

Repositioning the Seal of Good Local Governance: Strengthening Local Performance Systems for a Meaningful Decentralization

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ARTICLE INFO:

Received: 22-10-2025

Revised: 09-12-2025

Accepted: 20-12-2025

Keywords:

Seal of Good Local Governance, decentralization, performance management, local governance, Philippines, public administration reform

DOI: <https://doi.org/10.64423/arpa.v34i1.70>

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ABSTRACT

The Seal of Good Local Governance (SGLG), institutionalized through Republic Act No. 11292 (2019), is the Philippine government's flagship, performance-based recognition and incentive program for local government units (LGUs). Designed to promote accountability, transparency, and holistic service delivery, the SGLG has provided a common governance roadmap but is now facing mounting challenges in the wake of the Mandanas-Garcia ruling and growing demands for decentralization. Drawing on qualitative policy analysis, this study combined document review, consultations with six LGUs, and dialogue with the DILG's Local Governance Performance Management System (LGPMMS) team to examine systemic friction in the program. The findings highlight five interrelated issues: (1) an overemphasis on documentation and input indicators, (2) fragmentation across overlapping audit and performance systems, (3) divergent perspectives on output- versus outcome-based indicators, (4) insufficient institutional capacity, compounded by the decisive role of local chief executives in steering compliance, and (5) importance of leadership in SGLG compliance. The paper argues that SGLG risks devolving into a compliance exercise that rewards "good documenters" rather than genuine performers, while overburdening weaker municipalities. To reposition the SGLG as a developmental performance framework, four reform directions are proposed: (1) performance improvement support for LGUs that fall short but demonstrate progress, (2) transparency through an interactive SGLG performance dashboard, and (3) reducing duplication through data integration. The study further proposes a (4) tiered indicator framework—inputs (annual, all LGUs), outputs (three-year cycle, tied to recognition), and outcomes (selective, for exceptional LGUs)—to balance inclusivity, feasibility, and developmental ambition. Reforms along these lines would not only strengthen the SGLG but also advance the broader goals of decentralization by empowering LGUs, expanding citizen capabilities, and fostering a more accountable and responsive government.

The SGLG in Context

Decentralization has long been a cornerstone of governance reform in the Philippines, with Republic Act No. 7160, or the 1991 Local Government Code, devolving substantial powers, responsibilities, and resources to local government units (LGUs). The logic behind this reform was straightforward: local autonomy, combined with accountability, would make service delivery more responsive to citizens' needs and bring government "closer to the people" (Brillantes, 2003; Capuno, 2017). Decentralization promises not only efficiency in public service delivery but also the democratization of governance by giving citizens more proximate and accountable leaders.

The Seal of Good Local Governance (SGLG) was introduced in 2014 as part of this continuing reform trajectory. Conceived as a performance-based recognition and incentive program and later

institutionalized through Republic Act No. 11292 in 2019, the SGLG was envisioned by the Department of the Interior and Local Government (DILG) as a hallmark of excellence in local governance. LGUs that passed a comprehensive set of indicators were awarded the Seal, which conferred both national recognition and access to financial incentives to the LGUs. This represented a shift away from purely compliance-based audits toward a framework that combined evaluation with rewards, thereby seeking to align local government unit (LGU) incentives with national governance priorities.

Since its inception, the SGLG has been lauded for creating a common governance roadmap and encouraging LGUs to invest in systems for transparency, disaster preparedness, social protection, peace and order, and environmental management. As Capuno (2017) notes, performance-based systems can play a vital role in enhancing accountability in decentralized contexts, where national oversight is weaker. The World Bank (2021) likewise underscores that structured performance frameworks incentivize reforms when coupled with capacity-building support. In this sense, the SGLG was not merely a domestic innovation but part of a global wave of “performance governance” reforms aimed at enhancing state legitimacy and citizen trust.

Comparative Lessons in Decentralization

The Philippines’ experience with the SGLG resonates with broader trends across Southeast Asia. Indonesia’s Laporan Akuntabilitas Kinerja Instansi Pemerintah (LAKIP), for example, sought to integrate performance evaluation into local planning and budgeting processes. Thailand introduced decentralization programs in the early 2000s with similar goals of harmonizing local service delivery with citizen needs, but with uneven outcomes due to weak monitoring mechanisms. Vietnam has also experimented with performance scorecards for local governments, often emphasizing transparency and citizen participation as accountability measures.

These comparative cases demonstrate the promise and pitfalls of performance-based reforms. They highlight the central challenge of designing accountability systems that genuinely improve outcomes rather than simply generating paperwork. The Philippines’ SGLG sits squarely within this debate. It has succeeded in standardizing governance expectations but now faces the same critique that dogged reforms elsewhere: compliance risks overshadowing developmental impact.

Why Reform Now?

Despite these achievements, the SGLG is at a crossroads. The Mandanas-Garcia ruling, which took effect in 2022, significantly expanded fiscal transfers to LGUs by increasing their share of national tax revenues. This reform, often described as a “big bang” in Philippine decentralization, has amplified the responsibilities of LGUs in delivering basic services. With increased resources come heightened expectations: LGUs are now under greater scrutiny to demonstrate efficiency, transparency, and positive developmental outcomes. The ruling has, in effect, raised the stakes for the SGLG, transforming it from a recognition mechanism into a potential cornerstone of accountability in a more devolved fiscal regime than before.

Simultaneously, the SGLG operates within a crowded and fragmented ecosystem of audits and performance assessments. The Child-Friendly Local Governance Audit, Gawad Kalasag, Peace and Order Performance Audit, and ARTA compliance monitoring impose overlapping requirements. LGUs often describe this as “reporting fatigue,” where scarce staff time is diverted from problem-solving to compliance. These challenges echo global critiques of “audit culture” in governance, where excessive monitoring fosters compliance behavior without necessarily improving performance.

Repositioning the SGLG

Consultations with LGUs and national officials conducted in early 2025 reinforce both the value and limitations of the SGLG. LGUs continue to view it as a guidepost for reforms, but they criticize its excessive emphasis on documentation, narrow reliance on output-oriented indicators, and lack of meaningful support for weaker municipalities. DILG officials themselves acknowledge that, at times, the Seal has rewarded “good documenters” rather than genuine performers.

Therefore, the question is not whether the SGLG has value—it clearly does—but whether it can be repositioned to meet the evolving demands of decentralization. Specifically, can it transition from a recognition-oriented system into a developmental performance framework, one that not only identifies good governance but also enables and sustains it?

Objectives of the Study

This study seeks to contribute to the ongoing reform discourse by:

1. Analyzing systemic frictions in the current design and implementation of SGLG;
2. Situating these challenges within broader theoretical and comparative perspectives on performance management; and
3. Proposing strategic reforms to reposition the SGLG as a coherent, developmental, and future-ready system.

II. Literature Review

Decentralization and Performance Accountability

The classic justification for decentralization lies in Oates’ (1999) decentralization theorem, which argues that local governments are best positioned to align service delivery with the diverse needs and preferences of their constituencies. By moving decision-making closer to citizens, decentralization is expected to improve allocative efficiency, responsiveness, and accountability of public services. This rationale has driven reforms across both developed and developing states, with the Philippines’ 1991 Local Government Code often cited as one of the most ambitious examples of political, administrative and fiscal devolution in Asia.

However, decentralization is not an automatic guarantee of better governance. Empirical evidence shows that devolving power can also create opportunities for elite capture, patronage politics, and uneven service delivery (Faguet, 2014; Smoke, 2015). Weak capacity and political incentives at the local level may result in significant disparities in governance performance across jurisdictions. Performance monitoring systems have therefore been introduced to mitigate these risks, serving as instruments to realign local incentives with national development goals while also signaling accountability to citizens.

In the Philippine context, Brillantes and Fernandez (2011) highlight this paradox of decentralization: while LGUs have been empowered with considerable autonomy, this autonomy has also exposed wide variations in governance quality, with some localities demonstrating innovation and others languishing in inefficiency. Capuno (2017) argues that performance-based programs such as the SGLG are essential mechanisms for balancing autonomy and accountability, ensuring that LGUs remain answerable not only to their constituents but also to higher levels of government. In this sense, the SGLG can be viewed as an institutional response to the inherent risks of decentralization and an attempt to standardize governance quality while respecting local autonomy.

Performance-Based Incentives in Developing States

Globally, performance-based incentive systems have been widely adopted as tools to strengthen governance through decentralization. India's performance grants for Panchayati Raj institutions explicitly link fiscal transfers to compliance with governance standards, incentivizing local reform (Rao & Singh, 2007). Indonesia's Laporan Akuntabilitas Kinerja Instansi Pemerintah (LAKIP) embeds performance measurement into planning and budgeting, although it has struggled with weak enforcement and capacity gaps (World Bank, 2010). South Africa's municipal performance management system has been praised for institutionalizing audits but criticized for reproducing inequalities between better-resourced and struggling municipalities (Cloete 2012).

Beyond Asia, Uganda and Tanzania introduced performance-based fiscal transfers in the early 2000s, tying funds to LGU compliance with planning and reporting requirements. While these reforms improved administrative systems, studies have found that poorer districts often lag behind, raising concerns about equity. In Latin America, Brazil's performance scorecards for municipalities were similarly intended to incentivize service improvements but often reinforced disparities between strong and weak local LGUs.

OECD countries have also experimented with performance frameworks, although typically in more capacitated settings. The United Kingdom's Comprehensive Performance Assessment and Best Value initiatives sought to benchmark local government services, whereas New Zealand integrated performance-based contracting into public sector reforms. These experiences highlight a consistent challenge across contexts: performance systems must balance rigor and feasibility. Overly demanding frameworks risk producing what Andrews (2013) calls "isomorphic mimicry," where institutions adopt the outward form of accountability systems without changing their underlying practices.

The global lesson is clear: performance incentives work only when accompanied by sustained capacity building, contextual alignment, and political commitment. Without these, they risk degenerating into symbolic exercises of compliance and reporting, which are ineffective.

Philippine Governance Reforms

The SGLG is the latest in a long trajectory of Philippine governance reforms aimed at incentivizing public performance. Its precursor, the Local Governance Performance Management System (LGPMS), introduced in the early 2000s, was designed as an internal, self-assessment tool. It sought to help LGUs systematically evaluate their governance practices but struggled with uptake due to complexity, limited usability, and the absence of strong incentives (Brillantes, 2003).

The SGLG, introduced in 2014, sought to overcome these weaknesses by combining evaluation with recognition and tangible incentives. Unlike the LGPMS, the Seal carried both prestige and financial rewards, making it politically salient. Institutionalized through RA 11292 in 2019, the SGLG became a flagship performance-based program, signaling the national government's commitment to standard-based governance.

However, tensions remain between these perspectives. Mendoza (2012) highlights the persistence of patronage politics in the Philippines, which can distort performance systems by allowing political loyalty to overshadow institutional ones. Bautista (2019) points to the proliferation of overlapping governance audits from sectoral compliance monitoring to thematic awards that often overwhelm LGUs with reporting requirements. Instead of reinforcing accountability, this fragmented landscape creates duplication and reduces the utility of the performance systems.

The Mandanas–Garcia ruling, which expanded LGUs' share of national tax revenue in 2022, adds a new dimension to these dynamics. With greater fiscal autonomy, LGUs are expected to deliver more and better services. This fiscal expansion amplifies the importance of accountability frameworks such as the SGLG, which must evolve from a recognition tool into a genuine developmental performance framework.

Conceptual Debates: Outputs, Outcomes, and Audit Culture

A central conceptual debate in performance management concerns whether indicators should emphasize output or outcome. Output indicators, such as ordinances passed, plans completed, or facilities constructed, are straightforward to measure, attribute, and standardize. They are attractive to national agencies because they simplify monitoring. However, scholars caution that outputs can entrench compliance-driven behavior, rewarding activity rather than impact (Bouckaert & Halligan, 2008).

By contrast, outcome indicators better reflect developmental impact, such as improved literacy, reduced poverty, and enhanced resilience. However, outcomes are influenced by multiple factors beyond the LGU's control, often taking years to materialize and demanding sophisticated data systems. As a result, outcome indicators can be politically and technically challenging.

Consultations for this study revealed the practical side of this debate. Many LGUs favor outputs for their clarity and feasibility, while others advocate outcomes to capture real improvements in citizens' lives. Interestingly, all consulted LGUs agreed on one point: the SGLG must move beyond purely input and process indicators to remain credible. This echoes broader critiques of "audit culture," where governments become preoccupied with documentation at the expense of actual change.

The literature on public administration reform frames this tension as part of the broader shift between New Public Management (NPM) and developmental state paradigms. NPM emphasizes measurement, efficiency, and compliance, whereas developmental approaches stress capacity, equity, and long-term outcomes. For the SGLG, the challenge is to balance these paradigms to design indicators that are rigorous enough to drive reform but are flexible enough to accommodate diverse LGU contexts.

Hybrid approaches offer a potential solution. Tiered frameworks, which combine inputs (minimum compliance), outputs (performance improvements), and outcomes (exceptional results), are increasingly considered more realistic in decentralized settings. Such models recognize the diversity of local capacities, reward incremental progress, and showcase best practices without setting up weaker LGUs for failure.

III. Theoretical Framework

The analysis of SGLG and its reform trajectory can be situated within several theoretical perspectives in public administration and political science. These frameworks explain why performance systems such as the SGLG emerge, how they are implemented, and why they often oscillate between compliance and developmental outcomes.

Principal-Agent Theory

At its core, the SGLG reflects a principal–agent relationship. The national government, acting as the principal, sets standards and monitors the LGUs (the agents) to ensure alignment with national goals and compliance with governance norms. This dynamic seeks to address information asymmetry, where LGUs

hold more knowledge of their operations but may lack the incentives to pursue developmental outcomes without oversight (Kiewiet & McCubbins, 1991).

Through its indicators and audits, the Seal attempts to reduce monitoring costs and align LGU behavior with national expectations. However, principal–agent theory also warns of “moral hazard”: agents may appear compliant while masking their weak performance. This is visible in LGUs’ heavy reliance of LGUs on documentation to “prove” compliance. From a principal–agent lens, the overemphasis on paperwork is not accidental but a rational adaptation by LGUs to satisfy the national principal at the lowest cost. This dynamic underscores the need for monitoring mechanisms that reward genuine outcomes rather than paperwork alone.

Institutional Isomorphism

DiMaggio and Powell’s (1983) concept of institutional isomorphism helps explain why LGUs converge toward similar compliance practices under the SGLG. Coercive pressures from the DILG, mimetic pressures from peer LGUs, and normative pressures from professional networks all encourage LGUs to adopt the appearance of compliance. This often results in elaborate documentation systems that secure recognition without necessarily improving the governance outcomes.

This “isomorphic mimicry” (Andrews, 2013) is evident in how LGUs replicate best-practice templates, sometimes without adapting them to the local context. For instance, disaster preparedness plans may be copied from model LGUs to satisfy SGLG requirements, yet their implementation remains weak. From this perspective, the Seal risks producing homogeneity in form but divergence in function; LGUs may look alike on paper but perform very differently in practice.

Performance Legitimacy

Performance systems also intersect with the concept of performance and legitimacy. Beetham (1991) argues that governments derive legitimacy not only from legality and consent but also from their ability to deliver tangible results. In the Philippine decentralization context, LGUs build legitimacy by effectively delivering education, health, and infrastructure services. The SGLG is an institutionalized attempt to measure and certify legitimacy.

However, when the Seal privileges inputs and outputs over outcomes, its legitimacy function is undermined. Citizens may see highly awarded LGUs struggling with poverty, education, or disaster response, eroding their trust in the program. From a legitimacy perspective, the challenge is to ensure that recognition aligns with the lived experiences of service delivery, not just compliance with bureaucratic indicators.

Sen’s Capability Approach

Amartya Sen’s (1999) capability approach offers a normative framework for assessing the SGLG’s developmental value. In Sen’s terms, development should expand the real freedoms and capabilities of individuals and institutions. Applied to the SGLG, this means that the program should not merely measure whether LGUs comply but whether it expands their capacity to design, deliver, and sustain governance reforms.

Currently, the Seal risks reinforcing inequality: well-resourced LGUs accumulate awards and incentives, while weaker municipalities lack the institutional “freedom” to compete for them. The capability

approach highlights the need for a shift from compliance monitoring to capacity enhancement, providing struggling LGUs with the tools, training, and institutional support necessary to participate meaningfully in performance systems.

New Institutionalism

New Institutionalism enriches this analysis by emphasizing how both formal and informal rules shape LGU behavior. The SGLG, as a formal institution, sets standards through laws and guidelines. However, informal norms such as patronage politics, bureaucratic shortcuts, or “good enough” compliance mediate how these rules are interpreted on the ground. Historical path dependence also matters: LGUs accustomed to fragmented audit systems have developed coping strategies, such as prioritizing documentation over service delivery.

This lens reveals why reforms such as the SGLG often encounter resistance or unintended consequences. Institutional change is not only about new rules but also about shifting long-standing practices. Repositioning the SGLG therefore requires tackling not only technical design issues, but also informal institutional logics that shape LGU behavior.

Public Value Theory

Finally, Public Value Theory (Moore, 1995) provides a complementary perspective. It argues that the role of public managers is not just to comply with rules but also to create value for citizens by improving outcomes, strengthening legitimacy, and building capacity. From this perspective, the SGLG should be evaluated not only on whether it enforces compliance but also on whether it enhances public value by improving citizens’ well-being and governance quality.

This shifts the question from “Did the LGU meet the indicator?” to “Did the LGU create value for its citizens through improved governance?” By framing the Seal as a public value instrument, reforms can move away from checklist compliance toward a genuine developmental impact.

Synthesis

Taken together, these frameworks illuminate why the SGLG simultaneously succeeds in standardizing governance practices and fails to catalyze deeper transformations. Principal-agent dynamics explain compliance behavior; institutional isomorphism highlights mimicry; performance legitimacy underscores the importance of alignment with citizen outcomes; the capability approach foregrounds equity and inclusion; new institutionalism draws attention to rules and path dependence; and public value theory reminds us of the ultimate goal of improving lives.

IV. Methodology

Research Design

This study was designed “to understand and feel rather than to quantify.” A qualitative policy analysis approach was employed, which is appropriate for exploring systemic frictions, lived experiences, and institutional dynamics that are not easily captured through quantitative indicators alone. Unlike large-scale surveys or econometric analyses, qualitative methods capture the nuances of how LGUs perceive, experience, and adapt to performance systems such as the SGLG.

The choice of a qualitative design was pragmatic. The SGLG involves multiple dimensions-financial accountability, disaster preparedness, environmental management, peace and order, and social protection-each with complex institutional processes. Quantitative indicators can signal variations in performance but cannot explain why disparities persist, why LGUs behave differently, or how institutional logics shape compliance. A qualitative approach enables the researcher to probe these “why” and “how” questions, producing insights that can inform reform pathways.

The analysis followed Bardach’s (2012) eightfold path to policy analysis, emphasizing problem definition, stakeholder perspectives, and feasible reform options. It was also informed by interpretivist traditions, recognizing that governance reforms are socially constructed and meaning-laden, shaped as much by perceptions and practices as by formal rules.

Data Sources

Consultations with LGUs. Semi-structured discussions were conducted with seven local government units (LGUs): Muntinlupa City, Zamboanga City, Tacloban City, and the municipalities of Candelaria (Zambales), Santa Cruz (Zambales), Santo Tomas (Pampanga), and Pililla (Rizal). They were selected through purposive, network-based sampling. LGUs with established research relationships and known reform engagement were invited to participate in the study. While not representative of the Philippines’ 1,700+ LGUs, this approach allowed access to information-rich cases that illuminate diverse governance realities. The sample captured variations in size (urbanized city vs. mid-sized vs. small municipalities), geography (Luzon, Visayas, Mindanao), and governance capacity (awardees vs. non-awardees).

The discussions explored the LGUs’ experiences with SGLG compliance, perceptions of indicator design, interactions with overlapping audit systems, and recommendations for reform. The conversations lasted one to two hours and were conducted either in-person or online. Informal exchanges with LGU staff outside structured discussions were also considered, as they provided additional context on the lived realities of compliance.

Dialogue with the DILG-LGPMS Team. A focused dialogue was held with members of the Local Governance Performance Management System (LGPMS) team at DILG. This provided insights from the perspective of program administrators, highlighting both institutional intentions and systemic constraints of the program. The inclusion of this perspective ensured that the analysis reflected not only the LGU experiences but also the rationales and pressures faced by central government actors.

Secondary Sources. The study also draws from the existing literature on decentralization, performance management, and governance reforms in the Philippines and abroad. Reports from the World Bank, Asian Development Bank, Commission on Audit, and academic journals were triangulated with primary data to situate the findings within broader theoretical and comparative perspectives.

Data Analysis

The consultation notes were thematically coded. A preliminary coding frame was developed based on key problem areas that surfaced in the literature: documentation, fragmentation, indicator design, and capacity gaps. As analysis progressed, inductive codes were added to capture emergent themes, such as the decisive role of leadership and the perception of “reporting fatigue.” This iterative coding process ensured that the analysis was grounded in both theory and lived experience.

To strengthen the validity, the findings were cross-checked with secondary sources and reviewed against the theoretical frameworks outlined in Section III. Triangulation between LGU accounts, DILG perspectives, and existing scholarship reduced the risk of overreliance on anecdotal evidence.

Delimitations

This study focused on six LGUs with prior SGLG participation, deliberately excluding newly created or extremely low-capacity LGUs that lacked compliance history. The scope was limited to the institutional and systemic aspects of the SGLG rather than measuring sectoral outcomes (e.g., education or health performance).

The analysis reflects conditions as of early 2025 and does not track the longitudinal trends over multiple SGLG cycles.

Limitations

This study has several limitations. First, the sample size (n=6 LGUs) is not representative of the national universe of LGUs. Therefore, the findings are exploratory and illustrative rather than generalizable. Second, the reliance on network-based purposive sampling means that the LGUs consulted were relatively accessible and reform-oriented, potentially biasing the findings toward more engaged cases. Third, citizen and civil society perspectives were not systematically captured, which limited insights into external accountability. Fourth, reliance on self-reported experiences may reflect biases in how LGUs frame their challenges or successes. Finally, time and resource constraints prevented the integration of quantitative score analysis in all LGUs.

Despite these limitations, this study provides valuable policy insights. Qualitative accounts illuminate institutional logics and compliance practices that are not visible in quantitative datasets. By centering on LGU voices and linking them with theoretical frameworks, this study offers a grounded understanding of the friction in the current SGLG design and points to reform directions with broader applicability.

V. Findings: Frictions in the Current SGLG

Consultations and dialogues revealed five interrelated challenges in the current design and implementation of the SGLG. While the Seal has been effective in establishing a national benchmark, these frictions reveal how it risks devolving into a compliance exercise rather than a developmental performance framework.

1. Overemphasis on Documentation and Input Indicators

LGUs consistently reported that the SGLG was overly focused on paper-based documentation. For many, the Seal is experienced less as a driver of reform and more as an exercise in “preparing binders.” A city planner explained, “We are evaluated not on what we have achieved, but on how well we prepare reports. It’s about form, not substance.”

This issue goes beyond mere inconvenience. This reflects a structural imbalance in indicator design, where inputs (laws, ordinances, policies) and processes (submission of reports, existence of committees) are privileged over outputs and outcomes. LGU officials noted that this created perverse incentives. One municipal planning officer remarked: “We spend weeks polishing documents. Meanwhile, the program we’re supposed to be implementing gets delayed.”

The DILG-LGPMS team acknowledged this tension, admitting that the Seal sometimes identifies LGUs that are “good documenters” rather than good performers. This finding resonates with Andrews’ (2013) critique of “isomorphic mimicry,” where institutions adopt the appearance of reform to secure legitimacy without changing their practices. The principal–agent problem is evident in this case. LGUs, as

agents, know that the “principal” (DILG) values documentation. They rationally respond by maximizing paperwork, even if their actual performance remains stagnant. This also ties to institutional isomorphism, as LGUs copy templates or models from peers to meet compliance standards, regardless of their local applicability.

According to the respondents, if this is left uncorrected, the Seal risks eroding its performance legitimacy. Citizens may perceive a disconnect between highly awarded LGUs and the persistence of poverty, weak disaster response, or poor educational outcomes. To remain credible, the SGLG must rebalance its emphasis: inputs should remain for accountability, but outputs and outcomes must be weighted more heavily to reflect real change.

2. Fragmentation Across Performance Systems

The SGLG operates within a crowded ecosystem of audits and recognition schemes: the Child-Friendly Local Governance Audit, Gawad Kalasag, Peace and Order Performance Audit, ARTA compliance monitoring, and others. Each framework requires separate submissions, often covering overlapping aspects. LGU officials described this as “reporting fatigue.” One mayor stated, “Our staff spend more time preparing reports than solving problems. We are buried in forms, templates, and deadlines from different agencies.” A provincial planning officer echoed this: “Every year, we report the same data three or four times, just in different formats.”

This fragmentation reduces the utility of the performance monitoring. Instead of producing actionable insights, they reinforce compliance behavior. For LGUs with lean plantilla structures, scarce staff members are diverted from service delivery to compliance work. Smaller municipalities are disproportionately burdened; as one municipal administrator put it: “We only have three technical staff. Half their year is spent preparing for audits instead of implementing projects.”

From a theoretical perspective, this illustrates the problem of multiple principals in a principal–agent relationship. LGUs face conflicting demands from different agencies, each with its own accountability framework. New institutionalist theory also helps explain this dynamic: without coordination, overlapping rules create complexity, leading LGUs to prioritize survival strategies rather than reform. Fragmentation undermines trust in audits. Instead of reinforcing accountability, overlapping systems create inefficiencies and skepticism.

3. Divergent Views on Indicator Design

Consultations revealed significant differences in perspectives on the design of SGLG indicators. Most LGUs preferred output indicators, noting that they are clear, measurable, and within their control. A municipal planning officer explained: “We can pass ordinances, build facilities, and complete plans. Those are things we can deliver and document.” In contrast, some local LGUs argued that outcome indicators are necessary to capture the genuine impact. A city administrator said, “Good governance should not just be about compliance. If health outcomes haven’t improved, how can we call it success?”

This tension mirrors the broader debates on performance management. Outputs are feasible and politically attractive but are risk-rewarding activities rather than results. Outcomes are normatively stronger but face challenges in terms of attribution, measurement, and time horizon. For example, educational outcomes may depend on national curriculum policy, not just LGU efforts.

Despite divergent views, all the LGUs agreed on one point: the Seal must evolve beyond input and process indicators. This consensus reflects the recognition that developmental legitimacy requires more than compliance.

Theoretically, this debate illustrates the tension between New Public Management's emphasis on measurable outputs and developmental state paradigms that stress long-term outcomes. It is also linked to public value theory: the ultimate measure of governance should be whether citizens' lives improve. Based on the respondents' suggestions, the solution may lie in a tiered framework, with inputs as minimum compliance, outputs for recognition, and outcomes for exceptional LGUs. Such a model balances feasibility and ambition and allows for differentiation across diverse LGU capacities.

4. Insufficient Support for Institutional Capacity

The disparity in LGU capacity was a persistent theme. Larger, wealthier LGUs with professionalized bureaucracies can sustain compliance, while smaller municipalities struggle with limited technical staff, weak digital infrastructure, and a lack of institutional memory. One municipal planner described the challenge vividly: "I handle planning, disaster risk reduction, and gender programs. Preparing for the Seal is just one more job. We simply don't have enough people." Another LGU official noted: "Every time staff resign, we start from zero because no institutional memory is left."

However, the SGLG sets complex and evolving standards without providing commensurate support. Compliance is nearly impossible for weaker municipalities. Consequently, they are either set up to fail or excluded from recognition and incentives. This dynamic inadvertently widens inequalities: strong LGUs accumulate awards and funds, while weaker ones fall further behind the rest.

From Sen's capability approach, this is a critical flaw in the study. Development should expand institutional freedom, but the SGLG risks reinforcing disparities. From a performance legitimacy perspective, it also creates credibility risks that citizens may see the Seal as rewarding only those who are already advantaged. Therefore, respondents agreed that capacity development must be treated as a core component of the Seal. Structured support, such as technical assistance, organizational development, plantilla rationalization, and digital systems, is necessary to ensure that all LGUs can participate meaningfully. Without this, the SGLG undermines its equity and developmental intentions.

5. Leadership and the Role of Local Chief Executives in Compliance

Finally, the consultations underscored the decisive role of leadership, particularly that of mayors and governors. While technical staff prepare documents, it is the Local Chief Executive (LCE) who signals whether compliance is a political or organizational priority.

In LGUs where mayors were actively engaged, such as calling meetings, issuing directives, allocating staff and budgets, and preparing timely and coordinated plans. A department head shared, "When the mayor takes the Seal seriously, everyone else follows. It becomes a whole-of-LGU effort." In contrast, when LCEs were disengaged, compliance was often last-minute, fragmented, and seen as a burden rather than an opportunity.

This finding reveals that the SGLG is not purely technical but is deeply political. Strong leadership can turn compliance into reform, whereas weak leadership reduces it to paperwork. It also reflects public value theory: leadership defines whether the seal creates genuine value for citizens.

Hence, respondents highlighted that any SGLG reforms must explicitly integrate leadership development. The SGLG should recognize and incentivize not only technical compliance but also LCEs who champion reform, foster institutional culture, and link compliance to developmental goals.

Synthesis

These five findings are deeply interrelated. An overemphasis on documentation reflects both indicator design and fragmentation across performance systems. Weak capacity explains why many local government units (LGUs) prefer outputs to outcomes. Leadership can either mitigate or exacerbate friction. Taken together, these findings show that the Seal is at risk of privileging compliance over development.

The challenge is not whether the SGLG should continue, as it clearly has value, but how it can be repositioned to balance accountability with empowerment, feasibility with ambition, and recognition with developmental impact.

VI. Policy Reform Options and Recommendations

Building on consultations and comparative analyses, this study advances three reform directions.

1. Performance Improvement Support

The current binary pass-fail structure of the SGLG creates a high-stakes environment that fails to recognize LGUs making incremental progress. This design should be revised to include transitional support mechanisms for LGUs that fall short but demonstrate commitment and improvement in their performance. Instead of being excluded, these LGUs should be given targeted capacity-building opportunities to eventually meet the standards.

A dedicated portion of the SGLG budget should be earmarked for performance-improvement initiatives, including technical assistance, organizational development, plantilla rationalization, and investments in digital infrastructure. These interventions should not fall solely on the DILG but should be recognized as a whole-of-government responsibility, requiring support and collaboration across multiple agencies and with development partners. This will ensure that the Seal does not reinforce inequalities by rewarding only already strong LGUs while leaving weaker municipalities behind.

Comparative experiences support this approach. India's performance grants for local governments included a "transition window" in which weaker jurisdictions received capacity-building support before being held to full standards (Rao & Singh, 2007). Uganda's performance-based grants also set aside funds for underperforming districts to strengthen their systems.

2. Transparency through an Interactive Performance Dashboard

To strengthen accountability and citizen engagement, an online interactive SGLG Performance Dashboard should be developed in partnership with the Department of Information and Communications Technology (DICT). This platform would track LGU performance across indicators over time, allow benchmarking against peer LGUs, and make the results accessible to citizens, civil society, researchers, and development partners alike.

Greater transparency would not only enhance accountability but also create constructive peer pressure that motivates LGUs to sustain reform. By enabling citizens and stakeholders to monitor LGU

performance, the dashboard would strengthen the Seal's credibility as a developmental tool, rather than a purely bureaucratic exercise.

There are many international examples. Indonesia's Kinerja program publicly disclosed local government scorecards, leading to measurable improvements in responsiveness of local governments. The World Bank (2010) found that transparency increases both competition and collaboration among LGUs. In the OECD, open government data portals have become the standard for local performance reporting.

3. Reducing Duplication through Data Integration

The SGLG should be formally designated as the central repository of LGU performance data, consolidating and harmonizing inputs from multiple national agencies such as the DSWD, OCD, DBM, NEDA, and others. This requires inter-agency agreements, standardized indicators, and data-sharing protocols supported by digital integration across platforms.

A unified repository would significantly reduce duplication, minimize reporting fatigue, and create a single source of truth for LGU performance monitoring purposes. This would position the SGLG not as one of many competing assessment tools but as the backbone of a coherent and integrated performance system.

4. Introducing a Tiered Indicator Framework

To balance inclusivity, developmental ambition, and feasibility, stakeholders proposed a tiered system of indicators within the SGLG framework.

- Inputs (annual, mandatory for all LGUs): Documentation of minimum requirements, such as plans, reports, and compliance measures. These should be the basis for identifying capacity development interventions tailored to each LGU's needs.
- Outputs (every three years, mandatory for all LGUs): Assessment of actual service delivery improvements and institutional performance. This level serves as the basis for SGLG recognition and awards, ensuring that incentives reward more than compliance.
- Outcomes (selective, for exceptional LGUs): Outcome-level indicators such as measurable improvements in education, health, resilience, or local economic growth are reserved for LGUs that voluntarily seek endorsement as models of excellence and best practice.

This tiered approach recognizes that all LGUs must comply with input and output requirements, but only those with exceptional leadership, capacity, and results should be assessed at the outcome level. Such a design prevents weaker LGUs from being set up to fail, while still incentivizing higher-performing LGUs to push toward excellence.

Synthesis: A Coherent Reform Agenda

These reforms are mutually reinforcing. Performance improvement support ensures equity. Transparency through dashboards strengthens accountability. Data integration reduces duplication. A tiered indicator framework balances the feasibility and ambition. Together, they reposition the Seal from a recognition scheme to a developmental performance system.

Theoretically, this agenda aligns with the following:

- Capability approach: ensuring that weaker LGUs are not excluded.
- Public value theory: Focusing on citizen outcomes, not just compliance.
- Principal–agent lens: Reducing information asymmetry through transparency.
- Institutionalism: Tackling fragmentation and path dependence through integration.

Ultimately, the SGLG can become not just a recognition of “good governance” but an instrument that enables, sustains, and scales it across the Philippines’ local governments.

VIII. Conclusion

In the span of just over a decade, the SGLG has become a hallmark of governance reform in the Philippines. Its promise is evident: a national benchmark for performance, a roadmap for reform, and a source of pride for local governments striving to embody the good governance. However, this study has shown that the very strength of the Seal, its comprehensiveness and ambition, has also produced friction. Over time, it has risked drifting into the trap of compliance culture, where the mastery of documentation substitutes for the substance of the development.

The findings from the LGU consultations and national dialogues highlighted five interlocking challenges. First, the overemphasis on documentation privileges inputs and processes over real improvements in people’s lives. Second, the Seal exists in a fragmented audit landscape that overwhelms LGUs with redundant reporting requirements. Third, divergent perspectives on indicator design reveal the difficulty in balancing feasibility with developmental ambition. Fourth, capacity disparities make compliance far easier for well-resourced LGUs than for struggling municipalities, raising equity issues. Finally, the role of leadership, particularly that of mayors and governors, emerges as decisive, demonstrating that compliance is as political as it is technical.

These challenges do not diminish the SGLG’s value; rather, they clarify its crossroads. The Seal is not failing; rather, it is at risk of plateauing. Without reform, it will remain a recognition mechanism for the already strong, missing its transformative potential to raise the baseline of governance across all local LGUs.

Beyond Recognition: Toward a Developmental Performance Framework

The SGLG must move beyond its current design as a recognition-and-incentive system. Recognition remains important, but it should be embedded in a broader developmental performance framework that does not simply reward compliance but actively enables improvement, fosters innovation, and sustains reform momentum.

This study outlines four mutually reinforcing reforms to achieve this shift: (1) performance improvement support for LGUs that fall short but show progress; (2) transparency through an interactive performance dashboard; (3) reduction of duplication through data integration; and (4) adoption of a tiered indicator framework that balances inclusivity with developmental ambition. Together, these reforms address equity, accountability, efficiency, and credibility issues.

This transition will not be simple. It requires inter-agency coordination, investment in digital infrastructure, and political will from both national and local leaders to be successful. However, it is precisely this complexity that makes reform urgent. The SGLG is already embedded in law (RA 11292),

culture (a recognized badge of excellence), and practice (LGUs prepare yearly for it). Reforming the Seal is not about building something new but about repositioning what already exists to achieve a greater developmental impact.

SGLG 2030: A Vision for the Next Decade

Looking ahead, the challenge is to imagine what the SGLG will look like by 2030. Three broad directions have emerged:

1. An Inclusive Framework: By 2030, no LGU should be excluded from the Seal because of weak capacity. All LGUs should participate in inputs and outputs, while the outcomes serve as platforms for exceptional performers. The SGLG should become a program that “lifts all boats,” not one that rewards only the strongest.
2. A Digital Backbone: By 2030, the SGLG should function as a fully integrated digital platform, harmonizing LGU data across agencies and linked to DICT’s agenda. This would eliminate redundant reporting and create a real-time repository of local performance information accessible to policymakers, citizens, and researchers.
3. A Developmental Standard: By 2030, the Seal should be known not just as a recognition scheme but as a true developmental benchmark. Its indicators should reflect progress on the Sustainable Development Goals (SDGs), quality education, good health, resilience and inclusive growth. Thus, SGLG can bridge local governance with global commitments.

Implications for Decentralization and Accountability

The evolution of the SGLG is inseparable from the broader trajectory of decentralization in the Philippines. The Mandanas–Garcia ruling significantly expanded the fiscal space of the LGU. However, greater resources demand greater accountability. Citizens will increasingly ask not just how much money LGUs receive, but what impact it produces. If reformed, the SGLG can credibly answer this question.

Theoretically, this aligns with the capability approach, which emphasizes equity and the expansion of freedoms; public value theory, which asks whether governance creates real value for citizens; and principal–agent frameworks, which demand accountability in the use of devolved resources. Practically, this means shifting incentives so that LGUs are not only monitored but enabled—given the tools, skills, and support needed to succeed.

The SGLG is at a critical juncture in its development. It must be viewed as a living framework that adapts to new governance realities. For national agencies, this means embracing inter-agency coordination and recognizing that performance improvement is a whole-of-government task. For LGUs, this means engaging with the Seal not as a burden but as an opportunity to strengthen systems, deliver better services, and build trust with their citizens. For civil society and citizens, this means demanding transparency, scrutinizing performance data, and holding leaders accountable not just for compliance but for outcomes.

If reformed along the lines suggested in this study, the SGLG can evolve from a compliance mechanism into the backbone of Philippine governance. This demonstrates that decentralization, when coupled with accountability and support, empowers local governments to meet the needs of their people. More importantly, it can restore and sustain citizens’ trust in the government by proving that recognition reflects real progress and that governance, at its core, is about improving lives.

Therefore, the future of the Seal is not about whether local governments can prepare documents but whether they can deliver development.

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Repositioning the Seal of Good Local Governance: Strengthening Local Performance Systems ...

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