



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT

DILG-NAPOLCOM Building EDSA cor. Quezon Avenue, Quezon City
Telephone Number 929.92.35 927.78.52
www.dilg.gov.ph



DECEMBER 19, 2013

MEMORANDUM CIRCULAR

NO. 2013 – 148

TO : ALL PROVINCIAL GOVERNORS, CITY/MUNICIPAL MAYORS,
REGIONAL, PROVINCIAL, AND CITY DIRECTORS, CLGOOs, MLGOOs
AND ALL OTHERS CONCERNED

SUBJECT : GUIDELINES IN THE IMPLEMENTATION OF THE CY 2013
PERFORMANCE CHALLENGE FUND (PCF)

I. PREFATORY STATEMENT AND OBJECTIVE

The President's vision as espoused in the Philippine Development Plan (PDP) 2011-2016 is to achieve inclusive growth – rapid and sustained environment that creates jobs and continuously reduces mass poverty. It also puts premium on the promotion of effective and honest governance particularly at the local level through intensive campaign on full disclosure of LGU operations, implementation of systems to determine performance of LGUs in terms of their state of local governance and compliance with policies, and institution of performance –based LGU incentives or awards.

Corollary to PDP's policy on good governance is a national declaration and campaign for people's engagement in local governance. It demands for increased participation of civil society organizations (CSOs) and the private sector in local development process which reinforces the responsiveness and accountability of local officials. LGUs are encouraged to create opportunities for citizens to continuously engage with them in an inclusionary and participatory manner such as in the implementation of local government's development projects, among others.

In 2011 and 2012, the Department of the Interior and Local Government (DILG) through its Performance Challenge Fund (PCF) provided financial incentives to local government units that were committed in valuing the fundamentals of good governance by meeting the requirements of the Seal of Good Housekeeping (SGH), and in some cases, garnering the *Gawad Pamana ng Lahi* award.

For CY 2013, the DILG through its PCF is instituting a progressive incentive system to influence LGUs to deliver public services more efficiently and create a business-friendly and safe environment. It also champions the institutionalization of CSO engagement in LGU project development, implementation, monitoring and evaluation; and disclosure of programs, projects and activities to the public.

II. DESCRIPTION

The Performance Challenge Fund (PCF) is a performance-based reform program of the DILG that seeks to rationalize national government intergovernmental transfers to LGUs, and encourages convergence of local development initiatives with national development agenda, and priorities. It is an incentive to an eligible LGU in the form of a counterpart fund to finance high-impact local development projects identified as priority by the LGU.

