1,500 | 1,800 | 2,100  | 2,400        |
| <b>HEAVY – GVW 2301 kgs. &amp; above</b>   |           |       |       |        |              |
| 1995 – 2000  | 6,000     | 7,500 | 9,000 | 10,500 | 12,000       |
| 1994 & below   | 2,800     | 3,500 | 4,200 | 4,900  | 5,600        |

*NOTE: Aging pursuant to EO 43 ceases upon effectivity of the law. The base rate is the rate under EO 43 at the age of the motor vehicle upon effectivity of the annual increase as prescribed in their IRR (year 2001-2004)*

**Effective 2001 – New Registration and Subsequent Registration**

| CATEGORIES (YEAR)  | Base Rate                      | 2001                           | 2002                           | 2003                           | 2004 & after                   |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>2. AGELESS PRIVATE AND GOVERNMENT VEHICLES</b> – This category refers to all private and government motor vehicles registered under Section 3b of RA 8794 without any age, hence “ageless”. |                                |                                |                                |                                |                                |
| <b>a. PASSENGER CARS (New/original and subsequent registration)</b>  |                                |                                |                                |                                |                                |
| <b>LIGHT (GVW up to 1600 kgs.)</b>   | 800                            | 1,000                          | 1,200                          | 1,400                          | 1,600                          |
| <b>MEDIUM (GVW 1601 to 2300 kgs.)</b>  | 1,800                          | 2,250                          | 2,700                          | 3,150                          | 3,600                          |
| <b>HEAVY (GVW 2301 kgs. And up)</b>  | 4,000                          | 5,000                          | 6,000                          | 7,000                          | 8,000                          |
| <b>b1. UTILITY VEHICLES (GVW &lt;4500 kgs.)</b>  |                                |                                |                                |                                |                                |
| GVW up to 2700 kgs.  | 1,000                          | 1,250                          | 1,500                          | 1,750                          | 2,000                          |
| With excess weight above 2701 kgs.   | 1,000 + 0.20 x (GVW-2700 kgs.) | 1,250 + 0.25 x (GVW-2700 kgs.) | 1,500 + 0.30 x (GVW-2700 kgs.) | 1,750 + 0.35 x (GVW-2700 kgs.) | 2,000 + 0.40 x (GVW-2700 kgs.) |
| <b>b2. SPORTS UTILITY VEHICLES (GVW&lt;4500 kgs.)</b>  |                                |                                |                                |                                |                                |
| GVW up to 2700 kgs.  | 1,150                          | 1,440                          | 1,725                          | 2,015                          | 2,300                          |

**ROAD BOARD ASSISTANCE ON ROAD USER CHARGES LAW IMPLEMENTATION**

| CATEGORIES (YEAR)   | Base Rate                       | 2001                                 | 2002                                 | 2003                                 | 2004 & after                         |
|---|---------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| With excess weight above 2701 kgs.  | 1,150 +<br>0.23x(GVW-2700 kgs.) | 1,440 +<br>0.29x(GVW-2700 kgs.)      | 1,725 +<br>0.35x(GVW-2700 kgs.)      | 2,015 +<br>0.40x(GVW-2700 kgs.)      | 2,300 +<br>0.46x(GVW-2700 kgs.)      |
| <b>c. MOTORCYCLES/MOPEDS/TRICYCLES</b>  |                                 |                                      |                                      |                                      |                                      |
| With sidecar  |                                 | 190                                  | 225                                  | 265                                  | 300                                  |
| Without sidecar   |                                 | 150                                  | 180                                  | 210                                  | 240                                  |
| <b>d. TRUCKS &amp; BUSES</b> (GVW>4500 kgs.)  |                                 | 1,125 +<br>0.15x(GVW-2700 kgs.)      | 1,350 +<br>0.18x(GVW-2700 kgs.)      | 1,575 +<br>0.21x(GVW-2700 kgs.)      | 1,800 +<br>0.24x(GVW-2700 kgs.)      |
| <b>e. TRAILERS</b> (GVW>4500 kgs.)  |                                 | 0.15x(GVW)                           | 0.18x(GVW)                           | 0.21x(GVW)                           | 0.24x(GVW)                           |
| <b>3.</b>   |                                 |                                      |                                      |                                      |                                      |
| <b>a. AGELESS: FOR-HIRE VEHICLES</b>  |                                 |                                      |                                      |                                      |                                      |
| <b>LIGHT</b>  |                                 | 565                                  | 675                                  | 790                                  | 900                                  |
| <b>MEDIUM</b>   |                                 | 1,125                                | 1,350                                | 1,575                                | 1,800                                |
| <b>HEAVY</b>  |                                 | 3,125                                | 3,750                                | 4,375                                | 5,000                                |
| <b>b1. UTILITY VEHICLES</b> (GVW up to 4500 kgs.)   |                                 | 0.19 x<br>(GVW)                      | 0.22 x<br>(GVW)                      | 0.26 x<br>(GVW)                      | 0.30 x<br>(GVW)                      |
| <b>b2. SPORTS UTILITY VEHICLES</b> (GVW<4500 kgs.)  |                                 |                                      |                                      |                                      |                                      |
| GVW up to 2700 kgs.   |                                 | 1,440                                | 1,725                                | 2,015                                | 2,300                                |
| With excess weight above 2700 kgs.  |                                 | 1,440 +<br>0.29 x<br>(GVW-2700 kgs.) | 1,725 +<br>0.35 x<br>(GVW-2700 kgs.) | 2,015 +<br>0.40 x<br>(GVW-2700 kgs.) | 2,300 +<br>0.46 x<br>(GVW-2700 kgs.) |
| <b>c. MOTORCYCLES/MOPEDS/TRICYCLES</b>  |                                 |                                      |                                      |                                      |                                      |
| With sidecar  |                                 |                                      |                                      |                                      |                                      |
| Without sidecar   |                                 | 190                                  | 225                                  | 265                                  | 300                                  |
| <b>d. BUSES</b> (GVW>4500 kgs.)   |                                 | 0.19 x<br>(GVW)                      | 0.22 x<br>(GVW)                      | 0.26 x<br>(GVW)                      | 0.30 x<br>(GVW)                      |
| <b>e. TRUCKS</b> (GVW>4500 kgs.)  |                                 | 1,125 +<br>0.15 x<br>(GVW-2700 kgs.) | 1,350 +<br>0.18 x<br>(GVW-2700 kgs.) | 1,575 +<br>0.21 x<br>(GVW-2700 kgs.) | 1,800 +<br>0.24 x<br>(GVW-2700 kgs.) |
| <b>f. TRAILERS</b>  |                                 | 0.15x(GVW)                           | 0.18x(GVW)                           | 0.21x(GVW)                           | 0.24x(GVW)                           |
| Upon implementation, registration fees are computed according to their GROSS VEHICLE WEIGHT (GVW) for passenger cars, GVW=SHIPPING WEIGHT + (NO. OF PASS. x 70 kgs./PASS) |                                 |                                      |                                      |                                      |                                      |
| NOTE: 1. Computations of MVUC shall be rounded off to the nearest five pesos (P5.00)  |                                 |                                      |                                      |                                      |                                      |
| 2. Computation of penalties is based on the current year of registration.   |                                 |                                      |                                      |                                      |                                      |

SOURCE: Land Transportation Office, 2005

### 3.3 MVUC Actual versus Forecast Collections

The MVUC collections started May 2001, thus 2001 collections were only for an eight-month period. RA 8794 was passed on 27 June 2000 and allowing for the publication period, MVUC collections should have started by August 2000, not May 2001 as reflected in the collection deposits with the Bureau of Treasury (BTr).

MVUC collections from 2001-April 2005 are shown in Table 3-4 below.

**Table 3-4**  
**Actual Revenues Realized from MVUC Collections by LTO**

| Fund No. | Description                            | Year            |                 |                 |                 |                 | Total            |
|----------|--|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
|          |  | 2001*           | 2002            | 2003            | 2004            | 2005**          |                  |
| 151      | Special Road Support Fund              | 2,536.46        | 3,515.98        | 4,364.50        | 5,319.11        | 1,946.17        | 18,108.93        |
| 152      | Special Local Road Fund                | 162.07          | 230.70          | 272.88          | 332.44          | 121.68          | 1,132.20         |
| 153      | Special Road Safety Fund               | 237.97          | 330.47          | 409.16          | 498.75          | 182.46          | 1,697.70         |
| 151      | Special Vehicle Pollution Control Fund | 235.19          | 342.28          | 409.03          | 498.75          | 182.46          | 1,697.22         |
|          | <b>TOTAL</b>                           | <b>3,171.68</b> | <b>4,419.42</b> | <b>5,455.57</b> | <b>6,649.05</b> | <b>2,432.77</b> | <b>22,636.05</b> |

NOTE: \* Reflects MVUC collections only for May, July-October and December 2001 only.

\*\* Reflects MVUC collections only from January-April 2005.

SOURCE: Road Board Secretariat

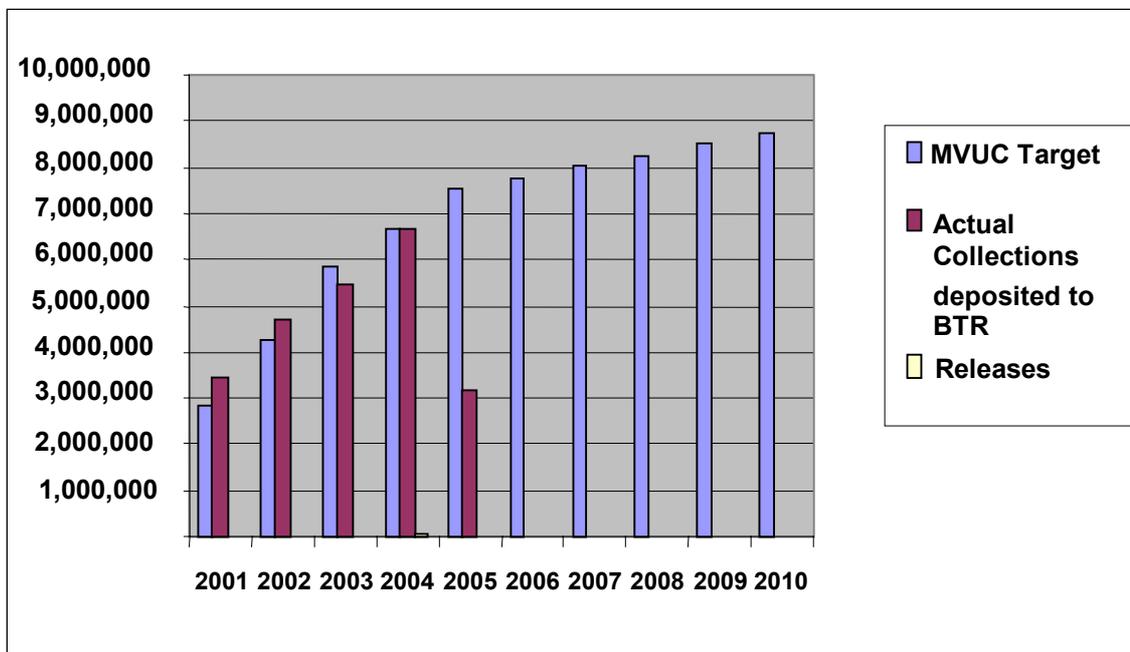
Based on LTO forecasts, actual MVUC collections exceeded forecasts in 2001 and 2003, but were less in 2003. For 2004, actual and forecast collections were almost the same. The forecast MVUC collections from 2005-2010 are shown below and are estimated to grow at 3.0% per annum.

The forecast rate of growth seems to be based on the year-to-year change in total vehicle registration of about 3% per annum.

| Year | Forecast MVUC Collections |                   |
|------|---------------------------|-------------------|
|      | In million P<br>-----     | % change<br>----- |
| 2005 | 6,877.94                  |                   |
| 2006 | 7,088.21                  | 3.05              |
| 2007 | 7,300.84                  | 3.00              |
| 2008 | 7,519.87                  | 3.00              |
| 2009 | 7,745.47                  | 3.00              |
| 2010 | 7,977.83                  | 3.00              |

SOURCE: Land Transportation Office, 2005

**Figure 3-1**  
**Forecast Versus Actual MVUC Collections, 2001-2010**



### 3.3.1 Factors Affecting MVUC Collections

Aside from the increases in MVUC rates pursuant to RA 8794 and the option for further increases pursuant to Section 3b of the same law wherein the “President of the Philippines may adjust the rates contained in Section 3, which shall be reflective of, but shall not exceed the annual rate of increase of the Consumer Price Index (CPI)” and may adjust rates not more than once every five (5) years, MVUC collections are affected by:

- (a) The actual increases in annual vehicle registration, which has been increasing at 9.38% per annum if we were to include motorcycles/tricycles and trailers and 3.91% per annum excluding motorcycles/tricycles and trailers. The influx of secondhand vehicles and motorcycles has had a positive impact in the increases in motor vehicles;
- (b) The efficiency of LTO in requiring motor vehicle owners to register their vehicles. Penalties collected by LTO from the delayed registration of motor vehicles amounted to about P683.58 million in 2004. Since this accumulates to LTO and not to the MVUC, the penalties are deposited to the General Fund of the national government. The discrepancy between current year renewal and previous year’s renewal plus previous year’s new registration is quite significant. This is illustrated in Table 3-5 below, which shows the magnitude of non-renewal of vehicle registration, by vehicle type from 1990-2004. The biggest violators are the motorcycles/tricycles group, followed by utility vehicles and cars. Estimated MVUC losses for non-renewal of vehicle registration at P1,250/vehicle are approximately P300 million per annum or P1.2 billion over the first four (4) years of implementation of RA 8794.

**Table 3-5**  
**Estimated Number of Motor Vehicles Without Current LTO Registration**

| Year | Cars   | Utility Vehicles | Trucks | Buses  | Mcycles/ Tricycles | Trailers | Total*  | Total ** |
|------|--------|------------------|--------|--------|--------------------|----------|---------|----------|
| 1991 | 30,078 | 16,724           | 5,481  | -472   | 34,119             | 1,772    | 87,702  | 51,811   |
| 1992 | 12,620 | 15,341           | 6,656  | -2,551 | 32,803             | 1,210    | 66,079  | 32,066   |
| 1993 | 933    | 4,525            | 1,257  | 4,203  | 14,198             | 900      | 26,016  | 10,918   |
| 1994 | 16,796 | 27,252           | 7,677  | 269    | 47,135             | 970      | 100,099 | 51,994   |
| 1995 | 16,721 | 34,769           | 12,280 | 2,808  | 61,658             | 630      | 128,866 | 66,578   |
| 1996 | -1,950 | 28,188           | 6,642  | 1,700  | 66,700             | 3,151    | 104,431 | 34,580   |
| 1997 | 32,439 | 40,871           | 10,569 | 673    | 98,904             | 3,717    | 187,173 | 84,552   |
| 1998 | 34,660 | 50,728           | 26,248 | 2,274  | 121,748            | 6,037    | 241,695 | 113,910  |
| 1999 | 5,891  | 37,393           | 4,042  | 462    | 78,206             | 2,478    | 128,472 | 47,788   |
| 2000 | 38,056 | 43,958           | 12,983 | 1,070  | 123,218            | 2,887    | 222,172 | 96,067   |
| 2001 | 66,787 | 25,271           | 11,413 | 3,646  | 138,130            | 4,054    | 249,301 | 107,117  |
| 2002 | 10,686 | -13,968          | 13,109 | -555   | 158,348            | 1,450    | 169,070 | 9,272    |
| 2003 | 36,920 | 108,683          | 23,551 | 4,126  | 260,942            | 1,024    | 435,246 | 173,280  |
| 2004 | -7,723 | 49,905           | 11,560 | -1,158 | 200,618            | 1,877    | 255,079 | 52,584   |

### 3.3.2 Penalty for Overloading

Section 6 of RA 8794 imposes a penalty for vehicle overloading in an “amount equivalent to twenty-five percent (25%) of the MVUC” to be “imposed on trucks and trailers for loading beyond their prescribed gross vehicle weight. The law further provides “That no axle load shall exceed thirteen thousand five hundred kilograms (13,500 kgs.)”. However, it does not clearly define to whom the collection of penalties would accrue. The stand of LTO on this matter is that it accrues to the General Fund and is thus treated as such. This issue has to be clarified so that the full intent of the law is implemented, although the amount in question is not substantial, about P4.83 million in 2004.

### 3.3.3 Discrepancies between LTO MVUC Collection Deposits and Bureau of Treasury Recording of the Deposits

In the early years of implementation of RA 8794, the RB noted discrepancies between the actual amount of MVUC collection deposits made by LTO and the BTr recordings of the deposits. This arose out of the administrative procedures in recording the collections and did not result in any “leakages” in the collections. Thus, RBS had reported that since October 2002, there were no longer discrepancies between LTO and BTr reports on MVUC collection deposits.

# CHAPTER 4



#### **4. PROGRAMMING AND UTILIZATION OF THE SPECIAL ROAD FUNDS**

Pursuant to the IRR of RA 8794, DPWH's RPO has the functions to determine the annual needs of adequate road maintenance and road safety, and to formulate multi-year plans and programs, with a view to ensuring an ultimately current situation with no backlog in national road maintenance and road safety projects. Together with the Planning Service (PS), RPO is tasked to prepare AWP's and rolling MWP's of road maintenance and road safety utilizing the SRSF and the SRSaF for consideration by the RB, as well as report on the status of funds under the SLRF available for transfer to the various local government units (LGUs).

"No expenditure in respect of any project or activity carried out by the DPWH under R.A. 8794, shall be made unless the expenditure relates to an approved project or activity, the price of which has been determined by a competitive bidding procedure approved by the RB, except for those projects or activities to be implemented by departmental staff within a ceiling amount to be set in the AWP".

These are the basic guidelines set in the IRR of RA 8794, which, together with RB-mandated Operating Procedures Manual and Financial Management Policies, guide DPWH in the programming and utilization of the various Special Funds under its management and responsibility.

##### **4.1 Special Road Support Fund (SRSF)**

###### **4.1.1 Criteria for Allocation of Funds**

DPWH has developed the application of HDM 4 for the estimation of the requirements for the preventive maintenance of national roads.

The Highway Design and Maintenance Standards Model (HDM-IV) is an upgraded version of HDM III, issued in 1987 and developed by the World Bank to meet the needs of the highway community, particularly in developing countries, for evaluating policies, standards, and programs of road construction and maintenance. The original mainframe version of the model has been adapted to the personal computer environment.

The model simulates total life-cycle conditions and costs and provides economic decision criteria for multiple road design and maintenance alternatives for one road link, a group of roads with similar characteristics, or an entire network of paved and unpaved roads. The primary cost set for the life-cycle analysis includes the costs of road construction and maintenance and vehicle operating costs, to which travel time costs can be added as an option. The costs of construction-related traffic delays, congestion, accidents, and environmental pollution can be entered in the model exogenously based on separate estimates. HDM-IV is coupled with the Expenditure Budgeting Model (EBM) to find the best way of using road agency funds under budget constraints.

A common application of the model is to examine questions such as:

- What is the economic benefit of spending another peso on maintenance, compared to spending it on new roads or improvements to existing alignments?
- Is it more economical to construct a strong, expensive pavement initially, thereby permitting the use of larger, more economical vehicles and reducing future road maintenance outlays, or to follow a stage construction strategy, economizing on initial cost, restricting vehicle axle loads, and paying more for maintenance, with the intent of upgrading the road later on when traffic growth warrants it?
- How much should be spent to maintain paved roads and how much to maintain and upgrade earth and gravel roads?

- What are the consequences of deferring certain road maintenance expenditures during years of financial stringency?
- What combination of maintenance policies yields the lowest overall economic costs for a specified level of maintenance funding?

Within the planning, budgeting, and programming functions of a highway agency, the model may therefore be used to establish:

- Desired budget levels that would minimize the total cost of road transportation;
- Appropriate policies and standards for construction and maintenance programs that are consistent with minimizing total transport costs under existing resource constraints;
- Long-term and medium-term investment and expenditure programs;
- Appropriate, economically derived intervention criteria to develop short-term programs and annual budgets, based on an appropriate pavement management system.

An important feature of the model is the analytical support it can provide to make a convincing case to legislatures and top decision makers for adequate funding for road maintenance.

With appropriate choice of parameter values, it can also be used for applied research in engineering and economics. In engineering, for example, the model may be used to optimize road maintenance strategies, determine economic thresholds for programming road improvements, determine an economic optimum for axle loads, or simulate the type and extent of road deterioration as a function of cumulative traffic loads or time. In economics, the model has potential application in research related to user charges, pricing and taxation of automotive fuels, highway cost allocation, and road transport pricing.

The broad concept of HDM-IV is quite simple. Three interacting sets of costs (related to construction, maintenance, and road use) are added together over time in discounted present values, where costs are determined first by predicting physical quantities of resource consumption and then by multiplying these quantities by their unit costs or prices. Economic benefits are then determined by comparing the total cost streams for various maintenance and construction alternatives with a base case (null alternative), usually representing minimal routine maintenance.

HDM-IV is designed to make comparative cost estimates and economic evaluations of different construction and maintenance options, including different time-staging strategies, either for a given road project on a specific alignment or for groups of links on an entire network.

The DPWH has road roughness information on only about 10,800 kms of national roads out of the estimated 28,000 kms (although visual survey of 85% of the national roads has already been completed) and its HDM IV runs, therefore, only reflect less than half of the national highway system. Thus, its current estimate of the budgetary requirements for preventive maintenance for 28,000 kms is based on interpolating the results of the HDM IV runs on 10,800 kms of national roads.

On estimating the routine maintenance requirements for the national road system, DPWH still uses the EMK (Equivalent Maintenance Kilometer) as the basis for estimating budgetary needs.

#### **4.1.2 The Rolling Multi Year and Annual Work Programs**

Until July 2005, the DPWH had no rolling multi year road maintenance program (MWP) and submission to the RB had been limited to the annual work program requirements (AWP). The RB, through the RBS, initiated the conduct of a planning workshop in Tagaytay, which resulted in a very fundamental draft multi year work program for road maintenance. Further refinement is being undertaken, but it serves the purpose of being the source document for the AWP.

#### **4.1.3 Allocation Issues**

Based on the presentation made by DPWH representatives in said planning workshop, it seemed that a portion of the proposed SRSF budget is being allocated on a congressional district basis. This leads one to think that the Fund is being used as a source of congressional pork barrel. This has to be clarified by DPWH as, such allocation, even though using only a portion of the Fund, seems to be inappropriate.

### **4.2 Special Local Road Fund (SLRF)**

#### **4.2.1 Criteria for Allocation of Funds**

The HDM IV and EMK methodologies cannot be utilized for allocating the SLRF to the various LGUs. The guideline, as contained in RA 8794, states that “apportionment to provincial and city governments should be in accordance with the vehicle population and size of the road network under their respective jurisdictions, and shall be used exclusively for maintenance of local roads, traffic management and road safety devices”.

Together with the DILG, DPWH had initially estimated the allocation for each LGU for the 2006 budget year. Previously, the allocation depended on the request of specific LGUs, but such a system only benefited LGUs who were aware of the Fund and had the technical expertise to prepare the program requests.

DPWH and DILG are still a long way off in developing an acceptable criteria for allocating the proceeds of the SLRF among LGUs and in establishing the appropriate system to insure proper use and accountability.

Among the problems faced is the updated inventory of the local road system, as what DPWH had been doing with the national roads. Given the financial and technical capability requirements, LGUs don't have the funds or the qualified personnel to undertake the task. Information on the condition of local roads are speculative and usually without technical basis. The estimated length of local roads is about 179,000 kms compared to 29,878 kms of national roads, as given in Table 4-1.

**Table 4 – 1  
Road Length by Classification**

| <b>Classification</b> | <b>Length (in km)</b> | <b>% Share</b> |
|-----------------------|-----------------------|----------------|
| <b>National Roads</b> | <b>29,878</b>         | <b>14.8</b>    |
| • National Arterial   | 16,799                |                |
| • National Secondary  | 13,079                |                |
| <b>Local Roads</b>    | <b>171,957</b>        | <b>85.2</b>    |
| • Provincial          | 27,136                | 13.4           |
| • City                | 7,052                 | 3.5            |
| • Municipal           | 15,804                | 7.8            |
| • Barangay            | 121,965               | 60.4           |
| <b>I. TOTAL</b>       | <b>201,834</b>        | <b>100.0</b>   |

Source: Sector Study for Road Sector in the Philippines, JBIC, June 2003

#### **4.2.2 The Rolling Multi Year and Annual Work Programs**

Until a functional criteria for allocation of the SLRF has been operationalized, the current rolling MWP and AWP have limited technical basis.

#### **4.2.3 Allocation Issues**

The criteria for allocating the SLRF depends on the number of registered vehicles, population and road kilometers under the administration/management of the LGU. This is easier said than done since:

- (a) The LTO does not have an office in every province or city. The number of motor vehicles registered in any particular LTO office does not mean that these are all used in that specific locality only. It is difficult to measure how many vehicles actually operate within an LGU's boundaries. Also, LGUs do not conduct traffic counts in local roads and what are available would be those from traffic count stations of DPWH. These do not cover all of the road networks [local and national] and have been sited for the specific use of DPWH in the planning and monitoring of the national road system;
- (b) Most LGUs have no reliable/accurate inventory of the length and condition of their local road system that would allow the use of HDM IV to estimate their maintenance budgetary requirements; and
- (c) Most LGUs have engineering offices that are not sufficiently manned to undertake the road inventories. They are burdened by many responsibilities, that little importance is given to generating road information and maintenance.

#### **4.3 Special Road Safety Fund (SRSaF)**

As with the SRSF, the SRSaF is managed and implemented by DPWH. Road safety projects include: Accident Reduction (or improvement of so-called Blackspots) and Accident Prevention Programs. As defined, a road safety project must be a treatment of a road section/s identified as a hazardous location (Blackspot) and included in the ranking list of hazardous locations in the DPWH Traffic Accident Recording and Analysis System or TARAS. The main purpose of the safety project is to prevent the occurrence and/or reduce the frequency and/or severity of vehicular accidents in a specific location.

#### 4.3.1 Criteria for Allocation of Funds

The TARAS is a computerized system, developed for the DPWH. It incorporates the collection, storage, retrieval and analysis of traffic accident data. PED-Planning Service manages the implementation of TARAS, which has been deployed in DPWH regional offices.

It is the official source of accident information used in the prioritization of road safety projects for funding under the SRSaF and the basis for identifying “blackspots” in each district for inclusion in the Annual Road Safety Program.

#### Apportionment of SRSaF

The PED uses the following methodology for the apportionment of the SRSaF to the different Regional and District Offices. There are three (3) components to the methodology, namely:

- Allocation of budget ceiling by Region (by formula);
- Allocation of fund by legislative district; and
- List of projects taken from the Ranking List of Hazardous Sites based on TARAS results for each district.

Projects that don't meet the “blackspot” criteria are considered under the Accident Prevention Program or Road Safety Audit.

#### *Allocation of Road Safety Funds by formula*

##### Share per Region

|                                  |   |     |
|----------------------------------|---|-----|
| Equal Sharing                    | - | 10% |
| Vehicle Population               | - | 30% |
| Scarcity of Road Safety Projects | - | 60% |

$$Sr = Esr (10\%) + Vsr (30\%) + Ssr (60\%)$$

Where: **Sr** = Share of Region  
**Esr** = Equal Share Index of the Region  
**Vsr** = Vehicle Population Index of the Region  
**Ssr** = Scarcity of Road Safety Index of the Legislative Region

##### Equal Share Index

$$Esr = \frac{\text{No. of Legislative District per Region}}{NDp}$$

Where: **NDp** = Total No. of Legislative Districts in the Philippines

##### Vehicle Share Index

$$Vsd = \frac{Rvr}{Rvp}$$

Where: **Rvr** = No. of Registered Vehicles in the Region

$R_{vp}$  = Total No. of Registered Vehicles in the Philippines

Scarcity of Road Safety Index

$$S_s = \frac{AD_r}{AD_p} \times 50\% + \frac{PR_r}{PR_p} \times 50\%$$

Where:  $AD_r$  = No. of Accidents in the Region  
 $AD_p$  = No. of Accidents in the Philippines  
 $PR_r$  = Paved national roads in the Region  
 $PR_p$  = Paved national roads in the Philippines

**4.3.2 The Rolling Multi Year and Annual Work Programs**

Based on the methodology described, the SRSaF is apportioned to the DPWH regional and district offices. TARAS provides the sound technical basis for allocating the SRSaF, to reduce the number of fatalities in road accidents by 2% per annum from the current level of 4.2%.

**4.3.3 Allocation Issues**

The availability of a methodology for apportioning the proceeds of the SRSaF has freed this MVUC proceeds from “too much” political interference. This is not to say that there have been no attempts to influence the allocation/release of the funds to specific districts, but the methodology has allowed a diplomatic means of turning down such requests.

**4.4 Special Vehicle Pollution Control Fund (SVPCF)**

The SVPCF is managed and implemented by DOTC through its Vehicle Pollution Control Fund Committee. It is responsible for “identifying the specific programs, projects and activities aimed at preventing, controlling, and managing air pollution from motor vehicles”.

**4.4.1 Criteria for Allocation of Funds**

The committee has not convened. The criteria for allocating the SVPCF, has also not been formulated. DOTC follows the RB Operating Procedures Manual, which details the program preparation requirements for motor vehicle pollution control works.

**4.4.2 The Rolling Multi Year and Annual Work Programs**

DOTC has not submitted its MWP, only its AWP for the consideration of the RB.

**4.4.3 Allocation Issues**

One of the main issues on the use of the SVPCF is the criteria being used by DOTC to identify and prioritize the projects/activities to be funded from SVPCF and to apportion the funds to specific projects. LTO, for example, had been asked to submit its listing of projects/activities proposed for SVPCF funding, but are not aware of the procedures/format required in submitting their proposals. After submission, feedback is not given by DOTC central office and LTO is unaware which of their projects/activities has been accepted and programmed and when the funds would be released.

The members of the VPCFC are undersecretaries and assistant secretaries in the DOTC Central office, with the exception of the LTO head. Since said committee has never convened, it is a wonder how DOTC has been able to submit projects/activities to the RB for funding without the approval/endorsement of the VPCFC.

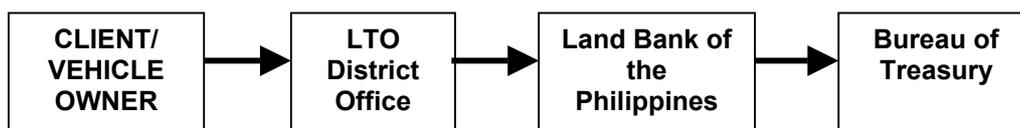
**4.5 Flow of Funds**

**4.5.1 MVUC Collections and Deposits**

Upon payment to the LTO of the MVUC, the collection is deposited with the nearest Land Bank of the Philippines (LBP) branch (see Figure 4-1). This is then remitted to the BTr and credited to the special trust funds as follows:

- (a) DPWH – B5702-151 - Special Road Support Fund  
80% of MVUC Collections
- (b) DPWH-B5702-152 - Special Local Road Fund  
5% of MVUC Collections
- (c) DPWH-B5702-153 - Special Road Safety Fund  
7.5% of MVUC Collections
- (d) DOTC-B5082-151 - Special Vehicle Pollution Control Fund  
7.5% of MVUC Collections.

**Figure 4 – 1  
Flow of MVUC Collections and Deposits**



**4.5.2 Adopted Procedures for Special Funds Flow to Implementing Agencies**

In the Round Table Discussion conducted by the Study Team on 28 July 2005, the DBM representative presented the special funds flow from the BTr to the implementing agencies mandated to utilize the various special funds.

The procedures are similar for all the four (4) special funds and are illustrated in Figures 4-2, 4-3 and 4-4 below.

Process Flow in Release of Funds (DBM)

The flow for the release of funds from DBM is triggered by the approval of the RB of the AWP of DPWH (for the apportionment and use of the SRSF, SRSaF and the SLRF) and DOTC (for the apportionment and use of the SVPCF), which is indorsed to DBM.

- RB requests for Special Budgets from DBM, based on the MVUC collections/deposits made during the preceding year, but in no case shall the request exceed the amount deposited with the BTr; and
- DBM releases the SARO and NCA for each special fund under the administration and for implementation by DPWH. A copy is furnished the RB.

The Special Allotment Release Order (SARO) is a specific authority issued to the receiving agency to incur obligations not exceeding a given amount during a specified period for the purpose indicated. It covers expenditures, release of which is subject to compliance with specific laws or regulations, or is subject to separate approval or clearance by competent authority. The SARO is issued by DBM to DPWH and DOTC for use of the specified special funds.

The Sub-Advice of Allotment (SAA) is a specific authority issued by the DPWH or DOTC Central Office to its Implementing Units (IUs) to effect the transfer of the allotment.

The Notice of Cash Allocation (NCA) or cash authority is issued quarterly by the DBM to central, regional and provincial offices and operating units to cover the cash requirements of the agencies. This is issued by DBM to DPWH and DOTC.

The Notice of Transfer of Allocation (NTA) or cash authority issued by the DPWH or DOTC central office to transfer a specific amount of its NCA available book balance to cover cash requirements of the IUs. This is issued by DPWH or DOTC Central Office to its IUs.

#### Process Flow in Release of Funds by DPWH to IUs

Once DPWH receives the SARO and NCA for each Special Fund under its administration, the following procedures are followed:

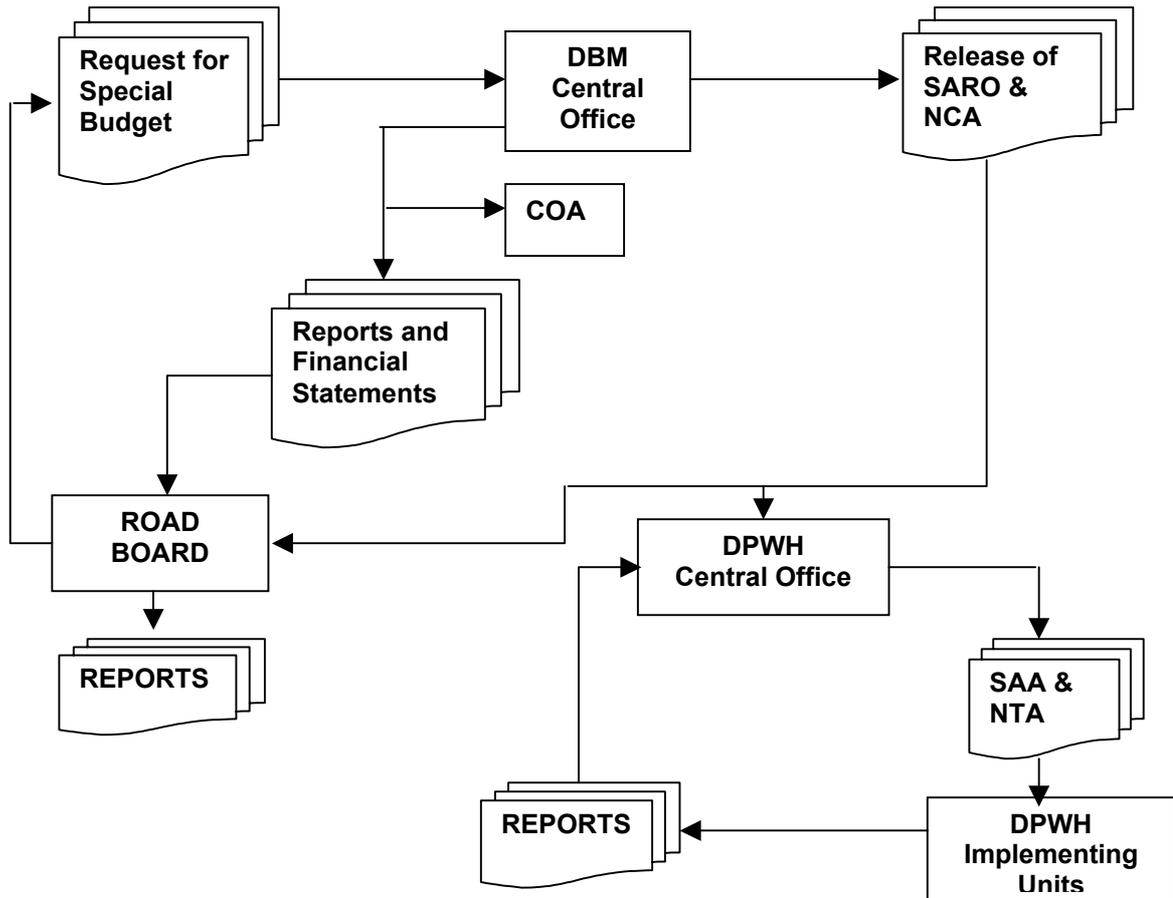
- (a) DPWH Central Office issues Sub-Advice of Allotment (SAAs) to IUs/District Engineer Offices' (DEOs) for use of SRSF and SRSaF;
- (b) The DEOs prepare the Memorandum of Agreement (MOA) between the DPWH and LGU (for use of the SLRF);
- (c) DEOs issue Letter of Advice of Allotment (LAA) and Funding Check (FC) as Cash Advance to the LGU (SLRF);
- (d) LGU deposits FC into a separate trust account known as the Road Fund Disbursement Account (RFDA);
- (e) All expenditures from the RFDA are recorded in the account in the form that includes output class and work category and a project code assigned to identify the project or activity to which the expenditure applies;

#### Process Flow in Release of Funds by DOTC to IUs

For DOTC, the process is the same as it issues the Sub-Advice of Allotment (SAAs) to LTO for use of SVPCF allocated to it.

Figure 4-2  
Flow Chart for the Release of Funds

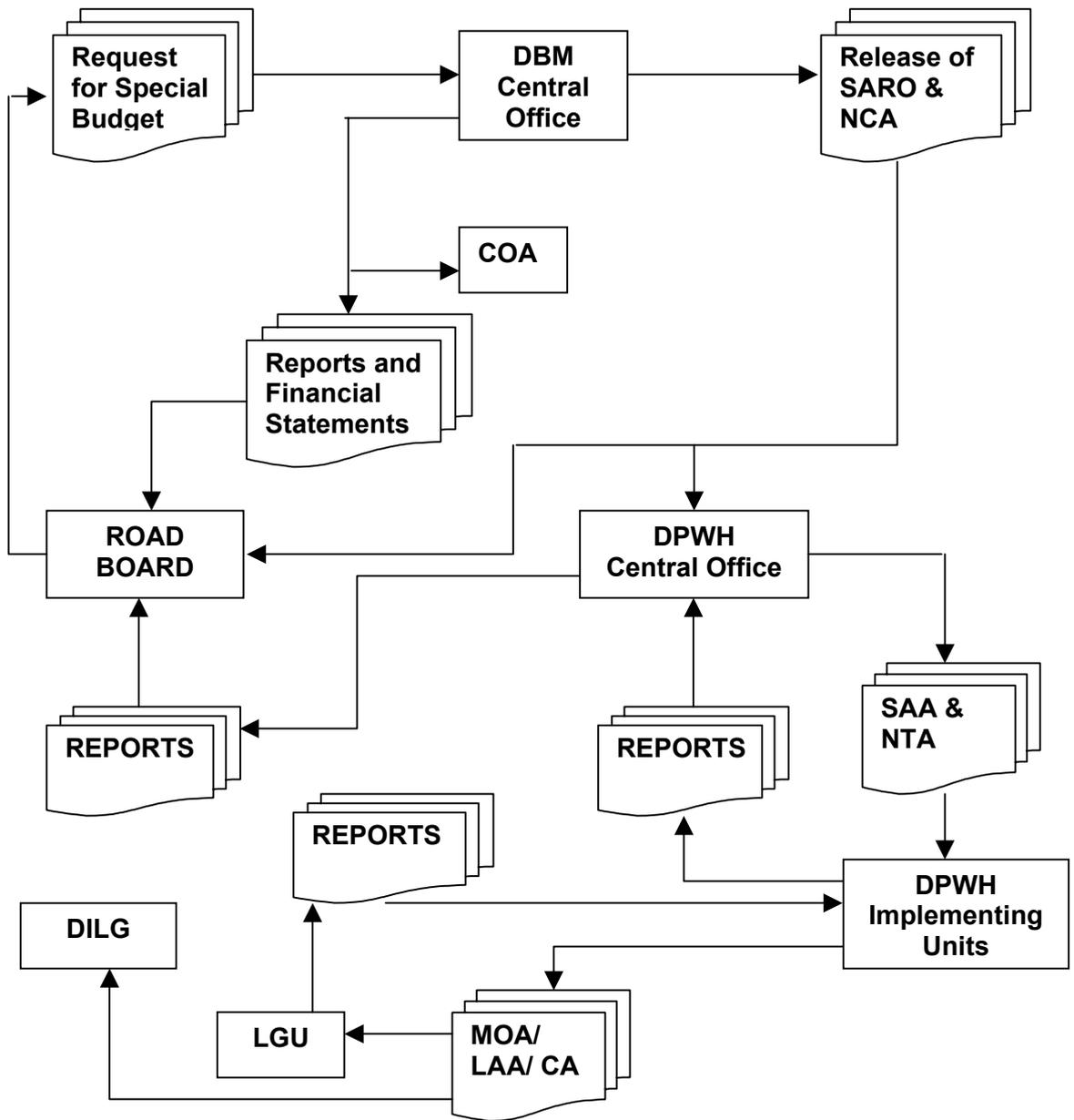
Special Road Support Fund and Special Road Safety Fund - DPWH



SOURCE: Department of Budget and Management, 2005

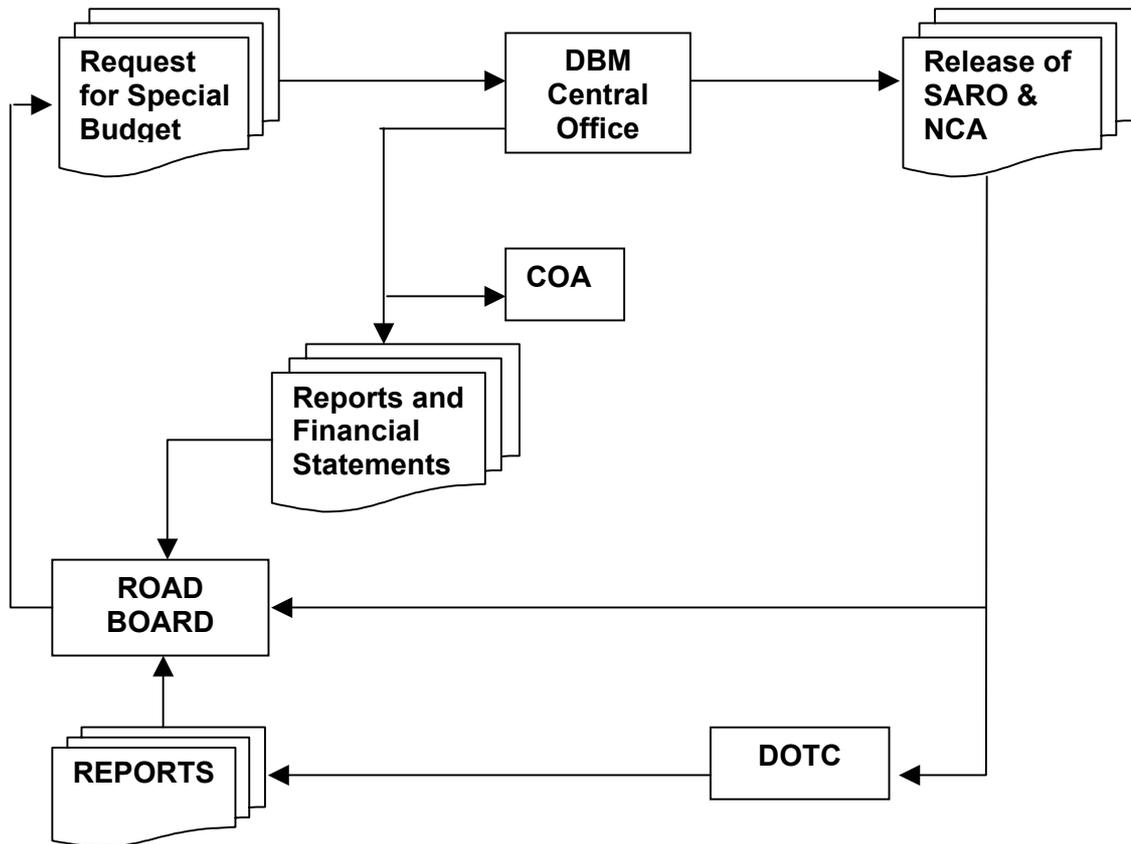
Figure 4-3  
Flow Chart for the Release of Funds

Special Local Road Fund - DPWH and LGUs



SOURCE: Department of Budget and Management, 2005

**Figure 4-4**  
**Flow Chart for the Release of Funds**  
Special Vehicle Pollution Control Fund - DOTC



SOURCE: Department of Budget and Management, 2005

#### 4.5.3 Issues on Procedures Used

One issue discussed during the Round Table Discussion was that the procedure followed by DBM is consistent with the one-fund concept (General Fund), with the release of the SARO and NCA to the DPWH and DOTC put on queue together with those of other agencies of the national government as shown in Figure 4-5. Given that the Special Funds are already earmarked for specific road maintenance, safety and vehicle pollution control use, the release of the SARO and NCA should be automatic subject to compliance with requirements.

The current fiscal crisis of the government has pressed DBM to apply the same process for programming the release of cash using either the General Fund or Special Funds. Once the tight fiscal situation eases, it was assured that the flow would be less constricted.

Another issue was the exclusion in the Budget Request submitted to Congress and subsequently in the General Appropriations Act, of the regular road maintenance appropriations. Under Section 8 of RA 8794, the four (4) special funds are distinct and separate from and in addition to any appropriation authorized and granted yearly to the DPWH and the DOTC to cover expenditures for the identified objects of expenditures.

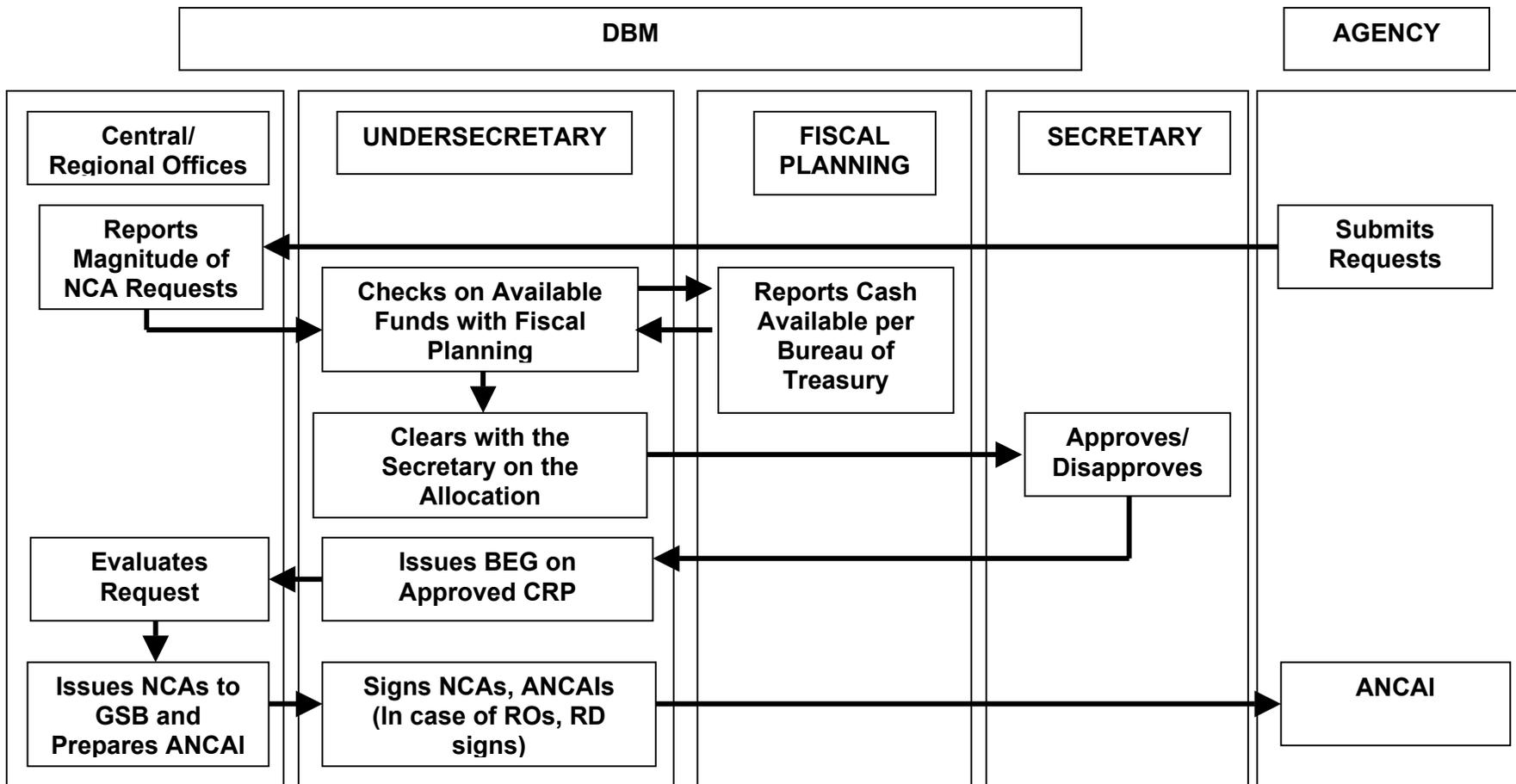
Congress should continue appropriating an amount for road maintenance with the provision that savings for each year out of such appropriations revert to the General Fund. However, any savings from the special funds accrue to these respective special funds. This has resulted in the SRSF used as the source of funds for use in road maintenance as previously provided in the GAA and road maintenance expenditures as authorized under RA 8794. The current fiscal crisis had brought this about.

In addition, RA 8794 merely transformed the previous motor vehicle registration fee into the MVUC and provided for annual rate increases. It is therefore, in reality, not a new revenue source per se, although what is incremental is the increase over and above the base rate (prevailing registration rates in 2001) and not the whole MVUC. The national government, in effect, lost a revenue source used to fund portions of the regular road maintenance appropriations by Congress in the GAA. This has further constrained the national government's revenue source for funding government expenditures.

The build-up in the Special Funds due to the failure of the DPWH and DOTC to implement the provisions of RA 8794, i.e., creation of the RPO and the VPCFCommittee, preparation and submission of the MWPs and AWP, has resulted in a huge unexpended balance in the four (4) Special Funds. Use of these unexpended balances has been disallowed due to the prevailing fiscal crisis and the absorptive capacity of the two agencies.

The RB has issued Office Order No. 04-05 series of 2004 that complements DBM procedures in the release of the Special Funds proceeds to DPWH, DOTC and LGUs (see Appendix E).

Figure 4-5  
Cash Release Programming Flow



Definition of Terms: ANCAI – Advice of Notice of Cash Allocation; BEG – Budget Execution Guidelines; CRP – Cash Release Program;  
NCA – Notice of Cash Allocation

SOURCE: Department of Budget and Management, 2005

# CHAPTER 5



## **5. MONITORING AND EVALUATION OF SPECIAL FUNDS UTILIZATION**

### **5.1 Institutions with Responsibility for Monitoring Utilization of Special Funds**

Aside from DBM, the Commission on Audit (COA) and other oversight agencies vested with responsibility for monitoring expenditures and performance of government agencies, RA 8794 mandates the RB and the implementing agencies with responsibility for monitoring not only the utilization, but also improvement in the road system due to Special Funds utilization.

The Statement of National Policy in the IRR of RA 8794 mandates the State to “provide for and ensure the adequate maintenance of national and provincial roads, as well as minimizing air pollution from motor vehicles, through sufficient funding for the purpose”. The progress towards the implementation of programs/ projects/activities and attainment of this policy was to be monitored through the “regular monitoring of the 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”. The three (3) primary agencies involved in the implementation of RA 8794 and its IRR and their monitoring functions are as follows.

#### **5.1.1 Road Board/Road Board Secretariat**

As previously stated, the RB/RBS, as manager of the Special Funds is mandated to “monitor the income and expenditure to the four Special Funds, ensure that the distribution of the monies collected is in accordance with law, approve withdrawals from the Special Funds in accordance with the provisions of law and approved work programs”. In this respect, the procedures for monitoring performance means requiring DPWH and 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.

In addition, the RB is also mandated “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. DPWH and DOTC may be required to submit periodic reports at intervals not longer than three (3) months presenting physical and financial progress in relation to approved programs and projection of expenditures”.

One of the intents of monitoring is to raise public awareness, not only on the use of the Special Funds and activities of the RB, but also on the improvement in the quality of our road system. The RB has been mandated to make the Annual Report publicly available and widely disseminated in a popular form and to prepare or cause to be prepared such other reports as may provide greater transparency and clarity in the operations of the RB.

To provide a common framework for monitoring project performance including the financial aspects, the RB has formulated and issued its Operating Procedures Manual (OPM). Chapter 6 of the OPM establishes the report format for the quarterly achievement, annual and special reports required by the RB and to be submitted by DPWH, DOTC and the LGUs for its utilization of the respective Special Funds. The report contents include the following:

#### Quarterly Achievement Reports

- (a) Budget at the end of the quarter;
- (b) Financial progress at the end of the quarter;
- (c) Variance between budget and financial progress;
- (d) Explanation of variances;

- (e) Physical achievement at the end of the quarter; and
- (f) Forecast value of year-end expenditure.

Annual Report - DPWH

- (a) Report of expenditures;
- (b) Report on physical achievement on national roads;
- (c) Report on physical statistics of the national road network; and
- (d) Report on the condition and safety of the national road network.

Annual Report - DOTC

- (a) Report on expenditure;
- (b) Report on physical achievement; and
- (c) Report on the physical statistics on vehicles and emissions.

Annual Report – LGUs

- (a) Report on the opening balance in the Road Fund Disbursement Account at the beginning of the financial year;
- (b) Report on expenditure in cash terms for the financial year;
- (c) Report on description of works completed in the financial year.

Special Reports

As may be required by the RB/RBS.

The OPM still needs significant revisions as the indicators used for measuring agency performance in the use of the Special Funds seem inadequate. Comparison between AWP targets and actual achievement for the year in question should be made. Only financial and physical (outputs) accomplishments are being monitored and lacks the appropriate indicators to measure the outcomes and impacts of projects implemented using the Special Funds. The use of the Balanced Scorecard would be appropriate in monitoring and evaluating agency performance.

**5.1.2 RPO, DPWH**

The RPO was mandated to monitor the financial and implementation performance of the DEOs in implementing projects with funding from the SRSF and SRSaF. It is required “to install and operate: (1) an approved budget tracking system for the purpose of monitoring and reporting on the disbursement and efficient utilization of project funds; (2) a field implementation performance tracking system to monitor and report on the progress and quality of the funded works, and to reconcile them with the budget utilization data; and (3) an effective Quality Assurance Program.

It is required to “submit annual reports to the RB on the status of funds and progress of work on the SRSF and the SRSaF, as well as such accomplishment reports as may be submitted by the various local governments”.

**5.1.3 Vehicle Pollution Control Fund Committee, DOTC**

The VPCFC has also been mandated to “monitor, manage and administer the Special Vehicle Pollution Control Fund” and to “prepare and submit such reports as may be required by the Board”.

## **5.2 Procedures for Monitoring and Evaluation**

Other than the established internal program/project monitoring system within the DPWH and DOTC, no procedures have yet been set on monitoring implementation of projects/activities by the RB and evaluating the performance of the implementing units through objectively verifiable indicators of goal achievement.

While there have been various opinions expressed that the monitoring being undertaken by DPWH and DOTC are sufficient enough to measure efficiency and effectiveness of Road Fund expenditures for specific projects/activities, there exists conflict of interest between the role of DPWH and DOTC as implementers of activities/projects funded out of the Special Funds and self-monitor their performance. The resulting performance monitoring reports would be self-serving and of little value to the RB.

What is needed is an independent body that would conduct the monitoring or validation of the performance monitoring reports submitted to the Board by the implementing agencies, including the LGUs. A fully staffed RBS could perform the monitoring and evaluation function. The PRMRP Final Report identified the need for the Road Fund Administration (the Road Board in this case) to have a core system “to manage the road program expenditure and relate this to outcome performance measures to ensure that road user funds are being invested wisely”.

At present, there is no results-based management system in place in either the RB, RPO and VPCFC. Thus, no procedures currently exist for monitoring and evaluation of Road Fund expenditures.

## **5.3 Issues**

As indicated above, there is no central agency other than the RB that monitors road fund expenditures, implementation of projects/activities using the Special Funds and evaluating the benefits/impacts that accrue out of the utilization of the Special Funds. RB depends on DPWH, DOTC and LGUs to submit their reports without any validation on the RB's part to check the consistency and veracity of the Reports submitted. These agencies are in a “conflict of interest” situation as the implementer of the project is also its monitor. The possibility that the Reports would be self-serving or are done for compliance purposes only exists. The RB needs to revise and enhance the current reporting system that would identify appropriate “objectively verifiable indicators” to measure performance, outcomes and impacts. The implication on the RB would be its need for a suitable number of qualified staff that would be responsible for validating performance reports submitted.

While DBM and COA focus on financial performance, the outcomes and impacts of projects implemented are not measured. The current OPM does not provide for such measurement indicators, that have implications on policies that the RB may formulate or implement in the future.

# CHAPTER 6



## 6. RECOMMENDATIONS

### 6.1 Proposed Organizational Structure – Road Board Secretariat (RBS)

In the BRP and PRMRP Reports, little mention was made of a recommended organizational structure for the RB/RBS. These studies concentrated on the organizational structure and manning for the proposed NRA and transition issues from the current DPWH to the NRA. The RBS, given the mandate of the RB, has been exerting substantial efforts towards developing the appropriate organizational structure and manning requirements for an effective, efficient and proactive RBS.

#### 6.1.1 Alternative Structures Considered

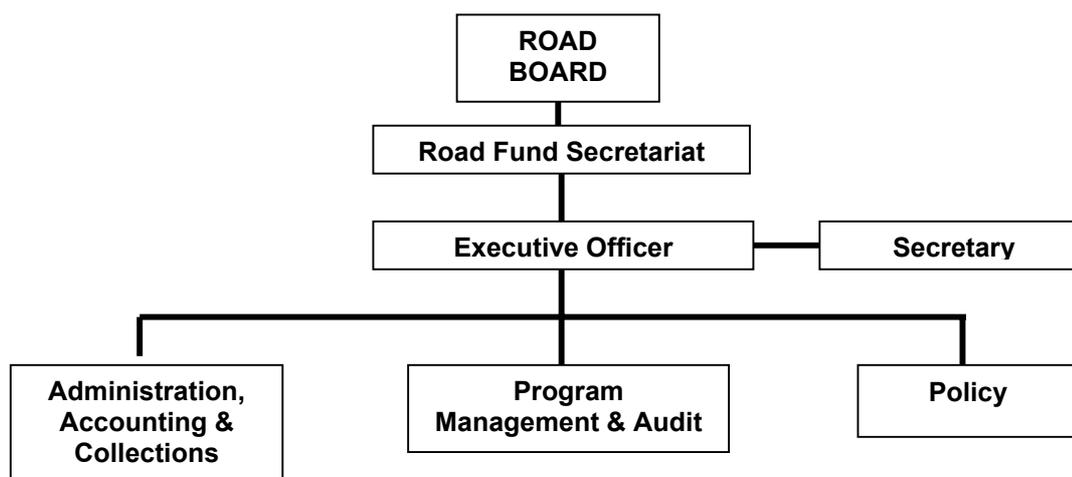
The PRMRP had proposed a lean structure for the RBS in view of the perceived longer-term functions for the RBS, including the following functions<sup>1</sup>:

- Managing contractual arrangements with other agencies, including the proposed NRA and road user charges collections agents;
- Evaluating funding requests to the RB (which will require specialist expertise that may need to be obtained externally);
- Analyzing performance reports from agencies that receive funding from the RB;
- Technical audit of expenditures from the Fund;
- Preparation of policy papers; and
- Public relations.

Except for the first bullet statement, the other bullets are existing functions of the RB, which can be easily delegated to the RBS. The contentious issue remains on how large the RBS organization should be. Given the RB's mandate and its dependence on the RBS, the RBS would need a large manpower complement to effectively and efficiently perform the instructions of the RB. These functions are substantial and could only be performed with an adequate and qualified manpower complement.

The proposed PRMRP structure is shown in Figure 6-1 below:

**Figure 6-1  
PRMRP Proposed Road Board Organizational Structure**



<sup>1</sup> Philippine Road Management Reform Project – Final Report, Volume 1 – Main Report, OPUS International Consultants, October 2001

### 6.1.2 Recommended Option

Given the mandate of the RB, the organizational structure of the RBS should be responsive to its specific needs and requirements, to wit:

- Operation and Management of the Special Funds
- Review and Approval of Work Programs
- Performance Monitoring
- Supervision and control over all substantive activities that are funded by and emanate from the use of the four Special funds
- Policy and Standards Formulation
- Public Relations and Promotions

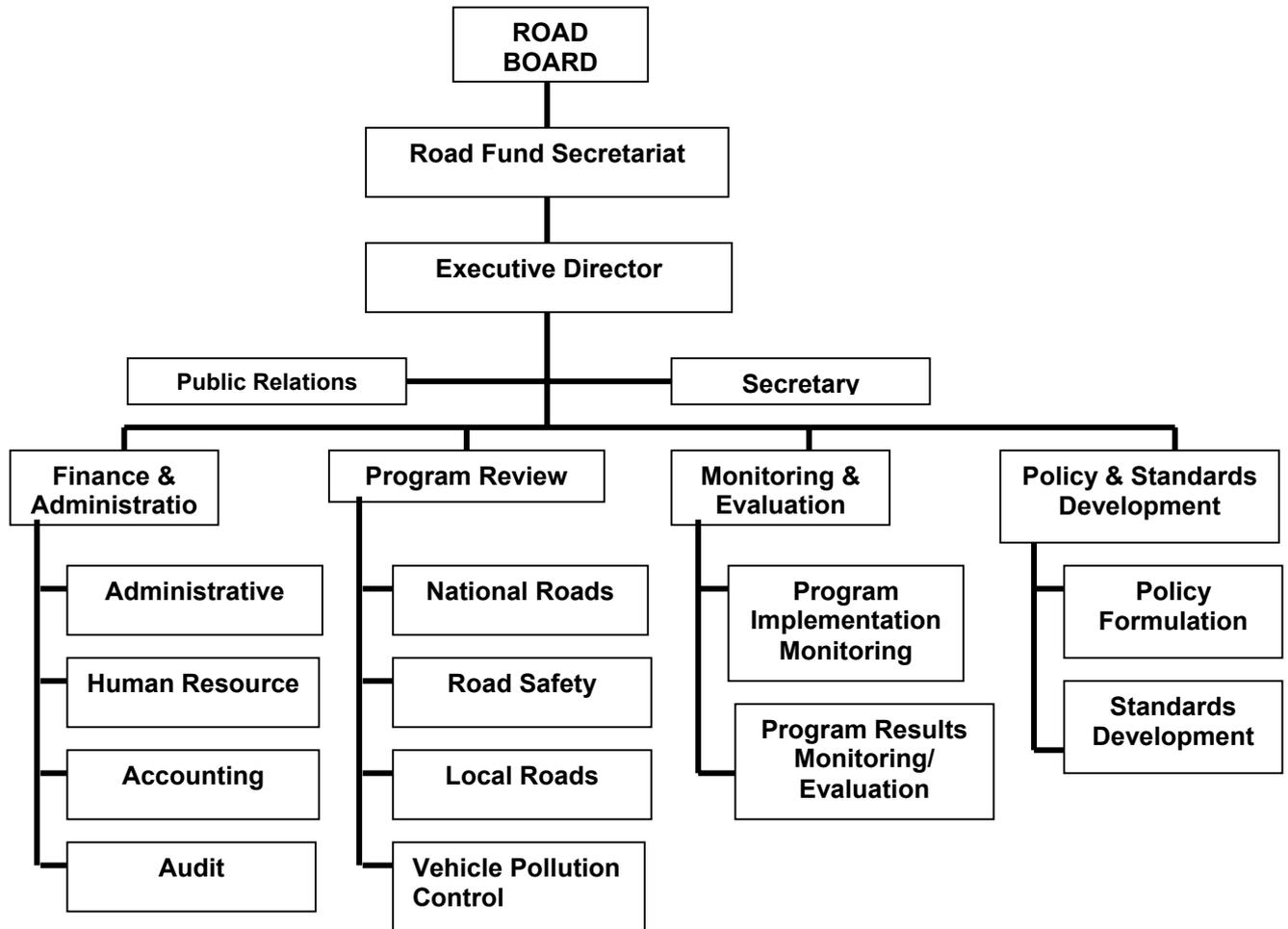
The recommended option implies an organizational structure similar to that given in Figure 6-2 below. This requires more serious in-depth study to determine the precise requirements of the RBS in terms of structure and manning. Consideration would have to be given to the following:

- Type of organizational structure to fit RBS requirements, i.e., simple, functional, divisional, matrix, etc.;
- Size of the organization that would efficiently respond to the needs of the RB; and
- Level of professionalization of the staff that would be needed.

As shown in Figure 6-2, the proposed RBS organizational structure is composed of the following:

- Executive Director who shall be in-charge of the day to day operations of the RBS;
- Public Relations, which shall be responsible for all information, education and communications requirements of the RB/RBS, including public relations;
- Finance and Administration which shall be responsible for the financial operations of the RB/RBS, including fund management, budget preparation (RB and RBS) and audit, and administration such as human resource, purchasing, property, etc.;
- Program Review which shall be responsible for reviewing the MWP, AWP and Special Budget requests of DPWH, DOTC and LGUs for the utilization of the Special Funds;
- Monitoring and Evaluation which shall be responsible for monitoring the implementation of programs/activities funded out of RB funds and the results monitoring and evaluation to determine the impacts of projects/activities funded by the RB and implemented by the agencies; and
- Policy and Standards Development, which shall be responsible for the study and formulation of policies and the development of standards for RB consideration and approval.

**Figure 6-2**  
**Recommended Organizational Structure for the Road Fund Secretariat**



It is expected that manning would be kept to a minimum, with the RB/RBS outsourcing their specialist requirements to external experts and specialists as the need arises.

### 6.1.3 Modality for Implementing Recommendation

With the objective of coming up with a lean and effective organizational set-up responsive to the needs and requirements (immediate and long-term) of the RB/RBS, the following should be undertaken:

- Review the actual functions and responsibilities of the operating units under the present organizational structure against the mandated functions and responsibilities of the RB/RBS to identify gaps and discrepancies; and
- Conduct assessment of qualifications/specializations of existing personnel in comparison to the actual work undertaken and appraisal of their existing workloads.

Upon completion of the above, the following should be undertaken:

- Define the specific functions and responsibilities of the different operating units under the recommended organizational structure of the RBS (Figure 6-2) in accordance with the general functions and responsibilities of the RB/RBS as mandated by RA 8794 and its IRR;
- Ascertain functional relationships among the different operating units in the recommended organization structure and identify possible duplication of functions and responsibilities;
- Resolve issues on duplicate functions and further simplify the organizational set-up; and
- Based on the defined and final specific functions and responsibilities of the operating units, the manpower requirements in terms of number and specialization shall be determined for each unit to function efficiently and deliver the required work outputs.

From the derived manpower requirements, matching of skills/ specialization shall be made to the existing personnel. The manpower gap shall then be recruited either from the existing DPWH personnel or if possible outside hiring shall be undertaken.

## **6.2 DPWH's Road Program Office**

While this aspect is not covered by the Study, it is necessary that consideration of the organizational structure of the RPO be made.

An operational RPO within the DPWH has the overall impact of having “de facto” created the NRA. It would render a number of units and personnel within DPWH redundant. This would require continuing management commitment to fully vest RPO with the functions mandated by RA 8794. In the BRP and PRMRP Studies, the RPO is considered a transition organization leading towards a National Highways or Roads Authority.

“The transition in national road management has commenced with preparations for the establishment of the Road Program Office (RPO) within the central office of the DPWH. The activities for establishment of the RPO will continue until at least a full financial year is programmed, implemented and evaluated.”<sup>2</sup>

“If possible under the authority given in the MVUC Act for the Secretary to make structural and procedural improvements or the proposed legislation authorizing the re-engineering of the bureaucracy, we recommend that core national road management staff at central and regional levels within the department be identified and grouped ready for formation of the independent National Roads Authority (NRA).”<sup>3</sup>

The core national road management activities include the following:

- Approve network management strategies and asset management plans;
- Agree on investment needs and programs;
- Commission feasibility studies, investigations, designs and contract documentation;
- Manage funding issues;
- Authorize contract bidding and approve contractor;

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<sup>2</sup> Philippine Road Management Reform Project – Final Report, Volume 1 – Main Report, OPUS International Consultants, October 2001

<sup>3</sup> Ibid.

- Pay contractors' claims; and
- Audit road condition (for serviceability and safety).

“We also recommend that, at the same time, semi-formal contractual arrangements be implemented between the core national road management group in the department and the engineering services units and output based contractual arrangements between the core national road management group and the DPWH road maintenance units for road maintenance by administration.”<sup>4</sup>

“We recommend that the functions specified in the IRR for the RPO be amended at the next review... to better reflect the role of the Office relative to that of the RB and the remainder of the DPWH and to establish a ‘road management section’ at the DPWH regional level. The role of the RPO in implementing projects, particularly foreign assisted road projects is not clear. In our view, the RPO, with an extension to the regional level, should be the implementation office of all road works. This would prepare for the later transition to the NRA regional office.”<sup>5</sup>

If followed, the recommendation recreates DPWH into the NRA, with its other public works responsibilities transferred to some other institutions not yet determined (or to the residual DPWH organization). This view of DPWH reorganization would cause problems, perhaps one reason why the current DPWH management seems hesitant in establishing and giving RPO the functions and responsibilities pursuant to the IRR of RA 8794.

The recommended structure for the NRA based on the PRMRP Study is shown in Figure 6-3.

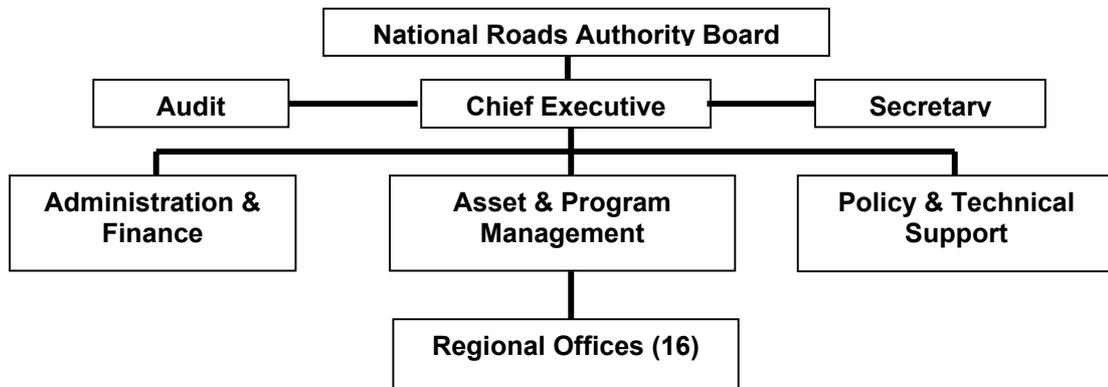
A partially operational RPO puts demands on RBS to play a greater and more significant role, since it has to fill in the gap unfilled by the current RPO. The organizational impact would be to create a larger RBS than originally envisioned in terms of structure and manpower complement. Recently, the RB conducted a workshop in Tagaytay for DPWH, DOTC and DILG representing the LGUs, to at least prepare the draft rolling Multi-year Work Programs, which these agencies should have been doing pursuant to the IRR of RA 8794.

It also means that RBS have substantial work in systematizing its operations and having the technical expertise to review submitted MWPs, AWP and other budget requests.

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<sup>4</sup> Ibid  
<sup>5</sup> Ibid

**Figure 6-3**  
**Proposed Organizational Structure for the National Roads Authority**



### 6.2.1 Recommended Option

It is difficult for DPWH management to fully operationalize the RPO without resulting in a major reorganization of the Department itself. If there is resentment in creating a full-fledged RPO, DPWH management needs to show commitment to change. The government rationalization program as directed under Executive Order No. 366 and its Implementing Rules and Regulations offers the DPWH the opportunity to expedite the envisioned change.

Given the identified constraints, which is inherent to any department that faces major changes in its mandate and organizational structure, the challenge to DPWH management is quite substantial and would need support from the President and assistance from all stakeholders, i.e., DBM, DOF, World Bank, etc. The RPO, in reality, is not a new organization since:

- The composition of the prevailing DPWH-RPO are all DPWH organic officials and employees;
- The functions of the DPWH-RPO are being undertaken by DPWH based on its general mandate;
- Implementation of DPWH-RPO identified programs and work plans are also actually being undertaken by several DPWH operating units; and
- The creation of the NRA will not happen in the immediate future. Even with the rationalization program, legislation would still be required for the creation of an NRA and this could easily take three to five years without any success being assured.

### 6.2.2 Modality for Implementing Recommendations

To implement the aforementioned recommendation, DPWH management should use EO 366 coupled with RA 8794, as the tool for effecting the full-fledged creation of the RPO.

### 6.3 DOTC's Vehicle Pollution Control Fund Committee (VPCFC)

The situation for the VPCFC is worse than the RPO. While DOTC Department Order No. 2005-16 had been issued authorizing the creation of the VPCFC, including its Technical Working Group and Secretariat, the Committee has not convened to date to review whatever programs/projects/activities are to be proposed for SVPCF funding. The RB had acted on DOTC requests for utilization of the SVPCF, although the VPCFC has never indorsed any project as evidenced by a resolution based on the minutes of meetings convened.

DO 2005-16 vests on the VPCFC all the functions, duties and responsibilities defined in the IRR of RA 8794.

### **6.3.1 Recommended Option**

As with the RPO, DOTC management should commit to fully operationalize the VPCFC. In lieu of the current layers with the committee, TWG and Secretariat, the organizational structure of the VPCFC should be simplified with the Land Transport Planning Division (LTPD) acting as the Secretariat to support the committee. The tasks of the TWG and Secretariat should be vested on said division.

The option designating the LTPD to exercise the functions of the TWG and Secretariat under DO No. 2005-16 is based on the following premises:

- The composition of the prevailing VPCFC are all organic officers and employees of DOTC and attached agencies;
- The functions of the VPCFC are undertaken by DOTC based on its mandate; and
- Actual implementation of VPCFC identified programs and work plan are being undertaken by DOTC operating units.

### **6.3.2 Modality for Implementing Recommendations**

To implement the aforementioned recommendation, DO No. 2005-16 should be amended to vest on the LTPD the functions of the TWG and Secretariat to the VPCFC.

## **6.4 Criteria for Allocation of Special Funds**

For DPWH, the criteria developed for allocating proceeds of the SRSF has been applied in formulating the draft MWP and AWP. HDM IV and EMK are used for estimating preventive and routine maintenance financial requirements, respectively. However, DPWH still needs to complete the inventory of all national roads, as the estimated 10,800 kms with roughness index is less than half of the total national road system under its management.

Use of the EMK in estimating routine maintenance financial requirements has been the practice in DPWH, but further development work on an alternative methodology may be needed.

On the allocation of the SRSaF, the use of the Traffic Accident Recording and Analysis System or TARAS has provided DPWH the methodology to identify road sections, which are unsafe, based on the recorded occurrences of accidents in said areas. However, the results of TARAS are used for remedial purposes, that is, to correct for road hazards in road sections where accidents have occurred. On the preventive side, there is need to conduct safety audits of all roads to identify road sections' potential as future accident sites.

On the allocation of the SLRF, the present criteria used based on number of registered vehicles and length of local roads (size of the network) as provided in RA 8794 is difficult to implement and have no technical justification. While HDM IV and TARAS could be applied, the LGUs are ill equipped to use the methodology. Thus, there is need to invest in the development of a sound and improved methodology for allocating the SLRF to the different LGUs.

### **6.4.1 General Recommendations**

For allocating the SRSF, DPWH should apply HDM IV to the whole national road system, so that a robust list of preventive maintenance road projects could be generated and funded. On routine maintenance, the EMK has been the historical basis for establishing road

maintenance funding requirements in the General Appropriations Act. DPWH needs to either improve the EMK methodology or develop a new methodology to estimate routine maintenance budget requirements.

DPWH has still maintained an amount in the proposed road maintenance budget for equal allocation to all regional or district engineering offices. This practice seems to treat a portion of the Special Fund as “pork barrel” to be allocated to each congressional district. If we are to optimize the benefits of the Special Road Funds, then, the procedure for allocation must be free from political considerations and intervention.

For allocating the SRSaF, the TARAS results have provided DPWH with the capability to identify critical road sections where both fatal and non-fatal accidents have occurred. Used as a basis for project identification for correcting hazardous road situations, it is a curative, not a preventive approach to road safety. DPWH has coupled the TARAS results with the road safety audit to provide a total approach to road safety. This system has to be applied to local roads, i.e., city and provincial roads, where the bulk of vehicular accidents occur. This includes training LGU engineering offices on road safety design and road safety audits.

The major problem is in the allocation of the SLRF, where the use of vehicle registration statistics is handicapped by the fact that not all cities or provinces have LTO offices. The statistic would not be available in most areas and vehicles are usually not used just within their area of registration. The quality and reliability of local road inventories leave much to be desired. While the LGUs have an idea on the approximate length of their road system by type, they do not have sufficient information on their roads, especially road condition information. HDM IV would not be applicable in this respect.

What is needed therefore are the following:

- A detailed road inventory of local road conditions and specifications including a safety audit;
- Common GIS software to be used in inputting the inventories, including HDM IV software; and
- Trained LGU engineering staff dedicated, if possible, to roads maintenance.

The SLRF or RB funds may be used to fund the conduct of the inventories, training of LGU staff and acquisition of the necessary software. This could be undertaken by phases, until all the LGUs (cities and provinces) have been covered. Unless done, any apportionment of the SLRF would not be optimal and its use may not generate the desired level of benefits.

#### **6.4.2 Modality for Implementing Recommendations**

To complete the nationwide inventory, relying merely on local government resources would translate to years of delay and non-optimized utilization of the SLRF.

The use of the SLRF fund to conduct road inventories, training of LGU staff and acquisition of the necessary software will generate the desired inventory of local road conditions, fast track the process of formulating an acceptable MWP and AWP for local roads in the affected LGUs and optimize the utilization of the SLRF in the improvement of the local road system.

Provided with the national inventory of local road conditions, identification of priority areas, their actual requirements and the equitable allocation of the SLRF can be realized.

#### **6.5 Flow of Special Funds**

The Flow-of-Special Funds from the BTr through DBM to the implementing agencies follow the same track as that used for General Funds sourcing. In lieu of the GAA, it is

approval by the RB that triggers the use of the Special Funds by the implementing agencies, but following the DBM process. In this case, it seems that the Special Funds and the General Fund have been integrated, as the agencies (those sourcing their requirements from the Special Fund) also have to queue together with the other agencies (those sourcing their requirements from the General Fund) for release of their budget.

The reason for the treatment of the Special Fund as part of the General Fund is the current government fiscal crisis, where the availability of cash is largely constrained, although in the case of the Special Funds, these are already deposited and available from the BTr.

While there is a substantial balance in the Special Fund Deposits in the BTr, its use is limited by the DBM.

The national government has ceased to budget/appropriate funds for road maintenance and in lieu thereof, the usual amount allotted is now sourced out of the SRSF. This is inconsistent and contradicts the section of RA 8794 that:

“SEC. 8. *Status of the Special Funds.* – The four (4) special funds established under this Act shall be distinct and separate from and in addition to any appropriation authorized and granted yearly to the DPWH and the DOTC to cover expenditures for the identified objects of expenditures under this Act. Congress shall continue to appropriate an amount contained in the General Appropriations Act) for road maintenance of the DPWH: *Provided, however,* that any savings for each year out of such appropriations shall revert to the General Fund...”<sup>6</sup>

Once the fiscal situation of the national government has improved, DBM should restore GAA funding for part of the road maintenance financial requirements to clear up the maintenance backlog in the national roads system.

Another issue has been which is the recipient Fund (Special or General) for collection penalties for overloading. While the law states that the monies collected are to be deposited in the special trust accounts, the penalties for overloading are being deposited in the General Fund. Since there is no one agency that collects these penalties as the LTO has deputized numerous agencies to apprehend violators, it will be inefficient to track all these collections and require that these be deposited in the special accounts. The law should be amended to clearly state in what fund, general or special, should penalties for overloading be deposited.

### **6.5.1 General Recommendations**

Given the fiscal position of the national government, DBM has had to limit the use of the MVUC Special Funds to current year's collections, while the unexpended balance remains with the BTr. The result has been the further worsening of the condition of the national road system in spite of the MVUC and an ever-increasing maintenance backlog. It is recommended that:

- The regular annual road maintenance outlay in the GAA be restored;
- Improved flow of Special Fund proceeds to the implementing agencies;
- Implementation of a catch-up program through the programmed release of the unexpended balances in the Special Funds to resolve the backlog, depending on the absorptive capacity of the implementing agencies. Given the availability of these funds, it is still possible to undertake a set of projects that will show the benefits of the objective of the RUC fund – to shift road maintenance policies to the preventive mode rather than the reactive mode to

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<sup>6</sup> Section 8, RA 8794 - An Act Imposing A Motor Vehicle User's Charge On Owners Of All Types Of Motor Vehicles And For Other Purposes, 1999.

avoid the situation where roads become uneconomically repairable and eventually requires costly rehab or even replacement.

The RB, through the RPO and the LGUs, can put together a set of meaningful preventive maintenance projects using these available funds. The program can start with a modest P1 billion on the first year to be followed by two years of P2 billion programs. By demonstrating the capabilities of the agencies to implement these programs successfully (preferably spectacularly successful way), the RB will develop credibility and support for the Fund. In fact, by that time even the budget deficit issue may have eased up to the point that DBM can now release part of the GAA commitments on top of the MVUC Funds.

- As indicated by DBM, it was the GAA road maintenance fund that was cut instead of the regular GAA capital expenditure program of DPWH because they have an “obligation” to show support for the foreign funded projects. In other words, they recognize or respect some kind of insulation of foreign counterpart funds. Given this thinking, we can make the RB Preventive Maintenance Program a multi-lateral assisted Project and accomplish two things. One – give it some insulation from budget cuts by DBM. Two – mobilize new money from the World Bank, for example, to make up for the GAA maintenance fund cut. The MVUC Fund can serve as the local counterpart funds to World Bank money.

#### **6.5.2 Modality for Implementing Recommendations**

In the midst of the fiscal crisis, the release of the MVUC Funds remains within the control of the DBM, whose mandate is to implement and observe sound management of national funds. The authority of the DBM to oversee and determine the release of the funds is found in the law itself, particularly Section 4 which states that *the manner of payments of the user's charge on government motor vehicle shall be in accordance with the procedure that shall be promulgated by the Secretary of the Department of Budget and Management (DBM)*, in relation to Sections 7 and 8 which provide for the *Disposition of Monies Collected* and *Status of the Special Funds*, respectively.

In the interim, it seems that the release of these funds is determined by the larger goal of easing the budget deficit. For the moment, there seems to be no justification in pushing and demanding for what should have been released and actually disbursed under the MVUC special funds. However, this only serves to worsen the condition of the national and local road system, result in an ever-increasing backlog and impose higher costs on the government in the long run as capital expenditure rather than road maintenance would be needed to restore the foreseen dilapidated condition of the road network.

One practical option/modality available for consideration is depositing the monies collected under the MUVC in any authorized government depository bank (AGDB). This can be effected as follows:

- Amendment of pertinent Sections of RA 8794 particularly the provision stating that *all monies collected shall be deposited in four special trust accounts in the National Treasury*;
- The proposed amendment is that the monies collected under the MVUC shall no longer be remitted to the BTr but shall be constituted as a trust fund to be deposited in any authorized government depository bank (AGDB);
- In effect, the proposed amendment is an exception to the One-Fund Concept;
- Subject to the guidelines which may thereafter be promulgated, the proposed amendment may also include classification of funds collected under the MVUC

and a further classification of what type of money collected shall be remitted to the BT and to the AGDB;

- When the amendment is undertaken and the disbursement is no longer subject to prior approval of and procedure promulgated by the DBM, the current difficulty attending the release and utilization of MUVC funds will thus be eliminated;
- While the release is not subject to general rules, the DBM, being a member of the RB can still exercise its powers to control the release of the funds; and
- To implement the provision on penalties for overloading, the law should be amended to clearly state that these should be deposited in the general fund.

### **6.5.3 Possible Scenario for the Release of Funds to LGUs.**

In recent years, LGUs have taken a pro-active stance in ensuring that they are able to control the funds due them under special laws. While it is not the recommendation of the Study Team that the LGUs should take the same course, it is nonetheless worth noting that even if the LGUs were to take the track they had taken in ensuring their share of the Internal Revenue Allotments, this is not applicable in this case. A Petition for Mandamus before the Courts would fail since there is no sufficient legal basis to make such a compulsion.

The lack of basis is found in the following observations:

- RA 8794, Section 4 clearly states that payments shall be made as determined by DBM so that if along its sound fiscal management, the DBM sees fit to hold the release and prioritize other expenditures, any contrary claim would have no basis;
- The factual milieu of the MVUC funds is not on all fours with those of the existing jurisprudence where the Supreme Court granted the Petition for Mandamus and directed the release of the government funds without restrictions and delay;
- Under existing jurisprudence, specifically the almost identical cases of *Pimentel vs. Aguirre, et. al.* (G.R. No. 132988, July 19, 2000), *Province of Batangas vs. Romulo, et. al.* (G.R. No. 152774, May 27, 2004) and *ACORD vs. Zamora, et. al.* (G.R. 144256, June 8, 2005), the Supreme Court upheld the Constitutional guarantee on fiscal autonomy by local government units. The basic feature of fiscal autonomy is the automatic release of the shares of the LGUs in the national revenue. Since the automatic release is mandated by the Constitution itself and the Local Government Code, any condition, restraint, lien or hold back in the GAA or any form of issuance, is clearly prohibited

For these reasons, the doctrine laid down in the above-referred jurisprudence finds no application in the case of MUVC funds and the control being exercised by the RB.

# APPENDIX **A**



REPUBLIC OF THE PHILIPPINES  
CONGRESS OF THE PHILIPPINES  
METRO MANILA  
ELEVENTH CONGRESS  
SECOND REGULAR SESSION

Begun and held in Metro Manila, the twenty-sixth  
day of July, nineteen hundred and ninety-nine

[ REPUBLIC ACT NO. 8794 ]

**AN ACT IMPOSING A MOTOR VEHICLE USER'S CHARGE  
ON OWNERS OF ALL TYPES OF MOTOR VEHICLES  
AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and House of Representatives of the  
Philippines in Congress assembled:*

SECTION 1. *Declaration of Policy.* – It is hereby declared as the policy of the State to provide for and ensure the adequate maintenance of national and provincial roads through sufficient funding for the purpose.

SEC. 2. *Coverage.* – In lieu of the registration fee under Section 8 of Republic Act No. 4136, as amended by Batas Pambansa Bilang 74, and the Private Motor Vehicle Tax under Executive Order No. 43, series of 1986, there is hereby imposed on every motor vehicle, whether for hire or for private use, including government motor vehicles as more fully provided in Section 3 hereof, a Motor Vehicle User's Charge (MVUC) which shall be collected from and paid by the owner of the motor vehicle.

SEC. 3. *Rates of the Motor Vehicle User's Charge.* – (a) For private passenger cars registered as of the date of effectivity of this Act, the MVUC to be paid shall be the private motor vehicle tax under Executive Order No. 43, series of 1986, plus twenty-five percent (25%) for the first year, fifty percent (50%) for the second year, seventy-five percent (75%) for the third year, and one hundred percent (100%) for the fourth year and thereafter. *Provided, however,* That private

passenger cars to be registered for the first time after the effectivity of this Act, shall be subject to the MVUC rates prescribed in Section 3(b) hereof.

(b) Except as provided under Section 3(a) hereof, for each motor vehicle under each of the categories as herein provided, the MVUC shall be collected from and paid by the vehicle owner, at the following base rates plus twenty-five percent (25%) in the first year from the effectivity of this Act; the said base rates plus fifty percent (50%) in the second year from the effectivity of this Act; the said base rates plus seventy-five percent (75%) in the third year from the effectivity of this Act; and the said base rates plus one hundred percent (100%) in the fourth year from the effectivity of this Act and thereafter: *Provided*, That the MVUC for sports utility vehicles shall be fifteen percent (15%) higher than the MVUC herein set for private utility vehicle: *Provided, further*, That motorcycles for hire with sidecars shall not pay more than Three hundred pesos (P300.00).

| Type of Vehicle                         | Base Rates  |
|---|---|
| <b>I. Private and Government</b>        |   |
| <b>A. Passenger Cars</b>                |   |
| (1) GVW up to 1,600 kgs.                | P 800   |
| (2) GVW more than 1,600 kgs.-2,300 kgs. | 1,800   |
| (3) GVW more than 2,300 kgs.            | 4,000   |
| <b>B. Utility Vehicles</b>              |   |
| GVW up to 2,700 kgs.                    | P 1,000   |
| GVW more than 2,700 kgs –4,500 kgs      | P 1,000 + P20<br>per 1000 kgs of<br>GVW over 2,700 kgs. |
| <b>C. Motorcycles</b>                   |   |
| without sidecar                         | P 120   |
| with sidecar                            | P 150   |
| <b>D. Buses</b>                         |   |
| GVW more than 4,500 kgs.                | P 900 + P12 per 100<br>kgs. of GVW over<br>2,700 kgs.   |

E. Trucks

GVW more than 4,500 kgs. P 900 + P12 per 100  
kgs of GVW over  
2,700 kgs.

F. Trailers

GVW more than 4,500 kgs. P 12 per 100 kgs. of  
GVW

II. For Hire

A. Passenger Cars

|   |   |       |
|---|---|-------|
| (1) GVW up to 1,600 kgs.                | P | 450   |
| (2) GVW more than 1,600 kgs.-2,300 kgs. |   | 900   |
| (3) GVW more than 2,300 kgs.            |   | 2,500 |

B. Utility Vehicles

GVW up to -4,500 kgs P15 per 100 kgs of  
GVW

C. Motorcycles

|                 |   |     |
|-----------------|---|-----|
| without sidecar | P | 150 |
| with sidecar    | P | 240 |

D. Buses

GVW more than 4,500 kgs. P 15 per 100 kgs. of GVW

E. Trucks

GVW more than 4,500 kgs. P900 + P12 per 100 kgs.  
of GVW over 2,700 kgs.

F. Trailers

GVW more than 4,500 kgs P12 per 100 kgs. of GVW

After the fourth year from the effectivity of this Act, the President of the Philippines may adjust the rates contained in Section 3, which shall be reflective of but shall not exceed the annual rate of increase of the Consumer Price Index (CPI). The President may adjust rates not more than once every five (5) years.

SEC. 4. *Government Motor Vehicles.* – The manner of payment of user’s charge on such on government motor vehicles shall be in accordance with the procedure that shall be promulgated by the Secretary of the Department of Budget and Management (DBM).

SEC. 5. *Reclassification and New Models of Motor Vehicles.* – The Land Transportation Office (LTO) shall submit any recommendation for any change in the classification of motor vehicles above-listed for approval by the Secretary of the Department of Transportation and Communications (DOTC). All manufacturers and/or assemblers of motor vehicles shall, not later than three (3) months prior to the introduction of any new model of motor vehicle in the market, submit the specifications of such new model to the LTO which shall recommend for approval by the said secretary, the proper classification of the new model and the rate of the MVUC under which the new model shall fall. The LTO shall also release the proper classification of said new motor vehicle model on or before the scheduled release of such new model to the market, but in no case later than three (3) months after its receipt of the new motor vehicle’s specifications.

SEC. 6. *Penalty for Overloading.* – An amount equivalent to twenty-five percent (25%) of the MVUC shall be imposed on trucks and trailers for loading beyond their prescribed gross vehicle weight: *Provided,* That no axle load shall exceed thirteen thousand five hundred kilograms (13,500 kgs.).

SEC. 7. *Disposition of Monies Collected.* – All monies collected under this Act 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 traffic lights and road safety devices, and (3) for air pollution control.

All such monies collected shall be deposited in four (4) special trust accounts in the National Treasury, namely: (1) Special Road Support Fund, (2) Special Local Road Fund; (3) Special Road Safety Fund; and (4) Special Vehicle Pollution Control Fund. The distribution of collections under this Act shall be as follows:

- (1). Eighty percent (80%) shall be allotted to and placed in the Special Road Support Fund;
- (2). Five percent (5%) shall be allotted to and placed in the Special Local Road Fund

(3). Seven and one-half percent (7.5%) shall be allotted to and placed in the Special Road Safety Fund; and

(4). Seven and one-half percent (7.5%) shall be allotted to and place in the Special Vehicle Pollution Control Fund.

The Special Road Support Fund, the Special Local Road Fund and the Special Road Safety Fund shall both be under the DPWH, whereas the Special Vehicle Control Fund shall be under the DOTC.

Seventy percent (70%) of the Special Road Support Fund shall be used exclusively for the maintenance of, and the improvement of drainage of, national primary roads. The remaining thirty percent (30%) thereof shall be allocated and used for the maintenance of, and improvement of drainage of national secondary throughout the country.

The cost of installation of adequate and efficient traffic lights and road safety devices throughout the country, where such traffic lights and safety devices are needed, shall be taken from the Special Road Safety Fund.

The Special Local Road Fund shall be apportioned to provincial and city governments in accordance with the vehicle population and size of the road network under their respective jurisdictions, and shall be used exclusively for maintenance of local roads, traffic management and road safety devices.

A Road Board to implement the prudent and efficient management and utilization of the special funds shall be organized by the President of the Philippines. The Road Board shall be composed of seven (7) members, with the Secretary of the DPWH as *ex-officio* head, and the secretaries of Finance, Budget and Management, and Transportation and Communications, as *ex-officio* members. The remaining three (3) members shall come from transport and motorist organizations which have been in existence and active for the last five (5) years prior to this Act. They shall be appointed for a term if two (2) years by the President of the Philippines upon the recommendation of the secretaries of the DPWH and the DOTC.

SEC. 8. *Status of the Special Funds.* – The four (4) special funds established under this Act shall be distinct and separate from and in addition to any appropriation authorized and granted yearly to the DPWH and the DOTC to cover expenditures for the identified objects of expenditures under

this Act. Congress shall continue to appropriate an amount contained in the General Appropriations Act) for road maintenance of the DPWH: *Provided, however,* That any savings for each year out of such appropriations shall revert to the General Fund. Any savings from the special funds created herein shall accrue to these respective special funds.

SEC. 9. *Implementing Rules and Regulations.* – The secretaries of the DPWH and the DOTC shall jointly within thirty (30) days from the effectivity of this Act, promulgate the rules and regulations to implement and carry out the intent, objective, purposes, and provisions of this Act, including such structural and procedural improvements in the systems and agencies concerned as may be necessary to ensure the prudent, wise, effective and efficient utilization of the special funds established under this Act: *Provided,* That the Secretary of the DPWH shall prepare the portion of the implementing rules and regulations pertaining to the Special Road Support Fund, the Special Local Road Fund, and the Special Road Safety Fund, and the Secretary of the DOTC shall prepare the portion of the implementing rules and regulations pertaining to the collection of the MVUC stated under Section 3 of this Act and on the disposition of the monies accruing to the Special Vehicle Pollution Control Fund.

SEC. 10. *Prohibition Against the Imposition of Similar Charge on Users of Motor Vehicles.* – No other tax, fee or any other charge of similar nature, as the Motor Vehicle User’s Charge shall be imposed by any political subdivision or unit in the country.

This provision shall apply to all motor vehicles, including tricycles, motorized pedicabs and “trisikads”.

SEC. 11. *Repealing Clause.* – Except as provided under Section 3 hereof, all other provisions of Executive Order No. 43, series of 1986, and Section 8 of Republic Act No. 4136, as amended by Batas Pambansa Bilang 74, and all other laws, orders, issuances, circulars, rules and regulations or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 12. *Separability Clause.* – If any provision of this Act is declared unconstitutional or invalid, other parts or provisions hereof not affected thereby shall continue to be in full force and effect.

Sec. 13. *Effectivity* – This Act shall take effect after fifteen (15) days following its publication in at least two (2) newspapers of general circulation.

Approved.

|                    |                      |
|--------------------|----------------------|
| FRANKLIN M. DRILON | MANUEL B. VILLAR JR. |
| President          | Speaker of the House |
| of the Senate      | of Representatives   |

This Act which is a consolidation of House Bill No. 6863 and Senate Bill No. 1830 was finally passed by the House of Representatives and the Senate on June 6, 2000 and April 11, 2000 respectively.

|                |                          |
|----------------|--------------------------|
| OSCAR O. YABES | ROBERTO P. NAZARENO      |
| Secretary      | Secretary General        |
| of the Senate  | House of Representatives |

Approved: June 27, 2000

JOSEPH E. ESTRADA  
President of the Philippines

# APPENDIX **B**



**IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT NO. 8794 (AN  
ACT IMPOSING A MOTOR VEHICLE USER'S CHARGE ON OWNERS OF ALL  
TYPES OF MOTOR VEHICLES AND FOR OTHER PURPOSES)**

The following joint Implementing Rules and Regulations, herein after referred to as IRR, are hereby issued by the Department of Public Works and Highways, hereinafter referred to as DPWH, and the Department of Transportation and Communications, hereinafter referred to as DoTC, pursuant to the provisions of Section 9 of Republic Act (R.A) No. 8794, which provides, among others, for the imposition of a motor vehicle user's charge as well as the creation of a Board.

**Article I. Common Provisions**

1. **Declaration of Policy.** Pursuant to Section 2 of R.A 8794, it is the policy of the State to provide for and ensure the adequate maintenance of national and provincial roads, as well as minimizing air pollution from motor vehicles, through sufficient funding for the purpose. The achievement of this policy shall be undertaken in the following manner:

- (a) To provide adequate maintenance of the national and provincial roads so as to ensure satisfactory service to road users, economic road transport operations, and the preservation of road assets;
- (b) To determine the physical and financial maintenance needs of the national road network, as optimized in a multi-year program within projected funding resources to meet ongoing and backlog requirements, and inclusive of road safety requirements;
- (c) 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;
- (d) To establish priorities for action in attending to current road maintenance need as well as redressing and resolving maintenance backlogs, inclusive of road safety requirements;
- (e) To provide for a system of contracting maintenance work through competitive bidding;
- (f) To organize regular monitoring of the 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;
- (g) 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
- (h) To establish and implement the appropriate structural and procedural improvements to carry out these policies.

2. **Establishment of Special Accounts.** Pursuant to Section 7 of R.A. 8794, there shall be established four separate Special Trust Accounts in the National Treasury. DPWH shall, through the Department of Budget and Management (DBM), establish one separate Special Trust Account for each of the Special Road Support Fund, Special Local Road Fund and Special Road Safety Fund. DOTC shall, through DBM establish one Special Trust Account for the Special Vehicle Pollution Control Fund.

3. **Establishment and Composition of the Road Board.** Pursuant to Section 7 of R.A. 8794, there has been established a Road Board (the Board) to manage in a prudent and efficient manner the various Special Road Funds, which Board shall be composed of the following seven persons:

The Secretary of Public Works and Highways, as ex-officio Chairman;

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;  
and

Three other members, who each shall be 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, selected from among persons nominated by transport and motorist organizations which have been active and in existence during the past five (5) years. Such members shall be appointed in their individual capacities and may be reappointed upon the end of their terms, upon re-nomination by their organization and recommendation of the two above-mentioned Secretaries.

4. **Operationality of the Road Board.** The Road Board shall be considered operational once the majority of the appointed members and majority of the ex-officio members shall have been designated, including the Chairperson of the Road Board.

5. **Function, Duties and Responsibilities of the Road Board.** The Board shall have the following functions, duties and responsibilities:

(a) **Operation of Special Funds.** To establish the necessary procedures, including appropriate controls, for (i) the collection of monies, (ii) the deposits to the special trust accounts in the National Treasury, and (iii) such disbursements as may be authorized from such accounts, as well as (iv) the appropriate accounting, auditing and reporting arrangements, in accordance with the accounting and auditing regulations of the government.

(b) **Management of Special Funds.** To monitor the income and expenditure to the four Special Funds provide for under Sec. 7 of R.A 8794, ensure that the distribution of the monies collected is in accordance with the provisions of that section, approve withdrawals from the Special Funds in accordance with the provisions of that section and approved work programs.

(c) **Approval of Annual Work Program.** To approve on an annual basis, prior to the beginning of the financial year:

- 1) For road maintenance works on National primary and secondary roads, to be implemented by DPWH and financed in part from the Special Road Support Fund.

- (i) A Rolling Multiyear Program (MWP), comprising work sub-programs and such individual projects as may require multi-year implementation together with supporting details as the Board may require (such as the cost estimates, treatment class, and justification); and
  - (ii) An Annual Work Program (AWP), comprising the various projects to be implemented in the financial year, with such supporting details as the Board may require.
- 2) The appointment of the Special Local Fund to provincial and city governments, and the basis for ensuring that the funds are used in compliance with the stated purpose of the Fund.
- 3) For road safety works on National and Local roads to be financed from the Special Road Safety Fund:
  - (i) A rolling MWP; and
  - (ii) An AWP, as described in ( c ) 1) above.
- 4) For Motor Vehicle Pollution Control Work to be financed from the Special Vehicle Pollution Control Fund:
  - (i) A rolling MWP; and
  - (ii) An AWP, as described in ( c ) 1) above.
- (d) **Approval of Special Budgets.** To approve a Special Budget for each Special Fund based on the approved Work Program and covering either an annual or multi-year period as may be applicable; also to submit the four Special Budgets to DBM for the release of funds.
- (e) **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 work achievements; to establish an operating margin above which the Implementing Agencies (DWPH and DoTC) can modify or make variations in the individual work project or the total program only with prior approval of the Board.
- (f) **Complementary Work Programs under Other Funding.** To consider, in their approval of the Annual Work Programs in ( c ) above, such other work programs to be implemented by DPWH and DoTC as are to be financed through other sources, including:
  - 1) the continuing appropriations by Congress for road maintenance, road safety and local roads;
  - 2) the continuing appropriations by Congress for vehicle emissions control; and
  - 3) any grants and other funding from external agencies, donors and private financing.

- (g) **Procedures for Monitoring Performance and Managing Programs.** To require DPWH and 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.
- (h) **Approval of Contracting Methods.** To approve competitive bidding procedures for execution of road maintenance and road safety projects.
- (i) **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 (3) months presenting physical and financial progress in relation to approved programs and projection of expenditures.
- (j) **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 (4) 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 statement 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 clarify in the operations of the Board.
- (k) **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 above-mentioned, including activities undertaken by DPWH and DoTC.
- (l) **Manual of Operating Procedures.** With in six (6) months after the effectivity of this IRR to develop a Manual of Operating Procedures to provide administrative guidance on all matters.
- (m) **Meetings.** To determine frequency of its meetings, provided that in no case shall its meetings be less than once every three (3) months; to establish procedures for the satisfactory conduct of its business.
- (n) **Remuneration.** To provide for such reasonable per diems and allowances as may be necessary for its members to function effectively.
- (o) **Committees and Consultants.** To constitute and dissolve such technical committees as may be of assistance in its work, as well as engage consultants, in accordance with appropriate regulations on such matters.

6. **Establishment and Operation of Road Fund Secretariat.**

- (a) The Board will be assisted by a Secretariat headed by an Executive Officer. The Secretariat shall be responsible for the day-to-day management of the Funds and for implementation of the decisions of the Board.
- (b) The Executive Officer shall be appointed by the Board and shall perform such functions as the Board may direct or delegate. The Executive Officer will also act as secretary to the Board.
- (c) The terms and conditions of employment of the Secretariat shall be decided by the Board based on a comparison of best practice in other similar organizations.
- (d) The Secretariat will consist of a minimal number of regular staff who shall be appointed by the Board on the recommendation of the Executive Officer. Consultants may be appointed to assist the Secretariat.
- (e) Without prejudice to the generality of these regulations, the Secretariat shall be responsible for:
  - (i) keeping proper accounts and records in respect of the Funds;
  - (ii) preparing and submitting for audit in respect of each financial year a balance sheet, a statement of income and expenditure, and a statement of cash flow in such forms and manners as the Commission of Audit (COA) may prescribe;
  - (iii) preparing the Annual Report of the Fund in such form and with such content as may be prescribed by the Board; and
  - (iv) arranging the business for meetings of the Board and its sub-committees.
- (f) The Secretariat shall, at such intervals as any oversight agency may require, submit reports and financial statements in such form as the agency may determine, regarding the operations and activities of the Secretariat and the Fund.

7. **Collection of Revenues from Road Users.** Revenues shall be collected from road users pursuant to the provisions of Section 3 to 6 of R.A. 8794 in the scale of charges set out hereunder for the period from the date of effectivity of R.A. 8794, 16 July 2000 and adjusted annually from 01 January 2001 to 31 December 2004; and thereafter shall be adjusted by order of the President of the Philippines on the recommendations of the Board.

- (a) **Motor Vehicle User's Charge:** The MVUC shall be collected by LTO from road users as part of the annual vehicle registration in accordance with Schedule 1, which is an integral part of this IRR, pursuant to the provisions of Section 3 of R.A. 8794.
- (b) **Prohibition Against the Imposition of Similar Charge on Users of Motor Vehicles:** Pursuant to Section 10 of R.A. 8794, no other tax, fee or any other charge of similar nature, as the Motor Vehicle User's Charge shall be imposed by any political subdivision or unit in the country. This provision shall apply to all motor vehicles, including tricycles, motorized pedicabs and "trisikads".
- (c) **Penalty for Overloading:** The Land Transportation Office (LTO) or its deputized officer shall require the owner of a truck or trailer which is loaded in excess of the maximum allowable gross vehicle weight (GVW) to pay a penalty in the amount equivalent to 25% of the MVUC applicable to the vehicle at the time of infringement, provided that the penalty shall be waived for loadings exceeding the GVW by a tolerance of less than five percent (5%), and that no vehicle shall be permitted to

proceed on the roadway if either a dual-wheel axle load exceeds 13,500 kgs or the vehicle load exceeds 150% of the maximum allowable GVW.

8. **Deposits of Revenues into Road Funds**

(a) **Deposits of MVUC into Special Trust Accounts.** All MVUC and overloading penalty revenues shall be deposited into the special trust accounts in the National Treasury per Sec. 7 of R. A. 8794 in a timely manner in accordance with the provisions of Presidential Decree No. 1234 by the designated collection authority of the LTO, as follows:

- (1) Eighty percent (80%) shall be allotted to and placed in the Special Road Support Fund;
- (2) Five percent (5%) shall be allotted to and placed in the Special Local Road Fund;
- (3) Seven and one-half percent (7.5%) shall be allotted to and placed in the Special Road Safety Fund; and
- (4) Seven and one-half percent (7.5%) shall be allotted to and placed in the Special Vehicle Pollution Control Fund.

9. **Expenditures from Special Funds**

(a) **Expenditures from Special Trust Accounts.** Expenditures from the special trust accounts shall be made only by or as authorized by the Board and such expenditures shall be made only in accordance with the provisions of R.A. 8794 and this IRR.

(b) **Expenditures by the Board.** Each year there shall be payable out of the special trust accounts all costs and expenses of the Board arising out of the performance of its functions and duties and the exercise of its powers under R.A. 8794 and this IRR. The Board is hereby authorized to allocate not more than one per cent (1%) of the Special Road Funds for the annual administrative and other overhead expenses of the Board and its secretariat, in addition to any allocations for such purposes from regular DPWH and DoTC funds as the DPWH and DoTC Secretaries may deem appropriate.

(c) **Board Approval of Outputs and Projects**

- (1) The Board may approve any output or project as part of the AWP qualifying for payments from the special trust accounts if:
  - (i) The output or project has been evaluated to the satisfaction of the Board in accordance with the standard evaluation procedures adopted by the Board; and
  - (ii) The Board considers that the budgeted expenditure on approved outputs and projects included in the program for the year concerned will not exceed the income available in the relevant Special Fund.
- (2) Where the Board decides not to approve under this section a project or activity contained in the national road program submitted by the DPWH or the vehicle pollution control program submitted by DoTC, the Board shall:

- (i) So advise in writing the department submitting that program; and
  - (ii) Give reasons for its decisions
- (3) Notwithstanding any other provisions of this section, the Board may approve any output or project where the opinion of the Board the project or activity is:
- (i) In the urgent interest of public safety; or
  - (ii) Necessary to effect immediate or temporary repair of damage caused by a sudden and unexpected event.
- (4) Every approved project or activity until completed, suspended, or abandoned, shall be incorporated in and form part of the approved AWP. No approved output or project shall be suspended or abandoned without the prior written approval of the Board
- (d) **Expenditure by DPWH And DoTC.** The Board shall authorize expenditure by the DPWH out of the Special Road Support Fund and the Special Road Safety Fund and by the DoTC out of the Special Vehicle Pollution Control Fund in accordance with the payment profiles for execution of the work.

Whenever the Board is satisfied that the amount of expenditure from the special funds in respect of any approved output or project in any year is based upon a factor which is incorrect for any reason, the Board may make such adjustments to the amounts authorized under this subsection as it thinks reasonable.

If any authorization received by the DPWH or the DoTC under this subsection is not expended or not fully expended in the year in which it is received, the unexpended portion shall, unless the Board otherwise agrees, be cancelled and remain in the relevant special trust account.

- (e) **DPWH and DoTC to Maintain Records of Expenditures.** The DPWH and the DoTC shall each establish, maintain and operate a financial management system to record details of all expenditure from the special road funds. The details recorded shall be as prescribed by the Board from time to time in accordance with the relevant accounting and auditing regulations.
- (f) **Payments to Local Government.** The Board shall authorize payment to each provincial and city government, out of the Special Local Road Fund, of the proportion of that Fund as determined by the Board in accordance with Section 7 of R.A. 8794. The payment profile shall be determined by the Board based on its assessment of the revenues into the Special Local Road Fund. The monies shall be authorized exclusively for road maintenance and road safety of local roads, as defined in Section 10 of this IRR.

Whenever the Board is satisfied that the amount of the payment to any provincial or city government is based upon a factor which is proved to the satisfaction of the Board to be incorrect for any reason, the Board may make such adjustments to the amount to be paid under this section as it thinks reasonable and are in accordance with the provisions of applicable laws.

- (g) **Local Governments to Operate Road Fund Disbursements Accounts.** All monies received by any provincial or city government from the Special Local Road Fund

shall be paid into a separate trust account of the said LGU to be known as the Road Fund Disbursement Account, and shall be used exclusively for road maintenance of local roads and road safety, as defined in Section 10 of this IRR.

All expenditure from a Road Fund Disbursement Account shall be recorded in that account in a form that contains such details as are prescribed by the Board from time to time in accordance with relevant accounting and auditing regulations.

The Board may from time to time reduce the amount of any payments made by it to a provincial or city government, by such amount as it considers appropriate, if the Board considers that the provincial or city government has been or is, or will be likely to be, in breach of any of the provisions of RA. 8794 or this IRR with respect to payments by the provincial or city government from its Road Fund Disbursement Account.

(h) **Expenditure by DPWH Subject to Competitive Bidding Procedure.** No expenditure in respect of any project or activity carried out by the DPWH under R.A. 8794, shall be made unless the expenditure relates to an approved project or activity, the price of which has been determined by a competitive bidding procedure approved by the Board, except for those projects or activities to be implemented by departmental staff within a ceiling amount to be set in the AWP.

(i) **Board Approval of Competitive Bidding Procedure.** In approving a competitive bidding procedure, the Board will ensure it complies with existing laws and regulations and may:

- (1) Specify particular terms and conditions that shall be included in any contract formed under that procedure: and/or
- (2) Specify particular terms and conditions that shall be excluded from any contract formed under that procedure

In exercising its powers under this section, the Board shall have regard to:

- (1) The efficient application of the Special Road Funds;
- (2) The safety and other interests of the public in respect of the project or activity or the class of project or activity;
- (3) The desirability of encouraging competition in the sector of industry likely to supply goods or services in relation to the project or activity or the class of project or activity;
- (4) The undesirability of excluding from competition for the project or activity or the class of project or activity of any party who might otherwise be willing and able to complete; and
- (5) The costs of administration associated with the pricing procedure or of any contract formed under that procedure.

(j) **Information from DPWH, DoTC and Local Governments.** The Board may from time to time require the DPWH, DoTC or a provincial or city government to provide such information as the Board considers appropriate to enable the Board to determine whether the department or the provincial or city government, as the case may be, is complying, and will continue to comply, with the provisions of R.A. 8794 and this IRR relating to expenditures made by the DPWH or the DoTC from the Special Road

Funds or by the provincial or city government from its Road Fund Disbursement Account.

The department or provincial or city government shall promptly satisfy any requirement of the Board under this section.

- (k) **Expenditures Conditional on Projects Carried Out To Satisfactory Standards.** Notwithstanding anything to the contrary in this IRR, the Board, after consultation with the DPWH may refuse or withhold authorization for the whole or part of the expenditure for any approved project or activity that has been constructed or undertaken or is proposed to be constructed or undertaken to standards that in the opinion of the Board are excessively high or unsatisfactory.

## **Article II. Provisions Pertaining to DPWH**

10. Pursuant to Section 9 of R.A. 8794, the following provisions pertain to the functions, duties and responsibilities of DPWH with respect to the management and implementation of the Special Road Support Fund, the Special Local Road Fund, and the Special Road Safety Fund.

### **11. Definition of Terms**

(a) **National Roads** - roads which have been classified through Laws, Executive Orders and Department Orders, as falling under the responsibility of the national government, and are further classified as either national primary (arterial) or national secondary roads.

(b) **National Primary Roads** – roads which comprise the primary (arterial) highway system of the country which interconnects the regions, provinces and major urban centers. The system is composed of a north-south backbone, east-west laterals and other roads of strategic importance. These are roads leading to planned growth centers in areas of significant economic development potentials, roads leading to regional, industrial and tourist centers, roads leading to national ports and airports, roads traversing the principal agricultural production areas, roads connecting regional and provincial capitals and other major urban areas, and other roads of strategic importance to provide immediate and direct access to population centers in case of national and regional emergencies.

(c) **National Secondary Roads** - other national roads which complement the national primary (arterial) roads to provide access to other main population and production centers of the country.

(d) **Provincial and City Roads** - roads under the responsibility of the provincial and city governments, and which have been classified as such.

(e) **Road Maintenance** - the process of preserving road infrastructure in serviceable condition. Road maintenance refers to all activities preserving satisfactory structural performance and safe surface properties of road pavements and road bridges within the existing roadway space, including repair and replacement, regravelling of gravel roads, improvement of drainage, pothole repair, patching of defects, crack and joint resealing, the resealing, resurfacing, structural overlay or rehabilitation of pavements, and vegetation control. Generally, the term does not include capacity expansion, such as major widening and addition of lanes.

(f) **Road Safety** - activities related to the effective implementation of traffic controls and localized roadway improvements and repairs designed to reduce conflicts in traffic flow and the likelihood and severity of accidents. The term also refers to activities

such as traffic signals, signs, markings, lane and channelization techniques, traffic calming measures, and road safety education and training programs.

11. **Establishment of the DPWH Road Program Office.** Pursuant to the provisions of Section 9 of R.A. 8794 which authorizes the DPWH to undertake such structural and procedural improvements in the systems and agencies concerned as may be necessary to ensure the prudent, wise, effective and efficient utilization of the Special Funds, DPWH shall establish Road Program Office.

The head of the Road Program Office shall be appointed by the DPWH Secretary. He may attend the meetings of the Road Board as a non-voting resource person. Staff of the Road Program Office would be drawn from the Bureau of Maintenance and other DPWH offices and units, and the private sector (subject to approval by DPWH Secretary). The DPWH Secretary may also assign personnel, either on a temporary or permanent basis as the case may be, from other office and unite of DPWH

The functions, duties and responsibilities of the DPWH Road Program Office include:

- (a) To determine the annual needs of adequate road maintenance and road safety, and to formulate multi-year plans and programs, with a view to ensuring an ultimately current situation with no backlog in national road maintenance and road safety projects. In preparing the AWP and rolling MWP, both the Special Road Funds and the regular maintenance fund shall be taken into account. As much as possible, determinate or recurring maintenance projects shall first be sourced from the regular maintenance fund, while indeterminate projects shall be assigned to the Special Road Funds. Such work shall be made in coordination with the DPWH Planning Service.
- (b) To prepare AWP and rolling MWP of road maintenance and road safety utilizing the Special Road Support Fund and the Special Road Safety Fund for the consideration of the Board, as well as a report on the status of funds under the Special Local Road Fund available for transfer to the various local governments pursuant to Section 7 of R.A 8794.
- (c) To prepare AWP and rolling MWP of road maintenance utilizing the regular DPWH maintenance fund (under the General Appropriations Act or GAA) for the consideration and ultimate approval of the DPWH Secretary, after which copies shall be made available to the Board.
- (d) To install and operate: (1) an approved budget tracking system for the purpose of monitoring and reporting on the disbursement and efficient utilization of project funds; (2) a field implementation performance tracking system to monitor and report on the progress and quality of the funded works, and to reconcile them with the budget utilization data; and (3) an effective Quality Assurance Program.
- (e) To submit annual reports to the Board on the status of funds and progress of work on the Special Road Support Fund and the Special Road Safety Fund for the consideration of the Board, as well as such accomplishment reports as may be submitted by the various local governments.
- (f) To review and update the standards and procedures required of all local governments in their road maintenance operations, and to submit the findings and recommendations to the Board for appropriate action.; and to provide technical assistance to local governments in preparing an inventory of the existing local road network and their conditions.

(g) To coordinate its program of work at all times with such other units within and outside of DPWH undertaking activities which may be related to road maintenance and road safety.

(h) To maintain the separate and distinct nature and accountabilities of monies received from each of the Special Road Funds, namely, the Special Road Support Fund, the Special Local Road Fund and the Special Road Safety Fund. The regular maintenance (GAA) fund shall likewise remain separate and distinct in nature and accountability from the Special Road Funds.

(i) To expedite implementation of the approved road maintenance and road safety programs and projects through the appropriate district units, and in inter-district cases, through the relevant regional office. The Road Program Office itself shall not engage in direct physical implementation of maintenance projects, much less enter into direct contract negotiations, except as may be otherwise explicitly stipulated by the DPWH Secretary in the individual inter-regional case.

(j) To undertake all substantive road maintenance and road safety operations within DPWH, while administrative services of the Road Program Office will continue to be provided by the appropriate DPWH administrative units.

### **Article III. Provisions Pertaining to DoTC**

13. Pursuant to Section 9 of R.A. 8794, the following provisions pertain to the functions, duties and responsibilities of DoTC with respect to the collection of the Motor Vehicle User's Charge, and the disposition of the monies accruing to the Special Vehicle Pollution Control Fund.

14. **Definition of Terms.** For purposes of this IRR, the term "DoTC" shall refer to the Department of Transportation and Communications, and shall be inclusive of all its subordinate units, including the LTO.

15. **Designation of Implementing DoTC Units.** Pursuant to the provisions of Section 9 of R.A. No. 8794 which authorizes the DoTC Secretary to undertake such structural and procedural improvements in the agencies concerned as may be necessary to ensure the prudent, wise, effective and efficient utilization of the Special Vehicle Pollution Control Fund, a Vehicle Pollution Control Fund Committee (hereinafter known as the Committee) is established that shall, subject to the supervision of the Board, administer and manage the fund, provide directions to the projects or activities utilizing the fund and, in general, supervise, monitor and ensure the proper implementation of the approved Vehicle Pollution Control Program.

The Committee shall be headed by the DoTC Secretary, and shall be assisted by a Technical Working Group headed by the DoTC Director for Planning, and a DoTC Secretariat. The membership of the Committee, the Working Group and the Secretariat shall be determined by the DoTC Secretary. The Secretary may also assign personnel, either on a temporary or permanent basis as the case may be, from other offices and units of DoTC.

16. **Functions, Duties and Responsibilities of the Vehicle Pollution Control Fund Committee.** The Committee, with the technical assistance of the Technical Working Group and the DoTC Secretariat, shall have the following functions, duties and responsibilities:

(a) Prepare for submission to the Board, for possible modification and approval and subsequent implementation, an AWP and rolling MWP of DoTC identifying the specific programs, projects and activities aimed at preventing, controlling, and managing

air pollution from motor vehicles, including the resources and funding requirements therefor, and setting the timetable for their accomplishment.

(b) Coordinate closely with the Department of Environment and Natural Resources to ensure that the program and its implementation are consistent with the Philippine Clean Air Act of 1999.

(c) Undertake consultations, where appropriate, with affected stakeholders in the public and private sectors.

(d) Conduct such studies and surveys as may be necessary relative to air pollution by vehicles.

(e) Monitor, manage and administer the Special Vehicle Pollution Control Fund in accordance with such guidelines as may be promulgated by the Board.

(f) Prepare and submit such reports as may be required by the Board.

#### Article IV. Miscellaneous Provisions

16. **Interpretation or Clarification.** In the event that it is necessary to interpret or clarify the meaning of any provision or provisions of R.A.. 8794 or this IRR such interpretation or clarification shall be made by the Board.

17. **Annual Review.** The DPWH Secretary and the DoTC Secretary shall jointly undertake an annual review of these IRR for the purpose of effecting modifications or amendments thereto as may be deemed proper or necessary.

18. **Effectivity.** This IRR shall take effect after fifteen (15) days following its publication in at least two newspapers of general circulation.

Issued this 16th day of August in the year of our Lord Two Thousand.

GREGORIO VIGILAR  
Secretary  
Department of Public Works and Highways  
Communications

VICENTE RIVERA JR.  
Secretary  
Department of Transportation and  
Communications

#### SCHEDULE 1

##### 1. PRIVATE PASSENGER CARS REGISTERED AS OF 16 JULY 2000:

| CATEGORIES | RATES IN PESOS |      |      |      |                   |
|------------|----------------|------|------|------|-------------------|
|            | 2000           | 2001 | 2002 | 2003 | 2004 & thereafter |

##### I. PRIVATE VEHICLES

##### A. PASSENGERCARS(registered as of 16 July 2000)

LIGHT (GVW up to 1600 kg)

|                              |      |      |      |      |      |
|------------------------------|------|------|------|------|------|
| Current (up to 5-years old ) | 1000 | 1250 | 1500 | 1750 | 2000 |
| Over 5 years old             | 700  | 875  | 1050 | 1225 | 1400 |

Medium (GVW 1601-2300 kg )

|                              |      |      |      |      |      |
|------------------------------|------|------|------|------|------|
| Current up to 3 years old)   | 3000 | 3750 | 4500 | 5250 | 6000 |
| Over 3 and up to 5 years old | 2400 | 3000 | 3600 | 4200 | 4800 |
| Over 5 years old             | 1200 | 1500 | 1800 | 2100 | 2400 |

Heavy (GVW > 2300 kg)

|                             |      |      |      |       |       |
|-----------------------------|------|------|------|-------|-------|
| Current (up to 3 years old) | 6000 | 7500 | 9000 | 10500 | 12000 |
| Over 5 years old            | 2800 | 3500 | 4200 | 4900  | 5600  |

- 
- Note:
1. GVW = gross vehicle weight, kg.
  2. Aging of the passenger car stops upon the date of effectivity of R.A. 8794,i.e. 16 July 2000  
The base rate is the rate on the age and type of car as of the said date of effectivity.
  3. The rates are effective from January 1 of the stated year.

**SCHEDULE 1(Continuation)**

**2. All MOTOR VEHICLES OTHER THAN THOSE COVERED BY SCHEDULE I (1) ABOVE:**

| CATEGORIES                                | RATES IN PESOS |           |           |           |                   |
|---|----------------|-----------|-----------|-----------|-------------------|
|   | 2000           | 2001      | 2002      | 2003      | 2004 & thereafter |
| <b>I. PRIVATE AND GOVERNMENT VEHICLES</b> |                |           |           |           |                   |
| <b>A. PASSENGER CARS</b>                  |                |           |           |           |                   |
| Light (GVW up to 1600 kg)                 | 800            | 1000      | 1200      | 1400      | 1600              |
| Medium > 1600 to 2300 kg)                 | 1800           | 2250      | 2700      | 3150      | 3600              |
| Heavy (GVW > 2300 kg)                     | 4000           | 5000      | 6000      | 7000      | 8000              |
| <b>B. UTILITY VEHICLES</b>                |                |           |           |           |                   |
| GVW up to 2700 kg                         | 1000           | 1250      | 1500      | 1750      | 2000              |
| GVW>2700 to 4500 kg                       | 1000+          | 1250+     | 1500+     | 1750+     | 2000+             |
|   | 0.20 x         | 0.25 x    | 0.30 x    | 0.35 x    | 0.40 x            |
|   | GVW in         | GVW in    | GVW in    | GVW in    | GVW in            |
|   | excess of      | excess of | excess of | excess of | excess of         |
|   | 2700 kg        | 2700 kg   | 2700 kg   | 2700 kg   | 2700 kg           |
| <b>B2. SPORTS UTILITY VEHICLES</b>        |                |           |           |           |                   |
| GVW up to 2700 kg                         | 1150           | 1440      | 1725      | 2015      | 2300              |
| GVW >2700 to 4500 kg                      | 1150+          | 1440+     | 1725+     | 2015+     | 2300+             |
|   | 0.23 x         | 0.29 x    | 0.35 x    | 0.40 x    | 0.46 x            |
|   | GVW in         | GVW in    | GVW in    | GVW in    | GVW in            |
|   | excess of      | excess of | excess of | excess of | excess of         |
|   | 2700 kg        | 2700 kg   | 2700 kg   | 2700 kg   | 2700 kg           |
| <b>C. MOTORCYCLES</b>                     |                |           |           |           |                   |
| Without Sidecars                          | 120            | 150       | 180       | 210       | 240               |
| With Sidecars                             | 150            | 190       | 225       | 265       | 300               |
| <b>D. BUSES and</b>                       |                |           |           |           |                   |
| <b>E. TRUCKS</b>                          |                |           |           |           |                   |
| GVW> 4500 kg                              | 900+           | 1125+     | 1350+     | 1575+     | 1800+             |
|   | 0.12 x         | 0.15 x    | 0.18 x    | 0.21 x    | 0.24 x            |
|   | GVW in         | GVW in    | GVW in    | GVW in    | GVW in            |
|   | excess of      | excess of | excess of | excess of | excess of         |
|   | 2700 kg        | 2700 kg   | 2700 kg   | 2700 kg   | 2700 kg           |
| <b>TRAILERS</b>                           |                |           |           |           |                   |
| GVW>4500 kg                               | 0.12 x         | 0.15 x    | 0.18 x    | 0.21 x    | 0.24 x            |
|   | GVW            | GVW       | GVW       | GVW       | GVW               |

**SCHEDULE 1(Continuation)**

**2. All MOTOR VEHICLES OTHER THAN THOSE COVERED BY SCHEDULE I (1)  
ABOVE: (CONTINUATION)**

| CATEGORIES                         | RATES IN PESOS                                    |   |   |   |   |
|------------------------------------|---|---|---|---|---|
|                                    | 2000  | 2001  | 2002  | 2003  | 2004 & thereafter                                 |
| <b>II. FOR HIRE</b>                |   |   |   |   |   |
| <b>A. PASSENGER CARS</b>           |   |   |   |   |   |
| Light (GVW up to 1600 kg)          | 450   | 565   | 675   | 790   | 900   |
| Medium > 1600 to 2300 kg)          | 900   | 1125  | 1350  | 1575  | 1800  |
| Heavy (GVW > 2300 kg)              | 2500  | 3125  | 3750  | 4375  | 5000  |
| <b>B. UTILITY VEHICLES</b>         |   |   |   |   |   |
| GVW up to 4500 kg                  | 0.15 x<br>GVW                                     | 0.19 x<br>GVW                                     | 0.22 x<br>GVW                                     | 0.26 x<br>GVW                                     | 0.30 x<br>GVW                                     |
| <b>B2. SPORTS UTILITY VEHICLES</b> |   |   |   |   |   |
| GVW up to 2700 kg                  | 1150  | 1440  | 1725  | 2015  | 2300  |
| GVW >2700 to 4500 kg               | 1150+<br>0.23 x<br>GVW in<br>excess of<br>2700 kg | 1440+<br>0.29 x<br>GVW in<br>excess of<br>2700 kg | 1725+<br>0.35 x<br>GVW in<br>excess of<br>2700 kg | 2015+<br>0.40 x<br>GVW in<br>excess of<br>2700 kg | 2300+<br>0.46 x<br>GVW in<br>excess of<br>2700 kg |
| <b>C. MOTORCYCLES</b>              |   |   |   |   |   |
| Without Sidecars                   | 150   | 190   | 225   | 265   | 300   |
| With Sidecars                      | 240   | 300   | 300   | 300   | 300   |
| <b>D. BUSES and</b>                |   |   |   |   |   |
| GVW > 4500 kg                      | 0.15 x<br>GVW                                     | 0.19 x<br>GVW                                     | 0.22 x<br>GVW                                     | 0.26 x<br>GVW                                     | 0.30 x<br>GVW                                     |
| <b>E. TRUCKS</b>                   |   |   |   |   |   |
| GVW > 4500 kg                      | 900+<br>0.12 x<br>GVW in<br>excess of<br>2700 kg  | 1125+<br>0.15 x<br>GVW in<br>excess of<br>2700 kg | 1350+<br>0.18 x<br>GVW in<br>excess of<br>2700 kg | 1575+<br>0.21 x<br>GVW in<br>excess of<br>2700 kg | 1800+<br>0.24 x<br>GVW in<br>excess of<br>2700 kg |
| <b>TRAILERS</b>                    |   |   |   |   |   |
| GVW >4500 kg                       | 0.12 x<br>GVW                                     | 0.15 x<br>GVW                                     | 0.18 x<br>GVW                                     | 0.21 x<br>GVW                                     | 0.24 x<br>GVW                                     |

Note: 1. GVW = gross vehicle weight, kg.  
2. > more than  
3. The rates are effective from January 1 of the stated year.

**IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT NO. 8794 (AN  
ACT IMPOSING A MOTOR VEHICLE USER'S CHARGE ON OWNERS OF ALL  
TYPES OF MOTOR VEHICLES AND FOR OTHER PURPOSES)**

**AMENDMENT NO.1 DATED 22 AUGUST 2000**

On schedule 1 of the Implementing Rules and Regulations, dated 16 August 2000, pages 15 and 16, item 2 (entitled " ALL MOTOR VEHICLES OTHER THAN THOSE COVERED BY SCHEDULE 1 (1) ABOVE"), the heading of the second column should read " BASE RATE" instead of "2000".

GREGORIO VIGILAR

Secretary

Department of Public Works and Highways  
Communications

VICENTE RIVERA JR.

Secretary

Department of Transportation and

# APPENDIX **C**



MAY 21 2004

DEPARTMENT ORDER

No. **59**

Series of 2004 *05-21-04*

**SUBJECT: IMPLEMENTATION OF  
THE ROAD PROGRAM  
OFFICE FUNCTIONS**

Pursuant to the provisions of Section 9 of R.A. 8794 (Motor Vehicle Users Charge Act) of June 27, 2000 and Section 12 of the Implementing Rules and Regulations of August 16, 2000, a Road Program Office shall be established with the following main functions and duties:

1. Determine the annual needs of adequate road maintenance and road safety, and formulate multi-year plans and programs that ensures elimination of backlogs and ultimately making current the work scheduled for implementation on national road maintenance and road safety projects. In preparing the multi-year and annual work programs (MWP and AWP), both the Special Road Funds and the regular maintenance fund (from the General Appropriations Act (GAA) or the regular annual national government budget) are utilized. As much as possible, recurring maintenance projects shall first be sourced from the regular maintenance fund, while non-recurring (asset preservation) projects shall be assigned to the Special Road Funds.
2. Prepare AWP and rolling MWP of road maintenance and road safety utilizing the Special Road Funds and the Special Road Safety Fund for the consideration and approval of the Road Board, as well as a report on the status of funds under the Special Local Road Fund available for transfer to the Local Government Units (LGUs).
3. Prepare AWP and rolling MWP of road maintenance utilizing the regular DPWH maintenance fund (under GAA) for the consideration and ultimate approval of the DPWH Secretary, after which copies shall be provided to the Road Board.

The Road Program Office functions shall be divided between the Planning Service and Bureau of Maintenance, with Planning Service performing the majority of all planning functions and Bureau of Maintenance carrying out implementation oversight. The Planning Service and Bureau of Maintenance shall coordinate their work and cooperate with each other in an efficient manner. Assistant Secretary Raul C. Asis is hereby designated as the Road Program Office Head to provide coordination on matters relating to the functions of the Road Program Office. Bureau of Maintenance, however, will remain under the overall supervision of Assistant Secretary Manuel S. Agyao. Planning Service will continue to report to Assistant Secretary Asis.

All other Department offices concerned shall extend their cooperation and assistance for the successful establishment, institutionalization and implementation of the road maintenance and road safety work in the Department.

be as follows:

| <i>Function/Responsibility</i>                | <i>Planning Service</i>             | <i>Bureau of Maintenance</i> | <i>Regions/<br/>Districts/<br/>Relevant PMOs</i> |
|---|-------------------------------------|------------------------------|--|
| <b>1. NETWORK DEVELOPMENT</b>                 |                                     |                              |  |
| Strategic/Long and Medium Term Planning       | Development Planning Division (DPD) |                              |  |
| Medium Term (MTPIP)                           | DPD                                 |                              |  |
| Multi Year Programming                        | DPD/Programming Division            |                              |  |
| Project Identification                        | DPD                                 |                              | Participation                                    |
| Project Preparation                           | DPD                                 |                              |  |
| Project Prioritization                        | DPD                                 |                              |  |
| Project Packaging                             | DPD                                 |                              |  |
| <b>2. ASSET PRESERVATION</b>                  |                                     |                              |  |
| <b>A. Routine Maintenance</b>                 |                                     |                              |  |
| Project Identification                        |                                     | Consolidation                | Participation                                    |
| Project Preparation                           |                                     | Costing                      |  |
| Project Prioritization                        |                                     | Scheduling                   |  |
| Multi Year Programming                        | DPD                                 | Coordination                 | Participation                                    |
| Annual Programming                            |                                     | Needs-based                  | Participation                                    |
| Implementation                                |                                     |                              | Execution  |
| Monitoring/Oversight of Implementation        |                                     | Execution                    | Execution  |
| <b>B. Reconstruction &amp; Rehabilitation</b> |                                     |                              |  |
| Project Identification                        | DPD                                 | Annual projects only         | Participation                                    |
| Project Preparation                           | DPD                                 | Annual projects only         | Participation                                    |
| Project Prioritization                        | DPD                                 | Annual projects only         | Participation                                    |
| Project Implementation                        |                                     |                              | Execution  |
| Monitoring/Oversight of Implementation        |                                     | Execution                    | Execution  |

This Order shall take effect immediately and supersedes all previous Department Orders and other issuances or any provision thereof that are inconsistent herewith.

  
**FLORANTE SORIQUEZ**  
 Acting Secretary



# APPENDIX **D**



ATTN: LAE ROAD BOARD  
FAX # 025268834

Republic of the Philippines  
DEPARTMENT OF TRANSPORTATION & COMMUNICATIONS

14 June 2005

DEPARTMENT ORDER NO. 2005- 16

To : ALL CONCERNED  
This Department

Subject : CREATION OF A VEHICLE POLLUTION CONTROL  
FUND COMMITTEE (VPCFC)

In line with the provisions of Article III Section 15 of the Implementing Rules and Regulations of Republic Act 8794 otherwise known as Motor Vehicle User's Charge, a Vehicle Pollution Control Fund Committee that shall, subject to the supervision of the Road Board, administer and manage the fund, provide direction to the activities and projects utilizing the fund and in general, supervise, monitor and ensure the proper implementation of the approved Vehicle Pollution Control Program is hereby created as follows:

a.) The Committee shall be composed of the following:

- Chairman : Secretary LEANDRO R. MENDOZA
- Vice-Chairman : Undersecretary RICARDO E. ALFONSO, JR.
- Members : Asst. Sec. DOMINGO REYES  
Asst. Sec. ROBERT R. CASTAÑARES  
Asst. Sec. EMMANUEL NOEL CRUZ  
Asst. Sec. ANNELI R. LONTOC

Duties and Responsibilities:

1. Provide direction in the formulation and implementation of a comprehensive program for submission to the Road Board, aimed at preventing, controlling and managing air pollution from motor vehicles, including the resources and funding requirements therefore, and setting of timetable for their accomplishments.
2. Undertake extensive consultations with affected stakeholders on the medium and long-term programs related to prevention, control and management of emission of pollutants from mobile sources.

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3. Coordinate closely 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 1989.
4. Conduct such studies and surveys as may be necessary relative to air pollution by vehicles.
5. Monitor, manage and administer the utilization of the fund in accordance with the guidelines promulgated by the Road Board.
6. Initiate consultative meetings with the Road Board to apprise subject body of all relevant developments specifically fund utilization.

b.) The Technical Working Group (TWG) that shall extend technical assistance to the Committee shall be composed of the following:

|               |   |                                  |
|---------------|---|----------------------------------|
| Chairman      | : | Director ILDEFONSO T. PATDU, JR. |
| Vice-Chairman | : | Director LYDIA S. MALVAR         |
| Members       | : | Director LUIS MANUEL L. VIRTUCIO |
|               |   | Mr. REGINALD S. VELASCO          |
|               |   | Engr. ROBERTO G. DELFIN          |
|               |   | Engr. RENATO R. DAVID            |
|               |   | Dir. REBECCA CACATIAN            |
|               |   | Dir. VENANCIO SANTIDAD           |

**Duties and Responsibilities of TWG:**

1. Formulation and implementation of the comprehensive program for the prevention, control and management of air pollution from mobile sources.
2. Prepare annual work program (AWP) and multi-year work program (MWP) for projects/activities pursued relative to air pollution from mobile sources for approval of the Committee and subsequent submission to the Road Board.
3. Monitor projects and activities undertaken relative to air pollution from mobile sources and submit report to the Committee.
4. Monitor the utilization of the Vehicle Pollution Control Fund (VPCF).
5. Conduct such studies and surveys as may be necessary relative to air pollution from mobile sources.

c.) The Secretariat shall be composed of the following:

|            |                                   |
|------------|-----------------------------------|
| Chairman : | <b>Ms. CORAZON R. JAPSON</b>      |
| Members :  | <b>Ms. EDNA A. OLAGUER</b>        |
|            | <b>Ms. JASMIN MARIE C. USON</b>   |
|            | <b>Mr. LEMAR L. JIMENEZ</b>       |
|            | <b>Mr. REYNALDO T. GATCHALIAN</b> |
|            | <b>Ms. LUZVIMINDA LB TIONGCO</b>  |

**Duties and Responsibilities of Secretariat:**

The Secretariat shall assist the TWG in the following:

1. Preparation of reports of the programs, projects undertaken pursuant to CAA, including disbursement of funds from VPCF.
2. Conduct meetings and preparation of corresponding reports.
3. Act as a depository of all proceedings by the Committee on all matters involving the implementation of programs/projects related to air pollution from mobile sources.

**LEANDRO K. MENDOZA**  
Secretary



417P2404-3 P.002



DOTC-OUTSOURCING 05-01102

# APPENDIX **E**

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Republic of the Philippines  
**ROAD BOARD**  
**OFFICE OF THE CHAIRMAN**

DEC 17 2004

**OFFICE ORDER**

SUBJECT: **ROAD BOARD/SECRETARIAT  
FINANCIAL MANAGEMENT  
POLICIES**

NO. 04-05, s. 2004  
Series of 2004

**1.0 PURPOSE**

- 1.1 To prescribe Road Board/Secretariat financial management policies to ensure that funds are properly utilized, recorded and reported.
- 1.2 To establish the necessary procedures, including appropriate controls, for the collection of monies, the deposits to the special trust accounts in the National Treasury, and such disbursements as may be authorized from such accounts, as well as the appropriate accounting, auditing, and reporting arrangements, in accordance with the accounting and auditing regulations of the government (Sec. 5(a) IRR – RA 8794).
- 1.3 To monitor the income and expenditure to the four Special Funds provided for under Sec. 7 of RA 8794, and ensure that the distribution of the monies collected is in accordance with the provisions of that section.
- 1.4 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 (Sec. 5(i) IRR – RA 8794).
- 1.5 To ensure that all oversight agency directives are adhered to, and all New Government Accounting System (NGAS) policies prescribed by COA are being followed.

**2.0 COVERAGE**

- 2.1 These financial management policies shall be used by the Road Board Secretariat and shall cover the budgeting, accounting, cash, and asset management that is under the jurisdiction of the Board.

### 3.0 DEFINITION OF TERMS

- 3.1 For purposes of this Office Order, the following terms shall construed to mean:
- 3.1.1 **Agency Budget Matrix (ABM)** refers to the over-all financial plan of an agency prepared by DBM in coordination with the agency equivalent to its annual appropriation disaggregated into Withheld, Reserve, Needing and Not Needing Clearance. Not Needing Clearance is further classified into: This Release, and For Later Release.
  - 3.1.2 **Allotment Release Order (ARO)** is a formal document issued by DBM to the Head of the agency, containing authorization, conditions and amount of an agency allocation. The document may be an ABM, where the amount of allocation "Not Needing Clearance" is indicated, or the Special Allotment Release Order (SARO), where the release is subject to compliance with specific laws and regulations or is subject to separate approval or clearance by competent authority.
  - 3.1.3 **Annual Work Program** is a program comprising the various activities and projects to be implemented in the financial year with such supporting details as the Board may require.
  - 3.1.4 **Appropriation** refers to authorizations made by law or other legislative enactment for payments to be made with funds of the agency under specified conditions and/or for specified purposes.
  - 3.1.5 **Disbursements** constitute all cash paid out or the settlement of government payables/obligations during a given period either in currency (cash) or by check. It shall be covered by a duly approved Disbursement Voucher (DV), Petty Cash Voucher (PCV), or Payroll
  - 3.1.6 **Modified Disbursement System (MDS) Check** is a check issued by government agencies chargeable against the account of the Treasurer of the Philippines, which are maintained with different MDS – Government Servicing Banks (GSBs), and covered by Notice of Cash Allocation (NCA).
  - 3.1.7 **Notice of Cash Allocation (NCA)** is an authorization issued by the DBM to government agencies to withdraw cash from the National Treasury through the issuance of MDS checks or other authorized mode of disbursements.
  - 3.1.8 **Obligations** - refers to a commitment by a government agency arising from the act of a duly authorized official, which binds the government to the immediate or eventual payment of a sum of money. The agency is authorized to incur obligations only in the performance of activities, which are in pursuits of its functions and

programs authorized in appropriation acts/laws within the limit of the ARO.

- 3.1.9 **Special Accounts** – refers to the four special accounts namely Special Road Support Fund, Special Local Road Fund, Special Road Safety Fund, and Special Vehicle Pollution Control Fund, established by the DBM in the National Treasury.

## 4.0 GENERAL GUIDELINES

### 4.1 BUDGET

- 4.1.1 **Budgetary Accounts.** The Budgetary Accounts System encompasses the process of preparing Agency Budget Matrix (ABM), monitoring and recording of allotments received by the Road Board/Secretariat, DPWH, DOTC from DBM, releasing of Sub-Allotment Advice (SAA) to Regional Offices (RO) and LAA to other agencies by the DPWH Central Office (CO); issuance of Letter of Advise of Allotment (LAA) by DPWH RO to Operating Units (OU), and Preparation of Allotment and Obligations Slip (ALOBS) for recording and monitoring of allotments and obligations.
- 4.1.2 **Monitoring of Allotment and Obligations.** Allotments and Obligations shall be monitored and controlled through registries and control worksheets by the Road Board Secretariat, DPWH, DOTC, and LGUs.
- 4.1.3 **Recording of Allotments.** Upon receipt of the approved ABM and SARO, the Accountant/Budget Officer shall record the allotment in their respective Registries of Allotment and Obligations (RAO). Separate registries shall be maintained for each year, for the four classes, by Function/Program/Project (F/P/P), as follows: Personal Services (PS) – RAOPS, Maintenance and Other Operating Expenses (MOOE) – RAOMO, Capital Outlays (CO) – RAOCO, and Financial Expenses (FE) – RAOFE.
- 4.1.4 **Recording of Obligations.** The Accountant/Budget Officer shall take up obligation in a separate Registries maintained for each four classes of allotment (PS, MOOE, CO, & FE) through the ALOBS prepared/processed.
- 4.1.5 **Obligation Accounting** is modified to simplify procedures in the incurrence and liquidation of obligations and the recording of the budgetary accounts (allotments and obligations incurred and liquidated).

## 4.2 ACCOUNTING

- 4.2.1 **Income and Expense Recognition.** A modified accrual basis of accounting shall be used. Under this method, all expenses shall be recognized when the disbursement voucher is approved and reported in the financial statements in the period to which they relate. Income shall be on accrual basis except for transactions where accrual basis is impractical or when law requires other methods.
- 4.2.2 **Notice of Cash Allocation (NCA).** The receipt of NCA shall be recorded immediately upon receipt. The receipt of NCA by the Road Board Secretariat, implementing agencies (DPWH and DOTC) shall be recorded in the books as debit to account "Cash-National Treasury, Modified Disbursement System (MDS)" a credit to account "Subsidy Income from National Government".
- 4.2.3 **Fund Accounting Concept.** The "One-Fund Concept" of the New Government Accounting System (NGAS) shall be used, but a separate accounting shall be made for each MVUC fund before a consolidated financial statement of all funds is made. The Road Board Secretariat shall be responsible for the preparation and submission for audit in respect of each financial year a balance sheet, a statement of income and expenditures, and a statement of cash flow in such forms and manners as the Commission on Audit (COA) may prescribe (Sec. 6(d) IRR – RA 8794).
- 4.2.4 **Chart of Accounts.** The Chart of Accounts and coding structure with a three-digit account numbering system prescribed by COA shall be strictly followed. The use of proper accounts shall always be observed.
- 4.2.5 **Financial Expenses.** Financial Expenses such as bank charges, interest expenses, commitment charges and other related expenses should be separately classified from Maintenance and Other Operating Expenses (MOOE).
- 4.2.6 **Recognition of Liability.** Liability shall be recognized at the time goods and services are accepted or rendered and supplier/creditor bills are received. The Accounts Payable account shall be utilized to recognize this liability.
- 4.2.7 **Accrual of Interest Income.** Whenever practicable and appropriate, interest income and/or expense shall be accrued and recognized in the books of accounts.
- 4.2.8 **Petty Cash Fund.** The Petty Cash Fund shall be maintained under the imprest system. As such, all replenishments shall be directly charged to the expense account and at all times, the Petty Cash Fund

shall be equal to the total cash on hand and the unreplenished expenses. The Petty Cash Fund shall not be used to purchase regular inventory/items for stock.

4.2.9 **Basic Requirement of Disbursements.** The basic requirements applicable to all types of disbursements made by national government agencies (Sec. 28 – Volume I of the Manual on the New Government Accounting System for National Government Agencies) are as follows:

- (i) Existence of lawful and sufficient allotment certified as available by the Budget Officer;
- (ii) Existence of a valid obligation certified by the Chief Accountant/Head of Accounting Unit;
- (iii) Legality of transactions and conformity with laws, laws and regulation;
- (iv) Approval of expense by the Chief of Office or by his duly authorized representative; and
- (v) Submission of proper evidence to establish the claim.

4.2.10 **Check Disbursements Report.** All checks drawn during the day whether released or unreleased including cancelled checks shall be recorded chronologically in the Check Disbursements Report (CkDR). The dates checks were released to the payee shall be indicated in the "Date Released" column provided for in the CkDR.

4.2.11 **Report of Checks Issued.** All checks drawn shall be included in the Report of Checks issued (RCI), which shall be prepared daily by the Cashier

4.2.12 **Check Disbursements Journal.** Payments through checks for various expenses acquisition of assets or services rendered shall be recorded in the Check Disbursements Journal (CkDJ).

4.2.13 **Cash Disbursements.** Disbursement by cash shall be made from cash advances and maintained in accordance with COA rules and regulations. Cash payments shall be made based on duly approved payrolls/disbursements vouchers.

4.2.14 **Cash Advances.** Cash advances granted shall be accounted for as Due from Officers and Employees and these are subject to liquidation upon full payment of payrolls or expenses to which cash advances are intended for. A Liquidation Report shall be prepared by the officers/employees concerned and submitted to Accountant for JEV

preparation. The excess cash advance shall be refunded and an Official Receipt (OR) shall be issued to acknowledge receipt thereof. No new cash advances shall be granted unless and until previously granted cash advances have been liquidated.

4.2.15 **Report of Disbursements.** The Report of Disbursements shall be prepared by the Regular or Special Disbursing Officers to support liquidation of their cash advances and other operating expenses paid thru cash payment. The Report shall be certified as to correctness by the Disbursing Officer and shall be submitted to Accountant for Preparation of JEV and final recording in the Cash Disbursements Journal.

4.2.16 **Cash Advance for Travel.** Cash advances granted for travel shall be accounted for as Due from Officers and Employees which are subject to liquidation upon completion of travel (local travel) within 30 days, otherwise the officers/employees concerned shall refund the whole amount including plane ticket. For liquidation of cash advances for travel, the Liquidation Report shall be prepared by the officers/employees concerned and submitted to the Accountant as basis for JEV preparation. In case the amount of cash advance is more than the travel expenses incurred, the excess cash advance shall be refunded and an Official Receipt shall be issued to acknowledge receipt thereof. The amount refunded shall be posted in the Index of Payment. In case the amount of cash advance is less than the travel expense incurred, in addition to the Liquidation Report, a DV shall be prepared to claim reimbursement of the deficiency in amount.

4.2.17 **Petty Cash Fund.** Petty Cash Fund shall be maintained under the imprest system. The fund shall be sufficient for the non-recurring emergency and petty expenses of the agency. Disbursements from the fund shall be through the Petty Cash Voucher (PCV), which shall be approved by authorized officials and signed by payee to acknowledge the amount received. The invoice receipt or its equivalent is attached to the PCV.

4.2.18 **Tax Remittance Advice.** All taxes withheld shall be remitted timely to the Bureau of Internal Revenue through a Tax Remittance Advice (TRA) pursuant to the provision of DOF-DBM Joint Circular No. 1-2000A dated July 31, 2001. The Accountant shall be responsible for the preparation and submission of TRA.

4.2.19 **Report of Accountability for Accountable Forms.** The Report of Accountability for Accountable Forms shall be prepared by the Accountable Officer to report on the movement and status of accountable forms in his possession. The accountable forms include those with or without face value.

- 4.2.20 **Trial Balance.** The two-money column trial balance showing the account balances shall be used. The Trial Balance shows the equality of debit and credit balances of all general ledger accounts as of a given period. It is prepared and submitted monthly, quarterly and annually. At the end of the fiscal year, the pre-closing and the post-closing trial balances shall be prepared.
- 4.2.21 **Adjusting Entries.** Under the matching principle, adjustments shall be made for economic activities that have taken place but are not yet recorded at the time when the financial statements are prepared. Such adjusting journal entries are made to ensure that revenues and expenses are recorded in the period when they are earned or incurred. Adjustments are of two main types: accrued items and deferred items.
- 4.2.22 **Closing Entries.** Closing journal entries are general journal entries, which close out the balances of all nominal/temporary and intermediate accounts at the end of the accounting period.
- 4.2.23 **Unused NCA.** Reversion of the unused or unutilized Notice of Cash Allocation (NCA) shall be made at the end of the year before the preparation of Pre-closing Trial Balance.
- 4.2.24 **Post Closing Trial Balance.** The Post-Closing Trial Balance shall be prepared after recording the closing journal entries in the General Journal and posting to the General Ledger. It contains a listing of all general ledger accounts that remain open after the closing process is completed.
- 4.2.25 **Financial Statements.** Financial statements and their supporting schedules are the products of the government accounting processes. These are the principal comprehensive means by which the information accumulated and processed in the state accounting system is periodically communicated to those who used them. The financial statements generally prepared are the Balance Sheet, Statement of Income and Expenses, and Statement of Cash Flows.
- 4.2.26 **Fair Presentation of Financial Statements.** Responsibility for the fair presentation and reliability of financial statements rests with the management of the Road Board. This responsibility is discharged by applying generally accepted state accounting principles that are appropriate to the entity's circumstances, by maintaining effective system of internal control and by adhering to the chart of accounts prescribed by the Commission on Audit.
- 4.2.27 **Statement of Management Responsibility.** The Statement of Management Responsibility for Financial Statements shall serve as

the covering letter in transmitting the agencies financial statements to the Commission on Audit, Department of Budget and Management, oversight and other concerned agencies.

4.2.28 **Balance Sheet.** The Balance Sheet is a formal statement, which shows the financial condition of the agency as of a certain date. It includes information on the three elements of financial position - assets, liabilities and government equity. It shall be prepared from information taken directly from the monthly or year-end Post-Closing Trial Balance. The Year-end Balance Sheet shall be supported with the following schedules/statements:

- (i) Statement of Allotment, Obligations and Balances (SAOB)
- (ii) Statement of Appropriation, Allotment, Obligations and Disbursements (SAAOD)
- (iii) Detailed Cumulative Statement of Allotment, Obligations and Disbursements
- (iv) Physical and Financial Status Report

4.2.29 **Statement of Income and Expenses.** The Statement of Income and Expenses shows the results of operation/performance of the agency at the end of a particular period.

4.2.30 **Statement of Cash Flows.** The Statement of Cash Flows is a statement summarizing all the cash activities of an agency. This includes the operating, investing and financing activities of the entity and provides information on the cash receipts and cash payments during the period. The primary purpose of the Statement of Cash Flows is to give relevant information on the agency's overall cash position.

4.2.31 **Notes to Financial Statements.** Notes to Financial Statements are integral parts of financial statements, which pertain to additional information necessary for fair presentation in conformity with generally accepted accounting principles. These may explain the headings captions or amounts in the statements of present information that cannot be expressed in money terms, and description of accounting policies. Information shall be presented in a way that will facilitate understanding and avoid erroneous implications. Where Notes to Financial Statements appear on a separate page, indicate the phrase "See accompanying Notes to Financial Statements" placed at the bottom of said statements.

4.2.32 **Interim Reports.** Interim reports are the financial statements required to be prepared at any given period or at a financial reporting period without closing the books of accounts. The interim financial statements shall be prepared employing the same accounting principles used for annual reports. Adjusting and closing journal

entries shall be prepared. However, only the adjusting journal entries are recorded in the books of accounts.

### 4.3 CASH MANAGEMENT

- 4.3.1 **Deposit of Collection.** A Collecting Officer shall deposit intact all their collections, as well as collections turned over to them by sub-collectors/tellers, with AGDB for the account of the Treasurer of the Philippines daily or not later than the next banking day. For this purpose a cut-off time is set at 3:00 PM to give ample time for reconciliation of Records of Collection against Official Receipts. He/she shall record all deposits made in Cash Receipt Record.
- 4.3.2 **Report of Collections and Deposits (RCD).** At the close of each business day, the Collecting Officers shall accomplish the RCD in accordance with the instructions provided in the NGAS Manual. The Record of Collections and Deposits shall be footed and ruled daily. Internal Auditor may conduct surprise Cash Counting anytime upon direction of the management.
- 4.3.3 **Dishonored Checks.** There are instances that checks received by Collecting Officers in payment of fees and other debts due the agency are dishonored by the drawee banks. A check is said to be dishonored by non-payment when, upon its being duly presented for payment, such payment is refused or cannot be obtained.
- 4.3.4 **Cash Shortages.** Cash Shortage discovered during cash examination conducted by auditors is reported through the Report of Cash Examination. The Auditor issues an audit report in case of shortage in property accountability. As soon as a shortage is definitely established, the Auditor shall issue a memorandum pertaining thereto and the Accountant shall draw a JEV to record the shortage as a receivable from the Accountable Officer concerned.
- 4.3.5 **Loss of Property.** In case of loss of property due to other causes like, theft, force majeure, fire, etc., a report thereon shall be prepared by the Accountable Officer concerned for purposes of requesting relief from accountability. No accounting entry shall be made but the loss shall be disclosed in the notes to financial statements pending result of request for relief from accountability
- 4.3.6 **Request for Relief from Accountability.** When a request for relief from accountability for shortages or loss of funds is granted, a copy of the decision shall be forwarded to the Chief Accountant who shall draw a JEV to record the transaction. The loss shall be debited to the Loss of Assets account and credited to the appropriate receivable account. In case the request for relief is denied, immediate payment of the shortage shall be demanded from the Accountable Officer.

Restitution shall be acknowledged by the issuance of an official receipt.

In case the request for relief from accountability for loss of property caused by fire, theft, force majeure or other causes is granted, a copy of the decision shall likewise be forwarded to the Chief Accountant for the preparation of the JEV. The loss shall be debited to the Loss of Assets account and credited to the appropriate asset account. If request for relief from accountability is denied, the loss shall be taken up as a receivable from the Accountable Officer or employee liable for the loss and shall be credited to the appropriate asset account.

4.3.7 **Cash Overage.** In case the cash examination disclosed cash overage, as determined by the Auditor during cash examination, the amount shall be forfeited in favor of the government and the Cashier shall issue an official receipt. The cash overage shall be taken up as Miscellaneous Income.

4.3.8 **Stale Checks.** Checks may be cancelled when they become stale. The depository bank considers a check stale, if it has been outstanding for over six months from date of issue or as prescribed. A stale check shall be marked cancelled on its face and reported as follows

4.3.9 **Disallowances in Audit.** Disallowances shall be taken up in the books of accounts only when they become final and executory. The Accountant shall prepare the JEV to take up the Receivable-Disallowances/Charges and credit the appropriate expense account for the current year or Prior Years' Adjustment account if pertaining to expenses of previous years.

4.3.10 **Cash Settlement of Disallowances.** Cash settlement of disallowances shall be acknowledged through the issuance of an official receipt and reported by the Cashier in the RCD.

#### 4.4 ASSET MANAGEMENT

4.4.1 **Inventory System.** Supplies and materials purchased for inventory purposes shall be recorded using the perpetual inventory system. Regular purchases shall be coursed thru the inventory account and issuance thereof shall be recorded as they take place except those purchased out of Petty Cash Fund which shall be charged directly to the appropriate accounts.

4.4.2 **Inventory Costing.** Cost of ending inventory of supplies and materials shall be computed using the moving average method.

- 4.4.3 **Inventory Ledger Card.** For appropriate check and balance, the Financial Management Division shall maintain Supplies/Stocks Ledger Cards by stock number and Property, Plant and Equipment Ledger by category of property, plant and equipment, and Subsidiary Ledgers for all purchases of supplies/ materials, and property/plant/equipment for inventory purposes, while the Administrative Division shall maintain Supplies/Stock Cards and Property, Plant and Equipment Cards by category.
- 4.4.4 **Property, Plant and Equipment Costing.** Property, plant and equipment acquired through purchase shall include all costs incurred to bring them to the location necessary for their intended use, like transportation costs, freight charges, installation costs, etc. These are recorded in the books of accounts as Assets and Liability after inspection and acceptance of delivery.
- 4.4.5 **Depreciation Method.** The straight – line method of depreciation shall be adopted in computing the depreciation for government property, plant and equipment. Depreciation shall start on the second month after purchase of the property, plant and equipment, and a residual value equivalent to ten percent of the purchase cost shall be set-up. Public Infrastructures projects as well as serviceable assets that are no longer being used shall not be charged any depreciation. For the purpose of this order, the estimated useful life of Property, Plant and Equipment shall be computed in accordance with COA Circular 2003-007 dated December 11, 2003 or any succeeding pertinent issuances of COA.
- 4.4.6 **Purchase Request.** The requesting office in need of the inventory items and equipment after determining that the items thru the Supply Availability Inquiry (SAI) are not available in stock shall prepare and cause the approval of the Purchase Request (PR). Based on the approved PR and after accomplishing all the required procedures adopting a particular mode of procurement, the agency shall issue a duly approved Purchase Order (PO). Procedures relative to the requisition, issuance, obligation and payment of supplies, materials and equipment are discussed in Procedural Guidelines hereof.
- 4.4.7 **Purchases of Inventory Items.** Purchase of supplies and materials for stock, regardless of whether or not they are consumed within the accounting period, shall be recorded as inventory account. Under the perpetual inventory method, an inventory control account is maintained in the General Ledger on a current basis.

Regular purchases shall be recorded under the appropriate Inventory account and issuance thereof shall be recorded as an expense based on the monthly summary of the Report of Supplies and Materials Issued (RSMI).

Purchases out of the Petty Cash Fund shall be charged immediately to the appropriate expense accounts.

4.4.8 **Inventory Records.** The Financial Management Division shall maintain perpetual inventory records, such as Supplies Ledger Cards for each inventory stock, Property, Plant and Equipment Ledger Cards for each category of property, plant and equipment.

4.4.9 **Property and Stock Cards.** For check and balance, the Administrative Division shall maintain Property Cards (PC) for property, plant and equipment, and Stock Cards (SC) for inventories. The balance in quantity per PC and SC should always reconcile with the ledger cards and the Subsidiary Ledger of the Financial Management Division.

4.4.10 **Inventory Costing.** The Moving Average Method of costing shall be used for costing inventory. Regular purchases shall be recorded under the appropriate Inventory account and issuance thereof shall be recorded as an expense based on the monthly summary of the Report of supplies and Materials Issued (RSMI). Purchases out of the Petty Cash Fund shall be charged immediately to the appropriate expense account of the inventory. This is a method of calculating cost of inventory on the basis of weighted average on the date of issue. The Financial Management Division shall be responsible in computing the cost of Inventory on a regular basis.

## 5.0 PROCEDURAL GUIDELINES

### 5.1 Requisition and Issuance of Supplies, Materials and Office Equipments

| Area of Responsibility | Seq. No. | Activity  |
|------------------------|----------|---|
| End-User               | 1        | Prepares Supplies Availability Inquiry (SAI) and submits the same to the Accountant in Financial Management Division, to check whether supplies or materials needed is available/carried in stock |
| Accountant             | 2        | Checks the availability of the supplies/ materials being requested/inquired and return the SAI with information as to whether supplies, materials or equipment needed are available or not.       |

| Area of Responsibility | Seq. No. | Activity   |
|------------------------|----------|--|
| End-User               | 3        | If the supplies/materials are available/carried in the Stock, prepares the Requisition and Issue Slip (RIS) and forwards the same to Administrative Division, otherwise, prepares a Purchase Request and procurement is recommended (refer to Purchasing Procedure). |
| Secretary II           | 4        | Reviews and indicates RIS control number and other pertinent data, and forwards the same to the Executive Assistant for review.  |
| Executive Assistant    | 5        | Reviews the RIS and forwards it to the Executive Director, for approval  |
| Executive Director     | 6        | Approves the RIS and forwards the same to Secretary II for the issuance of supplies/materials.   |
| Secretary II           | 7        | Issues supplies/materials, equipments to the end-user (official concerned) and furnish copy of RIS to Accounting   |
| Secretary II           | 8        | At the end of the month, prepares Report of Supplies and Materials Issued based on the RIS, and then forwards the RSMI to Executive Assistant for approval   |
| Executive Assistant    | 9        | Approves the RSMI and forwards the same to the Accountant.   |
| Accountant             | 10       | Updates the Supplies Ledger Card and prepares Journal Entry Voucher (JEV).   |

## 5.2 Purchasing Procedures

| Area of Responsibility | Seq. No. | Activity  |
|------------------------|----------|---|
| End-User               | 1        | Prepares the Purchase Request (PR) and forwards the same to the Secretary II in Administrative Division   |
| Secretary II           | 2        | Reviews the PR, records it in the Logbook and indicates the PR Number and other pertinent data and forwards the same to the Executive Assistant.  |
| Executive Assistant    | 3        | Reviews the PR and certifies that items being requested are needed for an "specific purpose" or for the use of the operations of the office in its administrative function, and that such items are included in the approved procurement program of the Office, and forwards the PR to the Fiscal Controller, Financial Management Division |

| Area of Responsibility | Seq. No. | Activity   |
|------------------------|----------|--|
| Fiscal Controller      | 4        | Reviews the PR, initials under the name of the Executive Director, and forwards the same to the Executive Director.  |
| Executive Director     | 5        | Reviews and approves the PR.   |
| Secretary II           | 6        | If the item(s) requested is to be procured from outside suppliers, follow procedure in Item 5.3 hereof.  |
| Secretary II           | 7        | Prepares the Request for Price Estimate thru Agency Procurement Request (APR) form, and forwards the same together with the PR to the Executive Assistant  |
| Executive Assistant    | 8        | Certifies that stocks requested are within Approved Program, and then forwards the same to the Executive Director  |
| Executive Director     | 9        | Approves the Request for Price Estimate, and forwards the same together with the PR to the Administrative Division   |
| Secretary II           | 10       | Serves the request to the Procurement Service  |
| Procurement Service    | 11       | Replies the request through issuance of Reply Action Document (RAD) indicating the cost of items being requested, or stating that such items are not available in their stock and such may be procured in outside source.  |
| Secretary II           | 12       | Prepares the Agency Procurement Request (APR), Allotment and Obligation Slip (ALOBS), and DDV based on the approved PR and RAD from the Procurement Service, and forwards the same to the Executive Assistant  |
| Executive Assistant    | 13       | Reviews and signs on the APR certifying that Stocks requested are within approved program, and forwards the same together with the ALOBS and DV to the Accountant  |
| Accountant             | 14       | Then accomplishes appropriate information in the ALOBS and DV and certifies on the ALOBS (Box A) as to the availability of allotment and that such is duly obligated, certifies on the DV (Box B) that supporting documents and complete and proper, and APR, ALOBS, DV, PR and RAD are then forwarded to the Fiscal Controller. |

| Area of Responsibility | Seq. No. | Activity   |
|------------------------|----------|--|
| Fiscal Controller      | 15       | Certifies as to the availability of funds in the APR, certifies in the ALOBS (Box B) as to the correctness and validity of obligations and availability of fund, and certifies on the DV (Box A) that expense is necessary, lawful and incurred under his/her direct supervision. APR, ALOBS, DV, PR and RAD are then forwarded to the Executive Director              |
| Executive Director     | 16       | Approves the APR DV and forwards the same to the Accountant  |
| Accountant             | 17       | Records the APR, and then prepares the Check and Advice of Checks Issued and Cancelled (ACIC). The Check and ACIC together with the APR, PR, and RAD are then forwarded to the Fiscal Controller   |
| Fiscal Controller      | 18       | Reviews information contained in the Check and ACIC and if found not in order, returns it to the Accountant for correction, otherwise, signs on the Check and ACIC, and forwards the same together with the APR, PR, and RAD to the Executive Director   |
| Executive Director     | 19       | The Executive Director countersigns on the Check and signs on the ACIC, and forwards the same to the Administrative Division   |
| Secretary II           | 20       | Serves the APR to the Procurement Service, and the ACIC to the Bank  |
| Procurement Service    | 21       | Delivers the items contained in the APR to the Adm. Division. Upon delivery, the Inspectorate Team conducts inspection together with the representative from COA. If found complete and in accordance with the specifications in the APR, the Inspectorate Team accepts the deliveries together with the Delivery Receipt, and signs on the Certificate of Acceptance. |
| Secretary II           | 22       | Submits the Delivery Receipt together with the Certificate of Acceptance to the Accountant   |
| Accountant             | 23       | Prepares the Journal Entry Voucher to record the deliveries and updates the Supplies and/or Equipment Ledger Card  |

**5.3 Purchase Requests to be procured from Suppliers other than Procurement Service, DBM**

| Area of Responsibility | Seq. No. | Activity   |
|------------------------|----------|--|
|                        | 1        | If the amount of item(s) requested is less than P50,000.00, PR is forwarded to the Secretary II (Canvasser), Administrative Division, otherwise, PR is forwarded to the Bids and Awards Committee (BAC) of DPWH for the conduct of normal Bidding Procedures. (Refer to Item 5.4 hereof).  |
| Canvasser/Secretary II | 2        | Does the canvass, prepares Abstract of Canvass (AC), to be signed by the Canvasser and the Supplier or its authorized representative. The supplier who bids for the cost most favorable to the government is then selected. Secretary II then prepares the Purchase Order (PO) and Allotment and Obligations Slips (ALOBS) based on the approved PR and Abstract of Canvass and forwards the same to the Executive Assistant |
| Executive Assistant    | 3        | Reviews the PO and forwards the same to the Financial Management Division  |
| Accountant             | 4        | Records the PO, certifies as to the availability of appropriation/allotment, and forwards the ALOBS with the PO, PR, and AC to the Fiscal Controller   |
| Fiscal Controller      | 5        | Certifies in the ALOBS as to the correctness and validity of obligations, and availability of fund, and certifies as to the availability of funds in the PO. The PO is then forwarded to the Executive Director.   |
| Executive Director     | 6        | Approves the PO and forwards the ALOBS to the Accountant, and PO and other documents to the Administrative Division  |
| Secretary II           | 7        | Serves the PO to the Supplier and a copy of approved PO, PR, and AC, is forwarded to COA.  |

| Area of Responsibility                               | Seq. No. | Activity  |
|--|----------|---|
| Supplier, Administrative Division, Inspectorate Team | 8        | On or before the delivery date specified in the PO, Supplier delivers the items contained in the PO to the Administrative Division. Upon delivery, the Inspectorate Team (Engineer IV and Management Audit Analyst IV) conducts inspection together with the representative from COA. If found complete and in accordance with the specifications in the PO, the Inspectorate Team accepts the deliveries together with the Invoice, signs on the Certificate of Acceptance |

**5.4 Bidding Procedures for Purchase Requests amounting to P50,000.00 and above**

| Area of Responsibility          | Seq. No. | Activity  |
|---------------------------------|----------|---|
| Bids and Awards Committee (BAC) | 1        | Prepares Invitation to apply for eligibility and to Bid   |
| BAC                             | 2        | Submits advertisement of invitation to Bid to the DPWH Central Office for publication in the DPWH WebSite thru the Electronic Procurement System (EPS). If the amount is P2 Million and above, advertisement will also be published in the newspaper of general circulation |
| Prospective Bidders             | 3        | Submit their Letter of Intent/Bid Proposals together with their eligibility/qualification documents   |
| BAC                             | 4        | Upon receipt of the Letter of Intent from the Prospective Bidders, BAC verifies the eligibility of Prospective Bidders  |
|                                 | 5        | Based on the Bids submitted by qualified Bidders, BAC conducts the Bidding  |
|                                 | 6        | Evaluates the Bid   |
|                                 | 7        | Based on the Abstract of Bids, BAC prepares the Resolution of Award. BAC awards the procurement to the lowest calculated responsive Bidder  |
|                                 | 8        | Forwards Bid Resolution of Award to the Administrative Division for the preparation of the Purchase Order   |

## 5.5 Disbursement Procedures

| Area of Responsibility | Seq. No. | Activity  |
|------------------------|----------|---|
| Secretary II           | 1        | Receives the Billing from Suppliers/Creditors. Record the documents in the logbook, indicating the date and time received and particulars of documents.   |
|                        | 2        | Prepares ALOBS and Disbursement Voucher (DV) and forwards the same to the Executive Assistant, together with the Supporting Documents (SD).   |
| Executive Assistant    | 3        | Reviews the correctness of information contained in the DV as against supporting documents/billings. DV together with SD are then forwarded to the Fiscal Controller  |
| Fiscal Controller      | 4        | Certifies on the DV (Box A) that expense is necessary, lawful and incurred under his direct supervision. The DV is then forwarded to the Accountant   |
| Accountant             | 5        | Accountant reviews the completeness of supporting documents, correctness of mathematical computations, and if found in order and mathematically correct, assigns DV Number and records in the logbook, otherwise, return to the Secretary II to be returned to originating office for compliance of documentation requirements or correction of mathematical errors. Accountant certifies as to the availability of allotment and that such is duly obligated. Accountant also certifies on the DV (Box B) that supporting documents are complete and proper, and that cash is either available or is subject to the issuance of Authority to Debit Account (ADA). The ALOBS, DV and SD are then forwarded to the Fiscal Controller |
| Fiscal Controller      | 6        | Certifies in the ALOBS as to the correctness and validity of obligations, and availability of fund. The ALOBS, DV and SD are then forwarded to the Executive Director   |
| Executive Director     | 7        | Approves the DV and forward the same together with the supporting documents to the Accountant, Financial Management Division.   |

| Area of Responsibility | Seq. No. | Activity  |
|------------------------|----------|---|
| Accountant             | 8        | Receives the approved DV and supporting documents. If NCA is available, assigns appropriate NCA No. in the DV, otherwise, keep the DV, pending the release of NCA. Accountant prepares the Journal Entry Voucher (JEV) for the payment of DV and forwards the same to the Fiscal Controller                                       |
| Fiscal Controller      | 9        | Reviews the JEV and if there is an error in it, returns it back to the Accountant for correction, otherwise, approves the JEV and return it to the Accountant for the preparation of Check and ACIC   |
| Accountant             | 10       | Assigns a check, type in the check and Check Stub, and prepares the Advice of Checks Issued and Cancelled (ACIC), and forwards the same to the Fiscal Controller  |
| Fiscal Controller      | 11       | Reviews information contained in the Check and ACIC and if found not in order, returns it to the Accountant for correction, otherwise, signs in the Check and ACIC, updates the index of payments to the individual Ledger of creditor/payee, and forward the Check, ACIC, DV, and supporting documents to the Executive Director |
| Executive Director     | 12       | Approves the ACIC and Check, and forwards the same together with the DV and supporting documents to the Accountant for releasing  |
| Accountant             | 13       | Forwards the ACIC to Administrative Division, and releases the check to the claimant  |
| Secretary II           | 14       | Delivers the ACIC to the Government Servicing Bank (GSB).   |

## 5.6 Procedures for Payment of Salaries & Wages thru Payroll

| Area of Responsibility | Seq. No. | Activity   |
|------------------------|----------|--|
| All Employees          | 1        | Within the first two working days of the month, submit their Daily Time Record to the Administrative Division  |
| Secretary II           | 2        | Checks the index of payments to employees and reviews the legality of the payroll claim, prepares Payroll for the month and ALOBS, and forwards the same to the Executive Assistant. |

| Area of Responsibility | Seq. No. | Activity   |
|------------------------|----------|--|
| Executive Assistant    | 3        | Reviews the payroll, and if there is error in it, returns the same to the Secretary for revision/correction, otherwise forwards it to the Fiscal Controller  |
| Fiscal Controller      | 4        | Signs in Box A of payroll certifying that services have been duly rendered as stated. Payroll is then forwarded to the Accountant  |
| Accountant             | 5        | Reviews information contained in the payroll, and if there is error in it, return it to the Administrative Division, otherwise, prepares Journal entry Voucher (JEV) for payroll, affix signature on Box A of ALOBS certifying as to the availability of allotment and that such is duly obligated, and sign on Box B of Payroll certifying that supporting documents are complete and proper, and that cash is available. ALOBS together with the Payroll is then forwarded to the Fiscal Controller. |
| Fiscal Controller      | 6        | Approves the JEV and ALOBS, return the original ALOBS and JEV to the Accountant, and forwards the Payroll together with a copy of ALOBS and JEV to the Executive Director  |
| Executive Director     | 7        | Approves the payroll, and forwards the same to the Administrative Division   |
| Secretary II           | 8        | Prepares Cash Advance thru Disbursement Voucher (DV) and forwards the same to the Executive Assistant, together with the Supporting Documents (Payroll, copy of ALOBS, etc).   |
| Executive Assistant    | 9        | Reviews the correctness of information contained in the DV as against supporting documents. DV together with SD are then forwarded to the Fiscal Controller.   |
| Fiscal Controller      | 10       | Certifies on the DV (Box A) that expense is necessary, lawful and incurred under his direct supervision. The DV is then forwarded to the Accountant  |
| Accountant             | 11       | Certifies on the DV (Box B) that supporting documents are complete and proper, and that cash is available. The DV, payroll, DTR, copy of ALOBS, etc. are then forwarded to the Executive Director.   |
| Executive Director     | 12       | Approves the DV and forward the same together with the supporting documents to the Financial Management Division   |

| Area of Responsibility | Seq. No. | Activity  |
|------------------------|----------|---|
| Accountant             | 13       | Receives the approved DV and supporting documents, prepares the Journal Entry Voucher (JEV) for the issuance of Cash Advance as indicated in the DV and forwards the same to the Fiscal Controller  |
| Fiscal Controller      | 14       | Reviews and approves the JEV and return it to the Accountant for the preparation of Check and ACIC  |
| Accountant             | 15       | Assigns a check, type in the check and Check Stub, and prepares the Advice of Checks Issued and Cancelled (ACIC), and forward the same to the Fiscal Controller   |
| Fiscal Controller      | 16       | Reviews information contained in the Check and ACIC and if found not in order, returns it to the Accountant for correction, otherwise, signs in the Check and ACIC, updates the index of payments to the individual Ledger of creditor/payee, and forward the Check, ACIC, DV, and supporting documents to the Executive Director |
| Executive Director     | 17       | Approves the ACIC and Check, and forward the same together with the DV and supporting documents to the Accountant for releasing   |
| Accountant             | 18       | Accountant forwards the ACIC to Administrative Division, and releases the check to the Executive Assistant (Acting Disbursing Officer) for encashment with the GSB and subsequently distributes the salaries/wages to employees   |
| The Secretary II       | 19       | The Secretary II delivers the ACIC to the Government Servicing Bank (GSB).  |

## 5.7 MVUC Funds Flows (Special Funds)

### 5.7.1 Fund 151 - Special Road Support Fund and Fund 153 – Special Road Safety Fund

#### 5.7.1.1.1 Collection Phase

| Area of Responsibility | Seq. No. | Activity  |
|------------------------|----------|---|
| LTO (DOTC)             | 1        | Collects the MVUC from motor vehicle owners           |
| LTO                    | 2        | Remits the collection to the Bureau of Treasury (BTr) |

| Area of Responsibility | Seq. No. | Activity  |
|------------------------|----------|---|
| BTr                    | 3        | Issues Remittance Advice to the LTO, and Certification of Deposits to the DBM copy furnish the Road Board |
| LTO                    | 4        | Furnishes the Road Board a Report of Collections and Deposits (RCD)                                       |

#### 5.7.1.1.2 Programming Phase

| Area of Responsibility    | Seq. No. | Activity   |
|---------------------------|----------|--|
| Road Program Office (RPO) | 1        | Determines the annual needs of adequate Road Maintenance and Road Safety, based on the formulated multi-year plans and programs                    |
| RPO                       | 2        | Prepares Annual Work Program and rolling Multi-year Work Program of road maintenance and submit to the Road Board Secretariat (BRS) for evaluation |
| Road Board Secretariat    | 3        | RBS evaluates the AWP and MWP, and if found ok, forwards the same to the Road Board for approval otherwise, return to the RPO for revision         |

#### 5.7.1.1.3 Release of Funds

| Area of Responsibility             | Seq. No. | Activity   |
|------------------------------------|----------|--|
| Road Board                         | 1        | Requests for Special Budgets from the Department of Budget and Management (DBM), based on the collections and deposits made during the preceding year, but in no case shall the request exceed the amount deposited with the Bureau of Treasury. |
| DBM                                | 2        | Releases the Special Allotment Release Order (SARO) and Notice of Cash Allocation (NCA) for each Special Fund to the DPWH, copy furnished the Road Board   |
| DPWH Central Office                | 3        | Releases the funds thru Sub-Allotment Advice and Notice of Transfer of Allocation (NTA) to the Implementing Units  |
| DPWH Implementing Units (ROs/DEOs) | 4        | Implementing Units submit reports of funds utilization, separate for each fund, to the Head Office for consolidation   |
| DPWH Central Office                | 5        | Submit consolidated report of fund utilization, separate for each fund, to the Road Board and other government agencies  |

| Area of Responsibility | Seq. No. | Activity  |
|------------------------|----------|---|
| Road Board             | 6        | Road Board submits consolidated reports and Financial Statements to the DBM, COA, Congress and other concerned government agencies. |

## 5.7.2 Fund 152 - Special Local Road Fund

### 5.7.2.1 Collection Phase

| Area of Responsibility | Seq. No. | Activity  |
|------------------------|----------|---|
| LTO (DOTC)             | 1        | Collects the MVUC from motor vehicle owners   |
| LTO                    | 2        | Remits the collection to the Bureau of Treasury (BTr)   |
| BTr                    | 3        | Issues Remittance Advice to the LTO, and Certification of Deposits to the DBM copy furnish the Road Board |
| LTO                    | 4        | Furnishes the Road Board a Report of Collections and Deposits (RCD  |

### 5.7.2.2 Programming Phase

| Area of Responsibility    | Seq. No. | Activity  |
|---------------------------|----------|---|
| Road Program Office (RPO) | 1        | Determines the annual needs of adequate Road Maintenance and Road Safety for Local Roads, based on the formulated multi-year plans and programs     |
| RPO                       | 2        | Prepares Annual Work Program and rolling Multi-year Work Program of road maintenance, and submit to the Road Board Secretariat (RBS) for evaluation |
| Road Board Secretariat    | 3        | Evaluates the AWP and MWP, and if found ok, forwards the same to the Road Board for approval, otherwise, return to the RPO for revision             |

### 5.7.2.3 Release of Funds

| Area of Responsibility | Seq. No. | Activity   |
|------------------------|----------|--|
| Road Board             | 1        | Road Board requests for Special Budgets from the Department of Budget and Management (DBM), based on the collections and deposits made during the preceding year, but in no case shall the request exceed the amount deposited with the Bureau of Treasury |
| DBM                    | 2        | DBM releases the Special Allotment Release Order (SARO) and Notice of Cash Allocation (NCA) for each Special Fund to the DPWH, copy furnished the Road Board   |
| DPWH and DILG          | 3        | Prepares the Memorandum of Agreement (MOA), and DPWH releases the funds thru Letter of Advice of Allotment (LAA) and Cash Advance (CA) to DILG, which the DILG may deposit the same in their Trust Fund.   |
| DILG                   | 4        | DILG remits the funds transferred to the Bureau of Treasury  |
| BTr                    | 5        | Issues Remittance Advice (Certificate of Deposits) to the DILG   |
| DILG                   | 6        | Request for release of NCA from the DBM based on the Remittance Advice   |
| DBM                    | 7        | Releases NCA to DILG.  |
| DILG                   | 8        | Releases the funds thru Letter of Advice of Allotment (LAA) and Cash Advance (Funding Check) to the Local Government Units (LGU)   |
| LGU                    | 9        | Submits report of funds utilization (liquidation report) to the DILG.  |
| DILG                   | 10       | Submits consolidated reports to DPWH - Central Office.   |
| DPWH Central Office    | 11       | Submits consolidated report of fund utilization, separate for each fund, to the Road Board and other government agencies   |
| Road Board             | 12       | Submits consolidated reports and Financial Statements to the DBM, COA, Congress and other concerned government agencies, consistent with existing rules and regulations  |

### 5.7.3 Fund 151 - Special Vehicle Pollution Control Fund

#### 5.7.3.1 Collection Phase

| Area of Responsibility | Seq. No. | Activity  |
|------------------------|----------|---|
| LTO (DOTC)             | 1        | Collects the MVUC from motor vehicle owners   |
| LTO                    | 2        | Remits the collection to the Bureau of Treasury (BTr)   |
| BTr                    | 3        | Issues Remittance Advice to the LTO, and Certification of Deposits to the DBM copy furnish the Road Board |
| LTO                    | 4        | Furnishes the Road Board a Report of Collections and Deposits (RCD)                                       |

#### 5.7.3.2 Programming Phase

| Area of Responsibility                           | Seq. No. | Activity   |
|--|----------|--|
| Vehicle Pollution Control Fund Committee (VPCFC) | 1        | Determines the annual needs of Motor Vehicle pollution control works, based on the formulated multi-year plans and programs                          |
| VPCFC  | 2        | Prepares Annual Work Program and rolling Multi-year Work Program of pollution control, and submit to the Road Board Secretariat (BRS) for evaluation |
| Road Board Secretariat                           | 3        | Evaluates the AWP and MWP, and if found ok, forwards the same to the Road Board for approval, otherwise, return to the RPO for revision              |

#### 5.7.3.3 Release of Funds

| Area of Responsibility | Seq. No. | Activity   |
|------------------------|----------|--|
| Road Board             | 1        | Requests for Special Budget from the Department of Budget and Management (DBM), based on the collections and deposits made during the preceding year, but in no case shall the request exceed the amount deposited with the Bureau of Treasury |
| DBM                    | 2        | Releases the Special Allotment Release Order (SARO) and Notice of Cash Allocation (NCA) for the Special Fund to the DOTC, copy furnished the Road Board.   |

| Area of Responsibility | Seq. No. | Activity   |
|------------------------|----------|--|
| DOTC                   | 3        | Submit consolidated report of fund utilization to the Road Board and other government agencies                                     |
| Road Board             | 4        | Road Board submits consolidated reports and Financial Statements to the DBM, COA, Congress and other concerned government agencies |

## 5.8 Financial Reporting Procedures

### 5.8.1 Internal Operation

| Area of Responsibility | Seq. No. | Activity   |
|------------------------|----------|--|
|                        | 1        | At the end of each month, Executive Assistant prepares the Cash Disbursements Report based on the approved original payrolls. The report is then forwarded to the Accountant.  |
| Accountant             | 2        | Prepares the following reports/journals:<br>a. Report of Checks Issued<br>b. Cash Disbursements Journal<br>c. Check Disbursements Journal<br>d. Cash Journal-NG Books<br>e. Cash Receipts Journal – RA Books<br>f. General Journal<br>g. Report of Accountability for Accountable Forms                          |
|                        | 3        | Copy of all journals are then distributed as follows:<br>Original - submitted to the COA together with all the supporting documents.<br>Duplicate - to the Financial Management Division, as a basis of the Fiscal Controller in posting to the GL.<br>Triplicate - retained by the one who prepared the Journal |
| Fiscal Controller      | 4        | Posts the recapitulation of each special journal to the General Ledger   |
| Accountant             | 5        | Posts the related individual transactions in each journal to the Subsidiary Ledgers  |
| Fiscal Controller      | 6        | Prepares the Trial Balance based on the General Ledger   |

| Area of Responsibility | Seq. No. | Activity   |
|------------------------|----------|--|
| Fiscal Controller      | 7        | Prepares the Financial Statements (Income Statement, Balance Sheet, and Statement of Cash Flows)           |
| Fiscal Controller      | 8        | Original copy of the financial statements to the COA, DBM, and other government agencies that may require. |

### 5.8.2 External Operation

| Area of Responsibility               | Seq. No. | Activity   |
|--------------------------------------|----------|--|
| DPWH District Offices<br>DOTC<br>LGU | 1        | Every end of the month DPWH District Offices prepares Trial Balance, each for Fund 151 – Special Road Support Fund, Fund 153 – Special Road Safety Fund, DOTC prepares Trial Balance for Fund 151 – Special Vehicle Pollution Control Fund, and LGUs prepares Trial Balance for Fund 152 – Special Local Road Fund |
| DPWH District Offices<br>LGU         | 2        | DPWH District Offices submits its Trial Balances to the DPWH Regional Offices for consolidation. LGUs likewise submits its Trial Balance to DILG Central Office for consolidation  |
| DPWH Reg'l Offices<br>DILG           | 3        | DPWH Regional Offices then consolidates Districts Trial Balances and forwards the same to the DPWH Central Office for consolidation. DILG also consolidates Trial Balances of LGUs and forwards the same to the DPWH Central Office for consolidation  |
| DPWH Central Office<br>DOTC          | 4        | DPWH Central Office then consolidates Trial Balances from Regional Offices (Fund 151-SRSuF and Fund 153-SRSaF) and DILG (Fund 152-SLRF) and forwards the same to the Road Board. Likewise, DOTC submits Trial Balance (Fund 151-SVPCF) to the Road Board and forwards the same to the Road Board.                  |

| Area of Responsibility | Seq. No. | Activity   |
|------------------------|----------|--|
| Road Board Secretariat | 5        | Consolidates Trial Balances and prepares Financial Statements (Balance Sheet, Statement of Income and Expenses, and Statement of Cash Flows) for all of the following MVUC funds:<br>DPWH Fund 151 – Special Road Support Fund<br>DPWH Fund 152 – Special Local Road Fund<br>DPWH Fund 153 – Special Road Safety Fund<br>DOTC Fund 151 – Special Vehicle Pollution Control Fund<br>Road Board Fund 101 – Regular (Operating Fund for Road Board/Secretariat) |
| Road Board Secretariat | 6        | Road Board Secretariat then submits the financial statements to the Road Board, the DBM, COA, Congress, Senate, and other concerned government agencies  |

**6.0 PENALTY CLAUSE**

Any violation and non-compliance of these policies shall subject the government official or employee concerned to administrative, civil and/or criminal sanction under Section 43 of Chapter 5, Section 57 of Chapter 6 and Section 80 of Chapter 7, Book VI of E.O. No. 292.

**7.0 SAVING CLAUSE**

- 7.1 Cases not covered by the provisions of this Order shall be referred to the Financial Management Division of the Road Board Secretariat, for appropriate action.
- 7.2 Any policy provided herein that is in consistent with the existing laws, budgeting, accounting, and auditing rules and regulations shall be deemed null and void.

**8.0 EFFECTIVITY**

This Order shall take effect immediately.

  
**REMEDIOS G. BELLEZA**  
 Executive Director