



THE PERFORMANCE CHALLENGE FUND

Incentives for Good Local Governance

2016 ANNUAL ACCOMPLISHMENT REPORT



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DILG AND THE CONTINUING QUEST FOR LOCAL GOVERNANCE EXCELLENCE

RATIONALE

Established in 2010, the Performance Challenge Fund (PCF) is a performance-based reform program of the DILG that seeks to rationalize inter-governmental transfers of the national government to Local Government Units (LGUs) and encourage the convergence of local development initiatives with national development agenda and priorities. It is an incentive given to eligible LGUs under the Local Governance Performance Management Program of the Department to support high-impact local development projects identified as a priority by the LGU.

“To serve as the primary catalyst for excellence in local governance that nurtures business-friendly, competitive, environment-protective, climate change adaptive, disaster-resilient and socially-protective LGUs through accountable, transparent, participative, and effective governance of LGUs.”

This encapsulates the bold vision of the **Department of the Interior and Local Government**. The DILG sustains LGU capabilities in local governance through performance oversight and provision of incentives and award services in coordination with its regional offices and field offices, and in strong collaboration with various stakeholders.

LEGAL BASES OF THE PCF

Chapter VII of the **Philippine Development Plan of 2011-2016** underscores the promotion of effective and honest governance to create an enabling environment for citizens and the private sector to reach their maximum potential. Locally, the PDP acknowledges the value of empowering LGUs to improve their capabilities to deliver public service and promoting accountability.

In 2011, there was a **Presidential Directive Creating a System for LGU’s Adherence to National Thrust and Priorities (18 January 2011)**. NEDA, DILG, DA and DTI were directed to **create a system of incentives** (e.g. grants, concessional loans) and disincentives to encourage alignment of LGUs local projects with national priorities.

BUDGET ALLOCATION

From FYs 2010 to 2015, a total amount of **4.003 Billion** has been allocated for this program. This year, FY 2016 General Appropriations Act (GAA) has allocated **One Billion and Three Million Seven Hundred Thousand Pesos (P1,003,700,000.00)** for the Performance Challenge Fund which shall cover the financial subsidy to qualified LGUs under the Local Governance Performance Management Program for the implementation of projects aligned to the Philippine Development Plan 2011-2016.

OBJECTIVES OF THE PCF

The **PCF** aims to recognize good governance performance in transparency and accountability, planning and fiscal management, efficiency in the delivery of services, and responsiveness to the public and link with incentives and grants. Each PCF subsidy shall be used for any modular type of project to support any of the following:

1. **Attainment of MDGs/SDGs** - school buildings, rural health units or health centers, birthing or lying-in facilities, water and sanitation, and housing and settlements;
2. **Stimulates 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** – coded programs or website development and projects that use the language of the internet and similar technology-based innovations

PCF INCENTIVE PACKAGE

In CY 2011-2013, LGUs that received the opportunity to access the PCF were those provinces, cities and municipalities that passed the **Seal of Good Housekeeping**. Some of the basic requirements for passing the SGH assessment include:

- Absence of negative COA Findings on LGU financial statements
- Compliance to Full Disclosure Policy
- Compliance to Procurement Act
- Anti-Red Tape Act Report Card Survey of Civil Service Commission

The **Bureau of Local Government Development (BLGD)** was tasked to manage the Performance Challenge Fund (PCF). All projects proposed by recipient LGUs should be implemented and completed within one year. As of December 29, 2016, there are already **2,689 PCF projects** of which is accessible in the PCF portal. For purposes of transparency, anyone who wants to look into the profiles of PCF projects can open its website at <http://pcf.dilg.gov.ph/v3/>.

FROM SGH TO SGLG: RAISING LGU PERFORMANCE TO THE NEXT LEVEL

To elevate the performance standards of LGUs, the SGH was up scaled in CY 2014, thus evolving into the **Seal of Good Local Governance** as provided in **DILG MC No. 2014-39** dated March 24, 2014.

As embodied in the **2014 Implementing Rules and Regulations of SGLG**, the **3 PLUS 1** principle shall apply before any LGU can access the PCF. LGUs must meet the three core assessment areas of Good Financial Housekeeping, Social Protection and Disaster Preparedness, and at least one from the Essential Areas: Business-Friendliness and Competitiveness, Peace and Order, or Environmental Management.

To further enhance the incentivizing feature of the PCF, a corresponding increment in the financial package benefitted good performing LGUs as well. Starting CY 2015, the incentives package is based on the following allocation:

| Category | Incentive |
|--------------|---------------|
| Province | Php 7 million |
| City | Php 5 million |
| Municipality | Php 3 million |

For CY 2016, the incentives package is slightly reduced to accommodate the Three Hundred Six (306) recipient LGUs conferred with the 2016 Seal of Good Local Governance. As contained in **DILG MC No. 2016-153**, the CY 2016 SGLG awardees are declared eligible to access the 2016 PCF incentives package in the amount of:

| Category | Incentive |
|--------------|-----------------|
| Province | Php 4 million |
| City | Php 3.4 million |
| Municipality | Php 3 million |

EXECUTIVE SUMMARY OF ACCOMPLISHMENTS

For more than six years of implementation, starting from its pilot stage in 2010 up to the Calendar Year 2016, the DILG through the Bureau of Local Government Development (BLGD) monitors the over-all project implementation of more than two thousand PCF projects nationwide. A total of 2,689 PCF projects were registered in the PCF Portal (<http://pcf.dilg.gov.ph/v3/>) as of 29 December 2016. Out of the 2,689 PCF projects, there are 2,500 completed projects, 106 projects that are still on-going and 83 projects are yet to be started. (See Table 4)

Projects are grouped under five categories or pillars, as follows: 863 Millennium Development Goals (MDG) projects, 1,387 Local Economic Development (LED) projects, 123 Ecological Solid Waste Management (ESWM) projects, 314 Disaster Risk Reduction and Management (DRRM) projects and 2 projects under Transparency and Accountability.

Table 1: TOTAL NUMBER OF LGU PCF-RECIPIENTS

| Year | Province | Cities | Municipalities | TOTAL |
|--------------------|------------|------------|----------------|--------------|
| 2010 | | | 30 | 30 |
| 2011 | 17 | 33 | 347 | 397 |
| 2012 | 58 | 70 | 432 | 560 |
| 2013 | 22 | 62 | 650 | 734 |
| 2014 | 28 | 27 | 193 | 248 |
| 2015 | 41 | 28 | 185 | 254 |
| TOTAL | 166 | 220 | 1,837 | 2,223 |
| 2016 | 43 | 51 | 212 | 306 |
| Grand Total | 209 | 271 | 2049 | 2529 |

Table 2: TOTAL FUND OF PCF SUBSIDY (2010-2016)

| YEAR | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | |
|---------------|-----------|--------------|------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|-----------------|
| | LGU | Amount | LGU | Amount | LGU | Amount | LGU | Amount | LGU | Amount | LGU | Amount | LGU | Amount |
| Prov | | | 17 | P 59M | 58 | P 351M | 22 | P 154M | 28 | P 196M | 41 | P 287M | 43 | P 172M |
| Cities | | | 33 | P 84M | 70 | P 199M | 62 | P 186M | 27 | P 81M | 28 | P 140M | 51 | P 173.4M |
| Mun | 30 | P 30M | 347 | P 347M | 432 | P 437M | 650 | P 650M | 193 | P 193M | 185 | P 555M | 212 | P 636M |
| | 30 | P 30M | 397 | P 490M | 560 | P 987M | 734 | P 990M | 248 | P 470M | 254 | P 982M | 306 | P 981.4M |

FY 2016 Performance Challenge Fund

The PCF Management Team is pleased to report that the **FY 2016 Performance Challenge Fund** of **P981.4 million** has already been downloaded to the DILG Regional Offices last November 16, 2016 per Memorandum signed by Usec. Austere A. Panadero -- with P4 million each for 43 provinces, P3.4 million each for 51 cities and P3 million each for 212 municipalities – based on DILG-MC-2016-153, and charged against RA No. 10717 FY 2016 GAA.

Table 3: PCF SUBSIDY FOR CY 2016

| Region | No. of Prov. | Amount at P4M per Prov. | No. of Cities | Amount at P3.4M per City | No. of Mun. | Amount at P3M per Mun. | Total LGU Beneficiaries | Total PCF Cost |
|--------------|--------------|-------------------------|---------------|--------------------------|-------------|------------------------|-------------------------|--------------------|
| CAR | 3 | 12 | 2 | 6.8 | 17 | 51 | 22 | 69.8 |
| NCR | - | | 5 | 17 | - | | 5 | 17 |
| I | 4 | 16 | 5 | 17 | 36 | 108 | 45 | 141 |
| II | 2 | 8 | 2 | 6.8 | 18 | 54 | 22 | 68.8 |
| III | 4 | 16 | 4 | 13.6 | 29 | 87 | 37 | 116.6 |
| IV-A | 3 | 12 | 4 | 13.6 | 10 | 30 | 17 | 55.6 |
| IV-B | 4 | 16 | 1 | 3.4 | 7 | 21 | 12 | 40.4 |
| V | 3 | 12 | 4 | 13.6 | 3 | 9 | 10 | 34.6 |
| VI | 3 | 12 | 2 | 6.8 | 19 | 57 | 24 | 75.8 |
| VII | 2 | 8 | 1 | 3.4 | 8 | 24 | 11 | 35.4 |
| VIII | 4 | 16 | 1 | 3.4 | 7 | 21 | 12 | 40.4 |
| IX | 1 | 4 | 1 | 3.4 | 6 | 18 | 8 | 25.4 |
| X | 2 | 8 | 4 | 13.6 | 20 | 60 | 26 | 81.6 |
| XI | 3 | 12 | 5 | 17 | 6 | 18 | 14 | 47 |
| XII | 1 | 4 | 2 | 6.8 | 11 | 33 | 14 | 43.8 |
| XIII | 2 | 8 | 2 | 6.8 | 9 | 27 | 13 | 41.8 |
| ARMM | 1 | 4 | 1 | 3.4 | 4 | 12 | 6 | 19.4 |
| NIR | 1 | 4 | 5 | 17 | 2 | 6 | 8 | 27 |
| Total | 43 | 172,000,000 | 51 | 173,400,000 | 212 | 636,000,000 | 306 | 981,400,000 |

STATUS OF IMPLEMENTATION OF PCF SUPPORTED PROJECTS

For CY 2016, a total of 2,500 projects have been completed by the LGU beneficiaries. The table below shows the status of implementation of PCF supported projects from 2010-2015.

Table 4

| YEAR | Total No of Projects | Completed projects | | Ongoing projects | | Not yet started | |
|---------------|----------------------|--------------------|------------|------------------|-----------|-----------------|-----------|
| | | No. | % | No. | % | No. | % |
| 2010 | 31 | 31 | 100% | - | - | - | - |
| 2011 | 633 | 632 | 99% | 1 | 1% | - | - |
| 2012 | 744 | 741 | 98% | 1 | 1% | 2 | 1% |
| 2013 | 755 | 748 | 97% | 5 | 2% | 2 | 1% |
| 2014 * | 233 | 170 | 73% | 35 | 15% | 28 | 12% |
| 2015 * | 293 | 178 | 57% | 64 | 25% | 51 | 18% |
| TOTAL | 2,689 | 2,500 | 93% | 106 | 4% | 83 | 3% |

* Based on the data taken from PCF Website as of December 29, 2016

MAJOR ACCOMPLISHMENTS FOR 2016

We now take a look at some of the milestones of the PCF with particular mention of its various accomplishments in CY 2016.

I. DEVELOPMENT OF OPERATIONS MANUAL

One of the major accomplishments of the PCF team is the crafting of the Performance Challenge Fund Operations Manual which presents the detailed procedures on how to avail the PCF subsidy, expounds the significance of LGU's administrative/ documentary requirements in proposing the PCF projects and reiterate the roles and responsibilities of the PCF Stakeholders.

The development of the said Operations Manual was done through 3 series of workshops and held at Subic, Zambales. Workshop 1 was conducted on May 17-19, 2016; Workshop 2 was held on June 13-17, 2016 and Workshop 3 was held on July 25-29, 2016. Printing of the Operations manual shall commence on 1st quarter 2017.

II. POLICY DEVELOPMENT

A. PCF GUIDELINES

Two Memorandum Circulars were issued for the 2016 PCF. **DILG MC 2016-153** dated October 28, 2016 titled **Guidelines for the Release of the 2016 Performance Challenge Fund (PCF)** and the **DILG-MC-2016-167 Operational Guidelines on the Implementation of the 2016 PCF** which was subsequently signed by Hon. Ismael Sueno, Secretary of the Interior and Local Government (SILG), on November 23, 2016.

B. National PCF Policy Roll-out

The National Policy Roll-Out activity was conducted on November 24-25 at the ICON Hotel, and it was participated in by the Regional PCF Focal persons, Regional Accountants and the PCF Central Office Project Team.

It was concluded with the commitment that all the regional participants will also cascade the Policy to all the PCF recipient LGUs in their respective regions.

III. FIELD VALIDATION OF PCF PROJECTS

A. Project Validation in 2016

A total of 110 LGU Projects have been validated by the PCFMT in CY 2016 that also involved **BLGD, Internal Audit Service (IAS), Planning Service (PS), Information System Technology Management Service (ISTMS), National Barangay Operations Office (NBOO), and Financial Management Service (FMS)**. The first semester validation was conducted from April to June 2016 and covered **47 LGUs with PCF Projects**. The second semester was conducted from September to December 2016 and covered **63 LGUs with PCF Projects**.

IV. ADVOCACY

A. PCF Magazine Vol. II, No. 1 & Coffee Table Book Documentation

We are delighted to showcase the newly-produced PCF magazines, a joint publication of BLGD and PACS that contains the great testimony in spreading the good news regarding our collective efforts towards good governance and rendering of public services.

We have produced a total of **6,000 printed copies** of the PCF magazine Vol. II, No. 1 entitled "Performance Challenge Fund: Inspiring Stories on Good Local Governance." To give extra substance to the said materials, the magazines featured the LGUs' notable experiences in successfully implementing their PCF projects such as concreted roads, potable water supply, school building and even parks. These are just basic government projects which have become 'life-changing' and a 'dream come true' for our fellow countrymen, women and children. These PCF projects truly enrich lives beyond imagination.

In addition, a regional documentation of two (2) good stories per region was also conducted by the PACS personnel to come up with a PCF Coffee-Table Book and Audio Visual Presentation which will be available 1st quarter of 2017.

V. CAPACITY DEVELOPMENT

For CY 2016, Hands-On training with Hackathon Activity (PCF Website enhancement) was successfully conducted by BLGD and in collaboration with the Academe and other partners. The said activity was held on November 21-23, 2016 at the ICON Hotel Quezon City.