

# Looking at the Performance Challenge Fund and Seal of Good Local Governance

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## through the Lens of Municipal Governments

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Philippine Institute for Development Studies  
*Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas*

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## Introduction and Outline

- Conducted as part of the Baseline Study on Fiscal and Governance Gaps in Municipalities
- Results of the survey of 1,373 municipalities showed:
  - In 2017, there was at least a PhP166.9B fiscal gap for municipal roads, primary evacuation centers and rural health units.
  - For development planning, there is a need to update local plans for more than half as well as strengthen the identification, prioritization and monitoring and evaluation of investment programs.

### OUTLINE

1. Definitions, research questions and objectives
2. Scope and methodology
3. Results/Findings
4. Recommendations



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## The Performance Challenge Fund (PCF)

- Performance-based incentive program that gives financial subsidies to local government units (LGUs) that are awarded the Seal of Good Local Governance.
- Evolved in coverage and eligibility criteria since its introduction in 2010.

## The Seal of Good Local Governance (SGLG)

- Took the place of the Seal of Good Housekeeping in 2014.
- Symbolizes integrity and good performance of local governments.
- A progressive performance management system that focuses on:
  - ✓ LGU Capacity (ability to deliver): Structure, System, Mechanisms, Plans and Budgets
  - ✓ Governance Principles: Transparency, Participation and Accountability.
  - ✓ LGU Performance: Accomplishment of plans, Fund utilization and Frontline service delivery
- Recently passed, SGLG Act of 2019 (R.A. 11292) institutionalizes this program and budgetary allocations through the SGLG Incentive Fund.

## Research Questions and Objectives

### Research Questions:

- How do municipalities perceive the Performance Challenge Fund and the Seal of Good Local Governance?
- Are there trends in the characteristics or behavior of recipient/non-recipient municipalities?

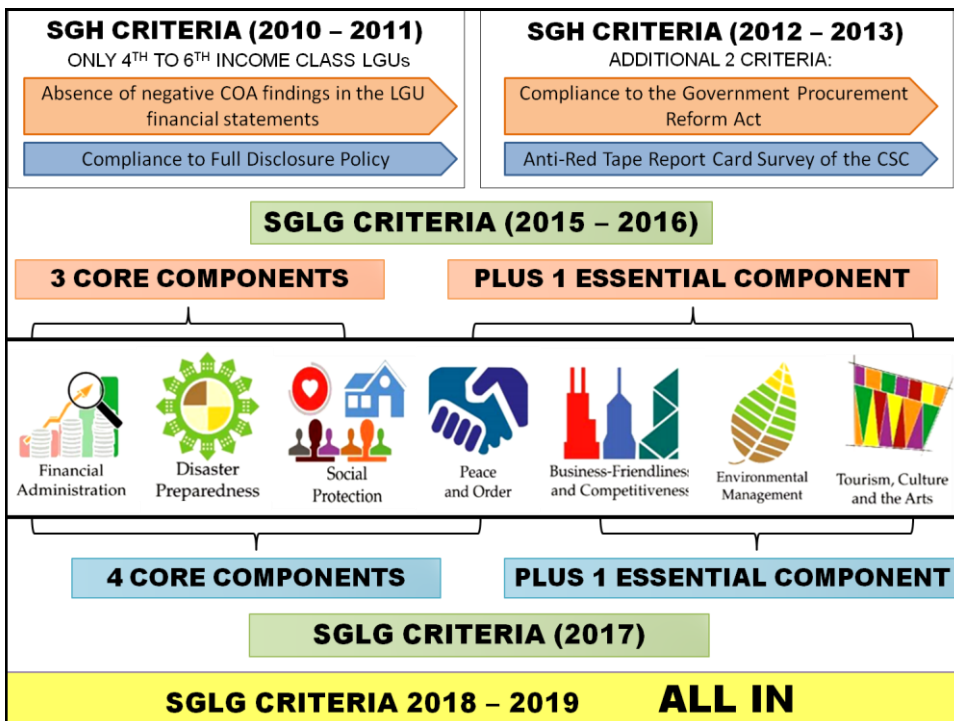
### Objectives:

- Gather perceptions of municipal government officials of the PCF and the SGLG.
- Profile characteristics of recipient/non-recipient local governments.

## Methodology, Data and Limitations

- Mixed methods approach –
  - Descriptive research design, desk review and analysis
  - Used primary data from the LGSFAM Baseline Study survey of municipalities and secondary data from national government sources.
- Focus on:
  - Awareness of the PCF
  - Effect of the PCF on drafting local vision/mission, plans and budgeting
  - Perceptions on the success of or challenges with the PCF

# PCF and SGLG Timeline

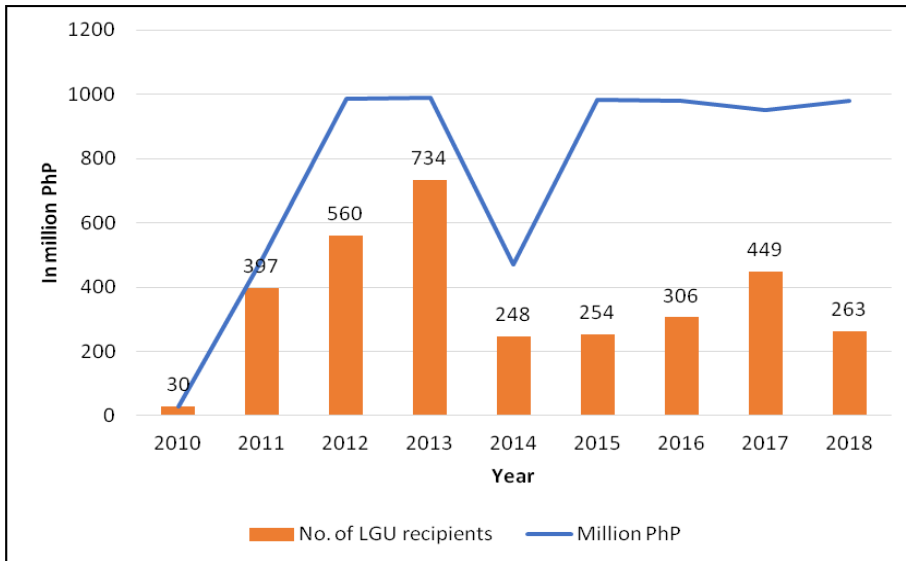


# Governance Assessment Report

GOVERNANCE ASSESSMENT REPORT		
Municipality of _____		
CORE COMPONENTS		
<b>Financial Administration</b>		
1	Qualified or Unqualified COA opinion plus 30% of recommendation acted upon	●
2	Compliance with Full Disclosure Policy	●
3	5% increase in local revenue growth	●
4	Functional Local Development Council	●
5	Fund utilization or completion of NGA-supported capital investment projects	●
5.1	Utilization of the 20% component of IRA for development projects	●
5.2	Full utilization or completion of projects funded by Performance Challenge Fund	●
5.3	Full utilization or completion of projects funded by Assistance to Municipalities	●
6	Annual budget approved within the prescribed period	●
<b>Disaster Preparedness</b>		
7	National Gawad KALASAG awardee for Best LDRRMC, OR	●
	Meets the following:	●
8	Organized local disaster risk reduction and management council	●
9	Established local disaster risk reduction and management office	●
10	Plans available & funds utilized - CLUP, LDRRM plan & budget, CEDRRMP, LCCAP, Contingency Plan, LDRRMF utilization rate	●
11	Early warning system in place	●
12	Evacuation center management	●
13	Search and rescue team organized, equipped, and trained	●
14	Prepositioning of registration, relief operations, medical and security services	●
15	Standard Operating Procedures available: incident command system, operations center, pre-emptive evacuation ordinance	●
<b>Social Protection</b>		
16	PhilHealth accreditation of a health facility for:	●
16.1	Primary care benefits	●
16.2	TB-detection and treatment services	●
16.3	Maternal care package	●
17	Compliance with accessibility law	●
18	Compliance with indigenous people mandatory representation in the sanggunian	●
19	Licensed city/municipal social welfare and development officer	●
20	Presence of gender and development mechanism	●
21	Absence of illegal dwelling units/structures, or efforts for resettlement of informal settlers	●
22	Seal of Child-friendly Local Government awardee	●
23	DepEd-aligned local school board plan and target completion rate reached	●
24	Presence of a mechanism on violence against women and children	●
25	Updated city/municipal code for children	●
26	Full utilization of funds or completion of Salitubig Project	●



# PCF Statistics



## Existing studies on the PCF

- World Bank and AUSAid (2012) conducted a rapid assessment of the 2011 SGH and PCF program. They found:
  - while LGUs appreciated the financial assistance from the PCF,
  - the potential benefits were likely weakened by the ineffective communication and information dissemination.
- Medina-Guce (2019) found
  - Overall LGU performance improved in 2014 to 2016 when LGUs were assessed with relatively the same criteria.
  - But there was a downward trend of provincial, municipal and highly-urbanized performance and upward trend for component and independent component cities attributed to differences in the level of difficulty of the assessment criteria per LGU type
  - Differences in the general learning retention ability among local government levels.

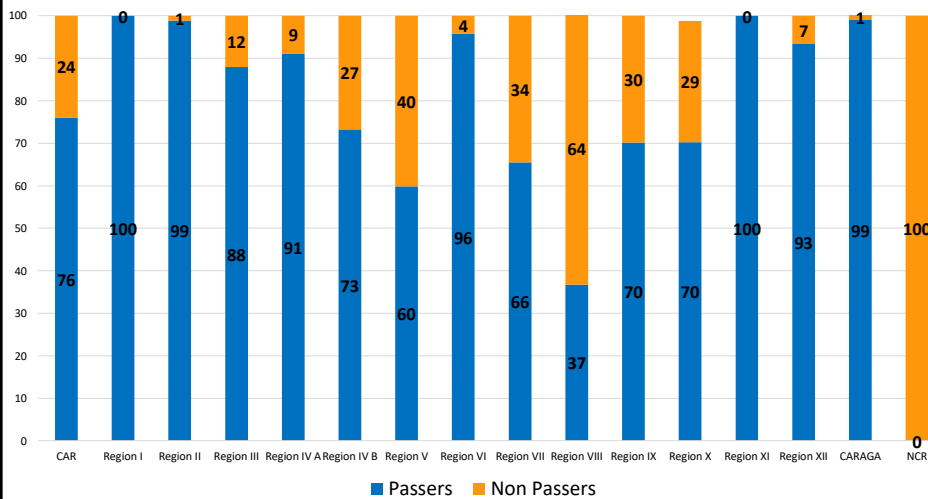
## Results of the Baseline Study Survey

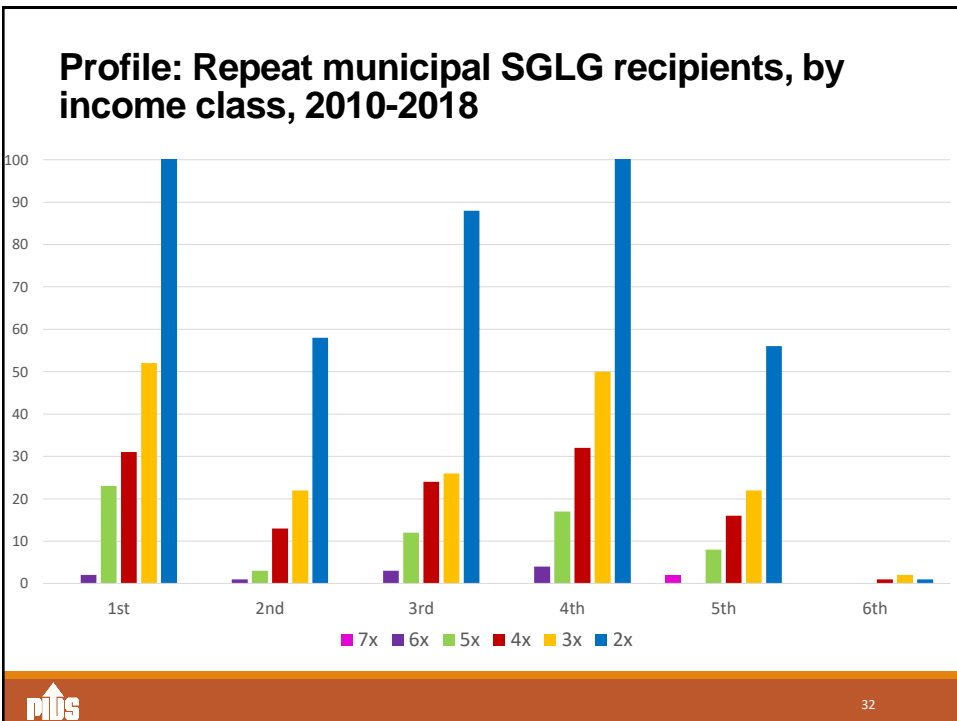
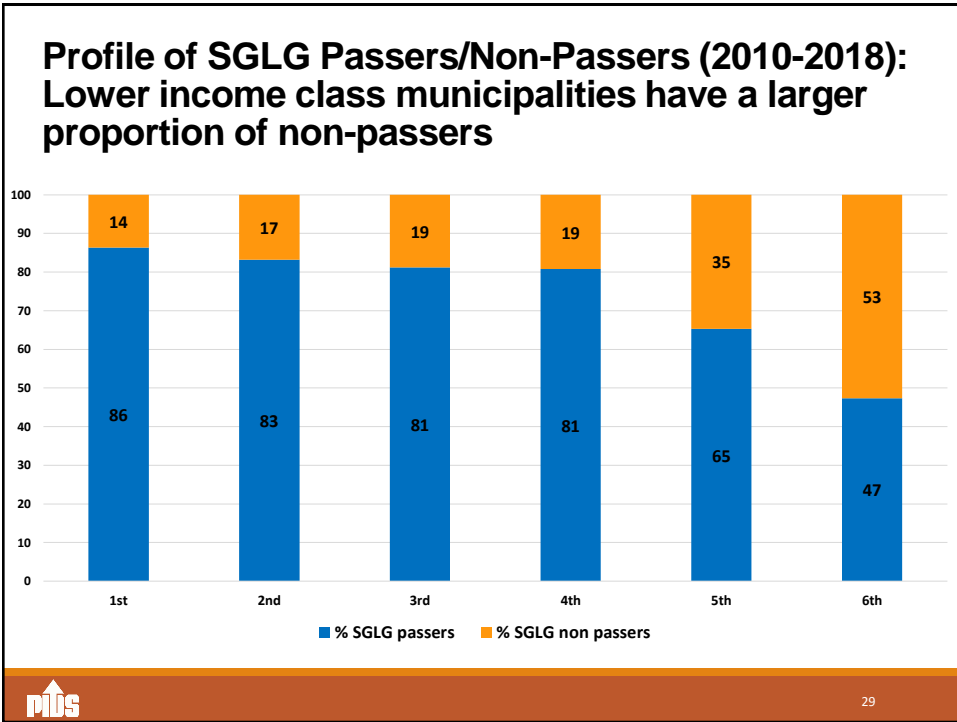
## Does SGLG criteria affect municipal vision, goals & policy?

- About 73% of municipalities claim that the SGLG criteria affect the identification of vision, policy options, goals, objectives and priorities of the municipalities.
- About 8.4% claim existing vision, policy options, goals, objectives and priorities were already aligned.
- Another 8.6% say they have other priorities, standards that respond to the needs of its constituents/communities and sometimes are irrelevant.



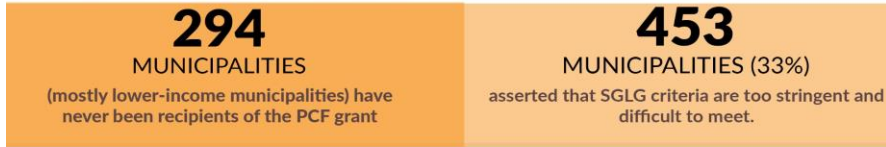
### Profile of SGLG Passers/Non-Passers: Bicol, Central and Eastern Visayas have the largest proportion of non-passers



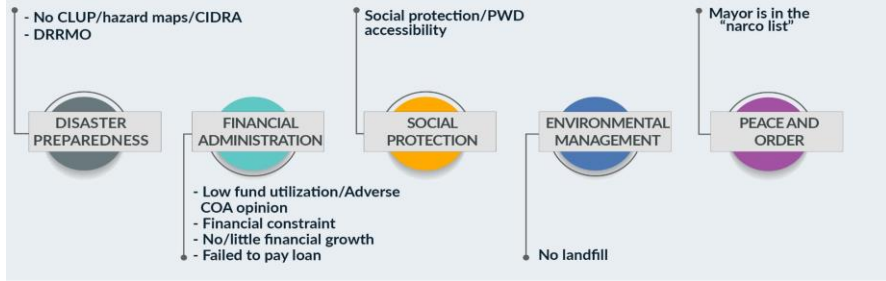




## Why some municipalities are left behind?



### Reasons given in the survey were:



### OTHER REASONS:

- Unfilled mandatory position
- Busy in other projects
- Not aware/little knowledge of the PCF



## The PCF as a Source of Financing and its' Perceived Purpose



The remaining **8% (103) municipalities** did not give an answer.



## Summary of Findings: Evolution of the PCF & the SGLG

Evident **desire to improve the implementation of the PCF, SGH/SGLG** by learning from challenges faced such as:

- balancing **incentivizing poorer LGUs and ensuring the utilization of the PCF facility** by relaxing some preconditions;
- encourage continuing improvements in transparency, accountability and local governance by adding additional criteria in performance evaluation but considering the varied capacity of LGUs to comply; and,
- addressing **administrative/procedural concerns to facilitate fund utilization.**

## Summary of Findings: Survey results

- Poorer municipalities are a larger proportion of SGLG non-passers that are consequently ineligible for the PCF
- Repeat SGLG recipients come mostly from the 1<sup>st</sup> to 4<sup>th</sup> income classes
- Bicol, Eastern Visayas and Central Visayas regions have more than 30 percent of their municipalities as non-passers of the SGLG
- The lack of plans (DRR/CDP) were identified as one of the main reasons for not passing.

## Recommendations: Objectives

With the institutionalization of these programs in the SGLG Act of 2019, it is the opportune time to consider other aims and rethink the incentive structure of this program. Clearly, the overall objective is to recognize good LGU performance but:

- If it is **to reward the best or be an aspiration**, then progressively adding criteria or increasing benchmarks would satisfy this
- If it is **to ensure that no LGU is left behind**, then there should be focus on LGUs that have never received the SGLG. Perhaps, part of the SGLG fund could be allocated specifically for the laggard LGUs though carefully balancing the disincentive effects of such.

## Recommendations: Incentivizing and Institutionalization

- In incentivizing performance, the current design translates into a smaller grant amount per recipient with an increase in the number of passers because of a fixed budget.
- At the same time, the evidence of a larger proportion of ineligible LGUs being poorer and more predominant in certain regions would suggest expanding the differentiation of criteria or benchmarks for these LGUs.
- Inconsistent performance of SGLG recipients are another concern because of claims of some LGUs to not know of the facility or having of different priorities. Information campaigns must be considered by the SGLG Council to institutionalize this.

## Recommendations: Capacity-building

- Implement the correctly directed **Sec. 13** that “concerned national government agencies should provide technical assistance for **capacity-building for identified gaps of LGUs which have not qualified for the SGLG award.**”
- These capacity-building programs should not just create awareness and concrete steps to addressing the identified gaps, but also **highlight the importance of the objective of continuously improved governance and its link to the development of the LGU** over and above the perceived difficulty in receiving the Seal.



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# Thank you!

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