

PHILIPPINES

Promoting Good Local Governance through Performance-Based Grants

What did the commitment seek to achieve, and why is this important?

The Government of the Philippines decided the best way to encourage openness was to reward it. Their push for good local governance incentivises the two pillars of strong, responsive government – good performance and good housekeeping – and makes the award process open and transparent.

In line with the Aquino Administration's aims for good governance, the Department of the Interior and Local Government (DILG) launched two programs that seek to promote and incentivize it at the local level: the Seal of Good Housekeeping and the Performance Challenge Fund.

How did you go about implementing the commitment? Who were the key advocates both within and outside of government during the implementation phase?

The Seal of Good Housekeeping assesses Local Government Units (LGUs) on whether they attain minimum governance standards. In the initial phase of the program, LGUs must meet two standards to be conferred with the Seal of Good Housekeeping. First, the LGU must comply with full disclosure policy by posting budgetary documents online and in their bulletin boards. Second, the LGU must have no serious negative findings in its annual audit report published by the Commission on Audit.

As a means of providing incentives for LGUs, LGUs must receive the seal to receive a grant from the new Performance Challenge Fund (PCF). Local government units that receive the Seal are provided with a performance-based grant which they can use to supplement funding for local development projects.

The PCF program provides a subsidy of PHP1 million (USD25,000) for municipalities, PHP 3 million (USD75,000), and PHP7 million (USD 175,000) for provinces. Projects to be funded must contribute to the attainment of the Millennium Development Goals, tourism and local economic development, disaster risk reduction and management and solid waste management.

While the grants may not be that big, they go a long way in extending assistance for development projects, especially for low-income municipalities and cities that have inadequate funds to provide services and projects that have been devolved to them by national government. These local government units often have to rely on their provincial governments or district representative in Congress to provide supplemental funding for their local projects.

Projects that may be financed by the PCF include school buildings, rural health units, water and sanitation system, local roads and bridges, slaughterhouses, flood control, reforestation, postharvest facilities, cold storage facilities, among others.

What were the key factors in allowing this effort to succeed? What are the emerging opportunities as a result?

The Good Housekeeping Seal and the Performance Challenge Funds were supported by a series of roadshows, known as the Tapatan Roadshows, and set up by the then Interior and Local Government Secretary Jesse Robredo. The roadshows were held in various regions of the country and aimed to increase the level of awareness, participation, and compliance of local officials and various stakeholders.

Civil society was a vital part of the two new incentive programmes – civil society organisations were able to become members of regional and provincial teams that reviewed and validated the assessment reports on good housekeeping.

How have citizens benefitted from this reform? If possible, please include evidence of results or uptake, e.g. links to news coverage, quotes, and/or quantitative measures, such as web analytics.

In 2012, a total of 77% or 1327 out of 1713 local government units (71 provinces, 111 cities and 1,145 municipalities), were conferred with the Seal of Good Housekeeping.

More importantly, the Seal of Good Housekeeping has been adopted by other government agencies as an eligibility requirement for its programs. The Seal is now required by the Land Bank of the Philippines, a government financial institution, before a loan can be given to a local government unit. The Bottom-up Budgeting program also uses the Seal as a requirement for LGUs to be able to participate.

The Seal and the Performance Challenge Fund have had notable benefits – increasing transparency in local government budgets and plans by incentivizing compliance with the Full Disclosure Policy, instilling prudence and discipline in local fund management and providing an initial benchmark for good local governance by identifying concrete assessment criteria. They have also, through the new funds available, augmented local government resources for development projects. A list of such local projects funded can be seen [here](#).

What did NOT go as planned, and what did you learn from this? What is the unfinished business, e.g. how might you take this work forward in your next OGP action plan?

Challenges remain – the government aims to engage more civil society organisations in the monitoring and evaluation of the two projects and to set ever higher standards for winning the Seal of Good Housekeeping. In future, the Seal project will be expanded or scaled-up. LGUs will be assessed in three levels and with increasingly stringent performance criteria. Furthermore, the Seal will split into categories: SGH Bronze will be awarded to LGUs that met the criteria of accountable and transparent governance. SGH Silver will be conferred to LGUs with accountable and transparent governance and frontline service performance. Finally, SGH Gold will be awarded to LGUs passing the SGH Silver criteria and working to implement participatory governance. Once this phase is introduced, the Performance Challenge Fund will no longer be given to SGH Bronze recipients and will be reserved for those attaining higher levels of the Seal.