

Albert, Jose Ramon G. et al.

Working Paper

Process evaluation of the Performance-Based Bonus (PBB) scheme

PIDS Discussion Paper Series, No. 2019-15

Provided in Cooperation with:

Philippine Institute for Development Studies (PIDS), Philippines

Suggested Citation: Albert, Jose Ramon G. et al. (2019) : Process evaluation of the Performance-Based Bonus (PBB) scheme, PIDS Discussion Paper Series, No. 2019-15, Philippine Institute for Development Studies (PIDS), Quezon City

This Version is available at:

<https://hdl.handle.net/10419/240966>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

DISCUSSION PAPER SERIES NO. 2019-15

Process Evaluation of the Performance-Based Bonus (PBB) Scheme

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



The PIDS Discussion Paper Series constitutes studies that are preliminary and subject to further revisions. They are being circulated in a limited number of copies only for purposes of soliciting comments and suggestions for further refinements. The studies under the Series are unedited and unreviewed. The views and opinions expressed are those of the author(s) and do not necessarily reflect those of the Institute. Not for quotation without permission from the author(s) and the Institute.

CONTACT US:

RESEARCH INFORMATION DEPARTMENT
Philippine Institute for Development Studies

18th Floor, Three Cyberpod Centris - North Tower
EDSA corner Quezon Avenue, Quezon City, Philippines

publications@mail.pids.gov.ph
(+632) 8877-4000

<https://www.pids.gov.ph>

Process Evaluation of the Performance-Based
Bonus (PBB) Scheme

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

PHILIPPINE INSTITUTE FOR DEVELOPMENT STUDIES

December 2019

Abstract

Since the adoption of the Performance Based Bonus (PBB) scheme in 2012, its effectiveness--particularly its impact on agencies' reform efforts and on public sector employees' motivation and productivity--have not yet been examined. The Department of Budget and Management (DBM) deems it critical to study the effect of the PBB on government efforts to boost productivity and push reforms, as well as government employees' individual and team-level motivations and productivity. The DBM wishes to determine whether the PBB is achieving its design objectives and in turn, determine whether it is worth pursuing given its budgetary implications. Prior to an impact evaluation, a process evaluation should be conducted to clarify whether and to what extent the PBB worked as planned. In this regard, this study examines the PBB design and how this design has been executed. The study identifies implementation deficits, taking note of the bottlenecks and challenges encountered by government agencies/units in meeting the conditions to qualify for the PBB. It also presents some 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 the effects of PBB; and it recommends a general review of the main policy objectives. Meanwhile, the study also identifies several concrete reforms that could help sharpen the PBB moving forward.

Keywords: performance-based bonus, performance, productivity, Results-Based Performance Management

Table of Contents

1. Introduction	1
2. Review of Related Literature	3
3. Overview on the PBB Scheme and its Design	9
3.1. PBB Description and Objectives	9
3.2. Institutional Arrangements	11
3.3. Program Design.....	13
3.4. Expenditures and Financing	22
4. PBB Implementation	23
4.1. National Government Agencies (NGAs) and Attached Agencies, Government-Owned and –Controlled Corporations (GOCCs), Constitutional Commissions, and Other Executive Offices	23
4.2. State Universities and Colleges (SUCs).....	27
4.3. DepED Schools	40
5. Conclusion and Policy Recommendation	55
6. Bibliography.....	66

List of Tables

Table 1. Evolution of Eligibility Requirements (Good Governance Conditions)	15
Table 2. Evolution of Eligibility Requirements (General Administrative Support Services) ...	15
Table 3. Evolution of Eligibility Requirements (Support to Operations).....	16
Table 4. Evolution of Eligibility Requirements (Physical Targets)	16
Table 5. PBB Requirements and Validating Agency	16
Table 6. Basis for Pro-Rated PBB.....	18
Table 7. Ranking of Bureaus, 2012-13.....	20
Table 8. Ranking of Individuals, 2012	20
Table 9. Ranking of Individuals, 2013	20
Table 10. Ranking of Bureaus, 2014-2015.....	21
Table 11. Ranking of Bureaus, 2014-2015.....	21
Table 12. Ranking of Individuals, 2014-2015	21
Table 13. Ranking of Bureaus, 2016-2018.....	21
Table 14. Rates of Incentives, FY 2012 to FY 2015	22

Table 15. Rates of Incentives, FY 2016 to Present	22
Table 17. SUC Presidents PBB Eligibility in 2016	31
Table 18. Incentives in other SUCs	38
Table 19. School-level ranking for 2012 PBB, in points	43
Table 20. Weight of Key Performance Indicators (KPIs) of schools, in points, (2012-18)	46
Table 21. Division-level ranking for 2012 PBB, in points	47
Table 22. Weight of Key Performance Indicators (KPIs) of SDOs, in points, (2012-18)	49
Table 23. Main Findings and Recommendations.....	63

List of Figures

Figure 1. Results-Based Performance Management	2
Figure 2. Inter-Agency Task Force on Harmonization of Performance Management Systems.....	11
Figure 3. Harmonized System of Performance Reporting and Evaluation	12
Figure 4. The PBB Cycle	12
Figure 5. Phase of RBPMS Implementation.....	14
Figure 6. Evolution of PBB Criteria and Conditions.....	15
Figure 7. PBB Appropriations: 2012-2018.....	22
Figure 8. Government Entities by Eligibility: 2012-2017	23
Figure 9. Bureaucracy for the PBB Scheme in State Universities and Colleges.....	28
Figure 10. Cascading of MFOs, KRA, & Pls and its inclusion in the SPMS	29
Figure 11. Organizational Structure of the Board of Regents or Board of Trustees.....	34
Figure 12. Planning and Evaluation Flow for PBB in SUCs.....	36
Figure 13. Relationship of QA Mechanisms (PBB, NBC 461, SUC Leveling).....	38
Figure 14. Framework for Results-Based Performance Management System (RBPMS)	40
Figure 15. PBB Process Flow, 2015	51

List of Annex Tables

Annex Table 1: Good Governance Conditions	70
Annex Table 2: Physical Targets.....	79
Annex Table 3: Support to Operations	84
Annex Table 4: General Administrative Support Services	88

Annex Table 5: Others	95
Annex Table 6. Regional-Level Ranking for 2012 PBB, in Points	97
Annex Table 7. Weight of Key Performance Indicators (KPIs) of regions, in points, (2012-17)	98
Annex Table 8. Central-level ranking for 2012 PBB, in points	99
Annex Table 9. Weight of Key Performance Indicators (KPIs) of the CO, in points, (2012-17)	99

Process evaluation of the Performance-Based Bonus (PBB) scheme

***Jose Ramon G. Albert, Ronald U. Mendoza,
Janet S. Cuenca, Gina A. Opiniano, Jennifer Decena-Monje,
Michael A. Pastor and Mika S. Muñoz¹***

1. Introduction

In 2012, the government adopted a Performance-Based Incentive (PBI) system for employees in the executive branch of the public sector by virtue of Executive Order (EO) No. 80 (i.e., Directing the Adoption of a Performance-Based Incentive System for Government Employees). The PBI System was developed for supporting the government's reform agenda; it was meant to "motivate higher performance and greater accountability in the public sector and ensure the accomplishment of commitments and targets under the five (5) Key Result Areas (KRAs)" as specified in EO No. 43, s. of 2011 (i.e., Pursuing Our Social Contract with the Filipino People Through the Reorganization of the Cabinet Clusters) and the Philippine Development Plan (PDP) 2011-2016.

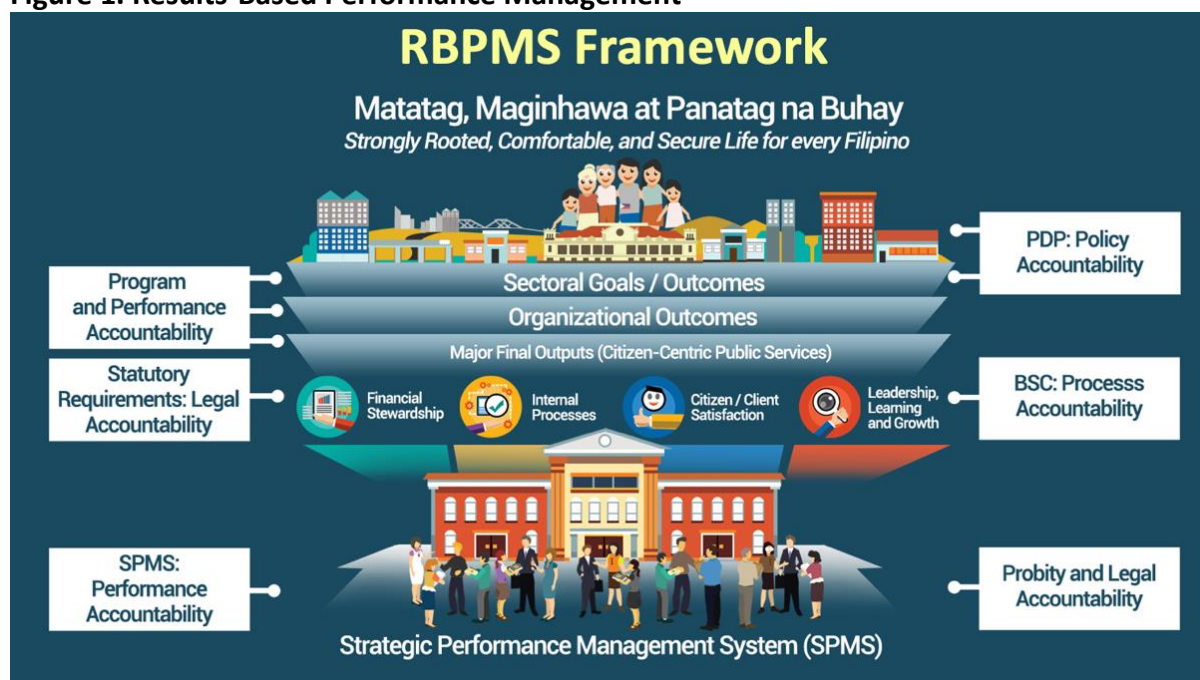
The PBI consists of the Productivity Enhancement Incentive (PEI) and the Performance-Based Bonus (PBB). The former is an across-the-board bonus to be given to all employees for contribution in the realization of government's commitments, while the latter is a top-up bonus for groups and individuals who have contributed the most to the accomplishment of department/agency/ government-wide performance. The guiding principles for both the PEI and the 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.

The PBI should also be seen in the context of the Results-Based Performance Management (RBPMS), the single performance management system for the whole of the Executive Branch (**Figure 1**). Administrative Order (AO) No. 25, s. 2011² established the RBPMS. Even as early as 2000, the Philippine government has sought to heighten accountability for results through performance and budget reforms starting 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.

¹ The authors are senior research fellow, co-principal investigator (and Dean of Ateneo School of Government), supervising research specialist, NGAs cluster consultant (and Professor at the University of Santo Tomas), DepED schools cluster consultant (and Assistant Professor at the Pamantasan ng Lungsod ng Maynila), and SUCs cluster consultant (and Instructor at the Polytechnic University of the Philippines and Lecturer at the De La Salle College of St. Benilde) and research assistant of the Philippine Institute for Development Studies. The valuable research assistance of Jana V. Vizmanos, Kristina Ortiz, Anna Rita Vargas, and Sherryl Yee is gratefully acknowledged.

² With the introduction of the AO No. 25 in 2011, an Inter-Agency Task Force on AO 25 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



Source: AO 25 Secretariat

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

However, prior to an IE, it is important to firstly undertake a process evaluation, which seeks essentially to answer whether or not the PBB worked as planned. This process evaluation study answers the following questions: (a) How effectively was the PBB implemented across the years?; (b) What are the gaps between planned and realized outcomes in the PBB?; and (c) Is there a hierarchy of program objectives (e.g. macro/agency, meso/team and micro/individual level effects), and if so, what is the relationship among the program objectives? Answering the first question entails an examination of the extent to which the PBB design has been executed while the second one involves identifying implementation deficits, taking note of the bottlenecks or issues and challenges encountered by government agencies/units in meeting the conditions to qualify for the PBB. The final question seeks to clarify and more clearly frame the varied objectives attached to the program either by the inter-agency task force commissioned to roll it out, or the various agencies and units that have implemented this program.

The study is organized as follows. Section II reviews the literature on performance incentives in the public sector data. Section III provides an overview on the PBB scheme and its design, as per documents and data obtained from the DBM and the Development Academy of the Philippines (DAP). Section IV discusses how the program is implemented in national

government agencies (NGAs), government owned and controlled corporations (GOCCs), and constitutional commissions; at the Commission on Higher Education (CHED) and state universities and colleges (SUCs); as well as at the Department of Education (DepED) and in public schools. Information in this section was obtained from documents on the PBB, as well as key informant interviews (KIIs) and focus group discussions (FGDs). A total of 304 study respondents who participated in KIIs and FGDs were from three clusters of government agencies across Metro Manila, Balance Luzon, Visayas and Mindanao. The first cluster of study respondents comprised 70 government employees from NGAs, GOCCs, and constitutional commissions. The second cluster consisted of 107 CHED staff, as well as faculty and non-teaching staff from SUCs. The remaining study respondents were composed of 127 DepED staff and public-school teachers. About two-thirds of the study respondents were female. About 2 in 5 study respondents had been in government service for at most 10 years; a fifth had between 11 to 20 years of public service; another fifth had served government between 21 to 30 years, and the remaining fifth had at least 31 years of public service. Section V ends with conclusions and policy recommendations.

2. Review of Related Literature

The use of incentives is based on the concept of reward and punishment, a fundamental behaviorist thinking articulating the role of extrinsic motivators, such as rewards and other financial and non-financial incentives, as positive outcomes that humans should work towards. On the other hand, punishment, such as the withholding of any benefits, are among negative outcomes that need to be mitigated. Thus, behavioral change or performance improvement through the use of 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).

As regards 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) other. Burgess and Ratto (2003) adopt the term performance-based incentives to refer to incentives that motivate staff. Mogultay (nd) instead adopts the term pay-for-performance to refer to any financial rewards that motivate employee performance. Pay-for-performance includes (i) piecework, i.e., oldest form of pay-for-performance that started in the early days of manufacturing; (ii) payment by results, which is 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”; (iii) merit pay, which is synonymous to pay-for-performance can be defined as pay, bonuses, or raises based on superiors’ evaluation of the employee (e.g., Korea’s individual performance related pay, which is a tighter and more structured form of merit pay because it is awarded based on an employee’s performance against previously set objectives that are reviewed using a formal performance management system); and (iv) commission and profit-related pay schemes that are “generally applicable to private sector organizations.”

PBB is a form of incentive compensation that is meant to improve the performance and productivity of workers and in turn, improve those of their organizations. Implementing the PBB is essentially premised on both the 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 towards those rewards (Montana and Charnov 2008). Conventional wisdom argues that outstanding employees should be better rewarded than employees who are doing marginal or satisfactory performance. The idea behind the PBB also takes note that managers need to be able to differentiate between such employees, and the PBB scheme is a method to distinguish superior performers. Traditional public sector pay structures with step increases are primarily based on seniority.

The two broad strands of literature on performance-based incentives in the public sector are: a) studies that develop various measures of performance in the public sector on the one hand, and on the other hand, b) studies that examine the links between these measures and the performance-based incentives geared to better achieve them. Given the complexity of provision of public goods and services, both bodies of work continue to uncover a rich reform landscape on which performance is measured, evaluated and potentially incentivized.

a. 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 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.

Later on, 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 note how many private sector practices 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 (ibid: 599).

Performance-based incentives were slowly introduced in already industrialized countries as part of broader trends towards 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 and also boost key sectors such as education and health which are both heavily dependent on manpower.

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 (ibid: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), for example, notes 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 (2008) also outlines how measuring public sector performance is much more difficult compared to measuring private sector performance. First, compared to 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, also in collaboration with private sector partners or contractors. This type of collective action helps to explain, as noted earlier by Dixit, 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 rule of law are among the broad areas whose amalgamation of inputs and outputs are too complex for private sector alone to produce. Furthermore, unlike the private sector whose price mechanism can shape various levels—quality and quantity—of production of the good or service, in the public sector, there is no price mechanism that regulates 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 actually quite broad, ranging from management mechanisms within agencies, to quality and performance standards that cut across agencies, to more general accountability mechanisms such as budget oversight by the legislature. Clearly, determining the “adequate” provision of public goods and services involves myriad challenges so that what is “adequate” is not merely a technical question, but also likely a political one. Measuring, monitoring and evaluating performance in the public sector has spurred an extensive literature addressing these practical challenges.

b. Impact of Incentives on Performance

Effective reward and incentive schemes have become tools for organizational effectiveness in the 21st century (Amah *et al.* 2013). It can benefit many organizations, if managed properly. Amah *et al.* (2013) reviews various literature on the effect of effective reward and incentive scheme on organizational performance. It concludes that organizations need to take the issue of reward and incentives seriously as it has the ability of influencing employee’s attitude, contribution and commitment towards the organization. Thus, organizations must reward effectively to increase productivity and have competitive edge.

Ganster *et al.* (2011) focuses on the relationship between rewards system and the impact on the well-being of employees because the same may be injurious to worker health. Performance-related pay (PRP) rewards employees with a financial payment, either consolidated or non-consolidated, following an assessment of their performance and, typically, the achievement of objectives. A study by Suff *et al.* (2007) posits that PRB is the key element of many organizations’ rewards strategies. Interestingly, the study presents the two facets of the issue

addressing the dispute on whether or not the PRB is an effective motivational tool (to employees).

Accordingly, some of the potential advantages of PRP are that it can provide a direct incentive, it is a tangible means of recognizing individuals' achievements, and it provides the flexibility to retain key staff. On the downside, critics of paying for performance say that it can be discriminatory, demotivate the majority of employees at the expense of a few high performers, and undermine '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 that 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. But others contend that early proponents of PRP failed to appreciate the complexity of the wider 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 individual effort at the expense of team working (Suff *et al.* 2007).

Nevertheless, various literature suggests that management practices of civil service bureaucrats correlate with the delivery of public services (Rasul *et al.* 2018). While financial incentives through pay flexibility can improve the performance of staff in government bureaucracies (World Bank 2014a), evidence is mixed. Based on a review of various studies on performance-related pay (PRP), 93 of the 153 studies indicate some form of positive effect of PRP. In contrast, several studies identified problems of unintended consequences, or "gaming" of the incentive program (World Bank 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 effect 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 of time.

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 57 studies dealing with "pay for performance" which included local government implementations. The study found that these systems do not deliver what they promised. Bowman (2010) had similar conclusions: "performance of pay for performance programs ...is...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) underlying foundation is not valid - public employees are not necessarily motivated by economic factors; and (l) failure to engage in the heavy lifting of preparing the organization for changes in compensation.

Five years ago, the World Bank (2014b) conducted an assessment of the PBB scheme, but in a larger context of 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

8 departments on a variety of human resource management dimensions. The report recommended among other things, (a) restructuring the PBB to give greater weight to the group-based bonus vs. the individual bonus; (b) gradually relaxing the Good Governance conditions as criteria are too strict and hold the whole department responsible for tasks that are the responsibility of a few specific units, and are very time consuming and detract from the focus on achieving core departmental performance targets; and (c) strengthening review and independent validation by the DBM and the AO 25 Inter Agency Task Force (IATF) secretariat. 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.

Further, there have been studies in the private sector which looked at the role incentives play in boosting worker productivity. In the 1980s, Rich and Larson, formerly of McKinsey and Company, examined compensation programs of top US companies and discovered that companies that have incentive plans for their top executives perform no better than those that do not have such plans (in Kohn 1993). They also found that, in a study of managers in 46 companies, “incorrect performance measures and improperly set performance targets reduced the value of incentive pay” (in 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 16, or 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, but only a few dwelt on the quality of performance. There was no clear relationship between quality of performance and use of incentives (in 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) argue that “incentives are not always enhancing effort.” The authors point out that there is growing literature concerning the links between motivation, incentives, and effort in the public sector because of the impetus in undertaking reforms in most OECD countries to make public sector more efficient and also, interest in measuring the performance of their public activities more precisely. Various studies have assessed the impact of public sector performance-based incentives using rigorous evaluation methods. Other studies use mixed methods and are still quite useful in establishing the broader potential effects—both positive and negative—that incentives may produce.

i. Randomized evaluation studies. In health services, Olken *et al.* (2014), for instance, implemented a field experiment in Indonesia to evaluate the impact of financial performance incentives for villages—in the form of a block grant—in improving maternal and child health education in that country. Performance indicators included prenatal and postnatal care, childbirth assisted by trained personnel, immunization, school enrollment and school attendance. In order 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 is one of the largest randomized control trial studies conducted, covering well over 3000 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; but that this effect eventually disappeared over time (i.e. the impact on target objectives were not different between treatment and non-treatment areas). The main channels for the incentive effect appeared to be on: a) the labor supply of public service providers (e.g.

midwives for the natal care and childbirth assistance); and b) the more efficient use of funds (e.g. a reallocation away from less-needed education supplies towards more-needed health expenditures).

In addition, Muralidharan and Sundararaman (2009) examined education services in India, 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: "At the end of two years of the program, 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."

In schools with teachers that received incentives, the students scored better on both conceptual and mechanical components of the tests—and this provided evidence that learning outcomes were enhanced. In addition, the authors also 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. And this does cohere with other studies (e.g. Olken *et al.* 2014; Rusa *et al.* 2009), since the incentives trigger improvements in public management (e.g. reallocation of funds, greater monitoring, improved culture of performance-orientation).

Moreover, in the sphere of tax collection, Khan *et al.* (2018) 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 choice, while poorer 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 to 41 percent. This study emphasized that incentives need not be financial—there is much potential in periodic merit-based postings in order to help drive better performance.

Mixed methods studies. Other studies simply feature a "before and after" analysis which does not attempt to correct for the possible influence of other factors affecting the target results. These studies, nevertheless, reveal interesting facets of incentives effects which are 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 in order 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 eventually also used as triggers for the financial payments. Public, private nonprofit health facilities and those managed by religious groups were given a chance to participate in this program. Evaluations revealed that the performance-based approach in Rwanda 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 providers of health services. Focus group discussions revealed that the financial incentives boosted "team spirit" among health providers, prompted health

supervisors to improve monitoring, and in places with inadequate salaries, it also provided a large motivational impact on frontline health service providers. (This was notably the case in areas where the incentive boosted salaries by up to 40 percent.)

Furthermore, Rasul and Roger (2016) examined 4,700 engineering assessments in Nigeria in order to examine 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/monitoring 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%, and a one standard deviation increase in practices related to incentives/monitoring corresponds to significantly lower project completion rates of 14%. We find management practices correlate with quality-adjusted project completion rates in similar ways. The backdrop to these findings in Nigeria, where 38% of public projects are never started, implying these magnitudes are also of economic significance (ibid 416)."

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 dysfunctional responses by bureaucrats 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 that are of critical concern since reformists often worry about the potential for bureaucrats to "game the incentives system", weakening its impact on public services provision.

3. Overview on the PBB Scheme and its Design

3.1. PBB Description and Objectives

3.1.1. General Description of the Program

Section 1 of EO No. 80, s. 2012, which directed the adoption of the PBI System for government employees defines the PBB as a top-up bonus that is 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 No. 43, s.2011; and
- b) Accomplishment of good governance conditions set by the AO 25 IATF, established under AO 25, s.2011 to harmonize national government performance monitoring, and information and reporting systems.

As such, the PBB is different from existing bonuses as specified below, which are given to government employees, regardless of their performance.

- ✓ 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 are 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 1 and November 15, respectively.
- ✓ The Cash Gift is an across-the-board bonus of P5,000 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.
- ✓ 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.
- ✓ The 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 the PEI. Thus, the amount per employee has varied through the years.

3.1.2. PBB Main Objectives

Based on Memorandum Circular (MC) No. 2012-1, the grant of the 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 towards 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, which is used by the DBM to measure agency performance, the Strategic Performance Management System (SPMS) of the Civil Service Commission (CSC) which links individual performance to organizational performance, and the RBPMS under AO 25.

Qualification and eligibility requirements for both individuals and agencies have been evolving across the years (c.f. Section 3.3), as the 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. Adoption of these requirements became the *de facto* objectives of the PBB as well.

3.2. Institutional Arrangements

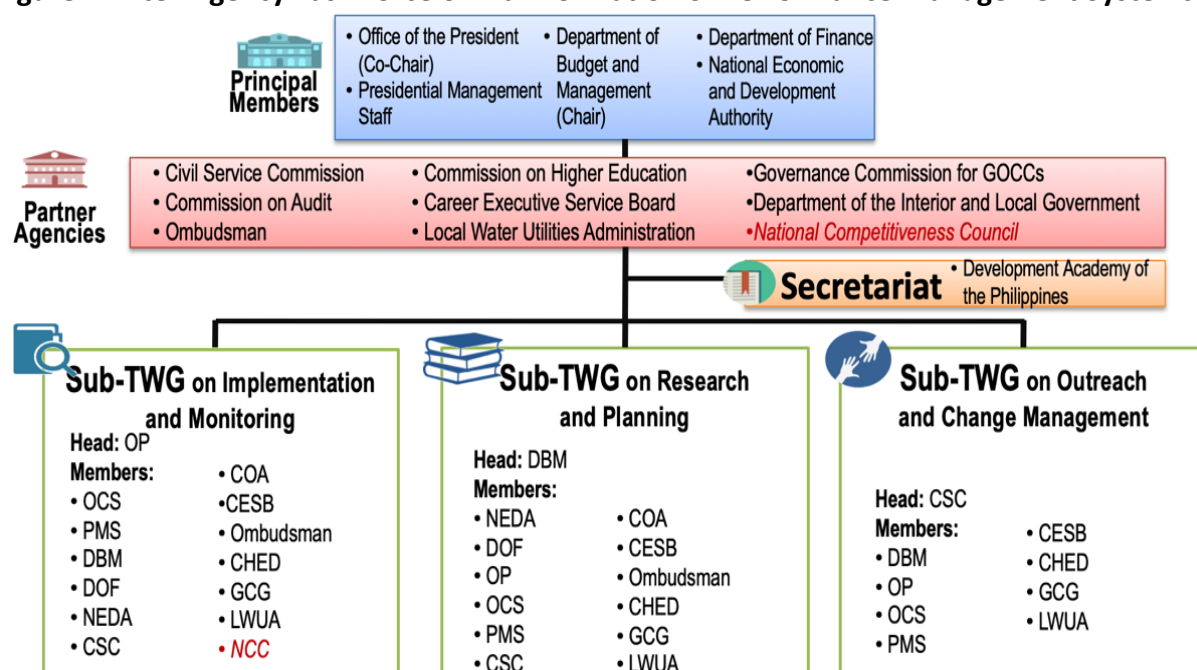
3.2.1. Creation of Inter-Agency Task Force (IATF) and AO 25 Secretariat

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, s. 2012 specifies the functions of the 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, which is chaired by the 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 the Civil Service Commission (CSC) and the Career Executive Service Board (CESB) in aligning the SPMS of CSC and the Career Executive Service Performance Evaluation System (CESPES) of CESB to 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 the 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.

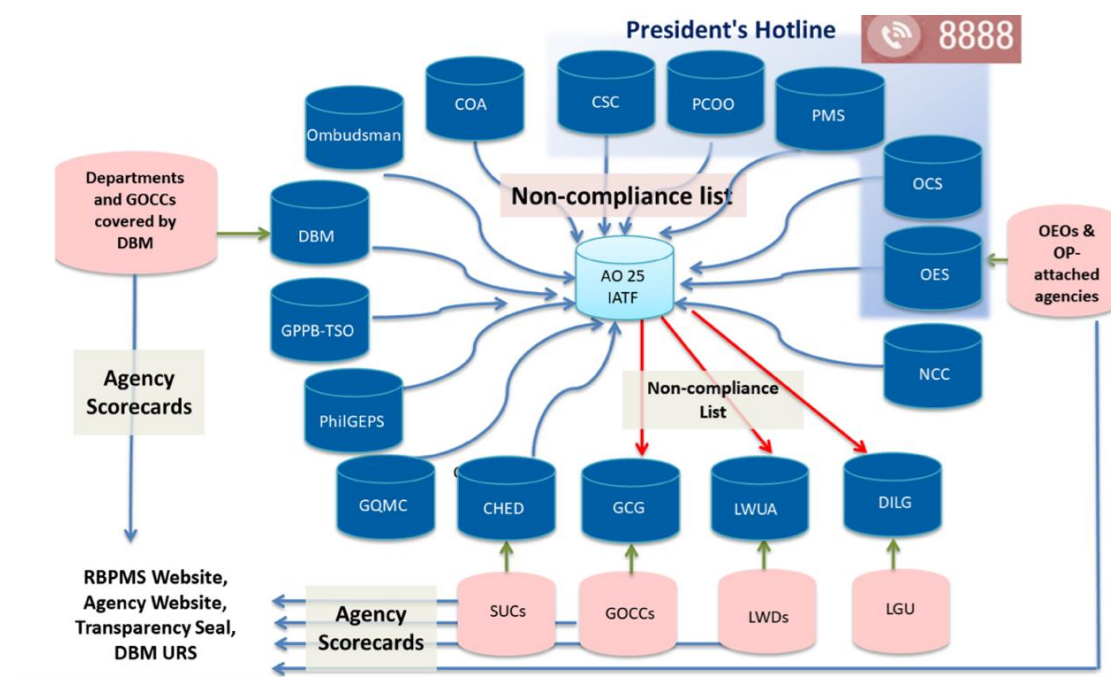
Figure 2. Inter-Agency Task Force on Harmonization of Performance Management Systems



Source: AO 25 Secretariat

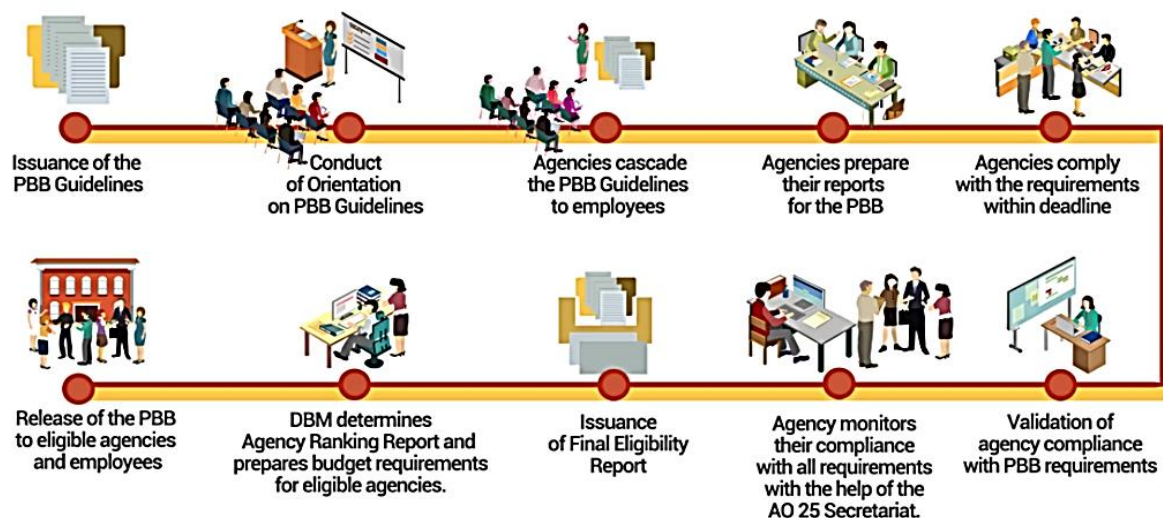
The government seeks to build a performance culture across the public sector. As such, the performance reporting and evaluation for the PBB is harmonized (**Figure 3**), with even the President's hotline even part of the system. The cyclical process flow involved in annual implementation of the PBB is depicted in **Figure 4**, from the issuance of PBB Guidelines to the validation of agency compliance with PBB requirements that would be the prerequisite to the release of the PBB to the agencies (and government employees). Once compliance is validated, information in the AO 25 Secretariat's Online Monitoring System of Agency Compliance and Performance Scorecards (<http://www.dap.edu.ph/rbpms/agency-performance/>) is updated.

Figure 3. Harmonized System of Performance Reporting and Evaluation



Source: AO 25 Secretariat

Figure 4. The PBB Cycle



Source: AO 25 Secretariat

3.3. Program Design

Section 2 of EO No. 80, s., 2012 provides the guidelines and principles governing the PBB scheme. To wit:

- a. The 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:
 - i. Department's MFOs;
 - ii. Department's commitments to the President which are supportive of the priorities under EO No. 43; s. 2011, and
 - iii. Good governance conditions 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; and
- c. There shall be appropriate communications strategy and publication of performance targets and accomplishments in the department and agency websites and the website for the RBPMS to ensure transparency and accountability in the implementation of the PBB scheme.

Based on Section 9 of EO No. 80, s. 2012, the AO25 IATF is expected to formulate and issue the implementing guidelines for the EO. It is also tasked to provide assistance to agencies in identifying performance indicators and targets and also, to 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. The CHED is expected to issue additional implementing guidelines for SUCs while the Governance Commission for GOCCs (GCG) is expected to issue separate guidelines governing the GOCCs under its jurisdiction (Section 3.3 of MC 2012-1).

On August 13, 2012, the AO25 IATF issued the first set of guidelines, i.e., MC 2012-1 on cascading of Department performance targets in line with EO No., 80, s. 2012. Consistent with EO 80, the said MC, particularly Section 5, envisions PBB to:

- ✓ Be based on verifiable, observable, credible and sustainable indicators of performance along three pillars, namely: (a) the Department's MFOs; (b) the Department's priority commitments to the President; and (c) good governance conditions to be determined by the AO 25 IATF;
- ✓ Be based on a system of ranking organizational units and personnel within an organization according to their performance along the pillars stated above;
- ✓ 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

- ✓ 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 communications strategy, including the publication in the department/agency website and the website of the 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 Congress and their priority program/project targets agreed with the President under the five KRAs of EO No. 43, s. 2011 to qualify for the PBB. In addition, they should meet the good governance conditions/requirements as follows:

- 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)
 - Liquidation within the reglamentary 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 have increased and have become more stringent each year. The AO 25 IATF guidelines are consistent with the phases of the implementation of RBPMS (**Figures 5-6**). Fiscal Year (FY) 2017 marked the tightening phase of RBPMS wherein enhancements to the system were developed and “rethinking” (i.e., through conduct of study on new requirements, criteria, and simplification of validation processes) of the PBB occurred. Subsequently, the PBB requirements have started to be tough in FY 2017 (Tables 1-4). Annex Tables 1-5 provide details of the evolution of PBB requirements through the years.

Figure 5. Phase of RBPMS Implementation



Source: AO 25 Secretariat

Figure 6. Evolution of PBB Criteria and Conditions

GGCs	FY 2012 – FY 2018		STO	FY 2012 – FY 2018	
		<i>Other cross-cutting requirements</i>			
	1. TS	SALN *(2015)		1. 2 nd Indicator (<i>identified by HoA</i>)	
	2. PhilGEPS	SRR *(2016)		2. QMS/OPS Manual (2014 -2016)	
	3. ARTA	FOI *(2017)		3. ISO certification/ISO-aligned *(2017)	
GASS	4. Cash Advance (2012-2014)	SALN Procedure *(2018)	PHYSICAL	4. ISO certification or equivalent *(2018)	
	1. Disbursements BUR *(2013)	6. APP Non CSE *(2015)		1. MFOs *(retained for SUCs in 2018)	
	2. Obligations BUR *(2014)	7. APCPI *(2015)		2. OP Planning Tool/EODB (2014-2015)	
	3. COA FS *(2013)	8. APP CSE *(2017)		3. Streamlining and Process Improvements *(2018)	
	4. BFARS *(2015)	9. 30% COAAR *(2017)		4. Citizen/Client Satisfaction *(2018)	
	5. Cash Advance (2015-2017)	10. Early Procurement *(2018)			

*started as a requirement
**graduated

Source: AO 25 Secretariat

Table 1. Evolution of Eligibility Requirements (Good Governance Conditions)

GGC	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								

Source: AO 25 Secretariat

Table 2. Evolution of Eligibility Requirements (General Administrative Support Services)

GASS	2012	2013	2014	2015	2016	2017	2018	2019
BUR								
COA Financial Reports								
BFAR								
Report on Ageing Cash Advance								
APP Non CSE								
APCPI								
APP CSE								
30% COAAR								
Early Procurement								

Source: AO 25 Secretariat

Table 3. Evolution of Eligibility Requirements (Support to Operations)

STO	2012	2013	2014	2015	2016	2017	2018	2019
Second Indicator								
QMS/OPS Manual								
ISO certification / ISO aligned / ISO equivalent								

Source: AO 25 Secretariat

Table 4. Evolution of Eligibility Requirements (Physical Targets)

STO	2012	2013	2014	2015	2016	2017	2018	2019
MFOs								
Priority Program under KRA								
EODB								
Streamlining and Process Improvements								
Citizen/Client Satisfaction								

Source: AO 25 Secretariat

Table 5 provides a summary of the various PBB requirements and the specific agencies (or units of agencies) in the AO 25 IATF tasked to validate the authenticity of the submitted requirements.

Table 5. PBB Requirements and Validating Agency

REQUIREMENTS	VALIDATING AGENCY
A. Physical Targets	
Operations	
1. Physical Targets for the following: <ul style="list-style-type: none"> Departments, OEOS, GOCCs covered by DBM, and Constitutional Offices and Others SUCs GOCCs covered by RA 10149 LWDs LGUs 	DBM-Budget and Management Bureau (BMBs) and concerned DBM Regional Offices (ROs) and BMB-F CHED GCG LWUA DILG
Support to Operations (STO)	
1. QMS Certification <ul style="list-style-type: none"> Post QMS Certification in TS page Submit certified true copy of QMS certificate to GQMC through DBM-SPIB 	DBM- Systems and Productivity Improvement Bureau (SPIB), GQMC
General Administration and Support Services (GASS)	
1. Budget Utilization Rate (BUR) <ul style="list-style-type: none"> Departments, OEOs and GOCCs covered by DBM SUCs 	DBM-BMBs concerned DBM ROs and DBM-BMB-F
2. Sustained Compliance with Audit Findings	COA
3. Submission of BFARs online through the URS <ul style="list-style-type: none"> First Quarter Second Quarter Third Quarter Fourth Quarter 	DBM and COA

REQUIREMENTS	VALIDATING AGENCY
4. COA Financial Reports <ul style="list-style-type: none"> • Small Agencies • Big Agencies 	COA
5. Procurement Documents <ul style="list-style-type: none"> • Annual Procurement Plan Non-Common Use of Supplies and Equipment (APP non-CSE) • Annual Procurement Plan-Common Use of Supplies and Equipment (APP-CSE) • Agency Procurement Compliance and Performance Indicators (APCPI) 	GPPB- Technical Support Office (TSO) DBM-Procurement Service (PS) GPPB-TSO
B. Good Governance Conditions	
1. Transparency Seal	DBM-OCIO
2. PhilGEPS Posting	PhilGEPS
3. Citizen's/Service Charter	CSC
C. Other cross-cutting requirements	
1. Submission of SALN of employees	Office of the President, Ombudsman, CSC
2. 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
3. FOI Compliance <ul style="list-style-type: none"> • People's FOI Manual • Agency Information Inventory • 2017 and 2018 FOI Summary Report • 2017 and 2018 FOI Registry • Screenshot of agency's home page 	PCOO
4. Posting of Agency's System Ranking Delivery Units	DAP
5. Submission of Agency Report on Ranking of Delivery Units (Form 1 and PBB Evaluation Matrix) <ul style="list-style-type: none"> • Departments • OEOs • GOCCs covered by DBM • SUCs • LWDs 	DBM-BMBs DBM-BMBs and DBM-NCR DBM-BMB-C DBM-ROs and DBM-BMB-F LWUA and DBM-BMB-C

Source: AO 25 Secretariat

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 No. 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 (4) months service during the year as of November 30, 2012" are prospective recipients of PBB.

The eligibility requirements for individuals in 2013 are almost the same as those in 2012 except that for the FY 2013 PBB, the personnel should have rendered at least nine (9) months of service for the year ending December 31, 2013 to qualify for the grant of PBB. There is also clarification on the eligibility to PBB of contractual and casual personnel, personnel on detail, personnel on scholarship, employees on part-time basis, and personnel found guilty of administrative and/or criminal cases. In particular, Section 8.1 states that:

- ✓ The contractual and casual personnel who may be entitled to the PBB shall be those whose compensation 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 (6) months or more as of November 30, 2013 shall be included in the ranking of employees in the recipient agency that rated his/her 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.
- ✓ The PBB of employees on part-time basis shall be pro-rated 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 the PBB.

With regard to the FY 2014 PBB scheme, the eligibility requirements for individuals are 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 is also clarification on the eligibility to PBB of personnel who transferred from one government agency to another. In particular, those who have already rendered six (6) 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 are 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 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**).

Table 6. Basis for Pro-Rated PBB

Length of Service	Percent 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%

To qualify for pro-rated PBB, the valid reasons for not meeting the nine-month actual service requirement include being a newly hired 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 who is 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 and to liquidate cash advances are disqualified from the grant of PBB.

The same eligibility requirements are adopted in FY 2016 but with an additional provision that specifies that officials and employees who failed to submit their complete SPMS Forms shall not be entitled to the 2016 PBB. In contrast, there are more eligibility requirements for individuals in succeeding years as set in MC No. 2017-1 and MC No. 2018-1. In particular, the additional requirements are 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, Chairman 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-non CSE) 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 No. 07-2015.
 - b) FY 2018/2019 annual Procurement Plan- Common-Use Supplies and Equipment (APP-CSE) 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 No. 10-2012, complete with the following forms: 1) APCPI – Self-Assessment Form; 2) APCPI – Consolidated Procurement Monitoring Report; and 3) APCPI – Procurement Capacity Development Action Plan; and the Questionnaire on or before March 31, 2017/2018.
- ✓ Officials and employees responsible for the non-compliance of prior years' audit recommendations shall not be entitled to the FY 2017/2018 PBB.
- ✓ Officials and employees responsible for the QMS 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 No. 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."

Table 7 shows how the Department Secretary/Head of Agency was to rank qualified bureaus or delivery units.

Table 7. Ranking of Bureaus, 2012-13

RANKING	Performance Category
Top 10%	Best Bureau/Delivery Unit
Next 25%	Better Bureau/Delivery Unit
Next 65%	Good Bureau/Delivery Unit

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 No. 2012-03 requires that officials and employees of bureaus, offices or delivery units that qualified for the PBB shall also be forced ranked as follows (**Table 8**):

Table 8. Ranking of Individuals, 2012

RANKING	Performance Category
Top 10%	Best Performer
Next 25%	Better Performer
Next 65%	Good Performer

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 No. 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 15%	Best Performer
Next 30%	Better Performer
Next 55%	Good Performer
For the Good Bureaus	
RANKING	Performance Category
Top 10%	Best Performer
Next 25%	Better Performer
Next 65%	Good Performer

In FY 2014, the AO 25 IATF set two different systems of forced ranking depending 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, which are the same as those for 2012-2013 (**Table 10**):

Table 10. Ranking of Bureaus, 2014-2015

RANKING	Performance Category
Top 10%	Best Bureau/Delivery Unit
Next 25%	Better Bureau/Delivery Unit
Next 65%	Good Bureau/Delivery Unit

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 PIB/GAA as reflected in the OP Planning Tool Form 1 and under the Ease of Doing Business targets, in addition to the standard eligibility criteria, shall be forced ranked to the following categories (**Table 11**):

Table 11. Ranking of Bureaus, 2014-2015

RANKING	Performance Category
Top 15%	Best Bureau/Delivery Unit
Next 30%	Better Bureau/Delivery Unit
Next 55%	Good Bureau/Delivery Unit

For ranking of individual performance, the categories that were adopted in 2014-2015 are as follows (**Table 12**):

Table 12. Ranking of Individuals, 2014-2015

For the Best Bureaus	
RANKING	Performance Category
Top 20%	Best Performer
Next 35%	Better Performer
Next 45%	Good Performer
For the Better Bureaus	
RANKING	Performance Category
Top 15%	Best Performer
Next 30%	Better Performer
Next 55%	Good Performer
For the Good Bureaus	
RANKING	Performance Category
Top 10%	Best Performer
Next 25%	Better Performer
Next 65%	Good Performer

In contrast, the forced ranking system for bureaus that was adopted in 2016 and onwards is the same ranking system that was used in 2012-2013 (**Table 13**). There was no forced ranking of individuals in 2016 and onwards.

Table 13. Ranking of Bureaus, 2016-2018

RANKING	Performance Category
Top 10%	Best Bureau/Delivery Unit
Next 25%	Better Bureau/Delivery Unit
Next 65%	Good Bureau/Delivery Unit

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 14. Rates of Incentives, FY 2012 to FY 2015

Individual	Best Delivery Unit	Better Delivery Unit	Good Delivery Unit
Best	PhP35,000	PhP25,000	PhP15,000
Better	PhP25,000	PhP13,500	PhP10,000
Good	PhP10,000	PhP7,000	PhP5,000

Table 15. Rates of Incentives, FY 2016 to Present

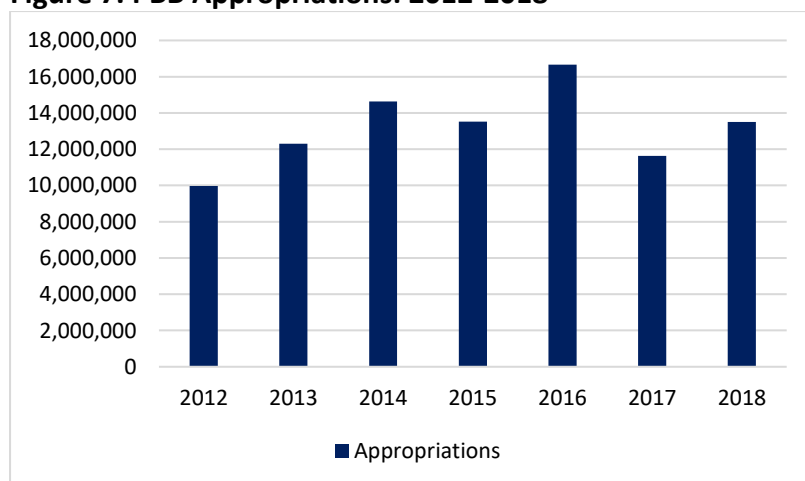
Performance Category	Multiple of Basic Salary
Best Delivery Unit	65%
Better Delivery Unit	57.5%
Good Delivery Unit	50%

3.4. 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.”

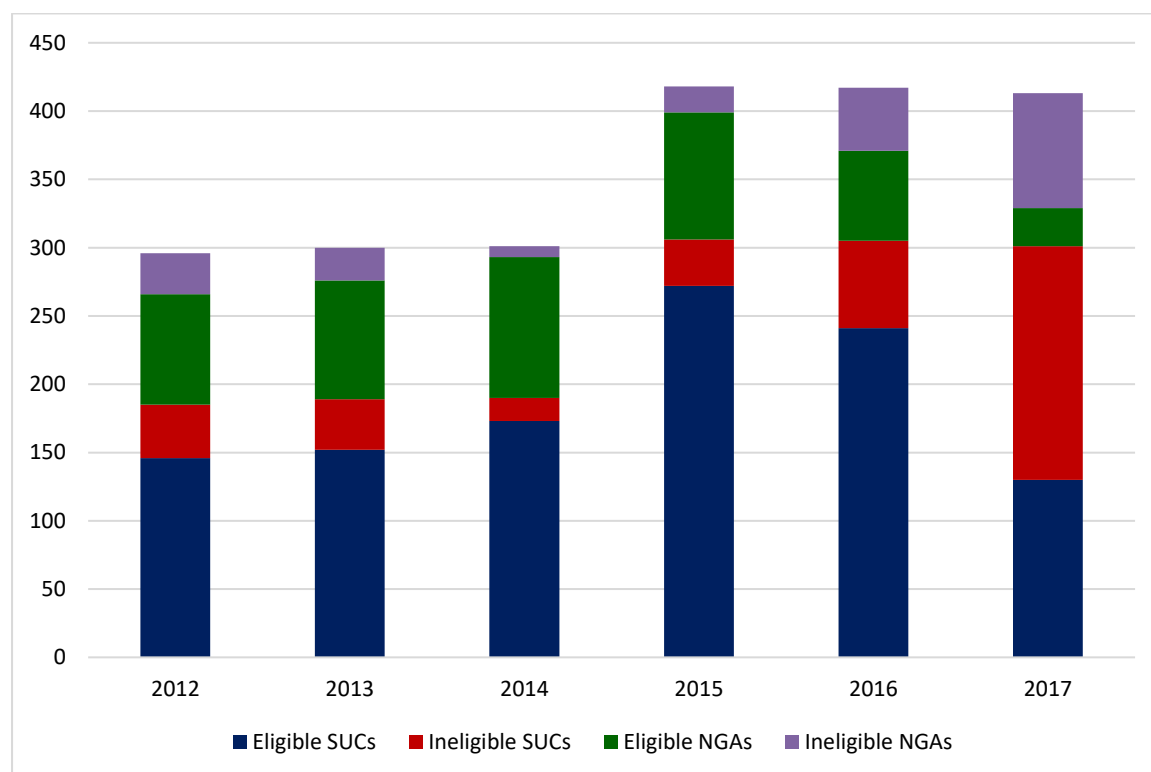
The appropriations for PBB under the MPBF (thus excluding those for GOCCs based on Section 5 of EO 80) in 2012-2018 GAA are shown in **Figure 7**. The PBB appropriations increased from PhP10 million in 2012 to PhP16.7 million in 2016. It declined to only PhP 11.6 million in 2017 as a result of the tightening 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 are released in the ensuing year because the evaluation and validation of submitted PBB requirements take time, results of which become 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 the DBM to adjust for late releases of PBB (e.g., 2015 PBB released only in 2017) to government agencies due to their late submissions of requirements, such as the list of eligible individuals.

Figure 7. PBB Appropriations: 2012-2018

Source: MPBF GAA, various years

Figure 8 highlights the effect of tightening of the PBB scheme on eligibility of government entities in 2017 (aside from the change in total counts of government entities from 2015 onwards when attached agencies were allowed to be qualified of the PBB, outside of the performance of their mother Departments). Evidently, the effect of the tightening is more pronounced on the eligibility of SUCs. Majority of SUCs apparently failed to comply with the 2017 PBB requirements and thus, they were ineligible to receive the PBB.

Figure 8. Government Entities by Eligibility: 2012-2017



Source: AO 25 Secretariat

Note: Entities do not include DepED and its bureaus (and schools)

4. PBB Implementation

4.1. National Government Agencies (NGAs) and Attached Agencies, Government-Owned and –Controlled Corporations (GOCCs), Constitutional Commissions, and Other Executive Offices

4.1.1. Overview of the Cluster

4.1.1.1. National Government Agencies (NGAs) and Attached Agencies

The National Government (NG) serves as an institution that is responsible for the oversight and administration of specific functions of the government. In the case of the Philippines, the NG is organized from a framework of a presidential, representative and democratic republic. The NG is represented by its three (3) separate yet interdependent branches namely, the Executive (the law-enforcing body), Legislative (the law-making body) and Judiciary (the law-

interpreting body).³ These branches have under them various departments that are delegated specific functions. There are also so-called attached agencies that respond to more specific functions in the fulfilment of the overall functions of the departments or agencies they belong to.

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 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

Other institutional bodies that work together in the performance of certain functions in delivering services to the public include the constitutional commissions, and government-owned and/or –controlled corporations.

AGENCIES	OFFICES UNDER THEM
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/OR – CONTROLLED CORPORATIONS AND OTHER INSTITUTIONS	
GOVERNMENT FINANCIAL INSTITUTIONS	Al-Amanah Islamic Investment Bank of the Philippines, Bangko Sentral ng Pilipinas, Development Bank of the Philippines, Land Bank of the Philippines
SOCIAL SECURITY INSTITUTIONS	Government Service Insurance System, Social Security System, Employees Compensation Commission ⁴

4.1.1.2. Government-Owned and/or –Controlled Corporations (GOCCs)

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.⁵ These are corporations created or established by a

³ <https://www.philembassy.no/the-philippine-government>

⁴ <http://www.chanrobles.com/legal1b.htm#.XYXwJSURWEc>

⁵ Republic Act No. 10149 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, 2010 (lawphil.net)

special charter or law in the interest of the common good and subject to the test of economic viability.⁶

4.1.1.3. Constitutional Commissions

Article IX of the 1987 Philippine Constitution provides common provisions for the Constitutional Commissions. These are the Civil Service Commission, the Commission on Elections, and the Commission on Audit. These commissions are independent and enjoy fiscal autonomy. Their approved annual appropriations are automatically and regularly released (Article IX, Sec. 5). Moreover, per the Constitution the Commissions have independent powers of appointment (Sec. 4), and may promulgate their own procedural rules (Sec. 6).

One of the respondent agencies is the Commission on Audit. Per Constitutional provision, the 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 government-owned and –controlled corporations with original charters and on a post audit basis (Article IX-D, Sec. 2).

This first cluster of government entities in this study covers agencies of the NG in terms of their implementation of the PBB. As of 2017, there were a total of 189 government entities in this cluster. Only nine (9) of these were interviewed; these entities are categorized as follows:

AGENCY CATEGORY	NUMBER OF AGENCIES INVOLVED IN THE STUDY
National Government Agency	3
Attached Agency	4
Government-Owned and/or –Controlled Corporation	1
Constitutional Commission	1

The responses of these agencies to the FGD instruments are discussed herein.

4.1.2. Program Implementation

4.1.2.1. Institutional Arrangement/Actors Involved

As pointed out earlier, the IATF is chaired by the DBM and co-chaired by the Office of the Executive Secretary. Its members are the DOF, NEDA, PMS, CSC, CESB, COA, the Office of the Ombudsman, GCG, CHED, and NCC, which represents the private sector. The DAP serves as Secretariat and technical resource institution of the IATF. The assessed agencies include the IATF as actors involved in the implementation of the PBB within the GOCCs and NGAs. Moreover, most of the agencies include personnel manning internal committees for the purpose of organizing further the said implementation.

4.1.2.2. Eligibility and Selection

In the beginning of the PBB implementation, regular, contractual, and casual officials and employees of departments and agencies of the NG who occupy plantilla positions, who have an employer-employee relationship with these departments and agencies, and who have been

⁶ <http://www.ph.net/htdocs/government/phil/gov-corp/index.html>

in government service for at least four (4) months as of November 30, 2012 may be covered. GOCCs must first meet the eligibility criteria before they can qualify to receive the PBB.

At the time of the interviews, only permanent employees may be covered by the PBB scheme. During the same, it was revealed that though these agencies are participants to 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.

4.1.2.3. Information Management

According to the Section 2c of EO No. 80, s. 2012, there shall be appropriate communications strategy and publication of performance targets and accomplishments in the department and agency websites and the website for the RBPMS to ensure transparency and accountability in the implementation of the PBB scheme.

When asked about how information on the PBB is being managed and disseminated to all personnel within the agency, most respondents stated that information are trickled down to entry-level personnel from top management. However, not much mechanisms on information management are in place.

4.1.2.4. Organization

Section 2b of EO No. 80, s. 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 to 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.

4.1.3. Factors Affecting Implementation

According to study respondents, program implementation of the PBB is affected mainly by the stringent standards set by IATF (which some describe as "meant to not be met") including voluminous requirements that need to be complied within seemingly unreasonable time frames.

Moreover, other factors mentioned include ineffective implementation (under-targeting and over-rating in IPCRs/OPCRs) of the SPMS, lack of resources (including manpower) to meet set requirements, and 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 non-performers within departments.

4.1.3.1. Effectiveness of the PBB Implementation

While some agencies find the PBB implementation effective throughout the years except for emphasized factors such as stringent requirements and deadlines, they share similar suggestions for its betterment.

The suggestions include harmonizing the SPMS into the PBB system, considering IPCR difference among individuals, addressing undue competition among employees, units, and even agencies, considering effecting an agency-wide incentive scheme, and reconsidering converting the salary-based system into an across-the-board incentive scheme.

4.1.3.2. 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 the strengthening of performance monitoring and appraisal systems based on existing systems, improvement of service delivery by the bureaucracy, and motivating higher performance and greater accountability in the public sector and ensure the accomplishment of commitments and targets.

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 for improving organizational effectiveness. Also, instead of putting efforts on their main responsibilities, 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 (such as sharing of PBB) which are not allowed just to pacify employees who are not among the better or best units.

4.2. State Universities and Colleges (SUCs)

4.2.1. Overview of the Cluster

There are currently 112 SUCs spread across the country. Each of these SUCs has various campuses in different regions/localities. Central to the operationalization of the PBB scheme in SUCs is the RBPMS and its alignment with the SPMS of the CSC. Just as the case of NGAs, SUCs report on good governance conditions (GGCs), performance indicators, and performance ratings. The number of SUCs that qualified to receive PBB increased from 81 in 2012 to 87 in 2013 and 103 in 2014 but it dropped to 93 in 2015, 66 in 2016, and 28 in 2017.

Grant of the PBB, however, excludes faculty and staff who do not hold government plantilla positions, job-orders, and outsourced employees from agencies but there are instances the some of the aforementioned workers can qualify for the PBB on a pro-rata basis.⁷ The PBB guidelines, which changed over the years, have provided conditions for a pro-rated amount of PBB 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.⁸

⁷ Refer to the individual eligibility section in the Memorandum Circular No. 1 s. 2013.

⁸ Refer to the individual eligibility section in the Memorandum Circular No. 1 s. 2015, which is similar to the succeeding years: Memorandum Circular No. 1 s. 2016, Memorandum Circular No. 1 s. 2017, and Memorandum Circular No. 1 s. 2018.

4.2.2. Program Implementation

4.2.2.1. Institutional Arrangement/Actors Involved

From 2012 up to the present, the CHED has played a pivotal role in guiding SUCs across the country in the implementation of the PBB scheme.⁹ As the regulating body for SUCs, it focuses on: (1) Timely compliance of 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, the CHED released a memorandum, in line with EO No. 80, s. 2012, that provides guidelines on the implementation of PBB scheme.¹⁰ It operationalized the definition of terms in IATF MC. No. 1 s. 2012, which describes the process in the PBB scheme (**Figure 9**).¹¹

Figure 9. Bureaucracy for the PBB Scheme in State Universities and Colleges



CHED, through CMO No. 29 s. 2013, has also provided procedural guidelines for cascading the targets and indicators (**Figure 10**), which are simply mentioned as follows:¹²

1. Review of Major Final Outputs (MFOs), performance indicators, and targets declared in the Organizational Performance Indicator Framework (OPIF) Book of Outputs for FY 2012 and the key program/project (KPP) targets agreed with CHED that are related to the Philippine Higher Education Reform Roadmap.¹³
2. SUCs select three (3) performance indicators (PIs) for each MFOs and two (2) PIs for Offices in Support to Operations (STO), KPP, and General Administration and Support Services (GASS).¹⁴
3. SUCs must select targets specific or appropriate to its level.

⁹ As articulated in DBM Memorandum Circular 2012-01 dated August 2, 2012: *Guidelines on the Grants of the Performance Based-Incentives for Fiscal Year 2013 under Executive No. 80*.

¹⁰ Two memorandum circulars specifically issued by CHED: CMO No. 35 s. 2012 & CMO No. 29 s. 2013.

¹¹ CHED Memorandum Order No. 35 s. 2012.

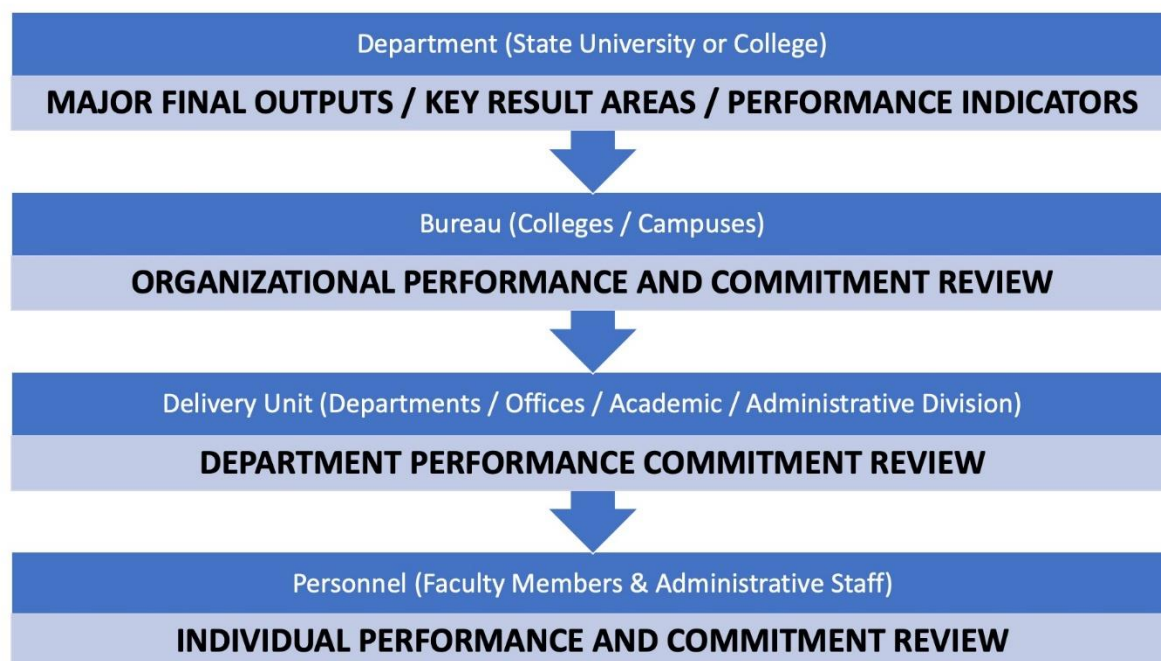
¹² There are only two documents released by CHED that provided guidelines on how PBB is implemented in SUCs. CMO No. 35 s. 2012 as cited earlier and the one referenced in this specific part. This has been followed even in recent years and has coincided with the main guidelines released from the IATF and AO25 Secretariat.

¹³ For further details, refer to the Philippine Higher Education Reform Roadmap (2011 – 2016) Booklet released by CHED.

¹⁴ Refer to CHED Memorandum Order No. 35 s. 2012 Annex-A.

4. Colleges/Department chosen by SUCs to be responsible for delivering MFOs and KPPs are identified. The SUCs shall allocated these PIs, which are 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, & PIs and its inclusion in the SPMS



Major Final Outputs of SUCs, with specific PIs that have changed over time, are focused on the following: (1) Advance Education Services, (2) Higher Education Services, (3) Research Services, (4) Technical Advisory (formerly known as Extension) Services, and (5) Hospital Services. These are evaluated along with the Support to Operations (STO) and the General Administrative and Support Services (GASS).¹⁵ SUCs have the freedom to choose its targets and indicators but they must correspond to its SUC Level.¹⁶ The number of targets set in PIs 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 PIs 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;

¹⁵ For further details, check CMO No. 35 s. 2012.

¹⁶ SUC Leveling also informs the selection of MFOs and will be discussed in further detail in the next section.

- d. Ratio of R&D outputs to total number of full time graduate faculty.

CHED reiterates that in 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 the 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.

The same PBB process as discussed above is followed albeit guidelines on the PBB requirements vary across the years. The clustering of delivery units is important in SUCs in order to address strengths and weaknesses of each one. One of the focal persons mentioned that certain colleges, particularly those with strong extension programs but with weak research output, are teamed up with those that have strong research practice but lag 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 the 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 AO25 IATF for evaluation.

Consolidation of documents, with verifiable and accurate information for the 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 process by creating information systems and maximizing computer software programs, especially for those with multiple campuses distributed in within regions/provinces and across the archipelago. The evaluations, however, have to done in accordance to existing rules and regulations determined by the IATF.

4.2.2.2. Eligibility and Selection

In general, the IATF AO 25 provides the guidelines to follow in each fiscal year from 2012 to present, which have changed over time. These serve as the basis for government agencies and its employees to be eligible for the PBB. These requirements of the PBB have increased over time, which also affected the processes. Most of the SUCs have deemed that the process to have 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 PBB requirements were:

1. Achieve at least 90% of the:
 - a. MFOs submitted to Congress
 - b. Priority Programs/Projects agreed with the President under the five KRAs of EO No. 43, s. 2011.

2. Satisfy good governance conditions:
 - a. Agency Transparency Seal
 - b. PhilGEPS
 - c. Liquidation within reglementary period of all Cash Advances

However, in 2018, these guidelines have changed:¹⁷

1. Satisfy 100% in Good Governance Conditions determined by the IATF AO25;
2. Achieve 100% of the Physical Targets, Support to Operations (STO), and the General Administration and Support Services (GASS) Targets requirements for 2018;
3. Use the SPMS for performance ratings of 1st and 2nd level employees and the use of guidelines for evaluation released by Career Service Executive Board (CESB) for Career Executive Service (CES) Officers.

Furthermore, in the guidelines for 2018, there are specifics for SUCs:

1. Achieve 100% of each of the Congress-approved performance targets under the FY 2018 General Appropriations Act (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 its subsequent amendments are based on the changes in the amount granted in successfully complying with the PBB requirements as seen in Tables 16 and 17.¹⁸

Table 16. SUC Presidents PBB Eligibility in 2014

PERFORMANCE CATEGORY	<i>Best</i>	<i>Better</i>	<i>Good</i>
ELIGIBILITY REQUIREMENTS	SUCs has met ALL good governance conditions.		
	SUC has achieved 90% 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

Table 17. SUC Presidents PBB Eligibility in 2016

PERFORMANCE CATEGORY	<i>Best</i>	<i>Better</i>	<i>Good</i>
ELIGIBILITY REQUIREMENTS	SUCs 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% of SG	57.5% of SG	50% of SG

¹⁷ Refer to Memorandum Circular No. 1 s. 2018.

¹⁸ As stipulated in CHED Memorandum Order No. 4 s. 2015 and CHED Memorandum Order No. 1 s. 2017.

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 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 are unfair. One clear rule that has been consistent in the years of implementation is that one must achieve a rating of at least satisfactory (3.0 and above in a scale of 1 [lowest] and 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 PBB eligibility of the SUCs and this rectified based on experiences and anecdotes mentioned by focal persons, members of the PMT, and faculty members and administrative staff.

4.2.2.3. 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 Excel where targets are already specified based on faculty rank. Given the lack of template, some SUCs have taken the initiative to create one for institutional use. Also, some SUCs made an effort to harmonize the different guidelines of PBB, SUC Leveling, and Program Accreditation in the cascading targets to delivery units since it has been observed that these quality assurance mechanisms have the same requirements.

At an institutional level, the discussion of PBB guidelines remains a problem despite the efforts of CHED to disseminate information because some SUCs send different focal person/representative each fiscal year, which have implications on how SUCs understand the information related to PBB.

Consolidation of documents remains another challenge for SUCs, especially for those with campuses in different locations, some of which are remote areas. Creation of IT systems and programs is one of the solutions adopted by some SUCs to monitor, check, and collect related information and required documents. However, some campuses in certain SUCs are located in areas that cannot adapt to IT systems due to lack of facilities and equipment. Because of this, some SUCs still have to manage information through voluminous paperwork.

Since some SUCs have made an effort to digitize in an effort to reduce carbon footprint, which is also a concern shared by CHED, there is a strong clamor to digitize the process of collecting and evaluating documents. However, some SUCs feel that the IT systems and technologies are underutilized despite the access to pool experts who can help in creating one for the PBB.

4.2.2.4. Organization

In SUCs, the administrative council plans the goals and targets, which are discussed in the BOR/BOT level. SUCs are given autonomy to determine its targets and CHED provides assistance in the process.

The Performance Management Team plays a role in cascading, monitoring, and evaluating the delivery of targets in SUCs. Delivery units are expected to comply with its targets by using the IPCR, DPCR, and OPCR as a tool to monitor the completion of targets in the organization.

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

4.2.3. Factors Affecting Implementation

4.2.3.1. Rationalizing the PBB Scheme in SUCs

The interviews with the faculty members, administrative officials, and focal persons from different SUCs have consistently echoed the rationale behind the implementation of the PBB to increase performance and to deliver quality government service. These have been internalized by faculty members and administrative staff over the years. However, there have been challenges with PBB, particularly with how it is 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 its targets and goals prior to PBB. The implementation of PBB, particularly the clustering of delivery units to comply with forced ranking usually for the following reasons, as articulated by informants:

1. It does not sit well with the beneficiaries due to lack of guidelines;
2. It has potential to be subjected to politicking by immediate supervisors;
3. Changing guidelines over the years shows “lack of integrity”;
4. Demoralizes the effort done by employees by questioning the quality of outputs.

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

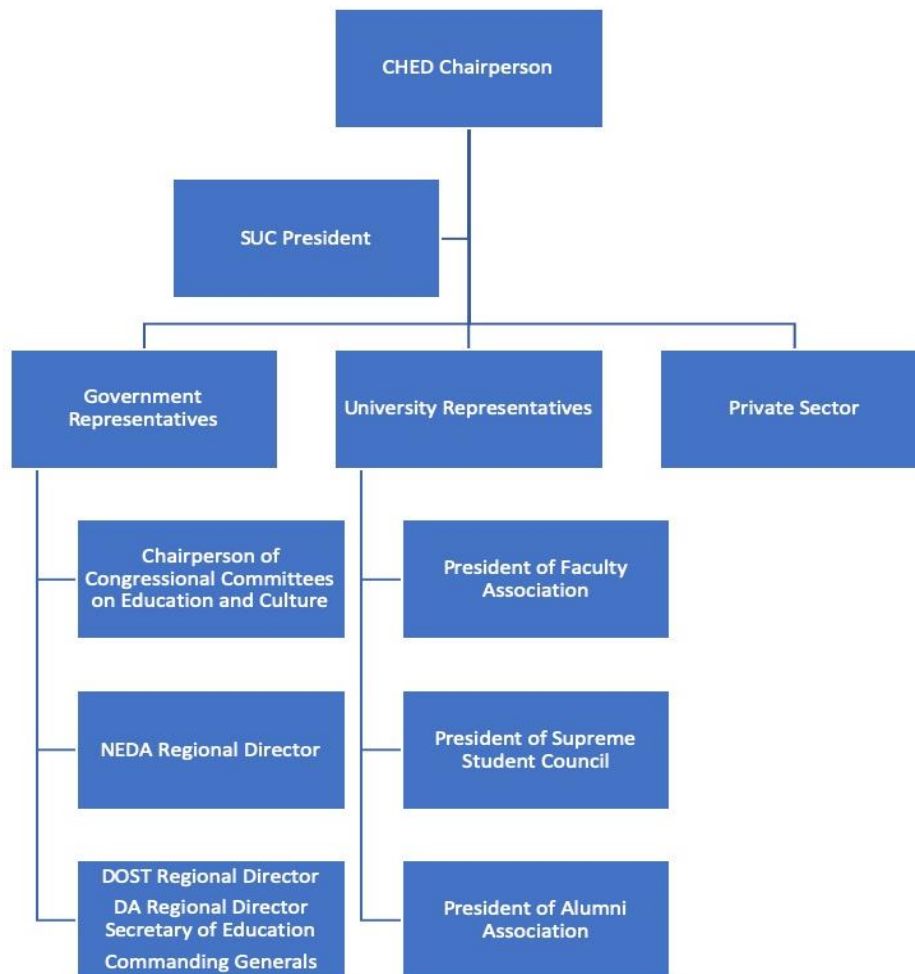
1. SUCs employees tend to be conscious with the performance or delivery of targets;
2. Afraid of being “shamed” for being ineligible since it means one is not performing;
3. Employees makes sure that their PBB-related work is complete, accurate, and timely;
4. Fear of administrative cases in instances of inaccuracies and misrepresentations.

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

4.2.3.2. Implementation and Governance in SUCs

While the previous part of the report provided insights on how the structures and process are conducted in SUCs, the organizational structure of the SUCs is mandated by law through Republic Act 8292, also known as Higher Education Modernization Act (**Figure 11**). This provides a mandate for SUCs to lead itself.¹⁹

Figure 11. Organizational Structure of the Board of Regents or Board of Trustees



The Board of Trustees and The Board of Regents lead State Colleges and State Universities, respectively. While this is an important distinction made by law, RA 8292 has important rules and guidelines that relates to the procedures of the PBB scheme, notable of which are:

1. Board Meetings are held quarterly, with provision on calling special meetings at least three days when necessary;
2. CHED Chair shall appoint a commissioner to represent on his/her behalf and shall act as presiding officer;
3. Administrative Council which consists of university/college president as chairperson, vice presidents, deans, directors, and other officials of equal rank as members, and whose duty is to review and recommend to the BOT/BOR policies governing

¹⁹ Refer to RA 8292 for further details on the organizational structure.

administration, management, and development planning of the institution for appropriate action.

These identified provisions of RA 8292 affect the PBB scheme as described by SUCs:

1. Board meetings have an impact on the process of procurement since quarterly meetings affect the timeline stipulated in RA 9184 or the Government Procurement Reform Act, which have the following consequences:
 - a. Failure of Bidding
 - b. Manipulation of Documents in relation to time or deadlines for compliance
 - c. Budget Utilization Rate and Absorptive Capacity of SUCs, which can lead to a lower GAA the following FY
 - d. Liquidation of GAA funds, particularly in Capital Outlay (CO);

Furthermore, the increased, bloated bureaucracy in the approval of projects and plans of the university have not coincide, based on the observation of SUCs, with provisions of the RA 9485 or the Anti-Red Tape Act; making procurement process to 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 the BOR/BOT.

As noted by CHED, the law is intended for SUCs to govern themselves and 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, which is also rectified in RA 7722 or Higher Education Act.

3. 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, COPC (Certificate of Program Compliance), SUC Leveling, and Accrediting Agency of Chartered Colleges and Universities in the Philippines (AACUP) Accreditation, and National Budget Circular (NBC) 461.

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

In these general concerns, SUCs have attempted to provided solutions, but certain challenges still remain:

1. 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 CO.

It is observed that SUCs with a pool of engineers and architects in its roster of faculty tend to have an lax or easier approval process, which usually results into a high BUR. However, other SUCs have to go through the usual procurement process to hire engineers and architects as consultants, which tend to extend the procurement timeline, which jeopardize BUR.

2. While BOR/BOT leadership is a concern among SUCs, some SUCs have made initiatives to strengthen the role of the SUC president in governance. Delegating powers to the SUCs president especially for projects below some threshold could speed up the project approval process. However, most SUCs need the BOR/BOT approval for projects. Some SUCs, however, 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 because SUCs immediately identify which targets are affected by QA mechanisms and prepares necessary documents that come along with it.

While these concerns are general, there are more specific concerns, particularly with target setting and planning that hound SUCs. These are discussed in the next subsection.

4.2.3.3. Other Factors Affecting

Several factors come into play in the process of implementing PBB. The following illustrations hope to demonstrate the dynamics: (1) planning and evaluation, (2) external factors or QA mechanisms, and (3) compliance and delivery of targets. **Figure 12** provides an overview of the flow of processes between different actors involved in PBB.

Figure 12. Planning and Evaluation Flow for PBB in SUCs



Concerns with planning and evaluation from SUCs are as follows:

1. SUCs faced problems with the late release of guidelines from AO 25. In return, SUCs blame the CHED as part of the IATF for it, particularly because it is the monitoring agency. This also includes problems with the lack of clarity and operations of terms in the guidelines, along with the constant changes of these each passing year.
2. CHED ensures that it protects and forwards the interests of SUCs, especially when certain contingencies have to be made to ensure that PBB requirements are fulfilled. However, SUCs misjudge 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 (NEP), Performance Informed Budgeting (PIB), and SUC Leveling usually informs the selection of targets, performance indicators that make up the MFOs submitted to the Congress as the proposed GAA of SUCs. CHED also plays a role in assisting and mentoring SUCs in doing the process.
4. Performance Management Team faces challenges in making employees comply with deadlines and targets. However, the PMT, particularly in delivery of certain PIs, in relation of MFOs, especially research, cascaded targets based on ranking of faculty members.
5. Rank and file employees comply. However, among employees, there are concerns with those who are uncooperative. This is more pronounced and observed among faculty members with high ranking 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 coincide with the other QA mechanisms that beset SUCs, which have an impact on promotions, incentives, SUC Level. According to SUCs, the different QA mechanisms have an impact with each other, particularly with how these share requirements in areas of research, extension, and instruction.

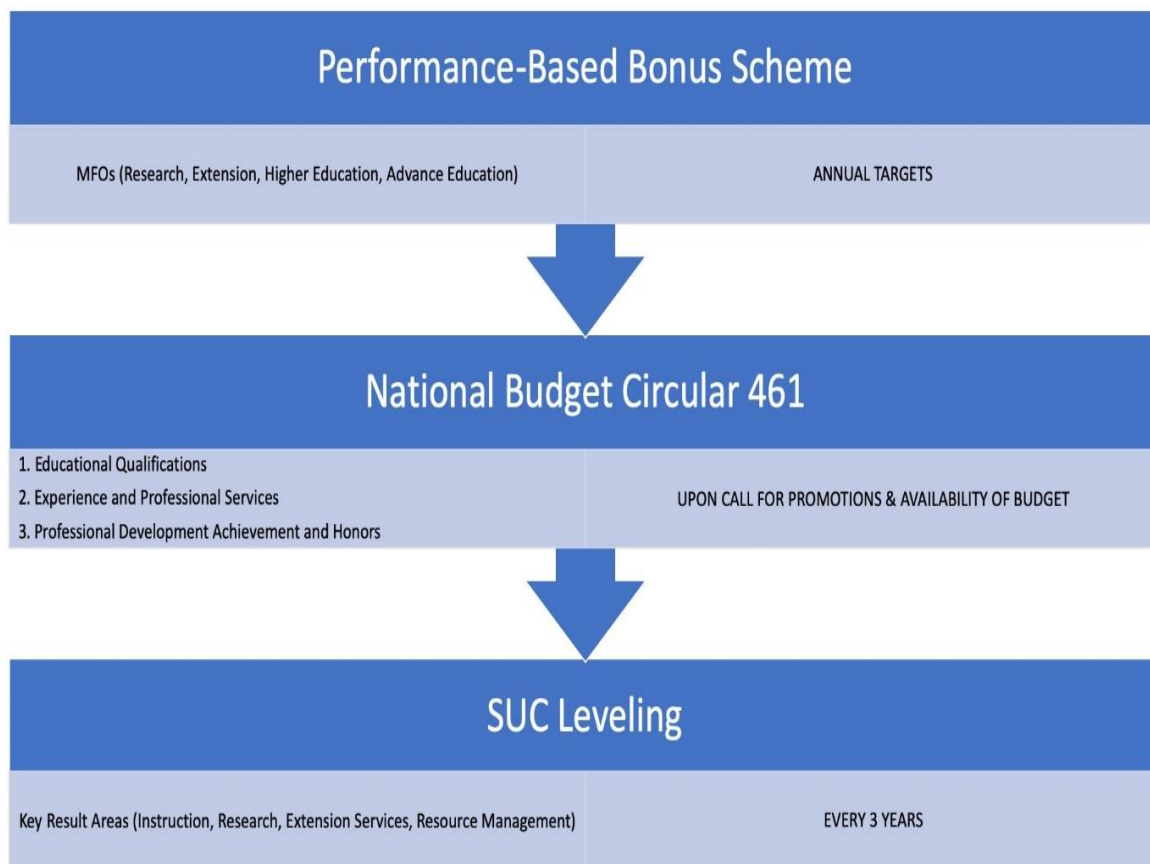
Over the years, SUCs have noticed the inherent connections of the different quality assurance mechanism that the government requires. Some of other mechanism not included in the diagram (**Figure 12**) are part of the process such as:

1. Program Accreditation and Compliance (integrated to SUC Leveling)
2. Institutional Sustainability Assessment (requirement of SUC Leveling)
3. Center of Development and Center of Excellence (CHED)
4. ISO Certification (GASS requirement of PBB)
5. 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, the attainment of SUC Leveling targets. This strategy has been adopted by most SUCs, which is also integral to the targets stipulated in the Philippine Higher Education Reform Roadmap.

Another important dimension in these other QA mechanisms that PBB has an influence is how the key performance indicators are used to evaluate the faculty members output in areas of creation of patents and research.

Figure 13. Relationship of QA Mechanisms (PBB, NBC 461, SUC Leveling)



These incentives also form part of the other amounts that a faculty member may receive (**Table 18**). In addition, SUCs have allotted budget for its Faculty Development Plan to strengthen the credentials the faculty, which, later on, would also benefit the institution in its pursuit of PBB targets.

Table 18. Incentives in other SUCs

OUTPUTS	INCENTIVES
Research Publication (ISI-indexed journals)	PHP 65,000 (estimates, varies per SUCs)
Research Publication (SCOPUS)	PHP 55,000 (estimates, varies per SUCs)
Research Publication (CHED-approved; local journals)	PHP 15,000 – 30,000 (estimates, varies per SUCs)
Citations in ISI Journal/SCOPUS	PHP 10,000 – 50,000 (depending on SUCs)
Patents	PHP 10,000 – 100,000 (depending on SUCs)
Professorial Chair Grants	Depending on SUCs
Research Presentation and Travel Incentives	Local and International budgets vary (depending on SUCs)
Collective Negotiation Agreement	Based on the amount of savings in SUCs

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

1. The PBB Scheme does not address the differences of SUCs based on its mandates as stipulated by law and other peculiarities. This is a major concern among SUCs because this has an effect on 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 SUC's level.

2. Another problem comes with the graduates and quality of students' performance, which have a tremendous impact later on in SUCs PBB targets, especially in licensure examinations. These are attributed to the following conditions:
 - a. RA 10931 or Universal Access to Quality Tertiary Education Act, which increase the number of students that applies/enrolls in SUCs. Some SUCs have become stringent with admission requirements to trim down the surge enrollees as a means to quality control. This issue ties to the next point:
 - b. RA 10533 or Enhanced Basic Education Act, which shifts the 10-year basic education program into K-12 set up, has affected 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 the Senior High School (SHS) track, i.e., Accountancy, Business and Management (ABM) graduates into Science, Technology, Engineering and Mathematics (STEM) courses, Humanities and Social Sciences (HUMMS) graduates in ABM courses, etc.
3. Extension services are saturated. One requirement for SUCs is to not go below its achieved targets in previous years. Also, 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. Performance in licensure examinations is also a tricky matter due to setting of passing rate.
 - a. Earlier guidelines on this indicator compares SUC performance with the national average, which, in nature, is usually lower than the SUCs rating. In turn, this makes institutions qualified right away.
 - b. Later guidelines, according to SUCs, only measures the performance of first time takers and no longer compares it with the national passing average. This makes it more challenging because some SUCs set it automatically to 100% due to observable records but sometimes fail to achieve it. This leads to ineligibility in most instances.
5. Research output, despite explicit indication in OPCR, DPCR, and IPCR, to be delegated to senior faculty members (associate professor and above), the junior faculty members are the ones that take on the job due to non-cooperation of some senior faculty members. As a result, the research unit or division have invested in creating workshops and mentoring programs to help the junior faculty members and help 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 the delays in the release of funds have an impact on 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 the PBB, should be included as it helps in encouraging 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.

Based on these results of interviews with select faculty and staff of SUCs, and with some officials of the Commission on Higher Education (CHED), these suggest that in the implementation of the PBB, SUCs are treated as a homogenous group. That is, there is a lack of consideration on how SUCs are different from each other, particularly with respect to

specialization, charters, size, region, and leadership roles. These contextual differences actually shape how PBB operates in SUCs; however, the implementation of the PBB across all SUCs assumes “one size fits all”. All SUCs, despite their aforementioned differences, must comply with guidelines set forth by the IATF AO 25. This is something that is hopefully resolved in the long run.

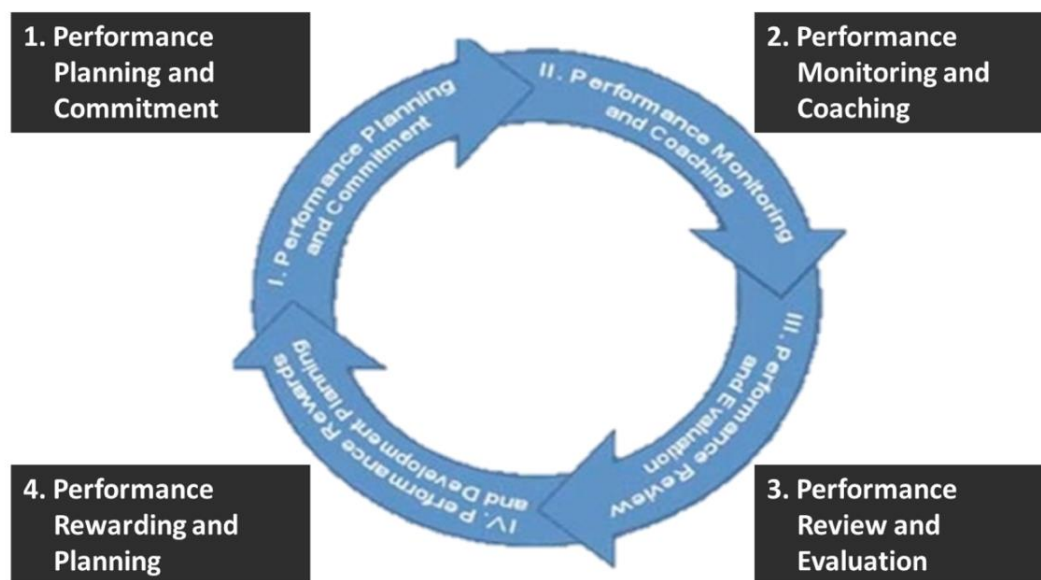
4.3. DepED Schools

4.3.1. Overview of the Cluster: Background and Rationale

The DepED is the largest group in the Philippine bureaucracy, with over 800,000 employees. With a total of 62,605 schools scattered in 17 regions of the country, the Department has 18 bureaus and services, 5 attached agencies, which include the National Book Development Board (NBDB), the Philippine High School for the Arts (PHSA), among others, and 3 coordinating councils, such as the Teacher Education Council (TEC), among others.

In internal guidelines that the DepED annually sends its rank-and-file, the Department consistently echoes the objective of the PBB: link individual performance targets and accomplishments to that of the agency’s organizational goals. Thus, the DepED’s RBPMS, composed of four strategic cyclical phases, is aligned with SPMS of the Civil Service Commission. The performance-based development planning and rewards administration completes the three other RBMPS/SPMS phases of performance-based planning and commitment, performance monitoring and coaching, and performance review and evaluation (Figure 14).

Figure 14. Framework for Results-Based Performance Management System (RBPMS)



Furthermore, the eligibility criteria of GGCs, Performance Targets, and Performance rating system that have remained in place since program inception in 2012 hew closely to the identified eligibility requirements of the AO25 IATF. Initial individual eligibility requirement

covers all officials and employees who hold regular plantilla positions²⁰, as well as contractual and casual employees having an employee-employer relationship with the DepED, provided that these individuals have rendered at least four (4) months of service by November 30, 2012. By 2013, individual eligibility requirement would become more stringent, specifying being in service for at least nine (9) months by end of March, 2014, and at least “Satisfactory” rating for First and Second Levels, and “Very Satisfactory” for Third levels.

4.3.2. Program Implementation

4.3.2.1. Institutional Arrangement/Actors Involved

In 2012, Performance Review and Evaluation Committees (PREC) were established at various administrative levels to oversee PBB implementation at the level of the division (D-PREC), region (R-PREC), and national (N-PREC). D-PRECs, R-PRECs, and the N-PREC were headed, respectively, by an Assistant Schools Division Superintendent (ASDS), Assistant Regional Director, and an Undersecretary. Membership to these committees comprised of planning officers of the division, region, and national; accountants, chief finance officer, or member of the budget division; Education I and II supervisors; principal representatives from both elementary and secondary schools; and PTA, employee union, and employees’ welfare and benefits representatives. Each PREC is assisted by a Secretariat. The PRECs’ tasks were to implement the performance review and evaluation using guidelines provided by the CO, to ensure reliability, completeness, and correctness of data to be used as bases for performance review and evaluation (DO No. 12, s. 2013).

In 2017, PRECs were replaced by Performance Management Teams (PMTs) in all the levels of bureaucracy. 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 the DepED, all Undersecretaries and Assistant Secretaries, a representative from the Association of DepED directors (ADD), one representative of an accredited National Union of the DepED, and served by a Secretariat, the Bureau of Human Resources and Organizational Development and the Planning Service).

4.3.2.2. Eligibility and Selection

In its initial policy issuance, Department Order (DO) No. 12, s. 2013, issued on February 28, 2013, entitled “Guidelines on the Granting of Performance-Based Bonus (PBB) for the Department of Education (DEPED) Employees and Officials”, ranking of both bureaus or delivery units and attached agencies, along with the officials and employees within the central office (CO), regional offices (ROs), division offices (DOs), and attached agencies was initially articulated. Exemptions to this ranking are the automatic award of the Php35,000 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 below “Satisfactory” rating, and Third Level officials who earned a below “Very Satisfactory” rating; and personnel found guilty of administrative and/or criminal charges and meted penalty therefor. Later department issuances would eliminate forced ranking of teachers at the level of the schools.²¹

²⁰ Excludes employees who hold Job Orders (JOs) from LGUs

²¹ DO No. 33, s. 2014, issued on July 21, 2014 is a response to the unique mandate to enforce agency accountability.

To qualify for the PBB, each delivery unit, which the DepED identifies as a school, division, region, and in the case of the CO, Bureaus, Centers, Services, Task Force, and OSEC, including attached agencies, must have:

- a. Achieved at least 90% of FY 2012 targets of each Major Final Output (MFO), Support to Operations (STO), and General Administrative Support Services (GASS);
- b. Achieved 90% of each priority programs/project targets agreed with the President under the five Key Result Areas (KRAs) of EO No. 43, s. 2011; and
- c. Satisfied 100% of good governance conditions. (DO No. 12, s. 2013)

Over time, these guidelines have however changed, such as the guidelines submitted to the bureaucracy for PBB 2018, which now read as follows:

- a. Achieve each one of the Congress-approved performance targets for the delivery of Major Final Outputs (MFO) under the Performance Informed Budget (PIB) in the FY 2017 GAA, and the targets for Support to Operations (STO) and General Administration and Support Services (GASS);
- b. Satisfy 100% of the GGCs for FY 2017 set by the AO25 IATF, to wit:
 - i. Maintain/update the Agency Transparency Seal as mandated in Section 93 of the FY 2017 GAA (or RA 10924), to enhance transparency and enforce accountability.
 - ii. Maintain/update the posting of all Invitations to Bids and awarded contracts in the Philippine Government Electronic Procurement System (PhilGEPS)
 - iii. Maintain/update the Citizen's Charter or its equivalent Service Charter
 - iv. Develop the agency's Freedom of Information (FOI) Manual pursuant to EO No. 2, s. 2016.
- c. Use the RPMS in rating the performance of First and Second Level employees and officials.... (DO No. 38 s. 2018)

The amount of the incentive has varied over time, as well. Prior to 2016, payouts could range from Php5,000 for 'good' rating, to a high of Php35,000 for 'best' rating. Beginning in 2016, the payout has become dependent on the employee's salary grade (SG) as the PBB's payout has been re-designed to become a percentage of the basic salary. More importantly, the methods used to evaluate the performance of the teaching and non-teaching personnel, have been the most changed.

More specifically, 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, which includes classroom observations through a Classroom Observation Tool (COT), attendance in seminars and trainings, and follow-up of SARDOs through modes of verification (MOVs), such as certificates and selfies, respectively. All of these go into the teacher's Individual Performance Commitment and Review Form (IPCRF). In a high school, the Head Teacher evaluates his/her subordinates using the same standards in the IPCRF, and confirmed or validated by the principal. Principals are assessed, in turn, by their Superintendents. Principals then submit an Office Performance Commitment and Review Form (OPCRF), a summarized report of the teachers' IPCRFs, 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 who are eligible or not 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 collect data from schools, particularly the teachers' leave records and if they have submitted their Statement of Assets, Liabilities and Net (SALNs), among others. The DO has a master list of teachers. The DOs cross-validate their data with that of the schools'. They find this to be more efficient because they already know who will be eligible or not for the PBB.

To illustrate, in the initial version of the guidelines, key performance indicators for schools, such as mean percentage scores in the National Achievement Test (NAT), Language Assessment for Primary Grades (LAPG) 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, s. 2013 is found in **Table 19**.

Table 19. School-level ranking for 2012 PBB, in points

Performance Indicators	Maximum points	Point System
<p>Elementary: Mean Percent Score (MPS) and % increase in MPS using SY 2011-2012 results</p> <p>a. Complete School— Grade 6 Total MPS</p> <p>b. Incomplete School— Grade 3 Total MPS</p> <p>For schools with no NAT, use the SY 2011-2012 general average of the highest grade level offering in Form 18A.</p>	40	<p>MPS of 85% and above will be given 40 points, regardless of the change in MPS compared to the previous year.</p> <p>If the value of MPS is less than 85%, then the score will be computed as follows:</p> <p>$MPS_{CurrentSY} \times 40 + \text{additional points}$</p> <p>Additional points will be computed as: --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 decline in MPS will be given no additional points.</p> <p>Example: SY 2010-2011 MPS = 75% SY 2011-2012 MPS = 80% Change in MPS = 5%</p> <p>$(MPS_{CurrentSY} \times 40) + [(MPS_{CurrentSY} - MPS_{PreviousSY}) \times 100] = \text{Total Points}$ $(0.80 \times 40) + [(0.80 - 0.75) \times 100] = 37 \text{ points}$</p> <p>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:</p> <p>$GACurrentSY - 0.75 / 0.25 \times 40 + \text{additional points}$</p> <p>Additional points will be computed as:</p>

Performance Indicators	Maximum points	Point System
		<p>--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.</p> <p>Example:</p> <p>SY 2010-2011 GA= 85% SY 2011-2012 GA=90%</p> $[(\text{GACurrentSY} - 0.75)/0.25] \times 40 + [(\text{GACurrentSY} - \text{GAPreviousSY}) \times 100] = \text{Total Points}$ $[(0.90 - 0.75)/0.25] \times 40 + [(0.90 - 0.85) \times 100] = 29 \text{ points}$
<p>Secondary: Total GSA and % increase in total GSA using SY 2011-2012 results</p> <p>For schools with no NCAE, use the SY 2011-2012 general average of the highest year level offering in Form 18A.</p>	40	<p>Total GSA of 75% and above will be given 40 points, regardless of the change in total GSA compared to the previous year. If the value of total GSA is less than 75%, then the score will be computed as follows:</p> <p>Total GSACurrentSY x 40 + additional points</p> <p>Additional points will be computed as: Each point increase in total GSA 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 total GSA will be given no additional points.</p> <p>Example: SY 2010 - 2011 GSA= 65% SY 2011 - 2012 GSA= 70% Change in Total GSA = 5%</p> $(\text{Total GSACurrentSY} \times 40) + [(\text{Total GSACurrentSY} - \text{Total GSAPreviousSY}) \times 100] = \text{Total points}$ $(0.70 \times 40) + [(0.70 - 0.65) \times 100] = 33 \text{ points}$ <p>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:</p> $[(\text{GACurrentSY} - 0.75)/0.25] \times 40 + \text{additional points}$ <p>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.</p> <p>Example: SY 2010 - 2011 GA = 85% SY 2011 - 2012 GA = 90%</p> $[(\text{GACurrentSY} - 0.75)/0.25] \times 40 + [(\text{GACurrentSY} - \text{GAPreviousSY}) \times 100] = \text{Total Points}$

Performance Indicators	Maximum points	Point System
		$[(0.90 - 0.75)/0.25] \times 40 + [(0.90 - 0.85) \times 100] = 29 \text{ points}$
School Leavers Rate (i.e. Simple Dropout Rate) for SY 2011-2012	30	<p>SDR of 1% and below will be given 30 points.</p> <p>SDR between 1% and 10% will be computed as follows:</p> $[(10 - \text{SDR})/10] \times 30 + \text{additional points}$ <p>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.</p> <p>Example:</p> <p>SY 2010 - 2011 = 5% SY 2011 - 2012 = 3% Decline in SDR = 2% $[(10 - \text{SDR})/10] \times 30 + (\text{SDR}_{\text{PreviousSY}} - \text{SDR}_{\text{CurrentSY}}) = \text{Total Points}$ $[(10 - 3)/10] \times 30 + (5 - 3) = 23 \text{ points}$</p>

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% 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. 5 or more months of late submission will result to 0 points in terms of timeliness. $[(\% \text{Li} - 90) \times 2] + [10 - (2 \times \text{number of late submissions})]$</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>

(Source: DepED DO 12, s. 2013)

As can be seen in Table 19, 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 Office Performance and Commitment and Review Form (OPCRF) of the School Head/Principal, now given a weight of 80%, while liquidation of office expense remains a stand-alone KPI, with a 20% weight. **Table 20** summarizes the weight of key performance indicators (KPIs) of schools from 2012 to 2018.

Table 20. Weight of Key Performance Indicators (KPIs) of schools, in points, (2012-18)

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 (MOOE)	30	30	30	10	20	20	20
Plus factor	----	1	1	1	---	---	---
Total	100	101	101	101	100	100	100

Source: Authors' tabulation

Thus, the weights given to the Mean Percent Score (MPS) from the NAT and General Scholastic Aptitude Test (GSAT) 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 factors, under the Principal's (or School Head's) OPCRF, now given the weight of 80 points from 2016 onwards.

Table 21 shows that each division is ranked based on identified performance 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 proportion of Public and Private 4th year pupils with National Career Assessment Examination (NCAE) General Scholastic Aptitude (GSA) results of 75 and better; (3) percent of created teaching items with Notice of Organization, Staffing and Compensation Action (NOSCA) filled up within 3 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 EBEIS data; and (6) percent reduction in number of excess teachers. Table 11 illustrates the point system at the level of the division. As can be seen in Table 21, each DO allotted a total of 50 points for the MPS of both elementary and secondary schools students, while the rest of the points were distributed among other KPIs.

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

Performance Indicators	Maximum Points	Point System
% 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 to the maximum points Score = NER x 10 Example: NER = 99.1% 99.1 x 10 = 9.91 points
% 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 to the maximum points Score = NER x 10 Example: NER = 99.1% 99.1 x 10 = 9.91 points
% 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 to the maximum points Score = NER x 10 Example: NER = 99.1% 99.1 x 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% 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%

		Year 2 = 80% (0.80 x 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% 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% Year 2 = 80% (0.80 x 25) + 5 = 25 points
% of created items with NOSCA filled up within 3 months	5	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: Score = %Filled x 5 Example: % positions filled = 90% 0.9 x 5 = 4.5 points
% 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	The score will be computed by averaging the percentage of schools meeting the four ideal ratios then multiplying it to the maximum points. Example: Teacher: 90% WatSan: 90% Classroom: 80% Desk/Armchair: 80% [(0.9+0.9+0.8+0.80)/4 x 5=4.25 points
% private schools submitting EBEIS data on time	5	The score will be computed by multiplying the proportion of private schools submitting EBEIS data on time to the maximum points. Example: %private schools submitting on time = 90% 0.9 x 5 = 4.5 points
% reduction in number of excess teachers	5	The score will be computed by multiplying the proportion of excess teachers reduced/redeployed to the maximum points. Example; %reduction in number of excess teachers = 90% 0.9 x 5 = 4.5 points

(Source: DepED DO 12, s. 2013)

Table 22 below provides historical data on weights for KPIs of SDOs for 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 OPCRf are variable, as the weight for this has ranged from a low of 50 points to a high of 80 points.

Table 22. Weight of Key Performance Indicators (KPIs) of SDOs, in points, (2012-18)

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
% of 5 year old children enrolled in kindergarten (Kindergarten NER based on 2010 population)	10	10	10	5			
% of 6-11 year old pupils enrolled in Elementary Schools (Elementary NER based on 2010 population)	10	10	10	5			
% 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						
% of created items with NOSCA filled up within 3 months	5	10	10	5			
% 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)	5						
% of private schools submitting EBEIS data	5	5		2.5			
% reduction in number of excess teachers* *In 2013, re-deployed, including those hired by the Local School Board (LSB)	5	5	5	2.5			
% of elementary schools, both Public and Private, with improvements in the % of learners who scored average and better in NAT or its equivalent in SY 2012-13		10	10	5			
% of secondary schools, both Public and Private, with improvements in the % of learners who scored average and better in NAT or its equivalent in SY 2012-13		10	10	5			
Simple dropout rate in SY 2012-13, both Public and Private		10	10	5			
% of applications for permit to operate/recognition processed and endorsed to the regional office (RO) within the prescribed number of days of processing vis-à-vis the total number of private school applicants with complete documentary requirements		5	5	2.5			
% liquidation of all Cash Advances (school MOOE downloaded three (3) working days upon receipt of liquidation reports of schools)		10	10	5	5	5	5
% of A & E passers over enrollees		5	5	2.5			
Budget Utilization Rate (BUR) based on obligations					10	10	10
Plus factor		1	1	1	-	-	-
Total	100	101	101	101	100	100	100

Source: Author's tabulation

For historical data on KPIs at the regional and central levels, see Annex Tables 6-9.

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.

4.3.2.3. Information Management

The RO organizes a Regional Executive Meeting, which happens after the National Management Committee meeting. This is attended by the Schools Division Superintendents (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.

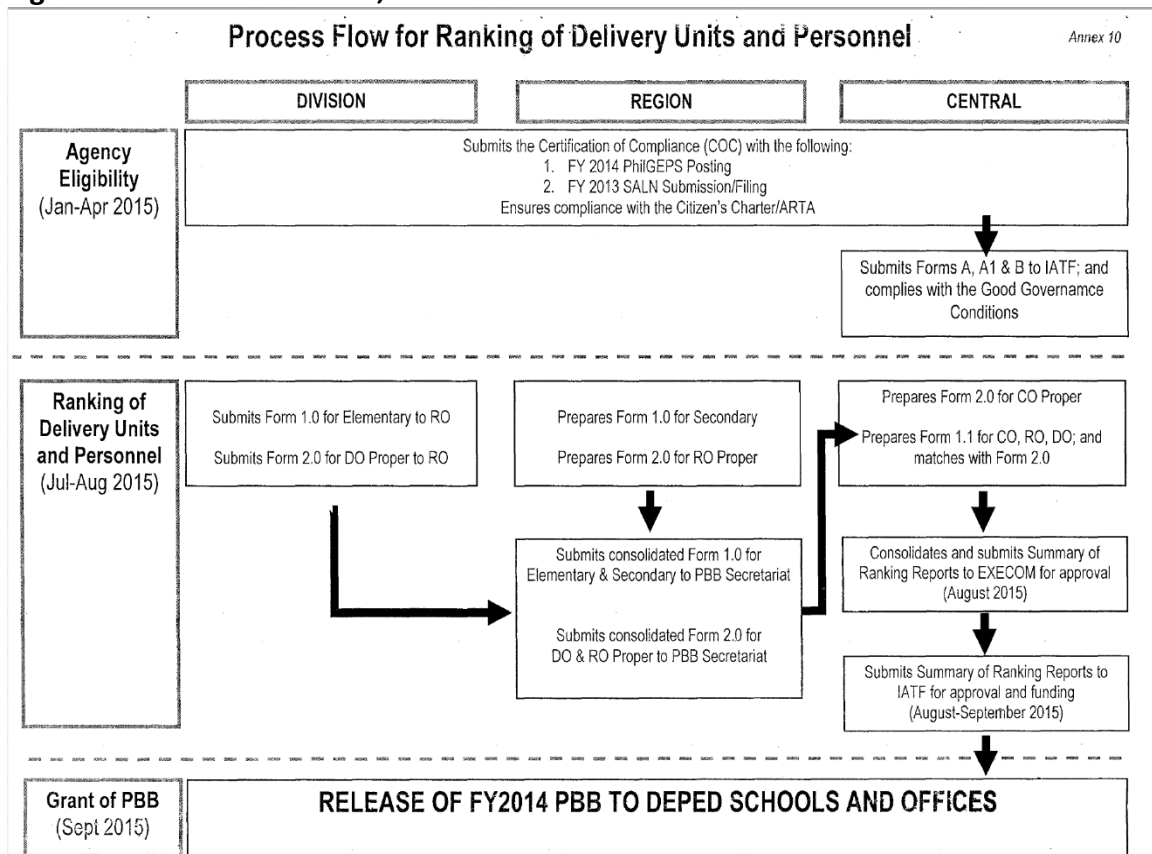
For the PBB communication protocol, the regional office prepares communications to the teachers through the division office. The CO receives the annual guidelines from the AO 25 Secretariat, which it hands down to the RO, then to the DO, and on to schools and teachers. The division then consolidates all OPCRFS of all schools within the division and submits to the RO. The RO relies on the DO to cascade necessary information to schools, as prescribed in RA 9155. It also monitors whether DOs cascade information down to teachers, and whether guidelines are implemented well in schools. 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 pre-set formula.

One DO claims to do things differently. Staff prepares the reports beforehand and presents those to schools during orientation for validation. They can do this because, according to them, they are a relatively small division composed of less than 20 personnel.

4.3.2.4. Organization

In 2018, with the release of DO 38, a new set of Performance Management Teams (PMT) was constituted. Each governance level—Central Office (CO PMT), Regional Office (RO PMT), Schools Division Office (SDO PMT), and School (S PMT)—is in charge of compliance to the requirements of the PBB. Each PMT answers to the Performance Management Committee (PMC), composed of the Secretary of the DepED, all Undersecretaries and Assistant Secretaries, representatives from the Association of DepED Directors and accredited National Union, and a Secretariat (Bureau of Human Resources and Organizational Development (BHROD), and the Planning Service. The PMC oversees the overall implementation of the 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 PMTs for determining amount of PBB (DepED DO 30, s.2015).

Figure 15. PBB Process Flow, 2015



4.3.3. Factors Affecting Implementation

4.3.3.1. Understanding of Program Theory

EO No. 80, s. 2012 which directs the adoption of the Performance-Based Incentive System (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” (DepED Order No. 38, s. 2018) is a concept that is not fully grasped by the DepED rank-and-file, mostly by the teaching personnel interviewed in this study.

The articulated goal of the PBB, to reward exemplary performance, does not seem to be well understood by the majority of teachers interviewed, who simply see the 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*”. 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 regard 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* (italics provided). Majority of teachers interviewed have claimed, however, that their motivation for giving service to the Department or to their profession has improved.

All of the respondent-teachers know that the 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 the DepED. But this does not detract from the fact that some selected teachers in an urban elementary school claim that for them the timely liquidation of the school's MOOE is their biggest challenge in qualifying for the PBB, also underscoring one other important discovery: many teachers are spending more time accomplishing tasks peripheral to teaching.

Among the non-teaching personnel at the Central, regional, and division offices, the goals of the PBB were well-articulated, including ideas on what schools could do to qualify for the PBB, and what challenges are being encountered in its implementation. Unfortunately, this is not cascaded down to the school level, with some school heads (SHs) and principals unable to address teachers' queries regarding the PBB. 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 non-teaching 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 SH [to impart understanding of the PBB to the teachers on the ground]." Not all teachers are also clarified on the thirteen (13) key performance indicators (KPIs) on which they are evaluated.

PRECes as well as schools are not normally informed at the start of every PBB season about the targets set by the CO. When divisions and schools are aware of the design of the PBB, and when this information is clearly cascaded to the employees, they would be informed and guided accordingly. Some study participants revealed that the chairman and some members of the DPREC, together with the HRMO were currently not included in the orientation in the national level. They claimed that their non-inclusion had some serious repercussions in the cascading of information to schools, giving rise to decreased awareness of agency targets.

Below are more specific findings that have been documented in the field:

1. *The evaluation tools do not capture what 'performance' and 'productivity' mean to teachers.* The presence of clear guidelines at the outset of the PBB program (2012), among which articulated NAT scores as one of the parameters on which teachers will be evaluated—assuming that linking pupils' scores directly to the teachers who taught them (Atkinson *et al.* 2004)—is a sound way of measuring performance, to holding teachers accountable when MOOE funds are not immediately and satisfactorily liquidated, have given rise to confused interpretation of the parameters of evaluation. Thus, when key personnel at the DepED applauds teachers' diligence in liquidating their MOOE (in the context of carefully ensuring that funds are properly disbursed) as a 'positive' outcome of the PBB, then 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, in the process pulling them out of the classrooms and actual teaching.* The task of de-worming, 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. A few teachers have admitted that liquidation tasks, normally part of the Principal's OPCFR, have also become

their responsibilities. Thus, some teachers are evaluated on parameters meant for other tiers of the bureaucracy.

4.3.3.2. Implementation and Governance

A school year (SY) 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 SHs who provide guidance and direction for the rest of the year. Teachers conduct self-assessments, which are supposed to be validated by SHs/Principals. This step, however, is not followed in all schools. Evaluation occurs twice a year: mid-year in October, and end of school year in March. This step, again, is skipped in some schools. All throughout the school year, teachers provide modes of verification (MOVs) for transparency and accountability measures for targets set, such as posting of 'selfies' when they do home visits for students at risk of dropping out (SARDOs), or by providing certificates after attending seminars. For the majority of teachers, 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, threatens program understanding. SHs/principals are expected to cascade information, such as what teachers could do to improve their ranking, how the school could improve its standing, etc., but some Principals themselves do not completely understand the PBB scheme.

Challenges in the PBB implementation

1. *Teachers complain about the arbitrary date of release of the PBB because there is no set date for payouts.* For teachers who look to the PBB as additional income, the uncertainty of the date of release has harbored frustration. Some teachers have given a different meaning to the PBB, which for them means "*Paasa buwan-buwan*".

2. *Teachers believe that the PBB scheme is 'gamed' by freeloaders who receive the same benefit even when they do not contribute at all to the productivity of the agency as a whole.* There is a feeling of resentment among teachers who have performed well when they realize their PBB payout is the same amount as for those who received only a satisfactory rating. They feel that there is no justice in a performance-based bonus that does not discriminate the quality of one's performance. In fact, there are no sanctions for teachers that have received "Satisfactory" ratings for two consecutive years in some regions. The only intervention being given by the SH 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 had failed to qualify for the 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 actually worked hard to submit requirements to the IATF, such as the non-teaching personnel at the division and regional levels.

4. *Teachers claim that workload has increased with the guidelines set by the PBB, although a sizable number of them assert that, even without the PBB, they would still be doing what they had been doing.* To illustrate: Some teachers who belong to the school bidding 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, and not on additional administrative tasks. Furthermore, the DepED is working with the DBM to provide additional administrative items nationwide to help teachers with their non-teaching activities. DepED has also promised to revisit the Recruitment Selection Placement soon.)

5. *Some key performance indicators, such as NAT scores, dropout rates, are misreported.* To qualify as an agency, DepED has set a 75% mean percentage score (MPS) on the National Achievement Test (NAT) but despite the effort to spur productivity via an incentive system, the DepED is still unable to achieve this target. [The MPS of the NAT is currently at 40%.] Teachers, and some top officials of the DepED, also argue that learners' inability to come up to these standards is not solely the teachers' responsibility, albeit they are supposed to be facilitators of learning. Critics argue that when average learning outcomes among students continue to be posted, teachers should claim it as a matter of accountability. A worrying practice arises when schools are less than straightforward in submitting these pieces of information to the DO because NAT indicators are crucial to agency eligibility.

6. *The claim of zero simple dropout rate (SDR) 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 are required to work the field during harvest season. A ranking official in the region articulated what teachers are 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 dropout, 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 don't 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 drop out, we'll hit 100% PBB, but it never happened [sic]. So in our reporting, we have this Learner Information System (LIS) 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 is only roughly 2000 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% 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 ok eh*. So I don't think it's already performance-based. Where is the performance-based?”

David *et al.* (2018) 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 measure 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 SH/principals in the field all agree that they are being met (this is not exactly true). If there are brave voices opposing the way teachers are evaluated, they are in the minority. Philippine culture may be blamed: one's ability to blend, not to stick out from the crowd, or raise a howl, however legitimate the complaint is, is applauded. After all they belong to the same organization which needs to be protected. So, the complainer gets batted down, and 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.

5. Conclusion and Policy Recommendation

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 both quantitative and qualitative methods in collecting information from different public sector agencies, including SUCs, NGAs and attached agencies, GOCCs, Constitutional Commissions and other Executive Offices. 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 few sections summarize the main findings. To help synthesize the results, the first two sections synthesize the engagements with NGAs and SUCs and these are 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 complements the field research through a comprehensive review of the process and implementation documents linked to the AO IATF (i.e. the body created by virtue of [AO 25](#) to undertake the task of monitoring and evaluating the performance of government agencies).

Over-all, the results herein reveal 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, and this is not necessarily cascaded effectively to regional and field offices. In addition, compliance by different agencies and offices varies, with some instances of different coping strategies (to qualify for the PBB) with potentially perverse outcomes. One example was massaging data reported in order to maximize compliance (hence the chances of receiving the 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 dropouts provides one clear example here—as some education staff appeared to favor making students repeat rather than tarnish their dropout indicators for the school. This is a strategy that in turn contradicted with goals linked to standards and quality for passing students. Finally, as regards perceived impact, once again staff members of various public sector agencies expressed a wide array of views on whether and to what extent PBB

actually improves public services. Many respondents held the view that PBB works, by incentivizing more work (though not necessarily better quality services). However, many respondents also noted that with or without PBB, government workers will still accomplish their tasks and goals. This reveals an interesting disjointed view of performance incentives.

NATIONAL GOVERNMENT AGENCIES

Bureaucrats from NGAs also reflected some common perceptions of the PBB. Based on KIIs and FGDs, most respondents from NGAs re-confirmed the understanding that PBB is a reward scheme based on performance/contribution to the agency; and it emphasizes client satisfaction for further improvement of government services, helping to propel bureaucratic efficiency.

Rationale for the reform. On whether or not it is still deemed relevant at present, a majority replied on the affirmative as it is considered a way to encourage or ‘push’ the employees and the whole agency to meet the targets they have committed to. Respondents were asked on their knowledge about other incentive schemes that are either still in place or have already been repealed or amended. Most recognized the Midyear Bonus, Year-end Bonus, Performance Enhancement Incentive, Loyalty/Service Awards (PRAISE Committee), and the Collection and Negotiation Agreement (for the employees’ association).

Notwithstanding these other incentive schemes, respondents unanimously agreed that the PBB is an incentive scheme that is premised on the compliance of the employees, or the bureau/unit with certain policies to qualify to receive the said grant. The PBB is seen by many respondents as a solution to the common impression against the government service described by one of the respondents as “government service is no service.” As to what government goals the PBB hopes to achieve, the respondents usually referred to the streamlining of procedures or what they referred to as the ease of doing business.

Implementation process. On the matter of the changes of policies since the initial implementation of the PBB, all respondents shared that there had been increasing number of requirements through the years, and one respondent described the increase of requirements as more stringent hence making the agencies more difficult to be eligible for the incentive; on a more positive perspective, one described the increase as ‘improvements’ of the process and/or requirements.

On the rationale of the changes, one respondent attributed the implementation of new or existing legislations in the country as means for the government to ensure compliance of its agencies. Other perceived change in the policy is the component on rating the employees from what was initially a “cluster/sector rating” to “delivery units/bureaus rating.” On why such is the case, the respondent admitted to not know why such changes were made.

Respondents generally acknowledged that AO 25 Inter-Agency Task Force Secretariat (AO 25 IATF), the body created by virtue of [AO 25](#) to undertake the task of monitoring and evaluating the performance of government agencies, as having provided their agencies with the information on operational procedures of the PBB. These accordingly came in the form of general assemblies of all focal persons, memoranda, and other issuances that contain the 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 are vague, and that the documentary requirements or forms are 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 has a "good and noble intention but needs further improvement." Few agency representatives categorically answered "no" on whether or not PBB has met its overall objectives. One 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 has no major strengths, as it was deemed to be "designed for competition" generating a tendency for employees to pull each other down. Nevertheless, a majority of the respondents agreed that the PBB has 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 the following, according to some respondents: a) jealousy among employees; b) a perception of arbitrary ratings; c) a tendency to increase overtime; and d) unnecessary competition.

Because of the need to comply with the operational procedures and its underlying requirements, the agencies of the respondents have created specific structures or committees such as the Performance Management Team (PMT) as part of the SPMS, a mechanism that links employee performance with organizational performance to enhance the performance orientation of the compensation system. The PMT is tasked to ensure that the employees achieve the objectives set by the organization and the organization, on the other hand, achieves the objectives that it has set as its strategic plan. No official institutional structure has been 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. On the one hand, the most common best practice identified among the agency representatives is the strengthened teamwork and cooperation, where employees in delivery units or bureaus become more aware of their responsibilities and deadlines having accountability for each other. On the other hand, one distinct bad practice which one of the respondents allegedly have known to have happened in some agencies is the 'sharing of the monetary incentive' of those who qualified for the grant to those who did not. Other bad practices include the giving of unfair ratings to units thereby creating gripes among other employees.

All agencies represented in this research have in their agencies established complaint mechanisms for any feedback that may arise in the agency. For one, all have complied with the PBB requirement specifically on the implementation of Republic Act No. 9485 or Anti-Red Tape Act (ARTA) of 2007 to establish a feedback mechanism for its clients. Aside from that, the agencies also have an established Grievance Committee that caters to all concerns of its employees including PBB complaints or feedback. Some respondents also mentioned that those who have complaints also confide the same to their human resource office 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 the PBB, no official or written complaint has been lodged to the committee or personnel in charge yet.

Finally, about half of the respondents think through the PBB, the performance and productivity of the employees have improved. However, there is also the widely held belief that even without the PBB, the said employees would still be performing the same way. The other half of the respondents responded on the negative on whether or not the PBB improved the

performance and productivity of the employees. One perspective posits that the PBB is just a ‘bonus’ of the government to the employees for doing their job, hence is appreciated by the same if recognized accordingly. Another respondent thinks that responding to the question is difficult because the measuring of impact entails consideration of various factors.

STATE UNIVERSITIES AND COLLEGES

The analysis herein is based on responses of the informants in KIIs and FGDs from selected SUCs in the National Capital Region, Luzon, Visayas, and Mindanao.

Rationale for the reform. Many responded that the PBB, though tedious to comply with, has helped the HEIs to achieve its targets that are connected with other accreditation programs and quality assurance mechanisms such as ISO certification, Institutional Sustainability Assessment (ISA), Center of Excellence (CoE) and Center of Development (CoD) by CHED, COPC (Certificate of Program Compliance), SUC Leveling, and Accrediting Agency of Chartered Colleges and Universities in the Philippines (AACUP) Accreditation, and National Budget Circular (NBC) 461. Streamlining is a major concern among different instruments used to measure the performance of SUCs.

Moreover, most of the respondents from SUCs would agree that whether there is a PBB or not, the expected functions, duties, and responsibilities of individuals and institutions are still fulfilled since there are already existing mechanisms requiring this. 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 that strong.

Implementation process. Almost all respondents from SUCs 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 the case where units over-perform. This provides a difficulty the following year since the HEI must not deliver a performance below its previous target. Also, Major Final Outputs (MFOs) indicated by CHED serve as the common metric followed by SUCs (i.e., research, extension, instruction, and production).

However, another interesting finding with the SUCs is directly tied to leadership concerns, mainly due to Procurement Law or RA 9184 and Higher Education Act 8292 and how the connection of these two have an effect in terms of how SUCs handle the budget allotted for them by the national government. Specific Republic Acts related to the SUCs mandates are not even fully addressed by the government, particularly budget implications.

Officials from SUCs tend to blame CHED due to its lack of clarity with implementation guidelines. There is, however, a problem on the part of SUCs where continuity of representation by a focal person is not always guaranteed. Furthermore, CHED focuses more on validation, checking, and monitoring SUCs, mainly on their MFOs. However, universities are expected to be more research-oriented while colleges should focus more on extension projects and initiatives. Other PBB requirements are subject to scrutiny of concerned government agencies.

Perceived impact on public services. Based on these findings, there are mixed responses as to whether PBB is capable of increasing performance since faculty members functions are expected of them. Existing literature validated using a decentralization approach, especially with metrics and its implementation. However, centralization is still of importance since targets

required from constituents' delivery units, when consolidated, reflect the organizational goals of the HEI.

There are, however, interesting cases²² to note of, in terms of how SUCs differ regarding their concerns in achieving PBB. These are oftentimes determined on the status and performance universities. Notable of which, in this case, are 1. UP as a National University, 2. PNU as Center of Leadership in Teacher Education, 3. Bicol University and Cebu Technological University inclusion by CHED to compete in the QS (Quaccarelli-Simmonds University Rankings), 4. USTP's merging with another university in the region, 5. Lack of technical expertise, in the case of Cebu Normal College in relation to Budget Utilization Rate (BUR).

DEPARTMENT OF EDUCATION

Conducted over a period of six months (April to October, 2019), this process evaluation draws from official PBB documents of the IATF 25 and of the DepED sent to the entire bureaucracy annually, as well as key informant interviews (KIIs) with principals and PBB focal persons, focus group discussions (FGDs) with key stakeholders, such as rank-and-file teachers, and Division and Regional Performance Review and Committees (RPREC and DPREC) to produce thick descriptions of PBB implementation on the ground. Initial investigation of the PBB implementation in the field yielded the following observations, grouped according to program theory, implementation and governance, and organization.

Program theory. EO No. 80, s. 2012 directs the adoption of the Performance-Based Incentive System (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” (DepED Order No. 38, s. 2018). Nevertheless, it is an idea that does not seem to be fully appreciated by the DepED rank-and-file, notably teachers.

The majority of teachers interviewed see the PBB as an entitlement for the *amount* or *quantity* of work that they have done, rather than an incentive for *quality* of their work. PBB is often viewed as compensation for having done more work, rather than for having done work better. All of the respondents said that the 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 the DepED.

However, one respondent asserted that “PBB is a reward in exchange [for] the effort and obedience of the school in terms of compliance”. This observation is not surprising, and validates what Kohn (1993) has discovered in the study made on the behavior of employees in his analysis of published research on incentives. 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* (emphasis provided). In fact, school teachers in one urban elementary school consider the liquidation of school expenses on time the biggest challenge in qualifying for the PBB.

Interestingly, there is a clear meaning of the objectives of the PBB to non-teaching personnel at the national, regional, and division offices, who are able to articulate what the purposes of

²² These are discussed only for the purposes of this report.

the PBB scheme are, how schools could qualify, and problems encountered during the implementation. On the other hand, it appears that not enough information is cascaded down to the school level, such that even school heads (SHs) are unable to address teachers' queries regarding the PBB. And yet, one participant from the non-teaching personnel in the region is quoted as saying: "We rely on the wisdom of the SH [to impart understanding of the PBB to the teachers on the ground]." At the very least, teachers have to be clarified on the thirteen (13) key performance indicators (KPIs) on which they are evaluated.

Performance and Review Evaluation Committees (PREC's) as well as schools are not well-informed at the start of the PBB about the targets set by the Central office. It is probably best to cascade the design before the implementation so that the employees know and will be guided accordingly. The chairman of the DPREC, and some members of the DPREC together with the HRMO are currently not included in the orientation in the national level. Had they been included in the orientation, this could improve the cascading of information, as well as increase awareness of agency targets. In addition, some respondents mentioned a need to clarify definitions of terms in the guidelines.

Additional findings reveal the following salient points:

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

Implementation and governance. A school year (SY) 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 SHs who provide guidance and direction for the rest of the year. Teachers conduct self-assessments, which are supposed to be validated by School Heads/Principals. This step, however, is not followed in all schools. Evaluation occurs twice a year: midyear in October, and end of school year in March. This step, again, is skipped in some schools. All throughout the school year, teachers provide modes of verification (MOVs) for transparency and accountability measures for targets set, such as posting of 'selfies' when they do home visits for students at risk of dropping out (SARDOs), or providing certificates after attending seminars. For the majority of teachers, providing MOVs in everything that they do is an onerous (and some shared, hypocritical) task.

The absence of communication protocols, as well as the manner of cascading information from the top to the ground, threatens program understanding. Principals are expected to cascade information (e.g. what is expected of teachers, how the school could improve its standing, etc.) but they themselves do not completely understand the PBB scheme. A slew of other concerns echoed by respondents include the following:

- Some teachers complain about the arbitrary date of release of the PBB because there is no set date for payouts. For teachers who look to the PBB as additional income, the uncertainty of the date of release harbors frustration. Some teachers have tagged PBB to mean "*Paasa buwan-buwan*".

- Teachers believe that the PBB scheme is gamed by freeloaders who receive the same benefit even when they do not contribute at all to the productivity of the agency as a whole. Alarming, some principals appease teachers by telling them that a rating of ‘satisfactory’, a minimum requirement for the grant of the PBB, is usually enough.
- When DepED as an agency failed to qualify for the PBB in 2017, the entire bureaucracy, except the rank-and-file teachers, did not receive the top-up bonus. This all-or-nothing situation was decried as unfair by those who actually worked hard to submit requirements to the IATF, such as the non-teaching personnel at the division and regional levels.
- Teachers claim that workload has certainly increased with the guidelines set for the PBB, although a sizable number of them assert that, even without the PBB, they would still be doing what they needed to do. To illustrate, some teachers who belong to the school bidding 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 other duties apart from teaching. (But with the implementation of the new RPMS, the teachers will now be given more time for teaching since they will be evaluated based on their competence, and not on additional administrative tasks. Furthermore, the DepED is planning to provide additional administrative items nationwide to help the teachers with their non-teaching activities and the Recruitment Selection Placement will be revisited and revised soon.)
- Some key performance indicators, such as NAT scores, dropout rates, are misreported. To qualify as an agency, DepED has set a 75% mean percentage score (MPS) on the National Achievement Test (NAT) but despite the effort to spur productivity via an incentive system, the DepED is still unable to achieve that target. (The MPS of the NAT is currently at 40%.) Teachers, and some top officials of the DepED, also argue that learners’ inability to come up to the standards is not solely the teachers’ responsibility. But since these indicators are crucial to agency eligibility, some schools are less than straightforward in submitting these pieces of information to the division.
- Zero dropout rate is a very contentious issue, and reporting of it has sometimes been manipulated. This confirms earlier research suggesting that having a “dropout rate” as part of the performance indicators in the PBB leads teachers to be perversely penalized on not achieving zero dropouts as a measure of teacher quality, which may not necessarily correlate.²³ The following is a quote sourced from the field: “PBB for me, objectively, [motivates me] 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 dropout, 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 don’t 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 drop out, we’ll hit 100% PBB, but it never happened [sic]. So in our reporting, we have this Learner Information System (LIS) we report there all reports in the field regarding dropout -- *ang ginagawa nila ay repeater na hindi dropout*. No dropout but sudden increase in repeater. Sugarcoated *na ang data namin*,

²³ See <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidspn1901.pdf>

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 is only roughly 2000 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% 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 ok eh*. So I don't think it's already performance-based. Where is the performance based?"

Organization. For schools to qualify for the PBB, a series of schedules is observed. In elementary schools, the principals assess the teachers through the Individual Performance Commitment and Review Form (IPCRF). In high schools, Head Teachers 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 regional office prepares communications to the teachers through the division office. From Central Office, to Regional Office (RO), then to District Office (DO), schools, and then down to the teachers. Regional Office relies on the DO to cascade necessary information to schools (as prescribed in RA 9155). Regions monitor whether DOs are able to implement and cascade information to teachers/schools. A Regional Executive Meeting, which happens after the National Management Committee meeting is organized by the RO. This is attended by the Schools Division Superintendents (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 the PBB payouts, schools submit a summarized report of all the IPCRFs of teachers and liquidation reports to the DO through the OPCRf. The division then consolidates all OPCRf of all schools within the division and submits to the RO. The RO then submits those reports to the Central Office, which decides on the ranking of each region, division, and school, as well as the amount of incentives, using a pre-set formula.

One Division office claims to do things differently. They prepare the needed report/data 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 or not 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 collect 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 find this to be more efficient because they already know who will be eligible or not for the PBB.

In sum, Table 23 maps the main findings of the study with the PBB objectives to provide better understanding of the issues and challenges that affect the attainment of these objectives. It also provides policy recommendations to address the issues and challenges. In general, PBB instrument generates 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 have different impacts across agencies - with already well-performing agencies able to respond better, and less effective agencies potentially facing greater difficulty in responding to new requirements. Team-level collaboration effects vary as some teams cohere better in order to achieve team-based targets; while other teams collude in gaming the PBB. Staff member-level effects also vary, 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).

Table 23. Main Findings and Recommendations

PBB Objectives	Issues	Recommendations
<p>Recognize and reward exemplary performance in the public sector to enhance service delivery by the bureaucracy.</p>	<p>Mixed Compliance - Varying compliance by different agencies and offices, with different coping strategies to qualify for PBB, and some potentially perverse outcomes.</p> <ul style="list-style-type: none"> • Massaging data reported in order to maximize compliance (hence the chances of receiving the PBB). • 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 their dropout indicators for the school. 	<p>Cascading of information about the rationale for the PBB as a reform measure (and that rewards are not merely for quantity of tasks, but also quality of work).</p> <p>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 non-financial incentives in the future.</p>
	<p>Mixed Perceptions – wide array of views on whether and to what extent PBB actually improves public services</p> <ul style="list-style-type: none"> • Strong understanding and appreciation of PBB rationale among national agencies and staff members • PBB works, 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>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, in order to ensure that all of the increased compensation is tied to better government services.</p>
	<p>Indicators and Requirements - SUCs raised issues on the indicators and targets, as well as the prospects for their attainment. This is true in the case where units over-perform. HEI must not deliver a performance below its previous target.</p>	<p>It is critical that PBB be understood within a broader reform context across these agencies. Staff in agencies that are “overwhelmed” with requirements may actually be discouraged rather than incentivized—so it is critical that</p>

	Unintended consequence – tendency to increase overtime	reform roadmaps in each agency be synced with the use of PBB.
	For NGAs, there had been increasing number of requirements through the years, which are more stringent, making it more difficult for agencies to be eligible for the incentive. Unintended consequence – tendency to increase overtime	Since the yearly changes in PBB guidelines are confusing and generates documentary burdens to government entities, the DBM and AO Secretariat should institute changes in 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 in some agencies, e.g. 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 non-financial incentives in the future.
Nurture team spirit towards the effective execution of operational plans by linking personnel incentives to the bureau or delivery unit’s performance	Best practice identified among the agency representatives is the strengthened team work. Employees become more aware of their responsibilities and deadlines having accountability for each other. Unintended Consequences <ul style="list-style-type: none"> • Jealousy among employees • Unnecessary competition • Perception of arbitrary ratings NB. Unfair ratings in some units created discord.	Revisit rating system for individual performance
Strengthen performance monitoring and appraisal systems based on existing systems like the OPIF)which is used by DBM to measure agency performance, the SPMS of the CSC which links individual performance to organizational performance, and the RBPMS under AO 25.	<ul style="list-style-type: none"> • Problems of miscommunication and cascading down of information. • Monitoring and evaluation for SUCs with multiple campuses – challenges in IT infrastructure and available technologies 	<ul style="list-style-type: none"> • Improvement of the process of training the focal point persons • IT systems as viable solution but limited due to structural concerns such as lack of internet access in remote areas.

Finally, we note here that the PBB can be continued, but with some possible improvements on 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 government focus on using the PBB for agency-level objectives only?
- Should government consider supporting weaker agencies, in order to avoid inequality in compliance capabilities and outcomes?

- Is PBB still effective given SSL and other public sector income enhancing 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 front-line agencies' work?
- To help enhance agency-level compliance, should guidelines and documentary burdens be further streamlined as part of 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 non-financial incentives to complement PBB?

6. Bibliography

- Administrative Order (AO) No. 25. 2011. Creating an Inter-Agency Task Force on the Harmonization of National Government Performance Monitoring, Information and Reporting Systems.
- 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, Oriana, Adnan Khan, and Julia Tobias. 2017. Rewarding Bureaucrats: Can Incentives Improve Public Sector Performance? IGC Growth Brief Series 008. London: International Growth Centre.
- Bowman, James. 2010. The Success of Failure: The Paradox of Performance Pay. *Review of Public Personnel Administration*, 30(1): 70–88.
- Burgess, Simon and Marisa Ratto. 2003. The Role of Incentives in the Public Sector: Issues and Evidence. CMPO Working Paper Series No. 03/071. Bristol: Centre for Market and Public Organisation. University of Bristol.
- Dixit, Avinash Kamalakar. 2002. Incentives and Organizations in the Public Sector: An Interpretative Review. *The Journal of Human Resources*, 37(4): 696-727.
- Executive Order No. 80. 2012. Directing the Adoption of a Performance-Based Incentive System for Government Employees.
- Executive Order No. 43. 2011. Pursuing Our Social Contract with the Filipino People Through the Reorganization of the Cabinet Clusters.
- Festre, Agnes and Pierre Garrouste. 2008. Motivation, Incentives, and Performance in the Public Sector. Paris: Centre d'économie de la Sorbonne (CES).
- 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. (Ed). (2001). *Handbook of organizational behavior*. 2nd ed. New York: CRC Press.
- Hasnain, Zahid, Nick Manning, and Jan Henryk Pierskalla. 2012. Performance-Related Pay in the Public Sector: A Review of Theory and Evidence
- <http://www.chanrobles.com/legal1b.htm#.YXwJSURWEc>
- <https://www.dap.edu.ph/rbpms/downloads/>
- <http://www.ph.net/htdocs/government/phil/gov-corp/index.html>
- <https://www.philembassy.no/the-philippine-government>

- Khan, Adnan, Asim Khwaja, and Benjamin 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*. September October. Accessed from the HBR website on April 11, 2019.
<https://hbr.org/1993/09/why-incentive-plans-cannot-work>
- Lewin, David. 2003. Incentive Compensation in the Public Sector: Evidence and Potential. *Journal of Labor Research*, 24(4): 597-619.
- Maslow, Abraham Harold. 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.
- _____, The Nature of Government, [www. Uhistory.org/gov/1a.asp](http://www.Uhistory.org/gov/1a.asp)
- Mogultay, Ulas. nd. Making Performance Pay More Successful in Public Sector. *Turkiye Cumhuriyeti Disisleri Bakanligi*.
- Montana, Patrick and Bruce Charnov. 2008. Management – 4th edition. Barron's Educational Series, Inc. ISBN 978-0-7641-3931-4.
- Muralidharan, Karthik and Venkatesh Sundararaman. 2011. Teacher Performance Pay: Experimental Evidence from India. *Journal of Political Economy*, 119(1): 39-77.
- National Economic and Development Authority (NEDA). Philippine Development Plan (PDP) 2011-2016.
- Olken, Benjamin, Junko Onishi, and Susan 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, James, Trent Engbers, and So Yun Jun. 2009. Back to the Future? Performance-Related Pay, Empirical Research, and the Perils of Persistence. *Public Administration Review*.
- Rasul, Imran and Daniel Rogger. 2016. Management of Bureaucrats and Public Service Delivery: Evidence from the Nigerian Civil Service. *The Economic Journal*, 128: 413-446.
- Republic Act No. 10149 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, 2010 (lawphil.net)
- Rusa, Louis, Miriam Schneidman, Gyuri Fritsche, and Laurent Musango. 2009. Rwanda: Performance-Based Financing in the Public Sector. In *Performance Incentives for Global*

Health: Potentials and Pitfalls, edited by Rena Eichler, Ruth Levine, and the Performance-Based Incentives Working Group, 189-214. Baltimore: Brookings Institution Press.

Suff,P., Reilly, P., and A. Cox. 2007. Paying for Performance: New Trends in Performance-related Pay. Brighton: *Institute for Employment Studies*, 1-32.

World Bank. 2014a. Pay Flexibility and Government Performance: A Multicountry Study. 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 DC: World Bank.

ANNEX TABLES

Annex Table 1: Good Governance Conditions								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
Good Governance Conditions		Satisfy 100% GGCs.	Satisfy 100% GGCs.	Satisfy 100% GGCs. A pre-assessment of agency compliance with the GGCs and other PBB requirements shall be conducted.	Satisfy 100% GGCs.	Satisfy 100% GGCs.	Satisfy 100% GGCs.	Satisfy 100% GGCs.
Transparency Seal	Mandatory posting of budget reports (Agency TS)	Maintain / update TS containing the ff info:	Maintain / update TS.	Maintain / update TS.	Maintain / update TS.	Maintain / update TS.	Maintain / update TS.	Maintain / update TS.
		Agency mandates, functions, contact information of its officials		Agency mandate, vision, mission and list of officials	Agency mandates, functions, names of its officials with their position & designation, and contact information	Agency mandates, functions, names of its officials with their position & designation, and contact information	Agency mandates, functions, names of its officials with their position & designation, and contact information	Agency mandates, functions, names of its officials with their position & designation, and contact information
		Statement of Allotments and Obligations for 2011 & 2012		Quarterly and Annual Financial Reports			Annual Financial Reports	Annual Financial Reports

Annex Table 1: Good Governance Conditions								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
Transparency Seal		Approved budget for 2013 and MFO targets;		DBM-Approved Budget and Targets for FY 2015	DBM-Approved Budget and Targets for FY 2016	DBM-Approved Budget and Targets for FY 2017	DBM Approved Budget and Corresponding Targets for FY 2018.	DBM Approved Budget and Corresponding Targets for FY 2019.
		Major programs and projects classified according to the Five Key Result Areas		Programs, Projects and Activities, Beneficiaries, and Status of Implementation for FY 2015.	FY 2016 Major Programs and Projects categorized in accordance with the Five Key Result Areas		Major Projects, and Programs, Beneficiaries, and Status of Implementation for FY 2018	Projects, Programs and Activities, Beneficiaries, and Status of Implementation for FY 2019.
		Program / project beneficiaries as identified in Special Provisions in the Agency Budget;			The program / project beneficiaries as identified in the applicable special provisions.	Projects, Programs and Activities, Beneficiaries, and Status of Implementation for FY 2017.		
		Status of implementation of major programs / projects;			Status of implementation, evaluation, and/or assessment reports			
		Annual procurement plan, name of suppliers/ contractors/ consultants.		Annual procurement plan (APP) FY 2015	FY 2016 APP	FY 2017 APP-nonCSE in the format prescribed under GPPB Circular No. 07-2015, which should be posted	FY 2018 Annual Procurement Plan (FY 2018 APP Non-CSE), Indicative FY 2019 APP Non-CSE, and FY	FY 2019 Annual Procurement Plan (FY 2019 APP non-CSE), Indicative FY 2020 APP non-CSE; and FY

Annex Table 1: Good Governance Conditions								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
Transparency Seal						not later than one month after the issuance of this Circular and the FY 2018 APP-CSE based on the guidelines to be issued by DBM through a separate circular letter.	2019 APP for Common-Supplies and Equipment (FY 2019 APP CSE).	2020 APP for Common-Supplies and Equipment (FY 2020 APP CSE);
				Posting of agency's 1) system of ranking delivery units and individuals; 2) Quality Management Certificate from an international certifying body or the agency Operations Manual whichever is applicable	QMS ISO Certification for at least one core process by any international certifying body approved by the IATF or ISO-aligned QMS documents	QMS ISO Certification of at least one core process by any international certification body (ICB) accredited by an International Accreditation Forum (IAF), following through with the progress achieved in 2016.	Quality Management System (QMS) Certification to ISO 9001:2015 issued by any of the certification bodies (CBs) accredited by the International Accreditation Forum (IAF) members or similar standards relating to Total Quality Management (TQM), e.g. Philippine Quality Award, ISO/IEC 17025,	QMS Certification of at least one core process by an international certifying body (ICB) accredited by the International Accreditation Forum (JAF) members.

Annex Table 1: Good Governance Conditions								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
Transparency Seal							ISO 17020, and Omentum Accreditation Canada, of at least one (1) core process or frontline service.	
				The system of ranking delivery units and individuals should be posted in the agency transparency seal and disseminated to employees.	System of ranking delivery units	System of ranking delivery units	System of Agency Ranking Delivery Units for FY 2018 PBB	System of Ranking Delivery Units for FY 2019 PBB
						FOI Manual	The Final People's Freedom to Information (FOI) Manual signed by head of agency; Agency Information Inventory; 2017 and 2018 FOI Summary Report, and 2017 and 2018 FOI Registry.	The Final People's Freedom to Information (FOI) Manual signed by head of agency; Agency Information Inventory; 2019 FOI Registry, and 2019 FOI Summary Report.

Annex Table 1: Good Governance Conditions								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
Transparency Seal								The links to the documents should open in a new tab/page for preview with option to download.
								Post the documents in the prescribed order as indicated in this guideline for easier validation and checking.
								There should be no nesting folders.
PhilGEPS	Posting of all invitations to bid and awarded contracts.	Maintain /update PhilGEPS.	Maintain /update PhilGEPS.	Maintain/update PhilGEPS. Submit Certificate of Compliance.	Maintain/update PhilGEPS.	Maintain/update PhilGEPS.	Post/update of PhilGEPS.	Post/update of PhilGEPS.

Annex Table 1: Good Governance Conditions								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
Citizen's Charter/ Service Charter	Establishment of Citizen's Charter or its equivalent.	Update to reflect improvements in service delivery.	Maintain / update, completing the reflection of 3 improvements in the front-line services.	Maintain/update Citizen's Charter/Service Charter.	Maintain/update Citizen's Charter/Service Charter.	Maintain/update the Citizen's or Service Charter or equivalent, reflecting the agency's enhanced service standards for all its front-line services to citizens, businesses, and government agencies.	Maintain/update the Citizen's or Service Charter or its equivalent, reflecting the agency's enhanced service standards for all its front-line services to citizens, businesses, & government agencies. The Certificate of Compliance (CoC) submitted pursuant to CSC MC No. 14, s. 2017 shall be the basis for the validation for FY 2018.	Maintain/update the Citizen's or Service Charter or its equivalent, reflecting the agency's enhanced service standards for all its front-line services to citizens, businesses, & government agencies. The Certificate of Compliance (CoC) based on the format prescribed by ARTA.
ARTA						1) Citizen's Charter; 2) Self-assessment and reporting of improvements made by the agency to implement the CSC		

Annex Table 1: Good Governance Conditions								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
						Memorandum Circular No. 14 s. 2016. The agency needs to target all possible actions / measures to reach the enhanced service standards in 2018 should events/factors prevent it from reaching these in 2017.		
Cash Advance	Liquidation within the reglementary period.	Liquidation within the reglementary period.						
SALN		Compliance with submission and review of SALNs.	Compliance with submission and review of SALNs.					
System of Ratings and Rankings		Rank performance of bureaus or delivery units and the personnel within these units.		Use the CSC-approved SPMS in rating and ranking First and Second Level employees and officials of departments/	Use the CSC-approved SPMS in rating and ranking First and Second Level employees and officials of departments/	Use the CSC-approved SPMS in rating and ranking First and Second Level employees and officials of departments/	Use the CSC-approved SPMS in rating and ranking First and Second Level employees and officials of departments/	Use the CSC-approved SPMS in rating and ranking First and Second Level employees and officials of departments/

Annex Table 1: Good Governance Conditions								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
				agencies of the national and local governments.	agencies of the national and local governments.	agencies of the national and local governments.	agencies of the national and local governments.	agencies of the national and local governments.
Freedom of Information						Develop the agency's FOI Manual pursuant to requirements and provisions of EO No. 2 s. 2016.	The Final People's Freedom to Information (FOI) Manual signed by head of agency; Agency Information Inventory; 2017 and 2018 FOI Summary Report, and 2017 and 2018 FOI Registry.	Updated FOI manual, FOI reports, screenshot of the agency website's home page containing a visible and functional FOI logo linked to the electronic FOI portal (www.foi.ciov.ph) submitted through email: foi.pco@gmail.com

Annex Table 1: Good Governance Conditions								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
SALN Procedure							Establishment and Conduct of Agency Review & Compliance Procedure of SALN. Each department /agency shall have a SALN Review & Compliance Committee to implement the provisions on reviewing and complying with SALN requirements to determine whether said statements have been submitted on time, are complete, and are in proper form.	Establishment and Conduct of Agency Review & Compliance Procedure of SALN. Each department /agency shall have a SALN Review & Compliance Committee to implement the provisions on reviewing and complying with SALN requirements to determine whether said statements have been submitted on time, are complete, and are in proper form.

Annex Table 2: Physical Targets								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
Major Final Outputs (MFOs)	Achieve at least 90% of MFO targets submitted to Congress.	Achieve at least 90% of MFO targets submitted to Congress.	Achieve at least 90% of each one of Congress-approved performance targets for the delivery of MFOs under the Performance Informed Budget/GAA.	Achieve at least 90% of each one of Congress-approved performance targets for the delivery of MFOs under the Performance Informed Budget/GAA.	Achieve agency performance targets under their respective MFOs under the PIB. MFO indicators and targets approved by Congress shall be the basis for assessing PBB eligibility.	<p>Achieve each of the Congress-approved performance targets for the delivery of MFOs under the PIB. MFO indicators and targets approved by Congress shall be the basis for assessing PBB eligibility.</p> <p>Organizational performance in the achievement of MFO targets shall be closely monitored through the use of the quarterly agency accountability reports uploaded in the DBM Unified Reporting System (URS) to indicate the progress</p>	<p>Achieve each one of the Physical Targets. For SUCs, achieve each one of the Congress-approved performance targets under the FY 2018 General Appropriations Act, and the FY 2018 STO and GASS requirements.</p> <p>For GOCCs, achieve the targets reflected in their approved FY 2018 Performance Scorecard and eligibility requirements specified in a separate guideline to be issued by GCG.</p>	<p>Achieve each one of the Physical Targets. For SUCs, achieve each one of the Congress-approved performance targets under the FY 2019 General Appropriations Act, and the FY 2019 STO and GASS requirements.</p> <p>For GOCCs, achieve the targets reflected in their approved FY 2019 Performance Scorecard and eligibility requirements specified in a separate guideline to be issued by GCG.</p>

Annex Table 2: Physical Targets								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
						towards the accomplishment of broader sectoral and societal outcomes targeted by the agency for improving the lives of Filipinos.	<p>For LWDs, achieve each one of the physical targets, STO and GASS indicators as identified by LWUA in a Joint Memorandum Circular to be issued by LWUA and DBM.</p> <p>For LGUs, performance targets shall be based on the Guidelines on the Grant of PBB for LGUs to be issued by the AO 25 IATF and DILG.</p>	<p>For LWDs, achieve each one of the physical targets, STO and GASS indicators as identified by LWUA in a Joint Memorandum Circular to be issued by LWUA and DBM.</p> <p>For LGUs, performance targets shall be based on the Guidelines on the Grant of PBB for LGUs to be issued by the AO 25 IATF and DILG.</p>
Priority program/project targets agreed with the President under Five Key Result Areas (KRA) of EO No. 43, s. 2011	Achieve atleast 90%.	Achieve atleast 90%.	Achieve atleast 90%.	Achieve atleast 90%.				

Annex Table 2: Physical Targets								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
OP Planning Tool / Ease of Doing Business			Ease of Doing Business targets set by the National Competitive Council (NCC) shall also be added to the targets of agencies.	Commitments of the Department Secretary/Head of Agency approved by the President/Office of the Cabinet Secretary as reflected in the OP Planning Tool for FY 2015 and Ease of Doing Business targets set by the National Competitive Council (NCC), which shall be treated as over and above the Congress-approved PIB/GAA targets.				

Annex Table 2: Physical Targets								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
Streamlining and Process Improvements							AO 25 IATF is requiring NGAs, and GOCCs covered by DBM to streamline government processes, achieve higher citizen/client satisfaction, and sustain fiscal discipline.	For NGAs and GOCCs covered by DBM, achieve the streamlining requirements of government services, achieve higher citizen/client satisfaction, and achieve fiscal discipline.
							Streamlining and Process Improvement of the Agency's Critical Services covering Government-to-Citizens (G2C), Government-to-Businesses (G2B), and Government-to-Government (G2G) transactions as cited in the agency's Citizen's/Service	Streamlining and Process Improvement of the Agency's Critical Services covering Government-to-Citizens (G2C), Government-to-Businesses (G2B), and Government-to-Government (G2G) transactions as cited in the agency's Citizen's/Service

Annex Table 2: Physical Targets								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
							Charter. (No. of steps, transaction costs, including primary and other transaction costs, substantive compliance cost, number of signatures, number of documents, turnaround time).	Charter. (No. of steps, transaction costs, including primary and other transaction costs, substantive compliance cost, number of signatures, number of documents, turnaround time).
Citizen/Client Satisfaction							The satisfaction level of the citizens/clients will be measured and reported. Thus, agencies should embed feedback mechanisms & citizen/client satisfaction measurement in their process improvement efforts. Agencies shall report the results of the Citizen/Client	

Annex Table 2: Physical Targets								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
							Satisfaction Survey for each service.	

Annex Table 3: Support to Operations								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
Support to Operations		Achieve at least 90% of STO.	Achieve at least 90% of STO.	Achieve at least 90% of STO.	Achieve targets for STO.	Achieve targets for STO.	Achieve targets for STO.	Achieve targets for STO.

Annex Table 3: Support to Operations								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
2nd Indicator			Identified by the Agency Head.	Identified by the Agency Head.	Identified by the Agency Head.	Identified by the Agency Head.		
Quality Management System (QMS) or Operations Manual			Common target should be the establishment of QMS aligned with ISO standards or the continuing certification of one front line service, whichever is applicable.	Quality Management System (QMS) for at least one core process certified by any international certifying body approved by the IATF or the submission of an Operations Manual covering selected core processes or areas of operation.	Establishment of a QMS for at least one core process certified by any international certifying body approved by the IATF or ISO-aligned documentation of its QMS for one core process as evidenced by the presence of: 1) Approved Quality Manual; 2) Approved Procedures and Work Instructions Manual including Forms	Certification/ Continuing certification of the Quality Management System (QMS) for at least one core process. The certification must be issued by any international certification body (ICB) accredited by the International Accreditation Forum (IAF) members. Preferably, the ICB is accredited by the Philippine Accreditation Board, Department of Trade and Industry, which is a member of the	Initial certification/ Recertification of the QMS for at least one (1) core process or frontline service as mandated under its existing pertinent laws. For frontline agencies, it is expected that the core process pertains to an agency process most demanded by citizens and business and targeted for improvement.	Initial certification/ Recertification of the QMS for at least one (1) core process or frontline service as mandated under its existing pertinent laws. For frontline agencies, it is expected that the core process pertains to an agency process most demanded by citizens and business and targeted for improvement.

Annex Table 3: Support to Operations								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
						IAF and authorized to accredit ICBs.		
ISO Certification/ISO aligned/equivalent						<p>If an agency is not yet ISO certified, it should have at least an ISO-aligned documentation for at least one core process, to include the following:</p> <p>1) Approved Quality Manual and approved Procedures & Work Instructions Manual, including Forms;</p> <p>2) Evidence of ISO 9001-aligned QMS implementation, i.e. (1) Certification of</p>		

Annex Table 3: Support to Operations								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
						<p>the Head of the Agency on the conduct of Internal Quality Audit; and (2) Minutes of the FY 2017 Management Review.</p> <p>For frontline agencies, it is expected that the core process pertains to an agency process most demanded by citizens and businesses.</p>		

Annex Table 4: General Administrative Support Services								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
General Administrative Support Services		Achieve at least 90% of GASS.	Achieve at least 90% of GASS.	Achieve at least 90% of GASS.	Achieve targets for GASS.	Achieve targets for GASS.	Achieve targets for GASS.	Achieve targets for GASS.
Budget Utilization Rate (BURs)			Two measures: 1) Obligations BUR, and 2) Disbursement BUR	BUR which shall consists of Obligations BUR and Disbursements BUR.	BUR which shall consists of Obligations BUR and Disbursements BUR.	BUR which shall consists of Obligations BUR and Disbursements BUR. (Different BUR computations for GOCCs, SUCs)	BUR which shall consists of Obligations BUR and Disbursements BUR. (Different BUR computations for GOCCs, SUCs)	BUR which shall consists of Obligations BUR and Disbursements BUR. (Different BUR computations for GOCCs, SUCs)
COA Financial Reports				Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Notes to Financial Statements	Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets /Equity, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Notes to Financial Statements			

Annex Table 4: General Administrative Support Services								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
Budget and Financial Accountability Reports (BFARs)				Compliance to Public Financial Management (PFM) reporting requirements including BFARs.	Compliance to Public Financial Management (PFM) reporting requirements including BFARs.	Quarterly submission of Budget and Financial Accountability Reports (BFARs) online using the DBM's Unified Reporting System (URS) 30 days after end of each quarter.		Compliance with Quarterly Submission of Budget and Financial Accountability Reports (BFARs) Online Using the DBM's Unified Reporting System (URS) 15 days after end of each quarter.
Cash Advance				Report on Ageing of Cash Advances.	Report on Ageing of Cash Advances.			
Annual Procurement Plan - Non-Common-Use Supplies and EquipmentAPP (Non CSE)						FY 2017 APP-nonCSE in the format prescribed under GPPB Circular No. 07-2015, which should be posted not later than one month after the issuance of this Circular.	Submission of Annual Procurement Plan (APP-non CSE) approved by the Head of Procuring Entity (HOPE) to the Government Procurement Policy Board (GPPB).	Submission of Annual Procurement Plan (APP-non CSE) approved by the Head of Procuring Entity (HOPE) to the Government Procurement Policy Board (GPPB).

Annex Table 4: General Administrative Support Services								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
Agency Procurement Compliance and Performance Indicators (APCPI)				Adoption and use of the 2014 Agency Procurement Compliance and Performance Indicators (APCPI) System.	Adoption and use of the 2015 Agency Procurement Compliance and Performance Indicators (APCPI) System. Submission of the APCPI results complete with Self-Assessment Forms, Consolidated Procurement Monitoring Board, Procurement Capacity Development Action Plan, Questionnaire.		Submission of results of FY 2017 Agency Procurement Compliance and Performance Indicators (APCPI) System.	Submission of results of FY 2018 Agency Procurement Compliance and Performance Indicators (APCPI) System.

Annex Table 4: General Administrative Support Services								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
Annual Procurement Plan - Common-Use Supplies and Equipment (APP-CSE)				Submission of agency Annual Procurement Plan (APP) based on the approved budget in the GAA to the Government Procurement Policy Board (GPPB) and its Technical Support Office (TSO)	Submission of agency Annual Procurement Plan (APP) based on the approved budget in the GAA to the Government Procurement Policy Board (GPPB) and its Technical Support Office (TSO). APPs must be approved by the Head of the Procuring Entity and submitted within one month from the issuance of the circular using the prescribed format.	FY 2017 APP-CSE based on the guidelines to be issued by DBM through a separate circular letter.	Submission of FY 2019 Annual Procurement Plan-Common-Use Supplies and Equipment (FY 2019 APP-CSE).	Submission of FY 2020 Annual Procurement Plan-Common-Use Supplies and Equipment (FY 2020 APP-CSE).

Annex Table 4: General Administrative Support Services

Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
30% COA AR						The Departments/ Agencies shall have fully complied with at least 30% of the prior years' audit recommendations, as shown in the Report on Status of Implementation of Prior Years' Recommendations of the Annual Audit Report (AAR). The objective is to improve the agency's internal control processes, operate effectiveness, and eliminate most, if not all of these audit findings are resolved and remedied by the end of 2019.	Sustained Compliance with Audit Findings. Fully implement 30% of the prior years' audit recommendations as shown in the Report on Status of Implementation of Prior Years' Recommendations. These recommendations will exclude the Property, Plant and Equipment (PPE)-related items of the Annual Audit Report (AAR). Audit findings closed in FY 2017 should also not recur. The objective is to improve the agency's internal control processes, enhance	Sustained Compliance with Audit Findings. Fully implement 30% of the prior years' audit recommendations as shown in the Report on Status of Implementation of Prior Years' Recommendations. These recommendations will exclude the Property, Plant and Equipment (PPE)-related items of the Annual Audit Report (AAR). Audit findings closed in FY 2017 should also not recur. The objective is to improve the agency's internal control processes, enhance

Annex Table 4: General Administrative Support Services								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
30% COA AR							operational effectiveness, and eliminate, resolve and remedy most, if not all, of the agency audit findings, by the end of 2020.	operational effectiveness, and eliminate, resolve and remedy most, if not all, of the agency audit findings, by the end of 2020.
Early Procurement							Undertaking of Early Procurement for at least 500/b of the value of goods and services based on the department's/ agency's budget submitted to the Congress	Undertaking of Early Procurement for at least 500/b of the value of goods and services based on the department's/ agency's budget submitted to the Congress

Annex Table 4: General Administrative Support Services								
Eligibility Requirements	2012	2013	2014	2015	2016	2017	2018	2019
							consistent with the NEP.	consistent with the NEP.

Annex Table 5: Others								
Others	2012	2013	2014	2015	2016	2017	2018	2019
Phase	Initiation Phase	Harmonization Phase	Stabilization Phase	Institutionalization Phase	Institutionalization Phase	Tightening Phase	Focusing on Results that Matter to the Citizens	Driving towards Integration and Collaboration for Streamlined Government
Coverage	Departments, Agencies, and SUCs, GOCCs	Departments, Agencies, and SUCs, GOCCs, OEOs, OP attached agencies	Departments, Agencies, and SUCs, GOCCs, OEOs, OP attached agencies, LWDs	Departments, Bureaus, Offices and Other Agencies of the National Government, including Constitutional Commissions, Congress, The Judiciary, Office of the Ombudsman, SUCs, GOCCs and LWDs	Departments, Bureaus, Offices and Other Agencies of the National Government, including Constitutional Commissions, Congress, The Judiciary, Office of the Ombudsman, SUCs, GOCCs, LWDs and LGUs	Departments, Bureaus, Offices and Other Agencies of the National Government, including Constitutional Commissions, Congress, The Judiciary, Office of the Ombudsman, SUCs, GOCCs, LWDs and LGUs	Departments, Bureaus, Offices and Other Agencies of the National Government, including Constitutional Commissions, Congress, The Judiciary, Office of the Ombudsman, SUCs, GOCCs, LWDs and LGUs	Departments, Bureaus, Offices and Other Agencies of the National Government, including Constitutional Commissions, Congress, The Judiciary, Office of the Ombudsman, SUCs, GOCCs, LWDs and LGUs
Rates of Incentive	Nominal amount (P5000 - P35000)	Nominal amount (P5000 - P35000)	Nominal amount (P5000 - P35000)	Nominal amount (P5000 - P35000)	Percentage of base pay (Best - 65%, Better - 57.5%, Good - 50%)	Percentage of base pay (Best - 65%, Better - 57.5%, Good - 50%) The amount of PBB for	Percentage of base pay (Best - 65%, Better-57.5%, Good - 50%)	Percentage of base pay (Best - 65%, Better - 57.5%, Good - 50%)

Annex Table 5: Others								
Others	2012	2013	2014	2015	2016	2017	2018	2019
					The amount of PBB for individuals are based from their delivery unit's performance category.	individuals are based from their delivery unit's performance category.	The amount of PBB for individuals are based from their delivery unit's performance category.	The amount of PBB for individuals are based from their delivery unit's performance category.
Rating and Ranking	Group: 10-25-65 Individual: 10-25-65 (*2013) Best & Better: 15-30-65 Good: 10-25-65	Group: 10-25-65 Individual: 10-25-65 (*2013) Best & Better: 15-30-65 Good: 10-25-66	Group: 10-25-65 Met PT/EODB: 15-30-65 Individual Best: 20-35-45 Better: 15-30-55 Good: 10-25-65	Group: 10-25-65 Met PT/EODB: 15-30-65 Individual Best: 20-35-45 Better: 15-30-55 Good: 10-25-66				
Participation Rate	96% (184 out of 189)	98% (189 out of 192)	99% (190 out of 192)	99% (306 out of 308)	99% (305 out of 307)	99% (307 out of 309)		

Annex Table 6. Regional-Level Ranking for 2012 PBB, in Points

Performance Indicators	Maximum Points	Point System
Regional rank depends on 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 to the maximum points</p> <p>Example: %BEST divisions = 90%</p>
% 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 AAFP to the maximum points.</p> <p>Example: %accomplishments/utilization = 90%</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: %schools with Permit to Operate = 90%</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 to 0 points. The score will be computed as follows:</p> <p>Score = $10 - (2 \times \text{number of complaints})$</p> <p>Example: Number of complaints = 2</p> <p>$10 - (2 \times 2) = 6$ points</p>

Source: DepED DO 12, s. 2013

Annex Table 7. Weight of Key Performance Indicators (KPIs) of regions, in points, (2012-17)

Key Performance Indicators	2012	2013	2014	2015	2016	2017
OPCRF				50	80	70
BUR				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
% 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 % of private schools with permit to operate or which acquired recognition to total number of private schools	20	10	10	5	10	10
% 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						
Timeliness and completeness of submission of budget execution documents and accomplishment reports (i.e. BEDs and BARs) to the Planning Office	10					
% of liquidation of cash advances from January to December [of any given year]		10	10	5		
		5	5	5	5	5
Total	100	100	100	100	100	100

Source: Author's tabulation

Annex Table 8. Central-level ranking for 2012 PBB, in points

Performance Indicators	Maximum Points	Point system
1. Percentage of Accomplishment /utilization vis-à-vis Annual WFP	40	The score will be computed by multiplying the percentage of accomplishment/utilization vis-à-vis the annual WFP to the maximum points. Example: %utilization = 90% $0.90 \times 40 = 36$ points
2. Timeliness of Accomplishment Reports (BEDs and BARs)	40	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. Example: Reports submitted on time: 3 Required number of reports: 4 $(3 / 4) \times 40 = 30$ points
3. Proportion of cash advances received and liquidated	20	The score will be computed by multiplying the proportion of cash advances received and liquidated to the maximum points. Example: %Received/Liquidated = 90% $0.90 \times 20 = 18$ points

Source: DepED DO 12, s. 2013

Annex Table 9. Weight of Key Performance Indicators (KPIs) of the CO, in points, (2012-17)

Key Performance Indicators	2012	2013	2014	2015	2016	2017
1. Percentage of Accomplishment /utilization vis-à-vis Annual WFP	40	50	50	25		
2. Timeliness and completeness of submission of budget execution documents and accomplishment	40	10	10	5		
3. % (or proportion) of liquidation of cash advances	20	40	40	20	5	5
4. OPCRf				50	80	80*/70**
5. Average OPCRf ratings of division, offices, units					5	5
6. BUR					10	10
Total	100	100	100	100	100	100

Source: Author's tabulation

Note: *Type A Delivery units; **Type B delivery units