

RESEARCH PAPER SERIES NO. 2021-03

Process Evaluation of the Performance-Based Bonus Scheme

Jose Ramon G. Albert
Ronald U. Mendoza
Janet S. Cuenca
Gina A. Opiniano
Jennifer D. Monje
Michael A. Pastor
Mika S. Muñoz

Research Paper Series No. 2021-03

Process Evaluation of the Performance-Based Bonus Scheme

*Jose Ramon G. Albert, Ronald U. Mendoza,
Janet S. Cuenca, Gina A. Opiniano, Jennifer D. Monje,
Michael A. Pastor, and Mika S. Muñoz*



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

Copyright 2021

Published by
Philippine Institute for Development Studies

Printed in the Philippines. Some rights reserved.

The views expressed in this paper are those of the authors and do not necessarily reflect the views of any individual or organization.

Please address all inquiries to:

Philippine Institute for Development Studies
18th Floor, Three Cyberpod Centris - North Tower
EDSA corner Quezon Avenue, 1100 Quezon City
Telephone: (63-2) 8877-4000
Fax: (63-2) 8877-4099
E-mail: publications@mail.pids.gov.ph
Website: <https://www.pids.gov.ph>

This research paper is under the Creative Commons Attribution Noncommercial License. It shall not be used for commercial purposes. Anyone can use, reuse, distribute, and build upon this material as long as proper attribution is made.

ISSN 1908-3297
ISSN 2508-0830 (electronic)
RP 05-21-600

Editorial and production team:

Sheila V. Siar, Gizelle G. Manuel, Carla P. San Diego, Rejinel G. Valencia,
and Maryam P. Tubio

Table of Contents

List of tables, figures, and annexes	v
List of acronyms	vii
Abstract	xi
Introduction	1
Review of related literature	4
Overview of the PBB scheme and its design	14
PBB description and objectives	14
Institutional arrangements	16
Program design	18
Expenditures and financing	32
PBB implementation	34
National government agencies and attached agencies, government-owned and -controlled corporations, other executive offices, and constitutional commissions	34
State universities and colleges	45
DepEd schools	62
Conclusion and policy recommendations	84
National government agencies	85
State universities and colleges	87
DepEd schools	89
References	96
Annexes	99
The Authors	103

List of Tables, Figures, and Annexes

Table	
1	Evolution of eligibility requirements (good governance conditions) 22
2	Evolution of eligibility requirements (general administrative support services) 22
3	Evolution of eligibility requirements (support to operations) 22
4	Evolution of eligibility requirements (physical targets) 23
5	PBB requirements and validating agency 23
6	Basis for prorated PBB 26
7	Ranking of bureaus, 2012–2013 28
8	Ranking of individuals, 2012 29
9	Ranking of individuals, 2013 29
10	Ranking of bureaus, 2014–2015 30
11	Ranking of bureaus, 2014–2015 30
12	Ranking of individuals, 2014–2015 31
13	Ranking of bureaus, 2016–2018 31
14	Rates of incentives, FY 2012–2015 31
15	Rates of incentives, FY 2016–present 32
16	Branches of government and their various departments 35
17	Constitutional commissions and GOCCs 37
18	SUC Presidents' PBB eligibility in 2014 51
19	SUC Presidents' PBB eligibility in 2016 51
20	Incentives in other SUCs 60
21	School-level ranking for 2012 PBB in points 67
22	Weight of key performance indicators of schools in points (2012–2018) 71
23	Division-level ranking for 2012 PBB in points 72
24	Weight of key performance indicators of SDOs in points (2012–2018) 74
25	Summary of main findings and recommendations 93

Figure

1	Results-Based Performance Management System Framework	2
2	Inter-Agency Task Force on Harmonization of Performance Management Systems	17
3	Harmonized system of performance reporting and evaluation	17
4	The PBB cycle	18
5	Phases of RBPMS implementation	20
6	Evolution of PBB criteria and conditions	21
7	Performance-based appropriations, 2012–2018	32
8	Government entities by eligibility, 2012–2018	33
9	Bureaucracy for the PBB scheme in state universities and colleges	46
10	Cascading of MFOs, KRA, and performance indicators and their inclusion in SPMS	47
11	Organizational structure of the board of regents or trustees based on RA 8292	55
12	Cascading of MFOs, KRA, and performance indicators and their inclusion in the SPMS	57
13	Relationship of quality assurance mechanisms	59
14	Framework for Results-Based Performance Management System	63
15	PBB process flow, 2015	77

Annex

1	Regional-level ranking for 2012 Performance-Based Bonus in points	99
2	Weight of key performance indicators of regions in points: 2012–2017	100
3	Central-level ranking for 2012 Performance-Based Bonus in points	101
4	Weight of key performance indicators of central offices in points: 2012–2017	102

List of Acronyms

ABM	accountancy, business, and management
AACUP	Accrediting Agency of Chartered Colleges and Universities in the Philippines
AO	Administrative Order
ALS	Alternative Learning System
APCPI	Agency Procurement Compliance and Performance Indicators
APP	Annual Procurement Plan
BAC	Bids and Awards Committee
BOR/BOT	board of regents or trustees
BED	budget execution document
BHROD	Bureau of Human Resources and Organizational Development
CESB	Career Executive Service Board
CoE	center of excellence
CoD	center of development
COPC	certificate of program compliance
CMO	CHED Memorandum Order
CSC	Civil Service Commission
CNA	collective negotiation agreement
COA	Commission on Audit
CHED	Commission on Higher Education
DBM	Department of Budget and Management
DepEd	Department of Education
CO	central office
DOF	Department of Finance
DAP	Development of Academy of the Philippines
DO	division office
D-PRECs	division performance and review evaluation committees
EBEIS	Enhanced Basic Education Information System

EO	Executive Order
FY	fiscal year
FGD	focus group discussion
FOI	Freedom of Information
GASS	general administrative and support services
GAA	General Appropriations Act
GSA	general scholastic aptitude
GCG	Governance Commission for GOCCs
GOCC	government-owned and -controlled corporation
GPPB	Government Procurement Policy Board
IPCR	Individual Performance Commitment and Review
IT	information technology
ISA	institutional sustainability assessment
KII	key informant interview
KPI	key performance indicator
KPP	key program/project
KRA	key result area
LSB	local school board
MFO	major final output
MC	Memorandum Circular
MPBF	Miscellaneous Personnel Benefits Fund
MOOE	maintenance and other operating expenses
MOV	mode of verification
MPS	mean percentage score
NAT	national achievement test
NBC	National Budget Circular
NCR	National Capital Region
NCC	National Competitiveness Council
NEDA	National Economic and Development Authority
NGA	national government agency
N-PRECs	national performance and review evaluation committees
OES	Office of the Executive Secretary

OPCR	Office Performance Commitment and Review
OPCRF	Office Performance Commitment and Review Form
OPIF	Organizational Performance Indicator Framework
PBIS	performance-based incentive system
PBB	Performance-Based Bonus
PIB	performance-informed budgeting
PMC	Performance Management Committee
PMT	performance management team
PREC	performance and review evaluation committee
PRP	performance-related pay
PhilGEPS	Philippine Government Electronic Procurement System
PIDS	Philippine Institute for Development Studies
PHIVIDEA	Philippine Veterans Investment Development Corporation Industrial Authority
PSALM	Power Sector Assets and Liabilities Management
PMS	Presidential Management Staff
PEI	Productivity Enhancement Incentive
QS	Quacquarelli Symonds
QA	quality assurance
RO	regional office
R-PRECs	region performance and review evaluation committees
RBPMS	Results-Based Performance Management System
SDO	schools division office
SDS	schools division superintendent
SUCs	state universities and colleges
SALN	Statement of Assets, Liabilities, and Net Worth
SPMS	Strategic Performance Management System
SARDO	students at risk of dropping out
STO	support to operations
UP	University of the Philippines

Abstract

Since the adoption of the Performance-Based Bonus (PBB) scheme in 2012, its effectiveness, particularly its impact on agencies' reform efforts and public sector employees' motivation and productivity, has not been examined. The Department of Budget and Management (DBM) deems it critical to study the effect of PBB on whole-of-government efforts to boost productivity and push reforms, as well as government employees' individual and team-level motivations and productivity. DBM wishes to determine whether PBB is achieving its design objectives and whether it is worth pursuing, given its budgetary implications. However, prior to an impact evaluation, it is important to undertake a process evaluation, which could help clarify whether and to what extent PBB has worked as planned. In this regard, this study examines the extent to which the PBB design has been executed and identifies implementation deficits, if any, particularly taking note of the bottlenecks and challenges encountered by government agencies in meeting the conditions to qualify for PBB. It also presents initial data on the possible effects of PBB on at least three levels: (a) agency-wide incentive effects, (b) team-level collaboration effects, and (c) individual staff-member incentive effects. This study finds mixed results on these three main channels of PBB impact. It recommends a general review of the main policy objectives of this reform. It also identifies several concrete reforms that could help sharpen PBB moving forward.

Introduction

In 2012, the government adopted a performance-based incentive system (PBIS) for employees under the executive branch by virtue of Executive Order (EO) 80. The system was developed to “motivate higher performance and greater accountability in the public sector and ensure the accomplishment of commitments and targets under the five key result areas (KRAs)” as specified in EO 43, series of 2011, and the *Philippine Development Plan 2011–2016*.

PBIS consists of the Productivity Enhancement Incentive (PEI) and the Performance-Based Bonus (PBB). The former is an across-the-board bonus given to all employees for their contribution to the realization of government’s commitments. Meanwhile, the latter is a top-up bonus for groups and individuals who have contributed the most to the accomplishment of department/agency/government-wide performance. The guiding principles for both PEI and PBB are (a) simple, credible, and easy to implement system; (b) flexible and transparent mechanism for all agencies; (c) gradual transformation of other incentive schemes into performance-based; and (d) refinement and continuous improvement.

PBIS should also be seen in the context of the Results-Based Performance Management System (RBPMS), the single performance management system for the whole of the executive branch (Figure 1) established through Administrative Order (AO) 25, series of 2011.¹

As early as 2000, the Philippine government has sought to heighten accountability for results through performance and budget reforms. It started with the development of a unique model of performance-based budgeting known as the Organizational Performance Indicator Framework (OPIF). An OPIF book of outputs was developed in 2009.

Since the adoption of the PBB scheme in 2012, its effectiveness, particularly its impact on public sector employees’ motivation and productivity, has not been examined. The Department of Budget and Management (DBM) deemed it critical to study the effect of PBB on government employees’ motivation and productivity. DBM wanted to determine whether PBB is achieving its design objectives and whether it is worth continuing, given its budgetary implications. When it was first proposed, PBB was partly meant to augment government salaries

¹ With the introduction of AO 25 in 2011, an Inter-Agency Task Force was formed to harmonize the national government performance monitoring and information system in line with the administration’s thrust to raise transparency and accountability in governance.

Figure 1. Results-Based Performance Management System framework



PDP = Philippine Development Plan; BSC = balanced scorecard compensation
Source: AO 25 Secretariat (2019)

(while the government was still preparing to increase public sector wages in phases). With the last phase of the salary increases implemented in 2019, it was deemed important to perform an impact evaluation of the PBB scheme. However, before an impact evaluation, it is important first to undertake a process evaluation, which seeks to answer whether PBB has worked as planned. The study thus answered the following questions:

1. How effectively has the PBB been implemented across the years?
2. What are the gaps between planned and realized outcomes of the PBB?
3. Is there a hierarchy of program objectives (e.g., macro/agency, meso/team, and micro/individual level effects)? If so, what is the relationship among the program objectives?

Answering the first question entailed an examination of the extent to which the PBB design has been executed. On the other hand, the second one involved identifying implementation deficits, if any, particularly taking note of issues and challenges encountered by government agencies/units in meeting the conditions to qualify for the PBB. The last question sought to clarify and frame the varied objectives attached to the program, either by the interagency task force commissioned to roll it out or the various agencies and units that have implemented this program.

The first cluster of study respondents was composed of 70 government employees from national government agencies (NGAs), government-owned and -controlled corporations (GOCCs), and constitutional commissions. These agencies are all located in the National Capital Region (NCR). The respondents are composed of focal point persons and program managers for the key informant interviews (KII) and rank-and-file personnel for the focus group discussions (FGDs). Around 70 percent of the respondents for both KII and FGD were female, while 30 percent were male. All 70 respondents were college graduates, 28 percent of them having master's degrees. The respondents had varying years of service in government, ranging from 1 to 45 years. In terms of age, 21 percent of the respondents were in their 20s, 25 percent in their 30s, 14 percent in their 40s, 30 percent in their 50s, and 10 percent were in their 60s.

The second cluster consisted of 107 staff from the Commission on Higher Education (CHED) and faculty and nonteaching staff from state universities and colleges (SUCs). The SUCs were from NCR and Regions V, VII, and X, 50 percent of which were national or regional centers. One in every five respondents (20%) were teaching staff, while 32 percent were nonteaching staff. The remaining 48 percent were employees simultaneously doing teaching and administrative work. Most of the informants were tenured faculty members and permanent administrative staff, with a small number of untenured faculty members at 4 percent.

The remaining study respondents were composed of 127 staff and teachers from the Department of Education (DepEd) in NCR and Regions V, VII, and X. Females (67%) dominated both teaching and nonteaching staff. Moreover, respondents clustered around the 30s age group at 35 percent of the total number of respondents. The 50s group, the next highest number of cluster, was composed mainly of nonteaching personnel.

In terms of educational attainment, majority of the respondents were college graduates, although many of them reported having units in graduate studies or were enrolled in graduate school. Thirty percent have a master's degree, while 6 percent have a doctorate degree. Half of the respondents were relatively new to the government service, having spent less than 10 years in public service. Twenty-two percent (22%) of respondents have spent between 11 and 20 years in government service.

Majority of the teaching personnel occupied Teacher 1 positions, followed by those occupying Teacher III positions. The nonteaching personnel were composed of school-based staff, members of the PBB secretariat, national, regional, and division performance and review evaluation committees (PRECs), and central office-based performance management teams (PMTs).

Review of Related Literature

The use of incentives is based on the concept of reward and punishment. This stems from a fundamental behaviorist thinking articulating the role of extrinsic motivators, such as rewards and other financial and nonfinancial incentives, as positive outcomes that humans should work toward. On the other hand, punishment, such as the withholding of any benefits, is among the negative outcomes that need to be mitigated. Thus, behavioral change or performance improvement through rewards has long been practiced in many public and private organizations. However, such practice is anchored on a rarely-examined belief that people do a better job when given incentives (Kohn 1993).

With regard to definitions, Lewin (2003) defines incentive compensation to include (i) performance-based pay, (ii) merit pay, (iii) productivity-sharing, (iv) gain-sharing, (v) skill-based pay, (vi) pay-for-knowledge, (vii) bonus pay, and (viii) others. Burgess and Ratto (2003) adopted the term performance-based incentives to refer to incentives that motivate staff. On the other hand, Mogultay (n.d.) adopted the term pay-for-performance to refer to any financial rewards that motivate employee performance. Pay-for-performance includes:

1. piecework, the oldest form of pay-for-performance that started in the early days of manufacturing;
2. payment by results, a common type of pay-for-performance reimbursement scheme wherein “individuals or groups are paid bonuses based on achieving measured qualities or values outputs within specific time periods”;
3. merit pay, synonymous with pay-for-performance that can be defined as pay, bonuses, or raises based on superiors’ evaluation of the employee; and
4. commission and profit-related pay schemes, which are “generally applicable to private sector organizations”.

PBB is a form of incentive compensation meant to improve workers' performance and productivity and, in turn, those of their organizations. Implementing a PBB program is essentially premised on theories of motivation, as well as accepted conventional wisdom. Maslow's theory of hierarchical needs states that incentives motivate employees (Maslow 1943), while the more complex expectancy theory of motivation argues that once employees learn that certain actions lead to certain rewards, they will work toward those rewards (Montana and Charnov 2008). Conventional wisdom argues that outstanding employees should be better rewarded than employees with satisfactory performance. The idea behind PBB also takes note that managers need to differentiate between these employees, such that it serves as a method to distinguish superior performers. Traditional public sector pay structures with step increases are based on merit and seniority. Although the Philippine Position Classification and Compensation System specifies that salary differential is based on substantive differences in duties and responsibilities, the Joint Circular 2012-01 of DBM and the Civil Service Commission (CSC) also entitles government employees with step increments due to meritorious performance and length of service.

The literature on performance-based incentives in the public sector generally falls under two broad strands. Under the first strand are studies that develop various measures of performance in the public sector. On the other hand, studies falling under the second strand examine the links between these measures and the performance-based incentives geared toward achieving them. Given the complexity of providing public goods and services, both bodies of work continue to uncover a rich reform landscape wherein performance is measured, evaluated, and potentially incentivized.

Measuring performance in the public sector

In some cases, performance-based incentives were introduced under conditions of fiscal austerity and dramatically lower government budgets (Lewin 2003). In the United States (US), for instance, the recessions in the 1970s, as well as the taxpayer revolts that quickly followed, triggered reforms that included a leaner public sector with greater pressure for higher productivity. There was a wave of thinking that "smaller was better," implying that a smaller but better-paid workforce would outperform a larger but poorer-paid workforce (which may have ended

up more expensive than the former). Incentives-based compensation focused on increasing productivity by tying wage enhancements to improved output.

In the late 1980s and 1990s, the repercussions of increased competition in the private sector brought about by deregulation and economic integration also spilled over into the public sector. Analysts noted the private sector practices that found their way into public sector reform agendas as part of the so-called “new public management”. In the US, various public sector agencies and local governments introduced different incentive compensation initiatives, ranging from bonuses for entire departments linked to measurable achievements, to gain-sharing, and productivity-sharing payments, particularly for unionized employee groups, and finally to performance-based top-ups for mid- and senior-level managers in the public sector (Lewin 2003).

Performance-based incentives were slowly introduced in industrialized countries as part of broader trends toward more efficient and cost-effective public sectors. In developing countries, the introduction of performance-based incentives was typically part of governance reforms to spur economic growth. It was also geared toward boosting key sectors, such as education and health, which are both heavily dependent on human resource.

A recent synthesis of international experience in applying public sector incentives in developing countries suggests that well-designed financial rewards can trigger improved public sector outcomes, notably when these are easier to measure (Bandiera et al. 2017). Where public sector outcomes are broad and difficult to measure, performance-based incentives could be ineffective or could even backfire. One of the key insights from international best practice is that “public sector organisations often face limited competition in the services provided. Public services like health and education are often heavily subsidised and face limited competition from other providers. This lack of competition may translate into less pressure on employees and a greater need for monitoring as compared to the private sector, where competition helps to incentivise productivity and reduce inefficiency” (Bandiera et al. 2017, p. 2).

Several factors come into play as regards measuring performance. First and foremost, one must recognize the complexity of some types of public sector output. Dixit (2002, p. 697) noted how “public sector agencies have some special features, most notably a multiplicity of

dimensions of tasks, of the stakeholders and their often-conflicting interests about the ends and the means, and of the tiers of management and front-line workers. Sometimes, these special characteristics explain why these agencies are in the public sector in the first place. They also make inappropriate the naive application of magic bullet solutions like competition or performance-based incentives.”

Festre and Garrouste (2008) also outlined how measuring public sector performance is much more complex compared to measuring private sector performance. Compared with the private sector, whose goods can typically be sold in the market by firms that produced them, public sector outputs, be they goods or services, are more typically produced through coordination across several agencies and, increasingly, in collaboration with private sector partners or contractors. This type of collective action helps explain, as noted earlier by Dixit (2002), why these types of goods and services are in the purvey of the public sector, to begin with.

In the public goods literature, outcomes like national defense, quality and inclusive education, and the rule of law are among the broad areas whose amalgamation of inputs and outputs is too complex for the private sector alone to produce. Furthermore, unlike in the private sector, whose price mechanism can shape various levels—quality and quantity—of production of a good or service, there is no price mechanism in the public sector to regulate these features. Instead, public sector accountability processes are expected to provide oversight on the production of public goods and services. This kind of oversight is broad, ranging from management mechanisms within agencies, quality and performance standards that cut across agencies, to more general accountability mechanisms, such as budget oversight by the legislature. The determination of the “adequate” provision of public goods and services involves myriad challenges so that what is “adequate” is not merely a technical question but also a political one. Measuring, monitoring, and evaluating performance in the public sector have spurred extensive literature addressing these practical challenges.

Impact of incentives on performance

Effective reward and incentive schemes have become tools for organizational effectiveness in the 21st century (Amah et al. 2013). They can benefit many organizations if managed properly. Amah et al. (2013) reviewed various literature on the effect of effective

reward and incentive schemes on organizational performance. They concluded that organizations need to take the issue of reward and incentives seriously as they have the ability to influence employees' attitude, contribution, and commitment toward the organization. Thus, organizations must reward effectively to increase productivity and have a competitive edge.

Ganster et al. (2011) focused on the relationship between a rewards system and its impact on employees' well-being on the premise that the same may be injurious to worker health. Performance-related pay (PRP) rewards employees with a financial payment, either consolidated or nonconsolidated, following an assessment of their performance and, typically, the achievement of objectives. Suff et al. (2007) posited that PRP is the key element of many organizations' rewards strategies. Interestingly, their study presented the two facets of the issue addressing the dispute on whether PRP is an effective motivational tool to employees.

Accordingly, some of the potential advantages of PRP are its provision of direct incentive, its tangibility as a means of recognizing individuals' achievements, and its provision of flexibility to retain key staff. On the downside, critics of paying for performance say that it can be discriminatory, demotivating the majority of employees at the expense of a few high performers and undermining 'felt fair' perceptions of equity. PRP is built on the premise that reward can foster the right behavior, and money is a potentially powerful incentive to influence the amount of effort employees will exert on behalf of the organization. Some theorists believe that money can act as a goal in itself and can be valued by employees as a symbol of external status and internal recognition. Still, others contend that early proponents of PRP failed to appreciate the complexity of the broader employment relationship and the extent to which financial reward can act as a long-term satisfier. 'Needs' theories, such as those developed by Maslow and Herzberg, place a great deal of emphasis on the intrinsic aspects of the job and argue that people can gain the greatest satisfaction from work factors, such as responsibility, achievement, and recognition. Other critics of PRP caution that such pay schemes are coercive and can encourage the wrong type of behavior, for example, by focusing on the individual effort at the expense of team working (Suff et al. 2007).

Nevertheless, various literature suggest that management practices of civil service bureaucrats correlate with the delivery of public

services (Rasul and Roger 2018). While financial incentives through pay flexibility can improve staff performance in government bureaucracies (World Bank 2014a), the evidence is mixed. Based on a review of various studies on PRP, 93 of the 153 studies indicated some positive effects of PRP. In contrast, several studies identified problems of unintended consequences or gaming of the incentive program (WB 2014a). A review of the research evidence (Hasnain et al. 2012) found that a majority (65 of 110) of studies found a positive effect of performance-related pay, but insufficient evidence, positive or negative, was found regarding the impact of performance-related pay in the core civil service. In addition, there is distinctively little evidence from such contexts in developing countries or over a long period.

In the US, where performance pay in public administration has been implemented at both the federal and state levels, Perry et al. (2009) conducted a meta-analysis of 17 studies dealing with “pay for performance”, including local government implementations. The study found that these systems do not deliver what they promised. Bowman (2010, p.71) had similar conclusions, that is, “the performance of pay-for-performance programs, by most accounts, is at best disappointing” and often result in counterproductive consequences. Implementation gaps noticed were along the lines of (a) lack of adequate funding, (b) failure to discriminate among levels of performance, (c) perceived inequities in performance awards, (d) conflict between raters and those being evaluated, (e) lack of employee confidence in performance evaluation techniques, (f) excessive time demands on managers performing appraisals, (g) employee distrust of manager’s motives, (h) lack of compliance by managers, (i) infrequent timing of award payments, (j) bureaucratic resistance to adopting tool, (k) invalid underlying foundation (public employees are not necessarily motivated by economic factors), and (l) failure to engage in the heavy lifting of preparing the organization for compensation changes.

Five years ago, the World Bank (2014b) conducted the PBB scheme assessment, but in a larger context of several human resources issues. The study suggested a positive impact of PBB on government performance, as measured by results of a perception survey of 4,500 officials from eight departments on various human resource management dimensions. The report recommended the (a) restructuring of PBB to give greater weight to the group-based bonus versus the individual bonus; (b) gradual relaxation of good governance conditions (GGCs) as criteria are too strict and hold the whole department responsible for tasks within the

responsibility of a few specific units, very time consuming, and detract from the focus of achieving core departmental performance targets; and (c) strengthening of review and independent validation by DBM and the secretariat of the Inter-Agency Task Force (IATF) of AO 25. Over time, all of these recommendations have been adopted. The World Bank is making another run of this study but similarly working on a larger context of human resources in the public sector.

A two-part study conducted by Torneo et al. (2017) claimed that PBIS in the Philippines was marred by implementation issues that could undermine its success. The 2015 scoping study interviewed respondents from the Department of the Interior and Local Government (DILG), CHED, and DepEd. Meanwhile, the 2016 study focused on respondents from DILG to validate claims made in the first study. Concerns with fairness and trust in evaluation mechanisms for the award of incentives were noted in the study. These concerns overshadowed what the authors claimed was a high level of compliance to the requirements for PBIS, as well as a general understanding of its aims and goals among middle managers and supervisors but less among the rank and file. Whether PBB did encourage better performance among those surveyed was another sticking point in the study.

Further, there have been studies in the private sector that looked at the role incentives play in boosting workers' productivity. In the 1980s, Rich and Larson, the predecessor of McKinsey and Company, examined compensation programs of top US companies and discovered that companies with incentive plans for their top executives perform no better than those that do not have such plans (Kohn 1993). They also found in a study of managers in 46 companies that "incorrect performance measures and improperly set performance targets reduced the value of incentive pay" (Golembiewski 2001, p. 670).

In another study, Jenkins (1986) tracked down 28 previously published studies that measured the impact of financial incentives on performance. His analysis revealed that 57 percent of those studies found a positive effect on performance measures that are quantitative in nature, such as producing more of something or doing jobs faster. However, only a few dwelt on the quality of performance. There was no clear relationship between quality of performance and use of incentives (Kohn 1993).

In the public sector, there is conflicting evidence on whether the use of financial incentives on government employees works. Festre and

Garrouste (2008, p. 2) argued that “incentives are not always enhancing effort.” They pointed out the growing literature concerning the links among motivation, incentives, and effort in the public sector because of the impetus in undertaking reforms in countries within the Organisation for Economic Co-operation and Development to make the public sector more efficient, as well as interest in measuring the performance of their public activities more precisely. Various studies assessed the impact of public sector performance-based incentives using rigorous evaluation methods. Other studies used mixed methods, which are still quite useful in establishing the broader potential effects—both positive and negative—incentives may produce.

Randomized evaluation studies

In health services, Olken et al. (2014) implemented a field experiment in Indonesia to evaluate the impact of financial performance incentives for villages in improving maternal and child health education. Performance indicators included prenatal and postnatal care, childbirth assisted by trained personnel, immunization, school enrollment, and school attendance. To test the impact of the performance incentive, disentangling its effect from the block grant itself, some randomly selected subdistricts in villages received an identical block grant with no financial performance incentives tied to them. According to the authors, this study was one of the largest randomized controlled trial studies conducted, covering well over 3,000 villages and over 1.8 million target beneficiaries in treatment areas. This study found evidence that the incentives primarily accelerated the accomplishment of the target objectives. However, this effect eventually disappeared over time, wherein the impact on target objectives was not different between treatment and nontreatment areas. The main channels for the incentive effect appeared to be on (a) the labor supply of public service providers, such as midwives for the natal care and childbirth assistance, and (b) the more efficient use of funds, that is, a reallocation away from less-needed education supplies toward more-needed health expenditures.

In addition, Muralidharan and Sundararaman (2011) examined India’s education services, particularly the impact of a teacher incentive program in government-run primary schools in Andhra Pradesh State. Using a randomized evaluation method, they examined the impact of a program that gave teachers bonus payments linked to improvements in students’

test scores based on independent learning tests. They found evidence that “students in incentive schools performed significantly better than those in control schools by 0.28 and 0.16 standard deviations in math and language tests respectively” (Muralidharan and Sundararaman 2019, p.2).

In schools with teachers that received incentives, students scored better on both conceptual and mechanical components of the tests. This provided evidence that learning outcomes were enhanced. In addition, the authors found strong evidence that students in incentivized schools performed better on subjects whose teachers were incentivized, as well as on subjects whose teachers were not incentivized. They interpreted this to mean potential spillover effects. This does cohere with other studies (Rusa et al. 2009; Olken et al. 2014) since the incentives trigger improvements in public management (e.g., reallocation of funds, greater monitoring, improved culture of performance-orientation).

In the sphere of tax collection, Khan et al. (2016) examined the effects of a particular form of incentive—the ability of tax inspectors in Pakistan to choose where they would be posted—on tax collections. This study leveraged the heterogeneity in preferences over postings by turning to a performance-ranked serial dictatorship mechanism—essentially a system giving tax inspectors a voice in choosing where they would be assigned but based on their performance. Better-performing inspectors have more choices, while poor-performing inspectors are given less. Turning to a field experiment covering 525 tax inspectors, the authors found evidence that this assignment system increased annual tax revenue growth by 30 percent. This study emphasized that incentives need not be financial as there is much potential in periodic merit-based postings to help drive better performance.

Mixed methods studies

Other studies simply feature a “before and after” analysis that does not attempt to correct the possible influence of other factors affecting the target results. These studies, nevertheless, revealed interesting facets of incentive effects critical in understanding their direct and indirect implications on public services and bureaucratic management.

For instance, Rusa et al. (2009) evaluated the impact of the pay for performance approach—*approche contractuelle*—which the government of Rwanda implemented to break free from mediocre results from standard civil service rates for health services. The government provided

health facilities with financial payments for improvements in the quantity of basic health services provided (e.g., immunization, prenatal care, assisted birth deliveries). Improved quality indicators were also used eventually as triggers for the financial payments. Public and private nonprofit health facilities and those managed by religious groups were given a chance to participate in this program. Evaluations revealed that Rwanda's performance-based approach strengthened the results-oriented culture among health providers, empowering them to find solutions to service provision challenges (e.g., subcontracts for birth attendants and building additional health offices). The program also allowed the government to further decentralize health services provision and management and enabled the country to tap the knowledge of local health services providers. FGDs revealed that the financial incentives boosted "team spirit" among health providers, prompted health supervisors to improve monitoring, and provided a large motivational impact on frontline health service providers in places with inadequate salaries. This was notably the case in areas where the incentive boosted salaries by up to 40 percent.

On the other hand, Rasul and Roger (2016) examined 4,700 engineering assessments in Nigeria to determine the quantity of public services completed and delivered. They complemented this analysis with a management survey that fleshed out further details on the bureaucratic details and characteristics associated with these projects. This study reported that: "...the two dimensions of management practice related to autonomy and incentives have opposing correlations with public services delivered despite the practices being positively correlated with each other. A one-standard-deviation increase in autonomy for bureaucrats corresponds to significantly higher project completion rates of 18 percent, and a one-standard-deviation increase in practices related to incentives/monitoring corresponds to significantly lower project completion rates of 14 percent" (Rasul and Roger 2016, p. 415). They found that management practices correlated with quality-adjusted project completion rates in similar ways. The backdrop to these findings in Nigeria, where 38 percent of public projects are never started, implying these magnitudes are also of economic significance (Rasul and Roger 2016).

Nevertheless, the authors were careful to describe these findings as correlations, given the decision to provide incentives or greater autonomy could all be endogenously determined. Managers with stronger completion track records could have been given more autonomy, as

well as targeted for incentives. Still, this study helped to highlight how incentives for and monitoring of bureaucrats may exacerbate their dysfunctional responses, particularly in some contexts. The negative correlation was higher for more complex projects and project types described by greater uncertainty in design, as well as in agencies with less experienced bureaucrats. These are issues of critical concern since reformists often worry about the potential for bureaucrats to game the incentives system, weakening its impact on public services provision.

Overview of the PBB Scheme and Its Design

PBB description and objectives

General description of the program

Section 1 of EO 80, series of 2012, defines PBB as a top-up bonus given to personnel of bureaus or delivery units based on their contribution to the accomplishment of their agency/department's overall targets and commitments, subject to the following criteria:

- a) Achievement by the Departments of performance targets under their respective major final outputs (MFOs), and priority program/project commitments as agreed with the President under the five KRAs under EO 43, series of 2011; and
- b) Accomplishment of GGCs set by the AO 25 IATF, established under AO 25, series of 2011, to harmonize national government performance monitoring and information and reporting systems.

As such, PBB is different from existing bonuses given to government employees, regardless of their performance.

- a) Mid-year and year-end bonuses are the government equivalent of the 13th-month pay of employees in the private sector. Like the 13th-month pay, the total amount of the mid-year and year-end bonuses is equivalent to their one month's salary, depending on their rank and salary grade. The mid-year and year-end bonuses are given no earlier than May 15 and November 15, respectively.
- b) The cash gift is an across-the-board bonus of PHP 5,000 given to each employee of the national government. It is released in

two tranches: at the middle and end of the year, together with the mid-year and year-end bonuses.

- c) The collective negotiation agreement (CNA) bonus is provided to employees of government agencies where there is an accredited employee's union and where the agency and the union have entered into a CNA. The CNA bonus is funded by savings from the agency's maintenance expenditure items identified in their CNA. An agency can raise these savings through cost-cutting and productivity measures identified in their CNA.
- d) PEI is an existing across-the-board bonus given to government employees. Unlike the mid-year and year-end bonuses and cash gifts, the amount given per employee is not fixed. Instead, the amount depends on the level of savings incurred and authorized by the national government to fund PEI. Thus, the amount per employee has varied through the years.

PBB main objectives

Based on Memorandum Circular (MC) 2012-1, the grant of PBB aims to:

- a) recognize and reward exemplary performance in the public sector to enhance service delivery by the bureaucracy;
- b) rationalize the distribution of incentives across performance categories of groups and individuals and thereby move away from across-the-board incentives over time;
- c) nurture team spirit toward the effective execution of operational plans by linking personnel incentives to the bureau or delivery unit's performance; and
- d) strengthen performance monitoring and appraisal systems based on existing systems like the OPIF used by DBM to measure agency performance, the Strategic Performance Management System (SPMS) of CSC, which links individual performance to organizational performance, and RBPMS under AO 25.

Qualification and eligibility requirements for both individuals and agencies have evolved across the years (c.f. Section 3.3), as PBB has been used as a means to also push for the adoption of efficiency and productivity-enhancing standards and reforms from a whole-of-government perspective. The adoption of these requirements became the de facto objectives of PBB as well.

Institutional arrangements

Creation of IATF and AO 25 secretariat

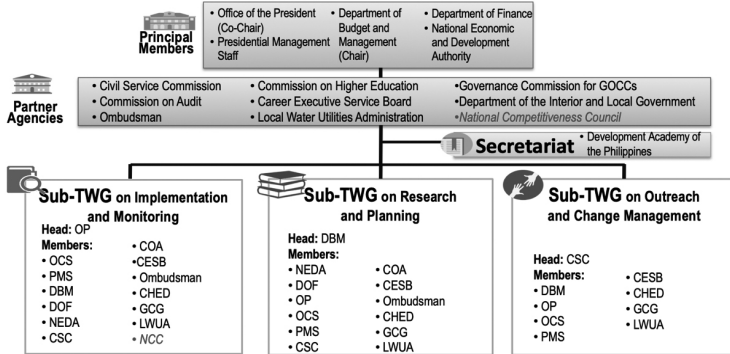
As pointed out earlier, the AO 25 IATF was established in response to the need to rationalize, harmonize, streamline, simplify, integrate, and unify the efforts of government agencies in performance monitoring and information and reporting systems. Section 2 of AO 25, series of 2012, specifies the functions of IATF as follows:

- develop a common set performance scorecard;
- design a Government Executive Information System; and
- perform other powers and functions as may be necessary to carry out the provisions of this AO.

Figure 2 presents the organizational structure of the task force chaired by DBM and co-chaired by the Office of the Executive Secretary (OES) with the National Economic and Development Authority (NEDA), Presidential Management Staff (PMS), and Department of Finance (DOF) as members. It also involves CSC and the Career Executive Service Board (CESB) in aligning the SPMS of CSC and the Career Executive Service Performance Evaluation System of CESB with the proposed RBPMS. Other government departments, offices, or agencies, such as the Commission on Audit (COA) and the Office of the Ombudsman, serve as validating agencies to check whether the participating agencies meet the requirements and, in turn, qualify to receive PBB. In addition, the various government agencies provide their respective insights on the harmonization process. The Development of Academy of the Philippines (DAP) functions as the IATF Secretariat and its technical resource institution. On the other hand, the National Competitiveness Council (NCC), a representative of the private sector, provides inputs and aligns other advocated performance management systems with the unified RBPMS.

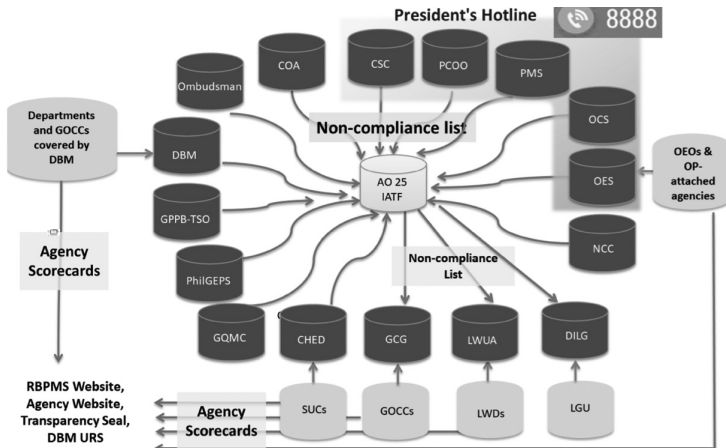
The government seeks to build a performance culture across the public sector. As such, the performance reporting and evaluation for PBB is harmonized (Figure 3), with even the President's hotline as part of the system. The cyclical process flow involved in the annual implementation of PBB is depicted in Figure 4. Once compliance is validated, information in the AO 25 Secretariat's Online Monitoring System of Agency Compliance and Performance Scorecards is updated.

Figure 2. Inter-Agency Task Force on harmonization of performance management system



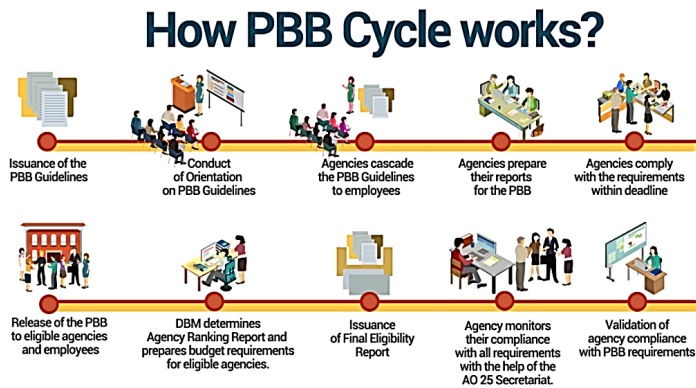
OP = Office of the President; OCS = Office of the Cabinet Secretary; PMS = Presidential Management Staff; DBM = Department of Budget and Management; DOF = Department of Finance; NEDA = National Economic and Development Authority; CSC = Civil Service Commission; COA = Commission on Audit; CESB = Career Executive Service Board; CHED = Commission on Higher Education; GCG = Governance Commission for GOCCs; LWUA = Local Water Utilities Administration; NCC = National Competitiveness Council; TWG = Technical Working Group
Source: AO 25 Secretariat (2019)

Figure 3. Harmonized system of performance reporting and evaluation



OCS = Office of the Cabinet Secretary; PMS = Presidential Management Staff; DBM = Department of Budget and Management; DBM URS = DBM Unified Reporting System; DOF = Department of Finance; COA = Commission on Audit; PCOO = Presidential Communications Operations Office; NEDA = National Economic and Development Authority; GOCCs = government-owned and -controlled corporations; OES = Office of the Executive Secretary; NCC = National Competitiveness Council; DILG = Department of the Interior and Local Government; LWUA = Local Water Utilities Administration; GCG = Governance Commission for GOCCs; CHED = Commission on Higher Education; QMCC = Government Quality Management Committee; PhilGEPS = Philippine Government Electronic Procurement System; GPPB-TSO = Government Procurement Policy Board-Technical Support Office
Source: AO 25 Secretariat (2019)

Figure 4. The PBB cycle



PBB = Performance-Based Bonus; DBM = Department of Budget and Management;

AO = Administrative Order

Source: AO 25 Secretariat (2019)

Program design

Section 2 of EO 80, series of 2012, provides the guidelines and principles governing the PBB scheme. These include the following:

- a) PBB shall be characterized as a system of ranking units and personnel within an organization according to their performance as measured by verifiable, observable, credible, and sustainable indicators of performance based on the following pillars: (1) Department's MFOs, (2) Department's commitments to the President in line with the priorities under EO 43, series of 2011, and (3) GGCs to be determined by the AO 25 IATF.
- b) Flexibility should be provided to the heads of departments and agencies to suit the PBB system to the nature of their operations and to drive peak performers, in terms of the determination of the appropriate delivery units to be rewarded and the performance indicators to be used.
- c) There shall be an appropriate communications strategy and publication of performance targets and accomplishments on the department and agency websites and the website for RBPMS to ensure transparency and accountability in implementing the PBB scheme.

Based on Section 9 of EO 80, series of 2012, the AO25 IATF is expected to formulate and issue the implementing guidelines for the EO. It is also tasked to help agencies identify performance indicators and targets and implement a validation system for agency reports and accomplishments. It may seek the assistance of other agencies in the implementation of the provisions of the EO. CHED is expected to issue additional implementing guidelines for SUCs, while the Governance Commission for GOCCs (GCG) is expected to issue separate guidelines governing GOCCs under its jurisdiction.

On August 13, 2012, the AO25 IATF issued the first set of guidelines, the MC 2012-1, on cascading of Department performance targets in line with EO, 80, series of 2012. Consistent with EO 80, the said MC, particularly Section 5, envisions PBB to:

- a) be based on verifiable, observable, credible, and sustainable indicators of performance along three pillars: department's MFOs, department's priority commitments to the President, and GGCs to be determined by the AO 25 IATF;
- b) be based on a system of ranking organizational units and personnel within an organization according to their performance along the pillars stated above;
- c) provide some flexibility to the heads of departments and agencies to suit the PBB system to the nature of their operations and to drive peak performers, in terms of the determination of the appropriate delivery units to be rewarded and the performance indicators to be used; and
- d) ensure transparency and accountability in the implementation of the PBB system in the department and bureau or delivery unit through the conduct of an appropriate communication strategy, including the publication on the department/agency website and the website of RBPMS when this is completed.

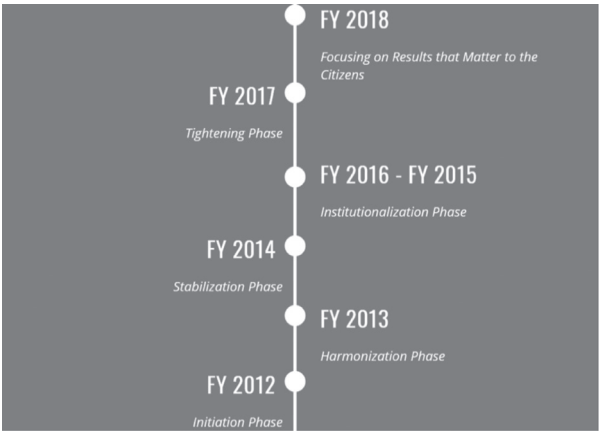
For the first year of implementation of the PBB scheme, departments/agencies must achieve at least 90 percent of their MFO targets submitted to the Congress and their priority program/project targets agreed with the President under the five KRAs of EO 43,

series of 2011, to qualify for the PBB. In addition, they should meet the following GGCs:

- a) Under the financial stewardship area: mandatory posting of budget reports (Agency Transparency Seal), posting of all invitations to bid and awarded contracts in the Philippine Government Electronic Procurement System (PhilGEPS), and liquidation within the reglementary period of all cash advances granted to officials/employees for the year.
- b) Under internal process efficiency: establishment of a citizen’s charter or its equivalent.

Since 2012, the criteria and conditions to qualify for the PBB increased and became more stringent each year. The AO 25 IATF guidelines were consistent with the phases of the implementation of RBPMS (Figures 5 and 6). Fiscal year (FY) 2017 marked the tightening phase of RBPMS, wherein enhancements to the system were developed and “rethinking” of PBB through the conduct of a study on new requirements, criteria, and simplification of validation processes occurred. Subsequently, the PBB requirements started to be tough in FY 2017 (Tables 1–4). Table 5 summarizes the various PBB requirements and the specific agencies involved in the validation.

Figure 5. Phases of RBPMS implementation



RBPMS = Results-Based Performance Management System; FY = fiscal year
Source: AO 25 Secretariat (2019)

Figure 6. Evolution of PBB criteria and conditions

GGCs	
FY 2012 – FY 2018	
	Other cross-cutting requirements
1. TS	SALN *(2015)
2. PhilGEPS	SRR *(2016)
3. ARTA	FOI *(2017)
4. Cash advance (2012-2014)	SALN procedure *(2018)

GASS	
FY 2012 – FY 2018	
1. Disbursements BUR *(2013)	6. APP non CSE *(2015)
2. Obligations BUR *(2014)	7. APCPI *(2015)
3. COA FS *(2013)	8. APP CSE *(2017)
4. BFARs *(2015)	9. 30% COA AR *(2017)
5. Cash advance (2015-2017)	10. Early procurement *(2018)

STO	
FY 2012 – FY 2018	
1. 2 nd indicator (identified by HoA)	
2. QMS/OPS manual (2014 -2016)	
3. ISO certification/ISO-aligned *(2017)	
4. ISO certification or equivalent *(2018)	

PHYSICAL	
FY 2012 – FY 2018	
1. MFOs ** (retained for SUCs in 2018)	
2. OP planning tool/EODB (2014-2015)	
3. Streamlining and process improvements *(2018)	
4. Citizen/client satisfaction *(2018)	

GGCs = good governance conditions; FY = fiscal year; TS = Transparency Seal; PhilGEPS = Philippine Government Electronic Procurement System; ARTA = Anti-Red Tape Act; SALN = Statement of Assets, Liabilities, and Net Worth; SRR = system of ranking and rating; FOI = Freedom of Information; STO = support to operations; HoA = head of agency; QMS/OPS manual = quality management system/operations manual; ISO = International Organization for Standardization; GASS = general administrative support services; BUR = budget utilization rate; COA FS = Commission on Audit Financial Statement; BFARs = Budget and Financial Accountability Reports; APP = Annual Procurement Plan; CSE = Common-Use Supplies and Equipment; APCPI = Agency Procurement Compliance and Performance Indicator System; MFOs = major final outputs; SUCs = state universities and colleges; OP = Office of the President; EODB = ease of doing business; PBB = Performance-Based Bonus

Note: * started as a requirement

** graduated

Source: AO 25 Secretariat (2019)

Table 1. Evolution of eligibility requirements (good governance conditions)

Good Governance Conditions	2012	2013	2014	2015	2016	2017	2018	2019
Transparency seal								
PhilGEPS								
Citizen's charter								
ARTA								
Liquidation of cash advance								
SALN								
System of ratings and rankings								
FOI								

PhilGEPS = Philippine Government Electronic Procurement System; ARTA = Anti-Red Tape Act; SALN = Statement of Assets, Liabilities, and Net Worth; FOI = Freedom of Information
Source: AO25 Guidelines on the Grant of PBB (2012–2018); Authors' tabulation

Table 2. Evolution of eligibility requirements (general administrative and support services [GASS])

GASS	2012	2013	2014	2015	2016	2017	2018	2019
BUR								
COA financial reports								
BFAR								
Report on aging cash advance								
APP non-CSE								
APCPI								
APP CSE								
COA AR (30%)								
Early procurement								

BUR = budget utilization rate; COA = Commission on Audit; BFAR = Budget and Financial Accountability Report; APP CSE = Annual Procurement Plan Common-use Supplies and Equipment; APCPI = Agency Procurement Compliance and Performance Indicator
Source: AO25 Guidelines on the Grant of PBB (2012–2018); Authors' tabulation

Table 3. Evolution of eligibility requirements (support to operations)

Support to Operations	2012	2013	2014	2015	2016	2017	2018	2019
Second indicator								
QMS/operations manual								
ISO certification/ISO aligned/ISO equivalent								

QMS = Quality Management System; ISO = International Organization for Standardization
Source: AO25 Guidelines on the Grant of PBB (2012–2018); Authors' tabulation

Table 4. Evolution of eligibility requirements (physical targets)

Physical Targets	2012	2013	2014	2015	2016	2017	2018	2019
MFOs								
Priority program under KRA								
EODB								
Streamlining and process improvements								
Citizen/client satisfaction								

MFO = major final output; KRA = key result areas; EODB = ease of doing business

Source: AO25 Guidelines on the Grant of PBB (2012–2018); Authors' tabulation

Table 5. PBB requirements and validating agency

Requirement	Validating Agency
Physical targets	
Operations:	
Departments, OEOs, GOCCs covered by DBM, constitutional offices, and others	DBM-BMBs, concerned DBM regional offices, and BMB-F
SUCs	CHED
GOCCs covered by RA 10149	GCG
LWDs	LWUA
LGUs	DILG
Support to operations	
QMS certification:	DBM-SPIB, GQMC
Post QMS certification on TS page	
Submit certified true copy of QMS certificate to GQMC through DBM-SPIB	
General administration and support services	
Budget utilization rate (BUR):	
Departments, OEOs, and GOCCs covered by DBM	DBM-BMBs concerned
SUCs	DBM Regional Offices and DBM-BMB-F
Sustained compliance with audit findings	COA
Submission of BFARs online through the URS	DBM and COA
First quarter	
Second quarter	
Third quarter	
Fourth quarter	
COA financial reports	COA
Small agencies	
Big agencies	
Procurement documents	
Annual procurement plan-noncommon use of supplies and equipment	GPPB-TSO

Table 5. (continued)

Requirement	Validating Agency
Annual procurement plan-common use of supplies and equipment	DBM-PS
Agency procurement compliance and performance indicators	GPPB-TSO
Good governance conditions	
Transparency seal	DBM-OCIO
PhilGEPS posting	PhilGEPS
Citizen's/service charter	CSC
Other cross-cutting requirements	
Submission of SALN of employees	Office of the President, Ombudsman, CSC
Agency Review and Compliance Procedure of Statement and Financial Disclosures. <i>Note: Departments/Agencies shall submit a list of SALN non-filers using Form 1.</i>	CSC
FOI compliance	PCOO
People's FOI Manual	
Agency information inventory	
2017 and 2018 FOI summary report	
2017 and 2018 FOI registry	
Screenshot of agency's home page	
Posting of agency's system ranking delivery units	DAP
Submission of agency report on ranking of delivery units (Form 1 and PBB evaluation matrix)	
Departments	DBM-BMBs
OEOs	DBM-BMBs and DBM-NCR
GOCCs covered by DBM	DBM-BMB-C
SUCs	DBM-RO and DBM-BMB-F
LWDs	LWUA and DBM-BMB-C

OEOs = other executive offices; GOCCs = government-owned and -controlled corporations; SUCs = state universities and colleges; LWD = local water districts; LGU = local government unit; DBM-BMB = Department of Budget and Management – Budget and Management Bureau; CHED = Commission on Higher Education; GCG = Governance Commission for GOCCs; LWUA = Local Water Utilities Administration; DILG = Department of the Interior and Local Government; QMS = Quality Management System; TS = Transparency Seal; QMC = Government Quality Management Committee; DBM-SPIB = DBM-Systems and Productivity Improvement Bureau; BFAR = Budget and Financial Accountability Reports; URS = Unified Reporting System; GPPB-TSO = Government Procurement Policy Board-Technical Support Office; DBM-PS = DBM – Procurement Service; DBM-OCIO = DBM-Office of the Chief Information Officer; PhilGEPS = Philippine Government Electronic Procurement System; CSC = Civil Service Commission; PCOO = Presidential Communications Operations Office; FOI = Freedom of Information; DAP = Development Academy of the Philippines
Source: AO 25 Secretariat (2019)

As mentioned earlier, the PBB scheme is a two-step system of ranking units and personnel within an organization according to their performance. For the first year of implementation, the AO 25 IATF issued MC 2012-03 on November 12, 2012 to provide guidance on determining eligibility and ranking of bureaus, delivery units, and individuals. Section 3 of the said MC discusses the coverage of the program. In particular, Section 3.1 specifies that “all government officials and employees in the departments, agencies, SUCs, and GOCCs holding regular positions, and all contractual and casual employees having an employer-employee relationship with these departments, agencies, SUCs, and GOCCs; who are in the government service as of November 30, 2012; and have rendered at least [four] months of service during the year as of November 30, 2012” are prospective recipients of PBB.

The eligibility requirements for individuals in 2013 were almost the same as those in 2012, except that for the FY 2013 PBB, the personnel should have rendered at least nine months of service for the year ending December 31, 2013 to qualify for the PBB grant. There was also clarification on the eligibility to PBB of contractual and casual personnel, personnel on detail, personnel on scholarship, employees on a part-time basis, and personnel found guilty of administrative and/or criminal cases. In particular, the provisions on Section 8.1 are as follows:

- The contractual and casual personnel who may be entitled to the PBB shall be those whose salaries are charged to the lump sum appropriation under Personnel Services or those occupying positions in the DBM-approved contractual staffing pattern of the agencies concerned. They may be included in the ranking along with the regular personnel.
- Personnel on detail to another government agency for six months or more as of November 30, 2013 shall be included in the ranking of employees in the recipient agency that rated their performance.
- Personnel on scholarship may be included in the ranking, provided they qualify based on the performance criteria established by the performance management group and approved by the department secretary/head of agency.
- PBB of employees on a part-time basis shall be prorated corresponding to the services rendered.

- Personnel found guilty of administrative and/or criminal cases filed against them and meted penalty in FY 2013 shall not be entitled to the FY 2013 PBB. If the penalty meted out is only a reprimand, such penalty shall not cause the disqualification to PBB.

Regarding the FY 2014 PBB scheme, the eligibility requirements for individuals were the same as those for FY 2013 but with the inclusion of local water districts whose PBB implementation was coordinated with the Local Water Utilities Administration. There was also clarification on the eligibility to PBB of personnel who transferred from one government agency to another. Those who have already rendered six months of service or more as of November 30, 2014 in the recipient agency shall be included in the rating and ranking of employees in the recipient agency. Otherwise, said personnel shall be included in the ranking of employees in the previous agency.

The eligibility requirements for individuals in the FY 2015 PBB were almost the same as those for the previous years but with the inclusion of criteria for the eligibility of department secretaries, heads of other executive offices, chairpersons and commissioners of constitutional offices, and non-ex-officio heads of GOCCs covered by DBM, as well as the eligibility of SUCs presidents. In addition, the grant of PBB, on pro-rata basis, to personnel with at least satisfactory rating was allowed in 2015 and onwards (Table 6).

To qualify for prorated PBB, the valid reasons for not meeting the nine-month actual service requirement include being a newly hired

Table 6. Basis for prorated PBB

Length of Service	% of PBB
8 months but less than 9 months	90
7 months but less than 8 months	80
6 months but less than 7 months	70
5 months but less than 6 months	60
4 months but less than 5 months	50
3 months but less than 4 months	40

PBB = Performance-Based Bonus

Source: AO 25 Secretariat (2019) – Presentation Orientation on PBB for PIDS

employee, retirement, resignation, rehabilitation leave, maternity leave and/or paternity leave, vacation or sick leave with or without pay, scholarship/study leave, and sabbatical leave. An employee on vacation or sick leave, with or without pay for the entire year, is not eligible to receive PBB. Also, officials and employees who failed to submit their Statement of Assets, Liabilities, and Net Worth (SALN) and liquidate cash advances are disqualified from the grant of PBB.

The same eligibility requirements were adopted in FY 2016 but with an additional provision that specified that officials and employees who failed to submit their complete SPMS Forms should not be entitled to the 2016 PBB. In contrast, there were more eligibility requirements for individuals in succeeding years as set in MC 2017-1 and MC 2018-1. In particular, the additional requirements were as follows:

- Officials and employees responsible for submitting COA financial reports and statements to include financial statements, annual financial reports, and annual audit reports shall not be entitled to the FY 2017 PBB if the department/agency fails to comply with the said reporting requirements as prescribed in COA Resolution 2014-033 dated January 14, 2014 and COA Circular 2015-002 dated March 9, 2015.
- The head of procuring entity and the chairperson and secretariat of the bids and awards committee shall not be entitled to the FY 2017/2018 PBB if the department/agency fails to submit the following:
 - a) FY 2017/2018 Annual Procurement Plan (APP) to the Government Procurement Policy Board (GPPB) not later than one month after the issuance of this Circular in the format prescribed under GPPB Circular 07-2015.
 - b) FY 2018/2019 APP-Common-Use Supplies and Equipment to the DBM Procurement Service on or before November 30, 2017/2018.
 - c) Results of FY 2016/2017 Agency Procurement Compliance and Performance Indicators (APCPI) System, per GPPB Resolution 10-2012, complete with the following forms: (i) APCPI – Self-Assessment Form; (ii) APCPI – Consolidated Procurement Monitoring Report; and (iii) APCPI – Procurement Capacity Development Action Plan; and the questionnaire on or before March 31, 2017/2018.

- Officials and employees responsible for the noncompliance of prior years' audit recommendations shall not be entitled to the FY 2017/2018 PBB.
- Officials and employees responsible for the Quality Management System certification or alignment specified in Sections 6.2.a and 6.2.b shall not be entitled to the FY 2017/2018 PBB if the department/agency fails to comply with the said requirement.
- Officials and employees responsible for posting and dissemination of the department/agency system of ranking performance of delivery units shall not be entitled to the FY 2017/2018 PBB if the Department/Agency fails to comply.

As regards ranking in 2012, Section 5.3 of MC 2012-03 states that "... bureaus or delivery units eligible to the PBB shall be forced ranked according to the extent/degree of their contribution to the achievement of their respective Department/Agency performance targets. The Department Secretary/Head of Agency shall rank the qualified bureaus or delivery units as follows" (Table 7):

Table 7. Ranking of bureaus, 2012–2013

Ranking	Performance Category
Top 10 percent	Best bureau/delivery unit
Next 25 percent	Better bureau/delivery unit
Next 65 percent	Good bureau/delivery unit

PBB = Performance-Based Bonus

Source: AO 25 Secretariat (2019)

Section 5.3 also states that "to facilitate the ranking of the bureaus or delivery units, they can be formed into sub-groups according to the similarity of their tasks and responsibilities. The forced ranking will be done within the different sub-groups." On the other hand, Section 6.1 of MC 2012-03 requires that officials and employees of bureaus, offices, or delivery units that qualified to PBB shall also be forced ranked following Table 8.

Table 8. Ranking of individuals, 2012

Ranking	Performance Category
Top 10 percent	Best performer
Next 25 percent	Better performer
Next 65 percent	Good performer

Source: AO 25 Secretariat (2019)

In addition, Section 6.1 clarifies that “officials belonging to the third level who receive a rating lower than “Very Satisfactory” under the CESB guidelines and employees belonging to the first and second levels who receive a “Below Satisfactory” rating under the CSC guidelines shall not be eligible to the PBB. The same system of ranking bureaus was retained in 2013 (Table 7) as prescribed in Section 7.6 of MC 2013-01. However, the ranking of individuals followed a different scheme. Section 8.3 specifies that officials and employees of bureaus, offices, or delivery units that qualified for PBB shall be forced ranked as follows (Table 9):

Table 9. Ranking of individuals, 2013

For the Best and Better Bureaus	
Ranking	Performance Category
Top 10 percent	Best performer
Next 25 percent	Better performer
Next 65 percent	Good performer
For the Good Bureaus	
Ranking	Performance Category
Top 10 percent	Best performer
Next 25 percent	Better performer
Next 65 percent	Good performer

Source: AO 25 Secretariat (2019)

In FY 2014, the AO 25 IATF set two different systems of forced ranking based on the physical accomplishments of the department/agency. The same ranking scheme was adopted in 2015. The departments/agencies and their corresponding bureaus/offices/delivery units that meet the

standard eligibility criteria shall be forced ranked according to the following categories the same as those for 2012-2013 (Table 10):

Table 10. Ranking of bureaus that meet the standard eligibility criteria, 2014–2015

Ranking	Performance Category
Top 10 percent	Best bureau/delivery unit
Next 25 percent	Better bureau/delivery unit
Next 65 percent	Good bureau/delivery unit

Source: AO 25 Secretariat (2019)

On the other hand, those that meet at least 90 percent of each one of the FY 2014/2015 targets of the secretary/head of agency for activities/strategies other than those in the Congress-approved performance-informed budgeting (PIB)/General Appropriations Act (GAA) as reflected in the Office of the President Planning Tool Form 1 and under the Ease of Doing Business targets, in addition to the standard eligibility criteria, shall be forced ranked based on the categories in Table 11.

Table 11. Ranking of bureaus that meet 90 percent of the targets, 2014–2015

Ranking	Performance Category
Top 15 percent	Best bureau/delivery unit
Next 30 percent	Better bureau/delivery unit
Next 55 percent	Good bureau/delivery unit

Source: AO 25 Secretariat (2019)

In ranking individual performance, the categories adopted in 2014–2015 are shown in Table 12.

In contrast, the forced ranking system for bureaus adopted in 2016 onward was the same ranking system used in 2012–2013 (Table 13). There was no forced ranking of individuals in 2016 and onward.

The rates of incentives for FY 2012 to FY 2015 and FY 2016 to present are provided in Table 14 and Table 15, respectively.

Table 12. Ranking of individuals, 2014–2015

For the Best Bureaus	
Ranking	Performance Category
Top 20 percent	Best performer
Next 35 percent	Better performer
Next 45 percent	Good performer
For the Better Bureaus	
Ranking	Performance Category
Top 20 percent	Best performer
Next 35 percent	Better performer
Next 45 percent	Good performer
For the Good Bureaus	
Ranking	Performance Category
Top 10 percent	Best performer
Next 25 percent	Better performer
Next 65 percent	Good performer

Source: AO 25 Secretariat (2019)

Table 13. Ranking of bureaus, 2016–2018

Ranking	Performance Category
Top 10 percent	Best bureau/delivery unit
Next 25 percent	Better bureau/delivery unit
Next 65 percent	Good bureau/delivery unit

Source: AO 25 Secretariat (2019)

Table 14. Rates of incentives, FY 2012–2015

Individual	Best Delivery Unit	Better Delivery Unit	Good Delivery Unit
Best	PHP 35,000	PHP 25,000	PHP 15,000
Better	PHP 25,000	PHP 13,500	PHP 10,000
Good	PHP 10,000	PHP 7,000	PHP 5,000

FY = fiscal year; PHP = Philippine peso

Source: AO 25 Secretariat (2019) – Presentation Orientation on PBB for PIDS

Table 15. Rates of incentives, FY 2016–present

Performance Category	Multiple of Basic Salary (%)
Best delivery unit	65
Better delivery unit	57.5
Good delivery unit	50

FY = fiscal year; PHP = Philippine peso
Source: AO 25 Secretariat (2019)

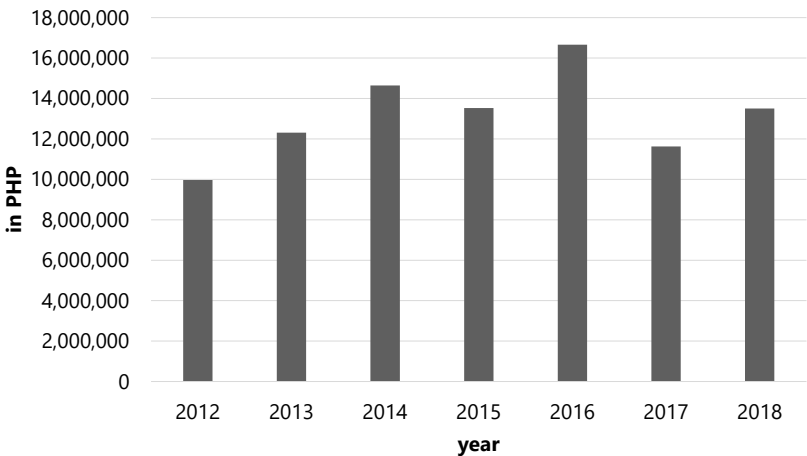
Expenditures and financing

Section 5 of EO 80 specifies that “funds needed for the grant of the PBB to covered employees shall be charged against the following:

- a. For departments, bureaus, and agencies, including SUCs, the necessary funds shall be charged against the Miscellaneous Personnel Benefits Fund (MPBF) in the GAA.
- b. For GOCCs, the funds required shall be charged against their respective corporate funds. The use of funds for the purpose shall be subject to the approval of their respective governing boards in accordance with applicable laws.”

The appropriations for PBB under the MPBF (thus excluding those for GOCCs based on Section 5 of EO 80) in the 2012–2018 GAA are shown in Figure 7. The PBB appropriation increased from PHP 10 million

Figure 7. Performance-based appropriations, 2012–2018

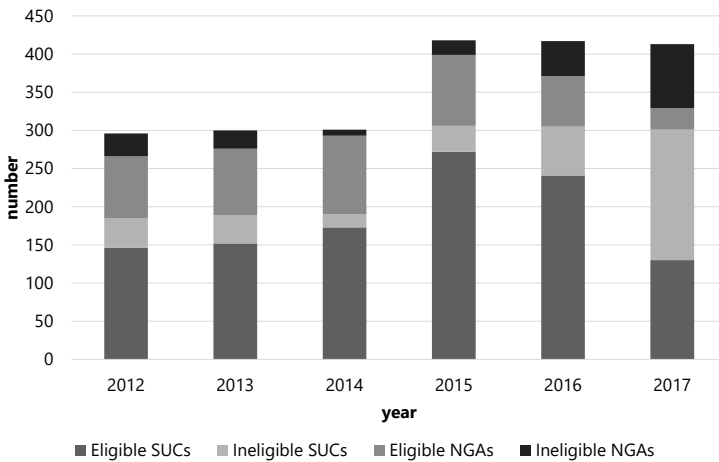


PHP = Philippine peso
Source: General Appropriations Act (various years)

in 2012 to PHP 16.7 million in 2016. It declined to only PHP 11.6 million in 2017 because of the tightening of the PBB scheme in 2017. Nevertheless, the appropriations increased to PHP 13.5 million in 2018. It should be noted, however, that these appropriations were released in the ensuing year because the evaluation and validation of submitted PBB requirements took time, results of which became the basis for the release. Data on actual releases and the corresponding number of eligible individuals every year since 2012 are still being reconciled by DBM to adjust for late releases of PBB (e.g., 2015 PBB released only in 2017) to government agencies with late submissions of list of eligible individuals.

On the other hand, Figure 8 highlights the effect of the tightening of the PBB scheme on the eligibility of government entities in 2017. Evidently, the effect is more pronounced on the eligibility of SUCs. Majority of SUCs apparently failed to comply with the 2017 PBB requirements and thus, ineligible to receive PBB.

Figure 8. Government entities by eligibility, 2012–2018



PHP = Philippine peso; SUCs = state universities and colleges; NGAs = national government agencies

Source: General Appropriations Act (various years)

PBB Implementation

National government agencies and attached agencies, GOCCs, other executive offices, and constitutional commissions

Overview of the cluster

National government agencies and attached agencies. Governments almost certainly originated with the need to protect people from conflicts and to provide law and order. They first evolved as people discovered that protection was easier if they stayed together in groups and agreed that one (or some) in the group should have more power than others (Independence Hall Association in Philadelphia n.d.). Through the years, governments have evolved in terms of their specific functions but generally remain to serve as machinery for the security and stability of a country. It represents its people, who bestowed upon it particular responsibilities usually by virtue of laws.

The national government serves as an institution responsible for the oversight and administration of specific functions of the government. In the case of the national government of the Philippines organized on a framework of a presidential, representative, and democratic republic, it has three separate yet interdependent branches, namely, the executive (the law-enforcing body), legislative (the law-making body), and judicial (the law-interpreting body) branches. These branches have under them various departments delegated with specific functions (Table 16). There are also so-called attached agencies that respond to more specific functions in the fulfillment of the overall operations of the departments or agencies they belong to.

For this study, there were three agencies whose personnel-respondents for KII and FGD were program managers and personnel from the rank and file.

One agency goes by the mandate “to serve as the premier arm of the executive branch in engaging and involving the citizenry and the mass media to enrich the quality of public discourse on all matters of governance and build a national consensus thereon”. Four focal point persons discussed their implementation of the PBB scheme and their observations about the program’s design.

Another agency responds to its mission “to defend (the Philippines) against external and internal threats to territorial integrity

Table 16. Branches of government and their various departments

Branches of National Government	Offices
Executive branch	Office of the President, National Economic and Development Authority, Office of the Press Secretary, Office of the Vice President, Department of Agrarian Reform, Department of Agriculture, Department of Budget and Management, Department of Education, Department of Energy, Department of Environment and Natural Resources, Department of Finance, Department of Foreign Affairs, Department of Health, Department of the Interior and Local Government, Department of Justice, Department of Labor and Employment, Department of National Defense, Department of Public Works and Highways, Department of Science and Technology, Department of Social Welfare and Development, Department of Tourism, Department of Trade and Industry (Industry and Investment Group, International Trade Group, Consumer Welfare and Trade Regulation Group, Regional Operations Group), Department of Transportation and Communications.
Legislative branch	Senate of the Philippines, House of Representatives
Judicial branch	Supreme Court of the Philippines, Court of Appeals, Court of Tax Appeals, Sandiganbayan, Philippine Judicial Academy, Judicial and Bar Council

Source: Civil Service Commission (n.d.)

and sovereignty, and promote the welfare of the people to create a secure and stable environment conducive to national development”. Two key officials of the department participated as respondents of the KII. They were joined by the focal point persons of their agency to the AO 25-IATF. As for FGD conducted among personnel selected from the rank and file, the youngest of them in terms of years of service was assigned at the Civil Veterans Retiree Affairs, while the one with the longest years of service has been in the department for 40 years as a research analyst assigned through the years in various divisions of the department.

Finally, the third agency under this subcluster is “mandated to encourage, promote, and develop tourism as a major socio-economic activity to generate foreign currency and local employment and to spread the benefits of tourism to a wider segment of the population

with the support, assistance, and cooperation of both the private and public sectors". The key officials, particularly those in the administration and finance section and human resource department, were among the respondents for KII. The participants in the FGD were employees from the rank and file randomly selected for this purpose.

Moreover, the study also encompassed representation from attached agencies as a subcluster of the NGAs. An attached agency has a larger measure of independence from the department to which it is attached than one which is under departmental supervision and control or administrative supervision. This is borne out by the "lateral relationship" between the department and the attached agency. The attachment is merely for "policy and program coordination". Attached agencies were randomly selected for the study. These agencies formed part of this subcluster from which KIIs and FGDs were conducted to gather data on their implementation of the PBB scheme.

In the conduct of the fieldwork, aside from focal point persons of the attached agencies, other key officials also participated in the KIIs. The sectors these selected agencies embody were diverse.

One agency functions as the voice and advocate of the youth; the other responds to its mandate "to improve the quality and delivery of health care services through the development of traditional and alternative health care and its integration into the national health care delivery system". Meanwhile, the third agency's mission is "to develop foreign service competencies through responsive learning and development programs, and strengthen foreign policy through relevant, insightful, and timely research support".

In addition, other institutional bodies that work together in the performance of certain functions in delivering services to the public include the constitutional commissions and GOCCs (Table 17).

Government-owned and -controlled corporations. A GOCC refers to any agency organized as a stock or nonstock corporation, vested with functions relating to public needs, whether governmental or proprietary in nature, owned by the Government of the Republic of the Philippines directly or through its instrumentalities either wholly or, where applicable as in the case of stock corporations, to the extent of at least a majority of its outstanding capital stock. It is created by a special charter or law in the interest of the common good and subject to the test of economic viability (PHNet 1997).

Table 17. Constitutional commissions and GOCCs

Agencies	Offices
Constitutional offices	Autonomous Region in Muslim Mindanao, Civil Service Commission, Commission on Audit, Commission on Elections, Commission on Human Rights, Cordillera Autonomous Region, Office of the Ombudsman
Government-owned and -controlled corporations and other institutions	Baguio Economic Zone, Bases Conversion and Development Authority, Bataan Economic Zone, Cagayan Economic Zone Authority, Cavite Economic Zone, Cebu Ports Authority, Center for International Trade Expositions and Missions, Clark Development Corporation, Clark International Airport Corporation, Cottage Industry Technology Center, Cultural Center of the Philippines, Development Academy of the Philippines, Duty Free Philippines, Food Terminal, Inc., Guarantee Fund for Small and Medium Enterprises, Home Development Mutual Fund (Pag-Ibig Fund), Home Guaranty Corporation, John Hay Management Corporation, Laguna Lake Development Authority, Light Rail Transit Authority, Livelihood Corporation, Local Water Utilities Administration, Lung Center of the Philippines, Mactan-Cebu International Airport Authority, Mactan Economic Zone, Manila International Airport Authority, Meat Packing Corporation, Metropolitan Waterworks & Sewerage System, Metro Transit Organization, Inc., National Agri-Business Corporation, National Broadcasting Network, National Dairy Authority, National Development Company, National Electrification Administration, National Food Authority, National Home Mortgage Finance Corporation, National Housing Authority, National Irrigation Administration, National Kidney and Transplant Institute, National Livelihood Support Fund, National Power Corporation, Natural Resources Development Corporation, National Tobacco Administration, National Transmission Corporation, Nayong Pilipino Foundation, Ninoy Aquino International Airport, Northern Foods Corporation, North Luzon Railways Corporation, Occupational Safety and Health Center, Overseas Workers Welfare Administration, People's Credit and Finance Corporation, People's Television Network, Inc., Philippine Aerospace Development Corporation, Philippine Amusements and Gaming Corporation, Philippine Center for Economic Development, Philippine Center for Population and Development, Philippine Charity Sweepstakes Office, Philippine Institute for Development Studies, Philippine International Convention Center, Philippine Leisure and Retirement Authority,
Government-owned and -controlled corporations and other institutions	Philippine National Construction Corporation, Philippine National Oil Company, Philippine National Railways, Philippine National Red Cross, Philippine Ports Authority, Philippine Postal Corporation, Philippine Retirement Authority, Philippine Rice Research Institute, Philippine Tourism Authority, Philippine Veterans Investment Development Corporation (PHIVIDE), Industrial Authority, Poro Point Management Corporation, Power Sector Assets and Liabilities Management (PSALM) Corporation, Public Estates Authority, Quedan and Rural Credit Guarantee Corporation, Small Business Guarantee and Finance Corporation, Southern Philippines Development Authority, Subic Bay Metropolitan Authority, Sugar Regulatory Administration, Technology and Livelihood Resource Center, Trade and Investment Development Corporation, Zamboanga City Special Economic Zone Authority (Zamboanga Freeport Authority)

Table 17. (continued)

Agencies	Offices
Government financial institutions	Al-Amanah Islamic Investment Bank of the Philippines, <i>Bangko Sentral ng Pilipinas</i> , Development Bank of the Philippines, Land Bank of the Philippines
Social security institutions	Government Service Insurance System, Social Security System, Employees Compensation Commission

GOCC = government-owned and -controlled corporations

Source: Civil Service Commission (n.d.)

One of the selected agencies as representative of this subcluster is a health institution. This agency, a tertiary medical specialty center, has its goal “to provide world-class health care to all patients and their families and to pursue excellence in developing and establishing the highest level of training and research for physicians and paramedical personnel”. Among the study respondents for KII and FGD were from the budget office, human resource, administrative service department, accounting division, admitting and discharge section, pharmacy section, nutrition and dietetics division, department of laboratory medicine, and medical oncology section. The respondents, all middle managers assigned to their respective divisions/departments, relatively had lengthy years of service in the agency ranging from 16 years to 34 years. Overseeing specific areas and personnel in their agency, they were generally familiar with PBB as a government program.

Constitutional commissions. Article IX of the 1987 Philippine Constitution provides common provisions for the constitutional commissions. These are CSC, the Commission on Elections, and COA. These commissions are independent and enjoy fiscal autonomy. Their approved annual appropriations are automatically and regularly released. Moreover, they have independent powers of appointment and may promulgate their own procedural rules.

Among those identified as respondents was a representative of the constitutional commissions. This agency, headed by a chairperson and two commissioners, is both an implementing agency “dedicated to checking the nationwide implementation of certain PBB requirements” and a participating agency, in which it also models the way for the Philippine government. Its mission is “to ensure accountability for public resources, promote transparency, and help improve government operations”.

Per constitutional provision, COA shall have the power, authority, and duty to examine, audit, and settle all accounts pertaining to the

revenue and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to, the government, or any of its subdivisions, agencies, or instrumentalities, including GOCCs with original charters and on a post-audit basis (Article IX-D, Section 2). Its participation in the study, however, mainly focused on its role as a participating agency where respondents include program managers of the PBB implementation whose years of experience (ranging from 15 to 25 years) in the Commission, including their exposure to the process of PBB implementation, qualify them as focal point persons of their agency.

By and large, the first cluster of this study embodied representatives of the subclusters mentioned above. Selected accordingly, the constituting agencies were distributed as follows:

Agency Category	Number of Agencies Involved in the Study
National government agency	3
Attached agency	4
Government-owned and -controlled corporation	1
Constitutional commission	1

The responses of these agencies to the interview questions were illustrated as bases for the policy evaluation and identification of the policy’s impact on the performance and productivity of the employees who served as respondents of this study.

Program implementation

Institutional arrangement/actors involved. As previously discussed, the AO 25 IATF is chaired by DBM and co-chaired by OES. Its members are the DOF, NEDA, PMS, CSC, CESB, COA, Office of the Ombudsman, GCG, CHED, and NCC, representing the private sector. DAP serves as the secretariat and technical resource institution of the IATF. The assessed agencies included the IATF as actors involved in implementing the PBB within GOCCs and NGAs. Moreover, most of the agencies included personnel staffing internal committees for the purpose of organizing further the said implementation. All agencies were familiar with the authority therein for AO 25 IATF and how important it is to comply with the set guidelines.

When asked what institutional structures have been set up at their agency for the PBB, one attached agency and a GOCC admitted that they only had to comply with the required structures, such as the PMT. A department, however, named the creation of a technical working group for PBB compliance and an information committee that “reminds the offices on information of the changes or new policies” as institutional structures their agency had set up.

On the part of one constitutional commission, a committee has been created to help monitor the status of its compliance.

One respondent said, “within our sector, *natuto na rin, so, ang office ni Director X, with Director Y, have created committees to help monitor. May mga committees naman sila na kine-create among the division, na in-charge sa specific assignments.*” Unanimously, the respondents agreed that all employees have roles to play in the implementation of the PBB scheme, aside from the recognition of their specific functions based on their specific roles in their divisions/offices.

Eligibility and selection. At the beginning of the PBB implementation, regular, contractual, and casual officials and employees of departments and agencies of the national government who occupy plantilla positions, have an employer-employee relationship with these departments and agencies, and have been in government service for at least four months as of November 30, 2012 may be covered. Likewise, GOCCs must first meet the eligibility criteria before they can qualify to receive PBB. Across all agencies, a set of requirements had to be met to be eligible for the PBB scheme. Emanating from the IATF, the requirements came with guidelines agreed upon by the same in coordination with the focal point persons of government agencies.

At the time of the interviews, guidelines dictated that only permanent employees may be covered by the PBB scheme. During the said time, it was revealed that though these agencies were participants in the PBB scheme, some of them did not qualify for certain years due to their inability to meet the accomplishments required by the IATF to submit. When asked which areas these agencies were not able to meet, all nine agencies’ representatives identified “non-posting of procurement transactions on the [PhilGEP] website”, “*hindi nag-submit ng [SPMS] form*” (failure to submit SPMS form), and “unliquidated (cash advance)” as factors that hindered some employees from receiving their PBB. In short, failure to meet certain requirements crucial in qualifying to receive the

bonus, namely, posting, liquidation of cash advances, ISO certification, administrative cases, and scholarships (disqualifying factors), surfaced as the most common factors.

Information management. According to Section 2c of EO 80, series of 2012, there shall be an appropriate communication strategy and publication of performance targets and accomplishments on the department and agency websites and the website for RBPMS to ensure transparency and accountability in implementing the PBB scheme.

When asked about how information on PBB is being managed and disseminated to all personnel within the agency, 71 percent of respondents stated that information was trickled down to entry-level personnel from top management. Responses to measures put in place at the agency to cascade PBB to the rank and file include the issuance of memoranda, conduct of orientation, general meetings, and other correspondences. Recounting one response, “when we cascaded the memorandum circular, activity guidelines, our understanding is that the sector head will cascade it downwards to their director, the directors to their staff. Down the line.” Another shared that in their agency, “every year, *mayroon kaming orientation office-to-office para ma-orient sila on the new guidelines, doon sa ratings, sa pagre-rate sa IPCR* [Individual Performance Commitment and Review].” (Yearly, we have office-to-office orientation to orient them on the new guidelines, new ratings, and how to rate their IPCRs).

However, not much mechanism for ensuring that information is well managed was in place. This was manifested in the response of one respondent from a constitutional commission who said that “we do not have any concrete documents citing to that, but there is an understanding, really, that when we send the memorandum to all the sector heads, it’s now the responsibility of the sector heads to cascade this downwards.” One focal point person from an attached agency also admitted that the information-dissemination mechanism was lacking in their agency as gleaned in the statement “that’s one thing we need to come up with a system, *‘yung pag-cascade.’*”

Organization. Section 2b of EO 80, series of 2012, states that flexibility shall be provided to the heads of departments and agencies to suit the PBB system to the nature of their operations and to drive peak performers in terms of the determination of the appropriate delivery units to be rewarded and the performance indicators to be used.

As such, autonomy of agencies is manifested by the existence of internal committees composed of personnel who perform tasks that

help ease the specific agency's compliance with the PBB requirements. The same committees have their customized monitoring system, as well as a system of finalizing and evaluating targets in coordination with department heads and other key persons. The inclusion in the guidelines of the creation of PMT to play a crucial role in the execution of the SPMS among agencies were identified by respondents to be an effective structure for agencies to produce their corresponding outputs, namely, IPCRs, department performance commitment and review (DPCR), and Office Performance Commitment and Review (OPCR). It has also been previously established that big agencies, such as the constitutional commissions and GOCCs, should consider creating internal committees to help not only in monitoring but also in the smooth flow of implementation. This was a response to the abovementioned provision on the autonomy of agencies to calibrate the PBB system according to their agencies' peculiarities. The program managers and focal point persons, however, did not mention any known privilege given to their agencies as stated above. They perceived that the guidelines cascaded to them were meant to be complied with as they are.

Factors affecting implementation. According to study respondents, the program implementation of PBB was affected mainly by the stringent standards set by IATF (which some describe as “meant to not be met”), including voluminous requirements that needed to be complied within seemingly unreasonable time frames. Some accounts from the respondents can be gleaned in the following responses:

“Ang hirap po. Ang hirap i-comply. Lalo na ‘yung forms nila. Ang daming data na hinihingi. Paulit-ulit naman ‘yung mga forms.”
(It's very difficult. Very difficult to comply. Particularly the forms. They are asking for so much data. The forms are redundant anyway.)

“Noong una, madali pa. Patagal nang patagal, parami na nang parami.” (Previously, it was easier. As time goes on, [forms are] getting too many.)

Moreover, other factors mentioned included ineffective implementation (undertargeting and overrating in IPCRs/OPCRs) of the SPMS, lack of resources (including human resource) to meet set requirements, decreasing motivation among personnel due to the labels, “best, better, good, and poor”, as well as a perceived lack of fairness in terms of individual performers and nonperformers within

departments. Quoted from the perceptions of the respondents below were reflective of the above analyses:

*“Nagiging competitive in a negative sense. Unhealthy competition.”
(It becomes competitive in a negative sense. Unhealthy competition).*

“Nagkaroon ng competition with other delivery units.” (Competition among delivery units is created).

“Ranking politically. They will always favor the appointees because they are the ones deciding.”

While these observations surfaced, the data from the fieldwork generally showed that all respondents believed that their agencies had to work on some improvements on their implementation of the PBB scheme, alongside hoping for the improvement of the PBB guidelines to be certain to meet the objectives of the program.

Effectiveness of the PBB implementation. While some agencies found the PBB implementation effective throughout the years, except for emphasized factors, such as stringent requirements and deadlines, they shared similar suggestions for its betterment. Among those they found as advantages of PBB and their agencies' best practices that yielded from their compliance with the PBB scheme included regular monitoring (of disbursements, utilizations, IPCR/DPCR/OPCR targets, duties, etc.), increased employee motivation, more focused meeting of the goal to deliver ease of doing business and quality public service, and the benefit of monetary rewarding of deserving employees.

Accounts on these positive observations about the advantages of the PBB scheme are found below:

“Since the PBB started, one of good governance conditions was the compliance with the submission of the recommendation of the cash advances...”

*“Malakas ‘yung inter-division and inter-office coordination.”
(Inter-division and inter-office coordination is strong).*

“(It) fosters teamwork.”

“Through PBB, you outdo yourself; you outdo your performance.”

“PBB improved the dedication of employees sa compliance.”

“Constant communication with the employees.”

“I would say 90 percent yes, na-meet naman dahil sa client satisfaction, na-meet and na-heighten ‘yung accountability, and na-streamline ‘yung processes. Part of the 10 percent is ‘yung nirereklamo that they feel na ‘yung grant ng PBB ay unfair for the rank and file and stringent ng pag-implement nila, masyadong strict. (I would say 90 percent yes that PBB met its targets on client satisfaction. Accountability was also heightened, and processes were streamlined. The 10-percent margin for improvement pertains mainly to complaints about its implementation, which many think as being unfair and too stringent, especially for the rank and file employees.)”

In terms of suggestions, all respondents from the nine agencies had common answers, including consideration of IPCR differences among individuals (with different functions), addressing undue competition among employees, units, and even agencies; consideration of effecting an agency-wide incentive scheme; and conversion of the salary-based system into an across-the-board incentive scheme.

“Gawing across the board, pero gawing strict sa IPCR.” (Make it across the board but be strict with IPCR).

“Yung rating dapat objective siya na pare-pareho lang kayo ng sinusunod.” (Rating should be objective and consistent for all agencies.)

“Lessen paperwork.”

One respondent from an attached agency suggested that the PBB scheme be replaced with a new program that discriminates against the differences therein among agencies. In her sharing, she said, “Scrap the PBB and replace it.” One suggestion spoke of an automatic salary increase in lieu of giving bonuses to deserving employees.

Gaps between planned and related outcomes. The perceived objectives of the PBB by the respondents of the study are consistent with the actual aims of the scheme. These planned targets include strengthening

performance monitoring and appraisal systems based on existing systems, improving service delivery by the bureaucracy, motivating higher performance and greater accountability in the public sector, and ensuring that commitments and targets are accomplished.

Although the respondents stated concurrence that the planned outcomes in the PBB are consistent with realized outcomes, some areas of concern were revealed. While the PBB aims to motivate employees and agencies to excel in their respective tasks, the PBB has led to undue “competitions”, thereby diluting the supposed motivation. Also, instead of putting efforts on the essence of their jobs, employees and agencies tend to focus on the needed paperwork for the accomplishment of good governance as set by the IATF. Some agencies are reported to pursue certain schemes, which are not allowed, just to pacify employees who are not among the better or best departments.

State universities and colleges

Overview of the cluster

There are currently 112 SUCs spread across the country. Each of these SUCs has various campuses in different regions or localities. Central to the operationalization of the PBB scheme in SUCs is the RBPMS and its alignment with the SPMS of the CSC. Just like for the NGAs, the key components measured in the PBB scheme for SUCs are the observance of GGC, performance indicators, and performance ratings. The number of SUCs that qualified to receive PBB increased from 81 in 2012 to 103 in 2014. However, it dropped dramatically to 93 in 2015, 66 in 2016, and 28 in 2017.

The grant of PBB, however, excludes faculty and staff who do not hold government plantilla positions, such as job orders and outsourced employees from agencies. However, there are instances that some of the aforementioned workers can qualify for PBB, such as part-timers on a pro-rata basis.² The PBB guidelines, which changed over the years, have provided conditions for a prorated PBB amount based on the length of service rendered in an agency, including provisions on compliance for officials in documentary requirements of the PBB in a fiscal year.³

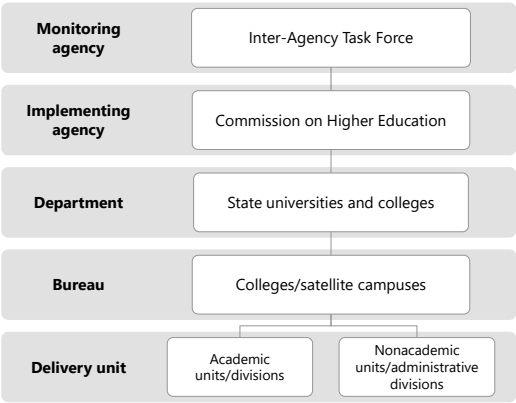
² Refer to the individual eligibility section in MC 1, series of 2013.

³ Refer to the individual eligibility section in MC No. 1, series of 2015, similar to the succeeding years: MC 1, series of 2016; MC 1, series of 2017; and MC 1, series of 2018.

Program implementation

Institutional arrangement/actors involved. From 2012 up to the present, CHED has played a pivotal role in guiding SUCs in implementing the PBB scheme.⁴ As the regulating body for SUCs, it focuses on the following: (1) timely compliance with PBB requirements, (2) counterchecking of the accuracy of documents submitted, and (3) provision of assistance to SUCs that experience difficulty in complying with the PBB scheme. In 2012, CHED released a memorandum, in line with EO 80, series of 2012, that provides guidelines on the implementation of the PBB scheme.⁵ It operationalized the definition of terms in IATF MC 1, series of 2012, which describes the process in the PBB scheme (Figure 9).⁶

Figure 9. Bureaucracy for the PBB scheme in state universities and colleges



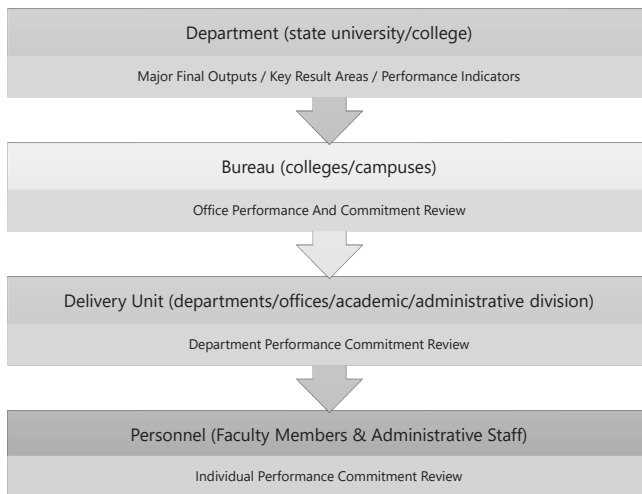
PBB = Performance-Based Bonus
Source: Authors' diagram based on CHED Memorandum Order 35, series of 2012

CHED, through CHED Memorandum Order (CMO) 29, series of 2013, has provided procedural guidelines for cascading the targets and indicators⁷ (Figure 10), simply mentioned as follows:

⁴ As articulated in DBM MC 2012-01 dated August 2, 2012: Guidelines on the Grants of the Performance Based-Incentives for FY 2013 under EO 80.
⁵ Two MCs specifically issued by CMO 35, series of 2012, and CMO 29, series of 2013.
⁶ Based on CMO 35, series of 2012.
⁷ There are only two documents released by CHED that provided guidelines on how PBB is implemented in SUCs, namely, CMO 35, series of 2012, as cited earlier, and the one referenced in this specific part. This has been followed even in recent years and has coincided with the main guidelines released from the IATF and AO25 Secretariat.

1. MFOs must be reviewed, the performance indicators and targets declared in the OPIF Book of Outputs for FY 2012, and the key program/project (KPP) targets agreed with CHED related to the Philippine Higher Education Reform Roadmap.⁸
2. SUCs must select three performance indicators for each MFO and two performance indicators for offices in support to operations (STO), KPP, and general administration and support services (GASS).⁹
3. SUCs must select targets specific or appropriate to their level.
4. Colleges/departments chosen by SUCs to be responsible for delivering MFOs and KPPs are identified. SUCs shall allocate these performance indicators strategic to organizational goals and shall define the performance of SUCs.
5. The targets are monitored quarterly or semesterly to ensure timely delivery.
6. The cascading of targets shall consider the Philippine Higher Education Reform Roadmap, SUC strategic plan, budgetary allocation, and number of employees.

Figure 10. Cascading of MFOs, KRA, and performance indicators and their inclusion in SPMS



MFO = major final output; KRA = key result areas; SPMS = Strategic Performance Management System
 Source: Authors' diagram based on CHED Memorandum Order 35, series of 2012

⁸ For further details, refer to the *Philippine Higher Education Reform Roadmap (2011–2016)* booklet released by CHED.

⁹ Refer to CMO 35, series of 2012.

MFOs of SUCs with specific performance indicators that have changed over time are focused on (1) advanced education services, (2) higher education services, (3) research services, (4) technical advisory services, and (5) hospital services. These are evaluated along with STO and GASS.¹⁰ SUCs have the freedom to choose their targets and indicators, but they must correspond to their level.¹¹ The number of targets set in performance indicators under the MFO 1, MFO 2, and MFO 4 varies per SUCs, while MFO 5 is for those with university-run hospitals. However, the difference in performance indicators is more pronounced in research in relation to SUC level (based on 2012 indicators).

1. Levels I to II SUCs
 - a. Number of research-based teaching materials, analyses, essays/papers
 - b. Number of research outputs presented locally (within institution)
2. Levels III to IV SUCs
 - a. Number of outputs presented in regional/national/international for a/conferences
 - b. Number of outputs published in CHED-accredited journals/ internationally indexed journals
 - c. Number of research outputs patented/copyrighted
 - d. Ratio of research and development outputs to total number of full-time graduate faculty

CHED reiterates that in the selection and priority of targets, universities and colleges differ in focus, with the former investing in research while the latter prioritizing extension services. Furthermore, it also monitors and evaluates SUCs' MFOs, along with training, mentoring, and orienting of the PBB focal persons each year. The performance indicators and targets are critical in the preparation of the SUCs budget for the fiscal year.

As discussed above, the same PBB process is followed, albeit the change in the guidelines on the PBB across the years. The clustering of delivery units is important for SUCs to address their strengths and weaknesses. One of the focal persons mentioned that certain colleges, particularly those with strong extension programs but weak research

¹⁰ Refer to CMO 35, series of 2012.

¹¹ SUC leveling also informs the selection of MFOs and will be discussed in further detail in the next section.

output, were teamed up with those that had strong research practice but lagged behind in terms of outreach. This procedure also has a role in shaping the outcomes of the OPCR, DPCR, and IPCR.

Once expectations are set for the respective faculty and staff, it is generally up to them to execute these deliverables, as long as the tasks and outputs adhere to the prescribed time. Faculty members are in charge of the MFOs, while administrative staff are the ones dealing with the GASS and STO targets and other PBB requirements, such as GGCs. Meetings are usually held monthly or quarterly, depending on SUCs, while monitoring the completion of these targets and consolidating necessary documents are done quarterly. Once the documents are consolidated, follow-ups are done during the evaluation process to check if the files are complete, accurate, and up-to-date. The final report is submitted by the representatives of the SUCs to CHED and then endorsed to the AO 25 IATF for evaluation.

Consolidation of documents, with verifiable and accurate information for MFOs, from delivery units is crucial to the creation and submission of the report to be submitted to CHED and the IATF. Certain mechanisms have been adopted by SUCs to streamline the process by creating information systems and maximizing computer software programs, especially for those with multiple campuses distributed within regions/provinces and across the archipelago. The evaluations, however, are done in accordance with existing rules and regulations determined by the IATF.

Eligibility and selection. In general, the AO 25 IATF provides the guidelines to follow in each fiscal year from 2012 to the present, which have changed over time. These serve as the basis for government agencies and employees to be eligible for PBB. These requirements of PBB have increased over time, which also affected the processes. SUCs have deemed that the process has become complex and complicated over time, which created an impression that PBB is difficult and challenging to accomplish. Based on the existing documents, in 2012, the following are the PBB requirements in 2012:

1. To achieve at least 90 percent of the following:
 - a. MFOs submitted to the Congress
 - b. Priority programs/projects agreed with the President under the five KRAs of EO 43, series of 2011
2. To satisfy GGCs:
 - a. Transparency seal

- b. PhilGEPS
- c. Liquidation within the reglementary period of all cash advances.

However, in 2018, these guidelines¹² were changed to:

1. Satisfy 100 percent of GGCs determined by the AO25 IATF
2. Achieve 100 percent of the physical targets, STO, and GASS target requirements for 2018
3. Use the SPMS for performance ratings of first- and second-level employees and the use of guidelines for evaluation released by CESB for career executive service officers

Furthermore, in the guidelines for 2018, there were requirements specific to SUCs:

1. Achieve 100 percent of each of the Congress-approved performance targets under the FY 2018 GAA and the FY 2018 STO and GASS requirements
2. In GASS targets, obligations and disbursement BUR will be the same as those for government department/agencies but must include a report of trust funds, revolving funds, and internally generated income based on the released format

The presidents of SUCs follow a different ranking system. The guidelines and their subsequent amendments are based on the changes in the amount granted in successfully complying with the PBB requirements, as seen in Tables 18 and 19.¹³

The practice of forced ranking, according to some SUCs, remains a problem, especially when units have been performing well. In the early years of the PBB scheme, this has caused confusion among SUC employees due to a lack of clear guidelines on how to do the forced ranking of faculty members and administrative staff. Some employees felt that the results of the rankings were unfair. One clear rule consistent in the years of implementation is that one must achieve a rating of at least satisfactory and above on a scale of 1 (lowest) to 5 (highest).

Also, over the years of PBB implementation, isolation of certain delivery units or SUCs presidents has happened so as not to jeopardize the

¹² Refer to MC 1, series of 2018.

¹³ As stipulated in CMO 4, series of 2015, and CMO 1, series of 2017.

Table 18. SUC presidents' PBB eligibility, 2014

Performance Category	Best	Better	Good
Eligibility requirements	SUC has met all good governance conditions.		
	SUC has achieved 90 percent of its physical targets in all MFOs, STO, and GASS indicators.	SUC has deficiency in some of its target/s due to uncontrollable reasons.	SUC has deficiency in one of its physical target/s due to controllable reasons.
PBB amount	PHP 35,000	PHP 20,000	PHP 10,000
PBB amount	65 percent of salary	57.5 percent of salary	50 percent of salary

PBB = Performance-Based Bonus; SUC = state university/college; SG = salary grade; MFO = major final output; STO = support to operations; GASS = general administrative support services; PHP = Philippine peso

Source: CHED Memorandum Order 4, series of 2015

Table 19. SUC presidents' PBB eligibility, 2016

Performance Category	Best	Better	Good
Eligibility requirements	SUC has met all good governance conditions.		
	SUC has achieved its physical targets in all MFOs, STO, and GASS indicators.	SUC has deficiency(ies) in some of its target/s due to uncontrollable reasons.	SUC has deficiency(ies) in one of its physical target/s due to controllable reasons.
PBB amount	65 percent of salary	57.5 percent of salary	50 percent of salary

PBB = performance-based bonus; SUC = state university/college; SG = salary grade; MFO = major final output; STO = support to operations; GASS = general administrative support services

Source: CHED Memorandum Order 1, series of 2017

PBB eligibility of the SUCs. This has been rectified based on experiences and anecdotes mentioned by focal persons, members of the PMT, and faculty members and administrative staff.

Information management. Based on the feedback from SUCs, the complex requirements of the PBB scheme have created challenges in managing information, particularly in the following areas:

1. Cascading of targets
2. Consolidation of documents
3. Digitization

In some SUCs, cascading of targets has been digitized using computer programs, such as Microsoft Excel, where targets are already specified based on faculty rank. Given the lack of a template, some SUCs have taken the initiative to create one for institutional use. Others harmonized the different PBB guidelines, SUC leveling, and program accreditation in the cascading of targets to delivery units since it has been observed that these quality assurance (QA) mechanisms have the same requirements.

On the institutional level, the discussion of guidelines remains a problem despite CHED's efforts to disseminate information. This is because some SUCs send different focal persons each fiscal year, which has implications on how SUCs understand the information related to PBB.

The consolidation of documents remains another challenge for SUCs, especially for those with campuses in different locations, some of which are in remote areas. The creation of information technology (IT) systems and programs was one of the solutions adopted by some SUCs to monitor, check, and collect related information and required documents. However, some campuses in certain SUCs were located in areas that cannot adapt to IT systems due to lack of facilities and equipment. Because of this, some SUCs had to manage information through voluminous paperwork.

With some SUCs digitizing the process to reduce carbon footprint, a concern shared by CHED, there is a strong clamor to digitize the process of collecting and evaluating documents. However, some SUCs felt IT systems and technologies were underutilized despite the access to a pool of experts who can help create one for PBB.

Organization. In SUCs, the administrative council plans the goals and targets discussed in the board of regents or trustees (BOR/BOT) level. SUCs are given autonomy to determine their targets, with CHED providing assistance in the process.

The PMT plays a role in cascading, monitoring, and evaluating the delivery of targets in SUCs. Delivery units are expected to comply with their targets through IPCR, DPCR, and OPCR as tools to monitor the completion of targets in the organization.

In some SUCs, PBB focal persons have been assigned to different campuses to ensure that the information is distributed and communicated effectively. These focal persons report directly to the PMT and the main PBB focal person of the SUC.

Factors affecting implementation

Rationalizing the PBB scheme in SUCs. The interviews with the faculty members, administrative officials, and focal persons from different SUCs consistently echoed the rationale behind the implementation of PBB to increase performance and deliver quality government service. These have been internalized by faculty members and administrative staff over the years. However, there were challenges with PBB, particularly with how it was received by the identified beneficiaries in SUCs.

One comment from informants pointed out that while PBB intended to promote teamwork, it created unhealthy competition, and to some extent, “ruined organizational dynamics” where SUCs tend to act as one in achieving their targets and goals prior to PBB. The implementation of PBB, particularly the clustering of delivery units to comply with forced ranking, are usually for the following reasons as articulated by informants:

1. It did not sit well with the beneficiaries due to lack of guidelines.
2. It can be subjected to politicking by direct supervisors.
3. It has been tweaked over the years, showing “lack of integrity”.
4. It demoralized the effort done by employees by questioning the quality of outputs.

However, over the years, the beneficiaries have agreed that PBB was able to drive up performance based on the following observable effects:

1. SUCs employees became conscious of their performance or delivery of targets.
2. They were afraid of being “shamed” for being ineligible since it means one is not performing.
3. They were making sure that their PBB-related work is complete, accurate, and timely.
4. There was fear of administrative cases in instances of inaccuracies and misrepresentations.

SUCs, from their administration to the rank and file, in general, pointed out that while PBB was an important factor in achieving university targets and goals, it was not something that they strongly strived for because, with or without the scheme, they were expected to fulfill their duties and responsibilities since these were also affected by other QA mechanisms.

Implementation and governance in SUCs

While the previous part of the report provided insights on how the structures and processes were conducted in SUCs, the organizational structure of the SUCs is mandated by law through Republic Act 8292, also known as the Higher Education Modernization Act (Figure 11). This provides a mandate for SUCs to lead themselves.¹⁴

BOR and BOT lead state colleges and state universities, respectively. While this is an important distinction made by law, the Higher Education Modernization Act has important rules and guidelines that relate to the procedures of the PBB scheme, notable of which are the following:

1. Board Meetings are held quarterly, with the provision to call special meetings at least three days when necessary.
2. CHED Chair shall appoint a commissioner to represent on her/his behalf and shall act as presiding officer.
3. The administrative council shall consist of university/college president as chairperson, vice presidents, deans, directors, and other officials of equal rank as members, whose duty is to review and recommend to the BOT/BOR policies governing administration, management, and development planning of the institution for appropriate action.

These identified provisions of the Higher Education Modernization Act affect the PBB scheme as described by SUC:

1. Board meetings have an impact on the process of procurement since quarterly meetings affect the timeline stipulated in the Government Procurement Reform Act. This has the following consequences:
 - a. failure of bidding;
 - b. manipulation of documents in relation to time or deadlines for compliance;
 - c. low budget utilization rate and capacity of SUCs, which can lead to a lower GAA the following FY; and
 - d. liquidation of GAA funds, particularly in capital outlay.

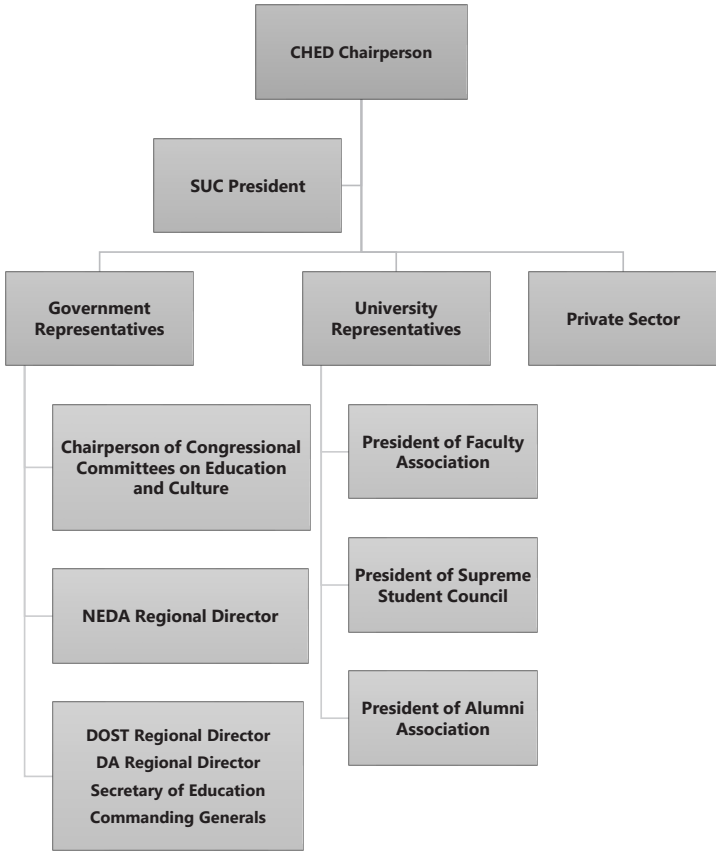
Furthermore, the increased, bloated bureaucracy in the approval of projects and plans of the university has not coincided, based on the observation of SUCs, with the provisions of the

¹⁴ Refer to Higher Education Modernization Act for further details on the organizational structure.

Anti-Red Tape Act, making the procurement process appear inefficient.

2. CHED commissioners are viewed as highly influential in the outcomes and processes of the actions taken by the BOR/BOT, despite being a presiding officer whose voting powers are not articulated in the law. Furthermore, SUC presidents have limited power on the approval of the projects, a problem constantly pointed out by focal persons, unless this is authorized and agreed upon by the BOR/BOT.

Figure 11. Organizational structure of the Board of Regents or Trustees based on RA 8292



RA = Republic Act; CHED = Commission on Higher Education; SUC = state university/college; NEDA = National Economic and Development Authority; DOST = Department of Science and Technology; DA = Department of Agriculture
Source: RA 8292; Authors' diagram

As noted by CHED, the law is intended for SUCs to govern themselves. It clarified it has no power to lead SUCs but must function as an administrative and regulatory agency that focuses on developing higher education in the country.

3. The administrative council plays a crucial role in the planning of the university's targets related to different QA mechanisms, aside from the PBB, such as the ISO certification, institutional sustainability assessment (ISA), center of excellence (CoE) and center of development (CoD) by CHED, certificate of program compliance (COPC), SUC leveling, Accrediting Agency of Chartered Colleges and Universities in the Philippines (AACUP) accreditation, and National Budget Circular (NBC) 461.

It was also observed among the faculty, staff, and administrative officials that these different QA mechanisms have shared guidelines, requirements, and procedures, which strongly require streamlining on the part of the government.

In these general concerns, SUCs have attempted to provide solutions, but certain challenges have remained:

1. While BOR/BOT leadership was a concern among SUCs, some SUCs have made initiatives to strengthen the role of the SUC president in governance. For procurement, planning, bids, and awards, the personnel in charge have to outmatch or compete against the timeline by preparing all necessary documents and informing necessary administrative officials about updates to expedite approval by the BOR/BOT. Most of these projects that require approval are related to DepEd central office.

It was observed that SUCs with a pool of engineers and architects in their roster of faculty tended to have a lax approval process, resulting in a high BUR. However, other SUCs had to go through the usual procurement process to hire engineers and architects as consultants, extending the procurement timeline and jeopardizing their BUR.

2. SUCs president could speed up the project approval process, especially for projects below some thresholds. However, 90 percent of SUCs need the BOR/BOT approval for projects. Some, around 10 percent of SUCs, have managed to delegate the

- powers of approval of bidding and procurement to SUC presidents, who have the necessary expertise for examining projects.
3. Administrative officials, together with the faculty and administrative staff, have made conscious efforts to streamline the requirement of the PBB scheme. This is crucial to the planning process so that SUCs can immediately identify which targets are affected by QA mechanisms and prepare necessary documents that come along with it.

While these concerns are general, there were more specific concerns, particularly with target setting and planning that hounded SUCs.

Other factors affecting PBB implementation. Several factors come into play in the process of implementing PBB, namely, (1) planning and evaluation, (2) external factors or QA mechanisms, and (3) compliance and delivery of targets.

The diagram in Figure 12 attempts to provide an overview of the flow of processes among different actors involved in the PBB.

Figure 12. Cascading of MFOs, KRA, and performance indicators and their inclusion in the SPMS



MFO = major final output; KRA = key result areas; SPMS = Strategic Performance Management System; PBB = Performance-Based Bonus; SUCs = state universities and colleges; OPCR = Office Performance Commitment and Review; DPCR = Department Performance Commitment and Review; IPCR = Individual Performance Commitment and Review; AO = Administrative Order
Source: Authors' diagram based on data from informants

Concerns with planning and evaluation from SUCs are as follows:

1. SUCs faced problems with the late release of guidelines from AO 25 IATF. In return, SUCs blamed CHED, which is part of the IATF, particularly because it is the monitoring agency. This also included problems with the lack of clarity and operations of terms in the guidelines, along with the constant changes in these guidelines every year.
2. CHED ensures that it protects and forwards the interests of SUCs, especially when certain contingencies must be made to ensure that PBB requirements are fulfilled. However, SUCs misjudged CHED despite the agency's effort to protect the interests of SUCs in relation to PBB and other QA mechanisms.
3. Administrative Council usually uses the National Expenditure Program, PIB, and SUC leveling, which inform the selection of targets and performance indicators that make up the MFOs submitted to Congress as the proposed GAA of SUCs. CHED also plays a role in assisting and mentoring SUCs in doing the process.
4. PMT faces challenges in making employees comply with deadlines and targets. However, the PMT, particularly in the delivery of certain PIs related to MFOs, especially research, cascades targets based on the ranking of faculty members.
5. Rank-and-file employees comply. However, there are employees who are uncooperative. This is more pronounced and observed among faculty members with high ranks and salary grades. It is a good thing, however, that the junior faculty members are active and responsive to the demands of the PBB targets, particularly in research.

These challenges in PBB compliance also coincided with other QA mechanisms, which have an impact on promotions, incentives, and SUC leveling. According to SUCs, the different QA mechanisms impact one another, particularly on how they share requirements in areas of research, extension, and instruction.

Over the years, SUCs have noticed the inherent connections of the different QA mechanisms that the government requires. Some of

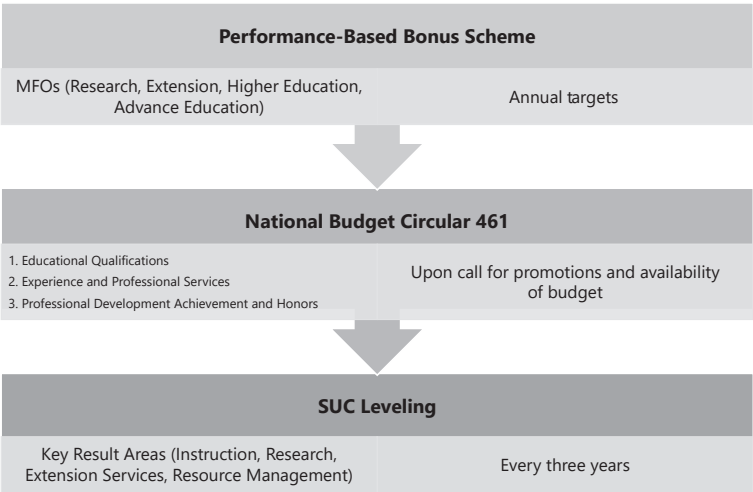
the other mechanisms not included in the diagram (Figure 13) are part of the process, such as:

- 1. program accreditation and compliance (integrated to SUC leveling);
- 2. ISA (requirement of SUC leveling);
- 3. CoD and CoE (CHED);
- 4. ISO certification (GASS requirement of PBB); and
- 5. Quacquarelli Symonds (QS) world university rankings (CHED-identified universities).

According to SUCs, these other QA mechanisms also inform the planning of the university/college in setting its targets. There is an initiative to cut down logistical work required by making sure that major MFOs of the PBB, especially in areas of research, extension, and instruction, are aligned with the attainment of SUC leveling targets. This strategy has been adopted by most SUCs, also integral to the targets stipulated in the Philippine Higher Education Reform Roadmap.

Another important dimension in other QA mechanisms that PBB has an influence on is how the KPIs are used to evaluate the faculty members’ output in the creation of patents and research. These incentives

Figure 13. Relationship of quality assurance mechanisms



MFOs = major final outputs; PBB = Performance-Based Bonus; SUC = state university/college
Source: Authors' diagram based on data from informants

also form part of the other amounts that a faculty member may receive (Table 20). In addition, SUCs have allotted budget for their Faculty Development Plan to strengthen faculty credentials, which would also benefit the institution in its pursuit of PBB targets.

Table 20. Incentives in other SUCs

Outputs	Incentives
Research publication (ISI-indexed journals)	PHP 65,000 (estimates, varies per SUC)
Research publication (Scopus)	PHP 55,000 (estimates, varies per SUC)
Research publication (CHED-approved local journals)	PHP 15,000–30,000 (estimates, varies per SUC)
Citations in ISI journals/SCOPUS	PHP 10,000–50,000 (depending on SUC)
Patents	PHP 10,000–100,000 (depending on SUC)
Professorial chair grants	Depending on SUC
Research presentation and travel incentives	Local and International budgets vary (depending on SUC)
Collective negotiation agreement	Based on the amount of savings of SUC

SUC = state university/college; ISI = International Scientific Indexing;
 CHED = Commission on Higher Education; PHP = Philippine peso
 Source: Authors' tabulation based on field data

Lastly, one of the important challenges in SUCs was the compliance and delivery of targets. There have been critical issues with their attainment over the years, which, according to SUCs, have not been addressed by the AO25 IATF.

1. The PBB scheme does not address the differences of SUCs based on their mandates as stipulated by law and other peculiarities. This is a major concern among SUCs because it affects how targets are chosen and attained. According to one informant, some SUCs choose lower performance targets to qualify for the PBB that are, at times, not in parallel with the SUCs' level.
2. Another problem comes with graduates' and students' performance, which has a tremendous impact on SUCs' PBB targets, especially in licensure examinations. This is attributed to the requirements under the following laws:
 - a. *The Universal Access to Quality Tertiary Education Act, which increased the number of students that apply and*

enroll in SUCs. Some SUCs have become stringent with admission requirements to trim down the surge in enrollees. This issue is tied to the next point.

- b. *The Enhanced Basic Education Act, which shifted the 10-year basic education program to the K-12 setup.* It has affected the recruitment of students in certain programs. Due to low number of enrollees, some SUCs have recruited students in their programs even if there is a mismatch in terms of their senior high school track. For instance, accountancy, business, and management (ABM) graduates are admitted into science, technology, engineering, and mathematics courses, and humanities and social sciences graduates into ABM courses.
3. Extension services were saturated. One requirement for SUCs was to not go below their achieved targets in previous years. Also, the PBB scheme does not consider that extension work is crafted based on specific needs in a current year and changes in the following one.
4. The performance in licensure examinations was also a tricky matter due to how passing rates are set.
 - a. Earlier guidelines on this indicator compared SUC performance with the national average, usually lower than the SUCs' rating. In turn, this made institutions qualified right away.
 - b. Later guidelines, according to SUCs, only measured the performance of first-time takers and no longer compared it with the national passing average. This made it more challenging because some SUCs set it automatically to 100 percent due to observable records. However, they sometimes failed to achieve it. This led to ineligibility in most instances.
5. In terms of research output, the junior faculty members usually took on the job due to noncooperation of some senior faculty members, despite explicit indication in OPCR, DPCR, and IPCR delegating it to senior faculty members. As a result, the research unit invested in creating workshops and mentoring programs to help the junior faculty members and in achieving targets as well.

6. Some SUCs also felt that personal research initiatives should be considered in the targets. Some faculty members raised a concern regarding budget for research since delays in the release of funds impact the completion of projects. While it is beneficial for the NBC 461 requirements, the output in research, which could help in achieving university targets for PBB, should be included as it encourages faculty members to continually conduct research. Budgetary concerns should also be addressed to reduce the risk on the part of the faculty in shelling out personal money despite the existence and availability of funds.

These findings suggest that SUCs were treated as a homogenous group in the implementation of the PBB. There was a lack of consideration on how SUCs were different from each other, particularly with respect to specialization, charters, size, region, and leadership roles. These contextual differences shape how PBB operates in SUCs. However, the implementation of the PBB across all SUCs assumed “one size fits all.” All SUCs, despite their differences, must comply with guidelines set forth by the AO 25 IATF. This is something that must be resolved in the long run.

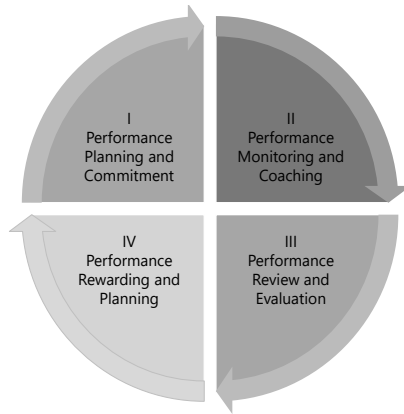
DepEd schools

Overview of the cluster: Background and rationale

DepEd is the largest group in the Philippine bureaucracy, with over 800,000 employees. With a total of 62,605 schools scattered across the country, it has 18 bureaus and services, five attached agencies, and three coordinating councils. In the internal guidelines that DepEd annually sends its rank and file, it has echoed the objective of the PBB, which is to link individual performance targets and accomplishments to that of the agency’s organizational goals. Thus, DepEd’s RBPMS, composed of four strategic cyclical phases, is aligned with the SPMS of CSC.

The performance planning and commitment completes the three other RBMPs/SPMS phases of performance rewarding and planning, performance monitoring and coaching, and performance review and evaluation (Figure 14).

Furthermore, the eligibility criteria of GGCs, performance targets, and performance rating system that have remained in place since program inception in 2012 conform closely to the identified

Figure 14. Framework for the Results-Based Performance Management System

Source: Authors' diagram based on CSC Memorandum Circular 6, series of 2012

eligibility requirements of the AO25 IATF. Initially, individual eligibility requirement covered all officials and employees who hold regular plantilla positions,¹⁵ as well as contractual and casual employees having an employee-employer relationship with DepEd, provided that these individuals have rendered at least four months of service by November 30, 2012. By 2013, individual eligibility requirement became more stringent, specifying being in service for at least nine months by end of March 2014, and having at least “satisfactory” rating for first and second levels, and “very satisfactory” for third levels.

Program implementation

Institutional arrangement and actors involved. In 2012, Performance Review and Evaluation Committees (PRECs) were established at various administrative levels to oversee the PBB implementation at the level of the division (D-PREC), region (R-PREC), and national (N-PREC). D-PREC, R-PREC, and N-PREC were headed, respectively, by an assistant schools division superintendent (SDS), assistant regional director, and an undersecretary. Membership to these committees included planning officers of the division, region, and national; accountants, chief finance officers, or members of the budget division; Education I and II supervisors; principal representatives from both elementary and secondary schools; and parent-teacher association, employee union, and employees' welfare

¹⁵ This excludes employees who hold job orders in local government units.

and benefits representatives. Each PREC is assisted by a secretariat. The PREC's tasks were to implement the performance review and evaluation using guidelines provided by the DepEd Central Office (CO) and ensure reliability, completeness, and correctness of data to be used as bases for performance review and evaluation.

In 2017, PMTs replaced PRECs in all the levels of bureaucracy. A Performance Management Committee (PMC) was constituted as well to oversee the overall implementation of the PBB, ensuring agency compliance and submission of reports to the AO25 IATF. The PMC includes the Secretary of DepEd, all undersecretaries and assistant secretaries, a representative from the Association of DepEd Directors, and a representative of an accredited national union of DepEd, served by a secretariat, the Bureau of Human Resources and Organizational Development (BHROD), and the Planning Service.

Eligibility and selection. Under Department Order 12, series of 2013, issued on February 28, 2013, the ranking of both bureaus or delivery units and attached agencies, along with the officials and employees within the DepEd CO, regional offices (ROs), division offices (DOs), and attached agencies, was initially articulated. Exemptions to this ranking were the automatic award of the PHP 35,000 PBB bonus to DepEd officials and employees who are recipients of national awards; automatic disqualification of individuals belonging to the first and second levels who received a rating below "satisfactory", and third-level officials who earned a rating below "very satisfactory"; and personnel found guilty of administrative and/or criminal charges and meted penalty, therefore. Later, department issuances would eliminate the forced ranking of teachers at the level of the schools.¹⁶

To qualify for the PBB, each delivery unit, which DepEd identifies as a school, division, region, and in the case of the CO, bureaus, centers, services, task force, and the Office of the Secretary, including attached agencies, must achieve the following:

1. At least 90 percent of FY 2012 targets of each MFO, STO, and GASS;
2. 90 percent of each priority programs/project targets agreed with the President under the five KRAs of EO 43, series of 2011; and
3. 100 percent of GGCs.

¹⁶ DO 33, series of 2014, issued on July 21, 2014, is a response to the unique mandate to enforce agency accountability.

Over time, these guidelines have changed. Below are the PBB 2018 guidelines submitted to the bureaucracy:

1. Agencies must achieve each one of the Congress-approved performance targets for the delivery of MFO under PIB in the FY 2017 GAA and the targets for STO and GASS.
2. Agencies must satisfy 100 percent of GGCs for FY 2017 set by the AO25 IATF:
 - a. Maintain/update the Agency Transparency Seal as mandated in Section 93 of the FY 2017 GAA to enhance transparency and enforce accountability.
 - b. Maintain/update the posting of all invitations to bids and awarded contracts in PhilGEPS.
 - c. Maintain/update the citizen's charter or its equivalent service charter.
 - d. Develop the agency's Freedom of Information (FOI) Manual pursuant to EO 2, series of 2016.
3. Agencies must use RPMS in rating the performance of first- and second-level employees and officials (DO 38, series of 2018).

The amount of the incentive has also varied over time. Prior to 2016, payouts could range from PHP 5,000 for 'good' rating to a high of PHP 35,000 for 'best' rating. Starting 2016, the payout has become dependent on the employee's salary grade as the PBB's payout has been redesigned to become a percentage of the basic salary instead of a fixed nominal amount. This was a recommendation made by the World Bank based on their assessment of the PBB in 2014 to further incentivize public service motivation. According to the study, the PBB makes up two percent of the wage bill, and as the bonus amounts are set in nominal terms, the incentive is biased against more senior staff and declines rapidly as a proportion of pay as one goes up the salary grade. The incentive is small in monetary terms for technical and managerial staff. The bonus should instead be specified as a percentage of pay, as is the norm internationally, to redress this distortion (World Bank 2014a). More importantly, the methods used to evaluate the performance of the teaching and nonteaching personnel were changed.

For schools to qualify for the PBB, a series of schedules is observed. In an elementary school, the principal assesses a teacher's competence in teaching through a variety of measures. This includes classroom

observations through a classroom observation tool, attendance in seminars and trainings, and follow-up of students at risk of dropping out (SARDOS) through modes of verification (MOVs), such as certificates and selfies, respectively. All of these go into the teacher's IPCR form.

In a high school, the headteacher evaluates their subordinates using the same standards in the IPCR form, validated by the principal. Principals are assessed, in turn, by their superintendents. Principals then submit an OPCR form, a summarized report of the teachers' IPCR forms, including a report on budget utilization and liquidation of the maintenance and other operating expenses (MOOE) of the school to the DO.

At the school level, the principal can already determine the teachers who are eligible based on their ratings. The DO receives a consolidated report together with the IPCRs and other attachments. They keep the teachers' IPCRs, which they may use during validation and orientation with school heads.

One of the DOs noted that they collected data from schools, particularly the teachers' leave records and if they have submitted their SALNs, among others. The DOs had a master list of teachers, which they cross-validated with the schools' data. They found this to be more efficient because they already knew who would be eligible for PBB.

To illustrate, in the initial version of the guidelines, KPIs for schools, such as mean percentage scores (MPS) in the national achievement test (NAT), language assessment for primary grades in elementary, and general scholastic aptitude (GSA) in high school, are the KPIs for quality of basic education. A school-level point system articulated in DO 12, series of 2013, is found in Table 21.

Public schools are responsible for meeting the desired numbers for scholastic performance (85% in the NAT and 75% for the GSA), dropout rate (less than 1% of the school's total population), and budget liquidation (upwards of 90%). Since 2016, these indicators—scholastic performance and dropout rate—have been subsumed under the OPCR form of the school head or principal, now given a weight of 80 percent, while the liquidation of office expense remains a stand-alone KPI, with a weight of 20 percent.

Table 22 summarizes the weight of KPIs of schools from 2012 to 2018. Thus, the weights given to MPS from the NAT and GSA test have decreased over the years, from a high of 40 points in 2012 to a low of 20 points in 2015, whereupon the score is collected, alongside other

Table 21. School-level ranking for 2012 PBB, in points

Performance Indicators	Maximum Points	Point System
Elementary:	40	$MPS_{CurrentSY} \times 40 + \text{additional points}$
Mean percent score (MPS) and percentage increase in MPS using SY 2011–2012 results		Additional points will be computed as follows: --Each point increase in the MPS will be given an equivalent increase of one point. Only a maximum of 10 additional points can be given to each school.
a. Complete school—Grade 6 Total MPS		A decline in MPS will be given no additional points.
b. Incomplete school—Grade 3 Total MPS		
For schools with no NAT, use the SY 2011–2012 general average of the highest-grade level offering in Form 18A.		Example: SY 2010–2011 MPS = 75 percent SY 2011–2012 MPS = 80 percent Change in MPS = 5 percent $(MPS_{CurrentSY} \times 40) + [(MPS_{CurrentSY} - MPS_{PreviousSY}) \times 100] = \text{total points}$ $(0.80 \times 40) + [(0.80 - 0.75) \times 100] = 37 \text{ points}$
		For schools with no NAT, the score will be based on the general average of the highest grade level offering and will be computed as follows:
		$GA_{CurrentSY} - 0.75 / 0.25 \times 40 + \text{additional points}$

Table 21. (continued)

Performance Indicators	Maximum Points	Point System
		Additional points will be computed as follows: --Each point increase in the general average will be given an equivalent increase of one point. Only a maximum of 10 additional points can be given to each school. A decline in the general average will be given no additional points. Example: SY 2010–2011 GA= 85 percent SY 2011–2012 GA=90 percent
Secondary: Total GSA and percentage increase in total GSA using SY 2011–2012 results For schools with no NCAE, use the SY 2011–2012 general average of the highest year level offering in Form 18A	40	$[(GACurrentSY - 0.75/0.25) \times 40 + [(GACurrentSY - GAPreviousSY) \times 100] = \text{Total Points}$ $[(0.90 - 0.75)/0.25] \times 40 + [(0.90 - 0.85) \times 100] = 29 \text{ points}$ For schools with no NCAE, the score will be based on the general average of the highest year level offering and will be computed as follows: $[(GACurrentSY - 0.75)/0.25] \times 40 + \text{additional points}$ Additional points will be computed as: --Each point increase in the general average will be given an equivalent increase of one point. Only a maximum of 10 additional points can be given to each school. A decline in the general average will be given no additional points.

Table 21. (continued)

Performance Indicators	Maximum Points	Point System
Example: SY 2010–2011 GA = 85 percent SY 2011–2012 GA = 90 percent		
$[(\text{GACurrentSY} - 0.75/0.25) \times 40 + ((\text{GACurrentSY} - \text{GAPreviousSY}) \times 100)] = \text{Total Points}$ $[(0.90 - 0.75)/0.25] \times 40 + [(0.90 - 0.85) \times 100] = 29 \text{ points}$		
School Leavers Rate (i.e., simple dropout rate) for SY 2011–2012	30	SDR of 1 percent and below will be given 30 points.
		SDR between 1 percent and 10 percent will be computed as follows: $[(10 - \text{SDR})/10] \times 30 + \text{additional points}$
		Using the formula, an SDR will be given an equivalent increase of one point. Only a maximum of 10 additional points can be given to each school. An increase in SDR will be given no additional points.
		Example: SY 2010–2011 = 5 percent SY 2011–2012 = 3 percent Decline in SDR = 2 percent $[(10 - \text{SDR})/10] \times 30 + (\text{SDRPreviousSY} - \text{SDRCurrentSY}) = \text{Total Points}$ $[(10 - 3)/10] \times 30 + (5 - 3) = 23 \text{ points}$

Table 21. (continued)

Performance Indicators	Maximum Points	Point System
Liquidation of MOOE and timeliness of submission as of December 31, 2012	30	<p>The distribution of points in this item will be:</p> <p>% Liquidation of MOOE = 20 points Timeliness = 10 points</p> <p>The computation of the score will be as follows:</p> <p>The points for Liquidation of MOOE will be computed by multiplying the percentage liquidated to the maximum points for this item. Liquidation below 90 percent will automatically be given 0 points.</p> <p>The points assigned for Timeliness will be computed by subtracting 2 points for every late submission from the 10 points assigned for this item. Five or more months of late submission will result in 0 points in terms of timeliness.</p> <p>$[(\% \text{Li} - 90) \times 2] + [10 - (2 \times \text{number of late submissions})]$</p> <p>Example:</p> <p>%Liquidation = 99.7 Months late = 1</p> <p>$(99.7 - 90) \times 2 + (10 - 2) = 27.4 \text{ points}$</p>

PBB = Performance-Based Bonus; GSA = general scholastic aptitude; GA = general average; SY = school year; NAT = national achievement test;
NCAE = National Career Assessment Examination; SDR = simple dropout rate; MOOE = maintenance and other operating expenses
Source: DepEd Department Order 12, series of 2013

factors, under the Principal's (or School Head's) OPCR form, now given the weight of 80 points from 2016 onwards.

Each division is also ranked based on identified indicators, such as (1) percent of 5, 6–11, and 12–15 year-olds enrolled in public and private kindergarten, elementary, and secondary schools, respectively; (2) percent improvement in the proportion of public and private 4th-year pupils with National Career Assessment Examination GSA results of 75 and better; (3) percent of created teaching items with Notice of Organization, Staffing, and Compensation Action filled up within three months; (4) percent increase in the number of schools meeting the ideal ratio in teachers, classrooms, water and sanitation, and seats; (5) percent of private schools submitting Enhanced Basic Education

Table 22. Weight of key performance indicators of schools in points (2012–2018)

Key Performance Indicators	2012	2013	2014	2015	2016	2017	2018
Mean percentage score (national achievement test/ language assessment for primary grades in elementary and general scholastic aptitude test in high school)	40	35	35	20			
Office performance and commitment and review form				50	80	80	80
Dropout rate	30	35	35	20			
Liquidation of maintenance and other operating expenses	30	30	30	10	20	20	20
Plus factor	-	1	1	1	-	-	-
Total	100	101	101	101	100	100	100

Source: Authors' tabulation

Information System (EBEIS) data; and (6) percent reduction in the number of excess teachers. Table 23 illustrates the point system at the level of the division.

Meanwhile, Table 24 provides historical data on weights for KPIs of schools division offices (SDOs) for the inclusive years of 2012 to 2018. It shows how the KPIs were first itemized to reflect the minute concerns of the division, to a simpler breakdown starting from 2016. It is readily noticeable that weights for the OPCR form are variable, as

Table 23. Division-level ranking for 2012 PBB in points

Performance Indicators	Maximum Points	Point System
Percent of 5-year-old children enrolled in kindergarten (Kindergarten NER based on 2010 population)	10	The score will be computed by multiplying the Kindergarten NER by the maximum points Score = NER x 10 Example: NER = 99.1 Percent $99.1 \times 10 = 9.91$ points
Percent of 6–11-year-old pupils enrolled in elementary schools (elementary NER based on 2010 population)	10	The score will be computed by multiplying the Elementary NER by the maximum points Score = NER x 10 Example: NER = 99.1 Percent $99.1 \times 10 = 9.91$ points
Percent of 12–15-year-old students enrolled in secondary schools (secondary NER based on 2010 population)	10	The score will be computed by multiplying the Secondary NER by the maximum points Score = NER x 10 Example: NER = 99.1 Percent $99.1 \times 10 = 9.91$ points
Proportion of schools with MPS higher than 75 for Grade 6 and the change in proportion	25	The score will be computed by multiplying the proportion of schools with MPS higher than 75 Percent within the Division to the maximum number of points. Additional points will be given for each percent improvement in the proportion of schools. Computation for additional points: Each percent improvement in the proportion will be given an equivalent increase of one point. Only a maximum of 10 additional points can be given to each school. A decline in the proportion will be given no additional points. Score = (Proportion75andup x 25) + additional points Example: Year 1 = 75 Percent ; Year 2 = 80 Percent $(0.80 \times 25) + 5 = 25$ points
Proportion of schools with MPS higher than 75 for Year 4 and the change in proportion	25	The score will be computed by multiplying the proportion of schools with MPS higher than 75 Percent within the Division to the maximum number of points. Additional points will be given for each percent improvement in the proportion of schools. Computation for additional points: Each percent improvement in the proportion will be given an equivalent increase of one point. Only a maximum of 10 additional points can be given to each school. A decline in the proportion will be given no additional points. Score = (Proportion75andup x 25) + additional points Example: Year 1 = 75 Percent; Year 2 = 80% $(0.80 \times 25) + 5 = 25$ points

Table 23. (continued)

Performance Indicators	Maximum Points	Point System
Percent of created items with NOSCA filled up within 3 months	5	<p>The score will be computed by multiplying the percentage of the created teaching items filled within three months by the issuance of its NOSCA by the maximum score. It will be computed as:</p> <p>Score = Percent Filled x 5</p> <p>Example: Percent positions filled = 90 Percent $0.9 \times 5 = 4.5$ points</p>
Percent of schools meeting the ideal ratio in a. Teachers (1:45) b. Water and Sanitation (1:50) c. Classrooms (1:45 per shift), and d. Desks/Armchairs (1:1) (to be averaged)	5	<p>The score will be computed by averaging the percentage of schools meeting the four ideal ratios then multiplying it to the maximum points.</p> <p>Example: Teacher: 90 percent WatSan: 90 percent Classroom: 80 percent Desk/Armchair: 80 percent $[(0.9+0.9+0.8+0.80)/4] \times 5 = 4.25$ points</p>
Percent private schools submitting EBEIS data on time	5	<p>The score will be computed by multiplying the proportion of private schools submitting EBEIS data on time to the maximum points.</p> <p>Example: Percent of private schools submitting on time = 90 Percent $0.9 \times 5 = 4.5$ points</p>
Percent reduction in the number of excess teachers	5	<p>The score will be computed by multiplying the proportion of excess teachers reduced/redeployed to the maximum points.</p> <p>Example; Percent of reduction in the number of excess teachers = 90 Percent $0.9 \times 5 = 4.5$ points</p>

PBB = Performance-Based Bonus; GSA = general scholastic aptitude; GA = general average; SY = school year; NER = net enrolment ratio; MPS = mean percentage score; NOSCA = Notice of Organization, Staffing, and Compensation Action; EBEIS = Enhanced Basic Education Information System

Source: DepEd DO 12, series of 2013

Table 24. Weight of key performance indicators of SDOs in points (2012–2018)

Key Performance Indicators	2012	2013	2014	2015	2016	2017	2018
OPCRF overall score				50	80	70	70
Average OPCRf all schools within the SDO					5	5	5
Compliance with good governance conditions						10	10
Percent of 5-year-old children enrolled in kindergarten (Kindergarten NER based on 2010 population)	10	10	10	5			
Percent of 6–11-year-old pupils enrolled in Elementary Schools (Elementary NER based on 2010 population)	10	10	10	5			
Percent of 12–15-year-old students enrolled in Secondary Schools (Secondary NER based on 2010 population)	10	10	10	5			
Proportion of schools with MPS higher than 75 for Grade 6 and the change in proportion	25						
Proportion of schools with MPS higher than 75 for Year 4 and the change in proportion	25						
Percent of created items with NOSCA filled up within 3 months	5	10	10	5			
Percent of schools meeting the ideal ratio in	5						
a. Teachers (1:45)							
b. Water and Sanitation (1:50)							
c. Classrooms (1:45 per shift), and							
d. Desks/Armchairs (1:1)							
Percent of private schools submitting EBEIS data	5	5		2.5			
Percent reduction in number of excess teachers*	5	5	5	2.5			
*In 2013, redeployed, including those hired by the local school board		10	10	5			

Table 24. (continued)

Key Performance Indicators	2012	2013	2014	2015	2016	2017	2018
Percent of elementary schools, both public and private, with improvements in the percent of learners who scored average and better in NAT or its equivalent in SY 2012–2013		10	10	5			
Percent of secondary schools, both public and private, with improvements in the percent of learners who scored average and better in NAT or its equivalent in SY 2012–2013		10	10	5			
Simple dropout rate in SY 2012–2013, both public and private		5	5	2.5			
Percent of applications for permit to operate/recognition processed and endorsed to the regional office within the prescribed number of days of processing vis-à-vis the total number of private school applicants with complete documentary requirements		10	10	5	5	5	5
Percent liquidation of all cash advances (school MOOE downloaded three working days upon receipt of liquidation reports of schools)		5	5	2.5			
Percent of Alternative Learning System (ALS) Accreditation & Equivalency (A&E) passers over enrollees					10	10	10
Budget utilization rate based on obligations		1	1	1	-	-	-
Plus factor							
Total	100	101	101	101	100	100	100

SDO = schools division office; OPCR = Office Performance Commitment and Review Form; NER = net enrolment ratio; MPS = mean percentage score; NOSCA = Notice of Organization, Staffing, and Compensation Action; EBEIS = Enhanced Basic Education Information System; NAT = national achievement test; SY = school year; MOOE = maintenance and other operating expenses

Source: DepEd DO 12, series of 2013

the weight for this has ranged from as low as 50 points to as high as 80 points. Annex Tables 1–4, meanwhile, show historical data on KPIs at the regional and central levels.

The variability in percentages or weights assigned to KPIs hints at efforts in lowering the bar of excellence for more rank and file to achieve rewards. While this approach could be interpreted positively by some to be more inclusive in giving rewards, it threatens the core goal of coaxing improved performance across the bureaucracy. This also sows confusion among the DepEd employees since not enough time has been given to employees to make sense of the parameters of their evaluation. Such yearly changes have increased confusion and frustration among DepEd employees.

Information management. The DepEd RO organizes a regional executive meeting, which happens after the national management committee meeting. This is attended by the SDS when guidelines and policies are usually disseminated. The ROs and DOs rely on the responsibility and accountability of principals to ensure that teachers are properly informed.

For the PBB communication protocol, the RO prepares communications to the teachers through the DO. The CO receives the annual guidelines from the AO 25 secretariat, which is then handed down to the RO, then to the DO, and, finally, to schools and teachers. The division consolidates all OPCR forms of all schools within the division and submits them to the RO. The RO relies on the DO to cascade necessary information to schools, as prescribed in the Governance of Basic Education Act of 2001. It also monitors whether DOs cascade information down to teachers and whether guidelines are implemented well in schools. It then submits those reports to the CO, which decides on the ranking of each region, division, and school, as well as the amount of incentives, using a preset formula.

One DO claimed to have done things differently. The staff prepared the reports beforehand and presented those to schools during orientation for validation. They could do this because, according to them, they were a relatively small division composed of less than 20 personnel.

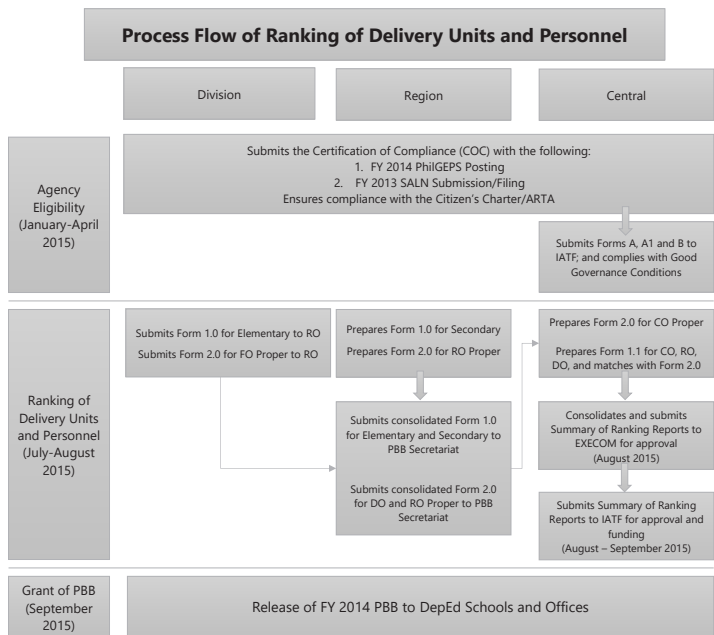
Organization. In 2018, with the release of Department Order 38, a new set of PMT was constituted. Each governance level—DepEd CO PMT, RO PMT, SDO PMT, and school PMT—is in charge of compliance with the requirements of PBB. Each PMT answers to PMC, composed of the Secretary of the DepEd, all undersecretaries and assistant secretaries,

representatives from the Association of DepEd Directors and accredited National Union, a secretariat (BHROD), and the Planning Service. The PMC oversees the overall implementation of PBB and takes care of agency eligibility and compliance. It is also responsible for the submission of necessary reports to the AO25 IATF. Figure 15 articulates the institutional process flow followed by PMT for determining the amount of PBB (DepEd Department Order 30, series of 2015).

Factors affecting implementation

Understanding of program theory. EO 80, series of 2012, directs the adoption of the PBIS for government employees based on the principle that “service delivery by the bureaucracy can be improved by linking personnel incentives to the bureau or delivery unit’s performance and by recognizing and rewarding exemplary performance to foster teamwork

Figure 15. PBB process flow, 2015



PBB = Performance-Based Bonus; FY = fiscal year; PhilGEPS = Philippine Government Electronic Procurement System; SALN = Statement of Assets, Liabilities, and Net Worth; ARTA = Anti-Red Tape Act; IATF = Inter-Agency Task Force; RO = Regional Office; DO = Division Office; EXECOM = Executive Committee; DepEd = Department of Education; CO = central office; FO = field office

Source: DepEd Department Order 30, series of 2015

and meritocracy” (DepEd Department Order 38, series of 2018). It was a concept not fully grasped by the DepEd rank and file, mostly by the teaching personnel interviewed in this study.

The articulated goal of PBB, to reward exemplary performance, did not seem to be well understood by over half of the teachers interviewed. They simply saw PBB as an additional entitlement for the amount or quantity of work that they have done rather than for the quality of their work. As compensation for hard work, PBB is, according to a teacher-respondent in Bicol, “*pasalingaya para sa mga guro, kumbaga kabayaran para sa mga hirap na ginawa ng mga teacher*” (payment for all teachers’ hardship). Thus, it comes across as a reward for having done more, rather than for having done things better. Another respondent asserted that “PBB is a reward in exchange [for] the effort and obedience of the school in terms of compliance.”

Unsurprisingly, and consistent with Kohn’s (1993) discovery of organizational behavior of employees in response to incentives, PBB seems to have had “a positive effect on performance measures that are quantitative in nature, such as producing more of something or doing jobs faster” but have no direct effect on the quality of performance. Still, teachers interviewed claimed that their motivation for giving service to the Department or their profession has improved.

The respondent-teachers knew that PBB is a form of reward and/or incentive granted to government employees depending on their performance. It is a top-up bonus granted to government employees depending on how much they have contributed to the overall achievement of the goals of DepEd. However, this did not detract from the fact that some selected teachers in an urban elementary school claimed that, for them, the timely liquidation of the school’s MOOE was their biggest challenge in qualifying for the PBB. This underscored another important discovery: many teachers were spending more time accomplishing tasks peripheral to teaching.

Among the nonteaching personnel, the goals of the PBB were well articulated, including ideas on what schools could do to qualify for the PBB and the challenges encountered in its implementation. Unfortunately, this was not cascaded down to the school level, with some school heads and principals unable to address teachers’ queries regarding the PBB, a finding also supported in Torneo et al. (2017). Important questions, such as what method is used to rank schools in a division, could not be

satisfactorily answered by some principals. And yet, one nonteaching key personnel from a region in the Visayas, when asked how teachers are apprised of the details of their evaluation, had said: “We rely on the wisdom of the school head [to impart understanding of PBB to the teachers on the ground].” Not all teachers were also clarified on the 13 KPIs on which they were evaluated.

The PREC and schools are not normally informed at the start of every PBB season about the targets set by CO. When divisions and schools are aware of the design of PBB, and when this information is clearly cascaded to the employees, they would be informed and guided accordingly. Some study participants revealed that the chairperson and some members of the DPREC, together with the human resource management office (HRMO), were not included in the orientation at the national level. They claimed that their noninclusion had some serious repercussions in the cascading of information to schools, giving rise to decreased awareness of agency targets.

Below are more specific findings documented in the field:

1. **The evaluation tools did not capture what ‘performance’ and ‘productivity’ mean to teachers.** The presence of clear guidelines at the outset of the PBB program was a sound way of measuring performance. However, holding teachers accountable when MOOE funds are not immediately and satisfactorily liquidated had given rise to confusing interpretation of the parameters of evaluation, wherein teachers’ competence is evaluated in areas beyond the purview of teaching. They should not be evaluated on how speedily they liquidate MOOE funds, or whether they were skillful in finding scrupulous vendors and merchants. Thus, when key personnel at DepEd applaud teachers’ diligence in liquidating their MOOE as a “positive” outcome of PBB, the goal of rewarding teacher performance because of students’ improved performance becomes tangential to the process.
2. **Due to DepEd identifying the MFOs, teachers have worked on jobs not necessarily theirs, pulling them out of the classrooms and actual teaching in the process.** The task of deworming, immunization, and other peripheral tasks have fallen on the shoulders of teachers, whose recourse was to abandon their classes to accommodate the needs of the schools. Three teachers interviewed in Mindanao admitted that

liquidation tasks, normally part of OPCF form, have also become their responsibilities. Thus, some teachers were evaluated on parameters meant for other tiers of the bureaucracy.

Implementation and governance. A school year begins in late May through schools' participation in the *Brigada Eskwela* (National Schools Maintenance Week). For some schoolteachers, this is also the time when targets are set with school heads who provide guidance and direction for the rest of the year. Teachers conduct self-assessments, supposed to be validated by school heads and principals. This step, however, was not followed in all schools. Evaluation occurs twice a year, namely, midyear in October and end of school year in March. This step, again, was skipped in some schools. All throughout the school year, teachers provide MOVs for transparency and accountability measures for targets set, such as posting "selfies" when they do home visits for SARDOs, or by providing certificates after attending seminars. Teachers claimed that providing MOVs in everything that they do is an onerous, if not a hypocritical and superficial task.

The absence of communication protocols, as well as an efficient manner of cascading information from the top to the ground, threatened program understanding. School heads and principals are expected to cascade information, such as what teachers could do to improve their ranking, and how the school could improve its standing, among others. However, some principals themselves did not completely understand the PBB scheme.

Challenges in the PBB implementation

1. **Teachers complained about the arbitrary date of release of PBB because there was no set date for payouts.** For teachers who look to PBB as additional income, the uncertainty of the date of release has harbored frustration. Some teachers gave a different meaning to PBB, which for them means "*paasa buwan-buwan*" (making us hope month after month).
2. **Teachers believed that the PBB scheme was 'gamed' by freeloaders who received the same benefit even when they did not contribute at all to the productivity of the agency as a whole.** There was a feeling of resentment among teachers

who performed well when they realized their PBB payout was the same as the amount received by those with a satisfactory rating only. They felt that there was no justice in PBB that does not discriminate the quality of one's performance. There were no sanctions for teachers that received "satisfactory" ratings for two consecutive years in some regions. The only intervention being given by the school head is to constantly remind or talk to the teacher in question. Alarming, there was also an instance when a principal appeased the teachers by telling them that a rating of 'satisfactory', the minimum requirement for the grant of the PBB, is usually enough.

3. **When DepEd as an agency failed to qualify for PBB in 2017, the entire bureaucracy, except the rank-and-file teachers, did not receive the top-up bonus.** This was decried by many as utterly unfair, especially by those who had worked hard to submit requirements to the IATF, such as the nonteaching personnel at the division and regional levels.
4. **Teachers claimed that workload has increased with the guidelines set by PBB.** Nonetheless, a sizable number of them asserted that even without PBB, they would still be doing what they had been doing. To illustrate, some teachers who belong to the school Bids and Awards Committee (BAC) fulfill liquidation activities, which they cannot forgo since all schools have procurement activities. During busy periods when schools scramble to submit requirements before the deadline, classes are inadvertently abandoned by teachers who perform BAC duties. The implementation of the new RPMS promises that teachers will now be given more time for teaching since they are evaluated based on their teaching competence, not on additional administrative tasks. Furthermore, DepEd is working with DBM to provide additional administrative items nationwide to help teachers with their nonteaching activities. DepEd has also promised to revisit the Recruitment Selection Placement soon.
5. **Some KPIs, such as NAT scores and dropout rates, were misreported.** To qualify as an agency, DepEd has set a 75-percent MPS on NAT. Despite the effort to spur productivity via an incentive system, DepEd was still unable to achieve this target.

The MPS of NAT is currently at 40 percent. Teachers, and some top officials of the DepEd, also argued that learners' inability to meet these standards was not solely the teachers' responsibility, a finding also articulated by Torneo et al. (2017). Critics argued, however, that when average learning outcomes among students continue to be posted, teachers should claim them as a matter of accountability. A more worrisome practice is when schools are less than straightforward in submitting these pieces of information to the DO because NAT indicators are crucial to agency's eligibility to PBB.

6. **The claim of zero simple dropout rate is a very contentious issue, and reporting of it has sometimes been manipulated.** Teachers in an agricultural region in Mindanao reported that they were unduly penalized for the high number of dropouts when the reason students drop out was not teacher-related but economic-related. It is when able-bodied persons were required to work during harvest season. A ranking official in the region articulated what teachers were up against in this particular location in Mindanao:

“PBB for me, objectively, [is] to perform better. We have this so-called division education development plan, wherein the division has targets and plan so that, next year, we should hit zero dropouts, for example. Unfortunately, not realistic on our part. *Suntok sa buwan* targets. *Kahit ayaw naman namin talaga ilagay yun na target*, region would tell—you do not have a choice, you need to hit it. So we also pressure the field. So we tell to the ground [sic] if we hit zero dropout, we'll hit 100-percent PBB, but it never happened [sic]. So in our reporting, we have this Learner Information System, we report there all reports in the field regarding dropout—*ang ginagawa nila ay repeater na hindi dropout*. No dropout but sudden increase in repeaters. Sugarcoated *na ang data namin*, not relevant at all. There was a time when I questioned the intention of PBB because this might not really

be the intention of the administration, but it is not serving the purpose. For example, in our division office, which has only roughly 2,000 personnel, so in terms of performance, *so if kaunti lang ang performance ng* [deleted to protect informant], the performance of [deleted to protect informant] will fall [sic]. And it has been persisting for the past 10 years *na*. Our NAT, *natakot akong masali yan*, kasi we've never hit the 75-percent passing rate. *Kami na pinakamataas sa* [deleted to protect informant] region. If we perform well, but we didn't receive any... we are doing so well, the other is not (*frontline kasi hindi eh*), *pero kaming personnel kami okay eh*. So I don't think it's already performance-based. Where is the performance based?"

David et al. (2019, p. 3) also pointed out that "multiple times teachers bring up the fact that the PBB is tied to the dropout rate. In the absence of other clearer student-performance-based measures that can be traced back to the quality of teaching, dropout rates become the metric for teacher quality. This sends a problematic incentive signal to teachers that they are evaluated based on zero dropout rates and not the quality of learning of students. Mass promotion is the resulting behavior to this, even students who failed exams or skipped half of the year's school days get promoted. Some of these students will end up in 7th grade without knowing how to read for comprehension. The problem then gets pushed up to high school where, when students have difficulty following the lessons, are discouraged, then start exhibiting attitude and motivation problems."

7. **When asked whether the goals of the PBB are being met, teachers and school heads/principals in the field all agreed that they were being met.** However, this is not exactly true. If there are brave voices opposing the way teachers are evaluated, they are in the minority. The Philippine culture may be blamed: One's ability to blend, not stick out from the crowd or raise a howl, however legitimate the complaint is, is applauded. After all, they belong to the same organization that needs to be

protected. So, the complainer gets batted down. Since perhaps in the past, the same issue had already been raised and nothing positive had come out of complaining, teachers had simply carried on to the best of their abilities (i.e., learned helplessness). The next time independent researchers come around, teachers know better than to articulate the real problem because they cannot expect any radical changes to happen any time soon.

Conclusion and Policy Recommendations

Field research confirmed some of the theoretical priors regarding the implementation and emerging impact of the PBB system on different government agencies and public services. These field studies drew on qualitative methods in collecting information from different public sector agencies, including SUCs, NGAs and attached agencies, GOCCs, other executive offices, and constitutional commissions. Utilizing KIIs and FGDs, as well as a comprehensive review of documents covering the implementation process for the PBB, the research team generated quantitative and qualitative information and data.

The next sections summarized the main findings. To help synthesize the results, the first two sections synthesized the engagements with NGAs and SUCs. These were organized around responses focused on (a) the rationale for the reform, (b) the process of implementation, and (c) the perceived impact. An additional third section complemented the field research through a comprehensive review of the process and implementation documents linked to the AO 25 IATF.

Overall, the results herein revealed a wide range of understanding, compliance, and perceived impact of the PBB reform. It appears that the strongest understanding and appreciation of the reform lies with national agencies and staff members. However, this was not necessarily cascaded effectively to regional and field offices. In addition, compliance by different agencies and offices varied with some instances of different coping strategies with potentially perverse outcomes. One example was massaging data reported to maximize compliance, hence the chances of receiving PBB. There is a real tension between metrics and indicators for quantitative targets and goals versus qualitative targets and goals. The goal of zero-school dropout provides one clear example here. Some education staff appeared to favor making students repeat rather than

tarnish schools' dropout indicators. This strategy contradicted the goals linked to standards and quality for passing students.

On the program's perceived impact, staff members expressed a wide array of views on the extent the PBB improves public services. Many respondents held the view that PBB works by incentivizing more work, though not necessarily inducing better quality services. However, many respondents noted that with or without PBB, government workers would still accomplish their tasks and goals. This reveals an interesting disjointed view of performance incentives.

National government agencies

Bureaucrats from NGAs also revealed some common perceptions of PBB. They affirmed the understanding that PBB is a reward scheme based on performance or contribution to the agency, and that it emphasizes client satisfaction for further improvement of government services, helping to propel bureaucratic efficiency.

Rationale for the reform

On whether it is still deemed relevant at present, 67 out of 70 respondents replied in the affirmative. They considered PBB as a way to encourage the employees and the whole agency to meet the targets they have committed to deliver. Asked about their knowledge about other incentive schemes either still in place, repealed, or amended, they identified mid-year bonus, year-end bonus, PEI, service awards, and the collective negotiation agreement for the employees' association. Notwithstanding these other incentive schemes, they unanimously agreed that PBB is an incentive scheme premised on the compliance of the employees or the bureau/unit with certain policies to qualify to receive the said grant. PBB was seen by 67 of 70 respondents as a solution to the common impression, "government service is no service." As to what government goals the PBB hopes to achieve, the respondents referred to the streamlining of procedures or the ease of doing business.

Implementation process

On the matter of changes of policies, all respondents shared that the number of requirements had been increasing through the years. A respondent even described the increase of requirements as more stringent, making it more difficult to be eligible for the incentive. Still, another described these changes as "improvements" to the process and/or requirements.

On the rationale of the changes, a respondent attributed the implementation of new or existing legislation in the country as means for the government to ensure compliance from agencies. Other respondents perceived that the modification of rating from cluster/sector rating to delivery units/bureau ratings brought about the changes. On why such was the case, the respondent admitted not to know why such changes were made.

Respondents acknowledged that AO 25 IATF was able to provide their agencies with information on the operational procedures of PBB. This was through the conduct of general assemblies of all focal persons, memoranda, and other issuances that contained relevant policies and guidelines on PBB through the years. The operational procedures were generally described as well-established and compliance was high. However, one agency representative mentioned that some of the guidelines were vague, and that the documentary requirements or forms were difficult to fill out.

As regards the implementation of PBB, there were mixed views. For instance, a respondent in one agency gave PBB's implementation a grade of 5 out of 10 because it had "good and noble intention but needs further improvement". Three agency representatives, all of whom were agency managers, categorically answered "no" on whether PBB had met its overall objectives. A respondent considered it redundant for the government to be "giving incentive to employees for doing their jobs". Another respondent also believed that the PBB scheme had no major strengths, as it was deemed to be "designed for competition", generating a tendency for employees to pull each other down. Nevertheless, the other 67 respondents agreed that PBB had met its overall objectives, providing a strong motivation to comply, yet in some cases generating a source of unhealthy competition among employees. Some of the unintended consequences of the PBB scheme and its implementation included (a) jealousy among employees, (b) perception of arbitrary ratings, (c) a tendency to increase over time, and (d) unnecessary competition.

Because of the need to comply with the operational procedures and their underlying requirements, the agencies of the respondents have created specific structures or committees, such as PMT as part of SPMS, to enhance the performance orientation of the compensation system. The PMT is tasked to ensure that employees achieve the objectives set by the organization while the organization achieves the objectives that it has set as its strategic plan. No official institutional structure was identified to be in place but only the usual procedures the agencies have already been doing whenever tasked to do something.

Perceived impact on public services

The most common best practice identified among the agency representatives was strengthened teamwork and cooperation. They claimed that employees became more aware of their responsibilities and deadlines, having accountability for each other. However, one distinct bad practice was the “sharing of the monetary incentive” of those who qualified for the grant with those who did not. Other bad practices included the giving of unfair ratings to units, thereby creating gripes among other employees.

All agencies represented in this research established complaint mechanisms for any feedback that may arise in the agency. All complied with the PBB requirement, specifically on the implementation of the Anti-Red Tape Act of 2007, to establish a feedback mechanism for its clients. The agencies also established a grievance committee that caters to all concerns of their employees, including PBB complaints or feedback. Those who had complaints also confided the same to their HRMO or their employees’ associations, whose representatives or officers would eventually raise them to the administration if deemed necessary. Accordingly, while complaints have surfaced regarding the implementation of PBB, no official or written complaint has been lodged to the committee or personnel in charge yet.

Finally, about half of the respondents believed that the performance and productivity of the employees have improved through the PBB. However, there was also a widely held belief that even without the PBB, said employees would still be performing the same way. The other half of the respondents answered in the negative, whereby PBB was just a ‘bonus’ of the government to employees for doing their job, hence is appreciated by the same if recognized accordingly. Another respondent thought that it is difficult to answer the question because measurement of impact entails consideration of various factors.

State universities and colleges

Rationale for the reform

All SUCs responded that PBB, though tedious to comply with, helped SUCs achieve their targets connected with other accreditation programs and QA mechanisms, such as ISO certification, ISA, CoE, and CoD by CHED, COPC, SUC leveling, AACUP accreditation, and NBC 461.

Streamlining was a major concern among different instruments used to measure the performance of SUCs.

All respondents also agreed that whether there is a PBB or not, the expected functions, duties, and responsibilities of individuals and institutions were still fulfilled since there were existing mechanisms requiring them. This view suggests that PBB is viewed as a useful incentive scheme, but to some extent, it is also being rolled out for compliance purposes, given its perceived impact on outputs is not necessarily strong.

Implementation process

Almost all respondents raised identical concerns regarding the implementation of PBB. Issues were raised on the indicators and targets, as well as the prospects for their attainment. This is true in cases where units overperform. This provides a difficulty the following year since the SUCs must not deliver a performance below their previous target. Also, MFOs indicated by CHED serve as the common metric followed by SUCs.

However, another interesting finding with the SUCs was directly tied to leadership concerns. This was mainly due to the Procurement Law and Higher Education Act 8292 and how these two had affected how SUCs handled the budget allotted to them. Specific laws related to SUCs mandates were not even fully addressed by the government, particularly budget implications.

Officials from SUCs tended to blame CHED for its unclear implementation guidelines. There was, however, a problem on the part of SUCs, where continuity of representation by a focal person was not guaranteed. Furthermore, CHED focused more on validation, checking, and monitoring of SUCs, mainly on their MFOs. However, universities were expected to be more research-oriented, while colleges should focus more on extension projects and initiatives. Other PBB requirements were subject to the scrutiny of concerned government agencies.

Perceived impact on public services

There were mixed responses on whether PBB is capable of increasing performance. Existing literature validated using a decentralization approach, especially with metrics and their implementation. However,

centralization is still of importance since targets required from constituents' delivery units, when consolidated, reflect the organizational goals of the SUCs.

There were, however, interesting cases to note in terms of how SUCs differed on their concerns in achieving PBB. These were determined by the status and performance of universities. Notable of which were (1) University of the Philippines as a national university, (2) Philippine Normal University as Center of Leadership in Teacher Education, (3) inclusion of Bicol University and Cebu Technological University by CHED to compete in QS university rankings, (4) merging of the University of Science and Technology of Southern Philippines with another university in the region, and (5) lack of technical expertise, in the case of Cebu Normal College, in relation to budget utilization rate.

DepEd schools

Program theory

EO 80, series of 2012, directs the adoption of PBIS for government employees based on the principle that "service delivery by the bureaucracy can be improved by linking personnel incentives to the bureau or delivery unit's performance and by recognizing and rewarding exemplary performance to foster teamwork and meritocracy." It was an idea that did not seem appreciated by the DepEd rank and file, notably teachers.

Teachers saw PBB as an entitlement for the amount or quantity of their work, rather than an incentive for the quality of their work. PBB was viewed as compensation for having done more work, rather than for having done work better. They said that PBB is a form of reward and/or incentive granted to government employees depending on their performance. It is a top-up bonus granted to government employees depending on how much they have contributed to the overall achievement of the goals of DepEd.

However, a respondent asserted that "PBB is a reward in exchange [for] the effort and obedience of the school in terms of compliance." This observation was not surprising and validated what Kohn (1993) discovered. He claimed that incentives were found to have "a positive effect on performance measures that are quantitative in nature, such as producing more of something or doing jobs faster" but have no direct

effect on the quality of performance. In fact, teachers in one urban elementary school considered the liquidation of school expenses on time as the biggest challenge in qualifying for PBB.

Interestingly, there was a clear meaning of the objectives of PBB to nonteaching personnel at the national, regional, and division offices. They were able to articulate PBB's purposes, qualifications, and problems encountered during the implementation. On the other hand, it appeared that not enough information was cascaded down to the school level, such that even school heads were unable to address teachers' queries on PBB. And yet, one participant from the nonteaching personnel in the region was quoted saying: "We rely on the wisdom of the [school head to impart understanding of PBB to the teachers on the ground]." At the very least, teachers have to be clarified on the 13 KPIs on which they are evaluated.

PRECes, as well as schools, were not well informed at the start of PBB about the targets set by the CO. It is probably best to cascade the design before the implementation so that employees know and will be guided accordingly. The chair of DPREC and some members of DPREC, together with the HRMO, were not included in the orientation at the national level. Had they been included in the orientation, this could have improved the cascading of information and awareness of agency targets. In addition, some respondents mentioned a need to clarify definitions of terms in the guidelines.

Additional findings revealed the following salient points:

- The parameters of evaluation did not capture what 'productivity' meant for teachers.
- When a DPREC member noted that PBB was a good reward system that encouraged teachers to exert more effort, and as proof, teachers became more diligent in finishing their liquidation tasks, the notion of 'productivity' for teachers was up for a serious review.
- Teachers were expected to work on jobs not necessarily theirs, thereby pulling them out of the classrooms and actual teaching.

Organization

For schools to qualify for PBB, a series of schedules is observed. In elementary schools, the principals assess the teachers through the IPCR form. In high schools, headteachers evaluate the teachers whose

evaluations are confirmed or validated by principals. Principals are assessed, in turn, by their superintendents. For the PBB communication protocol, the RO prepares communications to the teachers through the DO. From the CO, to the RO, then to the DO, schools, and then down to the teachers. The RO relies on the DO to cascade necessary information to schools. Regions monitor whether DOs implement and cascade information to teachers and schools. A regional executive meeting, which happens after the national management committee meeting, is organized by the RO. This is attended by SDS when guidelines and policies are usually disseminated. The ROs and DOs rely on the responsibility and accountability of principals to ensure that teachers are properly informed.

PBB process

To receive PBB payouts, schools submit a summarized report of all the IPCR forms of teachers and liquidation reports to the DO through the OPCR form. The division then consolidates all OPCR forms of all schools within the division and submits them to the RO. The RO then submits those reports to the CO, which decides on the ranking of each region, division, and school, as well as the amount of incentives, using a preset formula.

One DO claims to do things differently. They prepare the needed report beforehand and present those to schools during orientation for validation. They can do this because, according to them, they are a relatively small division composed of about 18 personnel.

At the school level, the principal can already determine who are eligible based on the teachers' ratings. The DO receives a consolidated report together with the IPCRs and other attachments. They keep the IPCRs of the teachers, which they may use during validation/orientation with school heads. One of the DOs noted that they collected data from schools, particularly the teachers' leave records and if they have submitted their SALNs, among others. The DO has a master list of teachers. They cross-validate their data with that of the schools. They found this to be more efficient because they already knew who will be eligible for PBB.

In summary, Table 25 maps the main findings of the study with the PBB objectives to provide better understanding of the issues and challenges that affected the attainment of these objectives. It also provides policy recommendations to address the issues and challenges.

In general, the PBB instrument generated at least three main channels of impact: (a) agency-wide incentive effects, (b) team-level collaboration effects, and (c) individual staff member incentive effects. Agency-wide incentive effects had different impacts across agencies, with already well-performing agencies able to respond better, and less effective agencies potentially facing greater difficulty responding to new requirements. Team-level collaboration effects varied as some teams cohered better to achieve team-based targets. Meanwhile, other teams colluded in gaming the PBB. Staff member-level effects also varied, depending on perceptions, information about the reform, capabilities, and other factors. In this light, the study deems it critical to revisit policy objectives at the macro level (or agency level), meso level (or team level), and micro level (or staff-member level).

Finally, the study notes that the PBB can be continued, but with some possible improvements in the policy design. Below are some policy questions that AO25 IATF may want to consider in rethinking and revising the policy design:

- Should PBB be juxtaposed against a broader state capacity-building agenda?
- Should the government focus on using PBB for agency-level objectives only?
- Should the government consider supporting weaker agencies to avoid inequality in compliance capabilities and outcomes?
- Is PBB still effective given the Salary Standardization Law and other income-enhancing public sector reforms?
- To address mixed perceptions, could information on the policy be more effectively cascaded from central agencies to frontline agencies?
- To address fairness issues, could metrics for performance be tweaked to consider more difficult frontline agencies' work?
- To help enhance agency-level compliance, should guidelines and documentary burdens be further streamlined as part of the government's existing efforts to lessen red tape?
- To help motivate collaboration and enhance teamwork, as well as encourage individual-level motivation, should agencies be given more flexibility to use nonfinancial incentives to complement the PBB?

Table 25. Summary of main findings and recommendations

PBB Objectives	Issues	Recommendations
Recognize and reward exemplary performance in the public sector to enhance service delivery by the bureaucracy.	<p>There was mixed compliance due to varying compliance by different agencies and offices, with different coping strategies to qualify for the PBB and some potentially perverse outcomes.</p> <ul style="list-style-type: none"> Data reported were massaged to maximize compliance and the chances of receiving PBB. There was tension between quantitative and qualitative targets and goals. Zero-school dropouts is one clear example. Some education staff appeared to favor making students repeat rather than tarnish the dropout indicators of the school. <p>There were mixed perceptions due to a wide array of views on the extent the PBB improves public services</p> <ul style="list-style-type: none"> There was a strong understanding and appreciation of PBB rationale among national agencies and staff members PBB worked by incentivizing more work output, though not necessarily better quality services. With or without PBB, government workers will still accomplish their tasks and goals. <p>In terms of indicators and requirements, SUCs raised issues on the indicators and targets, as well as the prospects for their attainment. This is true in cases where units overperform. SUCs must not deliver a performance below their previous target. This leads to an unintended consequence, that is, the tendency to increase over time.</p>	<p>Information about the rationale for PBB as a reform measure must be cascaded. It must clarify that rewards are not merely for quantity of tasks but also quality of work.</p> <p>International evidence suggest that financial incentives are not the only tools for incentivizing better public sector services. In agencies where salaries are already expected to be high, PBB can be recalibrated to include nonfinancial incentives in the future.</p> <p>Pending salary increases in some agencies may blunt the potential incentive effect of PBB. The combined effect of these salary increases and PBB must be carefully monitored and assessed to ensure that the increased compensation is tied to better government services.</p> <p>PBB must be understood within a broader reform context across these agencies. Staff in agencies "overwhelmed" with requirements may be discouraged rather than incentivized. As such, reform roadmaps in each agency must be synced with the use of PBB.</p>

Table 25. (continued)

PBB Objectives	Issues	Recommendations
	For national government agencies, there had been an increasing number of more stringent requirements through the years, making it more difficult for them to be eligible for the incentive. The unintended consequence of this is the tendency to increase overtime.	Since the yearly changes in PBB guidelines are confusing and generate documentary burdens to government entities, the DBM-AO 25 Secretariat should institute changes in the PBB requirements less frequently and only after strong preparation for cascading information.
Rationalize the distribution of incentives across performance categories of groups and individuals and thereby move away from across-the-board incentives over time	Bad practices were observed in some agencies. These include the sharing of the monetary incentive among those who qualified for the grant with those who did not.	International evidence suggests that financial incentives are not the only tools for incentivizing better public sector services. In agencies where salaries are already expected to be high, PBB can be recalibrated to include nonfinancial incentives in the future.
Nurture team spirit toward the effective execution of operational plans by linking personnel incentives to the bureau or delivery unit's performance	<p>The best practice identified among the agency representatives was the strengthened teamwork. Employees became more aware of their responsibilities and deadlines, having accountability for each other.</p> <p>Nonetheless, unintended consequences still existed, namely, jealousy among employees, unnecessary competition, and perception of arbitrary ratings. Unfair ratings in some units also created discord.</p>	The rating system for individual performance must be revisited.

Table 25. (continued)

PBB Objectives	Issues	Recommendations
Strengthen performance monitoring and appraisal systems based on existing systems like the organizational performance indicator framework used by DBM to measure agency performance, the Strategic Performance Management System of the Civil Service Commission, which links individual performance to organizational performance, and the Results-Based Performance Management System under AO 25.	<p>There were problems of miscommunication and cascading of information.</p> <p>The monitoring and evaluation for SUCs with multiple campuses were difficult due to challenges in IT infrastructure and available technologies.</p>	<p>The process of training the focal point persons must be improved.</p> <p>IT systems can serve as a viable solution but are limited due to structural concerns such as lack of internet access in remote areas.</p>

PBB = Performance-Based Bonus; SUCs = state universities and colleges; DBM = Department of Budget and Management; AO = Administrative Order; IT = information technology
 Source: AO 25 Memorandum Circular 2012-1; Authors' tabulation

References

- Administrative Order 25. 2011. Creating an Inter-Agency Task Force on the Harmonization of National Government Performance Monitoring, Information and Reporting Systems. Manila, Philippines: Office of the President.
- Administrative Order 25 Secretariat (Development Academy of the Philippines). 2019. Powerpoint presentation orientation on PBB during briefing with the Philippine Institute for Development Studies, Department of Budget and Management, Manila, Philippines.
- Amah, E., C. Nwuche, and N. Chukuigwe. 2013. Effective reward and incentive scheme for effective organizations. *Research Journal of Finance and Accounting* 4(13):73–79.
- Bandiera, O., A. Khan, and J. Tobias. 2017. Rewarding bureaucrats: Can incentives improve public sector performance? IGC Growth Brief Series 008. London, United Kingdom: International Growth Centre.
- Bowman, J. 2010. The success of failure: The paradox of performance pay. *Review of Public Personnel Administration* 30(1):70–88.
- Burgess, S. and M. Ratto. 2003. The role of incentives in the public sector: Issues and evidence. CMPO Working Paper Series No. 03/071. Bristol, United Kingdom: University of Bristol Centre for Market and Public Organisation.
- Civil Service Commission. n.d. Government links. <http://www.csc.gov.ph/2015-08-28-06-59-54.html> (accessed on April 11, 2019).
- David, C., J.R.G. Albert, and J.F.V. Vizmanos. 2019. Pressures on public school teachers and implications on quality. PIDS Policy Note 2019-01. Quezon City, Philippines: Philippine Institute for Development Studies.
- Dixit, A.K. 2002. Incentives and organizations in the public sector: An interpretative review. *The Journal of Human Resources* 37(4):696–727.
- Executive Order 43. 2011. Pursuing our social contract with the Filipino people through the reorganization of the cabinet clusters. Manila, Philippines: Office of the President.
- Executive Order 80. 2012. Directing the adoption of a performance-based incentive system for government employees. Manila, Philippines: Office of the President.
- Festre, A. and P. Garrouste. 2008. Motivation, incentives, and performance in the public sector. Paris, France: Centre d'économie de la Sorbonne.

- Ganster, C., K. Kiersch, R. Marsh, and A. Bowen. 2011. Performance-based rewards and work-stress. *Journal of Organizational Behavior Management* 31(4):221–235.
- Golembiewski, R. Editor. 2001. *Handbook of organizational behavior*. 2nd ed. New York, NY: CRC Press.
- Hasnain, Z., N. Manning, and J.H. Pierskalla. 2012. Performance-related pay in the public sector: A review of theory and evidence. Policy Research Working Paper No. 6043. Washington, D.C.: World Bank.
- Independence Hall Association in Philadelphia. n.d. The nature of government. www.Uhistory.org/gov/1a.asp (accessed on September 1, 2019).
- Jenkins, G. D., Jr. (1986). Financial incentives. In *Generalizing from laboratory to field settings*, edited by E. A. Locke. Lexington, MA: Lexington Books.
- Khan, A., A. Khwaja, and B. Olken. 2016. Tax farming redux: Experimental evidence on performance pay for tax collectors. *Quarterly Journal of Economics* 131(1):219–271.
- Kohn, A. 1993. Why incentive plans cannot work. *Harvard Business Review*. <https://hbr.org/1993/09/why-incentive-plans-cannot-work> (accessed on April 11, 2019).
- Lewin, D. 2003. Incentive compensation in the public sector: Evidence and potential. *Journal of Labor Research* 24(4):597–619.
- Maslow, A.H. 1943. A theory of human motivation. *Psychological Review* 50(4):370–96.
- Memorandum Circular No. 2012-02. Guidelines to clarify the good governance conditions for fiscal year 2012 in line with the grant of the Performance-Based Bonus under Executive Order (EO) No. 80. Manila, Philippines: Inter-Agency Task Force on the Harmonization of National Government Performance, Monitoring, Information, and Reporting Systems.
- Mogultay, U. n.d. Making performance pay more successful in public sector. Ankara, Turkey: Ministry of Foreign Affairs.
- Montana, P. and B. Charnov. 2008. *Management*. 4th ed. Hauppauge, NY: Barron's Educational Series.
- Muralidharan, K. and V. Sundararaman. 2011. Teacher performance pay: Experimental evidence from India. *Journal of Political Economy* 119(1):39–77.
- Olken, B., J. Onishi, and S. Wong. 2014. Should aid reward performance? Evidence from a field experiment on health and education in Indonesia. *American Economic Journal Applied Economics* 6(4):1–34.
- Perry, J., T. Engbers, and So Yun Jun. 2009. Back to the future? Performance-related pay, empirical research, and the perils of persistence. *Public Administration Review* 69:42.

- PHNet. 1997. Government-owned and -controlled corporations. <http://www.ph.net/htdocs/government/phil/gov-corp/index.html> (accessed on August 18, 2019).
- Rasul, I. and D. Roger. 2016. Management of bureaucrats and public service delivery: Evidence from the Nigerian Civil Service. *The Economic Journal* 128:413–446.
- Republic Act 10149. 2011. An act to promote financial viability and fiscal discipline in government-owned or -controlled corporations and to strengthen the role of the state in its governance and management to make them more responsive to the needs of public interest and for its purposes. Manila, Philippines: Congress of the Republic of the Philippines.
- Rusa, L., M. Schneidman, G. Fritsche, and L. Musango. 2009. Rwanda: Performance-based financing in the public sector. In *Performance incentives for global health: Potentials and pitfalls*, edited by R. Eichler, R. Levine, and the Performance-Based Incentives Working Group. Baltimore, MD: Brookings Institution Press.
- Suff, P., P. Reilly, and A. Cox. 2007. *Paying for performance: New trends in performance-related pay*. Brighton, United Kingdom: Institute for Employment Studies.
- Torneo, A.R., G.B. Jaca, J.M.A.C. Malbarosa, and J.L.D. Espiritu. 2017. Preliminary assessment of the performance-based incentive system (PBIS) on selected agencies: Policy recommendations. Canberra, Australia: Australian Aid. <https://archive.australiaawardsphilippines.org/prgs/final-policy-notes/pbis-policy-note-final.pdf> (accessed on August 18, 2019).
- World Bank. 2014a. Pay flexibility and government performance: A multicountry study. Washington, D.C.: International Bank for Reconstruction and Development.
- World Bank. 2014b. Philippines: Improving bureaucratic performance: Assessment of the performance-based bonus scheme. WB Report No. AUS3494. Washington, D.C.: World Bank.

Annexes

Annex Table 1. Regional-level ranking for 2012 Performance-Based Bonus in points

Performance Indicators	Maximum Points	Point System
Regional rank depends on the proportion of the number of divisions within the region categorized as BEST	20	<p>The score will be computed by multiplying the proportion of divisions within the region categorized as BEST by the maximum points</p> <p>Example:</p> <p>%BEST divisions = 90 percent</p>
Percentage of accomplishment/utilization vis-à-vis the annual Work and Financial Plan (based on obligations as of December 31, 2012)	50	<p>The score will be computed by multiplying the percentage of accomplishments/utilization vis-à-vis AWWP to the maximum points.</p> <p>Example:</p> <p>%accomplishments/utilization = 90 percent</p> <p>$0.90 \times 0.50 = 45$ points</p>
Proportion of private schools with permit to operate or acquired recognition to total number of private schools	20	<p>The score will be computed by multiplying the proportion of private schools with Permit to Operate to the maximum points</p> <p>Example:</p> <p>%schools with Permit to Operate = 90 percent</p> <p>$0.90 \times 20 = 18$ points</p>
Zero private schools reported operating without permit based on formal (signed and validated) complaints	10	<p>When no private schools were operating without permit based on formal complaints, 10 points will be given. 2 points for every signed, verified, validated complaint will be subtracted from the 10 points assigned for this item. Five (5) or more complaints will automatically result in 0 points.</p> <p>The score will be computed as follows:</p> <p>Score = $10 - (2 \times \text{number of complaints})$</p> <p>Example:</p> <p>Number of complaints = 2</p> <p>$10 - (2 \times 2) = 6$ points</p>

Source: DepEd Department Order 12, series of 2013

**Annex Table 2. Weight of key performance indicators of regions
in points: 2012–2017**

Key Performance Indicators	2012	2013	2014	2015	2016	2017
Office Performance Commitment and Review Form				50	80	70
Budget utilization rate				15		
Regional rank depends on proportion of the number of divisions within the region categorized as "Best" (and "Better" cf 2013)	20	35	35	15	5	5
Percentage of accomplishment/ utilization vis-à-vis the annual Work and Financial Plan (based on obligations)	50	35	35	15		
Proportion of private schools with permit to operate or acquired recognition to total number of private schools or percentage of private schools with permit to operate or which acquired recognition to total number of private schools	20	10	10	5	10	10
Percentage of applications for permit to operate/recognition processed and approved within the prescribed amount number of days of processing vis-à-vis the total number of private school applicants endorsed by the schools divisions		5				
Zero private schools reported operating without permit based on formal (signed and validated) complaints	10					
Timeliness and completeness of submission of budget execution documents and accomplishment reports (i.e., BEDs and BARs) to the planning office		10	10	5		
Percent of liquidation of cash advances from January to December [of any given year]		5	5	5	5	5
Total	100	100	100	100	100	100

Source: Authors' tabulation

Annex Table 3. Central-level ranking for 2012 Performance-Based Bonus in points

Performance Indicators	Maximum Points	Point System
Percentage of accomplishment/ utilization vis-à-vis annual WFP	40	<p>The score will be computed by multiplying the percentage of accomplishment/utilization vis-à-vis the annual WFP to the maximum points.</p> <p>Example:</p> <p>%utilization = 90 percent</p> <p>$0.90 \times 40 = 36$ points</p>
Timeliness of accomplishment reports (BEDs and BARs)	40	<p>The score will be computed by dividing the total number of reports submitted on time by the total number of accomplishment reports required to be submitted (4) then it is multiplied to the maximum points.</p> <p>Example:</p> <p>Reports submitted on time: 3</p> <p>Required number of reports: 4</p> <p>$(3 / 4) \times 40 = 30$ points</p>
Proportion of cash advances received and liquidated	20	<p>The score will be computed by multiplying the proportion of cash advances received and liquidated to the maximum points.</p> <p>Example:</p> <p>Percent received/liquidated = 90 percent</p> <p>$0.90 \times 20 = 18$ points</p>

WFP = Work and Financial Plan; BEDs = budget execution documents; BARs = budget accomplishment reports

Source: DepEd Department Order 12, series of 2013

Annex Table 4. Weight of key performance indicators of central offices in points: 2012–2017

Key Performance Indicators	2012	2013	2014	2015	2016	2017
Percentage of accomplishment/ utilization vis-à-vis annual Work and Financial Plan	40	50	50	25		
Timeliness and completeness of submission of budget execution documents and accomplishment	40	10	10	5		
Percentage (or proportion) of liquidation of cash advances	20	40	40	20	5	5
Office Performance Commitment and Review Form (OPCRF)				50	80	80 * 70**
Average OPCRf ratings of division, offices, and units					5	5
Budget utilization rate					10	10
Total	100	100	100	100	100	100

Note: * Type A Delivery units

** Type B delivery units

WFP = Work and Financial Plan; OPCRf = Office Performance Commitment and Review Form

Source: Authors' tabulation

The Authors

Jose Ramon G. Albert is a senior research fellow at the Philippine Institute for Development Studies (PIDS). He obtained his PhD in Statistics from the State University of New York at Stony Brook. His main policy research interests are on data for development, poverty, social protection and gender equality, education, ICT, and innovation.

Ronald U. Mendoza is a professor of economics and dean of the Ateneo School of Government. He has a Master of Arts and PhD in Economics from Fordham University in New York. He has published several books on international development, public finance, and international cooperation.

Janet S. Cuenca is a former research fellow at PIDS. She holds a PhD in Public Policy from the Lee Kuan Yew School of Public Policy, National University of Singapore. She has done research on health devolution, fiscal decentralization, government budget analysis, health, education, social protection, and Millennium Development Goals/Sustainable Development Goals.

Gina A. Opiniano is a consultant at PIDS and a faculty member of the Graduate School and the Department of Philosophy-Faculty of Arts and Letter, University of Sto. Tomas, where she also finished her doctorate in Philosophy. Her academic and research interests include feminist philosophy, existentialist feminism, phenomenology, gender and development, and inclusivity initiatives.

Jennifer Monje is a consultant for education at PIDS and an associate professor at the *Pamantasan ng Lungsod ng Maynila* (University of the City of Manila). She obtained her master's degrees in Comparative Literature and Second Language Studies at the University of the Philippines (UP) Diliman and University of Hawai'i at Mānoa, respectively. She has published research in linguistic landscape, language policy, and second language learning.

Michael A. Pastor is a consultant at PIDS and a faculty member at the Design Foundation Department, De La Salle-College of Saint Benilde. He obtained his graduate degree in Anthropology at UP Diliman. His research interests involve gender and development, visual culture and media studies, HIV/AIDS, and Philippine culture.

Mika S. Muñoz is a research analyst at PIDS. She earned her degree in BA Development Studies at UP Manila. She has provided research assistance in the areas of public sector performance, performance-based incentives, and information and communications technology.

This study examines the extent to which the Performance-Based Bonus (PBB) design has been executed and identifies implementation deficits, if any. Specifically, it looks into the bottlenecks and challenges encountered by government agencies in meeting the conditions to qualify for the PBB. It also presents initial data on the possible effects of the PBB on at least three levels: (a) agency-wide incentive effects, (b) team-level collaboration effects, and (c) individual staff-member incentive effects. This study finds mixed results on these three main channels of impact. It recommends a general review of the main policy objectives of this reform. It also identifies several concrete reforms that could help sharpen the PBB moving forward.



Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

18th Floor, Three Cyberpod Centris - North Tower
EDSA corner Quezon Avenue, Quezon City, Philippines
Tel.: (+632) 8877-4000
Email: publications@mail.pids.gov.ph
Website: <http://www.pids.gov.ph>

f [facebook.com/PIDS.PH](https://www.facebook.com/PIDS.PH) **t** twitter.com/PIDS_PH