



**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. 2012-02

October 16, 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 to Clarify the Good Governance Conditions for Fiscal Year 2012 in Line with the Grant of the Performance-Based Bonus under Executive Order (EO) No. 80

1.0 BACKGROUND

- 1.1 On July 20, 2012, President Benigno S. Aquino III issued EO No. 80, "*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 (KRAs) of the Administration as laid out in EO No. 43 and the Philippine Development Plan 2011-2016.
- 1.2 The performance-based incentive system consists 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 set criteria and conditions.
- 1.3 The PBB shall be characterized by a system of ranking units and personnel within an organization according to their performance as measured by verifiable, observable, credible, and sustainable indicators of performance based on the following pillars:
 - a. Department's Major Final Outputs;
 - b. Department's commitments to the President which are supportive of the priorities under EO No. 43; and

- c. Good governance conditions to be set annually by the Inter-Agency Task Force (IATF) under Administrative Order (AO) No. 25.

2.0 PURPOSE

This Memorandum Circular (MC) aims to:

- 2.1 Clarify the good governance conditions for the grant of the PBB in FY 2012.
- 2.2 Provide the guidelines in assessing, validating and monitoring compliance with these good governance conditions.

3.0 COVERAGE

- 3.1 This MC covers all Departments, Agencies, State Universities and Colleges (SUCs), and Government-Owned or-Controlled Corporations (GOCCs).
- 3.2 For GOCCs, the implementation of this MC shall be done in close coordination with the Governance Commission for GOCCs (GCG).
- 3.3 For SUCs, the implementation shall be coordinated with the Commission on Higher Education (CHED).
- 3.4 The Congress, Judiciary, Constitutional Commissions and the Office of the Ombudsman are encouraged to adopt these guidelines to be eligible to the PBB in FY 2012.

4.0 SPECIFICATION OF GOOD GOVERNANCE CONDITIONS FOR FY 2012

- 4.1 EO No. 80 provides that the IATF under AO No. 25 will set the good governance conditions for the PBB on an annual basis. The good governance conditions are based on the performance drivers of the Results-Based Performance Management System (RBPMS) namely, *financial stewardship*, *internal process*, and *leadership, learning and growth*.¹
- 4.2 For FY 2012, as stated in MC 2012-01 issued by AO 25 IATF, a Department must comply with the following conditions in order to be entitled to the PBB:
 - a. Achieve at least 90% of their MFO targets² for Fiscal Year 2012;

¹ Financial stewardship focuses on judicious utilization of public resources and assets of the government. Internal process focuses on driving efficiency and seamlessness in the work systems and processes to deliver services. Leadership, learning and growth focuses on ethical behavior of senior officials/leaders that promote public trust, as well as the innovation arising from learning and growth conditions within the agency.

² Per MC 2012-01, the performance targets also include quality and timeliness indicators/targets of programs/activities under Support to Operations (STO) and General Administration and Support Services (GASS).

- b. Achieve at least 90% of priority program/project targets agreed with the President under the 5 KRAs of EO No. 43; and
- c. Satisfy 100% of four good governance conditions: three (3) under financial stewardship and one (1) under internal process as specified herein.

4.3 Good Governance Condition 1 – Transparency Seal

- a. In order to be eligible for the PBB in FY 2012, the Department/Agency including its attached agencies must comply in full with the mandatory posting of budgetary, procurement and other reports in the Transparency Seal.
- b. Section 93 of the General Provisions of the General Appropriations Act of FY 2012 (Republic Act No. 10155) mandates that, *“To enhance transparency and enforce accountability, all national government agencies shall maintain a transparency seal on their official websites. The transparency seal shall contain the following information: (i) the agency’s mandates and functions, names of its officials with their position and designation, and contact information; (ii) annual reports, as required under National Budget Circular Nos. 507 and 507-A dated January 31, 2007 and June 12, 2007, respectively, for the last three (3) years; (iii) their respective approved budgets and corresponding targets immediately upon approval of this Act; (iv) major programs and projects categorized in accordance with the five key results areas under E.O. No. 43, s. 2011; (v) the program/projects beneficiaries as identified in the applicable special provisions; (vi) status of implementation and program/project evaluation and/or assessment reports; and (vii) annual procurement plan, contracts awarded and the name of contractors/suppliers/consultants.”*
- c. This condition must be complied with by all Finance Services and concerned units of Departments/Agencies and their attached agencies.
- d. Departments/Agencies should refer to DBM National Budget Circular (NBC) No. 542 dated August 29, 2012 for the designation of a focal person who will set up and monitor the agency Transparency Seal and other requirements.
- e. Departments/Agencies and attached agencies shall indicate their compliance by November 30, 2012 to the posting of all the required documents in their official websites through a certification to be prepared by the designated focal person and signed by the Head of the Department/Agency following the template provided in Annex 1. The Department/Agency should certify the compliance to the Transparency Seal of all bureaus and regional/field offices within the Department. Attached agencies shall prepare a separate Transparency Seal certification following the template in Annex 1 and submit the same to their supervising Department. Validation of the Transparency Seal shall be done by visiting the official websites of the Department/Agency and its attached agencies.

4.4 Good Governance Condition 2 – PhilGEPS Posting

- a. In order to be eligible for the PBB in FY 2012, the Department/Agency, including attached agencies, must also ensure that all Invitations to Bid and awarded contracts are posted in the Philippine Government Electronic Procurement System (PhilGEPS) website.
- b. In addition, the Department/Agency shall likewise comply with the following posting requirements:
 - a. The Invitation to Bid/Request for Expression of Interest shall be posted continuously in the PhilGEPS website, the website of the procuring entity concerned, if available, and the website prescribed by the foreign government/foreign or international financing institution, if applicable, for seven (7) calendar days starting on date of advertisement, pursuant to Section 21.2.1(b) of the revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, otherwise known as the Government Procurement Reform Act³;
 - b. The BAC, through the Secretariat, shall post within three (3) calendar days from its issuance, the Notice of Award (NOA) in the PhilGEPS website, the website of the procuring entity, if any, and any conspicuous place in the premises of the procuring entity, pursuant to Section 37.1.6 of the IRR of RA 9184;
 - c. The procuring entity, through the BAC Secretariat, shall post a copy of the Notice to Proceed (NTP)⁴ and the approved contract in the PhilGEPS website or the website of the procuring entity, if any, within fifteen (15) calendar days from the issuance of the NTP as sanctioned by Section 37.4.2 of the IRR of RA 9184;

³ Section 54.2 of the revised IRR of RA 9184 provides that "[f]or alternative methods of procurement, advertisement and posting as prescribed in Section 21.2.1 of this IRR may be dispensed with: Provided, however, That the BAC, through its Secretariat, shall post the invitation or request for submission of price quotations for Shopping under Sections 52.1 (b) and Negotiated Procurement under Sections 53.1 (two-failed biddings), 53.9 (small value procurement); and 53.11 (NGO Participation) of this IRR in the PhilGEPS website, the website of the procuring entity concerned, if available, and at any conspicuous place reserved for this purpose in the premises of the procuring entity for a period of seven (7) calendar days." However, for Shopping and Small Value Procurement with an Approved Budget for the Contract equal to Php 50,000.00 and below, posting requirement at the PhilGEPS shall not be applicable. (See: Guidelines for Shopping and Small Value Procurement, Effective 17 December 2009)

⁴ Since the provision of the IRR is inclusive, that is, it referred to a "Notice to Proceed" and the "approved contract", the presumption is that only procurement transaction necessitating the issuance of a Notice to Proceed will be included, these are normally procurement of goods, works and consulting services that were competitively bid.

- c. For purposes of posting at the PhilGEPS, the "approved contract" shall be simultaneously posted together with the NOA, until such time that the System is finally updated to allow for posting of approved contract in a separate page or window.
- d. This good governance condition must be complied with by all Departments/Agencies through their Bids and Awards Committees (BACs) and their Secretariats.
- e. Non-posting of Invitations to Bid, NOA, NTP and approved contracts *before the effectivity of this MC* may be rectified by ensuring that these Invitations to Bid, NOA, NTP and approved contracts are posted in the Transparency Seal website of the Departments/Agency.
- f. Departments/Agencies, including attached agencies, will be verified by November 30, 2012, as PhilGEPS compliant through a Certification to be issued by the BAC Chairman, Secretariat Head and the Head of the Procuring Entity following the template in Annex 2. The Department/Agency should certify the PhilGEPS compliance of all bureaus and regional/field offices within the Department. Heads of attached agencies, through their respective BACs, shall prepare a separate PhilGEPS Certification following the template in Annex 2 and submit the same to their supervising Department. Compliance to this condition shall also be validated with PhilGEPS.

4.5 Governance Condition 3 – Cash Advance (CA) Liquidation

- a. In order to be eligible for the PBB in FY 2012, a Department/Agency including attached agencies must ensure liquidation, within the reglementary period, of all cash advances granted to all officials and employees for the year.
- b. As stated in the rules of the Commission on Audit (COA), the liquidation of cash advances for foreign travels must be done within 60 days from travel, while the liquidation of cash advances for domestic travel must be made within 30 days from travel. The liquidation of cash advances for special activities must be done within 30 days upon completion of the project/activity as provided for in the liquidation authority.
- c. All Finance Services of Departments/Agencies, including their attached agencies must ensure compliance to this good governance condition.
- d. Departments/Agencies and attached agencies are given a grace period to comply with this condition for the non-liquidated cash advances since the beginning of the year up to October 31, 2012.

e. Departments/Agencies including attached agencies will be verified by November 30, 2012 as CA Liquidation compliant through a report on ageing of cash advances classified by category (local travel, foreign travel, etc.) as of November 30, 2012 certified correct by the Chief Accountant and the Head of the Finance Service following the template in Annex 3. The Department/Agency should certify the liquidation of cash advances of all bureaus and regional/field offices within the Department. Heads of attached agencies, through their finance offices, shall prepare a separate report on ageing of cash advances following the template in Annex 3 and submit the same to their supervising Department. Compliance to this condition shall also be validated with COA.

4.6 Governance Condition 4 – Citizen's Charter or its equivalent

- a. In order to be eligible for the PBB in FY 2012, a Department/Agency including attached agencies must comply with Section 6 of RA 9485 or the Anti-Red Tape Act (ARTA) which provides that, *"All government agencies including departments, bureaus, offices, instrumentalities, or government-owned and/or controlled corporations, or local government or district units shall set up their respective service standards to be known as the Citizen's Charter in the form of information billboards which should be posted at the main entrance of offices or at the most conspicuous place, and in the form of published materials written either in English, Filipino, or in the local dialect, that detail: (a) the procedure to obtain a particular service; (b) the person/s responsible for each step; (c) the maximum time to conclude the process; (d) the document/s to be presented by the customer, if necessary; (e) the amount of fees, if necessary; and (f) the procedure for filing complaints."*
- b. Section 1 of Rule I of the IRR of ARTA clarifies that, *"Those performing judicial, quasi-judicial and legislative functions are excluded from the coverage of the Act, however, their respective frontline services are deemed included."* Frontline services as defined in ARTA *"refers to the process or transaction between clients and government offices or agencies involving applications for any privilege, right, permit, reward, license, concession, or for any modification, renewal or extension of the enumerated applications and/or requests which are acted upon in the ordinary course of business of the agency or office concerned."*
- c. Departments/Agencies including attached agencies are likewise mandated to periodically review their Citizen's Charter. Section 3 of Rule IV of the IRR of ARTA also provides that, *"... The head of office or agency shall formally issue and release the Charter and shall monitor and periodically review its implementation. Offices and agencies with existing service standards shall evaluate these standards to ensure compliance with the provisions of this Rule."* As stated in Section 4 of the IRR, *"The office or agency shall review the Citizen's Charter whenever necessary, but not less than once every two years."*

- d. In line with the Transparency Seal condition, Departments/Agencies including attached agencies are encouraged to post their Citizen's Charter or its equivalent in their official website. They shall also be more pro-active in informing the public of these service standards and measures they are taking to improve service delivery.
- e. This good governance condition must be complied with by the Administrative Service/Management Service in coordination with the frontline offices and delivery units of Departments/Agencies.
- f. Departments/Agencies including attached agencies will be verified by November 30, 2012 as Citizen's Charter compliant through a certification to be made by the Head of the Department/Agency; and, (ii) validation by the Civil Service Commission.

5.0 EFFECT OF NON-COMPLIANCE

All certifications of compliance to the four good governance conditions for entitlement to the PBB for FY 2012 should be submitted (in hard and soft copies) on or before December 7, 2012 to the Inter-Agency Task Force on AO 25 through the DBM-Budget and Management Bureaus. Electronic copies of the certifications should also be sent to the Secretariat of the IATF on AO 25 at ao25secretariat@dap.edu.ph. These will facilitate the grant of the PBB to qualified Departments/Agencies before December 30, 2012.

Non-compliance with this circular and subsequent pertinent circulars to be issued by the AO 25 IATF shall render the government entity ineligible for the PBB for FY 2012.


Inconsistency and inaccuracy of compliance report/certifications made by the Department/Agency including attached agencies shall be considered a ground for disqualification of the department/agency concerned to the PBB in the succeeding year of implementation, upon proper determination and due process. Moreover, the CSC shall file the appropriate administrative cases..

6.0 APPLICABILITY TO THE LEGISLATIVE AND JUDICIAL BRANCHES

Congress, the Judiciary, Constitutional Commissions and the Office of the Ombudsman are encouraged to follow these guidelines to be eligible to the Performance-Based Bonus.

7.0 EFFECTIVITY

This Circular shall take effect immediately.


FLORENCIO B. ABAD
Secretary, Department of Budget and Management
and Chairman, AO 25 Inter-Agency Task Force