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Philippine Institute for Development Studies
Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

Triangulation Framework for Local Service Delivery

Allan S. Layug

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Triangulation Framework for Local Service Delivery

Allan Layug*

Abstract

How should local service delivery of public goods and services be improved for desirable development outcomes? This paper attempts at answering this question by providing a framework for improving local service delivery. It argues that improving local service delivery is a function of triangulating delivery of any public goods and services through their policy, institutional, and financial characteristics; zeroing in on their interdependence and normative dimensions; the effectiveness of institutions and capabilities and productivity of their actors; and the role of governance against the backdrop of development constraints and supported by opportunities for reforms. It further argues that institutions and their actors take the primordial role in improving local service delivery especially in cases of policy gaps and financial inadequacies. Corollary argument is that governance –both institutional and democratic - is the key in helping catalyze institutional change and improving service provision to achieve such goals as quality of life, empowered citizenry, and responsive leadership based on normative entitlements. The values (rights, equity, quality, and sustainability) and elements/principles of governance (efficiency, participation, transparency, accountability, and predictability) both lay the groundwork for delivering goods and services, as well as serve as indicators in assessing local service delivery. Improving local service delivery therefore is a function of the triangulation of policy, institutions, and finance within value-based and principle-oriented governance framework.

Key Words: *decentralization, development, governance, institutions, local service delivery, triangulation*

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Introduction

Improving local service delivery (LSD) is about achieving development outcomes necessary for the enhancement of human lives. For the effective provision of public goods and services has a big impact on the well-being of the people, especially the poor. Uneducated and unhealthy children, poor mothers, and unemployed adults living mostly in rural areas would have no better life prospects unless effective policy interventions are done; thus, instead of being assets as human capital and catalysts of positive change, they become social liabilities with no opportunity to contribute to local and national development. The governments – both national and local – having the duty to protect and promote the right to education, health, water, housing, for example, may be inclined to change this life-negating status quo by ending Filipino poverty in their lifetime and eradicating deprivation. But considering the binding development constraints that they have to overcome, compounded by the political, economic, social, and cultural pathologies plaguing the country, most governments find it difficult, if not impossible, to deliver public goods and services -- nay not even to improve the system. Without the policy and financial wherewithal to deliver and the institutional and governance capabilities to improve the system and practice of LSD, governments as well as other functionaries such as local communities, civil society organizations (CSOs), private sector, and international donor organizations are hard pressed to deliver, and the people disempowered to demand better and improved goods and services.

How then can LSD be improved given such sorry development gap between ideal and reality which encapsulates more or less the problematic situations of local communities in the Philippines, especially in the rural areas? Put somewhat differently, what does it take to improve LSD considering the multifarious problems undergirding it and their underlying deep-seated causes? In this regard, the rationale of this paper is established: To provide a Triangulation Framework as a tool for analysis for better understanding the dynamics of LSD, and the requirements of improving it, with a view of replicating best practices, and going beyond them by setting minimum service standards for effective, equitable, responsive, and accountable service provision. Such a framework, which was a contribution to the regional study on LSD study in Asia (see PIDS-UNICEF 2009), is significant for at least three ways:

- (i) as a conceptual framework that can be used by any country – both developing and developed - in improving LSD;
- (ii) as a policy toolkit or handle for policymakers in having the vital components of the framework (i.e., rights, equity, quality, and sustainability as values, and efficiency, transparency, participation, accountability, and predictability as governance elements) as indicators of their performance, depending on how the otherwise abstract indicators are concretized by local specificities; and
- (iii) as intervention strategy that can be applied not just on any development sector (i.e., education, health, water, housing) but also on any policies, programs, projects, and institutions. Thus, the LSD in Figure 4 can be replaced by any policy, program, project or institution that needs to be analyzed, assessed and improved upon.

The paper is divided into five major discussions. Section 1 provides the general reasons of why countries decentralize, with LSD as being highlighted as one of the normative reasons. Section 2 discusses the problems and pitfalls of LSD, with a focus on the gap between expectations for improved LSD in light of decentralized arrangements and the realities on the ground that frustrate the expectant. Section 3 provides for the prerequisites for improved LSD. Section 4 discusses the Triangulation Framework, focusing on the logic of triangulation, the needed interventions and desirable outcomes based on normativity and entitlement, development constraints and opportunities, linkage between institutional and democratic governance to human development, elements/principles of good governance, and the primacy of institutions. Section 5 concludes on the importance of Triangulation Framework as both a policy tool for improving LSD and a way to make decentralization work.

1. Local service delivery as a *raison d'être* of decentralization

Why decentralize? Decentralization in broader terms is about the transfer of powers, responsibilities and resources from central to subnational governments. The need for an effective local service delivery is one of the normative reasons advanced for decentralization in that it serves as a means for achieving development outcomes such as enlargement of human capabilities and improved quality of life. In general, the reasons advanced for decentralization are political, economic, administrative, and social in nature, to wit: (a) local autonomy for democratic governance at the grassroots, (b) local initiatives, innovations, and opportunities for local economic growth and equity, (c) accountable public administration and functional bureaucracy that are responsive to local needs and preferences, and (d) local empowerment and participation based on social capital and a sense of leadership and ownership.¹

In the Philippines, as enshrined in the 1991 Local Government Code (1991 LGC), there are at least five reasons for decentralization: “(a) importance of local solutions to local problems, (b) need for orderly management of local affairs, (c) desirability of self-reliance, (d) need for fullest development of local governments, and (e) innate desire for self-government” (de Leon 2005: 319-20). In terms of fiscal decentralization, Manasan (2007: 275) identifies seven reasons based on political history of the country: (a) demand for local autonomy by local politicians; (b) response to armed resistance; (c) reduction of regional disparities and inequities; (d) enhancement of effectiveness and efficiency; (e) reduction in transaction and administrative costs; (f) increasing intergovernmental competition and innovations; and (g) promoting the linkage between revenue and expenditure arrangements. For Brillantes and Tumanut (2007: 26), “democratic governance, rapid local development, and better mechanisms for service delivery” serve as the rationale for decentralization.

2. The Promise and Pitfalls of Local Service Delivery²

Almost two decades after the passage of 1991 LGC, the decentralization movement in the Philippines has produced mixed results. Balisacan, Hill and Piza (2007) observe that:³

Decentralization in the Philippines has been neither a notable success nor a disappointing failure. The reform has not delivered what some of its proponents might have expected: a decisive shift of power and resources out of the center, a vibrant, efficient and responsive system of local government, and a general shift in the quality of governance through the competitive ‘voice and exit’ accountability mechanisms. Conversely, the reform can hardly be termed a failure. It has broadly ‘worked’ in the sense that some administrative and political authority has been transferred to the regions, and some local governments have performed well.

¹ As Smoke (2007: 132) observes: “Decentralization is expected to improve efficiency in resource use because residents in each subnational government can choose the mix of public services and revenues that best meets their preferences. Thus the many services, except those more efficiently provided at a larger scale or that generate externalities, should be subnational functions.”

² This is not to argue that all LGUs are basket cases. In fact, there are good practices not only in terms of local service delivery in particular but local governance in general. Decentralization has mixed results in the Philippines, that is, while there are LGUs that are being able to harness their devolved powers to improve LSD, there are also many others struggling, reluctant, or inept to seize the opportunities to make local governance work. The *Gantimpalang Panglingkod Pook or Gawad Galing Pook* – an awards program on innovation and excellence in local governance and LSD – serves as a testimony to a number of excellence in LSD and local governance. The main difference between the laggard and exemplary LGUs is that the latter are able to “access resources more effectively, and manage them more transparently and accountably” (Llanto 2009: 9). For an excellent discussion of these mixed results, see ADB (2005).

³ See also, ADB-World Bank (2005), Ramos (2007), Panadero (2007), Mangahas (2007), Ilago and Tumanut (2007), and PIDS-UNICEF (2009).

With the decentralization of power, resources, and responsibilities is the expectation for an improved local service delivery. The increased in revenues allocated from the national to local government units (LGUs) is expected to increase local expenditures on social services (Table 1). However, although LGUs' share of national revenues is expected to continue to rise, the same cannot be said of LGUs' expenditure on social services (Table 2). Based on Manasan's findings, "aggregate LGU spending on social services registered upward trend for much of the 1990s, both as a percentage of Gross National Product (GNP) and in real per capita terms, but stagnated (especially with respect to health expenditures) in 1993-2003" (Manasan 2007: 308). What is worrisome is that this trend is evident across all levels of LGUs, with more negative impact on provincial and municipal jurisdictions considering that over 95 percent of the cost of devolved health functions is assigned to provinces and municipalities. Based on Capuno's findings, "[i]n terms of GDP, local expenditures on social services rose from about 0.2 per cent in 1991 to only 0.8 per cent in 2003. Such a small increase is unlikely to be optimal, and may well reflect LGUs' collective response – including free-riding – to the national government's continued provision of devolved social services" (Capuno 2007: 224-5). The contraction on social services expenditure, from 25% in 2000 to 22% in 2007, is attributed to the budgetary resources being spent more on public administration than to the social services sectors (Figure 1). Such contraction resulted to a decrease in real per capita spending on all social services sector combined, from Php489 in 2001 to Php380 in 2007 (Figure 2). The contraction is also evident in terms of the human priority ratio (i.e. the share of basic social services to total LGU expenditure), which decreased from 19% in 1998 to an average of 15% in 2006-2007 (Figure 3). This negative impact is also reflected in real per capita spending on basic social services in the aggregate, with a decrease from Php307 in 2000 to Php251 in 2007 (Table 3).

The mismatch between local revenues and expenditures negatively impacts on the quality of public goods and services delivered. Under decentralization, Filipinos should have benefitted from improved service provision owing to devolved functions and services, as particularly mandated in Section 17 of the 1991 LGC. Contrary to expectation, however, with inputs (e.g. local expenditures) falling short of supply, the outputs (e.g. availability, accessibility and affordability of services) and outcomes (e.g. improved literacy, healthcare, and water supply and sanitation leading to quality of life) are nowhere near being satisfactory. What makes this sorry state problematic is the fact that poor Filipinos are the ones who bear the brunt of misgovernance and poor quality of services. The World Bank nationwide survey in 2001 on pro-poor services reports negative findings. In terms of health, public facilities are of low cost but of poor quality; primary facilities being used primarily by the poor are of low quality; 74% of people bypass rural health units (RHUs) and 68% bypass barangay⁴ (or village) health stations at the grassroots in favour of higher level government and private hospitals. In terms of education, public schools are low in cost but poor in quality; public education is far from free, eating up 2% allocation of households expenditures; about 75% of drop-outs come from poor families, with health as the top reason followed by economic reasons such as high cost of education and need to work; tuition fees of private schools are ten times higher than their public counterpart; and class size, textbooks, and facilities of public schools are rated unsatisfactory. In terms of water supply, only 64% of Filipinos get water from the Level I, Level II, or Level III systems, with the poor mostly excluded from Level III or home-piped service and relying mostly on self-provisioning; poor rural households spend more than twice their utility bills on treating water, while the rich spend the equal amount on bottled water; the poor can afford only limited amounts of (low quality) water, with most of it spent on vended water requiring treatment; and the urban non-poor are subsidized more than the poor for using Level III systems, which often get the large chunk of government investments and subsidies (World Bank 2001). The PIDS-UNICEF Local Service Delivery Study titled, "Improving Local Service Delivery for the MDGs in Asia: The Case of the Philippines", provides some similar key findings (see PIDS-UNICEF 2009).

3. Some Prerequisites for Improved Local Service Delivery

To realize the promise of improved local service delivery, certain prerequisites—mainly about policy, institutions, and finance—must be met.

⁴ In the Philippines, a barangay or village, is the basic political unit of government. Also, in the Philippines, the term local government unit (LGU) can refer to any of the subnational tiers of government, i.e., province, city, municipality, and barangay.

First, the design of decentralization—its 3Ds (devolution, deconcentration, delegation) and/or its political, administrative, financial, and market-based characteristics—needs to be based on right-sizing and proper phasing of intergovernmental transfer of powers, functions, and responsibilities. The abrupt transfer of powers, functions, and responsibilities, especially on the decentralization of certain sectors such as health, social services, and agriculture, has created a mismatch between LGUs' powers and responsibilities and their institutional and financial capacities. This has impacted on the delivery of services and public goods. In health, for example, the cost of devolution (PS and MOOE), has made the LGUs, particularly the provinces, incapable of delivering public goods and services; hence, the clamor to return health service responsibilities to the national government.

Second, there must be effective institutions – i.e. formal rules, informal norms and their enforcement characteristics (to be discussed in subsequent sections). Without strengthening formal and informal institutions, the underlying causes of underdevelopment in the country and its concomitant dismal local service delivery of public goods and services would remain. The all-important idea here is that institutional problems have constrained the development take-off of the country; hence, the need to address them, including those institutions related to local service delivery. Equally important, the institutional actors—both local and national—should be capacitated and imbued with a sense of urgency to own up the LSD agenda as a way to make decentralization work through innovative ideas, capabilities, and political will. With many LCEs not having the required capabilities and political will to own up the LSD agenda, people suffer from poor quality of education and poor health and sanitation. A Filipino child who cannot wait for improved services to ensure his/her right to a bright future and healthy life becomes a victim of ineptitude, political grandstanding, and indifference.

Third, the 3Fs—functions, functionaries, and funds—demand no less than commensurate transfer and burden-sharing of the required capacity-building, institutional development, and financial sustainability. The resultant resource constraints and institutional deficits experienced by LGUs, mostly by 5th- and 6th-class municipalities and their barangays, as well as the low-income provinces, greatly impact on the quality and quantity of services delivered. Saddling these resource-starved LGUs with costly devolved functions in health, education, and water, for example, compounds their inability as institutional functionaries in meeting the supply-side of governance and the basic needs of their people.

Given these problems of decentralization and their impact on LSD systems and practices, the challenge is to address them in a manner that puts premium on the logic of interdependence of policy, institutions, and finance. This by no means argues that decentralization is the all-sufficient reason for an improved LSD because the relationship between decentralization and effective service delivery is only associative rather than causative, especially when the policy, institutional, and financial components are not really attended to and valued as interrelated.

4. LSD Triangulation Framework

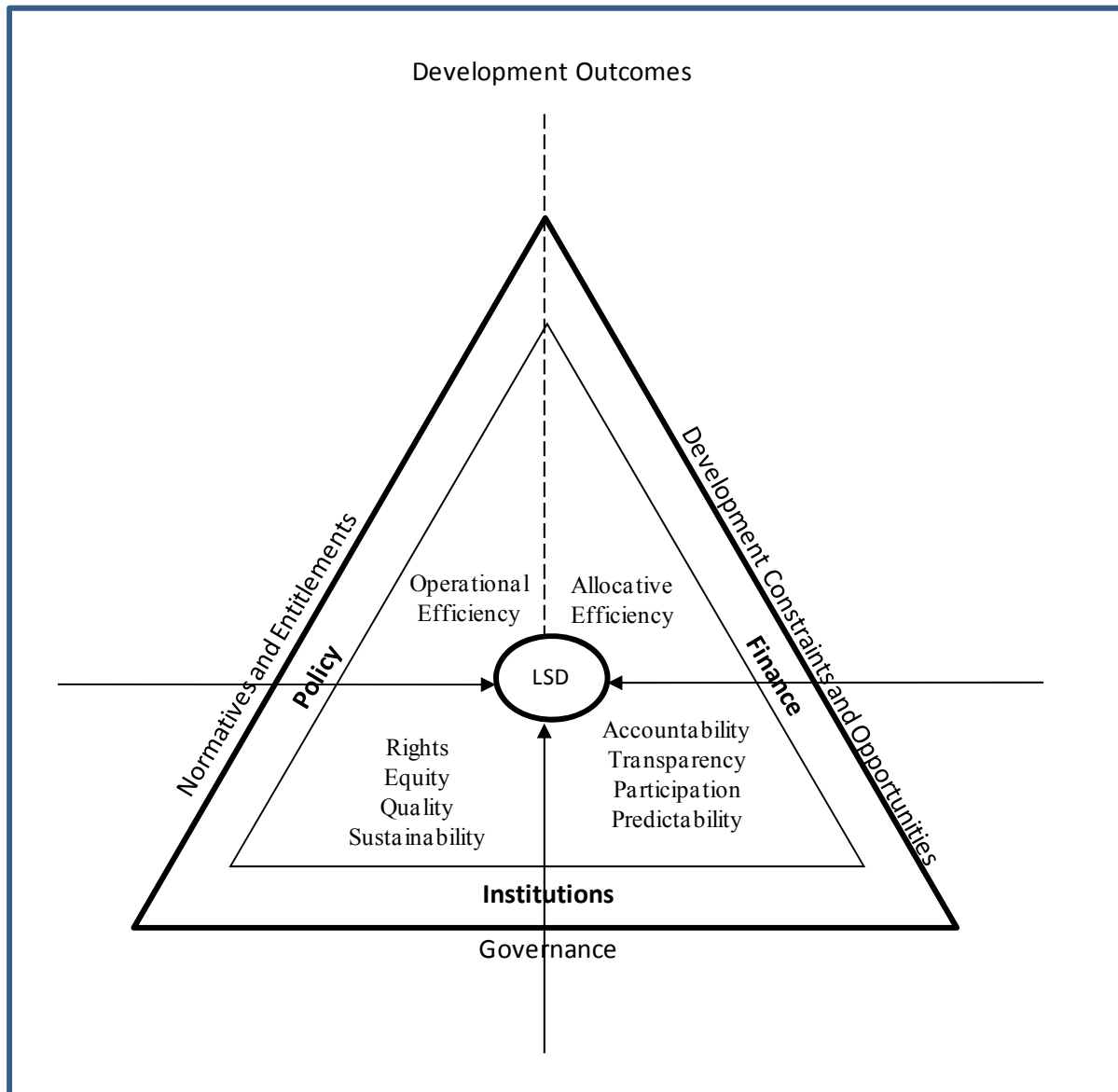
4.1 The Logic of Triangulation

Why triangulate local service delivery? The logic is straightforward: Since any service delivery consists of policy, institutional, and financial characteristics, the interventions to be strategic and effective should take into account such components which are grounded on normativity and entitlements, worked out in a context with development constraints and opportunities, and improved via institutional and democratic governance.

The literature on LSD identifies its linkages with local governance and local development (World Bank 2004). The framework conceptualized and developed in this paper identifies it as being triangulated by policy, institutions, and finance, and more specifically by good policy environment and effectiveness, efficient intergovernmental fiscal and financial system, and effective institutions and accountable institutional actors, as shown in Figure 4. Triangulating LSD provides a tool for analysis on how to better understand the dynamics of LSD systems and practices and the requirements for improving them, with a

view of going beyond replicating best practices by setting minimum standards that are sensitive to and undergirded by local specificities and conditions.

Figure 4. LSD Triangulation Framework



Put somewhat differently, the idea behind triangulating LSD is that effective LSD would require an integrative approach encompassing the interplay of policy, institutions, and finance, all in their local, national, intergovernmental, and sectoral levels. Viewed this way, LSD becomes a complex interdependence of three components, each of which should contribute to the effective provision of public goods and services. Simply put, the three vital components cannot be taken in isolation. The effective functioning of one depends on the effective functioning of the other components. Without good policies on health, education, and potable water, for example, there would be no enabling policy and legal environment for the effective intergovernmental transfer, use, and generation of fiscal resources, as well as for the harnessing and strengthening of institutions and the of the capacities, creativity and

productivity of institutional actors that will implement policies for decentralized sectors. An assessment of LSD would therefore entail policy, institutional, and financial analyses, each providing a perspective on how LSD should be practiced under decentralization. Such triangulated analysis would serve as the overarching framework on how to examine and improve any sectoral performance – be it education, health, water, housing, roads; deal with its issues and challenges; and work on the needed policy reforms.

4.2 Interventions and Outcomes

For LSD interventions (as represented by arrows in Figure 4) to be strategic and effective, at least three important components must be factored in to realize development outcomes (as represented by a broken arrow in Figure 4). These are normativity and entitlement, development constraints and opportunities, and the linkage between local governance and local development.

4.2.1 On normativity and entitlement

Certain normative principles and values lay the groundwork on the imperative to serve the public through improved service provision of public goods and services. The democratic principles of liberty and equality on the one hand, and the universal values of dignity, justice and freedom on the other, should ground any attempt at effective LSD. The overarching development impact of improving people's lives as the *raison d'être* for improving local service delivery through human capabilities and functionings⁵ also serve as a source of normativity and entitlement for Filipinos.

LSD is value-based when it is rights-based, gender-responsive, equity-oriented, and sustainability-grounded. The right to education, health, and water must be an acknowledged right of every Filipino.⁶ It must be an entitlement that duty-bearers or service providers must respect by way of providing for the objects of such a right—education, health, water and housing. They must not hold back on their responsibilities to provide early childhood care development (ECCD), elementary education, and secondary education to every Filipino child, especially in poorer areas such as CARAGA and the Autonomous Region of Muslim Mindanao (ARMM). Gender-responsiveness must also underpin policies for LSD. Every woman, mother, and child deserves no less than the same rights and entitlements as every man. Duty-bearers must be gender sensitive to all right-holders. Human development, which can be achieved through education and health outcomes, ought to be pursued for the benefit of every Filipino regardless of gender. There must also be social bias toward the poor, not in paper but in “doable” policies, activities, and programs (PAPs), such as ECCD, maternal and child health program, and potable water supply and sanitation. Decentralization must work to the best interest of the poorest of the poor, according to the dictum that those who have less in life should have more in human development-based PAPs. An equity-oriented LSD guarantees that decentralization is pro-poor, that is, it is able to reach the “unreachable” or the marginalized despite ethnic diversities and socio-economic factors. Lack of financial

⁵ Capabilities (opportunities) and functionings (achievements) are twin concepts that are grounded on the idea of human freedom. Though the concept “capabilities” includes in its differentia the concept “capacities”- or the ability to perform or act, it is more than this because it also consists of “opportunities” – the ability to choose what actions to perform, etc. “Functionings” is more about what a person has achieved out of the available opportunities; in other words, what a person has become in light of his/her choosing, acting or doing. Examples of functionings are income,, wealth, self-respect, political participation. These development-related concepts are borrowed from Sen, who in turn, borrowed/based them on Aristotle's conception of human flourishing. Human flourishing is based on Aristotle's idea of “doing” and “being” or simply put, “to do” and “to be”. In connection with LSD, they are normative concepts (in the sense of being both ends and means) that inform how a Filipino has become out of available opportunities [in this case, water, health, education as enabling Filipinos to choose among different lifestyles or enabling them “to live the kind of life they have reason to value” (Sen 1992, 1999)]. The broadening of the concept development (read: human development), which greatly influenced the discourse on development, is anchored on these twin or interrelated freedom-based concepts.

⁶ For an insightful discussion on right-based governance review framework in the Philippines, see Natividad (2005).

resources should not be the lame excuse to do nothing. Duty-bearers or service providers should find ways to provide local public goods to the poor, especially in the poorest areas in Mindanao, despite lack of human and financial resources, low IRA, lack of investments, etc. Sustainability should be the hallmark of LSD in order for PAPs to have a lasting development impact, despite changing political leaderships, for example. A good indicator of sustainable PAPs is when the communities and beneficiaries themselves become partners of development, that is, when they are empowered to participate in the planning, implementation, monitoring, and evaluation of PAPs that bear impact on their lives. Community-based development PAPs, therefore, would imbue on the beneficiaries a sense of ownership, which could give them reasons to take good care of PAPs that benefit them, and to hold the local leadership accountable to them in implementing PAPs.

4.2.2 On development constraints and opportunities

4.2.2.1 Development Constraints

In a recent study of the Asian Development Bank (2007) titled, *Philippines: Critical Development Constraints*, the country is found suffering from some binding development constraints to growth and poverty reduction. The report identifies the critical constraints to growth as: (i) tight fiscal situation; (ii) inadequate infrastructure, particularly in electricity and transport; (iii) weak investor confidence due to governance concerns, in particular, corruption and political instability; and (iv) inability to address market failures leading to a small and narrow industrial base (ADB 2007). The critical constraints to poverty reduction include: (i) lack and slow growth of productive employment opportunities; (ii) inequitable access to development opportunities, especially education, health, infrastructure, and productive assets; and (iii) inadequate social protection and social safety nets (ADB 2007).

This explains why the Philippines has lagged behind the “high-performing economies” of East Asia in terms of economic growth, with only a 1.9 per cent average growth of real per capita Gross Domestic Product (GDP) during the past 50 years (Table 4). This dismal economic performance has resulted to unequal distribution of benefits, which in turn, has adversely impacted on the country’s slow poverty reduction. Table 5 shows that the absolute poverty incidence of the country in the 1980s (22.8 per cent) was below that of Indonesia (28.2 per cent), but beginning 1990s has deteriorated, averaging 18.4 per cent in 1990s and 15.5 per cent in 2000s – the highest among all middle income countries in Southeast Asia. In terms of inequality as measured by Gini ratio, the Philippines’ inequality has worsened from 41.0 in the 1980s to 46.1 in the early 2000s.⁷

Compounding these long-term structural constraints to growth and poverty reduction caused by deeply-entrenched institutional problems are the effects of the global financial and economic crisis of 2008.⁸ Yap (2009a) discusses these effects as follows: (i) decline in GDP growth rate in the fourth quarter of 2008 and first half of 2009; (ii) volatility in asset prices; (iii) increase in unemployment, especially in the

⁷ Economists find fault on the economic policies of the Philippines which made it a laggard in terms of economic performance compared with other East Asian neighbours. Yap (2009) observes that: “Mainstream economists attribute this situation largely to economic protectionism and the import-substitution policy that were followed after World War II up to the 1970s. Protection of selected sectors led to the misallocation of the country’s resources, i.e. sectors in which the Philippines did not have a comparative advantage benefited from this policy stance. Moreover, the lack of competition removed the incentive of protected firms to become innovative and adopt modern technology. This resulted in monopolistic firms producing poor quality goods and services at relatively high cost, the burden of which was passed on to the Filipino consumer.”

⁸ The Philippine Human Development Report 2008/2009 makes the argument that beyond policies and individuals, it is the institutions – conceived as the incentive systems that structure human interaction or “rules of the game” in society composed of formal rules, informal constraints and enforcement characteristics – that have retarded the progress of the country, afflicted the state of human development, and disincentivized productive behaviour (Human Development Network, 2009).

manufacturing sector due to the crisis impact on export; (iv) widening fiscal deficit, mainly as a result of increasing government spending in offsetting lower consumption, investment, and exports; and (v) weak tax effort that contributes to tight fiscal situation impacting on limited spending on the MDGs.

The contextual factors or political economic structure contextualizing these binding development constraints cannot be downplayed. Politics, history, culture, social norms, the elite and the people themselves have catapulted the country to where it is right now with all these development constraints and lack of institutional change. Transactional patronage politics has been the game played by both local and national politicians, creating a low-level equilibrium that benefits them and disadvantages the people. History of misgovernance, corruption and disempowerment has circumscribed the process of political, economic, and social development. Damaged culture that has been shaped by backward people's beliefs, customs and traditions has impacted on the social norms, which in turn, has influenced their collective consciousness and behaviour. The political and economic elite have not connived to transform the country from being the Sick Man of Asia to one of Asian Tigers; instead have enriched themselves with wealth and power at the expense of poor Filipinos wallowing in human poverty and deprivation. The poor people, having no power to change the elite-driven status quo, content themselves with the spoils of patronage unable to demand better services, accountable leaders, democratic governance, and quality of life. All these constitute in capsule the institutional problems that have plagued the country, with no prospect for institutional change - revolutionary or otherwise – able to end the logic of self-interest and *realpolitik* of the powerful few and the tragic optimism of the suffering multitude.⁹

Further, these binding development constraints - ranging from macroeconomic to financial to social – and compounded by their underlying institutional problems negatively impact on the delivery of quality of public goods and services. They constrain the ability and willingness of service providers – mainly the political institutions such as the national government and the LGUs to provide the much-needed basic social services. For example, some of the usual binding constraints of LGUs are the following:

- (i) limited financial resources due to low IRA, low tax base, and ineffective revenue mobilization;
- (ii) lack of competent and innovative human resources, plus a culture of professional bureaucrats able to take on policy continuity despite change of political leadership;
- (iii) lack of effective leadership able to harness political will, resourcefulness, and partnerships;
- (iv) reform fatigue by reformers such as well-meaning local leaders and CSOs;
- (v) short supply of effective and efficient incentives;
- (vi) weak linkages and partnerships with stakeholders such as communities, CSOs, private sector, international donor;
- (vii) lack of intergovernmental coordination and cooperation and intersectoral harmonization of development efforts;
- (viii) weak, if not lack, of effective monitoring and evaluation of PAPs;
- (ix)
- (x) political wheeling-dealing, political instability and corruption;
- (xi) weak link between planning and budgeting;
- (xii) lack of accountability for results owing to disempowered constituents and short supply of avenues for participatory governance;
- (xiii) low local social expenditure on human development priorities, resulting to mismatch between development goals and priorities;
- (xiv) lack of relevance and responsiveness of provided public goods and services owing to lackadaisical attitude towards consulting locals for their needs and preferences or lack of interest to listen to the same;

⁹ Clientelism (otherwise known as patronage system), strong oligarchy and weak state, and bossism are three theories that explain these institutional problems. See for example Lande (1965), Rivera (1994), Hutchcroft (1998, 2000), Sidel (1999), Hutchcroft and Rocamora (2003), Coronel, S. et.al., (2007), and de Dios (2007). For the negative impact of these political economy dysfunctions on the party system in the Philippines, particularly patronage politics and strong oligarchy and weak state, see Kazuya (2009).

- (xv) limited availability, inaccessibility, unaffordability, and poor quality of services as an effect of low inputs (e.g. expenditures) and throughputs (e.g. processes)¹⁰;
- (xvi) continued dependence (read: free-riding) of LGUs to national government's continued provision of devolved services and functions.

In sum, all these LSD-related constraints are influenced, if not determined, by the binding development constraints plaguing the country caused by deeply-held structural and institutional problems within the context of political pathologies, economic inertia, and socio-cultural dysfunctions.

4.2.2.2 Development Opportunities

But for service providers to perform their public duty of delivering public goods and services, they must take on the challenge that these constraints bring forth. There is no room for complacency and ineptitude especially when public interest demands no less than improved service delivery for much-desired development outcomes. Nor is there a reason to languish due to reform fatigue. Seizing the opportunity of making a difference in the lives of the people through improved service delivery makes decentralized governance work for the people. Some of the LSD-related responses – policy, institutional, and financial – that service providers (mainly political institutions such as LGUs) may give against such constraints include but are not limited to the following:

Policy

- *Making governance work for the people.* Prudent use of devolved powers and financial responsibilities is a measure of good governance.
- *Linking up democratic governance to local service delivery.* One promise of decentralization is democratic governance. One aspect of democratic governance is the demand for the participation of the people in decision-making on matters that affect them. This could be made possible through their real participation in the planning, budgeting, implementation, monitoring, and evaluation of PAPs. Such is an opportunity for local leaders and service providers to inform the people of the usual constraints (e.g. limited financial resources) that they face and may encourage innovative ideas from them, thus ensuring collective leadership and ownership of the PAPs. Creating enabling environment for participatory governance is a good measure of making people to be at the heart of development.
- *Linkage of local, regional, and national development plans.* All development plans must complement one another. On the one hand, regional and national developments plans must be informed of the specific needs and priorities of localities. On the other, local development plans, where goals, targets, strategies related to LSD are anchored upon, must be aligned with the strategies and targets of regional and national plans for coordinated efforts in achieving national development agendas.
- *People-centered LSD, especially targeting the real poor.* LSD should be of, by, and for the people. For at the end of the day, it is the people who should benefit from the use of public funds,

¹⁰ In education, for example, if more of the same input (e.g. expenditure) is increased without radical change in the throughput (e.g. education processes), then radically different outcomes might not be achieved. As Luz (2008) opines: "In an input-output equation, if inputs result in poor output, more of the same inputs will (merely) create more of the same poor output and miss the real bottom line – quality education – unless there is a radical change in the throughput (e.g., education processes)." Bautista, et. al. (2008) argue that education processes which include structure (e.g. decentralized governance) and pedagogy (e.g. curriculum, textbooks, teaching manuals and trainings) have been frustrated not by funds but by internal cultural factors and externally imposed rules.

public assemblies, local planning and development¹¹. More importantly, LSD has poor reach because the real beneficiaries of PAPs are not being targeted. The use of the Community-Based Monitoring System (CBMS) is making headway in improving targeting the real poor and addressing real needs. LGUs must find financial means to be able to adopt CBMS for greater impact.

- *Human development priority.* Assuming that increasing inputs such as local expenditure on social service would make impact on the quality of services rendered, then the public would benefit if more resources are allocated on human development priority such as in education, health, and water.
- *Minimum service standards.* The difficulty of evaluating LGU performance in improving service delivery is as much a result of the LGUs' incapacities, lack of political will, and the design of the decentralization as the lack of minimum service delivery standards, at least for those services which the LGUs can comply with, given their capabilities. The national government must initiate and formulate Minimum Service Delivery Standards for every sector or for the sectors under LGU responsibility. Defining such a "minimum," setting its implementation guidelines, and formulating its required monitoring and evaluation system is a fertile area of study. A deeper look into it will help concretize an otherwise abstract accountability. Would-be beneficiaries could also use it as a barometer of their local officials' performance or as guide during elections, thus making LSD an electoral issue and establishing a strong correlation between LSD performance and electoral winnability.
- *Need for performance benchmarking.* Given that there are goals and targets for MDG-critical public goods and services, what are the local indicators for measuring performance? Local performance benchmarks (input and output indicators) for service delivery, as in most LGUs, have yet to be made consistent with the outcome indicators in the Local Government Performance Monitoring System (LGPMS) and CBMS. This would therefore require an improved monitoring and evaluation mechanism and good quality data.
- *Design of an innovative incentive system.* The short supply, if not lack of, incentives has a negative effect on the performance of service providers. For service providers, especially public servants, an effective incentive system should be institutionalized at all levels of government to ensure their effective performance. Financial constraints should not be used as an excuse for not being able to design an innovative incentive system for stakeholders and service providers.
- *Private-Public Partnership (PPPs).* The public sector institutions¹² cannot do it alone, that is, cannot serve the public with its limited resources. Tapping PPPs would harness the talents, money, and ideas of private entities, thus, making corporate social responsibility part and parcel of improving LSD.

Institutional

- *Strengthening and enforcing formal institutions balanced with effective informal institutions.* As the major finding of the Philippine Human Development Report 2008/2009, one way on how

¹¹ Maternal and child care programs, for example, are not reaching the poorest regions in the country. See incisive discussion of Lavado and Lagrada (2008).

¹² Public sector institutions, which consist of the national government, LGUs, major government owned and controlled corporations (GOCCs), and government financial institutions (GFIs), have contributed to weak public sector governance, which in turn, has negatively impacted on disappointing economic performance of the Philippines, with its persistent boom-bust cycle along with relatively high poverty incidence. For an excellent discussion on public sector governance and decentralization in the Philippines, see Miral (2009).

to effect institutional change in the country is “by updating or improving the scope and content of formal rules.”¹³ In terms of LSD, these may include reforming formal processes of local development planning, budgeting, and implementation (e.g. making AIP work effectively beyond mere compliance); revaluation of property taxes within local jurisdiction and tax collection efficiency; competency and public service requirements for human resource personnel; rational restructuring of incentive system such as payroll system, meritocracy and performance-based promotion system, etc. However, for these formal rules to effect the desired changes, they must be balanced with a change in informal norms. For, as the Philippine Human Development Report 2008/2009 finds, “[t]here is a limit to the extent formal political rules can compensate for bad norms.” Changing informal norms may include appealing to the democratic values of people and involving them in LSD-related decision-making. This changing of social norm of involving and empowering the people (demand-side governance) to exact accountability for results will complement the efforts of service providers and political leaders (supply-side governance) to practice good governance in delivering public goods and services.

- *Strengthening LGU capabilities.* As frontline service providers, LGUs must have the needed capabilities for effective LSD. These include (i) better performance of functions assigned to them under the 1991 LGC; (ii) strengthening of local special bodies such as local school boards (LSBs), local health boards (LHBs), local development councils (LDCs), and local peace and order councils (LPOCs) as a way of empowering the communities to participate in decision-making, development planning, health budgeting, use of Special Education Fund (SEF), and others; (iii) practice of efficient resource management and sound fiscal policy and discipline; (iv) tapping of civil society and private sector involvement in LSD and development agendas; (v) better coordination among local governments and interface with the national government; (vi) harmonization of investments in MDG-related sectors; and (vii) practice of good governance.
- *Creating champions and ensuring local leadership and ownership of LSD agenda.* The argument of Triangulation Framework is that local leaders are key to an improved LSD. Hence, the need for an effective local leadership that owns up and champions the LSD agenda cannot be overemphasized. Effective local leadership, primarily by the local chief executives (LCEs), would mean the (i) institutionalization of the reform culture and effective change management; (ii) prioritization of human development concerns and the MDGs; (iii) an enlarged concept of public service delivery with a view to continuing improvement of LSD systems, policies, and practices; and (iv) practice of democratic governance to create enlarged spaces for participation by NGOs and the local communities themselves, with both acting as empowered beneficiaries and participants of the development process; (v) practice of efficient financial administration for improved MDG-related services by rationalizing the use of IRA and own-source revenues, and by tapping other sources such as grants, loans, and donations and harmonizing their effective use; and (vi) practice of good governance.¹⁴
- *Synergistic partnership for development.* Creating avenues for synergistic partnerships among development stakeholders and institutional actors ensure sustainable gains. The fact that there is no monopoly of public service demands that all stakeholders should contribute to ending poverty, delivering public goods and services, and exacting accountability for results.

¹³ These include, among others: “the enactment of a new Government Classification and Compensation System and Career Executive System (House Bill no. 3956 or Senate Bill No. 270), to re-establish professionalism and meritocracy in the civil service corps; a Budget Reform Act (SB 2996), Budget Impoundment Control and Regulation Act (SB 2995), and Intelligence and Oversight Act (SB 2700, to restore Congress’ power of the purse; and a Freedom of Information Act (HB 3732 or SB 109), to implement the constitutional guarantee of access by the people to information on matters of public concern” (Human Development Network 2009: xi, 1-55).

¹⁴ Professional competency-based education and training of LCEs and service managers or providers would greatly impact on local governance and LSD performance and therefore must be a continuing priority among LGUs. See, for example, Romero (2005).

- *Culture of professionalism and productivity.* Tapping on local bureaucrats, strengthening their competencies, and creating a culture of professional and productive managers for LSD able to ensure policy continuity for sustainable gains is a way to save on administrative costs, institutionalize effective public administration, and practice organization efficiency.¹⁵
- *Capitalizing on inter-LGU cooperation.* Inter-LGU cooperation, coordination and collaboration for service delivery with inter-jurisdictional dimensions would address collective action problem, economies of scale, institutionalize inter-LGU partnership, and ensure horizontal accountability among LGUs or institutional actors involved. An example of this is the Inter-local Health Zones for an integrative implementation of health reform strategies.
- *Making local special bodies work effectively.* The 1991 LGC provides for the creation of local special bodies (i.e., LSBs, LHBs, LDCs, and LPOCs) to help catalyze good local governance and effective delivery of services such as education, health, local development, and peace and order. If anecdotal evidence pointing to their ineffectiveness are anything to go by in measuring their performance, then these local special bodies have yet to function based on the objectives set in the LGC. An empirical study on local special bodies would probably lead to some positive results.
- *Strengthening civil society participation.* Governance framework entails real participation of civil society to complement the roles of government and the private sector in the pursuit of public interest. There is abundant anecdotal evidence showing their lack of efficacy on their normative mandate to represent the people. Important areas for further research could include: (i) impact assessment of the participation of CSOs such as NGOs and POs in local special bodies; (ii) impact assessment of local CSOs in contributing to the improvement of LSD per sector; (iii) a study on how CSOs can help establish the link between local officials' performance on service delivery and electoral winnability by raising the people's awareness of the performance of local officials (e.g., information dissemination on Annual Performance Report per LGU or key local government official), the reasonable public expectations to deliver public services (e.g., the minimum basic services provided), and the "best practices" from other LGUs that people should be aware of and from which their own LGUs can learn; and (iv) a study on "Model NGOs and POs"—based on national or international comparative assessment. Social Watch Philippines and CODE-NGO can lead in this reform initiative.

Financial

- *Rational linking of planning and budgeting.* Since any LSD-related program, project or activity entails costs, LGUs and/or service providers must be able to link planning with budgeting so that the budgetary requirements for planned PAPs would suffice and not diverted to other spending when development plans are bypassed due to political expediency or mere LGU compliance on Annual Investment Plan (AIP) requirement.
- *Rational spending of limited resources.* Compounding the problem of limited resources for development is the irrational spending of the same. The necessary requirement therefore for the strategic use of such limited public funds is to spend them on human development priorities, that is, on services and public goods mostly utilized by the poor. This can be done by allocating most of

¹⁵ Bureaucratic reforms require professional bureaucrats imbued with performance-enhancing norms and values and able to effect bureaucratic organizational change. For some policy reform directions and interventions, see papers on local government bureaucracy by Carlos (2006), Guillermo (2006), Sosmena (2006), Pilar (2006), and Romero (2006a).

the amount on education, health, and water, which yield high human development dividends. Allocating on these human priority concerns also guarantees sustainability since every centavo spent on them creates long-term positive development impact. Practicing operational efficiency by rationally utilizing funds on PAPs related to MDG-critical services would also ensure sustainability as scarce resources are maximized for greater gain mostly of the poor beneficiaries. Practicing both allocative and operational efficiency would also ensure better use of the people's taxes and maximize the benefit of investment from non-government and external sources.

- *Enhancing resource management and fiscal capacity.* There must be an end to business-as-usual predilection of LGUs and/or service providers in view of their IRA-dependency and lack of resourcefulness to raise other sources of income. To encourage LGUs to harness their corporate powers by relying on own-source revenues, the following policy and financial reforms are needed: (i) improvement in local revenue administration and financial management; (ii) aggressive and inclusive local economic development; (iii) efficient bureaucracy and public administration; (iv) reduction or eradication of corruption and wastage and practice of transparency and accountability in financing and implementing PAPs; (v) institutionalization of a Multi-Year Expenditure Framework, Organizational Performance Indicator Framework, and Cost Reduction Measures; and (vi) enhancement of the LGUs' absorptive fiscal capacity; and (vii) access to credit financing for development.
- *Local economic development.* In order for LGUs to meet up the challenge of improved local service delivery, creating economic opportunities, encouraging business development, and broadening space for entrepreneurial activities must be done. Local economic development may be anchored on rural non-farm economy for empowering local communities. National government agencies, LGUs, the business sector and civil society organizations work collectively to create facilitative and enabling conditions for local empowerment, human development, and people's well-being.

4.2.3 On Governance-Development Nexus

4.2.3.1 What is development?

Development is no development if it is not *about, for, and by* the people. The myopic understanding of development as mere economic development has been replaced with a broader conception that puts people at the heart of development.¹⁶ As Streeten (1995:22) defines it: "Human development is development of the people, for the people, and by the people: of the people means jobs and incomes; for the people means social services; and by the people means participation." Providing a broader conception of development, Zhang (2003:3) defines it as: "a multidimensional change that encompasses all aspects of social life. These include: economic development, which generates growth and its equitable distribution; social development, which generates well-being in terms of health, education, housing and employment; political development, which creates a system of government based on protection of human rights, political freedom and democracy; and cultural development, which leads to the emergence of a vibrant civil society as a means by which citizens freely express their self-identity and collective belonging."

For the World Bank, development takes on a multidimensional nature: "The challenge of development...is to improve the quality of life. Especially in the World's poor countries, a better quality of life generally calls for higher incomes – but it involves much more. It encompasses, as ends in themselves, better

¹⁶ For a very good discussion on the evolution of the concept and practice of development, see Cabalfin and Yap (2008) in relation to local governance, and Duncan and Pollard (2002) in relation to country poverty reduction strategy.

education, higher standards of health and nutrition, less poverty, a cleaner environment, more equality of opportunity, greater individual freedom, and a richer cultural life” (World Bank (1991: 4) quoted in Clark 2002:18). In 1990, under the influence of the ideas of the economic philosopher Amartya Sen, UNDP defined development as: “a process of enlarging people’s choices. The most crucial ones are to lead a long and healthy life, to be educated and to enjoy a decent standard of living” (UNDP 1990:10). In 2002, UNDP provides a more elaborate definition: “Human development is about people, about expanding their choices to lead lives they value. Economic growth, increased international trade and investment, technological advance –all are very important. But they are means, not ends. Whether they contribute to human development in the 21st century will depend on whether they expand people’s choices, whether they help create an environment for people to develop their full potential and lead productive, creative lives” (UNDP 2002:13). Following the United Nation’s concept of human development, the Philippines defines it as “ the process of enabling people to have wider choices. It means expanding those capabilities that enable them to live a full life as human beings. Its most important dimensions are a person’s physical survival, health, level of knowledge, livelihood or income, and political freedom. These are minimum basic needs that must be fulfilled” (Human Development Network 1994: xvi). And to arrest the development crisis caused by limiting definition, John Clark (1990) advances a further broad definition, to wit:

At its broadest, ‘development’ means quite simply ‘improving society.’ Since the society comprises no more than the people it is made up of, development therefore can mean ‘enabling people to achieve their aspirations.’ This may appear a rather tautological argument, but it has three virtues. Firstly, it indicates the fundamental necessity to build any development model on a foundation of democratic processes. How else can we judge what people’s aspirations are? Secondly, it reveals the need to make political choices – it goes without saying that it is impossible to satisfy all the ambitions of *all* the people all the time. Choices must be made by those who wield the power about which groups’ aspirations are to be prioritized. And thirdly, it speaks of ‘enabling’ rather than ‘providing’ – hinting that true development is done *by* people not *to* people, that development might be coordinated by the governments and official aid agencies in their provision of institutions, infrastructure, services, and support, but that is *achieved* by the people themselves (Clark 1990:22).

Hence, the development outcomes that could be achieved through an improved service delivery are both means and ends of enhancing human lives such as high-quality education and health outcomes.

4.2.3.2 What is governance?

The Worldwide Governance Project defines governance¹⁷ as “the traditions and institutions by which authority in a country is exercised, including the process by which governments are selected, monitored

¹⁷ Governance is defined in many ways. Rhodes (2000:55-63), for example, provides seven definitions of governance as “corporate governance, new public management, ‘good governance,’ international interdependence, socio-cybernetic system, new political economy, networks. Hirst (2000: 14-19) also provides five versions or areas of governance. In the field of economic development, governance is “a necessary component of effective economic modernization.” Good governance “means creating an effective political framework conducive for private economic action –stable regimes, the rule of law, efficient state administration adapted to the roles that governments can actually perform, and a strong civil society independent from the state. In the field of international institutions and regimes, governance means “without government” where “international agencies and interstate agreements and common commercial governmental practices (like arbitration)” lack accountability

and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them” (<http://www.govindicators.org>). Webster’s New Universal Unabridged Dictionary (1979) defines it as “the manner in which power is exercised in the management of a country’s economic and social resources for development”. For the World Bank (1991:i) (applying it on the country level), it is defined as “the management of a country’s economic and social resources for development.” For UNDP (1997:9), it is the “exercise of political, economic, and administrative authority to manage a nation’s affairs. It is the complex mechanisms, processes, relationships and institutions through which citizens and groups articulate their interests, exercise their rights and obligations and mediate their differences.” Further, ADB (2004:3) defines it as “the management of development process, involving both the public and the private sector.”

Inferring from the given definitions, governance is interlinked with development. In fact, as the Worldwide Governance Project reports: “improved governance raises development, and not the other way around” (Human Development Network 2009: 4).¹⁸ In other words, governance is important for development because it provides for the “functional and institutional prerequisite for development” (Leftwich 1995:427). Moreover, it is good governance that provides for mechanisms of attaining political, economic, and social development in that it includes: “an efficient public service; an independent judicial system and legal framework to enforce contracts; the accountable administration of public funds; an independent public auditor, responsible to a representative legislature; respect for the law and human rights at all levels of government; a pluralistic institutional structure, and a free press.”¹⁹ Not being state-centric²⁰ as it involves civil society and private sector in promoting development, it is viewed as: “among other things, participatory, transparent and accountable. It is also effective and equitable. And it promotes the rule of law. Good governance ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources” (UNDP 1997:3).

Further, this important linkage is evidenced by the instrumental (institutional) and intrinsic (democratic) value of governance to development.

and transparency in their global-level decisions. In this field, not only is the problem of ungovernability resulting from lack of global polity is highlighted but also “how world affairs are governed and how that governance is refracted in national states.” The third concept is corporate governance which is the “watchword of those who wish to improve the accountability and transparency of actions of management, but without fundamentally altering the basic structure of firms in which indifferent shareholders are the principal beneficiaries of the company, and management claims to make policy on their behalf, whilst not being subject to the constraint of active voice by investors or any other affected interest.” The fourth concept relates to the “growth of new public management strategies” where the relationship between citizens and welfare state is redefined and customers and service providers is reconceptualized as a result of privatization and deregulation of public services once to be provided by the state. Lastly, governance becomes social in character as it “relates to the new practices of coordinating activities through networks, partnerships and deliberative forums that have grown up on the ruins of the more centralized and hierarchical corporatist representation of the period up to the 1970s.”

¹⁸ A caveat is in order though, as Capuno (2007: 208) highlights: “the standard of governance may itself be endogenous to growth process; in other words, it is possible that the quality of governance is low precisely because the level of development is low.” An example would be an LGU which suffers from poor governance because its constituents suffer from low development –e.g. low educational attainment, dismal health conditions, and poverty situation – which makes it very unlikely for them to demand good governance and improved public goods and services.

¹⁹ See World Bank (1989:6, 15, 60-61) and Leftwich (1995: 427).

²⁰ See Carino (2003:66-67).

4.2.3.3 Institutional governance

Institutional governance refers to three things: (i) the effective functioning and balancing of institutions (formal rules and informal norms and their enforcement characteristics), (ii) the primacy of institutions as main drivers of improved LSD vis-à-vis policy and financial characteristics of Triangulation Framework, and (iii) the role of agency of institutional actors in bringing about institutional change vis-à-vis (i) and (ii), in capitalizing on effective leadership and political will for improving LSD systems and practices, and in realizing the interaction of decentralization (decentralization theorem and principle of subsidiarity)²¹ and governance principles (efficiency [allocative and operational], transparency, accountability, participation, and predictability/ rule of law) and values (rights, gender-responsiveness, equity, and sustainability) for effective LSD. The intervention from governance to institutions (unbroken arrow) to development outcomes (broken arrow) in Figure 4 points to the instrumentality of institutional governance to development. The broken arrow means that development hinges on the strategic and effective interventions from three characteristics of LSD – policy, institutions, and finance; in other words, the achievement of human development relies heavily on the triangulation-cum-interdependence of the policy, institutional, and financial characteristics.

4.2.3.4 Democratic governance

Democratic governance refers to the practice of governance as an important/intrinsic aspect of development per se in virtue of providing ample democratic space for people empowerment.²² Citing Sen (2001), Capuno (2007:208) opines that “political liberties and democratic rights may be considered *constituents components* of development.” Thus, the expression of political liberties and democratic rights via people’s participation in public decision-making points to the enlargement of human freedoms leading to enhancement of human lives. Governance, in this sense, becomes the institutions (rules and norms) based on democratic principles (equality, liberty, rights) and values (dignity, freedom, justice) that enable citizens to partake in the public affairs and decision-making that affect their lives such as how to improve LSD despite development constraints. This is encapsulated by UNDP’s reconceptualization of governance as “those institutions and processes through which government, civil society organizations, and the private sector interact with each other in shaping public affairs and through which citizens articulate their interests, mediate their differences, and exercise their political, economic, and social rights” (Cheema and Rondinelli 2007:6). It also builds on ADB’s understanding of governance as “the institutional environment in which citizens interact among themselves and with government agencies/officials” (ADB 2004:3). Thus, governance is valued in itself in empowering citizens to (i) practice voice and exit (or voting with their feet as it were), (ii) participate in public decision-making, and (iii) hold political leaders and/or service providers accountable for democratic processes and policy

²¹ Effective LSD should cohere with decentralization theorem: “Each public service should be provided by the jurisdiction having control over the minimum geographic area that would internalize the benefits and costs of such a provision” (Oates 1972: 35). It must also conform to the principle of subsidiarity where services are deemed to be delivered effectively by lower levels unless the higher levels make a better job.

²² World Bank provides an institutional definition of empowerment as “the expansion of assets and capabilities of poor people to participate in, negotiate, with, influence, control and hold accountable institutions that affect their lives” (World Bank, 2002: xviii, 14). Empowerment is, therefore, a product of the interaction between the agency of the individuals or groups and the opportunity structure. Opportunity structure of a society refers to the “broader institutional, social, and political context of formal and informal rules and norms within which actors pursue their interests” while agency refers to “the capacity of actors to take purposeful action, a function of both individual and collective assets and capabilities” (Narayan, 2005: 6).

outcomes. In other words, it makes people understand that public matters such as LSD lie within the purview of their rights and obligations. And when the poor and the marginalized are provided with democratic space to articulate their interests, exact accountability, and assert their rights, then governance becomes an intrinsic empowering aspect of development. The following insights further elaborate on the intrinsic importance of democratic governance.

This broader concept of governance viewed decision-making as not only the province of government but also the right and obligations of citizens as members of a free electorate mobilized through social organizations and the private sector. Democratic governance implied a mandate for governments to create or strengthen channels and mechanisms for public decisionmaking, to abide by the rule of law, to increase transparency in public procedures, and to hold official accountable. The case for democratic governance was based on two arguments: first, that it provides an institutional framework for participation by all citizens in economic and political processes; and second, that it promotes core, universal human rights and values as ends in themselves. Democratic governance implied that the state would ensure free and fair elections; appropriately decentralize power and resources to local communities; protect the independence of the judiciary and access to justice; maintain an effectively functioning civil service; ensure the separation of powers; safeguard access to information and the independence of the media; protect basic human rights, freedom of enterprise, and freedom of expression; and pursue sound economic policies (Cheema and Rondinelli 2007:6).

4.3 Elements/Principles of Good Governance

In laying the groundwork for effective LSD, it should be guided by the following key elements or principles of governance, as provided for in the Triangulation Framework.

Allocative efficiency refers to the way by which scarce resources are properly distributed or allocated where they are expected to produce the optimum desirable development impact. *Operational efficiency* is based on allocative efficiency, only that it refers to sound “operations” or modalities and not on allocations per se. Here, resources are maximally used without wastage, achieving the greatest outputs from minimum inputs.

Accountability refers to the answerability of institutional actors (e.g., public actors, service providers, decision-makers) for their public actions. It also means a democratic social compact between power-holders or duty-bearers and citizens or right-holders based on the fundamental democratic principle that public actors are obligated to be accountable to citizens, and the latter have the right to demand accountability. Put differently, it means that on the one hand, it is the *duty* of power-holders to be answerable for their policy actions that impact on people’s lives, and on the other hand, it refers to the people’s *right* to hold public office-holders answerable for their responsibilities. Accountability has three characteristics: upward, horizontal, and downward. Upward accountability refers to central supervision of local service delivery. Horizontal accountability refers to local oversight or monitoring among local institutional actors, such as by local politicians or local bureaucrats and sanggunians and local courts of LGUs. Downward accountability is about responding to local needs and the power of citizens to hold local leaders to account for their development promises and policy actions (World Bank 2005: 19). In other literature, accountability is further characterized as accountability *for whom* and *to whom*. Accountability *for whom* has to do with performance in LSD for the best interests of the people, especially the poor, while accountability *to whom* refers to the political obligations of elected officials to their constituents to deliver on their promises.

Transparency is about the availability and accessibility of accurate and timely information about PAPs on service provision to the local public. It may also be about unambiguous specification of implementing rules and regulations of LSD policies. Further, transparency empowers the local public by giving them the power to hold local service providers accountable for such concerns as procurement, for example. In the process, transparency lessens corruption.

Participation highlights the fact that people are at the heart of development and, therefore, are important partners/agents of development than mere beneficiaries. Participation is correlative to empowerment and accountability in the sense that local constituents have the power to participate in designing, implementing, and assessing PAPs for effective LSD and can take service providers and politicians to account for their policies, programs, and projects.

Predictability means that LSD is governed by policy consistency, clear guidelines and regulatory frameworks, and strict implementation of laws, regulations, and policies, and not by adhocism or by the whims of the powers that be.

4.4 Primacy of Institutions

Underlying the normative argument that the Triangulation Framework makes is the claim that institutions and the institutional actors are the key driving forces for effective LSD. Together, institutions and institutional actors could therefore effect institutional change as a fundamental prerequisite for practicing effective LSD.²³

4.4.1 What are institutions?

Institutions are distinguished from policies. Following Quibria (2002), Hasan, Mitra, and Ulubasoglu (2006:3-6), distinguish the two in this manner, “institutions encompass the formal and informal rules and customs within which individuals and firms operate; policies, on the other hand, refer to various strategies and measures a government adopts to achieve its goals and objectives within a country’s institutional framework.” North (1990:3) defines institutions as “the rules of the game in a society, or more formally, are the humanly devised constraints that shape human interaction.” Schotter (1981), Greif (2006), and Aoki (2007) define institution to be the “equilibrium outcome of a game.” Aoki (2001) defines it as “a shared, self-sustainable, summary expectation held by agents of the way in which a game is repeatedly played in a certain domain” (Paraphrased by Kingston and Caballero 2008). Greif (2006:23) forwards an expansive definition: “An institution is a system of rules, beliefs, norms and organizations that together generate a regularity of (social) behavior.” The common element underlying these different definitions is that institutions are necessitated in order to resolve the problem of uncertainty and collective action problem. Owing to the “ubiquitous drive to make their environment predictable”, individuals, North (2005:14) believes, have no choice but to construct institutions as human constraints

²³ There are different theories of institutional change. Institutional change can be viewed as (1) a centralized collective-choice process where institutional change is a result of deliberate rule-creation and rule-following; (2) as a product of evolution where “new rules (mutations), whether randomly or deliberately generated, undergo some kind of decentralized selection process, as a consequence of which some (successful) institutions spread through population, while other (unsuccessful) institutions die out” (Kingston and Caballero 2008); (3) as an equilibrium outcome where institutional change results from a disequilibrium – a process when existing patterns of behavior no longer constitute an equilibrium; also, is an equilibrium outcome when institutional change “becomes fundamentally not about changing rules, but about changing expectations” (Kingston and Caballero 2008), or simply, a shift from “rules governing behavior to behavior itself” (Kingston and Caballero 2008); and (4) as functional adjustment where institutional change results from not being able to fulfil the function for which the institution was established, for example, in achieving efficiency and influencing distribution outcomes

and incentive structure for collective purposes. Such common element also underlies the different classical sources²⁴ of new institutionalist paradigm that North espouses.

Institutions, following the classification of Jutting (2003:11-14), are classified according to (1) degree of formality, different levels of hierarchy, and area of analysis. In terms of *degree of formality*, institutions, according to North, Mantzavinos, and Shariq (2003:7), “consist of formal rules (constitutions, statute and common law, and regulations), informal rules (conventions, moral rules, and social norms), and the enforcement characteristics of each. Because they make up the incentive structure of a society, they define the way the game is played through time.” Roland differentiates between fast-moving institutions (formal) and slow-moving (informal)²⁵ institutions. While fast-moving institutions such as political and legal institutions change abruptly and deliberately because change is discontinuous and centralized via political process, slow-moving institutions such as culture change slowly because change is continuous, incremental, evolutionary, and decentralized. In Roland’s (2004) words: “I distinguish between *slow-moving* and *fast-moving* institutions. The former generally change slowly, incrementally and continuously, whereas the latter are more given to rapid, discontinuous change in large steps.” It is the interaction between slow-moving and fast-moving institutions, according to Roland, that makes possible institutional change. “I propose to view institutional change as the interaction between slow-moving institutions, culture in particular, and fast-moving institutions such as political and legal institutions. It is this interaction that drives institutional change, and it is the interaction between institutional change and technology that drives economic growth (Roland 2004).”

In terms of *different levels of hierarchy* of institutions, Williamson (595-613) categorizes them into four levels: Level 1 institutions pertain to their social embeddedness; Level 2 institutions relate to the rules of the games; Level 3 institutions relate to governance; Level 4 institutions pertain to specifying the prices and quantities in individual contracts as well as determining the resource allocation mechanism. The long-run feedback from lower to higher levels is recognized, albeit consciously ignored (Williamson: 596). Further, the New Institutional Economics operates at two levels: level 2 and level 3 because level 1 is said to be “an important but underdeveloped part of the story” (Williamson: 610); thus, contra North, treating

²⁴ The new institutionalist paradigm takes its roots from classical to modern thinkers such as Weber, Marx, Polanyi, Parsons, and Coase to name just a few. Weber (1922, 1968), in *Economy and Society*, pioneered the concept of context-bound rationality that has influenced the bounded rationality of new institutionalist paradigm. Marx, in *Capital*, foreshadowed the “concept of transaction cost in exploring the tension in the relationship between production and the forces of production.” Aside from his influence in economic history, Marx’s contribution extends on his “analyses that focus on societal governance structures in which the state plays a decisive role in establishing the pattern of property rights.” The ideas of Karl Polanyi (1944, 1957) on embeddedness and the decisive role of the state in constructing the ‘unregulated market’ – the “satanic mill ravaging the social and cultural fabric of society” – have influenced the new institutionalist approach, especially the latter’s emphasis on context-bound rationality. Parsons (1934), in his “Prolegomena to a Theory of Social Institution”, foreshadowed the central themes of new institutionalist paradigm, specifically, the idea of choice within institutional constraints, his view that institutions give rise to socially structured interests and to an organized system of incentives. Ronald Coase (1960), in essays “Nature of the Firm” and “The Problem of Social Cost”, laid down the argument for bringing institutions back in economics, specifically via his discovery of transaction costs and emphasis on the state and the firm as the key institutions, or third party enforces.

²⁵ Kingston and Caballero distinguish three types of informal rules: “First, the term ‘informal’ is sometimes simply used to indicate that the rules are not written down or are not enforced by the state...Second, the term ‘informal rules’ is sometimes used to refer to ethical codes or moral ‘norms’ which are internalized and directly reflected in players’ preferences...there is an important third category of ‘informal rules’, which are not deliberately designed, but are nevertheless followed because deviating from the rule is not individually rational if others follow it. Examples include ‘social norms’ ...and ‘conventions’” Kingston and Caballero (2008: 9).

informal rules as exogenous. Jutting, following Williamson, presents these levels in the following modality (Table 6):

Table 6. Different Levels of Hierarchy

Level	Examples	Frequency of Change	Effect
Institutions related to the social structure of the society (level 1)	Mainly informal institutions such as traditions, social norms, customs Endogenous	Very long horizon (10 ² power and 10 ³ power) but may change also in times of shocks/crisis	Defines a way a society conducts itself
Institutions related to rules of the game (level 2)	Mainly formal rules defining property rights and judiciary system Exogenous or endogenous	Long horizon (10 to 100 years)	Defines the overall institutional environment)
Institutions related to the play of the game (level 3)	Rules defining the governance private structure of a country and contractual relationships, e.g. business contracts, ordering Endogenous	Mid-term horizon (1 to 10 years)	Leads the building of organizations
Institutions related to allocation mechanisms (level 4)	Rules related to resource allocation, e.g. capital flow controls; trade flow regimes, social security systems Endogenous	Short-term horizon and continuous	Adjustment to prices and outputs, incentive alignments

Source: J.Jutting, based on Williamson (2000).

Institutions are also classified according to *areas of analysis*. Jutting's classification is divided into four: (1) economic institutions, (2) political institutions, (3), legal institutions, and (4) social institutions. "Under economic institutions, authors usually place rules that define the production, allocation and distribution process of goods and services, including markets (Bowles, 1998). Studies of political institutions usually employ variables that provide details about elections, election rules, type of political system, party composition of the opposition and the government, measures of checks and balances and political stability (Beck *et al.*, 2002). Studies related to law and institutions refer to the type of legal system, the definition and enforcement of property rights and legal origin. Finally, studies on social institutions usually cover rules that have to do with access to health and education and social security arrangements, have an impact on gender balance and govern more generally the relationship between economic actors" (Jutting 2003:13-4).

In terms of LSD, formal institutions include but are not limited to: Those mandates of the 1991 LGC, particularly Section 17 dealing with the "Basic Functions and Services" of each tier of local government; the provisions in the 1987 Philippine Constitution dealing with local governance; different executive and administrative degrees issued by the Office of the President of the Philippines and through its departments (e.g. Department of Interior and Local Government, Department of Budget and

Management, Department of Finance) and agencies (e.g. Commission on Audit and National Economic and Development Authority); different laws applicable to LGUs, central-local relations, intergovernmental fiscal system; rules and regulations dealing with financial relations and development assistance between international donors, multinational corporations, and LGUs. Informal institutions may include patronage-driven LSD especially in rural localities, where local leaders or service providers are viewed as patrons providing public goods and services as patronage; adhocracy in local planning, budgeting, and implementing of PAPs, rather than local development processes benefiting from rational planning and consultative people's assemblies; local government versus local governance, where the former monopolizes the provision of public goods and services instead of capitalizing on the strength of the latter, i.e., synergy of different actors such as CSOs and private entities working together for public interest; elite capture, where local political and economic elites are the dominant power-holders controlling political, economic and social institutions, and make LSD a matter of perpetuation of their selfish interests defined as power and wealth, if not as spoils given to the powerless masses; traditional politics that creates no space for democratic governance, thus leaving the people disempowered in public affairs and decision-making such as LSD; and complacency, dependency, indolence, lack of political will, innovation, and imagination among local leaders, bureaucrats and public administrators, as well as the people's lack of "capacity to aspire"²⁶ - that is, the capacity to aspire for alternative futures fit for human flourishing, or having of human capabilities and functionings.²⁷

4.4.2 The institutional actors

The primacy of institutions has to do also with the institutional actors. For North, these are the agents of institutional change, or to be exact are the political and economic entrepreneurs of organizations. The difference between institutions and their actors correlates with the useful distinction North makes between institutions and organizations. Institutions, according to him, are the "rules of the game", while organizations are the players.²⁸ Organizations consist of "groups of individuals bound by common purpose to achieve objectives. They include political bodies (political parties, the senate, a city council, a regulatory agency); economic bodies (firms, trade unions, family farms, cooperatives); social bodies (churches, clubs, athletic associations); and educational bodies (schools, colleges, vocational training centers)" (North n.d. <http://www.econ.iastate.edu/tesfatsi/NewInstE.North.pdf>).

²⁶ Developed by Appadurai (2004), "capacity to aspire" refers to "navigational" capacity and a cultural feature of groups as a product of their relations. As a future-oriented concept it connotes the "culturally formed capacity of poor groups to envision alternatives and aspire to different futures." (Petesch, Smulovitz, and Walton, 2005: 40-1). However cultural "the capacity to aspire" is, which may take a long time to process and internalize, the individual can be imbued with such capacity since it is a capacity to aspire for a better life.

²⁷ These informal institutions may be taken as the bad social norms that have evolved as incentive-compatible arrangements for local communities. The idea is to highlight the negative impacts of such informal norms or constraints, and the imperative to correct them by appealing to people's values and principles in order to effect institutional change.

²⁸ Haggard (1999:30) provides another useful distinction between institutions and organizations: "Institutions refer to formal and informal rules and enforcement mechanisms that influence the behavior of organizations and individuals in society. They include constitutions, laws and regulations, and contracts, as well as trust, informal rules and social norms. Organizations are collective social actors, usually characterized by hierarchical patterns of internal authority, that pursue common interests. Organizations operating in the public sphere include government bureaucracies, legislatures, political parties, unions, interest groups, NGOs, and even firms in their political capacities."

North's (1994) theory of institutional change can be understood in terms of (1) agents, (2) sources, (3) process, and (4) directions. The *agents of change* are the political and economic entrepreneurs, or those whose power and authority make them decision-makers in organizations, and whose subjective perceptions (mental models) predispose them to change existing institutional framework or make choices within or beyond institutional constraints. The *sources of change* are the opportunities perceived by the political and economic entrepreneurs that arise either from external changes in the environment or the acquisition of collective learning (knowledge and skills) undergirding the mental constructs of agents. The *process of change* is incremental. "The reason is that the economies of scope, the complementarities, and the network externalities that arise from a given institutional matrix of formal rules, informal constraints, and enforcement characteristics will typically bias costs and benefits in favor of choices consistent with the existing framework" (North 1994). The *direction of change* is determined by path dependence in that present and future institutional frameworks will be influenced (not in a deterministic and reductionist sense) by past institutions. The perpetuation of institutional matrix will be dependent on the entrepreneurs whose interests are protected in the organizations that owe their existence to such an institutional structure. In a nutshell, institutional change, therefore, results from a change in the belief systems (mental models) via collective learning primarily based on cultural heritage of political and economic entrepreneurs as they perceive new opportunities or respond to threats affecting their interests. More generally, institutional change results from change in formal rules, informal constraints, and their enforcement. North encapsulates such institutional change vis-à-vis his idea of institutional framework²⁹ consisting of three broad institutional structures and their relationship to each other, and the manner by which they change in view of internal and external constraints and opportunities.

The institutional framework consists of the political structure that specifies the way we develop and aggregate political choices, the property rights structure that defines the formal economic incentives, and the social structure – norms and conventions that defines the information incentives in the economy. The institutional structure reflects the accumulated beliefs of the society over time, and change in the institutional framework is usually an incremental process reflecting the constraints that the past imposes on the present and the future. All this – and more – makes up the structure that humans erect to deal with the human landscape (North 2005).

In terms of LSD, institutions are equated with the actors that breathe life into them. The idea is that institutions serve the very purpose for which they are created when the actors—say bureaucrats, public administrators, LCEs and other local officials, national political appointees and elected officials, civil society, and the private sector—make them work for the common good, or in the case of service delivery, for better and quality services to their public clientele. Institutions, then, taken in their *agential* characteristic, that is, through their actors than simply in their *structural* characteristics, become nothing but the actors that make them work. The sustainability of good practices, reforms, and normative trajectories, for example, will greatly hinge on the actors' agency (e.g., ingenuity, leadership, political will, coordination, and synergy) to institutionalize them beyond their administration, regime, or stay in office.

The primordial import of institutional actors then serves as the value added of the Triangulation Framework. There are at least three reasons why this is the case, namely: (i) local institutional actors, such as LGUs, are at the forefront of service provision; (ii) despite financial constraints and policy gaps, local institutional actors can deliver out of innovative practices; and (iii) local institutional agency entails empowerment and accountability of different actors—civil society, LGUs, private sector—that can be galvanized and held accountable in light of the common purpose of providing local public goods in the most efficient, equitable, and sustainable manner.

²⁹ "For Weber, the institutional framework encompassed customs, conventions, social norms, religious and cultural beliefs, households, kinship, ethnic boundaries, organizations, community, class, status groups, markets, law, and the state." For Parsons, institutional framework is understood as "an organized system of cultural beliefs – norms – common to most individuals composing society." See Nee (1998: 6-7)

These reasons need further explanation. First, as enshrined in Article X of the 1987 Philippine Constitution and the 1991 LGC, local institutional actors, mainly LGUs, are the key players in delivering local public goods such as health, education, and water. National actors such as government departments and agencies, Congress, as well as international donors (UNICEF, USAID, World Bank, and ADB, among others), may be partners for effective service delivery, but the main actors responsible for the service delivery are the local institutional actors, which are presumed to know best the local solutions to local problems. Second, and most important, when there are policy gaps and limited budget, or when incentives from the national level are wanting, the more the local institutional actors need to experiment, innovate, and create opportunities such as resource generation and rational spending for effective LSD. Local autonomy would be more meaningful if it is made to assume responsibilities from which the top leadership had reneged. Third, the collective agency of different institutional actors at the local level—LCEs, legislative bodies such as *sanggunians*, local health and school boards, CBOs, FBOs, NGOs, and the private sector—can be harnessed as an empowerment tool for LSD and a performance-based accountability mechanism of local constituents.

Conclusion

It has been almost two decades since the enactment of 1991 LGC, yet decentralization has yet to work for the people. Its promise of better and improved LSD has yet to deliver and impact on the well-being of the general public, especially the poor. Though it is understandable that decentralization cannot bring results overnight, as there are certain preconditions that take time to take roots and that it is a developmental work-in-progress, its process can be made to work while incrementally evolving towards possible full fruition. Drawing on the strengths of Triangulation Framework, with its emphasis on the strategic interventions via the interdependent policy, institutional, and financial components is one way on how to make decentralization work as the overarching policy framework of LSD.

What should also be underscored is the importance of institutional change both for national and local development. Thus, the primacy of institutions as argued in this paper is premised on such importance, serving as causal logic for improving LSD. And though institutional change may not be revolutionary as would be required for high development impact, as long incremental change is worked for by all stakeholders, then that would suffice for the meantime, especially for the case of the Philippines where its informal institutions constrain the effective functioning and enforcement of its formal institutions. The key role of institutional actors in effecting positive institutional change despite informal constraints must thus be emphasized.

Further, the development constraints that central and local governments are usually faced with should not be made as justifications-cum-alibis for not doing anything to improve the lot of the people, but as challenges to overcome and opportunities to seize for reforms. For the simple but reasonable allocation of scarce resources, say textbooks, vaccines, water pumps to those most in need, already amounts to fulfilling one's political duty. Also, mere consultation of the people through general assemblies for public decision-making is already tantamount to doing them great service as development partners for their own human development. Further, working with CSOs, private sector, international donors, other LGUs and local communities in pursuit of public interest is already a measure of good governance. Lastly, generating more revenues for LSD through improved revaluation of tax rates and tax collection efficiency is an example of an effective revenue mobilization or local fiscal reform. In other words, as long as turning constraints into opportunities is set as the goal, then asking how to go about doing and improving LSD would be the next logical step. In light of the discussions of this paper, the Triangulation Framework does exactly that, i.e., provides a tool for analysis on how to go about doing and improving LSD, with particular focus on the primacy of institutions. And, as one of its main arguments, the institutional actors can make a difference in improving LSD without the binding constraints frustrating their development efforts and initiatives as long as there is political will, real commitment, and collaborative efforts guided by normative ideals and governance principles.

Table 1. LGU revenues and expenditures relative to general government revenues and expenditures

	Ratio of LGU Revenues to General Government Revenues (%)	Ratio of LGU Expenditure to General Government Expenditure Net of debt Service (%)
1985	5.93	12.17
1987	4.52	10.67
1989	4.85	11.20
1991	4.55	12.74
1993	6.36	20.20
1995	5.89	22.38
1997	6.53	22.04
1999	7.30	23.55
2001	7.24	26.33
2003	8.10	26.96
2005	7.60	25.76
Average		
1985-1991	4.86	11.00
1992-2005	7.09	21.23

Source: Manasan 2007a

Table 2. Ratio of Local Government Expenditures to GNP, 1998-2003 (%)

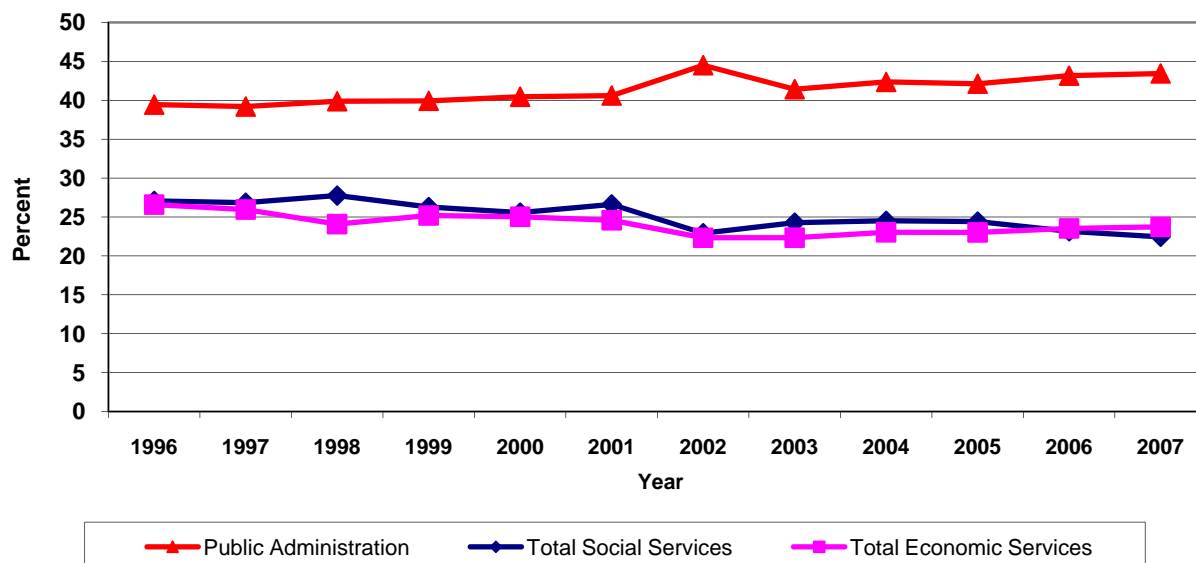
LGU Class	1991 Benchmark	1998	1999	2000	2001	2002	2003
ALL LGUs							
Total	2.35	3.65	3.67	3.84	3.75	3.42	3.43
Total economic services	0.77	0.88	0.92	0.96	0.92	0.76	0.77
<i>of which:</i>							
Agriculture	0.11	0.13	0.11	0.11	0.11	0.10	0.09
Transport & communications	0.53	0.47	0.51	0.53	0.48	0.37	0.38
Total social services	0.65	1.01	0.96	0.98	1.00	0.78	0.84
<i>Of which:</i>							
Education	0.07	0.31	0.27	0.28	0.28	0.18	0.22
Health	0.38	0.46	0.45	0.44	0.43	0.38	0.38
General Public Services	0.85	1.46	1.46	1.55	1.52	1.53	1.41
Other	0.07	0.22	0.24	0.26	0.22	0.26	0.32
Debt Service	0.01	0.08	0.08	0.08	0.08	0.09	0.10
ALL PROVINCES							
Total	0.77	0.87	0.85	0.92	0.91	0.80	0.81
Total economic services	0.27	0.24	0.25	0.26	0.26	0.20	0.21
<i>of which:</i>							
Agriculture	0.04	0.04	0.04	0.04	0.04	0.03	0.03
Transport & communications	0.21	0.13	0.13	0.14	0.13	0.10	0.11
Total social services	0.28	0.29	0.28	0.29	0.28	0.22	0.23
<i>Of which:</i>							
Education	0.01	0.05	0.04	0.06	0.05	0.03	0.04
Health	0.20	0.20	0.20	0.19	0.18	0.16	0.16
General Public Services	0.19	0.27	0.27	0.30	0.30	0.28	0.28
Other	0.02	0.04	0.04	0.06	0.06	0.08	0.06
Debt Service	0.00	0.02	0.02	0.01	0.02	0.01	0.02

Table 2 (continued)

LGU Class	1991 Benchmark	1998	1999	2000	2001	2002	2003
ALL MUNICIPALITIES							
Total	0.98	1.28	1.32	1.37	1.30	1.25	1.18
Total economic services	0.28	0.27	0.28	0.30	0.28	0.25	0.24
<i>of which:</i>							
Agriculture	0.05	0.06	0.06	0.06	0.05	0.05	0.04
Transport & communications	0.16	0.11	0.11	0.12	0.11	0.09	0.08
Total social services	0.23	0.28	0.28	0.29	0.27	0.23	0.22
<i>Of which:</i>							
Education	0.03	0.06	0.05	0.06	0.05	0.04	0.05
Health	0.13	0.14	0.13	0.13	0.12	0.12	0.10
General Public Services	0.44	0.67	0.69	0.71	0.68	0.68	0.61
Other	0.03	0.05	0.05	0.07	0.06	0.08	0.10
Debt Service	0.00	0.02	0.02	0.02	0.02	0.01	0.01
ALL CITIES							
Total	0.60	1.50	1.50	1.54	1.54	1.37	1.44
Total economic services	0.21	0.37	0.40	0.40	0.39	0.30	0.31
<i>of which:</i>							
Agriculture	0.01	0.03	0.02	0.02	0.02	0.02	0.02
Transport & communications	0.15	0.23	0.27	0.27	0.25	0.18	0.18
Total social services	0.14	0.44	0.41	0.40	0.45	0.33	0.38
<i>Of which:</i>							
Education	0.03	0.20	0.17	0.17	0.18	0.11	0.13
Health	0.06	0.12	0.12	0.12	0.12	0.09	0.11
General Public Services	0.22	0.51	0.50	0.55	0.54	0.57	0.53
Other	0.02	0.13	0.15	0.14	0.11	0.10	0.16
Debt Service	0.01	0.04	0.05	0.05	0.05	0.06	0.06

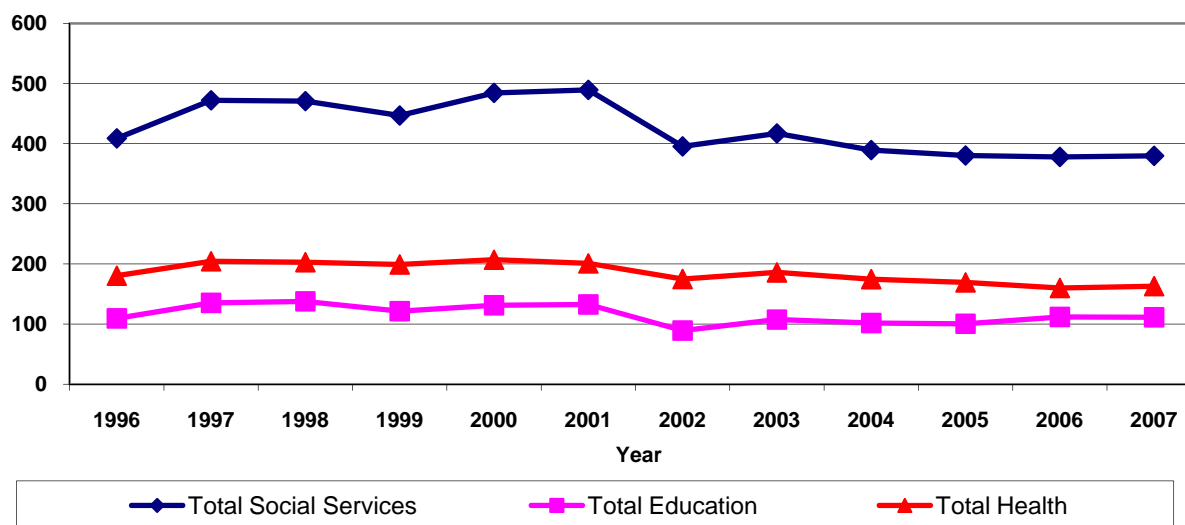
Source: Manasan's (2007b) estimates based on Commission on Audit, *Annual Financial Report of Local Government Units*, various years.

Figure 1. Sectoral Distribution of LGU Expenditures, 1996-2007

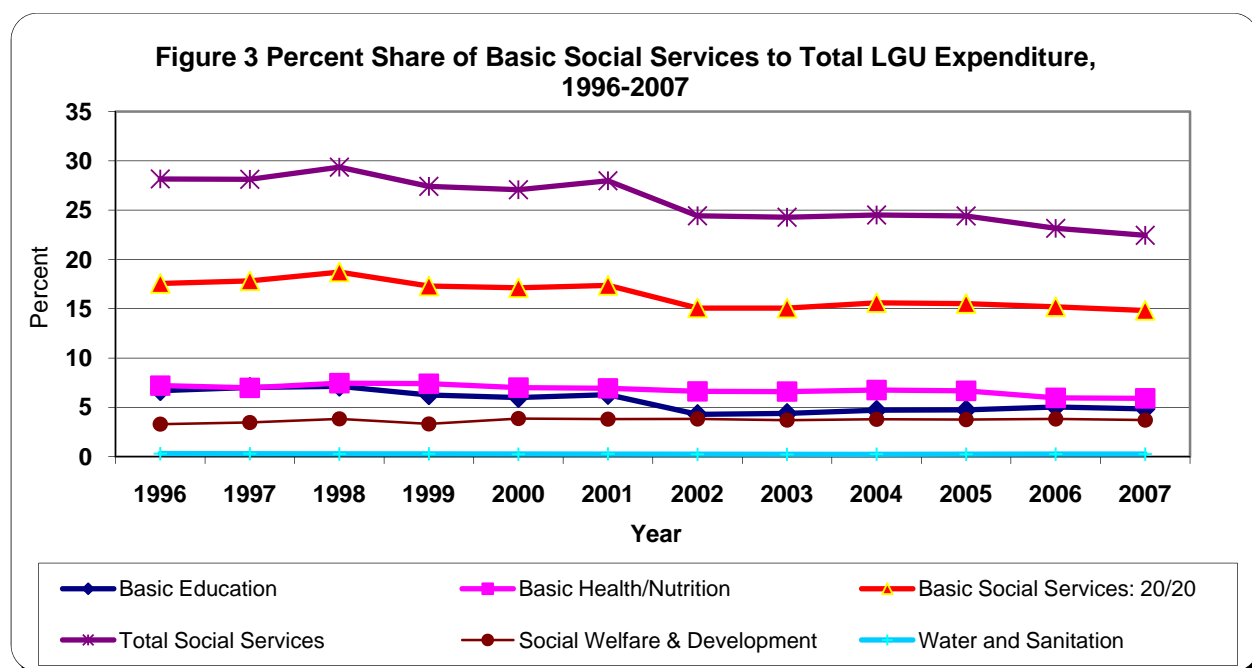


Source: PIDS-UNICEF 2009. *Improving Local Service Delivery for the MDGs: The Case of the Philippines*

**Figure 2. Real per capita LGU spending, 1996-2007
(in 2000 prices)**



Source: PIDS-UNICEF 2009. *Improving Local Service Delivery for the MDGs: The Case of the Philippines*



Source: PIDS-UNICEF 2009. *Improving Local Service Delivery for the MDGs: The Case of the Philippines*

Table 3. Real Per Capita Expenditures in Basic Social Services of LGUs (in 2000 pesos)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Basic Education	97	118	114	102	107	110	70	75	75	74	82	82
Basic Health/Nutrition	105	117	120	121	126	121	107	114	107	104	97	100
Social Welfare & Development	48	58	61	54	69	67	62	64	60	59	62	63
Water and Sanitation	4	5	4	5	4	5	4	4	4	4	4	4
Pro-poor housing	1	1	1	1	1	1	2	3	2	2	2	2
Basic Social Services: 20/20	255	299	300	282	307	305	244	259	248	242	248	251
Memo Item:												
Total Education	109	135	138	121	132	133	89	108	102	101	112	111
Total Health and Nutrition	180	204	203	199	208	201	175	186	175	169	160	163
Total Social Services	409	472	471	447	486	491	396	418	390	381	378	380

Source: PIDS-UNICEF 2009. *Improving Local Service Delivery for the MDGs: The Case of the Philippines*

Table 4: Annual Average Growth Rate of Real Per Capita GDP, 1950-2006 (in %)

Annual Average Growth Rate of Real Per Capita GDP								
Period	Hongkong, China	Indonesia	Korea	Malaysia	Philippines	Singapore	Taipei, China	Thailand
1951-1960	9.2	4.0	5.1	3.6	3.3	5.4	7.6	5.7
1961-1970	7.1	2.0	5.8	3.4	1.8	7.4	9.6	4.8
1971-1980	6.8	5.3	5.4	5.3	3.1	7.1	9.3	4.3
1981-1990	5.4	4.3	7.7	3.2	-0.6	5	8.2	6.3
1991-2000	3.0	2.9	5.2	4.6	0.9	4.7	5.5	2.4
2001-2006	4.0	3.3	4.2	2.7	2.7	3.2	3.4	4.0
Average growth rate for 56 years	5.9	3.6	5.6	3.8	1.9	5.5	7.3	4.6

Source: Asian Development Bank, 2007

Table 5. Poverty and inequality figures, Southeast Asian countries, 1980s, 1990s and 2000s.

	1980s	1990s	2000s
<i>Proportion of population living on less than \$1 a day</i>			
Indonesia	28.2	17.4	7.5
Malaysia	2.0	1.0	0.2
Philippines	22.8	18.4	15.5
Thailand	21.6	2.2	1.9
Vietnam	----	3.8	2.2
<i>Gini Ratio</i>			
Indonesia	33.1	36.5	34.3
Malaysia	48.6	48.5	49.2
Philippines	41.0	42.9	46.1
Thailand	45.2	43.4	42.0
Vietnam	----	34.9 ^a	37.1 ^b

^a Refers to 1995 based on ADB statistics^b Refers to 2004 based on ADB statistics

Source: Hill and Piza, 2007

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