

Comments on House Bill No. 5043: “An Act Establishing and Institutionalizing a performance Measurement system to promote a culture of Meritocracy Among Local Government units in the Philippines.”

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May 23, 2025

1. **The legislature has recognized the important role of incentives as a lever for change.** The proposed House Bill hopes to provide carrots and sticks to local government units (LGUs) for yielding development results measured by an adjusted form of the Human Development Index (HDI).
2. **While LGUs, as well as national government institutions, should be monitored in their performance to deliver development results,** vis a vis the basic mandate to deliver public goods and to respond to citizen needs, **the use of HDI potentially duplicates work of existing performance measurement systems,** such as the [Local Government Performance Monitoring System](#) (LGPMS) of the Department of Local Governments (DILG) and the Seal of Good Local Governance (SGLG). If Congress considers it best to support this proposed HB, it may be better to provide support the LGPMS and SGLG and ask these existing systems to include the adjusted HDI as an extra component of the performance monitoring.
3. **Statistics should be harnessed for policy use, but the Congress should also consider the limitations of HDI as a measure of development.** HDI is helpful for advocacy, but not necessarily for policy given its limitations. In several international statistical conferences such as the 2000 IAOS Conference on Statistics, Development and Human Rights in Montreux, Switzerland, the HDI has been criticized for being a measure that mixes apples and oranges. See also, work of poverty guru [Ravallion \(2010\)](#) who provides insights about the weights on the components of HDI:

“A poor country experiencing falling life expectancy due to (say) a collapse in its health-care system could still see its HDI improve with even a small rate of economic growth. By contrast, the new HDI’s valuations of the gains from extra schooling seem unreasonably high — many times greater than the economic returns to schooling.”
4. **Although there is wisdom in rewarding success and punishing failures, there will be unintended consequences** to the rewards and punishments suggested in the proposed bill. The Congress should be aware of the main conclusion of 2012/2013 Philippine

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Human Development Report: “geography matters”. In other words, starting conditions of LGUs are not equal. Incentivizing good performance and rewarding poor performance in HDI may further exacerbate inequalities, providing better resources already say in NCR cities, and reducing badly needly resources in far-flung locales such as geographically isolated and disadvantaged areas.

5. **We need a concrete plan to improve governance, but development performance is not solely dependent on governance.** The role of the national government should be to find ways of equalizing opportunities for LGU to develop so that no local government will be left behind.