TERMS OF REFERENCE

(Research Assistance to the Study on Utilization and Impacts of the Road Users’ Tax in the Philippines)

Research Specialist

I. BACKGROUND AND RATIONALE

As an additional source of financing the enormous costs of transport infrastructure projects in the country, the Motor Vehicle User’s Charge (MVUC), otherwise known as the Road Users’ Tax, was introduced in 2001. Under Republic Act (RA) 8794 (An Act Imposing a Motor Vehicle User's Charge on Owners of All Types of Motor Vehicles and for Other Purposes), “all monies collected shall be earmarked solely and used exclusively (1) for road maintenance and the improvement of road drainage, (2) for the installation of adequate and efficient lights and road safety devices, and (3) for air pollution control” (Section 7 of RA 8794). Through the MVUC, road users contribute to transport sector development as the tax they pay supplement the government funds for the three mentioned objectives.

The MVUC is integrated in the annual registration fees being collected by the Land Transportation Office from vehicle owners. The monies collected are then placed, in accordance with RA 8794, in four special trust accounts in the National Treasury and are distributed as follows: (1) Special Road Support Fund, 80%; (2) Special Road Safety Fund, 7.5%; (3) Special Vehicle Pollution Control Fund, 7.5%; and (4) Special Local Road Fund, 5%. Projects funded by the Special Road Support Fund, Special Local Road Fund and Special Road Safety Fund are under the responsibility of the Department of Public Works and Highways, whereas projects funded by the Special Vehicle Pollution Control Fund is under the responsibility of the Department of Transportation and Communication.

As provided by law, 70% of the Special Road Support Fund shall be used for maintenance, and the improvement of drainage of national primary roads. The remaining 30% shall be allocated and used for maintenance and improved drainage of national and secondary roads in the country. With respect to the installation of adequate traffic lights and road safety devices, funds shall be drawn from the Special Road Safety Fund. The Special Vehicle Pollution Control fund shall be used for projects mitigating the effects of air pollution, whereas the Special Local Road Fund shall be apportioned to provincial and city governments depending on vehicle population and size of road network. The maintenance requirements of local roads, including traffic management and safety devices for such roads, shall be sourced from the Special Local Road Fund.

To oversee the prudent management and utilization of the four special funds, the Road Board was organized and specifically mandated to ensure that the special funds are used
solely for the purposes defined by RA 8794. The Board is composed of seven members with the DPWH Secretary as the ex-officio head and the secretaries of DOF, DBM, and DOTC as ex officio members. The three remaining members come from transport and motorist organization which have been in existence for the last five years prior to the passing of the law.

The utilization of the MVUC, however, is replete with issues. A Commission on Audit (COA) report in 2009 detailed some irregularities and deficiencies in the use of the special funds. ¹ Reports also surfaced that the MVUC was added to the Priority Development Assistance Fund or “pork barrel” of lawmakers. ²

It should be noted that the use of the MVUC funds has not been assessed since its establishment. Thus, a study regarding the collections, releases and utilization of the MVUC is necessary in order to derive insights on the: (i) status of the funds; (ii) whether or not they are faithfully used for their intended purposes; (iii) whether or not the mechanism for allocating the funds for the different uses is still valid or appropriate; and (iv) how effective the Road Board’s process is in prioritizing the projects for MVUC funding. It is also timely to evaluate the impacts of MVUC-funded programs and projects to Filipinos and whether or not the objectives—in terms of adequate maintenance and road drainage, adequate and efficient safety devices, and reduced air pollution control—of the MVUC scheme are achieved.

II. OBJECTIVES

Given the issues discussed above, the study aims to assess and recommend improvements to the entire process of the Motor Vehicle Users’ Charge (MVUC) funds utilization and derive evidence on the impacts of the programs and projects funded by the MVUC funds. Thus, the study will have two main components—a process evaluation and an impact evaluation.

The following are the specific objectives of each component:

Process Evaluation

a. To assess the effectiveness of the MVUC scheme by investigating whether or not the funds are used for their intended purposes;

b. To determine conditions and safeguard that have to be put in place in the use of the funds;


c. To determine how greater transparency and accountability can be induced in the use of the funds.

**Impact Evaluation**

a. To evaluate the impacts of the MVUC scheme by gathering evidence on the programs and projects under the four special funds; and

b. To help build the capacity of the government in conducting impact evaluation for road transport projects.

In order to meet these objectives, the study will need one Research Consultant to undertake the two component studies and one Research Specialist to assist the Consultant.

**III. REVIEW OF LITERATURE**

In a study entitled *Meeting Infrastructure Challenges*, the World Bank (2005) documented that there is underinvestment in road networks in the country.\(^3\) One of the mechanisms in place to increase government contribution to road network development is the MVUC. According to the study, the experience in other countries is that the road users in general are willing to pay more if there is a direct link between the payment and the assurance of benefits from better services.

COA reports on MVUC utilization also augment the formal literature on road users tax in the Philippines. The COA in its reports has documented the problems with MVUC utilization. In its 2009 report, the COA suggested that the Road Board refrain from using the MVUC to fund projects that are not considered as priorities and ensure that the funds are not used by implementing agencies as additional funding for their administrative and support operations. It also recommended that the DOTC facilitate the formulation of criteria for funds allocation and that the LTO ensure that collecting officers are able to deposit their full collections within the period prescribed by the law.\(^4\)

The problems recurred and were once again documented in the 2011 COA report on the MVUC. The COA found that the Road Board allocated a mere 1.7% of the funds in 2011 for pollution control—substantially below the 7.5% yearly allotment mandated by the law. Aside from underperforming in its pollution control mandate, the COA report stated that the Road Board’s poor evaluation standards resulted in misallocation of funds, overstatement of project costs and, eventually, inadequate quality of road maintenance.\(^5\)

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\(^4\) Commission on Audit. (2009).

At present, the Senate Public Works Committee of the 16th Congress is in the process of probing the utilization of the road user’s tax. The Committee has requested the Road Board, the DOTC and the DPWH to provide a detailed report of the expenditures from the MVUC. Based on the most recent panel investigation, only Php 10.2 billion remains as of 2012 from the total Php 90.7 billion collections, which accumulated from the time the LTO collected the tax in 2001.6

IV. QUALIFICATIONS OF THE RESEARCH SPECIALIST

The Research Specialist should have the following qualifications:
- Bachelor’s degree relevant to the job
- Desirable Qualifications: with research interests in road transport, impact evaluation studies, and other infrastructure-related fields.

V. SCOPE OF WORK

As findings surface from the process evaluation for the MVUC scheme, these must be used in the conduct of the impact evaluation. Similarly, as findings surface from the impact evaluation, which should present at least four case studies (one for each special fund), these must be used in the process evaluation. Thus, the process evaluation and impact evaluation must be conducted in an integrative way. Further, an integrative report should be prepared using the findings of the two component studies and the study must come up with clear recommendations for government action.

Specifically, the following deliverables must be contained in specific sections of the study:

a. Report on the assessment of how the MVUC was used in the past and if there is orientation and prioritization on the uses, if any;

b. At least four case study reports on the conduct of the impact evaluation and the evidences gathered;

c. Report on how transparency and accountability in the use of MVUC may be enhanced;

d. Report on the conditions and safeguards that have to be put in place to ensure that funds are used appropriately;

e. Report on the feasibility of hiring community organizations/LGUs to undertake road maintenance, as has happened in other countries, and the prospects for this mode of implementation in the Philippines;

f. Report on the recommended best policy options to enhance the use of the funds for road maintenance and other purposes, as provided by law; and

g. As annex to the study, the design and work plan for the training on road project impact evaluation.

The Research Specialist is expected to support the Consultant in the conduct of study and the delivery of outputs. In particular, the tasks of the Research Specialist include:

a. Collate and update relevant data relating to the research project;

b. Undertake preliminary studies on the research project under the guidance and supervision of the principal consultant;

c. Provide support to the principal consultant in the conduct of the process evaluation and impact evaluation studies, including in the conceptual and methodological aspects of the project;

d. Assist in the coordination for and actual conduct of field visits, seminars and training;

e. Coordinate with PIDS staff for the administrative and financial matters pertaining to the study;

f. Prepare the monthly progress reports and other necessary write-ups for the research project as well as the abstracts of the finished studies under the guidance and supervision of the principal consultant;

g. Assist the principal consultant in the preparation of the integrative report; and

h. Perform other professional and technical duties and responsibilities that the principal consultant may assign from time to time in order to meet the study’s objectives.

The following is the project timetable:

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<th>2014</th>
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<td>Q1</td>
<td>Q2</td>
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<tr>
<td><strong>Utilization of the Road Users’ Tax</strong></td>
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<td>Concept Note on approaches, methodologies, and work plan</td>
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<td>Field Visits</td>
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<td>4 Case Studies (1 case study per quarter)</td>
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<td>First Draft of the Study</td>
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<td>Seminar - Presentation of Study Results</td>
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<td>Final Draft of the Study</td>
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<td>Impact Evaluation Training</td>
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VI. SCHEDULE OF PAYMENT RELEASES

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<td>30,000</td>
<td>Upon submission of Inception Report on or before August 30, 2014, acceptance and approval of PIDS</td>
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<tr>
<td>30,000</td>
<td>Upon submission of 1st Progress Report on or before September 30, 2014, acceptance and approval of PIDS</td>
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<tr>
<td>30,000</td>
<td>Upon submission of 2nd Progress Report on or before October 30, 2014, acceptance and approval of PIDS</td>
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<td>30,000</td>
<td>Upon submission of Draft Report, turn over of data used, on or before December 15, acceptance and approval of PIDS</td>
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VII. PROPOSED PROJECT DURATION

The proposed project duration for this contract is four months (August 15, 2014 - December 15, 2015).

VIII. PROPOSED PROJECT COST

The estimated cost of Research Specialist’s services is Php120,000 for three (3) person-months spread over four (4) months. This does not include the cost of field visits, seminars and trainings, which will be shouldered by PIDS.