

The Performance Challenge Fund

Improving Incentives for Good Local Governance

2014

ACCOMPLISHMENT REPORT



DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT

January 2015

PROJECT OVERVIEW

Chapter VII of the **Philippine Development Plan of 2011-2016** underlines the promotion of effective and honest governance creating an enabling environment for citizens and the private sector to reach their full potential. The Performance-Based Incentive Policy (PBIP) of the Development Budget Coordinating Committee (DBCC) issued on February 20, 2009 provides an incentive framework to rationalize intergovernmental transfer to LGUs, while the Presidential Directive of January 2011 issued by the Office of the President mandates NEDA, DILG, DA and DTI to create a system of incentives and disincentives to ensure that LGU projects are aligned with national priorities. Thus was born in 2010 the **Performance Challenge Fund** to provide LGUs with a counterpart fund to finance high-impact local development projects that are consistent with both the Annual Investment Program (AIP) and national goals and thrusts.

The PCF initially used as one of the criteria the **Seal of Good Housekeeping (SGH)**, an assessment that LGUs must exceed to qualify to the PCF. Since its inception, the DILG, through the **Bureau of Local Government Development (BLGD)**, has been continuously implementing and monitoring the PCF-assisted projects together with their corresponding subsidies for LGU-beneficiaries. Subsequently, the SGH was upscaled in 2014 into the **Seal of Good Local Governance (SGLG)** which raised the bar of excellence for qualified LGUs.

PCF INCENTIVES DRIVE GROWTH & DEVELOPMENT

Now on its fifth year of implementation, the **Performance Challenge Fund** rewards LGUs with a subsidy so they can execute high-impact development projects reflected in the Annual Investment Program of LGUs.

In general, PCF aims to recognize good governance performance in matters of transparency and accountability, planning and fiscal management, efficiency in the delivery of services, and responsiveness to the public and link with incentives and grants.

Concretely, PCF supports LGUs in the implementation of projects to: (1) achieve the Millennium Development Goals (MDGs), (2) maintain core road network to boost tourism and local economic development, (3) comply with Philippine Disaster Risk Reduction and Management Act of 2010 and Climate Change Adaptation, and (4) support the Ecological Solid Waste Management Act of 2000. All proposed projects must be implemented and completed within one year.

These projects drive good local performance and encourage people participation and involvement in processes that fuel a change in the local governance practices.

RAISING THE BAR OF PERFORMANCE FROM SGH TO SGLG

In CY 2012-2013, eligible LGUs were identified as all **provinces, cities and municipalities** that passed the **Seal of Good Housekeeping or SGH**. Starting CY 2014, SGH was scaled up into the **Seal of Good Local Governance**. As per DILG Memorandum Circular No. 2014-39 dated March 24, 2014, the SGLG supersedes the SGH that recognizes good performance of provincial, city and municipal governments on housekeeping and other areas that directly benefit the people.

As stated in the 2014 Implementing Rules and Regulations of SGLG, the **3 plus 1** principle shall apply before any LGU qualifies to the PCF. In other words, the LGU must meet the three core assessment areas of Good Financial Housekeeping, Social Protection and Disaster Preparedness, and at least one from the essential areas, namely, Business-Friendliness and Competitiveness, Peace and Order, and Environmental Management.



ELIGIBLE PROJECTS UNDER PCF

Each PCF subsidy shall be used for only one specific modular type of project to support any of the following:

1. Attainment of MDGs - school buildings, rural health units or health centers, birthing or lying-in facilities, water and sanitation, and housing and settlements;
2. Local Economic Development - core local roads and bridges, farm-to-market roads, tourism facilities, irrigation systems, post-harvest facilities, cold storage facilities, ports and wharves and other economic structures and growth enhancement projects like markets and slaughter houses;
3. Preparedness for Disasters/Adaptation to Climate Change - flood control, reforestation, storm drainage, dikes, seawall and related flood protection measures and slope protection, evacuation centers, rainwater collection facility, early warning systems or rescue equipment;
4. Ecological Solid Waste Management - sanitary landfill, material recovery facilities, sewerage system, and
5. Promotion of Transparency and Accountability - website development.

PCF INCENTIVE PACKAGE

Financial subsidy to LGU beneficiaries are based on the following allocation:

Category	Amount of Subsidy/Incentive
Province	Php 7 million
City	Php 3 million
Municipality	Php 1 million

EXECUTIVE SUMMARY OF ACCOMPLISHMENTS

PROGRESS REPORT

2010

Number of Beneficiaries

Thirty (30) pioneer LGUs received counterpart fund of P 30 million in 2010, with each municipality receiving P 1 Million. The roster was purely composed of 4th – 6th class municipalities.

Status of Projects

The P 30 million subsidized a total of **thirty one** (31) projects during PCF's first year of implementation. All 31 projects are **complete** (100%).

Distribution by Project Category

The distribution of PCF targets in 2010 per project category are presented as follows:

PCF Category		Number	Percentage
Medium development goals (MDG)	-	13	42%
Local economic development	-	14	45%
Disaster risk management	-	3	9.6%
Solid waste management	-	<u>1</u>	<u>3.2%</u>
TOTAL		31	100%

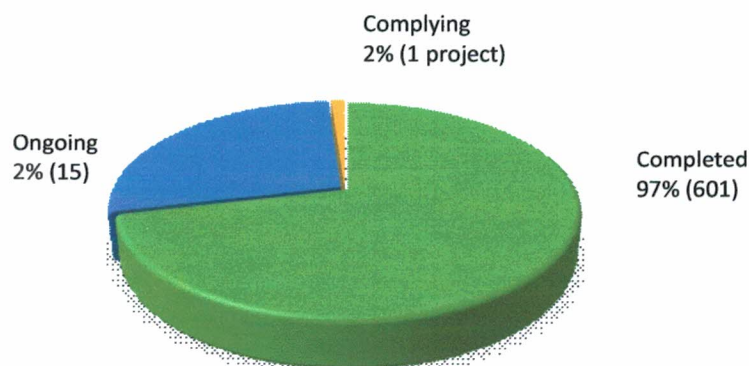
2011

Number of Beneficiaries

In 2011, 397 LGUs were given P 490 million to finance 618 projects.

Status of Projects

Out of the overall **618 projects** financed by PCF in 2011, **601** or 97% projects are fully **completed**. Fifteen (15) projects or 2% are still **ongoing** while 2 projects or 1% are still **complying** with PCF requirements.



Distribution by Project Category

This was how PCF 2011 performed vis-à-vis below project targets:

PCF Category		Number	Percentage
Medium development goals (MDG)	-	220	36%
Local economic development	-	294	48%
Disaster risk management	-	69	11%
Solid waste management	-	<u>35</u>	<u>5%</u>
Total		618	100%

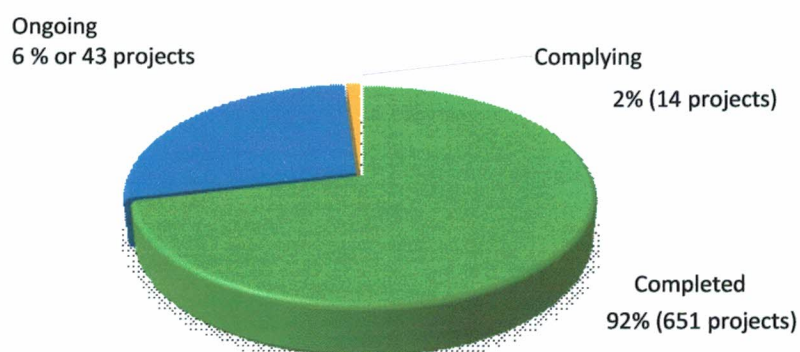
2012

Number of Beneficiaries

In 2012, 560 LGUs received P 987 Million to fund 708 various projects.

Status of Projects

From the 708 projects generated by the 2012 PCF awardees, 651 or 92% projects are tagged as **fully completed**, 43 projects or 6% are still **ongoing**, whereas 14 or 2% of the listed projects are **still complying** with PCF requirements.



Distribution by Project Category

This is how PCF 2012 performed based on the four categories:

PCF Category		Number	Percentage
Medium development goals (MDG)	-	339	48%
Local economic development	-	303	43%
Disaster risk management	-	46	6.5%
Solid waste management	-	<u>20</u>	<u>2.5%</u>
Total		708	100%

Medium development goals still led the pack with 339 projects, followed by local economic development projects at 303.

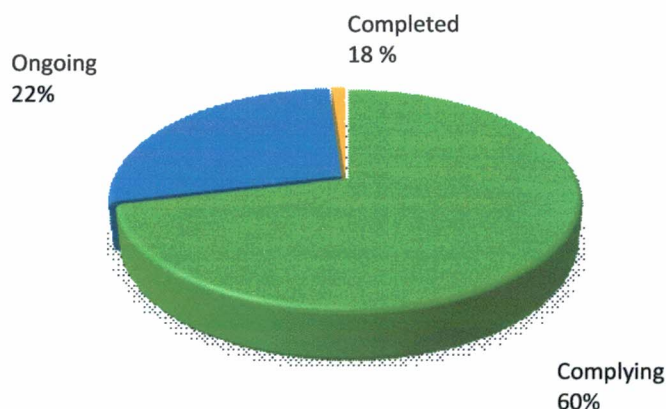
2013

Number of Beneficiaries

An aggregate of 734 LGUs were given a subsidy of P 990 Million to fund 488 local development projects in 2013.

Status of Projects

In terms of implementation, the 488 projects are distributed as follows: 86 PCF-supported projects or 18% of have been tagged in the PCF website as complete, while 108 or 22% are still ongoing and 294 or 60% of projects are still complying with requirements.



Distribution per Project Category

Medium development goal-related projects were down to 80 from the previous year of 339. While local economic development projects registered the highest of the bunch at 298, it's still six projects lower than PCF 2012's 303 projects under the same category.

PCF Category		Number	Percentage
Medium development goals (MDG)	-	80	16%
Local economic development	-	298	61%
Disaster risk management	-	78	16%
Solid waste management	-	<u>32</u>	<u>7%</u>
TOTAL		488	100%

2014

FINANCIAL REPORT

2010

Subsidy Distribution by LGU Rank

LGU Level		Number	Subsidy
Province	-	0	0
City	-	0	0
Municipality	-	<u>30</u>	<u>P 30 million</u>
TOTAL		30	P 30 million

2011

The 2011 GAA allocation of **Php 500 million** was apportioned in two operational releases: **Php 490 million (98%)** that subsidized **397 4th to 6th Class LGUs** (all passers of the SGH Assessment), and **Php10 million (2%)** as implementation cost both for the central and regional offices.

Subsidy Distribution of P 490 Million by LGU Level

LGU Level		Number	Subsidy
Province	-	17	P 59 million
City	-	33	P 84 million
Municipality	-	<u>347</u>	<u>P 347 million</u>
Total		397	P 490 million

2012

For FY 2012, the total PCF allocation was **P1.003 billion** based on GAA 2012. The PCF appropriation was P750M and P253M from DBM's Disbursement Acceleration Fund (DAF). P987M was allocated to the remaining 2011 SGH passers that belong to 2nd to 3rd Class. An additional P253M from the DBM DAF was allocated to augment the PCF to cover the remaining 1st Class Cities (19) and Provinces (28). The amount of P16M was allocated for the administrative/operational requirements of the PCF.

The distribution to 560 LGUs of the **P 987 Million** is as follows:

LGU Level		Number	Subsidy
Province	-	58	P 351 million
City	-	70	P 199 million
Municipality	-	<u>432</u>	<u>P 437 million</u>
Total		560	P 987 million

2013

In FY 2013, the PCF allocated P 1 billion from the 2013 GAA, of which Php 967 million was released on December 2013 to subsidize projects of 734 2nd to 6th Class LGUs (SGH 2012 passers). P 23 million was spent on typhoon Yolanda-affected regions per Department MC No. 2013-148 on December 2014 (*Table 5*). The two releases totaled P 990 million.

Distribution by LGU Rank

Following is the distribution of P 990 Million subsidy to the 734 LGUs.

LGU Level		Number	Subsidy
Province	-	22	P 154 million
City	-	62	P 186 million
Municipality	-	<u>650</u>	<u>P 650 million</u>
Total		734	P 990 million

2014

The approved budget of P 500 million per FY 2014 GAA is still being requested from the DBM to provide subsidy to the remaining 248 1st Class LGUs under the 2012 SGH which passed the GFH revalidation using the new Seal.

ACTIVITY REPORT

2012

Various activities such as consultation workshops were initiated by the Bureau, namely:

• Consultation Workshop on the Enhancement of Local Government Performance Incentive System and Assessment of the PCF implementation
• Meeting with National Government Agencies such as DA, DepEd, DOH and DPWH to come-up with standard design and costing of dominant projects commonly implemented by LGUs
• Meeting with PAHROD Facility on Enhancement of the PCF Operations Manual with ASIA Foundation and Civil Society Engagement in PCF Implementation.
• Workshop on the Enhancement of the Performance Challenge Fund Operations Manual with the DILG Regional PCF Management Teams

2013

With no assessment made in CY 2013, the Bureau devoted its time on continuing activities as it waited for (1) the release of subsidy to remaining LGUs mentioned above, and (2) the official list of the 2014 SGLG passers. Some of the project milestones of PCF 2013 include the following:

1. Policy Development

Series of Consultative Meetings/Conferences/Workshops have been conducted such as:

<ul style="list-style-type: none">• Enhancement of Local Government Performance Incentive System and Assessment of the PCF implementation
<ul style="list-style-type: none">• Standard design and costing of dominant projects commonly implemented by the LGUs for specific subsidy regardless of the amount
<ul style="list-style-type: none">• Performance Challenge Fund Operations Manual with Asia Foundation and Civil Society Engagement in PCF and SGH
<ul style="list-style-type: none">• Finalization of Enhanced PCF Manual of Operations

2. Capacity Development

<ul style="list-style-type: none">• Training of Trainers (TOT) relevant to the use of DILG Updated PCF Web Application System

3. Monitoring & Evaluation

<ul style="list-style-type: none">• Series of validation in selected Regions of PCF and GPL 2011 and 2012 projects, both completed and ongoing<ul style="list-style-type: none">○ Region I (Ilocos Sur Province, Vigan City, Tagudin, Bantay)○ Region II (Isabela Province, Cauayan City, Santiago City, Ilagan)○ Region III (Tarlac Province, Mayantoc, Camiling, Paniqui)○ CAR (Kalinga Province, Tabuk City, Tanudan, Pinukpuk)○ Region IV-A (Rosario, Malvar, Padre Garcia, Lipa City)○ Region IV-B (Socorro, San Teodoro)○ Region V (Daet, Lobo, Jose Panganiban, Basud)○ Region IX (Zamboanga del Norte Province, Dipolog City, Manuel Roxas, Polanco)○ Region X (Camiguin Province, Mambajao, Mahinog)○ Region XI (Davao Oriental Province, Mati, BanayBanay, San Isidro)○ Region XII (South Cotabato, Banga, Sto Nino, Surallah)○ Region XIII (Agusan del Norte Province, Butuan City, Buenavista, Las Nieves)

2014

From workshops and trainings to data validation and information campaign, various support projects were conducted to infuse vitality into the incentive program, and these include:

1. Policy Development

<ul style="list-style-type: none">• Series of Stakeholders Dialogue [focus group discussions] on PCF Project Management Implementation – total of eight meetings conducted for CY 2014
<ul style="list-style-type: none">• Consultative Conference with National and Regional Team on PCF Implementation<ul style="list-style-type: none">- Hotel Rembrandt, March 26-27, 2014- With Local Chief Executives, April 7-8, 2014

- With NGSs with Programs and Projects for LGUs, April 28, 2014

2. Capacity Development

- Technical Assistance to the Regional **Training of Trainers (TOT)** on the enhanced PCF web application system
 - Region I, Dagupan City, May 21-22, 2014
 - Region II, Tuguegarao, June 5-6, 2014
 - Region III, Clark, May 13-14, 2014
 - Region IV-B, Metro Manila, June 10-11, 2014
 - Region V, Legazpi City, May 28-29, 2014
 - Region VI, Iloilo City, May 26-27, 2014
 - Region VII, Cebu City, June 26-27, 2014
 - Region XII, DILG, May 27-28, 2014
 - Region IV-A, Tagaytay City, September 4-5, 2014
 - Region IX, Davao City, August 26-27, 2014
- Training on the preparation of PCF Audio Visual Presentation, November 11-14, 2014

3. Project Monitoring & Evaluation

- Use of the PCF portal as the central online data repository by Regional Focal Persons for quick submission of project proposals
- Enhancement of website - more user-friendly, with dashboard, help desk and feedback mechanism, downloadable reference Forms, etc.
- Validation of PCF-funded projects in 15 regions except from NCR and ARMM from September to December 2014

4. Information, Education & Communication (IEC) Materials Development

- Publication of PCF Magazine 1st Issue, January-March 2014

5. Release of P 23 million PCF Subsidy

- 13 LGUs received their subsidy from the 2013 Continuing Funds

1,845 PROJECTS FUNDED BY PCF FROM 2010 - 2013

Overall, there are 1,845 projects funded by PCF from 2010-2013: 1,369 (74%) are **completed**, 166 (9%) **on-going**, and 310 (17%) still **complying with administrative requirements**. (from *PCF website, December 2014*)

1,721 LGUS RECEIVED A SUBSIDY OF P2.5 BILLION FROM 2010 - 2013

From CY 2010-2013, a total of 1,721 provinces, cities and municipalities have already received P 2.497 Billion as cash incentives for showing transparency and good financial management in their local governance.

PCF BUDGET ALLOCATION (WITH LGU COUNTERPART)
CY 2010-2013

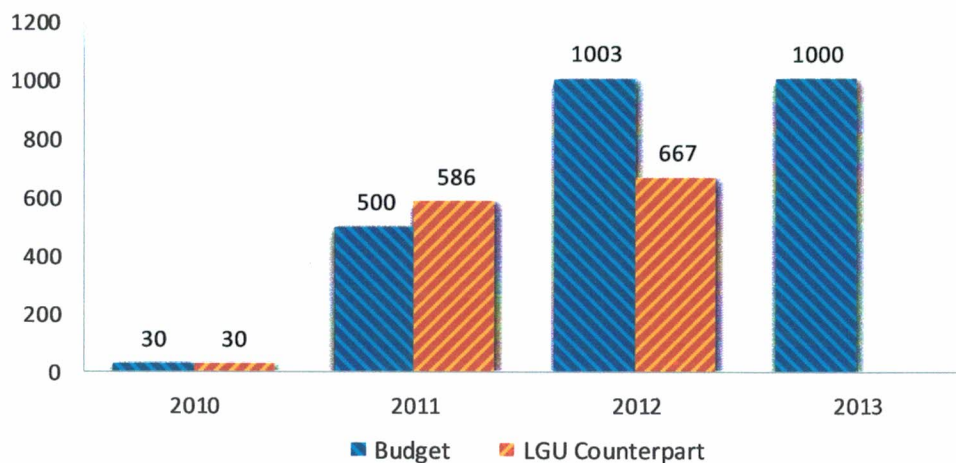


Table 1 shows a remarkable 156% increase in PCF budget allocations from 2010-2011, and from 2011-2012, the jump is more than double (100.5%).

Increasing Number of SGH Passers from CY 2011 to 2012

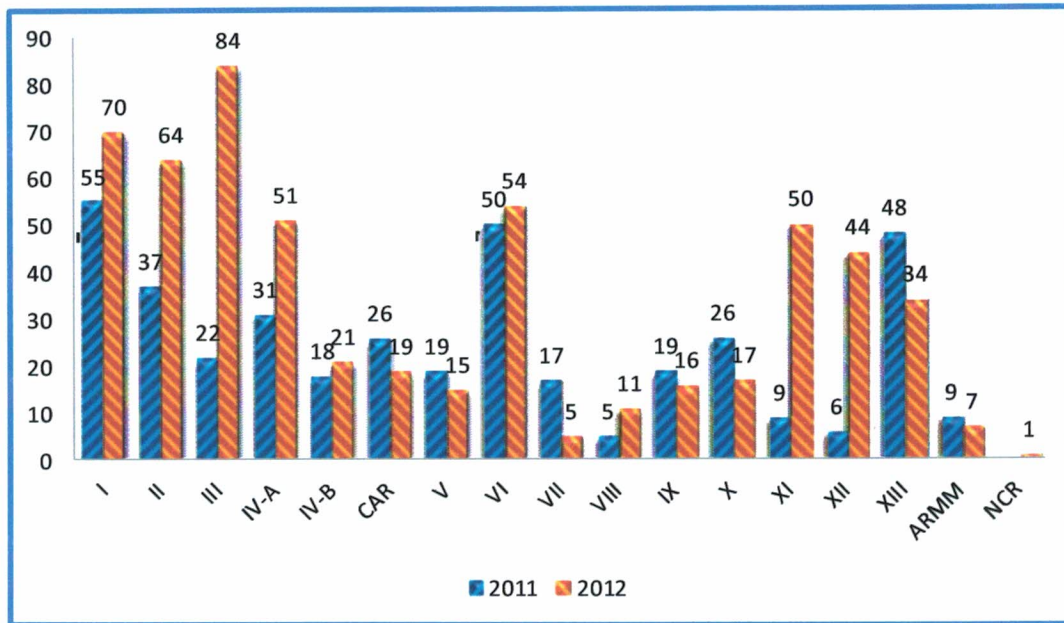


Table 2: The graph provides the number of SGH passers from 2011-2012 where increasing data suggests the eagerness of the regions to perform better to pass the assessment. Eleven regions showed a substantial increase with the number of passers. Region III demonstrated a remarkable increase from 22% passing rate to 84%.

SUMMARY OF PCF BENEFICIARIES CY 2010 - 2013

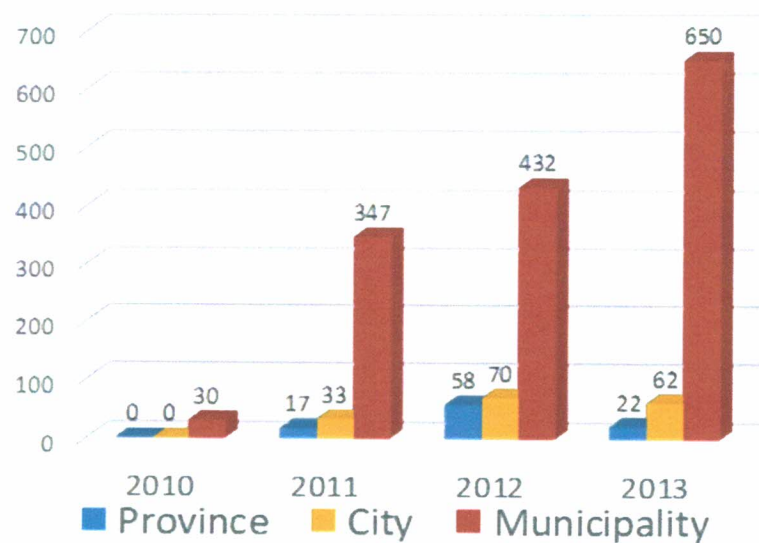


Figure 2: Summary of PCF Beneficiaries from CY 2010 to CY 2013

2013 SUBSIDY TO PCF RECIPIENTS
(Distribution by Region)

REGION	NUMBER OF BENEFICIARIES & PCF SUBSIDY							
	Province	PCF Subsidy	City	PCF Subsidy	Mun.	PCF Subsidy	Total LGUs	Total PCF Subsidy
1	0	0	9	27,000,000	87	87,000,000	96	114,000,000
2	2	14,000,000	2	6,000,000	52	52,000,000	56	72,000,000
3	1	7,000,000	3	9,000,000	26	26,000,000	30	42,000,000
CAR	5	35,000,000	1	3,000,000	40	40,000,000	46	78,000,000
4A	0	0	4	12,000,000	69	69,000,000	73	81,000,000
4B	2	14,000,000	1	3,000,000	25	25,000,000	28	42,000,000
5	3	21,000,000	6	18,000,000	45	45,000,000	54	84,000,000
NCR	0	0	0	0	0	0	0	0
6	2	14,000,000	13	39,000,000	84	84,000,000	99	137,000,000
7	0	0	4	12,000,000	51	51,000,000	55	63,000,000
8	2	14,000,000	1	3,000,000	25	25,000,000	28	42,000,000
9	1	7,000,000	2	6,000,000	24	24,000,000	27	37,000,000
10	1	7,000,000	2	6,000,000	23	23,000,000	26	36,000,000
11	0	0	3	9,000,000	17	17,000,000	20	26,000,000
12	0	0	4	12,000,000	12	12,000,000	16	24,000,000
13	2	14,000,000	5	15,000,000	53	53,000,000	60	82,000,000
ARMM	0	0	0	0	7	7,000,000	7	7,000,000
Total PCF Subsidy to LGUs	21	147 M	60	180 M	640	640 M	721	967 M

Table 4: Fund allocation for PCF 2013 (regional distribution).

2014 SUBSIDY TO PCF RECIPIENTS
AFFECTED BY TYPHOON YOLANDA IN REGIONS IV-B, VI & VIII

REGION	LGU BENEFICIARY		AMOUNT
IV-B	Coron, Palawan	Municipality	1 million
VI	Kalibo, Aklan	Municipality	1 million
	Malay	Municipality	1 million
	Caluya	Municipality	1 million
	Tapaz	Municipality	1 million
	Calinog	Municipality	1 million
	Lambunao	Municipality	1 million
	Janiuay	Municipality	1 million
	Pototan	Municipality	1 million
VIII	Burauen	Municipality	1 million
	Ormoc, City	City	3 million
	Tacloban City	City	3 million
	Leyte P	Province	7 million
TOTAL			23 MILLION

Table 5: Fund allocation for PCF Beneficiaries and Yolanda-affected Regions