



INTER-AGENCY TASK FORCE
ON THE HARMONIZATION OF NATIONAL GOVERNMENT PERFORMANCE
MONITORING, INFORMATION AND REPORTING SYSTEMS
(Administrative Order No. 25 S. 2011)

MEMORANDUM CIRCULAR No. 2012-1
August 13, 2012

TO : All Heads of Departments, Bureaus, Offices and other Agencies of the National Government, including State Universities and Colleges, and Government-Owned or-Controlled Corporations

SUBJECT: Guidelines on the Cascading of Department Performance Targets in Line with Executive Order (EO) No. 80

1.0 BACKGROUND AND RATIONALE

- 1.1 In accordance with the Government's commitment to accountability and effective governance, President Benigno S. Aquino III issued EO No. 80 dated July 20, 2012, "*Directing the Adoption of a Performance-Based Incentive System for Government Employees,*" 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 of the Administration as laid out in EO No. 43 and the Philippine Development Plan, 2011-2016.
- 1.2 Beginning 2012, such incentive system shall consist of an across-the-board incentive in the form of the existing Productivity Enhancement Incentive (PEI), and a top up bonus to be known as Performance-Based Bonus or PBB. The PEI in the amount of P5,000 shall continually be granted in accordance with the guidelines to be issued by the Department of Budget and Management (DBM). The PBB shall be given to the personnel of bureaus or delivery units in accordance with their contribution to the accomplishment of their Department's overall targets and commitments subject to the criteria and conditions set forth herein.
- 1.3 The grant of the PBB seeks to:
 - a. Recognize and reward exemplary performance in the public sector to enhance service delivery by the bureaucracy;

- b. Rationalize the distribution of incentives across performance categories of groups and individuals and thereby move away from across-the-board incentives over time;
 - c. Nurture team spirit towards the effective execution of operational plans by linking personnel incentives to the bureau or delivery unit's performance; and
 - d. Strengthen performance monitoring and appraisal systems based on existing systems like the Organizational Performance Indicator Framework which is used by the DBM to measure agency performance, the Strategic Performance Management System of the Civil Service Commission (CSC) which links individual performance to organizational performance, and the Results Based Performance Management System provided for under AO No. 25, issued on December 11, 2011.
- 1.4 Section 11 of EO No. 80 provides that the role of the Inter-Agency Task Force under AO No. 25 are as follows:
- a. Formulate and issue the implementing guidelines for the said EO; and
 - b. Assist agencies in the identification of the performance indicators and targets, and implement a validation system for agency reports and accomplishments.

2.0 PURPOSE

- 2.1 To provide guidelines on the cascading of the department performance targets to the component bureau (second level) or pertinent delivery unit targets.
- 2.2 To define the roles and responsibilities of the departments and component bureaus/units, the Department of Budget and Management (DBM), and other oversight agencies in the cascading of performance indicators and targets.
- 2.3 To set the timetable for submission, review and approval.

3.0 COVERAGE

- 3.1 This circular covers all Departments, Agencies, and State Universities and Colleges (SUCs) which are mandated to implement the PBB by virtue of Section 7 of EO No. 80.
- 3.2 For Government-Owned or-Controlled Corporations (GOCCs) under the jurisdiction of the DBM as enumerated under **Annex B**, additional guidelines shall be issued to guide the cascading exercise and their coverage by Section 7 of EO No. 80. In the case of the Local Water Districts (LWDs), the Local Water Utilities Administration (LWUA) shall assist in preparing these supplemental guidelines.

- 3.3 For GOCCs and GFIs under the jurisdiction of the Governance Commission for GOCCs (GCG) which are encouraged to adopt the performance based incentive system, separate guidelines shall be issued by the GCG for the purpose as provided for under Section 8 of EO No. 80.
- 3.4 For SUCs, the implementation shall be coordinated with the Commission on Higher Education (CHED).
- 3.5 The Congress, Judiciary, Constitutional Commissions and the Office of the Ombudsman are encouraged to adopt the provisions of EO No. 80 to be eligible to the Performance-Based Bonus.

4.0 DEFINITION OF TERMS

- 4.1 Major Final Output (MFO) – a good or service that a department is mandated to deliver to external clients through the implementation of programs, activities and projects. It may be a single output or group of outputs that are similar in nature, targeted at the same organizational/sector outcome and capable of being summarized by a common performance indicator.
- 4.2 MFO Performance Indicator (PI) – a characteristic of performance (quantity, quality, timeliness or cost) that is to be measured and will illustrate the standard by which a department is expected to deliver its MFO. As specified in EO No. 80, the MFO PIs should be verifiable, observable, credible, and sustainable, especially for front line functions of departments/agencies.
- 4.3 Performance Target (PT) - a predetermined numerical target level of performance (quantity, quality, timeliness and cost of an output) against which actual performance can be compared and for which a mean, deviation and trend line can be calculated over time.
- 4.4 Department – a primary sub-division of the Executive Branch responsible for the overall management of a sector or a national concern with nationwide impact. It is headed by a Department Secretary with Salary Grade (SG)-31. For purposes of this circular, this term includes department-level entities such as the Constitutional Commissions.
- 4.5 Bureau – a primary sub-division of a department or department-level entity responsible for a major functional concern of the latter. A bureau or equivalent office performs either line or staff functions, and is usually headed by a Director position at SG-27 or SG-28. For purposes of this circular, this term includes the department's regional offices.
- 4.6 Delivery unit – a lower sub-division of a department or department-level entity which is a major implementing arm of the department where it has set up a) performance targets/commitments in the form of MFOs or reform milestones, and b) a monitoring or reporting system to regularly track said targets/commitments within the year and have these verified by a higher level office within the department. In most cases, these performance targets are covered by an agreement between the head of the delivery unit and the head of the higher level office and noted in a form of performance contract which is reviewed and updated quarterly or semi annually. Hence, for DPWH,

this delivery unit can pertain to a District Engineering Office whose performance is verified by the regional offices. For DOH, this can be a regional hospital whose performance is supervised/guided by the Center of Health Development.

5.0 POLICY GUIDELINES

To motivate higher levels of performance and promote accountability in the bureaucracy, the PBB shall:

- 5.1 Be based on verifiable, observable, credible, and sustainable indicators of performance along three pillars, namely: (i) the department's Major Final Outputs (MFOs); (ii) the department's priority commitments to the President; and (iii) good governance conditions to be determined by the Inter-Agency Task Force under AO No. 25;
- 5.2 Be based on a system of ranking organizational units and personnel within an organization according to their performance along the pillars stated above;
- 5.3 Provide some flexibility to the heads of departments and agencies to suit the PBB system to the nature of their operations and to drive peak performers, in terms of the determination of the appropriate delivery units to be rewarded and the performance indicators to be used; and
- 5.4 Ensure transparency and accountability in the implementation of the PBB system in the department and bureau or delivery unit through the conduct of an appropriate communications strategy, including the publication in the department /agency website and the website of the RBPMS when this is completed .

6.0 CRITERIA AND CONDITIONS TO QUALIFY FOR THE PBB

To qualify for the PBB, a department/agency must comply with the following conditions:

- 6.1 Achieve at least 90% of:
 - a. Their MFO targets submitted to Congress; and
 - b. Their priority program/project targets agreed with the President under the five Key Result Areas of EO No. 43.
- 6.2 Meet the good governance conditions/requirements set by the AO No. 25 Task Force annually under the performance drivers of the RBPMS. For the first year of implementation, the specific conditions are as follows:
 - a. Under the financial stewardship area, 1) mandatory posting of budget reports (Agency Transparency Seal); 2) posting of all invitations to bid and awarded contracts in the Philippine Government Electronic Procurement System (PHILGEPS); and 3) liquidation within the

reglementary period of all cash advances granted to officials/employees for the year; and

- b. Under internal process efficiency, establishment of a Citizen's Charter or its equivalent.

7.0 PROCEDURAL GUIDELINES

- 7.1 The departments shall start by reviewing the MFOs, performance indicators, and targets as declared in the OPIF Book of Outputs for FY 2012, and the key program/project targets agreed with the President, especially those related to the 5 Key Result Areas under EO No. 43. Annex A presents a running list of these commitments with the President which are being monitored by the Presidential Management Staff (PMS).
- 7.2 The departments shall select, prioritize or name the 3 most significant performance indicators of output and outcome under each MFO to capture the dimensions of quantity, quality, and timeliness. Departments/agencies which have key programs/projects with performance targets for FY 2012 agreed with the President shall also prioritize and feature those performance targets (e.g., 4.6 million international tourist arrivals for the Department of Tourism; 40,000 classrooms constructed for the Department of Education, etc.) in addition to the MFO PIs and PTs in the OPIF Book of Outputs for FY 2012. Frontline departments/agencies shall also prioritize the compliance to process standards for the delivery of services declared under the Anti-red Tape Act (ARTA) among their MFO targets and reflect them in Form A or in Form B if these are committed to the President. All agencies shall feature outputs and outcomes among their MFO targets and not internal/intermediate outputs or "throughputs."
- 7.3 The resulting targets corresponding to the MFOs and key programs/projects shall be deemed the baseline commitment of the department for CY 2012 to be cascaded to lower level units. It is understood that departments shall adopt MFO targets which have been adjusted as a result of the budgetary revisions made by Congress in finalizing the FY 2012 General Appropriations Act. These should have been submitted to DBM in the Budget Execution Documents (BEDs). However, in no case will these MFO targets be lower than those achieved by the Department and the bureaus/offices in FY 2011.
- 7.4 The component bureaus/offices/units chosen by the department to be responsible for the delivery of the MFOs and key programs/projects shall be identified. The departments shall allocate among the responsible bureaus/offices/units the FY 2012 targets corresponding to the few selected or prioritized PIs which are strategic to organizational goals and which will define the performance of the department. These cascaded bureau/office/unit targets shall be set on a quarterly basis to ensure the timeliness of service delivery.
- 7.5 A department may choose various levels of delivery units to include in its performance based incentive system depending on the complexity of its operations and the readiness of its performance monitoring system. Hence, while a typical department may choose to rate the performance of its line and staff bureaus and regional offices, a more decentralized department may

choose to rate its bureaus and also its provincial or district offices if it has a more established performance monitoring or rating system.

- 7.6 Offices under "Support to Operations" and "General Administration and Support Services" which provide administrative and technical support to the bureaus responsible for the delivery of the MFOs and the key programs/projects shall be given two (2) PIs each, capturing the dimensions of quality and timeliness of services specified by the department head for these offices. These PIs can be in addition to the good governance conditions to be set by the AO No. 25 Inter-Agency Task Force.
- 7.7 In cascading the targets, consideration should be given to the department's strategic plan, budgetary allocation and number of existing employees in the bureaus for FY 2012. Performance targets identified for bureaus/offices should be measurable and quantifiable to allow verification.
- 7.8 Departments shall adopt a participative and consultative process in cascading the targets. It is important that these targets should be agreed upon between the department secretary and those heading the bureaus/offices/units.
- 7.9 Refer to **Forms A, A-1, and B** for the templates on Cascading of Department Performance Targets. The departments shall include the MFOs, PIs and PTs of attached agencies and line and staff bureaus in their submissions of these forms.
- 7.10 If in the process of cascading targets, the department realizes that there are adjustments needed in the specification of MFOs, PIs and PTs, they may submit to DBM the revised MFOs, PIs and PTs together with the original ones and the explanation for the change. If there is also a need to restructure the agency Programs/Activities/Projects (PAPs) to better align them to MFOs (i.e., as a rule, one PAP attributed to one MFO) and the 5 Key Result Areas to make the cascading process manageable, the department may also submit the revised PAP structure following the guidelines under National Budget Circular (NBC) No. 532.
- 7.11 Because the departments have already submitted their respective targets to DBM, and to the Congress, they are only permitted to make upward adjustment in their performance targets that can be supported by the approved budget and consistent with the agency's work and financial plan as submitted under NBC No. 534. Reduction of targets shall not be allowed. Further, as mentioned in 5.3 above, in no case will these MFO targets be lower than those achieved by the Department and the bureaus/offices in FY 2011.
- 7.12 For additional guidance on the specification of performance indicators and the cascading of MFOs, departments can refer to Chapters 4 and 5 of the OPIF Reference Guide posted in the DBM website www.dbm.gov.ph.
- 7.13 Departments may also consult or ask assistance from the DBM bureaus/offices concerned in the cascading of MFOs, PIs and PTs.

8.0 TIMELINE AND OTHER RELATED ACTIVITIES

- 8.1 The departments shall submit to the DBM (Budget and Management Bureau in charge of the agency) both electronic and printed copies of the accomplished templates in Forms A, A-1, and B not later than **August 30, 2012**. SUCs and GOCCs shall submit to CHED and GCG, respectively, on or before the said date. Departments and agencies which are not able to submit on or before said date shall be assessed as not being ready to implement the PBB and hence shall not be eligible to the bonus.
- 8.2 Likewise, the DBM and the other members of the Inter-Agency Task Force under AO No. 25 (i.e. NEDA, COA and CSC) shall review these submissions as to the consistency of identified bureau/office targets with the department's FY 2012 performance targets as reflected in the OPIF Book of Outputs and the pertinent BEDs, their consistency with the Results Matrices under the PDP, the Anti Red Tape Act (ARTA), as well as to the quality of the performance measures and targets. Departments and agencies whose PIs and PTs do not comply with the criteria shall also be assessed as not being ready to implement the PBB and hence shall not be eligible to the bonus. The same process shall apply to SUCs, GOCCs, and GFIs, and the pertinent oversight agency.
- 8.3 Departments shall publish their approved cascaded MFOs, PIs and PTs and quarterly accomplishments in their respective websites or official publications for transparency. These shall also be published in the RBPMS when said system is completed.
- 8.4 Departments shall establish or enhance their performance monitoring and evaluation systems to strengthen the implementation of the PBB scheme. The DBM and other oversight agencies shall validate accomplishment reports and conduct spot checks of actual performance.
- 8.5 A series of circulars will be issued by the AO No. 25 Inter-Agency Task Force to provide additional guidelines on the grant of the Performance-Based Bonus.

9.0 EFFECT OF NON-COMPLIANCE

Non-compliance with this Memorandum Circular and subsequent pertinent circulars to be issued by the AO No. 25 Task Force shall render the government entity ineligible for the Performance-Based Bonus for FY 2012.

10.0 APPLICABILITY TO THE LEGISLATIVE AND JUDICIAL BRANCHES, AND OTHER OFFICES VESTED WITH FISCAL AUTONOMY

The Congress, Judiciary, Constitutional Commissions and the Office of the Ombudsman are encouraged to follow the provisions of EO No. 80 and this Memorandum Circular to be eligible to the Performance-Based Bonus.

11.0 EFFECTIVITY

This Memorandum Circular shall take effect immediately.



FLORENCIO B. ABAD

Secretary, Department of Budget and Management
and Chairman, AO 25 Inter-Agency Task Force

RUNNING LIST OF PRIORITY PROGRAMS AND PROJECTS MONITORED BY PMS

PRIORITY PROGRAMS AND PROJECTS	RESPONSIBLE AGENCY
1. Anti-Red Tape Measures (Anti-Red Tape Act of 2007)	CSC/DILG
2. Run After Tax Evaders (RATE)	DOF/BIR
3. Run After The Smugglers (RATS)	DOF/BOC
4. Revenue Integrity Protection Service (RIPS)	DOF
5. Conditional Cash Transfer (CCT)	DSWD
6. Community-Based Employment Program (CBEP)	DOLE
7. Education Backlog (Construction of Classrooms and Hiring of Teachers)	DepEd
8. AFP/PNP Housing	NHA/HUDCC
9. Informal Settler Families (ISF) Housing	HUDCC
10. Universal Health Care (PhilhealthEnrolment)	DOH
11. Employment Generation	DOLE
12. Priority Infrastructure Projects	DPWH/DOTC/PPP
13. Tourism Clusters	DOT
14. Food Self-Sufficiency (Rice Production and Importation Levels/Irrigation Facilities/Farm-to-Market Roads)	DA
15. Upgrading of Philippine Civil Aviation from Category 2 to Category 1	DOTC
16. AFP Modernization	DND
17. Payapa at Masaganang Pamayanan (PAMANA)/Peace Process	OPAPP
18. Peace and Order Situation (Crime Incidence/Solution/Conviction Rate)	DILG/DND
19. Training for Work Scholarship Program (TWSP)	TESDA
20. Trafficking in Persons	DOJ
21. ARMM Roadmap	DILG/MINDA
22. National Greening Program	DENR
23. National Renewable Energy Program	DOE
24. Geo-hazard Mapping	DENR
25. Business Permit and Licensing System (BPLS)	DILG
26. Sitio Electrification	DOE/NEA

LIST OF GOCCs UNDER THE JURISDICTION OF DBM

A. Bangko Sentral

1. Bangko Sentral ng Pilipinas
2. Central Bank – Board of Liquidators

B. Research Institutions

3. Lung Center of the Philippines
4. National Kidney and Transplant Institute
5. Philippine Center for Economic Development
6. Philippine Children's Medical Center
7. Philippine Heart Center
8. Philippine Institute for Development Studies
9. Philippine Rice Research Institute

C. Economic Zone Authorities

1. Aurora Pacific Economic and Freeport Zone Authority
2. Authority of Freeport Area of Bataan
3. Cagayan Economic Zone Authority
4. Philippine Economic Zone Authority
5. Subic Bay Metropolitan Authority
6. Zamboanga City Special Economic Zone Authority

D. Local Water Districts

CASCADING OF DEPARTMENT PERFORMANCE TARGETS

DEPARTMENT: _____

MFOs AND PERFORMANCE INDICATORS (1)	DEPARTMENT FY2012 BUDGET (2)	DEPARTMENT FY 2011 ACTUAL ACCOMPLISHMENT (3)	DEPARTMENT FY 2012 TARGET (4)	RESPONSIBLE BUREAUS/ DELIVERY UNITS (5)	FY 2012 QUARTERLY TARGETS (6)				REMARKS
					Q1	Q2	Q3	Q4	
A. Major Final Outputs (MFOs) / Operations									
MFO:									
Performance Indicator 1:									
Performance Indicator 2:									
Performance Indicator 3:									
MFO 2:									
Performance Indicator 1:									
Performance Indicator 2:									
Performance Indicator 3:									

B. Support to Operations (STO)	Performance Indicator 1										
	Performance Indicator 2										
C. General Administration and Support Services (GASS)	Performance Indicator 1										
	Performance Indicator 2										

Prepared by: _____ **Date:** _____

Approved by: _____ **Budget Officer:** _____ **Date:** _____

Department Secretary/Agency Head _____ **Date:** _____

CASCADING OF DEPARTMENT PERFORMANCE TARGETS

Instructions (Form A)

Based on the Organizational Performance Indicator Framework (OPIF), departments shall specify their Major Final Outputs (MFOs), appropriate performance indicators, targets, and corresponding budgetary allocation.

This form shall be accomplished as follows:

Column (1) MFO and Performance Indicators (Qualitative and/or Quantitative) – Indicate the MFOs and PIs that have been agreed upon, harmonized and formally confirmed amongst the agency head, NEDA and the DBM.

Support to Operations (STO) Indicators- Select and prioritize indicators of activities that provide technical and substantive support to the operations and projects of the department/agency. These are activities which contribute to or enhance the delivery of services but which by themselves do not produce the MFOs.

General Administration and Support Services (GASS) Indicators- Select indicators of activities dealing with the provision of overall administrative management and housekeeping support to the entire agency operation.

From the existing indicators, the agency shall identify at least 3 performance indicators for each MFO, capturing the dimensions of quantity, quality and timeliness; and at least 2 performance indicators each for GASS and STO, capturing quality and timeliness. The agency should only place indicators that are most critical to the performance of the core functions of the department and those that contribute to the attainment of the President's Social Contract, as embodied in the Cluster Action Plans under EO 43. Ideally, indicators should be stable and remain relevant year after year and can be easily measured and reported in a timely manner, making it useful for decision makers.

Column (2) Department FY 2012 Budget – Specific numerical amount pertaining to the budget of the departments. This can be sourced from the General Appropriations Act.

Column (3) Department FY 2011 Actual Accomplishment - Specific numerical performance measurement of the agency accomplishment for FY 2011

Column (4) Department FY 2012 Target – The targets of the department for the entire year, which could be sourced from the OPIF, agency's accomplished "Form B" or the Agency Performance Measures.

Column (5) Responsible Bureaus/Delivery Units – Indicate the bureaus/delivery units that are responsible for the delivery of the MFOs indicated in column 1

Column (6) FY 2012 Quarterly Targets – Indicate the numerical targets on a quarterly basis. This could be sourced from the submitted agency budget.

DETAILS OF BUREAU/DELIVERY UNIT PERFORMANCE INDICATORS AND TARGETS

DEPARTMENT: _____
BUREAU/DELIVERY UNIT _____

Major Final Outputs/Responsible Bureaus or Delivery Unit (1)	Performance Indicator 1 (2)	CY 2012 Quarterly Targets (3)				Performance Indicator 2 (4)	CY 2012 Quarterly Targets (5)				Performance Indicator 3 (6)	CY 2012 Quarterly Targets (7)				Remarks (8)				
		Q1	Q2	Q3	Q4		T	Q1	Q2	Q3		Q4	T	Q1	Q2		Q3	Q4	T	
A. Major Final Outputs/Operations																				
Bureau 1																				
Bureau 2																				
Bureau 3																				
B. Support to Operations (STO)																				
Bureau 1																				
Bureau 2																				
Bureau 3																				
C. General Administration and Support Services (GASS)																				
Bureau 1																				
Bureau 2																				
Bureau 3																				

Prepared by: _____

Planning Officer _____

Date _____

Budget Officer _____

Date _____

Approved by: _____

Department Secretary/Agency Head _____

Date _____

DEPARTMENT TARGETS ON KEY PROGRAMS AND PROJECTS

DEPARTMENT _____

(1) Key Programs/ Projects	(2) Description of Program/ Project Objectives	(3) Department FY 2011 Actual Accomplishment	(4) Department FY 2012 Targets/ Milestones	(5) Total Program/ Project Budget	(6) Program/ Project Budget for FY2012	(7) Responsible Bureaus/ Delivery Units	(8) FY 2012 Bureau/ Delivery Unit Targets/ Milestones				Remarks	
							Q1	Q2	Q3	Q4		
Prepared by: _____												
Planning Officer _____ Date _____ Budget Officer _____ Date _____												
Approved by: _____												
Department Secretary/Agency Head _____ Date _____												

CASCADING OF DEPARTMENT/AGENCY PERFORMANCE TARGETS

Instructions (Form B)

This form shall be accomplished as follows:

- Column (1) Key Programs/Projects – programs and projects of a department supporting any of the five (5) Key Result Areas under EO 43, with performance targets for FY 2012 agreed upon with President Aquino.
- Column (2) Program/Project Description of Objectives – a brief description of objectives/goals of the program/project under column (1).
- Column (3) Department FY 2011 Actual Accomplishment – specific actual performance measurement of the department for FY 2011.
- Column (4) Department Targets/Milestones – department targets or milestones for the program/projects under column (1) for FY 2012. The targets assigned to each bureau shall be listed for clarity.
- Column (5) Total Program/Project Budget – total budget for the priority program/project from start to completion.
- Column (6) Program/Project Budget for FY 2012– the specific budget for each program/project for FY 2012 Budget.
- Column (7) Responsible Bureaus/Delivery Units – bureaus/offices/units in the department responsible for the delivery of the performance targets for the programs/ projects under column (1).
- Column (8) FY 2012 Bureau/Delivery Unit Targets/Milestones – FY 2012 quarterly targets/milestones of performance of the bureaus/office/units in column (7). The targets assigned to each bureau/unit shall be listed for clarity.