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Evaluation of the effects of the performance-based bonus incentive scheme

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Evaluation of the Effects of the Performance-Based Bonus Incentive Scheme

Jose Ramon G. Albert, Ronald U. Mendoza, Janet S. Cuenca, Jana Flor V. Vizmanos, and Mika S. Muñoz

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Evaluation of the Effects of the Performance-Based Bonus Incentive Scheme

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Abstract

In 2012, the government established a Performance-Based Bonus (PBB) scheme to reward performance, align individual personnel and team-level efforts with agency-wide targets, and improve public service delivery in the Executive Department. The Department of Budget and Management, together with other oversight agencies and the Development Academy of the Philippines, manage the implementation of the PBB using the framework of the Results-Based Performance Management System. They deem 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, especially given the budgetary implications of the incentive scheme. Prior to this study, a process evaluation of the PBB was conducted to clarify whether and to what extent the PBB worked as planned. This follow-up study examines the possible impact of the PBB by employing mixed methods research drawing on primary and secondary data, undertaking not only a perception-based survey on effects of the PBB on over 1,200 respondents, but also seven focus group discussions with PBB focal points and members of the performance management teams of selected agencies, as well as representatives of oversight agencies. The findings suggest while the PBB has had some design issues and implementation challenges (e.g. changes in eligibility requirements across the years, gaming and dysfunctional behavior), the PBB is generally welcomed across the bureaucracy. Further, there is evidence that the PBB has contributed to boosting individual, team-level and agency-wide improvements in motivation and productivity. Results of the study suggest that PBB could be further re-designed to sharpen its effects on public sector reform.

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

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Evaluation of the effects of the Performance-Based Bonus incentive scheme

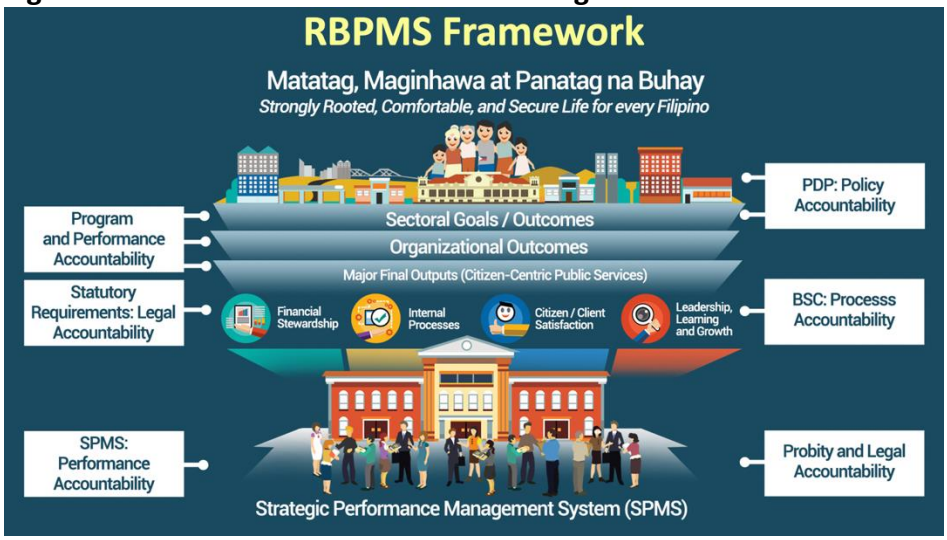
Jose Ramon G. Albert, Ronald U. Mendoza, Janet S. Cuenca, Jana Flor V. Vizmanos and Mika S. Muñoz[1]

1. Introduction

Across countries, improving public sector performance has been a development concern given the critical role of government not only in providing public goods, but also in setting the overall socio-economic climate. The effectiveness of public services essentially depends on the performance of the people who deliver them. Thus, performance management in the public sector is critical (World Bank 2014a). Civil servants need to be accountable to the people at all times and they serve the people with utmost responsibility, integrity, loyalty, and efficiency. (See Section 32, Chapter 9 of Executive Order (EO) No. 292, s. 1987).

To support its public sector reform agenda, the government established the Results-Based Performance Management System (RBPMS) in 2011, with the issuance of Administrative Order (AO) No. 25, s., 2011. The RBPMS incorporates a common set of performance scorecards and establishes an accurate, accessible, and up-to-date government-wide, sectoral, and organizational performance information system (**Figure 1**). The RBPMS was meant to heighten accountability with a set of comprehensive performance indicators across government institutions linking organizational and individual performance to five key results areas (KRAs) of the government's social contract, the results matrix of the Philippine Development Plan (PDP), and the Organizational Performance Indicators Framework (OPIF).

Figure 1. Results-Based Performance Management



Source: AO 25 Secretariat (2019).

AO 25 s., 2011 also established an inter-agency task force (IATF) on the harmonization of national government performance monitoring, information and reporting systems. It emphasized that performance monitoring, evaluation, information and reporting are important

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elements of an effective and efficient performance management system. It deemed as critical the initiative "to rationalize, harmonize, streamline, simplify, integrate, and unify the efforts of government agencies mandated to exercise broad oversight of government agencies' performance relative to the National Leadership's Agenda, the Philippine Development Plan, agency mandates, commitments, and targets" (AO 25 Secretariat 2019, p.2).

Over the years, the government adopted a number of performance and budget reforms to heighten accountability for results (**Table 1**). More specifically, these reforms were meant to address a number of performance management challenges in the public sector such as misalignment of goals; the weak link between plans and budget allocation; lack of well-established performance indicators; "soft" performance targets; lack of focus on results; weak monitoring; and diffused performance management systems, among others. These issues necessitated a change in performance culture and mindset (AO 25 Secretariat 2019).

Table 1.Performance and Budget Reforms for Increased Accountability

Year	Reforms
2018	Budget Modernization Bill
2016	Performance-based Compensation
2015	Program Expenditure Classification
	Strategic Performance Management System
2014	Performance-Informed Budget
	Performance Negotiation Agreements (since 2013)
2013	Performance Contracts of Secretaries
2012	Performance-based Incentives System
2011	Results-based Performance Management System
	Results Matrix (Philippine Development Plan)
2009	OPIF Book of Outputs
Mid-2000s	Performance Management System – Office
	Performance Evaluation System (PMS-OPES)
2000	Organizational Performance Indicators Framework (OPIF)

Source: AO 25 Secretariat (2019).

EO No. 80, s. 2012 (i.e., Directing the Adoption of a Performance-Based Incentive System for Government Employees) established a Performance-Based Incentive (PBI) system for employees in the executive Department within the RBMPS Framework. Developed to support the government's reform agenda, the PBI system harmonized and rationalized the incentives and bonuses granted in government agencies. As specified in EO No. 20, s. of 2012, the PBI system 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) of the government's social contract on inclusive growth, poverty reduction, and transparent and accountable government (cf. EO No. 43, s. 2011).

The PBI system is composed of two incentives: first, a productivity enhancement incentive (PEI), and second, a performance-based bonus (PBB). The first incentive is an across-the-board bonus, while the second is a top-up incentive associated with organization-wide compliance of several requirements (e.g., citizens charter, transparency seal, ISO certification), team-level and individual performance conditions. Compliance with these multi-level requirements has, de facto, become part of the roll-out objectives of the PBB. The PBI system, especially the PBB, is thus meant to motivate higher performance and greater accountability in the public

sector and ensure the accomplishment of set commitments and targets. In this sense, the PBI system, in particular, the PBB, can improve service delivery by linking monetary incentives to the bureau or delivery unit's performance, recognizing and rewarding exemplary performance in government service, aligning individual personnel and team-level efforts with agency-wide targets, and improving public service delivery. Such an approach emphasizes the vertical coherence necessary across agency, team and individual efforts to ramp up performance and productivity.

Assuming conditions at the agency-level are met, the PBB incentives for government employees are based on their team-level and individual-level performance evaluations. This actual incentive given to employees has varied from fixed nominal amounts of PhP5,000 to PhP35,000 in 2012-2015 to a percentage of the salary of the employees in more recent years with an employee receiving either 50%, 57.5% or 65% of his/her base pay depending on the ranking of his/her delivery unit. In the period 2012-2018, appropriations for the PBB have averaged 13 billion PHP per year for a total 92.2 billion PHP (Albert *et al*., 2019).

Since the start of the PBB, the Department of Budget and Management (DBM), which chairs the AO25 IATF, has released various guidelines on criteria and conditions for the annual grant of the PBB related to physical targets, good governance conditions, and performance management. The protocols include conditionalities for access at both the agency level as well as the team and individual levels, effectively adding more policy outcomes incentivized by the PBB. This can be interpreted as vertical coherence in incentivizing and promoting reforms and actions in support of higher productivity and stronger performance. This builds on the evidence in the management literature that the conditions for individual and team performance are linked to broader organizational systems of governance; and that team and individual level incentives need to be balanced against each other particularly for work where collective action and teamwork are necessary for optimal performance results (Burgess *et al*. 2017; Ladley *et al*. 2015; Bayo-Moriones *et al*. 2015; Garbers and Konradt 2013; Gibbons 1998).

To qualify for the PBB, government agencies should attain the good governance conditions as well their performance targets and commitments. The AO 25 IATF evaluates the eligibility of an agency (and its employees) to receive the PBB. Validating agencies, i.e., members of the IATF Technical Working Groups (TWGs), assist the Task Force in validating the documentary requirements submitted by agencies to quality for the PBB. The heads of the agencies are responsible for implementing the PBI system in their respective agencies, while the heads of service delivery units and bureaus within the agencies are expected to cascade the performance targets of the agency to their respective units and to individual employees. The guiding principles for the entire PBI system 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. While many agencies take steps to comply with the conditions and documentary requirements in order for their staff to qualify for the PBB, a number of government agencies/units still have been considered ineligible for the PBB incentive.

Beginning in FY 2017, the RBPMS started the Tightening Phase by developing enhancements, "rethinking" the PBB, and conducting examinations on new requirements, criteria, and simplification of validation processes. FY 2018 marked a new phase for the RBPMS with the incorporation of Streamlining and Process Improvements and Citizen/Client Satisfaction requirements for the grant of the PBB. This is in line especially with the recently signed R.A. No. 11302 s. 2018 or the Act Promoting Ease of Doing Business and Efficient Delivery of

Government Services. For the FY 2019 cycle, the RBPMS will continue to implement the PBB by focusing on citizen-centric public service delivery, making the Filipino people and their needs at the forefront of government priorities.

Since 2012, when the PBB was established (partly to augment government salaries while government was still preparing to increase public sector wages in phases), only a few studies (viz., World Bank 2014b; Torneo *et al*. 2017; World Bank, 2020) have assessed the performance incentive scheme. With the last phase of the salary increases implemented in 2019, it is important to conduct a comprehensive evaluation of the PBB scheme and determine whether the incentive scheme is worth continuing given its budgetary implications, and in the wake of other reforms such as the salary increases applied to various parts of the public sector. According to data from the Civil Service Commission (CSC 2020), the size of the entire Executive Department, as of August 31, 2020, is 1,194,677 career and non-career positions across national government agencies (NGAs), government-owned and controlled corporations (GOCCs), as well as state universities and colleges (SUCs). Thus, the budgetary outlay for the PBB scheme is quite huge. In the period 2012-2018, appropriations for the PBB have averaged 13 billion PhP per year for a total 92.2 billion PhP (Albert *et al*. 2019). However, such an outlay is far smaller (and has been rationalized) compared to the period prior to the PBB when government agencies, especially GOCCs, were giving all kinds of incentives to their workers without a standardized framework.

Recognizing that financial incentives meant to improve productivity should be effective in doing so and that a performance incentive scheme, like the PBB, should be designed in a way that it achieves significant productivity impact, the DBM requested the Philippine Institute for Development Studies (PIDS) to undertake an evaluation of the PBB incentive scheme. Albert *et al*. (2019) undertook a process evaluation study of the PBB, which essentially looked into whether or not the PBB has been executed across the years, as per design and plans. This study, a follow-up on the process evaluation of the PBB conducted by Albert *et al*. (2019), answers the central question: "What are the effects of the PBB on the performance and productivity in the public sector?" It employs mixed methods research, involving the conduct of (i) a survey of 1,259 employees across the Executive Department, and (ii) seven focus group discussions (FGDs); examining new primary data from these data collection activities; as well as scrutinizing available secondary data. Participants to the FGDs include PBB focals and members of the performance management team of select government agencies; representative of the AO 25 IATF and secretariat, and representatives of validating agencies.

The study is organized as follows. Section II reviews the literature on behavioral economics, public sector performance and productivity, and performance incentives in the public sector, especially as the PBB attempts to reward performance at an individual-, team- and agency-level. Section III discusses the study design, methods, and limitations. This section also briefly discusses the theory of change. Section IV discusses the empirical findings from the perception-based survey of 1,259 government employees, as well as focus group discussions conducted for this study, and other secondary data. Section V ends with a summary, as well as conclusions and recommendations.

2. Review of Related Literature

As pointed out in the earlier section and in Albert *et al*. (2019), the PBB incentives are meant to reward good performance of workers in the Executive Department. Assuming this performance is linked to team-level and agency-level targets, the PBB can also improve performance of public sector organizations in the Executive branch of government. Implementing the PBB follows the framework of a performance management system and is premised on the theories of motivation (Maslow 1943; Vroom 1964; Kohn 1993; Montana and Charnov 2008). Another assumption behind the PBB is that managers can differentiate the performance of individual employees.

However, according to the twelfth of the fourteen points espoused by total quality management guru Edward Deming (2000), performance appraisals should not be performed at the individual level, as such ratings can be a barrier to the pride of workmanship. On the other hand, Mitchell (1982, p.82) pointed out that it will be easier to assess the *effects* of motivational interventions or strategies if the performance appraisal system is closely linked with the definition of motivation (i.e., "the degree to which an individual wants and chooses to engage in certain specified behaviors"). In this sense, the performance appraisal system should be closer to measuring individual behavior and performance. Determining the effects of a motivational system (such as the PBB scheme) necessitates a good performance appraisal instrument, which is also useful in many personnel functions such as selection and promotion, among others. Mitchell (1982, p.82) also emphasized that "changes in performance must be detectable and demonstrable."

Albert *et al*. (2019) reviewed the literature related to performance-based incentives in the public sector with focus on two broad strands such as (a) studies that develop various measures of performance in the public sector, and (b) studies that examine the links between these measures and the performance-based incentives geared to better achieve them. In the current study, the review of literature focuses on the issues and challenges surrounding performance measurement and also, on the effects of incentives on performance.

a. Measuring Performance in the Public Sector

The use of incentives, both monetary and non-monetary rewards, has long been practiced in many private organizations (Lewin 2003; Burgess and Ratto 2003; Mogultay nd.), and these were later adopted in the public sector. In particular, pay for performance (PFP) started in the private sector and was introduced decades ago in the public sector to improve productivity, thus producing better results given limited government funds. PFP is grounded on the assumption that goals are clearly defined and that rewards for achieving these goals will help motivate employees and also, enhance accountability. Nevertheless, the precise impact of the incentives may depend on the nature of the job, the career path, and other key drivers of employment decisions. In addition, the translation of PFP from the private sector to the public sector posed a challenge. It was not straightforward (Montoya and Graham 2007).

Festre and Garrouste (2008, p.3) pointed out that performance measurement within the public sector is more complicated compared to the private sector due to the following reasons:
1) There is not always a perfectly identified output in the public sector as it is the case in the private sector. The quality of the output is an important element to take into account. Although the problem applies more generally to public goods and services sectors, regardless of them belonging to the public or the private sector, the focus is on the public sector.

2) The same output can be due to different agencies (or services or departments); it can be produced by different sets of inputs.
3) The same agency can produce different outputs; it can participate to the production of different sets of outputs.
4) The outputs can be complementary or substitute.
5) The agencies may produce positive as well as negative externalities.
6) The output is not sold on the market or if it is the case not at its market price.
7) Statisticians have to get the information they need knowing the above difficulties. For example if different ministries together produce one output, one needs to obtain the relevant information from all of them.

In the same vein, The Work Foundation (2014) argued that the nature of public sector's activities and goals makes it difficult to use performance measurement as a basis for pay. In particular, public service "good" is complex. The public sector produces a multitude of outcomes, some of which are not easy to measure, and may only be visible in the long-term. This raises concern about the feasibility of accurate and meaningful performance measures under a PRP scheme. Also, the public sector has multiple principals (i.e., various potential owners and stakeholders) and as such, it should be able to reconcile the different outcomes from the various stakeholders and interests. Public services are produced and delivered through collaborative efforts and thus, it will be challenging to determine individual performance and outcomes. Grant of individual incentives could discourage team work. In addition, PRP may result in misallocation of effort, i.e., the tendency of employees to focus on easy-to-measure outcomes at the expense of others (e.g., teaching to the test in the case of education). Gaming is another issue wherein workers attempt to game the system due to the high stakes associated with the performance indicators.

Formal performance measures used in both public- and private- sector incentive systems are based on explicit and objectively defined criteria and metrics. The design of private- and public sector- performance measurement systems is grounded on the assumption that "employees perform better when their compensation is more tightly linked to their effort or outputs, and organizational performance will improve with employee incentives more closely aligned with organizational goals". In addition, the conditions and assumptions on which performance measurement and incentive system model works are stringent and are rarely practiced in the public sector. These conditions and assumptions include the following: (i) organizational goals and production tasks are known, (ii) employee efforts and performance are verifiable, (iii) performance information is effectively communicated, and (iv) and there are a relatively small number of variables for managers to control. Moreover, the complex and nonmanual work, multiple principals and group interactions, political and environmental influences and interdependencies, and non-standardized outputs challenge and increase the costs associated with the precise measurement of performance and construction of performance benchmarks (Heinrich and Marschke 2010, p.184).

These real-world circumstances make the output measures inexact approximate of government performance. This raises question on the appropriateness of relying heavily on incentives linked to these output measures. Nevertheless, incentives linked with inexact and incompletely measures are still widely adopted in performance management systems due to the huge costs associated with the development of more sophisticated measures and systems of incentives. Public sector reforms meant to improve government performance and achievement of program outcomes reflected such simplistic approach to motivating and measuring performance (Dixit 2002).

Montoya and Graham (2007, p.13) agreed that performance measurement may be more difficult in the public sector. Also, the authors argued that the use of incentives in the public sector does not necessarily work just like in the private sector wherein the feasibility of firing poor performers reinforces the incentive scheme. As the authors put it, "public servants do not typically have "at will" contracts. This makes the firing of poorly performing employees more difficult than in the private sector." The authors pointed out the need for research to determine whether the tightness of public employee firing regulations and the strength of public-sector unions protect poor performance.

On the other hand, Burgess et al. (2012) identified poor measurement of output as one of the reasons to expect such schemes not to work. Talbot (2007) shed light on factors affecting measurement of public sector performance or outputs. The first one concerns the incompleteness of performance information. He argued that performance information often provides incomplete picture of public activities which are diverse and complex. Some degree of distortion and exclusion in measurement can be expected. In particular, what is not measured is important to one stakeholder or another and so, performance measurement can conceal certain aspects of performance. On the contrary, there is also a tendency for performance measurement systems to become more complex, i.e., to ensure completeness, thus resulting in informational overload that renders the system unworkable and costly. The costs (e.g., staff time) of generating performance information, particularly in complex areas, can be excessive.

Moreover, performance measurement involves putting quantitative values onto various aspects of public services which are actually difficult to quantify. Much focus is given to quantity over quality which has distorting and demoralizing effects, particularly in human services where aspects of good performance cannot be easily measured. Performance measure is also prone to manipulation and deception to present the best picture. Distorted behaviors and unintended consequences follow. Furthermore, Talbot (2007) noted that the effectiveness of performance measurement deteriorates over time which undermines the possibility of long-term stability in performance measurement. He also mentioned Charles Lindblom's argument that public systems are dominated by politics which undermines attempts to promote rationality.

Andrews (2014) pointed out that performance incentives in the public sector sometimes distorts the priorities of organizations in service delivery and inhibits genuine innovation, which in turn is disadvantageous to service users. On the other hand, The Work Foundation (2014) noted that PRP model neglects other factors that equally motivate employees such as peer effects, perceptions of fairness, and intrinsic motivations (e.g., belief in the intrinsic value of the service they perform). The said study cautioned about the risk that performance pay can crowd out intrinsic motivation, which contradicts the intentions of the PRP schemes. The said concern is also raised in other literature (e.g., Gneezy, Meier, and Rey-Biel 2011; Underhill 2016). More specifically, crowding out of public sector motivation by the use of extrinsic incentives is identified in Burgess et al. (2012) as another reason to expect PRP schemes not to work.

In sum, performance standards and measures and their application are important to both the agency and employee. Thus, it is critical that (1) performance goals and measures are relevant, reasonable, and usable; (2) employees understand and participate in the performance evaluation process; and (3) performance is evaluated fairly and rigorously (U.S. Merit Systems Protection Board 2006, p.xii). According to The Work Foundation (2014, p.11), the following key challenges should be addressed if PRP schemes are to be implemented in the public sector:

1. Unintended behavioral consequences as a result of PRP incentives, such as:
    - gaming behavior
    - crowding out effects
    - an absence of behavioral change
    - misallocation of effort and
    - detrimental consequences to teamwork and cooperation.

2. Difficulties in the measurement of outputs in public sector PRP, including
    - negative effects of particular performance measures (e.g. absolute/relative, linear/ threshold) and
    - managerial subjectivity in assessment; and

3. A lack of fit between incentivized outputs and desired social outcomes, including:
    - Poor long-term outcomes; and
    - Poor cost-effectiveness

b. Impact of Incentives on Performance

Due to the complex nature of incentives schemes, there are few rigorous impact evaluations based on experimental methods such as randomized controlled trials. Impact evaluations in Indonesia for healthcare services (Olken *et al*. 2014) and in Pakistan for tax collection (Khan *et al*. 2016) revealed that incentives can produce improvements in very specific target outcomes (e.g., child and maternal health indicators and tax collection targets). Also, non-financial incentives (like flexibility in assignment choice) can also be effective (Khan *et al.* 2016).

There are more mixed-method studies, drawing on qualitative analyses, surveys, and interviews. Studies of healthcare in Rwanda (Rusa *et al*. 2009) and public services in Nigeria (c) show that incentives can improve results orientation among government bureaucrats, yet these can also trigger dysfunctional responses to game the incentives.

In as far as the PBB is concerned, there have only been a few studies that looked into the incentive scheme. In 2014, the World Bank conducted a study on Pay and Performance in the Philippine Civil Service. Making use of a perception survey of 4,500 officials from across eight government departments, the study suggested that the PBB yielded a positive impact on government performance (World Bank 2014a). Support for the PBB was found to be strong in the bureaucracy with 70 percent of respondents agreed PBB helps improve performance. The study also found evidence about improvements in management practices: greater teamwork, better target setting and monitoring, and fostering trust within units. Recently, the World Bank (2020) has come up with a study on Improving Talent Management in the Philippines Civil Service. Findings from the Philippines Civil Servants Survey 2019 suggested that while the PBB is not fully effective, but it has improved. About three in five respondents (57 %) report that the performance evaluation scheme identifies 'bad' performers (compared to 39% in 2013 survey), while 67 percent feel the PBB process is transparent (compared to 38% in 2013).

Another set of interesting studies by Torneo et al (2017), supported by AUSAID, looked at the entire PBIS. The study also made use of mixed methods research, document analysis, interviews and surveys focused on the CHED, the Department of Interior and Local Government (DILG) and the Department of Education (DepED). Results of this study suggested that the PBIS improved on the previous incentive system notably in terms of framework, comprehensiveness, details required, and financial rewards. Further, it noted high

compliance with PBIS. However, it also found evidence of transparency and fairness issues, and allegations of staff "gaming" the system to get higher PBB, which was also reported in Albert *et al.* (2019).

Although pay-based incentives can improve public sector performance, the extent of improvements vary (World Bank 2014b). A review of a number of studies on performance-related pay (PRP) indicates that about three-fifths (93) of 153 studies yielded a positive effect of PRP. In contrast, several of the studies examined identified issues pertaining to unintended consequences, particularly "gaming" of the financial incentives.

World Bank (2014b) argued that the move of some East Asian countries to mandate forced rankings could demoralize staff. Also, the effectiveness of such policy varies considerably depending on whether the performance appraisal system is viewed positively by staff. More specifically, in the case of the Philippines, a survey of government staff revealed varrying views on the effects of the incentive, depending on factors that include (i) performance ranking of the respondent, (ii) effectiveness of the individual performance appraisal process, (iii) transparency of individual performance ratings, and (iv) impact of the incentive on staff morale.

In addition, respondents of the World Bank (2014b) suggested that the incentive scheme motivated management within their organizations to pay more attention on the following aspects and processes: (i) target-setting of the organization, (ii) monitoring whether these targets have been attained, and (iii) working with staff pertaining to this process, as well as harnessing better teamwork and collaboration. Although staff complained about the credibility of the performance appraisal system, the staff were positive about the incentive bonus. In the final analysis, the report concluded that "there is as yet no discernible effect of this improved management on individual productivity and organizational citizenship" (World Bank 2014b, p. 48).

3. Study Design, Methods and Limitations

Public sector performance is ideally assessed through improvements in (development) outcomes (such as the reduction of poverty and hunger, improvements in the health and quality of learning of Filipinos, sustainable production and consumption, etc.). However, the "results chain" between a policy intervention such as the PBB and the improvement in the development outcomes is a long one with many intervening factors. In the same vein, the "theory of change" that outlines causal linkages between the PBB and public sector delivery is rather complex with several intervening factors, many of which are actually beyond the control of the government, including individual behavioral motivations, governance and organizational issues. Quantifying whether the PBB resulted in improvements in public goods is also contentious given methodological issues in attributing any improvements in these to the PBB.

It is clear from the design of the PBIS that it has several policy objectives, including incentivizing agency-level reforms (in order to comply with the conditions for access); and also incentivizing team-level and individual-level effort and performance (**Figure 2**). Based on Memorandum Circular No. 2012-1, the grant of PBB aims to recognize and reward exemplary performance in the public sector; rationalize distribution of incentives across performance categories of groups and individuals; nurture team spirit toward the effective execution of operational plans by linking personnel incentives to delivery unit's performance; and strengthen performance monitoring and appraisal systems based on existing systems.

Figure 2. Theory of Change

Source: Authors' representation.

Incentives system reform could be used to trigger changes in policies and behavior at the individual, team- and agency- level. The underlying assumption here is that when agency-level, team-level and individual-level changes cohere and reinforce each other towards agency objectives, then public sector services, and ultimately development outcomes, can be enhanced. This can be interpreted as a form of vertical coherence in agency, team and individual reforms and actions towards enhanced productivity. This theory of change, or results chain, is based on a framework that performance is a function of motivation, ability, aptitude level, skill level, understanding of the task, choice to expend effort, choice of degree of effort, and choice to persist, facilitating and inhibiting conditions beyond the control of the individual, etc., and that job performance (i.e., an important organizational factor that management aims to influence), is improved through a motivational scheme, with motivation, being a primary cause of behavior (whether intrinsic or extrinsic) (Mitchell 1982). Establishing identification is expected to be challenging, given the multiplicity of policy interventions involved (and at different levels), and the high likelihood that those most ready to comply with the PBIS are also some of the stronger performing government agencies and public sector workers.

Nevertheless, this study attempts to provide information about some of the possible effects produced by the PBB incentive scheme. Evaluations generally help in determining what works well and what could be improved in a program/policy. This could help guide policymakers in whether adjustments can be made in policies on performance-based incentives, based on information gathered from across the bureaucracy, pertaining to implementation deficits. Nevertheless, it is important to mention here that this study is not meant to be a rigorous impact evaluation, given the complex nature of the PBB reform. It involves multiple levers for incentivizing agencies, teams/units, and individuals to improve on performance either directly or indirectly. The timing of the elements of the PBB also makes it difficult to focus on any one policy for isolated study and assessment. This study, in fact, highlights how multiple incentives constituted the PBB, and these were not rolled out uniformly and may have created myriad incentive effects on performance.

Randomized controlled trials (RCTs), the gold standard in impact evaluation, are not possible in this setting because of the very nature and complex design and implementation of the PBB.

Other techniques such as regression discontinuity (RD) would be less applicable due to data-availability constraints, combined with the frequent changes in the key conditions for accessing the PBB. And as noted, in the literature, mixed methods are favored in trying to assess performance-based incentive schemes.

To overcome this complexity in conducting a comprehensive assessment of the PBB, the approach taken in this study to measure effects of the PBB is to (i) make use of data collected from a perception-based survey on the motivation and performance of government employees across the Executive Department, (ii) examine quality data from focus group discussions (FGDs), and (iii) analyze secondary data on institutional outputs. Altogether, these data sources provide an initial assessment of the possible effects of PBB while recognizing that one could not isolate the impact of the myriad of incentives that together made up this reform.

Thus, instead of rigorous impact evaluation approaches like RCT, or RD, the study involves the conduct and analysis of a perceptions-based survey to gather data on performance effects, complemented by qualitative methods such as FGDs. These methods cohere with the PBB as they give a more holistic picture of the many moving parts of the reform. In light of the limitations on the identification strategy, all the analyses will be carefully framed in terms of possible joint effects of different factors underlying performance.

3.1. Plans, Objectives and Preparations for 2019 PIDS Survey on Effects of Performance-based Bonus (PSEPBB)

In conducting sample surveys, there is a preference to use probability methods for selecting respondents so that they can represent the targeted population, if the objective is to use the sample data, especially when weighted according to the survey design, to infer results to the entire population. The 2019 PIDS Survey on Effects of Performance-based Bonus (PSEPBB) has been designed to be a face-to-face (FTF) interview of a desired sample size of 2,000 government employees from government entities across the Executive Department. To account for survey non-response (in particular, assuming a non-response rate of ten percent), preparations were made to adjust the targeted sample size upward to 2,200. As per survey plans, the respondents for the PSEPBB were to be chosen through a two-stage stratified random sampling scheme. The primary sampling units (PSUs) are the government entities, while the secondary sampling units are employees holding a permanent position within the chosen government entities.

PSUs were stratified according to (a) cluster type, (b) size of the government entities, (c) location, and (d) eligibility for PBB in FY 2016-2017 using information provided by DBM and the AO 25 Secretariat. Following Albert (2019), the cluster types of government entities studied for the evaluation include: (i) national government agencies (NGAs), constitutional commissions, and government- owned-and-controlled corporations (GOCCs), (ii) the Commission on Higher Education (CHED), and SUCs, and (iii) the DepED, and public (elementary and high) schools. Location was taken into account to minimize data collection costs while ensuring representativeness. Most NGAs were located in the National Capital Region (NCR) but some field/satellite offices of NGAs and GOCCs were also selected for the study as per recommendation of the AO 25 Secretariat, aside from SUCs and schools and offices from Balance Luzon, Visayas, and Mindanao. To attempt a counterfactual analysis in the study, stratification of PSUs also involved whether or not government entities were eligible for the PBB for FY 2016-2017. The choice of the FY for the eligibility period was driven by data issues (i.e., difficulty getting "recent" data needed), and also because this was the period

when some tightening of PBB eligibility requirements resulted (Albert *et al*. 2019). The distribution of targeted respondents (and government entities) across the strata is given in **Table 2**.

Table 2. Number of Targeted Survey Respondents (and Total Targeted Government Entities) by Cluster Type and by Eligibility Status of Agency

Cluster Type of Government Entity (and location)		Eligibility*	
		Eligible	Ineligible
(i)	CHED and SUCs	310 (6)	310 (6)
(ii)	NGAs and constitutional commissions (central office)	660 (13)	250 (5)
(iii)	NGAs and constitutional commissions (field offices)	90 (9)	30 (3)
(iv)	GOCCs (central office)	80 (2)	280 (5)
(v)	GOCCs (field offices)	10 (1)	20 (2)
(vi)	and public schools	120 (6)	40 (2)
TOTAL		**1270 (37)**	**930(23)**

Note: * = PBB eligibility status of agency for FY 2016-2017.
Source: Authors' tabulation.

Survey respondents were also be randomly selected proportional to size from two groups, viz., (a) rank-and-file positions (SG 23 and below) ; (b) managerial positions (SG 24 and above). The survey consisted of two forms, for each of these two groups of positions. Two separate forms were used given that managers may have extra knowledge about the effects of the PBB at the team- and organization-level. Preferably, one (1) PBB focal person and one (1) to two (2) members of the Performance Management Team (PMT) are also selected as participants for the survey.

The PSEPBB instruments, found in **Annexes 1-2**, comprise sections on

- basic information on the respondent;
- knowledge about the PBB;
- implementation of the PBB;
- effect of PBB on individual's performance and productivity; and
- effect of PBB on Department/Agency's performance and productivity

Further, the PSEPBB questionnaire was not limited merely to the PBB, but also had a section (of questions) on human resource development and workforce readiness. This discussion paper, however, focuses only on the results pertaining to the effects of the PBB and the respondent profile (see next section).

Aside from the design of the survey and the instruments, survey preparations involved procuring outsourced services in data collection, pilot testing of instruments securing the clearance[2] from the Philippine Statistics Authority on the conduct of the PSEPBB, as well as

[2] As per Republic Act No. 10624, also known as the "Philippine Statistical Act of 2013", the Philippine Statistics Authority (PSA) has in place the Statistical Survey Review and Clearance System (SSRCS), which provides assistance and support to the statistical work of government agencies, including the local government units (LGUs) and government-owned and controlled corporations (GOCCs).The SSRCS is a mechanism implemented by the Philippine Statistical System (PSS) through the PSA; this system involves a process of evaluating the design and instruments of statistical surveys or censuses sponsored and/or to be conducted by government agencies, including LGUs and GOCCs. The SSRCS aims to ensure conformity with standard definitions, concepts and classifications, and thus, the reliability, comparability and accuracy of official statistics generated out of these surveys and/or censuses. The specific objectives of the SSRCS are to: ensure sound

coordinating with the targeted government entities to be surveyed. Further, the PIDS research team also designed a focus group discussion instrument, see **Annexes 3-4**, consistent with information expected to be generated from the PSEPBB.

To ensure the validity of the information of targeted respondents, the PIDS study team sent out endorsement letters to the sampled government agencies with the intention to gather support on the conduct of the PSEPBB and for their office to assign a focal person for the activity (preferably personnel for the human resource unit) to assist the data partner, The All-Asian Centre for Enterprise Development (ASCEND), in the selection of respondents within their agency.

3.2. Challenges in Survey Operations amid COVID-19

Data collection for the PSEPBB was to be started last March 2020, but with the onset of the novel coronavirus (COVID-19) pandemic and the enforcement of the Enhanced Community Quarantine (ECQ) in various parts of the country to manage the spread of COVID-19, the PIDS research team and ASCEND had to forego with data collection plans for FTF interviews, field work spot checks, and FTF focus group discussions. Instead, the PIDS research team asked ASCEND to make use of mobile phone interviewing, or video interviewing through a cloud-based video chatting platform, such as zoom.

The original plans for FTF interviews for the PSEPBB were meant to generate quality data for the study, as FTF interviews can build rapport and motivate respondents to answer conscientiously and disclose sensitive information (Schober 2018). Furthermore, PSEPBB field enumerators can view the respondent's nonverbal demeanor and circumstances in a FTF interview, and as a result of the social interaction through FTF interview, communicate a message of a human touch to the respondent (in comparison to non-FTF interview modes). But the advent of the pandemic and the ECQ measures forced a rethinking of the survey plans, and with this adjustment, ASCEND had to recalibrate the survey operations manual, and retrain its personnel. Furthermore, the entire survey research timetables for the study had to be re-adjusted.

The PIDS study team also had to adjust its plans for spot checks of the survey interviews, by participating in the cloud-based video chatting platform rather than through FTF fieldwork as original planned. The study team also adjusted plans to conduct selected focus group discussions using the FGD instruments (see **Annexes 3-4**) by making use of Webex, the videochat internet platform used by PIDS.

Before scheduling interviews, ASCEND conducted activities to explain data privacy to the targeted respondents. Since the topic, i.e., the PBB, should be of particular interest to the respondents, the PIDS research team initially thought that non-responses would not be too high, but the team recognized that there would be added complications, e.g., securing the contact details of the targeted respondents (and correct details at that), difficulties with technology

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design for data collection; minimize the burden placed upon respondents; effect economy in statistical data collection efforts; eliminate unnecessary duplication of statistical data collected; and achieve better coordination of government statistical activities (https://psa.gov.ph/content/faq-statistical-survey-review-and-clearance-system; Albert and Vizmanos 2019) .

access (i.e., phone/internet signal problems), and issues about comfort of respondents being recorded on video.

ASCEND encountered problems not only in contracting the targeted respondents, but in contacting several of the targeted institutions due to the lack of accurate or working contact information. Although emails had been sent to all targeted institutions (with follow ups also through email and social media accounts of these institutions), institutions did not always respond, and even when they did, the contact details of respondents were not always accurate. Extra contacts with institutions were very difficult to undertake, likely because of limited human resources in government institutions handling communications, the lack of prioritization for the survey (given the likely survey fatigue especially amid the pandemic), and other concomitant communication issues. In the event of ineligibility, a refusal, or unavailability of the respondent during data collection, the ASCEND enumerators were to coordinate with the focal person of the agency for the replacement of respondent, but this was not always an easy task to perform.

The protocol to make use of a focal person in the agency was, however, helpful to improve the intra-institution response rates. At this point, the only notable problem encountered with interviews from areas outside the central offices of the targeted government entities was a bit of confusion as to which field office the respondents were coming from. ASCEND was immediately able to resolve this after consultation with the PIDS and coordination with the focal person from the concerned satellite/field office.

In contrast to the interview protocols of several government entities, some other entities did not centralize the scheduling of interviews which meant that ASCEND's enumerators were left to establish contact with the designated respondents and schedule them for their interviews. This resulted in very few confirmations, and this was promptly communicated to the institution's focal person was promptly notified of. Through the intervention of the focal, ASCEND eventually managed to reach most of the respondents and enjoin them to participate in the PSEPBB. Although the interviews had begun in earnest, the participation of government entities had stagnated in time, perhaps because of adjustments undertaken by the government entities to the "new normal", and likely fatigue from many surveys currently being undertaken amid the pandemic. Nonresponses from some institutions led to the replacement of these institutions, though this was only undertaken as a last resort, and in cognizance of ASCEND's due diligence in attempting to secure survey participation.

By September, given the low survey response rates, ASCEND requested the PIDS to allow the use of another mode of data collection: a self-administered online survey to further facilitate and expedite data collection. The PIDS research team agreed with this suggestion. In addition to the challenges in implementation of the survey amid the pandemic, ASCEND also had some concerns about the questionnaire, e.g., responses not being among the choices; managers' / supervisors' salary grades being below 24 for some government entities; respondent not able to remember; definition of some terms (PBB focal person, advisory board). These were addressed in consultation with the PIDS research team.

3.3. Data Analysis Methods, Tools and Limitations

The study involved a desk review of various DBM and AO25 Secretariat documents/reports, coupled with an examination of the literature on measurement of public sector performance, on evaluation of performance incentives in the public sector, especially studies on the PBB (World Bank 2014; Torneo *et al*. 2017; Albert *et al*., 2019; World Bank 2020), and other relevant literature in behavioral economics that shed light on the role of motivation as a trigger for performance at the individual level, which, in turn, together with group dynamics and other factors can influence performance at the team and agency levels. The literature review and a conceptual framework was discussed in the second section of this report.

Descriptive data analysis of the results of the 2019 PSEPBB was also conducted for this study. Empirical findings are discussed in the next section. Tabulations and visualizations of survey variables from the various sections of the survey were performed, showing aggregate results of survey variables pertaining to respondents from eligible agencies, contrasted with those from ineligible ones, with the difference in aggregates being a preliminary counterfactual analysis. A more rigorous quasi-experimental comparison was also made between those from eligible agencies and non-eligible ones, using propensity score matching (PSM). With PSM, an artificial control group is generated by matching each respondent from the eligible agencies with a respondent from a non-eligible agency of similar characteristics. In particular, PSM computes the probability that a respondent will be given the PBB based on observed characteristics. Then, PSM matches PBB-eligible respondents to non-eligible respondents based on the propensity score. The entire PSM methodology relies on the assumption that, conditional on some observable characteristics, non-eligible respondents can be compared to PBB-eligible respondents, as if the PBB has been fully randomized. In other words, PSM tries to mimic the RCT impact evaluation design to overcome issues of selection bias that plague non- experimental impact evaluation methods. Note that ultimately, PSM estimation results can only be as good as the characteristics of the respondents used for matching.

Sample surveys, particularly the 2019 PSEPBB which is based largely on perceptions, have their sets of limitations given that measurements are subject to errors, both sampling and non-sampling errors. The 2019 PSEPBB was designed to be a perception-based survey of government bureaucrats with the respondents chosen through probability methods. However, amid the pandemic, the survey design had to be adjusted given the restrictions in physical movements of people. Such adjustments, however, do not guarantee that the resulting data can be weighted appropriately to allow the respondents to represent the entire sampling frame, especially given (a) the level of cooperation for the study likely resulting from the burden of survey participation amid the many demands to government services and the work-from-home arrangements by government agencies. and (b) the varying modes of data collection employed (i.e., phone interviews, video interviews, and online survey) that could have affected the quality of data collected. In consequence, all the data analysis conducted are unweighted. Further, even if the weights could be properly used, because of the sheer size of public school teachers in the bureaucracy, a weighted analysis would always skew the aggregate results toward how the DepED cluster would respond. To show the extent of differences in views across subpopulations of the bureaucracy, we thus occasionally carry out some data disaggregation by cluster type.

Survey errors could also arise from respondents' misunderstanding of questions. For instance, a few survey respondents who reported to have gotten outstanding ratings in the most recent PBB were also of the view that they should have obtained better ratings. Other errors can arise

from memory recall biases. For instance, when asked whether or not they did not receive the PBB at least once, some respondents responded negatively even though they are from agencies that were ineligible in FY 2016/17. This has likely resulted from some confusion given that PBB incentives are received by agencies, not on specific dates (unlike the thirteenth or fourteenth month pays), but after the validating agencies, the Secretariat and the DBM are able to validate the agency eligibility based on submitted documents.

Filipinos appear to provide positive outlooks perhaps partly arising from Hawthorne effects, the latter of which results when a person participating in a study acts. behaves or responds differently than s/he normally would because s/he is aware her/his behavior is being observed (McCambridge et al., 2014). Since several questions in the survey are perception-based, we examine only the proportion of respondents who strongly agree with certain statements in the survey pertaining to the individual and institutional effects of the PBB (to control for such Hawthorne effects).

For the FGDs, the instruments were made to cover a wide array of topics, with an order of the general topics into a logical sequence. Questions were designed to be open rather than closed, neutral, short and to the point. As the FGD progressed, the moderators, who are members of the PIDS research team, asked questions, listened carefully to the responses and probed for more information. FGD participants were assured about anonymity and confidentiality of information, as were the survey respondents.

A full transcription of interviews were made, with the FGD transcriptions subjected to qualitative data analysis, particularly content analysis with the use of the Nvivo software. Using content analysis, we quantified and analyzed the presence, meanings and relationships of such certain words, themes, or concepts mentioned during the FGDs. This involved coding the responses for each of the FGD questions. For each question asked during the FGDs, the main ideas that occur in the responses given were noted and reviewed several times. Critical thinking was performed about the recurring main ideas to identify major themes, with contrasts made between the representatives of selected agencies and those who represented the AO25 IATF (including the Secretariat and the validating agencies in the IATF TWGs). Quotations were sometimes identified to illustrate each theme. Statistical analysis of these main ideas and major themes was performed, and illustrated by way of frequency tables and visualizations, including word clouds.

In FGDs, there is always a possibility that some participants dominated the discussions, and thus the summary of results would only be based on information provided by these participants. Thus, the moderators tried to listen as attentively as possible and to ensure having as many people give their views during the FGDs.

Since the FGDs involved qualitative data analysis, which is a very personal process with few rigid rules and procedures, the findings can be read differently depending on the standpoints. However, since content analysis with Nvivo was used, the analysis had been much more mechanical and similar to some extent with the survey data analysis, focusing on frequencies of responses.

4. Empirical Findings

4.1. PSEPBB

The 2019 PSEPBB covered many topics that could influence performance and motivation, including their educational attainment, years of stay, and career incentives; it also covered some human resource development and workforce readiness information, although this material is not examined here. Survey results reported in this discussion paper typically are disaggregated by eligibility status of the agency in FY 2016/17 to perform a mere semblance of a counterfactual analysis given the PBB design (e.g., yearly changes in requirements) that make it practically impossible to conduct a rigorous impact evaluation study. While there was a survey question that are asked whether (or not) the respondent was ineligible to receive PBB at least once, and we would have wanted to use this for the counterfactual analysis, unfortunately, there is evidence of some memory recall bias: two fifths (38%(of respondents from agencies ineligible for the PBB in 2016/17 reported that they have never been ineligible to receive the PBB. Likely this is exacerbated by the fact that PBB incentives are not released on a fixed schedule (unlike 13th and 14th month bonuses).

4.1.1. Profile of Survey Respondents

As of November 6, 2020, a total of 1,259 employees in the Executive Department (from 46 government entities, 30 of which were PBB-eligible in FY 2016/17) participated in the 2019 PSEPBB (**Table 3**).

Table 3. Distribution of Respondents by Cluster Type and Eligibility Status (in FY 2016/17) of Agency

Cluster Type	Eligibility Status		
	Ineligible	Eligible	**Total**
NGAs	180 (25.40)	528 (74.60)	**708** **(100.00)**
SUCs	148 (47.10)	166 (52.90)	**314** **(100.00)**
	19 (16.50)	96 (83.50)	**115** **(100.00)**
GOCCs	41 (33.60)	81 (66.40)	**122** **(100.00)**
Total	**388** **(30.80)**	**871** **(69.20)**	**1259** **(100.00)**

Note: Row percentages in parentheses.
Source: 2019 PSEPBB, PIDS.

About 70 percent are from agencies that were PBB-eligible in FY 2016/17. Average age was 45 years. Two in three (65.6%) respondents are female (among managers, three in five are female). Three fifths (63.3%) are unmarried. Respondents served, on average, 10 years, in their current position. The bureaucracy is very well educated: three percent of the PSEPBB respondents did not complete any college, while around sixty percent have taken at least some masteral units (with an even much larger proportion in SUCs). **Table 4** provides a profile of the PSEPBB respondents.

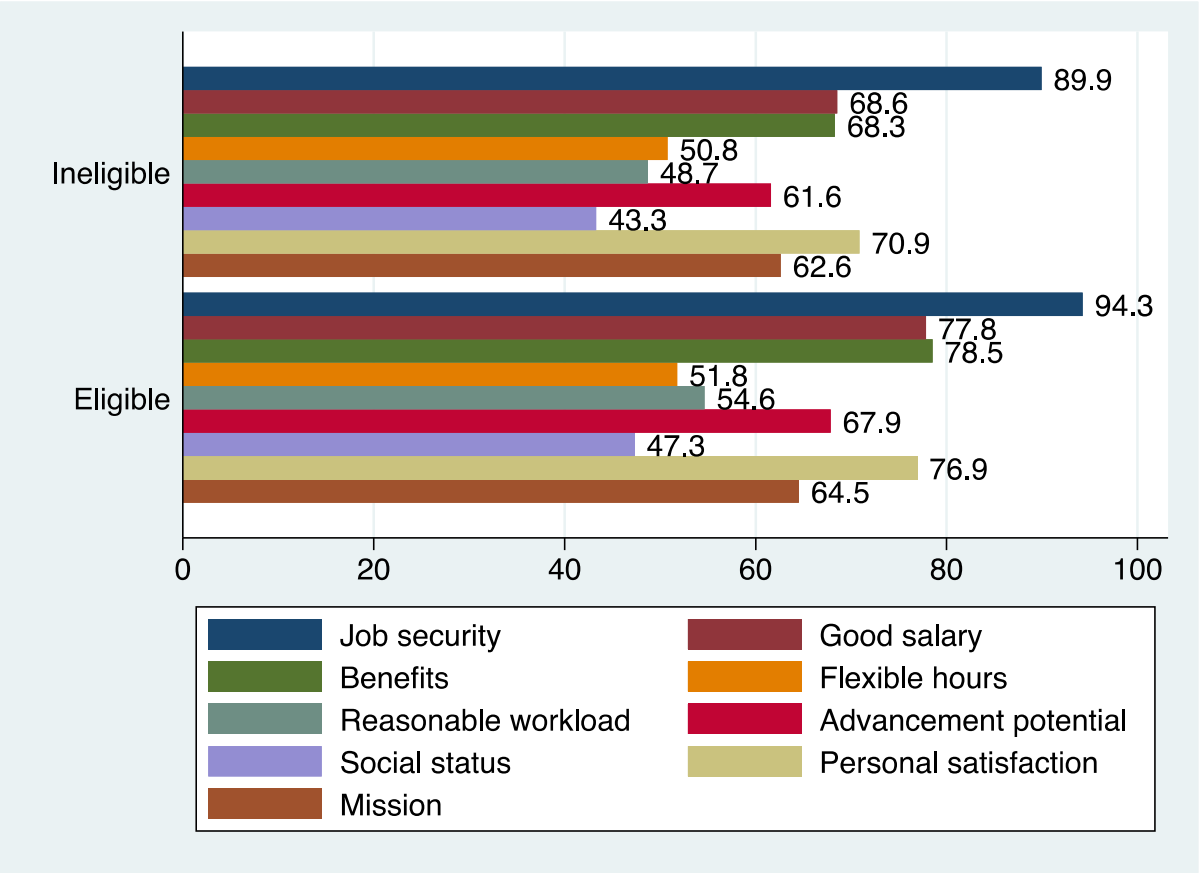
Table 4. Selected Statistics Profiling Respondents by Cluster Type and Eligibility Status (in FY 2016/17) of Agency

Statistics	Cluster Type	Eligibility Status		
		Ineligible	Eligible	Total
Proportion (in %) of female respondents	NGAs	61.1	70.1	67.8
Average age of respondent		48.3	44.0	45.1
Average number of years in current position		11.3	9.7	10.1
Proportion (in %) of unmarried respondents		63.3	58.3	59.6
Proportion (in %) of respondents who did not finish college		8.9	3.0	4.5
Proportion (in %) of respondents who have at least some masteral units		40.0	57.2	52.8
Proportion (in %) of female respondents	SUCs	68.2	53.6	60.5
Average age of respondent		44.5	46.5	45.5
Average number of years in current position		10.3	9.4	9.9
Proportion (in %) of unmarried respondents		69.6	71.1	70.4
Proportion (in %) of respondents who did not finish college		0.7	0.6	0.6
Proportion (in %) of respondents who have at least some masteral units		89.9	82.5	86.0
Proportion (in %) of female respondents		63.2	84.4	80.9
Average age of respondent		45.3	43.1	43.5
Average number of years in current position		6.7	13.9	12.9
Proportion (in %) of unmarried respondents		73.7	65.6	67.0
Proportion (in %) of respondents who did not finish college		0.0	0.0	0.0
Proportion (in %) of respondents who have at least some masteral units		68.4	62.5	63.5
Proportion (in %) of female respondents	GOCCs	48.8	53.1	51.6
Average age of respondent		46.0	38.7	41.2
Average number of years in current position		9.1	4.9	6.0
Proportion (in %) of unmarried respondents		68.3	60.5	63.1
Proportion (in %) of respondents who did not finish college		0.0	3.7	2.5
Proportion (in %) of respondents who have at least some masteral units		53.7	58.0	56.6
Proportion (in %) of female respondents	**Total**	**62.6**	**66.9**	**65.6**
Average age of respondent		**46.4**	**43.9**	**44.7**
Average number of years in current position		**10.5**	**9.7**	**9.9**
Proportion (in %) of unmarried respondents		**66.8**	**61.8**	**63.3**
Proportion (in %) of respondents who did not finish college		**4.4**	**2.3**	**2.9**
Proportion (in %) of respondents who have at least some masteral units		**61.9**	**62.7**	**62.4**

Source: 2019 PSEPBB, PIDS.

Among the nine reasons identified in the survey why respondents choose to and continue to work in their current jobs, job security is the most prevalent reason, with around 90 percent or more of respondents in both eligible and ineligible agencies citing this reason (**Figure 3**). Three out of four respondents also suggest that good salary. benefits, personal satisfaction are the reasons why they choose to and continue to work in their current jobs, while about two thirds cite advancement potential and a mission. On the other hand, about half report that flexible hours and reasonable workload are the reasons why they stay in their current jobs, while less half cite social status.

Figure 3. Proportion (%) of respondents by reasons why they choose to and continue to work in their current jobs, by eligibility status of agency.



Source: 2019 PSEPBB, PIDS.

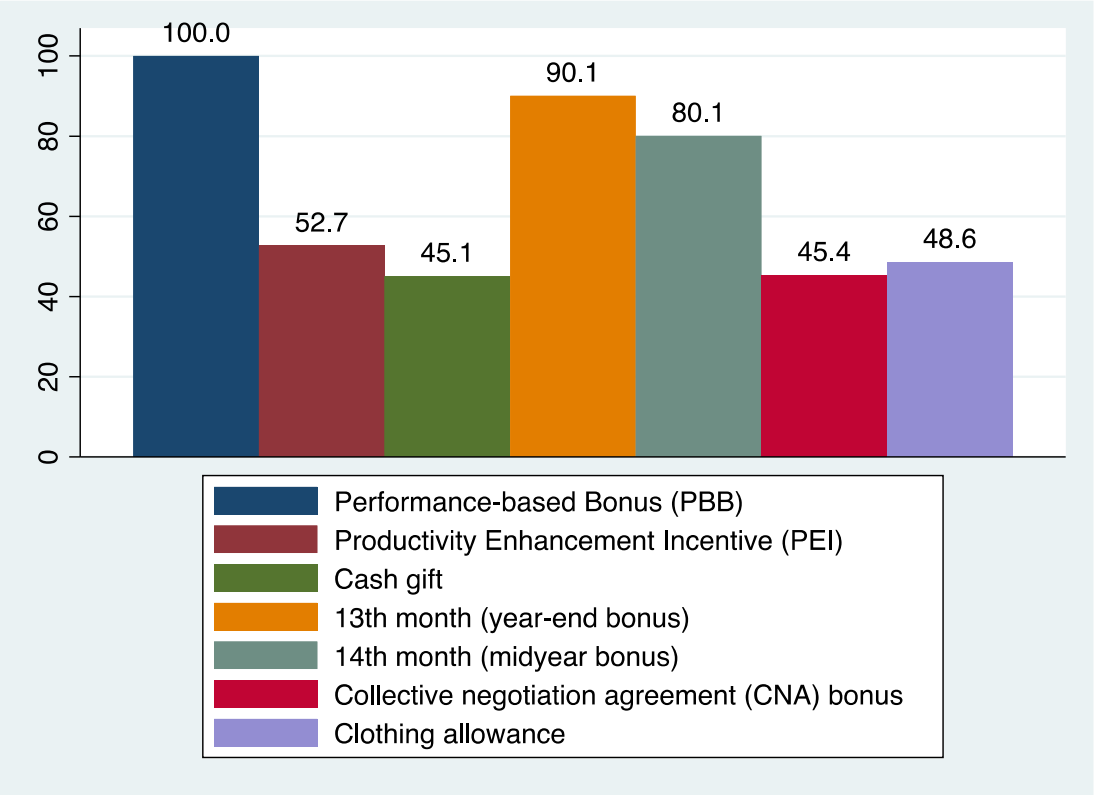
4.1.2. Knowledge about PBB

All PSEPBB respondents are aware of at least one bonus that they received, as of 2019. After the PBB, which has awareness among all survey respondents[3], the 13th month-pay and the 14th month pay had the highest awareness at 90.1% and 80.1%, respectively, while less than half

[3] While only 90.9 percent of respondents reported about the PBB in the "unaided" question on the awareness of respondents of various bonuses, further probing with other survey questions revealed that all respondents actually were aware of the PBB. It is thus possible that the awareness ratings for other bonuses may be much higher as well. Even without accounting for the probing done in other questions, the PBB still had the highest awareness ratings among the seven bonuses identified in the survey.

were aware of the cash gift, the collective negotiation agreement (CNA) bonus, and the clothing allowance. (**Figure 4**).

Figure 4. Proportion (%) of respondents who are aware of various bonuses



Source: 2019 PSEPBB, PIDS.

Overall, about two-thirds of respondents are aware of individual-level objectives of the PBB (e.g., to reward good performance and to motivate higher performance and productivity); but less than half are aware of objectives at the team- and agency-levels (such as ensuring accomplishment of targets, improving public service delivery and accountability, as well as strengthening teamwork). Differences in awareness of all PBB objectives are much more evident between rank-and-file employees and managers, with the latter being more aware of PBB objectives, than between employees from eligible and ineligible agencies in FY 2016/17 (**Table 5**).

Table 5. Proportion (in %) of respondents who aware of various objectives of the PBB, by position status of respondent and by eligibility status of agency in FY 2016/17.

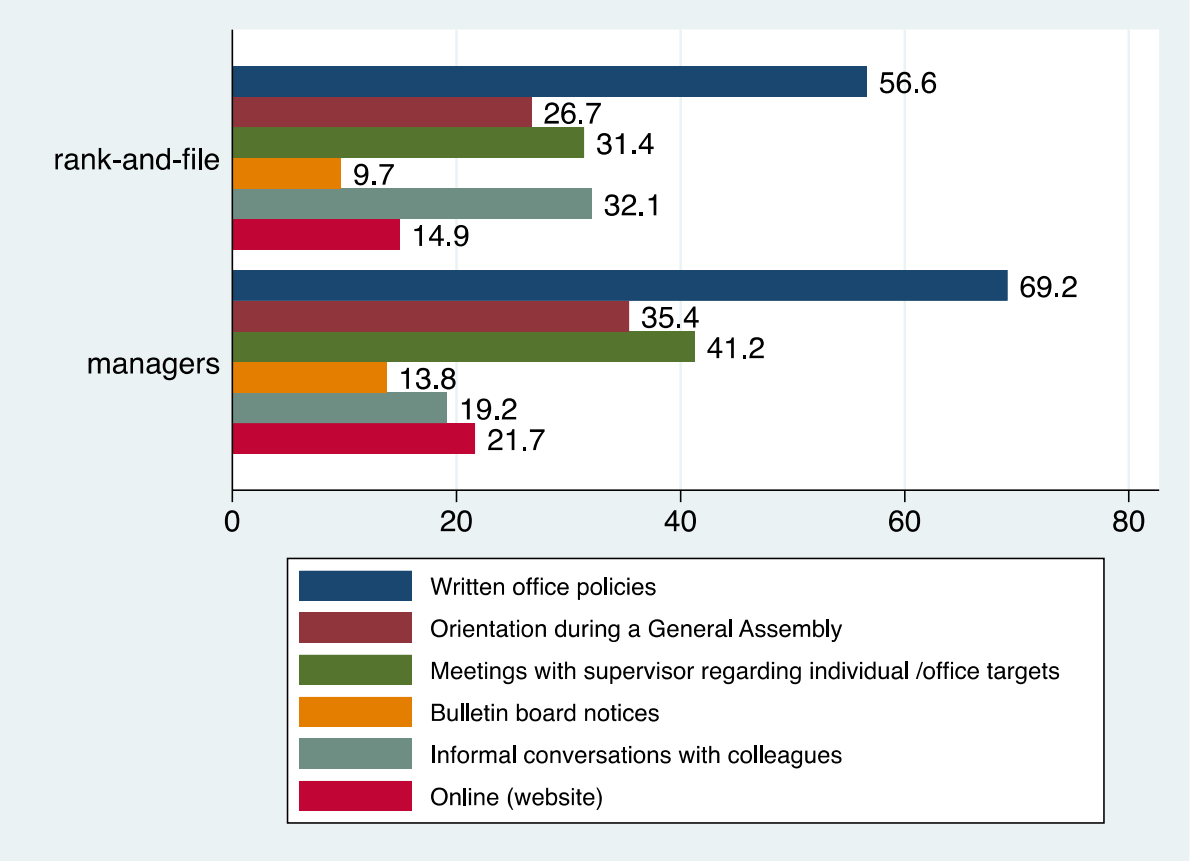
Objectives of the PBB	Leadership Position Status of Personnel								
	Rank-and-file			Managers			All staff		
	Ineligible	Eligible	All agencies	Ineligible	Eligible	All agencies	Ineligible	Eligible	All agencies
Reward good performers	65.0	61.4	62.5	70.8	72.0	71.7	66.0	63.5	64.3
Motivate higher performance and productivity	65.9	67.1	66.7	70.8	72.6	72.1	66.8	68.2	67.8
Increase accountability in the public sector	18.0	15.2	16.1	18.5	28.6	25.8	18.0	17.9	18.0

Objectives of the PBB	Leadership Position Status of Personnel								
	Rank-and-file			Managers			All staff		
	Ineligible	Eligible	All agencies	Ineligible	Eligible	All agencies	Ineligible	Eligible	All agencies
Ensure accomplishment of commitments and targets	42.1	37.8	39.2	49.2	53.1	52.1	43.3	40.9	41.6
Strengthen teamwork within the agency	24.5	21.3	22.3	24.6	36.6	33.3	24.5	24.3	24.4
Enhance public service delivery to the citizen	29.1	21.0	23.6	33.8	38.3	37.1	29.9	24.5	26.1
Do not know	2.5	1.3	1.7	1.5	0.0	0.4	2.3	1.0	1.4

Source: 2019 PSEPBB, PIDS.

Most (about three fifth) learn about the PBB through written office policies (e.g. Memorandum). Aa bigger share of managers identify nearly all sources of information on PBB, except for informal conversations with colleagues, which is identified by about a third of rank-and-file staff, compared to a fifth for managers (**Figure 5**).

Figure 5. Proportion (in %) of respondents who identified their sources of information on PBB



Source: 2019 PSEPBB, PIDS.

Practically all (98%) PSEPBB respondents are aware of agency performance reviews; two thirds of them report that this is undertaken every semester; a tenth say annually, another tenth don't know (**Table 6**).

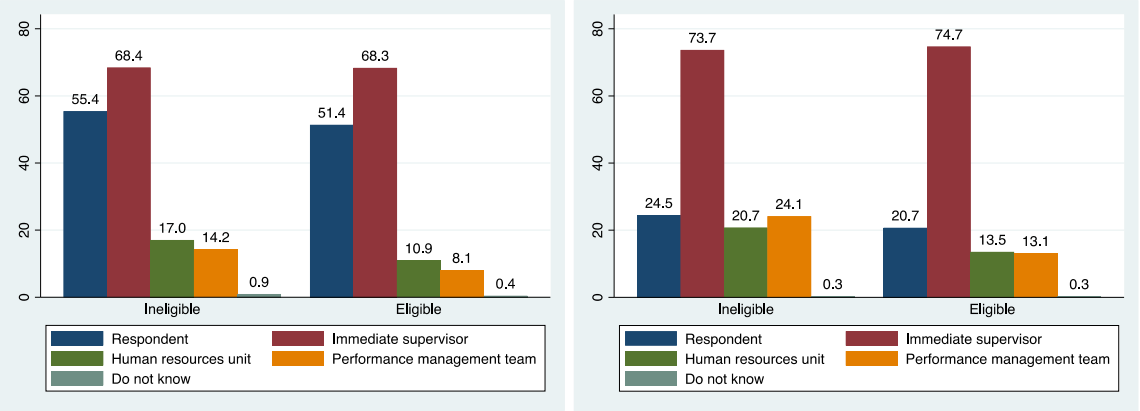
Table 6. Frequency of agency performance review, by position status of respondent.

Reported frequency of conduct of agency performance reviews	Eligibility Status of Agency		
	Ineligible	Eligible	Total
None	0.5	0.1	0.2
Once	15.1	13.0	13.6
Twice (every 6 months)	57.1	67.1	64.0
Monthly	0.8	1.7	1.4
As the need arises	2.9	2.4	2.5
Do not know	12.2	8.7	9.8
Others	11.4	7.1	8.4
Total	100.0	100.0	100.0

Source: 2019 PSEPBB, PIDS.

Nearly all (97.8%) rank-and-file respondents report that they have individual performance targets. More than two thirds (68.4%) of the rank-and-file respondents, whether from eligible or ineligible agencies, suggest that the targets are determined by their immediate superiors, meanwhile more than half (52.7%) of respondents suggest that they are responsible for these targets and less than one percent (0.6%) cannot identify the responsible party (**Figure 6a)**. Further, three in four (74.4%) rank-and-file respondents report that the their immediate superiors are responding for monitoring and evaluation (M&E) of their individual performance targets, while a fifth (52.7%) of respondents suggest that they are responsible for M&E, while a negligible proportion (0.3%) do not know (**Figure 6b)**.

Figure 6. Persons/units identified by respondents as being responsible for (a) determining individual performance targets; and, (b) monitoring and evaluation of these targets



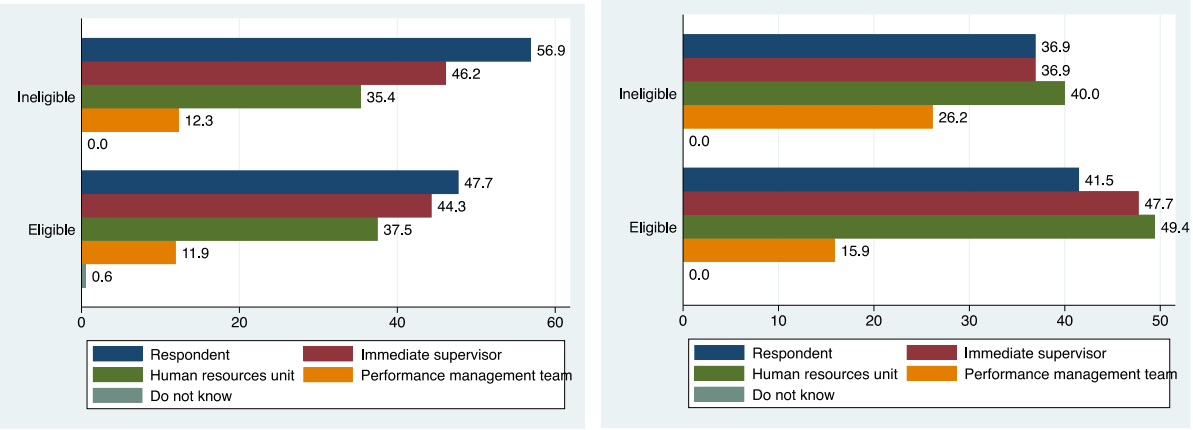
(a) (b)

Source: 2019 PSEPBB, PIDS.

As regards performance targets of delivery units, practically all (99.2%) managers reported about this. Half (50.2%) of the responding managers suggested that they are responsible for targets of their delivery units, while less than half (44.8%), and about a third (36.9%) identified their immediate supervisors, and the human resources unit, respectively. A mere tenth (12.0%) of managers identified the performance management team to be responsible for targets of their

delivery units, and nearly no manager was unable to report that they did not know who is responsible for their delivery units' targets. (**Figure 7a)**. Two in five managers (40.2%) suggested that they conduct M&E of their delivery units' performance targets. Half (44.8%) of the managers who responded in the survey also suggested that their immediate superiors monitor and evaluate the performance targets of their delivery units; half of the responding managers also identified the human resource unit for M&E of targets **(Figure 7b**).

Figure 7. Persons/units identified by managers as being responsible for (a) determining performance targets of delivery units; and, (b) monitoring and evaluation of these targets.



(a) (b)

Source: 2019 PSEPBB, PIDS.

While 90% agree of PSEPBB respondents reported that they deserve their PBB ratings, but the agreement with ratings actually depended on the level of ratings they obtained. As their ratings went from satisfactory to outstanding, the share of respondents in agreement had risen; meanwhile, among those who received below satisfactory ratings, all reported that they deserve better (**Table 7**).

Table 7. Proportion (in %) of respondents who report perceptions on their ratings, by performance ratings group

Perception on whether the rating is deserved	Individual performance rating					
	Do not know	Unsatisfactory	Satisfactory	Very Satisfactory	Outstanding	Total
Do not know	83.3	0.0	4.6	0.5	0.5	3.1
Yes	8.3	0.0	62.1	94.4	98.5	90.9
No, I deserve a better rating	8.3	100.0	33.3	4.9	0.5	5.9
No, I deserve a lower rating	0.0	0.0	0.0	0.1	0.5	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: 2019 PSEPBB, PIDS.

Perceptions of managers regarding whether the ratings of delivery unit ratings were deserved likewise depended on their rankings of their delivery units. All managers from best performers reported that they deserve their ratings, compared to 87.4% among better performers.

Meanwhile managers from good performers and below satisfactory units were divided on whether they agree or deserve better (**Table 8**).

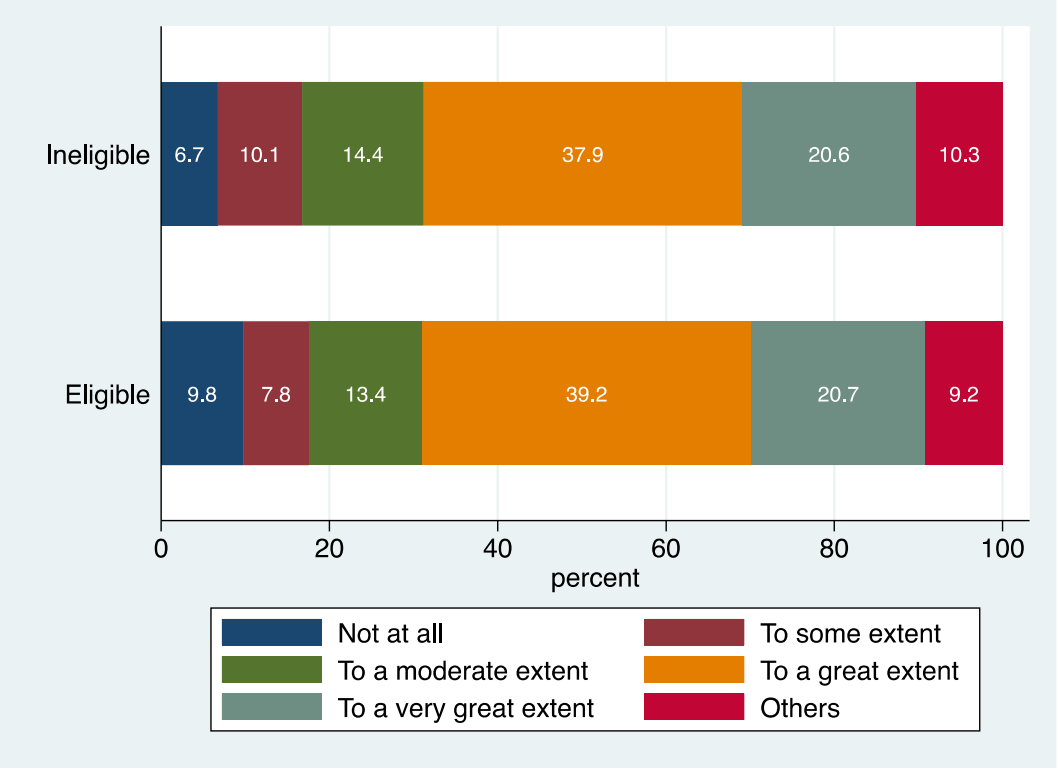
Table 8. Proportion (in %) of managers who report perceptions on ratings of their delivery units, by performance ratings group

Perception on whether the rating of delivery unit is deserved	Delivery unit performance rating					
	Do not know	Unsatisfactory	Satisfactory	Very Satisfactory	Outstanding	Total
Do not know	80.0	0.0	3.3	0.0	0.0	9.2
Yes	16.0	50.0	44.3	87.4	100.0	71.3
No, I deserve a better rating	4.0	50.0	50.8	11.7	0.0	18.8
No, I deserve a lower rating	0.0	0.0	1.6	1.0	0.0	0.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: 2019 PSEPBB, PIDS.

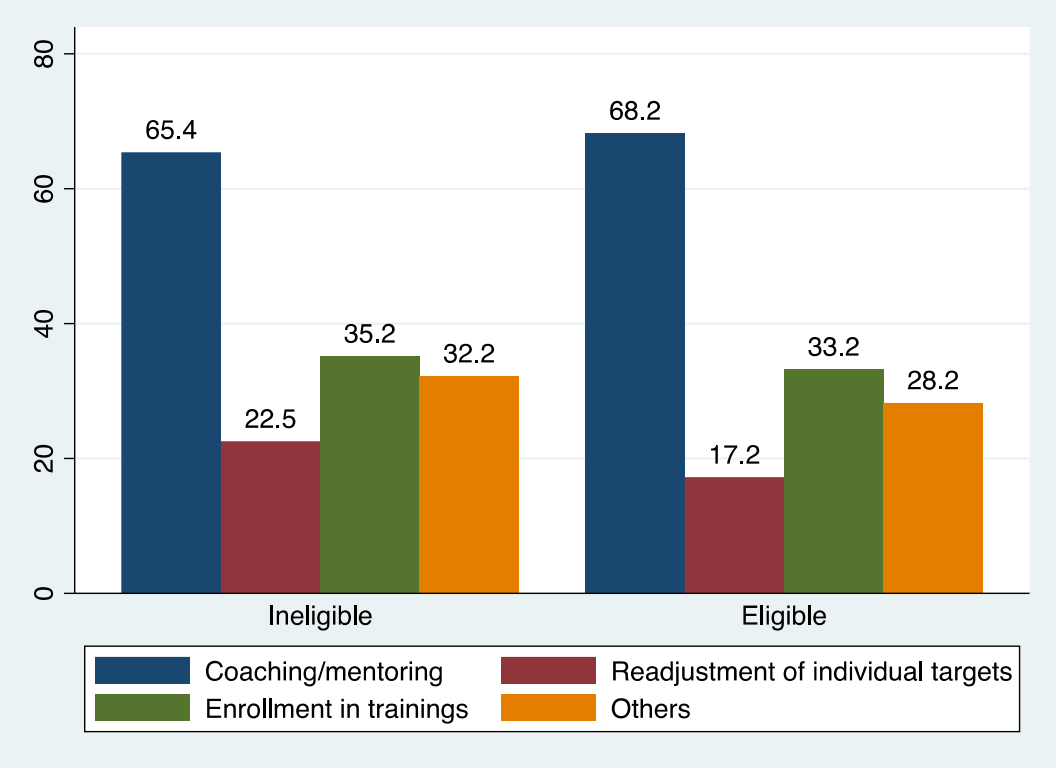
As much as three-fifths (59.4%) of respondents report that the supervisor, to a great or very great extent, provide help for poor and unsatisfactory performers, in both eligible or ineligible agencies, but a tenth (8.8%) report no assistance by supervisors (**Figure 8**). The form of interventions are largely capacity building activities, including coaching (67.4%), and training (33.8%), with a fifth (18.8%) of respondents also reporting about readjustment of individual performance targets (**Figure 9**).

Figure 8. Proportion (in %) of respondents who report extent of supervisor's help for poor and unsatisfactory performers, by eligibility status of agency in FY 2016/17



Source: 2019 PSEPBB, PIDS.

Figure 9. Proportion (in %) of respondents who report specific interventions for poor and unsatisfactory performers, by eligibility status of agency in FY 2016/17



Source: 2019 PSEPBB, PIDS.

According to the PSEPBB respondents, a third (35.0%) of them did not avail of the PBB at least once **(Table 9)**. The proportions varied across cluster type, with only a fifth (20.0%) of respondents from DepED being PBB-ineligible at least once, while among SUCs, the corresponding proportion is more than half (53.8%).

Table 9. Proportion (in %) of respondents who were ineligible to receive PPB at least once, by cluster type

Cluster Type	Respondent was ineligible to receive PBB at least once			
	No	Yes	Do not know	Total
NGAs	67.2	30.1	2.7	100.0
SUCs	45.2	53.8	1.0	100.0
DepED	79.1	20.0	0.9	100.0
GOCCs	66.4	29.5	4.1	100.0
Total	62.8	35.0	2.2	100.0

Source: 2019 PSEPBB, PIDS.

Among those who did not receive PBB at least once, the most common reason for ineligibility reported by the respondent is that their respective agencies (as a whole) did not meet the requirements to qualify for the PBB e.g., BUR, ISO 9001 Quality Management System (ISO-QMS) certification, Freedom of Information (FOI), Commission on Audit (COA) reports (**Table 10**). Meanwhile, it can also be noticed that about a quarter of survey participants from

SUCs also answered isolation of their delivery units as the reason for not availing the PBB. That is, they did not meet the target set for their specific group to qualify for the PBB. This was also mentioned by PBB focal persons in SUCs during the FGD conducted by the PIDS study team. Usually, these targets pertain to enrollment rates, completion rates and board passing rates.

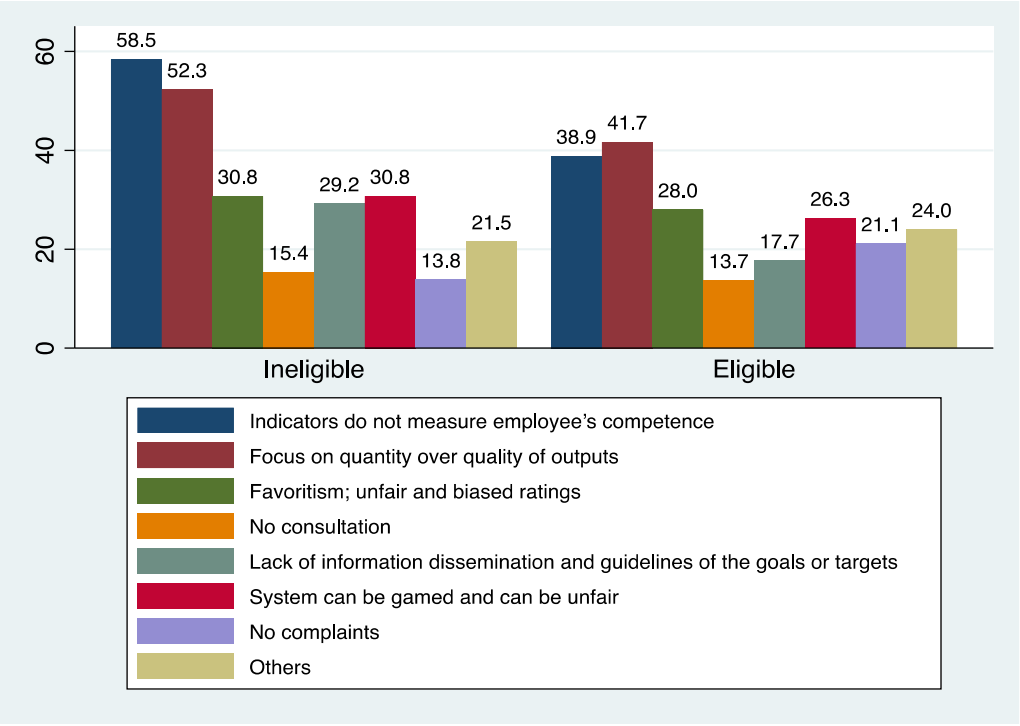
Table 10. Reasons for not availing PBB according to respondents who experienced ineligibility in receiving PBB at least once, by cluster type of agency

Cluster Type	Reasons				
	I had been working for less than 3 months from the reference fiscal year	Our agency did not meet requirements to qualify for the PBB	Our delivery unit was isolated for not meeting targets / requirements to qualify for PBB	My individual performance rating did not qualify for the PBB	Others
NGAs	3.8	80.8	13.1	2.3	15.0
SUCs	7.1	79.9	23.7	1.8	10.7
	8.7	56.5	8.7	0.0	39.1
GOCCs	0.0	66.7	2.8	2.8	41.7
Total	5.0	78.0	16.1	2.0	16.8

Source: 2019 PSEPBB, PIDS.

A bigger proportion of managers from ineligible agencies report about complaints than their eligible counterparts (**Figure 10**).

Figure 10. Common complaints of employees from eligible and ineligible agencies regarding their PBB, according to managers.



Source: 2019 PSEPBB, PIDS.

More than half of complaints from ineligible agencies are about "Indicators not being able to measure employee's competence" or "Focus on quantity over quality of outputs"; a third complain about "Favoritism; unfair and biased ratings" or "System being gamed" or the "Lack of information dissemination and guidelines of the goals or targets". A bigger share (21%) managers from eligible agencies also reported "no complaints" about than those from ineligible agencies (14%).

According to managers from DepED, SUCs and NGAs, the top two ranking complaints among employees about the PBB are about "Indicators not being able to measure employee's competence" or "Focus on quantity over quality of outputs", but the proportions of reports are much higher among DepED at around three-fifths, compared to about half among SUCs and two-fifths among NGAs (**Table 11**). Meanwhile, among managers from GOCCs, about a third report that the common complaints on the PBB are on "Indicators do not measure employee's competence"; "Favoritism; unfair and biased rating"; and "System can be gamed and can be unfair".

Table 11. Common complaints of employees regarding their PBB, according to managers, by cluster of agency.

Complaints about PBB	Cluster type					
	NGAs	SUCs	DepED	GOCCs		Total
Indicators do not measure employee's competence	43.2	47.3	62.5	34.6		44.2
Focus on quantity over quality of outputs	42.4	52.7	62.5	26.9		44.6
Favoritism; unfair and biased ratings	31.8	24.3	12.5	30.8		28.8
No consultation	10.6	23.0	12.5	7.7		14.2
Lack of information dissemination and guidelines of the goals or targets	13.6	36.5	12.5	15.4		20.8
System can be gamed and can be unfair	28.8	24.3	25.0	30.8		27.5
No complaints	23.5	13.5	12.5	15.4		19.2
Others	22.0	21.6	37.5	30.8		23.3

Source: 2019 PSEPBB, PIDS.

4.1.3. PBB Implementation

About four-fifths (79%) (either strongly or somewhat) agree that the PBB measures actual performance and productivity of individual, and a similar proportion (84%) are in agreement that the PBB measures the actual performance and the productivity of the bureau/delivery unit. Many find the PBB requirements fair (67%) and the basis of qualification objective (75%), but most (85%) also suggest that the PBB needs further refinement. In nine out of ten statements on the PBB implementation, respondents from GOCCs provided the lowest agreement rate. The only exception is on the issue of the need for further refinement where the agreement rates were constant across the cluster types. The share of respondents from GOCCs and from DepED who agreed that the payouts are released on time is practically the same at about thirty percent (**Table 12**).

Table 12. Proportion (in %) of respondents by extent of agreement on statements on the PBB Implementation, and by cluster type of agency.

Statement	Cluster Type	Level of Agreement					
		Strongly Agree	Somewhat Agree	Neither agree nor disagree	Somewhat Disagree	Strongly Disagree	Total
The PBB measures the actual performance and the productivity of the individual.	NGAs	37.6	42.4	11.2	6.5	2.4	100.0
	SUCs	37.6	43.3	10.2	7.0	1.9	100.0
		48.7	33.9	9.6	5.2	2.6	100.0
	GOCCs	22.1	45.9	14.8	13.9	3.3	100.0
	Total	37.1	42.2	11.1	7.2	2.4	100.0
The PBB measures the actual performance and the productivity of the bureau/delivery unit.	NGAs	44.1	40.0	9.2	5.7	1.0	100.0
	SUCs	43.0	42.4	7.3	6.1	1.3	100.0
		44.4	38.3	12.2	3.5	1.7	100.0
	GOCCs	27.9	49.2	13.9	7.4	1.6	100.0
	Total	42.3	41.3	9.5	5.7	1.2	100.0
The PBB requirements are fair and applicable to all government institutions.	NGAs	30.6	36.1	19.7	10.1	3.5	100.0
	SUCs	32.2	37.3	19.1	8.3	3.2	100.0
		38.3	35.7	13.9	7.8	4.4	100.0
	GOCCs	18.9	36.1	23.8	14.8	6.6	100.0
	Total	30.6	36.4	19.4	9.9	3.8	100.0
The PBB payouts are released on time.	NGAs	11.7	27.0	23.9	22.9	14.6	100.0
	SUCs	19.2	28.4	26.2	17.3	9.0	100.0
		6.1	25.2	18.3	25.2	25.2	100.0
	GOCCs	8.2	22.1	18.0	26.2	25.4	100.0
	Total	12.7	26.7	23.4	22.0	15.2	100.0
The basis of qualification for the PBB is objective.	NGAs	30.4	43.8	15.5	7.7	2.7	100.0
	SUCs	34.1	44.0	13.1	6.7	2.2	100.0
		30.4	47.0	16.5	2.6	3.5	100.0
	GOCCs	14.8	54.1	19.7	9.8	1.6	100.0
	Total	29.8	45.1	15.4	7.2	2.6	100.0
The PBB needs further refinement.	NGAs	41.4	42.5	12.0	2.4	1.7	100.0
	SUCs	48.7	36.0	10.5	2.9	1.9	100.0
		45.2	42.6	8.7	2.6	0.9	100.0
	GOCCs	50.0	36.1	9.0	1.6	3.3	100.0
	Total	44.4	40.3	11.0	2.5	1.8	100.0
The PBB has improved our institution's compliance with government regulations (e.g. good governance conditions,	NGAs	44.3	41.1	10.8	2.8	1.0	100.0
	SUCs	51.0	37.6	6.7	4.1	0.6	100.0
		41.7	44.4	8.7	3.5	1.7	100.0
	GOCCs	32.8	45.9	14.8	4.9	1.6	100.0
	Total	44.6	41.0	9.9	3.4	1.0	100.0

Statement	Cluster Type	Level of Agreement					
		Strongly Agree	Somewhat Agree	Neither agree nor disagree	Somewhat Disagree	Strongly Disagree	Total
use of budget, and delivery of targets).							
Changes in the requirements of the PBB are properly communicated and disseminated.	NGAs	30.5	39.8	20.8	6.9	2.0	100.0
	SUCs	37.9	41.4	14.0	5.7	1.0	100.0
		36.5	40.9	13.0	8.7	0.9	100.0
	GOCCs	23.8	42.6	13.1	17.2	3.3	100.0
	Total	32.2	40.6	17.7	7.8	1.8	100.0
The PBB incentivizes good performance.	NGAs	38.6	43.4	10.6	5.4	2.1	100.0
	SUCs	38.2	42.0	12.4	4.8	2.6	100.0
		43.5	43.5	7.0	3.5	2.6	100.0
	GOCCs	30.3	37.7	19.7	9.8	2.5	100.0
	Total	38.1	42.5	11.6	5.5	2.3	100.0
Complying with good governance conditions increased our efficiency in service delivery.	NGAs	53.3	37.8	6.8	1.6	0.6	100.0
	SUCs	60.2	31.9	4.8	2.6	0.6	100.0
		50.4	43.5	3.5	1.7	0.9	100.0
	GOCCs	44.3	39.3	10.7	4.9	0.8	100.0
	Total	53.9	37.0	6.4	2.2	0.6	100.0

Source: 2019 PSEPBB, PIDS.

About half of respondents coming from all clusters strongly agreed that complying with good governance conditions (as part of PBB requirements) increased their agency's efficiency in terms of service delivery (**Table 13**). While at least 30% of respondents in NGAs, SUCs, and strongly agree that PBB measures actual individual and delivery unit performance and that PBB requirements are fair and applicable to all agencies, meanwhile a smaller proportion of GOCC respondents agree with these statements. It was also very noticeable that less than 20% of all clusters only "strongly agree" that PBB payouts are released on time.

Managers and rank-and-file only have slight differences in viewing PBB implementation processes (**Table 14**). Fewer managers, compared to rank and file employees strongly agree that "the PBB measures the actual performance and the productivity of the bureau/delivery unit" and that "the PBB requirements are fair and applicable to all government institutions." We also tried to break down the data into the subpopulation of respondents consisting of PBB focal persons and performance management team (PMT) members of participating agencies in the PBB, in combination with the respondents from validating agencies (who may be viewed as being more knowledgeable about the PBB), versus the rest of the respondents. The former group, which is expected to know more about the PBB, constitutes roughly a quarter of the respondents in the survey. PBB focal persons attend orientations of PBB guidelines conducted by the AO25 secretariat which they in turn disseminate in their respective agencies for implementation. On the other hand, the PMT monitors compliance of requirements by serving as quality control and ensuring the completeness of submissions to ensure the PBB eligibility of their agencies. Surprisingly, no huge differences could be found in this subpopulation regarding the strong agreement rates on statements about the PBB implementation (**Table 14**).

Table 13. Proportion of Respondents (in %) who Strongly Agree about Some Statements on the PBB Implementation, among Ineligible and Eligible Agencies and across Cluster Type of Agencies

Statement on the PBB Implementation	Ineligible	Eligible		NGAs	SUCs	DepED	GOCCs		Total
The PBB measures the actual performance and the productivity of the individual.	32.0	39.4		37.6	37.6	48.7	22.1		37.1
The PBB measures the actual performance and the productivity of the bureau/delivery unit.	38.1	44.1		44.1	43.0	44.3	27.9		42.3
The PBB requirements are fair and applicable to all government institutions.	25.3	32.8		30.5	32.2	38.3	18.9		30.5
The PBB payouts are released on time.	15.7	11.3		11.6	19.1	6.1	8.2		12.6
The basis of qualification for the PBB is objective.	27.3	30.8		30.2	34.1	30.4	14.8		29.7
The PBB needs further refinement.	47.4	43.1		41.4	48.7	45.2	50.0		44.4
The PBB has improved our institution's compliance with government regulations (e.g. good governance conditions, use of budget, and delivery of targets).	39.2	47.0		44.2	51.0	41.7	32.8		44.6
Changes in the requirements of the PBB are properly communicated and disseminated.	27.3	34.3		30.4	37.9	36.5	23.8		32.2
The PBB incentivizes good performance.	34.3	39.8		38.6	38.2	43.5	30.3		38.1
Complying with good governance conditions increased our efficiency in service delivery.	48.2	56.4		53.2	60.2	50.4	44.3		53.9

Source: 2019 PSEPBB, PIDS.

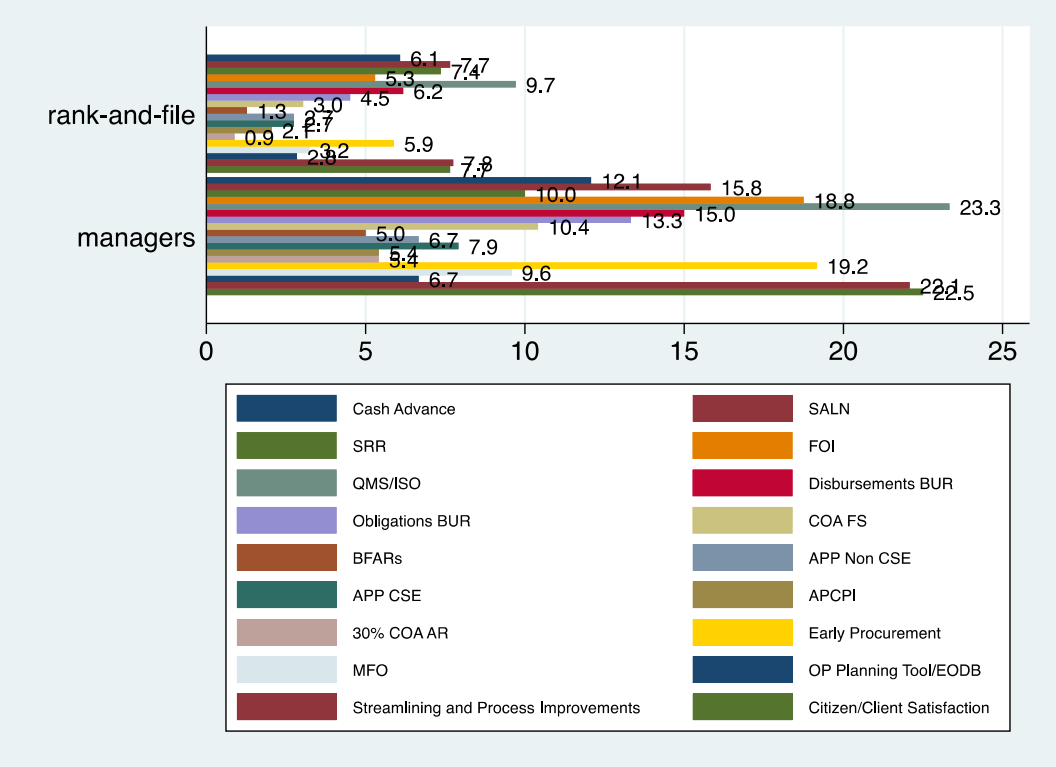
Table 14. Proportion of Respondents (in %) who Strongly Agree about Some Statements on the PBB Implementation, by Leadership Position of Personnel and Expected Knowledge of PBB

Statement on the PBB Implementation	Position of Personnel			Expected PBB Knowledge			Total
	Rank-and-file	Managers		Validating agencies, PBB focal persons and PMT members	Rest of Respondents		
The PBB measures the actual performance and the productivity of the individual.	39.2	28.3		33.8	38.2		37.1
The PBB measures the actual performance and the productivity of the bureau/delivery unit.	44.6	32.5		39.9	43.1		42.3
The PBB requirements are fair and applicable to all government institutions.	32	24.2		27.1	31.7		30.5
The PBB payouts are released on time.	12.9	11.7		8.2	14.2		12.6
The basis of qualification for the PBB is objective.	30.1	27.9		26.8	30.7		29.7
The PBB needs further refinement.	43.2	49.6		48.5	43		44.4
The PBB has improved our institution's compliance with government regulations (e.g. good governance conditions, use of budget, and delivery of targets).	44.2	46.2		44.2	44.7		44.6
Changes in the requirements of the PBB are properly communicated and disseminated.	32	32.9		31.4	32.4		32.2
The PBB incentivizes good performance.	38.8	35.4		34.8	39.3		38.1
Complying with good governance conditions increased our efficiency in service delivery.	54.6	50.8		53	54.1		53.9

Source: 2019 PSEPBB, PIDS.

More than half (54%) of respondents reported that they are aware of any changes in the requirements of the PBB since its implementation in 2012. When probed further, less than 10 percent of rank-and-file respondents had actually identified these changes. compared to much larger proportions among managers (**Figure 11**). About a fourth of managers identified changes in PBB requirements, such as ISO-QMS, Streamlining and Process Improvements, Citizen/Client Satisfaction, while a fifth identified FOI, and Early Procurement.

Figure 11. Changes in PBB Requirements Identified by Rank-and-File and Managers



Source: 2019 PSEPBB, PIDS.

A considerable share (about 90 %) of respondents across various sub-groups (i.e., rank-and-file versus managers, those from eligible agencies versus ineligible ones, and across cluster types) expressed the view that their agencies will continue to comply with the PBB requirements in the long run even without an incentive (**Table 15**). The proportions, however, of those who are positive about sustained compliance of the PBB requirements, even without incentives, seem highest though among respondents from SUCs (at 94.9%) compared to those from NGAs who had the least share (86.2%).

Table 15. Proportion of Respondents (in %) who think their agencies will continue to comply with PBB requirements in the long run even without an incentive, among rank-and-file employees, managers, those from Ineligible And Eligible Agencies and across Cluster Type of Agencies

Group	Continued compliance of agency even without incentive			
	No	Yes	Not Sure	Total
Rank-and-file	4.6	89.6	5.8	100.0
Managers	7.1	87.1	5.8	100.0
Ineligible	3.1	91.2	5.7	100.0
Eligible	6.0	88.2	5.9	100.0

Group	Continued compliance of agency even without incentive			
	No	Yes	Not Sure	Total
NGAs	5.1	86.2	8.8	100.0
SUCs	3.2	94.9	1.9	100.0
	6.1	93.0	0.9	100.0
GOCCs	9.1	87.6	3.3	100.0
Total	5.1	89.1	5.8	100.0

Source: 2019 PSEPBB, PIDS.

4.1.4. PBB Effects on Individual Performance

The PSEPBB respondents were also asked to identify their level of agreement on twelve statements on the effect of the PBB on their individual performances. **Figure 12** shows that about 60 percent of respondents, whether from eligible or ineligible agencies, strongly agree that they have become more conscious of accountability requirements. Further, compared to around 40 percent of respondents from ineligible agencies, about half of those from eligible agencies strongly agree that

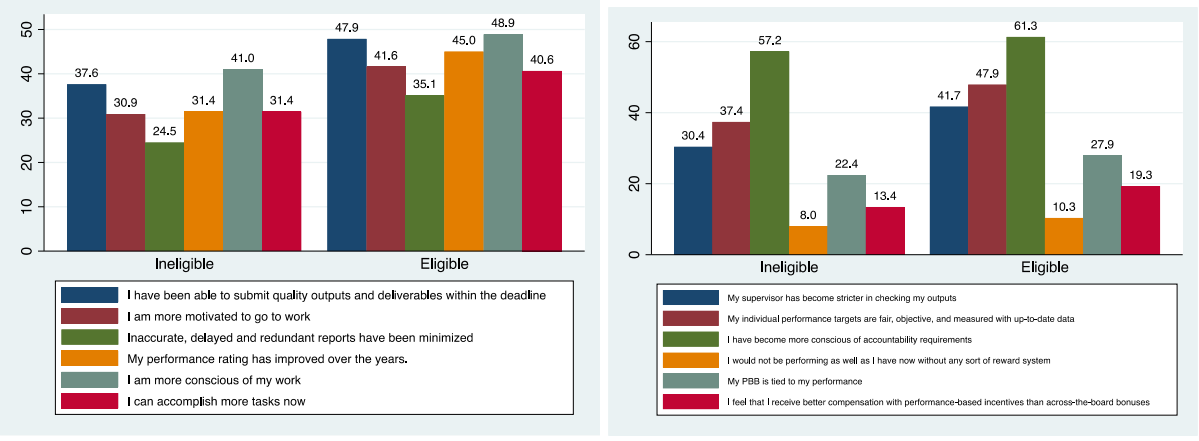
- they are more conscious of their work;
- their individual performance targets are fair, objective, and measured with up-to-date data; and,
- they have been able to submit quality outputs and deliverables within deadlines.

Also, nearly 40 percent of respondents from eligible agencies, compared to about 30 percent from ineligible ones, strongly agree that

- their performance rating has improved over the years;
- their supervisors have become stricter in checking their outputs;
- they are more motivated to go to work; and,
- they can accomplish more tasks now.

Meanwhile only 10% strongly agree that they will not be performing as well as they have now without any sort of reward system.

Figure 12. Proportion of respondents (in %), by eligibility of agency, who strongly agree with various statements on the effect of the PBB on their individual performances.



(a) (b)

Source: 2019 PSEPBB, PIDS.

To perform a counterfactual analysis between respondents from eligible agencies and their counterparts from ineligible agencies , we looked into a composite indicator of the individual

effects on the PBB, specifically the proportion of respondents who strongly agreed with at least one of those 12 statements in the two previous slides. We noted that 6.2 percentage point difference in favor of those from eligible agencies, but when we made use of a PSM model that controlled for age, educational attainment and employee status (i.e. managers versus rank-and-file) we estimated this difference to be even larger, i.e. nearly 10 percentage points (**Table 16**). Both estimates from a standard survey data analysis and the PSM model suggest that the difference is statistically significant.

Table 16. Results of Counterfactual Analysis on Effects of PBB on Individual Performance

Group	Strongly Agree in at least one of 12 statements in Section D on Effect of PBB on Individual Performance		
	No	Yes	Total
Ineligible	29.9	70.1	100.0
Eligible	23.7	76.4	100.0
Total	25.6	74.4	100.0
Difference between Eligible and Ineligible Groups		6.2	
Estimated Standard Error		2.7	
Estimated Difference from Propensity Score Matching		9.9	
Estimated Standard Error		4.6	

Note: Authors' calculations on microdata of 2019 PSEPBB, PIDS.

Table 17 lists a disaggregation of the proportion of PSEPBB respondents who strongly agree about various statements on individual performance across various relevant subpopulations other than eligibility of the agency in FY 2016/17. These subgroupings are (i) cluster type of agency, (ii) managers versus rank-and-file, and (iii) subpopulation of respondents according to expected knowledge on the PBB with the first group consisting of PBB focal persons and performance management team (PMT) members of participating agencies in the PBB, in combination with the respondents from validating agencies (who may be viewed as being more knowledgeable about the PBB), and the second group being the rest of the respondents. Results suggest that participants from DepED, tend to strongly agree more about the statements than the average survey participants in nearly all statements. The exception is in the statement "I have become more conscious of accountability requirements", where the proportions are no different. Rank-and-file personnel also tend to strongly agree more than managers in most statements, although across statements the difference in rates is not substantial. For nearly all statements, the proportion of respondents from the more PBB-knowledgeable group of respondents is no different from the rest of the respondents. The exception is the statement "My individual performance targets are fair, objective, and measured with up-to-date data" where the more PBB-knowledgeable group has a smaller strong rate of agreement compared with the rest of the respondents.

Table 17. Proportion of Respondents (in %) who Strongly Agree about Some Statements on the Effects of PBB on Individual Performance, by Cluster Type of Agencies, Leadership Position of Personnel, and Expected Knowledge of PBB

Statements on Effects of PBB on Individual Performance	Cluster type of Agency					Position of Personnel			Expected PBB Knowledge			Total
	NGAs	SUCs	DepED	GOCCs		Rank-and-file	Managers		Validating agencies, PBB focal persons and PMT members	Rest of Respondents		
I have been able to submit quality outputs and deliverables within the deadline	42.1	47.5	57.4	41.0		49.2	25.8		41.2	46.0		44.7
I am more motivated to go to work	36.3	41.7	54.8	25.4		41.5	24.6		33.8	39.8		38.3
Inaccurate, delayed and redundant reports have been minimized	31.2	34.4	38.3	23		34	22.9		29.3	32.8		31.9
My performance rating has improved over the years	37.3	45.5	53.9	36.9		42.4	34.2		36.9	42.2		40.8
I am more conscious of my work	43.1	54.5	55.7	36.9		49.1	35.4		42.1	48.0		46.5
I can accomplish more tasks now	35.6	42.4	51.3	26.2		40.3	27.1		35.4	38.7		37.8
My supervisor has become stricter in checking my outputs	36.6	41.1	47.0	32.0		37.0	43.3		39.3	37.8		38.2
My individual performance targets are fair, objective, and measured with up-to-date data	40.3	49.7	60.0	42.6		47.3	33.3		37.5	47.2		44.6
I have become more conscious of	55.9	72.0	60.9	52.5		60.0	60.4		58.2	60.7		60.0

Statements on Effects of PBB on Individual Performance	Cluster type of Agency					Position of Personnel			Expected PBB Knowledge			Total
	NGAs	SUCs	DepED	GOCCs		Rank-and-file	Managers		Validating agencies, PBB focal persons and PMT members	Rest of Respondents		
accountability requirements												
I would not be performing as well as I have now without any sort of reward system	9.0	10.2	15.7	5.7		9.7	9.2		7.9	10.2		9.6
My PBB is tied to my performance	23.2	29.3	32.2	30.3		26.4	25.4		25.9	26.3		26.2
I feel that I receive better compensation with performance-based incentives than across-the-board bonuses	16.8	17.8	27.8	10.7		16.8	20.4		17.7	17.4		17.5

Source: 2019 PSEPBB, PIDS.

4.1.5. PBB Effects on Agency Performance

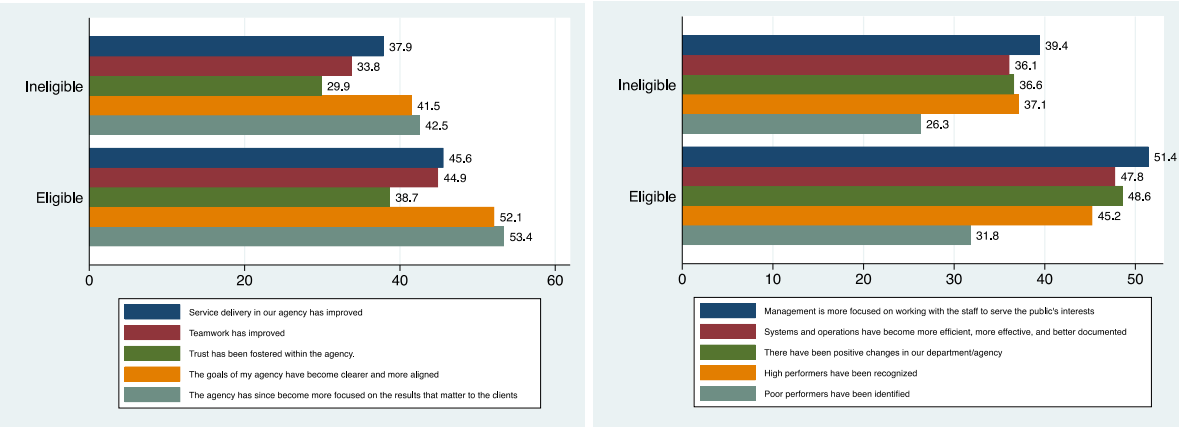
Through Section E of the questionnaire (**Annex 1** and **Annex 2**), the PSEPBB respondents were asked to specify their perceptions on to what extent they agreed with ten statements that describe the effect of PBB on the performance and productivity of their agency or department.

Survey respondents from agencies that were eligible to avail of the PBB in FY 2016/17 tended to register "strongly agree" much more often than counterparts from ineligible agencies. About half of sampled respondents from eligible agencies, compared to about 40 percent from ineligible agencies (**Figure 13**), strongly agree that

- their respective agencies have since become more focused on results that matter to their clients;
- the goals of their organization have become clearer and more aligned;
- management is more focused on working with staff to serve the public's interests;
- there have been positive changes in their department/agency;, and
- systems and operations have become more efficient, more effective and better documented.

Meanwhile, the least strong agreement rate among PSEPBB respondents regarding effects of the PBB on their agency performance was on the statement that poor performers have been identified since the government implemented the PBB.

Figure 13. Proportion of respondents (in %), by eligibility of agency, who strongly agree with various statements on the effect of the PBB on their agency performances.



(a) (b)

Source: 2019 PSEPBB, PIDS.

As in the earlier examination of the perceived effects of the PBB on individual performance, we looked into the proportion of respondents who strongly agreed with at least one of those 10 statements in Section E of the 2019 PSEPBB questionnaire (see **Annex 1** and **Annex 2**). We noted a regular survey data analysis reveals a 9.0 percentage point difference in favor of those from eligible agencies. This estimated difference is noted to be statistically significant. When we made use of the propensity score matching model, however, we estimated this difference between the respondents from eligible and ineligible agencies to be also statistically significant, but that the difference between the two groups was by as much as 13 percentage points (**Table 18**). Thus, we find that survey data reveals that that the perception of respondents is that the PBB has had effects across both individual and agency-wide performance.

Table 18. Results of Counterfactual Analysis on Effects of PBB on Agency-Wide Performance

Group	Strongly Agree in at least one of 10 statements in Section E on Effect of PBB on Agency Performance		
	No	Yes	Total
Ineligible	37.6	62.4	100.0
Eligible	28.6	71.4	100.0
Total	31.4	68.6	100.0
Difference between Eligible and Ineligible Groups		9.0	
Estimated Standard Error		2.8	
Estimated Difference from Propensity Score Matching		13.6	
Estimated Standard Error		4.7	

Note: Authors' calculations on microdata of 2019 PSEPBB, PIDS.

Table 19 lists a disaggregation of the proportion of PSEPBB respondents who strongly agree about various statements on the effect of PBB on agency performance across several relevant subpopulations. As is expected, there is variance across cluster types of agencies. In particular, respondents from DepED tend to strongly agree more than counterparts from other clusters, except for statements on "the goals of my agency have become clearer and more aligned" and on "the agency has since become more focused on the results that matter to the clients". In this case, a slightly higher rate of strong agreement can be obtained from CHED respondents, but the difference is only small. By leadership position in the agency and by expected knowledge on the PBB, there is negligible difference in the rates of respondents that strongly agree on various statements on the effects of PBB on agency performance. While this is somewhat unexpected, the survey results show that perceptions on the effects of PBB on agency performance are only conditioned by the context of the cluster of agencies to which the respondents belong.

Table 19. Proportion of Respondents (in %) who Strongly Agree about Some Statements on the Effects of PBB on Agency Performance, by Cluster Type of Agencies, Leadership Position of Personnel, and Expected Knowledge of PBB

Statements on Effect of PBB on Agency Performance	
	NGAs
Service delivery in our agency has improved.	40.5
Teamwork has improved.	38.4
Trust has been fostered within the agency.	33.8
The goals of my agency have become clearer and more aligned.	45.1
The agency has since become more focused on the results that matter to the clients.	46.9
Management is more focused on working with the staff to serve the public's interests.	45.3
Systems and operations have become more efficient, more effective, and better documented.	41.9
There have been positive changes in our department/agency.	41.5

High performers have been recognized.	39.5
Poor performers have been identified.	26.3

Source: 2019 PSEPBB, PIDS.

4.2. Focus Group Discussions

In addition to the survey of government employees undertaken for this study, a total of seven focus group discussions (FGD) were conducted last middle of September 2020. This enabled the study team to get the standpoint and perspectives of the PBB Focal Persons and members of the Performance Management Team (PMT), as well as those of the AO25 IATF, AO25 Secretariat, and the validating agencies. A full transcription of interviews was made, with the FGD transcriptions subjected to qualitative data analysis using the Nvivo software. Using content analysis, the presence, meanings and relationships of certain words, themes, or concepts mentioned during the FGDs were quantified and analyzed. Contrasts were made between the representatives of selected agencies and those who represented the AO25 IATF (including the Secretariat and the validating agencies in the IATF TWGs. Statistical analysis of the main ideas and major themes was performed, and illustrated by way of frequency tables and visualizations, including word clouds.

4.2.1. Profile of FGD Respondents

A total of 41 employees and officials in the Executive Department from 21 government entities participated in the FGD **(Table 20)**.

Table 20. Distribution of FGD Participants by Cluster Type

Cluster Type	Number of Agencies		Number of Participants
	Eligible	Ineligible	
NGAs	1	2	6
GOCCs	2	1	10
SUCs	1	1	3
	1	2	4
AO25 IATF	4	0	7
AO25 Secretariat	1	0	2
Validating Agencies	5	0	9
Total	**15**	**6**	**41**

Source: 2020 FGDs on PBB, PIDS.

More than half (56 %) of the FDG participants are PBB focal persons and members of the PMT of the agencies. About 71 percent of these representatives of agencies interviewed were from PBB-eligible ones in FY 2016/17.

Two thirds (63.4%) of the FGD participants are female ; more than half (56%) of those interviewed are in the age range 35 to 50 years old. Most of the FGD participants also have managerial-level positions (63.4%).

4.2.1. Understanding the PBB

The transcriptions of the interviews were analyzed with the Nvivo software to generate a word cloud representing the "top of mind" words when FGD participants hear the term PBB **(Figure**

14). In particular, we see that PBB is most associated with the employees' performance, achievement of targets, and receiving of incentives. FGD participants recognize that the PBB is much more than just a financial incentive because the PBB has conditions for availing it. Even when word clouds are generated from interviews with representatives across agencies from the education sector (**Figure 15**), outside the education sector (**Figure 16**), and the oversight and validating agencies (**Figure 17**), the same top-of-mind words about performance and targets are generally most frequently observed.

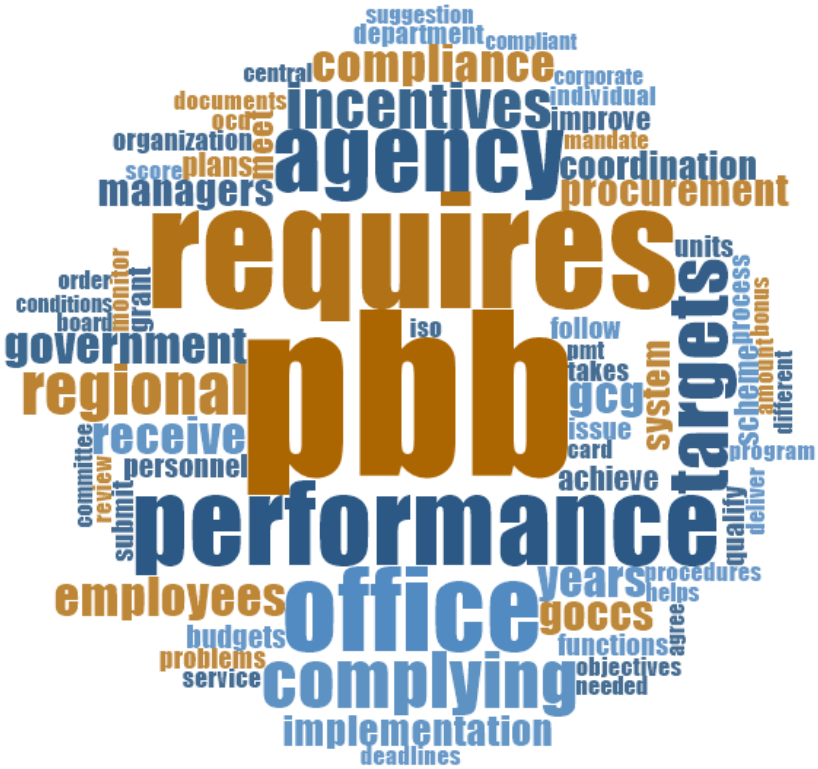
Figure 14. Common "Top of mind" words associated with PBB among FGD participants

Source: 2020 FGDs on the PBB, PIDS.

Figure 15. Recurring words about the PBB for participants from the education sector

Source: 2020 FGDs on the PBB, PIDS.

Figure 16. Recurring words about the PBB for participants outside the education sector



Source: 2020 FGDs on the PBB, PIDS.

Figure 17. Recurring words about the PBB for participants from the oversight and validating agencies

Source: 2020 FGDs on the PBB, PIDS.

Aside from the usual concepts found in other word clouds, some other words associated with the PBB from representatives of the education sector (**Figure 15**) pertain to their physical accomplishments such as research and extension, accreditation, and ratings. Other words are about the delivery units within their institutions like central office, region, division, and schools.

On the other hand, outside of the education sector (**Figure 16**), words thought of with regard to the PBB are in relation to processes (coordination, procurement, budgets, review, monitor), units (board, committee, organization, department, individuals), personnel within the government (GCG, managers, employees) as well as the mandate and functions of an agency.

Interviews with representatives of the AO25 IATF (**Figure 17**) mostly shows the functions, processes, and requirements for the PBB including accomplishments, criteria, guidelines, conditions, ratings, ranking, assessment, evaluation, validation, targets, procurement, streamlining processes, delivery of service, and ISO.

4.2.2. Agreements about the PBB

Responses to each of the questions raised during FGDs were coded automatically with Nvivo, aside from performing extra coding to associate some themes with related themes. The main

ideas that occur in the responses given were noted and reviewed several times to be able identify major themes from the data collected.

In general, the representatives of the agencies and the regulating bodies agree that the PBB remains relevant at present because it can still be used to trigger continued improvements in government services. According to the FGD participants, the PBB has recognized and incentivized high performers within an agency and serves as a motivation to the employees to work better. Respondents from both groups also agree that the PBB has increased the agencies' compliance to statutory requirements. The PBB has supported the implementation of existing laws and has become the mechanism for public sector agencies to be mindful of all reporting requirements to improve their services. For instance, employees are more conscious about submitting their Statement of Assets, Liabilities and Net Worth (SALNs) on time, otherwise they could get disqualified on receiving their PBB. Participants also believed that the PBB has improved their performance management systems in terms of monitoring and evaluation of performance targets with indicators. The PBB has provided objectively verifiable indicators of performance and productivity that could be used by the heads of the agencies in improving their institutions. The representatives of agencies also added that there is a clearer delineation of responsibilities now because of the PBB.

Nevertheless, both also agreed that there are certain areas for improvement especially in terms of the design and implementation processes of the PBB. The release of the guidelines on the PBB can be done earlier to provide agencies time to disseminate information to each of their employees and comply with the newly-added requirements for that particular year. The late release of guidelines gave agencies little time to prepare the requirements and did not allow them to focus more on certain areas relevant to the PBB. For example, the criteria on the client satisfaction survey was only implemented for a few months, and these surveys are clearly not standardized across agencies. This would not capture the transactions done by the agencies in the recent months because of the delayed release of the PBB guidelines.

The respondents agree that the voluminous requirements in the recent years of implementing the PBB are report-intensive and has become a burden to the agencies and their employees. Simplifying and streamlining the current set of PBB conditions would help agencies in accomplishing their tasks and requirements.

4.2.2. Standpoint of the Agencies and the AO25 IATF, Secretariat, and Validating Institutions

While there is a lot of commonality in discussions, FGD results also show some variance in the ways to view the processes behind the PBB, and ways forward.

a) Incentives

As regards the PBB incentives, the representatives of agencies argue that the current payout formula that ties the incentive to a percentage of the employee's base pay means lower incentives for employees with lower salary grades. This is viewed as being unfair considering that those with lower salary grades often do the "dirty work." One respondent noted that at the initial roll out of the PBB, since the same amount of incentives were given, this boosted the morale of lower salary grade employees because

they feel appreciated. Few also preferred the across-the-board incentive to than the PBB. One respondent also suggested that a non-monetary incentive like a plaque of recognition can push the agencies and employees to also perform better. For the oversight agencies, however, the use of a percentage of the pay of employees was a suggestion from the World Bank (2014) study that pointed out that the managerial positions have relatively lower salaries than their counterparts in the private sector. This study also recommended that when benchmarked to international experience, the PBB should be increased to at least one month's total pay (basic pay plus standard allowances) on average for higher performance categories. The validating agencies understand that employees have different functions. For instance, if a driver gets a best performer ranking, you can't compare his work to a Division Chief which holds all these responsibilities and accountabilities. According to the regulatory bodies, the main responsibility for performance of the delivery unit rests largely on managers. This is confirmed by the 2019 PSEPBB data that suggests most survey respondents from the rank-and-file identify their managers, particularly their immediate supervisors, as the ones responsible for setting and monitoring their individual performance targets (**Figure 6**). Survey respondents who have managerial responsibilities also confirm this accountability on performance delivery.

b) Agency Eligibility

With regard to eligibility for availing the PBB, representatives of several agencies pointed out that becoming PBB-eligible depends on the performances of all delivery units. This is especially difficult for big agencies to comply with, when some units are either delayed in submitting requirements or do not perform at all. Strong units in an agency can be penalized because of the weakest links in an organization. However, the regulating agencies clarified that in the beginning, the design of the PBB pertained to seeing agencies as part of a family. The department secretary would qualify along with its attached agencies, bureaus, and GOCCs so that all agencies in a Department must perform toward attaining the goals and targets of the Department/sector. The validating institutions added that prior to the PBB, attached agencies did not care about the directions of the Department, especially the GOCCs which were operating autonomously before (and giving incentives independent of other agencies). Hence, PBB became a lever for building agency-wide cohesion towards goals attached to the PBB. However, there were difficulties in this system especially when the head of the agency was not able to (or would not give) attention to pushing compliance with the requirements of the PBB, as this would mean that all sub-units would not qualify. The oversight agencies decided then to separate the attached agencies from the mother Departments starting 2015. Thus, agencies are now considered as a delivery unit instead of part of an entire family. But with this setup, the Office of the Secretary of a Department cannot be separated from the regional offices because the latter are organic to the department. The regional offices cannot operate by themselves and say that they could achieve their targets, not minding whether the Department would reach its overall target as this is not the kind of culture the government wants to instill. Employees need to be conscious that their work contributes to the overall goal of the agency/department.

The oversight agencies acknowledge that it may be a challenge for big agencies to comply with all the PBB requirements, but they mentioned that they have a lot of officials anyway to spread the accountability of deliverables. Being part of a big agency means more employees. Further, some remedial measures have regularly been undertaken, including treating deadlines as soft deadlines for big agencies.

c) *Agency disqualification on a minor requirement*

Still on availing the PBB, the representatives of the agencies also lamented that their performances are not appreciated simply because of a lapse in one of the good governance conditions (GGCs) that automatically disqualify them from availing the PBB incentive. Some interviewees find this unfair because their disqualification signify that their performances for the whole year do not matter. They also argued that most of their work and outputs are not being captured by the PBB. The regulating body replied that while the GGCs are not connected to an agency's physical accomplishments, these are basic requirements in ensuring operational internal protocols. The requirements on the GGCs are qualifiers, meaning if the agencies are not observing these minimum requirements set by the oversight agencies, they are not eligible for the evaluation. Several considerations were also made by the oversight agencies as long as the justifications of the agencies for not meeting the requirement is beyond the control of the agency.

d) *Isolation of non-teaching personnel in DepED in receiving the PBB*

While all public school teachers never fail to receive their PBB incentives, there are non-teaching personnel from the division, regional, and central offices of DepED who have not received their PBB incentives for two years, According to some FGD participants, these non-teaching personnel prepare the reports of the schools and are therefore just as deserving to receive the incentives as the teachers. According to one interviewee, the DepED was disqualified from the PBB because of deficiencies in the financial and audit findings, but the Central Office submitted a reconsideration letter for the teachers. The evaluation of the validating agencies considered the teachers but rejected the appeals of the non-teaching personnel. The respondent noted that perhaps the reason behind this is because the teachers have a lot louder voice than them since they are the biggest part of the bureaucracy. According to the validating agencies, however, the DepED was given some accommodation to prepare their own internal guidelines for the PBB because the Department has the biggest share of the bureaucracy. The DepED adjusted their system of ratings and rankings and have set criteria on how schools should be ranked since they have small, medium, and large schools and the performance of the schools are different across size. In addition, the DepED had a deficiency on the GGC requirement, which is a responsibility of the offices and not of the teachers. The DepED made an appeal to provide PBB to the teachers and the IATF agreed because it was a reasonable explanation. The oversight institutions pointed out that some leeway was given to the division and regional offices to also comply with the GGC requirements.

e) *"Kilometric" requirements and stricter validation*

Representatives of agencies also pointed out that the "kilometric" requirements of the PBB can be challenging to comply with. This is in addition to the facts that the release of the PBB guidelines is close to the implementation period and that every year, there are changes in the rules and guidelines of the PBB. Oftentimes, due to lack of human resources in agencies, complying with the PBB requirements is an add-on task for employees. Agencies did not put up a separate unit for the purpose of the PBB and made use of its existing organizational structures to ensure compliance with the scheme. Instead of easing or streamlining their work, the PBB has actually added more burdens on processes. Some FDG participants mentioned that they sometimes have to leave their regular tasks to attend to the reportorial requirements of the PBB. Moreover, one FGD participant pointed out that the requirements were far easier to comply with in the initial rollout of the PBB. Reportedly, starting in 2017, there is no more re-negotiation of the targets. This was confirmed by the FGD participants representing the AO25 IATF because they introduced the one-time validation for the agencies then. In the beginning of the PBB, the validating agencies had been lenient on qualifying agencies. If an agency has a deficiency, the agency only has to explain and commit on fulfilling the deficiency, and they would consider approving compliance. But since the PBB has been implemented for several years already, the rules have been tightened starting 2017. The purpose of the one-time validation is for the agencies to avoid submitting "sample" documents. The oversight institutions assert that the agencies do not actually institutionalize their systems as they are rectifying issues several times. This resulted in having more agencies disqualified and ineligible for incentives starting 2017. The validating agencies have also observed that those agencies who failed to comply on the GGC in the beginning were the same agencies who learned and have become prepared now in every cycle. On the other hand, those agencies who were just lucky to pass the evaluation before are the ones having a hard time now. The validating agencies further explained that they also provide general orientation activities to help agencies understand the PBB requirements, but the information provided in these orientation activities is sometimes not disseminated to everyone.

f) Procurement and budget utilization requirements

Both the agencies and oversight institutions agree that the procurement requirements are the most common reason for disqualification of agencies. Several agencies pointed out that they do not have a separate office for procurement processes, which may be difficult for agencies with quick response functions. Agencies also reported that complying with 100% budget utilization rates (BURs) is tough to achieve because bids are often lower than the contract price. Other issues regarding the BURs include delays in the bidding process (which are beyond their control) as well as the inaccessibility of the PhilGEPS website due to high volume of traffic from BAC users. The participants from oversight and validating agencies replied that these issues stem from an internal problem of the agency such as in cascading of information or change of leadership in the Bids and Awards Committee (BAC) of an agency. They further reiterated that these are existing rules of oversight agencies. They also added that the savings generated from the bidding process is an accepted justification, along with other justifications that are beyond the control of the agencies. While the validating institutions have allowed agencies to submit their reports at their respective DBM regional offices or directly to PhilGEPS due to website issues, they still think that submission to the PhilGEPS

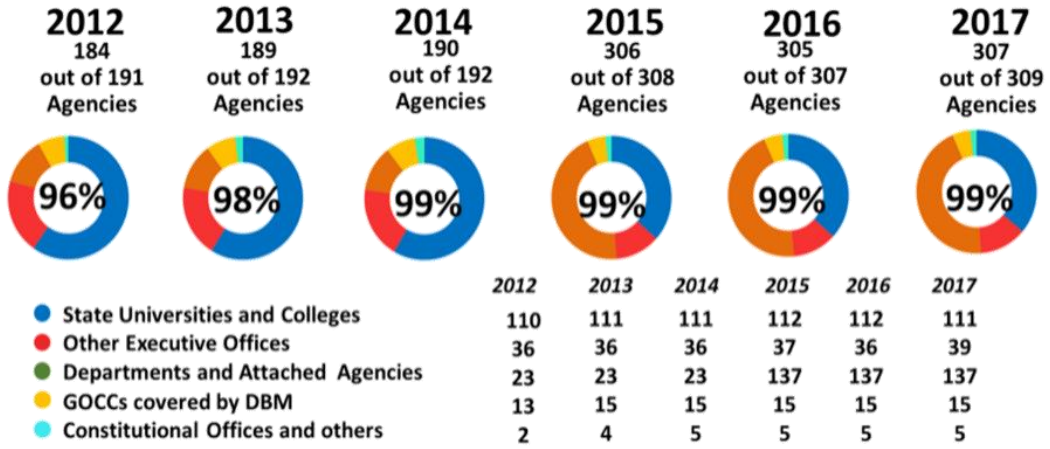
website would be manageable if agencies effectively planned on complying with this requirement throughout the year knowing the shortcomings of the system's website. And with respect to the procurement process, agencies were also saying that this is a long process. The representatives of oversight and validating agencies think that many offices do not do an early procurement where agencies can carry out procurement once the National Expenditure Program (NEP) is submitted to Congress, but short of award. Aside from the fact that sometimes agencies allot budgets for procurement without first having a Terms of Reference (TOR). That is, agencies only prepare the TORs when the GAA is approved. This would really take a long time, even almost at the end of the year plus the delays when the BAC proclaims a failed bidding. The validating agencies therefore instituted additional guidelines to maximize the available funds of agencies.

The oversight and validating institutions argued that they are actually considerate in the assessment of the agencies who provide justifications on their non-compliance to the BUR requirement. Nonetheless, they still look at the overall picture. There are agencies who declare that they have over 90 percent or sometimes more than 100 percent physical accomplishments but actually low BURs. That means these agencies requested more than their needed budgets. The validating agencies think that there are two reasons: either the agencies overbudgeted or the agencies purposely lowered their targets. From the evaluation of documents, the oversight and validating agencies observed that some agencies tend to ask for a huge budget but are not really utilizing it. This does not match their physical accomplishments. The agency itself is being penalized so they sometimes initiate to adjust its budget.

4.3. Administrative Data

Despite the many issues and challenges on the PBB's design and implementation identified in the PSEPBB and in the FGDs that were also mentioned in Albert *et al*., (2019), the PBB has been generally effective in meeting its design objectives over the years. The PBB has provided a mechanism for government agencies to track their performance in achieving their agency-wide commitments, as well as performance targets of their personnel and teams within their agencies. From 96 percent in 2012, the PBB participation rates from 2014-2017 have been close to 100 percent (**Figure 18**), so that only a very small group of government agencies are at risk of being "left behind".

Figure 18. Government Participation Rate on the PBB (FY 2012-2017)



	2012	2013	2014	2015	2016	2017
State Universities and Colleges	110	111	111	112	112	111
Other Executive Offices	36	36	36	37	36	39
Departments and Attached Agencies	23	23	23	137	137	137
GOCCs covered by DBM	13	15	15	15	15	15
Constitutional Offices and others	2	4	5	5	5	5

Note: Starting FY 2015, attached agencies are assessed as unique entities, i.e. performance delivery units.
Source: AO 25 Secretariat (2019).

PBB participation in this period include almost all national agencies with the exclusion of the Commission of Elections and the Congress (Senate and House of Representatives). Note that starting 2015, the number of agencies increased considerably since attached agencies of Departments have been reclassified as separate performance delivery units (to their mother Departments). This provided more agencies with greater agility to comply with the conditions and access the PBB.

In general, government agencies have had high compliance rates on basic statutory legal requirements and GGCs. While we see increases in compliance with many requirements from FY 2012 to FY 2016, nevertheless, with the stricter validation process adopted in FY 2017, we observe a decrease in the percentage of agencies who have met and complied with the requirements (**Figure 19**). Nonetheless, the historical data on compliance rates have been at a high rate of around 80 percent or more for most criteria. One particular requirement which has a relatively low compliance in 2017 is the ISO-QMS Certification (55%). During the process evaluation (Albert *et al*. 2019), it was noted that the requirement for ISO-QMS certification was a contributing factor behind the ineligibility of some agencies and SUCs from the PBB grant starting 2015. Amidst rising ineligibility rates in the period 2015 to 2017, we still find the share of agencies among the ineligibles that were not ISO-compliant increasing from around 20 percent in 2015 to about 80 percent in 2016 and 2017.

Figure 19. Agency Compliance to Good Governance Conditions (FY 2011-2017)

	2011	2012	2013	2014	2015	2016	2017
Transparency Seal	Initial year of implementation	87%	89%	98%	98%	98%	77%
PhilGEPS Posting	32% awards posted vs. total notices	80%	89%	95%	92%	93%	78%
Citizen's Charter	79.8%	90%	96%	99%	98%	99%	89%
SALN Submission	-NA-	-NA-	96%	98%	99%	99%	99%* *for validation
Report on Ageing of CA	-NA-	97%	98%	100%	99%	97%	90%
QMS certified to ISO	-NA-	-NA-	-NA-	-NA-	97%	83%	55%
Annual Procurement Plan	-NA-	-NA-	-NA-	-NA-	88%	93%	83%
Annual Procurement Compliance Performance Indicator	-NA-	-NA-	-NA-	-NA-	94%	96%	83%

Source: AO 25 Secretariat (2019).

5. Summary, Policy Implications, and Ways Forward

The empirical findings in this study suggested that the PBB has contributed to improving public sector performance at the individual, team and agency/department level. However, survey respondents and FGD participants alike identify design and implementation issues in the PBB, including (a) the changes in requirements across the years and the varying periods when PBB guidelines are released to agencies that have made compliance challenging, and (b) the relatively low level of awareness of the institutional objectives of the incentive scheme (as well as of the linkage of the PBB with the RBPMS). Further, agency representatives in the FGDs expressed psychic pains about the shift in pay from a fixed amount to a percentage of the base pay of the employee, which they point out is not fair to those at the lower ranks. At the very least, this suggests a need for improving how the PBB processes are communicated to the agencies. Finally, although few identified organizational objectives of the PBB, many suggest that are aware of performance targeting, M&E of targets, and also suggest that managers take the lead in interventions in the agency to help those in need of improvements, but a tenth of survey respondents also report that supervisors do not provide assistance to poor performers. This is of concern as this suggests either capacity gaps issues among managers regarding performance delivery, or the lack of attention to helping those who have been identified as being poor performers in an agency.

This study revealed evidence of positive outcomes from the PBB reform. These include increasing compliance among agencies as regards the conditions for PBB access. For instance, in terms of the transparency seal requirements, compliance by government agencies increased from less than 90 percent prior to 2014 to as much as 98 percent from 2014 to 2016 (though rates decreased in 2017 given the tightening phase). PhilGEPS posting was also less than 90 percent prior to 2014 (with only 32 percent awards posted against total notices in 2011 prior to the PBB rollout), with the postings at over 90 percent from 2014 to 2016 (but again dropping to 78 percent in 2017 with the tightening phase).

There is also a widely shared perception among survey respondents (particularly among staff of compliant agencies) that PBB works in terms of strengthening staff members' motivation to achieve strong results and enhance public services. While not based on actual outcome indicators, such a shared perception, nevertheless signals the strong legitimacy and uptake for this particular incentive reform.

Nevertheless, there are also issues in the roll out of this reform. There is evidence of dysfunctional behavior, including allegations that some staff are gaming the incentives. Some agencies appear to lag behind in complying with the PBB access requirements. During the process evaluation (Albert *et al*. 2019), it was noted that the requirement for ISO-QMS certification was a contributing factor as to why many agencies and SUCs were ineligible to receive the PBB grant starting 2015: amid rising ineligibility rates in the period 2015 to 2017, the share of agencies among the ineligibles that were not ISO-compliant were increasing from around 20 percent in 2015 to nearly 80 percent in 2016 and 2017.

It is reasonable for the government to continue the implementation of the PBB incentive scheme, but it is also extremely important to develop ways to improve on it. Given the PBB implementation is on its 9th year, it may be an opportune time to start planning for a grand revision in design and implementation of the PBB by 2022 (when a new administration is in place). International evidence and good practice suggests that output and performance based incentives are much preferred over across-the-board increases, not just from a performance viewpoint, but also in terms of budget sustainability. Possible improvements in the PBB could touch on the following aspects, building on a framework that seeks to improve on the over-all incentives framework:

- Implement a moratorium on changes in the agency-level conditions, so agencies will have an opportunity to comply with existing conditions (and especially in light of the seeming increased workloads under the COVID-19 pandemic and the new normal).
- Create agency-level redress mechanisms for complaints, such as alleged issues of unfairness and "gaming" of the incentives.
- Provide support mechanisms for lagging agencies on access conditions (e.g., leadership and strategy reviews, technical assistance on change management).
- Take the opportunity under the pandemic to enhance non-financial incentives. Flexibility on assignment location; work from home options, etc., could also be powerful incentives. This time, consider a rigorous impact evaluation framework for the non-financial incentives.
- Consider experimentation on a small scale regarding the provision of incentives to agencies based on the contribution to sectoral targets, such as the PDP and/or the Sustainable Development Goals (Reyes *et al*. 2019).

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 reform roadmaps in each agency be synced with the use of PBB. These roadmaps should include plans to streamline data collection for performance, and enhance e-government among other options to lessen the reporting burden for staff members. It is critical to start shifting toward digitalized rather than paper documentation submissions, and to simplify the PBB requirements, so that reform gains are more firmly established (and to help prevent regression in accomplishments). In addition, technical assistance and support for change management efforts to strengthen the compliance with some of the conditions for access to PBB could be useful, particularly for the lagging agencies. This

should help address the concern that some agencies are getting left further behind, not because of lack of staff members' efforts, but because of the need for reform support.

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Annex 1. PSEPBB Form 1: Questionnaire for Rank-and-File

PSEPBB Form 1: Questionnaire for Rank-and-File
PSA Approval No. PIDS – 1963 – 01
Expires on 31 December 2020

2019 PIDS SURVEY ON EFFECTS OF PERFORMANCE-BASED BONUS (PSEPBB)

Dear Sir/Madam:

Upon the request of the Department of Budget and Management (DBM), the Philippine Institute for Development Studies (PIDS) is conducting an evaluation of the Performance-Based Bonus (PBB) scheme. The PIDS is the government think-tank functionally attached to the National Economic and Development Authority (NEDA). As part of the study, this survey aims to evaluate the impact of the PBB on overall productivity and performance of individual government employees and of their respective agencies. In the same context, this study tries to assess the effectiveness of the Results-Based Performance Management System (RBPMS) as a tool for determining qualification for performance-based incentives.

Among the data to be collected in the survey are some information about the respondents and their knowledge about the PBB scheme and the PBB's impact on their individual performance and productivity, as well as on that of their respective agencies. The survey has been reviewed by the Philippine Statistics Authority under its Statistical Survey Review and Clearance System.

In this regard, we wish to inform you that your department/unit is one of the respondents for this survey. May we request you to provide us with the requested data by accomplishing this questionnaire. Our data partner, The All-Asian Centre for Enterprise Development, Inc. (ASCEND), will be coordinating with your office in order conduct the interviews necessary to accomplish the questionnaire.

Your kind cooperation in this undertaking will be very much appreciated. Rest assured that the results of the survey will be treated with the utmost confidentiality as stipulated in Section 26 of Republic Act 10625. Under Section 27 of the same law, the target respondents are obliged to provide the required information.

Thank you very much.

Very truly yours,

DR. CELIA M. REYES
President
Philippine Institute for Development Studies

CONTACT PERSON

Person to be contacted for queries regarding this form:

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PSA Approval No. PIDS – 1963 – 01 Expires on 31 December 2020

Philippine Institute for Development Studies

2019 PIDS SURVEY ON EFFECTS OF PERFORMANCE-BASED BONUS (PSEPBB)

"Questionnaire for Rank-and-File (non-supervisory, non-managerial)"

Confidentiality

No information will be released that can be related to a specific respondent. All data obtained cannot be used for taxation, investigation, or law enforcement purposes.

About the Survey

The primary objective of the survey is to evaluate the impact of the performance-based bonus on the overall productivity and the performance of individual government employees and of their respective agencies.

I voluntarily agree to participate in the research project being conducted by the Philippine Institute for Development Studies (PIDS) and The All-Asian Centre for Enterprise Development, Inc. (ASCEND) as commissioned by the Department of Budget and Management.
I have understood the objectives of the project and the relevance of my participation as discussed with me / as stated in the letter provided by the PIDS and/or ASCEND. I have also been given the opportunity to ask questions about the project.
I understand that I may withdraw and discontinue my participation at any time and will not be penalized for doing so.
I understand that the personal and sensitive personal information that will be collected by PIDS, ASCEND, and DBM will be kept strictly confidential and will be used only for the purpose of research and analysis. PIDS, ASCEND, and DBM will not identify me in any reports, publications or presentations, but I understand and consent that I may be counted as a data figure in the general population based on my race, sex, civil status, educational attainment, work or religious belief, in line with the research and analysis.

Signature over Printed Name of the Respondent _____ Date _____

------To be filled out by the enumerator-----

IDENTIFICATION AND OTHER INFORMATION

Questionnaire control number F1 [ ][ ]

Geographic Identification Codes

Geographic Description	PSGC Code		
Region: _____			
Province: _____			
Municipality: _____			
Barangay: _____			

Agency Information

Stratum: ☐ NGAs/GOCCs ☐ SUCs ☐ DepEd

Name of Agency: _____

Address: _____

Contact Number: _____

CERTIFICATION

I hereby certify that the data gathered in this questionnaire were obtained/reviewed by me personally and in accordance with the instructions stated in the Enumerator's Manual.

Date Accomplished _____

Signature over Printed Name of Enumerator _____ Date Reviewed _____

INTERVIEW STATUS [ ][ ]

01 – Completed Interview
02 – Not yet completed/partially completed (For callback)
03 – Refused (For referral/callback)
04 – Postponed
05 – No employee at office
06 – Office not found
07 – Critical or flooded area
08 – OTHERS, SPECIFY: _____

Signature over Printed Name of Supervisor _____ Date Reviewed _____ Name of Encoder _____ Date Encoded _____

I. SEPBB Questionnaire for Rank-and-File, non-supervisory, non-managerial (SG 23 or below)

Answer questions as they relate to you. For most answers, check the box(es) most applicable or fill in the blanks.

A. Information on Respondent

A1. Sex ☐ M ☐ F

A2. Age as of last birthday _____

A3. Marital Status
☐ Single ☐ Married ☐ Common law/Live-in
☐ Widowed ☐ Divorced ☐ Separated
☐ Annulled ☐ Unknown

A4. Highest Educational Attainment

☐ Elementary
☐ Some high school
☐ High school diploma
☐ Some college
☐ Post-secondary/Vocational
☐ Bachelor's degree or equivalent
☐ Master's units
☐ Master's degree or equivalent
☐ Doctorate units
☐ Doctorate or equivalent

A5. Job Position Title
_____

A6. Department/Bureau/Unit
_____

A7. Salary/Job/Pay Grade
_____

A8. Number of Years in Current Position
_____ Year/s _____ Month/s

A9. PBB Focal Person
☐ Yes ☐ No

A10. Member of the Performance Management Team (PMT) ☐ Yes ☐ No

A11. Reasons why you choose to and continue to work in your current job. *[AIDED, MR]*

☐ Job security
☐ Good salary
☐ Benefits
☐ Flexible hours
☐ Reasonable workload
☐ Advancement potential
☐ Social status
☐ Personal satisfaction
☐ Mission
☐ Others, please specify: _____

B. Knowledge about PBB

B1. As of last year, what government bonuses are you aware of? *[UNAIDED, MR]*

☐ Performance-Based Bonus (PBB)
☐ Performance Enhancement Incentive (PEI)
☐ Cash Gift
☐ 13th Month (Year-end bonus)
☐ 14th Month (Midyear bonus)
☐ Collective Negotiation Agreement (CNA) bonus
☐ Clothing allowance
☐ Others, please specify: _____

B2. What are the objectives of the PBB? *[UNAIDED, MR]*

☐ To reward good performers in the government
☐ To motivate higher performance and productivity
☐ To increase accountability in the public sector
☐ To ensure the accomplishment of commitments and targets
☐ To strengthen teamwork within the agency
☐ To enhance public service delivery to the citizens
☐ I do not know the objectives of the PBB
☐ Others, please specify: _____

B3. How did you learn about the PBB? *[UNAIDED, MR]*

☐ Written office policies (e.g. Memorandum)
☐ Orientation during a General Assembly
☐ Meeting/s with supervisor regarding individual and office targets
☐ Bulletin board notices
☐ Informal conversations with colleagues
☐ Online (Government website)
☐ Others, please specify: _____

B4. Does your agency conduct a performance review? If No or Do not know, proceed to B6. *[UNAIDED, SR]*

☐ Yes ☐ No ☐ Do not know

B5. In the last year, how many times did your agency conduct a performance review? *[UNAIDED, SR]*

☐ Twice (every 6 months)
☐ Once
☐ Monthly
☐ As the need arises
☐ Do not know
☐ None
☐ Others, please specify: _____

B6. Do you have individual performance targets? If No or Do not know, proceed to B9. *[UNAIDED, SR]*

☐ Yes ☐ No ☐ Do not know

B7. Who determines your individual performance targets? *[UNAIDED, MR]*

☐ Me
☐ Immediate supervisor
☐ Human Resources Department
☐ Performance Management Team (PMTs)
☐ Do not know

B8. Who is responsible for monitoring and evaluating your individual performance? *[UNAIDED, MR]*

☐ Me
☐ Immediate supervisor
☐ Human Resources Department
☐ Performance Management Team (PMTs)
☐ Do not know

B9. In the last performance evaluation, what was your individual performance rating? *[AIDED, SR]*

☐ Outstanding
☐ Very Satisfactory
☐ Satisfactory
☐ Unsatisfactory
☐ Poor
☐ Do not know

B10. Do you think that you deserve that rating? *[UNAIDED, SR]*

☐ Yes
☐ No, I deserve a better rating
☐ No, I deserve a lower rating
☐ Do not know

B11. Does your supervisor help in improving the performance of unsatisfactory and poor performers? If Not at all, proceed to B13. *[AIDED, SR]*

☐ Not at all
☐ To some extent
☐ To a moderate extent
☐ To a great extent
☐ To a very great extent

B12. What kind of intervention does your supervisor provide? *[UNAIDED, MR]*

☐ Coaching/mentoring
☐ Readjustment of individual targets
☐ Enrolment in trainings
☐ Others, please specify: _____

B13. In the last performance evaluation, what was your delivery unit's performance rating? *[AIDED, SR]*

☐ Best performer
☐ Better performer
☐ Good performer
☐ Below satisfactory performer
☐ Do not know

B14. Have you ever been ineligible to receive the PBB? The PBB started in 2012. If No, proceed to Section C. *[UNAIDED, SR]*

☐ Yes ☐ No

B15. What were the reasons for your ineligibility? *[AIDED, MR]*

☐ I had been working for less than 3 months from the reference fiscal year.
☐ Our agency did not meet the requirements to qualify for the PBB (e.g. BUR, ISO, FOI, COA reports).
☐ Our delivery unit was isolated for not meeting the targets/requirements to qualify for the PBB.
☐ My individual performance rating did not qualify for the PBB (i.e. unsatisfactory/poor rating in IPCR).
☐ Others, please specify: _____

C. Implementation of the PBB

C1. To what extent do you agree with the following statements: *[AIDED, SR]*

1–Strongly agree 2–Somewhat Agree 3–Neither agree nor disagree 4–Somewhat Disagree 5–Strongly Disagree

	1	2	3	4	5
The PBB measures the actual performance and the productivity of the individual.	☐	☐	☐	☐	☐
The PBB measures the actual performance and the productivity of the bureau/delivery unit.	☐	☐	☐	☐	☐
The PBB requirements are fair and applicable to all government institutions.	☐	☐	☐	☐	☐
The PBB payouts are released on time.	☐	☐	☐	☐	☐
The basis of qualification for the PBB is objective.	☐	☐	☐	☐	☐
The PBB needs further refinement.	☐	☐	☐	☐	☐
The PBB has improved our institution's compliance with government regulations (e.g. good governance conditions, use of budget, and delivery of targets).	☐	☐	☐	☐	☐
Changes in the requirements of the PBB are properly communicated and disseminated.	☐	☐	☐	☐	☐
The PBB incentivizes good performance.	☐	☐	☐	☐	☐
Complying with good governance conditions increased our efficiency in service delivery.	☐	☐	☐	☐	☐

C2. Are you aware of any changes in the requirements of the PBB since its implementation in 2012? If No, proceed to C4. *[UNAIDED, SR]*

☐ Yes ☐ No

C3. In which requirement/s did you observe these changes? *[UNAIDED, MR]*

☐ Cash Advance
☐ SALN
☐ SRR
☐ FOI
☐ QMS/ISO
☐ Disbursements BUR
☐ Obligations BUR
☐ COA FS
☐ BFARs
☐ APP Non CSE
☐ APP CSE
☐ APCPI
☐ 30% COA AR
☐ Early Procurement
☐ MFO
☐ OP Planning Tool/EODB
☐ Streamlining and Process Improvements
☐ Citizen/Client Satisfaction
☐ Others, please specify: _____

C4. Do you think your agency will continue to comply with these requirements in the long run even without an incentive? *[UNAIDED, SR]*

☐ Yes ☐ No

D. Effect of PBB on Individual's Performance and Productivity					
D1. To what extent do you agree with the following statements: *[AIDED, SR]*					
1–Strongly agree 2–Somewhat Agree 3–Neither agree nor disagree 4–Somewhat Disagree 5–Strongly Disagree					
Since PBB…	**1**	**2**	**3**	**4**	**5**
I have been able to submit quality outputs and deliverables within the deadline.	☐	☐	☐	☐	☐
I am more motivated to go to work.	☐	☐	☐	☐	☐
Inaccurate, delayed and redundant reports have been minimized.	☐	☐	☐	☐	☐
My performance rating has improved over the years.	☐	☐	☐	☐	☐
I am more conscious of my work.	☐	☐	☐	☐	☐
I can accomplish more tasks now.	☐	☐	☐	☐	☐
My supervisor has become stricter in checking my outputs.	☐	☐	☐	☐	☐
My individual performance targets are fair, objective, and measured with up-to-date data.	☐	☐	☐	☐	☐
I have become more conscious of accountability requirements (e.g. SALN submission, liquidation of cash advances, delivery of targets, etc.)	☐	☐	☐	☐	☐
I would not be performing as well as I have now without any sort of reward system.	☐	☐	☐	☐	☐
My PBB is tied to my performance.	☐	☐	☐	☐	☐
I feel that I receive better compensation with performance-based incentives than across-the-board bonuses.	☐	☐	☐	☐	☐

E. Effect of PBB on Department/Agency's Performance and Productivity					
E1. To what extent do you agree with the following statements: *[AIDED, SR]*					
1–Strongly agree 2–Somewhat Agree 3–Neither agree nor disagree 4–Somewhat Disagree 5–Strongly Disagree					
Since the government implemented the PBB….	**1**	**2**	**3**	**4**	**5**
Service delivery in our agency has improved.	☐	☐	☐	☐	☐
Teamwork has improved.	☐	☐	☐	☐	☐
Trust has been fostered within the agency.	☐	☐	☐	☐	☐
The goals of my agency have become clearer and more aligned.	☐	☐	☐	☐	☐
The agency has since become more focused on the results that matter to the clients.	☐	☐	☐	☐	☐
Management is more focused on working with staff to serve the public's interests.	☐	☐	☐	☐	☐
Systems and operations have become more efficient, more effective and better documented.	☐	☐	☐	☐	☐
There have been positive changes in our department/agency.	☐	☐	☐	☐	☐
High performers have been recognized.	☐	☐	☐	☐	☐
Poor performers have been identified.	☐	☐	☐	☐	☐

OTHER COMMENTS ON PBB (design, implementation, and impact):

_____

_____

_____

Annex 2. PSEPBB Form 2: Questionnaire for Managers

PSEPBB Form 2: Questionnaire for Manager
PSA Approval No. PIDS – 1963 – 02
Expires on 31 December 2020

2019 PIDS SURVEY ON EFFECTS OF PERFORMANCE-BASED BONUS (PSEPBB)

Dear Sir/Madam:

Upon the request of the Department of Budget and Management (DBM), the Philippine Institute for Development Studies (PIDS) is conducting an evaluation of the Performance-Based Bonus (PBB) scheme. The PIDS is the government think-tank functionally attached to the National Economic and Development Authority (NEDA). As part of the study, this survey aims to evaluate the impact of the PBB on overall productivity and performance of individual government employees and of their respective agencies. In the same context, this study tries to assess the effectiveness of the Results-Based Performance Management System (RBPMS) as a tool for determining the qualification for performance-based incentives.

Among the data to be collected in the survey are some information about the respondents and their knowledge about the PBB scheme and the PBB's impact on their individual performance and productivity, as well as on that of their respective agencies. The survey has been reviewed by the Philippine Statistics Authority under its Statistical Survey Review and Clearance System.

In this regard, we wish to inform you that your department/unit is one of the respondents for this survey. May we request you to provide us with the requested data by accomplishing this questionnaire. Our data partner, The All-Asian Centre for Enterprise Development, Inc. (ASCEND), will be coordinating with your office in order conduct the interviews necessary to accomplish the questionnaire.

Your kind cooperation in this undertaking will be very much appreciated. Rest assured that the results of the survey will be treated with the utmost confidentiality as stipulated in Section 26 of Republic Act 10625. Under Section 27 of the same law, the target respondents are obliged to provide the required information.

Thank you very much.

Very truly yours,

DR. CELIA M. REYES
President
Philippine Institute for Development Studies

CONTACT PERSON

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Annex 3. FGD Instrument : Questionnaire for PBB Focal Person/ Performance Management Team (PMT)

Structure and section objectives

Section	Time	Intent
Introduction	3 minutes	■ Warm-up and establish moderator rapport ■ Get to know the respondents better
Focal Person	30 minutes	■ Discuss what respondents know about objectives of Performance-Based Bonus (PBB) scheme ■ Understand the process of cascading information (e.g. changes in the PBB guidelines and requirements) to employees ■ Identify the effects of PBB on performance and productivity of employees and of entire organization ■ Identify top issues that respondents are concerned about PBB ■ Identify policies or regulation changes to address these issues
Performance Management Team	30 minutes	■ Discuss what respondents know about objectives of Performance-Based Bonus (PBB) scheme ■ Identify how this group monitors and evaluates the performance of individuals and/or delivery units ■ Identify the effects of PBB on performance and productivity of employees and of entire organization ■ Identify top issues that respondents are concerned about PBB ■ Identify policies or regulation changes to address these issues
Closing	2 minutes	■ Wrap up and thank respondent for participating

A. Introductions (3 minutes)

1. Moderator introduces himself/herself and thank respondents for joining the group discussion
2. Introduce PIDS, the PBB study (e.g., description and objectives) and the study team; Orient the respondents on the objective of the FGD/KII. Reminders:
    a. There are no right or wrong answers.
    b. Everyone is encouraged to share their thoughts and feelings as candidly as possible.
    c. Responses are to be treated with utmost confidentiality, but request is being made to record conversations for ease of documentation.
    d. When the moderator asks a question, those who wish to respond should await the moderator's cue (i.e., moderator identifies name of person). NOTE: This is necessary for orderly documentation of the activity.
    e. Keep mobile phones off or on silent mode.
3. Ask interviewee to introduce themselves: name, age, work (i.e. position and unit). How long have they been in their current position, and what is the nature of their position.
4. Gather information on the respondent's length of experience as PBB focal person and/or PMT member
    a. Ask how long has he/she known about PBB and its guidelines and criteria
    b. Ask how long has he/she been assigned as the PBB focal person and/or PMT member and how/why he/she was assigned the aforementioned role

B. Guide Questions for PBB Focal Person (30 minutes)

Discussion Point 1: Program Logic/Framework

1. What are the objectives of the Performance-Based Bonus (PBB) scheme? When did the scheme start, what is its legal basis, why was it conceived, and do you think it is still relevant today?
2. What other government incentives are you aware of? What do incentive schemes, particularly those in the performance-based incentive system, in the government generally promote? On what is PBB based? What realities in Philippine government can the PBB implementation respond to vis a vis the Results-based Performance Management System? What need is the PBB trying to address and how does it intend to achieve it? In terms of reforming performance culture, how does PBB differ from other performance-based government incentives? Do you know of any changes in the criteria and conditions of the PBB since its implementation in your agency? If so, why do you think those changes were made?

Discussion Point 2: Program Organization/Governance

3. Are the operational procedures enforced by the AO25 IATF for the PBB well-established and followed? Are there operational procedures for the PBB that were established by your agency?
4. What are the institutional structures that have been set up by your agency for the PBB? Are the agency support systems for submitting, checking, validating, transmitting carried out properly? Are resources used effectively and efficiently?
5. Has the administration, staff, and coordination with bureaus/offices in the Central Office (if any) and with other key players, such as the AO25 IATF and validating agencies (COA, ARTA, CSC, etc.), been efficient regarding the PBB?

Discussion Point 3: Implementation

6. How long have you been the PBB Focal Person? How many times has your agency changed its PBB Focal Person? What is your position in the agency and why do you think you were designated as the PBB Focal Person? What are the roles and responsibilities of the executives in your agency regarding PBB, if any?
7. Does your agency conduct individual performance review? How often? Who determines the individual and office performance targets? Who is responsible in monitoring and evaluation of individual and office performance? Who sets the rating of individuals and delivery units?

8. In your experience as the PBB Focal Person, was there a time when your agency did not participate in the PBB scheme? What fiscal year did this happen and why? Did all or select employees only qualify for the PBB? Were there delivery units or selected employees from your agency who failed to qualify for the PBB? Why? What were the requirements that were not satisfied by other employees?
9. In your opinion, did the grant of PBB improve the productivity and performance of your agency and employees? Would your agency have reached productivity and performance targets even without the PBB? (Ask evidence). Do you think agencies/bureaus/delivery units will continue to comply with these requirements in the long run even without an incentive?
10. How are the PBB guidelines and requirements disseminated to employees? What measures have you put in place at your agency to cascade the PBB to the rank-and-file? What concrete evidence can you cite to show that the rank-and-file understood what is expected of them?
11. What are the issues, opportunities and challenges that the agency encountered in complying with the PBB requirements (since 2012-2018)?
    a. What has been your experiences at your agency in participating in the scheme? How long did it take you to comply with the PBB requirements for each PBB cycle?
    b. How did the agency prepare for the PBB requirements?
    c. What mechanisms have you put in place to ensure compliance?
    d. What are the barriers and enablers to program implementation?
    e. Were there costs (e.g., financial costs and staff-time) incurred by the agency to comply with the PBB requirements (for instance for setting up and maintaining the Quality Management System)? How much are the costs?
    f. So far, how successful has your agency been in carrying out the terms of the PBB? Can you provide three major benefits of the PBB to the agency?
12. Do you think regular feedback can be sourced and used from agency stakeholders regarding PBB processes?
13. What are the best practices of offices that you have heard of or read about regarding the PBB? Are there any areas for improvement?
14. What challenge/s have you encountered related to the implementation of the PBB? What have you done to respond to these challenges?
    - What issues and concerns do you have now on PBB?
    - Have workloads increased with the implementation of the PBB scheme?
    - What policies or regulation changes do you think will help address them?
15. What mechanisms have you put in place to ensure compliance?

16. What complaint mechanisms have been set up by your agency to respond to concerns and issues? What are the most common problems have you encountered regarding the PBB and how have you responded?

Sub-Discussion Point: Ways Forward

17. In your opinion, has the PBB met its overall objectives? What do you consider as the major strengths in the design and implementation of the PBB scheme? How about the major weaknesses?
18. Do you have any suggestions on how to improve the design and implementation of the PBB (whether at your agency or government wide)?

C. Guide Questions for Members of the Performance Management Team (PMT) (30 minutes)

Discussion Point 1: Program Logic/Framework

1. What are the objectives of the Performance-Based Bonus (PBB) scheme? When did the scheme start, what is its legal basis, why was it conceived, and do you think it is still relevant today?
2. What other government incentives are you aware of? What do incentive schemes, particularly those in the performance-based incentive system, in the government generally promote? On what is PBB based? What realities in Philippine government can the PBB implementation respond to vis-a-vis the Results-based Performance Management System? What need is the PBB trying to address and how does it intend to achieve it? Are there government objectives that the PBB hopes to achieve that were not being addressed by previous incentive plans?
3. Do you know of any changes in the criteria and conditions of the PBB since its implementation in your agency? If so, why do you think those changes were made?

Discussion Point 2: Program Organization/Governance

4. Are the operational procedures enforced by the AO25 IATF for the PBB well-established and followed? Are there operational procedures for the PBB that were established by your agency?
5. What are the institutional structures that have been set up by your agency for the PBB? Are the agency support systems for submitting, checking, validating, transmitting carried out properly? Are resources used effectively and efficiently?

6. Has the administration, staff, and coordination with bureaus/offices in the Central Office (if any) and with other key players, such as the AO25 IATF and validating agencies (COA, ARTA, CSC, etc.), been efficient regarding the PBB?

Discussion Point 3: Implementation

7. What is your role as a member of the PMT? Who constitutes the PMT? What are your responsibilities and how do you ensure to perform your duties?
8. Does your agency conduct individual performance review? How often? Who determines the individual and office performance targets? Who is responsible in monitoring and evaluation of individual and office performance? Who sets the rating of individuals and delivery units?
9. As a member of the PMT, how do you set the targets, performance measures, and success indicators for the employees and the whole of agency? How do you distribute the workload of offices and/or delivery units?
10. In what years did your agency participate in the implementation of the PBB scheme? Did all or select employees only qualify for the PBB? (If select employees only: Why? What were the requirements that were not satisfied by other employees?) How does your agency act on improving performance of unsatisfactory and poor performers/delivery units?
11. In your opinion, did the grant of PBB improve the productivity and performance of your agency and employees? Would your agency have reached productivity and performance targets even without the PBB? (Ask evidence). Do you think agencies/bureaus/delivery units will continue to comply with these requirements in the long run even without an incentive?
12. What are the issues, opportunities and challenges that the agency encountered in complying with the PBB requirements (since 2012-2018)? How are the PBB guidelines and requirements disseminated to employees? What measures have you put in place at your agency to cascade the PBB to the rank-and-file? What concrete evidence can you cite to show that the rank-and-file understood what is expected of them?
    a. What has been your experiences at your agency in participating in the scheme? How long did it take you to comply with the PBB requirements for each PBB cycle?
    b. How did the agency prepare for the PBB requirements?
    c. What mechanisms have you put in place to ensure compliance?
    d. What are the barriers and enablers to program implementation?
    e. Were there costs (e.g., financial costs and staff-time) incurred by the agency to comply with the PBB requirements (for instance for setting up and maintaining the Quality Management System)? How much are the costs?

f. So far, how successful has your agency been in carrying out the terms of the PBB? Can you provide three major benefits of the PBB to the agency?

13. Do you think regular feedback can be sourced and used from agency stakeholders regarding PBB processes?
14. What are the best practices of offices that you have heard of or read about regarding the PBB? Are there any areas for improvement?
15. What challenge/s have you encountered related to the implementation of the PBB? What have you done to respond to these challenges?
    - What issues and concerns do you have now on PBB?
    - Have workloads increased with the implementation of the PBB scheme?
    - What policies or regulation changes do you think will help address them?
16. What mechanisms have you put in place to ensure compliance?
17. What complaint mechanisms have been set up by your agency to respond to concerns and issues? What are the most common problems have you encountered regarding the PBB and how have you responded?

Sub-Discussion Point: Ways Forward

18. In your opinion, has the PBB met its overall objectives? What do you consider as the major strengths in the design and implementation of the PBB scheme? How about the major weaknesses?
19. Do you have any suggestions on how to improve the design and implementation of the PBB (whether at your agency or government wide)?

D. Closing (2 minutes)

Wind down session. Ask if there are questions. Otherwise, thank respondent/s for their time and give token from PIDS.

Annex 4. FGD Instrument for Validating Agencies

Structure and section objectives

Section	Time	Intent
Introduction	3 minutes	■ Warm-up and establish moderator rapport ■ Get to know the respondents better
Processes on the Performance-Based Bonus Scheme	25 minutes	■ Discuss what respondents know about objectives of Performance-Based Bonus (PBB) scheme ■ Identify the effects of PBB on compliance of participating agencies to government regulations as requirements for PBB eligibility ■ Find out how this group reviews and validates requirement of their agency ■ Identify common issues and challenges that government agencies encountered in compliance to government regulations ■ Identify issues and challenges that your agency encountered in carrying out your role as a validating agency ■ Identify top issues that respondents are concerned about PBB ■ Identify policies or regulation changes to address these issues
Closing	2 minutes	■ Wrap up and thank respondent for participating

A. Introductions (3 minutes)

1. Moderator introduces himself/herself and thank respondents for joining the group discussion
2. Introduce PIDS, the PBB study (e.g., description and objectives) and the study team; Orient the respondents on the objective of the FGD/KII. Reminders:
    a. There are no right or wrong answers.
    b. Everyone is encouraged to share their thoughts and feelings as candidly as possible.
    c. Responses are to be treated with utmost confidentiality, but request is being made to record conversations for ease of documentation.
    d. When the moderator asks a question, those who wish to respond should await the moderator's cue (i.e., moderator identifies name of person). NOTE: This is necessary for orderly documentation of the activity.
    e. Keep mobile phones off or on silent mode.
3. Ask interviewee to introduce themselves: name, age, work (i.e. position and unit). How long have they been in their current position, and what is the nature of their position.

B. Guide Questions for Validating Agencies (25 minutes)

Now, I would like to get your candid thoughts about PBB.

Discussion Point 1: Program Logic/Framework

1. What are the objectives of the Performance Based Bonus (PBB) scheme? When did the scheme start, what is its legal basis, why was it conceived, and do you think it is still relevant today?
2. What other government incentives are you aware of? What do incentive schemes, particularly those in the performance-based incentive system, in government generally promote? On what is PBB based? What need is the PBB trying to address and how does it intend to achieve it? In terms of reforming performance culture, how does PBB differ from other performance-based government incentives?

Discussion Point 2: Program Organization/Governance

3. Are there institutional structures that have been set up at your agency for review and validation of PBB requirements? How do you review and validate the submissions of government agencies? How do you ensure that operational procedures for review and validation are followed?

Discussion Point 3: Implementation

4. What are the specific government regulations overseen by your agency that are part of the requirements for the grant of PBB? How did the regulations become requirements of PBB?
5. What are the processes in reviewing and validating compliance of agencies?
6. How do you ensure transparency in the results of the review and validation?
7. Are there complaint/feedback mechanisms for issues and concerns of agencies? How often do you solicit/receive feedback from agencies?
8. What are the common feedbacks and concerns of agencies in complying with the PBB requirements monitored by your agency?
9. What are the common issues and challenges that government agencies encountered in complying with government regulations, before and after PBB scheme's implementation? (e.g. ARTA has been enforced even before the implementation of the PBB).

10. What have you done to address them? Are there policies or policy changes that will help to address them?
11. Please discuss your observations on the compliance rate of agencies/bureaus/delivery units before and after PBB scheme's implementation.
12. In your opinion, did the grant of PBB improve the compliance rate of agencies?
13. Are there any deviations or modifications made on specific requirements of your agency for the PBB scheme (e.g. increasing BUR compliance to 100%)? If so, why were these changes made? Did these changes affect the compliance rate of agencies/bureaus/delivery units?
14. Do you think agencies/bureaus/delivery units will continue to comply with the requirements in the long run even without an incentive?
15. What are the best practices of offices that you have heard of or read about regarding compliance to your requirements for the PBB? What about areas for improvement regarding compliance to your requirements for the PBB?
16. What are the issues and challenges that you encountered in carrying out your role as validating agency? What have you done to address them?
17. As a validating agency, how are workloads divided among teams/personnel in charge of enforcing PBB requirements? Aside from PBB-related work, are there any tasks assigned from these teams/personnel? Were these tasks mandated before the implementation of PBB or were they related to the enforcement of PBB throughout the duration of its implementation?
18. How did feedbacks affect your work as a validating agency? (e.g. revision on criteria of requirements, conduct of consultations to clarify PBB requirements, changes in processes of compliance, etc.)

Sub-Discussion Point: Ways Forward

19. In your opinion, has the PBB met its overall objectives for your agency? What do you consider as the major strengths and weaknesses in the design and implementation of the PBB scheme?
20. Do you have any suggestions on how to improve the design and implementation of the PBB (whether at your agency or government wide)?

C. Closing (2 minutes)

Wind down session. Ask if there are questions. Otherwise, thank respondent/s for their time and give token from PIDS.